

# 2005 Hit Products in Japan

- Hit Products for 2005 and Consumer Trends in 2006 -

## The Key Phrase for 2005 Was

**“Vibrant Consumption — Toward a Recovery of Vigorously Positive Consumer Confidence”**

After meandering aimlessly for a dozen years or so, during which it repeated several upswing-and-downturn cycles, the Japanese economy moved slowly out of the doldrums in 2004 and began taking steps, falteringly yet without backsliding, toward recovery. Its pace, though somewhat unconvincing and perceptibly hesitant at the start, gradually gathered momentum. In 2005, various indications of a revival have emerged in such forms as robust corporate performances and rising stock prices. An improved employment environment and revitalized private-sector demand are driving the recovery, moreover, and a chain reaction against letting it prove transient has been generated.

It seems Japan has finally emerged from the tunnel of stagnation and entered a new stage characterized by a long-term progressive cycle.

It goes without saying that steadfast corporate efforts involving adjustments with respect to three areas of particular excess (debt, equipment and employment), and positive investment in the areas of information and R&D, have served as key drivers for this revival. But behind these efforts, we surmise a motivation to reclaim the positive cheerfulness and its cornerstone, a mentality featuring such attributes as pride as Japanese, resolution and confidence, all of which the country has lost since the 1990s. A renewed process of generating the ideas, technologies and design developed in Japan, and having them recognized and valued throughout the world, has reconfirmed our national identity, now taking hold among both manufacturers and consumers.

Japanese resolution through vigorous consumption—this trend that has taken shape in the economy will soon spread to and penetrate every facet of society. We have adopted the term “vibrant consumption” to express this state of mind.

## Contents

### **Part I 2005 Hit Products in Japan**

2005 Hit Products Top 10 List	4
華 Luxuriance	6
連 Connectivity	7
賢 Ingenuity	9
熟 Maturation	11
異 Diversity	13
Essential Characteristics of Regionally Generated Hit Products	15

### **Part II Forecast for 2006 Social Trends**

Consumers' Predictions of Major Trends in 2006	17
Pride in Japan	19
Upturn Momentum	20
Blossoming of ICT	21
LOHAS Cool	22
Risk-coexistent Society	23

## Part I 2005 Hit Products in Japan

An abundant array of products, services and content attracted attention and gained popularity once more in 2005. As a glance at the rankings of *2005 Hit Products in Japan* suggests, they represent a wide variety of Japanese consumption values. They include items offering a fuller, higher-quality AV life, convenient IT-related products imparting a sense of individuality, health foods contributing to the realization of LOHAS and networks enabling free expansion of private worlds. In them, we glimpse a Japanese consumer who has closed the door on a long period of insufferable “patience” and begun enjoying consumption with an active will now that the economy has finally turned onto a path of ongoing recovery and markets of all kinds have started regaining vitality. At the same time, we seem to feel ourselves regaining our long-lost confidence and vigor through active consumption.

Five characteristic consumption trends have been determined, with each trend represented by a Chinese character, that are reflected in large numbers of hit products: 華 [*hana*] “luxuriance” (exuberant enjoyment of a taste of personal luxury or festivity), 連 [*ren*] “connectivity” (expansion of networks to include more people, goods and interests as information technologies and communications continue their constant evolution), 賢 [*ken*] “ingenuity” (reduction of living-related waste and risks and the establishment of experience-enhanced lifestyles), 熟 [*juku*] “maturation” (pursuit by mature adults of values rooted in experience, in contrast to a younger generation disheartened by falling birthrates and the appearance of the NEET [“Not in Employment, Education or Training”] phenomenon), and 異 [*i*] “diversity,” (growing appeal of obscure cultish spheres due to diversification and the emergence of Internet communities).

This report analyzes the hit products and consumer trends of 2005 in terms of these five trends.

We also include forecasts of items and phenomena that appear likely to capture the Japanese imagination in 2006, gleaned from the responses to a questionnaire survey by the editors of several trendy magazines\*, under the heading “Magazine Editors’ Predictions of the Hit Products and Hot Topics in 2006.” We hope you will find them useful in predicting upcoming trends.

\*The cooperating magazines included Seven Seas, RAKUDA, Nicola, Nikkei Monozukuri, R25, BRIO, Shokuraku, smart, ChouChou, SOTOKOTO, LEON/NIKITA, and DIME, etc.

