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

This newsletter is primarily addressed to overseas businesses and foreign investment funds considering entry into, or investment in, Japan's *seishu* (sake) manufacturing industry. Entry structures vary - from acquiring an existing sake brewery through an acquisition, to establishing a new brewery which is established exclusively for export - but in all cases, an understanding of Japan's unique regulatory framework is indispensable.

This newsletter is published in two parts. Part I begins with outlining the current state of the sake market and industry, as well as covering the basic structure of the licensing system, focusing on the sake manufacturing license. Part II will address institutional factors which have a direct bearing on investment decisions (geographical indications and liquor tax), together with 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. The Current State of the Sake Industry

Japan's sake industry is in a period of structural transformation in which two seemingly contradictory trends are running in parallel: a long-term contraction in domestic Japanese consumption, paired with a steady growth in exports. This structure simultaneously generates both investment opportunities and business risks for foreign investors.

1-1. Export Growth Trend and Market Internationalization

In 2025, sake exports reached a total of ¥45.88 billion (up 5.5% year-on-year), marking the second consecutive year of growth and representing the second-highest level of exports on record. The export market has now expanded to 81 countries and regions worldwide, with the average export unit price per liter of sake rising to ¥1,368 — approximately 1.8 times the figure of ¥771 a decade earlier. By country, China led with approximately ¥13.3 billion in export value, followed by the United States of America at approximately ¥11.1 billion, while South Korea set a new all-time record at approximately ¥4.4 billion.[1]

The Japanese Government has designated sake as a priority export product among agricultural and food products, with a target of ¥76 billion in exports by 2030.[2] The geographical indication ("GI"), "Nihonshu (Japanese Sake)", is mutually protected in both the EU and the United Kingdom under the Japan-EU

[1] Japan Sake and Shochu Makers Association, "FY2025 Sake Export Performance Exceeded Previous Year in Both Value and Volume," February 6, 2026 (https://prtimes.jp/main/html/rd/p/000000104.000083559.html).
[2] National Tax Agency, "Recent Export Trends for Japanese Alcoholic Beverages" (https://www.nta.go.jp/taxes/sake/yushutsu/pdf/0026002-066.pdf).

EPA and the Japan-UK EPA,[3] providing an institutional foundation that enhances the brand value of sake as an export product.

1-2. The Domestic Market Structure and the Value of Entry Barriers Created by "Bedrock Regulation"

Domestic sake consumption has been declining for half a century since its peak in 1973. Taxable shipment volumes have fallen to less than 30% of that peak, from approximately 1.77 million kL in FY1973 to approximately 410,000 kL in FY2022, representing a decline of more than 70%.[4] The number of breweries has also continued to decrease, creating an extremely competitive environment for existing operators. Consolidation is a symptom of that pressure rather than relief from it: sake competes not only with other breweries but with beer, ready-to-drink products, wine and spirits, for a shrinking pool of domestic drinking occasions, and the fixed costs for a capital-intensive industry are weighing increasingly heavily as volumes fall.

At the same time, the "bedrock regulation" (ganban kisei) surrounding sake manufacturing licenses (discussed in detail below) means that, in principle, new domestic manufacturing licenses are not being granted. This means that existing breweries possess legally protected barriers to new entry, which means that the acquisition of an existing brewery through M&A has become the only realistic and substantive route to entering the sake manufacturing industry. The asset value of existing breweries, in which scarcity, brand, and manufacturing license are integrated as a single package, is underpinned by this regulatory environment.

1-3. Rising Sake Rice Prices — A Cost Risk Affecting Investment Decisions

The surge in table rice (rice optimized for eating) prices that rose to the surface in the summer of 2024 (the so-called "Reiwa no Kome Sodo," or "Reiwa Rice Crisis") has dealt a direct blow to the sake industry in Japan. As farmers shifted their 2025 planting from sake rice to table rice, the supply of high-quality sake-brewing rice (*shuzo kotekimai*) declined. According to a survey by Teikoku Databank (published in December 2025), more than 60% of breweries recorded a deficit or decline in profits in the 2024 fiscal year, with total profits falling 25.6% year-on-year to ¥9.3 billion. We have also seen cases reported in which the price of 2025-harvest sake rice rose by more than 40% compared to the previous year.[5] The sharp rise in raw material procurement costs represents a significant valuation risk in M&A and investment decision-making.

