

JAPAN

Japan's cosmetic firms eyeing global growth

Driven by growing exports and booming tourism, Japanese cosmetic firms like Kaminomoto – which develops a range of reputed hair-care products used to promote hair growth and maintain a generally healthy scalp – are leveraging on the strength of the 'Made in Japan' brand to grow their presence in overseas markets.

A land famed for being health and beauty-conscious, Japan is reputed for the quality of its cosmetics products. Over the coming years the nation's cosmetics market, the second largest in the world after the U.S., is set for steady expansion buoyed by growth in exports, particularly to neighboring Asian countries where the 'Made in Japan' brand holds significant weight.

For the first time ever, Japan became a net exporter of cosmetic products in 2017. And in 2018, exports reached a record of more than 500 billion yen (\$4.8 billion), marking a sixth consecutive year of growth. The reason for the boon in exports can mainly be attributed to the drive by Japanese cosmetics firms to expand their presence in overseas markets as a means to offset the impact of the aging and shrinking domestic market.

Although, the domestic market has recently received a timely boost from the booming tourism industry, which witnessed a record 31 million visitor arrivals in 2018. During their visit, a sizeable portion of these tourists buy Japanese cosmetics products and, later, having been convinced by their quality and benefits, continue to do so upon their return home.

"As foreigners from the four corners of the world discover the wonders of our land, they become acquainted with Japanese cosmetic brands. By establishing distribution to physical stores, we were able to grow our brand name and cater to inbound tourists," says Norihira Nakamura, president of hair-care product maker, Kaminomoto, who goes on to explain the factors behind the quality, safety and reliability of 'Made in Japan' cosmetics.

"In Japan, manufacturing companies are subjected to strict pro-

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President, Kaminomoto

duction standards which closely monitor both product quality and safety. Furthermore, as our industry is closely related to the medical field, the complexity of our client-base and approval processes forces us to remain implacably reliable."

As a century-old company, Kaminomoto's historical expertise in 'Kampo' (a Japanese Oriental medicine) has allowed it to develop its unique portfolio of hair-care products used to promote hair growth, eliminate dandruff and maintain a generally healthy scalp.

In 1932, the company launched its first product, 'Kaminomoto A', which won the recognition of the market and has received positive customer evaluations over its 87-year history.

"Historically speaking, our best-selling product has been 'Kaminomoto A', a non-fragrant scalp-care product with a proven track-record of effectiveness. It is with this solution that our firm gained fame and recognition," explains Mr. Nakamura.

"The next generation of Kaminomoto is about strengthening this product. This is a huge pillar that Kaminomoto is standing on and the main audience for this product is middle-aged men over 40."

However, evolving market trends have prompted Kaminomoto to develop products targeted towards women. The company has successfully launched a series of medical hair restoration products for female customers, including 'Ladies Kaminomoto EX' and 'Ladies Kaminomoto HQ', the ingredients for which are

strenuously developed in-house by the company's R&D department. In fact, as Mr. Nakamura points out, it is this commitment to in-house development that sets the company apart and ensures its products are of the highest quality and reliability.

"We produce over 90 percent of our products in-house," he explains. "From planning to product development, manufacturing, and shipping, all is managed and completed in-house. And a management system without compromise regarding quality is in place. We believe our strength lies in the ability to complete the entire process in-house."

Today Kaminomoto's products are available in 44 countries, where it enjoys a strong presence. Moving forward, the company's international growth strategy will be based around two pillars: promotion of its original Kaminomoto A product and the development and sales of

new products for women in a bid to tap into a higher demand for hair-restoration solutions from female consumers across the globe.

"Presently, our main target is Southeast Asia and China. That being said, our objective is to capture as much of the global market as possible, and expose our products to the world. To execute a successful international expansion, selecting competent sales-agents with extensive local expertise is of paramount importance," says Mr. Nakamura.

But more important than corporate strategies, his first objective will be to maintain the trust, confidence and loyalty of Kaminomoto's client base. "I believe that a company's success can only be judged by the satisfaction of its clients. As such, my ultimate goal is to create a corporate philosophy that holds client care as the paramount factor for development."

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I'ROM helps foreign bio-tech tap into "thriving" Japanese market



A leading medical development and advanced medicinal treatment business, I'ROM Group also offers In Country Clinical Caretaker (ICCC) services to assist foreign bio-techs with their product development in the country.

The older you get, the more medicine you need. It is a simple rule of life known all too well by the pharmaceutical industry – and nowhere more so than in Japan.

