



An Overview of the Water Purifier Market in Japan

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Introduction- Japan's Relationship with Water

In Japan, tap water is safe to drink, and enjoyed by many as the default option. The City of Tokyo enlists 1500 residents annually to conduct tap water surveys to verify safety in addition to mineral and iron content. The Tokyo Bureau of Waterworks finished a 25 year project to improve the quality of water for Tokyo residents in 2013 where it successfully used water from the Tone River to supply the city with safe and delicious tap water. Tap water now goes through not only the standard treatment process, but additional steps in which ozone is used to eliminate odor, and charcoal added to reduce the presence of chlorine.

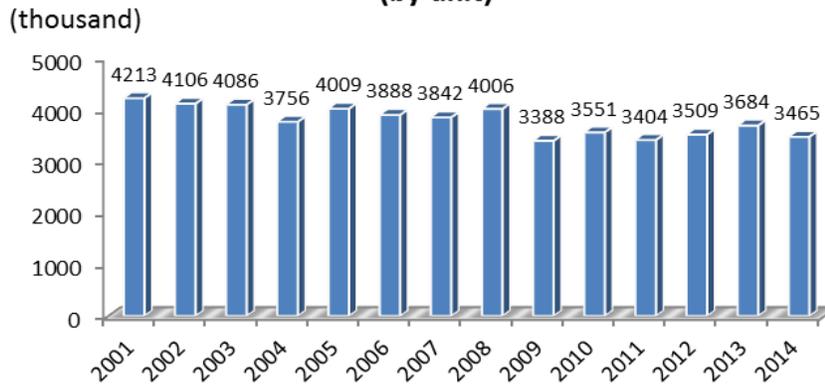
Mineral water was introduced in the 70's when consumers started to pay greater attention to health and beauty needs. The 2011 triple disaster resulted in the demand for bottled water surging to 3,172,000 kiloliters (126% increase over the previous year). The demand continues as more Japanese store water in their homes. Flavored waters now grace store counters including options such as peach, tomato, grapefruit, and lemon.

The water purifier market, while certainly in existence, has never been very large in Japan, and has been faced with decline in recent years. This report will focus on the current state of Japan's water purifier market to give U.S. companies an idea of the trends and opportunities that exist in Japan.

A Breakdown of Water Purifier Types Sold in Japan

Inside the water purifier market in Japan, there are several types of the water purifiers, and each type results in a separate market. The main types include: the faucet-direct connection type, the faucet-integrated type, the stationary type, desktop type, and built-in type purifiers. The overall market demonstrated good performance from the early to mid-late 2000's, and sold approximately 4 million product units throughout 2008. Since 2009, however, the market began shrinking, and the sales have been struggling to reach more than 4 million product units per year.

Figure 1: Water Purifiers Manufacturing Production (by unit)



The water purifier type which makes up the largest part of the whole water purifier market in Japan is the faucet-direct connection type/integrated type. And, the fact that fewer people are buying these two staple water purifier types probably account for market decline. Unfortunately, it is difficult to pinpoint the exact reason why fewer Japanese are purchasing these two staple types of purifiers. For the rest of the water purifier types, the stationary type, desktop type, and built-in type, they each build their own markets, but the markets are much smaller than the faucet type water purifier markets. The market of the stationary type water purifier has been staying the smallest since 2003, but the desktop type and built-in type markets compete with each other every year for the second largest share after the faucet types.

Figure 2: Distributions of Water Purifier Sales between Four Types



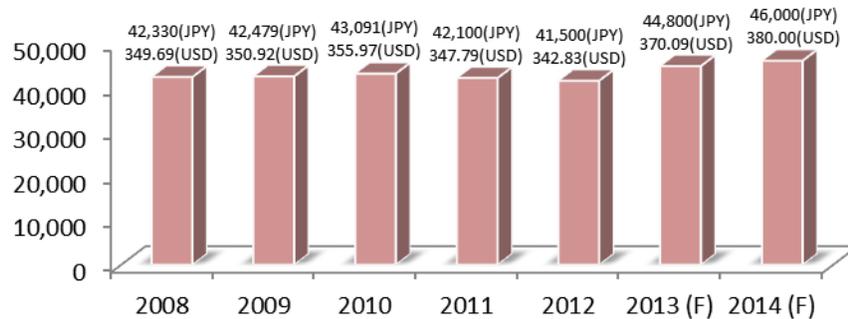
A General Price Range for Water Purifier Types

| Water Purifier Type | Price Range | |
|-------------------------------|------------------|-----------------|
| | JPY | USD |
| Faucet-direct connection Type | 1,500 ~ 43,000 | 12.40 ~ 355 |
| Integrated Type | 33,000 ~ 5,5000 | 272.61 ~ 454.36 |
| Stationary Type | 22,000 ~ 94,000 | 181.74 ~ 776.54 |
| Desktop Type | 2,000 ~ 20,000 | 16.52 ~ 165.22 |
| Built-in Type | 22,000 ~ 120,000 | 181.74 ~ 991.33 |

