

8. Soft Drinks

This chapter defines soft drinks according to the H.S. code of the Tariff Schedule (Fig. 8-1), covering imports as well as articles of taste (such as coffee and black tea), carbonated drinks, and other soft drinks distributed at room temperature that are distributed in Japan. Milk and other dairy beverages are not discussed in this chapter.

Fig. 8-1: Scope of coverage for soft drink beverages in this chapter

Category	Description	H.S. code
Fruit juice beverages	Orange juices	2009.11,12,19
	Grapefruit juice (including pomelo)	2009.21,29
	Juice of any other single citrus fruit	2009.31,39
	Pineapple juice	2009.41,49
	Tomato juice	2009.50
	Grape juice (including grape must)	2009.61,69
	Apple juice	2009.71,79
	Juice of any other single fruit or vegetable	2009.80
	Mixtures of juices	2009.90
Mineral waters	Mineral waters and aerated waters	2201.10
Other	Other soft drinks	2202.90

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

1. Relevant Laws and Institutional Regulations

(1) Regulations and Procedural Requirements for Importing to Japan

Importing of soft drinks is regulated primarily by the following laws: 1) the Food Sanitation Act and 2) the Customs Act.

<Food Sanitation Act>

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

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

As of 2011, there is no soft drinks that is subject to compulsory testing by order of the Health Minister (all-lot inspection that importers are ordered by the Health Minister to perform for food items that have a high potential to be in violation of the Food Sanitation Act). However, based on product recall information in France, measures have been taken to return products to the shipper when a notification of import was filed over concerns of mold contamination for mineral water produced in France. Past cases in which destruction or returning to the shipper were ordered include grape juice produced in Australia that was found to contain sulfur dioxide at a level above the approved limit in a voluntary inspection.

<Customs Act>

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

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

There is no specific law applicable to the sales of soft drinks. Regulations relevant to sales are summarized below.

<Food Sanitation Act>

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

<Pharmaceutical Affairs Act>

To prevent nutrition-supplement drinks as quasi drugs (which are subject to the Pharmaceutical Affairs Act and have effects or efficacy that are milder than those of pharmaceutical products; not subject to food standards) and soft drinks as a food product from being confused, it is prohibited under the Pharmaceutical Affairs Act to label or advertise soft drinks in a manner that misleadingly promotes them as having an effect or efficacy of a quasi drug.

<Product Liability Act>

As a processed product, soft drinks are included in items subject to the Product Liability Act, and care should be taken with regard to safety management of relevant contents, containers, and packaging in relation to issues such as food poisoning.

The Product Liability Act stipulates liability of manufacturers, etc. for damages to consumers in association with product defects, and importers are included in the category of manufacturers, etc. This is based on a policy to make importers liable for damages because it is difficult for victimized consumers to hold overseas manufacturers liable for damages. Claims for compensation against overseas manufacturers are considered as a matter for the importer to make; this Act does not provide provisions on obligations.

<Act on Specified Commercial Transactions>

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

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

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

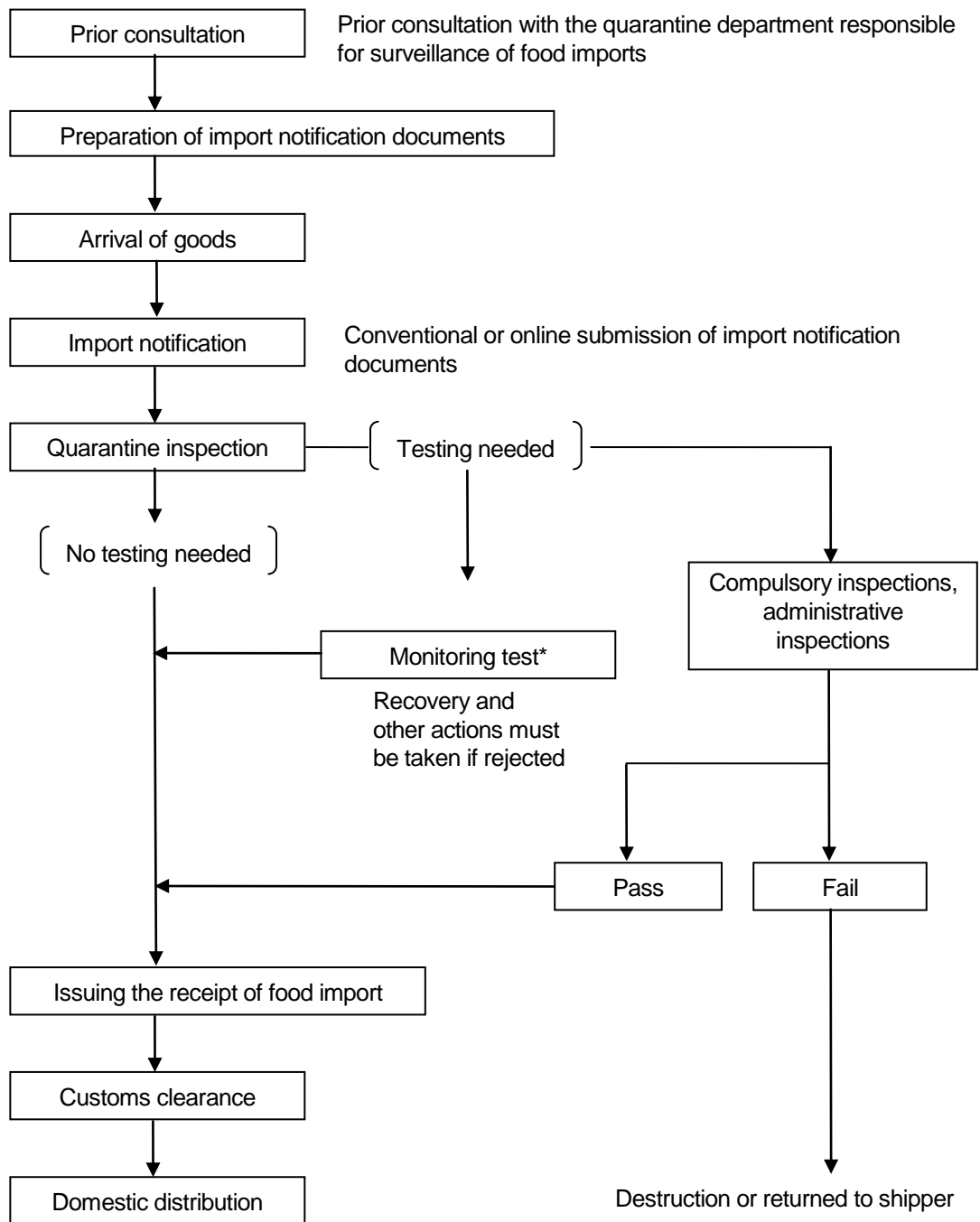
2. Procedures**(1) Procedures for Authorization of Importing and Sales****<Food Sanitation Inspection>**

Under the Food Sanitation Act, the required documents must be submitted (Fig. 8-3) when filing an application for inspection with the imported food monitoring departments of Quarantine Stations, Ministry of Health, Labour and Welfare. Inspection is conducted where it has been decided necessary to check the standards and criteria or safety issues at the initial review stage. If, as a result of the initial review and inspection, no issue has been detected under the Act, the registration certificate is returned, which the applicant shall submit, along with customs documents, upon filing an application for import with Customs. In the event that it has been ruled unfit for importing, measures such as destruction or return to the shipper are taken (Fig. 8-2).

<Customs>

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

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

Fig. 8-2: Flowchart of import procedure

Source: Ministry of Health, Labour and Welfare

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

(2) Required Documents

Documents required for importing are summarized below in Fig. 8-3 according to the authorities to which each document is submitted.

Fig. 8-3: Documents required for import clearance

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

Source: Ministry of Health, Labour and Welfare, Ministry of Finance

3. Competent Authorities**Fig. 8-4: Contacts of competent authorities**

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

Fig. 8-4: Contacts of competent authorities (continued)

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

Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
Office for Recycling Promotion, Waste Management and Recycling Department, Ministry of the Environment	TEL: +81-3-3581-3351 http://www.env.go.jp
Food Industry Policy Division, General Food Policy Bureau, Ministry of Agriculture, Forestry and Fisheries	TEL: +81-3-3502-8111 http://www.maff.go.jp

Unfair Competition Prevention Act / Trademark Act

Intellectual Property Policy Office, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 http://www.meti.go.jp
General Affairs Division, Japan Patent Office, Ministry of Economy, Trade and Industry	TEL: +81-3-3581-1101 http://www.jpo.go.jp

II. Labeling

1. Labeling under Legal Regulations

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

When importing and selling soft drinks, the importer must provide the following information on labels in accordance with the quality labeling standards for processed foods of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and similar requirements for processed foods packed in containers under the Food Sanitation Act: 1) product name, 2) ingredients, 3) content, 4) expiration date, 5) storage method, 6) country of origin, and 7) name and address of importer.

