

# THE CBD MARKET IN JAPAN



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 **SWITZERLAND  
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# The CBD Market in Japan

## Background

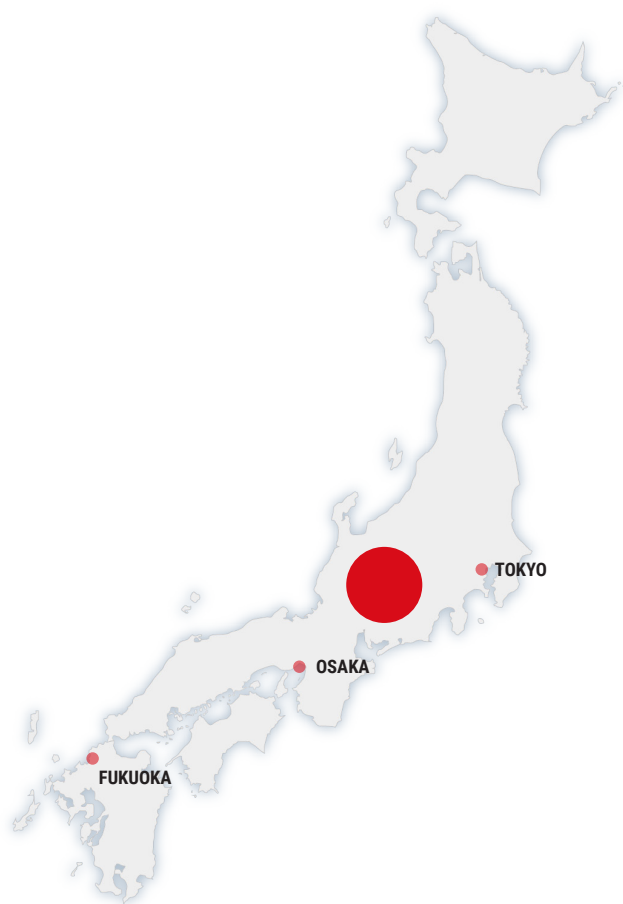
The Japanese market has a long, yet complex relationship with hemp-derived products.

On the one hand, Japan is attractive because **it is very open to some key aspects of the CBD market**; on the other hand, its rigorous regulation of cannabis – some of the toughest in the world – means that proper preparation is required for exporters.

Until 1948, hemp cultivation and processing were legal in Japan. Fibers were used to manufacture clothing, strings, and rope while stems were used as building materials, seeds as food and feed, leaves as fertilizer, flowers for traditional Chinese medicine, as well as for manufacture of hemp-infused cosmetics.

Following the adoption of the **1948 Cannabis Control Act**, hemp cultivation became subject to a license and this regime drastically reduced the number of cultivators inside Japan.

This is **a key factor to understand** today's opportunities for exporters of CBD products.



## Key Numbers In Japan



ESTIMATED POPULATION, 2019

**126M**



HEALTHCARE EXPENDITURE

**CHF 511.1B**



GDP 2019

**CHF 4.8T**



ESTIMATED CANNABIS  
MARKET VALUE 2024

**CHF 2.06B**



POPULATION OVER 65 YEARS

**27.05%**



ESTIMATED CANNABIS USERS

**0.2M**

# Market Growth

## Young and Promising

This report covers the different CBD-based products designed for human and animal applications that are currently found on the Japanese market. It focuses on **B2C products and distribution channels**, as B2B applications are quasi nonexistent at the moment.

The CBD market in Japan is very young and still niche, **but highly promising**.

Young and niche because the first CBD product (a CBD oil) **was introduced in Japan in 2016** only, so this is a market in the making.

Highly promising, because the Japan market for natural and functional food, as well as health products is sophisticated, rich and booming. **The Japanese are very health conscious**. In order to maintain their health, they are keen to consume health-beneficial products. Thanks to their long relationship with traditional herb-based Chinese medicine, Japanese customers are proponents of plant-derived health care, medicine and skincare products.