## 2005 Hit Products Top 10 List

1. Portable digital audio players
  2. HDD-equipped DVD recorders
  3. Blogs
  4. Widescreen flat-panel televisions
  5. Agar weed gelatin
  6. The 2005 World Exposition, Aichi, Japan
  7. Mobile phones with electronic payment function
  8. *Gokusen* (inspiring *manga*-based TV drama of gangster's granddaughter turned teacher)
  9. Electronic money
  10. Music distribution services
- Runner-up:** Disaster-prevention goods/services

### Men's ratings

1. Portable digital audio players
2. HDD-equipped DVD recorders
3. Widescreen flat-panel televisions
4. 2006 FIFA World Cup Germany™
5. Blogs
6. The 2005 World Exposition, Aichi, Japan
7. Mobile phones with electronic payment function
8. Electronic money
9. Music distribution services
10. Internet stock trading

### Women's ratings

1. Agar weed gelatin
2. Coenzyme Q10 products
3. Portable digital audio players
4. Blogs
5. *Gokusen*
6. *Otoriyose* regional product home delivery
7. Disaster-prevention goods/services
8. Highly advanced microwave oven combos
9. HDD-equipped DVD recorders
10. Widescreen flat-panel televisions

Note: The above products were chosen from approximately 160 popular items included in the Internet survey. Total scores in the three categories of "topicality," "recognition," and "attraction and interest" were calculated and indexed to determine the top 10 products of 2005.

### ***Top 3 Hit Products in Each Survey Category***

#### **Topicality**

1. The 2005 World Exposition, Aichi, Japan
2. *Gokusen*
3. Agar weed gelatin

#### **Recognition**

- 1.: Mobile phones with electronic payment function
2. The 2005 World Exposition, Aichi, Japan
3. Cool Biz

#### **Attraction and interest**

1. HDD-equipped DVD recorders
2. Portable digital audio players
3. Highly advanced microwave oven combos

### **“Hit Product Recognition Survey” Overview**

Survey period:	November 1 to 7, 2005
Respondents:	Men and women nationwide aged over 15
Sample size:	1,000 (responses received)
Survey type:	Closed Internet study
Method of selection:	Randomly selected from a list of registered monitors.

## **華** *Luxuriance*

Luxuriance — Products inviting enjoyment of luxuriant pleasures appeared on the market, targeting all consumers as the economic recovery progressed. Reflecting both a desire to attain the sense of security and stability only the finest things can provide and a desire to introduce gorgeous elements directly into daily life, the emergence of this trend suggests that people have begun to regain a long-lost affluence.

### ***Widescreen flat-panel televisions***

Improvements in picture and sound quality and operability, accompanied by price reductions, have led to the further proliferation of widescreen flat-panel televisions. LCD TV shipments in Japan between January and September of this year numbered approximately 2.7 million, a 63% increase from the same period of the year before. Plasma TV shipments reached 0.28 million, meanwhile, a 20% increase from the same period of the year before. In addition to these, rear-projection TVs, often called “the 3rd flat-panel televisions,” are being released one after another by various makers.

### ***The 2005 World Exposition, Aichi, Japan***

This international exposition was held from March through September 2005 with “Nature’s Wisdom” as its theme and a total of 121 countries, including Japan, participating. Approximately 22 million people visited the exposition site, surpassing initial projections by some 7 million. The Japan Association for the 2005 World Exposition estimated the maximum economic effect of the exposition at around ¥7,700 billion.

### ***Japan-born luxury car brand***

In August 2005, a Japanese luxury automobile brand opened its first dealer showrooms in Japan. These initiated sales of a luxury sedan and luxury sports car with outstanding design and performance, receiving orders exceeding the sales targets. The showroom design and sales service contributed further to the luxuriousness associated with the brand.

### ***Next-generation portable game players***

Portable game players were launched one after another in late 2004, boosting sales for the machines. Domestic shipments of one model with two LCD displays exceeded 3.6 million in the first 10 months following its release. Another model with a high-precision LCD display registered shipments of 3 million during its first 10 months or so in the markets of Asia, including Japan.

### **Magazine Editors' Predictions of the Hit Products and Hot Topics in 2006**

- French restaurants (influx of restaurants with master French chefs)
- Mozart boom (250th birthday anniversary celebration in 2006)
- Omotesando Hills
- Asian super-luxury resort (high-class resort charging US\$1,000 for a standard accommodation and featuring ocean-view villas, each with a personal butler)
- Ready-built homes offered by interior goods shops
- Figure skating
- High-grade headphones with high-quality sound
- High-grade “cup sake” (sales of quality sake in containers resembling drinking glasses)

### ***連 Connectivity***

Connectivity — Creating interconnections among people was one of the major trends seen in the hit products of 2005. Not only did communication become smoother and more convenient due to the diffusion of IT offerings, including a variety of mobile terminals, blogs and Internet-generated hit content, but goods and services that enabled them to experience warm connections with others caught on among large numbers of people.

