Probiotic trends and consumer perspectives in Japan

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President and CEO, Sensing Asia Ltd.
What is Sensing Asia Ltd.?

- **Marketing consulting company supporting business development in Asia region**
- Affiliate partners in 13 countries in the region

1. Consulting and M&A advisory services
2. Efficient and cost-effective support (online & offline services)
3. Hands-on approach
We provide 4 types of services to support each step of your international business development.

Basic Services
- Covers regulatory information, investment environment, consumption, living and business cost information

Trend Sensing
- Provides future insights for business strategy planning and development of goods, services and technologies
- Analyzes signs of new trends and changes in market trends in the target market.

Advanced Services
- For detailed research for international business expansion
- Covers industry structure, regulations, market, customers, competitors and also searches the potential business partners
• Unique and varied – a review of latest probiotics products innovation for the Japanese market

• Consumer perspectives – how attitudes are changing towards functional food and drink

• Succeeding in this market – current commercial and marketing strategies for probiotics

• Regulation and innovation – how Food Functions with Claims regulations accelerate or impede product innovation.
Consumer perspectives – how attitudes are changing towards functional food and drink
Market Overview: Japan Market Share by Health Benefit

- Market Share of Health Food and Supplement by Health Benefit (FY2018):
  
  1st – Maintaining Health and Improving Physical Strength
  
  2nd – Beautiful Skin and Skin Care
  
  3rd – Recovery from Physical Exhaustion
  
  4th – Nutrient Balance
Market overview: Japan
Market Share by Age Group

Market Share Health Foods and Supplement Market by Age Group

- 10's: 1%
- 20's: 6%
- 30's: 10%
- 40's: 16%
- 50's: 18%
- 60's: 27%
- 70's: 22%

Over 50's accounts for 70%

Source: Intage
Annual Average Purchase Amount for Health Foods and Supplement per Gender and Age Group

USD

- **10's**: Male $58.5, Female $41.8
- **20's**: Male $133.9, Female $146.6
- **30's**: Male $159.8, Female $159.9
- **40's**: Male $194.4, Female $219.6
- **50's**: Male $230.9, Female $305.0
- **60's**: Male $451.3, Female $318.3
- **70's**: Male $389.3, Female $373.3

**Note:**
1. 1USD = 107.6JPY as of Apr2018

Source: Intage
Market overview: Japan Health Benefit TOP5 Consumers Seek For

Health Benefit Top 5 Female Consumers seek for (1) (2)

<table>
<thead>
<tr>
<th></th>
<th>Female 50’s</th>
<th>Female 60’s</th>
<th>Female 70’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Skin Care</td>
<td>Eye Health(3)</td>
<td>Eye Health(3)</td>
</tr>
<tr>
<td>2</td>
<td>Eye Health(3)</td>
<td>Health Maintenance and Promotion</td>
<td>Health Maintenance and Promotion</td>
</tr>
<tr>
<td>3</td>
<td>Fatigue Recovery</td>
<td>Articular Health</td>
<td>Articular Health</td>
</tr>
<tr>
<td>4</td>
<td>Intestine Maintenance and Prevention of Constipation</td>
<td>Skin Care</td>
<td>Bone Health</td>
</tr>
<tr>
<td>5</td>
<td>Health Maintenance and Promotion</td>
<td>Bone Health</td>
<td>Intestine Maintenance and Prevention of Constipation</td>
</tr>
</tbody>
</table>

Note:
1. Female over 50’s
2. Sort by Purchase rate of Health Foods and Supplement with Health Benefit
3. Excludes Eye Dry prevention

Source: Intage
Market Overview: Japan Regulatory System

Pharmaceutical Products

Food for Specified Health Uses (TOKUHO)

- Government approval required.
- Permitted to bear claims such as “Slows cholesterol absorption.”

Food with Nutrient Function Claims

- To supplement the nutrients (vitamins, minerals, etc.)
- No need to submit a notification to the government, as long as the food contains certain amounts of nutrient

Food with Function Claims

- Under the business operator's own responsibility, can bear function claims based on scientific evidence.
- No need of pre-approval by the government, but the supporting evidence needs to be submitted.

Food in General

Source: I.Bヘルスケア，Consumer Affairs Agency
Market Overview: Japan
Market Size and Growth

USD Billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Food for Specified Health Uses</th>
<th>Food with Nutriend Function Claims</th>
<th>Food with Function Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.97</td>
<td>1.04</td>
<td>3.64</td>
</tr>
<tr>
<td>2017E</td>
<td>1.59</td>
<td>1.11</td>
<td>3.58</td>
</tr>
<tr>
<td>2018P</td>
<td>1.84</td>
<td>1.15</td>
<td>3.62</td>
</tr>
</tbody>
</table>

Note:
1. 1USD = 107.6JPY as of Apr2018

Source: Fuji Keizai
Sales of Foods with Function Claim continued to showed strong growth in 2017.