The National Tax Agency ("NTA"), the Cabinet Office, the Japan Sake and Shochu Makers Association, and other bodies have successively announced cash flow support measures, subsidies, and emergency guarantee programs,[6] but rising raw material costs remain the top management priority for industry operators. The situation has become so severe that even Gekkeikan — Japan's largest sake producer — has indicated that production cuts may be unavoidable depending on circumstances.[7]

2. The Basic Structure of the Alcoholic Beverage Licensing System

In Japan, a license under the Liquor Tax Act is generally required to "continuously" sell or manufacture alcoholic beverages (Articles 7 and 9 of the Liquor Tax Act). An "alcoholic beverage retail business" refers

[3] National Tax Agency, "Ensuring Identical Protection for GIs of Japanese Alcoholic Beverages under the Japan-EU EPA" (https://www.nta.go.jp/taxes/sake/yushutsu/pdf/0020010-116.pdf).
[4] National Tax Agency, "Sake Report, June 2024" (https://www.nta.go.jp/taxes/sake/shiori-gaikyo/shiori/2024/pdf/0002.pdf).
[5] Teikoku Databank, "National 'Sake Manufacturing' Industry Trend Survey (FY2024)," December 13, 2025 (https://www.tdb.co.jp/report/industry/20251213-sake24fy/).
[6] National Tax Agency, "To Sake Businesses Struggling with Soaring Raw Rice Prices" (https://www.nta.go.jp/taxes/sake/kakaku/index.htm).
[7] Nikkei Shimbun, "Rice Shortage Casts Shadow on Sake Production; FY2025 Raw Rice Prices Up 20%, Gekkeikan Considers Production Cuts," July 11, 2025 (https://www.nikkei.com/article/DGXZQOUF24DBM0U5A620C2000000/).

to the continuous sale of alcoholic beverages, regardless of whether it is conducted for profit or whether the sale is to specific or unspecified persons. Persons who continuously sell alcoholic beverages without a license face the risk of up to one year's imprisonment or a fine of up to ¥500,000 (Article 56 of the Liquor Tax Act).[8]

2-1. Overview of the Licensing System and License Categories

Alcoholic beverage licenses are broadly divided into "manufacturing licenses" (*seizo menkyo*) and "retail/wholesale business licenses" (*hanbai-gyo menkyo*). Manufacturing licenses are obtained by category of alcoholic beverage and by manufacturing facility (Article 7, paragraph 1 of the Liquor Tax Act), while retail/wholesale business licenses are obtained by sales premises (Article 9, paragraph 1 of the same Act). Retail/wholesale business licenses are further divided into "retail licenses" and "wholesale licenses", and are subdivided according to the method and target of sale as follows.[9]

2-2. Entry Restrictions on Sake Manufacturing Licenses

For overseas businesses and foreign investment funds considering entry into the sake manufacturing industry, the first priority is to understand the structure of entry restrictions applicable to manufacturing licenses.

New domestic licenses are in principle unavailable	The supply-demand adjustment requirement under Article 10, item 11 of the Liquor Tax Act — which restricts new entrants on the grounds of market contraction — means that new licenses for domestic sake manufacturing are de facto unavailable.[10] As a result, expansion, acquisition, or succession of existing breweries are the only practical options.[11]
Minimum production volume requirement	Article 7, paragraph 2, item 1 of the Liquor Tax Act requires a minimum annual production of 60 kiloliters (kl) for an ordinary sake manufacturing license. This is a significantly higher barrier to entry compared to other categories of alcoholic beverages (6 kl for fruit wines, liqueurs, etc.).
Export-only sake manufacturing license	Newly established under the FY2020 tax reform. For export-only purposes, both the 60kl minimum production volume requirement and the supply-demand adjustment requirement are inapplicable. However, restrictions apply: only domestic (Japanese-origin) rice and rice-koji[12] may be used as raw materials, and the sake must be manufactured and bottled in Japan; domestic sales are in principle prohibited.[13]

By virtue of the supply-demand adjustment requirement under Article 10, item 11 of the Liquor Tax Act, new manufacturing licenses for domestic sake production have remained effectively closed, on the grounds of market contraction. There are no exceptions for foreign investors, and as a result acquisition or business succession of an existing brewery is, in principle, the only realistic route to new entry into the domestic sake manufacturing industry.

