



Japan: Cosmetics Market Overview

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Summary

Japan is the world's second largest market for cosmetics and personal care products after the U.S. Japan has a long tradition of using cosmetics, and Japanese cosmetics manufacturers are highly competitive and sophisticated. The oldest Japanese cosmetics manufacturer, still a major player in the industry, dates back to 1615. Japanese consumers today are known to be highly conscious of quality, product value, and the brands they buy and use.

The U.S. is the second largest exporter of cosmetics to Japan. U.S. manufacturers of cosmetics should keep an eye on the Japanese market as it offers competitive U.S. brands and products rewarding opportunities. Japan's beauty and personal care product market accounts for over 40% of the entire aggregate Asia Pacific market which is roughly one third of the global market. From the viewpoint of not only the size but also the trend and market demand, Japan can be regarded as a gateway to other Asian markets. Success in the Japan market can raise product/brand profile and visibility in other international markets, particularly in Asia.

Market Demand

Japanese consumers are very sophisticated and particular about the quality and safety of the products they buy and use. Furthermore, with the recent trend of frugality resulting from the recession and subsequent job insecurity, consumers are becoming more selective and value conscious. Products must be nicely designed, packaged and promoted. Consumer needs and tastes may change with seasonal trends and fashion changes, and they may be eager to try something new and different from time to time as long as those products and value propositions are appealing.

As described in more detail in the Best Prospects section, key products are aging-care, skin lightening, and skin moisturizing cosmetics and toiletries. Popular items for Japanese consumers are those products of high performance, quick-acting skincare products and/or crossover products with multi-appeal attributes. Quick-acting spot skincare products for specific parts of the body are also popular items. Furthermore, organic or natural products, luxury products, and unique or branded products are in demand in the marketplace. Men's skincare and personal care products are drawing an increasing amount of attention in the Japanese marketplace.

Market Data

2012 demonstrated a strong recovery in the overall cosmetic market. In Japanese yen terms, the market in 2012 (1,473.4 billion yen) exceeded the level in 2010 (1,471.6 billion yen). Even in constant 2010 dollar terms, the total cosmetics market in 2012 exceeded the 2010 level, indicating a recovery of consumer psychology after the March 11, 2011 earthquake, tsunami, and nuclear disasters.

Cosmetic imports to Japan in 2012 showed a remarkable increase to 191.8 billion yen (up 15.1%) from 166.6 billion yen the previous year. This volume indeed was the highest since the year 2003. The U.S. remained the second largest cosmetics exporter to Japan (18.2% of the total import market) and increased its relative share from the previous year's 17.8%. France maintained its position as largest exporter with (24.5%) of the market. The U.S. increased its relative share from 17.8% in 2011 whereas France lost share from 27.2% in the previous year. China remained third, but its share dropped to 9.0% in 2012, down from 10.0% in 2011 but up from 7.7% in 2010. Meanwhile, imports from Korea advanced to fourth place with 6.3% in 2012.

Cosmetics Market in Japan

(Calendar Year Base, Millions of Yen, Millions of Dollars)

	2010	2011	2012	2013 (E)
Total	1,471,610	1,402,415	1,470,514	1,509,736
(US\$)	16,765	17,596	18,423	16,775
Shipment	1,419,957	1,367,518	1,403,368	1,440,000
(US\$)	16,176	17,158	17,582	16,000
Import	179,121	166,653	191,884	195,722
(US\$)	2,041	2,091	2,404	2,175
Export	127,468	131,756	124,738	125,985
(US\$)	1,452	1,653	1,563	1,400
Exchange Rate	87.78	79.70	79.82	90.00

Source: Ministry of Economy, Trade and Industry, Trade Statistics of Japan

Note: Exchange rates are annual average rates January thru December

**Cosmetics Market" includes skincare (HS3304.91-99), hair care (HS3305.10-90), makeup preparations (HS3304.10-91), fragrance (HS3303.00), and toiletry goods such as pre-and after-shaving, bath salts, etc. (HS3307.10-90).

