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Wine Report 2005

2005

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Report Highlights:

U.S. bottled wine exports to Japan continued modest growth in 2004 with volume up 1%, while value fell 6.4% to nearly \$55 million. Major, lower-priced California labels continue to replace Japanese wines. U.S. market share declined slightly, however, at 13.4 %. Among major suppliers, Italy and Germany again lost share, while France bounced back, increasing its market-leading share to nearly 45%. Among New World wines, the growth of Australian exports was most notable, increasing 35%. Japan's total bottled wine imports rose 2.5% in 2004, and an additional 2.4% in 2005 (through September). Despite the strong competition among exporters and with other alcoholic beverages like shochu, the outlook remains positive for U.S. wine. Key factors include Japan's improving economy, growing interest in New World wines, and continued deregulation of retail liquor licensing. Meanwhile, rising competition with Australia and proposed liquor tax changes are emerging challenges.

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Table of Contents

I. INTRODUCTION	3
1.1 Summary Highlights	3
1.2 Structure of this report	3
1.3 Glossary	4
II. AN OVERVIEW OF JAPAN'S ALCOHOLIC BEVERAGE MARKET	5
2.1 Japan's changing alcohol consumption	5
2.2 Demographic breakdown of Japanese alcoholic beverage consumption	7
2.3 Geographical breakdown of Japanese alcoholic beverage consumption	8
III. WINE MARKET OVERVIEW	9
3.1 Consumption trends	9
3.2 Domestic wine	12
3.3 Imported wine	14
3.4 Distribution channels	18
IV. KEY ISSUES AFFECTING THE WINE MARKET	20
4.1 Mandatory inclusion of consumption tax in displayed price	20
4.2 Complete implementation of liquor sales deregulation	21
4.3 Impact of the 2003 liquor tax hike	21
4.4 Organic wine	21
4.5 Bouchonne	22
APPENDIX I: LEGAL REGULATIONS RELATED TO THE WINE TRADE	23
1. Food Sanitation Law requirements	23
2. Labeling requirements	24
3. Requirements under the new packaging recycling law	26
4. Tariff and tax situation	26
APPENDIX II: STATISTICAL TABLES	28
Table 1: Wine imports by type	28
Table 2: Bottled wine imports by supplying country	30
Table 3: Sparkling wine imports by supplying country	31
Table 4: Wine cooler imports by supplying country	32
Table 5: Bulk wine imports by supplying country	33
Table 6: Grape must imports by supplying country	34
Table 7: Vermouth imports by supplying country	35
Table 8: Sherry/fortified wine imports by supplying country	36

JAPAN WINE MARKET ANNUAL REPORT

I. Introduction

1.1 Summary Highlights

The overall wine market

Japanese bottled wine imports rose to 133,460 kiloliters in 2004, an increase of 2.5 percent in both quantity and value. Among wines, imported sparkling wine rose a remarkable 18.4 percent in volume. Japanese alcohol consumption reached its peak in 1996, and then gradually declined due to the declining economy, a wider range of competing beverages, growing health consciousness, and stricter laws regarding driving under the influence of alcohol. Since the red wine boom of 1998, when wine consumption was at its highest, consumption rates have been flat or decreasing. Nevertheless, mid-to-long term consumption trends remain promising as younger consumers gravitate toward wine, giving it a larger role in the Japanese diet. Deregulation of Japanese liquor licensing has also expanded the range of retail outlets handling wine and other alcoholic beverages.

Competition among exporting countries

The Japanese wine market is a very competitive, with more than 30 countries exporting to Japan led by France, Italy, and the United States. Imports from France, which fell in 2003, rebounded in 2004 with an increase of 6 percent by volume and recovery in market share to nearly 45 percent. Almost 16 percent of French wine imports were Beaujolais Nouveau, which benefits from major promotional efforts that have made it a big autumn seasonal event in Japan. New World wine countries like Australia, Chile, Argentina, and New Zealand also increased their wine exports to Japan in 2004. Australian wine, in particular, made major strides increasing its profile and sales over the past year, and is now widely regarded as the key competitor for U.S. wine.

Further penetration of liquor sales deregulation

In September 2003, restrictions on issuing liquor licenses were lifted. While the Japanese Government is still restricting licensing in some regional areas based on consideration of competitive conditions and viability of local liquor stores, liquor licenses are now generally being granted upon application from supermarkets and convenience stores. This has expanded the market for lower-priced wines, a segment in which US products are especially strong. As of February 2005, 89.6 percent of all the stores (2,404) of the major 18 supermarket chains have been granted liquor retail licenses, which is a 6.6 percent increase from the previous year.

1.2 Structure of this report

This standing report is designed to provide an overview of the Japanese wine market, with an update on current trends and likely future developments for US wine exporters. While all of the key import data tables have been updated, several figures illustrating the market situation longer-term are carried over from last year's report.

Section II begins with an alcoholic beverage market overview that outlines overall alcohol consumption trends. Section III broadly examines consumption trends in the Japanese wine market in demographic and regional terms. Also provided is analysis of the domestic and imported wine markets, along with a brief outline of major wine exporters' activities in the

Japanese market. Section III concludes with an analysis of the distribution channels for wine and their implication for US exporters. Section IV covers discussion of some major regulatory and tax issues affecting the wine market in Japan.

The report also includes two appendices, the first of which provides information and references on major wine import regulations in Japan. The second is a selection of tables providing detailed updated statistical data on wine exports to Japan.

1.3 Glossary

Chu-Hi	A fruit flavored, ready-to-drink, carbonated cocktail with a liquor base (e.g., vodka, shochu).
Happoshu and Third Beer	Happoshu is a low malt content beer that made its debut about ten years ago as a cheap alternative to standard beer. Because it contains less malt, happoshu avoids some of the draconian liquor tax that comes with the same official classification as standard beer. Third beer is another alternative alcoholic beverage to beer with no malt but other kinds of ingredients like soy peptide. Third beer is currently classified as one of several miscellaneous liquors with an even lower liquor tax than Happoshu.
National Tax Agency	A government organization whose responsibilities include tracking shipments of all types of liquor in Japan as well as administering taxes on alcohol.
Shochu	A traditional Japanese liquor that is a clear alcoholic beverage that can be made from the distilled spirits of various materials such as potatoes, sweet potatoes, barley, buckwheat, etc.

II. An Overview of Japan's Alcoholic Beverage Market

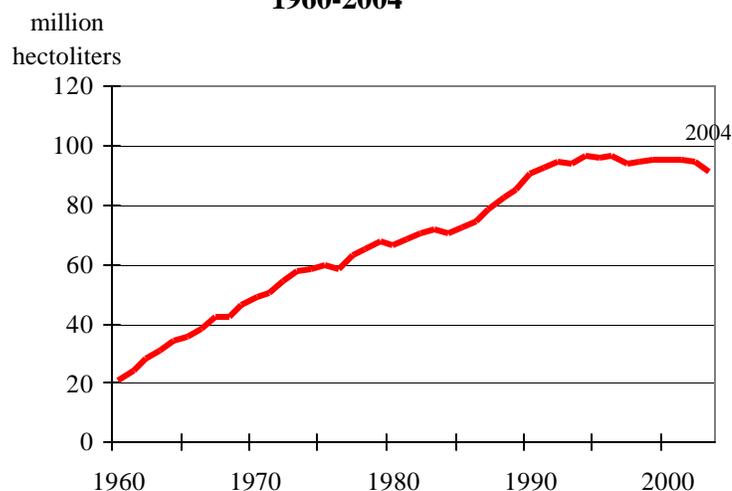
2.1 Japan's changing alcohol consumption

Alcohol consumption in Japan has increased significantly and steadily for several decades along with Japan's rapid economic growth. Consumption subsequently leveled off, however, in the early 1990's as Japan entered a recession from which it has yet to fully recover (see Fig. 1). While the economy has registered modest growth in 2004-05, overall alcohol consumption has begun to decline reflecting both demographic and lifestyle trends.

Some of the factors that influence and limit the growth of alcohol consumption include the country's zero population growth, lower alcohol consumption by younger generations, and broader consumer beverage tastes.

Although wine consumption in Japan has grown significantly through decades, the wine share in the total alcohol consumption is still very small compared to other countries (see Fig. 3).

**Fig. 1: Japan Alcohol Consumption
1960-2004**



Source: National Tax Agency

Wine: Wine consumption has been trending upwards since the 1960s, although it has experienced several booms and busts. During the “red wine boom” of 1997/98, studies touting red wine’s health benefits excited consumer interest, causing consumption to double. After the boom ended, however, consumption suffered a rebound decrease and has been hovering around its current level for the past several years. Most market observers remain confident, however, that the picture for wine long-term remains brighter than alcoholic beverage market overall.