### ***Portable digital audio players/Music distribution services***

These digital audio players with palm-sized bodies are capable of storing some 500 to 10,000 songs. Ultra-slim models and models that can play movies proved especially popular. Internet music distribution services have also been introduced in rapid succession. One of these services distributed a million songs during the first four days after its launch.

### ***HDD-equipped DVD recorders***

These DVD recorders are equipped with built-in hard disk drives for use in recording TV shows and other programming. One popular model features a terrestrial digital tuner and the ability to record Hi-Vision high-definition digital broadcasts without losing picture quality. Domestic shipments reached approximately 2.2 million units during the January to September 2005 period, a 28% increase from the same period of the previous year.

### ***Blogs***

Web log services make it easy even for beginners to create and update Web pages. Celebrities and private individuals alike are employing blogs today to keep online diaries. Communication functions that enable visitors to interact in such ways as writing comments and tracking back related articles by other bloggers (through mutual links) add to the enjoyment. The Ministry of Internal Affairs and Communications reports that the number of bloggers in Japan had swelled to over 4.73 million as of September 2005.

### ***Mobile phones with electronic payment function***

Mobile phones equipped with an electronic payment function can be used to make payments or employed as point-reward cards by simply dragging them over dedicated terminals at stores. The number of carriers providing the service grew to three in 2005, and more new mobile phone models offering the function are being released.

### **Magazine Editors' Predictions of the Hit Products and Hot Topics in 2006**

- "1 SEG" (single-segment digital TV broadcasts for mobile devices)
- Portable digital audio players among people in their early teens
- "Vlogs" (video blogs)
- *Okan* "filial piety" boom
- American TV drama "Desperate Housewives"

## **Ingenuity**

Ingenuity — Today’s “ingenious consumption” exhibits two primary trends. The first is LOHAS. Both agar weed, a gift of nature, and Coenzyme Q10 (CoQ10), an integral component of all our body cells, make natural contributions to health. Hybrid SUVs, meanwhile, are considerate of the environment, while at the same time offering a distinctive sporty drive. By selecting such products, followers of this ingenious lifestyle trend achieve a fine natural balance between “Ego” and “Eco” living.

The second trend is modulated consumption. Low-priced but high-quality products are popular with its adherents, who perceive the manufacturer’s wisdom in inexpensive but good-quality products and services. Growing numbers of consumers identify a sense of dedication by the maker and empathy for its corporate stance as key considerations at the point of purchase.

### **Category: Ingenuity 1**

#### ***Agar weed gelatin***

A TV program introducing the positive effects on dieting and blood-sugar level reduction of gelatin made from agar, an edible seaweed, set off a rush on the stores. From the next day on, agar products, including the staple bar-shaped dried agar, powdered agar and *tokoroten* (gelidium jelly) sold out in no time. According to Osaka Customs records, the volume of agar imports was up by approximately 30% from January to June 2005 as compared with the same period of the previous year.

#### ***Coenzyme Q10***

Coenzyme Q10 is thought to provide fatigue-recovery and anti-aging benefits. It is especially popular among women, who anticipate such effects as physical rejuvenation from inside and skin beautification. Not only CoQ10 supplements but also skin care products, confectionaries and refreshing beverages containing the coenzyme have appeared on the market.

#### ***“Genghis Khan” Mongolian mutton barbecue***

*Genghis Khan* is a regional dish of Hokkaido, Japan’s northernmost main island,

featuring lamb and/or mutton cooked with vegetables. The year saw a sharp increase in the number of *Genghis Khan* restaurants in central Tokyo, and the dish also caught on in the Kansai region, where many people were formerly put off by the distinctive smell. The meat of sheep is gaining popularity among growing numbers of people, both because it contains large amounts of L-carnitine, which is involved in fat burning, and because it offers good taste at low prices.

**Category: *Ingenuity 2***

***Disaster-prevention goods/services***

Disaster-prevention goods/services were in the spotlight as people strove to prepare for potential disasters such as earthquakes and typhoons. Innovations included hand-cranked radios with a mobile phone battery-charging function and an electronic disaster message board service on which family members and others can post messages by mobile phone to confirm their safety in times of emergency. A Tokyo street map showing people how to get home on foot if transportation systems are shut down by a powerful earthquake sold over 500,000 copies.

***Internet stock trading***

This service enables users to check stock prices in real time and to buy and sell stocks on the Internet. Lower commissions are another feature of the service, which has contributed to an expansion in the number of individual investors. Securities companies that operate exclusively on the Internet saw a dramatic increase in the number of accounts on their roles, and major securities companies have begun upgrading their Internet trading services as well.