Here, the world's most rapidly aging population presents a unique opportunity for drug companies and explains why the country contains the second-biggest pharmaceuticals market internationally, behind the United States.

To combat the challenge of its aging society, the government has responded through its Strategy of *Sakigake*, which aims to foster pharmaceutical industry innovation, help local companies grow in the global market, and accelerate drug and device approvals.

and clinical trial companies – says that through implementing these changes the Government "has successfully created an ecosystem for bio-techs to thrive."

"Those regulatory changes are important because of the relatively small scale of the Japanese market in comparison to that of the USA," he explains. "While the *Sakigake* framework alone is not enough to convince companies to come to a much smaller market, the combination of these three reforms provides Japan with a powerful argument."

Significantly, the changes provide distinct "financial benefits" for pharmaceutical companies, says Mr. Mori.

"For example, under this framework there exists a policy en-

ing a system which bases itself on 'probable efficaciousness' – bio-techs can additionally save themselves potentially millions of dollars by avoiding a phase three clinical trial.

"This often involves receiving funds from venture capital firms who then take control of the company," explains the I'ROM Group President, "thus, requiring fewer clinical trials ultimately promoting research and independence."

For any pharmaceutical companies attracted by these enticing incentives, I'ROM Group offers In Country Clinical Caretaker (ICCC) services to assist foreign bio-techs with their product development in the country.

"Many enterprises believe that to launch a medical solution in Japan, they must find a local partner to whom they transfer the rights and licence of their product in order to benefit from the attractive framework," explains Mr. Mori.

"However, this is not true. Japan offers the possibility to develop one's product in partnership with an ICCC, which allows one to maintain the licensing rights of one's product. Finding a licensing partner is a difficult process, especially when considering all the risks related to an unproven solution. At I'ROM Group, we want bio-techs to know that they do not have to find a licensing partner because we are here to be their ICCC."

Besides its licensing partnerships with foreign firms, the core business areas of I'ROM Group see the company provide technologies for regenerative medicine and gene therapy drug discovery, clinical trial support for Japanese and foreign pharma firms and medical institutions, as well as the installation and management of "clinic malls".

"The medical industry is making amazing progress globally in



"We want to enhance our advanced therapy capabilities, which includes strengthening our clinical trial services and positioning ourselves as an ICCC to a large number of companies"

Toyotaka Mori,
President, I'ROM Group

the development of therapeutic technologies," says Mr. Mori.

"We want to strengthen our clinical trial services and position ourselves as an ICCC to a large number of companies. Additionally, we're initiating a cell banking service wherein we will bank PBMCs, DCs, iPSCs and Brown Adipocytes; allowing us to continue the enhancement of our advanced therapy capabilities.

"As a leading Japanese ICCC, we know that our clients will eventually need to open manufacturing sites domestically. As such, we would like to have the capabilities to assist them in that process."



Tsukuba GMP certified Vector manufacturing facility.

The simplification of the application processes for innovative medical products, along with the update of Japan's Pharmaceutical Affairs Act and a new law regarding regenerative medicine safety, has drastically reduced the legal and administrative burdens required to launch products in Japan.

Toyotaka Mori, President of I'ROM Group – one of Japan's leading regenerative medicine

titled 'conditional approval for cell therapies, gene therapies and tissue engineering' which gives companies a 10-percent hike on their products' reimbursement prices. This financial incentive entices bio-techs to come to Japan and develop their products here."

What's more, with the number of trials you must conduct to receive application approval in Japan drastically fewer than in competing markets – provid-



I'ROM GROUP
www.iromgroup.co.jp/en

Oishi Koseido's pain relief patches: an alternative to opioid treatments

Oishi Koseido has recently received U.S. FDA approval for its 'ZTlido' 1.8% lidocaine patches and is confident its high-quality, Japanese-made pain relief treatments could help in the fight against opioid addiction in the U.S.

Established in 1907, Oishi Koseido has been a reputed and trusted manufacturer and supplier of pain relief patches in the Japanese market for 112 years. Now, as the company approaches its milestone 70th year as a corporation in 2020, it is going global and recently won FDA approval in the United States, where it believes its adhesive transdermal pain relief patches could help to tackle the growing opioid addiction crisis.