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8 National Tax Agency, "Article 9: Alcoholic Beverage Retail Business License" (https://www.nta.go.jp/law/tsutatsu/kihon/sake/2-05.htm).
9 National Tax Agency, "Article 9: Alcoholic Beverage Retail Business License" (https://www.nta.go.jp/law/tsutatsu/kihon/sake/2-05.htm).
10 National Tax Agency, "Article 10: Requirements for Manufacturing Licenses, Etc." (https://www.nta.go.jp/law/tsutatsu/kihon/sake/2-08.htm).
11 For the case of Kamikawa Taisetsu Shuzo Co., Ltd., which achieved new market entry by transferring its brewing license from Mie Prefecture, see Kazuma Tarumi, Kita no Sakagura yo, Yomigaere! [Rise Again, Northern Brewery!] (Sekai Bunka-sha, 2024).
12 Cooked rice which has been inoculated with a beneficial mold.
13 National Tax Agency, "Q&A on the Export-Only Sake Manufacturing License" (https://www.nta.go.jp/taxes/sake/menkyo/seishuseizo/pdf/0021001-109_05.pdf).

On the other hand, for those operators whose primary objective is export, the export-only sake manufacturing license introduced under the FY2020 tax reform could be a viable option. Since neither the supply-demand adjustment requirement, nor the 60kl minimum production volume requirement, applies, the barrier to a new entrant is substantially lower.

In the case of a brewery acquisition through M&A, the type, validity, and conditions attached to the manufacturing and sales licenses held by the target company are among the most critical items for due diligence. Note, however, that licenses are tied to a specific person, location, and product category; changes to the business following acquisition or relocation of the manufacturing facility will require separate approvals.

2-3. Requirements for License Acquisition by Foreign Nationals and Foreign Corporations

Japan's alcoholic beverage licensing system does not have a nationality requirement: foreign nationals and foreign corporations may obtain manufacturing licenses and retail/wholesale business licenses based on the same legal requirements as Japanese nationals and corporations. In practice, however, there are some important points which should be noted.

As a prerequisite for the license application, it is necessary for a physical manufacturing facility or sales premises to exist within Japan,[14] which means the securing of a domestic base is inevitably the starting point. The most common approach for international investors is to establish a Japanese legal entity (such as a wholly owned *kabushiki kaisha* subsidiary). With respect to the import/export alcoholic beverage wholesale license specifically, the NTA's interpretive circular expressly provides that a foreign corporation may apply by registering a branch in Japan (under Article 817, paragraph 1, and Article 933 of the Companies Act, and Article 127 of the Commercial Registration Act) together with designating a representative in Japan.[15] While there is no express provision for other types of alcoholic beverage retail/wholesale business licenses, we understand that the same treatment - that is, a foreign corporation registering a Japanese branch and designating a representative in Japan prior to applying - is also recognized in practice for acquiring those licenses.[16]

Where the applicant is a corporation, a written pledge (*seiyaku-sho*) is required from the applicant corporation and from all officers who execute business operations, confirming that none of them fall under the disqualification grounds set out in items 1 through 8 of Article 10 of the Liquor Tax Act.[17] Where a foreign national serves as the applicant or in a management role, holding the "Business Manager" residence status (Keiei/Kanri, under Appended Table I-2 of the Immigration Control and Refugee Recognition Act) is a requirement for verification. It is worth noting that the eligibility criteria for this status were tightened — including the mandatory employment of full-time staff — under an amendment that took effect in October 2025.[18]