***Toll-free IP phones***

Many people have begun making toll-free IP phone calls over the Internet. After downloading a special software, they can hold conversations using a microphone and headphones connected to a PC with anyone who is similarly equipped. Subscribers can call each other worldwide without paying the usual telephone charges and call fixed-line or mobile phones at lower rates. The service is currently being offered by several companies in Japan and attracting growing numbers of users.

## Magazine Editors' Predictions of the Hit Products and Hot Topics in 2006

- Bio wine (organic wines of the world)
- Vegetable cocktails
- Germanium baths (warm germanium baths, even at home)
- Tastefully stylish Cool Biz evolution
- Mountain climbing, group hiking
- The spirit of ancient martial arts
- Designers' LOHAS
- Nature documentaries
- Domestically grown bananas
- *Bonsai*
- Things made of wood
- From brand shopping to select shopping (purchasing of high-quality, genuine items without reliance on brand names)
- Philanthropy

### **熟** *Maturation*

Maturation — A market targeting adults in their 40s and above has been set in motion. These people, who experienced Japan's economic bubble and know how to enjoy life and spend money, are escalating their consumption as the economy improves. Various products and services are also appearing for baby boomers with savings who are approaching their retirement age. Turning from "mature people" to "mature markets," we find that markets for products such as electric home appliances ("white goods") are evolving into new kinds of markets featuring new technologies and values quite different from those of the past.

### ***Highly advanced microwave oven combos***

A number of manufacturers launched new microwave oven combos that cook with steam. The new combo ovens feature a variety of other functional advances as well. Shoppers can choose among a model that cuts excess fat and salt to enhance food's healthfulness and tastiness, for example, a model that makes appropriate use of three heat sources, and a model equipped with a stone oven that employs far-infrared rays to "grill" food.

### ***Electronic dictionaries***

Electronic dictionaries with advanced functions supporting use not only for studying but also for business and hobbies were good sellers. The market welcomed models containing a wide selection of editions useful for daily life, such as medical science dictionaries and those for ceremonial occasions. They also include such special features as glossaries for seasonal terms for *haiku* composers and calculation drills to stimulate the brain.

### ***Golf***

Golf attracted the nation's attention as young stars such as the Japanese players Ai Miyazato and Sakura Yokomine and the American Michelle Wie began making an impact on the game. TV broadcasts of ladies' professional golf tournaments saw viewer ratings climb. Golf schools for elementary and junior-high school students and golf goods for preschoolers also became popular, most likely in response to hopes of cultivating future professional players. It seems golf is becoming a sport for kids as well as for adults.

### ***Brain activation boom***

Products designed to slow aging by activating the brain enjoyed immense popularity. Calculation drills and oral reading drills for adults became best-sellers, and game software and game players to activate the brain also sold well. They were joined on the market by chocolate snacks, wines and other products containing GABA (gamma-aminobutyric acid), a neurotransmitter that is believed to stimulate mental activity.

### **Magazine Editors' Predictions of the Hit Products and Hot Topics in 2006**

- Self-gratifying baby-boomer consumption (consumption by couples of the baby-boom generation who plan to spend their assets rather than leave them to their children)
- Hair growth formula taken orally
- Anti-aging cosmetics for men
- Internet stock trading by housewives
- Jazz from the '50s and '60s

## 異 *Diversity*

Diversity — Products and services that “originate in and feature the local specialties” of various regions around Japan have been gaining topicality. Increasing numbers of people are fascinated by regional characteristics that are not uniformly distributed nationwide, leading to such phenomena as *otoriyose* ordering of regional specialties for home delivery, Sapporo soup curry and a dialect boom. More people are also developing interests in things from other cultures and dimensions and adopting values based on different concepts outside the framework of their own sphere of reference, as exemplified by the *otaku* (“culture geek”) phenomenon, the universe and aquarium booms.

### ***Otoriyose regional product home delivery***

*Otoriyose* is a term used to refer to mail-order purchasing of specialty foods and ingredients from various regions of Japan. This type of shopping makes it easy and convenient for people to taste products that are seldom available in their local stores and other novelty products in the comfort of their homes without traveling to distant stores and production areas. Many magazine feature articles and books suggesting attractive items that can be purchased through *otoriyose* shopping were published.

### ***Akihabara***

Akihabara, Tokyo’s renowned electronic products district, received increased attention for its improved access from Ibaraki Prefecture with the inauguration of the new Tsukuba Express train in August 2005 and for the opening of new office buildings and commercial facilities. Over a million customers visited a mass-merchandising outlet for home electric appliances during the first four days following its opening in front of Akihabara station in September. Akihabara is also famous as a stomping ground of the *otaku* (“culture geek”), who flock to the streets lined with shops selling *manga* and *anime*-related products and *manga* fantasy “maid cafés,” whose customers are served by waitresses dressed as French maids.