The processing of domestically grown hemp for extraction of CBD and cannabinoid-containing extracts is not viable at a commercial level in Japan, due to the scarce amounts of cannabinoids to be found in the legally sanctioned parts of the plant. However, CBD products made in Japan with imported CBD raw materials are sold throughout the country, notably via distance sales.

This means that domestic production cannot expand and grow, **even though the demand is there**. This creates interesting opportunities for exporters willing to make sure that their products are in line with domestic regulations.

The great potential and demand for CBD products in Japan is confirmed by **a yearly growth nearly reaching 100% yoy**.



One of the world's leading cosmetics markets. Half of this market is held by skin care products with a value of **CHF 18 billion in 2019** and an estimated **CHF 21 billion in 2023**.



## CBD MARKET



A supplement market estimated at **CHF 10 billion in 2019**.

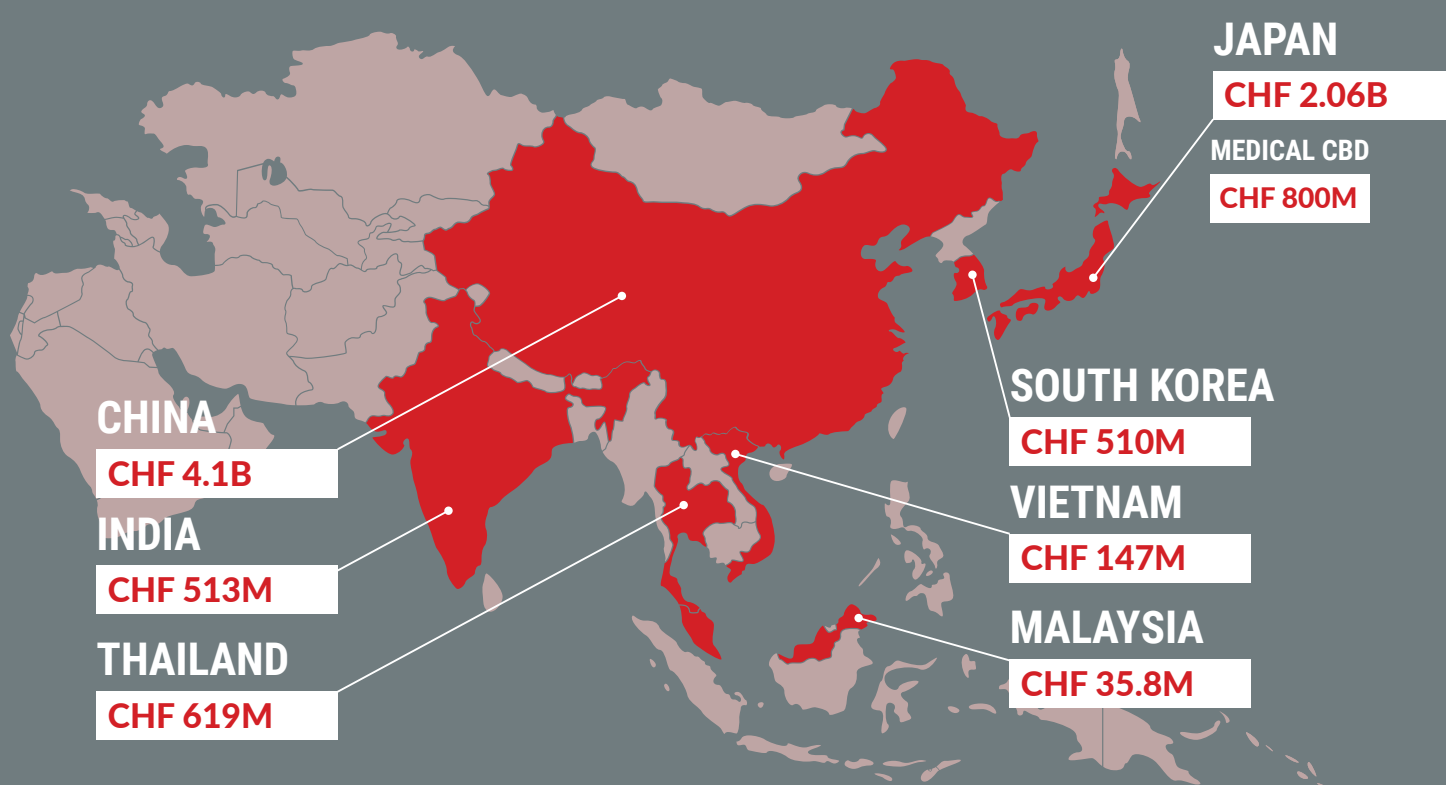


A strong market for plant-derived food, medicine and natural health products (**CHF 15.4 to 23.1 billion** for functional foods and natural health products only)

In 2024, industry forecasts expect that Japan will become the second-largest medical CBD market in Asia (**with a scale of CHF 800 million**), while the more general CBD market should reach CHF **2.06 billion by the same time** (source: Prohibition Partners' Asia Cannabis Report).

For an in-depth look at the opportunities for Swiss exporters in the Japanese Healthcare tech market, please see our previous market report [here](#).

## Estimated Cannabis Market Value 2024



- Japan is an aging country where consumers look for alternative solutions to handle health and cosmetics age-related issues. The elderly over the age of **65 account for 27.05% of the total population in 2019**, reaching 34.18 million, and it is estimated that by 2055, the elderly over 65 will be close to 40% of the country's total population.

- A country known for its long working hours and work-related stress, with a population (**10% working over 60 hours per week**) seeking new and efficient ways to relax.

- A booming tourist wave (**31.19 million visitors in 2019**) with visitors from all over Asia coming to Japan to shop notably for high-quality cosmetics and healthy products.

