This project was funded by the European Union's COSME Programme.

F2F Health Matters

F2F Health Matters: International development of innovative European healthy food, and sustainable bio-based techno-functional ingredients and solutions, and bio-solutions in new global markets

D1.4 Country analysis - Japan

15.01.2022

Project acronym: F2F Health Matters

Project title: F2F Health Matters: International development of innovative European healthy food, and sustainable bio-based techno-functional ingredients and solutions, and bio-solutions in new global markets

Project code: 101035906

Deliverable number and name: D1.4 Country analysis - Japan

Dissemination Level: Public

Work Package: WP1. Business and market intelligence

Author: Clusaga

Document history:

Version	Date of issue	Content and changes	Edited by
0.1	13.01.2022	First Draft for feedback	Clusaga
V1	14.01.2022	Final version	Clusaga
V2	17.01.2022	Final version with comments	Clusaga
V3	27.01.2022	Final version, mistake correction	Clusaga

The F2F Health Matters project is implemented by the following partners:

Funded by the European Union

Content

Figures

Tables

Abbreviations and Acronyms

AI	Artificial Intelligence
CAA	Customer Affairs Agency
CARG	Compound Annual Growth Rate
ECI	Economic Complexity Index
EPA	Economic Partnership Agreement
FFC	Foods With Function Claims
FNFC	Foods with Nutrient Function Claims
FOSHU	Foods for Specific Health Uses
GDP	Gross Domestic Product
GI	Geographical Indicators
HACCP	Hazard Analysis and Critical Control Points
HDI	Human Development Index
ISO	International Organization for Standardization
JAS	Japanese Agricultural Standards
MHLW	Ministry of Health, Labour and Welfare
OECD	Organisation for Economic Co-operation and Development
R&D	Research and Development
SPA	Strategic Partnership Agreement
WTO	World Trade Organization

Executive summary

This document provides information about the Japanese market and the opportunities for EU companies in the healthy food and bio-solutions sector.

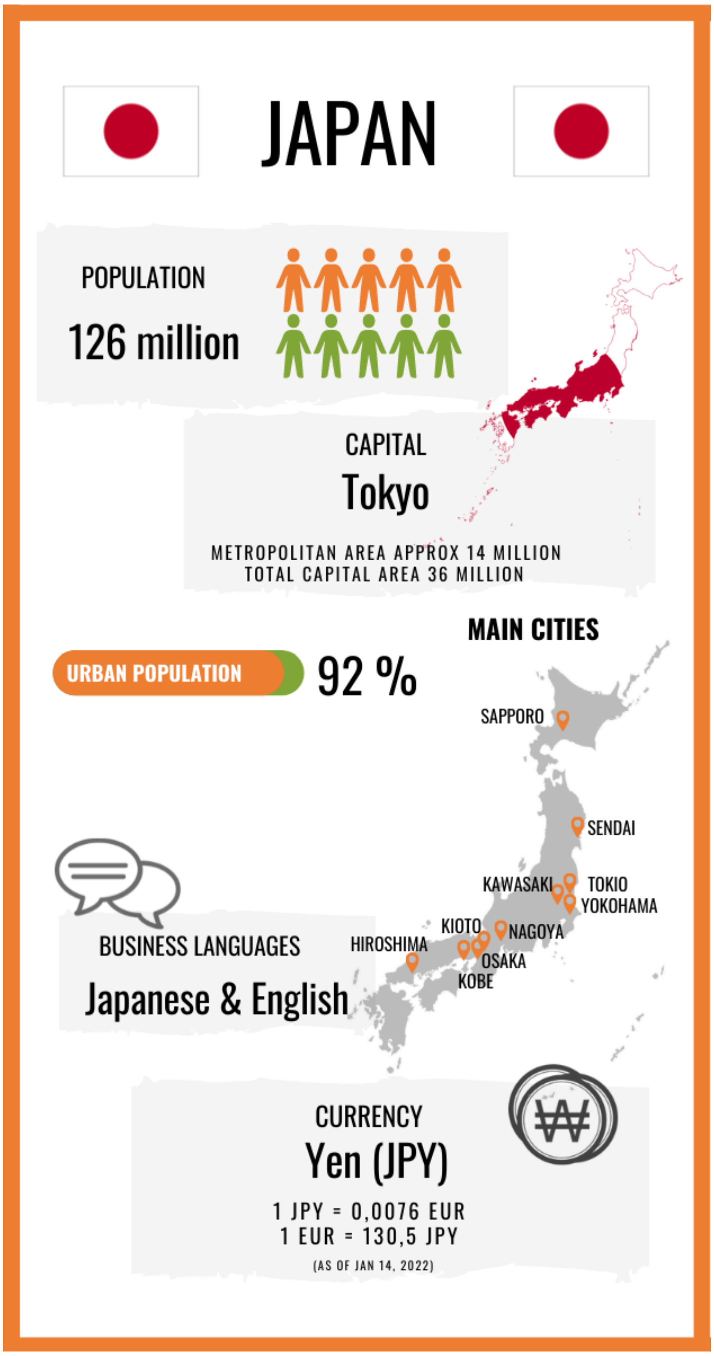
To this end, the report firstly provides a market overview of Japan, in which the economic data of the country is studied. It also shows relevant information about the food and beverage industry in the Japanese market.

To provide more information, it analyses the trade relations and trade agreements that exist between Japan and the EU, providing, based on this data, information on the requirements necessary to export to the Asian country (entry barriers, documentation, risks, etc.).

Finally, the report includes trends on healthy and bio sustainable food in the market, and a study about Japanese consumers.

1 Market overview

Figure 1. General data - Japan



The island country of Japan is located in East Asia, in the northwest of the Pacific Ocean. The country is bounded to the north by La Perouse Strait; to the south and east by the Pacific Ocean; and to the west by the Sea of Japan and the East China Sea, which separates the country from the People's Republic of China.

The country is an archipelago of 6.852 islands, being Hokkaido, Honshu, Shikoku, Kyushu an Okinawa - the biggest of them. Japan is one of the most populous countries in the world (125 million). Its population density is also high (347 inhabitants/ km^2), as well as the urbanization level.

Tokyo is the nation's capital and its largest city in extension and population, followed by other major cities such as Yokohama, Osaka, or Nagoya.

Japan is a parliamentary constitutional monarchy, and its government consists of legislature, executive and judiciary branches based on popular sovereignty.

Japan is a developed country and a member of OECD's Development Assistance Committee, the G7 and WTO among other relevant international institutions.

The country is ranked at the 19th position in the latest Human Development Index (HDI) ranking (the 5th in the Asia and Oceania region). Its economy ranks as the 3rd largest worldwide in terms of nominal GDP.

1.1 Economic data

Table 1. Economic Data - Japanese Market 2020

ECONOMIC DATA (2020)	
Population	125 836,021
Population growth (annual)	-0,3%
GDP (M.€)	4 432 007
GDP growth	-4,6%
GDP per capita (€)	35 221
GDP per capita growth	-4,3%
Inflation rate	0,8%
Current account balance (M.€)	139 307 (3,3% GDP)
Total debt (M.€)	10 803 923 (12,67% GDP)
Exports (M.€)	561 526,8 (12,53% GDP)
Imports (M.€)	555 518,8 (12,53% GDP)
Trade balance (M.€)	6 008,0 (0,14%)
Gini Index	32,9
LABOUR MARKET	
Unemployment rate	3,0%
Minimum wage (€/month)	1 280,7

Japan is ranked in the 3rd position worldwide in terms of nominal GDP (4,97 trillion) and 2nd in Asia, although the economy of the country suffered a contraction of -4,6% of the GDP in 2020 (clearly caused by the effects of the pandemic over the economic activity of the country).

The inflation rate was 0,8% in 2020, which was expected to be higher in 2021 and most probably in 2022 due to the global crisis of the supply chain.

The unemployment rate of Japan in 2020 was just 3% of the active population of the country, which is a good result considering the economic impacts of the pandemic worldwide.