Skincare products continued to be the largest import category in 2012 with 71.5 billion yen (\$895.8 million), which compares to \$63.4 billion yen (\$796.1 million) in 2011 and 67.6 billion yen (\$770.4 million) in 2010. Imports of this category from the U.S. in 2012 were 19.2 billion yen (\$242.0 million), up 20.5% in yen terms from the previous year of 15.9 billion yen (\$199.8 million). U.S. imports accounted for 26.8% of the total skincare products, compared to 25.1% in 2011, second only to France's \$315.9 million (35.2% of this product category).

The hair care product category which includes shampoos, rinses, preparations for hair perms, and hair lacquers has become the second largest import category recently. Following a remarkable growth in 2011 (44.5 billion yen or \$559.0 million), the 2012 import volume further increased to 55.4 billion yen (or \$695.0 million). Recently, Thailand's hair care exports to Japan has outranked the U.S. and China, and is still growing with 37.7 billion yen (\$472 million) in 2012, up from 29.0 billion yen or \$364.2 million a year earlier. China was second with category total imports of 4.6 billion yen (\$57.8 million), up 41.3% from the previous year's 3.2 billion yen (\$41.0 million). The U.S. was a close third in 2012 with 4.5 billion yen (\$57.2 million), up 27.0% from 3.6 billion yen (\$45.1 million) in 2011.

Fragrance imports in 2012 were up slightly to 18.7 billion yen from 18.4 billion yen in 2011, or \$234.4 million from \$231.8 million a year earlier. The U.S. was the third largest exporter with 1.6 billion yen (\$20.5 million), down from 1.7 billion yen (\$21.9 million) after France (11.1 billion yen or \$139.9 million) and Italy (3.5 billion or \$43.8 million).

Make-up imports in 2012 increased 6% to 22.7 billion yen from 21.3 billion yen, reversing its decline from 22.1 billion yen in 2009. In dollar terms, it accounted for \$285.2 million in 2012 which compares to \$267.5 million in 2011, \$245.4 million in 2010 and \$236.6 million. France remained the leading supplier with exports of \$100.7 million (up 3.7% or \$97.2 million in 2011), followed by China with \$50.6 million (up 4.9%, \$48.3 million). The U.S. was third with \$42.9 million (down 8.6%, \$46.7 million). These three countries dominate the make-up segment with a share of 68.1%, compared to 71.5 percent a year earlier.

Industry sources are cautiously optimistic about the business environment for cosmetics in 2013 particularly in light of improving consumer psychology and recovery of the Japanese stock market despite the recent rapid depreciation of the Japanese yen which may affect foreign imports prices. Based on the constant exchange rate, the industry expects the overall market in 2013 will maintain at least 2012 levels and probably recover at a healthy pace.

Best Prospects

Industry sources report that Japanese consumer interest in beauty and health continues to be high. Japanese consumers are traditionally more interested in skincare than make-up and fragrances. The skincare segment accounts for the largest share of the market, a striking contrast to Western countries where make-up preparations have the largest share. Japanese cosmetics consumers are known to be highly brand and quality conscious.

Best prospects include:

Skincare products with high performance and multi-appeal attributes in the following specific appeal areas such as aging-care, skin lightening, and skin moisturizing as well as quick-acting spot skincare.

Natural, organic products in particular for sensitive skin and troubled skin are also becoming more popular in the various channels and price ranges.

Men's skincare and personal care products, such as cleansing foam, toning lotion, moisturizing emulsion, skin revitalizer, anti-shine refresher, deep cleansing scrub, hydrating lotion, eye soother, tanning lotion, fragrance, and deodorant products.

Fragrances, especially new product launches with a light-feel scent.

Make-up preparations particularly mascara with moisturizing, thickening, curling, or other special features. Mineral make up products are gaining popularity.