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act prescribes detailed quality labeling standards for soft drinks (Fig. 8-5). Although these standards are not described here, when importing the concerned soft drinks, appropriate quality labeling must be carried out based on correct understanding of the corresponding standards when importing.

Fig. 8-5: Quality labeling standards for soft drinks in compliance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act

Act	Quality labeling standards or types of food subject to labeling regulations
Act for Standardization and Proper Labeling of Agricultural and Forestry Products	Quality labeling standards for fruit juices
	Quality labeling standards for carbonated beverages
	Quality labeling standards for soymilk products
	Quality labeling standards for carrot juices and mixed carrot juices
Food Sanitation Act	Soft drinks
	Processed foods in containers and packaging

Source: Ministry of Agriculture, Forestry and Fisheries

<Product name>

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

<Ingredients>

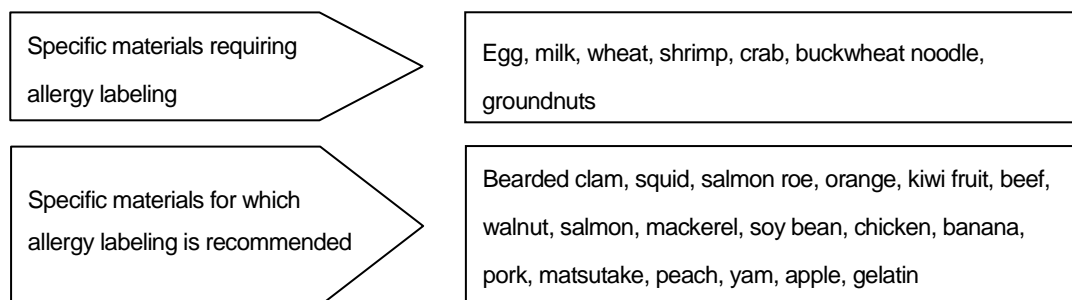
The ingredients of the product must be listed in descending order from highest to lowest content on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act.

<Additives>

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

<Allergies>

When products containing the specific ingredients shown in Fig. 8-6 are sold, it is required or recommended that ingredients be labeled in accordance with the Food Sanitation Act to prevent health hazards among consumers with specific allergies.

Fig. 8-6: Specific materials related to allergy labeling

Source: Ministry of Health, Labour and Welfare

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

The following list is a specific example of allergy labeling. "Raw ingredients contain XX." in parentheses must be added after the specified ingredients.

Product name: Soft drink
 Ingredients: Sugar, fruit juice, extracts, polysaccharide thickeners, acidulants, perfumes, antioxidants (Raw ingredients contain gelatin)

<Recombinant foods>

Labeling is mandatory for all food products containing recombinant crops under the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and the Food Sanitation Act. The recombinant food labeling system consists of: (1) mandatory labeling stating "Recombinant food" for products made from recombinant ingredients whose genetic identity is preserved, (2) mandatory labeling stating "The identity of ingredients is not preserved" for products made from ingredients whose genetic identity is not preserved, and (3) voluntary labeling stating "Non-recombinant food" for products made from non-recombinant ingredients whose genetic identity is preserved. The applicable labeling is determined based on the acquisition of Identity Preserved (IP) Handling certificates for the production, distribution, and processing stages.

<Content weight>

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

<Expiration date>

The expiration date of the product when stored according to the given preservation method in the unopened state must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products and Food Sanitation Act. As the quality of soft drinks does not deteriorate easily, the "best by" date should be indicated on the label.

<Preservation method>

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

<Country of origin>

The quality labeling standards for processed foods, specified by the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, require the country of origin to be indicated on the labels of import foods.

This Act also requires the country of origin for green tea beverages. As green tea is the only ingredient requiring labeling of the country of origin, green tea should be included in the list of ingredients, and the country of origin stated in brackets next to it. All other soft drinks do not require this labeling.

<Importers>

The name and address of the importer must be indicated on the label in accordance with the Act for Standardization and Proper Labeling of Agricultural and Forestry Products, and the Food Sanitation Act. For products processed in Japan using imported ingredients, the name and address of the manufacturer or dealer must be indicated on the label.

<Nutrition facts>

The nutritional components and calorie count must be indicated on the labels of soft drinks in accordance with the nutritional labeling standards prescribed by the Health Minister. The required information includes nutritional components, structural components (e.g., amino acids in protein), and types of components (e.g., fatty acids in fat). If general names such as “vitamin” are labeled instead of describing the specific names of nutrients, ingredients must be labeled.

Components must be indicated in the following order and unit:

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

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

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

<Organic labeling>

The Act for Standardization and Proper Labeling of Agricultural and Forestry Products defines organic agricultural products and organic agricultural processed foods, which include soft drinks, as Specified JAS (JAS-certified organic). Only products which meet these standards and affixed with the JAS-certified organic mark (Fig. 8-7) can be labeled as “organic green tea,” “organic coffee,” etc. in Japanese.

Organic agricultural products produced abroad and imported must be graded by one of the following methods and affixed with the JAS-certified organic mark, to be permitted to have the organic labeling.

- a) Labelling of JAS-certified organic mark and distribution of organic foods produced/manufactured by overseas manufacturers certified by JAS registered certifying bodies inside and outside Japan.
- b) Labelling of JAS-certified organic mark (Fig. 8-7) and distribution of products by importers certified by registered certifying bodies in Japan (limited to organic agricultural products and organic agricultural processed foods).

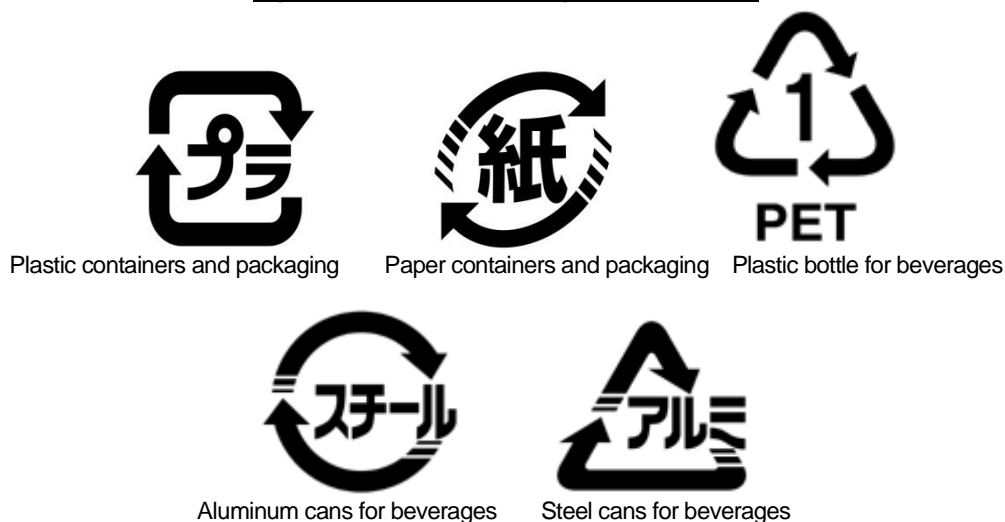
For approach b), certificates issued by the government of a country with a grading system recognized to be of the equivalent level as that based on the Japanese Agricultural Standards (JAS), or copies must be attached as a prerequisite. As of March 2011, the following countries are identified by the ministerial ordinance to have equivalent grading systems for organic agricultural products as Japan in accordance with Article 15-2 of the Act for Standardization and Proper Labeling of Agricultural and Forestry Products: 27 countries in the EU, Australia, U.S.A., Argentina, New Zealand, and Switzerland.

Fig. 8-7: JAS-certified organic mark**<Containers and packaging>**

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

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

When using plastic containers, paper containers, PET bottles for beverage, aluminum cans for beverages, or steel cans for beverages for soft drink products, the identification marks shown in Fig. 8-8 must be labeled on one area or more of the containers and packaging in the designated format.

