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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

D1.9 Market Intelligence Reports for SMEs –Japan

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MARKET INTELLIGENCE REPORT

FOOD AND BEVERAGES JAPAN 2023

Funded by the European Union

INTERNATIONAL

F2F HEALTH MATTERS

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EXECUTIVE SUMMARY

This document provides specific information on the Japanese market and the opportunities for the companies that have been selected as Champion SMEs in the healthy and functional food and beverages and food supplements sectors.

The main objective is to support the preparation of the International Trade Mission to Japan. The information will be brief, concrete and adapted to the SMEs that will participate in this mission.

To this end, the report provides information on new products launched in the market (giving an insight into specific trends, consumer and regulatory issues), trends, regulations, information on how to do business in the country and relevant information not covered in the previous report on the Japanese market *"D1.4 Country analysis – Japan"*, with this deliverable serving as a complementary one.

These market readiness reports will be useful to reassure SMEs about the opportunities in the specific market, and to ensure that they are well informed and prepared for the mission.

Targeted SMEs divided by sectors and sub-sectors

SECTORS	SUB-SECTORS	COMPANIES
1. INNOVATIVE FOOD & FEED SUPPLEMENTS OR INGREDIENTS	**PET FOOD**	- Dairypet (ES)
	SUPLEMENTS & INGREDIENTS	- BioXtract (BE) - Polaris (FR) - Medraro (BE)
2. GOURMET AND HEALTHY FOOD PRODUCTS	**SEAFOOD: CANNED**	- Real Conservera Española (ES)
	SWEET BAKERY, CONFECTIONS & OTHER PRODUCTS	- Maison Fontaine (FR) - Marie Morin (FR) - Asabee (BE)
	PLANT-BASED ALTERNATIVES	- Daflori (PT)
3. PREMIUM BEVERAGES	**WINE**	- Anta de Cima (PT) - Vino Peter Lisicky (SK)
	FUNCTIONAL DRINKS & OTHER BEVERAGES	- Wild Bunch & Co (PT) - Spacelab (SK) - Opre' Cidery (SK) - Bodega Líquido Gallaecia (ES) - FelixRem (SK)

Table 1. SMEs, sectors and sub-sectors

The report will be divided according to the three groups of sectors in which SMEs are organised and which are shown in Table 1: (1) Innovative food and feed supplements or ingredients, (2) Gourmet and healthy food products, and (3) Premium beverages.

Subsequently, the information will be common to all sub-sectors as there are similarities.

1. FOOD & HEALTH IN JAPAN

1.1 MARKET OVERVIEW

In Japan, Health & Wellness trends in food and drink products have gained more and more popularity during the past years, as consumers turn to less processed and more natural alternatives to their usual products. Overall, the Health & Wellness food and beverage sector in Japan reached a retail sales value of US$55.1 billion in 2021.

Although it encapsulates a variety of categories, Health & Wellness products in Japan can be broadly divided into organic, free-from, naturally healthy, better for you, food intolerance, and fortified or functional products, all of which have experienced a surge in sales over the last couple of years.

Table 2. Retail sales in Japan of Health and Wellness Foods and Beverages, historical and forecast US$ million

Category	2021	CAGR (2016-2021)	2022	2026	CAGR (2021-2026)
Health & Wellness	**55,120.5**	**0.0%**	**56,474.9**	**59,808.6**	**1.6%**
Naturally Healthy	26,274.4	-0.2%	27,055.3	28,537.7	1.7%
Fortified/ Functional	18,793.3	0.2%	19,221.7	20,370.6	1.6%
Free Form	5,421.0	0.5%	5,525.3	6,020.6	2.1%
Better for you	4,029.3	-1.0%	4,066.6	4,240.1	1.0%
Organic	602.6	0.6%	606.1	639.7	1.2%

Source: Euromonitor International, 2022

One segment that deserves special attention is the "foods with health claims" market, which is heavily regulated by the Japanese government to ensure product safety and efficacy. Japan's Ministry of Health, Labor and Welfare (MHLW)[1] does not legally define "heath food," yet refers to it as commonly distributed food that contributes to health.

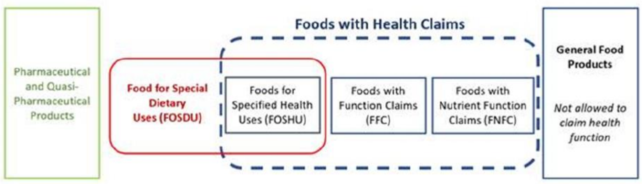
The Consumer Affairs Agency (CAA)[2] is the governmental organization charged with oversight of food labeling and health claims. Three categories of food products are permitted to label specific health benefits: Foods for Specified Health Uses (FOSHU), Foods with Nutrient Function Claims (FNFC) and Foods with Function Claims (FFC).

[1] Ministry of Health, Labour and Welfare (MHLW)

[2] Consumer Affairs Agency (CAA)

- Foods for Specified Health Uses (FOSHU), which are foods officially approved to claim their physiological effects on the human body.
- Foods with Nutrient Function Claims (FNFC), which are foods that are labeled with the functions of nutritional ingredients (vitamins and minerals).
- Foods with Function Claims (FFC)[3]. Commonly rely in testimonial advertisements. In terms of functional ingredients, ingestible maltodextrin is the most used, followed by gamma -aminobutyric acid (GABA) and lutein. In terms of functionality, fat -related claims are the most common, followed by blood sugar, fatigue, and blood pressure.

Figure 1. Foods with health claims categories



Source: USDA – Japan Health Foods Market Overview, 2020

Food for Special Dietary Uses (FOSDU) refer to foods that are approved/permitted to display that the food is appropriate for specified dietary use. There are five categories of FOSDU: formulas for pregnant or lactating woman, infant formulas, foods for the elderly with difficulty in masticating or swallowing, medical foods for the ill and foods for specified health issues (FOSHU).

KEY INSIGHTS (2022)

- Shipment value of Health Foods[4] 892.5bn JPY
- Shipment value of FFC 469.2bn JPY
- Production value of Health Foods 13bn USD

Source: Statista

[3] Prohibition of misleading or deceptive labeling claims (under the Health Promotion Law). Any claims of efficacy and functions made on functional food must be relevant and based on scientific ground.

[4] The market was forecast to grow in fiscal year 2023, exceeding 900 billion yen.

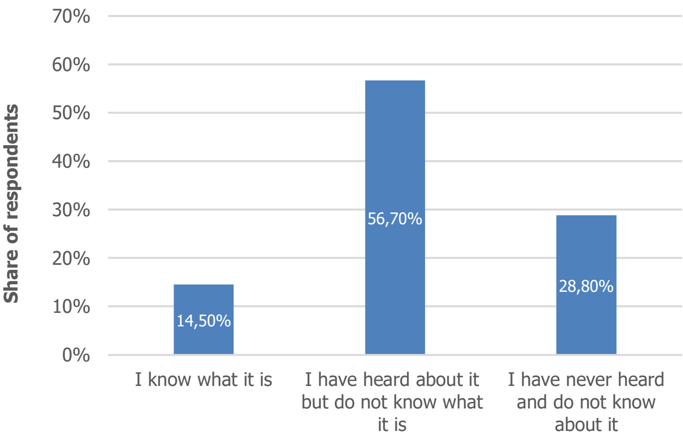
1.2 EATING HABITS AND HEALTH AWARENESS

Cultural customs and local resources in Japan shape the development of dietary wellness practices. As the traditional Japanese diet is already considered to be very balanced, consumers' desire for natural and health-beneficial foods is strong. The reasons for recent shifts to a health-conscious lifestyle are multifold, ranging from rising levels of dietary requirements to a heightened sense of awareness in manufacturing processes and ingredients.

With a growing share of consumers avoiding certain food ingredients or attributes for health and fitness purposes, ingredient and nutrition labels are becoming major information sources for purchase decisions. Consequently, the awareness for food labeling is growing in Japan, as calorific values and fat contents are considered the most important information on nutrition fact labels.

According to a survey conducted in Japan in March 2022, the majority of consumers, almost 57 percent, had heard about foods with health claims but did not know what the products were. Foods with health claims in Japan encompass foods for specified health uses (FOSHU), foods with nutrient function claims (FNFC), and foods with function claims.

Figure 2. Awareness of food health claims in Japan (as of March 2022)



Source: Statista.
Number of respondents: 10.000 respondents.

FOOD AS MEDICINE: Japanese consumers turn to food to ease their health concerns

PHYSICAL HEALTH

+4.4% annual growth rate in food and beverage launches tracked with **health claims**

(Japan, CAGR 2020-2022)

2022 Top Ten Trends

Mar 2023 Jan 2023

MENTAL HEALTH

56% of consumers in Japan say, "**I consume hot tea to relax and wind down**"

We created this rejuvenating balancing tea to brighten your mood and put you on the right track to recovery.

Jan 2023

2021
Top Ten Trends

Improve sleep quality and reduce fatigue in daily life.

Jan 2023

Sources: Innova Database, Innova Category Survey 2023 (Japan)

2. PET FOOD

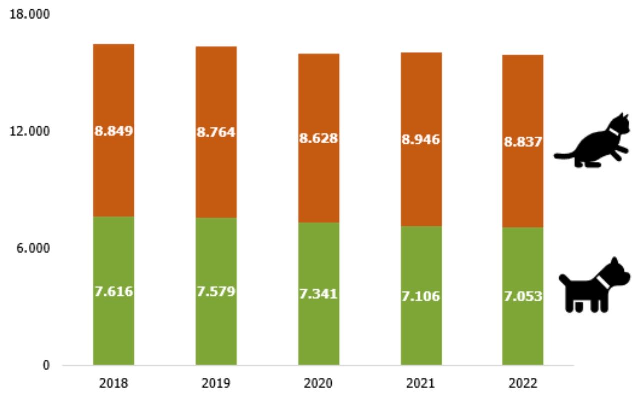
2.1 MARKET OVERVIEW

In recent years, Japan has faced rapid demographic change, such as a declining birth rate, an increasingly aging population and a trend toward the nuclear family. These changes are also affecting the pet market. There has been an increase in families who see a pet as "a member of the family" or "a life companion," which has led to greater concern for their needs and the development of new products by companies.

Japan is the 5th largest market globally for dog ownership and 10th for cat ownership

Dogs and cats are the primary pets in the country. In 2022, Japan had approximately 15.9 million dogs (7.1 million) and cats (8.8 million) domesticated, according to the annual survey conducted by the Japan Pet Food Association (JPFA)[5]. In comparison, the number of pets in Japan is larger than the population of Japanese citizens under the age of 15, which amounts to about 15 million (as of 2020, according to the latest data from the Statistics Bureau of Japan[6]).

Figure 3. Pet ownership in Japan: Number of domestic dogs and cats (unit: thousand)

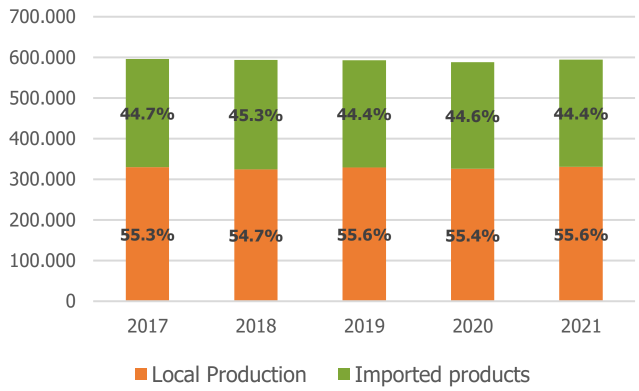


Source: Japan Pet Food Association (JPFA)

The market segment of Japanese pet food reached US$4.58bn revenue in 2022. Same period market volume reached 0.95bn Kg.

Half of the total pet food consumption in Japan comes from imports, led by Thailand, China and South Korea in 2022[7]. Despite a clear dependence on non-domestic products, Japanese consumers are inclined to purchase locally manufactured goods, as they present a higher level of trust in terms of food safety and security.

Figure 4. Pet Food import volume and local production volume (unit: tons)



Source: Japan Pet Food Association (JPFA)

KEY INSIGHTS[8]

•Revenue in the Pet Food segment amounts to US$4.61bn in 2023. The market is expected to grow annually by 3.98% (CAGR 2023-2027).

