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Japan's Health Food Market: Background, Trends and Recommendations

Report Categories:

Agricultural Trade Office Activities
Beverages
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Retail Foods
Snack Foods

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Report Highlights:

Japan is currently home to the third largest health food market in the world.

General Information:

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1. Introduction

Health foods and functional foods are a growing sector in the global food industry, and especially in Japan. Japan is currently home to the third largest health food market in the world. Despite decreases in the market in 2008 and 2009, during the economic contraction following the Lehman Shock, the market has rebounded and growth is expected to continue.

Recently, many health concerns have prompted the Japanese government to implement new policies to increase consumer awareness of health and functional aspects of food products. Factors such as the aging population and metabolic syndrome (a life-style related syndrome that can lead to diabetes and other health problems) are primary drivers of the health food market.

The health food market in Japan is an attractive one for ingredient suppliers and health food manufacturers. U.S. firms already have a competitive advantage in supplying certain ingredients, including dairy and corn-based products, to the Japanese health food market.

This report is provides an overview of Japan's health food market and a primer on options of entry. To succeed, companies must be aware of market trends, opportunities, and regulations.

2. The Health Food Market

Japan's health food market saw steady growth up until 2008 (Figure 1). Before 2008, there was an over-abundance of health food products, especially energy drinks, in the Japanese market. This market saturation led many companies to remove their products from the market due to their inability to compete. Products such as Suntory Holdings' *Dakara Vitamin Water* and Otsuka Pharmaceutical's *Oronamin C* survived the saturated market and are still strong competitors today. In 2009, oversight for health and functional food claims was transferred to the Consumer Affairs Agency (CAA). One of the CAA's functions is to explicitly regulate and monitor food labeling and the health food certification standards known as "Food for Specified Health Uses" (FOSHU) and Food with Nutrient Function Claims (FNFC).

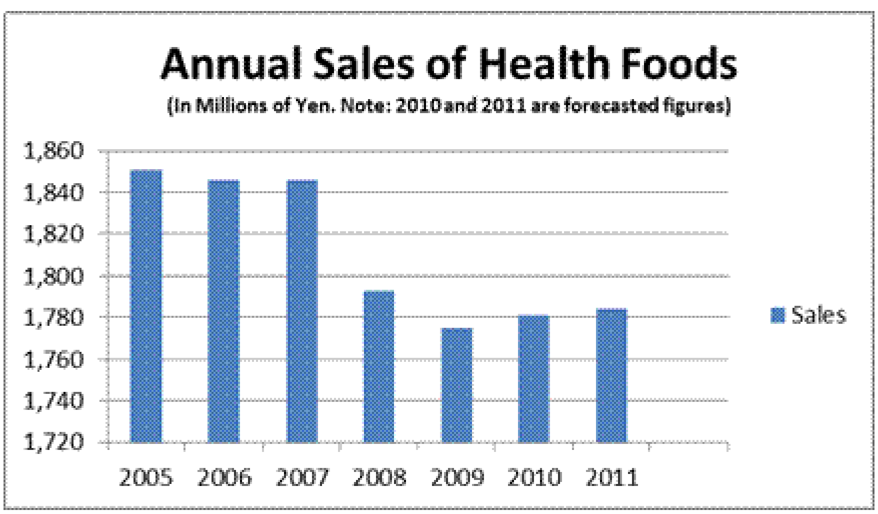


Figure 1. Source: Fuji Keizai

Despite the market decline of 2008 and 2009, the health foods market showed steady growth in 2010 and 2011. When cross-referenced with the CAA's data, Fuji Keizai's estimates for 2010 and 2011 (Figure 1) are quite similar. Regular and steady market growth should continue in the years ahead as the demand for health and functional foods is expected to grow considerably as the percentage of the Japanese population over the age of 65, a key market demographic, continues to swell.

2.1 Health Food Market Definitions

The health food market has two primary categories, with two secondary categories. Given the data available at the time, this report will focus on the primary categories which are known as "Foods for Specified Health Uses" (FOSHU) and Non-FOSHU (labeled "So-Called 'Health Foods" by the CAA) through 2011.

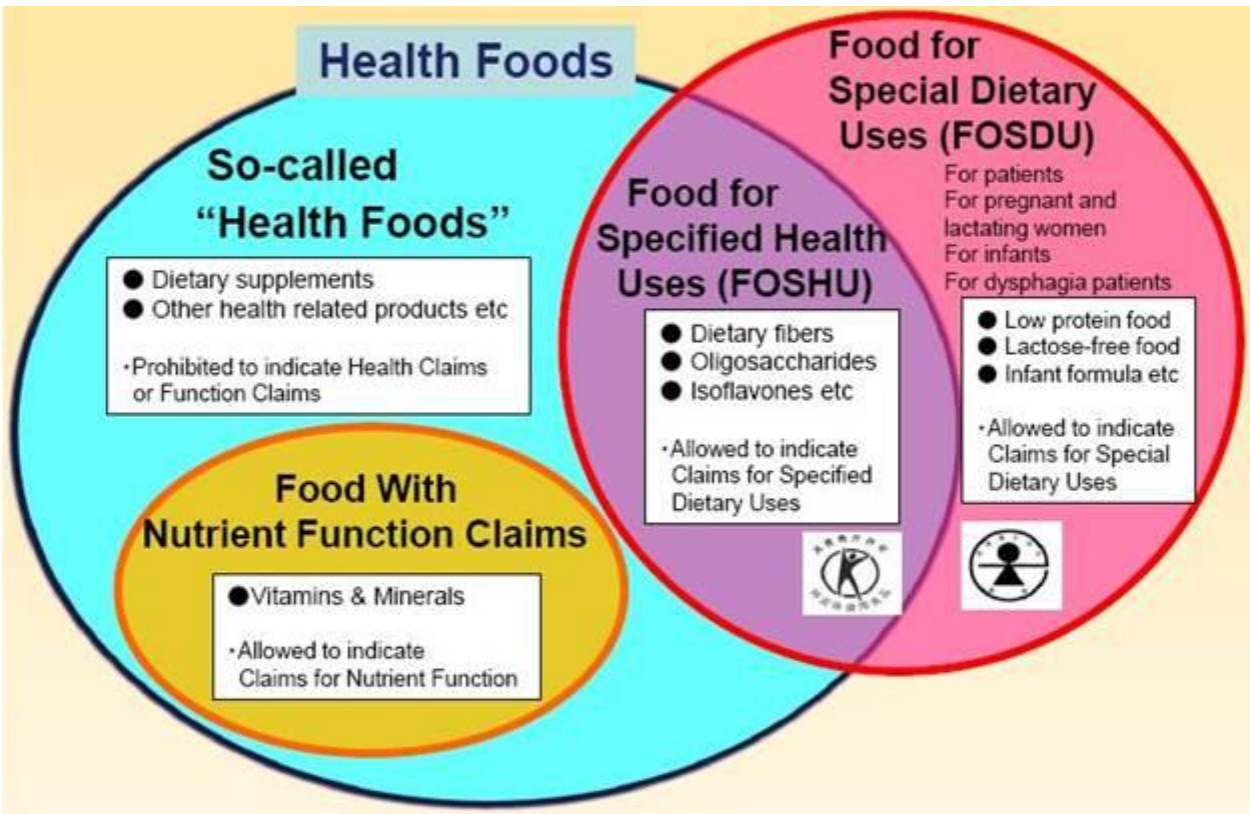


Figure 2. Source: CAA, "Regulatory Systems of Health Claims in Japan", 2011

2.1.1 Foods for Specified Health Uses (FOSHU)

FOSHU products must be reviewed and approved by the CAA to carry both the FOSHU logo and to FOSHU products may be food, drinks, and health supplements. Another category regulated by CAA is "Foods with Specified Dietary Uses" (FOSDU). FOSDU products carry a specific logo, and specifically target seniors, pregnant women, infants, or people with certain diseases (See Chapter 3).