Key Suppliers

No official information is available on how many cosmetics manufacturers and importers exist in Japan. Industry sources estimate that there are approximately 4,000 companies with 130,000 brand items being distributed in Japan today. Major Japanese cosmetics manufacturers include Shiseido (<http://www.shiseido.co.jp>), Kanebo (<http://www.kanebo-cosmetics.co.jp>), and Kosé (<http://www.kose.co.jp>). They are the "Big Three" in Japan's cosmetics industry and cover market segments from highly prestigious brands to economy self-selection brands. In addition, there are major niche players in some product segments. Major foreign brand companies in Japan include P&G, AVON, ESTÉE LAUDER, L'ORÉAL, Revlon, and LVMH, to name a few.

There are many new entrants to the cosmetics market, such as drug companies, food and beverage manufacturers, as well as a photo film maker. These companies launch new skincare products capitalizing on their technological expertise such as biotechnology/nanotechnology, fermentation technology, or anti-oxidation technology. For example, Fujifilm entered the Japanese skincare market making full use of its technological expertise in using collagen as a raw material and anti-oxidation processes. These nanotechnologies are a by-product of manufacturing photo films to prevent fading. It is not unusual that retailers launch their own brand with the help of contract manufacturers. A leading catalogue house, Senshukai recently launched a hair care product which they developed internally. Furthermore, contract manufacturers are creating their own brands in search of market opportunities.

More new entrants means increased competition, leading to innovative products and new ingredients that further vitalize the industry as a whole.

Prospective Buyers

Cosmetics are distributed in Japan through the following four channels. An industry source estimated the share of each channel for the last four years as follows:

High-prestige brands, including U.S. and European brands, are usually placed in the company-owned retail channel or in some form of voluntary chain store network employing a counseling-based selling system (department store counters, cosmetics specialty stores, and boutiques). In such cases, the manufacturer deals directly with its own accounts through its own sales force or subsidiaries.

However, general distributorship is the most conventional channel, with products flowing from manufacturer to wholesaler to retailer. In this system, the manufacturer delegates distribution to the wholesaler/distributor and supports marketing via advertising and promotion. Consumers go directly to the store shelves where they look for the cosmetics of their choice, and no individualized professional counseling is offered.

While products traditionally marketed through this channel have typically consisted of daily necessities such as basic cosmetics and hair care items at relatively low prices, the variety of cosmetics distributed through this system is expanding. Many imported cosmetics are distributed via this general distributor system. A wholesaler imports products directly and supplies them to retailers, or an importer brings in a product from an overseas manufacturer and supplies it to wholesalers, who supply the retailers.

The direct marketing channel includes traditional door-to-door sales, TV shopping, mail order (catalog) sales, and Internet shopping. Avon, Amway, and Nu Skin are traditional door-to-door companies having a legal presence in Japan, but it appears that growing numbers of imported cosmetics brands are focusing more on this channel because of its relative ease to gain quick access to the market (consumers) compared to other channels.

Japanese Cosmetics Shipment by Distribution Channel

(Percentage)

	2008	2009	2010	2011	2012
Chain store system	31.8	30.9	29.6	28.6	27.8
General distributorship	33.8	34.0	34.4	34.6	34.7
Direct marketing (Non-store)	26.3	26.9	27.7	28.2	29.1
Others	8.1	8.2	8.3	8.6	8.4

Source: Syukan Syogyo Jan. 1, 2013

Note: "Others" includes institutional/professional channels such as aesthetic salons, spas, beauty salons and barber shops supplied directly by manufacturers or through distributors/wholesalers. Some cosmetics and toiletries are sold to the customers of these establishments.

Market Entry

Japanese cosmetics consumers are known to be highly brand and quality as well as value-conscious. It is important to understand that advertising claims are more restrictive in Japan than in the U.S. For example, efficacy claims using statistical data are not yet allowed. Therefore, product image, texture, and scent may play a greater role in the purchase decision than in the U.S.