•In relation to total population figures, revenues of US$36.85 are generated per person in 2023.

•In the Pet Food segment, volume is expected to amount to 1.06bn kg by 2027. The Pet Food segment is expected to show a volume growth of 3.9% in 2024.

•The average volume per person in the Pet Food segment is expected to amount to 7.56 kg in 2023.

[5] Japan Pet Food Association (JPFA)

[6] Statistics Bureau of Japan

[7] ITC - Trade Map Statistics

[8] Pet Food - Japan | Statista Market Forecast. 2023

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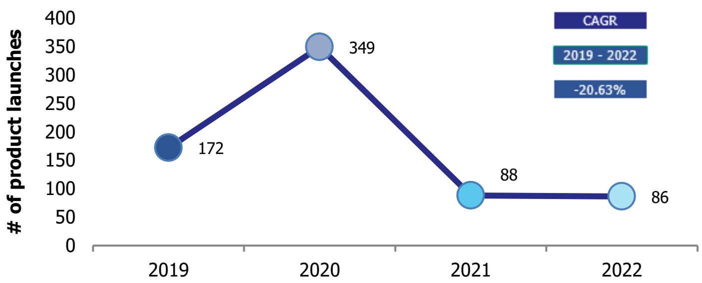
2.2. Innovation and NPD in the Pet Food category in Japan

From 2019 to 2022, a total of 691 pet food products were launched in Japan. The number of yearly product launches has declined in growth by a CAGR of 20.63%, from the larger launch of 349 pet products in 2020 to its lower and most recent launch of 86 in 2022. In the first four months of 2023, the number of new product launches already exceeded the figures for 2022 with a total of 89 new products between January and April.

Figure 5. Pet Food: New Product Launches, Japan (2019-2022)

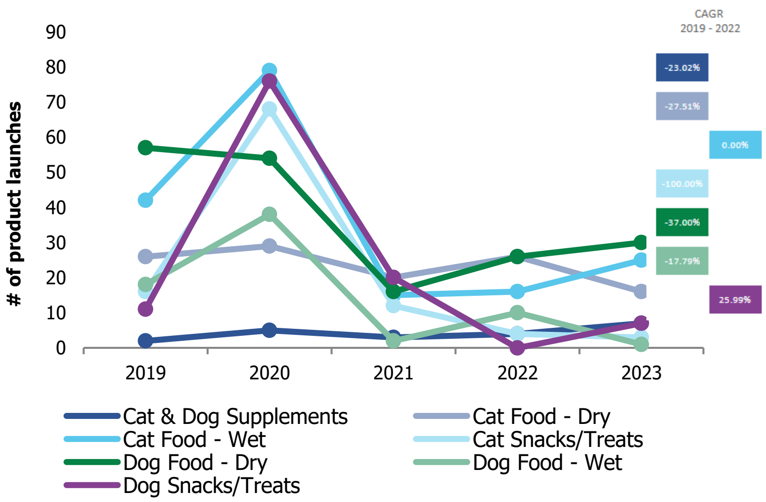


Source: Innova Market Insights

DRY VS WET

In the period 2019-2022, dry dog food accounted for 47% of total dog food launches. This subcategory saw a CAGR 23.02% decrease. Wet dog food launches also decreased by CAGR 17.79%. In terms of cat food, wet dominated the number of new product launches, at a 43% share. Cat and dog supplements saw a boost and are now a top area for innovation in Japan.

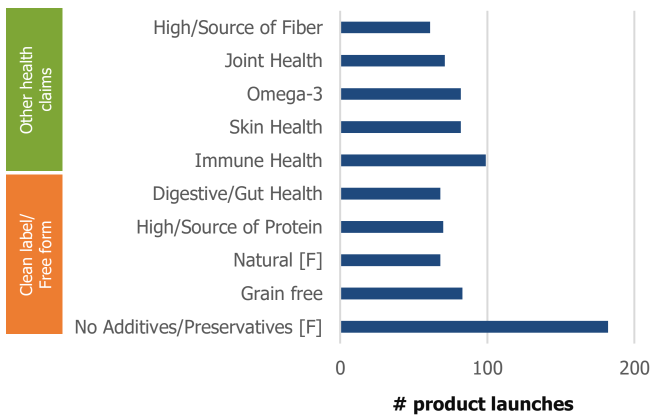
Figure 6. Pet Food: New Product Launches by subcategory, Japan (Jan., 2019-Apr., 2023)



Source: Innova Market Insights

Overall, cat food wet, dog food dry and cat food dry were top categories of new realised pet food product launches while No Additives / Preservatives, Immune Health, Grain free, Skin Health and Omega-3 were top claims associated with new pet food products realised during the period 2020-2022

Figure 7. Pet Food: Top 10 Health Claims, Japan (2020-2022)



Source: Innova Market Insights

PREMIUMIZATION

Pet Food in Japan seeing ongoing premiumization. Consumers are willing to spend money on high-quality premium food and are always on the lookout for products that can meet the nutritional requirements of their pets. Along these lines, sales of larger bags of pet food have declined, in favor of select items with a high price that more appropriately meet a pet's individual needs.

Functional and natural products are gaining ground as premium becomes the norm. Brands are launching 'premium' lines that emphasise further added benefits, such as organic and gluten-free ingredients

Seven And I Premium Chicken Tenders Bar With Vegetable Dog Treats

Japan, 2023 [VIEW DETAILS]

Description: Chicken tenders bar with vegetable dog treats, in 4x12g plastic sachets held in a plastic flat pouch.

Claims: **Gluten-free**. No added coloring, flavoring, thickeners or antioxidants. Made with domestically-produced chicken.

Source: Innova Market Insights

Unicharm Gran Deli Frecious Complete Pet Food With Chicken And Beef For Extra Small Adult Dogs

Japan, Aug 2022 [VIEW DETAILS]

Description: Complete pet food with chicken and beef for extra small adult dogs. Comes in a 1 kg plastic standing pouch.

Claims: Tasty fresh ingredients. It contains glucosamine and chondroitin to **maintain the health of the knees and joints**. Domestic **premium dog food** that allows your dogs to experience the deliciousness of the ingredients.

Source: Innova Market Insights

Nutro Gourmet Style Daily Dish Chopped Chicken For Adult Cats

Japan, Feb 2023 [VIEW DETAILS]

Description: Gourmet style daily dish chopped chicken for adult cats. Comes in a 35g four side sealed plastic pouch.

Claims: Daily delicious meals with well-balanced nutrition made from carefully selected **natural ingredients**.

Source: Innova Market Insights

Super Premium Pet Food

As premium pet food market is steadily growing, market competition has become fiercer. In Japan, competition is further intensified due limited shelf space at the majority of retailers who have extremely small store footprints

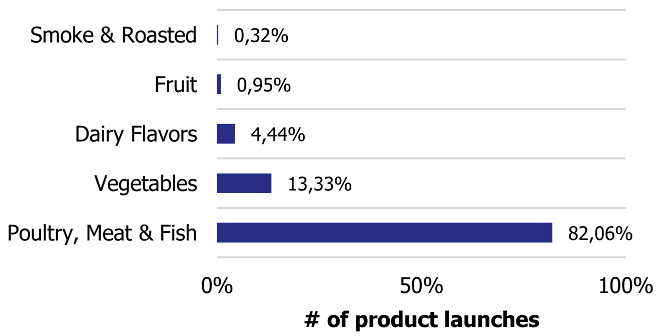
To differentiate from premium pet food and highlighting further added value, some pet food manufacturers have started to launch so called "Super Premium" pet food. Some examples of super premium pet foods are; organic approved ingredients, gluten free, grain free, low fat and high protein, low temperature processed, air dried, frozen, and custom tailor made with home delivery system and more.

MARKETING STRATEGIES: TRENDS, FLAVORS & INGREDIENTS

Established flavors remain popular with innovators in Japan

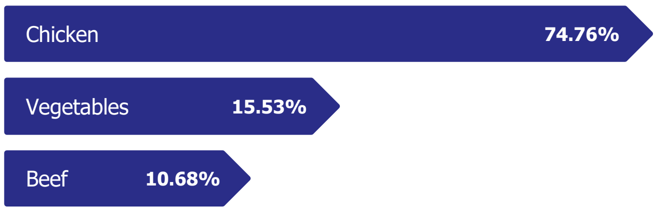
Animal protein flavors remain the go-to flavors for innovators in Japan pet food category, despite growing interest in plant-based ingredients and formulations. Chicken is the leading flavor for both Dog and Cat Food segments in Japan.

Figure 8. Pet Food: Top 5 category flavors, Japan (2020-2022)



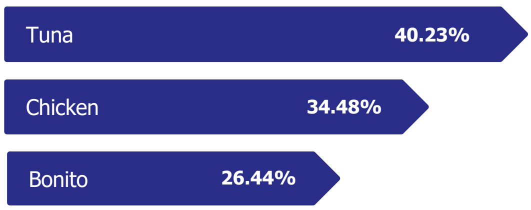
Source: Innova Market Insights

Figure 9. Dog Snacks/Treats: selected main flavors, Japan (% NP, 2020-2022)



Source: Innova Market Insights

Figure 10. Cat Snacks/Treats: selected main flavors, Japan (% NP,2020-2022)



Source: Innova Market Insights

3. FOOD SUPPLEMENTS & INGREDIENTS

3.1 MARKET OVERVIEW

In Japan, population consumption of foods and beverages is affected by a high degree of health consciousness, product safety, research for new organic products, and innovation, growing health issues related to the adoption of a unbalanced Western diet, long office hours and an aging society where individuals wish to remain in good shape is making demand for nutraceuticals bigger than. In fact, Japan was the first country to regulate and recognize functional food (FOSHU).

Because the nutraceutical market covers a broad scope of food and beverage products, raw ingredients and dietary supplements, the approach to this market is fragmented and can be done from various points of view. In accordance with the scope of the document, we are going to focus on the dietary supplements and ingredients segment.

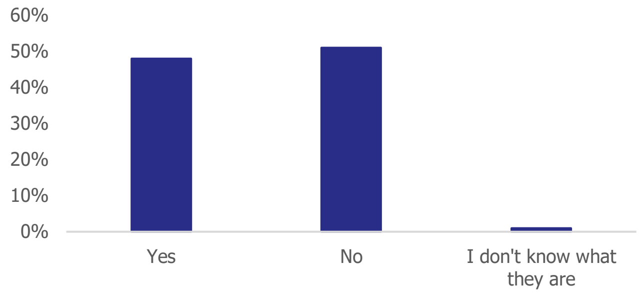
The food supplements includes the following subcategories:

- Vitamins/minerals: Includes all vitamin/ mineral supplements.
- Botanical/herbal supplements: Includes all botanical/herbal supplements.
- Probiotics: Includes all probiotic or lactic acid bacteria (LAB). Symbiotics are also included in this category.
- Essential fatty acids: Includes all essential fatty acids supplements.
- Antioxidants

Asia Pacific was the third largest region for global supplements launches in 2022. is expected to witness significant growth over the 2021-2028. The market is expected to be the largest regional market by 2028 owing to the growing consumer base.

Japan ranks 5th in the Asia Pacific region in terms of NPD, accounting for 7.5% of the total Region launches. In the last 5 years (2018-2022) Japan has launched 926 new supplements on the market.

Figure 11. Share of people who consumed dietary supplements or nutraceuticals in Japan as of March 2022.



Source: Statista

REGULATIONS

In Japan, the Ministry of Health, Labor and Welfare (MHLW) oversees the dietary supplements safety and import regulations. The Consumer Affairs Agency (CAA) administrates rules covering claims for foods including dietary supplements.

The Pharmaceutical Affairs Law[9] prohibits labeling indicating medicine-like or pharmaceutical-like effects on products other than drugs. Therefore, it is of crucial importance to strictly respect the labeling and not advertise dietary supplements or any kind of nutraceutical in a way that could lead to consumer confusion as to an eventual drug-like effect (such as instructions on dosage and administration or improvement of health or physical conditions).

The Agricultural Standard Law[10] regulates the production and distribution of nutraceuticals.

The products labeled as FOSHU, FOSDU and FNFC food products are also regarded as nutraceuticals. Japanese Agricultural Standard (JAS) Organic certification and JAS Organic label are required for any functional food products to be sold as organic. However, this requirement applies only to what is known as “specified products” in the law.

