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# The Regulatory Landscape and Entry Structures relating to the Japanese Sake Market
# Part II

Continuing on from Part I, this newsletter is primarily addressed to overseas businesses and foreign investment funds considering entry into or investment in Japan's sake (*seishu*) manufacturing industry. Part I covered the current state of the sake market and industry, and the basic structure of the licensing system, in particular by focusing on the sake manufacturing license.

In Part II, we will cover institutional factors which have a direct bearing on investment decisions (geographical indications and liquor tax), operational regulatory requirements following acquisition (labeling and hazard analysis and critical control point ("HACCP") compliance), entry structure options, and investment restrictions under the Foreign Exchange and Foreign Trade Act ("FEFTA").

## 1. Institutional Factors having a Direct Bearing on Investment Decisions

This section provides an overview of the geographical indication (GI) system and the structure of the liquor tax system, in the context of them being institutional factors that directly affect the valuation of a target brewery and post-acquisition business planning.

GIs for alcoholic beverages are administered by the National Tax Agency ("NTA") pursuant to Article 86-6 of the Act on Securing of Liquor Tax and on Liquor Business Associations, etc. (note that this is a separate system from the agricultural GI regime administered by the Ministry of Agriculture, Forestry and Fisheries).[1] A GI is a system that protects place names by linking them to the essential characteristics - quality, reputation, and so on - of a product, and constitutes an important indicator in valuing a target brewery.

## 1-1. Requirements for the National-Level GI "Nihonshu (Japanese Sake)" designation

"Nihonshu (Japanese Sake)" was designated as a national-level GI on December 25, 2015.[2] Sake that does not satisfy the following requirements may not be labeled as "Nihonshu (Japanese Sake)," even if it is manufactured in Japan:

[1] National Tax Agency, "Geographical Indications for Alcoholic Beverages" (https://www.nta.go.jp/taxes/sake/hyoji/chiriteki.htm).
[2] National Tax Agency, "Designation of the Geographical Indication 'Nihonshu (Japanese Sake)'" (https://www.nta.go.jp/taxes/sake/hyoji/minaoshi/pdf/chiritekihyoji.pdf).

① Only domestic (Japanese-originated) rice and rice-koji[3] are used as raw materials.

② The sake is manufactured and bottled in Japan.

The GI "Nihonshu (Japanese Sake)" is mutually protected in the EU and the United Kingdom under the Japan-EU EPA and the Japan-UK EPA.[4] With sake exports in 2025 reaching a total of ¥45.88 billion (up 5.5% year-on-year, marking two consecutive years of growth), the importance of high-value-added exports which leverage this GI is increasing.[5] Where a high-value-added export strategy is contemplated by an investor or operator, it will be necessary to confirm whether the target brewery's products satisfy these requirements. Additionally, where original equipment manufacturing (OEM) or toll manufacturing arrangements are utilized, attention should be paid to consistency with the domestic rice usage requirement.

## 1-2. The Rapid Expansion of Regional Sake GIs

In recent years, GIs for regional sake have been expanding rapidly. As of 2026, there are 23 GIs in the sake category, including the national-level GI "Nihonshu (Japanese Sake)". Breweries located in GI-designated regions carry added value in the form of regional brand protection, which can serve as a source of brand premium in acquisition and investment transactions. The following table sets out recent major designations (by formal NTA designation date):[6]

| GI Name | Geographic Scope | Designation Date |
|---|---|---|
| **Nada-gogo** | Hyogo Prefecture (Nada-ku and Higashinada-ku, Kobe; Ashiya; Nishinomiya) | June 2018 |
| **Shinano-Omachi** | Omachi City, Nagano Prefecture | June 2023 |
| **Minami-Aizu** | Minami-Aizu Town, Minami-Aizu District, Fukushima Prefecture | August 2024 |
| **Itami** | Itami City, Hyogo Prefecture | November 2024 |
| **Kitakata** | Kitakata City and Nishiaizu Town, Yama District, Fukushima Prefecture | December 2024 |
| **Aomori** | Aomori Prefecture | June 2025 |
| **Kyoto** | Kyoto Prefecture | October 2025 |
| **Tottori** | Tottori Prefecture | October 2025 |
| **Fukuoka** | Fukuoka Prefecture | October 2025 |

[3] Cooked rice which has been inoculated with a beneficial mold.
[4] National Tax Agency, "Mutual Protection (Additional) of GIs for Alcoholic Beverages under the Japan-EU EPA" (https://www.nta.go.jp/taxes/sake/yushutsu/pdf/0023006-097.pdf).
[5] National Tax Agency, "Recent Export Trends for Japanese Alcoholic Beverages" (https://www.nta.go.jp/taxes/sake/yushutsu/pdf/0026002-066.pdf).
[6] National Tax Agency, "List of Geographical Indications for Alcoholic Beverages" (https://www.nta.go.jp/taxes/sake/hyoji/chiri/ichiran.htm).

