

CHOCOLATE MARKET OVERVIEW - Japan

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Executive Summary of Chocolate market in Japan

Japanese chocolate output remained relatively constant throughout 2005 and 2006, according to the latest figures from the chart below prepared by the Chocolate and Cocoa Association of Japan. Annual production amounted to nearly 222,020 tons, and annual sales reached US\$4,066 Million nearly the same figure as recorded the previous year, which shows approximately 13% among the entire confectionary market in Japan.

European manufacturers will be looking closely at the implications of the figures. According to a report from Datamonitor, Asia offers strong potential for the chocolate industry. Indeed, the fact that Japanese market still accounts for only a small portion of the global chocolate market reflects relatively low consumption levels. If per capita consumption levels can be increased, the size of this market has the potential to increase considerably.

The fact that chocolate is not a traditional food, high prices and domestic production problems will provide the main problems to market growth. As these markets develop, prices will fall making these products more accessible to the wider population.

Chocolate market size of Japan

YEAR	2005			2006		
	Annual Production (Ton)	Annual Retail Sales Amount (US\$ Million)	Ratio	Annual Production (Ton)	Annual Retail Sales Amount (US\$ Million)	Ratio
TOTAL CONFECTIONARY MARKET IN JAPAN						
Japanese sweet cakes	323,000	4,800	15.2%	324,615	4,944	15.5%
European sweet cakes	211,000	4,575	14.5%	215,220	4,670	14.6%
Chocolate	222,020	4,066	12.9%	222,120	4,138	12.9%
Snacks	219,400	3,600	11.4%	220,716	3,697	11.6%
Japanese crackers using rice powder	212,300	3,094	9.8%	218,800	3,188	10.0%
Biscuit	213,266	3,053	9.7%	217,856	3,129	9.8%
Others	200,000	2,720	8.6%	200,000	2,720	8.5%
Sweet stuff (candy etc)	165,000	2,432	7.7%	167,310	2,451	7.7%
Chewing gum	44,300	1,826	5.8%	42,600	1,757	5.5%
Japanese crackers using flour	64,558	804	2.6%	63,280	795	2.5%
Fried confectionary	56,565	452	1.4%	58,262	466	1.5%
Total	1,931,409	31,482	100%	1,950,779	31,955	100%

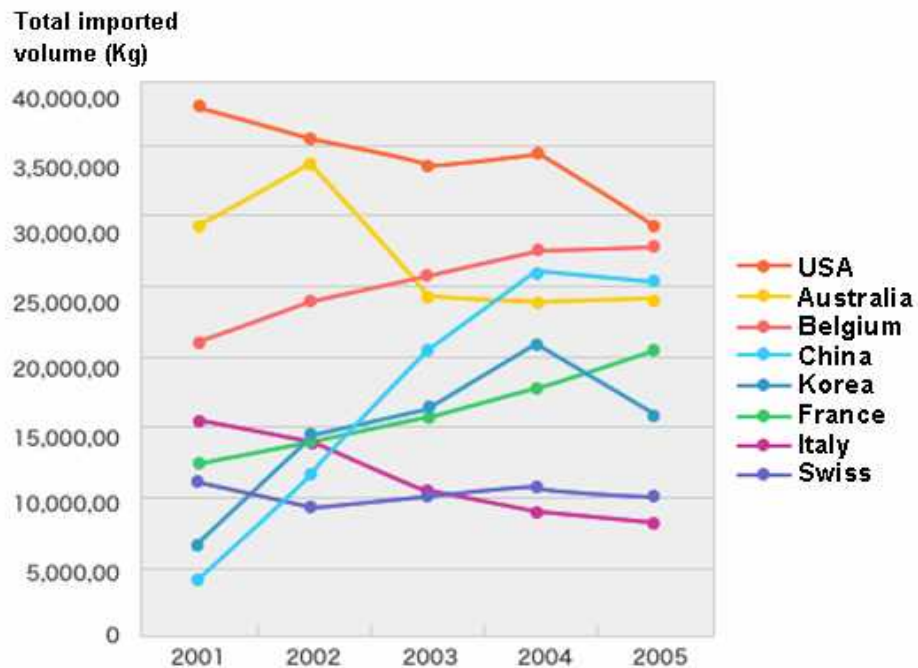
Market share for imported chocolate in Japan

The issue is the foreign (imported) chocolate market in Japan for our project with Patchi. Because the custom duty tariff for chocolate has been lowered from 20% to 10% in April 1988, the volume of imported chocolate has been increased. The major importing countries are those from Europe and North America such as USA, Italy and Belgium. Now the market share of the imported chocolate is approximately 10% (US\$400 Million) among the annual retail sales amount of US\$4,138 Million in the Japanese chocolate market.

Trend of major eight countries of importing chocolate to Japan

(Unit: Kg)

	2001	2002	2003	2004	2005
USA	3,715,427	3,575,921	3,377,030	3,456,887	2,990,106
Australia	2,970,861	3,436,665	2,470,531	2,441,283	2,466,088
Belgium	2,163,576	2,432,120	2,517,802	2,747,201	2,779,421
China	499,607	1,212,541	2,114,787	2,576,467	2,545,630
Korea	670,866	1,487,258	1,688,207	2,017,044	1,590,839
France	1,276,061	1,447,058	1,575,472	1,857,892	2,067,149
Italy	1,519,943	1,460,698	1,085,857	953,503	860,723
Swiss	1,183,248	992,040	1,035,424	1,066,297	1,043,987
Total	13,999,589	16,044,301	15,865,110	17,116,574	16,343,943
Ratio against total imported volume	80.78%	84.04%	81.15%	84.22%	82.18%



MARKET ANALYSIS - JAPAN

Foreign Chocolate Brand - Competition

The following chart shows the major imported (foreign) brand chocolate in Japan that each major distributor is expanding its presence nationwide. Among those competitors, Godiva is the only brand that has the same concept with Patch. Other brands are almost distributed by the traditional retail supply chain throughout Japan. Therefore, it is highly proposed that we should focus on how and why Godiva is expanding in Japan.

Major imported (foreign) chocolate brand – competitors in Japan

Country	Name of Brand	Major Distributor in Japan
Belgium	Godiva	Godiva Japan
	Cote D'Or	Craft Japan (Meiji Seika)
	Guylian	Meijiya
	Trefin	Cadbury Japan
	Leonidas	Strode Trading International
France	Poulain	Cadbury Japan
	Marquise de Sevigne	Takara Shoji
	Valrhna	Sun-Eight Trading
	Maxim's de Paris	Ryoka Japan
USA	Hershey	Suzusho
	Hawaiian Host	Hawaiian Host Japan
	Almond Roca	Meijiya
Swiss	Andes	Suzusho
	Lindt	Rokko Butter
	Toblerone	Craft Japan (Meiji Seika)
Australia	Snickers, m&m's, Milky Way	Master Foods Limited
	Time Out	Cadbury Japan
	Tim Tam	Campbel Japan (Sun-Esu Inc.)
Italy	Rocher, Mon Cheri	Nihon Ferrero
	Loacher	Kitanoya
Germany	Ritter	Sun-Esu Inc.
	Milka	Craft Japan (Meiji Seika)
Netherlands	Droste	Takara Shoji