2.1.2 Non-FOSHU

Non-FOSHU products are food, drinks, and other health related products that have not been evaluated by the CAA for FOSHU certification. Labeling regulations prohibit products in this category to make specific health or nutrient claims. Within this category, however, there is a secondary category called "Food with Nutrient Function Claims" (from here on referred to as FNFC). Products that fall under the FNFC category may indicate their nutrient function on the label. This means that products may be marketed by the function of specific ingredients, but not the product itself (See Chapter 4).

2.2 Market Trends

Both FOSHU and Non-FOSHU products in Japan are organized into 20 categories. Each category represents an aspect of health that a product may improve. As shown in Figure 1, the Health Food market peaked at approximately 1,850 billion JPY in 2005. It leveled out slightly before declining in 2008 to 1.793 billion JPY. It continued to drop in 2009, but as forecasted by CAA recovered in 2011. Despite being well below 2005 sales, the overall market is still remarkably healthy.

Sales and Market Share by Category				
Category	**2005**		**2011**	
	Sales	**Share**	**Sales**	**Share**
Analeptic	195,000	10.5	202,200	11.3
Strengthen liver function	31,480	1.7	66,850	3.7
Skin care	135,250	7.3	189,200	10.6
Intestinal regulation	285,470	15.4	267,650	15
Weight control	163,970	8.9	119,300	6.7
Prevent lifestyle-related diseases	237,760	12.8	211,450	11.9
Immunostimulation	49,850	2.7	28,100	1.6
Stimulate blood circulation	37,100	2	32,000	1.8
Nutrition Balance	71,600	3.9	80,650	4.5
Strengthen bone structure	132,560	7.2	144,650	8.1
Arousal effect	17,710	1	19,050	1.1
Reduce anemia	13,080	0.7	19,450	1.1
Reduce throat irritation	46,100	2.5	37,650	2.1
Tooth decay reduction	67,150	3.6	54,500	3.1
Reduce halitosis	29,050	1.6	36,100	2
Reduce eyestrain	42,300	2.3	52,900	3
Multi-Balance	189,500	10.2	128,600	7.2
Hormone balance	15,650	0.8	8,450	0.5
Relax	9,170	0.5	4,300	0.2
Green charge	81,700	4.4	79,950	4.5
Totals	1,851,450	100	1,783,000	100
Source: Fuji Keizai				

Table 2. Source: Fuji Keizai

Comparing sales and market share between all 20 categories in 2005 and 2011, certain categories stand out (Table 2). The category that maintains the highest market share is "Intestinal regulation" at 15%. The "Prevent lifestyle-related diseases" category is the second largest at 11.9%. The third largest category is "Analeptic", at 11.3%. Another notable category is "Strengthen liver function", with market share more than doubling between 2005 and 2011, despite having only 3.7%.

The increase in “Strengthen liver function” may possibly be attributed to the growing popularity of products that alleviate the ill-effects of the overconsumption of alcohol, such as *Ukon no Chikara*. Alcohol consumption is a traditional part of Japanese social and work functions. Since many have work the following day, products that alleviate the symptoms of a hangover are always in demand.

The aging population and the demand for anti-aging skin care products may explain the increase in the “Skin care” category’s market share. Japan is currently the largest skincare market in the world, and women between the ages of 30-49 years old are the primary drivers of it. One report from Yahoo!’s PR Newswire suggests that many women are starting to engage in preemptive anti-aging routines, helping fuel the market.
Contemporary Japanese diets tend to be low in fiber and constipation is a common condition. Fermented milk products such as Yakult Honsha’s *Yakult 400* are very popular due to their positive effects on intestinal flora and bowel movements. Probiotic yogurts and beverages are widely available and are ideal healthy snacks for busy Japanese workers on the go.

Other notable categories are “Strengthen bone structure” which appeals to aging women with concerns of osteoporosis; “Reduce halitosis” which has increased possibly due to the popularity of *Xylitol* chewing gum; and “Nutrition balance” for consumers who don’t have the time to eat three square meals a day. These growing sectors of the health food market in Japan may be appealing for U.S. producers to explore further.
The “Multi-Balance” section shrunk from 10.2% to 7.2% of total market share. This may very well be due to the addition of “Green Charge” and “Nutrition Balance” categories that were initially products classified under “Multi-Balance”. A “Green Charge” is a nutritional drink mixing green leafy vegetables such as kale and fruits, nuts and other vegetable ingredients.

“Weight control” saw the second largest decrease in market share. According to Euromonitor International’s 2013 “Weight Management in Japan” report, many Japanese are turning back to healthy eating habits and exercise to control their weight. The health food market is thriving, but products that are meant to be supplementary to a healthy diet and exercise appear to be better sellers than products promising weight loss.

2.4 Health Food Imports

According to the 2011 Japan External Trade Organization (JETRO) "Guidebook for Exports to Japan: Health Foods and Dietary Supplements", over 10% of the health food market is imported as a final product or an ingredient. As of 2010, approximately 6.8% of health food and supplement imports originated in the United States. The total numbers of imports saw regular growth from 17,484 tons in 2006, to 26,522 tons in 2010. Growth continued throughout the market downturn in 2008 (Figure 3).