- A pet food market valued at **CHF 3.54 billion in 2018**, projected to grow at a CAGR of 1.1% during the forecast period (2019-2024), with humanization of pets as a main driver that puts great focus on pet health, nutrition and wellness products with natural and organic contents

# Regulations

## A Zero-Tolerance Policy

The Cannabis Control Law **prohibits the use of leaves and flowers of cannabis, regardless of THC content.** According to industry stakeholders, hemp roots are also prohibited.

The legality of CBD products thus depends first on which part of the plant they are made from.

Second, even if it is made from non-narcotic substances such as seeds and mature stems, a CBD product **must be THC-free.**

Import and export of hemp (including hemp seeds) is prohibited but import of THC-free CBD products is not regulated.

According to industry stakeholders, there have been cases of importation of CBD products with a small amount of THC (0.2% or 0.3%, depending on the country of origin), however it was rather due to lack of customs inspection. Even though no specific guidelines have been issued on whether or not products with a small amount of THC (maximum 0.3%) would be allowed for import, **it is very likely that customs will stop the import of such products.**

Therefore, it is highly recommended for Swiss exporters to make sure that **no traces of THC can be detected in the product to be exported to Japan.**

Large foreign manufacturers have taken the harder but safer road of obtaining approval from the Ministry of Health and Narcotics Control Division before introducing their CBD products into the Japanese markets by submitting them for THC content, safety, efficacy and purity screening.

In early 2020, after investing significantly in Japan for over two years, **world leader Elixinol withdrew from the market due to non-compliance with Japanese law** as it turned out that some of its products were derived from other parts of hemp than seeds or stalks.

Approval might be optional, but exporters should make sure to **do in-depth chemical and ingredient analysis** of their products, in Switzerland and again in Japan, before introducing them to the market.

In addition to the question of THC contents, there have been cases of **mislabeled CBD products** (actual CBD contents much lower than what advertised on the labels).

