

Voluntary Report – Voluntary - Public Distribution

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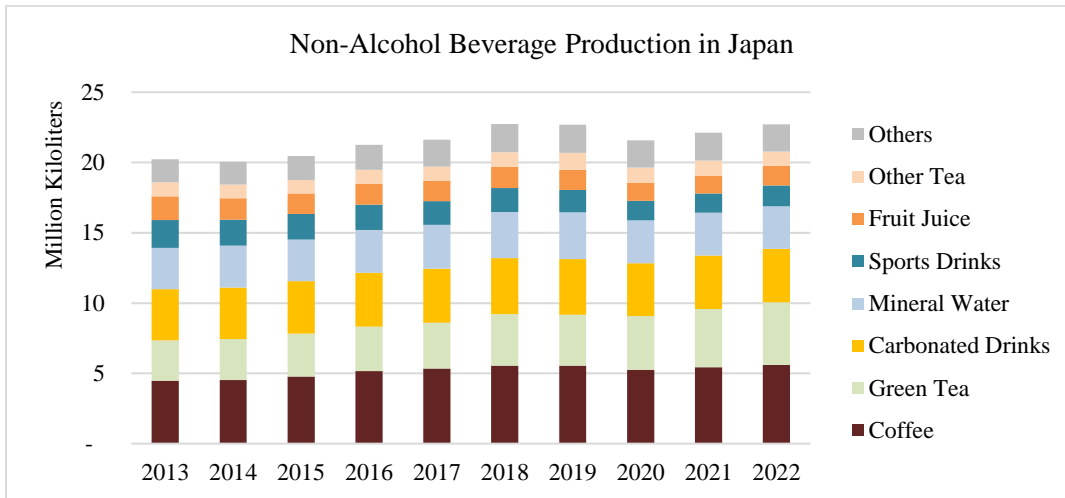
Approved By: Alexander Blamberg

Report Highlights:

Japan's non-alcoholic beverage market is estimated at \$40 billion with around \$1 billion coming from imports. The United States is the largest supplier of non-alcoholic beverages to Japan, with mineral water, carrot juice, and grape juice as the top export items. Imports have been trending downward as Japan ramps up domestic production. Healthy drinks and non-alcoholic beers are the leading consumer trends.

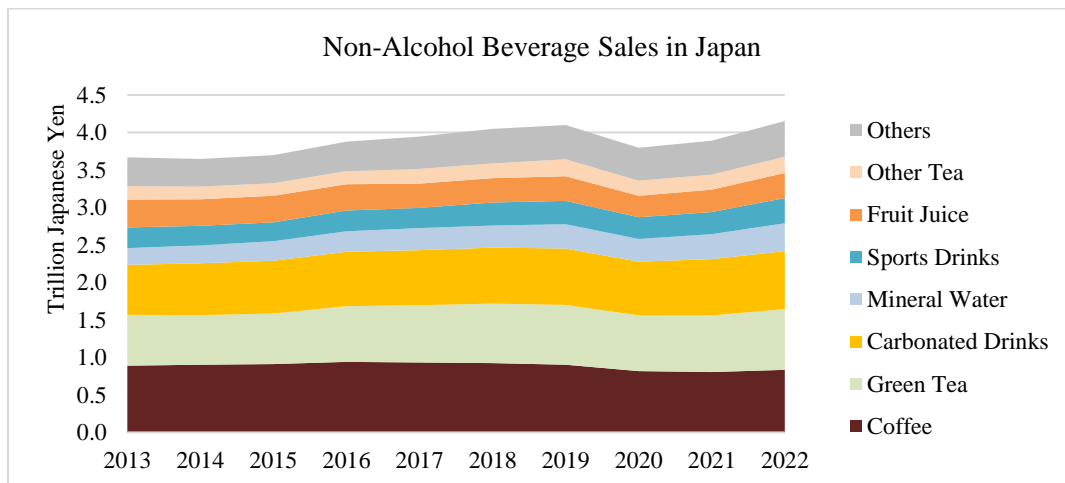
Japan Market Overview

Japan's non-alcohol beverage market was estimated at approximately \$40 billion in 2022 according to Fuji Keizai, a Japanese thinktank. Almost all of Japan's non-alcohol beverages are domestically produced, with only around 3 percent coming from imports. Japan imported \$1 billion of non-alcohol beverages in 2022 with the United States as the largest supplier with a 16 percent market share. While imports have been trending downward over the past decade, domestic production reached a record-high in 2022 at 23 million kiloliters, up 2.7 percent from the previous record set in 2018.