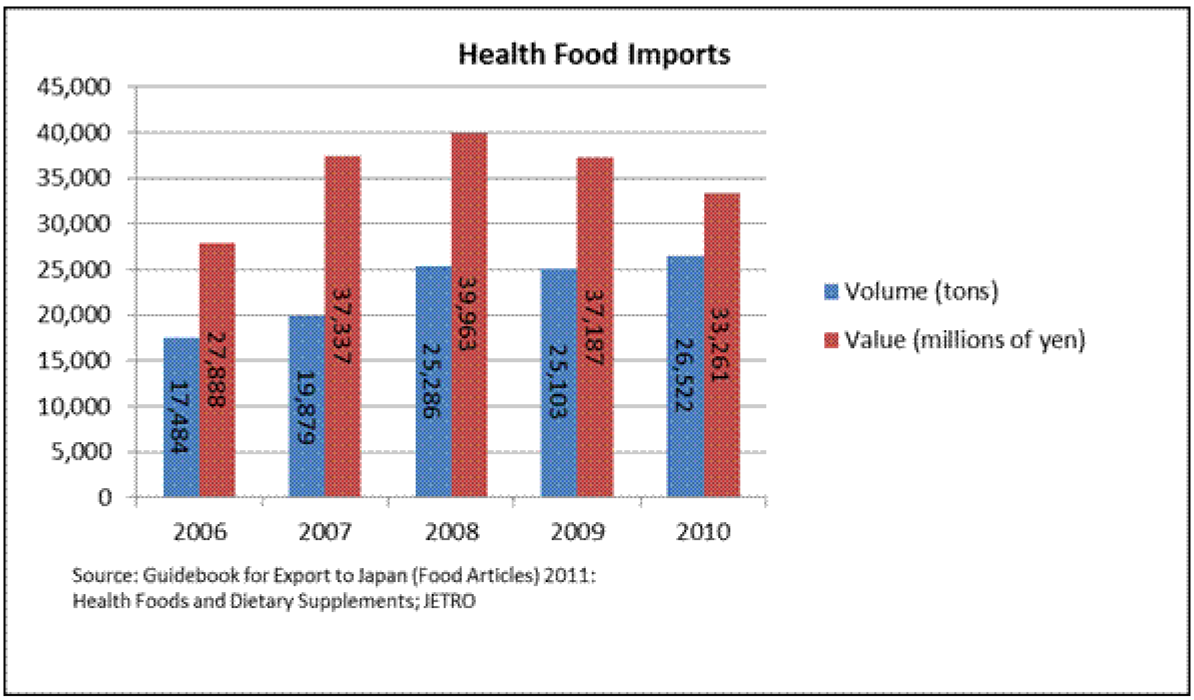


Figure 3; Source: JETRO

In Figure 3, health food and supplement imports grew steadily in value since 2006, but declined since 2009. The decrease in value is likely due to the competitive market leading to reductions of imported product and ingredient prices. Vitamin powders take up the most substantial share at 60% of total health food imports. As Japan's health food market expands, demand for imported ingredients may rise with it.

3. FOSHU

Japan was the first country to attempt to regulate its health food market by introducing "Food for Specified Health Uses" (FOSHU) standardization. For a product to become recognized as FOSHU certified, it would have to be submitted for review to test its efficacy and safety. The process could take anywhere between 6 months to 3 years or more, and requires substantial investment on behalf of the producer. Certification, however, is voluntary. Unless a company is already heavily invested in the product and established in Japan, there is very little incentive to go through the process.

In 2009, FOSHU regulatory responsibilities transferred from the MHLW to the CAA. In an attempt to make certification more attractive to producers, the CAA added additional options for FOSHU certification. The new options are meant to be more affordable and less time consuming than the original regulations. As of 2011 there were over 980 FOSHU certified products on the market.

FOSHU Label	*FOSDU Label*

Recently, the CAA created another product certification called "Food for Specified Dietary Uses" (FOSDU). In order to carry the FOSDU label, products must be reviewed and approved by the CAA. These products are food products that are produced specifically for seniors, pregnant women, infants, or people with certain diseases. See Appendix B for more information on FOSDU.

3.1 FOSHU Regulations

The following sections will cover the basic standards and options of FOSHU certification. With the increase of FOSHU sales and the relaxing of restrictions since 2009, certification may become more appealing to producers.

3.1.1 FOSHU Options

The CAA added 3 more options for alternative FOSHU labels in an effort to entice companies to get their products FOSHU certified. The options are as follows:

- **FOSHU**: The original regulation is explained in greater detail in 3.1.2 and 3.1.3. It requires a full review and proof of health effects, safety, and overall quality.
- **Standardized FOSHU**: Allows shortcuts for products whose safety has been approved previously in order to make the process more efficient. It does not require a review for efficacy, but evidence of safety must be provided.
- **Reduction of Disease Risk FOSHU**: This is a shortcut for products whose ingredients have already been established as clinically proven to reduce the risks of disease. It still requires a review of scientific evidence of the final product.
- **Qualified FOSHU**: Products that have not met all FOSHU requirements but include ingredients that have demonstrated certain health effects.

All of the categories above, except for Standardized FOSHU, must go through a review process conducted by the CAA and associated agencies. See Appendix A for more detail.

3.1.2 Requirements for FOSHU Approval

The basic requirements to meet FOSHU standards as listed by the CAA are:

- Improvement of dietary habits and contribution to health maintenance and enhancement can be expected by consuming the product.
- Scientific evidence for the claimed health benefit is available.
- Clinical and nutritional intake level of the product and/or its functional component is established.
- The product and/or its functional component are safe for human consumption.
- Following items regarding functional component are defined: a) Physical, chemical and biological characterization and its methods; b) Methods of qualitative and quantitative analytical determination.
- Nutrient constituent of same type of the food is not significantly changed.
- The food is intended to be consumed on a daily basis and not on rare occasions.
- The product or its functional component is not included in the medical drug list.

Source: CAA; "Regulator Systems of Health Claims in Japan", 2011

3.1.3 The FOSHU Approval Process

FOSHU approval is a lengthy process that sometimes takes years to complete. Below is a summary of the certification process:

- Step 1: Applicant submits documents and samples to the CAA's Food Labeling Division.
- Step 2: The CAA distributes the documents and samples to both the Consumer Commission, to review for efficacy of product; and Food Safety Commission, to review for safety.
- Step 3: If the sample meets effectiveness and safety requirements, the documents and samples are sent to the Ministry of Health, Labour and Welfare to ensure the labeling does not violate the Pharmaceutical Affairs Act.
- Step 4: Finally, everything is returned to the CAA, and if the product is approved then the company may label it as FOSHU.

For more on the FOSHU requirements and process, see Appendix A.

3.2 FOSHU Classifications

In addition to the 20 categories associated with all health foods, FOSHU products are further broken down into 7 possible classifications. Note that 4 of the FOSHU classifications are part of the "Prevent lifestyle-related diseases" category. `

FOSHU Classifications			
FOSHU Classification	**Licensed FOSHU Products**	**Health Food Category**	

	(2011)		
Intestinal Regulation	355	Intestinal Regulations	
Reducing Cholesterol Levels	139	Prevent lifestyle-related diseases	
Reducing Neutral Fats	90	Prevent lifestyle-related diseases	
Lowering Hypertension	119	Prevent lifestyle-related diseases	
Reducing Blood Glucose	148	Prevent lifestyle-related diseases	
Improving Mineral Absorption	57	Strengthen bone structure	
Tooth Decay Reduction	75	Tooth decay Reduction	
Total	**983**		
Source: JHNFA/Fuji Keizai/Promar Japan			

Table 3; Source: JHNFA/Fuji Keizai

3.3 FOSHU Market and Trends

FOSHU Best Selling Products by Category (2011)						
Category	**Company**	**Products**	**Type**	**Total category sales**	**Best seller market share**	
Analeptic	Yamada Yohoujou	Royal Jelly King	Supplement	91,550	17.1	
Strengthen liver function	Suntory Holdings	Sesamin E Plus	Soft Capsule	37,450	44.9	
Skin care	Everlife	Kojun	Supplement	86,700	24.9	
Intestinal regulation	Miki Corporation	Miki Prune	Paste	26,800	38.8	
Weight control	DHC	Protein Diet	Powdered Drink	72,400	20.2	
Prevent lifestyle-related diseases	Suntory Holdings	DHA&EPA + Sesamin E	Soft Capsule	79,150	23	
Immunostimulation	Yamada Yohoujou	Propolis 300	Soft capsule	25,900	20.1	
Stimulate blood circulation	Miki Corporation	Miki Echo 37	Tablet Supplement	32,000	70.9	
Nutrition Balance						
Strengthen bone structure	Suntory Holdings	Glucosamine & Chondroitin	Tablet Supplement	40,300	21	
Arousal effect						
Reduce anemia	DHC	Heme Iron	Soft	4,300	24.4	

			Capsule			
Reduce throat irritation						
Tooth decay reduction						
Reduce halitosis	Kobayashi Pharmaceutical	Breath Care	Supplement	4,900	31.6	
Reduce eyestrain	Wakasa Seikatsu	Blueberry Eye	Soft Capsule	41,250	31.6	
Multi-Balance	Japan Amway	Triple X	Tablet Supplement	64,500	27.2	
Hormone balance	DHC	Soy Isoflavon	Supplement	7,950	10.8	
Relax	DHC	St. John's Wort	Supplement	3,450	11.9	
Green charge	Sun Chlorella	Sun Chlorella A	Tablet Supplement	25,900	26.3	
Unit: Million Yen						
Source: Fuji Keizai						

Table 4; Source: Fuji Keizai

The "Analeptics" health food category is the highest selling FOSHU market. Analeptics support the central nervous system, and heighten mental and physical function. This category's popularity is most likely due to the aging population's health concerns in regard to their daily lives. Yamada Yohoujou's *Royal Jelly King* supplement has the largest market share of this category with 17.1% of the total. Royal Jelly is a honey bee secretion that feeds the larva. It is a popular ingredient because it has a high concentration of B vitamins and anti-aging properties.