### ***Professional baseball***

Professional baseball rewarded fans with loads of excitement. Some 240,000 people, including citizens of Chiba City, packed the streets for the championship parade celebrating the Chiba Lotte Marines' first Japan Series title in 31 years. Sales held by stores mainly in the Osaka area to celebrate the Hanshin Tigers' crowning as Central League champions drew crowds of shoppers. The Tohoku Rakuten Golden Eagles, a Pacific League newcomer, also attracted attention as the first team to bring professional baseball to the Tohoku region of northern Honshu.

### ***Soup curry***

This soup-type curry is a specialty of Sapporo, Hokkaido. A famous Sapporo soup curry restaurant staged an advance into the Kanto region, igniting a boom. A major food manufacturer responded by releasing a retort-pouch soup curry, a convenience store began offering an original soup curry menu, and a restaurant chain added soup curry to its seasonal menu.

### **Magazine Editors' Predictions of the Hit Products and Hot Topics in 2006**

- Regional dishes
- Chinese boom (follow-up to the *Hanryu* [Korean] boom)
- Reverse importing of Japanese culture (influenced by Japanese culture and design, products and cuisine created in Western markets are being imported into Japan)
- Space travel (from zero-gravity experiences to full-fledged stays in outer space)
- Germany boom (2006 FIFA World Cup Germany™)
- 20Q (U.S. mega-hit game in which players answer 20 questions posed by artificial intelligence in an effort to guess what a player is thinking)

## **Essential Characteristics of Regionally Generated Hit Products**

Consumer awareness of such regional events as The 2005 World Exposition, Aichi, Japan and large-scale mergers of municipalities have resulted in information spilling out of regional areas. This information is stimulating the market. Trends originating in regional areas and spreading throughout Japan are contributing to an atmosphere of growing awareness of other regions. *Genghis Khan* Mongolian mutton barbecue from Hokkaido that came into fashion in 2005, and *eho-maki*, a delicacy eaten for luck during the Setsubun festival in February that originated in the Kansai region, serve as good examples.

Newly emerging hit products currently spotted in various markets may very well become trends that exhilarate the nation as a whole in the future. Motivated by such expectations, we have selected some promising regional hit products based on a questionnaire survey.

### ***Essential Characteristics of Regional Hit Products***

#### **Pearls of wisdom: Breakthroughs made through distinctive ideas, rather than cutting-edge technologies**

- Children's beverage with beer-like appearance (Fukuoka)
- Reward-point system for Nagoya taxis (Aichi)

#### **Regional characteristics renewal: Increasing appeal by cultivating regional traditions**

- *Sakata Yume no Kura*, a commercial facility established by remodeling an old rice warehouse (Yamagata)
- *Nagaya* "row-house" boom (Osaka)

#### **My Town Meister: Careful workmanship for one-of-a-kind product making**

- Handcrafted indigo dyed jeans (Okayama)
- Snowboards developed to fit the Japanese physique (Aomori)
- "Aomori Shamorock" chicken farmed over 20 years (Aomori)

**LocaLOHAS: LOHAS rooted in regional society**

- Building-block-style housing employing lumber from forest thinning (Miyazaki)

**Healing in togetherness: Connection and enjoyment from a sense of community**

- Shikoku Island League (Shikoku)
- *Okaasan-no Curry* (“Mom’s curry”), a hit song originating on a local radio station (Osaka)
- Funds for diversified investment in local corporations, whose management is easy to grasp (Aichi)

**Spread of *omatsuri* (festivals): Intuiting the return of Japan’s “gala days”**

- Nationwide spread of *Yosakoi matsuri* (festivals featuring a dance originating in Yosakoi, Kochi Prefecture)
- Tohoku Rakuten Golden Eagles baseball goods (Miyagi)

Note: Place names in parentheses are for prefectures.

## Part II Forecast for 2006 Social Trends

The color of Japan in 2006 is yellow. . . . In answering a 2005 questionnaire survey in which we asked, “Which color reflects Japanese society best?” the largest number of respondents chose yellow. Asked to explain their choice, many selected such positive responses as “bright” and “hopeful outlook.” It appears the clouds are dispersing and the fog lifting, and that a light is becoming perceptible up ahead to the eyes of the Japanese, whose national character is often seen as pessimistic both at home and overseas.

We also conducted a survey to discover the anticipated major trends of 2006 employing a few key words. Among these, “Smooth IT life,” “Disaster prevention/Security,” “Internet-generated,” “Modulated consumption,” “Energetic senior citizens” and “LOHAS” scored high among the responses. As we considered the events in various fields planned for 2006 and delved into consumers’ consciousness, the social conditions and trends that will emerge in 2006 seemed to come into view, though only obscurely.