Fig. 8-8: Labels for promoting sorted collection**<Description>**

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

Product descriptions with false or misleading expressions are prohibited by the Health Promotion Act, Act against Unjustifiable Premiums and Misleading Representations, and intellectual property-related laws and regulations (e.g., Unfair Competition Prevention Act, Trademark Act), which is applicable to all articles in addition to food products.

2. Labeling under Industry Voluntary Restraint**(1) Fruit Beverage Fair Trade Council**

The Fruit Beverage Fair Trade Council prescribes standards on labeling methods in accordance with the percentage of fruit juice used. For the labeling of imported products and country of origin, it also requires labeling stating that the product is made domestically for domestic products which are prone to misinterpretation.

<Fair competition code for fruit beverage labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/A-21.pdf>

Contact:

Fruit Beverage Fair Trade Council TEL: +81-3-3435-0731

(2) National Coffee Beverage Fair Trade Council

To ensure fair trade, the National Coffee Beverage Fair Trade Council prescribes standards on labeling in products and advertisements through the Fair Competition Code for Coffee Beverage Labeling as well as standards on violations.

< Fair competition code for coffee beverage labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/A-11.pdf>

Contact:

National Coffee Beverage Fair Trade Council

TEL: +81-3-3435-0731

(3) Japan Soybean Milk Fair Trade Council

To ensure fair trade, the Japan Soybean Milk Fair Trade Council prescribes standards on terminology which can be used for defining product types or used according to product type through the Fair Competition Code for Soybean Milk Labeling.

< Fair competition code and the ordinance of enforcement for soybean milk labeling>

<http://www.jfftc.org/cgi-bin/data/bunsyo/A-25.pdf>

Contact:

Japan Soybean Milk Fair Trade Council

TEL: +81-3-5215-2275

(4) Council for PET Bottle Recycling

The Council for PET Bottle Recycling prescribes voluntary guidelines for the ideal designs of bottles, labels, print, caps, etc. of designated plastic (PET) bottles for beverages, soy sauce, and liquors, which are hygienic and have excellent recyclability and reusability.

Contact:

Council for PET Bottle Recycling TEL: +81-3-3662-7591 <http://www.petbottle-rec.gr.jp>

(5) Beverage Industry Environment Beautification Association

The Beverage Industry Environment Beautification Association, which consists of six beverage industry organizations, grants the unified labeling of the beautification mark (Fig. 8-9) for beverage containers to prevent the littering of beverage containers and promote recycling.

Fig. 8-9: Unified labeling of the beautification mark granted by the Beverage Industry Environment Beautification Association



Contact:

Beverage Industry Environment Beautification Association

TEL: +81-3-5439-5121 <http://www.kankyobika.or.jp/>

III. Taxation System

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

Tariff duties on soft drinks are shown in Fig. 8-10. Tariff rates for fruit juices vary depending on item, whether or not sugar is added, sucrose content, and origin of export (conventional rates for WTO members and basic rates for non-members). Note that while the H.S. code based on Brix has been introduced since 2002, there is no difference in tariff rates based on Brix within the same item.

In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a Generalized System of Preferences (GSP) Certificate of Origin issued by the customs or other issuing agency in the exporting country, to Japan Customs before import clearance (not required if the total taxable value of the article is no greater than ¥200,000). Details may be checked with the Customs and Tariff Bureau of the Ministry of Finance.

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

(Note) Brix value is a measurement of a soluble dry substance in a liquid at 20°C. It is the sucrose concentration for soft drinks.

Fig. 8-10: Tariff duties on alcoholic beverages (FY2011)**(1) Fruit / vegetable beverages**

H.S. code		Description	Tariff rate				
			General	Temporary	WTO	GSP	LDC
20.09	11	Fruit juices and vegetable juices					
		Orange juices					
		Frozen					
		1. Containing added sugar					
		-110 1) Not more than 10% by weight of sucrose, naturally and artificially contained	30.0%		25.5%		Free
		-190 2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	2. Other						
	-210 1) Not more than 10% by weight of sucrose, naturally and artificially contained	25.0%		21.3%		Free	
	-290 2) Other	30.0%		25.5%		Free	
	12	Not Frozen					
		1. Containing added sugar					
		-110 1) Not more than 10% by weight of sucrose, naturally and artificially contained	30.0%		25.5%		Free
		-190 2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
		2. Other					
-210 1) Not more than 10% by weight of sucrose, naturally and artificially contained		25.0%		21.3%		Free	
19	Other						
	1. Containing added sugar						
	-110 1) Not more than 10% by weight of sucrose, naturally and artificially contained	30.0%		25.5%		Free	
	-190 2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free	
	2. Other						
	-210 1) Not more than 10% by weight of sucrose, naturally and artificially contained	25.0%		21.3%		Free	
-290 2) Other	30.0%		25.5%		Free		
20.09	21	Grapefruit (including pomelo) juice					
		Of a Brix value not exceeding 20					
		1. Containing added sugar					
		-110 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
		-190 2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
2. Other							
-210 1) Not more than 10% by weight of sucrose, naturally and artificially contained	22.5%		19.1%		Free		
-290 2) Other	30.0%		25.5%		Free		

Fig. 8-10: Tariff duties on alcoholic beverages (FY2011) (continued)

H.S. code		Description	Tariff rate				
			General	Temporary	WTO	GSP	LDC
20.09	29	Other					
	-110	1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-210	2. Other 1) Not more than 10% by weight of sucrose, naturally and artificially contained	22.5%		19.1%		Free
	-290	2) Other	30.0%		25.5%		Free
	31	Juice of any other single citrus fruit Of a Brix value not exceeding 20					
	-110	1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-211	2. Other 1) Not more than 10% by weight of sucrose, naturally and artificially contained - Lemon juice	8.0%		6.0%		Free
	-212	- Lime juice	16.0%		12.0%		Free
	-219	- Other	22.5%		19.1%		Free
	-290	2) Other	30.0%		25.5%		Free
	39	Other					
	-110	1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-211	1. Other 1) Not more than 10% by weight of sucrose, naturally and artificially contained - Lemon juice	8.0%		6.0%		Free
	-212	- Lime juice	16.0%		12.0%		Free
	-219	- Other	22.5%		19.1%		Free
	-290	2) Other	30.0%		25.5%		Free
20.09	41	Pineapple juice Of a Brix value not exceeding 20					
	-110	1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-210	1) Other 1) Not more than 10% by weight of sucrose, naturally and artificially contained	22.5%		19.1%		Free
	-290	2) Other	30.0%		25.5%		Free
	-110	Other 1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-210	2. Other 1) Not more than 10% by weight of sucrose, naturally and artificially contained	22.5%		19.1%		Free
	-290	2) Other	30.0%		25.5%		Free
	-100	Tomato juice 1. Containing added sugar	35.0%		29.8%		Free
	-200	2. Other	25.0%		21.3%		Free
	-110	Grape juice (including grape must) Of a Brix value not exceeding 30 1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-200	2. Other	22.5%		19.1%		Free
	-110	Other 1. Containing added sugar 1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-190	2) Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
	-210	2. Other 1) Not more than 10% by weight of sucrose, naturally and artificially contained	22.5%		19.1%		Free
	-290	2) Other	30.0%		25.5%		Free

Fig. 8-10: Tariff duties on alcoholic beverages (FY2011) (continued)

H.S. code		Description	Tariff rate				
			General	Temporary	WTO	GSP	LDC
20.09	71	Apple juice Of a Brix value not exceeding 20					
		1. Containing added sugar					
		1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
		2) Other	40% or 27 yen/kg, whichever is the greater		34.0% or 23 yen/kg, whichever is the greater		Free
		2. Other					
	79	1) Not more than 10% by weight of sucrose, naturally and artificially contained	22.5%		19.1%		Free
		2) Other	35.0%		29.8%		Free
		Other					
		1. Containing added sugar					
		1) Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
	-110	2) Other	40% or 27 yen/kg, whichever is the greater		34.0% or 23 yen/kg, whichever is the greater		Free
	-190	2) Other	40% or 27 yen/kg, whichever is the greater		34.0% or 23 yen/kg, whichever is the greater		Free
	2. Other						
	1) Not more than 10% by weight of sucrose	22.5%		19.1%		Free	
	2) Other	35.0%		29.8%		Free	
20.09	80	Juice of any other single fruit or vegetable					
		1. Fruit juices					
		1) Containing added sugar					
		- Not more than 10% by weight of sucrose, naturally and artificially contained	27.0%		23.0%		Free
		- Other	35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free
		2) Other					
		- Not more than 10% by weight of sucrose	22.5%				Free
		- Prune juice			14.4%		
		- Other			19.1%		
		- Other	30.0%		25.5%		Free
		2. Vegetable juices					
		1) Containing added sugar	10.8%		8.1%		Free
	2) Other	9.6%				Free	
	- In airtight containers			9.0%			
	- Other			7.2%			
	- Carrot juice						
	- Other						
	90	Mixtures of juices					
1. Mixtures of fruit juices							
1) Containing added sugar							
- Not more than 10% by weight of sucrose, naturally and artificially contained		27.0%		23.0%		Free	
- Other		35% or 27 yen/kg, whichever is the greater		29.8% or 23 yen/kg, whichever is the greater		Free	
2) Other							
- Not more than 10% by weight of sucrose	22.5%		19.1%		Free		
- Other	30.0%		25.5%		Free		
2. Mixtures of vegetable juices							
1) Containing added sugar	10.8%		8.1%		Free		
2) Other	7.2%		5.4%		Free		