[9] Information on Japanese Regulatory Affairs - Japan Pharmaceutical Manufacturers Association

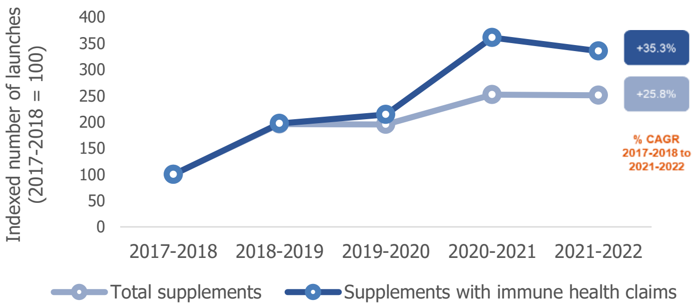
[10] Agricultural Standard Law

3.2. Innovation and NPD in the Food Supplements category in Japan

Globally, immune health is the most important positioning in supplements, with 1 in 3 new products now carrying such claims (up from 1 in 4 in 2017-2018). This acceleration is mainly the result of the COVID pandemic. According to the following chart:

- Before the pandemic, NPD in immune health supplements was growing at a similar rate to the wider supplements category.
- It accelerated ahead as COVID impacted on the world.
- Most recently, immune health NPD has dipped a little as concerns about COVID start to ease.

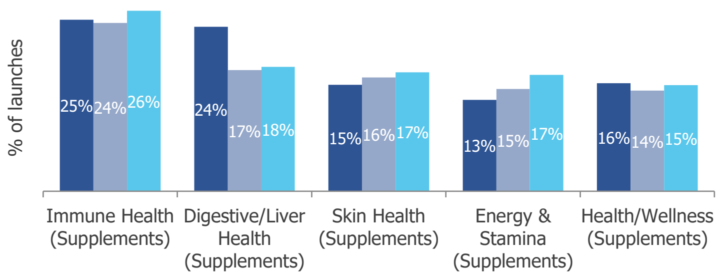
Figure 12. Global supplements: Launch trends in total supplements vs supplements with immune health claims



Source: Innova Market Insights

Supplements NPD in Japan shows a positive growth in the last 4 years (2019-2022) at a CAGR 19,61%. Following the global trend there is an escalating demand for health immunity support. Overall, in the Asia Pacific region growing need for calming and stress relieving supplements, options with 100% natural composition choices incorporating energy boosting ingredients, products blended with herbal extracts, nutty fusions, and indulgent flavors are stocking in the NP.

Figure 13. Top 5 positionings for supplements in Asia Pacific (2020-2022)



Source: Innova Market Insights

POSITIONINGS & MARKETING STRATEGIES

- **Familiar Health/Wellness claims lead the category**

Active Supplement Vitamin A Plus D Dietary Supplement, 60 Capsules

Japan, Feb 2023 VIEW DETAILS

Description: Dietary supplement with vitamins A and D which is essential for **maintaining beauty and physical health**. Comes in 60 capsules, held in a plastic standing pouch.

Claims: Vitamins A and D, which are nutrients that modern people tend to lack and ingredients that support their functions. Contains a high amount of vitamin A, which is essential for maintaining beauty and physical health. A well-balanced combination of vitamin D, which women tend to lack, for building a strong body and supporting health.

- **Increasing presence of Skin Health claims**

Im Protein Resilie Dietary Supplement, 150 Tablets

Japan, May 2023 VIEW DETAILS

Description: Resilie dietary supplement containing milk protein and proteoglycan that **maintains skin elasticity** and helps protect articular cartilage. Comes in 150 tablets, in a resealable plastic four side sealed pouch.

Claims: Salmon nasal cartilage-derived proteoglycan maintains skin elasticity, has functions useful for skin health and inhibits decomposition of cartilage components in patients with knee joint discomfort. In addition, it has been reported that it helps protect articular cartilage and has a function to support bending and stretching of the knee. Certified GMP.

- **Digestive/liver claims retain a major role in Japan**

Kobayashi Dietary Fiber Powder Supplement

Japan, Mar 2023 VIEW DETAILS

Description: 30 x 5.2g plastic sachets of dietary fiber powder supplement, Comes in a plastic sachet held in a carton folded box.

Claims: One pack provides 4.2g of dietary fiber. Melts quickly: Even if you put it in tea or juice, it will solidify and dissolve quickly. **Dietary fiber that helps improve regularity**. Licensed by the consumer affairs agency. Tasteless and odorless, so it does not change the taste or flavor of your drink. Helps improve bowel movements: Dietary fiber promotes bowel movements. One pack a day can supplement the amount that tends to be insufficient. Convenient for carrying, so you can easily supplement dietary fiber anywhere. Recyclable packaging.

- **Energy & stamina claims on trend**

Withmedica Luteolin And Gaba Number 4 Supplement, 90 Tablets

Japan, May 2023 VIEW DETAILS

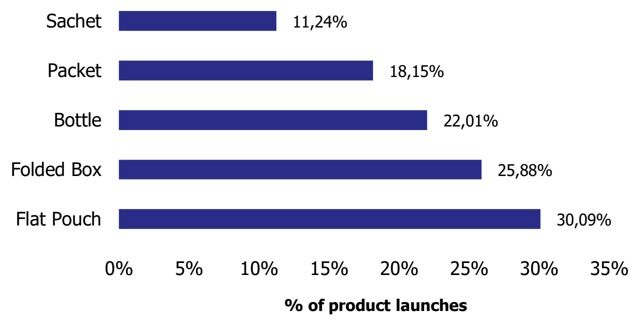
Description: Luteolin and Gaba number 4 supplement helps to lower blood pressure. Comes in 90 tablets, held in a resealable plastic flat pouch.

Claims: Contains luteolin helps to lower uric acid levels in those with high uric acid levels. Contains GABA, helps to lower blood pressure in those with higher blood pressure. **Helps to alleviate temporary fatigue caused by mentally stressful tasks such as desk work.**

- **There is a clear preference for flexible packaging**.

In the 2019-2022 period, Flat pouches accounted for 30% of new product launches packaging. Over the same period, there has been a CAGR 36.47% increase in the number of flat pouches. More strength are gaining Standing pouches and Spouted pouches increasing their penetration during this period with a CAGR 174.42% and 115.44% respectively.

Figure 14. Top 5 packaging type for supplements in Japan (2019-2022)

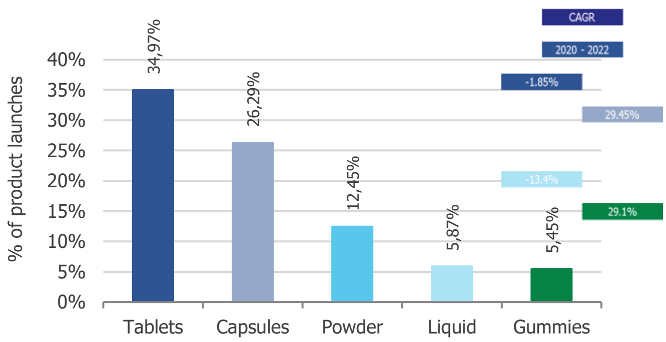


Source: Innova Market Insights

- **Greater emphasis is placed on capsules and chewable supplements**

Capsules and chewable supplements grown at CAGR 29.45% and 29.1% respectively, in the last three years (2020-2022). Tablets remain the most prominent format, accounting for more than 30% of new product launches.

Figure 15. Launches by format in Japan for total supplements



Source: Innova Market Insights

Fruit flavors on the spotlight

While supplements are generally unflavored, when drinkable or chewable, flavors are important to the consumption experience. Over the past four years, nearly 20% of new products in the supplement category in Japan had fruity flavors, and while other flavor categories have reduced their penetration, this has been maintained and grown at a CAGR (2019-2022) of 36.62%. The top five flavors in are: Lemon, Yogurt, Blueberry, Peach and Orange.

Apart from the top 5 flavors, other flavors gaining prominence in Asia include: strawberry, mango, blueberry, milk chocolate and vanilla.

Uha Vitamin C Dietary Supplement: Lemon Flavor, 60 Gummies

Japan, Jan 2023 VIEW DETAILS

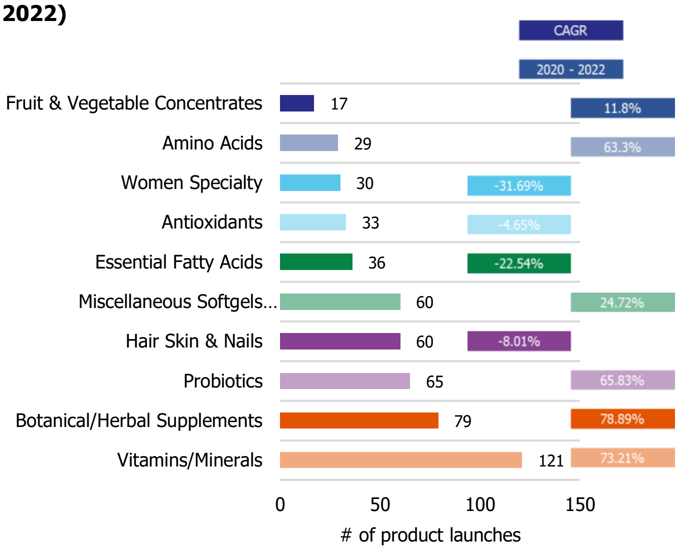
Description: Vitamin C dietary supplement helps maintain skin health and mucous membranes and has an antioxidant effect. Comes in **60 gummies with lemon flavor**, held in a plastic bottle.

Claims: Vitamin C helps maintain skin health and mucous membranes and has an antioxidant effect. Recyclable packaging.

3.3. Subcategory analysis

Vitamins/Minerals, Botanical/Herbal Supplements, Probiotics and Hair Skin & Nails stand out as the most innovative subcategories representing most of NPD in the last three years.

Figure 16. Supplements subcategory launches in Japan (2020-2022)



Source: Innova Market Insights

Vitamins/Minerals is the leading subcategory in Japan

•Revenue in the Vitamins & Minerals segment amounts to US$ 1.17bn in 2023. the market is expected to grow annually by 4.07% (CAGR 2023-2027).

•In relation to total population figures, per person revenues of US$ 9.33 are generated in 2023.

•During the period 2020-2022 holds an average 18% share of the supplements category NPD in Japan.

•DHC is the market leader for vitamins/minerals launches tracked in Japan in the last 3 years.

Botanical/Herbal supplements are expected to see the highest increase in share

•The rise in general acceptance of herbal formulations towards preventive healthcare among consumers is shaping the growth of supplements in the favor of botanicals. During the period 2020-2022 holds an average 13% share of the supplements category NPD in Japan.

•DHC, closely followed by Kenkoukazoku Company, is the market leader for botanical/herbal launches tracked in Japan in the last 3 years.

•Multi-grain premium supplements, options blended with protein-rich ingredients (green pea, lentils), Ayurveda inspired launches, free from variants (chemicals, additives/preservatives), and anti-fatigue solutions with adaptogens (shatavari, ashwagandha) are propeling the NPD across Asia Pacific

Probiotics registered a slight negative performance

•Probiotic products have been selling well in Japan due to their key role in the immune health system. During the period 2020-2022 holds an average 10% share of the supplements category NPD in Japan.

•Kirin is the market leader for probiotic launches tracked in Japan in the last 3 years.

•Gut health boosting supplements infused with yogurt, choices containing natural antioxidants (ginseng, grape seed extract), saffron-based antidepressant ranges, and tropical fruit-flavored prebiotic formulas are driving the NPD growth.

Hair Skin & Nails exhibits a rising trend

• During the period 2020-2022 holds an average 10% share of the supplements category NPD in Japan.

•Skin-rejuvenating formulas containing bovine and marine collagen peptides, biotin enhanced hair growth supplements, bone support effervescent tablets, vitamin/mineral fortified premixes, herbaceous formats, and prebiotics-rich plant-based powder are boosting the NPD.

Sources: Statista, Innova Market Insights

GLOBAL TRENDS SHAPING THE CATEGORY

1. PLANT-BASED: The canvas for innovation

Growing range of plant botanicals used in supplement formulations (e.g., spices, tea, fruits) and for a wider range of health needs (e.g., lung health, mood)

Minery Essential Collagen Supplement With Wildberry Flavor

Japan, Mar 2023 VIEW DETAILS

Description: Essential collagen powder supplement specialized for inner care and aging care. Comes in a 120g resealable plastic standing pouch.

