

Happy Hour

Japan Brewers Finally Get Serious on Craft Beer

Tatsuo Aoki's low-key Tokyo bar, Popeye, has become a destination for beer fanatics from around the country. They make the pilgrimage to sample Hokkaido ales and Shizuoka stouts, or for an impromptu lecture from Aoki on hops and yeast.

He's part of an uprising in Japan against the staggering blandness of local beer. Four beverage behemoths dominate the market, all promoting pilsner-style lagers that account for more than 95 percent of the suds sold. It's a bit like sidling up to a bar in 1980s Milwaukee: Miller or Budweiser?

Tastes are changing though. Craft beer is gaining popularity in Japan through the efforts of people such as Aoki, much like it has in the U.S. and Europe. The four giants -- Asahi Group Holdings Ltd., Kirin Holdings Co., Suntory Holdings Ltd. and Sapporo Holdings Ltd. -- are experimenting with alternative brews too as they face a slide in consumption. The competition is changing the market and beginning to produce beer drawing acclaim around the world.

"There are dozens of brewers in Japan making fabulous, highly rated beers," said Matt Simpson, owner of the Marietta, Georgia-based consulting firm The Beer Sommelier. "They're not exposed yet."

Japan has been the land of lager for reasons of politics and taste. The country's regulations long blocked smaller breweries from competing, including by imposing minimum beer production volumes until 1994. Lagers from the likes of Asahi and Kirin were also considered preeminent in their field.

Business culture reinforced the breweries' success, with bosses routinely leading salary-men out for hours of drinking.

"Everyone imagined that the more you drink, the more successful you'd be," said Akira Hashida, curator at the Sapporo museum in Tokyo. "These days, young people don't see the purpose."

Whisky, Wine

Japan's beer consumption has slumped since 2001 as people turned to alternatives such as whisky and wine. In addition, the country's number of inhabitants is projected to fall by a quarter to 97 million by 2050, according to the Washington, D.C.-based Population Reference Bureau.

Craft beer is the exception. Sales volumes rose 7 percent in the first eight months of 2014, the most recent data available at Euromonitor International, on top of a 15 percent increase during the same period the previous year. There are now almost 80 brewpubs serving their own small-batch beers in Tokyo, up from just four of them five years ago, according to Euromonitor.

“People who like booze around me are all into craft beers now,” said Aya Yamaguchi, a 34-year-old Tokyo office worker.

Asahi’s shares fell 0.2 percent to close at 3,875.5 yen in Tokyo. Sapporo slid 1.9 percent, while Kirin rose 1.9 percent. The benchmark Topix Index dropped 0.7 percent.

Malt, Hops

Aoki’s bar in eastern Tokyo has specialized in beer for two decades and was the first to serve “ji biru,” or locally made beer, on tap. His bar now serves 80 independent labels, including Baird Brewing Company’s Shimaguni Stout and ales from Coedo Brewery.

Bakusyu Club Popeye, as it’s formally known, is a few steps up in a yellow-brick building in the Ryogoku neighborhood. Inside, the staff explains the nuances of different ales and suggests the best beer pairings with various dishes.

Aoki, 62, is on a mission to change people’s perceptions of beer. He rattles off the names of six local brewers he thinks are best positioned to break out, including Otaru Beer and Echigo Beer Co. He started a brewery called Strange Brewing in his hometown of Niigata, and serves the beer at his pub. He’s also chairman of the Japan Craft Beer Support Group, which holds seminars on the latest trends.

“The craft beer boom is happening,” he said on a recent Friday as his bar filled with customers.

Japan Regulations

Aoki thinks regulations remain an issue and wants the Japanese government to ease them further. He points out many rules are still a burden for small breweries, including taxes and outdated laws like a ban on home brewing from the Meiji era a century ago.

“Everything is disadvantageous for micro-brewers in Japan,” said Aoki, whose bar is BeerAdvocate.com’s most-reviewed Japanese watering hole.

Japan's giants are trying to adapt. They're investing in craft brewers, rolling out richer "premium" brands and even starting their own brewpubs.

Asahi recently released a dark porter and a pale ale under its Craftsmanship brand. Sapporo said in March it would soon start selling a pricier craft label, to help "get rid of the fixed image of the Sapporo beer brand."

"We beer makers were caught in our own trap," Kirin President Senji Miyake said in February. "We've been engaged in just making pilsner-type beers while getting locked into a price-cutting war, and as a result, beer has become like a commodity."

Boring Beer

Kirin in September bought a minority stake in Japan's largest craft label, Yo-Ho Brewing Co. In March, the company opened Spring Valley Brewery -- a 176-seat brewpub attached to its Yokohama factory -- and opened a similar venue last month in Tokyo.

"What's most problematic in Japan is that beer is considered very boring as opposed to wine, sake or whiskey," Toru Wada, head of Kirin's Spring Valley unit, said at the Yokohama pub's opening. "We want to make beer more fun and cool."

Today, it's anything but. Craft beer accounted for less than 1 percent of sales in Japan in 2013, while 96 percent of the sales were lagers, according to Euromonitor. In the U.S., craft beers are approaching one-fifth of annual sales, according to the Boulder, Colorado-based Brewers Association.

Japan, with its culture of craftsmanship and perfectionism, has shown it can compete globally in other fields. Last year, Suntory's Yamazaki whisky was declared the best in the world by Jim Murray's Whisky Bible, beating out Scottish rivals.

Aoki said Japan has the opportunity to make the same kind of impact in beer. He is convinced the corporate giants can help popularize craft beers, but they won't be able to make the kind of exceptional brews that small players can.

"I appreciate their entrance in a way that that will make the market more vibrant, but I doubt major beer makers can make real ones," he said. "They can't create the same taste as micro-brewers do."