



EMERGING
MARKETS PROGRAM

JAPANESE MARKET INTELLIGENCE RESOURCE

FOR SOUTH AUSTRALIAN
WINE BUSINESSES



Acknowledgements

This report has been prepared in 2020 by the South Australian Wine Industry Association Inc. (SAWIA) with an allocation of funding from the South Australian Government through the Department of Trade and Investment (DTI).

Disclaimer

The South Australian Wine Industry Association Inc. (SAWIA) has made every effort to ensure that the information in this report is accurate as at the date of publication. SAWIA and The Department for Trade and Investment (DTI), does not accept liability for the accuracy or usefulness of any information contained in this resource, including liability for negligence, for any loss, damage, injury, expense or cost incurred by any person as a result of accessing, using or relying upon any of the information in this document. Please use commercial discretion and consider obtaining independent, professional advice to assess the suitability of any business introduction, or any goods and services offered or information used when assessing your business needs. Please note that SAWIA and DTI do not make any representations or warranties that the report will be updated or otherwise maintained after the date of publication.

Copyright

Unless otherwise acknowledged in the document, copyright in this document is owned by the South Australian Wine Industry Association Inc., 2020.

Published

December 2020

Executive Summary

This executive summary provides relevant insights for South Australian small and medium scale producers of premium wine. Some of the key insights offered by the report are:

- Japan is the third-largest economy in the world with a GDP of US\$ 5.082 trillion, ranking behind China and the USA in global economic rankings. With a population of 125.5 million people, primarily made up of well-educated and affluent people, it is one of the world's biggest consumer markets.
- In 2019, Japan was Australia's second-largest trading partner, second-largest export market, and third-largest source of foreign direct investment.
- Japan is the sixth-largest importer of wine in the world and in 2018-19 imports of wine from all winemaking countries into Japan grew by more than 7%. In contrast, the growth in export to Japan that Australia enjoyed between 2012 and 2017 has not been sustained, with recent declines in export value and volume.
- Australian wine exports to Japan totalled AU\$ 49 million in the year ending June 2020, down -3 per cent from the previous year. Australia exported 15 million litres of wine to Japan in this same timeframe. The Japanese market currently ranks 9th in both value and volume for exported Australian wine. In the 12 months ending March 2019, exports to Japan grew 16%, recording a record AU\$ 55 million in sales for the same period.
- The Japan-Australia Economic Partnership Agreement (JAEPA) came into force on 15 January 2015. When fully implemented on 1 April 2021, there will no longer be any tariffs imposed on bulk wine in containers over 150 litres, bottled wine or sparkling wine. By 2025 there will also no longer be tariffs imposed on bulk wine in containers between 2 litres and 150 litres.
- Japan ranks 15th worldwide in wine consumption in terms of volume, consuming over 49 million 9 litre cases in 2019. This equates to 3 litres per capita for that year. Japan is 11th worldwide when it comes to consumption value at US\$ 4,970 million.
- Japan has higher per capita wine consumption than other Asian markets such as China or South Korea, with around 45 million regular wine drinkers. These consumers tend to be wine literate, and two-thirds of Japanese wine drinkers are consuming wine weekly.
- Japan has an ageing population, and the 55+ age group remain the driving force behind the Japanese wine market. Consumers in this category tend to have traditional and conservative tastes. Younger Japanese regular wine drinkers claim high involvement and interest in the wine category and are more likely to be adventurous in their wine purchases.
- The average price per bottle of wine sold in the Japanese market is JP¥ 775 (AU\$ 10.08), and 80% of still wines sold in Japan are under JP¥ 1,500 (AU\$ 20.16).
- Red wine is the preferred style for the majority of Japanese wine drinkers. There is an emerging trend towards natural wine styles characterised by minimal human intervention.
- Sparkling wine is incredibly popular in Japan, and the most popular sparkling wines are in the JP¥ 5,000 to JP¥ 10,000 (AU\$ 61.30 to AU\$ 122.70) per bottle price range.
- 73% of wine purchased (volume) in Japan is sold in off-premise channels, mostly through bricks and mortar retailers. Supermarkets account for the largest share (55%) of wine sales in Japan and 84% of the wine on their shelves are priced below JP¥ 1,000.
- The on-premise market in Japan accounts for 27% of overall wine sales by volume.
- Wine leads the sales of alcoholic beverages online, and around 16% of consumers who drink alcohol once a month, purchased wine online.
- Japanese wine consumers can be summarised as discerning people who make their purchasing decisions based on value, quality and style. The more serious Japanese wine consumer is educated about wine, and, unlike in other mature wine markets, wine knowledge continues to increase.
- Given the maturity of the Japanese beverage market, local consumers have a vast array of choice when purchasing products and competition for the attention of wine consumers is fierce.
- Doing business in Japan requires a fine-tuned, sophisticated approach to wine marketing in all aspects. The Japanese have a strong sense of aesthetics, style and elegance and like to purchase products that have refined packaging.
- Japan has made a name for itself as a nation that prizes quality and exactness, as well as politeness and being humble. The Japanese place a premium on trust, and in business, they appreciate honest communication. Consistency and transparency in relationships are of the keys to maintaining successful business relationships in Japan.
- Respect for age and status is paramount in Japanese culture, and hierarchy affects all aspects of social interactions.
- Appearances are very important, and Japanese people tend to dress more formally than Australians.

Contents

1. INTRODUCTION	07	3. JAPANESE CONSUMER PROFILE	41
1.1 Japan as an emerging wine market	08	3.1 Demographics	42
- Why choose Japan as an export market for your wine business?		3.2 Current consumption	42
- Growth drivers of wine consumption		3.3 Consumer preference	43
1.2 Japan Overview	11	3.4 Emerging trends	43
- Geography		4. DOING BUSINESS IN JAPAN	45
- History		4.1 Supply chain	46
- Culture		4.2 Laws and Regulations	47
- Politics		4.3 Import certificates and procedures	50
- Current Parliament		4.4 Contracts	55
- Economy		4.5 Intellectual Property	55
- Infrastructure		4.6 Marketing and Advertising	56
- Prefectures and Cities		- Packaging	
1.3 Laws around the consumption of alcohol in Japan	26	- Social media	
1.4 Japan-Australia Free Trade Agreement (JAEPA)	26	4.7 Business culture and etiquette	59
		- Language, interpreting and translation	
2. JAPANESE MARKET PROFILE	29	5. HOW HAS THE COVID-19 PANDEMIC AFFECTED THE MARKET?	63
2.1 Current performance and perception of Australian Wine in Japan	32	6. RESOURCES	65
2.2 Competitive Environment	34	6.1 Case Studies	65
- Beer and Spirits		6.2 Online resources	65
- Japanese Wine Industry		6.3 How to conduct a tasting in Japan	66
- Chile, France, USA, Italy, Spain		6.4 Traditional Japanese food and wine pairings	68
2.3 Sales channels	38	7. REFERENCES	70
- Retail (off-premise)			
- Hospitality (on-premise)			
- E-Commerce			





1. Introduction

The South Australian Government, through the [Department of Trade and Investment](#) (DTI), has contributed funding for the [South Australian Wine Industry Association](#) (SAWIA) to prepare this report. The aim of the report is to educate South Australian wine businesses about four emerging wine markets, helping them make informed decisions before entering one or more of these markets. This resource focuses on the Japanese wine market.

This resource aims to provide market insights, tips and tools that can enable individual South Australian wineries to achieve export growth. It looks at the historical, cultural, political and economic aspects of the country, all of which inform and influence the way South Australian wineries will do business in Japan. The resource describes the complexities of the Japanese wine market, including the demographics, preference and consumption habits of the Japanese wine consumer. Finally, the report provides information on the practicalities of doing business in, and exporting wine to Japan.

SAWIA spoke directly to the Government of South Australia Department of Trade and Investment Regional Director for Japan and South Korea, Sally Townsend, to gain her expertise and insights on the market. SAWIA also spoke to two South Australian wine businesses who currently export wine to Japan. Soundbites of these interviews appear throughout this document. The full interviews are available to listen to via links in the **Resources** section of this report.

This reports target audience is smaller and medium-size South Australian wine businesses who face the most significant challenge in developing sustainable exports within acceptable risk and with financial returns.

When using this resource, it should be remembered that it is a snapshot in time – the Japanese wine market will, of course, continue to evolve. Wine businesses should closely monitor the marketplace and adjust their business approach accordingly.

1.1 Japan as an emerging wine market

For the purpose of this resource, Japan is classified as an emerging wine market. This document aims to encourage South Australian wine businesses to take a closer look at the Japanese market and to provide the necessary information wine businesses need, to assess with confidence whether it is a market that is the right fit.

WHY CHOOSE JAPAN AS AN EXPORT MARKET FOR YOUR WINE BUSINESS?

Japan is the sixth-largest importer of wine in the world (totaling 284 million litres valued at AU\$ 2.2 billion) and in 2018-19 imports of wine from all winemaking countries into Japan grew by more than 7 per cent ⁱ. In contrast, the growth in export to Japan that Australia enjoyed between 2012 and 2017 has not been sustained, with recent declines in export value (-4 per cent) and volume (-14 per cent) ⁱ. This contrast represents an opportunity for South Australian wineries to share in the Japanese market's growth by directing some attention and focus towards the market to arrest the current trend.

Japan has, by some, remained overlooked in favour of other larger Asian wine markets. In comparison to Asian markets such as China or South Korea, Japan has higher per capita wine consumption, with around 45 million regular wine drinkers. These consumers tend to be wine literate, and two-thirds of Japanese wine drinkers are consuming wine weekly, and more than ever before, this is at home with family meals. Wine is increasingly taking-up shelf space in supermarkets, convenience stores and in local *izakaya* (Japanese-style pubs). All this suggests that wine is now a part of daily life in Japan.

There has also been an increase in the average price Japanese wine consumers are willing to pay for imported wines on-premise (at restaurants and wine bars), mainly during formal dinners and celebrations. Anecdotally, it is suggested that as wine becomes part of day-to-day consumption in Japan and the consumer becomes more educated and discerning in this sector, the wish to consume higher quality wines has increased.

GROWTH DRIVERS OF WINE CONSUMPTION

Several factors can explain the growth in wine consumption, but none more so than the number of economic partnership agreements put in place over the past thirteen years. Imports of Chilean wine have increased sharply since an economic partnership agreement went into effect between Japan and Chile in 2007. In February 2019, a similar partnership between Japan and the European Union eliminated wine tariffs, boosting imports and bringing down prices. The Japan-US trade agreement that began 1 January 2020 will phase out tariffs on American wines, eliminating them by 2025.

The implementation of the Japanese Australian Economic Partnership Agreement on 15 January 2015 has eliminated Japanese tariffs imposed on Australian bulk wine in containers over 150 litres, bottled wine and sparkling wine imported into Japan. By 2025 there will also no longer be tariffs imposed on bulk wine in containers between 2 litres and 150 litres.

Attitudes towards wine in Japan have also shifted in the past ten years. It is well known that Japan has an ageing population, and the 55+ age group remain the driving force behind the Japanese wine market. Consumers in this category tend to have traditional and conservative tastes when it comes to wine. But change is coming, with younger Japanese regular wine drinkers claiming high involvement and interest in the wine category. While recent data indicates younger people are consuming less alcohol in general, younger Japanese regular wine consumers are open-minded towards wine. They are more likely to have a broader white and red varietal repertoire, which can provide the opportunity for less dominant varietals or alternative styles to shine. It is these younger consumers who are increasingly enjoying wine socially in casual settings such as bars, clubs and karaoke.

"Japan is a really loyal market. There are a huge number of wine lovers here, a huge number of wine connoisseurs, and once they find the wine that they love, they will buy it, and buy it and buy it."
Sally Townsend, DTI Regional Director for Japan and South Korea (click to listen to audio)



FAST FACTS

- JAPAN IS THE 6TH LARGEST IMPORTER OF WINE IN THE WORLD
- IN 2018-19 IMPORTS OF WINE FROM ALL WINE-MAKING COUNTRIES INTO JAPAN GREW BY 7%
- JAPAN HAS 45 MILLION REGULAR WINE DRINKERS
- AUSTRALIA HAS SOME WORK TO DO TO ARREST STAGNATION AND DECLINE IN VOLUME AND VALUE OF WINE EXPORTS TO JAPAN





1.2 Japan Overview

CAPITAL CITY: Tokyo

LONGITUDE AND LATITUDE: 36.2048° N, 138.2529° E

CLIMATE: Northern Japan – sub-arctic, Central Japan – temperate, Southern Japan – sub-tropical

TOPOGRAPHY: Mountainous

POPULATION: 126,507,472 (July 2020 estimate)

LANGUAGE: Japanese

RELIGION: Shintoism (70.4%), Buddhism (69.8%), Christianity (1.5%), other (6.9%)

MAJOR GREATER METROPOLITAN AREAS:

Tokyo (37.393 million), Osaka (19.165 million), Nagoya (9.552 million), Kitakyushu-Fukuoka (5.29 million), Shizuoka-Hamamatsu (2.922 million), Sapporo (2.670 million) (2020)

GEOGRAPHY

Japan is an archipelago that consists of more than 6000 islands that lie to the east of the Asian mainland, separated by the Sea of Japan. Japan's four largest islands are Honshu, Hokkaido, Kyushu, and Shikoku. Its closest neighbours are Korea, Russia and China.

Japan's islands cover an area of 377,975 square kilometres, which is comparable to the size of California or Germany. In an Australian context, South Australia is 2.66 times bigger than Japan (South Australia is 983,482 km²), but Japan is 1.66 times bigger than Victoria (Victoria is 227,416 km²).

The islands of Japan sit on a major fault line on the Pacific Rim, and as such, it experiences frequent earthquakes and has more active volcanos than any other country in the world. Japan's largest and most famous volcano is Mt. Fuji. Japan's terrain is mountainous, and approximately three-quarters of Japan's land area is considered mountainous or hilly terrain. According to the World Bank, in 2016, 12.26% of Japan's total area is agricultural land [ii](#).

Japan's climate is diverse. While most of the country has a temperate climate with four distinct seasons, the north of the country is sub-arctic, and the south sub-tropical. The city of Tokyo has a sub-tropical climate meaning Tokyo winters are mild and summers are hot

and humid. The weather is also shaped by Asian-Pacific monsoon cycles that bring heavy rains in the summer and icy winds and snow in the winter.

HISTORY (SIGNIFICANT EVENTS IN THE PAST 150 YEARS)

1868	Meiji Restoration: Japan enters a period of rapid industrialisation
1890	Establishment of Constitutional Monarchy, Japan enters a period of imperial expansion
1910	Japan annexes Korea, cementing its place as one of the world's leading powers
1914	Japan joins World War I on the side of Britain and allies, seizing German-held islands in the Pacific
1930S	Japan seizes Chinese provinces of Manchuria, Shanghai, Beijing and Nanjing
1939-1945	World War II: Japan occupies several Asian countries. It is defeated when the US drops atomic bombs on Hiroshima and Nagasaki
1945	US occupation: post-war recovery and political reform. Economy recovers and eventually flourishes
1952	Japan regains independence
1989	Emperor Hirohito dies, succeeded by Emperor Akihito
1995	An earthquake hits central Japan, killing thousands and causing widespread damage. The city of Kobe is the hardest hit
1997	The economy enters a severe recession
2011	Huge offshore earthquake and subsequent tsunami devastate miles of shoreline and damage to the Fukushima nuclear plant
2019	Emperor Akihito abdicates in favour of his son, Crown Prince Naruhito.

Being aware of some of Japan's most recent history can assist in a better understanding of some of the country's cultural nuances as well as its place within the Northeast Asian region. When discussing Modern Japanese history, it is common to divide it into four distinct periods.

1.2 (continued)

The first begins in 1600 and ends in 1868. This was the period of the Tokugawa Shoguns, a feudal political order who oversaw very gradual economic and social change. This period saw growing urbanisation, the spread of popular education and the rise of the merchant class.

In 1868 a group of middle-ranking samurai convinced that the modernisation of Japan depended on abolishing the feudal order, overthrew the military government of the Shogun. The Meiji Restoration (“Meiji” meaning “enlightened rule”) was a revolution and the early Meiji period between **1868 and 1890** is summarised as a period of rapid modernisation and dramatic change of political, social, and economic institutions. During this period, challenges posed by the West was met with Japan selectively adopting parts of the western model to suit. The enthusiastic adoption of Western technologies, for example, caused an explosion of industrial productivity and diversification. The establishment of a national military, universal conscription and compulsory public education fostered a strong sense of national identity and Imperial loyalty in the Japanese population.

The period between **1890 to 1945**, classified as Imperial Japan, began with the establishment of the constitutional monarchy in 1890. Between 1890 and 1930, Japanese industry expanded and the cities grew, as more of the population moved from farms to factories and offices. At the same time, the leaders of Imperial Japan focussed on addressing what they saw as Japan’s unequal status in the international order.



In 1894 Japan succeeded in revising the Anglo-Japanese Treaty of Commerce and Navigation that saw them regain their legal parity with Western powers. In 1894-95 Japan fought a war against China over the control of Korea, and during this conflict gained Taiwan as its first colony. 1902 saw Japan sign an alliance with Great Britain, which signified a dramatic increase in international status. Japan won the Russo-Japanese war in 1904-5, cementing its dominance in the Korean Peninsula. Japan continued to expand its empire, eventually annexing Korea in 1910.

Japan aligned itself with the Allied forces in World War I, limiting its activities to seizing German holdings in China and the Pacific. When China sought the return of these former German holdings, Japan responded with what has since been called the Twenty-one Demands. Issued in 1915 the demands were an attempt to pressure China into widespread concessions and economic controls including Japanese access to harbours, bays and islands along China’s coast. This period left behind a legacy of ill-feeling and distrust of Imperial Japan, both in the United States and Great Britain who opposed the demands, but particularly in China.

Post-World War I Japan was hard hit by the great depression that began in 1929, mainly due to its growing population and dependency on foreign trade. The dramatic economic growth the country had enjoyed for 40 years started to slow. Acting on the notion that expansion through militarism would solve their financial troubles, Japan again looked to replace European holdings in Asia. Japanese troops invaded Marco Polo Bridge near Beijing in 1937, leading to warfare between Japan and China and also occupied French Indochina (what is now Vietnam, Cambodia and Laos) in 1940.

Alarmed and threatened by Japan’s increasing power in the region, the United States delivered an ultimatum to Japan – they would cut off steel and oil exports to Japan unless Japan removed their military from China. After a rapid breakdown in negotiations, Japan decided instead on the surprise attack on Hawaii’s Pearl Harbor in December 1941. Japan then focussed on taking other Western colonies in Southeast Asia — namely the Philippines, Hong Kong, British Malaya, Singapore, and the Dutch East Indies — which left its navy scattered across the Pacific. The United States was able to recover the forces lost in Pearl Harbor



speedily, and its navy and army conducted “island-hopping” and “leapfrogging” strategies, isolating heavily fortified Japanese positions while preparing to take over strategically essential islands.