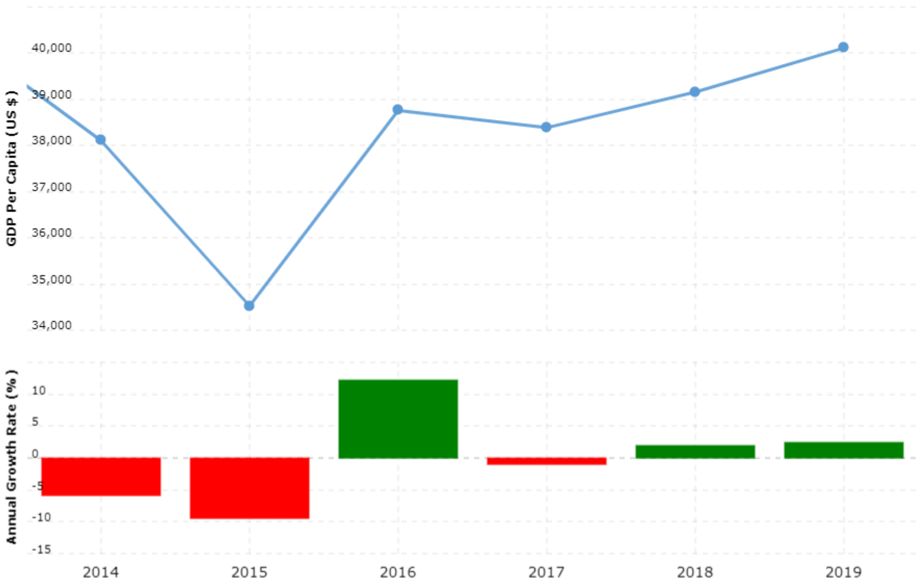
The country is the 4th largest importer and exporter of merchandise worldwide having a small trade balance surplus in 2020 (6 008 million USD).

According to official World Bank Data, Japan's Gross Domestic Product (GDP) was worth 4 432 007 million EUR (5 084 885 million USD) in 2020, representing, approximately 4,5% of the global GDP. And taking into consideration the data from OECD, the economy is expected to grow by 1,8% in 2021, 3,4% in 2022 and 1,1% in 2023

GDP per capita in Japan is 40,407 USD in 2020 (≈ 35,221 EUR). The country is not even ranked in the global top 20 countries in terms of GDP per capita due to the fact that its population is aging fast, and the working population has been decreasing since 1997.

Japan is ranked 29th in the latest World Bank's Doing Business Ranking, which measures the ease of doing business in the country.

Figure 2. Evolution of GDP and GDP per capita in Japan (2014 - 2019)



SOURCE: MACROTRENDS

1.2 Agri-food and beverage industry in Japan

Japanese food and beverage market had a revenue forecast of 19,5 billion USD by 2020.

Japan has a small agricultural market, with slow development, high input costs, and a small size of natural agricultural land. The country is therefore trying to reduce this weakness in the sector by strengthening its food and beverage imports and ensuring a stable supply by subsidising domestic production, promoting the revitalisation of rural areas and encouraging urban agriculture. Agricultural sector is highly dependent on food imports and also highly fragmented.

Japan's food and beverage market (and its domestic agriculture) is limited, and relies heavily on imports, which experienced a 4,2 % increase in 2017 and accounted for 12,2 % of all Japan's imports in the same year. In terms of trading partners, Japan imports agri-food products from the United States (23%), followed by the EU (17,5%) and China (11,2%).

The country mainly imports pork, beef, soybeans, wheat, cigarettes, beef, chicken and coffee. However, domestic food producers try to maintain their market share by offering traditional products and appealing to consumers.

Japan succeeds in exporting products such as food preparations, pastries, sauces and fermented rice beverages, although in relatively small quantities.

In Asia, **Japan has the second highest share of food consumption with 23%** (behind China, which has 38% and followed by Korea with 4%). The rest of the Asian countries account for 32%. **This demand is expected to continue growing.** In 2018, food expenditure per capita was 3 417,5 USD in Japan, Japanese people have a wide variety of food products, ranging from traditional foods to products imported from other countries. One notable domestic sector is rice; many of the country's national agricultural policies focus on traditional rice production.

Japanese food is very popular all over the world and is renowned for promoting health and longevity. Its traditional cuisine focuses on rice, fish and seasonal ingredients. In 2013, UNESCO added "*washoku* - traditional Japanese dietary cultures" to its Representative List of the Intangible Cultural Heritage of Humanity.

1.3 Opportunities in the Japanese market

As mentioned above, Japan is heavily dependent on imports for its food. The country's self-sufficiency rate has declined to 39% in all food groups, making the industry a business opportunity for those wishing to introduce new food products to the market.

The agri-food sector is one of the sectors with the greatest opportunities, as it has received significant benefits from the reduction in tariffs under the trade agreement. Tariffs have been eliminated for some trade items (e.g., wine, from 15% to 0%), and this has increased European sales in Japan by 23% in recent months following the EPA. Tariffs on other items (such as meat and dairy products) are expected to be reduced.

Among the sectors of greatest interest, especially in the wake of the health crisis, are those related to health industries. **Pharmaceuticals, organic chemicals, biotechnology are sectors in constant growth** and where Japan has important established value chains.

An industry that has accounted for 5,9% growth over the last five years has been the packaged food market, estimated at 198,1 billion USD in 2020 (it is expected to increase by further 3.6% to reach sales of around 204,5 billion USD by 2025). **Japan is the world's third largest packaged food market**, after the United States and China.

The **fastest growing categories** in the forecast are: cheese, sweet biscuits, snack bars and fruit snacks, pet food, bakery products, ice cream and frozen desserts, savoury snacks, ready meals, confectionery.

There are growing **trends in private label, healthy food and organic food**. In addition, **convenience** or time-saving foods (such as frozen foods), ready meals and desserts have also experienced strong growth in the market.

Japanese food manufacturers are looking for **quality ingredients** and semi-processed foods that can reduce costs.

Figure 3. Products with sales potential in Japan

- Beef products
- Pork and pork products
- Wheat and wheat products
- Fresh and processed fruits
- Nuts and peanuts
- Processed vegetables
- Whisky
- Wine
- Beer
- Cheese

The largest **share of food consumption expenditure** is represented by cereals and grains, followed by vegetables, dairy products, seafood, fruits and meat.

There is greater **interest in foreign products** due to increased exposure to global culture and media.

1.4 Characteristics of Japanese consumers

The Japanese are generally very healthy people. They have the second highest life expectancy in the world and an obesity rate of only 3,5%. In addition, many are highly educated and have a high disposable income.

Although they have a high life expectancy, the country has a serious problem of an ageing society and a low birth rate.

In recent years, the profile of the Japanese consumer has changed, and they have adopted Western habits in terms of food choice and consumption (this shows that they readily respect and embrace Western alternative cultures). Many of them have started to consume more milk, wheat, meat and other dairy products.

The country's older population tends to maintain a traditional diet, but younger people are introducing Western habits into their cooking, resulting in a shift in the types and quantities of foods consumed. Japan's nutritional guidelines reflect its traditional diet, rich in grains, fish and soy products, but low in fat.

When it comes to shopping, consumers are divided in their preferences:

- **47% shop for their food needs in supermarkets**
- **32% of customers prefer General Merchandize Stores**
- **7% go to CVS Pharmacy Stores**
- **5% prefer smaller supermarkets**

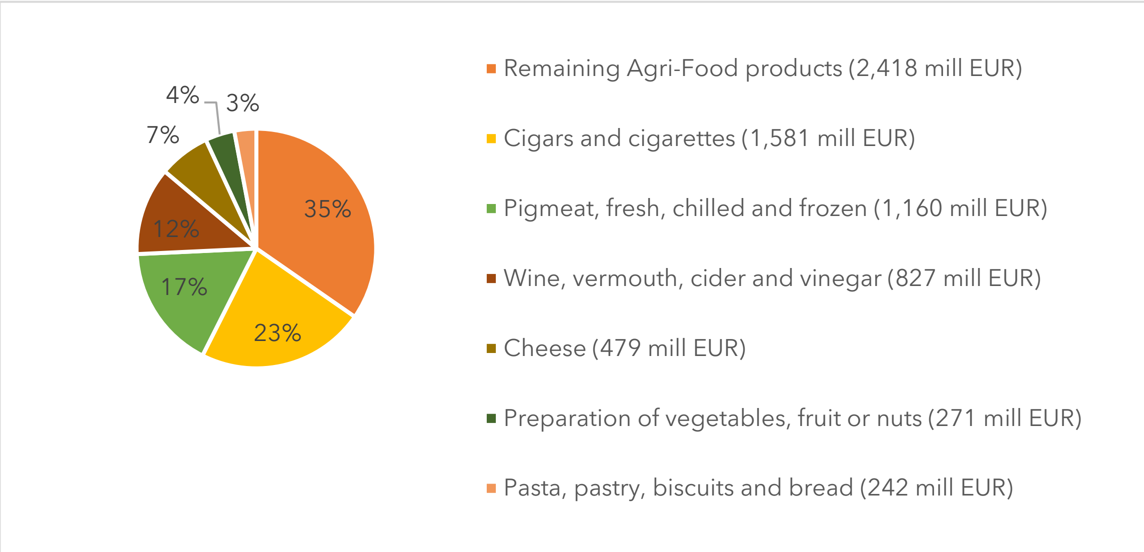
Japanese consumers are novelty seekers and value new experiences and products; they have a preference for originality, new products, new functions and a wide variety of foods. In addition, they tend to have very high expectations in terms of product quality and, although they are price conscious, they are willing to pay a premium price as long as the products exceed their expectations. Freshness and origin of products are very important.

Consumers are increasingly interested in foods and beverages that are less processed and have more natural and organic ingredients, as well as being environmentally friendly.