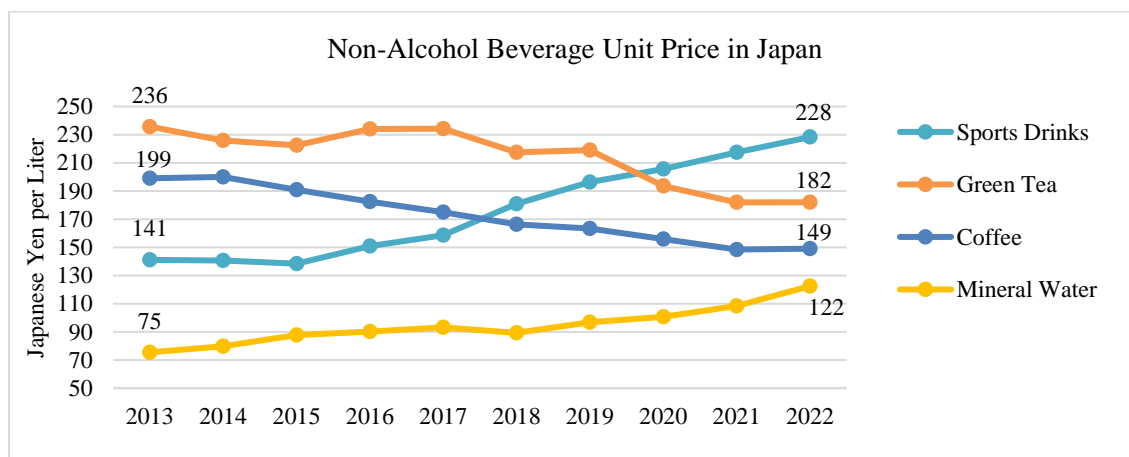
Source: Japan Soft Drink Association

On a per capita basis, Japan produces 182 liters of non-alcohol beverages per year which is roughly equivalent to each person consuming one 500ml PET bottle every day. Coffee, green tea, and carbonated drinks were the most consumed beverages, each accounting for one out of every five beverages purchased. The remaining 41 percent was more or less equally divided among mineral water, sports drinks, fruit juices, and other teas.



Source: Japan Soft Drink Association

Non-alcohol beverage sales have been gradually trending upward over the past decade, notwithstanding a brief decline during the coronavirus pandemic. Between 2013 and 2022, the overall value of non-alcohol beverage sales grew 13 percent to 4.2 trillion yen (\$37 billion). Growth was primarily driven by mineral water (up 67 percent), green tea (up 20 percent), and carbonated drinks (up 16 percent). Meanwhile, sales decreased for coffee (down 7 percent) and fruit juices (down 10 percent).

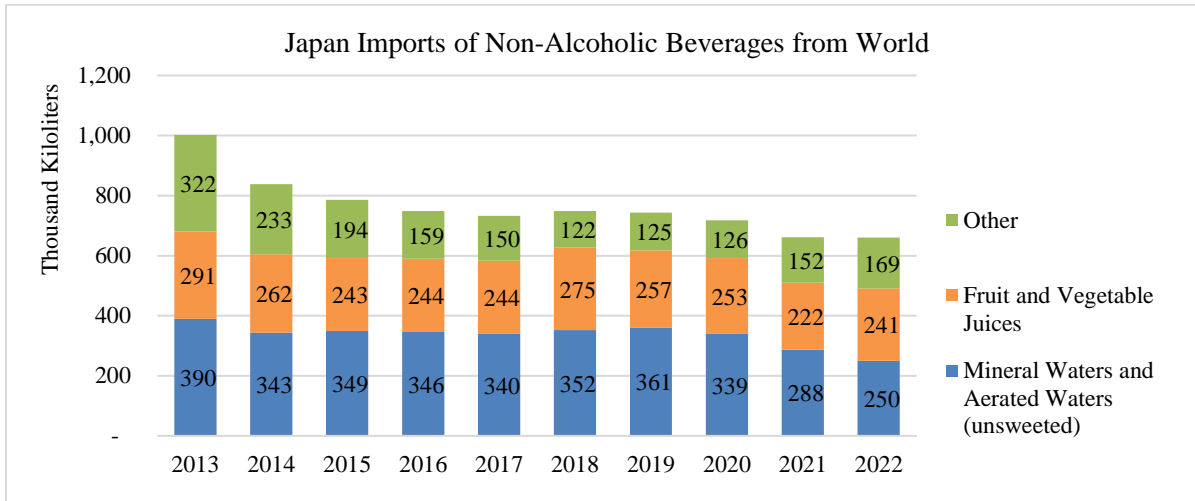


Source: Japan Soft Drink Association

The decline in sales for coffee is primarily attributable to an increase of cheaper products on the market. In fact, during the same 10-year period during which coffee sales dropped, production of coffee beverages grew 25 percent on a volume basis. This is partly the result of rising global production of coffee pushing bean prices lower. USDA forecasts global production to reach 10.4 billion kilograms in marketing year 2023/2024. It also the result of changes in how coffee is sold to consumers in Japan (see Sales Channels section below). Meanwhile, unit prices jumped for sports drinks as overall production declined, reflecting a growing desire among Japanese consumers to pay more for higher quality products.