By 1945, the US forces were close enough to Japan to conduct firebomb raids, bringing destruction and significant civilian loss of life to every major Japanese city except Kyoto. Despite this, the Japanese Government still held out hope that with the assistance of the Soviet Union, Swiss, or Swedes, they would be able to negotiate a favourable end to the war. Unaware of the agreement among Allies at the Yalta Conference, Japan was taken by surprise when the Soviet Union entered the war against Japan on 8 August 1945. Two days earlier on 6 August, the United States had dropped the first atomic bomb on Hiroshima, a medium-sized industrial city. On 9 August, the second atomic bomb dropped on Nagasaki, the port city where Japan had first opened itself to Westerners. Japan agreed to unconditional surrender, and Emperor Hirohito went on the radio to announce the news to the Japanese people.

Post-war and Contemporary Japan is the period between **1945 and today**. Between 1945 and 1952 Allied powers occupied Japan. In 1947 Japan adopted a new, progressive constitution with several fundamental provisions placed within it by the Americans. These provisions included, among other things, universal suffrage, land reform, sovereignty transference from the Emperor to the people, and the renouncement of war, including the right to build a military force. In 1952,

the US occupation of Japan ended, and by 1955 the Japanese economy had regained its highest pre-war production levels, mainly due to profits indirectly gained as a supplier of goods and services for the Korean War. 1955 also saw the establishment of a stable political system with the pro-American and conservative Liberal Democratic Party taking control of the Government.

From the 1960s through the mid-eighties, domestic politics remained relatively stable. The Liberal Democratic Party maintained a majority in the Diet (parliament) and placed emphasis on maintaining close ties with the United States. Japan achieved record economic growth — averaging 10 per cent growth each year until the 1970s — to become the third-largest in the world, behind only the United States and the Soviet Union. Growth was incredibly strong in heavy industry and advanced technology, helped along with improvements in the transportation of goods. Population growth stabilised (due to a national campaign encouraging family planning), and the Japanese people enjoyed the benefits and prosperity of a thriving and highly educated middle-class, to become one of the most advanced post-industrial societies in the world.

In 1989 Emperor Hirohito died, and the Berlin Wall fell. The death of the Emperor, who had taken the Imperial throne in 1926, meant the long Showa era had ended, and the close of the Cold War in the West saw the end of the global geopolitical system that had provided Japan with a certain amount of international shelter. The Heisei era (1989 – 2019) is the period that corresponds with the

1.2 (continued)

reign of Emperor Akihito. The English translation of Heisei is “Achieving Peace”. The Heisei era began with turbulent domestic politics (with more than 15 prime ministers within the first 24 years), a burst economic bubble and prolonged economic slowdown. A deadly earthquake in Kobe and a nerve-gas attack on a Tokyo subway both occurring in 1995, cast a dark shadow over the first few years of the period. The country endured an even more devastating natural disaster in 2011 when an earthquake and tsunami in north-eastern Honshu triggered the Fukushima nuclear accident. In 2019 Emperor Akihito abdicated, stepping aside so his son the then Crown Prince Naruhito may take the throne. Japan is now in the Reiwa Era, translating to “Beautiful Harmony”.

CULTURE

An understanding of Japan’s unique culture, and the internal and external influences that have shaped the development of this culture, assist in navigating everyday and business dealings when in Japan or from afar.

The Japanese Constitution is clear about the separation between Church and State, as well as the right to

religious freedom. Religion in Japan is often a private and family affair, is rarely discussed and very seldom preached. Historically, and even now, most Japanese people have not had a single faith, but an amalgamation of beliefs, most common of which are Buddhism and Shintoism.

Shinto (‘the way of the gods’) is the indigenous religion of Japan. It does not have a central doctrine, sacred scripture or god, but instead, it is a collection of local beliefs and folk tales with spirits, or kami, taking the form of nature or life forces (such as wind, mountains, trees or fertility). The Sun Goddess Amaterasu is Shinto’s most important kami. According to Shintoism, the Japanese Imperial family are descendants of Amaterasu, hence their claim to divine status (not officially renounced until 1945 at the end of World War II). Shinto is an optimistic faith in which evil deeds are caused by evil spirits, not by human will – the belief is that humans are fundamentally good. Many Shinto rituals centre on keeping away these evil spirits via purification, prayers and offerings to the kami. Many Japanese have small shrines or altars in their homes and also worship at public shrines where they celebrate Shinto festivals (matsuri). Many Japanese



JAPAN IS WELL KNOWN FOR ETIQUETTE, FOLLOWING RULES AND THE IMPORTANCE PLACED ON POLITENESS AND GOOD MANNERS.

couples conduct their wedding ceremonies in Shinto style. Death, however, is more commonly a Buddhist ceremony and as such, there are virtually no Shinto cemeteries.

Much like what occurred in the Meiji Restoration period when Japan opened up and adapted suitable western economic and political models, the Japanese people have been very effective at adapting religions and philosophies from outside their country.

Buddhism was imported to Japan via Korea and China after originating in India in the 6th century BC. In 1191, the Zen sect of Buddhism was introduced from China gaining popularity among the military class. It is now the form of Buddhism most widely practised in Japan. Quiet contemplation and meditation help students of Zen search for truth and the meaning of life from within, rather than by looking to logical thought or philosophical argument, and practised to achieve enlightenment. Design, architecture and gardens (in particular rock gardens) influenced by Zen minimalism are typically Japanese.

Originating in China, **Confucianism** came to Japan roughly around the mid-sixth century via Korea.

Confucianism is not a religion, but a collection of secular teachings that focuses on the harmonious operation of the socio-political world. In Confucianism, the family is the most important societal unit and is a deeply embedded notion in Japanese culture. Age, seniority and gender determine someone's position within both the family and societal hierarchy, and older people and men occupy the higher ranks. Japanese people often find few things equal and assign different levels of status to both individuals and institutions. Japanese Confucianism also directly affects attitudes toward work, as hard work, obligation, loyalty, teamwork, and reciprocity are highly valued virtues. **There are also Confucian influences in Japanese business culture, namely in the propensity to determine the trustworthiness of a potential business partner rather than relying heavily on contracts, and the minimal use of litigation as a way to solve a conflict.**

Japan is well known for etiquette, following rules and the importance placed on politeness and good manners. Signs communicating rules and proper etiquette are common. Following the correct etiquette not only shows maturity and avoids discomfort or





ONE OF THE MOST VISIBLE
FEATURES OF JAPANESE CULTURE
AND ETIQUETTE IS THAT PEOPLE
GREET EACH OTHER BY BOWING.

1.2 (continued)

embarrassment, but it also promotes harmony, a fundamental belief that Confucianism, Buddhism and Shintoism all share. One of the most visible features of Japanese culture and etiquette is that people greet each other by bowing. A bow can range from a small head nod in a casual and informal setting, to a long, deep bow that indicates a high level of respect. Japanese people also use bows when apologising, thanking someone or when asking for something (a favour or request). Fortunately, many Japanese people make allowances for foreign visitors and are happy to receive a simple head nod greeting from them. **Shaking hands is uncommon unless in international business situations.**

INDIGENOUS CULTURE

In April 2019 a bill was approved by the ruling Liberal Democratic Party and Komeito Party coalition recognising the Ainu as an indigenous population of Japan and realising a society that will respect the pride of the Ainu as an ethnic group. Prior to this bill, Japan's two houses of parliament passed a joint resolution in 2009 recognising the Ainu for the first time as "an indigenous people with a distinct language, religion and culture".

Today, more than 13,000 people identify as Ainu on the northern island of Hokkaido, but only a handful speak the language. A smaller population live on the Russian island of Sakhalin and the disputed Kuril Islands. It is expected that there many more people with significant Ainu heritage in Japan whose indigenous origins have been hidden in an attempt to escape discrimination.

The word "ainu" means human and the Ainu people were among the native populations of eastern Asia who practised arctolatry, or bear worship. Traditionally Ainu men wore moustaches and bushy beards, and Ainu women had distinctive tattoos around their mouths.

Okinawans, or Ryūkyūans, live in the Ryūkyū Islands, which make-up the current Okinawa prefecture of Japan. Although there has been some migration of ethnic Japanese to the Ryūkyū islands, the population is mainly indigenous Ryūkyūans. There are several indigenous languages spoken and cultural practices that differ to mainland Japan, however, the Japanese government does not officially recognise the inhabitants of Okinawa as an indigenous population.

POLITICS AND GOVERNMENT

GOVERNMENT TYPE: Constitutional Monarchy with parliamentary government

CURRENT IMPERIAL EMPEROR:

Emperor Naruhito

CURRENT PRIME MINISTER: Prime Minister

Yoshihide Suga

CURRENT DEPUTY PRIME MINISTER: Deputy

Prime Minister Taro Aso

VOTING AGE: 18

Japan is a democracy and a constitutional monarchy with a parliamentary government headed by a Prime Minister. The current Prime Minister of Japan is Yoshihide Suga, and the deputy Prime Minister is Taro Aso. Japan maintains an Imperial Family, led by the Emperor, who does not have any effective power but is a symbol of the state. The current Emperor is Emperor Naruhito.

Japan's parliament, referred to in English as the 'Diet', comprises the lower House of Representatives and the upper House of Councillors. The lower house, the more powerful of the two houses, has 465 members who when elected, hold four-year terms. Of these, 289 members come from single-seat constituencies, and 176 come from 11 multi-member constituencies elected by proportional representation. The upper house has 242 members elected for six-year terms. Every three years, half of the upper house seats are up for election. Executive power is vested in the Cabinet, which is headed by the Prime Minister and Ministers of State. Both houses of the Diet vote to select the Prime Minister.

Japan's local government system consists of two tiers: prefectures and the municipalities that make up the prefectures. Japan's 47 prefectures are responsible for regional administration. The cities, towns, villages and special wards that make up the municipalities total 1,719. Elected officials run each tier of government.

Voting is limited to citizens of Japan, and in 2016 the Diet lowered the voting age from 20 to 18 years of age. Voting in Japan is not compulsory.

1.2 (continued)

CURRENT PARLIAMENT

On 16 September 2020, the Japanese Diet elected Yoshihide Suga as the Prime Minister of Japan. Two days earlier he was selected as the Liberal Democratic Party leader, taking the reins after outgoing Prime Minister Shinzo Abe stepped down from eight consecutive years in the top job, sighting health reasons. Before holding the Prime Ministerial job, Suga was the Chief Cabinet Secretary in Abe's government.

The son of a strawberry farmer and former teacher from northern Japan, Yoshihide Suga is a self-made, first-generation politician that somewhat breaks the mould of Japanese democracy usually dominated by political dynasties. Suga's immediate tasks are to revive Japan's struggling economy and contain the spread of COVID-19. Political commentators suggest it is likely that the Suga-led government will continue with much of the conservative and nationalist agenda set in motion by his predecessor, and continue with the suite of economic reforms commonly referred to as "Abenomics".

The next Japanese general election is likely to be held in October 2021.



ECONOMY

CURRENCY: yen (JP¥) ¥
EXCHANGE RATES: October 2020
AU\$ 1 = 74.3606 JP¥
GDP: US\$ 5.082 Trillion (World Bank 2019)
GDP PER CAPITA: US\$ 40,249.90
(World Bank 2019)
UNEMPLOYMENT RATE: 2.9% (July 2020)

Japan is the third-largest economy in the world with a GDP of US\$ 5.082 trillion (2019) ⁱⁱⁱ, ranking only behind China and the USA in global economic rankings. With a population of 125.5 million people (July 2020) ^{iv}, primarily made up of well-educated and affluent people (per capita GDP of approximately US\$ 40,000 in 2018), it is one of the world's biggest consumer markets.

Japan was one of the first in the Northeast Asia region to make the shift from textile exports, to exporting advanced manufacturing, goods and services. It is these industries that now account for the majority of Japan's GDP and employment.

World War II decimated many of Japan's industrial plants and infrastructure. The factories that replaced them were equipped with the best and most efficient modern machines and provided Japan with a competitive advantage. Post-World War II, Japan achieved record economic growth — averaging 10 per cent growth each year until the 1970s. Some factors that contributed to this unprecedented growth have been attributed to Japan's highly educated populous, their strong work ethic and government-industry cooperation. Japan has prioritised investment in research and development, has an openness to trade with the rest of the world, and has a large domestic consumer market who are discerning and astute in their purchases.

The collapse of the Japanese asset bubble price in the late eighties led to stagnation in the 1990s. Its economy was hit hard again in the Global Financial Crisis of 2008-09. Since 2013 however, Japan's economy has enjoyed an uptick in growth supported by Prime Minister Abe's (Prime Minister from 2012 – 2020) "Three Arrows" economic revitalisation agenda. Usually referred to as "Abenomics", it focussed on structural



**JAPAN IS THE
THIRD-LARGEST
ECONOMY IN THE
WORLD WITH
A POPULATION
OF 125.5 MILLION
PEOPLE**

reform, a “flexible” fiscal policy and monetary easing and has made modest progress in easing the country’s deflation. Labour market reforms are also being made in an attempt to counter the reduction in the size of the workforce and therefore tax revenues, a result of Japan’s rapidly ageing and shrinking population. Significantly, the Japanese government also must solve the puzzle of stimulating growth and implementing economic reforms while also addressing its hefty National Government Debt, which stands at US\$ 12.7 billion or close to 240 per cent of its GDP (June 2020).

International trade makes a significant contribution to the Japanese economy, and Japan sits at number 4 in the world in total export value at US\$ 713 billion (2018). Key exports include vehicles, vehicle parts, machinery and manufactured goods. Japan’s major export destinations are China (US\$ 139B), United States (US\$ 135B) and Republic of Korea (US\$ 51.5B). Japan also ranks high in total imports at number 5 in the world at US\$ 653 billion (2018). The top imports into Japan are

crude petroleum, coal, petroleum gas and manufactured goods. Imports come mostly from China (US\$ 29.4B), United States (US\$ 73.5B) and Republic of Korea (US\$ 30.8B). Imports from Australia into Japan are approximately US\$ 27.6 billion (2018) [v](#).

MANUFACTURING: Japan’s large and advanced manufacturing sector accounts for 30 per cent of GDP and 25 per cent of employment.

SERVICES SECTOR: Japan’s services such as financial, retail, tourism and transportation account for the majority of the economic activity in Japan, and is 69 per cent of GDP and 72 per cent of employment.

AGRICULTURE AND PRIMARY SECTOR: Japan’s primary industries account for around 1 per cent of GDP and three per cent of employment.

1.2 (continued)

INFRASTRUCTURE

RAIL NETWORK: 16,851km across all systems, the high-speed rail network is 3,041km and services 355 million passengers annually

ROAD NETWORK: 7,920 kilometres of national expressways, 55,222 kilometres of national highways and 129,334 kilometres of provincial highways

MAJOR AIRPORTS: Tokyo's Haneda Airport, Tokyo's Narita Airport, Osaka's Kansai Airport, Nagoya's Central Japan Airport, Sapporo's Shin-Chitose Airport, Fukuoka Airport, Kobe Airport, Kagoshima Airport and Okinawa's Naha Airport

PORTS AND HARBOURS: Chiba, Kawasaki, Kobe, Mizushima, Moji, Nagoya, Osaka, Tokyo, Tomakomai, Yokohama

The World Economic Forum ranks Japan's modern and extensive railway network number two internationally and its roads, seaports and airports are all ranked in the top ten [vi](#).

Rail is the leading form of passenger transport in Japan, accounting for more than 70 per cent of all domestic passenger trips [vii](#). Japan's national rail network connects the majority of its cities, and the cities themselves also have extensive, efficient and cheap suburban rail networks. Japan Rail Freight is the provider that covers the entire country, and approximately 5 per cent of freight is carried by rail. The highspeed shinkansen (bullet trains) run from Kagoshima in the south of Kyushu to Aomori at the northern end of Honshu. In March 2016 the shinkansen network was extended to Hakodate on the northern island of Hokkaido, and Hokkaido's largest city, Sapporo, will be connected by 2030.

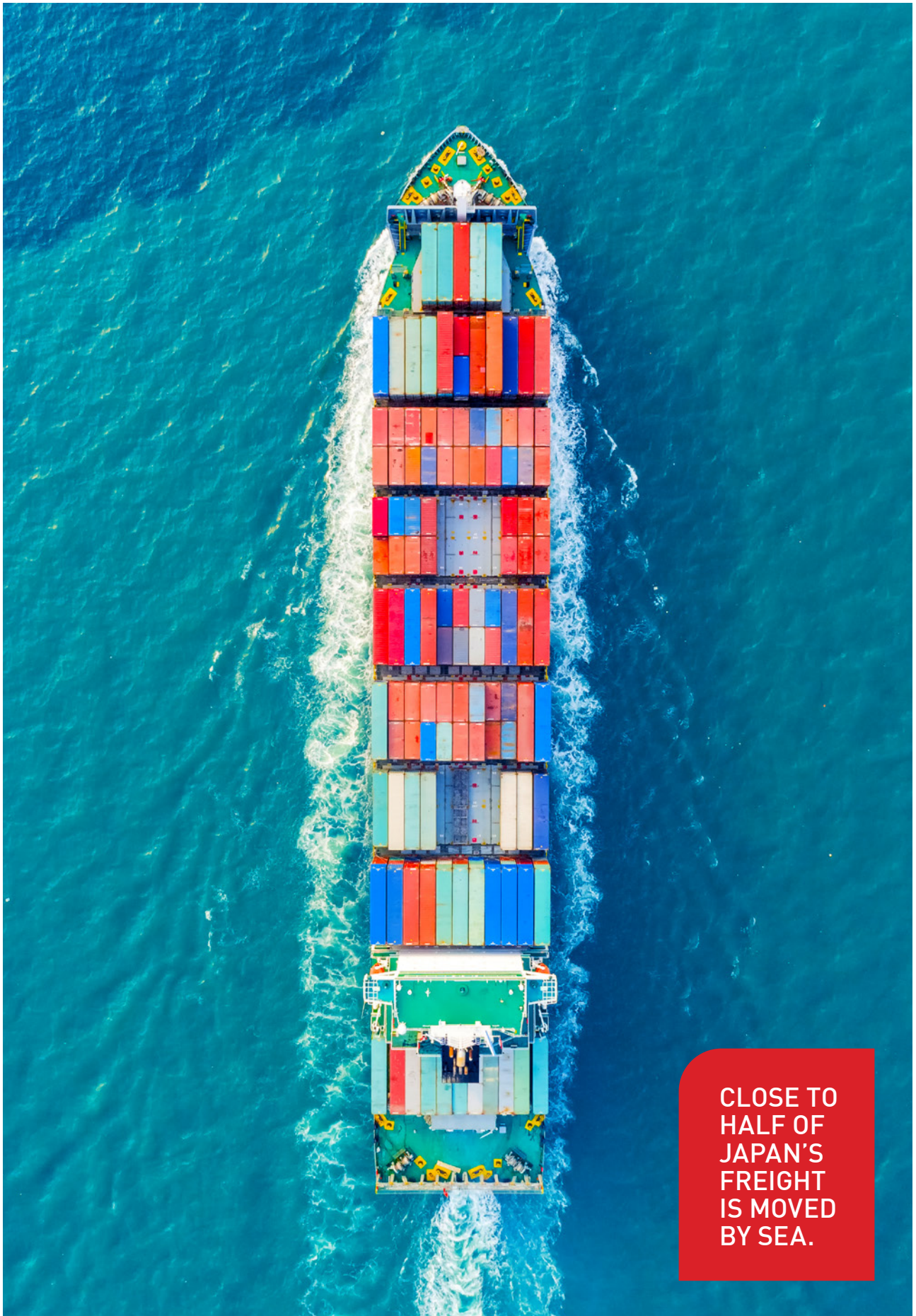
Japan's vast road network includes 7,920 kilometres of national expressways, 55,222 kilometres of national highways, 129,334 kilometres of provincial highways as well as municipal roads [vii](#). The national expressway network provides an uninterrupted link between Aomori Prefecture, in the far north of the main island of Honshu, and Kagoshima at the southern tip of Kyushu. The most used expressways are subject to tolls and important expressway signage is written in both English and Japanese.