Claims: Supports aging care. Specialized for inner care and aging care. **All vegetable ingredients** used are organic materials that do not use pesticides or chemical fertilizers…

2. GUT GLORY

Prebiotics & probiotics are seeing attention for both gut/digestive health use but also increasingly in combination with other health needs such as immune health and brain health.

Imuse Professional Plasma Lactobacillus Dietary Supplement: Yogurt Flavor, 30 Chewable Tablets

Japan, May 2023 VIEW DETAILS

Description: Professional plasma lactobacillus dietary supplement upports the maintenance of immune function in healthy people. Comes in 30 chewable tablets with yogurt flavor, held in a plastic flat pouch.

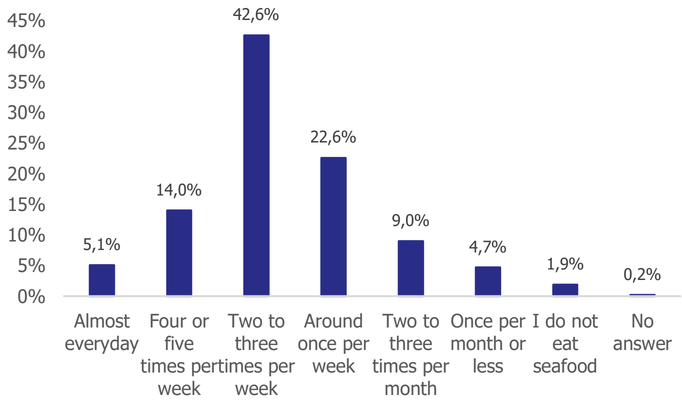
4. SEAFOOD

4.1 MARKET OVERVIEW

Japan is one of the world's leading consumers of seafood. In 2019, it ranked as. the 5th highest global consumer of seafood products at 46.06 kilograms per capita, more than twice the global average of 20.5 kilograms according to the United Nations Food and Agricultural Organization.

According to a survey conducted in October 2021, the majority of Japanese consumers ate seafood at least once per week. The largest share of respondents, almost 43%, consumed marine products like fish and shellfish two to three times per week, while around five percent would eat them daily.

Figure 17. Frequency of eating seafood in Japan as of October 2021 (Share of respondents)

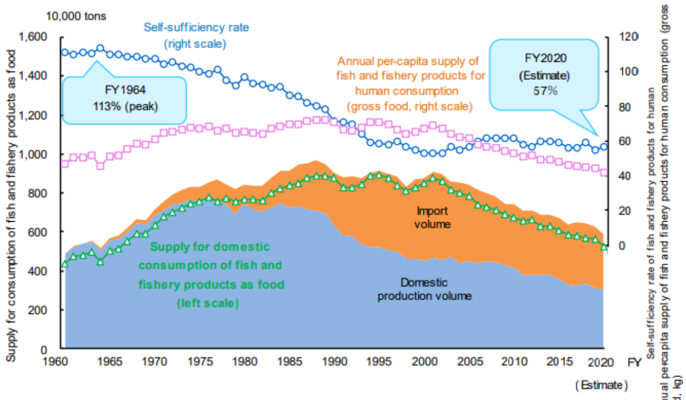


Source: Statista.

In 2022, Japan imported $15 billion of seafood products, making it one of the world's largest importers. Half of Japan's seafood demand is met by imports. According to the latest data from Ministry of Agriculture, Forestry and Fisheries (MAFF)[11] self-sufficiency rate of fish and fishery products for FY2020 was 57% (estimate).

[11] Ministry of Agriculture, Forestry & Fisheries – White Paper on Fisheries 2021

Figure 18. Trends in the Self-Sufficiency Rate of Fish and Shellfish



Source: Food Balance Sheet (the Ministry of Agriculture, Forestry and Fisheries)
Note: Self-sufficiency rate (%) = (Domestic production volume / Total supply for domestic consumption) × 100
Total supply for domestic consumption = Domestic production volume + Import volume - Export volume ± Increase/decrease in inventory

According to MAFF, the amount of seafood destined for domestic consumption in Japanese fiscal year 2020 was 6.79 MMT of which 5.26 MMT (77%) was for edible use and 1.53 million tons (23%) for inedible use such as animal feed.

KEY INSIGHTS[12]

•Revenue in the Fish & Seafood segment amounts to US$52.78bn in 2023. The market is expected to grow annually by 0.17% (CAGR 2023-2027).

•In relation to total population figures, revenues of US$422.00 are generated per person in 2023.

•In the Fish & Seafood segment, volume is expected to amount to 3.32bn kg by 2027. The Fish & Seafood segment is expected to show a volume growth of 2.5% in 2024.

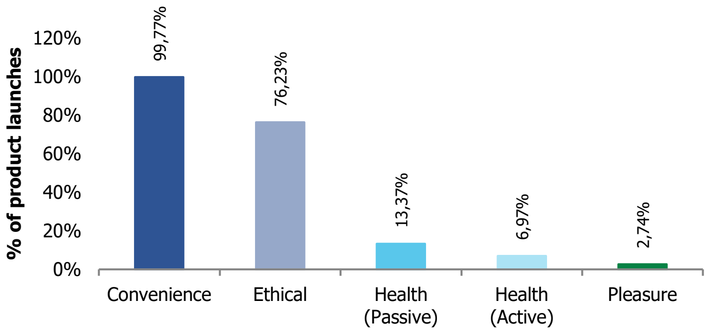
•The average volume per person in the Fish & Seafood segment is expected to amount to 27.02 kg in 2023.

[12] Fish & Seafood- Japan | Statista Market Forecast. 2023

4.2 POSITIONING STRATEGIES

In the last 3 years, more than 800 new products have been launched in the Fish & Seafood category. Most of the new product launches are positioned in convenience, being also important claims related with Sustainability and Health.

Figure 19. Top 5 positionings for Fish & Seafood products in Japan (2020-2022)



Source: Innova Market Insights

- **Convenience is the key consumption driver in the category**

Maruha Nichiro Boiled Mackerel Without Salt

Japan, Apr 2023 VIEW DETAILS

Description: Boiled mackerel without salt, in a 190g aluminum can.

Claims: Without salt. **Ready to eat**. Domestic mackerel.

Rise of canned seafood ("Fast Fish")

The Japan Fisheries Agency and MAFF have widely promoted "Fast Fish", defined as seafood products prepared for quick and easy cooking, which has led to the rise of "ready-to-cook" or "ready-to-eat" products and especially canned fish. Over the period 2020-2022, new canned fish products grew at a CAGR of 41.42%. Canned mackerel is the number one canned fish meat.

- **Seafood meal kits**

Meal kits have generated strong demand from dual-income households which are particularly keen to reduce the time required for cooking. A meal kit is a single-use product that includes pre-prepared ingredients, seasonings, and recipes for making a specific dish, making it possible to prepare food in a short time without needing to cut or weigh ingredients.

CASE STUDY: Seafood Mix Using Domestic Fish and Fishery Products (The nationwide federation of fisheries cooperatives, ABC Cooking Studio, Ito-Yokado)

The nationwide federation of fisheries cooperatives (JF Zengyoren), ABC Cooking Studio, and Ito-Yokado launched the "Council for Promotion of Seafood Mixes of Domestic Fish" to expand the consumption of domestic fish and fishery products.

To enable people to enjoy fish dishes easily and conveniently at home and thereby expand the consumption of domestic fish and fishery products, "Gorotto Domestic Seafood mix," a seafood mix using only domestic fish and shellfish, was developed and went on sale in November 2021.

Cooking videos using this product are distributed on the YouTube channel of Sakana-kun, and cooking methods, including use of the product in cooking classes at ABC Cooking Studio are also distributed.

Sources: JF Zengyoren

The health benefits of consuming fish have been widely promoted among Japanese consumers. Particularly noteworthy are Health Claims such as DHA content, High/Source of Protein, Low/No/Reduced Sodium, Low/No/Reduced Fat and Omega-3.

- **DHA claim ranks first in Fish & Seafood launches**

Tominaga Japanese Style Soy Sauce Flavor Mackerel

Japan, Mar 2023 VIEW DETAILS

Description: Japanese-style soy sauce flavor mackerel in a 150g aluminum can.

Claims: Contains **DHA** and EPA. With the gentle seasoning of dashi soy sauce. **Easy and time-saving**. Canned, so it can be stored for a long time.

- **Spotlight on High/Source of Protein**

Ichimasa Nerimono Custom Chikuwa

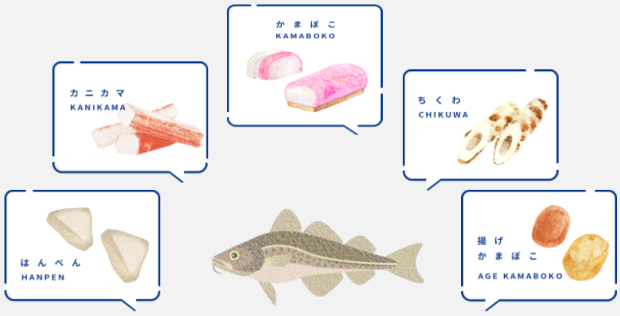
Japan, Mar 2023 VIEW DETAILS

Description: Nerimono custom chikuwa in a 90g plastic flat pouch.

Claims: Delicious. A result of sticking to the original taste of fish. **High protein**. With 13.9g protein per pack. 50% less sugar. Consume protein while suppressing carbohydrates. Finished with a resilient and plump texture.

The 24th of every month is "Fish Protein Day"

Japan Kamaboko Association has set the 24th of every month as "fish protein day" since August 24, 2021, and has been promoting the sales of fish paste products such as kamaboko and chikuwa.



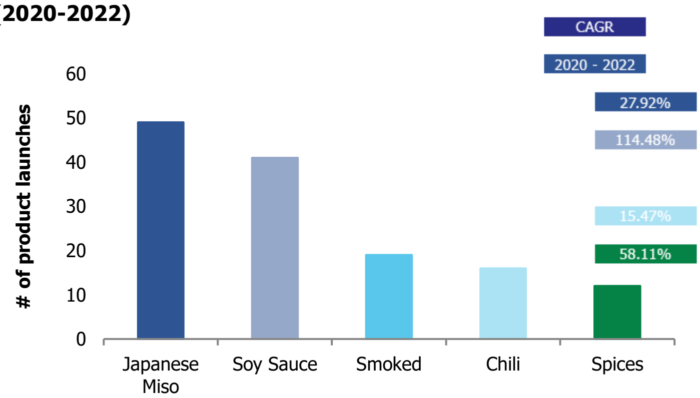
Fish belonging to the cod family
(Gadiformes, gadidae), etc.

The health function and effectiveness of fish paste products has been promoted with the keyword of "fish protein characterized by high-quality protein and low fat." The products that meet the criteria for fish protein content in products set by the Association are labeled with the "fish protein mark" and sold at mass retailers.

Fish Protein Mark
The merits of easily getting protein from fish are expressed in the image of fish and the dinning table (plate, spoon and fork). Limited to products whose fish protein content in the product meets the standards set by the Japan Kamaboko Association (8.1g/100g or more or 4.1g/100kcal or more).

- **Japanese Miso and Soy Sauce flavors lead the category with a growing share**

Figure 20. Top 5 flavors for Fish & Seafood products in Japan (2020-2022)



Source: Innova Market Insights

Ssk Mackerel Boiled In Miso

Japan, Sep 2022 VIEW DETAILS

Description: Mackerel **boiled in miso**. Comes in a 150g easy-open aluminum can.

Claims: Easy-open can. Born in Sanriku Kitchen. Domestic catch mackerel recognized by connoisseurs. Recyclable aluminum can.

- **One of the trending products is sauced seafood.**

These products replicate the taste of traditional Japanese fish dishes, but in easy-to-cook packages where the fish is filleted and precoated in sauce. There are many types of fish and sauce flavors available.

Ichiya Soy Sauce Boiled Herring

Japan, Nov 2022 VIEW DETAILS

Description: Two half bodies of herring **boiled with soy sauce**, in a plastic vacuum pouch.