Imports

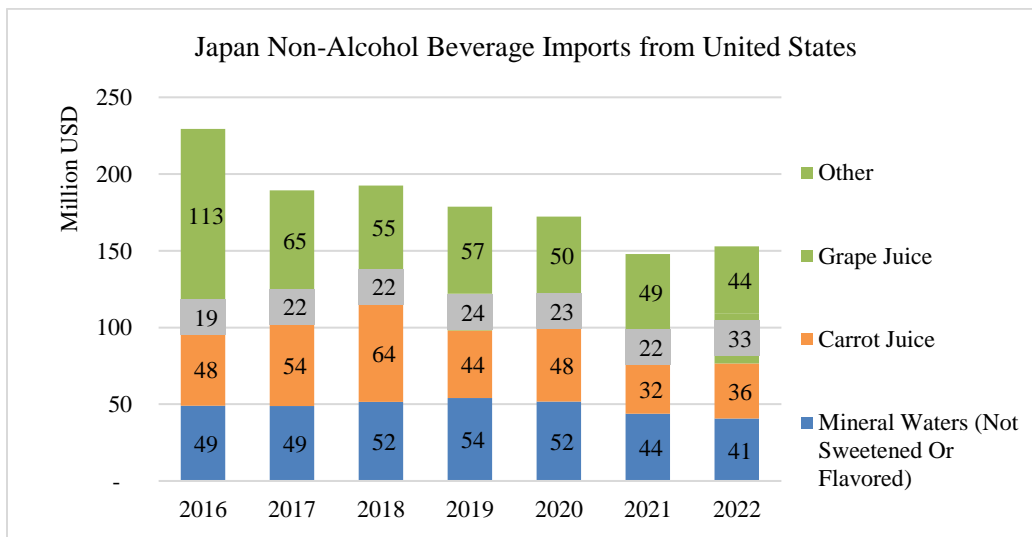
In 2022, Japan imported 660 million liters of non-alcohol beverages from the world valued at just over \$1 billion. Mineral and aerated waters (unsweetened) accounted for 38 percent of the total import volume followed by fruit and vegetable juices at 37 percent. Overall imports have declined over the past decade, falling from 1 billion liters (\$1.4 billion) in 2013. This can be partly attributed to Japan increasing domestic production of non-alcohol beverages, particularly bottled water beginning in the early 2000s. The United States was the largest supplier of non-alcohol beverages to Japan with a 16 percent share of the market valued at \$167 million in 2022. The main U.S. export items were mineral water, carrot juice, and grape juice. Switzerland was the second largest supplier at 11 percent followed by Brazil, China, France, and Israel.



Source: Japan Customs

Note: Based on USDA/FAS BICO categories for Non-Alcoholic Beverages and Fruit & Vegetable Juices.

Japan’s overall imports of non-alcohol beverages from the United States has been decreasing in line with Japan’s overall imports from the world. Despite a decline in value, the United States remains Japan’s largest supplier of carrot juice and second largest supplier of mineral water (after France) and grape juice (after Argentina). The past decade has seen a significant decline in Japan’s imports of U.S. grapefruit juice, which dropped from \$15.6 million in 2013 to just \$1.7 million in 2022. While this is partly due to the overall market shrinking, the United States has lost share to other grapefruit juice suppliers such as Israel, Mexico, and South Africa. Availability and price competitiveness are key factors.



Source: Japan Customs

Sales Channels

According to All Japan Non-Alcohol Beverage Association, Japan has four major sales channels for non-alcohol beverages: supermarkets, convenience stores, vending machines, and others (primarily drugstores). Typical distribution ratios are:

Supermarkets: 40%

Convenience stores: 20%

Vending machines: 20%

Other (primarily drugstores): 20%

Unsurprisingly, supermarkets represent the bulk of beverage sales. Along with drugstores, supermarkets typically offer the best prices both for small 500ml products and larger 1-2 liter size products. They also have the widest range of brands available. This is because supermarkets and drugstores can buy in bulk and have considerable negotiating leverage with beverage manufacturers. See [GAIN JA2023-0052](#) for more information on Japan's retail market.