### *Consumers’ Predictions of Major Trends in 2006*

(Percentages of answers by respondents asked to choose five of 17 trends)

(1) Smooth IT life	57.0%
(2) Disaster prevention/Security	54.0%
(3) Internet-generated	50.8%
(4) Modulated consumption	40.9%
(5) Energetic senior citizens	39.8%
(6) LOHAS	36.1%

### **“Hit Product Recognition Survey” Overview**

Survey period:	November 1 to 7, 2005
Respondents:	Men and women nationwide aged over 15
Sample size:	1,000 (responses received)
Survey type:	Closed Internet study
Method of selection:	Randomly selected from a list of registered monitors.

### *2006 Event Calendar (Scheduled)*

<b>January</b>	Completion of New Aoyama Apartments (site of the old Dojunkai Aoyama Apartments) 250th anniversary of Mozart's birth (January 27)
<b>February</b>	Turin 2006 Olympic Winter Games Enforcement of Depositor-Protection Law Opening of Omotesando Hills complex Opening of Kobe Airport
<b>March</b>	'06 World Baseball Classic Opening of New Kitakyushu Airport Completion of AKIHABARA CROSSFIELD
<b>April</b>	Introduction of 1 SEG broadcasting enabling mobile phones to receive terrestrial digital TV broadcasts Enforcement of revised Banking Law enabling non-financial institutions to offer some banking services Introduction of regional brand trademark registration system (region name + product name)
<b>May</b>	Enforcement of New Corporate Law
<b>June</b>	2006 FIFA World Cup Germany™
<b>August</b>	Completion of X-Tower Osaka Bay, Japan's tallest condominium (height 200 meters) Opening of TOC ARIAKE
<b>September</b>	Selection of new LDP president
<b>October</b>	Announcement of Nobel Prize winners
<b>November</b>	Opening of the new Ichiyo Memorial Museum (celebrating the life of Ichiyo Higuchi, a woman of letters in Meiji Period Japan)
<b>December</b>	Opening of all terrestrial digital broadcasting stations

### *During fiscal 2006*

Opening of Kidzania, a theme park where children can experience occupations and other aspects of society  
Introduction of mobile phone number portability system  
Completion of The New National Museum of Art, Tokyo (in the Roppongi district)  
Introduction of a new JAS standard requiring display of the place of origin of processed food ingredients  
Peaking of Japan's population (prior to a subsequent downtrend)

## PRIDE IN JAPAN

Events at which chants of “Nippon” will fill the air will be held one after another in 2006, as if synchronized with the upturn of the economy. They will include the Turin 2006 Olympic Winter Games in February, the '06 World Baseball Classic in March and the 2006 FIFA World Cup Germany™ in June.

In early January, the new building complex designed by Tadao Ando to replace the old Metropolitan housing complex in Omotesando will be completed, and animated film director Hayao Miyazaki will release *Mizugumo Monmon*. The activities of Hiroshi Senju, who brings a Japanese-style painting sensibility to modern art, have achieved global recognition. And although Japanese Nobel Prize winners have been lacking since 2002, the selection of new Nobel laureates in 2006 is also anticipated.

Japanese traditional culture has earned appreciation worldwide, with Japanese cuisine and other facets establishing deep-seated popularity, and the range of this popularity is now expanding to include other items, from *kimono* to *fundoshi* loincloths. Japanese-style Chinese characters, meanwhile, have also been adopted to use in interior decorating and fashion design.

This Japanese culture boom will continue to expand in the coming year, with an accompanying improvement in the world’s opinion of Japan as a nation that has achieved economic recovery. This more positive evaluation of the homeland will help the Japanese recover confidence at long last, and this renewed confidence will lead in turn to production activities supported by Japan’s unique LOHAS and advanced environmental technologies.

### “Things about Japan and its people that make you proud”

• Beautiful nature	39.1	(38.5)
• Excellent culture and art	38.4	(34.9)
• Long history and tradition	33.9	(39.7)
• People’s diligence, capabilities	25.1	(24.9)
• Free and peaceful society	22.3	(22.0)
• High technological standards	18.0	(13.5)
• Good public security	18.0	(20.0)
• People’s humanity and responsibility	16.6	(15.7)
• High educational standard	13.4	(15.7)
• Economic prosperity	10.5	(8.2)

Note: Cabinet Office, “Public Opinion Poll on Social Awareness,” January 2005.  
The subjects of the poll were men and women aged 20 and above (n = 6,586) nationwide. The numbers in parentheses are the results of the previous poll conducted in January 2004.

