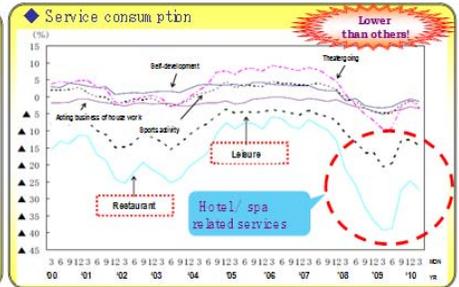
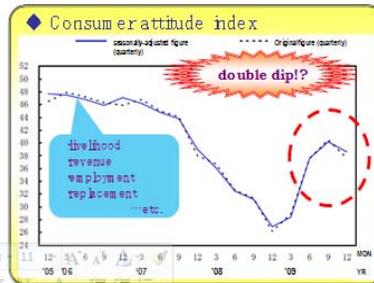
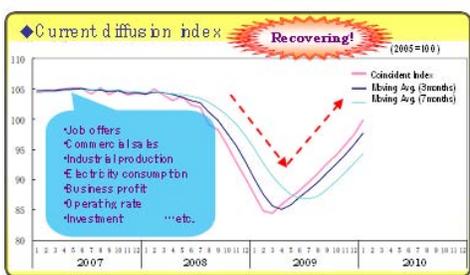


ASIA: Japan

ECONOMIC CLIMATE

IMF projects the real GDP growth rate of the world's economy to recover by 3.9% in 2010 (+4.7% up from 2009). The Japanese growth rate will recover by 1.7%, a dramatic improvement, up 7.0% from 2009's rate. As corroborating evidence, the current diffusion index shows the wedge-shaped recovering trend in 2009.

However, the trend on the consumer attitude index seems to be decreasing recently despite the overall recovery of the economy in Japan. The consumption trend of hotel / spa related services (such as leisure, restaurant, etc.) show a far worse trend than the other services such as self-development, sports, etc.



*Source: Cabinet Office ESRI Consumers trend survey, Jan2010 and Dec2009

From these figures, we can garner that the demand for pampering services remains weaker than the demand for other services and essential needs. The spas that previously provided pampering services are severely affected by consumer's behaviors. On the other hand, this rough passage has fostered a motivation on the part of spas to create innovative measures.

STATISTICS

According to the Japan City Hotel Association, the average occupancy rate of 206 hotels (22,000 rooms) in August (high season) 2009 was only 65.7%, a drop of 6.4% from the same month of the previous year. The Japan Hotel Benchmark Report by Deloitte Tohmatsu FAS reports that the ADR of all Japanese hotels in October 2009 was JPY13,519 (approx US\$145), down 7.1% from the same month the year before. RevPAR was JPY10,103, down 11.8%.



<Source: Japan National Tourism Organization (JNTO)>

SPA INDUSTRY BRIEFING: *Japan*

The key factors are assumed to be from the fore-mentioned domestic consumer attitude and the steep decline of foreign visitors due to the global recession and flu epidemic last year. (It was a tragedy for Japanese tourism businesses because foreign visitors were a big hope; they had been increasing until 2008 and were double the number from a decade ago.)

However, the year-on-year rate of foreign visitors in December 2009 showed a big surge of 22.2%, and it seems to be bottoming out after the 14 month decline. This favorable turn brought an improvement of ADR in Dec-2009, JPY14,750 (about US\$159), down only 1.6% from the same month the year before.

INNOVATION

Japanese spas now need (1) to implement innovative services for the essential needs of domestic consumers and (2) to drum up foreign visitors.

The local government of OKINAWA Island (the southernmost part of Japan) is conducting the Wellness Business Support Project to encourage regional spa and wellness resort hotels, thalasso-therapy centers, fitness gyms, catering, restaurants and cosmetic manufacturers to commercialize their services and products based on the evidence of effectiveness (verified by local healthcare research institutes such as clinics for preventive medicine and national universities). It's intended to establish full-fledged Health-Tourism in Okinawa and would attract health-oriented visitors and encourage repeat visitors. Now, Mitsui Knowledge Industry (MKI) is coordinating some projects to create the algorithm of selecting optimal wellness programs by utilizing the customer's Personal Health Record in order to develop the most effective and persuasive plan to attract customers through web booking systems.



Many of Onsen Ryokans (traditional Japanese Inns with hot springs) are reincarnated as new small luxury hotels with very healthy Japanese cuisine (most of them are local and organic) and unique wellness programs with elements of Japanese nature, culture, and ingredients. Some of the leading spas provide traditional therapies such as Shiatsu, acupuncture, and moxibustion therapy by licensed therapists.

There have been few interesting destination spas in Japan but, recently, Onsen Ryokans are becoming popular because they are unique and are cultural destinations. They attract a great deal of attention from, not only Japanese customers, but many foreign travelers. Ryokan spas play the role of cultural ambassador. Additionally, the co-operation between Urban hotels and rural Onsen Ryokans has started to introduce mutual guests to one another, enlarging both customer

segments. The harmonization between foreign and Japanese spas has brought about this innovative business solution. Also of interest, in few months, an International Shiatsu Foundation will be established for accrediting authentic Shiatsu for overseas spa therapists.

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