Typical supermarket drink aisle

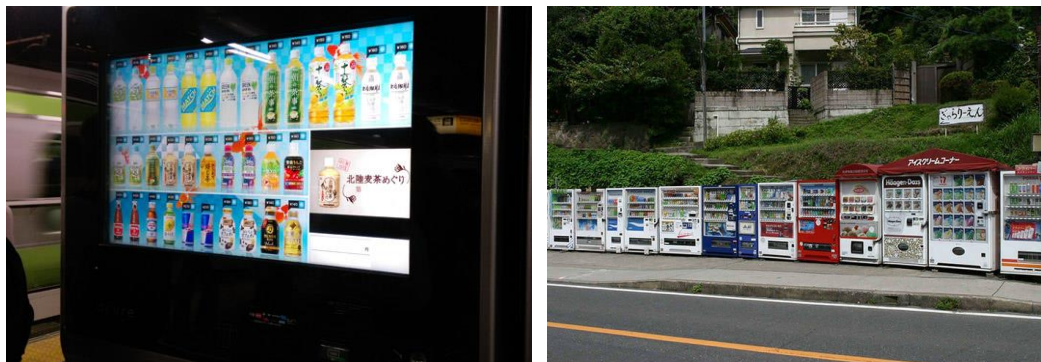
Convenience stores represent one of the fastest growing sectors for beverage sales. Growth in beverage sales correlates strongly with growth in the number of convenience stores in Japan which currently stands at around 60,000. Convenience stores charge a premium for convenience – sometimes double or more the price of the same product sold in supermarkets. Convenience stores also offer opportunities to sell new and/or time-limited products as consumers expect frequent turnover of the stores' limited shelf space. This has been particularly true for canned coffee, tea-based beverages, and sports drinks.

Convenience stores have also been pioneers for self-serve coffee stations which has helped drive down the sales price of coffee beverages as mentioned earlier in this report. Since the 1980s, convenience stores have attempted different methods of providing coffee to consumers, from pouring pre-brewed coffee into individual cups from behind the register to simple automated machines. In 2013, Seven Eleven achieved a breakthrough with its Seven Café system (pictured below). In this system, customers pay for an empty cup at the register, then take it to the Seven Café machine where there are multiple options including coffee with different strengths and origins, lattes and other preparations as well as iced options. The other two chains, Lawson and Family Mart quickly developed similar systems.



Self-serve coffee machine at convenience store

Japan is also well-known for its unique vending machine culture. By the end of 2021, Japan had approximately 2.7 million vending machines nationwide or one per every 46 people. Around 80 percent of all vending machines sell beverages with the majority selling bottled soft drinks. Being even more convenient than convenience stores, vending machines sell at the highest premium, often around 2.5 times the supermarket price.



Vending machines in Japan

Trend: Healthy Drinks

The market for healthy beverages in Japan was already growing prior to 2020, however the pandemic focused consumer attention on beverages that provide specific health benefits, especially those providing immune support. A survey conducted by Yano Economic Research Institute estimated that the market for functional foods increased 12 percent in 2020 compared to 2019, reaching \$22 billion. This shift has been particularly noticeable among the younger generation. According to a 2022 survey by Dentsu, Japan's largest advertising agency, 30 percent of men in their 20s reported regularly consuming specific health use foods (known as *tokuho* in Japanese), making them the largest demographic alongside women in their 60s (also at 30 percent). Men in their 30s represented the second largest group at 28.8 percent. Both rates increased from the year prior. Industry sources suggest that young people, particularly young working males, are becoming increasingly concerned about stress and are interested in products that have stress-reducing claims. Young men are also increasingly interested in high-protein products including drinkable protein beverages.

Companies are seeking to meet this demand by developing more health-focused products. One example is Yakult 1000, a probiotic beverage focused on gut health. The product, introduced in 2019, focuses on the concept of "brain-gut correlation," where there is a bidirectional exchange of information between the brain and the gut. The product's selling point is its ability to improve gut health, which, in turn, claims a positive impact on reducing stress. The product has proven extremely popular, facing multiple shortages since its home delivery launch in 2019 and mass retail launch in 2021. By the end of March 2023, sales reached 2.55 million bottles per day. Production is expected to increase to 4.25 million bottles per day by April 2024. Yakult 1000 retails for approximately 130 yen per 100ml bottle, nearly twice the price of the standard Yakult probiotic drink (40 yen per 65ml) which does not make any *tokuho* claims. Industry sources report that other firms have been able to increase retail prices by 10 to 20 percent after obtaining approval for functional claims. This shows that consumers are willing to pay a premium for products with approved health messaging.