There are also widespread passenger airline networks between cities, and Japan's domestic air travel is dominated by Japan Airlines (JAL Group) and All Nippon Airways (ANA Group). Tokyo's Haneda Airport is by far Japan's busiest, handling most of Tokyo's domestic flights and an increasing number of international flights. Tokyo's Narita Airport handles the majority of international flights. Other major airports include Osaka's Kansai Airport, Nagoya's Central Japan Airport, Sapporo's Shin-Chitose Airport, Fukuoka Airport, Kobe Airport, Kagoshima Airport and Okinawa's Naha Airport.

Close to half of Japan's freight is moved by sea due to easy access to efficient ports throughout the country. There are 1020 ports in Japan, 22 of which are main ports of special purpose, 106 main ports and 892 local ports.

Japan has high-grade mobile and fixed-line phone and broadband internet systems that serve all major popular centres. By international standards internet speeds are high. There were more than 200 million fixed-line and mobile broadband subscribers in Japan at the end of 2017. More than 30 million subscribers had high-speed fibre-to-the-home services [vii](#).





CLOSE TO
HALF OF
JAPAN'S
FREIGHT
IS MOVED
BY SEA.

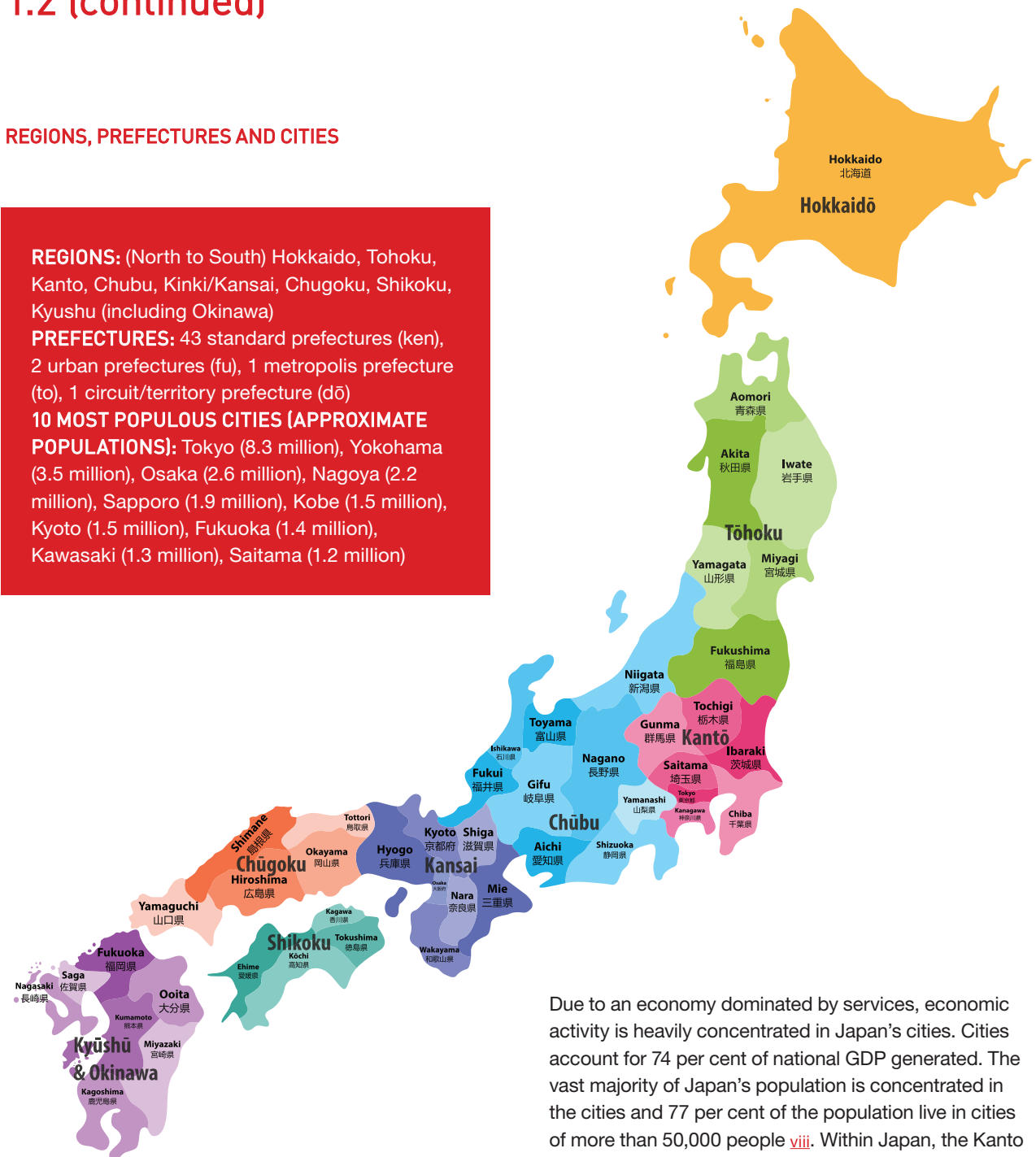
1.2 (continued)

REGIONS, PREFECTURES AND CITIES

REGIONS: (North to South) Hokkaido, Tohoku, Kanto, Chubu, Kinki/Kansai, Chugoku, Shikoku, Kyushu (including Okinawa)

PREFECTURES: 43 standard prefectures (ken), 2 urban prefectures (fu), 1 metropolis prefecture (to), 1 circuit/territory prefecture (dō)

10 MOST POPULOUS CITIES (APPROXIMATE POPULATIONS): Tokyo (8.3 million), Yokohama (3.5 million), Osaka (2.6 million), Nagoya (2.2 million), Sapporo (1.9 million), Kobe (1.5 million), Kyoto (1.5 million), Fukuoka (1.4 million), Kawasaki (1.3 million), Saitama (1.2 million)



Due to an economy dominated by services, economic activity is heavily concentrated in Japan's cities. Cities account for 74 per cent of national GDP generated. The vast majority of Japan's population is concentrated in the cities and 77 per cent of the population live in cities of more than 50,000 people [viii](#). Within Japan, the Kanto region, which includes metropolitan Tokyo, has the highest GDP per capita at US\$ 41,885 (AU\$ 59,396), and Okinawa and Kyushu equal lowest at US\$ 29,967 (AU\$ 42,495).

HOKKAIDO AND TOHOKU

In Northern Japan, you'll find Japan's largest prefecture and second-largest island, Hokkaido, and the six prefectures of Tohoku: Aomori, Akita, Miyagi, Iwate, Fukushima, and Yamagata. These two regions together comprise roughly one-third of Japan's landmass, but one-ninth of its population.

Japan is divided into eight regions and within these are 47 local governments known as prefectures. The term prefecture is only used when translating Japanese, and local terminology for the Japanese prefecture is split into four different words attached as a suffix to the name. There are 43 standard prefectures (ken), Osaka and Kyoto are urban prefectures (fu), Tokyo is a metropolis prefecture (to) and Hokkaido is a circuit/territory prefecture (dō).

Hokkaido's population is approximately 5.28 million (May 2019) with Sapporo as the region's largest city with a population of 1.95 million (2015). Hokkaido accounts for around 4 per cent of Japan's total GDP (2014).

Tohoku has a population of roughly 8.68 million (June 2019) and the region's largest city Sendai has a population of 1.08 million (2015). Tohoku accounts for 6.35 per cent of Japan's total GDP (2018).

Hokkaido and Tohoku are Japan's agricultural hubs. Hokkaido is the home of large-scale and diverse farming, including rice, field crops, dairy and livestock, as well as marine fisheries and aquaculture. Hokkaido's agricultural output was JP¥ 1.259 trillion in 2020, which accounted for 13.8 per cent of Japan's national agricultural output [ix](#). Hokkaido is the number one producer of beetroot, potatoes, wheat, sweet corn, legumes, raw milk and beef in Japan. The Akita and Miyagi Prefectures in Tohoku are known for their rice growing, and the Tohoku region also produces around 80 per cent of Japan's fresh fruit.

The food sector is also of enormous importance to manufacturing in Hokkaido, contributing more than 30 per cent of Hokkaido's industrial shipments. That said, Hokkaido's manufacturing sector accounts for approximately 9 per cent of its gross regional product, which is about half the national average. Tohoku, on the other hand, has a larger share of Japan's manufactured goods sector, particularly in electronic parts, transport equipment, information and communications-electronics equipment, foodstuffs and production machinery.

Hokkaido's tourism industry is a significant economic contributor, and inbound tourists to Hokkaido account for 10.5 per cent of inbound tourists to Japan [x](#). Most foreign tourists to Hokkaido come from China, Taiwan and South Korea and choose it as a destination to appreciate nature, for food experiences and recreation (skiing and hot springs). Tourism to Tohoku has made a slow recovery since the 2011 earthquake, tsunami and subsequent Fukushima nuclear disaster. In 2017 foreign visitors to Tohoku increased an impressive 47 per cent on the previous year but was still only one-twelfth of the number of visitors to Hokkaido, and the lowest in Japan [xi](#).

The Shinkansen (bullet train) reached Hakodate in southern Hokkaido in 2016, passing from Japan's main island under the Tsugaru Strait, and is the

longest undersea tunnel in the world. Further Shinkansen construction is underway to connect Hakodate to Sapporo by 2035.

KANTO

The Kanto region is Japan's political and economic centre. The region has six prefectures as well as the Tokyo Metropolis, home to Japan's capital and largest city. Kanto accounts for around 40 per cent of Japan's total GDP and is home to 42.6 million people (2020), near a third of the national population. Over 37.8 million people live in the Greater Tokyo Area alone. The six Kanto prefectures are Ibaraki, Tochigi, Gunma, Saitama, Chiba and Kanagawa (the capital city of which is Yokohama).

Services predominate in Tokyo's economy, and it is Japan's undisputed centre of government, business, higher education, information, media, fashion and culture. Most major Japanese companies, foreign companies and government agencies have their offices in Tokyo. The metropolis is also the hub of Japan's highly centralised transportation networks, including its two busiest airports - Narita International Airport and Haneda Airport (also called Tokyo International Airport). Consumers in Tokyo are more likely to have access to foreign products, foods, and fashions than elsewhere in Japan, and many consumer trends originate in Tokyo.

Inbound tourism to the Kanto region comes mostly from China and the USA, with 31.4 million foreign nationals visiting the region in 2018 and 38.3 million in 2019. In 2019 1.23 million Australians visited the Tokyo prefecture (Tokyo Metropolis) [xii](#).

CHUBU

Chubu borders the Kanto and Tohoku regions and is the region responsible for the majority of Japan's advanced manufacturing. The four prefectures of Aichi, Gifu, Mie and Shizuoka — home to 15 million people — are responsible for 25 per cent of Japan's industrial output and 15 per cent of its GDP [xiii](#). Aichi Prefecture (7.5 million people) is the political, economic, and transportation centre of the region, and leads the way in shipments of manufactured goods. The region is comprised of nine prefectures – Aichi, Fukui, Gifu, Ishikawa, Nagano, Niigata, Shizuoka, Toyama and Yamanashi – and is often referred to as Central Japan. The region is home to Mt Fuji (Shizuoka and

1.2 (continued)

Yamanashi prefectures), and its most populous city is Nagoya (2.2 million city area, 9.6 million in the greater metropolitan area).

Chubu's economy centres on "monozukuri," or "making things," for example, its share of the Japanese transportation sector manufacturing is 45 per cent [xiii](#). In Chubu, you will find manufacturers in cars and motorcycles (Toyota, Honda, Mitsubishi, Suzuki, Yamaha), auto parts (Denso, Aisin), aerospace (Mitsubishi Heavy Industries, Kawasaki Heavy Industries, Subaru), resin materials, machine tools, power tools (Makita), ceramics (Noritake, NGK Insulators, NGK Spark Plugs, Ibiden) and office automation (Brother). These and the thousands of supporting suppliers make this one of the top industrial clusters in the world.

The Chuo Shinkansen (high-speed rail) which commenced construction in 2014 will link Nagoya to Tokyo by 2027. When completed, the maglev line (magnetic rail) will reduce Nagoya-Tokyo travel time from 100 minutes to 40 minutes. The JP¥ 5 trillion line will reach Osaka by 2037.

KANSAI/KINKI

The Kansai region lies in the west-central part of the main island of Honshu. With a land area of over 33 square kilometres, it is the second-largest contributor to the Japanese economy behind Kanto, accounting for approximately 16 per cent of the country's total GDP. The region is made up of seven prefectures – Mie, Nara, Wakayama, Kyoto, Osaka, Hyōgo and Shiga – and is home to Japan's second-largest city, Osaka (2.6 million



in Osaka city, 19.2 million in the greater metropolitan area). Kobe (1.5 million), the historic Kyoto (1.5 million) and Nara (360 thousand) are other cities of note.

Kansai's industries are diverse and include electronics, food, pharmaceuticals, biotech, chemicals, textiles, and service industries. By itself, Kansai would rank as the world's 16th largest economy in Gross Regional Product (between Mexico and Indonesia) and the fifth largest in Asia (behind China, Japan, India and Korea) [xiii](#). The region is home to some of the world's best-known corporations, such as Daihatsu, Daikin, Asics, Kawasaki Heavy Industries, Panasonic, and Suntory. Additionally, Kansai has a history of providing leading scientific research involving the human immune system, infectious diseases, and cerebral and cardiovascular research.

Kansai is the historical centre of Japan and is home to five UNESCO World Heritage sites. The city of Nara, which at one point served as the eastern end of the Silk Road, boasts the most government designated 'national treasures', including Japan's largest sitting Buddha statue. Japan's former capital Kyoto is renowned for its ancient shrines, temples, and beautiful gardens. Wakayama is known for its nature walks and onsen (hot springs), as well as the centuries-old mountain top Buddhist temple of Koya-san which is considered one of the most spiritual places in the country.

Kansai is also home to a vibrant "foodie" scene, and the area is often referred to as Japan's "kitchen" – think Kobe's famous sake and wagyu beef and the refined cuisine of Kyoto. The region is a go-to destination for sports fans as it's the home of sumo wrestling and soccer in Japan as well as two professional baseball teams.

Inbound tourism to the Kansai region comes mostly from North-East Asia (China and South Korea), with 20.4 million foreign nationals visiting the region in 2018 and 17.5 million in 2019. In 2019 348,360 Australians visited the Osaka urban prefecture [xii](#).

CHUGOKU

Chugoku at the western end of Honshu comprises of five prefectures – Tottori, Shimane, Okayama, Hiroshima and Yamaguchi. Research and development in the fields of electronics, biotechnology and materials science are significant industries, and it is an important transport

hub for the surrounding regions. Its major cities include Hiroshima (1.2 million Hiroshima city and 2.08 million in the greater metropolitan area) and Okayama (725,000).

The region is home to many well-known tourist destinations, such as the designated UNESCO World Heritage Sites the Hiroshima Peace Memorial and Itsukushima Shrine. Inbound tourism totalled at 1.84 million foreign nationals visiting the region in 2019, and visits to the Hiroshima prefecture were dominated by visitors from the United States, China and Australia [xii](#).

SHIKOKU

Shikoku is the smallest of the four main islands that make up the Japanese archipelago. It comprises of the four prefectures of Tokushima, Kagawa, Ehime, and Kochi which together account for about 5 per cent of the nation's total land area.

Primary industries such as agriculture, fisheries and aquaculture are the dominant contributors to the local economy, contributing 6.3 per cent of the national total. They are accompanied by secondary industries such as food processing, shipbuilding, electronics and paper manufacturing, while nanotechnology and biotechnology are growth sectors. Shikoku ranks eighth from eight regions in terms of inbound tourism numbers [xii](#).

KYUSHU AND OKINAWA

The Kyushu region of southwestern Japan consists of seven prefectures of Fukuoka, Oita, Saga, Nagasaki, Kumamoto, Miyazaki, Kagoshima, with a combined population of about 14.3 million. Kyushu is Japan's fourth-largest economic centre, representing 10 per cent of national GDP, making it one of the thirty largest economies in the world (larger than Austria or Thailand) [xiii](#). Given its proximity the region is traditionally known as Japan's gateway to Asia and has enjoyed historical trade ties and cultural exchange with continental Asia, particularly South Korea, China, Southeast Asia, and Taiwan.

With a population of 1.5 million, Fukuoka City is the economic, educational, and cultural centre of Kyushu and one of the Japanese cities with a growing population. Manufacturing and agriculture are widespread in the Fukuoka prefecture's surrounding areas, but as you would expect the city's economy is service-based, with large retail outlets and regional



headquarters for banking, insurance, and real estate. In 2014 Fukuoka City was chosen by the Abe Administration for the creation of a 'special economic zone' which places emphasis on facilitating new businesses and the employment of foreign workers. As a result, the city has a healthy higher education system and a dynamic business environment with the highest rate of "start-up" companies in Japan. Kitakyushu City became the region's second 'special economic zone' in 2016.

Okinawa prefecture has a high population growth rate (in 2016, it was the highest in the country), with a higher-than-average birth rate and a workforce that is the youngest in Japan. However, average wages are among the lowest nationwide.

Okinawa is Japan's only subtropical region and is the southern-most prefecture. It comprises 160 islands (40 are inhabited) stretching over 1000 kilometres from mainland Japan to Taiwan, but its 1.4 million people and US\$ 37 billion economies are concentrated on the largest island, also called Okinawa.

Tourism is Okinawa's principal economic activity. In 2019, the total number of tourists who visited Okinawa grew 6.1 per cent from 2018 [xii](#), growth that has been attributed to new foreign airline routes and relaxed visa requirements for Chinese tourists. Of all Japanese destinations, Okinawa had the most cruise ship visits from Taiwan, China, Hong Kong, and other parts of Japan in 2018.

