

Socialist Republic of Vietnam

Preparatory Survey for Sixth
industrialization of Green Tea Industry
in Vietnam Final Report (Public
Version)

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1. Area of investigation

In addition to the basic investigation performed during Oct 2014 through Jun 2015 in northern 5 states and detail investigation in Lai Chau state, we have verified potential of Nghe Anh state as the harvesting area. Based on result from previous investigation and advices from the team member, we investigated on the soil and climate condition which are the most important for harvesting green tea. Also, after investigating current condition of tea leaves in the area, we have actually run trial production of Matcha including tea leaf cultivation. We could make efficient investigation due to our past experience of investigation in various regions. Our investigation was performed in Nghe Anh illustrated in below map.



Exhibit 1-1 Investigating field: Nghe Anh state



Exhibit 2-1 Detail investigating field:

2. Investigation methods, target, and period

<Oversea market investigation>

- methods: data base such as Euro-monitor, interview with trading house and Association of Vietnam Tea
- target: importation statistics of major area and export situation from Vietnam
- period: Nov. 2014 through Dec. 2014

<Field investigation>

- methods: external database, interview to local farmer and visits
- target: climate(temperature, humidity, rain volume), soil(fertilization situation, pesticide situation), farmer(variety of tea harvesting, size of farm land, income)
- period: Jan. 2016 through Dec. 2016

<Retail chain investigation>

- methods: visit to retailers, interview to buyer of retail chain
- target: product investigation which are available in retail chain, retail margin
- Oct. 2014 through Jan 2015

<Cultivation and processing investigation>

- Methods: visit to farm sites

- Target: cultivation process, processing process, processing facility
- Jul. 2016 through Dec. 2016

3. Current conclusion for business potential and reasoning

There are still some remaining needs for additional assessment but we believe that we have good possibility of business potential in this specific field which we have investigated. Currently we are planning to launch the business by April 2018. We had to change our strategy not to tie up with large scale corporation though our investigation process and that made us design a production process not depending on large scale production facility. By designing production process not depending on existing facility, there are up scale potential of business not restricted to production facility. Through the collaboration with our new partner EcoFarm and its subsidiary company, we are able to create less investment and efficient Matcha production facility basing on available equipment in Vietnam. There were many trial and error but we could overcome the difficulty by receiving training from tea specialist from Kyoto-Uji.

One of the most important factor for the successful business will be the trustable partner. Through the regrettable experience in Lai Chau area, we took cautious steps upon selecting partner. With help of JICA Vietnam office, we received several candidates from Nghe Anh people's committee. We actually visited each candidates and interviewed for motivation and willingness to work together for the project. Also we made contractual paper clear from the beginning.

There are 3 major points for implementation.

First point is the improvement of production facility which we been working. It has already shown some result in the trial production in Feb. 2017. We are already confident of producing small volume of Matcha with the facility. However when it comes for mass production, to maintain the quality stable, we need to add some more automated equipment.

Second point is implementation of manual for cultivation process. For the past trial cultivation we were able to send our team from Ho Chi Minh and Japan to oversee the process. However, for the actual process the farmer themselves have to follow and do how the instruction manual describes.

Third point is reserving the facility of grinding and sterilization process. Once we have multi cultivation sites for Tencha (material for Matcha) we will be able to justify the investment of centralized grinding and sterilization facility. EcoNutri, the subsidiary company of EcoFarm is a food production company and has high standard of sanitation and process management.

We will consider increasing the capacity of grinding for the increasing volume of production. Also we will need to consider the investment for sterilization equipment once we start exporting Matcha for overseas market.