Claims: Long-established taste. Only selected ingredients. Carefully included umami. Recyclable packaging. Handmade.

Apart from the top 5 flavors, Ginger, Seaweed, Red tomato, Lemon and Burdock are the other flavors growing during the period 2020-2022.

- **More clean label options**

With seafood prices on the rise globally, many Japanese retailers are looking for more clean label and value-added messaging to appeal to consumers.

Sokensha Seasoned Sardines

Japan, May 2023 VIEW DETAILS

Description: Seasoned sardines in a 100g easy-open aluminum can.

Claims: Uses sardines caught in West Japan. **No chemical seasoning added**. **Recyclable packaging**. Seasoned only with honjozo soy sauce and raw sugar from Kikai Island in Kagoshima Prefecture. Easy-open can.

Kanetetsu Almost Crab

Japan, Mar 2023 VIEW DETAILS

Description: Authentic crab-flavored kamaboko in a 200g plastic standard tray.

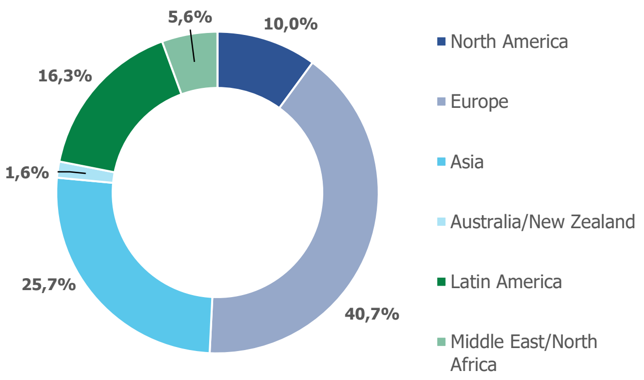
Claims: **The Minister of Agriculture, Forestry and Fisheries awardee. No preservatives added**. Authentic. Easily loosens and is juicy just like a real crab.

5. SWEET BAKERY, CONFECTIONS & OTHER PRODUCTS

5.1 SWEET BAKERY

In 2022, Asia accounted for 25.7% share of all sweet baked goods launched globally, with Japan being the top market for NPD. Growing preference for oats and digestive ingredients (yogurt) in cookies, gluten free ranges, healthful launches with added iron, options blended with natural medicinal ingredients (mugwort), liqueur-inspired tastes, and bite-sized scones are fueling the NPD growth across Japan.

Figure 21. Sweet Baked Goods launches, by region

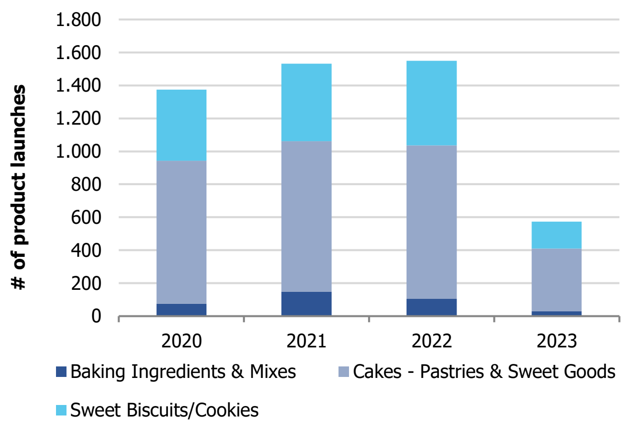


Source: Innova Market Insights

Within the bakery sector in Japan, about 70% of the new products launched in the last three years are sweet baked goods. Japan is the top market for Sweet Baked Goods NPD in Asia. Cakes – Pastries & Sweet Goods subcategory holds an average 50% share of total sweet baked goods launches in the country.

In the last three years, all three subcategories have experienced an organic growth. One of the positive effects of the global pandemic is that many people have had to rediscover their kitchens. For many, the forced closure has also sparked a greater interest in home baking. It is therefore not surprising that in the period 2020-2022 the sub-category Baking Ingredients & Mixes has experienced a significant growth at a CAGR of 17.54%.

Figure 22. Sweet Baked Goods launches in Japan, by subcategory



Source: Innova Market Insights

KEY INSIGHTS[13]

•Revenue in the Bread & Bakery Products market in Japan amounts to US$51.16bn in 2023. The market is expected to grow annually by 1.88% (CAGR 2023-2027).

•In relation to total population figures, per person revenues of US$409.00 are generated in 2023.

•The Bread & Bakery Products Japanese market, volume is expected to amount to 11.73bn kg by 2027. The Bread & Bakery Products market is expected to show a volume growth of 3.1% in 2024.

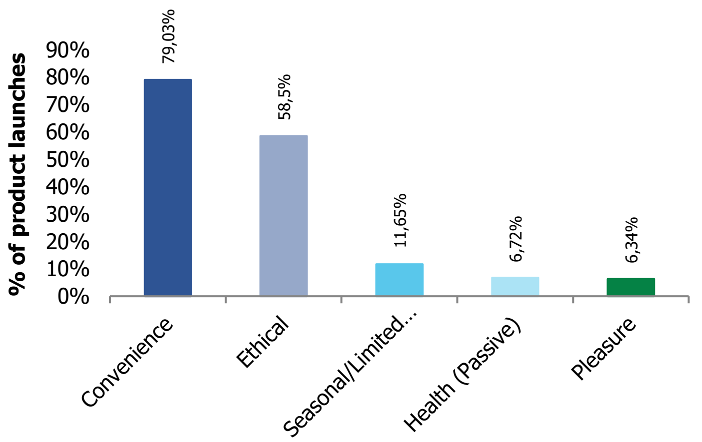
•The average volume per person in the Bread & Bakery Products market is expected to amount to 90.42kg in 2023.

[13] [Bread & Bakery Products - Japan | Statista Market Forecast. 2023]

POSITIONING STRATEGIES & TRENDS

In the last 3 years, more than 5,000 new products have been launched in the Sweet Bakery category. Most of the new product launches are positioned in convenience, being also important claims related with Sustainability and Health.

Figure 23. Top 5 positionings for Sweet Baked Goods products in Japan (2020-2022)



Source: Innova Market Insights

In terms of health claims, positionings growing in popularity in Asia include high/source of fiber, no trans fats, gluten free, high/source of protein, seasonal – other, natural, organic, limited edition, and GMO free. In Japan, No Additives/Preservatives claim stand out.

The vast majority of the sweet bakery launches in Japan are individually wrapped bakery snacks, many of which are sold through the country's highly developed convenience retail channel.

We Are Francois Zakuzaku Matcha Biscuits

Japan, Apr 2022 VIEW DETAILS

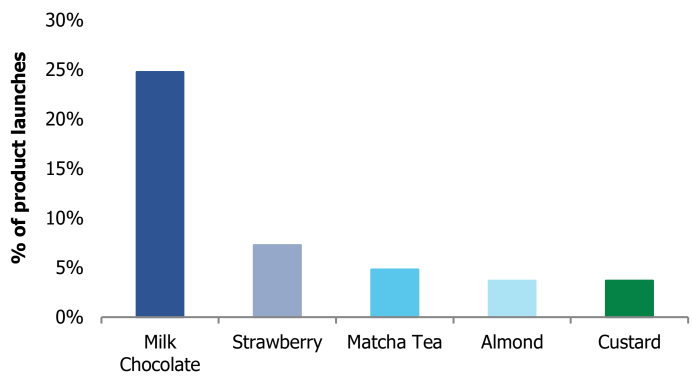
Description: Thick-skinned biscuit dough with a crunchy texture rich in matcha flavor. Comes in a plastic flat pouch.

Claims: **No preservative. No synthetic coloring. Low trans fatty acids.**

- **Milk chocolate is the leading flavor for sweet baked goods NPD**

Milk chocolate flavor represents 25% of all new product launches of the category in the last 3 years (2020-2022) and has seen a CAGR growth of 14.17% in that period. Other flavors that are growing in popularity are strawberry, matcha tea and vanilla.

Figure 24. Top 5 flavors for Sweet Baked Goods products in Japan (2020-2022)



Source: Innova Market Insights

Takaki Bakery Chocoleine Cake

Japan, Apr 2023 VIEW DETAILS

Description: Moist cocoa cake covered with melty **chocolate**, in a plastic flat pouch.

Claims: Limited edition. Recyclable packaging.

5.2. CONFECTIONERY

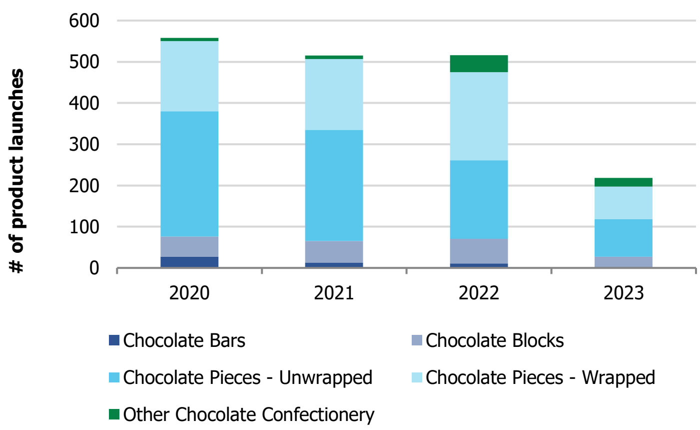
While on the one hand Japanese diet is regarded as one of the healthiest in the world, it is equally true that the country has a serious sweet tooth so a positive outlook can be highlighted for the Japanese confectionery market that represents the sixth-largest domestic market in the world. Also, Japan represents the eleventh largest confectionery importer in the world.

The most important subsector is represented by the chocolate confectionery one. What has driven the demand for chocolate amongst other confectionery products is its perceived health benefits, especially amongst the senior citizens.

In terms of chocolate confectionery, Japan is the top market for both launches and sales value in the Asia Pacific.

- **Chocolate pieces – unwrapped is the leading subcategory**

Figure 25. Chocolate Confectionery launches in Japan, by subcategory (2020- Apr.,2023)



Source: Innova Market Insights

1,800 new chocolate confectionery products launched in the last three years. During the period 2020-2022, chocolate pieces – wrapped witnessed a high increase in share within the cluster in Japan, as compared to the previous time period.

KEY INSIGHTS[14]

•Revenue in the Confectionery market in Japan amounts to US$173.40bn in 2023. The market is expected to grow annually by 1.29% (CAGR 2023-2027).

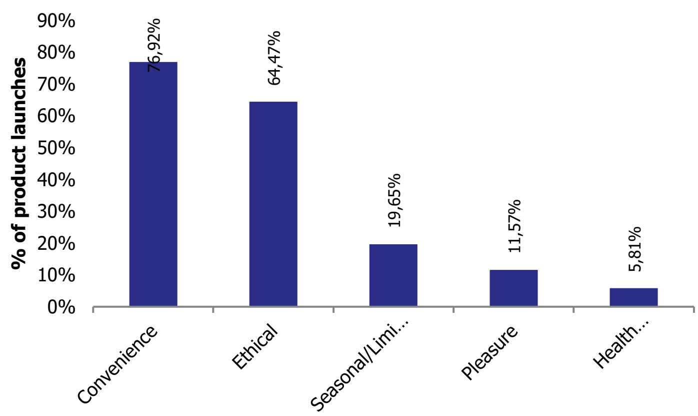
•In relation to total population figures, per person revenues of US$1,386.00 are generated in 2023.

•The Confectionery Japanese market, volume is expected to amount to 9.05bn kg by 2027. The Confectionery market is expected to show a volume growth of 2.8% in 2024.

•The average volume per person in the Confectionery market is expected to amount to 71.25kg in 2023.

POSITIONINGS & MARKET TRENDS

Figure 26. Top 5 positionings for Chocolate confectionery products in Japan (2020-2022)



Source: Innova Market Insights

[14] [Confectionery - Japan | Statista Market Forecast. 2023](https://www.statista.com)

Concerns over high sugar and calorie content in certain formats is hampering the NPD growth in Japan, however, vegan options, premium bars flavored with liqueur-soaked orange peel, preparations using single origin cocoa beans, and fruit-flavored white chocolates are influencing the NPD in Japan.

- **Premium claims retain a significant role**

Japanese consumers are choosing premium and high-quality chocolates. Leading domestic confectionery brands such as Meiji or Lotte have been quick to react to this demand for premium.

