Japanese Confectionery
Market Overview
EXECUTIVE SUMMARY

Japan is the largest confectionery market in Asia, boasting a market value of $9.1 billion in 2008. This is a significant market that could be attractive to Canadian suppliers, particularly those who export high-quality chocolate and products used as ingredients in cereal bars, such as dried fruit and vegetables.

Indulgent foods such as premium chocolate, functional gum, and candy, have become popular in Japan. In fact, Japan consumes the most chocolate in Asia. Retailers in Japan have a sizable market to cater to, given the aging of the Japanese population, as pensioners are Japan's largest consumers of confectionery products.

In addition to the aging population, there are two other main trends influencing the direction of the Japanese confectionery market at this time: stress at work and growing health consciousness.

A growing number of Japanese manufacturers are responding to these trends by adding functional ingredients to confectionery products like dark chocolate and chewing gum to provide benefits, such as improving emotional well-being, enhancing brain performance and controlling weight. Currently, the functional chocolate market is the fastest growing chocolate confectionery segment in Japan and the functional chewing gum is the fastest growing chewing gum category.

In the confectionery category, the fastest-growing segment is cereal bars. This market was valued at $1.2 billion in 2008 and has particular potential for Canadian ingredient suppliers who export oats, honey, maple syrup, dry fruits and vegetables, and flaxseed.

The purpose of this report is to provide an overview of the Japanese confectionery market and to identify potential opportunities for Canadian exporters, particularly in the chocolate and cereal bar sectors.

1 All values stated in this report are in Canadian Dollars.
Japan is the world’s fifth largest agri-food importer and one of the most significant export destinations for Canadian agri-food products. In 2008, Japan imported $65 billion worth of agri-food products globally. That same year, Japan imported $3.7 billion worth of agri-food products from Canada, which accounted for 10% of Canada’s total agri-food exports. Also in 2008, 30% of Japanese agri-food imports from Canada were consumer-oriented agricultural products (valued at $1.1 billion).

Japan is a significant market for Canadian high-end confectionery products and ingredients. In 2008, the value of Canadian sugar confectionery exports to Japan reached $25.3 million and represented an increase of 17% from the previous year. In the same year, the value of Canadian chocolate exports to Japan was $1.2 million, which increased 26% over the previous year.

Canada is recognized as a high-quality food and ingredients supplier among Japanese buyers. The confectionery and chocolate products market in Japan may provide opportunities for Canada’s high-end chocolate and specialty sugar confectionery producers and exporters, as well as specialty ingredients exporters.

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**OVERVIEW OF JAPANESE CONFECTIONERY MARKET**

Japan is the largest confectionery market in Asia with a market value of $9.1 billion. The market is expected to grow by 14% between 2008 and 2013, increasing to $11.4 billion. In 2008, Japanese consumers spent $78 per capita on confectionery products. This was high relative to other Asian countries (see Figure 1). The confectionery market may be divided into four sectors: chocolate, chewing gum, cereal bars and candy.

![Figure 1](source: Euromonitor International)
Trends in the Confectionery Market in Japan

There are three main trends influencing the direction of the Japanese confectionery market: an aging population, work stress, and growing health consciousness.

▶ Aging Population
Japan’s population is aging rapidly. In 2008, 52.1 million people, approximately 41% of the total Japanese population, were classified as pensioners (over the age of 55 years). According to Datamonitor, the population of Japanese pensioners will reach 55.2 million by 2012, and will account for more than 43% of the total Japanese population. Pensioners possess nearly half of the country’s $132 billion in savings. With significant savings in hand, pensioners are willing to purchase high-quality products offering premium quality and packaging. Pensioners are the biggest consumers of confectionery products such as chocolate, candy, and cereal bars, accounting for 28% of total confectionery product consumption (Datamonitor).