"Skin care" is also a category that has a strong market, coming in at over 86,000 million JPY in 2011 for sales. As mentioned earlier, women as young as their 30s are already using preemptive anti-aging product regimes. The most popular FOSHU skin care product is Everlife's *Kojun*. The primary ingredient is Hyaluronic Acid, which accelerates cell reproduction. *Kojun* enjoyed almost 25% of the total "Skin care" market.

"Prevent life-style related diseases" is the third largest FOSHU category. The top selling product is Suntory Holding's *DHA&EPA + Sesamin E*. Its primary ingredients are fish oils (which contain Omega 3 fatty acids), sesamin (for fat reduction), and vitamin E (which prevents the spread of free-radicals). Rising concerns about metabolic syndrome and the aging population are likely the primary factors giving this category a boost.

Overall, the functional ingredients of these health foods are well documented. Change is most likely due to marketing and promotions of the efficiency and effects of the product.

4. Non-FOSHU

The Non-FOSHU category of Japanese health foods was formerly referred to as "Health-Enhanced Foods" and currently by the CAA as "So-Called 'Health Foods'". Despite the negative connotation of the current title, it simply refers to the fact that these products have not been through the highly regulated FOSHU certification process. It is important to note, however, that Non-FOSHU products may be just as effective as their FOSHU counterparts.

The marketing and labeling of Non-FOSHU products is restricted from making express and specific claims regarding the products effects on the body or to alleviate an existing health condition. The label may, however, make general health claims. Products that meet FNFC standards are allowed to make claims that point out the health benefits of the vitamins and minerals that the product contains. More information on FNFC standards are found in Appendix B.

4.1 Non-FOSHU Market and Trends

Though Non-FOSHU products make up the majority of Japan's health food market; FOSHU products have increased slightly each year since 2009(Figure 4). This could be another indication of changing consumer preferences, as they begin to trust FOSHU certified products more than their Non-FOSHU counterparts. Despite this, the Non-FOSHU market is still a viable and affordable alternative to FOSHU certification for health food producers.

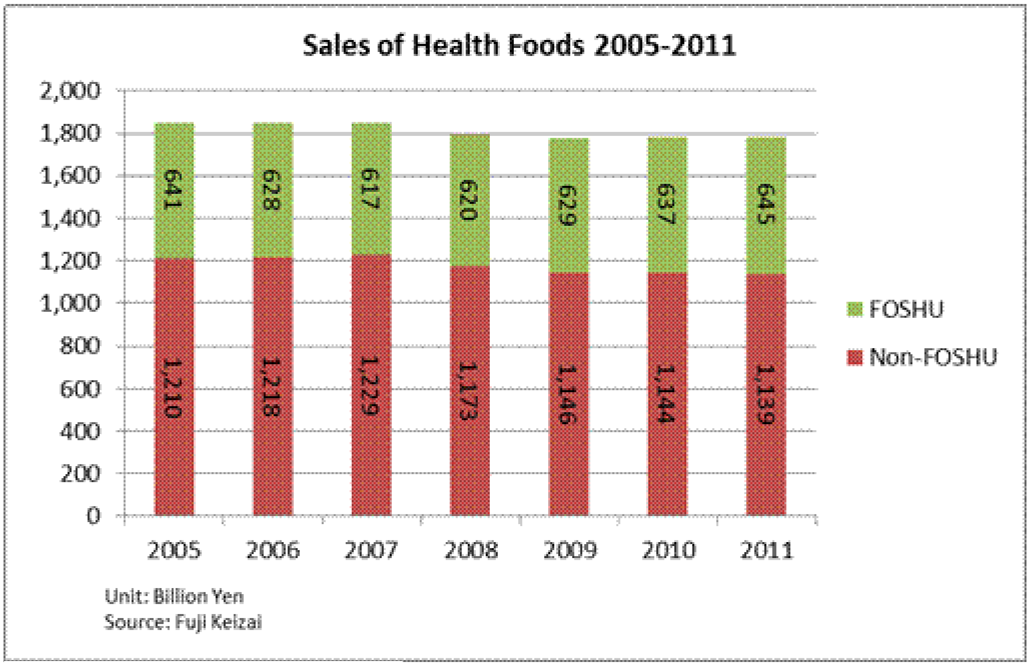


Figure 4; Source: Fuji Keizai

Below, table 3 displays the top selling Non-FOSHU products by category in 2011 along with the product's market share of that particular category.

Non-FOSHU Best Selling Products by Category (2011)						
Category	**Company**	**Products**	**Type**	**Total category sales**	**Best seller market share**	
Analeptic	Otsuka	Oronamin C	Energy	49,400	44.6	

	Pharmaceutical		Drink			
Strengthen liver function	House Foods	Ukon no Chikara	Turmeric Drink	17,500	59.5	
Skin care	Suntory Holdings	C.C. Lemon	Lemon Soda	29,650	28.9	
Intestinal regulation	Yakult Honsha	Yakult 400	Fermented Milk	69,200	28.7	
Weight control	Oak Lawn Marketing	Hills Diet	Jelly	8,000	17.1	
Prevent lifestyle-related diseases	Suntory Holdings	Suntory Black Oolong Tea	Diet Tea	32,500	24.6	
Immunostimulation	Otsuka Pharmaceutical	Five Mini Plus	Vegetable Drink	430	19.5	
Stimulate blood circulation						
Nutrition Balance	Otsuka Pharmaceutical	Calorie Mate	Health Bar	25,510	31.6	
Strengthen bone structure	Meiji Dairies	Shikkari Calcium	Milk	19,860	19	
Arousal effect	Lotte	Black Black	Chewing Gum	6,750	35.4	
Reduce anemia	Nippon Milk Community	Senii & Tetsu Powder	Fermented Milk	4,530	29.9	
Reduce throat irritation	Kanro	Non-Sugar Throat Lozenge	Throat Lozenge	8,700	23.1	
Tooth decay reduction	Lotte	Xylitol	Chewing Gum	30,150	55.3	
Reduce halitosis	Cadbury Japan	Clorets XP	Chewing Gum	13,900	44.6	
Reduce eyestrain	Meiji Dairies	Bulgaria Yogurt Blueberry	Yogurt	5,950	51.1	
Multi-Balance	Suntory Holdings	Dakara Vitamin Water	Vitamin Water	37,300	58.2	
Hormone balance	Kagome	Isofura Plus	Vegetable Juice	260	52	
Relax	Glico	Mental Balance Chocolate GABA	Chocolate	500	58.8	
Green charge	Asahi	Ryokou	Aojiru	13,500	25	

	Ryokuken	Aojiru	Drink			
Units: Million Yen						
Source: Fuji Keizai						

Table 3; Source: Fuji Keizai

The “Intestinal regulation” category has consistently been the top selling category for Non-FOSHU products. It is a thriving market filled with Yogurt and other dairy products. In 2011, Yakult Honsha’s *Yakult 400* was the best selling product in this category, occupying 28.7% market share.