## 1-3. The Basic Structure of the Liquor Tax Act

Alcoholic beverages are taxed under the Liquor Tax Act at the point of shipment from the manufacturing facility, with the tax imposed on the manufacturer (the "shipment-basis" taxation principle; *ishutsu-kazei shugi*). For sake, the rate was unified to ¥100,000 per kiloliter (approximately ¥35 per 350ml equivalent) in October 2023. This tax burden must be factored into product pricing and business cost calculations. Please note that certain tax rate changes will be implemented in October 2026, as set out in the table below:

| Category | Pre-Reform | October 2023 onward | October 2026 onward |
|---|---|---|---|
| **Sake (brewed beverages)** | ¥110,000/kl | **¥100,000/kl (unification complete)** | No change |
| **Beer-based beverages** | ¥200,000–¥260,000/kl (varies by type) | Phased adjustment ongoing | **Unified at ¥155,000/kl** |
| **Chuhai and similar ready-to-drink ("RTD") beverages** | Approx. ¥28,000/kl | Phased increase | **Raised to ¥100,000/kl** |

The tax rate changes taking effect in October 2026 apply to beer-based beverages and chuhai-type products, while the rate for sake remains unchanged. Reports of "liquor tax reform" should therefore be treated with care when preparing business plans, as sake currently falls outside the scope of those changes.

## 2. Operational Regulatory Requirements Following Acquisition

Labeling/display regulations and mandatory HACCP compliance are practical regulatory requirements that must be addressed in the post-acquisition operational phase. It is advisable to review these as part of due diligence from the investment decision stage.

## 2-1. Overview of Labeling and Display Regulations

Alcoholic beverage containers and labels are subject to mandatory disclosure requirements under multiple laws, including the Liquor Tax Act, the Food Labeling Act, the Unfair Competition Prevention Act and the Act on Securing of Liquor Tax and on Liquor Business Associations, etc. In summary:

- The product category (sake), alcohol content, volume, manufacturer’s name, and manufacturing location must be stated (Liquor Tax Act Enforcement Order).
- Where a specific designation (tokutei meisho) such as "Junmai-shu," "Ginjo-shu," or "Daiginjo-shu" is used, the requirements set out in NTA notices (milling ratio, percentage of koji rice used, etc.) must be satisfied and stated.[7]
- Separate labeling regulations applicable in the destination country will also apply to exported products (e.g., EU geographical indication regulations; U.S. TTB label approval).

[7] National Tax Agency, "Standards for Labeling the Manufacturing Method and Quality of Sake" (https://www.nta.go.jp/taxes/sake/hyoji/kijun/gaiyo/04.htm).

Allergen labeling (regarding the use of rice, wheat, etc.) must be addressed in compliance with the Food Labeling Act.

Furthermore, the "Standards for Labeling the Manufacturing Method and Quality of Sake" govern both the requirements for using the tokutei meisho designations (comprising eight categories: ginjo-shu, daiginjo-shu, junmai-shu, junmai ginjo-shu, junmai daiginjo-shu, tokubetsu junmai-shu, honjozo-shu, and tokubetsu honjozo-shu) and the general labeling rules for sake. The revision made in July 2022, which is effective from January 2023, introduced the three principal changes set out below. These apply to sake generally, not only to tokutei meisho sake.[8]

| Item | Change |
|---|---|
| **Date of production labeling** | Reclassified from a mandatory item to an optional item (increasing operational flexibility). |
| **Award descriptions** | The prior framework of "optional items" was abolished and the structure was reorganized. Terms that could cause consumers to mistakenly believe a product has won an award at a competition or similar event, and terms that could cause consumers to mistakenly believe a product is endorsed by a government body, were added to the list of prohibited labeling items; at the same time, it became permissible to indicate actual award facts — including awards from private contests — provided such statements are not false or exaggerated. |
| **Compound labeling** | Compound labeling such as "Namazake-Genshu" (unpasteurized undiluted sake) and "Namachozo-Genshu" (live-stored undiluted sake) is now permitted, enabling combined labeling of multiple product characteristics. |

## 2-2. Mandatory HACCP Compliance

From June 2021, all food business operators in Japan became obligated to implement sanitation management in accordance with HACCP principles under the amended Food Sanitation Act.[9] Sake manufacturers are included within the scope of this obligation.