Beer, Happoshu, and Third Beer: Though beer has traditionally accounted for more than half of Japan’s total alcohol consumption, since 1994 it has faced increasing competition from a cheaper, low-malt beer variety called happoshu. More recently the tax saving “Third Beer”, which

contains no malt, and consists of other base ingredients like soybeans or peas, emerged in the market and reduced the market share of regular beers significantly. Both Happoshu and Third beers are subject to lower liquor taxes and retail prices, which has prompted legislative debate about streamlining the tax structure. Yet the total volume of beer and beer alternatives has been decreasing due to changing drinking habits and consumers' tastes.

Sake: Consumption of sake, traditional Japanese rice wine, has been steadily declining during the last half century due to greater availability of a variety of other alcoholic beverages, and change in consumers drinking tastes and habits. In particular, sake is much less consumed by younger generations.

Shochu: Shochu, another traditional spirit, enjoyed a massive boom in recent years, brought about by increased attention to its beneficial health effects, and a belief that its after-effects are less severe than other alcoholic beverages. Stores and restaurants specializing in shochu have gained popularity. Shochu mixes with various fruit juices, which are sold under the category of Liquors and Fruit Wines, and are especially popular among younger generations and female consumers.

Whisky and Brandy: Overall, whisky and brandy consumptions have been considerably decreasing for the last several years. At institutional outlets, Shochu has been replacing whisky and sake.

Spirits and Liqueurs: Spirit consumption remains flat and their total volume is quite small compared to other categories. Liqueurs are most frequently used in mixed drinks. They are popular with women and many young people because of their sweet taste, lower alcohol content, and image appeal.

Fig. 2: Amount of Alcohol Consumption by Variety

(%=percentage share, vol= kiloliters)

Year	Wine		Sake		Beer/Happoshu		Shochu		Wiskey/Brandy	
	(%)	(Vol)	(%)	(Vol)	(%)	(Vol)	(%)	(Vol)	(%)	(Vol)
1995	2.6	22,084	22.0	189,519	38.5	341,501	19.0	163,446	9.2	79,107
2000	4.7	39,862	17.3	147,892	41.4	354,306	21.4	183,124	6.8	58,621
2003	4.2	34,762	15.1	125,074	38.8	321,044	27.6	228,198	7.4	41,816

Note: Volume given as 100% alcohol equivalent

Source: Monthly Statistics Journal of Food and Liquor

Fig. 3: Cross-country comparison of adult per capita alcohol consumption
(liters per year)

Country	Total consumption	Wine consumption	Wine as a share of total (%)
Portugal	16.6	7.2	43
France	13.3	8.3	62
Germany	12.5	3.3	26
South Africa	11.5	5.0	43
Spain	11.2	4.6	41
Australia	10.3	3.4	33
UK	9.7	2.3	23
Argentina	9.6	6.9	71
Italy	9.2	7.1	77
USA	9.1	1.7	18
Romania	8.0	3.4	42
Korea	6.8	> 0.1	*
Japan	6.3	0.4	6
China	5.2	0.1	2

*: less than 0.5%

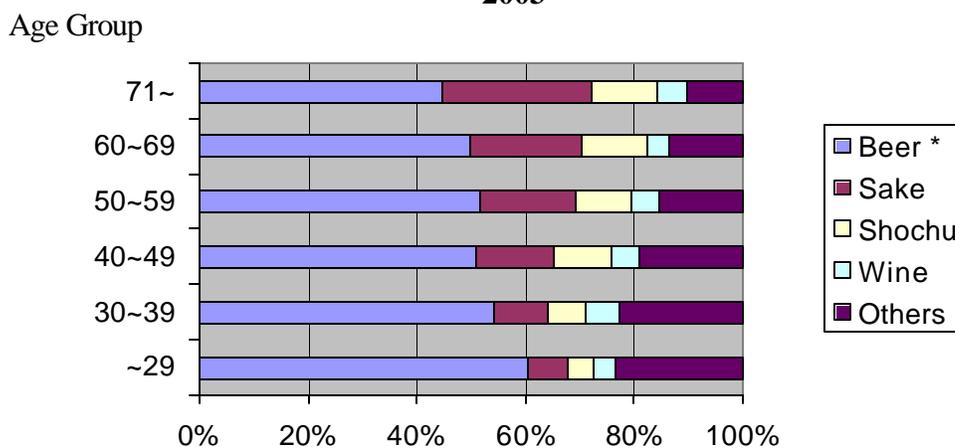
Note: Consumption volume is converted to 100% alcohol equivalent.

Source: Alcohol Database, WHO

2.2 Demographic breakdown of Japanese alcoholic beverage consumption

Statistics Bureau data of Japan's household expenditures indicate that beer, including low-malt beer, accounts for nearly 50% of total alcohol consumption among all age groups. Older consumers spend more on sake and shochu, both traditional liquors, while people in the 30-39-year-old range consume more wine than any other age group (see Fig. 4).

Fig. 4: Alcohol Beverage Expenditure Share by Age Group
2003



* Including happoshu (low-malt beer), ** Chu-hi accounts for the bulk of this category

Source: Statistics Bureau of Japan

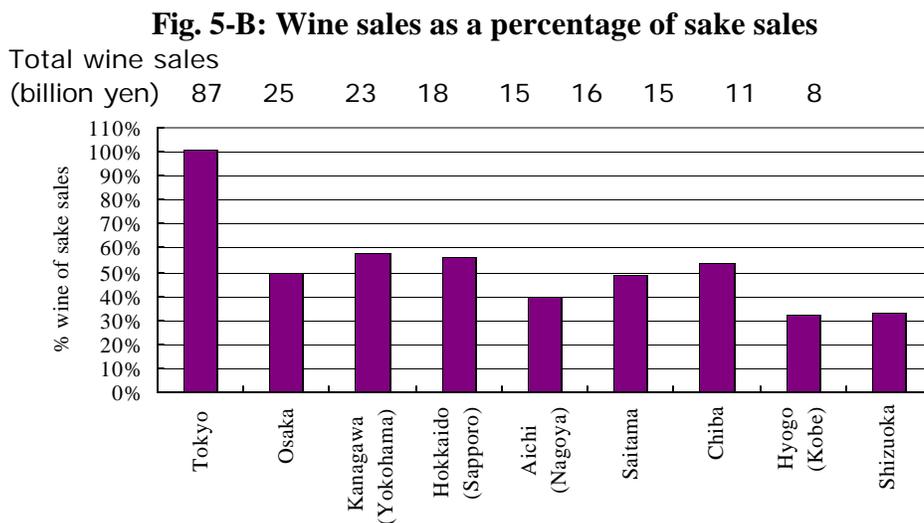
2.3 Geographical breakdown of Japanese alcoholic beverage consumption

Tastes in alcohol vary with location. Most wine in Japan is consumed in major urban areas, with more than 60% of premium wines consumed in Tokyo alone. In rural areas, however, beer, sake and shochu remain the alcoholic beverages of choice. On the other hand, 70 per cent of the total population lives outside of the Metropolitan area. Cultivating those outside areas for wine is important and effective for further market expansion. Historically, domestic wine in a large glass bottle of low price was popular in rural areas, but wine markets across the nation continue to progress and become more sophisticated.

**Fig. 5-A: Consumption of wine and other alcoholic beverages by prefecture
Total (per capita), FY2003**

(Total: ¥bill, per capita: ¥000)

Prefecture (capital city)	Wine		Beer/Happoshu		Sake		Shochu		Total	
	Total	Per capita	Total	Per capita	Total	Per capita	Total	Per capita	Total	Per capita
Tokyo	77	7.6	383	38.0	79	7.8	88	8.7	724	71.7
Osaka	25	3.5	260	37.2	45	6.5	44	6.2	434	62.1
Kanagawa (Yokohama)	23	3.3	164	23.4	37	5.4	44	6.2	315	45.1
Hokkaido (Sapporo)	17	3.9	135	29.4	29	6.4	37	8.1	250	54.3
Aichi (Nagoya)	14	2.5	162	29.0	34	6.2	29	5.2	275	49.3
Fukuoka (Kyushuu)	10	2.6	114	28.3	23	5.9	40	10.0	208	51.9
Hyogo (Kobe)	11	2.5	124	28.0	53	6.7	23	5.2	220	49.3
National Total	326	3.1	2,868	28.1	741	7.2	755	7.3	5,334	52.1



Source: National Tax Agency

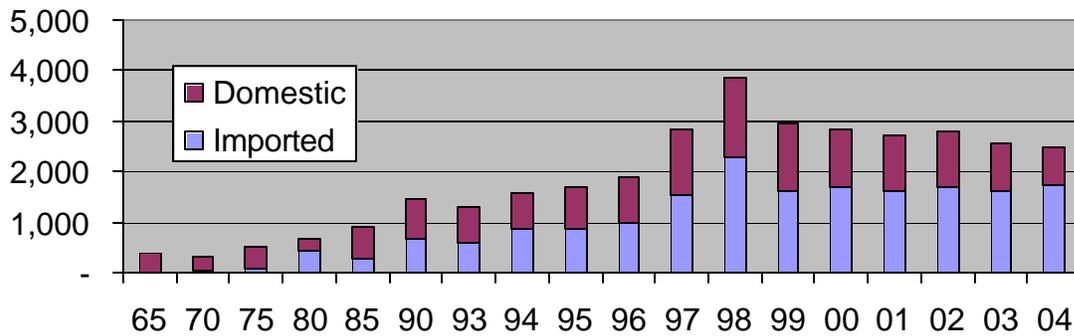
III. Wine Market Overview

3.1 Consumption trends

Throughout its several decades of steady expansion, the Japanese wine market has experienced at least six surges in consumption. One such increase occurred when domestic wine first became available for less than ¥2000 a bottle in 1978. Another spurt occurred in the late 1970s and early 1980s when sweeter German wines became popular. The Beaujolais Nouveau boom followed in the late 1980s, and continues to be an important seasonal demand.