#### [ Predictions concerning events in 2006 ]

- Winning of five gold medals by Japanese athletes in the Turin Olympic Games
- Advancement of Japanese team to the best 8 (quarterfinals) in the 2006 FIFA World Cup Germany™
- Appearance of a second Japanese corporate-employee Nobel laureate following Koichi Tanaka
- Another U.S. Major League MVP award for Ichiro Suzuki
- Setting of a new women’s world record by a Japanese marathon runner

### UPTURN MOMENTUM

The long-lasting adjustment following the bursting of Japan’s economic bubble will finally come to an end. During this adjustment period, the “lost decade” that dragged on even after the turn of the 21st century, the Japanese nation and the mentality of its people were seen as somewhat stoop-shouldered.

But the Japanese economy will switch to a clear upturn momentum in 2006. The stock market is already showing strong activity. Despite the system problems suffered by the Tokyo Stock Exchange (TSE) on November 1, 2005, for example, the Nikkei 225 Stock Average rallied to close at a high for the year after trading resumed that day, and the following day saw the trading volume of stocks listed on the First Section of the TSE soar to 3.7 billion shares. On November 8, furthermore, the trading volume reached 4.5 billion shares, surpassing the total of 3.2 billion shares traded on the New York Stock Exchange and NASDAQ combined.

The signs of improvement in the Japanese economy seem to point to a full-fledged recovery. Financial anxiety is waning as the reorganization and reconstruction of major financial institutions advances, on the one hand, and the gap between supply and demand is contracting due to progress in retiring redundant equipment, on the other.

The year 2006 marks the last year of employment for a large number of baby

boomers as they reach retirement age in 2007. Consumer confidence is strong among members of this generation, and they are determined to rejoin the workforce and continue working after retirement. The corporate sector is also interested in making use of these retiring baby boomers as a means of acquiring their skills. Approximately five million baby-boomer employees will turn 60 during the three years beginning with 2007, and they will begin preparing for “second job hunting” or participating in hobbies and regional activities in search of new post-retirement lives. They will, in other words, follow different routes or methods in their quest for a new upturn of their own, and the stimulation provided by their example will set off a movement among young people toward upgrading their skills as well. These social movements will create an upturn momentum shared by other generations in conjunction with the economic revival.

#### **[ Predictions concerning events in 2006 ]**

- Possibility of the Nikkei 225 Stock Average exceeding 20,000 yen
- Emergence of more than one place where land prices will increase
- M&A of Japanese financial institutions by powerful Western financial institutions
- Activation of both individual and corporate investment with an eye to the future
- Revision of the Japanese Corporate Law to permit establishment of corporations capitalized at just 1 yen
- Sightseeing trips into space by wealthy individuals

### **BLOSSOMING OF ICT**

ICT, “information and communication technologies,” is not simply a technical term as it also stresses the importance of communication in today’s world.

ICT will blossom in Japan in 2006 in connection with both daily lifestyles and economic activities. Examples will include the introduction of a mobile phone number portability system that will permit users to take their phone numbers with them when they change mobile phone carriers. 1 SEG broadcasting for mobile devices will also commence, moreover, enabling consumers to enjoy digital TV broadcasting with their mobile phones. Replacement purchasing of mobile phones will accelerate as a result, and mobile phone functionality will enter a new stage of advances. As the boom becomes topical, the older and younger generations that have shown limited interest in mobile

phones in the past can be expected to join the ranks of users.

Home- and nursing-care robots supported by higher-specification sensors and ICT, which have already begun to be introduced into people's homes, will be upgraded another step in 2006. Home electric appliances will also be raised to higher technological levels by ICT.

As mentioned above, the evolutionary advances made by mobile phones and robots are expected to generate considerable new business in 2006. People's relationship with television will be yet another area of evolution. All the terrestrial digital broadcasting stations in every prefecture are scheduled to begin operation in 2006, and digital TVs that serve as the core information gateway to people's homes will rapidly disseminate.

#### **[ Predictions concerning events in 2006 ]**

- Introduction of mobile phone number portability system
- Initiation of 1 SEG
- Opening of all planned terrestrial digital broadcasting stations
- Release of next-generation high-performance game machine and activation of on-line game market
- Appearance of new products to take advantage of larger-capacity HDDs and practical application of perpendicular magnetic recording systems
- Increase in the number of home optical-fiber communication service subscribers to 8 million, or one-half the 16 million ADSL subscribers
- Full-fledged Internet delivery of hospitals' electronic medical charts
- Practical application of electronic paper

### **LOHAS COOL**

Environmental consciousness is becoming a matter for action, rather than just a friendly attitude toward the environment. In this connection, LOHAS has made deep inroads into society. Whereas 22.1% of respondents recognized the term "LOHAS" in a survey conducted in July 2005, this figure increased to 44.7% in a survey conducted in November 2005 (source: Dentsu "Hit Products" survey). The outstanding characteristic of LOHAS adherents is an insistence on living life on their own terms, at the same time

giving consideration to health and the environment and translating that consideration into concrete action. They also have an intense interest in social issues and corporate social responsibility, coupled with a strong desire for self-improvement and a high purchasing motivation.

