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Japan’s alcohol tax overhaul erases third-category beer’s long-held price edge

Beer, happoshu and third-category drinks now face the same JPY54.25 levy per 35cl, shifting competition toward taste, branding and convenience

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Japan’s spirits market is being reshaped by weaker whisky demand at home, fast growth in domestic gin, and tax changes that are shifting competition across beer and ready-to-drink products, according to market data and comments from major drinks companies active in the country.

The broader backdrop remains difficult. About 30% of Japan’s population is age 65 or older, a trend that is reducing the working-age population and holding back household demand. IWSR forecasts Japan’s total beverage alcohol market will shrink at a compound annual rate of 1% through the end of the decade. The International Monetary Fund also projects that Japan, now the world’s fourth-largest economy by gross domestic product, will fall to sixth place in 2027.

Even with those pressures, the market is not moving in one direction. Some categories are losing ground, but others are finding new demand among younger adults of legal drinking age, women, and consumers looking for different flavors and drinking occasions.

One of the biggest changes came on October 1, when Japan implemented alcohol tax reforms affecting beer, low-malt beer known as happoshu, third-category beer alternatives, and RTDs. The tax on beer, happoshu, and third-category drinks was aligned at JPY54.25 per 35cl. That effectively lowered beer tax by about JPY9 per unit and raised the levy on the other two segments by about JPY7. The tax on RTDs also rose, to JPY35 from JPY28.

IWSR research director Piotr Poznanski said the change removes much of the tax advantage that had supported third-category beer products. In his view, weaker low-malt and third-category lines are likely to disappear from some shelves, and competition will move away from tax-driven pricing toward brand strength, taste, and marketing. Consumers, he said, may split between trading up to standard beer, staying with reformulated brands, or leaving beer-type drinks altogether.

The reform matters beyond beer because RTDs have become a central part of Japan’s alcohol market. IWSR says the category accounts for nearly 22% of the total beverage alcohol market in the country. Poznanski said RTDs still have advantages in flavor variety, lower-alcohol options, and appeal to younger consumers, even if higher taxes

may slow their growth.

In spirits, Japanese whisky had a difficult 2025. IWSR said domestic volumes fell 3%, one of the sharpest declines in nearly 20 years outside the disruption caused by the Covid-19 pandemic. Poznanski attributed the drop to repeated price increases, inflation across 2023 to 2025, and the weak yen, which has reduced buying power. He also said bottled whisky is facing more competition from canned highball products and from premium tequila, especially among affluent urban drinkers.

Suntory Spirits, one of Japan’s largest alcohol groups, takes a more optimistic view of the same shift. The company said whisky-based highball RTDs can bring younger consumers into the broader whisky category and help create more everyday drinking occasions. That approach points to one of the clearest changes in the market: producers are trying to defend core spirits not only through bottle sales, but through canned and mixed formats that fit changing habits.

Nikka, part of Asahi Group, has also been moving in that direction while relying more heavily on growth outside Japan. The company said its products are sold in about 65 countries. Nikka reported sales of JPY59.7bn in 2025, up from JPY27.3bn in 2023, and has set a target of JPY100bn by 2034. It is investing JPY7bn to upgrade the Yoichi Distillery in Hokkaido, with added production capacity scheduled to start operating in 2027. Company officials said investment is also going into the Miyagikyo Distillery, the Tochigi aging cellar, and the Kashiwa bottling plant.

For drinks companies, the Japanese market is becoming a more complex signal than a simple growth or decline story. Exporters of whisky and gin, along with brewers and RTD makers, are facing a market where price sensitivity has increased, but where demand is still opening in specific niches tied to convenience, premium positioning, and local flavor identity.

Imported whisky has been under heavier pressure. The Scotch Whisky Association said scotch volumes in Japan dropped 27% in 2025 to 54 million bottles. Poznanski said much of that fall reflected the weak yen, which has made imported spirits more expensive for Japanese consumers. Even so, Pernod Ricard’s Japan team said the profile of whisky drinkers is starting to widen. Citing IWSR data, the company said

about 70% of whisky consumed in Japan is still drunk by men, but more women are entering the category, particularly through off-premise purchases and at-home drinking. That trend could help brands that can connect whisky with casual social occasions rather than only traditional bar consumption.

Pernod Ricard also said a broader “drink better” mindset in Japan may support premium spirits with strong production stories and a clear sense of origin. That helps explain why brands are leaning harder into craft, cask finishing, and Japan-specific editions. Chivas Regal, for example, has marketed its Takumi expression, first launched in 2024 and aged in sake casks, around Japanese craftsmanship and local flavor links.

The strongest domestic growth story in spirits is gin. Suntory estimates that Japan’s domestic gin market reached about JPY24.7bn in 2025, more than triple its 2020 value. The company said younger adults and women have been driving that rise. Based on IWSR 2025 data, Suntory said Roku had become the world’s second-largest brand by sales in the above-super-premium gin category.

Gin’s rise also shows how Japanese drinks companies are using local ingredients and RTD extensions to build new demand. In October, Suntory released Roku Yuzu Yukimi Edition at 43% ABV, highlighting yuzu among the product’s Japanese botanicals, and also launched Roku Premium Gin Soda at 9% ABV. Those moves combine two strong themes in Japan’s market: interest in Japanese flavor cues and the continued importance of ready-to-drink formats.

The same pressures are reaching bars. Operators in Osaka and Tokyo told Global Drinks Intel that local customers are paying closer attention to value even as inbound tourism remains strong. Higher costs, currency swings, and uncertainty around imported spirit allocations are pushing some bars to rely more on domestic categories such as shochu, awamori, sparkling sake, infused sake, and doburoku. That shift is partly a cost response, but it also gives venues a way to build menus around distinctly Japanese products that stand apart from global cocktail lists.