▶ Work Stress and Busy Lifestyle
In general, the Japanese population suffers from higher levels of work stress compared to other industrialized countries. This may be attributable to hierarchical company structures, long working hours and long commutes between home and the workplace. Indulgent foods such as premium chocolate, functional chewing gum and candy have become popular among Japanese office employees seeking a break from work stress. According to a consumer survey conducted by Datamonitor, more than 77% of Japanese consumers believe it is very important to find a way to escape from their stressful lives; just over 16% of Japanese workers snack at work in the morning at least twice a week, and 44% of surveyed consumers snack in the afternoon during work hours more than twice a week.

▶ Health Consciousness
The Japanese population has traditionally been health conscious and this is expected to continue into the future. More working Japanese men and women are becoming highly health conscious and have started to eat healthy foods and engage in regular exercise. According to a Datamonitor survey, in 2008 more than 85% of Japanese consumers considered a healthy diet as very important in their “overall wellness.” The same survey revealed that 49% of female and 40% of male Japanese consumers find enhanced nutrients in food and beverages very appealing. Japanese consumers continue to be willing to pay high prices for food products that are perceived to be of high-quality and that offer dietary supplements.
Chocolate

Japan’s chocolate market is fairly well-established and chocolate in Japan can be characterized as sophisticated, featuring:

- Increasingly exotic flavours and attributes, such as the addition of liquid fillings;
- Premium ingredients and functional benefits;
- Product segmentation that targets very specific consumer groups; and
- High-end packaging that provides convenience and portion control.

As Asia’s biggest consumer of chocolate, Japanese chocolate consumption in 2008 was equal to more than 6% of the world’s chocolate market value. The Japanese chocolate market is expected to reach $4.6 billion by 2013. In 2008, chocolate products were the most popular confectionery category in Japan, with a 41% share and a value of $3.7 billion. This was an increase of 0.8% over the previous year (Euromonitor International). Chocolate confectionery in Japan can be divided into six main segments: solid chocolate bars, chocolate-covered bars, boxed chocolate assortments, bagged chocolate snacks, seasonal chocolate, and other chocolate. In 2008, solid chocolate bars were the most popular type of chocolate confectionery in Japan, with 34% ($1.9 billion) of the total chocolate market. The Japanese chocolate market offers growing potential for Canadian producers of high-end or specialty chocolate.

Cereal Bars

The cereal bar market is a relatively new sector compared to the Japanese chocolate market. However, cereal bars are the fastest growing confectionery category. In 2008, the cereal bar market in Japan was valued at $1.2 billion, which was 45% higher in value than in 2000. The cereal bar market is divided into five categories: energy and nutrition bars, granola bars, fruit bars, breakfast bars, and others. Energy and nutrition bars dominate the cereal bar market with a 50% market share and a value of $586 million. This market is growing at an average rate of 3% every year. The cereal bar market in Japan offers potential for Canadian ingredient suppliers who export oats, honey, maple syrup, dry fruits and vegetables and flaxseed.
Chocolate and Cereal Bar Products in Japan

Dark chocolate and Functional chocolate
In the past two years, many chocolate products launched in Japan featured dark chocolate with a cocoa content of 70-99%. Japanese consumers have begun to recognize the nutritional value and functionality of dark chocolate. In addition to producing solid dark chocolate bars, a growing number of Japanese manufacturers are adding functional ingredients to dark chocolate products to provide additional benefits such as improving emotional well-being and enhancing brain performance.

The functional chocolate market is the fastest growing chocolate confectionery segment in Japan. According to “Market Development Reports—Japanese Food Trends 2009” (USDA Foreign Agriculture Service), a noticeable trend has been to incorporate healthy ingredients, such as vegetables and fruits, into chocolate to avoid the traditionally unhealthy image of snacking. The Japanese confectionery market has pioneered the use of chocolate products to promote brain function and mental health. From 2006 to 2008, 19 new Japanese food and drink products claiming to assist brain function were successfully launched in Japan. An example of one of these products is Tomato Chocolate Sticks, which features sun-dried tomato as a major ingredient. This product mainly targets consumers aged 20 to 40.