Fig. 8-10: Tariff duties on alcoholic beverages (FY2011) (continued)**(2) Mineral water**

H.S. code			Description	Tariff rate				
				General	Temporary	WTO	GSP	LDC
22.01	10	-000	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured, ice and snow Mineral waters and aerated waters	3.2%		3.0%	Free	
22.02	90	-100 -200	Other non-alcoholic beverages 1. Containing added sugar 2. Other	22.4% 16.0%		13.4% 9.6%		Free Free

Source: Ministry of Finance

Note 1) Special emergency tariffs may be imposed on articles if their import volume has increased by more than a specified percentage or their import price has decreased by more than a specified percentage.

Note 2) Special preferential rate is applicable only for the Least Developed Countries.

Note 3) Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table.

2. Consumption Tax

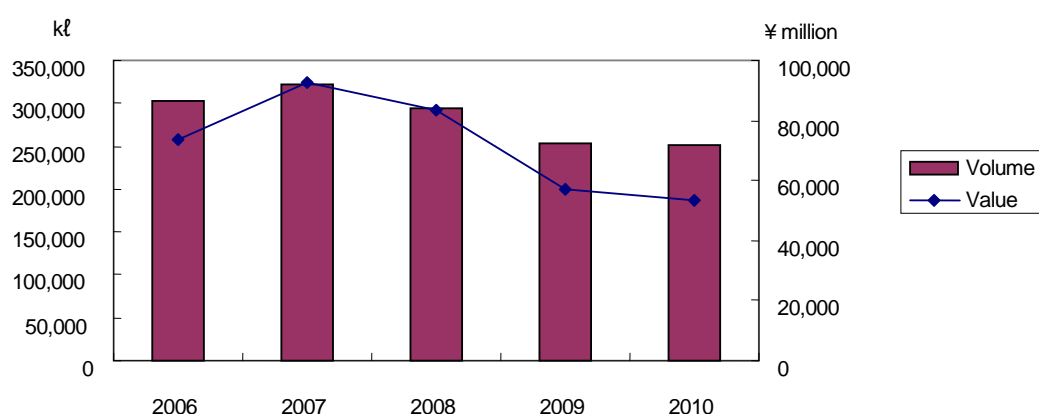
(CIF + Tariff duties) × 5%

IV. Trade Trends

1. Changes in Imports

(1) Fruit and vegetable juice

Fruit juices are imported in the following three categories: 1) as a concentrated juice to be made into products within Japan, 2) as finished products made in Japanese manufacturer's own or affiliated factories abroad, governed by their own regulations and specifications, and 3) as products manufactured by overseas makers outside of Japan. The Trade Statistics of Japan categorizes them based on types of fruits, sucrose content, and its Brix value. Although there is no exact data on the ratio, the majority of imported fruit juice comes in the form of concentrated juice that is then made into products through the addition of various flavors. Orange juice is one of the main types of juices to be imported, but its importation suffered a blow as a result of the rising price of the material as well as stagnation in the domestic market. However, in 2010, its import figures recovered both on a volume and value basis as the domestic market regained its resilience. As for vegetable juice, after peaking in 2007, its import volume has dwindled, partly due to the distrust of Chinese grown vegetables, which has impacted the entire market.

Fig. 8-11: Changes in fruit and vegetable juice

Source: Trade Statistics (MOF)

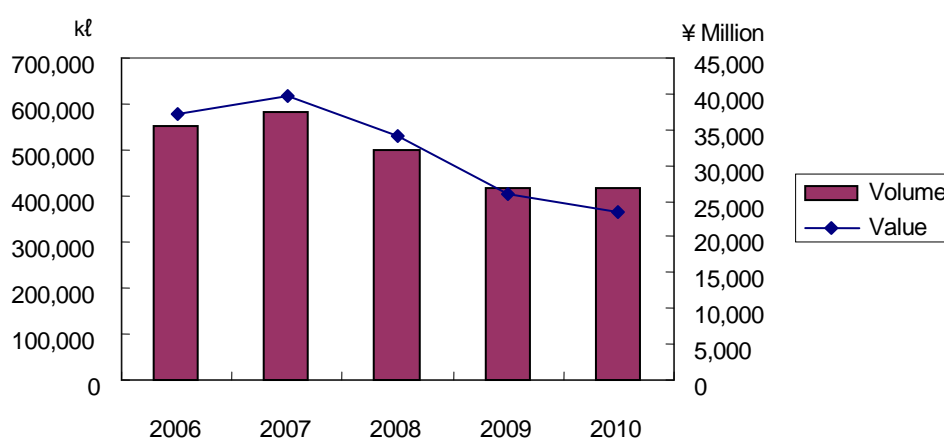
Fig. 8-12: Changes in fruit and vegetable juice imports by item Units: volume = kℓ, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Orange juice (frozen)	40,742	40,827	32,121	33,514	34,196	9,875	14,311	9,257	7,211	7,284
Orange juice (not frozen)	39,397	32,943	30,355	28,421	34,913	8,626	10,671	7,432	4,761	5,613
Grapefruit juice	23,368	23,513	23,069	20,975	19,933	6,895	6,354	4,589	3,704	3,802
Other citrus fruit juice	19,529	20,342	18,000	15,529	15,673	4,584	5,767	5,495	4,833	4,753
Pineapple juice	10,054	9,590	10,148	8,905	8,378	1,895	1,805	1,921	1,734	1,725
Tomato juice	745	627	595	503	418	123	108	100	54	31
Grape juice	30,990	33,968	36,254	35,810	35,984	7,472	8,781	9,646	8,854	8,838
Apple juice	80,969	93,527	80,951	61,362	59,517	13,653	18,524	22,101	10,843	8,640
Other fruits and vegetable juice	50,647	58,923	54,072	42,137	34,905	18,671	23,221	20,241	13,622	11,430
Mixed juice	6,712	8,040	7,574	6,424	7,513	1,645	2,791	2,674	1,497	1,311
Total	303,153	322,300	293,139	253,580	251,430	73,439	92,333	83,456	57,113	53,427

Source: Trade Statistics (MOF)

(2) Mineral water

The importing of mineral water has been on a downward trend since it peaked in 2007 at 580,809 kiloliters (105.1 % vs. previous year). As the domestic market for imported mineral water shrank, it further dropped to 418,975 kiloliters in 2010. This trend is attributable to Japanese consumers preferring reasonably priced domestic water sold in larger containers, and to the deteriorating business confidence that makes mineral water less affordable. Also, contributing to the decline are factors such as, the weak price-competitiveness of small portable imported mineral water, which clears the way for cheaper products to be a more attractive option for consumers.

Fig. 8-13: Changes in mineral water imports

Source: Trade Statistics (MOF)

Fig. 8-14: Changes in mineral water imports

Units: volume = kl, value = ¥ million

Item	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Mineral water	552,620	580,809	499,676	418,972	418,975	37,146	39,719	34,101	26,006	23,352

Source: Trade Statistics (MOF)

2. Regional breakdown

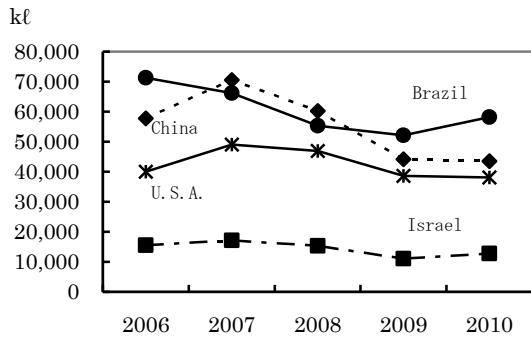
(1) Fruit and vegetable juice

Japan's major trading partners for fruit and vegetable juice are the countries listed in Fig. 8-17. Among them, Brazil accounts for the largest share, however, China surpassed Brazil in 2007. In 2010, imports from Brazil reached 58,154 kiloliters (111.6% vs. previous year), making Brazil our largest trading partner.