The most important boost to the industry, however, came in the 1990s when a series of scientific reports touting the health benefits of red wine suddenly sparked consumer interest in red wine. When these benefits became widely known in Japan in 1998, consumption more than doubled compared to 1996. However, this surge led to a buildup of excess inventories that took more than two years to clear, causing a subsequent bust—one that was exacerbated by stagnant to declining consumption. By early 2004, most Japanese traders were predicting that the wine market had bottomed out in 2003 and would begin to recover; however, as of 2004, overall wine consumption remained at, or even a little below, 2003 levels (see Fig. 6). This slump was due mostly to continuing declines in domestic wines. Meanwhile, imports started to recover in 2004.

**Fig. 6: Japanese Wine Consumption
1965 to 2004**



Source: National Tax Agency

Though the 1980s and early 1990s, Japanese consumers showed a preference for sweet, fruity, white wines, which accounted for more than half of all consumption. Following a boom in 1997/98 driven in part by links to health benefits, however, red wine has taken more than a 60 percent share. In fact, the percentage of red and white has reversed in the past several years. Meanwhile, rosé has failed to catch on with consumers and its share dropped considerably (see Fig. 7).

Fig. 7: Wine Consumption by Type, 1994-2003

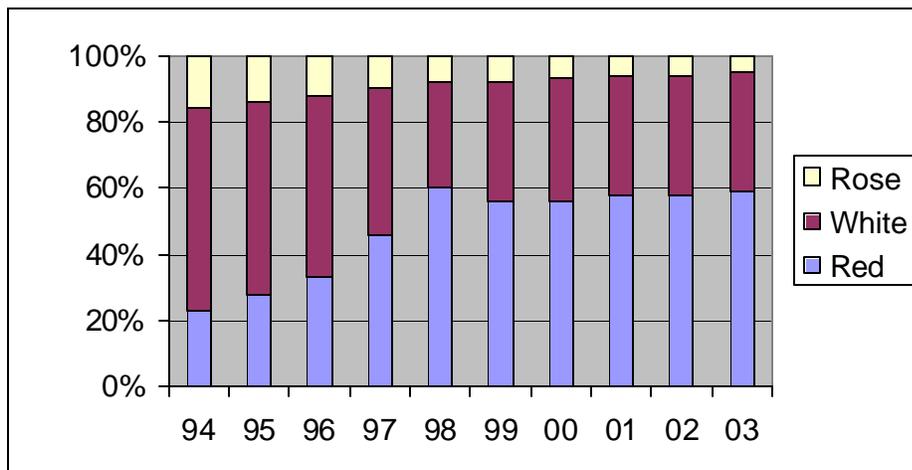


Fig. 8 shows annual expenditures on wine in Japan from 1994 to 2003. Though the average cost per liter fluctuated over the entire period, prices have, overall, been sliding downwards in the past few years. This reflects both deflation in the Japanese economy as a whole and increasing sales of more moderately priced New World and California wines.

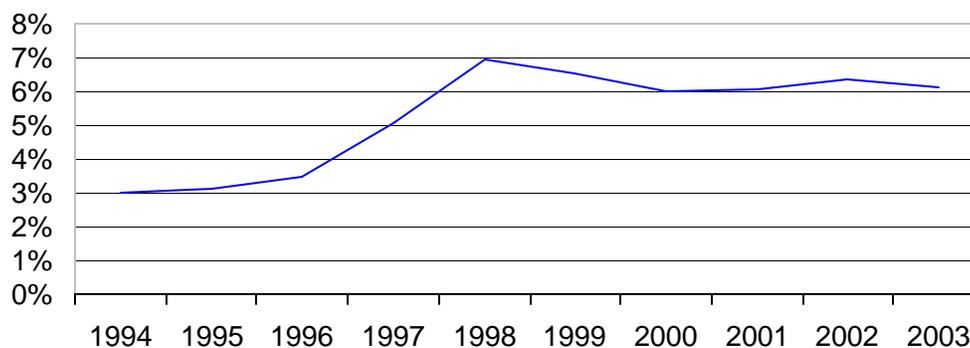
Note that while total spending on alcohol declined significantly over the period, wine consumption nearly doubled, expenditures on wine rose by close to 70 percent, and wine's share of the total alcoholic beverage market doubled - from 3.0% to 6.4%. In short, Japanese consumers are buying larger quantities of wine at overall lower prices.

Fig. 8-A: Annual Expenditures on Wine, 1994-2003
Fiscal Year (April-March)

Year	Expenditure (¥bill)	Quantity (000 hectoliter)	Avg. cost per liter (¥)	Total expenditure on alcohol (¥bill)	Wine Share of total alcohol expenditure %
1994	207	1,570	1320	6,860	3.0%
1995	211	1,700	1240	6,660	3.2%
1996	227	1,880	1210	6,540	3.5%
1997	329	2,820	1170	6,510	5.1%
1998	443	3,850	1150	6,360	7.0%
1999	401	2,940	1360	6,130	6.5%
2000	369	2,840	1300	5,880	6.3%
2001	349	2,730	1280	5,720	6.1%
2002	348	2,790	1250	5,468	6.4%
2003	326	2,483	1310	5,334	6.1%

Source: National Tax Agency

Fig. 8-B: Share of Wine in Japanese Alcohol Expenditure



Source: National Tax Agency

3.2 Domestic wine

Domestic wines mainly target the low-end of the market, where average prices are lower than ¥500 and competition has grown in intensity since the introduction of several low-priced brands from major California wineries, many of which are handled by Japan's major liquor/beer producers and distributors.

While domestic wines do maintain a significant presence; they are declining each year, and are mostly concentrated in the low-end market, an extremely competitive segment including American, Chilean, and Australian wine. Australian wines, in particular, have gained lower-end shelf-space at retail including convenience stores.

In the first half of 2005, taxed delivery of domestic wine showed an increase of more than 10 percent because the figures include some non-wine beverages, such as other fruit wines and chuhi, which are classified under the same category as wine, sales of which have been continuously increasing.

Fig. 9: Domestic wine shipments, 1999-2004*

Year	Volume (000 hectoliters)	Increase (or decrease) from previous year (%)
1999	1,252	(17.6)
2000	1,153	(7.9)
2001	1,101	(4.5)
2002	1,110	0.8
2003	975	(12.2)
2004	863	(11.5)

* Includes some non-wine beverages; wine made from grape is estimated to account for two third of these shipment.

Source: National Tax Agency

The following table and chart reflect the fact that the domestic wine market is dominated by a few large companies, with the top three accounting for nearly three-fourths of all sales. In 2004, taxed delivery of domestic wine had declined by 10 percent compared with the previous year. However, recently, the large domestic producers (i.e., Mercian, Suntory, Sapporo, and Kikkoman) have been attempting to differentiate their products based on quality or other value-added attributes such as health orientation, variety of fruit bases, organic, and additive-free wines, with less focus on pricing. Those major producers are starting to see a clear distinction between their domestic wine business and their imported wine sales.