“Analeptics” is still a lucrative market. Otsuka Pharmaceuticals’ *Oronamin C* was the top selling energy drink. *Oronamin C* took up 44.6% of its category’s market share. Energy drinks are very popular in Japan.

The “Multi-balance” category was the third largest, dominated by Suntory Holdings’ *Dakara Vitamin Water*. Despite the decline since 2005, it is still a large market that may provide opportunities for US companies.

The categories of “Relax”, “Hormone balance”, and “Immunostimulation” are very small compared to the top three Non-FOSHU categories. Nonetheless, they are categories that are important to Japanese consumers.

Milk products and chewing gum appear to be popular product types. In 2008, Japan’s chewing gum sales were the largest in Asia. Especially popular are brands that have positive health effects. Lotte’s *Black Black* chewing gum is packed full of caffeine and B-vitamins, and was the top selling Non-FOSHU product in the “Arousal effect” category.

5. Social Factors Influencing the Market

5.1 Distribution

There are six distribution channels for Functional Foods: Retail stores, convenience stores, coops and home delivery, TV and internet mail order, drug stores and pharmacies, and others.

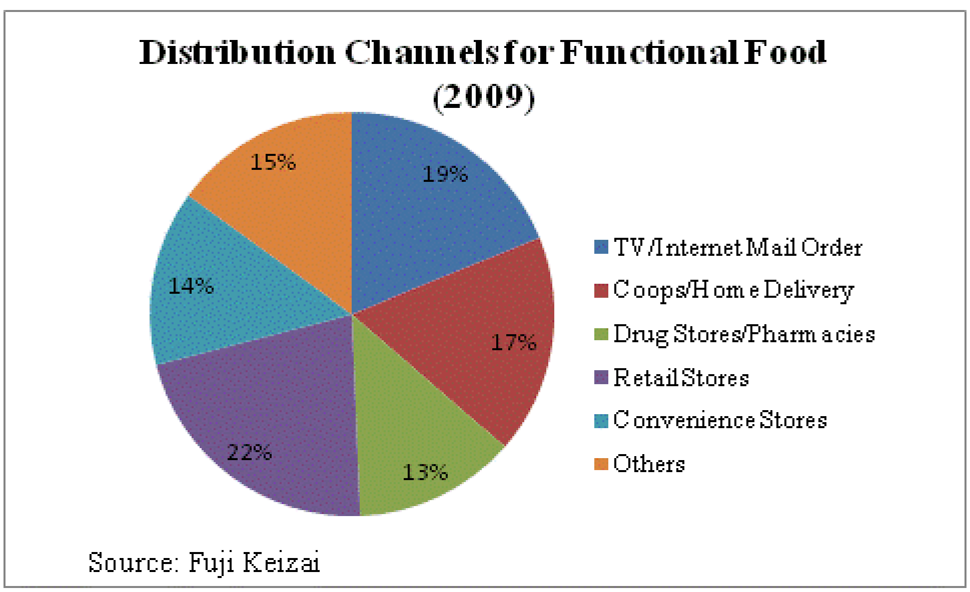


Figure 5; Source: Fuji Keizai

In 2009, the largest distribution channels were retail stores, followed by TV/Internet mail order. Both channels increased sales between 2009 and 2011, though retail was projected with a marginal growth. TV/Internet mail order was forecasted to make a 7.3% sales increase by the end of 2011.

Coops and home delivery sales are forecasted to continue to decline. Drug stores and pharmacies are expected to increase their sales slightly, due to the popularity of collagen and glucosamine products that are primarily sold through these channels.

5.2 Aging Society

Estimates placed the population of Japan to be approximately 126 million people in 2012. The estimated population of elderly citizens (65 years old and over) is 30.7 million. Today, seniors make up over 24% of the entire nation's population. The Japanese government expects the number to rise, projecting that 40% of the total population in Japan will be in the elderly age bracket by 2055.

Japanese consumers are known for their awareness of health and ingredients in their food, and seniors are no exception. In fact, they may be even more conscious than their younger counterparts. Rising medical costs and the growing health concerns are causing seniors to be more aware of what they are eating.

Many Japanese producers of Health foods are already targeting seniors with their products. From Meiji Dairy's *Bulgaria Yogurt* line to Everlife's *Kojun*, various product types are appealing to this market. Expect many health food producers to be marketing to seniors and retirees in the long term.

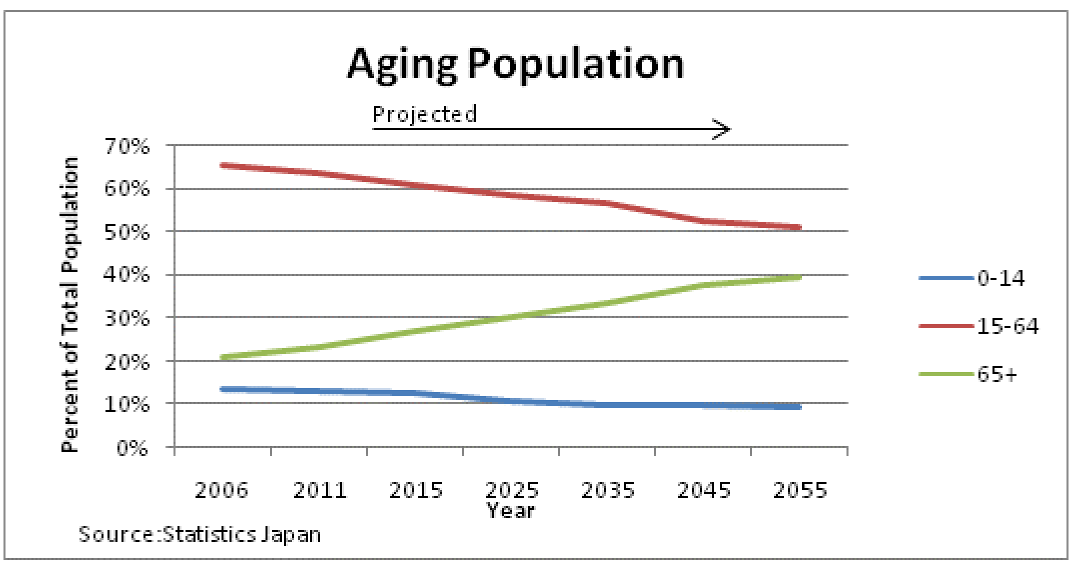


Figure 5; Source: Statistics Japan

5.3 Metabolic Syndrome

Metabolic syndrome has become more prevalent in Japan. Metabolic syndrome, which is commonly defined in the United States as obesity, is thought to be the cause of various life-style related diseases such as diabetes, hypertension, and cancer. Exercise and healthy eating habits are the two most recommended ways to prevent metabolic syndrome.

A survey conducted by the MHLW in 2009 found that 14.4% of respondents were diagnosed with metabolic syndrome. An additional 12.2% were diagnosed as being at risk of having metabolic syndrome. (It should be noted that the obesity rate using thr World Health Organization standard of a 30 Body Mass Index is less than 3.5% in Japan, the lowest among all developed countries. However, the official obesity rate in Japan, which uses a Body Mass Index of 25, is about 20-25%).