This has led to an increased demand for foods perceived as healthy, such as low-fat and low-sugar products, organic products and nutritional supplements. In addition, consumers tend to consume more fruits and vegetables, so the demand for products is likely to increase in the future.

1.5 Total EU exports of agri-food and beverages to Japan

Figure 4 EU Agri-Food Exports to Japan by product category



SOURCE: COMEX-EUROSTAT

Table 2. Evolution of 20 top EU Agri-Food exports to Japan, 2016 - 2020

		EXPORTS					
		Value (million EUR)					%
		2016	2017	2018	2019	2020	Share in all Agri 2020
	Total agri-food and beverages	**5 454**	**6 092**	**6 276**	**7 254**	**6 977**	**100,0**
1	*Cigars and cigarettes*	338	703	807	1 297	1 581	22,7
2	*Pigmeat, fresh, chilled and frozen*	1 213	1 263	1 249	1 390	1 160	16,6
3	*Wine, vermouth, cider and vinegar*	760	816	849	962	827	11,9
4	*Cheese*	282	384	410	449	479	6,9
5	*Preparations of vegetables, fruit or nuts*	229	256	262	268	271	3,9
6	*Pasta, pastry, biscuits and bread*	168	179	184	210	242	3,5
7	*Olive oil*	231	249	233	261	216	3,1
8	*Casein, other albuminoidal substance & modified starches*	186	191	190	209	203	2,9
9	*Pet food*	186	168	188	188	196	2,8
10	*Chocolate, confectionery and ice cream*	182	195	204	192	192	2,8
11	*Food preparations, not specified*	113	122	119	116	112	1,6
12	*Meat preparations*	81	91	112	107	108	1,5
13	*Spirits and liqueurs*	114	112	125	175	107	1,5
14	*Waters and soft drinks*	121	96	98	113	95	1,4
15	*Gums, resins and plant extracts*	96	70	84	95	87	1,2
16	*Fruit juices*	74	82	93	88	86	1,2
17	*Offal, animal fats and other meats, fresh, chilled & frozen*	99	111	55	56	68	1,0
18	*Miscellaneous seeds and hop cones*	52	65	61	54	67	1,0
19	*Malt*	81	76	77	83	65	0,9
20	*Vegetables, fresh, chilled and dried*	81	68	71	66	60	0,9
	Remaining Agri-Food products	767	794	806	875	755	10,8

SOURCE: COMEX-EUROSTAT

1.6 Share of agri-food imports and exports from EU to Japan

Japan is the 5th country of destination for EU food and beverages. With a value of 6 977 million euros, it represents a 3,8% share of extra-EU exports.

On the other hand, Japan is the 49th exporter of food and beverages goods to the EU, exporting 0,3 % of the share, amounting around 342 million euros.

As we have already seen in the previous section, the main EU exports to Japan (referring to the food and beverage sector) are cigars and cigarettes, pigmeat, wine, vermouth, cider and vinegar and cheese.

Japanese exports to the EU are mainly soups, sauces, spirits, liqueurs, food preparations, pasta, pastry, biscuits and bread.

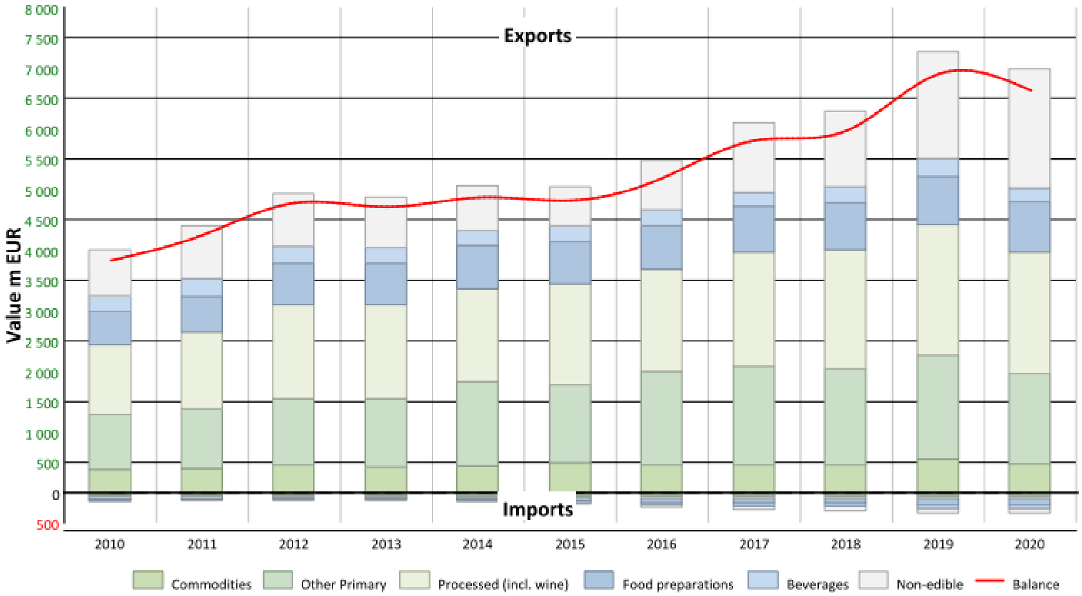
Funded by the European Union

Table 3. Trade Indicators EU27 with Japan

	UNIT	EXPORTS	IMPORTS	BALANCE
EU27 Total trade value with Japan	**Million EUR**	54 473	54 917	-444
Share of EU27 total trade with Japan	**(%)**	2,8	3,2	N.A.
EU27 Agri-Food trade value with Japan	**Million EUR**	6,977	342	6,635
Share of EU27 total Agri-Food trade	**(%)**	3,8	0,3	N.A.
Change 2019-2020	**(%)**	-3,8	-1,4	N.A.
Annual rate of change from 2010-2020	**(%)**	5,8	8,5	N.A.

SOURCE: COMEX-EUROSTAT

Figure 5. Evolution of EU agri-food exports to Japan (2010-2020)



SOURCE: EUROPEAN COMMISSION

1.7 Health functional food market in Japan

A "**functional food" is a food with ingredients that provide additional health benefits beyond the nutritional value included in ordinary foods**. They include nutrients such as vitamins, fibre, protein, minerals and other functional components.

Functional foods in Japan, along with functional beverages, have become very popular and are readily available in supermarkets, convenience stores and pharmacies. These products are becoming very successful because they promote health, beauty and wellness.

The traditional Japanese diet is considered to be very balanced, fresh and nutritious and consumers have a strong desire to consume natural and health-conscious foods. The reasons for recent trends towards a health-conscious lifestyle are varied, ranging from increasing levels of dietary requirements to a greater sense of awareness of manufacturing processes and ingredients. But fast-paced lifestyles mean there is a need for healthy ready-to-eat foods with additional vitamins, dietary supplements, or disease-preventing ingredients.

In Japan, health and wellness trends in food and beverages have gained popularity, as consumers turn to less processed and more natural alternatives to their usual consumer products.

In recent years, Japanese government has been increasing its efforts to improve the health of the population as a way to reduce the burden on the country's healthcare system and reduce stress-related problems, so it boosted campaigns to get Japanese people to care about their health.

From all this, the value of functional food shipments in Japan soared between 2015 and 2019, increasing by 434% from 44,6 billion JPY to 238,2 billion JPY.

By **2018, the functional food market in Japan was the 3rd largest in the world**, and in 2019, the sales value of naturally healthy products in Japan amounted to more than 9 billion USD, accounting for most of the health and wellness food products sold in the country.

All these increases occur after the market introduced the 'Food with Function Claims' (FFC) labelling category by the Consumer Affairs Agency of Japan (CAA) in 2015.

Health and wellness products in Japan can be divided into organic, free-from, natural, food-free, food intolerance and enriched or functional products. All of them have experienced an increase in sales over the last years.

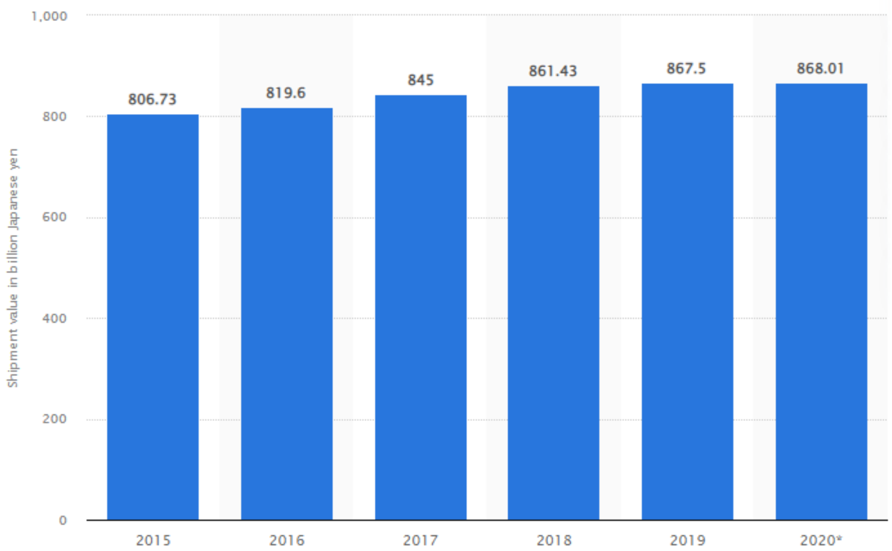
Foods with health-promoting claims are an important part of the health food market in Japan. This market usually includes **"foods for specific health uses" (FOSHU)** and **"foods with Nutrient Function Claims" (FNFC).**

FNFCs carry labels describing the effects of added vitamins and minerals, and items with FOSHU require permission from the Japan Consumer Affairs Agency to promote the product's health claims.