Forecast for the Water Purifiers Market in Japan

Recent trends show that there are more installations of built-in and faucet integrated types of purifiers in new properties. That being said, it is not standard for consumers to replace their typical faucets with purifier system faucets. Cost is a huge influencer because most of the popular built-in purifiers cost about 150,000 JPY (1,239 USD) for the installation. And, the average Japanese household makes 545,095 JPY (4,503 USD) per month, according to Ministry of Internal Affairs and Communication. Considering such financial factors, tap water becomes the default.

Figure 3: Sales of Water Purifier Market in Japan



Some Japanese consumers have been interested in the high and middle ranked performance water purifiers, and for this niche group, price is not such a concern. Companies catering to this market segment are required to produce more products with various functions and services, including aftercare and customer support.

Faucet-direct Connection Type Water Purifiers

Faucet-direct connection type water purifiers in Japan have already undergone development, and now have digital functions displaying cartridge usage. Although products with such digital functions have been sold well in the past few years, demanding customers require constant upgrades.

Mitsubishi Rayon Cleansui and *Toray Industries*, both dominant market players, are continuously increasing the shipment numbers. Sales figures have been good in the retail sector. However, capturing new customers will become more challenging and players will need to continue to advocate the added value of water purifiers when many alternative and economical options are available.

Figure 4: Sales of the Main Faucet Type Water Purifier

| Companies | 2011 | | 2012 | | Growth Rate |
|---------------------------|-----------------|-------|-----------------|-------|-------------|
| | Sales (million) | | Sales (million) | | |
| | JPY | USD | JPY | USD | |
| Duskin | 3,500 | 28.91 | 3,300 | 27.26 | -5.7% |
| Toray | 3,400 | 28.08 | 3,500 | 28.91 | 2.9% |
| Takagi | 50 | 0.413 | 50 | 0.413 | 0 |
| Mitsubishi Rayon Cleansui | 750 | 6.19 | 620 | 5.121 | -17.3% |

Faucet-integrated Type Water Purifiers

Besides *Mitsubishi Rayon Cleansui*, *Takagi*, *TOTO*, and *LIXIL* are major market players. In recent years, the “*system kitchen*”, the Japanese modernized kitchen (which integrates drawers, cooking stoves, sinks, and countertops all in the same design), often equips faucet-integrated water purifiers into newly built properties. Unfortunately, the number of the newly built properties is shrinking due to the recession and increase in consumption tax, and due to demographics.

Desktop Type Water Purifier

When major water purifier manufacturers entered the market for desktop type water purifiers, the market grew and expanded at a fast pace. Currently, Japanese consumers can choose from different sizes and designs. While the desktop type has undergone performance enhancements in recent years, the current trend seems to focus on exterior design as Japanese consumers see the purifier as part of their overall interior décor. Following this trend, companies have started emphasizing the purifier as an item for décor, considering color and size to match with stylish interior layouts. With 2013, came new market entrants including *Meisui* and *Togo Ltd.*, making the market more competitive than in previous years.

Figure 5: Total Sales of Units Sold for 2011 and 2012

| Companies | 2011 | | 2012 | |
|---------------------------|------------|------------|------------|-------------|
| | Units Sold | Units Sold | Units Sold | Growth Rate |
| Brita | 389,000 | 397,000 | 397,000 | 2.1% |
| Duskin | 1,000 | 70,000 | 70,000 | 6900.0% |
| Toray | 142,200 | 142,200 | 142,200 | 0.0% |
| Zenken | 2,500 | 1,050 | 1,050 | -58.0% |
| Mitsubishi Rayon Cleansui | 225,000 | 229,000 | 229,000 | 1.8% |
| Panasonic | 41,000 | 31,000 | 31,000 | -24.4% |
| Others | 32,300 | 22,000 | 22,000 | -31.9% |
| Total | 833,000 | 892,250 | 892,250 | 7.1% |