Exporters can turn to domestic associations to submit samples of their products to obtain certification issued in Japan regarding the CBD contents of their products or raw materials, thus contributing to a sense of consumer safety and trust in Japan. **The National Association for Medical Plants** (<https://www.nippon-yakushokuken.com/en/>) provides such a certification.

# Regulations

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## Final Products

Final products or raw materials may be submitted, along with several documents, notably a certificate of origin, the list of suppliers of raw materials, and statements regarding the quality and safety of the submitted products or raw materials.

At the end of the process, a certification mark that confirms the actual contents of CBD and the lack of heavy materials, pesticide residues and microbial contamination may be applied on the packaging and any marketing material in Japan. **Fees include inspection, examination and registration (for two years) and amount to about CHF 1'330 per product.**

- CBD oils are the most sold CBD products in Japan. They are generally considered legal as long as they do not contain any THC.
- CBD e-liquids are sold in Japan. They are generally considered legal as long as they do not contain any THC.
- Provided that edible products are infused with CBD derived from stalks and seeds of hemp, and not from the flowers and leaves, they can be placed on the market. Edible products, like any finished product, have to be THC-free.
- In early 2019, the Ministry of Health authorized CBD (Epidiolex) for medical trials for epileptic patients, a first in Japan.
- Pet food and products: there is no issue with CBD being used in animal feed as there is no law restricting such use. The same strict CBD rules apply also to pet food.
- A cosmetic product infused with legally obtained CBD, provided it is THC-free, is marketable in Japan. Body care products such as body cream, roll-on gel, are now found on the market.





# Industry Actors

As the market has not fully developed yet, there is a fairly small number of companies active in Japan, **and none that holds a dominant position**. The number of domestic CBD-producing companies is low to non-existent in some subsectors, such as cosmetics.

The market is therefore held almost exclusively **by foreign brands**, which makes it a quite unique sector in Japan.



Among the world's largest CBD oil companies, Bluebird Botanicals (Gaia Botanicals) has set foot in Japan through online sales and local distributors (products include oil extracts, vape items, CBD capsules, and other pet products).

<https://bluebirdbotanicals.com/>

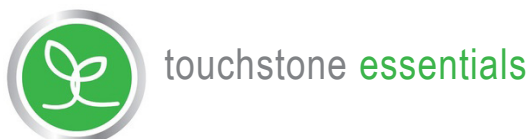


In June 2018, Phivida Holdings, a Canadian manufacturer, launched a series of CBD-infused tea.

These new products made with green tea are said to be used to relieve intestinal inflammation and are only sold in the United States and Japan.

Phivida plans to set an office in Tokyo to facilitate its entry into the Japanese market.

<https://phivida.com/>



Since November 2019, US producer Touchstone Essentials distributes four products in Japan, two CBD oils and one CBD balm.

<https://thegoodinside.com/>



Swiss-British company CIBDOL distributes in Japan their CIBDOL (for humans) and CIBAPET products (for pets).

<https://www.cibdol.com/>

# Industry Actors

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US company Kat's Naturals distributes via their own online shop in Japanese as well as a local distributor a CBD oil for pets, PET CARE.

<https://katsnaturals.com/>



US company New Age Beverages Corporation was the first major company to gain approval by the Japanese Ministry of Health and the Japanese Narcotics Control Division to sell CBD products in Japan.

<https://newagebev.com/en-us>



Global hemp and CBD-manufacturer Dr. Watson CBD announced in 2019 the signing of a deal worth CHF 5.5 million for CBD products in Japan.

<https://drwatsoncbd.com/>



In Japan since 2019 with mainly vape products, the Swiss-British company AP Organics now targets the cosmetics market.

<https://www.aporganics.co.uk/>



Japan-Swiss company JCBD Tech, is planning to certify of CBD products using blockchain technology, and is planning to launch a certification business in Japan.