Demand for functional foods depends on the age group:

- **Ageing population:** products that contribute to general health, improve sleep and prevent deterioration of joints, bones and muscles.
- **People in their 40s and 50s:** products for weight management and metabolism stimulation. In addition, men generally prefer foods or beverages that help them recover from fatigue, prevent hypertension and maintain general health, and women are looking for beauty options, skin care products and nutritional support.

Figure 6. Size of the health food market in Japan (2015-2020)[1]



SOURCE: STATISTA

1.8 Bio solutions in Japan

Biopesticides are gaining popularity due to increasing demand for food safety and quality, and their relatively low R&D costs compared to synthetic pesticides. Biopesticides offer an innovative approach to agricultural pest management using microbial agents as the active ingredient.

Japanese biopesticides market is estimated to register a CAGR of 17,4 % between 2020 and 2025.

There is a good opportunity for pesticide companies in Japan, as its synthetic pesticide market is mature and slow-growing. In Japan, the increase of public disease cases due to more pesticide residues on crops is changing the choice of farmers and the public towards the use of pesticides on crops.

Among Asian countries, Japan has one of the best-established systems for pesticide registration and research and development, which has accelerated the process of biopesticide development and commercialisation.

Companies are investing heavily in new product development, and are collaborating and acquiring other companies, which is expected to increase their market shares and strengthen R&D activities. Few federations of agricultural cooperatives in the region are also producing and distributing locally produced biopesticides.

However, limited arable land, ageing farmers, limited reach and unavailability of biopesticides for all diseases and crops are restricting market growth in the country.

The Japanese biopesticides market is segmented:

---

[1] Market size is based on the value of manufacturers' shipments during the surveyed years (2015-2020) and is reported in billions of Japanese yen.

Funded by the European Union

- **By product** (bioherbicides, bioinsecticides, biofungicides, others)
- **By formulation** (liquid, dry)
- **By ingredient** (microbial pesticide, plant biopesticide, biochemical pesticide)
- **By application** (grains and cereals, pulses and oilseeds, fruits and vegetables, cash crops, turf and ornamentals).

1.9 AgTech in Japan

The **sector is relatively new,** with no established industry associations yet. Although a growing number of new entrants are bringing efficiencies to agribusiness to offset the problems of an ageing farming population and a shrinking workforce in the sector. The market offers R&D collaboration opportunities for foreign companies.

Japanese Ag-Tech market was valued at 188,3 million USD in 2018-2019 and is **expected to increase by 12% annually.**

In conventional Japanese agriculture, the techniques are labour-intensive, and the average age of farm workers is almost 67 years. Consequently, ways to modernise farming practices and increase productivity are being explored. Producers are realising the need for the use of technology to help producers adopt this new style of farming. But also, this trend of AgTech use is influenced by the increase in abandoned farmland and the cessation of subsidies to rice farmers following the 'Rice Cultivated Area Reduction Policy' in 2018.

The Japanese government aims to increase productivity by promoting open innovation in Ag-Tech (Agri-tech 5.0 Society) to achieve advances of sustainable agriculture, and there are more medium and large livestock farmers investing in technology.

Large private sector corporations are proactively entering these AgTech businesses by introducing agricultural technology for smart farming. This includes IT companies, machinery manufacturers, telecommunications companies, construction companies and food manufacturers.

Between 2017 and 2018, it was driven by IT solutions to support farming, including cloud-based agriculture and multi-environment control devices.

In addition, continued growth is expected for **agricultural spraying solutions with drones**, which can be used for spraying pesticides, spraying fertilisers, for evergreen spraying or as sensors.

The size of **the livestock monitoring technology** market is also forecast to grow to $75 million by 2030. This is 3,5 times larger than in 2018.

Smart **agriculture or precision farming uses robotics, AI and data.** And it has several key elements: the development of automated tractors and new rice crops through the introduction of digital farming and data science (hopefully leading to efficient and productive farming with 40% lower production costs by 2023) and the establishment of a Japanese-style greenhouse farming system to develop high-quality, high-yielding crops.

2 Trade between Japan and the EU

2.1 EU Free Trade Agreement with Japan

From February 1st, 2019, entered into force the Economic Partnership Agreement (EPA) between the EU and Japan, the world's largest open economic area (in which 635 million people live), accounting for almost 30% of global GDP. From the same date, the EU-Japan Strategic Partnership Agreement (SPA) was also provisionally applied, which provides the framework for enhanced political cooperation.

The trade agreement eliminates tariffs and other trade barriers between the two territories and creates a platform for cooperation to avoid obstacles for trade. It also helps establish global trade rules in accordance with high standards and shared values and demonstrates that two of the world's largest economies reject protectionism.

Under the agreement, significant progress has been made on tariffs (99% and 97% of tariff lines in the EU and Japan's goods market are liberalised), trade in services, regulatory cooperation, protection of geographical indications and government procurement. However, the EPA does not include provisions on investment protection (an issue to be negotiated in the future).

Once the Agreement is fully implemented, Japan will have eliminated customs duties on 97% of goods imported from the EU. It will also remove barriers for EU food and drink exporters and increase export opportunities in other sectors. Annual trade between the EU and Japan could increase by almost 36 billion EUR once the agreement is fully implemented.

The agreement offers consumers more choice and lower prices. It also protects large European products in Japan and vice versa. It enables small businesses on both sides the chance to reach a new market and is expected to help European companies save 1 billion EUR in customs duties each year, giving a major boost to trade.

The EU and Japan have agreed to set standards on sustainable development and the text includes, for the first time, a commitment to the Paris Agreement on climate change.

In addition to the EPA, the EU and Japan cooperate through the EU-Japan Industrial Cooperation Centre and the Business Round Table for the promotion of business cooperation initiatives.

For more information about the EU-Japan free trade agreement:

https://ec.europa.eu/trade/policy/countries-and-regions/countries/japan/

2.2 General trade data

Foreign trade is an essential element of the Japanese economy, although the country is not entirely open and imposes extensive non-tariff barriers on different sectors, especially in agriculture.

Japan is the world's 4th largest importer and exporter of goods, and **trade represents 36,8% of the country's GDP.**

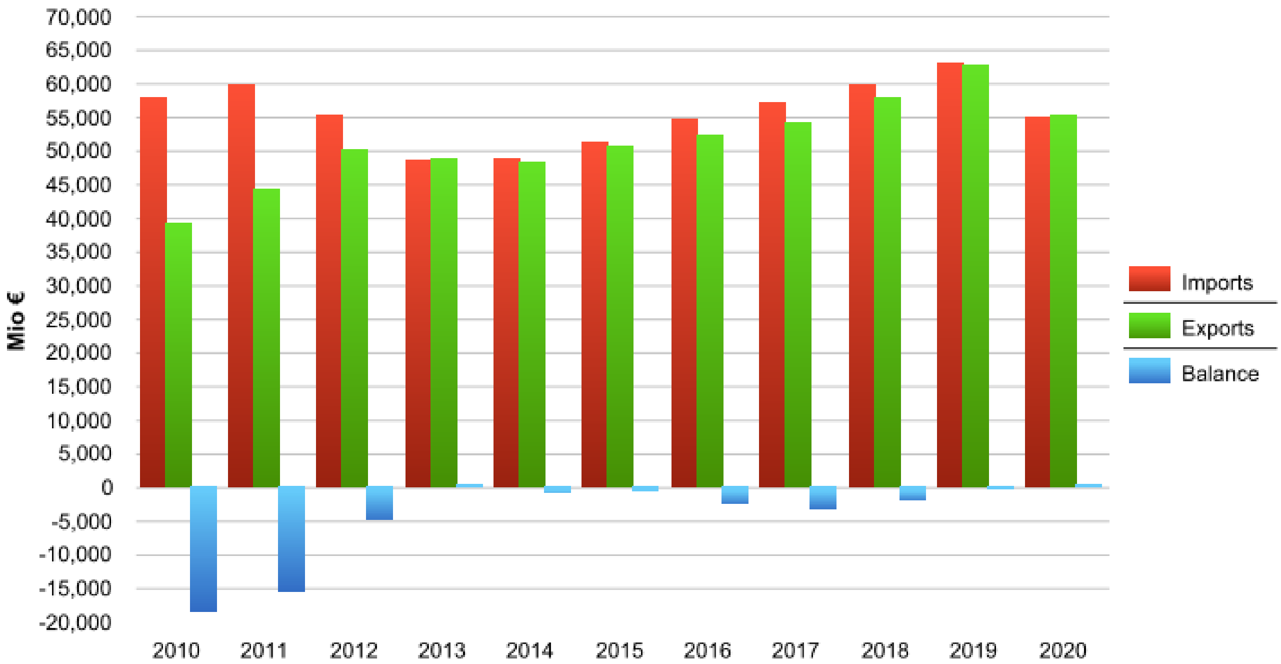
Traditional trade relationship between the EU and Japan used to be high trade surpluses in favour of Japan. But the situation started to change between 2009 and 2019, when trade figures became more balanced, and the EU's goods trade deficit with Japan decreased.