The management system has a two-tier structure based on operator size. Large-scale operators with 50 or more manufacturing employees are required to fully implement "HACCP-based sanitation management" in accordance with the seven principles and twelve procedures established by the Codex Alimentarius Commission. Small-scale operators, with fewer than 50 manufacturing employees (who comprise the vast majority of the F&B industry), are permitted to satisfy the obligation through "sanitation management incorporating the HACCP concept," and by following guidebooks prepared by the Japan Sake and Shochu Makers Association and other industry bodies under the supervision of the Ministry of Health, Labour and Welfare. As such, formal compliance with all seven principles is not required.[10]

Sake has an alcohol content of approximately 14–16%, and the bactericidal effect of alcohol combined with the decrease in pH caused by organic acids produced by lactic acid bacteria (typically pH 3.5–4.5) means that the risk from pathogenic microorganisms is relatively low compared to other foods and beverages. For this reason, the key HACCP control points for sake are prevention of foreign body contamination (glass fragments, metal particles, plastic fragments, etc.) and general hygiene management. Furthermore, the seven-year record retention requirement for raw materials,

[8] National Tax Agency, "Overview of the 'Standards for Labeling the Manufacturing Method and Quality of Sake'" (https://www.nta.go.jp/taxes/sake/hyoji/seishu/gaiyo/02.htm).
[9] Ministry of Health, Labour and Welfare, "HACCP" (https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryou/shokuhin/haccp/index.html).
[10] Ministry of Health, Labour and Welfare, "Guidebook for Sanitation Management Incorporating the HACCP Concept in the Sake Manufacturing Industry (for Small-Scale Operators)" (https://www.mhlw.go.jp/content/11130500/000617533.pdf).

manufacturing, and shipment/receipt records under the Liquor Tax Act can also serve as the sanitation management records required under HACCP.

All of Japan's major export destinations for sake effectively require food safety management equivalent to HACCP. In the United States, under the Foreign Supplier Verification Program (FSVP) established under the U.S. Food Safety Modernization Act ("FSMA"), a preventive controls plan equivalent to HACCP must be developed and implemented. In the EU, Regulation (EC) No 852/2004 requires third-country exporters to comply with hygiene standards equivalent to those applicable in the EU, which has HACCP at its core. In Taiwan and South Korea, HACCP-equivalent management is required for imported food products under their respective food safety laws. Against this backdrop, HACCP compliance is not merely a prerequisite for continued export; cases are also increasingly arising in which importers and mass retailers in destination countries require third-party certification (SQF, BRC, etc.), which means that HACCP capability effectively functions as a practical negotiating condition.

## 3. Entry Structure Options and Comparison

When foreign investors enter Japan's sake manufacturing industry, the choice of entry structure significantly affects the treatment of the manufacturing license, procedures under FEFTA, cost, and timeline. The main options available to investors are summarized below.

| Structure | Overview | Treatment of Manufacturing License | Key Considerations |
|---|---|---|---|
| **① Share Acquisition (Share Deal)** | Acquire shares in an existing brewery to obtain management control | The license continues to exist as-is (no name change required) | In principle, only a post-closing report under FEFTA is required (prior notification applies where the brewery grows its own sake rice). Grounds for disqualification must be verified if officers will change following the acquisition. |
| **② Asset Acquisition / Company Split (Asset Deal)** | Individually acquire the assets and liabilities of a brewery business | In principle, the acquirer cannot succeed to the manufacturing license, and a new application must be filed. Where the same manufacturing facility is taken over, succession treatment may apply | Risk of a gap period during which no license is held. |
| **③ Obtaining an Export-Only Sake Manufacturing License** | Establish a corporation in Japan and obtain a new manufacturing license exclusively for export | Both the supply-demand adjustment requirement and the 60kl minimum production volume requirement are inapplicable | Domestic sales are in principle prohibited; only domestic rice may be used; an export-focused strategy is a prerequisite (refer to Part I for more details). |

| | | | |
|---|---|---|---|
| **④ Acquisition of a Closed/Dormant Brewery + Succession** | Acquire the shares or business of a closed or dormant brewery and resume manufacturing | If the license has not lapsed, succession is possible. If the license has already lapsed, a new application must be filed (subject to the "bedrock regulation" barrier). | Confirming whether the license has lapsed is the most critical due diligence item |

As discussed above, a "bedrock regulation" applies to licenses for domestic sake manufacturing: under the supply-demand adjustment requirement (Article 10, item 11 of the Liquor Tax Act), new licenses are in principle unavailable. Separately, an applicant must also meet the minimum production volume requirement (Article 7, paragraph 2, item 1 of the same Act), which for sake is a projected production volume of 60kl or more. Accordingly, where domestic manufacturing is the premise, Share Acquisition (option ①) or acquisition of a closed/dormant brewery (option ④) are the only realistic entry routes. Where export-only operations are the objective, establishing a new entity and applying for an export-only sake manufacturing license (option ③) remains possible.