In 2006, the adoption of LOHAS by Japanese may come into full bloom in association with the economic upsurge. The stimulus for this blossoming will be a burst of recognition that LOHAS is “cool.”

Unlike conventional ecological outlooks that tend toward stoicism, LOHAS is premised on things that its adherents themselves can enjoy. They do not present themselves as models of virtues but prefer to begin by undertaking things they can accomplish naturally. The Dentsu survey results also show that people who aspire toward LOHAS prefer words such as “sophisticated,” “originality,” “aesthetic sensibility,” “pride” and “tradition.” Not fully satisfied with things that are simply good for the environment and health, they are drawn to products and services that include the wisdom and skills necessary to LOHAS living.

#### **[ Predictions concerning events in 2006 ]**

- Charging for grocery bags
- Start of lease contracts for hybrid sports cars powered by hydrogen rotary engines, with option to buy
- Requirement that place of origin of ingredients also be displayed for processed foods
- Dissemination of fuel-cell batteries
- Further expansion of Cool Biz
- Spread of daylight-saving time nationwide following the example of Hokkaido

**RISK-COEXISTENT SOCIETY:  
Awareness of risks generates new businesses**

In their answers to a “Special Public Opinion Poll on Safety and Security” conducted by the Cabinet Office in June 2004 (n = 2,136 individuals nationwide aged 20 and above), 39.1% percent of respondents indicated that they considered the country safe and secure today, while 55.9% responded that they did not. As reasons for answering, “Do not think so,” many people selected anxiety concerning a rash of social issues, including juvenile

delinquency, social withdrawal and suicide, poor public security, anxiety concerning employment/pensions, threats to peace, including the international political climate and terrorism, malpractice, problems with food safety, deterioration of the educational environment, weakening of social solidarity and natural disasters.

These circumstances were not alleviated in the course of 2005. Major earthquakes occurred one after the other, and record-setting torrential rains caused by a typhoon flooded small rivers in Tokyo. From overseas came news of the fury of hurricane Katrina, which destroyed entire sections of New Orleans, and a returnee from abroad was confirmed as Japan's first case of West Nile fever. Apprehension is also rising that the bird flu virus will mutate into a form that is communicable among humans and exert an enormous impact on our lives. Added further to these concerns is mounting anxiety regarding computer viruses and damages from cash card skimming.

In 2006, measures in response to such anxieties will achieve rapid-fire progress. Identity verification methods to prevent identity theft will be enhanced, and in the area of earthquake recovery, gathering momentum has led to formulation of the Business Continuity Plan (BCP) to ensure that key functions continue without interruption in times of disaster. Many corporations are working on mechanisms to detect seismic P-waves (vertical waves) when earthquake activity begins, moreover, and to issue seismic warnings by means of electronic waves that travel faster than seismic waves. Professionals trained in asbestos removal are hard at work. And community policing to ensure security is spreading to more communities. For reasons like these, it is fair to say that risk aversion can give birth to new businesses.

#### **[ Predictions concerning events in 2006 ]**

- Decision on integrating employees' pension insurance and mutual aid pension insurance
- Implementation of "disaster-prevention duty personnel" system by all municipalities/Full installation of wireless disaster-prevention community systems by all municipalities
- Growing interest in disaster-prevention version of socially responsible investment (social responsibility investment has been advocated by the Development Bank of Japan)
- Practical application of a BSE test chip employing the ELIZA method (enabling testing in one-sixth the time and at one-10th the cost of conventional tests)

- Increase in Tamiflu stockpiles to an amount sufficient for 50 million people (current stocks are sufficient for 25 million people)
- Diversification from the low- to high-price range of PET scan medical examinations for detection of early-stage cancers
- Increased availability of low-cost homes for elderly people
- Introduction of new Japanese Agricultural Standards (JAS) requiring display of the place of origin of ingredients in processed foods

Published by: DENTSU INC.

1-8-1, Higashi-shimbashi, Minato-ku, Tokyo 105-7001, Japan

Tel (81-3) 6216-8042 Fax (81-3) 6217-5516

<http://www.dentsu.com>

**©2006 Dentsu Inc. All rights reserved.**