<https://www.jcbdtech.com/copy-of-our-technology>



# Brands And Products

Due to the small number of industry actors, the brand variety in Japan is less than on other markets. **Almost 50% of online retailers** offer a single brand, **PharmaHemp**, which is a quite high rate compared to other developed markets

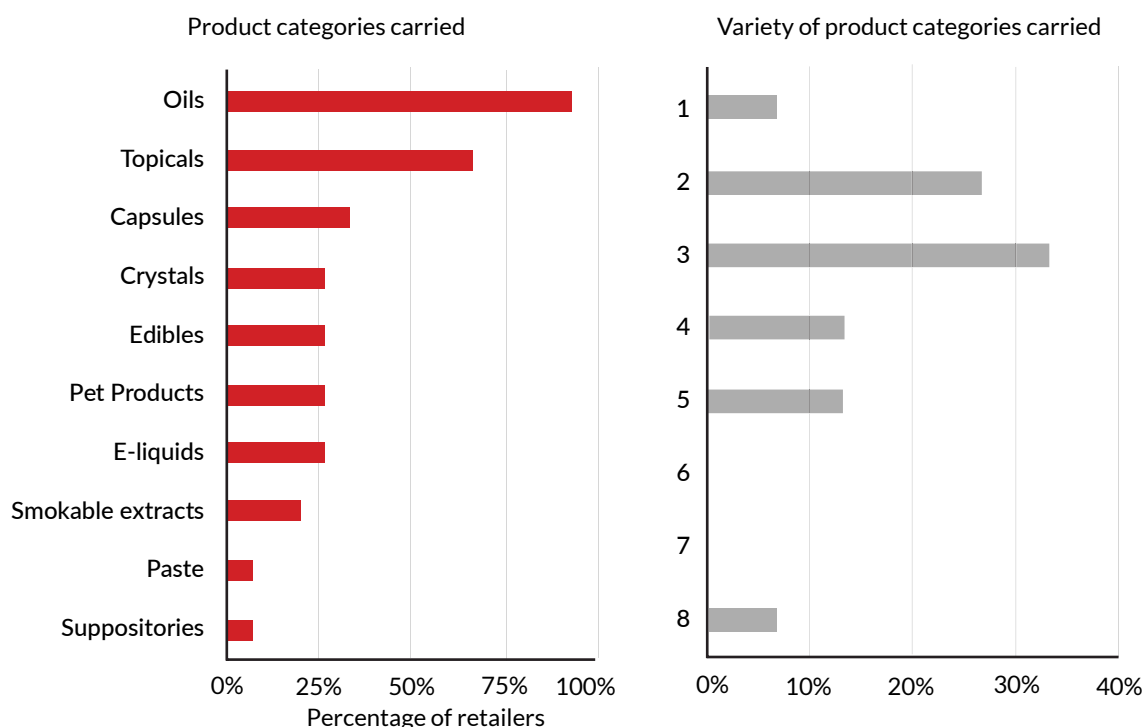
However, there is a lot of product variety, and specific CBD-containing products such as water or tea can be found, too. Oils are the dominant product category, closely followed by edibles and e-liquids, which are much more prevalent in relative terms than in other developed countries.

The prevalence of crystals over commonly popular products on other markets is also noticeable.