1.3 Laws around the consumption of alcohol in Japan

In Japan, the legal drinking age is 20 years of age.

The Japanese Government first deregulated their liquor market in 1993 when retailers with a specific floor space could sell alcoholic beverages. Deregulation meant that many large retailers, including convenience stores, supermarkets and discount stores, started selling alcohol. Further deregulation occurred in 1998 and again in 2003 when population quotas for licenses eased (previously only a limited number of licenses were granted, depending upon the population of the area).

In comparison to Australia, **Japan's laws around alcohol consumption are relaxed.** For example, Japan has no open container laws, meaning it is legal to drink in public places, including drinking on public transport. Many people drink on longer bullet train (shinkansen) journeys, but it is less socially acceptable to drink on shorter commutes. Public intoxication is also legal, but disorderly conduct is illegal. Behaviour such as yelling and shouting, playing loud music or accosting strangers in public is likely to gain police attention.

Liquor Licenses for serving alcohol do not exist in Japan, meaning any restaurant or bar is free to serve alcohol before midnight. The 'Late Night Bar Operation Law' does require venues to register with the National Police Agency to serve alcohol past midnight and until 6 am and several requirements around lighting, audio equipment and noise limitation must be met.

In contrast, you must obtain a license to sell or vend alcohol for consumption off-premises. Before being approved for a 'General Liquor Retail License', companies must prove their financial health, as the National Tax Agency administers the license.



1.4 The Australia-Japan relationship and the Japan-Australia Free Trade Agreement (JAEPA)

At the end of 2019, Japan was Australia's second-largest trading partner, second-largest export market, and third-largest source of foreign direct investment [xiv](#).

The Japan-Australia relationship is long-standing, and over the years has become increasingly close politically. There have been three major phases in the development of the post-war Australia-Japan relationship.

- After the end of World War II, Japan and Australia established a major trading relationship formalised by the 1957 [Commerce Agreement](#);
- The 1976 [Basic Treaty of Friendship and Cooperation \(the Nara Treaty\)](#) affirmed "the spirit of friendship and cooperation on which relations between the two countries are based, and wishing to place their relations on an even closer and more concrete basis"; and
- A commitment to a strategic partnership that reflects shared values and interests of both nations, highlighted by the 2007 [Joint Declaration on Security Cooperation](#) and the 2015 [Japan-Australia Economic Partnership Agreement \(JAEPA\)](#).

The current feeling behind Australia and Japan's bilateral relationship is articulated in the shared [Partnership Agenda](#).

The Japan-Australia Economic Partnership Agreement (JAEPA) came into force on 15 January 2015. At the time of its implementation, it was Japan's most far-reaching bilateral trade deal and gives first-mover advantages to Australian business across many sectors, including wine businesses.

Tariffs – the taxes imposed by governments on goods arriving from overseas – are the critical impediment to importing and exporting goods. When fully implemented on 1 April 2021, the JAEPA will provide 97 per cent of Australian exports (by 2013 import value) with customs duty-free or preferential tariff access to Japanese markets. Importantly there will no longer be any tariffs imposed on bulk wine in containers over 150 litres, bottled wine or sparkling wine. By 2025 there will also no longer be tariffs imposed on bulk wine in containers between 2 litres and 150 litres. The table below outlines some of the tariff changes since the JAEPA came into effect in 2015.

BOTTLE WINE AND SPARKLING WINE HS CODES AND TARIFF RATES

HS Code	HS Code Description	Before JAEPA	15 Jan 2015	1 April 2019	1 April 2020	1 April 2021
220421020	Bottled Wine	15% or 125 yen/l	13.10% or 125 yen/l	3.8% or 125 yen/l	1.9% or 125 yen/l	0.00%
220410000	Sparkling Wine	182 yen/l	159.25 yen/l	45.5 yen/l	22.75 yen/l	0 yen/l
220421010	Sherry, port, and other fortified wines	42.4 yen/l	93.33 yen/l	0 yen/l	0 yen/l	0 yen/l

Source: Japan-Australia Economic Partnership Agreement Wine and Cider to Japan
(via <https://www.austrade.gov.au/Australian/Export/Export-markets/Countries/Japan/Industries/Wine#1>)

The Japan-Australia Economic Partnership Agreement has boosted Japan's investment in Australia. Japan was Australia's fourth-largest direct foreign investor (AU\$ 241.1 billion) in 2019, 6.3 per cent of total foreign direct investment. Japan's investment interests have extended beyond the traditional areas of natural resources, to diverse sectors such as financial services, information and communications technology, property, food and agribusiness. Japan was Australia's third-largest destination for foreign investment, with an investment stock of AU\$ 139.6 billion in 2019 [xiv](#).

Australia and Japan are also members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. The CPTPP is a free trade agreement between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam which came into force in December 2018.

Political areas in which Japan and Australia work closely include security, defence, peace-keeping, nuclear non-proliferation and disarmament, regional forums and the United Nations.

Japanese is the most widely studied language in Australian schools and universities, a fact that ranks

Australia fourth in the world in terms of the number of Japanese scholars. [Tourism Australia International Tourism Snapshot as at 30 June 2020](#) indicates **Australia welcomed 375,300 Japanese visitors for that year**, down 23 per cent. For the year before 31 December 2019, Japanese visitors to Australia were up 6 per cent with a total of 498,600 contributing AU\$ 2.1 billion to the Australian economy.

Japan is essential to Australia's economic fortunes and to Australia's increasing integration and engagement with the Asian region. While China has, in recent years, overtaken Japan as the biggest economy in Asia and as Australia's number one trading partner, Japan remains in the opinion of many, our most important regional partner.

JAPANESE IS THE MOST WIDELY STUDIED LANGUAGE IN AUSTRALIAN SCHOOLS AND UNIVERSITIES





2. Japanese Market Profile

The [Organisation for Economic Co-operation and Development \(OECD\) Better Life Index](#) provides some insight into how the people of Japan live beyond GDP and economic statistics. According to the Better Life Index, Japan ranks above the OECD average in several areas that contribute to material living conditions and quality of life – income and wealth, education and skills, jobs and earnings, housing, personal security, and environmental quality. It ranks below the average in areas such as civic engagement, subjective well-being, social connections, work-life balance and health status.

The life expectancy for a baby born today in Japan is 84 years, the highest in the OECD at four years higher than the average. Life expectancy for Japanese women is 87 years, compared with 81 for men [xv](#).

The average household net adjusted disposable income per capita is AU\$ 42,249 a year, lower than the OECD average of AU\$ 47,644 a year. Income disparity between the richest and the poorest citizens is considerable, and the top 20 per cent of the population earn more than six times as much as the bottom 20 per cent [xv](#).

In Japan, 75 per cent of people aged 15 to 64 have a paid job – 83 per cent of men are in paid work, compared with 67 per cent of women. The percentage of employees working long hours is higher than the OECD average. Full-time workers spend less time on average on personal care such as eating, sleeping, and leisure (socialising with friends and family, hobbies, games, computer, television use) than the OECD average of 15 hours per week. Japan is the top-performing OECD country in reading literacy, maths and sciences, and leads the OECD ranking of countries in the percentage of adults aged 25-64 who have completed upper secondary education [xv](#).

There is a strong sense of community in Japan, where 89 per cent of people believe that ‘they know someone they could rely on in a time of need’. Overall, the Japanese are less satisfied with their lives than the OECD average, and when asked to rate their general satisfaction with life on a scale from 0 to 10, they averaged 5.9, lower than the OECD average of 6.5 [xv](#).

Tourism to Japan has boomed in the last decade, and since 2012 international visitation has grown more than 280 per cent. In 2019 Japan welcomed 31,882,049 international tourists [xii](#). 70 per cent of these visitors were from North-East Asia (China, Hong Kong & South Korea), 13 per cent from Europe and the Americas,

2. (continued)

12.6 per cent from South-East Asia and India, and 2 per cent of visitors came from Australia [xii](#). The growth in visitation was set to continue in 2020, in anticipation of the 2020 Tokyo Olympics and Paralympics. These events were postponed due to the COVID-19 global pandemic. From January to June 2020, Japan welcomed only 3,950,770 international visitors [xii](#).

Statistics around wine consumption in Japan has identified what is often called the ‘seven wine booms’, the first in 1972 and the last finishing in 2017, represented in the graph below.

Japan ranks fifteenth worldwide in wine consumption in terms of volume, consuming over 49 million 9 litre cases in 2019. This equates to 3 litres per capita for that year. The country moves up the ranks to eleventh worldwide when it comes to consumption value at US\$ 497 million [xvi](#).

2018 statistics around the sale of alcohol products based on alcohol tax from the Japan National Tax Administration Agency show the diversity of the Japanese alcoholic beverage market. Beer and liqueurs dominate, with over 50 per cent of the total market share. Other alcoholic beverages, including wine (at 4.3 per cent) take up a minor share, below 10 per cent each [xvii](#).

Imported alcohol sales similarly show the breadth of consumer preferences. However, unlike the total sales of alcohol, wine is by far the dominant category. Imported wines (46.2 per cent) and liqueurs (30.1 per cent) comprise a large share of the import market based on 2018 figures. After liqueurs, the next largest import is Shochu, with a share of 8 per cent [xvii](#).

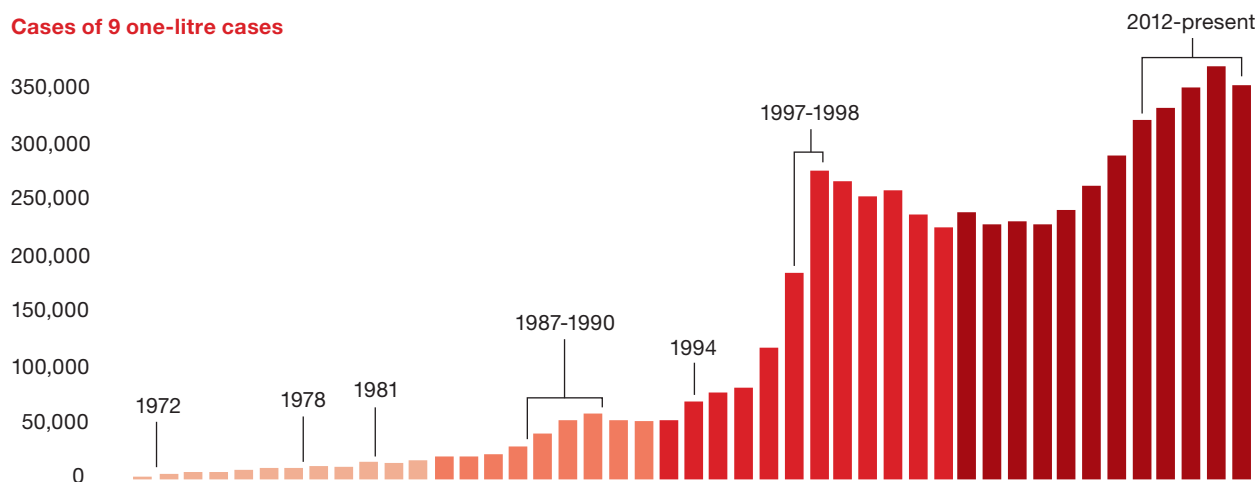
The average price per bottle of wine sold in the Japanese market is JP¥ 775 (AU\$ 10.08) [xvi](#), and 80 per cent of still wines sold in Japan are under JP¥ 1,500 (AU\$ 20.16). Countries that were able to increase their market share of still wine exports to Japan in the last wine boom – namely, South Africa, Chile, Italy and Australia – did so because they could meet the demand for entry-level wines in the JP¥ 500 to JP¥ 999 (AU\$ 6.72 to AU\$ 13.43) price range [xviii](#).

Sparkling wine is incredibly popular in Japan, and statistics from 2017 show French Champagne and Spanish Cava dominate the market, accounting for 38 per cent and 25 per cent of sales, respectively. The most popular sparkling wines are in the JP¥ 5,000 to JP¥ 10,000 (AU\$ 61.30 to AU\$ 122.70) per bottle price range. 26 per cent of the total, the majority share of the on-premise market, is in JP¥ 1,000 to JP¥ 1,500 (AU\$ 6.72 to AU\$ 20.16) price range [xviii](#).


Japan has the largest number of sommeliers in the world – there are approximately 30,000 – who have great sway and influence on consumer consumption and trends. ‘Omakase’ or letting a chef choose your food is a Japanese tradition that also extends to wine, and so restaurant sommeliers play a pivotal role by promoting wine in-person to consumers.

Red wine is the preferred style for the majority of Japanese wine drinkers. There is an emerging trend towards natural wine styles characterised by minimal human intervention. Younger wine drinkers consider it a healthier alternative to sake, shochu or beer.

Cases of 9 one-litre cases



Source: National Tax Agency, 酒類課税数量の推移(国税局分及び税関分の合計), 2017 via Austrade [xviii](#)



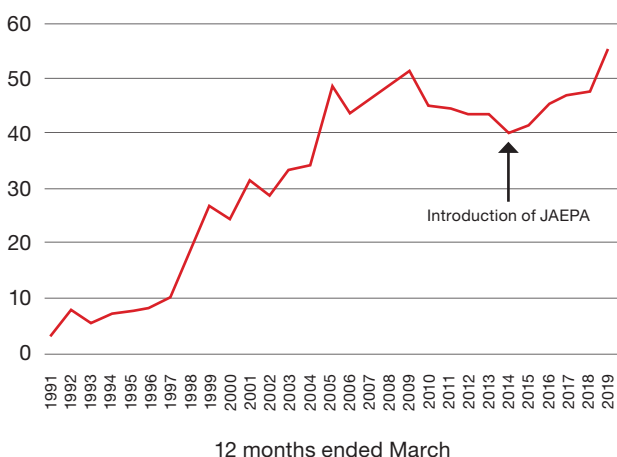
JAPAN HAS
THE LARGEST
NUMBER OF
SOMMELIERS
IN THE WORLD

2.1 Current performance and perception of Australian wine in Japan

Australian wine exports to Japan totalled AU\$ 49 million in the year ending June 2020, down -3 per cent from the previous year. Australia exported 15 million litres of wine to Japan in this same timeframe. **The Japanese market currently ranks ninth in both value and volume for exported Australian wine.** It is worth noting that **in the 12 months ending March 2019, exports to Japan grew 16 per cent**, recording a record AU\$ 55 million in sales for the same period.

The figure below courtesy of Wine Australia provides a helpful visual of how the introduction of the Japanese Australia Economic Partnership Agreement has had a positive influence on the value of Australian wine exports into Japan. Australian premium wine exports have increased, and since the tariff on bulk wine was removed, bulk wine exports have also increased significantly. According to figures from Wine Australia, Australian exports priced at AU\$ 10 or more per litre have doubled in value since 2015, reaching AU\$ 13 million in the 12 months ending 2019.

Australian wine exports to Japan (A\$ million FOB)



Source: Wine Australia

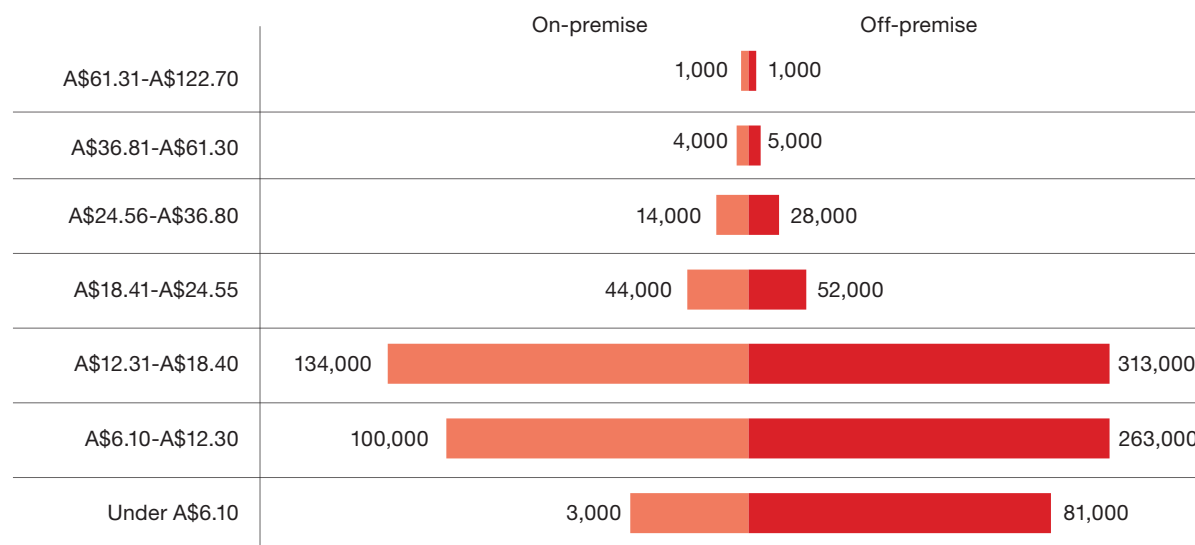
From 2006 to 2016, Australia held a stable position in the Japan market as the sixth most preferred source of wine. Currently, Australia sits behind Chile, France, Italy, Spain and the USA in terms of volume. 90 per cent of all wine imports into Japan come from Chile, France, Italy and Spain alone.



Australia has enjoyed gains in sparkling wines, which grew by 77.8 per cent between 2012 and 2017, but overall Australia's share in the market as a whole has remained broadly stable. Australian sales trends remain largely stagnant in comparison to competitor country wines, and Chilean, Italian and Spanish low-cost wine and French Champagne have significantly improved their market position.

There seems to be a robust demand for wines under JP¥ 1,000 (AU\$ 12.30) through off-premise channels such as supermarkets and convenience stores. But it remains hard to see how many winemaking countries could compete against Chilean wines when it comes to price. Chilean wines are up to 30 per cent cheaper than Australian wines based on prices observed in supermarkets and convenience stores [xviii](#).

VOLUME OF AUSTRALIAN WINE PURCHASED IN JAPAN BY PRICE RANGE 2017 *

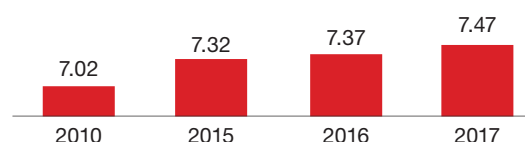


*Figures in the bar graph represent the number of nine-litre cases containing 12 x 750ml bottles.
Source: WANDS 誌,日本のワイン市場を読む, April 2018 via Austrade [xviii](#)

As with many markets, **the Japanese wine market is motivated by three major drivers; quality, brand recognition and price** (more so in the still wine than the sparkling wine market). Australian exporters aren't well placed to compete on price with low-cost wine-producing countries and so **efforts must be focused on growing awareness of Australian wine quality and brand recognition** – whether that be wine brands or regional brands (GI's).

In good news, 2018 research by Wine Intelligence (available via wineaustralia.com.au), indicates that the quality perceptions of Australian wine among regular wine drinkers in Japan is steadily on the increase.