Nowadays, EU companies already export almost 70 billion EUR in goods and 28 billion EUR in services to Japan every year. Total EU-Japan services trade amounts to 35% of total goods trade between the two territories. At the same time, EU services exports to Japan account for about 50% of EU goods exports to Japan.

The balance of trade in goods between EU Member States and Japan shows that some states had a trade surplus with Japan. The largest surplus was recorded by Italy (EUR 3,48 billion), followed by Germany (EUR 2,187 billion) and Ireland (EUR 1,944 billion). The largest deficit was recorded by Belgium (EUR 6 389 million), followed by the Netherlands (EUR 4 643 million) and Poland (EUR 1 266 million).

Japan's main imports from the EU are machinery, motor vehicles, chemicals, optical and medical instruments, and plastics. While EU exports to Japan are dominated by chemicals, motor vehicles, machinery, optical and medical instruments, and food and beverages.

Figure 7. Total goods: EU and Japan trade flows and balance, annual data 2010-2020



SOURCE: EUROPEAN COMMISSION

Table 4. European Union, trade flows with Japan by SITC section 2017-2020

VALUE MILL. EU	IMPORTS				EXPORTS			
	2017	**2018**	**2019**	**2020**	**2017**	**2018**	**2019**	**2020**
Total	57 129	59 588	62 986	54 934	54 062	57 807	62 628	55 119
0 Food and live animals	183	182	212	211	3 856	3 992	4 132	3 932
1 Beverages and tobacco	56	65	79	74	1.806	1 946	2 583	2 638
2 Crude materials, inedible, except fuels	652	713	681	609	1 465	1 490	1 686	1 342
3 Mineral fuels, lubricants & related materials	49	180	245	78	115	171	185	124
4 Animal and vegetable oils, fats and waxes	49	56	59	56	303	297	331	277
5 Chemicals and related products	6 235	6 516	7 314	7 786	12 467	13 315	13 684	13 208
6 Manufactured goods classified chiefly by material	3 961	4 222	4 289	3 644	3 592	3 801	3 941	3 488
7 Machinery and transport equipment	38 572	39 902	42 010	34 881	20 228	21 689	24 622	19 442
8 Miscellaneous manufactured articles	6 845	7 386	7 713	7 193	8 573	8 920	9 314	8 231
9 Commodities and transactions	255	229	308	366	464	472	550	695
Other	271	135	76	34	1 193	1 716	1 601	1 743

SOURCE: EUROPEAN COMMISSION

2.3 Main trade partners

In 2020, Japan was the EU's 2nd largest trading partner in Asia after China. In addition, Japan was the 7th largest partner for EU exports (2.8%) and imports (3,2%) of goods.

The country's main partners are China, the United States, the European Union, South Korea, Australia, Hong Kong, Saudi Arabia and Thailand.

Among EU Member States in 2020, the three largest importers from Japan were Germany (15,45 billion EUR), Belgium (9,577 billion EUR) and the Netherlands (9,556 billion EUR). The three largest exporters to Japan in the EU were Germany (17,637 billion EUR), Italy (7,125 billion EUR) and France (5,695 billion EUR).

Figure 9. Exports to Japan (by country) 2020

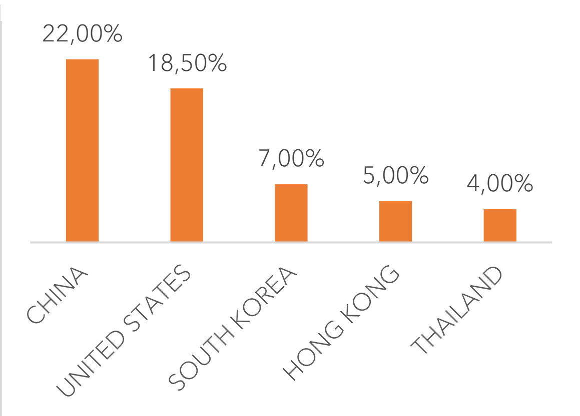
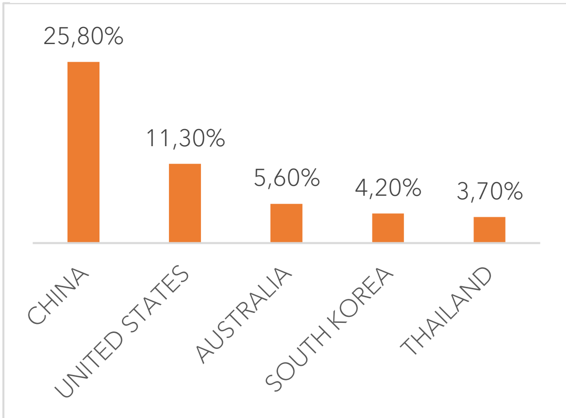


Figure 8. Imports from Japan (by country 2020)



SOURCE: COMTRADE

2.4 Country of origin image perception in the Japanese market

BELGIUM	
COUNTRY MARKET SHARE*[2]	0,55% (3,42 billion USD)
FOOD AND BEVERAGE EXPORTS TO CANADA (2019)	Chocolates, frozen vegetables, food preparations, cereal foods, bakery products, beer and malt
TOURIST EXCHANGE	No available data
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	Food and beverages are Belgium's third largest export category to Japan, with Belgium being the fifth largest exporter to Japan among EU Member States, although it is still an under-exploited market for the Belgian agri-food sector, which faces many problems in following strict food safety standards. With around 80 subsidiaries present in Japan, the Belgian industrial presence in Japan is concentrated in the chemical, pharmaceutical and biotechnology sectors, followed by the ICT, automotive and materials sectors.

FRANCE	
COUNTRY MARKET SHARE	1,39% (8,68 billion USD)
FOOD AND BEVERAGE EXPORTS TO CANADA (2019)	Wine, animal feed, cheese, waters, pork, spirits <80% alcohol and bakery products
TOURIST EXCHANGE	France has an average of 650 000 Japanese tourists per year
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	Japan is France's 6th largest trading partner outside the EU. In 2019, French agri-food industry exports to Japan increased by 7%. France has a trade surplus of €850 million with Japan. More than 400 French companies are currently established in the market and 7 925 are exporting to Japan. It is worth noting the difficulties of entering the Japanese market due to its drastic regulations.

PORTUGAL	
COUNTRY MARKET SHARE	0,03% (214 million USD)
FOOD AND BEVERAGE EXPORTS TO CANADA (2019)	Tomatoes, wine, pork, frozen fish, bakery products, milk concentrated and frozen vegetables
TOURIST EXCHANGE	32 349 Japanese people visited Portugal in 2019, an increase of 22% from the prior year
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	Japan is one of the three largest economies in the world, with a significant population size and a market with relevant niches for Portuguese SMEs. Japan It is an under-exploited market for Portuguese agri-food sector, but thus existing great potential for business development between Japan and Portugal. With the new agreement in 2019, Portugal win a big opportunity to explore Japan Market. The Portuguese participation is still small – 145,7 million exports, of which 39,1 million in food, including products such as wine, fish, canned tomatoes or biscuits. The bases are low, and the margins for growth high. " Made in Portugal " is recognized on Japanese market as big quality products.

[2] This data shows the country market share of exports of agri-food and beverage products from each of the studied origin countries to Korea in 2019

SLOVAKIA	
COUNTRY MARKET SHARE	0,04% (237 Million USD)
FOOD AND BEVERAGE EXPORTS TO CANADA (2019)	Wine, cereal foods, seaweeds and edible vegetable products and food preparations
TOURIST EXCHANGE	In 2019, almost 10 000 Japanese tourists visited Slovakia
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	Japan is Slovakia's 13th largest trading partner outside the EU. There are 201 Slovak companies exporting to Japan. Japan is not yet very familiar with Slovak agri-food products, so it is a sector that has a lot to offer.