Flavours
Japanese manufacturers tend to differentiate chocolate confectionery products based on flavour and texture. According to Datamonitor, Japan’s top flavours launched in 2008 were strawberry, lemon, blackberry, peach and mango. Many chocolate products include ingredients such as green tea, mint, orange, banana, and apple, etc, as well as exotic flavours such as red chilli, salt, vinegar, and even roasted garlic. KitKat, the manufacturer of chocolate wafer bars, has introduced 81 varieties in Japan featuring such flavours as melon, apple, grape, mango, corn, baked potato and red bean.

Functional Cereal Bars
Japan’s growing population of senior citizens is becoming an influential consumer sector in Japan. Japanese snack bar manufacturers are tapping into this segment and are tailoring their products to meet the needs of this group. It is likely that health will become an increasingly important factor affecting Japanese food trends in the future. More and more varieties of functional cereal bars are being introduced into the Japanese market claiming to have a positive impact on brain function, stomach health and the body’s nutritional balance (New food review). Functional snack bars that contain dietary fibre, whole grains, vitamin C, amino acids and lower sugar content have become particularly popular among Japanese consumers, especially seniors.

Nutrition Supplement Snack Bars
A recent consumer study conducted by Datamonitor discovered that Japanese consumers are increasingly skipping breakfast and lunch. This trend is particularly prevalent among consumers between the ages of 20-49. Time pressure and weight control are the two most often cited reasons for Japanese consumers to skip meals. Breakfast replacement products, such as cereal bars, that can be consumed with no preparation and have healthy ingredients and daily nutrition supplements, are becoming more attractive to meal-skippers. For example, Soy Joy cereal bars, which offer a meal alternative of soy beans and fruit, are marketed in Japan as a good source of fibre, vitamins and additional minerals.

It is clear that health and nutrition enrichment will continue to be an important aspect of Japan’s cereal bar market in the future. Granola bars that include whole grain and dry fruits have become increasingly popular among Japanese consumers, especially among younger, health-conscious women. Other popular ingredients included in successful cereal bar products are Omega-3 fish oils, flaxseed, brown sugar, and maple syrup. In general, dried fruits and vegetables with distinctive colors, such as red and black, tend to be more popular ingredients with Japanese chocolate manufacturers. (Japanscan Market Report). Canadian “superfruits”, with high antioxidant content, such as wild blueberries, cranberries, huckleberries and gooseberries may become increasingly popular dry fruit ingredients to include in cereal bars in Japan.
The following section provides an overview of the Japanese chewing gum and candy sectors, including the health and demographic trends that have shaped and continue to shape the Japanese chewing gum and candy industry. It also identifies potential export opportunities for Canadian exporters interested in the Japanese confectionery market.

**Chewing Gum**

Chewing gum is the third largest category in the Japanese confectionery market. In 2008, it had a total market value of $1.3 billion, representing an 18% increase over 2000. The top suppliers of chewing gum (with or without sugar) to Japan were China (with a value of $0.7 million), South Korea ($0.6 million) and Thailand ($0.4 million). Canada ranked as the fourth largest supplier of Japanese chewing gum in 2008, with an export value of $0.2 million. Japan imported $2.3 million worth of chewing gum from the world in 2008. The total value of Japan's chewing gum imports from the world has declined by 16% compared to their value in 2005 ($2.8 million). However, total Japanese chewing gum exports to the world have increased by 37% since 2005, to $11.6 million in 2008. This could indicate growth in domestic chewing gum manufacturing in Japan.

The chewing gum market can be divided into five categories: sugar-free gum, stick gum, sugar coated gum, bubble gum and others. In 2008, Japan’s annual per capita chewing gum consumption of $17.70 was the highest among Asian countries. According to Datamonitor, in 2008, the most popular chewing gum flavours in Japan were fruit and mint.