5.4 Health Conscious Consumers

Surveys suggest that Japanese consumers are very health conscious in general and currently provide the third largest market of Functional Foods in the world. A survey performed by the Health and Food forum found that Japanese consumers between the ages of 20 and 70 years old are likely to have various health concerns. When posed with the question of what they do to try to improve their health, 54% responded that they take "health oriented products". In addition, the CAA's 2013 consumer surveys found that almost 90% of consumers make purchasing choices based on function.

6. Ingredients

The top selling ingredients are available in table 4.

	Best Selling Ingredients				
	Function	**Ingredient**	**Sales(2009)**	**Sales(2011)**	
	Intestinal regulation	Lactic Acid	181,250	179,850	
	Strengthen bone structure	Calcium	109,150	102,950	
	Nutrition balance	Nutrition Balance	80,250	80,650	
	Skin care	Vitamin C	77,350	79,700	
	Analeptic	Royal Jelly	69,000	67,000	
	Analeptic	Vitamin	58,500	57,550	
	Green Charge	Aojiru	52,200	55,000	
	Sales: Million yen				
	Source: Fuji Keizai				

Table 4; Source: Fuji Keizai

Lactic Acid

Lactic Acid is consistently the top selling ingredient for health foods and is the most popular ingredient in the "Intestinal Regulation" category. Lactic Acid is touted to have anti-cancer qualities as well as regulating the digestive system. In 2009, the sales of products containing lactic acids were 181 billion JPY. It decreased, however, to 179 billion JPY in 2011. It is still, by far, the top selling ingredient consistently since 2006.

Calcium

Calcium is consistently the second best selling ingredient for health foods and is the most popular ingredient in the "Strengthen bone structure" category. Calcium's function of strengthening bones is especially important to the middle-aged female population who are more susceptible to Osteoporosis.

In 2009, the sales of the products containing Calcium were 109 billion JPY. However, it fell to approximately 102 billion JPY by 2011.

Vitamin C

Vitamin C is in high demand in the "Skin care" category; due to its ability to help prevent wrinkles and aging. In 2009, products containing Vitamin C generated sales of 77 billion JPY. Sales are expected to increase to 79 billion JPY by 2011.

Royal Jelly

Royal Jelly is a Honey Bee secretion that feeds their larva and nourishes the Queens during the initial weeks of their lives. It is said to have various benefits such as anti-aging and respiratory benefits. Products containing Royal Jelly generated 58 billion JPY in 2009, but dropped to 57 billion JPY by 2011.

Aojiru

Aojiru refers to the Japanese kale drink, but is sometimes substituted with young barley. Aojiru contains over 40 vitamins and minerals, making it a nutritious beverage for people to enjoy while on the go. Aojiru products are quite popular in Japan. As an ingredient, it grew in sales from 52 billion JPY to 55 billion in 2011.

7. Successful Producers and Products

This chapter examines the most successful producers in the market. See Appenix C for a list of the top 10 companies in 2009.

7.1. Mega Hit Products

The most successful products in the Health foods market are listed below in table 5.

Sales of Mega Hit Product

Sales: million yen

Product	Company	Product Type	Key Ingredient	FOSHU	2009	2010	2011
Analeptic							
OronaminC	Otsuka Pharmaceutical	Enegry drink	Vitamin		41,440	40,880	40,150
Dekavita C	Suntory Holding Limited	Enegry drink	Vitamin		16,130	16,560	16,780
Royal Jelly King	Yamada Yohoujou	Supplement	Royal Jelly		15,600	15,700	15,700
Skin Care							
C.C. Lemon	Suntory Holding Limited	Vitamin Drink	Vitamin C		25,440	26,530	26,650
Kojun	everlife	Supplement	Hyaluronic Acid		19,500	21,000	21,500
C1000 Lemon Water	House Wellness Foods	Vitamin Drink	Vitamin C		12,900	13,000	12,950
Intestrinal regulation							
Probio Yogurt LG 21	Meiji Milk	Yogurt	Lactic acid		22,500	22,500	22,500
Bulgaria Yogurt LB81	Meiji Milk	Yogurt	Lactic acid	O	22,050	22,100	22,300
Aloevera Juice	Foever Living Products Japan	Juice drink	Aloe		15,700	15,500	15,300
Prevent lifestyle-related diseases							
Kuro oolончa	Suntory Holding Limited	Drinking tea	OTPP	O	24,100	24,700	25,000
Jukusei Yazuya no Kozu	Yazuya	Tablet Vinegar	Kozu		11,000	10,500	10,200
Healthy Reseter	Nisshin Oillio Group	Cooking Oil	Medium chain triglyceride	O	10,650	15,400	15,400

Note: 2010 and 2011 sales are based on forecast.

Source: Fuji Keizai

Table 5; Source: Fuji Keizai

7.2 Example of a Successful Newcomer Product

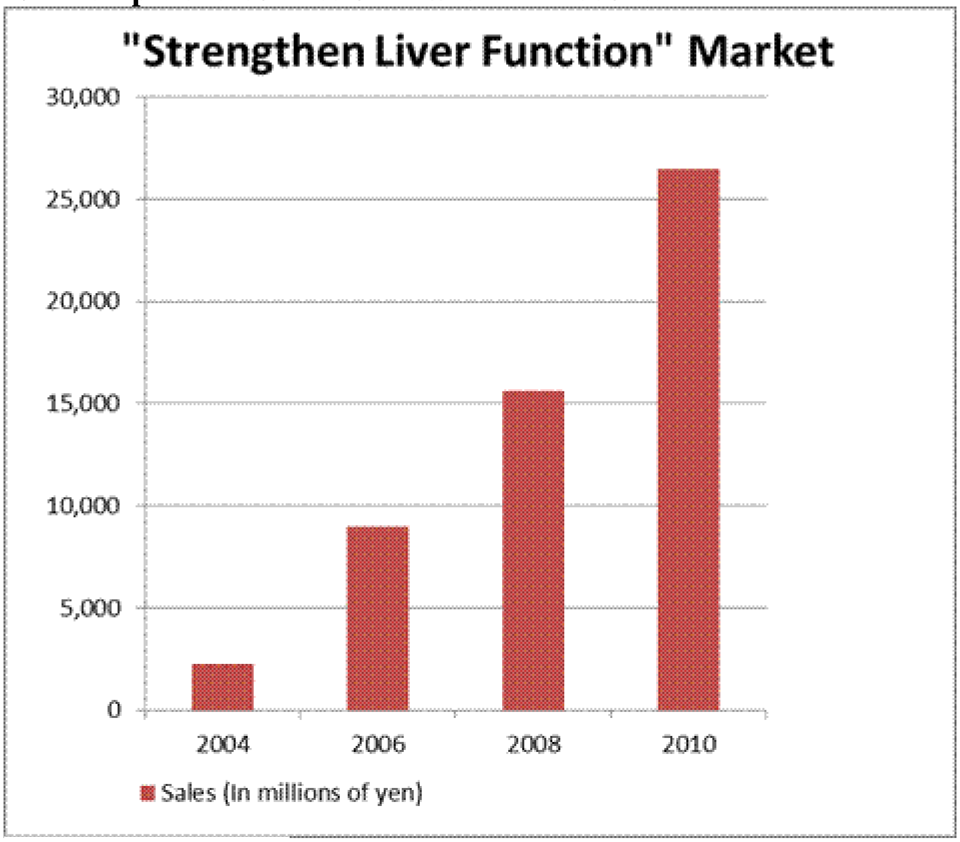


Figure 5; Fuji Keizai

Before entering the health food market, House Foods specialized in curry products, which Turmeric is the primary ingredient. Turmeric is touted for various health properties as an analeptic, treatment for chronic diseases, and has long been used in Asian traditional medicine. This specialization led them to create *Ukon no Chikara*. House Foods claims that since turmeric helps to accelerate one's metabolism, alcohol is therefore metabolized quicker, leading to a hangover free morning. *Ukon no Chikara* is available as a beverage and in tablet form.