Figure 6: Total Revenue for 2011 and 2012

| Companies | 2011 | | 2012 | | Growth Rate |
|---------------------------|-----------------|-------|-----------------|-------|-------------|
| | Sales (million) | | Sales (million) | | |
| | JPY | USD | JPY | USD | |
| Brita | 770 | 6.36 | 790 | 6.53 | 2.6% |
| Duskin | 10 | .08 | 90 | .74 | 800.0% |
| Toray | 200 | 1.65 | 200 | 1.65 | 0.0% |
| Zenken | 6 | .05 | 2 | .02 | -66.7% |
| Mitsubishi Rayon Cleansui | 250 | 2.07 | 250 | 2.07 | 0.0% |
| Panasonic | 80 | 0.66 | 50 | .41 | -37.5% |
| Others | 48 | .40 | 33 | .27 | -31.9% |
| Total | 1,364 | 11.27 | 1,415 | 11.69 | 3.7% |

Stationary Type Water Purifiers

Like desktop type water purifiers, stationary water purifiers are often known and used as an item for kitchen décor. Although market success has been moderate, there is a growing demand in the department stores around Japan because of the item's popularity as a gift. The price for the items varies from 2,000 JPY to 7,000 JPY (16.52USD to 57.83USD). Those products are often found in the Japanese department stores, such as Takashimaya and Seibu Sogo, and are not necessarily for high end customers. At the same time, since the price of alkaline ionized water purifiers is gradually becoming cheaper, it is difficult for the stationary water purifiers to compete with the alkaline ionized water purifiers due to cost.

Built-in Type Water Purifier

Built-in Types are doing reasonably well within a small market share. The built-in design has proven to be effective when it is installed in newly built properties. Many of newly built properties, especially apartments and condos, already equip its rooms with built-in purifiers. It is because the manufacturers realized that average households don't have a strong interest in installing built-in type purifiers into their kitchen, and they started to target their customers in building/construction companies.

It is important to note that among many types of water purifiers, only built-in type water purifiers are subject to the Japanese Water Supply Act (JWSA). Most Japanese companies test their products at the Japan Water Works Association (JWWA) and show JWWA marks on their products. Although it is not very difficult to meet the JWSA standards, it is still costly and time consuming to get the certificate from JWWA. This may hamper imports of built-in type water purifiers.

Conclusion

Understanding the history of the water purifier market in Japan, it is difficult to forecast increasing market share given current pricing, and the availability of economic alternatives. While Japanese may have no issue moving into units with purifiers, they are not likely to invest in purchasing ones for houses that do not already come equipped with them.

Furthermore, the market is saturated with Japanese players, the only exceptions being Brita and Duskin. The major Japanese players have all made names for themselves selling medical instruments, industrial products, and electronic appliances. Additional marketing efforts were not necessary for them as they already had established images of consistency and safety.

For the companies looking for an opportunity to enter the market, CS Japan recommends several tradeshows where new products may be exhibited for buyer attention.

Japan Home Show

<http://www.jma.or.jp/homeshow/en/>

Japan Kitchen and Bathroom Show

<http://www.jma.or.jp/toilet/en/>

Tokyo International Gift Show
<http://www.giftshow.co.jp/english/>

Resources:

Yano Research Institute <https://www.yanoresearch.com/>

Japan Water Purifier Association <http://www.jwpa.or.jp/>

<http://www.japantoday.com/category/national/view/tokyo-enlists-civilian-water-monitors-to-prove-its-water-is-tasty>

https://www.waterworks.metro.tokyo.jp/suigen/monitor/#m_kekka2015_2

<http://www.jma.or.jp/foodex/en/trends/today/drink.html>

<http://www.stat.go.jp/data/kakei/sokuhou/shihanki/pdf/gaiyou.pdf>

<http://www.omni7.jp/search/?keyword=%E6%B5%84%E6%B0%B4%E5%99%A8&searchKeywordFlg=1>

Note:

1. The exchange rate is 1 USD = 121.05 JPY

**Example Pictures of Water Purifier Types
(For Reference Purposes- not an official endorsement of any product type)**



Figure 1: Faucet-direct Connection Type



Figure 2: Faucet Integrated Type



Figure 3: Desktop Type



Figure 4: Stationary Type



Figure 5: Built-in Type