**PharmaHemp** is the most popular brand, **stocked by almost 30% of retailers**, all channels combined.

## CBD Brands Stocks

CBD Brands tend to offer less product categories, preferentially flowers

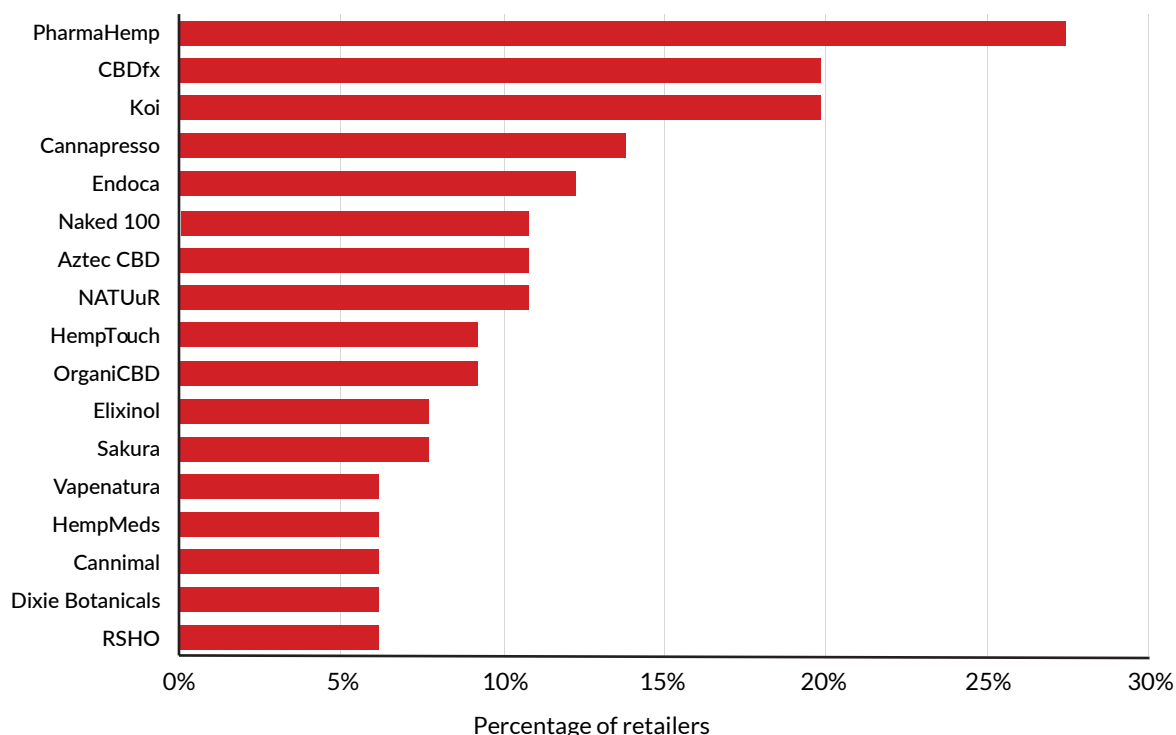


Note: n=15

Source: CBD-Intel, 2019

# Most Prevalent Brands

Pharmahemp is the leading brand, being present in over 25% of the online retailers