Leading imported juices are orange (particularly, non-frozen varieties), apple, and grapefruit, coming from Brazil, China and the United States respectively. As for imports from African countries, grape juice is the leading product from South Africa with 10,101 kiloliters (96.0% vs. previous year) in 2010, accounting for almost all the imports coming from Africa.

Domestic fruits are used as ingredients for soft drinks, but we also import fruits such as acerola, oranges and apples from Brazil, grapes and apples from Argentina, grapes and apples from Chile, and grapefruits, grapes, and apples from South Africa.

Fig. 8-15: Trends in leading partner imports



Source: Trade Statistics (MOF)

Fig. 8-16: Shares of imports in 2010 (value basis)

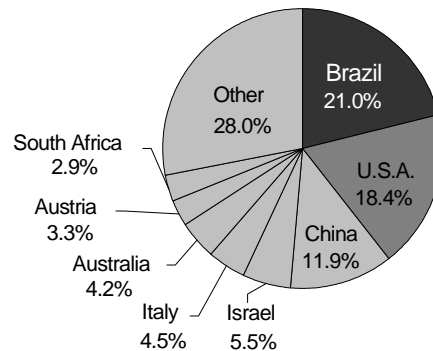


Fig. 8-17: Principal places of origin of fruit and vegetable juice

Units: volume = kℓ , value = ¥ million

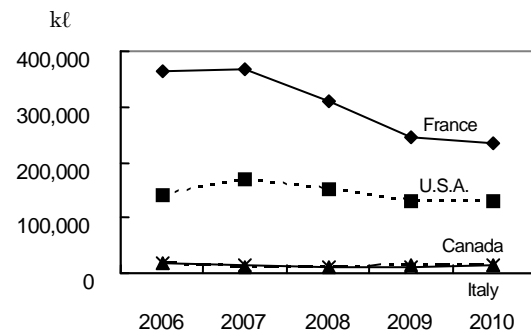
Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
Brazil	71,252	66,170	55,338	52,090	58,154	17,041	22,465	15,132	10,394	11,241
China	57,713	70,544	60,178	44,108	43,498	9,520	13,669	16,655	7,670	6,373
U.S.A.	40,016	49,011	46,899	38,602	38,042	11,960	16,008	13,514	9,977	9,843
Israel	15,499	17,126	15,343	11,088	12,796	4,811	4,908	3,970	2,830	2,949
South Africa	11,184	11,019	12,642	10,522	10,101	2,123	2,220	2,281	1,778	1,571
Italy	13,443	11,639	11,119	10,236	9,886	3,034	3,358	3,013	2,647	2,430
Austria	11,516	9,632	9,332	8,522	8,350	3,000	3,533	3,958	2,231	1,775
Australia	23,607	20,829	18,627	10,919	7,742	5,708	5,887	5,665	2,991	2,264
Other	58,923	66,331	63,660	67,493	62,860	16,242	20,285	19,266	16,594	14,981
Total	303,153	322,300	293,139	253,580	251,430	73,439	92,333	83,456	57,113	53,427
(African countries)	11,198	11,139	12,686	10,552	10,108	2,127	2,259	2,293	1,784	1,573

Source: Trade Statistics (MOF)

(2) Mineral water

As for mineral water, imports from France amounted to 233,881 kiloliters in 2010, capturing 55.8% of the market. French mineral water such as Volvic, Evian, and Vittel are widely enjoyed in Japan because of their established reputation and distribution by major Japanese soft drink manufacturers. However, the worsening business confidence has created various negative factors for imported water such as a shifting demand to larger-sized domestic water, causing a drastic decrease of imports from France and bringing down the entire volume of imported water.

Fig. 8-18 : Trends in leading partner imports



Source: Trade Statistics (MOF)

Fig. 8-19 : Shares of imports in 2010 (value basis)

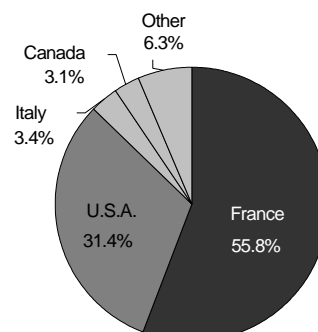


Fig. 8-20: Principal places of origin of mineral water

Units: volume = kl , value = ¥ million

Country	Volume					Value				
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010
France	364,898	367,445	309,277	244,939	233,881	26,753	28,429	24,832	18,896	16,767
U.S.A.	140,529	169,026	152,443	130,370	131,376	7,293	8,248	6,664	4,767	4,122
Italy	16,991	13,365	12,611	11,351	14,293	1,072	948	947	728	839
Canada	17,292	11,591	10,744	14,654	12,853	1,258	883	625	637	507
Other	12,910	19,383	14,602	17,658	26,573	771	1,210	1,033	978	1,115
Total	552,620	580,809	499,676	418,972	418,975	37,146	39,719	34,101	26,006	23,352

Source: Trade Statistics (MOF)

3. Import Market Share in Japan

(1) Fruit and vegetable juice

Fruits produced in Japan are mostly consumed fresh, thus Japan depends heavily on imported fruit juice both for its price and supply. This trend is increasing year by year, leading to the current condition of imported products capturing almost the entire market share for fruit juices. However, for vegetable juice, stronger consumer confidence in domestic products adds more value, making them a more attractive alternative for many consumers. This is due to the distrust of vegetables produced in China. Some companies have been trying to diversify their supply source. As Fig. 8-17 points out, imports from China have been on the decline.

(2) Mineral water

The import market for mineral water had been buoyant until it started its descent in 2008. This trend has continued as imported mineral water loses its market share against domestic water year by year. This is partly due to the shifting demand for domestic mineral water as the worsening business climate reduces the number of consumers who choose imported mineral water. Weather conditions such as exceptionally hot summers have also influenced consumers' decision to purchase mineral water or not. However, generally speaking, price does not seem to give much of a competitive edge in the mineral water market, hence an effective brand marketing strategy is indispensable.

Fig. 8-21: Import market share in Japan

Unit: kl

Item	Statistics	2004	2005	2006	2007	2008
Mineral water	Domestic production	1,296,000	1,428,000	1,802,000	1,924,000	2,015,700
	Import volume	330,671	406,925	552,620	580,809	499,676
	Total	1,626,671	1,834,925	2,354,620	2,504,809	2,515,376
	Share of imports	20.3%	22.2%	23.5%	23.2%	19.9%

Source: Japan Soft Drink Association, Trade Statistics announced by Ministry of Finance

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

(1) Fruit juice

Most fruits produced in Japan are consumed fresh, and thus, very little is used for fruit juice. The price competitiveness of domestic fruits is lower compared to those of overseas. Thus, Japan depends heavily on foreign products for fruit juice, which has a lower per unit price. However in recent years the price of orange juice has gone up globally, narrowing the price gap between domestic and imported ones. Against this backdrop, the import of non-frozen orange juice rose in 2010, reaching 34,913 kiloliters (122.8% vs. previous year).

(2) Mineral water

Given the deteriorating business confidence, more affordable domestic mineral water available in larger containers has become the core of demand in the domestic mineral water market. The demand for imported

water is decreasing because of its higher per-item cost and its focus on smaller-sized water containers for personal consumption.

V. Domestic Distribution

1. Trade Practice, Etc.

Major sales channels for soft drinks are retail shops, including mass merchandise outlets, and vending machines. Large retail shops tend to work directly with major distributors whereas smaller retail stores tend to do business through the agencies of multiple wholesale dealers, which tends to make their margin higher.

2. Domestic Market Situations

Annual sales of soft drinks in Japan are approximately 1.75 billion liters, which translates to approximately 137 liters of annual consumption per person. Against the backdrop of low birthrates and a graying society this consumption statistic is generally on a decreasing trend with some minor fluctuation due to weather conditions. In recent years, given the increasing number of health-conscious consumers, companies are selling products with high functionality such as “zero-calories” and “no sugar” soft drinks.