Quality perceptions of Australian wines (mean score from 0-10). Base = Regular wine drinkers who have drunk Australia Wine in the past 6 months



Source: Wine Intelligence via Wine Australia [xx](#)

Additionally, the image of Australian wine among regular wine drinkers has improved in recent years. The portion of regular wine drinkers who agreed that Australian wines were food-friendly and good value for money has increased from 60 per cent and 65 per cent respectively in 2010 to 84 per cent and 80 per cent in 2018 [xx](#).

“(Japanese people) still think of Australian wine on the whole as something in the supermarket with a critter on the label, unfortunately. So, it’s our job to promote that we are premium, we deserve to be in the top restaurants and we’re really good value for money as well.”
Sally Townsend, DTI Regional Director for Japan and South Korea (click to listen to audio)



2.2 Competitive Environment

The alcoholic beverage market in Japan is competitive. 2018 statistics around the sale of alcohol products based on alcohol tax from the Japan National Tax Administration Agency show that beer and liqueurs dominate, with over 50 per cent of the total market share. Other alcoholic beverages, including wine (at 4.3 per cent) [xvi](#) take up a minor share, below 10 per cent each [xvii](#).

Imported alcohol sales similarly show the breadth of the Japanese consumer's preferences. However, unlike the total sales of alcohol, wine is by far the dominant category. Imported wines (46.2 per cent) and liqueurs (30.1 per cent) comprise a large share of the import market based on 2018 figures. Australian wine holds sixth position when it comes to the market share of imported still wine into Japan, and the fifth position for sparkling wine, the figures sit at approximately 4 per cent and 5 per cent of the market share respectively [xvii](#).

Dominated by the 'cheap and cheerful' wines of Chile, and French and Italian wines with a reputation for quality and sophistication, Australian wineries must make a concerted effort to develop our reputation for good quality and premium products.



CHILE

Chilean wines dominate the Japanese wine market and hold the majority of the market share (approximately a fifth in 2019). The steady growth of Chilean wine since 2014 can in part be put down to the Chile-Japan Export Partnership Agreement which came into force in 2007. From 2007 the applied tariff rate for bottled Chilean wine began a 13-year phase-out. The result has been a quadrupling of Chile's bottled wine market share by value, growing from under 7 per cent pre-EPA, to more than 30 per cent at its height. Chilean wine dominates in the lower price segments (JP¥ 500 – JP¥ 1000 ~ AU\$ 6.50 – AU\$ 13.00), selling very well at supermarkets and convenience stores [xxi](#).

Chilean wine has an image of being good quality for a fair price. Brand awareness is healthy, particularly with brands termed 'critter brands' that feature animals on their labels and appeal to the younger wine drinker.

FRANCE

French wine remains synonymous with sophistication and quality worldwide, and it is no different in Japan, where French wine demands the highest average retail price per 750ml for still and sparkling wine. France is the largest European Union exporter of wine to Japan, accounting for 60 per cent of the EU export value [xxi](#). When it comes to volume, French wine comes in second only to Chile in the percentage of the Japanese still wine market share but leads with a substantial margin in the sparkling wine market share. The older generation of Japanese wine connoisseurs who developed their passion by drinking wines from France (a 'French-schooled' wine market) maintain a considerable influence on Japanese sommelier society.

French bottled wine market share was in steady decline primarily due to competition from new world wines (Chile, USA, South Africa, Australia). Imports declined from

"Beer and RTD (Ready-To-Drink) alcoholic drinks are the most produced and most sold alcoholic drinks in market, and it's extremely competitive. Prices are getting lower and lower for these items and they are controlled by a number of big beer companies."

Sally Townsend, DTI Regional Director for Japan and South Korea (click to listen to audio)





**AUSTRALIAN
WINERIES MUST
MAKE A CONCERTED
EFFORT TO DEVELOP
OUR REPUTATION FOR
GOOD QUALITY AND
PREMIUM PRODUCTS.**

56.7 million litres in 2013, to 42.2 million litres in 2018. On 1 February, 2019, the EU-Japan Economic Partnership Agreement came into force, giving France and other EU countries immediate duty-free access into Japan. As a result, the consumption decline of French wine has halted, and there has been a 17.3 per cent increase in EU exports of wine to Japan (European Commission) [xxii](#).

ITALY

Italian wine holds slightly above a tenth of the still wine market share in Japan and slightly below a fifth of the sparkling wine market share in terms of volume. Similar to French wine, Italian wine is considered sophisticated and of high quality by Japanese consumers, and favoured by older Japanese consumers and consumers that enjoy Italian cuisine.

SPAIN

Spanish wine is viewed favourably in the lower and mid-priced range by Japanese consumers, with an excellent quality to cost ratio. Spain ranks fourth in still wine market share in terms of volume, and is second only to France in the sparkling wine market share, with a quarter of the total Japanese sparkling wine market share.

USA

In Japan, wines from the USA are recognised for their innovation, desirable flavour profile, sweetness, and high alcohol content. Napa Valley, in particular, resonates with Japanese consumers, and it is now associated with high-quality wine [xxi](#). The USA ranks fifth in total market share of still wine by volume.

2.2 (continued)

JAPANESE WINE INDUSTRY

Wines that are made with 100 per cent Japanese grown grapes and fermented in Japan are classified as Japanese Wine or “Japan Wine”. There is a clear distinction between Japanese Wine and “domestically produced wine” or wines that are made in Japan from imported grapes. Under Japan’s wine labelling rules that came into effect in 2018, only “Japan Wine” may display the geographic location, grape variety, and the vintage on their label. Wines made from overseas ingredients are required to have indications, such as “Concentrated juice contained” and “Imported wine contained” on their front labels, and the geographic location, grape variety and vintage are not allowed to feature on the label.

According to the [Japan Wineries Association](#), Japanese Wine is characterised by its diversity – diversity of varieties and diversity of flavour characteristics – and delicacy. It is this delicacy that is sighted when matching Japanese Wine with Japanese cuisine.

The first domestic wine company in Japan began growing grapes in the 1870s in the Yamanashi prefecture. Today, wine is produced all over the country, with the main production areas found in the Yamanashi (produces slightly over a third of total volume), Nagano and Hokkaido prefectures. The main varieties grown in Japan include indigenous grapes such as Koshu (white variety) and Muscat Bailey A (red variety), as well as Merlot and Chardonnay. Smaller amounts of Cabernet Sauvignon, Shiraz (Syrah), Pinot Noir, Muller Thurgau, Kerner and Sauvignon Blanc are grown.

The Koshu grape variety was initially cultivated for food but is now the most widely used grape for wine production in Japan. Koshu’s thick skin suits the humid climate of Yamanashi and typically makes wines with characteristics of citrus and peach, with low acid and low alcohol. Muscat Bailey A is a red wine grape hybrid explicitly developed for the Japanese climate. Most often it is made into a light, fruity style low in tannin and acidity, an excellent match for tuna sashimi.

The popularity of Japan Wine has been on the rise but remains relatively insignificant compared to Japan’s overall wine consumption – at approximately 4 per cent of total wine consumption. The global reputation of Japanese Wine has also been growing, and exports have grown substantially in the last five years, albeit from a very low base. In 2019 only 58 kilolitres of Japanese Wine was exported overseas.

BEER

The Japanese mainstream beer market is the fourth largest beer market in the world, and in 2017 retail value sales reach approximately AU\$ 51.1 billion ^{xxiii}. But since 2013, it has remained stagnant with many consumers starting to choose wine, spirits and RTDs (ready-to-drink beverages such as shochu highballs and whisky highballs) over beer. This being said, the beer market still holds a forty per cent share of the alcoholic beverage market.

In Japan, the mainstream beer market is dominated by Asahi Breweries Ltd, Kirin Breweries Co Ltd, Suntory Beer Ltd and Sapporo Breweries Ltd. Together they



account for 93 per cent of the beer market. Lagers accounted for 94 per cent of the Japanese beer market in 2017 [xxiii](#).

Craft beer is the only sub-segment of the overall beer market that has gained popularity among Japanese consumers [xxiii](#). High-percentage alcoholic beers and non-alcoholic beers are two segments growing in popularity, the former a result of the craft beer trend and the latter aligning with statistics showing that the younger demographic are drinking less alcohol than ever.

WHISKY

For eleven consecutive years, Japan's whisky market has grown, despite sales for all alcoholic beverages declining overall. This growth can be explained by an increase in inbound tourism to Japan, Japanese whisky's improved global reputation, and the introduction of whisky RTDs in convenience retail [xxiv](#).

Two companies produce more than 90 per cent of Japanese whisky, Suntory Holdings (owner of Yamazaki, Hakushu, and Chita distilleries) and Asahi Group Holdings (owner of Nikka Whisky Distilling Co.), companies who have led the way in innovative production, packaging and marketing of their whisky products. Suntory ran a highly successful advertising campaign to promote the consumption of "highballs" (whisky with soda) turning whisky into a fun casual drink for the younger generation. Suntory and Asahi also released canned highball RTD beverages, which are now sold at convenience stores and vending machines often at a lower price point than local beers [xxiv](#).

SAKE

Despite bottles and cans of sake being stocked in almost every convenience store in Japan, domestic consumption of sake has been on a steady decline for the past few decades. Sake's share in the alcohol market has gone from roughly 24 per cent 40 years ago to just above 5 per cent today, and the number of sakaguras (sake breweries) have decreased by over fifty per cent since the 1980s [xxv](#).

But according to the [Japan Sake & Shochu Makers Association](#), the popularity of sake is rapidly increasing



all around the world. Piggy-backing on the popularity of Japanese cuisine, sake exports rose to an all-time high of JP¥ 18.6 million in 2017, with the value of exports doubling in the five years before 2017.

SHOCHU

Shochu is the national spirit of Japan, and for the past decade, it has outsold sake in the local market. It is most often made from barley, but other grains or starches are also commonly used, including rice, sweet potato, and wheat. Like sake, shochu is fermented using koji mould and yeast, but unlike sake which is brewed like a beer, shochu is a distilled spirit. Barley-based shochus are distinctive for their malty and umami notes, while rice and sweet potato shochus have softer, sweeter flavours.

Most shochu is made in Kyushu and Okinawa where the hot and humid climate is not suited to sake brewing. The majority of shochus are aged in clay pots, where the aromas and flavours become more balanced and rounded over several months or even several years. Shochu is usually bottled at around 25 per cent alcohol by volume, which is low in comparison with whisky and other distilled spirits but can be bottled up to 45 per cent ABV. It's a versatile spirit which can be served neat, on the rocks, in lower-alcohol cocktails or even with hot water. Much like whisky RTDs, in recent years low-alcohol and flavoured Chuhai or canned shochu highballs have gained popularity. Recent reports on the global shochu market are predicting a rise in popularity worldwide due to an increase in product awareness.

2.3 Sales channels

Wine in Japan is considered a ‘brand business’, and **wine businesses should spend time choosing the appropriate channel to sell their product that best reflects both their brand and business goals**. The price point of your product will make a portion of the decision for you. But asking yourself where your brand and your products are best positioned in the market will determine the in-market distributor/s you partner with and where their efforts are focused.

OFF-PREMISE

Since the early 2000s, as licensing laws in Japan relaxed, the retail scene has changed dramatically, and there are now more off-trade routes into the market than ever. 73 per cent of wine purchased (volume) in Japan is sold in off-trade or off-premise channels, mostly through bricks and mortar retailers [xvi](#). The most common channels are department stores, specialist wine shops, supermarkets, convenience stores and discount stores.

While the percentage of wine sales through department stores is relatively low, at approximately 2 per cent, they hold a prestigious place in the Japanese retail landscape and play an essential role in promoting premium wines. Due to their high foot-traffic, department stores provide excellent exposure to the high-end wines on their shelves [xxvi](#).

Specialist wine shops have carved out a place in the competitive market by attracting the educated wine consumer. Many of them (such as [Enoteca](#), [La Vinee](#) and [Wine Market Party](#)) are subsidiaries of large beverage companies such as Asahi Group Holdings and Sapporo Breweries, and stock a wide range of upmarket, luxury and hard-to-find local and imported wines. The majority of customers at specialist wine shops are knowledgeable enthusiasts and connoisseurs. But for small to medium wineries, the many independent stores represent an integral route to market. Independent stores often sell to private customers, restaurants and bars. These stores are often family businesses owned by well-respected and well-educated wine buyers with specialist interests.

One significant development in recent times is the hybrid retail space and wine bar. Called “kaku-uchi” they are small spaces in liquor shops where customers can

stay and have a drink. Kaku-uchi usually have a very local and homey vibe, and the price point for wines are generally a little cheaper than Izakayas (wine bars).

Supermarkets account for the largest share (55 per cent) of wine sales in Japan and 84 per cent of the wine on their shelves are priced below JP¥ 1,000. National supermarket chains include [Aeon Retail](#) and [Ito Yokado](#). Premium supermarket chains include [Seijo Ishii](#) with more than 160 stores, and their selection typically includes classic Old-World regions alongside premium New-World brands, as well as labels from its own import company. One of the oldest and more premium supermarkets is [Meidi-ya](#), which has 31 stores across the world, and as well as being a supermarket is also a wholesaler, importer and exporter [xxvi](#).

There are an estimated 55,000 convenience stores across Japan, and they account for just below 10 per cent of all wine sales. The leading chains are [7-Eleven](#), [FamilyMart](#) and [Lawson](#). FamilyMart has more than 24,000 outlets, and a typical offering will include Chilean, French and Japanese wines [xxvi](#).

Discounters have proved a disruptive influence in the market since the early 2000s and account for about 10 per cent of sales by volume. [Kakuyasu](#), [Yamaya](#) and [Liquor Mountain](#) are three of the larger liquor discounters; Yamaya has more than 330 stores, and imports directly through Cordon Vert, which it jointly owns with Aeon [xxvi](#).

ON-PREMISE

The on-premise market in Japan accounts for 27 per cent of overall wine sales by volume [xvi](#). The on-trade or on-premise market in Japan is usually serviced by specialised wholesalers that can be large and powerful. As such, it is crucial to choose a specialised distributor with personal links to influential sommeliers or beverage managers if on-trade is going to be your focus.

The frequency of wine consumption at venues has increased year on year since 2014 as has the amount that Japanese wine consumers are willing to pay for wine at a restaurant, bar, club or karaoke. While the younger wine drinker in Japan (under 55 years of age) is more likely to purchase wine from karaoke, bars and



**SUPERMARKETS
ACCOUNT FOR THE
LARGEST SHARE
(55 PER CENT) OF
WINE SALES IN JAPAN.**

clubs, the 55 and over age category buy the majority of their on-premise wine in restaurants.

E-COMMERCE

With more than 118 million users, Japan has one of the highest internet penetration rates in the world, and online sales growth is robust. According to the Japanese Ministry of Economics, Trade and Industry (METI), the size of the B2C eCommerce market in Japan is estimated at JP¥ 17,984 billion or approximately AU\$ 223.2 billion in 2018. It increased by almost 9 per cent over the year, and it makes up just over 6 per cent of the overall retail market [xxvii](#).

Japanese consumers of all ages are willing to purchase products and services online, but those in the 30 to 59 age bracket make the highest dollar purchases. According to the Ministry of Internal Affairs and Communications, Japanese consumers who purchase goods and services online spend an average of

AU\$ 415 in January 2020. The top purchase categories include travel-related products and services, food and beverage, clothing and footwear, education and entertainment, home electronics and furniture [xxvii](#).

The largest e-commerce platform across categories in Japan is [Amazon.co.jp](https://www.amazon.co.jp) with close to 20.2 per cent of the market. [Rakuten](#) is a close second, with about 20.1 per cent. **Wine leads the sales of alcoholic beverages online, and around 16 per cent of consumers who drink alcohol once a month, purchased wine online** (in comparison to 13 per cent for sake and 12 per cent for whisky) [xxviii](#). For online wine sales, Rakuten, Enoteca, Yahoo, Amazon Japan, [Wassy's Online Wine Store](#) and [Vinos Yamazaki](#) the most popular sites.

There are currently few restrictions for online sales, with many sectors of the Japanese consumer market now open to foreign businesses. **It is vital to research e-commerce options** carefully, as new regulations may be introduced as online sales grow in popularity.





3. Japanese Wine Consumer Profile

Japanese wine consumers can be summarised as discerning people who make their purchasing decisions based on value, quality and style. The more serious Japanese wine consumer is educated about wine, and in Japan, unlike in other mature wine markets, wine knowledge continues to increase.

While there is still an appetite among most Japanese to pay a premium for convenience, luxury or unique products, conversely there has also been a trend towards more economical living. Today's Japanese consumer is more willing to shop around for cost savings than before. Japanese consumers enjoy the experience of shopping in physical retail outlets and tend to prefer stand-alone stores to traditionally popular department stores.

Even before the COVID-19 pandemic, Japanese people are spending more time at home than ever, and wine consumption at home is on the increase. According to a study by Asahi Holdings in 2017, over 70 per cent of Japanese alcohol consumers drink at home.

**OVER 70 PER CENT
OF JAPANESE
ALCOHOL CONSUMERS
DRINK AT HOME**

3.1 Demographics

The regular wine consumer in Japan is just as likely to be male as they are female and likely live in one of Japan's major cities (e.g. Tokyo, Yokohama, Osaka or Nagoya). Wine consumption in Japan is driven by those over 55 years of age with young consumers, particularly those aged 20-24, drinking wine and alcohol more generally, in moderation. It is this older age bracket who also spend the most on wine and are less adventurous with their wine purchases – sticking to traditional styles from Old-World winemaking nations.

Those over the age of thirty typically consume wines that are JP¥ 3000 (~ AU\$ 40) or more. It is the wine consumers in the 30 to 40 age bracket that have a highly developed oenological culture and like to be educated in the products they purchase and consume via wine schools and wine dinners. Wine tasting courses have become incredibly popular, particularly among Japanese women.

Younger wine consumers are most likely to take risks with their purchases as being unique is something that is valued by this demographic. They value convenience, but at the same time, their purchases are also an expression of themselves. It is these younger consumers that are more likely to drink New-World wines, and wines made in a less traditional style.

“(Japanese) consumers of Australian wines (are) 30- to 50-year-old male and females, but probably more female... Young women in their 30s to late 40s who are going out and spending money on themselves. Going out to nice restaurants or going to wine bars with their friends and drinking New World wine.”
Sally Townsend, DTI Regional Director for Japan and South Korea (click to listen to audio)



3.2 Current consumption



The Japanese are ranked as number one in Asia in terms of wine consumption, consuming 2.6 litres a year in 2019 in comparison to 1.90 litres per year in 2009. The increase in wine consumption among the Japanese population appears to be slow but steady [xxix](#).

Two-thirds of regular wine drinkers in Japan consume wine weekly and the remaining third drink wine between 1-3 times a month.

3.3 Consumer preference

The Japanese wine consumer takes their time when deciding what to purchase as they view it as an important decision that, like many of their purchases, reflect their character, image and lifestyle.