SPAIN	
COUNTRY MARKET SHARE	0,49% (3,05 billion USD)
FOOD AND BEVERAGE EXPORTS TO CANADA (2019)	Pork, olive oil, wine, fish fillets, tomatoes, vegetable saps, and fruit juices
TOURIST EXCHANGE	In 2019, 686 090 Japanese tourists visited Spain
INFORMATION ABOUT MARKET EXPERIENCE AND CONSUMER PERCEPTION	The presence of Spanish companies in Japan is still limited, even though it is the 8th largest trading partner outside the EU. There are 6 246 Spanish companies exporting to Japan. Spanish exports of food and beverage products to the Japanese market grew by 12,6% in 2019, reaching 883 million euros. As Japan in a market with high-income consumers, it offers many possibilities for Spanish products.

3 Exporting to Japan

Japan is the 3rd largest economy in the world, which gives it a leading position as an attractive import and export market for companies in different sectors.

Commercialising foreign branded products in Japan requires a long-term commitment from exporters. This is due to regulatory requirements for entry and marketing in the country, levels of awareness and understanding of consumer preferences in packaging designs and tablet sizes.

Some Japanese manufacturers develop their own standards and product specifications, but they do not have production facilities but outsource, especially in Asia. Manufacturing standards require GMP, HACCP and ISO certified facilities.

The entry into force of the EU-Japan Economic Partnership Agreement in 2019 made it easier for EU companies to export to and import from Japan.

3.1 Entry to the market

European exporters can identify successful opportunities to enter the Japanese market with their products, also in a view of long-term trade relationship between the EU and Japan supported by the Economic Partnership Agreement.

The Japanese market is a gateway to the Asian market. A good reference in the Japanese market will be positively valued in other markets, as Japan applies very high-quality standards that serve as a reference for other Asian countries.

Doing business or investing in Japan can be a challenge for European companies due to the characteristics of Japanese society and economy. The country was ranked as the number 1 most complex economy according to the Economic Complexity Index (ECI) and the 29th country worldwide in the Doing Business Ranking 2020.

Japan has unique business traditions and particular ways of doing business. Therefore, knowledge of local culture, demand, consumer behaviour and pricing strategy is essential for successful exporting.

It is recommended to work with a Japanese distributor or a Japanese agent, who act as an intermediary to help overcome the knowledge gap and cultural differences.

3.1.1 Entry strategies

Having a strong business relationship with local partners in Japan is key to any company willing to do business in the country. Therefore, **frequent visits to keep in contact and anticipate new business trends and conditions are recommended** (although visiting the country could be difficult because of travel restrictions).

In order to sell effectively in the Japanese market, it will be necessary to have the assistance of local business partners or distributors, otherwise prices and delivery times will be significantly increased, and this will make it easier to achieve a reasonable market penetration.

In Japan, the figure of the commercial agent has not spread in the same way as in Europe, so it is the local importers who carry out these functions. Through importers, intermediaries have been eliminated and the commercial process has been streamlined by selling directly to consumers, thus saving costs. It is essential to carefully study the profile of the importer and make the right choice.

To start a new business partnership, foreign companies may **have to be introduced by a third party**, which could be a public institution, another foreign company that has successfully done business with the Japanese company or another Japanese company, for instance.

Exclusive distribution may be required by the distributors and agents in Japan, they usually prefer to be the sole representative of the company in the country. This is also a good way to increase the level of commitment of the distributor and the agent in the company's promotion and sales efforts.

Once the business gains a foothold in the market, a representative office could be an alternative to consider for any company. This would help strengthening the market presence and help the distributor's sales and marketing efforts.

Other entry strategies could be Joint Ventures, franchising and licensing, piggybacking or e-commerce.

The e-commerce strategy could be interesting since Japan is one of the world's four largest and fastest growing e-commerce markets. Online shopping is very popular, mainly through 3 e-commerce platforms (accounting for 50% of total sales volume): Amazon, Rakuten and Yahoo!

3.2 Import requirements and documentation

There are many requirements when doing business in Japan and import documentation is very important, so it is **recommended to have a local representative or work with a freight forwarder or customs specialist** to assist the importing company with the paperwork.

Goods imported into Japan must be declared to the Director General of Customs and an import permit obtained after examination (if necessary) of the concerned goods.

In order to introduce a product into the Japanese market, the Food Sanitation Act requires a notification to the Ministry of Health, Labour and Welfare (MHLW). https://www.mhlw.go.jp/english/topics/importedfoods/index.html

This notification (in English or Japanese) can be submitted on paper or electronically, after registering and providing the necessary information to the MHLW. It is important to submit the document at a selected MHLW quarantine station.

The necessary documents to be prepared for import can be found at the MHLW to ensure information and transparency of import-related activities. It also provides information for checking food additives and product specifications as well as HS codes.

It should be noted that the importation of some food products, such as meat, meat products, puffer fish, bivalves, dairy products and plant products, requires an additional set of documents, issued by the governmental organisations of the exporting country.

After submission of the import notification, the Quarantine section of the MHLW examines the documentation and checks whether the product complies with the provisions of the Food Health Act. https://www.mhlw.go.jp/english/topics/importedfoods/1-2.html

The inspection takes several points into account:

- **That the manufacture of the product complies with the Food Sanitation Act.**
- **Compliance with the regulations on the use of food additives.**
- **Absence of poisonous or dangerous substances.**
- **Whether the company has had sanitation problems at the manufacturing site in the past.**

If further information needs to be collected, two types of inspection will be considered

- **Inspection order system.** If a violation of the Food Sanitation Act is suspected (inspection is taken to a laboratory and the costs are to be borne by the importer). While under inspection, the import procedure is suspended until the conformity of the food is confirmed.
- **Other inspection system** applies mainly to food items being imported into Japan for the first time and to items that have suffered an accident during transport.

If, after all procedures, the product complies with the law, the MHLW Quarantine Section issues a Certificate of Notification, which leads to the next stage of the procedure. In case of non-compliance, the importer receives a detailed explanation of the violation of the Act and follows the MHLW's instructions on the disposal/shipment of the cargo.

In addition to the customs import declaration, there are **other documents to be considered during the customs clearance procedure:**

- **Commercial invoice**
- **Bill of lading or air waybill**
- **Packing list**
- **Freight bills**
- **Certificate of insurance**
- **Licences, certificates, etc.**
- **Detailed statement on reductions or exemptions from customs duties and excise duties, including claims for preferential tariff treatment**
- **Proof of payment of customs duties** (in case of dutiable goods)
- **Proof of non-preferential origin** (only in specific cases).

Import and customs clearance procedures and contacts can be found through Japan Customs. https://www.customs.go.jp/english/index.htm

Import formalities can be checked in the Japan Customs website https://www.customs.go.jp/english/summary/import.htm and the Customs FAQ can be consulted in https://www.customs.go.jp/english/c-answer_e/customsanswer_e.htm

3.3 Labelling specifications

The food labelling system in Japan is regulated by the Food Labelling Law. Japan's food labelling legislation is very complex with overlapping regulations, and rules subject to change. Companies wishing to import food into Japan are advised to seek help from local experts.

The labelling framework in Japan is governed by the Consumer Affairs Agency (CAA), which oversees the development of consumer policy plans in the country.

The food labelling standard covers all foods and beverages marketed in Japan. Any food product that does not comply with proper labelling is against the Food Labelling Law and therefore cannot be sold.

When selling food domestically in Japan, labelling on containers and packages in the **Japanese language is mandatory.**

There are few mandatory labelling requirements for products entering the Japanese market:

- **Product name**
- **Ingredients**
- **Allergens**
- **Additives**
- **Net contents**
- **Nutrition facts**
- **Expiry or best-before date**
- **Storage method**
- **Country of origin**
- **Information regarding the importing company**

The Consumer Affairs Agency (CAA) of Japan has published a report to explain these requirements:
https://www.caa.go.jp/en/policy/food_labeling/assets/food_labeling_210511_0001.pdf

And on CAA website there are answered questions about specific cases: https://www.caa.go.jp/en/policy/food_labeling/

3.4 Import Barriers

In terms of tariff barriers for the agri-food sector, the Japanese government is particularly restrictive with some products such as:

- **Pork**

Japan has tariff barriers in place to protect its local industry, having set a gate price for imports.

- **Fruit and vegetable**

Japan does not recognise the territory of the European Union as a single origin for fresh fruit and vegetables, so each Member State must negotiate individual agreements for each product, which is usually a very lengthy procedure, independently and for each variety of fruit or vegetable to be exported to Japan. Negotiations are underway to make them more flexible for some product groups, such as citrus fruits.

- **Food additives**

Some additives that are commonly used worldwide are banned in Japan. The Japanese Ministry of Health publishes and updates a list of authorised additives in Japan, which includes those additives that it considers safe for consumption. It is particularly important to know this list for wines as it will determine whether they can be imported and under which procedure.