Lotte Premium Ghana Chocolate Truffle

Japan, Mar 2023 VIEW DETAILS

Description: Individually wrapped **premium chocolate truffles** in a 49g carton folded box.

Claims: Recyclable plastic packaging. Recyclable box.

Tirol Choco Dorayaki Chocolate

Japan, Apr 2023 VIEW DETAILS

Description: Seven individually wrapped dorayaki chocolate with brown sugar flavor wrapped around ogura-flavored sauce, cream, and fluffy marshmallows. Comes in a plastic flat pouch.

Claims: **Limited product.**

- **Fertile grounds for children special launches**

Glico Peloty Super Mario Chocolate Lollipop

Japan, Feb 2023 VIEW DETAILS

Description: Mario-shaped chocolate lollipop in a 20g plastic/paper blister. **Featuring Super Mario**.

Claims: Recyclable packaging.

- **Seasonal-other claims lead the category and increasing presence of limited edition launches**

In the period 2020-2022, new products with Seasonal-other positioning have grown at a CAGR of 46.25%. Also, in order to encourage chocolate consumption, new limited edition products have been launched as an excuse to enjoy the moment.

Godiva Dried Kiyomi Orange Dark Chocolate

Japan, Apr 2023 VIEW DETAILS

Description: Kiyomi orange coated with Belgian dark chocolate. Comes in a 20g resealable plastic standing pouch.

Claims: Limited edition. **Godiva's 50th anniversary of landing in Japan.** Recyclable packaging.

- **Reduced sugar, Low/no/reduced carb, high/source of protein, and high/source of fiber are growing claims**

Emmy Low Sugar Milk Chocolate

Japan, Feb 2023 VIEW DETAILS

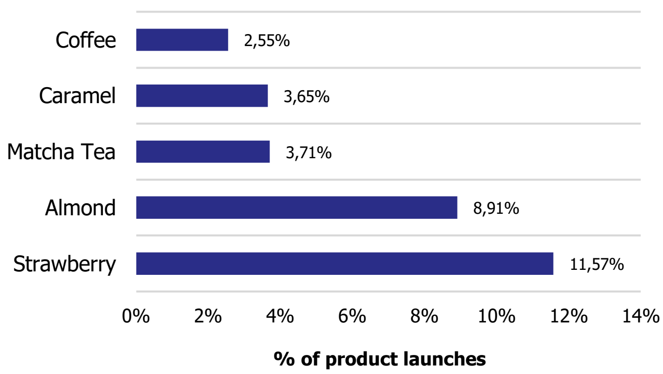
Description: Individually wrapped low-sugar milk chocolates, held in a 138g plastic flat pouch.

Claims: **Low sugar**. Gentle melt-in-your-mouth and richness of milk. **30% less sugar**. Recyclable packaging.

- **Strawberry flavor ranks first across Japan**

Strawberry is the top flavor, almond ranks a close second and matcha flavor finds more shelf space. Apart from the top 5 flavors, other flavors growing in popularity in Japan during 2020-2022 include pistachio, hazelnut, peanut, orange and banana.

Figure 27. Top 5 flavors for Chocolate Confectionery in Japan (2020-2022)



Source: Innova Market Insights

Bourbon Alfort Strawberry Chocolate

Japan, Jan 2023 VIEW DETAILS

Description: A combination of bittersweet cocoa biscuits and sweet and sour **strawberry chocolate** in the shape of a sailing ship. Individually packed chocolates in a 115g plastic flat pouch.

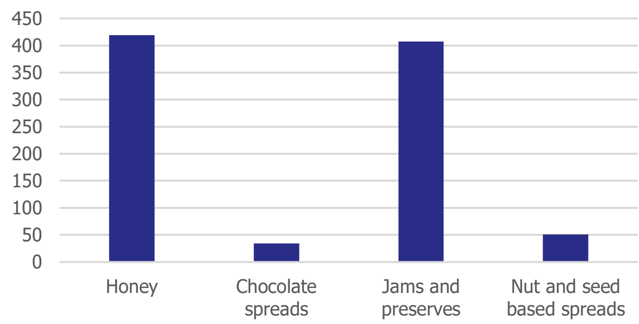
5.3 OTHER PRODUCTS

5.3.1 Sweet spreads

According to Euromonitor International, in 2022, Japan registered total retail sales of US$912.1 million in the sweet spreads, honey and maple products sector. The sweet spreads category decreased by 15.5% in current value terms and by 3.6% in retail volume terms over last year, from US$ 1.1 billion (83.1 thousand tonnes) in 2021.

With a CAGR of −1.6% from 2017 to 2022, sweet spreads are forecasted to grow with a CAGR of 3.0% for the forecasted 2022 to 2027 period, and is expected to reach US$1.1 billion by 2027.

Figure 28. Retail sales of sweet spreads, honey and maple products by category in Japan, 2022 (US$ millions)



Source: Euromonitor International, 2022

Product launch and trends analysis. According to data from Innova Market Insights database, around 400 sweet spreads products were launched in Japan between 2019 and the first semester of 2023. During this period, confiture and fruit spreads were the leading sub-category by far, followed by honey.

Like many Asian consumers, Japanese consumers want to restrict sugar intake due to health concerns. Most popular claims among sweet spreads were that they were low/reduced sugar, or premium, or that they were no additives/preservatives. Also, Convenience is set to be the key for Japanese sweet spreads consumers.

In terms of flavor, berries & summer fruits stand out

Kanpy Fruit Finish Strawberry

Japan, Mar 2023 VIEW DETAILS

Description: Fruit finish **strawberry jam** in a 375g glass jar.

Claims: An all-fruit type spread that uses **no sugar** and is finished with the natural sweetness of only fruits and juice. You can fully enjoy the original sweetness of the fruit, the refreshing aroma, and the refreshing aftertaste.

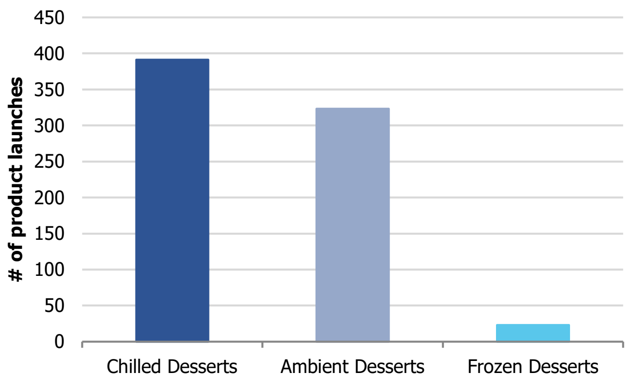
Aohata Corporation, Aeon Topvalu and Kato Sangyo Company were the three companies with the most sweet spreads launches in the past four years.

5.3.2 Desserts

According to data from the Innova Market Insights database, between 2020 and May 2023, 737 new products were launched in the Dessert category (ambient, chilled & frozen).

Chilled desserts are the leading subcategory, representing 53% of total launches in the period mentioned, closely followed by ambient desserts accounting for 44% of new launches.

Figure 29. Desert launches by subcategory in Japan (2020-2022)



Source: Euromonitor International, 2022

Bourbon Mandarin Orange Dessert

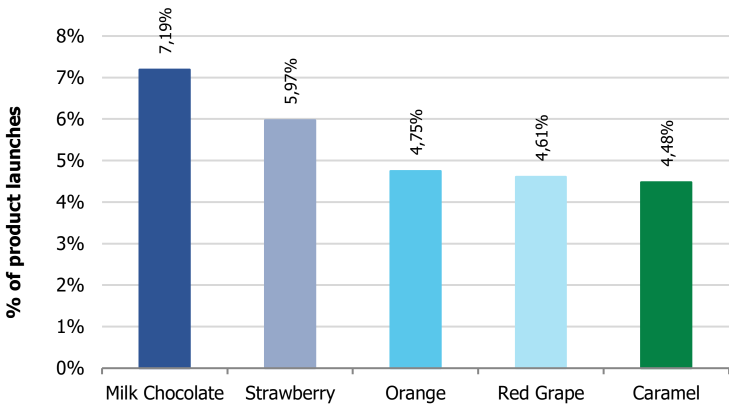
Japan, Mar 2023 [VIEW DETAILS]

Description: Mandarin orange jelly with mandarin orange pulp, in a 140g plastic pot.

Claims: Contains plenty of **vitamin C**. **Low in calories**. 50 kcal per pot. **Recyclable packaging**.

Milk chocolate is the leading flavor with fruit flavors close in demand such as orange and mandarin, which in the period 2020-2022 grew with a CAGR of 25.36% and 123.61%.

Figure 30. Retail sales of sweet spreads, honey and maple products by category in Japan, 2022 (US$ millions)



Source: Euromonitor International, 2022

Positionings and trends analysis.

Healthy alternatives (sugar reduced/free, protein/fiber/vitamin & mineral fortified), mixes for easy at-home preparations, regional ingredients for traditional flavors promote the NPD. The demand for convenient and healthy on-the-go desserts is increasing. Also, ethical packaging importance is increasing.

Toraku Foods, Bourbon and Aeon were the three companies with the most desserts launches in the past three years.

Sweets Sweets Chocolate Hazelnut Parfait

Japan, Jan 2023 [VIEW DETAILS]

Description: Chocolate hazelnut parfait in a plastic cup.

Claims: Recyclable packaging.

6. PLANT-BASED

6.1 MARKET OVERVIEW

Plant-based food and beverages refer to processed products made from plants, fungi, and algae, without ingredients derived from animals. While the global market boomed in recent years and it is expected to reach 77.8 billion U.S. dollars in 2025[15] among rising consumer awareness of sustainable lifestyles, animal welfare, and growing environmental issues, the market in Japan was only emerging. But plant-based foods products are not a novelty in Japanese eating behavior.

The traditional food culture, *washoku*[16], has long been emphasizing the importance of respecting natural resources and eating a balanced meal including meat or fish with a variety of plant-based dishes.

Building on the demand for a healthy, balanced diet, opportunities in the plant-based foods market are emerging as manufacturers are challenged with the task of setting their products apart from existing soy- and gluten-based foods.

6.2 MARKET TRENDS, COMPETITIVE OTLOOK, NEW PRODUCT DEVELOPMENT AND INNOVATION

Dairy had the most plant-based launches

Over the last 5 years, 20% of new plant-based product launches were in the dairy category. Demand for plant-based milk in Japan is especially growing. Over the past decade, plant-based milk has grown from a niche to become a booming market.

Soy milk in Japan tops the market, oat milk popularity is growing and almond milk is building a strong position.

Kagome Field-Born Gentle Mellow Soy Milk

Japan, Apr 2023 VIEW DETAILS

Description: Field-born gentle mellow soy milk in a 200ml brick liquid carton.

Claims: It is a plant-based milk that uses whole soybeans and has a milk-like richness, thanks to its unique blend of vegetables and fruits, and provides the daily amount of dietary fiber required.

[15] Value of the plant-based food market worldwide from 2020 to 2030 - Statista

[16] Inscribed in 2013 on the Representative List of the Intangible Cultural Heritage of Humanity by UNESCO.

Meat substitutes had the biggest growth of all food categories

Japan lags behind Europe and North America in embracing plant-based meat alternatives, but this trend has shifted dramatically since 2020, which some industry insiders are calling "year one" of the meat alternative era.

CASE STUDY: NEXT MEATS

'Next Meats' is a Japanese startup founded in 2020 in Shinjuku Tokyo Prefecture, with the aim to directly confront contemporary environmental concerns, as well as put solutions into action. They have produced products such as the world's first meat-substituted BBQ "NEXT Yakiniku", Beef Bowl with plant-based meat "NEXT Gyudon", and the plant-based alternative Hamburger "NEXT Burger".

FLAVOR IS KEY TO SUCCESS

While many alternative meat products copy food using ground meat like hamburgers, Next Galbi 1.1 sold by Next Meats tries to compete with a cut of meat: *galbi* Korean-style barbecue short ribs.