Red wine is the preferred style of wine among the Japanese. The Japanese market is influenced by trends and the media more than most, so when scientific findings were published that showed the consumption of red wine was good for your health, annual wine consumption in Japan tripled [xxix](#).

According to Wine Intelligence, Japanese regular wine drinkers prefer 'fresh' and 'easy-drinking' white wines which include notes of 'citrus' and 'stone fruit'. They are less likely to enjoy white wine styles that are oaked or have oxidative ageing – descriptors such as 'nutty' and 'toasty' are less preferred, as are those associated with green flavours such as 'herbaceous' [xxx](#).

Regular wine drinkers seem to prefer red wines which are 'rich' and have 'umami' flavours as well as red wines which are 'fruity' and 'easy drinking'. Japanese wine drinkers generally dislike red wines with oak and bottle ageing descriptors such as 'smoky' and 'leather' and prefer more fruit-forward flavour descriptors such as 'raspberry' [xxx](#). This goes some way in explaining the markets love of Burgundy, Beaujolais and Chilean wines.

Younger consumers, on the whole, have a more open mind and broader preference for different varietals compared with the older drinkers. The younger consumers that drink wine have an interest in it and are wine literate, but they are also humble when asked about the extent of their wine knowledge.

Sparkling wine is also an apparent preference of the Japanese wine consumer, favoured for drinking at special occasions and due to it being a style that matches well with Japanese cuisine. As in most wine-drinking countries, food and wine are intrinsically linked in Japan, and consumer preference prioritises wines that match well with the cuisine they enjoy. Please see [6.4 Traditional Japanese food and wine pairings](#) for more information.

3.4 Emerging trends

The popularity of sparkling wine in Japan seems set to continue, particularly in a more affordable price range. According to Austrade, Australian quality sparkling wines are likely to be most competitive against Spanish and Italian sparkling wines at the JP¥ 2,000 (AU\$ 24.55) price point [xviii](#). Dry sparkling wines are more popular than semi-sweet or sweet styles as they match with a broader range of Japanese foods.

"Japanese wine consumers have for a little while now been looking at natural wines – biodynamic, organic, sustainably made wines...There are a whole generation of young people in Japan who've only ever had that kind of wine." *Sally Townsend, DTI Regional Director for Japan and South Korea* [\(click to listen to audio\)](#)



There is also growing demand for natural, biodynamic and organic wines in the Japanese market – in particular wines with no artificial additives and made with minimal human intervention. Natural and organic wines appeal to consumers looking for differentiation, consumers that are health conscious and environmentally conscious consumers. Australian natural, biodynamic and organic wines and their association with being 'clean and green' have the potential to stand out given competitor countries' over-reliance on their wine's history and quality.

**IT IS THE WINE
CONSUMERS IN THE 30
TO 40 AGE BRACKET THAT
HAVE A HIGHLY DEVELOPED
OENOLOGICAL CULTURE**





4. Doing Business in Japan

Doing business in Japan is not without its challenges, and as with most things in business, it pays to do your research and be prepared.

Japan has made a name for itself as a nation that prizes quality and exactness, as well as politeness and being humble. But along with fastidiousness comes strong commitment and loyalty in business relationships.

JAPAN HAS MADE A NAME FOR ITSELF AS A NATION THAT PRIZES QUALITY AND EXACTNESS, AS WELL AS POLITENESS AND BEING HUMBLE.

4.1 Supply chain

There are several different roads into the Japanese market, each one may suit wine businesses at varying stages of their export journey, depending on their market objectives.

A wine business may choose to engage an export merchant or broker to assist them in entering the Japanese market. Export merchants can be the right choice if you are a small business with minimal resources, or a company new to export who may not have the skills and experience required. Generally based in Australia, export merchants have strong ties with the countries they do business in, or in a particular market segment in that country. Engaging an export merchant minimises some risks, as the merchant typically purchases the product in Australia, ships, insures and deals with all payments. It does add another link in the chain so will, of course, reduce net profit.

“Brokers can work quite well depending on the size of your business and where you want to focus your business. You can treat them essentially as part of the staff, and that can play a part in the wine company’s development. (Whether to use a broker or not) comes down to cost effectiveness.”

James Lindner, Family Proprietor/ Sales & Marketing at Langmeil Barossa (click to listen to audio)



Another option is to engage an agent to seek out potential clients for your product. Agents do not take ownership of goods and can be paid a salary, retainer or commission, or a mix of all three. Agents are generally based in-market and often represent several complementary product lines. Advantages of engaging an agent are often about control – control over branding, marketing and pricing. But with control comes more work, time, effort and risk. For example, significant support is usually required for a successful agent/client relationship, and the work of fulfilling orders directly to customers and obtaining payment also falls to the wine business. Agents tend to have smaller product ranges than distributors, so they may have the time to focus their efforts on your products, but they also may have fewer resources. Working through agents also offers

less protection from the risk of non-payment, currency fluctuations, product rejections and warranty claims. You run the risk that a poor agent may undermine your marketing efforts and reputation, or a good agent being poached by a competitor resulting in lost market share.

Engaging an in-market distributor is the most common way wine businesses get their products into the hands of Japanese consumers. Distributors pay the wine business for goods and take ownership of them, before heading to market to resell. Distributors are usually performance-driven, have strong market knowledge and often provide wine businesses with after-sales services (e.g. marketing). Distributor margins are generally higher than agent fees [vii](#) as they take on greater risk and have more considerable costs (e.g. storage). Researching your potential distributor’s performance history and ensuring that they are not carrying too many competing product lines will improve the successful sale of your product. Do your research to determine the true value of your product in the Japanese market before you enter into any contract negotiations. Marketing strategies need to be discussed with a potential distributor to ensure their approach suits your brand image.

“[Japanese distributors] are quite particular. They do a lot of homework on you before they distribute with you, and then even once they’ve decided to distribute with you, they’ll want to meet with you several times, they’ll want to review your facilities, how you operate. They want to be absolutely sure you can deliver a consistent product and that you’re a good partner.”

Sam Holmes, General Manager Asia Pacific, Negociants International (click to listen to audio)



Some larger trading companies deal with local wholesalers who play an important role in making frequent small-lot deliveries to retail shops with limited storage space, a common problem in Japan. It is also becoming more common for major retail chains to source wine directly from overseas or domestic wine suppliers to increase efficiency in distribution and cut costs.

4.2 Laws and Regulations

Some larger trading companies deal with local wholesalers who play an important role in making frequent small-lot deliveries to retail shops with limited storage space, a common problem in Japan. It is also becoming more common for major retail chains to source wine directly from overseas or domestic wine suppliers to increase efficiency in distribution and cut costs.

When choosing an agent or distributor, it is essential to ascertain whether you can establish a close working relationship with them, as you must be able to build high levels of trust and communicate regularly. Before making a final choice, if at all possible, meet with your potential partner in-market. This allows you to observe their everyday interactions, get to know them personally, and better ascertain their knowledge base. Also, ask your potential business partner for trade references and consider using a professional credit-checking agency to confirm their financial stability.

When assessing potential agents or distributors, some initial questions to ask are;

- What is their distribution structure? Do they sub-contract local wholesalers, and if so, what fees are involved?
- What is their experience and their track record?
- Do they have good networks and contacts?
- Do they have healthy relationships with the types of on and off-trade businesses in which you want your wine to be placed?
- What are their other product lines, and do those lines compete with your products?
- What is the state of their financial health?
- What after-sales services do they provide?

“Finding an importer that’s not restricted to off-premise or on-premise. Finding someone who does sell online or has a private wine club for example, and also sells to hotels and restaurants. Someone who does the whole kit and kaboodle is...ideal.”
Sally Townsend, DTI Regional Director for Japan and South Korea (click to listen to audio)



The following is an overview of the duties, taxes, laws and regulations that wine importation is subject to in Japan. For more in-depth information, please refer to information found on the [Wine Australia](#) website or contact Wine Australia directly.

The importation of alcoholic beverages into Japan are subject to the following laws and regulations;

THE FOOD SANITATION ACT

The Japanese Ministry of Health, Labour and Welfare (MHLW) administers the [Food Sanitation Act and Regulations](#) which outlines the standards and criteria for food safety and food additives. The National Taxations Agency (NTA) is responsible for approving production processes and approved additives for alcoholic beverages.

Wine Importers will need to submit the following documentation to the MHLW to ensure they are fully compliant with the Act;

- a Notification Form for Import
- product information on ingredients and manufacturing method
- additives used (if any)
- analysis report
- container/packaging details
- other relevant information

The [Australian Wine Research Institute \(AWRI\)](#) provides comprehensive information on types of additives restricted for use in wine for Japan.

Wine suppliers need to arrange and submit a Japanese Export Certificate confirming the results of an analysis for certain additives and residues. Wine Australia suggests the analysis and report be conducted by a laboratory in Australia accredited by the MHLW before shipment. In Australia, the relevant laboratories are [NATA](#) registered laboratories, of which the [AWRI](#) is one.

4.2 (continued)

THE FOOD LABELLING ACT

The [Japanese Consumer Affairs Agency](#) (CAA) sets labelling standards for food and beverage products, and this includes wine. The following information is mandatory and must appear in Japanese, using wording that is clear and easy to read and understand:

- the importer/distributor company name and address
- the name of the product (e.g. 'Wine', 'Fruit Wine' or 'Sweetened Fruit Wine')
- volume in millilitres or litres
- the percentage of alcohol contained
- information on additives including allergens
- a Carbonated Products Statement
- warnings about underage drinking, and
- geographical information about where the wine was produced (country of origin)

Optional labelling items such as the brand name, name and address of the Australian producer, GI, vintage or variety may appear on the label in English.

When the volume of the shipment is large (container

loads), importers often request wine suppliers to arrange to have the Japanese label affixed to bottles prior to shipment.

Australian suppliers should discuss labelling requirements and labelling design with importers prior to preparation to avoid double handling if labels don't meet Japanese requirements. Some importers may arrange labelling and place these on the bottles in Japan.

THE CUSTOMS ACT

The Customs Act outlines the proper management of the customs procedures, the formalities around determination, payment, collection and refund of customs duty and for exportation and importation of goods.

Customs duties (including tariffs) apply to any and all products imported into Japan and are imposed based on Cost, Import and Freight (CIF) price under the Customs Act. Australian wines can take advantage of the benefit of tariff concessions under the JAEPA.

The details around Japan's Customs fees can be viewed on the [Japan Customs](#) website.



BOTTLE WINE AND SPARKLING WINE HS CODES AND TARIFF RATES

HS Code	HS Code Description	Before JAEPA	15 Jan 2015	1 April 2019	1 April 2020	1 April 2021
220421020	Bottled Wine	15% or 125 yen/l	13.10% or 125 yen/l	3.8% or 125 yen/l	1.9% or 125 yen/l	0.00%
220410000	Sparkling Wine	182 yen/l	159.25 yen/l	45.5 yen/l	22.75 yen/l	0 yen/l
220421010	Sherry, port, and other fortified wines	42.4 yen/l	93.33 yen/l	0 yen/l	0 yen/l	0 yen/l

Source: Japan-Australia Economic Partnership Agreement Wine and Cider to Japan
(via <https://www.austrade.gov.au/Australian/Export/Export-markets/Countries/Japan/Industries/Wine#1>)

CONSUMPTION TAX ACT

Consumption tax (value-added tax or VAT) is levied when a business enterprise transfers goods, provides services, or imports goods into Japan. It is payable on any “compensation received by business enterprises for the transfer or use of assets and the provision of services in Japan”, and on “imports of goods (at cargo retrieval from the bonded zone)” ^{xxxi}.

Since Consumption Tax is assessed at several transaction stages (B2B transactions such as manufacturing, wholesale as well as B2C), it also contains a scheme to avoid tax accumulation by way of deducting previously paid taxes on purchase. Price tags in Japan must include the Consumption Tax amount.

As of 1 October 2019, the applicable rate (combined location and national Consumption Tax) has increased from 8 per cent to 10 per cent, but some exceptions still receive an 8 per cent tax (such as food and non-alcoholic beverages).

LIQUOR TAXES ACT

The Liquor Tax Act states that you can't sell alcoholic beverages unless you have a wholesale dealer's licence for all alcoholic beverages, including imported products.

Liquor tax is applied to all alcoholic beverages whether they are shipped from a manufacturing premises or imported and drawn from bonded areas. The rates are dependent on the category of liquor and the product's alcohol content. In 2017 the Government of Japan revised the nation liquor tax law and rates will change in stages until 2026. As of 1 October 2020, the Liquor Tax on wine is JP¥ 90,000 per kilolitre.

PACKAGE RECYCLING LAW

The Package Recycling Law decrees that medium or large-scale business entities must recycle all paper and plastic packaging, glass bottles, steel and aluminium cans, PET bottles and other plastic and paper containers. The law excludes small-sized business entities, defined as manufacturing businesses with twenty or fewer employees and sales of JP¥ 240 million or less, and retail/wholesale services who have five or fewer employees and JP¥ 70 million or less in sales.

Each segment of the supply chain who make or use packaging – manufacturers, distributors and retailers – are responsible for the recycling costs. Importers are also likely to be responsible for recycling costs, so this is something to be mindful of. Colourless glass bottles have a lower per kilo recycling fee imposed upon them, with green glass bottles posing the most significant problem as there is limited use for them as a recycled product.



4.3 Import certificates and procedures

The [Japanese Ministry of Finance](#) and [Japan Customs](#) are responsible for clearance procedures and the collection of duties. The [Ministry of Health, Labour and Welfare](#) (MHLW) is responsible for ensuring imported food and beverages adhere to the laws in the Food Sanitation Act.

Any person wishing to import goods into Japan must declare them to the Director-General of Customs and obtain an import permit after an examination of the goods has occurred. The formalities start with the lodging of an import declaration and end with the issuance of an import permit after the necessary examination and payment of Customs duty and excise tax.

In 2020, more than 90 per cent of import procedures are computerised.

JAPANESE IMPORT CERTIFICATE

Before wine enters Japan, a Chemical Analysis must be completed by a MHLW approved or registered laboratory in Australia or Japan. It is the advice on export.business.gov.au that conducting the analysis in Australia makes for a more straightforward process. The MHLW have advised that certificates are valid for one year from the date of issue.

For a list of requirements for the Chemical Analysis, we refer you to the Wine Australia [Japan Export Market Guide](#).

JAEPA ORIGIN CERTIFICATION DOCUMENT

To take advantage of the reduced tariffs on Australian goods allowed as part of the Japan Australia Economic Partnership agreement exporters may complete an Origin Certification Document (OCD). This document can be prepared in any format but must include information under different data elements detailed in full below.

Data Elements	Description
Exporter or producer details	The name and address (required), and other contact details (optional), of the exporter or producer
Certification number	A unique number assigned to each Certificate of Origin issued by the authorised body or other certification bodies of the exporting Party
Description of good(s) and HS tariff classification number	Description of good(s) including HS tariff classification number (six digits); number and kind of packages; marks and numbers on packages; weight (gross or net weight), quantity (quantity unit) or other measurements (litres, m3, etc.); invoice number(s) and date(s), or sufficient details to identify the consignment
Preference criteria	Applicable origin criterion (WO, PE, or PSR). The rules of origin are contained in Chapter 3 (Rules of Origin) and Annex 2 (Product Specific Rules). NOTE: In order to be entitled to preferential tariff treatment, each good must meet at least one of the criteria below. Preference criteria: WO The good is wholly obtained in the Party, as provided for in Article 3.3 (Rules of Origin – Wholly Obtained Goods) of this Agreement. PE The good is produced entirely in the Party exclusively from originating materials of the Party. PSR The good satisfies all applicable requirements of Annex 2 (Product Specific Rules), as a result of processes performed entirely in one or both Parties by one or more producers, and the last process of production of the good, other than the operations provided for in Article 3.7 (Rules of Origin – Non-Qualifying Operations) of this Agreement, was performed in the exporting Party
Other	Specifications of any other applicable origin criteria or requirements, including the indication of the application of de minimis or accumulation, and the usage of non-party invoice, retrospective issuance and its date of shipment, duplication of the original certification of origin, if applicable, or other indication agreed by the Parties
Declaration	Declaration by the exporter, or producer or their authorised representative stating that the good(s) is (are) (an) originating good(s) for the purposes of the Australia Japan Economic Partnership Agreement
Certification	Certification by the authorised body or other certification bodies of the exporting Party that, based on the evidence provided, the goods specified in the Certificate of Origin meet all the relevant requirements of Chapter 3 (Rules of Origin)

The wording in the table above is taken directly from the Australian Government Department of Foreign Affairs and Trade's *Guide to using the JAEPA to import and export goods* which you can download [here](#). A sample OCD, agreed upon by Australia and Japan, can be downloaded from the same website.

OCD's are valid for 12 months and apply to a single consignment. Exporters or producers must maintain all records needed to demonstrate their goods' origin for five years from the date the OCD is completed.