- **Beef, sheep and goat meat**

There are import bans on beef, sheep, and goat meat. The Ministry of Agriculture and the Ministry of Health has established import bans on these meats and has established measures to prevent the spread of Bovine Spongiform Encephalopathy. As in the case of fruit and vegetables, there are bilateral agreements in place to export this product. After years of negotiations, the market was partially opened in January 2020, but with limitations regarding age (only meat from cows less than 30 months old can be exported) and a ban on the export of products made from this meat.

The full list of **tariff barriers** can be found on the **Japanese Customs website** https://www.trade.gov/country-commercial-guides/japan-trade-barriers

3.4.1 Customs Regulations and Taxes

Tariffs in Japan are administered by the Customs and Tariff Administration of the Ministry of Finance. As a member of the Harmonised System Convention, the tariff nomenclature in Japan follows the six-digit classification system.

The average applied tariff in Japan is one of the lowest in the world, although there is a difference between sectors, with agricultural products being subject to much higher tariffs than non-agricultural products. With the entry into force of the EPA, most tariffs will be phased out.

Japanese certification of organic products is regulated by the Japanese Ministry of Agriculture, Forestry and Fisheries, MAFF, through JAS (Japanese Agricultural Standards) certification, which is based on the Japanese Agricultural Standards Law. Ministry of Agriculture, Forestry and Fisheries (maff.go.jp)

Without the JAS certification and seal, products of plant or animal origin, or derived from both, cannot contain the words "organic" or "yuki", definitions exclusive to organic products. Exceptions are made for alcoholic beverages.

3.5 Food safety requirements

Food safety in Japan is regulated by the Basic Food Safety Law, which is supervised by the Food Safety Department of the Pharmaceutical and Food Safety Bureau.

There are regulations for the importation of food into Japan concerning human and animal health, packaging and labelling, etc. Japanese laws related to food can be divided into:

- **Food Sanitation Act**

Focusing on food safety issues, it sets standards for food, food additives and food packaging, hygiene management of manufacturing specifications, and the establishment of business licenses. Since 2018, a list has been introduced for utensils, containers and packaging used for food and since that date, only substances that have been manufactured in accordance with good manufacturing practice standards are allowed to enter the market.

https://www.japaneselawtranslation.go.jp/law/detail_main?id=12&vm=2&re#:~:text=Food%20Sanitation%20Act&text=Article%201%20The%20purpose%20of,to%20protect%20citizens'%20good%20health.

- **The Law Concerning Standardization, etc. of Agricultural and Forestry Products (The JAS Law)**

The JAS (Japanese Agricultural Standard) system is a standard on the evaluation of the quality of products, based on their production methods, etc. The JAS system is voluntary and can only be used for selected products, according to the MAFF list. This law imposes a double labelling system, applied to organic products.

https://www.maff.go.jp/e/index.html

- **Health Promotion Act**

Regulates the manufacture, import and sale of food, food packaging and additives. It aims to promote people's health by stressing the importance of knowledge of dietary and lifestyle habits. It is supervised by the MHLW.

https://www.mhlw.go.jp/english/wp/wp-hw3/dl/2-063.pdf

In addition to these laws, there are many other food-related laws that regulate issues on imported products, such as food additives, banned substances, food specification, MRLs for veterinary drugs and pesticides, etc.

3.5.1 Country risk

Japan has a country risk score of A2 (Coface), which means that the political and economic situation is good. The country has an advanced economy with a high per capita income, a solid financial sector, a good external position (low external debt, abundant foreign exchange reserves, etc.), a strong business environment and a firmly established democracy.

The A1 business climate rating implies a reliable business situation, efficient debt recovery and a satisfactory business environment.

Figure 10. Japan country risk

SOURCE: COFACE

3.5.2 IPR legislation

Japan Customs enforces IPR infringing goods at the border.

The law is enforced by https://www.customs.go.jp/mizugiwa/chiteki/index_e.htm

Intellectual property rights (IPR) protection in Japan is regulated by various provisions, depending on the IPR concerned:

- **Geographical Indications (GI)**
- **Law on Spirits: for alcoholic beverages**
- **Patent Law**
- **Copyright Law: rights that creators have over their works.**
- **Trademark Law: to distinguish the products or services of one company from those of other companies.**

One of the most interesting IPRs for the food and beverage market is GI: https://www.maff.go.jp/e/policies/intel/gi_act/index.html

The Law on the Protection of Names of Agricultural, Forestry and Fishery Products and Specified Foods came into force in 2015.

In Japan, there are many high-quality regional brand products and they have gained reputation as a result of unique production methods and natural characteristics of the production area.

The GI Law provides a system in which the government protects the names of such products as Intellectual Property and the interests of producers and consumers.

Geographical Indications of Japan information website https://gi-act.maff.go.jp/en/

Japan IP Laws, Implementing Rules, Regulations, Treaty Membership http://www.wipo.int/wipolex/en/profile.jsp?code=JP

3.6 Healthy food into the Japanese market

The Japanese Ministry of Health, Welfare and Labour established "Food for Specified Health Uses" (FOSHU) as a regulatory system for "functional foods" in 1991.

The demand for FOSHU functional food products particularly increased from 1997 to 2007. After these ten years, the market was saturated. Until 2015, when a new functional regulatory system called "Foods with Function Claims" was established based on the system of the Dietary Supplement Health and Education Act established in the USA.

Most of the health claims relate to improving gastrointestinal health using probiotics. Triglycerides, high blood pressure, high LDL cholesterol and high blood glucose are associated with health claims.

The main health claims in the new regulation system are associated with fatigue, eyes, memory, stress, sleep, joints, blood flow, body temperature, muscles and body mass index.

After the introduction of the new system, total sales of functional foods, including FOSHU products, reached 8 billion USD in 2018.

The new functional regulatory system is more flexible in terms of health claims, protocol for clinical studies and required outcomes. Therefore, the market for new regulatory products continues to grow.

The Consumer Affairs Agency of Japan (CCA) classifies foods with health claims (FHC) as a separate category into three subcategories:

- **Foods for Specified Health Uses (FOSHU)**

Introduced in 1991 by the Japanese Ministry of Health, Labour and Welfare (MHLW) to regulate functional foods in Japan and validate their marketing. Products classified as FOSHU must meet stringent standards to be eligible for this classification, requiring assessment by the CAA and approval by MHLW.

- **Foods with Nutrient Content Claims (FNFC)**

Established in 2021, it refers to products that have added vitamins and minerals that correspond to the 12 vitamins and 5 minerals allocated for this category. These products can be manufactured and distributed without any special permission, simply by describing the effect the added ingredient has on the human body.

- **Foods with Function Claims (FFC)**

Introduced in 2015, this term allows companies to show the health benefits of foods on the packaging, as long as the benefits are based on scientific evidence.

The difference between FOSHU and FFC registration is that for FOSHU, a sample of the product must first be examined and approved by the CAA.

For the FFC companies are responsible for studying the safety and efficacy of their products, and must submit this information to the CAA, making the registration process faster and cheaper. The simplification of the new registration process for foods and beverages within the FFC category has facilitated the emergence of companies and products within the functional food market in Japan.

4 Market trends and consumer analysis

4.1 Healthy food trends in Japan

- **Organic food**

The Japanese organic food market is growing, but it is small and still underdeveloped. Most of the organic products consumed in Japan are imported, as the geographical characteristics of the country constrain domestic organic production. Market share of organic products in Japan is expected to grow due to increasing consumer demand for environmentally friendly and healthy food.

Pre-packaged organic foods and beverages, such as sweets, snacks, breakfast cereals and tea, are the most popular among Japanese consumers. Demand for organic black teas and organic coffee is expected to increase.

- **Functional food**

Functional foods claiming to improve the gastrointestinal tract are the most in demand in Japan. These incorporate probiotic lactobacilli, oligosaccharides, and dietary fibre, which are mainly found in yoghurts and fermented dairy products. Triglyceride and cholesterol reduction is also in demand. Other products that have been very successful are related to controlling high blood pressure, lowering blood sugar levels, improving oral care and increasing mineral intake, including improving calcium absorption.

The latest functional food trends in Japan are products that include gamma-aminobutyric acid (GABA), non-digestible dextrin and omega-3. GABA helps relieve anxiety, reduce premenstrual syndrome (PMS) symptoms and decrease body fat, among others. Non-digestible dextrin is a dietary fibre supplement and omega-3 has several healthful properties.

- **Plant-based food**

Japanese consumers are attracted by the health benefits of plant-based foods rather than food of animal origin because they are good for animal welfare and the preservation of the environment. In 2018, 4% of the Japanese population was vegetarian and 1% was vegan.

Plant-based product choices have been introduced in several categories, such as ready meals, instant noodles, cereals, chilled desserts and ice cream.

Soy meat has fewer calories and less fat than meat, so menus using soy meat are appearing in convenience stores and fast-food restaurants. It is expected to become more popular among people on a diet.