Japan has long been a user of the pain relief patch, whose main advantage over orally-taken or injected pain-relief medicine is that the medication is absorbed at a constant and steady rate. For a time all patches in Japan were non-steroidal anti-inflammatory drugs; that was until Oishi Koseido introduced the use of lidocaine, thus creating a new category of pain relief patches.

In 2018, the company took its first real steps into the U.S. market by successfully gaining approval for its ZTlido (lidocaine topical system) 1.8% patches, which are distributed by Scilex Pharmaceuticals. While ZTlido 1.8% was not the first or only lidocaine-based patch to be introduced on the American market, it was a pioneering product whose advantages lied in its efficiency, strong adhesion properties and ability to administer pain relief over a longer period of time.

"The topical patch containing lidocaine already marketed in the U.S. had up to 700mg of lidocaine, but was only able to deliver 3(±2)% of it resulting in immense waste. We were able to produce patches

of only 36mg with the same effects as those with 700mg from the competition. We were broadly recognized for this new technology and its implementation," explains company president, Ryoji Nonaka.

"ZTlido's strong adhesive power makes it possible to for the medication to be distributed over a longer period of time. Furthermore, with only 36mg of Lidocaine in ZTlido 1.8%, our new product containing 108mg per patch might open the door to more effective use in the pain reliever area."

OK's patches as answer to opioid epidemic

ZTlido 1.8% is used to treat pain associated with post-herpetic neuralgia (PHN), but moving forward, Oishi Koseido wants to introduce more of its innovative and high-quality pain relief patches, which it believes could be an answer to the opioid addiction epidemic.

More than 130 people die from opioid overdoses per day in the United States, making misuse and addiction to opioids a serious national emergency that affects public health, not to mention the social and economic costs. The Centers for Disease Control and Prevention estimates that opioid addiction costs \$78.5 billion a year, which includes the costs related to healthcare, lost labor productivity, addiction treatment and criminal justice.

As transdermal patches such as those developed by Oishi Koseido do not contain opioids and deliver

medication over a long period of time, they could be used as an alternative to opioid treatments, thus reducing the risk of opioid addiction.

"Our patches can offer a great alternative to pain relief treatment with opioids and we are currently in talks with several companies other than in the U.S. that see the advantages in our products," explains Mr. Nonaka.

"We believe there is a lot of good that we could do for the world. One example is our solution to the opioid crisis and our employees are extremely motivated to help solve it. For this we are working to further expand the distribution of our products in the U.S. as a pain management solution. Moving forward we would also like to look for partners in Europe and Asia."

Domestic market changes fuel global expansion

Oishi Koseido's ability to position itself for global expansion has come on the back of major changes to the domestic market in Japan, where the government has drastically increased expenditure in healthcare and is promoting the use of generic branded products as a cheaper alternative to other medication.

As a result of the government approach to push generic options in the healthcare market, Oishi Koseido has seen its revenues grow significantly; enabling the pharmaceutical firm to enter the ranks of medium-sized companies with an annual turnover of 10 billion yen (approx. \$90 million).

The revenue boost has allowed Oishi Koseido to significantly ramp



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President, Oishi Koseido

up investment in R&D for new products, human capital, as well as in a new factory, which it established last year. And such growth will provide the foundations for its rapid global expansion over the coming decades.

"Japan entered the new Reiwa Era on May 1, 2019, and similarly we are entering a new global era, where we hope to continue manufacturing and developing high-quality products that satisfy the needs of clients around the world," says Mr. Nonaka.

"At Oishi Koseido, we continue to create social value by contributing to health promotion through trustworthy pharmaceuticals. And this will be our guiding principle for the next 100 years."

Oishi manufactures

ZTlido® Lidocaine topical system 1.8%

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Colcoat: the final touch of innovation

Colcoat is in many ways the archetypal company of Japan's *Chuken Kigyo* – strong, agile and technologically adept SMEs, upon whose technology many bigger companies, and indeed whole industries, depend to build their final products.

With 150 employees, Colcoat is by definition a small company but the importance of its chemical silicate, anti-static agent and optronic products across a wide range of industries cannot be understated – nor can the expertise and capacity for innovation it has developed over its more than 60-year history.

The company was established in 1956 by Mr. Yukio Noguchi, whose research into ethyl silicate led to the development of his patented anti-static coating agent, 'Colcoat'. Today the company is a leading supplier of anti-static agent and multi-functional coating materials used in industries such as food packaging, semiconductors, functional films, electronics, assembly processes, paints, automotives and robotics.