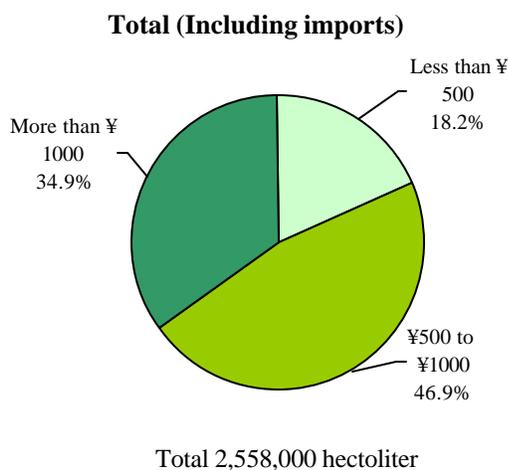
Fig. 10: Market share of major Japanese wine manufacturers, 2002-2004
(¥ million, %)

	2002		2003 (estimated)		2004 (forecast)	
	Sales	Share	Sales	Share	Sales	Share
Mercian	18,500	31.9%	18,600	34.6%	18,700	36.4%
Suntory	15,100	26.0%	9,000	16.7%	6,500	12.6%
Sapporo Beer	9,400	16.2%	10,500	19.5%	11,000	21.4%
Kikkoman	7,300	12.6%	7,500	13.9%	7,600	14.8%
Asahi Beer	5,350	9.2%	5,650	10.5%	5,800	11.3%
Others	2,350	4.1%	2,550	4.7%	1,800	3.5%
Total	58,000	100.0%	53,800	100.0%	51,400	100.0%

Source: Fuji Keizai

Fig. 11 shows that domestic wine sales have been depending heavily on products lower than ¥500, while imported wines target a higher price zone. With the low-priced wine market now being penetrated by imports, major domestic producers have been shifting their emphasis from moderately priced to premium wines, costing more than ¥1500 per bottle.

Fig. 11: Wine sales by price range, 2003



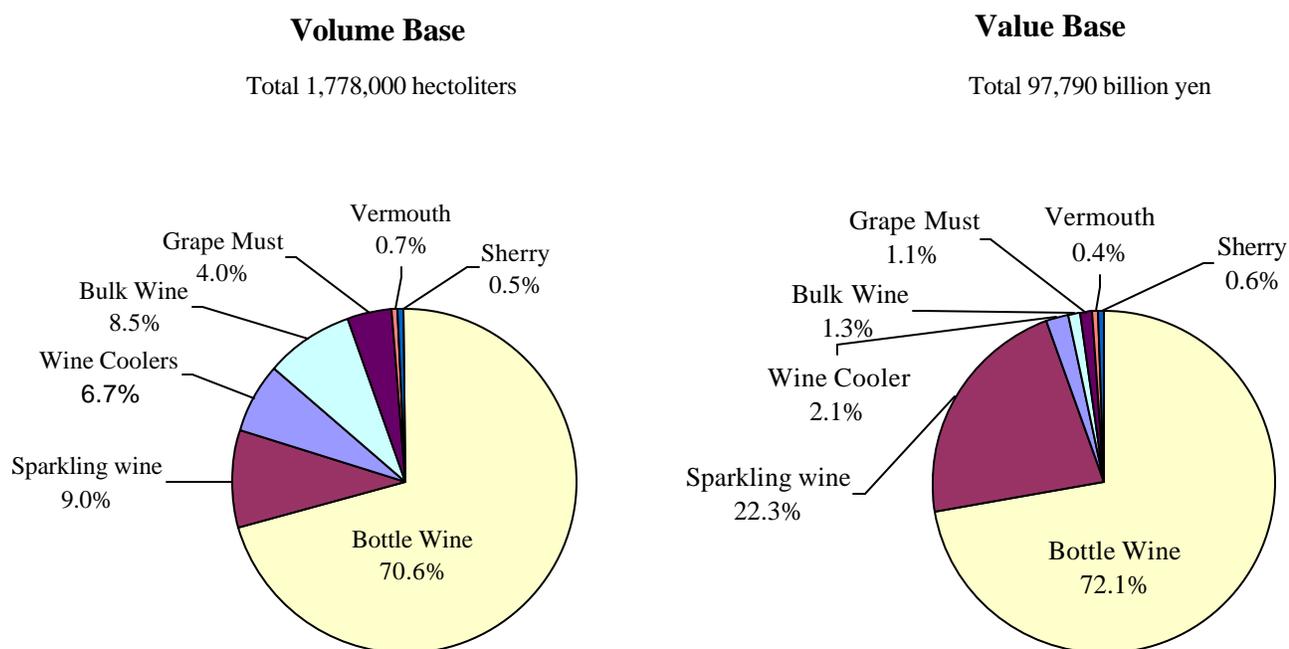
* Includes some (about 1/3) non-wine products

Source: WANDS

3.3 Imported wine

Imported wine accounts for more than 60 percent of all wine. Even in domestic wine, imported bulk wine and grape must are commonly used as raw material. In terms of both volume and value, bottled wines represent more than 70 percent of imports, which is the main part of the trade discussed in this report.

Fig. 12: Breakdown of Japanese wine imports (2004)



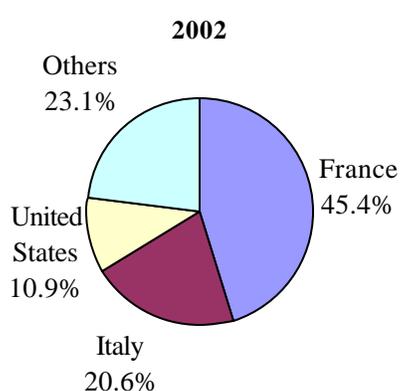
Source: Trade Statistics, Japan Customs

US wine exports to Japan achieved tremendous growth in market share between 2002 (10.9 percent) and 2003 (13.7 percent) and nearly maintained that level in 2004 (13.4 percent). This breakthrough was fueled largely by the success of California wines selling for less than ¥1,000 per bottle. On the other hand, France's share, which once fell from 45.4 to 43.5 percent in 2003, bounced back to 44.8 percent in volume in 2004. The growing popularity of Beaujolais Nouveau red wine as a seasonal event in the fall was an important factor increasing export volume from France.

Among major exporters, Italy and Germany have continued to lose market shares. Italian wine exports decreased from 19.8 to 17.2 percent; Germany from 6.3 to 5.2 percent. On the other hand, Spain and Australia both increased their share in 2004: Spain from 4.4 to 5.0 percent, while

Australia dramatically increased its share from 4.0 to 5.2 percent. In 2005 (January to September), Japanese wine imports have so far decreased by about 7 percent from the same period a year earlier. Australian exports to Japan bucked this general trend, continuing to expand largely due to the increased export volume of the very popular and widely-distributed 'Yellowtail' brand of table wine.

Fig. 13-A: Bottle wine import share by country



Total 1.36 mil. hectoliters
Total 1.33 mil. hectoliters

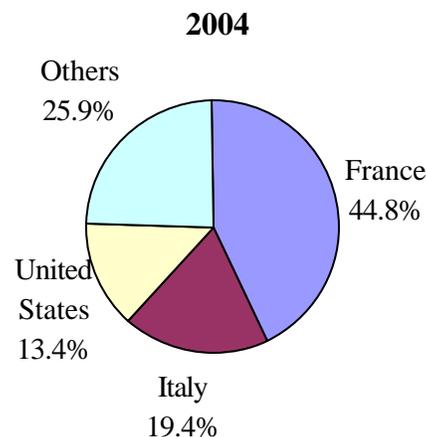
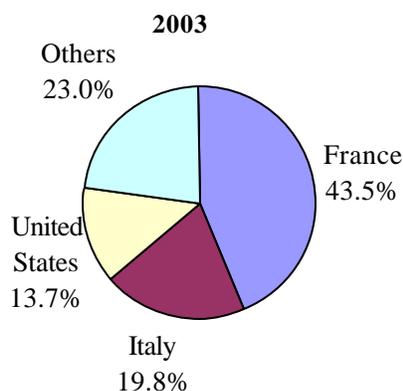
Total 1.30 mil. hectoliters

Source: Trade Statistics, Japan Customs

Fig. 13-B: Share of Bottled Wine Imports by

Country,

2000-2004



Share of bottled wine imports by country (%)					
	2000	2001	2002	2003	2004
France	41.1	43.0	45.4	43.5	44.8
Italy	19.8	21.7	20.6	19.8	17.2
US	12.0	11.3	10.9	13.7	13.4
Chile	6.7	6.6	5.7	5.7	5.9
Spain	3.7	3.7	4.4	5.0	5.3
Australia	4.0	3.3	3.5	4.0	5.2
Germany	8.9	7.1	6.3	5.2	4.3

Others	3.8	3.2	3.2	3.1	3.9
Total	100.0	100.0	100.0	100.0	100.0

Source: Trade Statistics, Japan Customs

3.3.1 United States

US wine exports to Japan dramatically grew in 2003 by 20 percent in volume. This up trend continued in 2004, but at a much more moderate pace of about 1 percent. The US volume growth has largely depended upon increasing exports of lower-priced California table wines costing less than ¥900 per 750 ml bottle. These bottles are being sold at supermarkets and liquor shops, which include several major California brands – e.g. Carlo Rossi, River Crest, Franzia, Almaden, Beringer and Papio, and are being distributed by major Japanese liquor companies. Another driving force for US wine exports is the increasing presence of premium California wines, supported by promotional campaigns. Wines from other states, especially Washington and Oregon, are growing even more rapidly from a small base, although their shares are still very small compared to that of California.