In addition, consumers in Japan are very particular about the design and finishing touches (quality) applied to packaging. Also, their needs and tastes may change with seasonal trends and fashion changes. Thus, cultivating and attracting consumers, new foreign brands may need to invest in developing brand awareness, as well as in user education. Cosmetics importers suggest that they are not interested in taking a look at a new products or brands presented to them unless the product is sharp looking and has an "attention getting story" to tell (i.e., how the concept has been developed, famous people who use it, unique characteristics, etc.).

This is because consumers do not just buy a cosmetics product, but rather buy the total value -- or total appeal -- of the product. Industry sources suggest well-known celebrity endorsements may contribute to a successful launch.

Companies wishing to enter the Japanese market are advised to develop a product mix with unique features and ingredients and to target the correct market channel in order to attract the interest of buyers and Japan's highly demanding consumers. Japanese cosmetics manufacturers are highly competitive and sophisticated, and they, too, are striving to bring new products with highly effective ingredients to the market.

Import duties for cosmetics range from zero (HS: 3303, 3304, 3305) to 5.4 percent (HS: 3307).

Market Issues & Obstacles

Japan's Pharmaceutical Affairs Law (the "PAL") governs the cosmetics industry in Japan. According to the revised PAL, made effective in April 2005, a company that intends to market or import cosmetics products must obtain a license for marketing cosmetics on a commercial basis ("*keshohin seizoh hanbaigyo no kyoka*" in Japanese) from the appropriate local government offices for each business office location. For the company that intends to manufacture cosmetics, a license for manufacturing cosmetics ("*keshohin seizogyo no kyoka*") must be obtained for each manufacturing location.

To obtain a license for marketing cosmetics on a commercial basis, an applicant company is required to comply with GQP (Good Quality Practice) and GVP (Good Vigilance Practice) in terms of quality control and post-marketing safety management in accordance with the standards specified by MHLW (Ministry of Health, Labor, and Welfare) Ministerial Ordinances.

Thus, the applicant company must have a Product Quality Manager ("*hinshitsu hoshoh sekininsha*"), a Safety Control Manager ("*anzen kanri sekininsha*"), and a General Marketing Business Controller ("*sokatsu seizoh hanbai sekininsha*"). The General Marketing Business Controller, who supervises the other two managers, must be a licensed pharmacist or a specialist who has completed university-level or equivalent pharmacology or chemistry courses. A manufacturer of cosmetics must designate a responsible engineering manager who supervises practical manufacturing of cosmetics for each manufacturing establishment.

The law does not yet permit a foreign company to make direct application from overseas for a license to market cosmetics products to Japan. Thus, a U.S. company that wishes to export its products to Japan first must find a qualified Japanese importer or representative or it must set up a Japanese subsidiary. Upon receipt of the manufacturing or marketing license, the applicant company needs to file a notification of the product to be manufactured or imported.

The Pharmaceutical Affairs Law (PAL) also stipulates that containers or wrappers of cosmetics products shall show the name and address of the marketer, name of product, production number or production code, name of cosmetic ingredients contained*, the shelf life of cosmetics if the product concerned is not stable for three years, and other information required by MHLW ordinance.

* A full ingredient listing on the container as required in the United States was put into force in Japan on April 1, 2001. Also, MHLW implemented Positive and Negative Lists of cosmetics ingredients. Accordingly, ingredients, the safety of which have been confirmed, can be mixed freely in a cosmetic product at the responsibility of the manufacturer or the marketer concerned, as long as the finished product meets the definition of cosmetics as described in the Pharmaceutical Affairs Law.

It is important for U.S. exporters and manufactures to note that some ingredients listed on the positive list are allowed only for limited uses in Japan, even if they have been widely used in other countries. For example, formaldehyde-donor-type preservatives (Imidazolidinyl Urea and DMDM Hydantoin) are not permitted in Japan with the exception of rinse-off type products, e.g., shampoos (warning labels are required for products containing these preservatives). Quaternium-15 is not approved in Japan. At the moment, suppliers who discover that their products do not meet existing standards usually seek resolution of their problems through product reformulation. This avoids complications with MHLW's strict requirements for safety and supporting data.

