History of Japan’s coffee market and Outline of the 3 neighboring countries market situations

1 First introduction of coffee and its development

2 Outlook and handling for the future

3 Views on the 3 neighboring countries

Keiji Ohta
Chairman, All Japan Coffee Association

View on Japanese coffee market

<table>
<thead>
<tr>
<th>Population</th>
<th>127,700,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average income a person</td>
<td>$37,800</td>
</tr>
<tr>
<td>Import of coffee (CY2008)</td>
<td>7.29 million bags</td>
</tr>
<tr>
<td>Per capita annual coffee consumption</td>
<td>3.400g</td>
</tr>
</tbody>
</table>

Japan’s import of coffee (CY2005-2008)

Unit: Million Bags

2005 2006 2007 2008
Evolution of Japan’s coffee import

Unit: Ton  Unit: Million Bags

1980—ICO’s contribution to the promotion fund—1989

Reasons for consumption increase

1. Presence of typical Japanese ‘coffee house’
2. Western culture in lifestyle/food & beverage
3. R&D in product and market exploitation
4. Promotional activities
Growth rates of R&G, SC, and GT consumption (1990=100)

Japanese coffee houses, centre for coffee culture

Coffee house in 1980s.

Current mainstream café chain
Various coffee products for home use

Examples of SC products

Examples of R&G products

Manufacturing plant with cutting-edge equipments

Packaging lines
Green beans storage
Cup tasting
Expansion of sales channels

department stores (boutique style)  
SM, CVS

RTD (ready to drink), a Japanese innovation

Various products of RTD (liquid coffee in a tin.)
The AJCA celebrates its 30th anniversary in 2010

Activities for consumption promotion

- Regular Coffee Fair (September 2009)
  Sponsored by National Coffee Roasters Association of Japan
- Goodwill Ambassador of Coffee (September 2009)
  Sponsored by All Japan Coffee Association
- Idea Dish Contest of Instant Coffee (August 2009)
  Sponsored by Japan Instant Coffee Association
Contributions to the researches related to "Coffee and Health"

Presentation of the study reports

Promotional and educational activities
“Certified coffee”, gradual appreciation

Rainforest Alliance  Good Inside (UTZ Certified)  Organic (JAS)

Bird Friendly  Fair Trade

Effective use of coffee ground wastes

- toys made of biomass chips using silver skins as raw materials
- envelopes/postal cards made of paper containing silver skins
New products development (1) Specially designated health food

- miss beaute (UCC)
- Georgia Daily Oligo Black (Coca-Cola)
- Blendy Plus (AGF)

New products development (2) New packaging

- AROMA FLASH (KEY COFFEE)
- Nescafe Charge (Nestle)
- Largo (UCC)
New products development (3) Coffee for easy brewing

Market outline for “South Korea”

<table>
<thead>
<tr>
<th>Republic of Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
</tr>
<tr>
<td>Average income a person</td>
</tr>
<tr>
<td>Import of coffee (CY2008)</td>
</tr>
<tr>
<td>Per capita annual coffee consumption</td>
</tr>
</tbody>
</table>

Import of coffee (CY2005-2008)

Unit: Million Bags

- 2005: 1.5
- 2006: 1.5
- 2007: 1.5
- 2008: 2.0
Market outline for “Taiwan”

<table>
<thead>
<tr>
<th>Population</th>
<th>23,046,177</th>
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<tbody>
<tr>
<td>Average income a person</td>
<td>$17,600</td>
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<td>Import of coffee (CY2008)</td>
<td>530 thousand bags</td>
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<td>Per capita annual coffee consumption</td>
<td>560g</td>
</tr>
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</table>

Market outline for “China”

<table>
<thead>
<tr>
<th>Population</th>
<th>1,345,751,000</th>
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<tbody>
<tr>
<td>Average income a person</td>
<td>$2,500</td>
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<tr>
<td>Import of coffee (CY2008)</td>
<td>392 thousand bags</td>
</tr>
<tr>
<td>Per capita annual coffee consumption</td>
<td>22g</td>
</tr>
</tbody>
</table>

Unit: Thousand Bags

ALL JAPAN COFFEE ASSOCIATION
Thank You