Sugar-free gum remains the most popular chewing gum in Japan, with a market share of nearly 79% of the total chewing gum market, which posted revenue of $764 million in 2008 (Datamonitor). Functional gum, the second largest chewing gum category in Japan, grew by 82% between 2000 and 2008. The value of the functional gum market in Japan was $425 million in 2008. Regular sugar chewing gum and bubble gum have relatively smaller market shares in Japan; in 2008, together they represented a market value of $92 million.

![Market Value of Chewing Gum in Japan](source: Datamonitor)
Candy and soft chews

Chews, jellies, and hard-boiled candies are seen as affordable indulgent products. Candy confectionery sales in Japan increased modestly by 4% from 2000 to 2008 — from $2.8 billion in sales to $2.9 billion in sales (Datamonitor). The growth of the Japanese candy confectionery market was driven by the strong sales of innovative products featuring health and beauty benefits. In 2008, soft candies registered the highest market value of candy sales in Japan ($1.8 billion). Medicated candy was the second most popular candy category, with a market value of $0.2 billion (Datamonitor). Power mint tablets and breath fresheners had sales of $511 million in 2008.

Japanese teenagers are the largest consumer group for candy and soft chews. Hi-Chew by Morinaga & Co Ltd has remained the leading candy confectionery brand in Japan. Other popular Japanese brands include Kasugai Gumi 100 and Meiji Kaju Gummy. These two brands are especially popular among young, image-conscious Japanese women, as they are fortified with ingredients like rosehip and collagen, which are purported to have beauty-enhancing properties.

**Chewing Gum Products in Japan**

**Sugar-free Gum**

In recent years, one of the biggest developments in the Japanese chewing gum market has been sales of sugar-free gum. Sugarless gum has overtaken stick gum, and has become the biggest category in the market, with a share of 78% in 2008 (Datamonitor). Sugar-free gum is popular in Japan as consumers recognize the health benefits it offers over regular gum, such as dental care and low calorie content. Sugar-free is still expected to be popular among Japanese consumers in the future; the sales value of sugar-free gum is expected to reach $799 million in 2013, a 5% increase from 2008. Sales of sugar-free gum in Japan are expected to grow by 4% from 26.8 million kg in 2008 to 28.0 million kg in 2013. The focus of the chewing gum market will likely continue to be tooth-friendly gums that provide dental benefits. Datamonitor has identified many popular sugarless chewing gums in Japan, featuring mint or fruit flavors, or a combination of both. Chewing gum with a liquid center has also been trendy in Japan.

**Functional Chewing Gum**

Functional chewing gum is the fastest growing chewing gum category in the Japanese market. This market is expected to grow by over 5% per year until 2013 and reach a market value of $567 million. The price of functional gum has increased by 26% from 2000 to 2008. The main consumers for this type of gum in Japan are working men and seniors. Chewing gum manufacturers in Japan have started to tap into these markets by producing functional chewing gum products that cater to their needs. Examples of many successful functional chewing gum products in Japan are caffeinated, energy-boosting, or vitamin-fortified gums. The most popular types of functional gum in Japan are stress-relief sugarless gums that contain caffeine. Memory-improving chewing gums, fortified with gingko extract, are the newest development in the Japanese market (Euromonitor International).

Functional gums that claim attributes such as vitamin-fortified, weight-control or tooth-whitening, appeal to image-conscious female consumers in Japan. A successful example is Kracie Kobara Pitari Gum, newly introduced to Japanese consumers by Kracie Holdings. This gum claims to help consumers feel fuller for longer. The active ingredient in this chewing gum, konjac powder, swells up to 200 times its original volume in the stomach to induce the feeling of fullness.
Etiquette Candy
Appearance and etiquette are ongoing concerns among Japanese consumers. Therefore, the demand for breath-freshening products is on the rise. Generally, Japanese breath-freshening products feature small mint tablets with fragrant flavors. Many new breath-freshening candies and gums appeared on the Japanese market in 2007, creating a new niche market for chewing gum. Popular flavors include mint, tea, floral fragrances (such as rose) and fruit.