Seen by category, stimulant drinks such as coffee, Japanese tea, and black tea capture just under half of the market. Among these, Japanese tea has the strongest sales as a healthy soft drink option that contains no sugar. As for carbonated drinks, “zero calories” and “no-sugar” products have been recently released one after another, and these sales are increasing. While the sales of lower-priced domestic water increasing, sales of imported water is on the decline because of its higher price. Overall, sales of mineral water is decreasing. Fruit and vegetable juice are enjoyed by people of all ages as healthy drinks. However, as more health-conscious beverages have been developed in the stimulant drinks market segment and other categories, demand for fruit and vegetable juice has shifted and its market continues to shrink as a result.

Given the increase of low-end consumers, soft drinks such as teas containing less stimulants and no sugar as well as mineral water are distributed as low-priced private label (PL) products. The price competition has intensified as the price of NB (National Brand) products has been lowered in response to this competition.

Major Japanese soft drink manufacturers include the Coca-Cola system, the Suntory group, Asahi Soft Drink, Kirin Beverage, ITO EN, Kagome, DyDo Drinco, and the Pokka corporation. Every season these manufacturers launch a new product for each category. The Japanese soft drink market is competitive in terms of product development, and it is said that among 1000 new products, only 3 become a hit.

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

National brand (NB) products, meanwhile, are those that are developed and marketed by manufacturers.

Fig. 8-22: Changes in soft drink market size

Unit: kℓ

	2006	2007	2008	2009	2010(forecast)	Ratio
Stimulant drinks	8,297,900	8,449,800	8,326,200	8,159,800	8,252,800	47.2%
Carbonated drinks	2,175,800	2,228,900	2,345,000	2,467,300	2,570,400	14.7%
Mineral waters	2,216,200	2,461,600	2,421,000	2,339,200	2,297,000	13.1%
Fruit juice beverages	1,807,400	1,800,450	1,708,400	1,625,300	1,646,450	9.4%
Vegetable juice beverages	735,400	801,800	642,050	635,800	630,000	3.6%
Other	2,053,500	2,053,600	1,919,200	1,780,800	2,078,000	11.9%
Total	17,286,200	17,796,150	17,361,850	17,008,200	17,474,650	100.0%

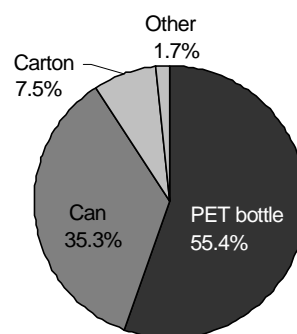
Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

In Japan, plastic (PET), bottles cans, cartons and bottles are used as the main containers for soft drinks. In 1982, the use of PET bottles for soft drinks was approved. Because of its convenience and ability to be re-capped, it came into wide use quite rapidly. Today, approximately 55% of soft drinks use PET bottles. Small personal-size 500 ml and 350 ml or smaller bottles are the most common. The demand for these sized bottles is high because it is easily consumed in a short time and does not take up much space in one's bag. Larger PET bottles that are 900 ml or larger are mainly used to contain drinks that are consumed continuously and/or in a large quantity at home, such as liquid coffee and mineral water.

As for cans, because we cannot re-cap a can, with some exceptions, the most common size is called "nomikiri-size (to drink up)" or 340 ml to 350 ml: just the right amount to satisfy one's thirst. Other options are cartons and glass bottles. Glass bottles have been replaced by more lightweight PET bottles, and now they are used mostly for products served at restaurants and for value-added products from overseas.

Fig. 8-23: Changes in sales by container (2009)

Container	Sales (¥ million)	Ratio
PET bottle	1,932,640	55.4%
Can	1,231,740	35.3%
Carton	261,200	7.5%
Other	59,970	1.7%
Total	3,485,550	100.0%



Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

(1) Stimulant drinks

Stimulant drinks include canned coffee, liquid coffee (refers to coffee beverages in non-can containers), Japanese tea, black tea, oolong tea, blended tea, barley tea, other tea beverages, and beverages with cocoa. Among those stimulant drinks, sugar-free types of Japanese tea, oolong tea, blended tea, barley tea, and other tea beverages are called "sugar-free tea beverages," accounting for approximately 50 % of the market. In particular, Japanese tea products capture the largest share in the sugar-free tea category. Sugar-free tea products attract health-conscious consumers with their benefit of containing no sugar, and the Suntory group has developed "kuro-oolong-cha (black oolong tea)" which includes fat-burning and fat-absorbing ingredients derived from the tea to appeal to this group. Blended tea products not only use tea but also ingredients such as black sesame, black beans, goji berry, reishi mushrooms (*Ganoderma Lucidum*), corn, and millets such as awa, kibi, and, hie. Representative products of blended tea are "so-kenbi-cha" by Coca-Cola system, and "ju-roku-cha" by Asahi Soft Drink.

Canned coffee boasts the second largest sales after Japanese tea products. The container size of 180 to 190 grams is the mainstream, and 80 % of canned coffee is sweetened and 20 % is sugar free (refer to Fig. 8-25). Canned coffee is known for its high sugar content. Given the increasing number of health-conscious consumers, manufacturers in this market are adding more products of “bi-tou (a-little-sugar)” or “black coffee” to their product line. The Coca-Cola system captures over 30 % of the market, followed by the Suntory group with approximately 20 % of the market share. The sales of these top two companies account for approximately 50 % of the market. The Coca-Cola system’s core brand is called “Georgia,” and the Suntory group’s is “BOSS.” They promote these brands through rigorous sales campaigns and TV commercials. ITO EN sells canned coffee from a well-known coffee chain, “Tully’s Coffee.”

Liquid coffee refers to coffee beverages that come in PET bottles and cartons, primarily the 1-liter size, and these are in brisk demand among families. As with canned coffee, manufacturers sell health-conscious “tei-tou (low-sugar)” “bi-tou (a-little-sugar)” and “half-calories” products. The price competition in this category is very fierce. In particular, the competition between Private label (PL) and National Brand (NB) products is intensifying. Top runners in the liquid coffee market include Ajinomoto General Foods (AGF), Nestle Japan, and the Coca-Cola system, with AGF capturing the largest share with approximately 30 %. AGF and Nestle are the major manufacturers of instant coffee “Blendy” and “NESCAFE” respectively, and they sell liquid coffee products under these brands. Also, among the products developed by top manufacturers, are many PET bottle products.

As for black tea beverages, sweetened products account for much of the market with sugar-free products constituting only a fraction of the market. There are a number of fruit-flavored tea products, with lemon being the standard. Various tea products are launched for a limited time period, using seasonal fruit juice for flavoring. Kirin Beverage launched a limited-time product in their top-running “gogo-no-kocha” product line using camu camu fruit juice. And ITO EN launched a bergamot & orange flavored and green & red apple-flavored tea in their “TEA’s TEA” product line.

Although PET bottles account for approximately 60 % of the containers used, more reasonably priced cartons are well-established as a packaging option.

As the health benefits of cacao polyphenol came under the spotlight, hot cocoa has become the main player among hot beverages sold in winter. Recently, iced cocoa drinks have been developed for sales during the summer period. In this category, the Coca-Cola system, Pokka Corporation, and Japan Tobacco (JT) are the top performing manufacturers.

Fig. 8-24: Percentage of sales by stimulant drink

Item	2009	
	Volume (kℓ)	Ratio
Japanese tea	2,356,500	28.9%
Canned coffee	2,079,100	25.5%
Black tea	1,017,100	12.5%
Oolong tea	847,500	10.4%
Blended tea	766,100	9.4%
Liquid coffee	655,500	8.0%
Barley tea	244,800	3.0%
Other tea beverages	118,700	1.5%
Cocoa	74,500	0.9%
Total	8,159,800	100.0%

Liquid coffee
Coffee beverages sold in PET bottle or paper container, excluding canned products

Blended tea
Sugar-free tea beverages produced by blending several kinds of tea leaves and cereals

Other tea beverages
Sugar-free tea beverages made from a single kind of tea leaf, excluding Japanese tea, black tea, oolong tea, barley tea. (e.g., buckwheat tea, jasmine tea)

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

Fig. 8-25: Change in canned coffee sales by sugar content

Unit: ¥ million

Type	2006	2007	2008	2009	2010 (forecast)	Ratio
Regular	453,650	386,200	338,200	314,700	294,100	39.7%
A-little-sugar type	110,000	167,400	210,300	217,900	227,800	30.8%
Black (sugar-free)	98,000	120,200	137,200	138,450	139,200	18.8%
Cafe au lait	76,350	71,200	80,300	81,800	78,900	10.7%
Total	738,000	745,000	766,000	752,850	740,000	100.0%

Source: 2010 Food Marketing Handbook No. 6, 2011 Food Marketing Handbook No. 6, Fuji Keizai

Fig. 8-26: Changes in black tea sales by flavor

Unit: ¥ million

Type	2006	2007	2008	2009	2010 (forecast)	Ratio
Straight	72,400	72,700	72,100	71,500	71,200	31.7%
Milk	71,200	68,500	69,800	71,400	81,100	36.1%
Lemon	36,000	38,200	37,900	37,800	37,400	16.6%
Other (sugar-free, other)	21,500	24,900	26,500	28,800	35,000	15.6%
Total	201,100	204,300	206,300	209,500	224,700	100.0%

Source: 2010 Food Marketing Handbook No. 6, 2011 Food Marketing Handbook No. 6, Fuji Keizai

* "Straight" does not contain any flavor but sugar.