US export growth tailed off in the first 9 months of 2005, with volume growing slightly while value declined over 6 percent. Overall imports of bottled wine showed modest growth in both volume and value, rising 2.4 and 5.1 percent, respectively.

US wines predominantly target the lower end of the market. Although wines costing ¥1000 or less makeup 55 percent of the Japanese wine market, they account for 80 percent of US wine imports. Mid-range products (¥1,000 to ¥2,000) now account for roughly 16 percent of US sales. How to develop more mid-range products especially in the retail sector is an important challenge for US wine. The market in this price range faces particularly tough competition from the French, Italian, and Chilean wines that dominate the segment.

Sales of US premium wines are rising steadily and are well established in certain market sectors, particularly in the major metropolitan markets where Japanese consumers' wine knowledge has expanded significantly. The "California Wine by the Glass" campaign, in which over 300 restaurants are serving California wines, along with other U.S. promotional efforts, continue to build awareness of these products and help encourage consumers to move upscale in their wine selections. Washington wine, in particular, made significant progress for placement in Tokyo area hotel and restaurant wine lists, and is now being recorded separately for the first time in trade statistics according to industry representatives.

3.3.2 France

For many Japanese wine drinkers, France is synonymous with wine. It offers a broad range of products and is strong in all price segments. One of the wine categories that has been steadily growing is Beaujolais Nouveau. This seasonal wine has become popular among Japanese consumers, who are known to be especially fond of seasonal food products. The wine's annual November release has grown to be a highly anticipated event. The sales of Beaujolais Nouveau in 2004 reached a record volume of 1 million cases and accounted for more than 10 percent of total

French wine imports. This helped drive a partial recovery in France's market share versus the onslaught of New World competitors.

3.3.3 Italy

Italian wine exports to Japan exploded in the 1990s along with the growing popularity of Italian cuisine and a sharp rise in the number of Italian restaurants. As the Italian restaurant boom peaked and subsides, sales have leveled off in recent years. Exports in 2004 again declined by 11 percent, the third consecutive decrease since 2001. Italian wines have been squeezed by price competition at the lower end of the market while midrange products are also facing increasing price pressure. Stricter enforcement of drunk driving laws also had a relatively stronger impact on Italian wine, which depends heavily on restaurant sales.

3.3.4 Chile

Chile, one of the most successful "New World" producers, emerged in Japan around 1998 as a maker of reasonably priced, good quality wine. Excess inventories in subsequent years led to steep price discounts and a "cheapening" of the country's brand image. Nevertheless, Chilean wine maintains a significant presence, especially in retail outlets.

3.3.5 Germany

German wine exports to Japan, which are predominantly white wines, have fallen by 60% since the red wine boom in 1998. While still significant and promoted aggressively, German market share continues to shrink.

3.3.6 Australia

Australia is one of only a few countries that have shown steady growth for the past several years. Australian wine exports to Japan jumped 34 percent in 2004, and one of the fastest growing Australian brands in Japan is Yellow Tail, which has already gained immense popularity in the United States.

3.3.7 Promotional activities of European and New World competitors

Various organizations established by US competitors are promoting their wine exports to Japan (See Fig. 14). SOPEXA is a French trade promotion organization for all food and drink products, but nearly 95% of its budget is spent for wine. Their activities range from TV ads to sommelier contests. CIVC (Comite Interprofessionelle de Vin de Champagne), another promotional organization of France, specializes in the promotion of Champagne and became independent from SOPEXA in 1997. The Italian Trade Commission (ICE) promotes overall Italian export product and wine is a key focus. The German Wine Foundation Japan Office was founded in 2000 and is now focusing on promotion in the retail sector, especially in department stores.

Fig. 14: Wine export promotion organizations of major countries

Country	Name	No. of staff	2004 budget (US\$)	Type of promotional activities*
France	SOPEXA	12	7,000,000	1, 2, 3, 4, 5
	CIVC	3	1,000,000	1, 2, 4, 5
Italy	ICE	3	600,000	1, 2, 4

Germany	German Wine Foundation Japan office	3	1,000,000	1, 2, 3, 4
Chile	Chilean Embassy	1	200,000	2, 4
Spain	Spanish Embassy	2	1,000,000	1, 2, 3, 4
Australia	Wine of Australia	3	300,000	2, 3, 4
South Africa	Wine Institute of South Africa	2	200,000	2
Argentina	Argentina Embassy	1	100,000	2
Portugal	ICEP	2	200,000	1, 4
Austria	Austrian Embassy	2	300,000	2, 4
Canada	Canadian Embassy	1	50,000	2

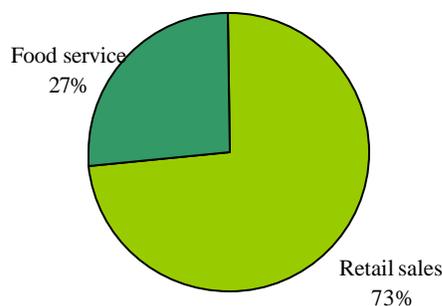
*1. TV, magazine, newspaper, and other advertisement; 2. Organizing seminars and other events; 3. PR activities in restaurants or stores; 4. Trade shows participation; 5. Newsletters

Source: California Wine Institute

3.4 Distribution channels

Nearly three-fourths of all wine consumed in Japan is sold at retail; the remainder moves through restaurants, food service outlets, bars, and others.

**Fig. 15: Wine sales by distribution channel
2003**



Source: Fuji Keizai

3.4.1 Retail

Wine distribution – as well as other alcohol distribution - is regulated under the Liquor Tax Law, and is applied to retailers that hold liquor licenses. Domestic wine distribution is generally a three- or four-tiered system from manufacturer to retailer, with one or two wholesalers in between.

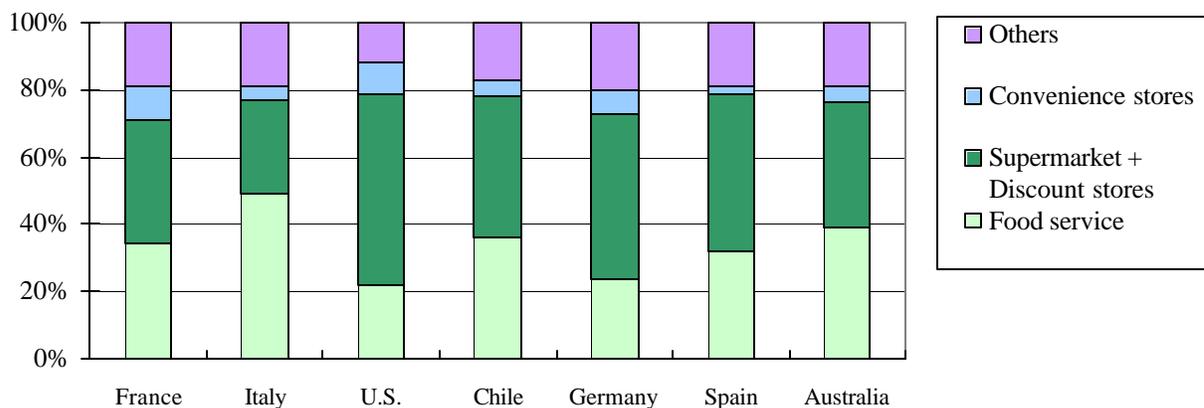
There are many types of retail distribution channels:

- . Direct imports by Japanese domestic manufacturers (e.g. Suntory, Mercian).
- . Imports through specialist trading companies.
- . Direct imports by department store alliances or large discount stores that sell through their own channels.
- . Imports by specialist wine importers who sell products directly to consumers including mail order and online sales.

In the late 1980s, as some discount stores and importers started to import wine directly, the price of imported wine in Japan eventually came down to the international market price. As more and more low-price wines appear on the market, the sales share of supermarkets and convenience stores will continue to grow. Liquor discounters are being impacted by the growing competition from supermarkets as liquor license deregulation proceeds. Online retailers dominated by a handful of companies have also increased sales as they focus on small-lot shipments and other methods of lowering logistics costs.

The sales breakdown by retail distribution channel differs according to country of origin. US wines have a fairly high proportion (57%) of sales at supermarket and discount stores. This tendency reflects the rapid growth of lower-priced California wines that are mainly sold by these kinds of retailers. Italian wine, on the other hand, depends heavily on in-restaurant consumption (49%).