Ready to drink protein beverages (left) and smoothies (right)

Trend: Non-Alcoholic Beers and Low Alcohol Beverages

According to Suntory Holdings, Japan’s largest beverage company, the non-alcoholic beer market was estimated at 40.1 million cases (337 million liters) in 2021, a record high and 15 percent higher than the previous year. The market has grown continuously for seven years and was forecast to grow even higher to 41.7 million cases (350 million liters) in 2022. Meanwhile, the proportion of people who have consumed non-alcoholic beers at home has been steadily increasing each year, reaching 77.6 percent in 2022, also an all-time high. Of those, 37.8 percent reported drinking such beverages "once a month or more" and 21.8 percent reported drinking "once a week or more" both up from the previous year.

When surveying consumers about their reasons for consuming non-alcoholic beers, the top response was "to enjoy the atmosphere of drinking alcohol" (19.2 percent). For those who consumed non-alcoholic beers once a month or more, the top reason was "to be mindful of their health" (26.2 percent), suggesting that more frequent drinkers were focused on health while occasional drinkers were perhaps more focused on the social aspect of drinking. The pandemic certainly played a role as consumers drank more at home compared to restaurants and selected healthier options.

Japan's Top 3 Non-Alcohol Beverage Companies

Suntory Holdings

Suntory holds the top position in both revenue and operating profit among beverage makers in Japan. It is known for its sales of a wide variety of soft drinks and alcoholic beverages. Suntory recorded \$9.72 billion in revenue in Japan fiscal year (JFY) 2022. Approximately 60 percent of its operating profit comes from international operations, due in large part to Suntory's acquisition of international brands such as Jim Beam, Maker's Mark, and Orangina. The company has a business presence in Europe, Asia, Oceania, and the Americas. Although Suntory is most known for its alcoholic beverage lineup, it produces a wide range of non-alcohol beverages including teas, sodas, sports drinks, and supplements. This holds true for many of Japan's other beer makers such as Kirin, Asahi, and Sapporo.

Coca-Cola Bottlers Japan

Coca-Cola Bottlers Japan was formed from the business integration of Coca-Cola West and Coca-Cola East Japan in April 2018. The company's main business is to manufacture Coca-Cola products in Japan. It is one of five such companies to do so, but it is by far the largest. Coca-Cola Bottlers Japan recorded \$4.96 billion in revenue in JFY 2022. It operates in one metropolitan area, two urban areas, and 35 prefectures, handling approximately 90 percent of the sales volume within the Coca-Cola system in Japan. In addition to Coca-Cola brand soda drinks (including Sprite, Canada Dry, Dr. Pepper, and Fanta), the company also produces the Aquarius brand of sports drinks as well as various coffee, tea, and bottled water beverages.

Yakult Holdings

Yakult Holdings is most known for probiotic drinks, however the company maintains a diverse range of business ventures including food and beverage, cosmetics, and pharmaceuticals. Yakult Holdings recorded \$3.19 billion in revenue in JFY 2022. Yakult products are sold in 40 countries and territories with 40 million bottles sold daily. Based on the concept of "preventive medicine" Yakult has invested significant resources in probiotic research. As a result, the Yakult brand has essentially become synonymous with probiotic beverages. In addition to these drinks, Yakult also produces fruit and vegetable juices, yoghurt, soymilk, tea, coffee, and other nutritional drinks and supplements.

PET Bottle Regulation

In 2020, Japan's Ministry of Health, Labour, and Welfare (MHLW) established new regulations for food utensils and packaging materials. These regulations prohibit the sale and use of utensils and packaging materials made from unregulated raw materials, allowing only those that meet safety standards to be used. MHLW introduced a Positive List system with a transition period of five years. After this period, any substances not on the Positive List will be ineligible for use as raw materials.

For further information, please see the below reports:

- [Japan To Implement a Positive List System for Food Packaging and Container Substances | JA2020-0094](#)
- [Japan Translates Positive List of Food Packaging and Container Substances | JA2020-0130](#)
- [Japan 256th Food Safety Group | JA2023-0053](#)

Information for U.S. Exporters

U.S. exporters seeking to enter the Japanese market are encouraged to review the information available on www.usdajapan.org. In particular, the [Export Guidance](#) page includes links to the annual Food and Agricultural Imports Regulations and Standards (FAIRS) country and certificate reports which describe Japan's requirements for imported products. For more information, please contact the USDA Agricultural Trade Office (ATO) Osaka at atoosaka@usda.gov.

Attachments:

No Attachments.