Next Meats Calvi 1.1

Japan, Feb 2022 VIEW DETAILS

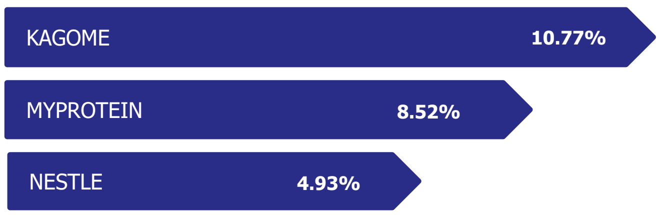
Description: Calvi in five 80g four side sealed plastic pouches.

Claims: Additive free. Plant based. From the world's first next yakiniku series of meat substitutes, it is a chewy and fragrant kalbi style. Kind to both the global environment and health, looks just like meat and is delicious and easy to eat just by baking it lightly. Has less half fat. Has about twice as much protein as general yakiniku.

Sources: NEXT MEATS, Innova Market Insights

Top companies launching plant-based food & beverages

In terms of penetration in new product releases in the last 5 years



7. PREMIUM DRINKS

The beverage industry can be broken into two distinct categories: alcoholic and non-alcoholic beverages. Alcoholic beverages typically include beer, wine, and spirits. The non-alcoholic beverage industry shows a wider variety.

In view of the scope of this document, we will focus on the following subsectors: wine, cider, soft drinks & functional beverages.

Beverage trends in Japan: functional, healthy and low alcohol.

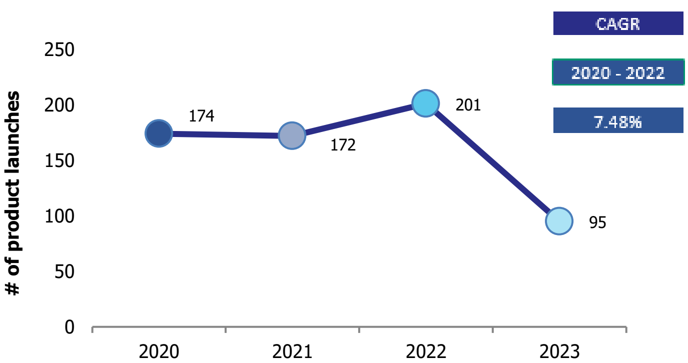
7.1 WINE

Several driving factors are contributing to the growth of the Japanese wine market. Some of these factors include Japanese consumers being increasingly interested in wine culture and seeking out new and different types of wines to try. This has led to a growing demand for both domestic and imported wines.

Also, Wine is increasingly in demand among consumers who are concerned about their health because it is frequently viewed as a healthier option to other alcoholic beverages.

From 2020 to May 2023, 642 new products have been launched within the wine category, the category experienced a positive increase in recent years with a CAGR 7.48%.

Figure 31. New product launches wine category in Japan (2020- Apr.,2023)



Source: Euromonitor International, 2022

"Why do you consume wine/sparkling wine/ champagne?"

#1	**It's tasty**
#2	**To relax and wind down**
#3	**To indulge/treat or reward myself**

Source: Innova Category Survey 2023 (Japan), ENOTECA, Nichirei

Regarding the types of wine preferred by consumers, red wine is the predominant wine on the market. According to Euromonitor International predictions published in its "Wine in Japan" study of June 2022, Still wines will reduce their sales volume by 2% over the period 2022-2026. Sparkling wines will increase by 22% in sales over the next five years. Fortified wines have the best prospects with an expected 25% increase in sales volume up to 2025.

KEY INSIGHTS[17]

•Revenue in the Wine segment in Japan amounts to US$10.11bn in 2023. The market is expected to grow annually by 6.73% (CAGR 2023-2027).

•In relation to total population figures, per person revenues of US$80.85 are generated in 2023.

•In the Wine segment, volume is expected to amount to 331.30m L by 2027. The Bread & Bakery Products market is expected to show a volume growth of 2.1% in 2024.

•The average volume per person is expected to amount to 2.44L in 2023.

[17] Wine - Japan | Statista Market Forecast. 2023

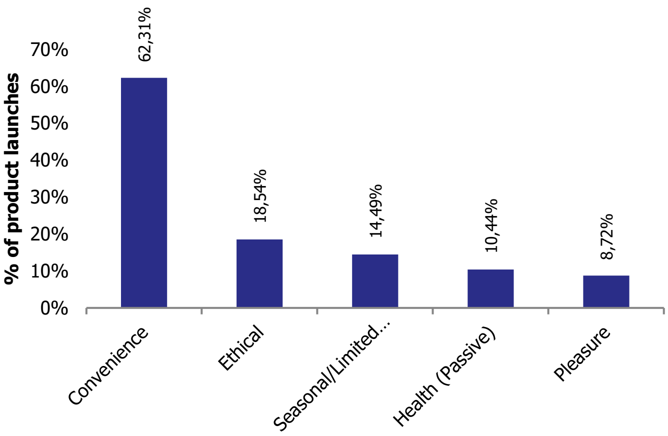
Alcoholic beverages play a significant role in social and business lives in Japan. By 2027, 64% of spending and 33% of volume consumption in the wine segment will be attributable to out-of-home consumption (e.g., bars and restaurants).

However, trends in production and sales have been slowing down in recent years. A shift towards a health-conscious lifestyle among young adults, coupled with gradual consumption and liquor tax hikes have been impacting the alcoholic beverage industry. Almost four million wine drinkers have left the wine category in Japan between 2018 and 2022[18], despite the adult population remaining stable. Although many may be exiting the wine category, the remaining wine drinking population is becoming a more highly engaged, enthusiastic and motivated community.

POSITIONING STRATEGIES & TRENDS

Clean labels (organic, no additives/preservatives), launches with traditional process claims, region specific products, vegan claims, no/low/reduced alcohol versions and indulgence drive de NPD.

Figure 32. Top 5 positionings for wine in Japan (2020-2022)



Source: Euromonitor International, 2022

[18] "Interest in wine grows in Japan" – Wine Intelligence, 2022

- **Convenience is key: "Ready-to-drink (RTD)" Wines**

These single-serving canned beverages can be purchased in convenient stores and cater to the younger generation. En el período 2019-2022, el vino en lata ha sido el formato de packaging con más rápido crecimiento, con un CAGR de 146.62%.

CASE STUDY: Suntory "Cup Wine"

Suntory, one of the top beverage companies in Japan and responsible for most of the latest NPD launches in the wine category, released the "Cup Wine" in response to the shifting demand.

With simple, reusable packaging, the Suntory "Cup Wine" contains 180 ml and sales are limited to restaurant.

Sources: Suntory website

- **No/Low/Reduced alcohol**

Demand is growing for products with low-to-no alcohol content. Non-alcoholic wine, is still a small category, however the category dynamics present opportunities for companies to capture new consumers in other categories such as in the soft drink segment.

The booming market for alcohol alternatives has attracted dozens of new players.

Suntory Non Alcoholic Holiday Red Wine

Japan, Jan 2023 [VIEW DETAILS]

Description: **Non alcoholic** holiday sparkling red wine with rich fruit flavor, in a 350ml aluminum can.

Claims: Contains **0% alcohol by volume. Non alcoholic**. Limited time. With 18% juice.

Sapporo Organic Premium Antioxidant Free Polyphenol Rich Wine

Japan, Aug 2022 [VIEW DETAILS]

Description: Wine with gorgeous aroma and slightly sweet and gentle taste. Comes in a 720ml glass bottle.

Claims: Contains 5% alcohol by volume. **Low alcohol**. Organic wine. Premium. Antioxidant.

- **Spotlight on limited editions and organic**

Organic wine has seen continuous growth in the past few years because of an interest in SDGs (Sustainable Development Goals) and ethical consumption.

Mercian Delicious Antioxidant Free Rose Wine

Japan, Mar 2023 [VIEW DETAILS]

Description: Fruity antioxidant free rose wine in a 720ml PET bottle.

Claims: Contains 11% alcohol by volume. Additive free, **organic wine**. Recyclable packaging.

Grande Polaire 2018 Azuminoikeda Merlot

Japan, Oct 2022 [VIEW DETAILS]

Description: Red, full bodied merlot- with soft and fine tannins are well-harmonized with fruit-derived berry aroma and elegant oak aroma. Comes in a 750ml glass bottle.

Claims: Contains 13% alcohol by volume. **Limited quantity release**.

- **Flavors in the wine category are diversifying and plum emerged at the top of the category, closely followed by orange and strawberry.**

Choya 2022 Ice Nouveau Ripe Plum Wine

Japan, Nov 2022 [VIEW DETAILS]

Description: Ice nouveau ripe plum wine with 6% alcohol content, in a 720ml glass bottle.

Claims: Contains 6% alcohol by volume.

7.2 CIDER

Although the Japanese cider market remains a niche market compared to related categories, in the last years has gained visibility as a healthy, easy-to-drink, low alcohol beverage.

A total of 41 new products have been launched in the cider category within the last five years. This segment has seen a CAGR growth (2018-2022) of 34.27%.

KEY INSIGHTS[19]

•Revenue in the Cider, Perry & Rice Wine segment in Japan amounts to US$25.25bn in 2023. The market is expected to grow annually by 2.93% (CAGR 2023-2027).

•In relation to total population figures, per person revenues of US$201.90 are generated in 2023.

•By 2027, 54% of spending and 24% of volume consumption in the Cider, Perry & Rice Wine segment will be attributable to out-of-home consumption (e.g., in bars and restaurants).

•In the Cider, Perry & Rice Wine segment, volume is expected to amount to 0.75bn L by 2027. The Bread & Bakery Products market is expected to show a volume growth of -2.1% in 2024.

•The average volume per person in the Cider, Perry & Rice Wine segment is expected to amount to 6.56L in 2023.

[19] Cider, Perry & Rice Wine - Japan | Statista Market Forecast. 2023

Funded by the European Union

POSITIONING STRATEGIES & TRENDS

- **Limited edition claims lead the subcategory**

Nikka Sparkling Crested Apple Cider

Japan, Aug 2022 [VIEW DETAILS]

Description: A sparkling cider that uses 100% domestic apples and ferments the juice of whole fresh apples to enjoy the fresh taste of apples. It is a raw cider that does not add heat in the manufacturing process, so you can enjoy the aroma and natural sweetness of apples rather than adding heat. Comes in a 500ml glass bottle.

Claims: Contains 3% alcohol by volume. Limited edition. 100% domestic apples.

- **Sugar reduction claims**

Takara Shuzo Highball Intense Pine Cider

Japan, Jul 2022 [VIEW DETAILS]

Description: Highball intense pine cider with 7% alcohol by volume, in a 350ml aluminum can.

Claims: Contains 7% alcohol by volume. **Zero sugar.** Limited quantity.

- **Clean label/Free from claims**

Crazy Cider Dry The Original Craft And Graft Hard Cider

Japan, Sep 2022 [VIEW DETAILS]

Description: Original craft and graft hard cider in a 330ml glass bottle.

Claims: Contains 7% alcohol by volume. Apple **100% natural**. It is sharp, it is fruity.

7.3 SOFT DRINKS & FUNCTIONAL DRINKS

Functional drinks include several non-alcoholic beverages that are fortified with high amounts of vitamins, minerals, amino acids, dietary fibers, probiotics, etc. Some of the common product variants include sports drinks, energy drinks, carbonates, fruit/vegetable drinks, specialty drinks, caffeinated beverages, etc.

KEY INSIGHTS[20]

•Revenue in the Non-Alcoholic Drinks market amounts to US$75.73bn in 2023. The market is expected to grow annually by 3.45% (CAGR 2023-2027). The market's largest segment is the segment Ready-to-Drink (RTD) Coffee & Tea with a market volume of US$36.82bn in 2023.

•In relation to total population figures, per person revenues of US$605.40 are generated in 2023.

•By 2027, 29% of spending and 17% of volume consumption in the Non-Alcoholic Drinks market will be attributable to out-of-home consumption (e.g., in bars and restaurants).

•In the Non-Alcoholic Drinks segment, volume is expected to amount to 26.22bn L by 2027. The Non-Alcoholic Drinks market is expected to show a volume growth of 1.3% in 2024.

•The average volume per person is expected to amount to 201.50L in 2023.

Functional drinks offer numerous health benefits in boosting energy levels, maintaining a healthy balance of gut microbiomes, enhancing metabolism, reducing inflammation, etc. In Japan, the rising consumer health consciousness coupled with the increasing awareness towards several nutritional benefits of functional drinks is augmenting the market growth.