- **Plant-based proteins**

Interest in protein has been on the rise in Japan over the past few years and is a very relevant factor when purchasing food. Soy protein is a popular ingredient for its high protein content, as well as pea protein and rice protein.

- **Sugar-free beer**

The new trend comes after the Japanese government changed beer taxes in October 2020, which lowered the tax on all-malt beers but increased the tax on so-called third-rate quasi-beers and fruit-based alcohol, such as wine, at the same time.

Two of Japan's four major brewing companies offer a variety of sugar-free beer. Kirin Brewery's success in selling 2,5 million cases in four and a half months is noteworthy.

- **Cell-based meat**

Although nowadays cell-based meat is not a reality in the mass-market (Singapore approved the commercialization of the first cell-based meat product worldwide in 2020) it is undoubtedly a trend to keep an eye on. Cell-based meat has the potential to be healthier than regular animal meat. The amount of fat and the potential illnesses can be reduced while boosting the protein level, vitamins, and other nutrients.

Japan is taking some steps forward in the regulation of cell-based meat. The Food Tech Research Group, a public-private partnership supported by the Ministry of Agriculture, Forestry and Fisheries (MAFF) of Japan, is developing new strategies and policies regarding emerging food solutions and technology.

4.2 Bio solutions trends in Japan

- **Organic agriculture**

Demand for organic fruit and vegetables has been on an upward trend, which in turn has led to an increase in organic farming using biopesticides, because they have lower levels of residual toxicity compared to synthetic chemicals, improve crops and are good inputs for organic farming.

- **Government policies**

Several Japanese farmers had health problems and accidents due to pesticides, so strict regulations on the use and composition of pesticides were established.

The government decided to impose monetary penalties on polluters or make them pay a subsidy to implement more environmentally friendly methods instead of chemical pesticides. In addition, several policies related to the protection of soil, water, biodiversity, rural landscape and food security were introduced to create a sustainable agricultural environment in the region.

4.3 Consumer behaviour analysis

Japanese do not buy products only based on quantity and good prices, but also on stories and experiences. That's **why a story coupled with high quality is essential**.

Japanese **take a long time to establish a real business relationship**, so patience is recommended. But once a relationship is established, they are very committed and involved in the process.

The Japanese have a preconceived idea that European food products are luxury and gourmet or delicatessen products.

Young people are interested in Western food, products such as meat, dairy, salt, oil and fats are gaining in popularity, and consumption of fish, seafood and rice is falling.

The **trend of urbanisation** creates a demand for **more variety in food and new experiences**, and increasing disposable incomes mean that consumers are able and willing to pay for it.

The number of marriages is declining in Japan, leading to **more single-person households**. In addition, more **women are entering the labour market**. These factors are creating a greater demand for ready meals and home delivery. The **ageing population** is also contributing to this, as many older consumers prefer the ease of ready meals.

Japanese consumers tend to prefer product packaging that has a lot of description and numerical data, along with the scientific names of nutrients and detailed information on their effects, as they feel it gives the product a sense of reliability.

There are **cultural characteristics** of Japanese shoppers that need to be considered when approaching the target group of consumers.

- **Consumers are easily influenced** by the opinion of people in their network (friends, neighbours, relatives...).
- **Purchases are for their own use or to show their social status,** and there is a tendency to buy so-called "petit luxes", small luxuries that may include imported products to reward themselves.
- Japanese people tend to be **modest and prefer humble design.**
- For convenience, **portion sizes are often smaller than in Europe.**

4.4 Consumer trends

- **Changing from traditional to Western-style habits**

Diets in Japan are evolving rapidly, moving from traditional to Western-style meals that include greater amounts of meat, eggs, milk, dairy products and fats. Other changes include the trend of eating out or buying packaged foods instead of fresh.

- **Frozen food**

Frozen food consumption has doubled in recent years and continues to grow due to convenience and improvements in product quality and safety. At the same time, home cooking has declined in favour of convenience and packaging (especially in single portions), factors that have become drivers of product development. However, since the onset of the COVID-19 pandemic, consumers are looking for home-prepared foods and beverages that are as delicious as those in restaurants, easy to prepare and healthy.

- **Online shopping**

Japan is the second largest e-commerce market in Asia-Pacific, resulting in online food and beverage sales becoming increasingly popular. Elderly people are among the most active online customers, due to the ease of carrying these purchases home and avoiding carrying heavy or bulky products, or for those who are homebound. Younger customers also shop online, especially from their mobile phones.

- **Nutritional labelling**

With more consumers avoiding certain ingredients or food attributes for health and fitness reasons, ingredient and nutrition labels are becoming important sources of information for purchasing decisions. Awareness of food labelling is growing in Japan, and calorie values and fat content are considered the most important information on nutrition labels.

- **Non-alcoholic beverages**

Consumers avoid drinking and choose non-alcoholic spirits and beers mainly for their health and the habit of limiting alcohol consumption has become socially normalised.

Demand for non-alcoholic spirits and beers has increased during the pandemic, and many Japanese say they will keep their alcohol consumption low (especially young people). The non-alcoholic beer market is expected to grow by 7% year-on-year.

4.5 Healthy food and the Japanese consumer

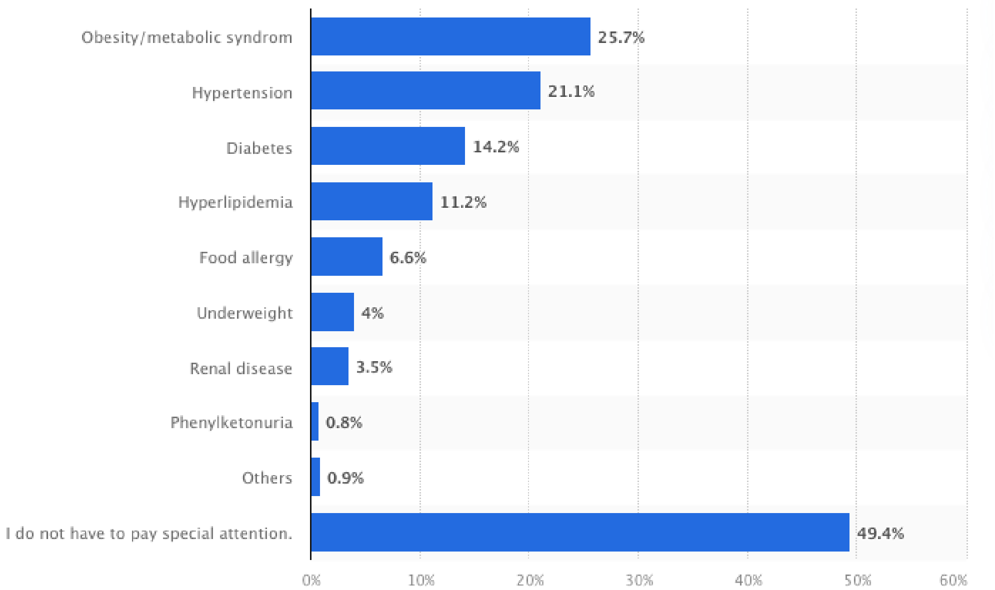
Japanese population is becoming health-conscious as a result of an ageing population and the introduction of mandatory health checks by Japan's Ministry of Health, Labour and Welfare in 2008.

Growth in the Japanese health and functional food market is the result of a number of key population trends, including a rapidly ageing society, an increase in lifestyle-related health problems and a strong interest in health and beauty.

These checks aim to address lifestyle-related diseases such as obesity, heart disease and cancer in an attempt to reduce the burden on the national health system.

As a result, demand for organic foods, nutritional supplements, functional and health-oriented foods, and low-sugar and low-fat products has increased. Despite the additional costs associated with these products, Japanese consumers - especially older consumers - are increasingly interested in food products that address health problems such as weight gain, fatigue, diabetes, high cholesterol, allergies and metabolic syndrome.

Figure 11. Leading special dietary needs in Japan, 2021



SOURCE: STATISTA

5 Sites of interest

Japan's Tariff Schedule. January 2022 https://www.customs.go.jp/english/tariff/2022_1_1/index.htm

EU-Japan Centre for Industrial Cooperation https://www.eubusinessinjapan.eu/

EU-funded programmes in Japan and the EU: https://www.eubusinessinjapan.eu/library/links/eu-funded-programmes-japan-eu

Ministry of Agriculture, Forestry and Fisheries of Japan https://www.maff.go.jp/e/index.html

What Are Japan's Food Import Regulations? https://www.gourmetpro.co/blog/what-are-japan-food-import-regulations

Japan Patent Information Organization https://japio.or.jp/english/index.html

Free Trade Agreement (FTA) / Economic Partnership Agreement (EPA) and Related Initiatives by the Ministry of Foreign Affairs of Japan https://www.mofa.go.jp/policy/economy/fta/index.html