- Messages from functional claim have a stronger product appeal than TOKUHO (food for specified health use)
- Price range is easy on the pocketbook
- New drinks and supplements with functional claim contributed to the sales increase

Coca Cola introduced a series of drinks with functional claim

Suntory Wellness renovated the existing product to functional foods
• Some doubts on Health claim products
• Slow down on FFC application

• Number of application
  – 2015  310
  – 2016  620
  – 2017  314

Note:

What’s the difference btw Tokuho and FFC?

Confusing of many similar claims
• Some product without FFC became a big-hit

Not necessarily to carry FFC....

25% of consumer has experience to intake FFC products.
36.8% of consumer is willing to intake FFC

Note: survey for 10,000 consumer by ministry of consumer 2018
Meiji Probio series

Most selling yogurt series is without “Food with Function Claim”

Lactobacillus of **Fighting with Risk**
Lactobacillus of **working in Stomach**
Lactobacillus of **Pull out the Strength**

Note: source: Meiji website
New Value-Proposition
New Value Proposition is becoming more Specific, Narrower Target

Lactobacillus of
Fighting with Purine Body

Note: source; Meiji website
• Intestinal Flora to **Mouth Flora**

*L. reuteri* DSM 17938 Bacteria

**Mouth is a entrance of body**

**Prevent Periodontal disease**

Note: source: Ohayo website
Marketing strategy: Intestine Age

How old your Gut?

Inulin Fiber + Bifidobacteria

Note: source: glico website
Market Trend in Japan
Chou-Katsu (腸活)

Chou-Katsu is “intestine activity” if literally translated

Chou-katsu

Become popular these days

Aims at having a lifestyle, exercises and diet to create a better intestine environment e.g.) Starting a day with a glass of water or drinking a spoonful of olive oil to activate the workings of intestines

Treats constipation, makes skin beautiful and makes people healthier
Case Study: Japan Lactic Acid Chocolate

Megahit Product
20 million units was sold in 1 year since its release

1. Background
   - Widely known that lactic acid support health maintenance.
   - Few delicious lactic acid sweets available
   - Chocolate is considered to be hard on stomach.

2. Solution
   - Changed image of Chocolate – Turn bad image to health to good.
   - Wrapping lactic acid by chocolate to bring to stomach

3. Appeal Point
   - Delicious chocolate for guts health

Improve Intestinal Environment
Lactic Acid T001
Food & beverage companies intend to ride on this buzz word...

8 kinds of Fiber

Inulin Fiber

Bifidobacteria + Sield lactoacid

Nano-type Lactic acid
Cho Katsu (Gut activation) Tea

Green tea is called unfermented tea: freshly-picked tea leaves heat treated in order to minimize oxidizing fermentation, which is caused by enzymes contained in fresh tea leaves.

But there is a group of tea drinks designated post-fermentation tea (Kurocha), using the activities of microorganisms after treating tea leaves the same way as green tea.

Note:
Drive Slimming Hormone

Block absorbing Fat

Good for Visceral Fat

Tea polyphenol
Gallic acid
Polymerized catechin
Kin-Katsu is “Bacteria activity” if literally translated

**Kin-Katsu**

- **probiotics**: Treats constipation, makes skin beautiful and makes people healthier.
- **prebiotics**: 65% of 30’s-40’s working women try to intake Bacteria at least once in everyday.
Kin-Katsu (菌活)

Which Bacteria is consciously consumed?

<table>
<thead>
<tr>
<th></th>
<th>Bacteria</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lactic acid</td>
<td>91.2%</td>
</tr>
<tr>
<td>2</td>
<td>Natto-Bacteria</td>
<td>72.2%</td>
</tr>
<tr>
<td>3</td>
<td>Fungus</td>
<td>52.3%</td>
</tr>
<tr>
<td>4</td>
<td>Acetic acid Bacteria</td>
<td>12.8%</td>
</tr>
<tr>
<td>5</td>
<td>None</td>
<td>3.1%</td>
</tr>
</tbody>
</table>
### Background

- Amazake become very popular for the benefit of rich nutrition, skin beauty, Slimming
- Love Amazake but short shelf life.

### Solution

- Powdered Amazake
- Mix with Water Soy milk etc.

### Appeal Point

- 3 kinds of live bacteria
- Fiber & Mineral by 8 kinds of grain
- No sugar
Gut Training

Gut Check Kit
Kin-katsu as a lifestyle

Eating smart of Natto

Fermentation Fair at restaurant complex

Morning Miso soup

Fermentation DIY
Lactic acid food market
Lactic acid food market volume

- Yogurt market has been steadily expanding until 2017
- Slow in expansion due to severe competition and saturation in consuming
- Instead, latest expansion stems from **food with Lactic acid**.

Source: Fuji Keizai 2019
Those feel actual benefit of Lactic acid is just 10%

– So many Lactobacillus make difficult to find out right Lactobacillus
– Not that easy to choose Lactobacillus according to my condition

– Opportunity for communication by physical condition not by name of Lactobacillus

Preventive measure

– High awareness of Worsening Gut Health affects weak immune system and/or Colon cancer

– Opportunity for women’s preventive purpose for Colon cancer to intake Lactobacillus

Note:
Thank you

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