Fig. 16: Sales breakdown of bottle wine by retail distribution channel



Deregulation of liquor retail licensing

In September 2003, the Japanese government abolished restrictions that had limited the distribution of retail liquor licenses. This long-awaited deregulatory measure had been expected to boost the number of liquor-selling retailers throughout the country and have a profound impact on the way alcoholic beverages are sold in Japan. More than 20,000 shops applied for the license just after the act was implemented.

However, the deregulation took time to take effect. The main reason is that the government enacted an “anti-deregulation measure” that tentatively restricted liquor license distribution in certain areas to protect small liquor shops likely to be affected by the changes. This anti-deregulation measure was adopted in regions that currently together account for 37.7 percent of Japan’s total area, which the government has decided to continue to adopt through August 31, 2006.

Nevertheless, the number of convenience stores and super markets that sell liquor has increased significantly. As of February 2005, 89.6 percent of all the stores (2,404 stores) of the major 18 supermarkets are being granted liquor retail licenses, a 6.6 percent increase from the year before. Likewise, 28,988 outlets of the major convenience store chains, accounting for 86.5 percent of all their stores, are licensed as of August 2005, up 3.9 percent from the same month of the previous year.

The following table shows the change in the number of liquor wholesalers and retailers over several years. With the establishment of direct import channels, wholesalers have begun to play a less important role, and their numbers are declining. In addition, more than 25,000 small and medium-scale liquor retailers have shut their doors in the run-up to deregulation. Although the table does not cover the movement later than April 2003, it is certain that the number of license holders at retail has jumped. After accounting for the number of major retail chains that had acquired licenses as of November 2004, this amounts to nearly 190,000 retail license holders compared to nearly 185,000 in 2003.

Fig. 17: Annual change in number of liquor license-holders (1997-2003)

	Wholesale	Retail	Total
1997	17,117	166,883	184,000
1998	16,847	171,848	188,695
1999	16,627	175,095	191,722
2000	16,489	177,482	193,971
2001	16,250	176,873	193,123
2002	15,983	182,022	198,005
2003	15,755	184,567	200,412

Source: National Tax Agency

All kinds of potential sales channels for alcohol have been created by deregulation, e.g. supermarkets, general merchandise stores, drugstores, and even Do It Yourself home centers (DIY) stores. Most new sales channels created by deregulation are likely to focus on lower-priced products, where many major US brands are well positioned.

IV. Key Issues Affecting the Wine market

4.1 Mandatory inclusion of consumption tax in displayed price

Previously, Japan's 5 percent consumption tax had been excluded from price displays for all commodities. However, in April 2004, the Ministry of Internal Affairs and Communications implemented a law requiring the inclusion of consumption tax in all displayed prices. This change significantly affects lower-end wines that are sold at targeted price-points. For example, a wine costing ¥498 must now be displayed with the less eye-catching price of ¥523.

4.2 Implementation of liquor sales deregulation

In September 2003, the Japanese government abolished restrictions that had limited the distribution of retail liquor licenses. This long-awaited deregulatory measure had been expected to boost the number of liquor-selling retailers throughout the country and have a profound impact on the way alcoholic beverages are sold in Japan. However, the deregulation took time to take effect. The main reason is that the government enacted an "anti-deregulation measure" that tentatively restricted liquor license distribution in certain areas to protect small liquor shops likely to be affected by the changes. This anti-deregulation measure was adopted in regions that currently together account for 37.7 percent of Japan's total area which the government has decided to continue to adopt through August 31, 2006. Nevertheless, the number of convenience stores and super markets that sell liquor has increased significantly (see the previous section of deregulation).

4.3 Impact of proposed liquor tax reform and rate increases

The LDP tax panel is proposing a liquor tax reform package that would reduce the number of liquor tax categories from ten to four. The new categories would consist of the following: 1) Sparkling Liquor - beer, low malt beer, third beer, chu-hi, etc; 2) Brewed Liquor - refined sake, fruit wine, etc; 3) Distilled Liquor - shochu, whisky, spirits, etc; and 4) Mixed Liquor - liqueur, mirin (Japanese sweet wine for cooking), etc. A primary rationale for this reform is to eliminate the current loophole resulting in much lower taxes for so-called third (non-malt) beer, but it would also increase or decrease taxes on other products. If passed in the Diet, the legislation would take effect in Japan fiscal year 2006.

As currently proposed, the tax rate for wine would rise 9.5 yen from the current 70 yen a liter. The rate on sake, on the other hand, would fall 20.5 yen from the current 141 yen per liter. As a result, wine would be disadvantaged vis-à-vis sake, particularly given that nearly all sake is domestically produced and therefore faces no import tariff as is the case for the majority of wine consumed in Japan. Meanwhile, the tax rates on products with lower alcohol, such as the third beer and chu-hi beverages would be unified at 80 yen per liter, which would mean an increase of 4-5 yen per 350ml can. Third beer in a 350ml can now sells for around 125 yen, much lower than regular beer or happoshu, for which taxes were increased a few years earlier.

4.4 Organic wine

European and American consumers are increasingly conscious of food safety and the environment. Reflecting these concerns, many California wineries are producing organic grapes and wines. This

trend toward a greater concern for the environment and food safety is also apparent in Japan. Consumers are showing increasing interest in organic products including wine, although the availability of such products remains very limited.

Since 2001, foods and beverages must meet the requirements of the Japan Agricultural Standards (JAS) law to be certified organic in Japan. US producers can arrange to be certified in the United States under the USDA's organic program, which is recognized by JAS. As for other imported alcoholic beverages, the Japanese government recognizes the organic standards of certain countries, including the United States. Despite the new JAS organic standards, some importers complain that the rules are ambiguous and fail to meet consumer needs.

4.5 “Bouchonne” Cork Odor

One factor that has been retarding the growth and expansion of the wine market has been the nuisance of opening corked bottles. Besides the cork opening issue, damage from cork odor that has infested the wine (Bouchonne) is being heard more frequently. The adoption of the screw cap, could simultaneously resolve these two issues, and thus is gaining interest by major importers such as Mercian. The screw cap concept seems to be expanding not only in the New World, but also among traditional countries, in part reflecting the tighter supply-demand situation for cork oak.

With the problem of lower quality corks increasing, the damage from Bouchonne is generating increased discussion and adherents within Japanese industry. Replacement of natural cork with things like synthetic cork, screw caps, and glass caps is being researched and Australia is viewed as progressive in its conversion to new cork systems. There is also a rumor that Chateau Margaux, one of the top 5 French chateaus, is using its Pavillon Rouge to implement age testing with the screw cap.

Appendix I: Legal regulations related to the wine trade

1. Food Sanitation Law requirements

Under the Food Sanitation Law, the Japanese Ministry of Health, Labor and Welfare (MHLW) outlines the permissible quantities of wine coloring agents and preservatives used as additives. All wines imported as gifts or for sale and other commercial purposes are subject to the Food Sanitation Law. Import notification is also required. Importers must submit a “Notification Form for Importation of Foods, etc.” to the quarantine station with jurisdiction over the port of entry. Depending on the content of this notification form and the import history of the wine, inspection may be required.

According to JETRO, if the wine is being imported into Japan for the first time, it may be exempted from inspection requirements at the quarantine station if the importer attaches a statement of voluntary inspection results performed in advance by official laboratories designated by the MHLW, or by official laboratories in the exporting country. For details on permissible wine additives, please refer to the Japanese Food Sanitation Law (www.jetro.go.jp/se/e/standards_regulation/food2003mar-e.pdf).

2. Labeling requirements

Fig. 18 lists labeling requirements for wine. Labeling must be in Japanese and must be attached to the container in a visible location. Wine without required labeling may not be sold, displayed with intent to sell, or used for other commercial purposes.