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[14] Each license application form requires the applicant to state the "location of the sales premises" and similar details, which by design cannot be completed with any address other than a domestic Japanese address.
[15] National Tax Agency, "Article 10: Requirements for Manufacturing Licenses, Etc.," Section 9, Treatment of Import/Export Alcoholic Beverage Wholesale License (1), provides that: "Where the applicant is a foreign national, he or she holds a resident record under the Basic Resident Registration Act; or where the applicant is a foreign corporation, branch registration in Japan has been completed." (https://www.nta.go.jp/law/tsutatsu/kihon/sake/2-07.htm).
[16] In an anonymous telephone inquiry made to the tax office on July 10, 2026, the officer in charge indicated that, while there is no express provision, the same treatment as for the import/export alcoholic beverage wholesale license (that is, a foreign corporation registering a Japanese branch and designating a representative in Japan before applying) is also recognized for other alcoholic beverage retail/wholesale business licenses. However, it should be noted that this was only an oral response from the officer to a telephone inquiry and does not constitute the official position of the NTA or carry the binding force of precedent.
[17] National Tax Agency, "Guide to Applying for an Alcoholic Beverage Manufacturing License (for Fruit Wine Manufacturing)" (https://www.nta.go.jp/taxes/sake/menkyo/tebiki/0022003-177_01.pdf); National Tax Agency, "Written Pledge of License Requirements for Alcoholic Beverage Retail Business License (for Mail-Order Alcoholic Beverage Retail Business License Applications)" (https://www.nta.go.jp/law/tsutatsu/kobetsu/kansetsu/050825/pdf/01/CC1-5104-9.pdf).
[18] Immigration Services Agency of Japan, "Amendment to the Ministerial Ordinance on Landing Criteria Relating to the 'Business Manager' Residence Status," effective October 16, 2025 (https://www.moj.go.jp/isa/applications/resources/10_00237.html).

A manufacturing license must be obtained for each category of alcoholic beverage and each manufacturing facility (Article 7, paragraph 1 of the Liquor Tax Act), and there needs to be a prospect of meeting the minimum production volume requirement (Article 7, paragraph 2 of the same Act).[19] Technical capability in manufacturing and sanitation (Article 10, item 12 of the Liquor Tax Act) is also reviewed. However, even if the applicant itself lacks the requisite experience, the requirement can be satisfied by employing the necessary technical personnel.

Of particular importance is the review of "soundness of business foundation" (*keiei no kiso ga hakujaku de nai koto*) under Article 10, item 10 of the Liquor Tax Act.[20] This requirement is assessed from the perspective of whether there is a risk that the collection of sales proceeds may be impeded due to factors such as insufficient funds for business operations, weak economic creditworthiness, inadequate equipment or poor management capability. For foreign corporations and newly established entities, demonstrating a substantive business base and financing capacity will be of particular importance.

2-4. Retail/Wholesale Business Licenses — Options for Non-Manufacturing Operations

Where a party does not engage in manufacturing, but only sells purchased alcoholic beverages, no manufacturing license is required; it is sufficient to only obtain a retail/wholesale business license (Article 9, paragraph 1 of the Liquor Tax Act).

Note that the specific requirements for foreign nationals and foreign corporations discussed in Section 2-3 above (domestic base, disqualification grounds, soundness of business foundation) still apply equally to applications for retail/wholesale business licenses (Articles 9 and 10 of the Liquor Tax Act; interpretive circulars relating to Articles 9 and 10). Please see further details in the table below:

Category	License Type (Selected)	Overview
Retail License	General Alcoholic Beverage Retail License	The basic license permitting the sale of all categories of alcoholic beverages from a physical store
	Mail-Order Alcoholic Beverage Retail License	A license permitting the sale of alcoholic beverages to consumers in two or more prefectures via the internet or other means
Wholesale License	All-Category Alcoholic Beverage Wholesale License	A license permitting the wholesale of all categories of alcoholic beverages (subject to supply-demand adjustment requirements; note this license is difficult to obtain)
	Import/Export Alcoholic Beverage Wholesale License	A license specialized for the wholesale of alcoholic beverages for import or export (supply-demand adjustment requirements do not apply)

[19] National Tax Agency, "Article 10: Requirements for Manufacturing Licenses, Etc." (https://www.nta.go.jp/law/tsutatsu/kihon/sake/2-08.htm).

[20] National Tax Agency, "Article 10: Requirements for Manufacturing Licenses, Etc." (https://www.nta.go.jp/law/tsutatsu/kihon/sake/2-07.htm). The circular provides: 'The phrase "cases where the business foundation is deemed to be unsound" as provided in Article 10, item 10 refers to cases where there are significant deficiencies in the physical, human, or financial elements of the applicant's business operations — such as insufficient funds, weak economic creditworthiness, inadequate facilities, or poor management capability — and there is a risk that the collection of sales proceeds may be impeded.'

Part II of this series will cover institutional factors with direct bearing on investment decisions (GI and liquor tax), operational regulatory requirements following acquisition (labeling and HACCP), entry structure options, and investment restrictions under FEFTA.

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

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