Several helpful publications in English are available from Yakuji Nippo (fax: 81/3/3866-8408, URL: <http://www.yakuji.co.jp/>). The regulatory agency for the cosmetics and toiletry products is the Ministry of Health, Labor and Welfare (MHLW), Pharmaceutical and Food Safety Bureau, Evaluation and Licensing Division or "*Shinsa Kanri-ka*" in Japanese (phone: 81/3/3595-2431, fax: 81/3/3597-9535 URL: <http://www.mhlw.go.jp/>). Also, helpful information is available at the International Cosmetic Legal and Regulatory Database of the Personal Care Products Council (<http://www.personalcarecouncil.org/>).

Trade Events

DIET & BEAUTY FAIR ASIA 2013 & SPA & WELLNESS JAPAN 2013

Date: September 9-13, 2013
Venue: Tokyo Big Sight, Tokyo
Organizer: UBM Japan Co., Ltd.
Phone: 81-3-5296-1013, Fax: 81-3-5296-1018
URL: <http://www.dietandbeauty.jp/en/>, <http://www.spaandwellness.jp/en/>

Beautyworld Japan West 2013
Date: October 21-23, 2013
Venue: INTEX, Osaka
Organizer: MESAGO Messe Frankfurt Corporation
Phone: 81-3-3262-8939, Fax: 81-3-3262-8442
URL: <http://www.beautyworldjapan.com/english/osaka/>

BioFach Japan Organic EXPO 2013
Date: October 31 – November 2, 2013
Venue: Tokyo Big Sight, Tokyo
Organizer: NürnbergMesse GmbH
Phone: 49-911-86-06-86-92, Fax: 4—911-86-06-86-94
URL: <http://www.biofach-japan.com/en/>

Tokyo Health Industry Show 2014
Date: March 12-14, 2014
Venue: Tokyo Big Sight, Tokyo
Organizer: UBM Media Co., Ltd.
Organizer: UBM Japan Co., Ltd.
Phone: 81-3-5296-1013, Fax: 81-3-5296-1018
URL: <http://www.this.ne.jp/eng/>

Japan Drug Store Show 2014
Date: March 14-16, 2014
Venue: Japan Convention Center (Makuhari Messe), Chiba
Organizer: Japan Association of Chain Drug Store
Phone: 81-3-6410-4051, Fax: 81-3-3353-1745
URL: <http://drugstoreshow2013.jp/index.html>

Beautyworld Japan 2014
Date: May 19-21, 2014
Venue: Tokyo Big Sight, Tokyo
Organizer: MESAGO Messe Frankfurt Corporation
Phone: 81-3-3262-8939, Fax: 81-3-3262-8442
URL: <http://www.beautyworldjapan.com/english/>

COSME TOKYO 2014 &
COSME TECH 2014
Date: October 20-22, 2014
Venue: Tokyo Big Sight, Tokyo
Organizer: Reed Exhibitions Japan Ltd.
Phone: 81-3-3349-8509, Fax: 81-3-3349-4922
URL: <http://www.cosmetokyo.jp/en/>, <http://www.cosme-i.jp/en/>

Resources & Contacts

Japan Cosmetics Industry Association	http://www.jcia.org
Cosmetics Importers Association of Japan	http://www.ciaj.gr.jp
The Personal Care Products Council	http://www.personalcarecouncil.org/
The American Chamber of Commerce in Japan Committee on Toiletry, Cosmetics and Fragrance	http://www.accj.or.jp/
Japan Nailist Association	http://www.nail.or.jp

For More Information

The U.S. Commercial Service in Tokyo, Japan can be contacted via e-mail at: Tokyo.Office.Box@trade.gov;
Phone: 81-3-3224-5074; Fax: 81-3-3589-4235; or visit our website: <http://www.buyusa.gov/japan/en/>

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Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: Market_Research_Feedback@trade.gov. Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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