## 3-1. Key Considerations for Share Acquisitions (Share Deal)

The major advantage of a share acquisition is that the manufacturing license continues to exist without interruption, with no license succession risk, which means that the existing manufacturing and sales infrastructure can be taken over. The three principal matters to verify are as follows.

First, the procedures under FEFTA (further discussed in Section 4 below). Sake manufacturing is not a designated business sector for inward direct investment, so prior notification is in principle not required and a post-closing report suffices. Separate consideration is required, however, where the brewery grows its own sake rice.

Second, if officers of the company will change following the acquisition, it is necessary to confirm that the new officers have no disqualification grounds under Article 10 of the Liquor Tax Act (including prior convictions punishable by imprisonment or higher, or convictions carrying fines under the Liquor Tax Act, Customs Act, or similar laws). The same applies to foreign nationals who will be officers.

Third, it is necessary to carefully examine whether the conditions attached to the manufacturing license (caps on production volume, product category restrictions, etc.) are consistent with the post-acquisition business plan.

## 3-2. Key Considerations for Establishing a New Entity Under an Export-Only Sake Manufacturing License

This license structure is well suited to strategies in which a foreign investor intends to build an export brand without domestic sales. Its defining feature is that neither the supply-demand adjustment requirement, nor the 60kl minimum production volume requirement, is applicable. Establishment of a Japanese legal entity or registration as a Japanese branch is a prerequisite. Further, because the license application process typically takes approximately two months from application to grant, careful scheduling through to the commencement of manufacturing is important. Note also that “sake manufacturing business” must be stated in the company’s articles of incorporation as a stated business purpose.

Regarding the GI "Nihonshu (Japanese Sake)": products manufactured under an export-only manufacturing license can also bear this GI designation, provided the requirements (including the use of domestic rice and domestic manufacturing) are satisfied. Should a future expansion into domestic sales be contemplated, a separate domestic manufacturing license or a partnership with an existing brewery will be necessary.

## 4. Inbound Foreign Direct Investment Restrictions Under FEFTA

Where a foreign investor acquires shares or voting rights in a Japanese company engaged in a designated business sector, prior notification to the Minister of Finance and the competent minister is mandatory (Article 27 of FEFTA). However, under the public notice specifying the designated business sectors, the industry classifications listed in Appended Table 3 to that notice are excluded from designation, and that table includes sub-category 1023, "Sake (*Seishu*) Manufacturing." On this basis, sake manufacturing is not a designated business sector, and an investment in a sake manufacturing company is in principle not subject to prior notification; a post-closing report suffices. Where a brewery grows its own sake rice, however, prior notification is required, as sub-category 0111, "Rice Farming," is listed as a designated business sector in Appended Table 2 to the same public notice.[11]

Additionally, in the case of an unlisted sake manufacturing company, the acquisition of shares, the subscription for new shares or the acquisition of a business by a "foreign investor" (including non-resident individuals, foreign corporations, or Japanese corporations in which a foreign corporation holds more than 50% of the equity) constitutes an inward direct investment and is subject to a post-closing report (Article 26, paragraph 1 and Article 55-5 of FEFTA). Note that the definition of "foreign investor" also captures Japanese subsidiaries in which a foreign corporation holds more than 50% of the equity. In this way, indirect holdings in Japanese companies are also captured under FEFTA.

## Conclusion

Japan’s sake manufacturing industry offers a rare investment opportunity for foreign investors, as two contrasting trends - structural contraction of the domestic market and steady growth in export demand - run in parallel. The entry barriers created by the licensing system underpin the asset value of existing breweries while, at the same time, effectively narrowing the range of available entry structures. Moreover, the various legal requirements (including investment restrictions under FEFTA, the GI system, HACCP compliance, and labeling regulations) are all important practical issues that directly affect investment decisions, due diligence, and post-acquisition business operations. Future newsletters will seek to address individual topics covered in this series in further depth.

This newsletter is based on laws and publicly available information as of August 4, 2026.

[11] A post-closing report must in principle be filed within 45 days after the investment is made. Where prior notification is required, a standstill period of in principle 30 days (extendable to a maximum of five months) applies following submission of the notification, during which the investment may not be made (Article 27, paragraph 3 of FEFTA). Failure to fulfill the reporting or notification obligation may result in an order to discontinue the investment or criminal penalties (imprisonment or fines) under Article 70, paragraph 1, items 22 through 25 of FEFTA.

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