Fig. 18: Labeling requirements for wine

Label Item	Requirement	Name of Statute*
Product Name	Wine, fruit wine, or sweetened fruit wine	FSL
Food Additives	Name of substance (and usage category) of anti-oxidants or synthetic preservatives, etc.	FSL
Alcohol Content	Label must list the ethyl alcohol content at 15°C as a percentage of total volume rounded to the nearest percentage point. (Example: "14%" or "Over 14% and less than 15%")	LBA/MSR/LT
Container Volume	Listed in milliliters (<i>ml</i>) or liters (<i>l</i>)	LBA/MSR/LT, ML
Type	Sparkling wine labels must state, "Contains carbonation," or, "carbon dioxide gas mixture."	LBA/MSR/LT
Country of Origin	The country of origin	AUPRMR
Name and Address of Importer	Wines must list the name and address of the importer	FSL, LBA/MSR/LT
Destination	Label must list the destination after removal from the bonded area or the location of the bottler or packager. However, a symbol may be used with the permission of the Ministry of Finance	LBA/MSR/LT
Other Requirements	(1) Blends of imported and domestic wine Wines made from mixtures of domestic and imported wines must list the wines in order of quantity. For example, "Made from domestic and imported wine."	Voluntary industry standard
	(2) Geographic labeling Geographic brand names such as Bordeaux and Chablis, whose product quality and reputation fundamentally arise from place of origin, can only be used on products that actually originate from the said region.	Labeling standard based on LBA/MSR/LT and ML
	(3) Labeling to prevent consumption by minors All liquor containers must clearly state that "Consumption of alcohol by minors is prohibited," or "Alcohol may only be consumed by those age 20 or over."	Labeling standard based on LBA/MSR/LT and ML
	(4) Promotion of recycling of liquor containers Products packed in steel cans, aluminum cans, and PET bottles must have a mark on the container identifying the packaging material type.	Law for Promotion of Utilization of Recycled Resources
	(5) Warning of risks to pregnant and breast-feeding women Pregnant and nursing mothers are advised that consumption of alcohol may adversely affect their infant's health. For example, "Drinking alcohol while pregnant or breast-feeding may harm the fetus or infant."	Voluntary Industry Standard

* · Food Sanitation Law: FSL (http://www.jetro.go.jp/se/e/standards_regulation/food2003mar-e.pdf)

· Measurement Law: ML (http://www.jetro.go.jp/se/export_to_japan/files/oto/o-44.html)

· Law Concerning Liquor Business Association and Measures for Securing Revenue from Liquor Tax: LBA/MSR/LT (http://www.jetro.go.jp/se/export_to_japan/files/oto/o-31.html)

- Act against Unjustifiable Premiums and Misleading Representation: AUPRMR
(http://www.jetro.go.jp/se/export_to_japan/files/std/s-10.pdf)

Source: JETRO Marketing Guidebook for Major Imported Products - Wine 2002

3. Requirements under the new packaging recycling law

The Japanese government began full implementation of the Packaging Recycling Law in April 2000, which requires the industry to recycle all paper and plastic packaging, glass bottles, steel and aluminum cans, PET bottles, and other plastic and paper containers. Manufacturers, distributors, and retailers who manufacture and/or use the materials are responsible for recycling costs. For imported products, importers are likely to be held responsible for such costs.

In the case of wine, according to industry sources, some importers have requested that exporters use colorless glass bottles if possible, and a number of wines in clear bottles have appeared on the market. However, this is only appropriate for less-expensive or early drinking wines that will be consumed within two to three weeks after purchase. For premium wines, the industry continues to generally use colored bottles despite added recycling costs. Green bottles pose the biggest problem since there is very limited use for them as a recycled product.

Current recycling charges by type of container, effective through FY2005 (April-March), to be paid to the Japan Containers and Packaging Recycling Association are as follows:

Colorless glass	¥2,800/metric ton
Brown glass	¥4,800/metric ton
Green/other colored glass	¥8,000/metric ton
PET bottles	¥48,000/metric ton
Paper containers	¥19,200/metric ton
Plastic containers	¥73,000/metric ton

4. Tariff and tax situation

WTO Uruguay Round tariff reductions

Import duties on wine were gradually reduced with implementation of the WTO Uruguay Round agreement. The final reduction came in April 2000, when, most notably, the tariff rate on bottled wine was lowered to 15% (or ¥125/l, whichever is less with a minimum of ¥67/l) from its 1999 level of 21.3% (or ¥150.83/l, whichever is less with a minimum of ¥80.83). Reductions in tariffs on other wine categories have also gone into effect, as summarized on the next page.

Tariff Rates on Wine (as of November 2005)

Bottled Wine	
-HS220421020 (2L or less)	15% or ¥125/l, whichever is less with a minimum of ¥67/l
-HS220429010 (2L to 150L)	15% or ¥125/l, whichever is less with a minimum of ¥67/l
Sparkling Wine	
-HS220410000	¥182/l
Wine Coolers	
-HS220600221 (Other fermented beverage mixtures)	¥27/l
Bulk Wine	
- HS220429090 (>150L)	¥45/l
Grape Must	
-HS220430191 (1%+ alcohol, less than 10% sucrose by weight)	19.1%
-HS220430200 (1% + alcohol – other)	¥45/l
Vermouth	
-HS220510000 (2L or less)	¥69.3/l
-HS220590200 (1%+ alcohol)	¥69.3/l
Sherry/Fortified Wine	
-HS220421010	¥112/l

Source: Customs Tariff Schedules of Japan 2004, Japan Tariff Association

Liquor Tax Law regulations

The liquor tax rate was increased by 30% for wine and 10% for sweetened wine in May 2003. This increase is reflected in higher prices for most alcoholic beverages and has resulted in a slight decrease of total alcohol consumption. Currently, additional tax increases are being debated as part of a liquor tax reform package (see Section 4.3 above for details)

Tax rate on wine before/after the tax increase

		Per kiloliter	Per 750ml bottle
Wine	Before	56,500yen/kl	42yen/bottle
	After	70,472yen/k	53yen/bottle
Sweetened wine	Before	98,600yen/kl	74yen/bottle
	After	103,722yen/kl*	78yen/bottle

*For liquors with an alcohol content of 13 percent or higher, an additional 8,644yen/kl (8,220yen before increase) is levied for each percentage point above 12 percent.

Exchange Rates

The following exchange rates are used throughout this report:

2000	¥107.77 /\$	¥ 99.22 /€	
2001	¥121.53 /\$	¥108.28 /€	
2002	¥125.31 /\$	¥118.99 /€	
2003	¥115.93 /\$	¥132.29 /€	
2004	¥108.15 /\$	¥133.92 /€	
2005*	¥108.48/\$	¥136.21 /€	(*Jan- Oct average)

Source: US Treasury Department; Bank of Japan.

APPENDIX II: STATISTICAL TABLES

Table 1: Wine imports by type

Volume (000 hectoliters)				
	2002	2003	2004	2005* % increase (decrease)
Bottled Wine	1,360.3	1,301.9	1,334.6	2.42
HS220421020 (2L or less)	1,296.1	1,231.2	1,261.0	2.43
HS220429010 (2L to 150L)	64.2	70.6	73.5	4.0
Sparkling Wine	133.2	138.9	164.4	18.3
HS220410000	133.2	138.9	164.4	18.3
Wine Coolers	46.7	91.7	122.7	30.4
HS220600221	46.7	91.7	122.7	30.4
Bulk Wine	177.6	162.5	157.6	(2.9)
HS220429090 (>150L)	177.6	162.5	157.6	(2.9)
Grape Must	60.7	67.0	74.6	11.5
HS220430191 (1%+ alcohol, less than 10% sucrose by weight)	0	0	0	
HS220430200 (1%+ alcohol - other)	60.7	67.0	74.6	11.5
Vermouth	21.1	17.8	13.6	(22.7)
HS220510000 (2L or less)	20.5	17.6	13.2	(23.6)
HS220590200 (1%+ alcohol)	0.6	0.2	0.3	50.1
Sherry/Fortified Wine	8.5	8.6	8.7	1.4
HS220421010	8.5	8.6	8.7	1.4

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

* Based on January-September 2005 data vs. same period 2004

(Table 1 continued)

	Value (¥ mill)			2005* % increase (decrease)
	2002	2003	2004	
Bottled Wine	78,900	80,355	85,213	5.1
HS220421020 (2L or less)	77,614	79,061	83,115	3.7
HS220429010 (2L to 150L)	1,286	1,295	1,343	5.1
Sparkling Wine	18,252	21,012	26,382	25.5
HS220410000	18,252	21,012	26,382	25.5
Wine Coolers	1,286	1,840	2463	33.8
HS220600221	1,286	1,840	2463	33.8
Bulk Wine	1,867	1,602	1,502	(6.2)
HS220429090 (>150L)	1,867	1,602	1,502	(6.2)
Grape Must	1,119	1,086	1,358	25.0
HS220430191 (1%+ alcohol, less than 10% sucrose by weight)	0	0	0	
HS220430200 (1%+ alcohol - other)	1,119	1,086	1,358	25.0
Vermouth	575	552	435	(21.1)
HS220510000 (2L or less)	567	548	430	(21.5)
HS220590200 (1%+ alcohol)	8	4	5	52.3
Sherry/Fortified Wine	636	734	755	2.8
HS220421010itukus ...	636	734	755	2.8