(2) Carbonated beverages

Carbonated beverages include cola-flavored drinks, clear carbonated drinks, carbonated drinks with fruit colorings, carbonated drinks with fruit juice, ginger ale, and carbonated drinks with lactic acid. During the Japanese summer, it's not unusual for temperatures to rise above 30 degrees Celsius. Thus, carbonated soft drinks sell well mainly during the summer period. Major manufacturers of carbonated drinks include the Coca-Cola system, Kirin Beverage, the Suntory group, and Asahi Soft Drinks.

By category, cola-flavored drinks such as "coca cola" by the Coca-Cola system, account for nearly half of the market. Soft drinks in the carbonated drinks category used to target teenage consumers. However, considering the falling birthrate, more products are currently developed targeting consumers in their 30's. For example, "coca-cola zero" "coca-cola zero free," "Pepsi NEX" contains no calories, sugar, preservatives, artificial colorants and caffeine, and the cola-flavored drink called "green cola" launched by Asahi Soft Drinks are made from plant-derived ingredients. The Suntory group launches a unique-flavored "Pepsi" product twice a year, one such example being the Baobab-flavored pepsi released in April 2010. This product does not contain Baobab juice, but it is developed around the image of this tree.

As for carbonated drinks with fruit colorings, there are two categories. The first is carbonated drinks with fruit flavor and colorings, and the second is carbonated drinks containing fruit juice. In both categories, standard flavors are lemon, orange, and grape. The most percentage of fruit juice in the latter category of carbonated drinks is less than 5%. In the category of carbonated drinks with fruit juice, health conscious products have been developed. "Otonano-kirin-lemon" by Kirin Beverage is one such example, that cuts sugar and contains some vitamins and ornithine. Another example is "Kirin-gaurana" by Kirin Beverage. This contains guarana (a plant native to South America) extract and is sold exclusively in the Hokkaido area.

Since the scandal of residual pesticides in frozen vegetables from China, domestic produce has been recognized as a value-added item. Against this backdrop, manufacturers have started using "made in Japan" fruit juice in their production of carbonated drinks to add a premium, doing so to differentiate themselves from other competitors. Also, new products using seasonal fruit juices have been launched.

Fig. 8-27: Percentage of carbonated beverage sales by item

Item	2009	
	Sales (k¥)	Ratio
Cola-flavored drink	1,174,100	47.5%
clear carbonated drink	509,500	20.6%
Carbonated drinks with fruit colorings	363,600	14.7%
Carbonated drinks with a little fruit juice	227,400	9.2%
Carbonated drinks with lactic acid	140,600	5.7%
Ginger ale	40,900	1.7%
Carbonated drinks with fruit juice	11,200	0.5%
Total	2,467,300	100.0%

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

(3) Mineral waters

Mineral water includes, natural water (groundwater taken from a specific source), natural mineral water (among groundwater taken from a specific source, it refers to water with dissolved mineral salts), mineral water (mineral-adjusted natural mineral water), and other bottled water.

Thanks to the high diffusion rate of the water supply system, as high as 97.5% in Japan, Japan maintains a high quality of drinkable tap water. For this reason, Japanese consumers did not have a habit of purchasing mineral water. But a people started to reveal the deteriorating quality of tap water, the amount of mineral water consumption gradually rose. The expansion of mineral water consumption began when concern grew in 1999 over the possible malfunction of computer systems at the turn of the century (known as the Y2K problem). One of the ramifications of a possible computer malfunction was purported to be an interruption of the water supply, so the number of consumers who stocked up on mineral water drastically increased. This served as an opportunity for mineral water to establish itself in the market as a beverage to be purchased. Because differentiation of one mineral water from another is difficult to do by taste alone, companies try to promote their product by using price and brand image as a way to appeal to consumers. Approximately 80% of the market is captured by domestic mineral water and the majority of this domestic water is soft water with low hardness and non-carbonated. Major domestic brands for mineral water are “Suntory Tennen-sui” by the Suntory group, “i-ro-ha-su” and “moni-no-mizu-dayori” by the Coca-Cola system, “arukari-ion-sui” by Kirin Beverage, and “Fuji-san-no-banajiumu-tennen-sui” by Asahi Soft Drinks. Domestic mineral water has a cost advantage in production because water is taken from sources in Japan. Large 2 liter-PET bottles are the most common container type for domestic mineral water, and the price competition is fierce as a number of Private label (PL) products are entering the market. As for imported mineral water, personal-size 500 ml PET bottles are the most common container type. Imported water has expanded its market by capturing the hearts of young people with their added value such as the wide range of water hardness levels available, carbonated water, as well as bottle design. Mineral water from France and the United States account for 87.2% of the import market (Fig. 8-21), and among the mineral water imported, “Volvic,” “Crystal Geyser,” and “Evian” are imported and sold in Japan by Kirin Beverage, Otsuka Pharmaceuticals, and ITO En respectively. As consumers are becoming more frugal in the weakening Japanese economy, the demand is shifting from imported mineral water to lower-price domestic mineral water.

Fig. 8-28: Percentage of mineral water sales by item

Item	2009	
	Sales (kℓ)	Ratio
Domestic mineral waters	1,897,500	81.1%
Imported waters	441,700	18.9%
Total	2,339,200	100.0%

Mineral waters
 Natural water (groundwater taken from a specific source), natural mineral water (among the ground water taken from a specific source, it refers to water with dissolved mineral salts), mineral water (mineral-adjusted natural mineral water), and other bottled water.

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

(4) Fruit juice beverages

Fruit juice beverages include all soft drinks containing fruit juice with the exception of carbonated drinks and stimulant drinks. 100% fruit juice accounts for 42.2% of the entire fruit beverage market, with orange and apple being the most popular flavors. The complete liberalization of orange imports in 1992 and the resulting decline of the material cost enabled lower pricing of 100% fruit juice, which contributed to the large expansion of its market. Many products, including those targeting small children, appeal to consumers by accentuating a healthy image. In addition, there are products that include a single fruit juice and those with multiple fruit juices. The latter type changes the fruits to be blended in accordance to the season. Also, beverages that only use domestic fruit juices are considered value-added products. Top brands for fruit juice include “Minute Maid” by the Coca-Cola system, “Tropicana” by Kirin Beverage, “Vitamin Fruits” by ITO EN, and “Dole” by MEGMILK SNOW BRAND.

As for other categories of fruit juice beverages, citrus fruits, apple, and grape are the main flavors. Each manufacturer launches products that use seasonal fruits. This is the area where new products are developed most actively. Top brands for this category are “Qoo” by the Coca-Cola system, “Koiwai-junsui-kaju” by Kirin Beverage, and “Natchann” by the Suntory group. The Suntory group is the manufacturer of another successful product called “Acerola drink” using acerola fruit juice. This product has gained a solid place in the market as the company invested steadily on promoting this product that also included TV commercials.

Fig. 8-29: Percentage of fruit juice beverage sales by item

	2009	
	Sales (kℓ)	Ratio
100% fruit juice	685,100	42.2%
Other fruit juice beverages	940,200	57.8%
Total	1,625,300	100.0%

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

(5) Vegetable juice beverages

This category includes the following three types of juice: 100 % vegetable juice made with single or multiple vegetables as ingredients, 100% juice made with vegetable and fruit juices, and tomato juice. KAGOME and ITO EN are the two major manufacturers of vegetable juice beverages, accounting for over 60% of the market, followed by Kirin Beverage, Kikkoman Beverage, the Coca-Cola system.