[20] Non-Alcoholic Drinks - Japan | Statista Market Forecast. 2023

Since the spectrum of non-alcoholic beverages is very broad, we will focus on soft drinks, as this is a fast-growing and highly innovative market. The market segment covers all types of water-based Non-Alcoholic Drinks with added sugar. This includes Carbonated Soft Drinks like cola and lemonade, Non-Carbonated Soft Drinks like fruit nectars, fruit juice drinks, flavored water and ready-to-drink (RTD) tea and coffee, and Energy & Sports Drinks.

KEY INSIGHTS[21]

•Revenue in the Soft Drinks segment amounts to US$27.14bn in 2023. The market is expected to grow annually by 2.87% (CAGR 2023-2027).

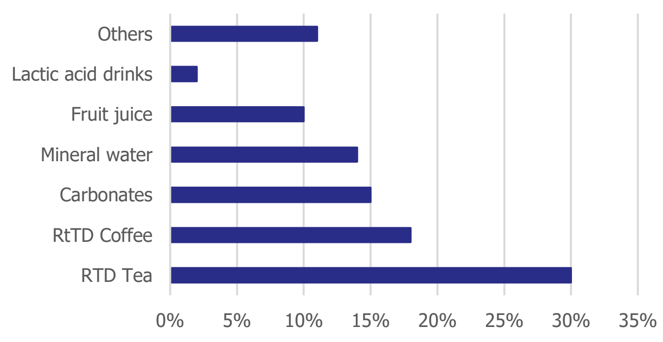
•In relation to total population figures, per person revenues of US$217.00 are generated in 2023.

•By 2027, 47% of spending and 32% of volume consumption in the Soft Drinks segment will be attributable to out-of-home consumption (e.g., in bars and restaurants).

•In the Soft Drinks segment, volume is expected to amount to 7.43bn L by 2027. The Soft Drinks segment is expected to show a volume growth of 1.9% in 2024.

•The average volume per person in the Soft Drinks segment is expected to amount to 58.64L in 2023.

Figure 33. Market share of soft drinks in Japan as of 2022, by category



Source: Statista.

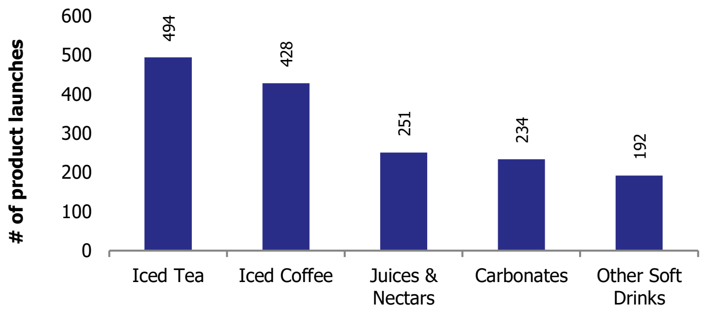
[21] [Soft Drinks- Japan | Statista Market Forecast. 2023]()

MARKET TRENDS, COMPETITIVE OTLOOK, NEW PRODUCT DEVELOPMENT AND INNOVATION

Development of soft drinks category launches in Japan, by sub-category

Iced tea, Iced coffee, Juices & nectarss, Carbonates and Fruit/Flavored still drinks are the leading sub-categories of overall soft drinks category launches in Japan over the last two years.

Figure 34. Top 5 soft drink launches by subcategory in Japan (2021-2022)



Source: Innova Market Insight.

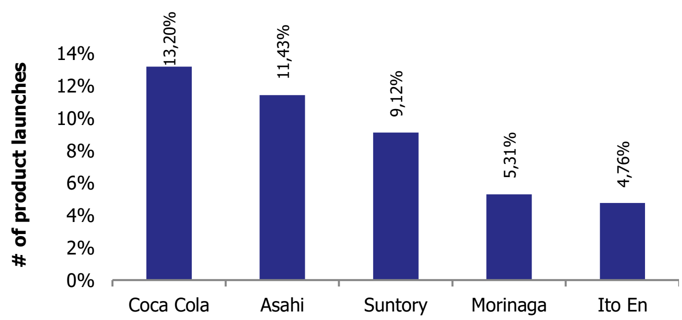
The leading branded trademark for soft drinks in 2022 was Coca cola, closely followed by Asahi.

Coca Cola Zero Sugar Soul Blast Action Flavored Zero Calorie Cola

Japan, Dec 2022 [VIEW DETAILS]()

Description: Limited edition zero sugar soul blast action flavored zero calorie cola in a 355ml aluminum can featuring Bleach.

Figure 35. Top 5 soft drink companies in terms of NPD in Japan (2021-2022)



Source: Innova Market Insight.

Funded by the European Union

Convenience is by far the top positioning for the soft drinks category in Japan. Low/No/Reduced Calorie is the leading claim in the health (pasive) positioning for soft drinks in Japan. Meanwhile ethical–sustainable exhibited a steep increase in share in 2022.

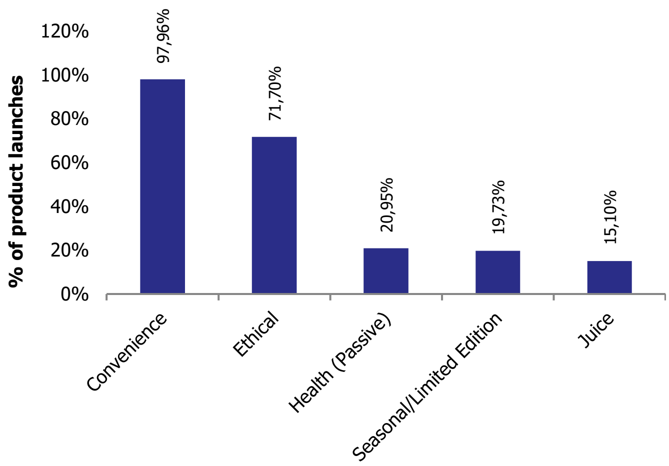
Pokka Sapporo Chelate Lemon Carbonated Drink

Japan, May 2023 VIEW DETAILS

Description: Chalate double lemon flavored carbonated drink in a 500ml PET bottle.

Claims: With 3000mg citric acid. 15% juice. 1000mg vitamin C. Recyclable packaging. **Low calorie.**

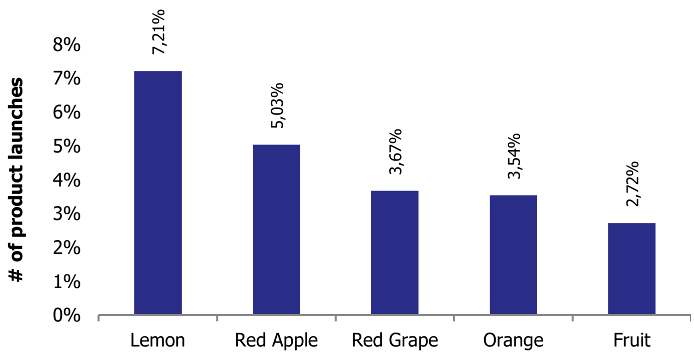
Figure 36. Top 5 positioning categories in Japan (2022)



Source: Innova Market Insights..

Fruity flavors lead the launch of new products. Among which citrus and berries stand out.

Figure 37. Top 5 flavors for soft drinks in Japan (2022)



Source: Innova Market Insights..

GLOBAL TRENDS SHAPING THE CATEGORY

1. PLANT-BASED

Plant-based entries are launching in multiple soft drinks subcategories, including plant-based waters,, meal replacements and juices.

Kagome Vegetable Life 100 Care Berry Pomegranate Beverage

Japan, Jul 2021 VIEW DETAILS

Description: Berry and pomegranate beverage in a 195ml Tetra Prisma Aseptic.

Claims: It is a food with functional claims that responds to health concerns with the power of **plants**. For those who are concerned about triglyceride and blood sugar levels after meals.

2. GUT GLORY

Some soft-drink entries are touting claims of digestive health with added fiber, prebiotics and/or probiotics and sometimes linking those to improved digestion or general health.

Minute Maid Pink Grapefruit Juice With Dietary Fiber

Japan, May 2023 VIEW DETAILS

Description: Pink grapefruit juice **with dietary fiber,** in a 280ml PET bottle.

Claims: Contains 30% juice. Recyclable packaging.

3. BACK TO ROOTS

Innovations are signaling authenticity through marketing small batch brewing methods, locally sourced ingredients or traditional nostalgic beverages.

Mild Milk Coffee

Japan, May 2023 VIEW DETAILS

Description: Mild milk coffee drink in a 290ml plastic cup.

Claims: We have reproduced the taste of milk coffee, which is the **traditional blended coffee of Komeda's** Coffee with milk added. The fragrant coffee is combined with just the right amount of milk to create a mellow and **nostalgic taste.**

Recommendations: Cultural and business etiquette

Being aware of cultural and business etiquette in Japan can ensure a greater chance of success, as well as avoid any confusion when meeting with Japanese business partners. The following is a summary of the main points to keep in mind.

Business relations in Japan require **perseverance and patience**, as they are seen as a long-term investment and it takes longer than usual to reach agreements. Therefore, it is recommended that both new and experienced companies visit the country at least twice a year -attending trade fairs or organizing private meetings- to meet with their importer and business partners. **Face-to-face communication** is key in the Japanese business world.

Since many **Japanese do not speak English** or are not comfortable using English, if you do not speak Japanese or do not have a business partner who does, it is essential to hire an **interpreter** during trade fairs, especially at the beginning of the business relationship. It is also advisable to **translate catalogs and all product documents into Japanese, or at least into English**, before you start communicating with potential customers to facilitate contact with them.

It is essential that the **information** provided to Japanese partners or customers **about the product and the company be comprehensive, detailed and accurate**. If the Japanese party considers the documentation to be insufficient or inaccurate, they will withdraw from the negotiation. Similarly, it is very likely that, during the initial exchanges, the Japanese partner will ask for **product samples** or even to **visit the production facilities**, to check if they meet their quality standards.

Another key aspect of doing business in Japan is the **exchange of business cards** (or *meishi*, in Japanese). It is advisable for the card to have one side in Japanese, with the contact's name and surname and the company's business name transcribed into Japanese script.

Non-verbal communication and greetings are also of utmost importance in Japan. When Japanese people meet, they traditionally bow rather than shake hands; the lowest bow is a demonstration of the deepest respect.

It is recommended to maintain a cordial and pleasant attitude during the course of meetings and trade fairs. **The negotiation style in Japan is focused on avoiding conflict and achieving the benefit of all parties involved**. Accordingly, it is advisable to avoid gestures that may imply defensiveness or impatience, such as folded arms, a straight face or frequent glances at the clock. In these situations, an interpreter can not only help overcome the language barrier but also advise the exporter on the best way to communicate with the Japanese partner.

Japanese are very punctual and take time management very seriously.

More information about Japan

•**EU-Japan Centre for Industrial Cooperation:** https://www.eu-japan.eu/

•**Japan Customs:** https://www.customs.go.jp/english/index.htm

•**Japan Food Service Association:** http://www.jfnet.or.jp/

•**Japan Foreign Trade Council:** https://www.jftc.or.jp/english/home_e.htm

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

•**Japan Tariff Association (JTAS):** https://www.kanzei.or.jp/english/

•**JETRO (Japan External Trade Organization):** https://www.jetro.go.jp/en/

•**Manufactured Imports Promotion Organization (MIPRO):** https://www.mipro.or.jp/english/

•**Ministry of Agriculture, Forestry and Fisheries (MAFF)**: https://www.maff.go.jp/eindex.html

•**Ministry of Economy, Trade and Industry**: https://www.meti.go.jp/english/index.html

•**Ministry of Foreign Affairs of Japan (MOFA):** https://www.mofa.go.jp/index.html

•**Ministry of Health, Labor and Welfare of Japan (MHLW):** https://www.mof.go.jp/english/index.htm

•**New Supermarket Association of Japan:** http://www.super.or.jp/

•**Statistics Japan**: https://www.stat.go.jp/english/

•**The Japan Chamber of Commerce and Industry:** https://www.jcci.or.jp/english/about.html

•**Tokyo Chamber of Commerce and Industry:** https://www.tokyo-cci.or.jp/english/

MARKET INTELLIGENCE REPORT

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