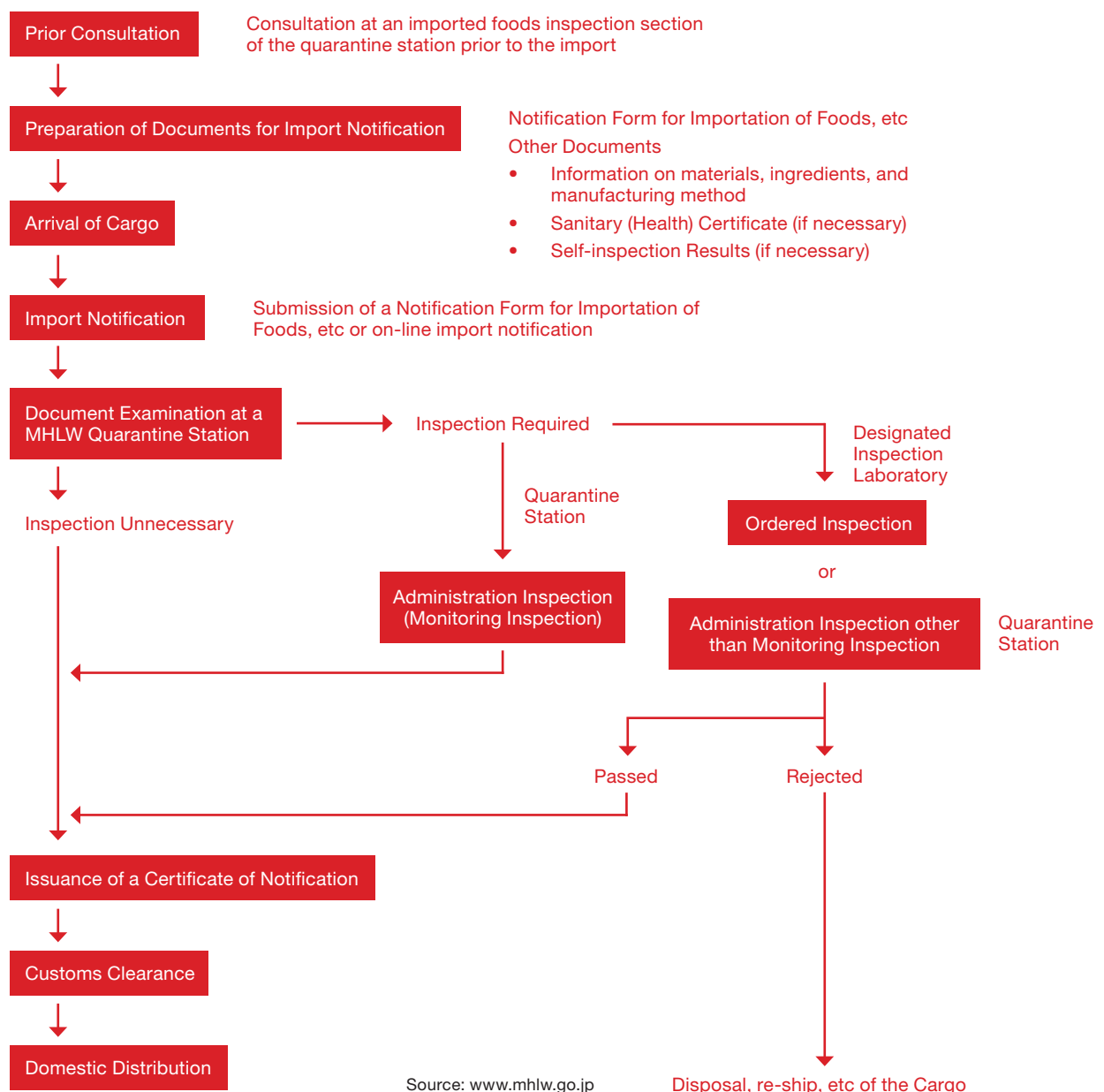
4.3 (continued)

MHLW FOOD SAFETY QUARANTINE

All food, including wine, imported into Japan, will undergo a food safety inspection at the MHLW quarantine station. It is the importer's responsibility to submit a '[Notification Form for Importation of Foods](#)' along with any other additional documentation the quarantine station may request. These may include an ingredient list including food additives or a manufacturing process flowchart. For an example of an ingredient list, please see Wine Australia's Australia [Japan Export Market Guide](#).

The 'Notification Form for Importation of Food' can be submitted electronically through the [Nippon Automated Cargo and Port Consolidated System](#) (NACCS) and can be submitted up to seven days before the goods' arrival date.

Below is a flow chart of the Procedures of Import Notification of Foods and Related Products from the Japanese Ministry of Health, Labour and Welfare.



As outlined in the flow chart, in some cases the consignment may be required to undergo a Food Safety Inspection. An inspection can be triggered by previous non-compliance, by the particular products being imported or the place of manufacture. The MHLW publishes [a list](#) of violations as well as target products, exporters and countries for their random auditing program each year. There are three types of Food Safety Inspection.

- Self-Inspection - a food safety test that voluntary and arranged by the importer
- Ordered Inspection
- Monitoring Inspection – the MHLW random auditing program

Further information about Food Safety Inspections can be found in Wine Australia's [Japan Export Market Guide](#).

CUSTOMS CLEARANCE AND DOCUMENTATION

After being cleared from the quarantine station an Import Declaration to Customs will need to be submitted by the importer or their Customs broker. Again, this application can be submitted through [Nippon Automated Cargo and Port Consolidated System](#) NACCS, up to two weeks before the goods' arrival date.

All documents related to the consignment will be inspected, and the goods may be subject to a Customs Inspection before all taxes are paid, and an Import Permit is issued.

There are seven documents that if applicable must accompany the Import Declaration;

1. Invoice
2. Bill of Lading or Sea Way Bill/Air Way Bill
3. Certificate of Origin (OCD)
4. Packing lists, freight accounts, insurance certificates (where necessary)
5. Licences or certificated required by other applicable laws (i.e. Certificate of Notification for foods)
6. Statement on the reduction of or exemption from customs duties and excise tax (when applicable)
7. Customs duty payment slips (when goods are dutiable) [xxxi](#)

SAMPLES AND TRADE SAMPLES

The tax-free allowance for imported alcoholic beverages for personal use is three x 750ml bottles and must be 10 kg or less. If the total value does not exceed JP¥ 10,000 (AU\$ 131.95), it is exempt from customs duties and consumption tax, but liquor tax still applied.

For trade samples, Wine Australia recommends the use of a customs broker or freight forwarder (trade shows often employ a freight forwarder) to handle shipping. The documentation required for samples used (tasted or distributed) at trade shows differs from samples used for display only.

For the required documentation for samples not for sale as well as the related duties, please refer to Wine Australia's [Japan Export Market Guide](#).







4.4 Contracts

It is highly advised that all South Australian wine businesses spend time investigating the Japanese market and obtain professional advice where appropriate before establishing any business relationships. It is best to engage legal support from a company that has experience in, and an understanding of, business law in the Japanese market and accounting and foreign exchange professionals who can help you to streamline your business' regulatory and taxation compliance.

Japan is generally a low-risk destination for doing business as typically contracts are easily enforceable. Corruption is minimal in Japan, and Transparency International 2019 ranks Japan 20th out of 180 countries by for control of corruption with a score of 73/100 (Australia scored 77/100 in 2019), an equal fourth-best rating in the Asia-Pacific. Japan is typically a less litigious jurisdiction than other developed economies. The World Bank provides annual reports on the [ease of doing business in Japan](#), including dispute resolution in comparison to other economies.

Should your business require referrals to legal or other professional services firms, [Austrade](#) is well placed to assist in your particular circumstances.

4.5 Intellectual Property

As Intellectual Property (IP) registration and protection can be a complicated process in an international context, it is recommended that you seek advice from an IP professional.

The best place to start your preliminary research around Intellectual Property in Japan – designs, trademarks, copyright and patents – is via the IP Australia government website. Here you will find all the specifics on how to take your Intellectual Property global. The Japan-specific page is linked below.

<https://www.ipaustralia.gov.au/understanding-ip/taking-your-ip-global/ip-protection-japan>

4.6 Marketing and Advertising

Given the maturity of the Japanese beverage market, local consumers have a vast array of choice when purchasing products. As a result, **competition for the attention of wine consumers is fierce.**

The best way to deal with the complexities of marketing and advertising in Japan is to collaborate with those with local knowledge. Work with your Japanese distributor to create a comprehensive marketing plan, including elements such as your brand identity, stakeholder management, public relations, media (traditional, digital and social), and your product/brand value proposition.

"We sell them (our distributor) the wine, and might offer some AMP (Advertising, Marketing, Promotion) discount. We're asking them to use that saving and reinvest that in ways they think they can get value."

James Lindner, Family Proprietor/Sales & Marketing, Langmeil Barossa (click to listen to audio)



The use of online marketing channels has been slower to take off in Japan compared with most other advanced economies. At the same time, the popularity of traditional media such as print newspapers and magazines has not declined as rapidly, suggesting that a two-pronged approach to traditional and digital media will need to be considered.

Whether using traditional or digital media, having your marketing material (tasting notes, brand story) translated into Japanese is essential. Again, it is best to work with your distributor or a bilingual wine professional so that wine vocabulary can be accurately translated. The level of detail achievable in Japanese-language digital media marketing (Japanese characters allow more to be said with fewer words) could translate to higher engagement, click-through rates and sales conversions.

Japanese language, culture and symbolism need to be considered when marketing and advertising in Japan. Ensuring your brand name and any symbols or colours you use have no negative connotations in Japanese culture is critical to your brand success.

There is no specific legislation on alcohol advertising in Japan, but the alcohol industry does have a self-regulatory code. You can view the '**Voluntary Code For The Advertising And Marketing Of Alcohol Beverages And The Labelling Of Alcohol Beverage Containers**' via the [Japan Wines and Spirits Importers' Association](#) website.

PACKAGING

Doing business in Japan requires a fine-tuned, sophisticated approach to wine marketing in all aspects, and there is no more critical marketing element than the labelling and packaging of your wine products. The Japanese have a strong sense of aesthetics, style and elegance and like to purchase products that have refined packaging.

Alongside aesthetically pleasing label design it is also imperative that wine packaging is kept intact – peeling, scratched and blemished labels will be sent back to the exporter by Japanese distributors for replacement.

"(The Japanese) really do like good, clean packaging – they like gift boxing, they like things wrapped and presented really well. If there is so much as a scratch or a blemish on a label then they're not very accepting."

Sam Holmes, General Manager Asia Pacific, Negociants International (click to listen to audio)



Symbolism is particularly important in Japan, particularly when it comes to meanings associated with numbers and colours. The number 4 can be pronounced in a way that reminds people of the word for death, so is viewed negatively. The Western idea that 13 brings bad luck has also been imported to Japan. Unsurprisingly, red and white are auspicious colours in Japan, signifying good luck.

Middle-aged and older Japanese wine consumers still have a slight preference for natural cork closures, but screwcaps have become more accepted in recent years.



DOING BUSINESS IN
JAPAN REQUIRES
A FINE-TUNED,
SOPHISTICATED
APPROACH TO
WINE MARKETING
IN ALL ASPECTS

4.6 (continued)

Japan is the largest destination for Australian exports in alternative packaging taking up a 40 per cent share. 80 per cent of the alternative packaging exports to Japan is wine packaged in a can [xxxii](#). More specifically, Japan is the largest destination for Australian exports in 250ml cans, worth more than \$2 million in 2018–19 [xxxiii](#). The acceptance of wine in cans in the Japanese market reflects their love of convenience and of vending machines (there are 5.5 million vending machines in Japan or one machine for every 23 people). Very generally, wine packaged in cans has lower alcohol and higher acid, attributes that also reflect Japanese consumer preferences. Wine in cans makes up 98 per cent of the alternative packaging exports to Japan in value, but 5 per cent in total packaged wines [xxxiii](#).

SOCIAL MEDIA

Japanese social media has some unique aspects, and keeping these aspects in mind is the key to using social media to reach Japanese consumers. While the overall impact social media has had in Japan has been similar to what Australians have experienced, such as the widespread adoption of the biggest platforms, a few notable differences exist. One of the ways Japanese people interact with social media that differs from much of the western world is that **Japanese users are private and are reluctant to put personal information on any of the platforms they use**. Japanese users are less inclined to post a picture with their faces being shown, and it is more common to ask for permission before sharing images of others or content created by others. While Japanese users tend to be more self-conscious about how they present on social media compared to western users, generally they enjoy using and socialising on the various platforms the same way as their western counterparts.

LINE is by far the most popular messaging app in Japan. It is an app which functions primarily as a communication tool similar to WhatsApp, KakaoTalk, or WeChat. Approximately 84 million Japanese people actively use LINE, and users represent all segments of the community. LINE serves as the primary messaging app for many Japanese people when there is a natural disaster, with the 2011 Tohoku Earthquake partially responsible for its tremendous adoption as it was one of the few reliable means of communicating at the time.

Because the highest concentration of LINE users are based in Japan, visiting foreigners are usually encouraged to install the app to connect with Japanese people they meet and to conduct business. In more recent years, LINE has branched into offering various integrations, such as mobile payment and ride-hailing functionality.

After the United States, Japan is the country with the second-most Twitter users (October 2020). Twitter is the second most popular social network in Japan and has more than 50 million users, with male and female users accounting for nearly equal proportions of that total. 70 per cent of all teenagers and people in their twenties have a Twitter account and one-third of people in their thirties tweet. Twitter is primarily used to be social, to catch up on the latest trends, and to stay informed of current events. Twitter in Japan serves as a tool for users to connect with people who share the same interests. Similar to LINE, many Japanese users rely on Twitter to get emergency earthquake alerts - the 10th most-followed account on Twitter in Japan being the “Emergency Earthquake Alert” account - as well as weather alerts, traffic updates and train delay information.

Facebook is the 3rd most used social media network in Japan, despite being the biggest social network globally. The user demographic is comprised primarily of those aged between 20 to 40. Much like in Australia, Facebook is mainly used for people to catch up with family and friends, while a few years back people were posting on Facebook more frequently and using the platform to let other users know what happened during their day.

Instagram is one of the fastest-growing platforms in Japan and has a great deal of influence among users from the twenty-year-old to forty-year-old age group that make up its largest user demographic. Instagram is used primarily to stay abreast of the latest fashion trends and pop culture.

YouTube and TikTok use in Japan also rate mentions. The number of monthly YouTube users in Japan is 62 million, which means almost 60 per cent of the population watches at least one video every month. At one point around a third of TikTok’s downloads were coming from Japan, although it’s social media market share remains low.

4.7 Business culture and etiquette



Business etiquette and practices are essential to observe when in Japan or doing business remotely. While Japanese people have become more open to the ways of other cultures, traditional Japanese principles continue to underpin many business practices.

Culturally, Japan is a more relationship-oriented than Australia, and this becomes obvious when doing business. **Japanese businesses want to know and trust someone before they work with them.** The product you can offer is important, but if a potential Japanese business partner does not feel they know you, they are unlikely to do business with you. Relationships are developed through less formal social gatherings and generally involve a lot of eating and drinking.

Wine businesses should still send the most senior person possible to Japan to avoid insult and to maintain positive relationships. If the most senior person is not available or does not have the specific expertise required for the business being conducted, you might consider giving the employee with the most knowledge of the relevant issues a high-status title.

The Japanese are incredibly polite and place high importance on respect. **Respect for age and status is paramount in Japanese culture**, and hierarchy affects all aspects of social interactions. The Japanese are most comfortable interacting with someone they consider their equal [vii](#). It is also common to be showered with compliments by your Japanese host, while they remain humble and play down their achievements. It is important in these situations to also remain modest.

The Japanese place a premium on trust, and in business, they appreciate honest communication. A conscious effort should be made to nurture relationships even after business ties have been established.

Punctuality is essential, and it is usual to arrive at a meeting at least a few minutes before the agreed time. If you are running late, it is a must to call ahead and advise of your estimated time of arrival. All appointments (even social ones) should be arranged prior to your arrival, and you are likely to be provided with a prearranged and full (back-to-back) itinerary. If you are travelling with family, it is inappropriate to take spouses or children to business meetings, and it is also not common for spouses to be invited out for business dinners.

Business meetings always begin with the exchange of business cards, which are given and received in both hands and laid respectfully on the table. A slight bow as a form of respect is usual, before taking a few seconds to review the names and titles on each card. If you are sitting down, place the card on the

"Their itinerary will be to the minute, they'll be well presented and fully engaged, and they'll expect you to be the same. If they say they're going to be in the lobby at 11.04 am, they'll be in the lobby at 11.02 am to leave the lobby at 11.04 am."

Sam Holmes, General Manager Asia Pacific, Negotiants International (click to listen to audio)



4.7 (continued)

table in front of you for the duration of the meeting with the most senior counterpart's card at the top. Do not place documents on top of business cards when on the table, and do not put cards away in your pocket or write on them. Make sure your own cards are of high quality and in good condition as this will reflect on your professionalism. Consider having Japanese translations on one side of your business cards if you are going to be making regular business trips to Japan.

Marketing material such as product brochures and a company profile should be taken with you when you visit a Japanese company for the first time (it depends on the company as to whether these materials should be translated into Japanese or in English).

The Japanese equate being indirect with being polite, so starting a business meeting with 'small talk' is recommended [vii](#). While business meetings during the day can appear slow and unproductive, night-time drinking and dinners are often more open and direct. Sometimes Australians can interpret indirectness as indecisiveness or non-commitment from the Japanese side, but it pays to be patient. Conflict avoidance is also an important aspect of Japanese culture, so Japanese

businesspeople may agree to an offer face-to-face that they have no intention of accepting. If a meeting is conducted in English, speak clearly and avoid Australian colloquialisms.

Seating arrangements are used in formal business meetings, so wait to be told where to sit by your hosts. The most important guest sits furthest from the door, and the host sits closest to the door [vii](#). Gifts, particularly during the first meeting are not necessary but small gifts, such as company pens, can be presented once a business relationship is formed. Any gift should be packaged and presented impeccably.

For Australian businesspeople, extending a simple handshake when greeting and saying goodbye is fine but don't shake hands and bow at the same time.

Consistency and transparency in relationships are of the keys to maintaining successful business relationships in Japan. Documenting agreements to reflect the needs and expectations of both parties will help to avoid problems later [vii](#). Keep Japanese partners informed of key personnel changes, and train new staff, so consistency is maintained, and expectations remain met.



**CONSISTENCY AND
TRANSPARENCY IN
RELATIONSHIPS ARE OF
THE KEYS TO MAINTAINING
SUCCESSFUL BUSINESS
RELATIONSHIPS IN JAPAN.**

Demonstrating what you know about the country's geography and history will impress your hosts and may open up greater communication. Doing some travel around Japan will also serve you well, particularly during 'small talk'.

Appearances are very important, and Japanese people tend to dress more formally than Australians, particularly Australians who work in the wine industry. Japanese business attire is conservative, and business people generally practice conformity rather than individual expression. Men should wear dark coloured business suits with ties and white shirts. Women should also dress conservatively.

LANGUAGE, INTERPRETING AND TRANSLATION

Japanese is the national language and is spoken throughout the country, though there are some regional variations. **Learning at least some basic Japanese is advisable if you are planning to do business in Japan.** Not only will this make certain aspects of doing business more manageable, but it will also establish a positive first impression. Even though English is taught in all Japanese schools, many Japanese

people speak little or no English or lack the confidence to do so. If you are dealing with a large company with international experience, you will likely be dealing with English speakers. But do not expect all your Japanese counterparts to be fluent in English, especially if they are older.

In most business situations, having an interpreter is not necessary. But it can be an advantage in complex negotiations and can also help translate any cultural nuances with which you are unfamiliar. An interpreter used for business should be professionally trained and experienced, as you need to trust and have confidence in them. They should have some wine knowledge to be equipped to translate wine terminology, or they should be fully briefed and provided with a list of vocabulary well in advance.

Be mindful that interpreting and translating are two different disciplines. Interpreters are for oral interpreting and translators are for written translation. Although many people have both skills, some of them specialise in one field.





5. How has the COVID-19 pandemic affected the market?

Japan's first case of a novel coronavirus was confirmed on 16 January 2020, with the Japanese Ministry of Health, Labour, and Welfare informing the World Health Organization that the affected person had travelled to Wuhan, China. The case in Japan was the second case of COVID-19 in Asia, outside of China.

By February 2020 Japan had become second only to mainland China in the number of confirmed coronavirus cases, mainly due to the infection spreading on the Diamond Princess Cruise Ship. It was also in February that Japan confirmed their first fatality from the virus.

At the beginning of April, Prime Minister Abe (Prime Minister from 2012 – 2020) declared a month-long state of emergency for Tokyo and six other prefectures in the face of a rise of cases. The government stressed that the state of emergency was not a lockdown, as it relied on voluntary compliance. But by 16 April the state of emergency was expanded nationwide, and Abe announced plans for stimulus funds of 100,000 yen (~AU\$ 1,300) each for Japanese citizen.