Vegetable juice beverages have established themselves in the Japanese market as a growing number of health-conscious consumers see this as an easy way to increase their vegetable intake. In order to make vegetable juice that consumers enjoy drinking, manufacturers use not only domestic but imported vegetables from all over the world. For example, Kagome and ITO EN produce vegetable juice using tomato, red bell pepper, broccoli, celery, watercress, Brussels sprouts, pumpkins, parsley, asparagus, and carrots from Chile, lemon juice from South Africa, Brazil, and Argentina, and camu camu fruits from Peru. Also, given consumers’ distrust of vegetables grown in China, products that use domestic vegetables are growing in sales. In cases where products are made with imported vegetables, manufacturers try to appeal to the safety of their products by labeling them with information of where the ingredients were produced or grown.

Tomato juice is recognized in connection to its purported “skin-whitening” and the slimming properties of lycopene contained in tomatoes. As with vegetable juice, using domestic tomatoes adds a premium to the products. Tomatoes, however, are imported as ingredients from various countries including the United States, Spain, China, Turkey, Portugal, and Chile.

Fig. 8-30: Percentage of vegetable juice beverage sales by item

	2009	
	Sales (kℓ)	Ratio
Vegetable juice	120,400	72.6%
Fruit juice with vegetables	461,400	18.9%
Tomato juice beverages	54,000	8.5%
Total	635,800	100.0%

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

(6) Other beverages

This category includes the following types of soft drinks that do not belong in any aforementioned category: functional soft drinks, sports drinks, and lactic acid beverages.

Functional beverages are drinks meant for better health and well-being and sometimes contain supplementary vitamins, amino acids and promote hydration. “Pocari sweat” by Otsuka Pharmaceutical, and “Vitamin Water” and “DAKARA” by the Suntory group are representative products of functional soft drinks. Many sports drinks are designed to supplement ions lost in perspiration when playing sports. “Aquarius” by the Coca-Cola system, “Super H2O” by Asahi Soft Drinks, “Gatorade” by the Suntory group are major brands of sports drinks. Both functional soft drinks and sports drinks have established themselves in the Japanese market as handy health-promoting drinks.

Lactic acid beverages are soft drinks with an added dairy constituent. Many such products have a taste similar to yogurt drinks. Most of the products are sold in PET plastic bottles. Major products in this category are “Calpis Water” by Calpis and “Bikkle” by the Suntory group.

Fig. 8-31: Percentage of other sales by item

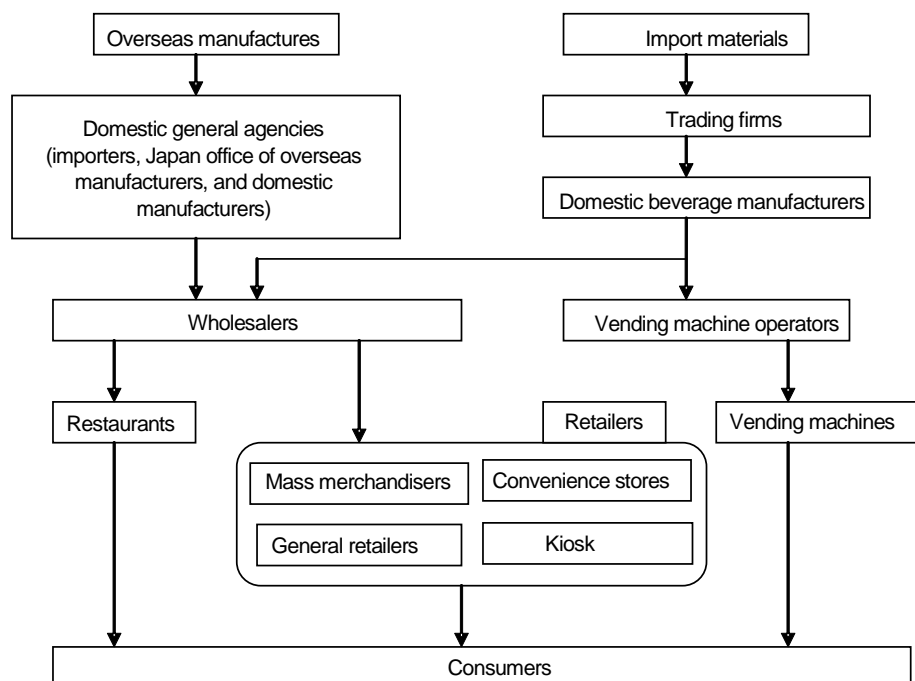
	2009	
	Sales (kℓ)	Ratio
Functional soft drinks	933,900	45.1%
Sports drinks	846,900	40.9%
Lactic acid beverages	288,100	13.9%
Total	2,068,900	100.0%

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

3. Distribution Channels

The distribution channels for soft drinks are as follows:

Products such as mineral water are imported through domestic general agencies (importers, Japan office of overseas manufacturers, and domestic manufacturers), which are then sold to restaurants, retail shops, and vending machine operators through wholesalers before reaching consumers. In the case of ingredients for soft drinks, they are generally delivered to domestic soft drink manufacturers through import firms.

Fig. 8-32: Distribution channels for soft drinks

Source: Fuji Keizai research data

A unique characteristic of the Japanese market is vending machines, which constitute a large portion of the distribution channel. Vending machines are placed on streets, in offices, and at public transportation facilities, with the total number of machines reaching approximately 2.6 million, many of which are operated by affiliated companies of domestic soft drink manufacturers. At mass merchandise outlets and convenience stores, strong selling items and new products tend to take up the shelves, so soft drink manufacturers are investing in vending machines as supplemental channels to retail channels. Overseas soft drinks brands can be sold at vending machines if domestic manufacturers are distributing them.

While imported soft drinks, with the exception of mineral water, are usually sold at import food grocery stores, foreign cuisine restaurants, as well as mail-order/on-line store, larger retail chains mostly carry soft drinks produced by domestic manufacturers.

Fig. 8-33: Percentage of soft drink sales by channel (2009)

	Sales (¥ million)	Ratio
Mass merchandise	1,335,690	38.3%
Vending machine	901,610	25.9%
Convenience store	583,860	16.8%
Other	664,390	19.1%
total	3,485,550	100.0%

Source: 2011 Food Marketing Handbook No. 6, Fuji Keizai

4. Issues and Considerations for Entering the Japanese Market

When importing soft drinks to Japan, it is necessary to make sure that the products meet the standards set by the Food Sanitation Act in Japan and that the additives, colorings, and preservatives used are approved in Japan.

Among sugar-free tea beverages and functional soft drinks, there are products that appeal to the consumers through their functionality. However, when importing ingredients such as tea to Japan, it is necessary to confirm that these ingredients do not include health promoting elements that are exclusively approved for medical purposes.

Upon entry in the Japanese market, there are a couple of things to consider. In the case where products are exported in the form of a final product, it is crucial to ensure the quality of not only the content, but also its packaging, thus minimizing the likelihood of spillage or damage. Also, most soft drinks are sold at about ¥120 for 350 ml cans and ¥150 for 500 ml plastic PET bottles in Japan. If the products to be imported exceed this price, the packaging must have a value-added quality appeal for the consumers in Japan. Another important thing to consider is, when a food-related scandal occurs in Japan, Japanese manufacturers are required to respond promptly including recalls and an investigation into the cause. So, when exporting ingredients such as fruit juice to Japanese soft drink manufacturers, it is important to have an established quality control system overseeing farms and pesticides.

<Exhibitions>

Fig. 8-34: Exhibitions for soft drinks

Overall food products	FOODEX	
	http://www3.jma.or.jp/foodex/ja	TEL: +81-3-3434-3453
	Supermarket Trade Show	
	http://www.smts.jp	TEL: +81-3-5209-1056
Dessert, cake, beverage	Dessert, Sweets & Drink Festival	
	http://www.dainichiad.co.jp/html/fabex/deza_top.htm	TEL: +81-3-5294-0071

There are a couple of major trade shows such as FOODEX that are attended by manufacturers from approximately 60 countries and the Dessert, Sweets & Drink Festival for food processors and coffee shops.

5. Failure Cases

<Mold contamination>

In 2010, mineral water imported from France had to be recalled because they were found to be contaminated by mold due to a defect in the production line of the water source.

6. Import Associations & Related Organizations

Fig. 8-35: Soft drink importer associations and related organizations

Japan Soft Drink Association	http://www.j-sda.or.jp/ TEL: +81-3-3270-7300
The Mineral Water Association of Japan	http://minekyo.net/ TEL: +81-3-3350-9100
Japan Tea Association	http://www.tea-a.gr.jp/ TEL: +81-3-3431-6509