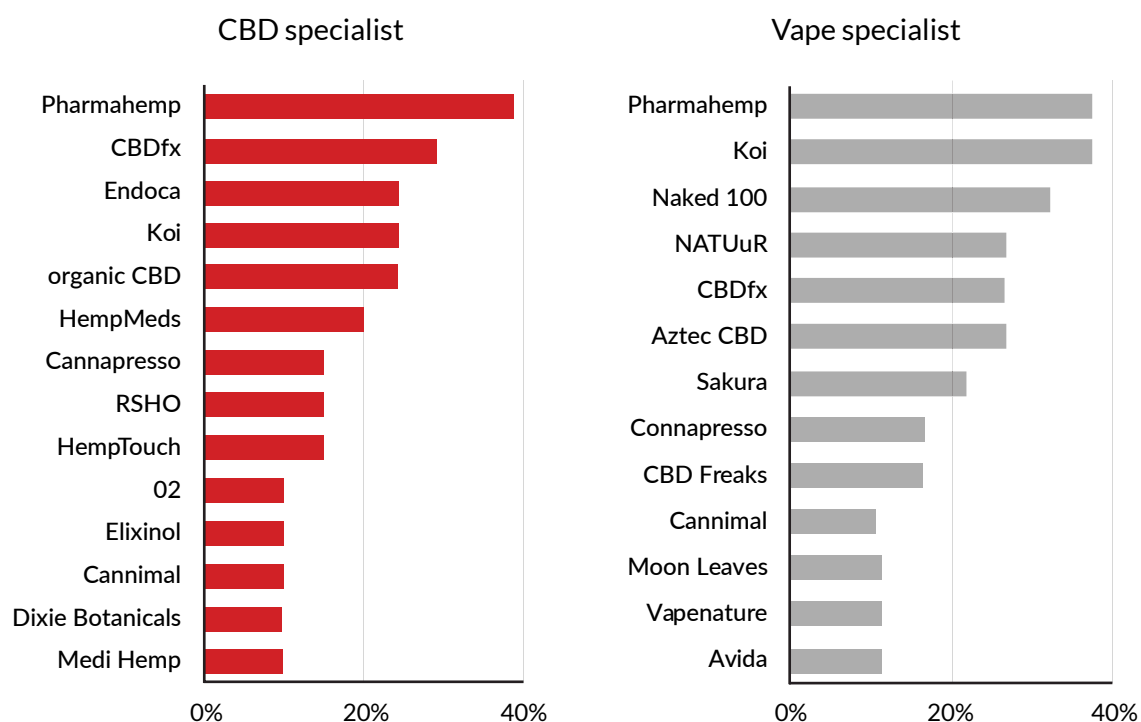


Note: n=15

Source: CBD-Intel, 2019

# Brands Stocked by Most Common Online CBD Retailers

Pharmahemp leads the two main retail categories



Note: CBD specialist: n=21, vape specialist: n=19

Source: CBD-Intel, 2019

# Authorities and Associations

As mentioned in the previous chapters, the CBD market in Japan is still very young. These associations have thus been established recently, and their “certification” is a voluntary label that certifies the CBD content matches the number indicated on the packaging.

## Ministry of Health, Labour and Welfare (MHLW)

[https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou\\_iryuu/shokuhin/index\\_00006.html](https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryuu/shokuhin/index_00006.html)

## The National Association for Medical Plants (NAMP)

<https://www.nippon-yakushokuken.com/en/>

Voluntary certification for CBD products

## Japan Cannabidiol Research Society

<http://www.j-cbd.org/center.html>

Voluntary certification for CBD products

## Japan Clinical Association of Cannabinoids

<http://cannabis.kenkyuukai.jp/about/?l=2>

Scientific society. An official partner organization of International Association for Cannabinoid Medicines (IACM)

# Distribution Channels

The largest distribution channel of CBD products in Japan **is online shops**.

CBD specialists and vape specialists offer the widest range of product categories since those are the most developed distribution channel. Health foods and wellness come in third place.

**51-non brand affiliated online CBD retailers** have been identified in the Japanese market. The number of brands with a Japanese website is still limited, with only 15 dedicated websites.

The **CBD Seller.net** (<https://cbd-seller.net/>), an EC site for general and wholesale sales of CBD products that use CBD, which is one of the plant-derived ingredients that has become a hot topic in Japan, has started its operations in **November 2019**.

Almost half the online retailers offer **one single brand**.

Among other channels, categories include a diverse number of retailers – such as online marketplaces, pet specialist sites, spiritual websites or sites specializing in Hawaiian products.

In brick-and-mortar shops, CBD shops offering CBD products are popping up all over the country, and CBD is also available in non-specialist shops. Cafes will sell you CBD coffees, while mini-markets carry CBD ice teas and other drinks.

In February 2020, Japan's first CBD shop '**HealthyTOKYO**' opened in the trendy district of Harajuku.

Cosmetic and organic retailers, such as **BIOPLE**, or trendy department stores such as **LOFT**, carry a small selection of CBD oils.



# Consumer Needs

Japanese consumers are urged by industry observers to purchase CBD products sold from Japan to guarantee that legal requirements are met and that narcotics laws are not violated.

**CBD products are expensive in Japan.** The wealthiest people in Japan are those over the age of 50. The average family assets of the 70-year-old elderly group are about **209'000 CHF**. Young people and middle-aged people under 50 have negative equity status due to pressure from housing and education. Wage income reflects the same trend: The wage income for people over 50 is almost twice that of the 20-year-old.