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

* Based on January-September 2005 data vs. same period 2004

Table 2: Bottled wine imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2002	2003	2004		2005*
				Volume	Share (%)	% increase (decrease)
1	France	617.2	566.0	601.4	44.8	6.0
2	Italy	280.1	257.9	230.6	17.2	(10.9)
3	United States	148.3	178.5	180.3	13.4	0.5
4	Chile	78.2	74.1	79.3	5.9	7.1
5	Spain	59.7	65.4	71.7	5.3	5.6
6	Australia	48.2	52.4	70.3	5.2	33.1
7	Germany	85.5	67.3	58.0	4.3	(14.5)
8	South Africa	15.8	15.0	13.5	1.0	(10.1)
9	Argentina	6.6	7.0	9.2	0.7	30.5
10	Portugal	4.1	4.0	8.1	0.6	(3.8)
	Others	16.7	14.3	20.9	1.6	41.1
	Total	1360.3	1301.9	1343.3	100	2.4

Value (¥ mill)						
Rank	Country	2002	2003	2004		2005*
				Value	Share (%)	% increase (decrease)
1	France	46,842	48,051	52,885	62.1	9.7
2	Italy	12,440	12,782	11,491	13.5	(10.2)
3	United States	6,618	6,486	6,072	7.1	(6.4)
4	Australia	2,059	2,468	3,337	3.9	34.9
5	Germany	3,492	3,186	2,973	3.5	(6.7)
6	Chile	3,273	2,936	2,904	3.4	(1.0)
7	Spain	2,038	2,343	2,600	3.1	2.5
8	Portugal	496	592	586	0.7	0.7
9	South Africa	563	535	498	0.6	(7.0)
10	New Zealand	280	341	444	0.5	30.1
	Others	996	930	1,423	2.18	41.5
	Total	78,900	80,355	85,213	100	5.11

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

* Based on January-September 2005 data vs. same period 2004.

Table 3: Sparkling wine imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2002	2003	2004		2005 *
				Volume	Share (%)	% increase (decrease)
1	France	55.1	61.3	72.1	43.9	17.8
2	Italy	39.7	38.7	43.8	26.6	13.3
3	Spain	20.6	19.1	27.4	16.7	44.2
4	United States	7.6	8.1	9.1	5.5	12.8
5	Germany	6.6	7.2	6.5	4.0	(10.4)
	Others	3.6	4.6	5.5	3.3	59.4
	Total	133.2	138.9	164.4	100	18.3

Value (¥ mill)						
Rank	Country	2002	2003	2004		2005*
				Value	Share (%)	% increase (decrease)
1	France	14,235	16,943	21,237	80.5	25.3
2	Italy	2,071	2,074	2,528	9.5	21.9
3	Spain	1,082	1,076	1,591	6.0	47.9
4	Germany	293	355	329	1.2	(7.3)
5	United States	335	266	311	1.1	16.6
	Others	239	297	386	1.7	78.8
	Total	18,256	21,012	26,382	100	25.5

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

* Based on January-September 2005 data vs. same period 2004.

Table 4: Wine cooler imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2002	2003	2004		2005 *
				Volume	Share (%)	% increase (decrease)
1	China	0.0	44.9	78.8	64.2	75.7
2	United States	29.5	31.6	20.7	16.9	(34.6)
3	France	6.7	9.3	12.9	10.5	39.3
4	Germany	8.8	4.1	4.9	4.0	19.9
5	Spain	.11	0.0	3.1	2.5	0.0
	Others	1.3	0.7	2.3	1.9	66.5
	Total	46.7	91.7	122.7	100	33.8

Value (¥ mill)						
Rank	Country	2002	2003	2004		2005 *
				Volume	Share (%)	% increase (decrease)
1	China	0	546	943	37.9	72.8
2	France	397	593	934	11.9	57.6
3	United States	654	551	294	38.2	(45.6)
4	Germany	188	108	131	5.3	21.0
5	Spain	2	0	95	3.8	0.0
	Others	38	18	66	2.9	72.0
	Total	1,286	1,840	2,463	100	33.8

Source: World Trade Atlas, based on Japan Customs data (CY January- December)

* Based on January-September 2005 data vs. same period 2004.

Table 5: Bulk wine imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2002	2003	2004		2005 *
				Volume	Share (%)	% increase (decrease)
1	Chile	30.4	42.4	55.6	35.3	31.3
2	Argentina	48.8	53.1	51.6	32.7	(0.7)
3	France	15.6	9.4	10.2	6.5	9.0
4	Bulgaria	30.0	19.3	10.1	6.4	(47.2)
5	Spain	7.4	7.0	5.6	3.6	(19.9)
6	Italy	12.7	6.9	4.7	3.0	(31.3)
7	Romania	4.6	2.7	3.7	2.3	38.6
8	Brazil	1.5	1.4	3.2	2.0	118.3
9	United States	4.8	4.8	3.0	1.9	(36.9)
10	South Africa	7.0	3.1	2.9	1.8	(7.2)
	Others	10.3	7.2	7.0	4.4	51.1
	Total	177.6	162.5	157.6	100	(2.9)

Value (¥ mill)						
Rank	Country	2002	2003	2004		2005 *
				Volume	Share (%)	% increase (decrease)
1	Chile	310	398	481	32.0	20.9
2	Argentina	391	360	358	23.8	(0.5)
3	France	261	193	223	14.8	15.7
4	Bulgaria	285	158	96	6.4	(38.9)
5	Italy	154	114	67	4.4	(41.0)
6	Spain	94	88	61	4.0	(30.6)
7	United States	84	83	50	3.3	(40.2)
8	Romania	47	30	38	2.55	26.8
9	Brazil	16	10	27	1.8	159.4
10	South Africa	59	25	26	1.7	6.54
	Others	122	84	75	5.3	72.0
	Total	1,867	1,602	1,502	100	(6.2)

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

* Based on January-September 2005 data vs. same period 2004.

Table 6: Grape Must imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2002	2003	2004		2005*
				Volume	Share (%)	% increase (decrease)
1	Argentina	49.5	50.2	52.6	70.5	4.8
2	Chile	8.1	11.6	17.1	22.9	47.7
3	South Africa	3.0	4.9	4.5	6.0	6.7
	Others	0.1	0.3	0.4	0.5	47.7
	Total	60.7	67.0	74.6	100	11.5

Value (¥ mill)						
Rank	Country	2002	2003	2004		2005*
				Value	Share (%)	% increase (decrease)
1	Argentina	876	738	888	65.4	20.3
2	Chile	183	263	393	28.9	49.5
3	South Africa	50	74	67	5.0	(9.8)
	Others	10	11	10	0.7	35.0
	Total	1,119	1,086	1,358	100	25.0

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

* Based on January-September 2005 data vs. same period 2004.

Table 7: Vermouth imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2002	2003	2004		2005*
				Volume	Share (%)	% increase (decrease)
1	Italy	5.3	5.8	4.6	33.8	(22.2)
2	Spain	6.5	4.5	3.4	25.0	(24.7)
3	China	3.3	3.4	2.8	20.6	(25.5)
4	France	2.4	3.3	2.4	17.6	(15.8)
5	Germany	0.8	0.6	0.4	2.9	(40.9)
	Others	2.7	0.1	0.0	0.0	106.4
	Total	21.0	17.8	13.6	100	(22.7)

Value (¥ mill)						
Rank	Country	2002	2003	2004		2005*
				Value	Share (%)	% increase (decrease)
1	Italy	184	204	162	36.1	(21.8)
2	France	113	165	130	30.0	(20.8)
3	China	96	87	70	16.1	(19.4)
4	Spain	111	85	65	15.0	(23.7)
5	Germany	12	9	7	1.5	(23.9)
	Others	5	5	(1.0)	1.3	88.5
0	Total	575	555	435	100	(21.1)

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

* Based on January-September 2005 data vs. same period 2004.

Table 8: Sherry/fortified wine imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2002	2003	2004		2005*
				Volume	Share (%)	% increase (decrease)
1	Portugal	4.2	4.5	4.7	54.0	5.7
2	Spain	2.9	2.5	2.4	27.6	(1.1)
3	Italy	0.9	0.8	0.9	10.3	11.2
4	United States	0.2	0.4	0.3	3.4	(24.1)
5	France	0.4	0.4	0.3	3.4	(28.7)
	Others	0.1	0.1	0.1	1.1	38.4
	Total	8.5	8.6	8.7	100	1.4

Value (¥ mill)						
Rank	Country	2002	2003	2004		2005*
				Value	Share (%)	% increase (decrease)
1	Portugal	339	424	448	59.4	5.8
2	Spain	198	195	206	27.2	5.2
3	Italy	40	46	45	5.9	(3.4)
4	France	45	48	38	5.0	(21.3)
5	United States	8	14	10	1.3	(31.1)
	Others	6	6	8	1.2	47.6
	Total	636	734	755	100	2.8

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

* Based on January-September 2005 data vs. same period 2004.