Sugar-free Candies
Growing health concerns among Japanese consumers have driven demand for healthier candies such as brown sugar and sugar-free. Studies show that the size of candy packages have decreased over time, while the quality of the products has increased. This demonstrates the Japanese consumers’ willingness to pay higher prices for these products.

Soft Candy and Gummy Candy
Candy products focusing on different textures, such as gummies and soft chews, have gained popularity among Japanese consumers in recent years. A recent trend in the gummy and soft chew candy industry has been the addition of functional ingredients to the candy in order to provide additional health and beauty benefits. This includes tooth-friendly candies that are sugar-free, candies that offer beauty benefits and candies that contain healthy ingredients such as vitamin C, herbs and flowers.

Many new and innovative soft chew and gummy candies were recently introduced into the Japanese market. Most of these innovations focus on the softness of the gummy. For example, KAON Berry crystal gummy, recently introduced by Meiji Seika in Japan, includes actual dry fruit in the gummy and has extra rich flavour with a soft, light texture. Companies continue to focus on the inclusion of fruit juice to impart a healthier image.

Chocolate Products
Japan has large chocolate processing and packaging facilities to supply domestic and export markets. The leading chocolate producers in Japan are Lotto Group, Meiji Seika Kaisha Ltd, and Ezaki Glico which, in 2008, had market shares of 22%, 22% and 21%, respectively. The remaining 35% of the chocolate industry was divided among Bourbon Corporation, Nestle S.A., Morinaga & Co, Fujiya, Kabaya Foods Corporation, and Cadbury. Private label chocolate had less than 2% of the market in 2008 (Datamonitor).

Cereal Bars
Japan’s cereal bar market is dominated by two companies: Otsuka Pharmaceuticals Co. and Asahi Food & healthcare. Otsuka Pharmaceuticals Co. had a market share of 36.9% in 2008, while Asahi Food & healthcare had 30.2%. Meiji Seika Kaisha, Ltd. was the third largest domestic cereal bar producer, with a 10% market share in 2008.
Chewing Gum
The chewing gum market in Japan is led by domestic producers. In 2008, Lotte Co Ltd was the leading company in the chewing gum market with a share of 49%. Cadbury Japan Ltd was in second place with a share of 14%, while Meiji Seika Kaisha Ltd was in third place with a share of 12%. The rest of the market is shared by Ezaki Glico Ltd., Kanebo Ltd., Bourbon Corp, Coris Co, and Kabaya Shokuhin Co Ltd. Private label accounts for 0.2% of the market.

Sugar Confectionery
Morinaga & Co. Ltd. had the largest share of the Japanese sugar confectionery market in 2008, with a 19% market share. Meiji Seika Kaisha, Ltd. and Asahi Food & Healthcare are the second and third largest domestic sugar confectionery producers, with market shares of 9% and 8%. The rest of the market was equally divided among Kanro, Fujiya, Kabaya Foods Corporation, Lotte Group and private label.

CANADIAN EXPORT OPPORTUNITIES
It is likely that Japanese confectionery companies will continue to be interested in dried fruit and vegetables as ingredients in chocolate and cereal bar products. More and more Japanese consumers are willing to pay a premium price for quality food with healthy ingredients, as these consumers are increasingly interested in their health. This makes Japan a potentially attractive market for Canadian exporters of high-quality chocolate and products used as ingredients in cereal bars. There may also be more opportunities for Canadian confectionery products that focus on health-related positioning, such as naturalness (organic or no additives and preservatives) and purity (simple and clear ingredient lists with limited chemicals added).
Datamonitor. www.datamonitor.com

Euromonitor International. www.euromonitor.com


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