With **huge buying power and actually health-care need**, the elderly in Japan will drive the demand for more CBD health-care products, which is one of the important conditions for the development of the CBD market in Japan. Their specific needs should be therefore closely taken into account.



Pharma Hemp PREMIUM BLACK Drops 6.6 (660mg)

10ml costs Yen 9'800.- (CHF 86 as of Feb 25, 2020).

A CANNAPRESSO CBD oil 20% (6000mg)

30 ml costs Yen 57,800.- (CHF 511 as of Feb. 25, 2020)



# Recommendations

## Key Points

- Any product sold in Japan, even via online channels, **needs to carry an ingredient list in Japanese**. This is a legal requirement if the product is sold in Japan, and a recommendation if sold from overseas via an online channel to reassure consumers of the product safety.
  - Online sales, even from overseas, **should be backed by a local customer service**, and offer guarantees that the products are compliant with Japanese law.
  - CBD exporters should **turn for help to local industry associations and other market stakeholders** to make sure that their products will not be blocked at time of import.
  - CBD exporters should be ready to **adapt their product line for Japan**, not only regarding THC contents and ingredient origins in order to comply with regulations, but also in terms of consumer needs, types of products, labeling, branding and marketing.
  - Understanding of the market, staying up to date with the latest trends and regulatory guidelines are key.
  - As the market is in evolution, **new players will enter into the market**.
- 
- Japan is a health conscious market and one which is quickly starting to recognize the nutritional and health benefits of CBD and hemp food products.
  - Concerning CBD, consumers are highly underserved, yet very highly informed and aware of plant medicine and natural products.
  - With huge buying power and acute health-care need, elderly in Japan will demand more CBD health-care products.



# Opportunities for Swiss Companies



The processing of hemp for extraction of CBD and cannabinoid-containing extracts **is not viable at a commercial level in Japan, due to the scarce amount of cannabinoids** to be found in these parts of the plant.

As a result, domestic production cannot expand and grow, **but the demand clearly exists and is growing**. International companies are capitalizing on that growth. This creates interesting opportunities for Swiss exporters of CBD willing to make sure that their products are in line with domestic regulations.

Switzerland has **a positive image when it comes to natural, plant-based, health-oriented products**.

Due to its liberal regulatory framework, Switzerland has a competitive advantage regarding product development.

<https://heidisgarden.com/blog/cbd-switzerland-7-reasons-why-the-swiss-have-the-cbd-hub-of-europe>

Swiss CBD products **are increasingly featured in Japanese online media** :

<https://note.com/oasisleaf/n/n67251f183c17>

<https://diamond.jp/articles/-/197543>

<https://newsphere.jp/economy/20180422-1/>

<https://bit.ly/2TFKLy9>

While this report is intended to capture this interesting market at an early stage and provide an overview as well as opportunities at the time of its edition, each individual **Swiss exporter should have to conduct their own analysis** to get a better understanding of the possibilities and also challenges/risks they might face.

Swiss Business Hub Japan will help each Swiss company explore and develop its own opportunities based on individual research and/or in-depth analysis.

It is essential to find a right partner in Japan and build a trusted relationship. Communicate accurately and clearly with your Japanese counterpart to prevent misunderstandings. **Swiss Business Hub Japan** helps Swiss companies overcome language barriers and offers support in intercultural communication.

# Want to Know More?

## CONTACT US !

Together with experienced industry specialists, the Swiss Business Hub Japan will help Swiss and Liechtenstein companies explore and develop their chances based upon customized and in-depth analysis.

The Swiss Business Hub Japan in Tokyo can open doors to the Japanese CBD market and your potential partners. For further information and customized solutions please contact :

Our team in Switzerland and Japan will help you decide on a suitable market strategy for Japan. We will prepare a service package based on your specific requirements and business priorities. We work with a wide network of local partners and industry experts.



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