By 25 May 2020, the state of emergency was lifted, and the unique 'lockdown lite' approached declared a success.

But as of November 2020, Japan is recording its highest ever coronavirus case numbers across several regions throughout the country, with the metropolis of Tokyo being the area of significant concern. The Japanese government is strongly recommending a reduction in trading hours for bars and restaurants, suggestions to resume working from home and regulations around dining out.

For up to date data on Japan's coronavirus case numbers and daily report, click [here](#).

Demand for high-end premium products and ingredients imported from Australia has fallen during the pandemic, due to declining sales at restaurants, fewer events and a decrease in international tourists. As a result, there is increasing competition for market share across all import sectors.

Japanese consumers' incomes, spending and savings have become more stabilised between June and September 2020, but this may change again due to Japan's current third wave of infections. In general, consumers are looking for ways to save money and to spend their money more cautiously. More Japanese consumers than ever are shopping online, and as a result, have discovered different sales channels which they intend to keep using into the future. The trend of Japanese consumers purchasing sustainable and healthy products has only been amplified over the last few months [xxxiv](#).

As you would expect, celebratory wines such as sparkling wines are being consumed less by Japanese wine drinkers, but as of June 2020 still wine consumption appeared to be stable. The amount Japanese consumers are spending on wine has decreased, as has the frequency of drinking wine [xxxv](#). Online wine sales have increased, led by younger Japanese wine drinkers, as have wines ordered through mail order. During the declared state of emergency, wine sales at department stores, wine shops, discount stores and liquor stores decreased more than in other sales channels. Wine sales via on-trade channels also declined significantly during this period, despite licencing laws having been altered to allow for takeaway wine to be sold with takeaway meals.

Anecdotally, wine exports from small to medium wine businesses into Japan have stalled, particularly if their distributor had a strong on-premise focus.

"Japan got hit pretty hard early, and then they came back again. [COVID] exposed anyone who had distribution around Asia-Pacific that was very restaurant/bar focussed...Like in Australia, if you've got retail presence and people can consume you at home then it picked back up again."

Sam Holmes, General Manager Asia Pacific, Negociants International (click to listen to audio)







6. Resources

[Interview with Sally Townsend – South Australian Government Regional Director – Japan and South Korea.](#)

Interview conducted on 9 November 2020.

6.1 Case Studies

[Interview with Sam Holmes – Negotiants International, General Manager Asia Pacific](#)

Interview conducted 17 November 2020

[Interview with James Lindner – Langmeil Barossa, Family Proprietor / Sales & Marketing](#)

Interview conducted 18 November 2020

6.2 Online Resources

dti.sa.gov.au

invest.sa.gov.au/global_offices/tokyo-japan

www.dfat.gov.au

www.austrade.gov.au

www.business.gov.au/

www.export.business.gov.au

www.wineaustralia.com

Wine Australia's resources:

- Market Explorer: www.wineaustralia.com/market-insights/market-explorer
- FOB to retail calculator: www.wineaustralia.com/market-insights/fob-to-retail-calculator
- Gross margin ready reckoner – to assess profit exporting to a number of markets: www.wineaustralia.com/market-insights/gross-margin-ready-reckoner
- Growing Wine Exports: <https://www.wineaustralia.com/whats-happening/export-and-regional-wine-support-package/capability-development>
- Wine Export Grants: <https://www.wineaustralia.com/whats-happening/export-and-regional-wine-support-package/grants>

www.tourism.australia.com/en/markets-and-stats/tourism-statistics/international-market-performance.html

6.3 How to conduct a wine tasting in Japan

When considering conducting a face-to-face wine tasting when in Japan, many of the fundamental principles are the same as running any in-market wine tasting event. There are no hard and fast rules, as wine tasting events are hosted for a variety of different reasons and in varying scenarios. However, there are some elements to consider and implement that are specific to conducting a tasting in the Japanese market.

1. Before designing your wine list, choosing a presenter or put together your presentation, consider who your audience is. Are you conducting a tasting for wine professionals such as in-market decisions makers, distributors, sommeliers and wine buyers? Will the media be in attendance? Are you leading a tasting for wine consumers? Japanese wine professionals are often highly educated in their chosen field, and Japanese wine consumers are generally wine literate. Make sure you consider your audience when deciding how to pitch your content.

2. What is the aim of this wine tasting event?

For example, are you introducing your brand and products in-market for the first time? Or are you wishing to demonstrate how well your products pair with Japanese cuisine? Are you showing your wines alongside other South Australian or Australian examples to promote a specific GI? Focussing on a limited number of aims and outcomes for your tasting will ensure it is concise and professional, aspects a Japanese audience will appreciate.

3. Is it suitable to have a theme for your wine tasting event? Themes can set the expectations of the audience and help market your wine tasting event if you are relying on ticket sales. A theme can also help give the tasting some structure and create additional talking points. For example, Japanese consumers enjoy matching wine with food, so theming your event around a food and wine experience is sure to make it memorable.

4. How many people will be attending the tasting?

Answering this question will help you decide on a venue and may dictate some of the content you present. For smaller groups, you can often talk in-depth about each wine and be led by the conversation created during the tasting. For large groups, a more structured approach is appropriate. It will also determine the number of bottles of each wine you'll need. For example, for 15 people, one bottle of each wine you are showing will be required, meaning each person received approximately 50ml of each wine.

5. Who is the best person to present your wine tasting event?

In Japan, status and hierarchy are elements to consider when choosing a presenter. The presenter should have knowledge, experience and be a leader in the fields that are presented for discussion. For example, if you are introducing your brand in-market, it is best to have the business owner and/or winemaker present the tasting. Consider having a couple of different presenters for variety, interest and the presentation of different perspectives.





6. Will you need an interpreter and translated materials? This is a question best answered by knowing precisely who your audience is as well as who will be presenting the tasting. If you have decided to use a local brand ambassador to present, for example, there will be no need for an interpreter. If you choose to present the tasting bilingually, you will need to allow time for the interpreter to translate throughout the presentation, and this may limit the content you can cover given your time allocation. It is best practice to have any take-home marketing material in the local language, professionally designed and translated.

7. How long will the tasting event be? The length of the event will determine the number of wines you have on taste and how in-depth you wish to be when discussing each wine. Always allow time for questions, but allow more time for questions if your audience are wine professionals. Japanese wine consumers are likely to be humble about their wine knowledge.

8. What will you need for the tasting? How much and what style of glassware do you require, so the wine is presented appropriately? Does the venue have the

quantity and quality of glassware? Is it appropriate to have tasting mats? (suggested when tasting multiple wines, multiple vintages of the same wine or multiple wines made from the same variety) What is the Audio-Visual set-up you require (i.e. screen and laptop for a presentation, microphone) Don't forget spittoons, as well as notepads and pens so your guests can take notes.

9. Who will staff the tasting? Who will be setting up, testing AV equipment, pouring wine and packing up once the tasting is complete? This will somewhat be determined by the venue where you hold your wine tasting event. The event will need to be set-up well in advance as Japanese people like to be punctual and expect meetings and events to begin and finish on time.

10. Make your tasting presentation aesthetically pleasing. By saying this, we are not only referring to any PowerPoint presentation you may show at your wine tasting event but all aspects of the presentation. For example, the presenter must be well groomed and professionally dressed. Any marketing material handed out in the tasting should be well designed and should not be dog-eared or scruffy.



6.4 Traditional Japanese food and wine pairings

RAW FOOD: SUSHI AND SASHIMI

Sashimi is fish or seafood served fresh (raw) with shoyu (Japanese soy sauce) and wasabi. Sushi are lightly seasoned vinegared rice rolls lined with nori (seaweed sheets). They have a salty or savoury filling such as raw fish, kani (crab meat), uni (sea urchin), unagi (freshwater eel), or tamago (egg omelette).

To pair a wine with sushi and sashimi, consider a crisp, lean and clean dry white or sparkling wine. A bright, citrusy Riesling, Pinot Blanc, Gruner Veltliner, or a light, unoaked Chardonnay would be good, safe choices. Even safer but very enjoyable would be a Blanc de Blanc sparkling, something that can be enjoyed throughout the entire sushi and sashimi meal. The bubbles and high acidity perfectly counteract the fishy flavours.

If you'd like to get a little more exact and adventurous with your wine pairings, you may want to match a young Semillon with white fish sashimi and sushi or a light, soft, and savoury red (Pinot Noir or a young, light Grenache) with red sashimi (such as fatty tuna), particularly if it is dipped in shoyu. Rosés, like sparkling wines, are another excellent choice to cover your bases, you may even like to try a Pet Nat or sparkling rosé

Tannic red wines are to be avoided as they clash with sushi, sashimi and the wasabi accompaniment, and whites and reds with dominant oak can overpower the meal.

FRIED FOOD: TEMPURA AND KARAAGE

Another staple in Japanese cuisine are fried and battered dishes like seafood or vegetable tempura, katsu (panko crumbed chicken), Tonkatsu (panko-crumbed pork), karaage (fried chicken) and agedashi tofu.

These dishes lend themselves to being paired with a wide variety of wines – light aromatic whites (aromatic blends, Sauvignon Blanc, Pinot Gris) pair just as well as whites with a fuller-body (Viognier, Chardonnay) or even whites with some skin contact. Light to medium reds can also work spectacularly well, particularly Pinot Noir, Barbera, Gamay or Grenache.

Once again, sparkling wine (white or rosé) or Pet Nat is a great choice to match almost any fried food you choose to order.

GRILLED FOOD: YAKITORI AND STEAK TEPPANYAKI

Yakitori is another style of Japanese cuisine that lends itself to a wide variety of wine matches. How salty, sweet and heavily sauced your yakitori is served may help you make some more refined decisions.

Generally, cooler climate examples of Shiraz (Syrah) or Sangiovese and are a good match for yakitori beef, chicken or pork. The smokiness of yakitori also pairs well with reds and whites that have undergone oak treatment (e.g. barrel-fermented Sauvignon Blanc or Chardonnay, Merlot or Shiraz Cabernet). If the yakitori sauce is garlicky, you might like to try some Mediterranean red or white varieties.

The ultra-fatty Wagyu beef of course pairs with some heavier red styles (Shiraz, Cabernet Sauvignon or a blend), but because of the high-fat content, whites can work surprisingly well too. If you do choose a white be sure to favour one with a little bit of weight and fresh, lemony acidity such as Assyrtiko, Arinto or Chenin Blanc.

SOBA NOODLES

Soba noodle restaurants serving the thin grey noodles hot or cold are popular in Japan. Sake and beer are the most common and traditional accompaniments, but many restaurants are now offering exciting wine selections. Most reds tend to be too strong a match, but a very light-bodied, chilled red wine or a rosé would work with cold soba noodles. Something with high acid and savouriness is recommended. Hot soba noodles tend to overwhelm wine flavours, so it may be best to stick to shochu or hot sake.

SOUPS

Many Japanese foods are accentuated by delicious and nutritious broths or soups that bring 'umami' flavours to dishes such as Udon or Champon. Whether it's dashi broth or a classic miso soup you're pairing the wine with, nothing is better than a savoury, fortified wine like dry Apera. Any wine that has a particularly salty or savoury element to it will work well. Ramen noodles, on the other hand, are incredibly challenging to pair with wine, so much so that it may be best to simply order a beer.



7. References

- i. Wine Australia Export Report, 12 Months to September 2020, accessed October 2020
<<https://www.wineaustralia.com/market-insights/export-report>>
- ii. The World Bank, Agricultural land (sq. km) – Japan, accessed September 2020
<<https://data.worldbank.org/indicator/AG.LND.AGRI.ZS?locations=JP>>
- iii. The World Bank, GDP (current US\$) – Japan, accessed September 2020
<<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=JP>>
- iv. The World Bank, GDP per capita (current US\$) – Japan, accessed September 2020
<<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=JP>>
- v. The Observatory of Economic Complexity, Japan Country Profile, accessed September 2020
<<https://oec.world/en/profile/country/jpn>>
- vi. World Economic Forum, Global Competitiveness Index 4.0 (2019), accessed October 2020
<<http://reports.weforum.org/global-competitiveness-report-2019/competitiveness-rankings>>
- vii. Asialink Business Japan Country Starter Pack (PDF), downloaded July 2020
<<https://asialinkbusiness.com.au/research-resources/japan-country-starter-pack>>
- viii. OECD, Regions and Cities at a glance 2018 – Japan (PDF), accessed August 2020
<<https://www.oecd.org/regional/JAPAN-Regions-and-Cities-2018.pdf>>
- ix. Department of Agriculture Hokkaido Government, Agriculture in Hokkaido Japan June 2020 (PDF), accessed September 2020 <http://www.pref.hokkaido.lg.jp/nsi/genjyou_english_0206.pdf>
- x. Ministry of Land, Infrastructure, Transport and Tourism, The Current State of Hokkaido (PDF), accessed September 2020 <<https://www.mlit.go.jp/common/001115097.pdf>>
- xi. Ministry of Economy, Trade and Industry, Economic Overview of Tohoku Region 2018 (PDF), accessed September 2020 <https://www.tohoku.meti.go.jp/s_kokusai/pdf/en2018.pdf>
- xii. Japan National Tourism Organization, Japan Tourism Statistics, accessed September 2020
<<https://statistics.jnto.go.jp/en>>
- xiii. United States of America Department of Commerce, International Trade Administration, export.gov Japan Market Overview, accessed October 2020 <https://www.export.gov/article?series=a0pt0000000PAu7AAG&type=Country_Commercial_kav>
- xiv. Australian Government Department of Foreign Affairs and Trade, Australia-Japan bilateral relationship, accessed July 2020 <<https://www.dfat.gov.au/geo/japan/Pages/australia-japan-bilateral-relationship>>
- xv. OECD Better Life Index – Japan, access October 2020
<<http://www.oecdbetterlifeindex.org/countries/japan/>>
- xvi. Wine Australia, Market Explorer, accessed November 2020,
<<https://marketexplorer.wineaustralia.com/home>>
- xvii. Australian Government business.gov.au, Export Market Profiles, Wine to Japan – Demand trends, accessed October 2020 <<https://export.business.gov.au/market-profiles/briefs/Wine/Japan/demand-trends>>
- xviii. Austrade, Insight – Finding Australia’s niche in Japan’s wine market, accessed September 2020
<<https://www.austrade.gov.au/news/insights/finding-australias-niche-in-japan-s-wine-market>>
- xix. Wine Australia, Opportunities for Australian Wine, Market Bulletin Issue 155 (7 May 2019), accessed September 2020
<<https://www.wineaustralia.com/news/market-bulletin/issue-155>>

- xx.** Wine Australia, Latest report shows perceptions of Australian wine are improving, Market Bulletin Issue 114 (03 July 2018), accessed October 2020 <<https://www.wineaustralia.com/news/market-bulletin/issue-114>>
- xxi.** USDA Foreign Agricultural Service, Global Agricultural Information Network (GAIN) Report, Japan Wine Market Overview 2/5/2019 (PDF), accessed July 2020 <https://apps.fas.usda.gov/newgainapi/api/report/downloadreportbyfilename?filename=Japan%20Wine%20Market%20Overview_Tokyo%20ATO_Japan_2-5-2019.pdf>
- xxii.** European Commission, Trade: First year of the EU-Japan Economic Partnership Agreement shows growth in EU exports 31/01/2020, accessed October 2020 <https://ec.europa.eu/ireland/news/First-year-of-the-EU-Japan-Economic-Partnership-Agreement-shows-growth-in-EU-exports_en>
- xxiii.** Government of Canada, Agriculture and Agri-Food Canada, International Trade, Market Intelligence, Sector Trend Analysis – Beer trends in Japan, accessed September 2020 <<https://www.agr.gc.ca/eng/international-trade/market-intelligence/reports/sector-trend-analysis-beer-trends-in-japan/?id=1557519580572>>
- xxiv.** USDA Foreign Agricultural Service, Global Agricultural Information Network (GAIN) Report, Market Overview – Whiskey is Up in Japan, 12 March 2020 (PDF), accessed September 2020 <https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Market%20Overview%20-%20Whiskey%20is%20Up%20in%20Japan%20Tokyo%20ATO_Japan_03-07-2020>
- xxv.** Metropolis Magazine, Sales of Japanese Sake Soaring Overseas by Masaru Urano, Feb 24 2018, accessed September 2020 <<https://metropolisjapan.com/sales-japanese-sake-soaring-overseas/>>
- xxvi.** Meininger's Wine Business International, Inside wine retailing in Japan by Roddy Ropner, 9 Dec 2018, accessed August 2020 <<https://www.wine-business-international.com/wine/power-lists/inside-wine-retailing-japan>>
- xxvii.** United States of America Department of Commerce, International Trade Administration, Market Intelligence, Japan Growth in Ecommerce, 23/04/2020, accessed August 2020 <<https://www.trade.gov/market-intelligence/japan-growth-ecommerce>>
- xxviii.** Statista, Leading alcoholic beverages purchased online in Japan 2019, Published by C. Diep, Sept 23, 2020, accessed October 2020 <<https://www.statista.com/statistics/1083349/japan-leading-types-alcohol-purchased-online/>>
- xxix.** Cellar Asia, Insider's View of the Japanese Wine Market, Dec 2019, accessed August 2020 <<https://cellar.asia/wine/japan-wine-market-analysis/>>
- xxx.** Wine Intelligence, Flavour and Varietal Preference in the Japanese Market 2017 (Introduction only) accessed October 2020 <<https://www.wineintelligence.com/downloads/flavour-and-varietal-preference-in-the-japanese-wine-market-2017>>
- xxxi.** Wine Australia, Export Market Guide – Japan, April 2020 (PDF), downloaded July 2020 <<https://wineaustralia.com/selling/by-market/export-market-guide-japan>>
- xxxii.** Wine Australia, Alternative packaging exports are on the rise, Market Bulletin Issue 87 (28 Nov 2018), accessed October 2020 <<https://www.wineaustralia.com/news/market-bulletin/issue-87>>
- xxxiii.** Wine Australia, Wine in cans: growth in retail sales but what can it mean for Australian exports, Market Bulletin Issue 175 (24 Sept 2019), accessed October 2020 <<https://www.wineaustralia.com/news/market-bulletin/issue-175>>
- xxxiv.** McKinsey & Company, Survey: Japanese consumer sentiment during the coronavirus crisis, 5 November 2020, accessed November 2020 <<https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/survey-japanese-consumer-sentiment-during-the-coronavirus-crisis>>
- xxxv.** Wine Australia, Market Insights, Webinar: Consumer wine consumption behaviour during and post COVID-19 in South Korea, China and Japan (recorded presentation), accessed November 2020 <<https://www.wineaustralia.com/market-insights/webinar-consumer-wine-consumption>>



SOUTH AUSTRALIAN WINE INDUSTRY
ASSOCIATION INCORPORATED



**Government
of South Australia**

Department for Trade
and Investment