The target market for this product is primarily working males between the ages of 30-40 years old. House Foods also released a cassis flavored *Ukon no Chikara* that targets the female demographic with some success.

House Foods' marketing campaign was key to the product's success. Television commercials were aired in intelligently selected time slots, samples were distributed, and advertisements were placed in high traffic train stations and trains. Their catchy slogan was easily remembered, translating to: "Let's drink Ukon before we go drinking!" Consumers claim that not only does it work (thanks to the turmeric), but it tastes good as well.

7.3 Manufacturers

Suntory Holding Limited
As of 2009, Suntory Holding Limited had the largest market share with sales of just over 166 billion JPY, increasing from 113 billion JPY in 2006. Since 2006, the company has been the leader in the Functional Food market. Their top product in 2009 was the top seller in the Skin Care category, *C.C. Lemon*.

C.C. Lemon

Kuro Oolongcha

Meiji Dairies Corporation
Meiji Dairies has been Suntory Holding Limited's biggest competitor in the Functional Food market. In 2009, Meiji Dairies' total sales were at 107 billion JPY; A slight decrease from their 2006 performance of 112 billion JPY. Meiji Dairies dominates the yogurt market with their products *Probio Yogurt LG21* and *Bulgaria Yogurt LB81*.

Probio Yogurt LG21

Bulgaria LB81

Otsuka Pharmaceutical

Otsuka Pharmaceutical generated about 94 billion JPY in sales in 2009, an increase of about 2 billion JPY since 2006. Their top product has consistently been *Oronamin C*, which is an energy drink that contains the primary ingredient Vitamin C along with amino acids and B vitamins. The product is named after their original ointment product *Oronine H Ointment*. In 2000, they released a related product called *Oronamin C Royal Polis* which contains Royal Jelly as a supplementary ingredient.

Oronamin C

Other Companies

Other manufacturers are Yakult Honsha with 2009 figures of 92 billion JPY, Miki Corporation at 60 billion JPY, and LOTTE at 52 billion JPY. A list of the top 10 manufacturers in 2009 is available in Appendix C.

8. Conclusions and Recommendations

8.1 Conclusions

The Overall Health Food Market

Despite the down turn in 2008, the health food market in Japan is still vibrant and alive. The Non-FOSHU sector still dominates the total market, and may be a good place for exporters to test the waters. It is a cheaper alternative to the prestigious FOSHU certified sector. The FOSHU certified sector on the other hand has been gaining ground in the market. Though still a minority of the market, CAA regulations have provided producers more incentives to become certified and consumers seem to trust the FOSHU brand.

Finished Product Opportunities

Promising finished products that may be ripe for export to the Japanese Health food market are:

- Health drinks; especially tea, energy drinks, and vitamin drinks.

- Health foods; especially yogurt, chewing gum, and health bars.
- Health supplements; especially skin-care products and multi-vitamins.

Ingredient Opportunities
Some of the best product opportunities in Japan for American producers are functional ingredients. Products that appear especially attractive for exporters include:

- Vitamins and Minerals(powders, derivatives; calcium and vitamin C)
- Dairy ingredients (lactic acid, lactose, and whey)
- Aloe
- Devils claw and corn (which glucosamine and calcium are derived from)
- Propolis (used in Anti-allergens)
- Other herbs and raw ingredients (such as St. Johns Wort and Soy isoflavon)

8.2. Recommendations

Explore the Japanese Functional food markets which fit your product expertise.
If a U.S. firm has a product that has potential to succeed in the Japanese market, they should be financially and strategically prepared to compete in the competitive market. Further investigation should be undertaken, especially in regards to stricter food label regulations.

Disregard FOSHU approval unless the company has:
1. A product that already closely fits into one of the functional categories.
2. Have the information necessary to back up its health claims.
3. Strong representation in Japan.
4. Patience.

Focus on products which can be categorized as Non-FOSHU foods.
This category makes up the largest market share in Japan's Functional Food sectors. Bearing in mind that FOSHU approval is voluntary, and firms can still market their products as general health foods; the Non-FOSHU market is much more cost effective and less risky to enter. It is also a good testing ground for new products, which may lead to future FOSHU certification if the company so desires.

Target Japan's Baby Boomer generation and life style related diseases.
The senior population is an important demographic in the market. Products that help prevent life-style related diseases are a growing market due to consumer concerns about metabolic syndrome and other health conditions.

Investigate high value ingredient prospects which fit your capabilities.
Good current examples include: lactic acid, lactose, vitamin C, aloe, corn, devils claw (an herbal remedy), and vitamin powders. These ingredients are used in many successful functional food products.

Investigate finished food and drink products which fit your capabilities.
Entering the Japanese market for finished products requires more commitment than ingredients do, both strategically and financially. This report concludes, however, that there are areas in the market where U.S. companies might have a competitive advantage. Particular areas include functional beverages (tea and energy drinks), dairy products (yogurt, chewing gum, health bars), and supplements (vitamins and skin care products).

Appendix A: Food for Specific Health Uses (FOSHU)

Categories of FOSHU Standards

FOSHU • Requires detailed review process with scientific evidence for each application.	
Standardized FOSHU • No requirement of detailed review process for food products meeting the established standards and specifications. • Must be accompanied by sufficient accumulation of scientific evidence. • For efficiency: short cut process for products whose safety of use already approved.	
Reduction of disease risk FOSHU • Requires detailed review process with scientific evidence for each application. • Permitted for products whose ingredients clinically and nutritionally established to reduce a risk of certain disease (i.e., Calcium for Osteoporosis and Folic acid for neural tube defects).	

Qualified FOSHU

- Requires detailed review process with scientific evidence for each application.
- Permitted for products with ingredients showing certain health effects but not reaching the established standards for FOSHU approval.
- Labeled as "Qualified Food for Specified Health Uses."

Source: Regulatory Systems of Health Claims in Japan; http://www.caa.go.jp/en/pdf/syokuhin338.pdf

Required Conditions for FOSHU Approval

1. Improvement of dietary habits and contribution to health maintenance and enhancement can be expected by consuming the product.
2. Scientific evidence for the claimed health benefit is available.
3. Clinical and nutritional intake level of the product and/or its functional component is established.
4. The product and/or its functional component is safe for human consumption.
5. Following items regarding functional component are defined: a） Physical, chemical, and biological characterization and its methods, b) Methods of qualitative and quantitative analytical determination
6. Nutrient constituent of same type of the food is not significantly changed
7. The food is intended to be consumed on a daily basis and not on rare occasions
8. The product or its functional component is not included in the medical drug list

Notification Shokuanhatsu 0201002, 2007 February 1
Source: Regulatory Systems of Health Claims in Japan; http://www.caa.go.jp/en/pdf/syokuhin338.pdf

Appendix B: Food With Nutrient Function Claims (FNFC) and Food for Special Dietary Uses (FOSDU)

Food with Nutrient Function Claims (FNFC)
FNFC refers to all food that is labeled with the nutrient function claims specified by the CAA. The standards and specifications for indication of nutritional function have been so far established for 17 ingredients (12 vitamins and 5 minerals).