Meanwhile the Optronics arm of the business manufactures plastic lens, light guides and transparent molded products, which are used in the manufacture of LED lights, traffic lights, sensors, magnifying equipment, LCD screens and scanners.

Between its Chemical and Optronics divisions, Colcoat currently boasts around 1,000 customers, including household names such as Panasonic, Sharp, Shin-Etsu and Toray.

Indeed, like many Japanese companies, Colcoat has faced increased pressure from regional competitors over the past few decades. The company's response has been to invest in innovation, focus on delivering Japanese quality at reasonable costs, and leverage on its decades-old experience of tending to the high demands of Japanese customers.

"I believe what unites Japanese manufacturers is the passion towards what they produce. Japanese consumers are quite demanding and producers have adapted to always try to improve



"In Japan we have this word 'Kaizen' which means improvement. At Colcoat we adapted this philosophy and strive to produce high-quality products at reasonable costs"

Yumiko Noguchi,
President, Colcoat Co., Ltd.

in order to satisfy these needs. We realized a long time ago that lower labor cost countries would eventually catch up to our technologies and therefore we had to come up with several solutions," says Noguchi-san.

"One example is to optimize our production processes to re-

duce costs. Another is to further develop our technology and come up with new products. In Japan we have this word 'Kaizen' which means improvement. At Colcoat we adapted this philosophy and strive to produce high-quality products at reasonable prices."

In line with Japan Inc.'s internationalization strategy, Colcoat is also looking to expand its presence overseas, particularly in China, India and South East Asia.

And due to its geographical proximity and stable power supply, it established manufacturing subsidiary Colcoat Thailand in 2011. Moving forward, Noguchisan envisions the business continuing to grow globally, and always with a focus on developing original high-quality products to satisfy the ever-changing demands of customers.

"We consider ourselves as one of the hidden champions, and like to think that we support the lifestyle of our consumers from behind the scenes. In the future I would like this philosophy to continue and lead us to new horizons."

Setting new standards in food safety

Japan is globally regarded as one of the healthiest countries in the world. A diet rich in fish and grains and a high-quality universal healthcare system are some of the main factors behind the health of the archipelago nation, which boasts the longest life expectancy in the world and ranks fourth in the latest Bloomberg Healthiest Countries Index 2019.

It goes without saying that the food and healthcare industries are essential to the nation's health. One company highly active in both sections is Kyowa Medical, which, since its establishment in 1986, has focused its efforts on raising health and hygiene standards.

Kyowa Medical began as a trader of medical devices. But the company has since branched out to become a full-fledged medical consultancy firm, as well as offering hygiene management solutions for the food industry, the area which will form the basis for its overseas expansion.

Strangely, for a nation renowned for the quality of its food, until recently there were no consistent safety standards in the Japanese food industry. Kyowa, thus, spotted

a gap in the market for a company that could come in to set standards, as well as offer related machinery and consultancy services in food hygiene and safety.



"When it comes to hygiene standards in Japan, there was nothing that was consistent. Only last year, a law was passed which obliges all Japanese food products to comply with HACCP standards (an internationally recognized system for food safety)," says Kyowa vice president, Toshiya Onodera.

"It is great that the law was implemented, but it's another thing for it to actually be applied. And

that's why we believe our job is essential; our approach is to help food providers implement this regulation. We decided to create our original system called K-HACCP and give

food providers continued training and education in order for them to maintain high levels of excellence in food safety and hygiene."

At the same time that Kyowa Medical is looking to franchise its system and export it to wide range of overseas clients, it is also developing machinery that can detect germs and viruses in food factory assembly lines, such as its award-winning, fully-automated BIOPTI machine, which the company believes can be extremely successful on the global market.

"Until our BIOPTI was introduced, we noticed that various companies had their own internal inspection systems in place, which are carried out by the naked eye of their inspector used by Durham tube. Our machine is fully automated, therefore we are able to



Toshiya Onodera, Vice-President,
Kyowa Medical Co., Ltd

eliminate human error," explains Mr. Onodera.

With this ground-breaking new machine, Kyowa will focus on targeting "Meat", "Dairy" and "Water", before expanding to all food segments, as well as its presence overseas. "I'd like to promote the awareness and use of "BIOPTI" across the world and become the pioneers in this field with our inspection system. We would also like to spread the use of our BIOPTI," adds Mr. Onodera.

"We are aware that we may face difficulties in introducing such products but we will strive to overcome this barrier and look forward to this challenge of spreading the knowledge and use of products around the world."