These foods may be freely manufactured and distributed without any permission from or notification to the national government, provided that it meets the established standards and specifications.

Standards and Specifications

-		Amount of nutritional ingredient in the recommended daily intake of the product must be within the specified range.
-		Not only the nutrient function claims but also the warning indications must be displayed.

Nutritional Ingredient	Specified Range of nutritional ingredient of the advisable daily intake	Function Claims	Warning Indication
Niacin	3.3 ~ 60 mg	helps to maintain skin and mucosa healthy.	Increased intake of this product will not result in curing diseases nor promoting health. Please comply with the advisable daily intake.
Pantothenic acid	1.65 ~ 30 mg	helps to maintain skin and mucosa healthy.	
Biotin	14 ~ 500 μg	helps to maintain skin and mucosa healthy.	
Vitamin A	135 ~ 600 μg	helps to maintain vision in the dark, and helps to maintain skin and mucosa healthy.	Increased intake of this product will not result in curing diseases nor promoting health. Please comply with the advisable daily intake. Women within the third months of pregnancy or women considering to be pregnant should be careful of over consumption.
Vitamin B1	0.30 ~ 25 mg	helps to produce the energy	Increased intake of this product

		from carbohydrate and to maintain skin and mucosa healthy.	will not result in curing diseases nor promoting health. Please comply with the advisable daily intake.
Vitamin B2	0.33 ~ 12 mg	helps to maintain skin and mucosa healthy.	
Vitamin B6	0.3 ~ 25 mg	helps to produce the energy from protein and to maintain skin and mucosa healthy.	
Vitamin B12	0.60 ~ 60 μg	aids in the red blood cell formation.	
Vitamin C	24 ~ 1000 mg	helps to maintain skin and mucosa healthy and has anti-oxidizing effect.	
Vitamin D	1.5 ~ 5.0 μg	promotes to absorb calcium in gut intestine and aids in the growth of bone.	
Vitamin E	2.4 ~ 150 mg	helps to protect fat in the body from being oxidized and to maintain the cell health.	
Folic acid	60 ~ 200 μg	aids in the red blood cell formation, and contributes the normal growth of the fetus.	Increased intake of this product will not result in curing diseases nor promoting health. Please comply with the advisable daily intake. This product helps normal development of fetus, but increased intake of this product will not result in better development of fetus.
Zinc	2.1 ~ 25 mg	necessary nutrient to maintain normal taste and helps to maintain healthy skin and mucous membranes. It is involved in the metabolism of protein and nucleic acids and is helpful in maintaining health.	Increased intake of this product will not result in curing diseases nor promoting health. Too much intake of zinc might inhibit absorption of copper. Please comply with the advisable daily intake. Infants and young children should avoid use of this product.
Calcium	210 ~ 600 mg	necessary in the development of bone and teeth.	Increased intake of this product will not result in curing diseases nor promoting health. Please comply with the advisable daily intake.
Iron	2.25 ~ 10 mg	necessary in the red blood cell formation.	
Copper	0.18 ~ 6 mg	helps to form red blood cells and helps proper function of	Increased intake of this product will not result in curing diseases

		many body enzymes and bone formation.	nor promoting health. Please comply with the advisable daily intake. Infants and young children should avoid use of this product.
Magnesium	75 ~ 300 mg	necessary in the development of bone and teeth, maintain proper blood circulation, and helps proper function of many body enzymes and energy generation.	Increased intake of this product will not result in curing diseases nor promoting health. Increased intake might cause diarrhea. Please comply with the advisable daily intake. Infants and young children should avoid use of this product.

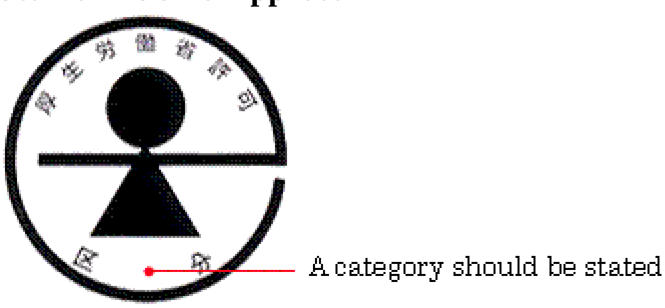
Source: Ministry of Health, Labour and Welfare;
http://www.mhlw.go.jp/english/topics/foodsafety/fhc/01.html

Food for Special Dietary Uses (FOSDU) Requirements

Food for Special Dietary Uses (FOSDU)

FOSDU refers to food that is approved/permitted to display that the food is appropriate for special dietary uses.

Seal for FOSDU Approval



Categories of FOSDU: There are five categories of FOSDU.

(1)		Medical foods for the ill <**Single Food**> - low-sodium foods - low-calorie foods - low-protein foods - no/low-protein and high-calorie foods - high-protein foods - allergen-removed foods - lactose-free foods <**Packed Meals**>: meals prepared for one serving, consisting of several foods - sodium-reduced meals - meals for diabetes - meals for liver disease - meals for adult obesity
(2)		Formulas for pregnant or lactating women

(3)		Infant Formulas
(4)		Foods for the elderly with difficulty in masticating or swallowing
		- Foods for people with difficulty in masticating
		- Foods for people with difficulty in both masticating and swallowing
(5)		Foods for Specified Health Uses (FOSHU)

Assessment
When a food is intended to display special dietary uses mentioned above, permission or approval is required from the CAA (under the Health Promotion Law, Article 26).

1.	**Standard Regulation System**: the compatibility with the standard is assessed. - Medical foods for the ill (Single food and Packed Meals) - Formulas for pregnant of lactating women - Infant Formulas - Foods for the elderly
2.	**Individual Approval System**: - Medical foods for the ill - FOSHU

Requirement in Labeling
FOSDU must be labeled with information, given below, as prescribed in the Ministerial Ordinance under the Health Promotion Law

•		Product name
•		Use by date or date of minimum durability
•		Methods to preserve
•		Name and address of manufacturer
•		Specified permission/approval mark
•		Permitted/Approved phrase for display
•		Amount of nutrient (including energy value) in the food
•		Name of food stuff and food additives
•		Instruction for consumption, preparation, and preservation if necessary

•		Name of approved body and its address, in a case manufacturer if different from those who were approved

Source: Ministry of Health, Labour and Welfare
http://www.mhlw.go.jp/english/topics/foodsafety/fhc/03.html

Appendix C: Top 10 Selling Functional Food Products in Japan

	Best Selling Companies in the Health Food Market					
		Company	**Sale million yen (2009)**	**Best Selling Product**	**Product Type**	
	1	Suntory Holding Limited	166,510	C.C. Lemon	Vitamin drink	
	2	Meiji Milk	107,840	Probio Yogurt LG21	Yogurt	
	3	Otsuka Pharmaceutical	94,150	Oronamin C	Energy drink	
	4	Yakult Honsha	92,980	Yakult 65	Lactic acid drink	
	5	Miki Corporation	60,100	Miki Echo37	Tablet Supplement	
	6	LOTTE	52,220	Xitle Series	Gum	
	7	Morigana Milk	50,560	Morinaga Cardas	Milk	
	8	Meiji Seika	38,410	Weider in Jelly	Energy jelly drink	
	9	DHC	36,640	Protein Diet	Powdered drink	
	10	Japan Amway	35,310	Triple X	Tablet Supplemet	
	Source: Fuji Keizai					