

Market Survey 2002

Survey of Market Share of
Eco Mark Certified Stationery Products

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Eco Mark Office
Japan Environment Association
7F Toranomon Takagi Bldg., 1-7-2 Nishi-Shimbashi, Minato-ku, Tokyo
Phone: (03) 3508-2662 Fax: (03) 3508-2656

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Introduction

The Japan Environment Association began the Eco Mark program in February 1989 as an environmental certification program by the third party. This year marks the 13th year of this program, which has so far 64 certified product categories and 5,176 products (as of June 30, 2002).

However, since objective data for confirming the market share of Eco Mark certified products was not readily available, we concluded that the time was ripe for conducting a survey to understand and verify whether the increased demand for environmentally oriented products--as seen in the enactment of the Green Purchase Law in April 2001--was reflected as an increase in demand for such products from corporations, who purchase in bulk and from consumers, and consequently, as an increase in the sales of Eco Mark certified products. It was also necessary to verify the positioning of Eco Mark certified products--the top runners among environmentally oriented products--in the market.

This survey focused on 5 major stationery products, which are available widely to both consumers and corporations who purchase in bulk to survey and review the market share of Eco Mark certified products. We intend to use this information as a guideline for pursuing the Eco Mark program in the future. The survey was commissioned to the Yano Research Institute Ltd.

Eco Mark Office
Japan Environment Association

1. Overview of the Survey Results

Period of the survey:	May through July 2002
Products targeted in the survey:	1) Ballpoint pens 2) Mechanical pencils 3) Marker pens 4) Correction products 5) Notebooks
	Five products in all
Periods included in the survey:	Annual variations for FY2000 and FY2001
Areas studied:	(1) Estimated share by yen amount of Eco Mark certified products for each product category in their respective markets. (2) Estimated share by sales volume of Eco Mark certified products for each product category by different sales channels (Figures based on yen amount for notebooks).
Sales channel categorization:	The market was split into two categories: Corporate purchases and consumer purchases. Corporate purchases included direct purchases from wholesalers and/or sales companies and purchases from retailers. Consumer purchases consisted only of purchases made at retailers.
Survey method:	Interviews with certified corporations or distributors of the product in question. This was followed by estimates conducted by a specialist survey company. Number of certified companies interviewed: 21 (or 52.5% of the 40 companies who produce products targeted in this survey.) Number of distributors interviewed: 5

Summary of the survey results

- 1) Estimated share by yen amount of Eco Mark certified products for each product category in their respective markets.

The following table shows the estimated size of the market (based on volume shipped from manufacturers) and the estimated share based on the yen amount of Eco Mark certified products for each product category in FY2001.

Table 1: Estimated market size (based on volume shipped from manufacturers) and the estimated share by yen amount of Eco Mark certified products for each product category in FY2001

	Estimated market size in FY2001	Estimated Eco Mark certified product sales amount	Sales of Eco Mark certified products over the previous year
Ballpoint pens	43.036 billion yen	8.7%	246.1%
Mechanical pencils	15.731 billion yen	11.0%	669.5%
Marker pens	27.973 billion yen	19.5%	310.5%
Correction products	8.521 billion yen	24.2%	184.4%
Notebooks	35.988 billion yen	22.3%	96.9%

* Market size estimate for notebooks: Courtesy of All Japan Paper Products Association.

The estimated market sizes for all product categories other than the correction products category exceeded 10 billion yen. In particular, the combined market for writing instruments--ballpoint pens, mechanical pencils and marker pens--was more than twice the size of the market for notebooks. In addition, while the growth in most product categories was stagnant, sales for Eco Mark certified products have grown rapidly. Of all the product categories surveyed, the Eco Mark certified notebook category was the only one that showed a decrease in sales compared to the previous year, which we believe was partly due to the dramatic contraction in the overall notebook market (-5.1% compared to the previous year). None of the Eco Mark certified products showed estimated shares by sales in excess of 25% (a quarter of the overall market) for FY2001, but we believe the proportion of Eco Mark certified products in the market will grow.

Based on a more in-depth study of Eco Mark certification or a lack thereof, the following points were deduced:

- Eco Mark certification among major manufacturers of notebooks--in particular, school notebooks--exceeded 90%.
- A large number of manufacturers included Eco Mark certification as one of the prerequisites for new products regardless of the product category (The Eco Mark has become an essential product attribute).

With the breakthrough of mail order businesses of office supplies represented by Askul as a major factor, some of the characteristics of structural changes in the stationery distribution industry during the latter half of the 1990s include shifts in retail modes as seen in the diminishing number of small-scale stationery retailers and the growth of new retail modes including large-scale retailers, CVSs, large-volume retailers, home centers, as well as large-volume discount retailers of home appliances, PCs and cameras; the re-organization of intermediaries such as wholesalers, secondary wholesalers and fulfillment companies (acquisitions, mergers, group consolidations, termination of businesses, retreat from the market and bankruptcies); and full-scale market entry by foreign-affiliated retailers.

When viewed by category, the proportion of consumer purchases of notebooks at retailers versus corporate purchases was considerably larger than the average for other stationery products and amounted to 73.2% in FY2001. In contrast, correction products were primarily used by corporations (78.8%), creating a parallel situation with that of the notebook category. For stationery products in general, we believe the "corporate use : consumer use" ratio to be about "60-70% : 30-40%."

In terms of Eco Mark certified products, the proportion of corporate purchases was significantly larger than that of consumer purchases. The fact that a significant number of qualitative comments mentioned that there was considerable demand from corporate users for Eco Mark certified products supports this observation. We were also told that consumers do not care very much about whether a product has been Eco Mark certified or not.

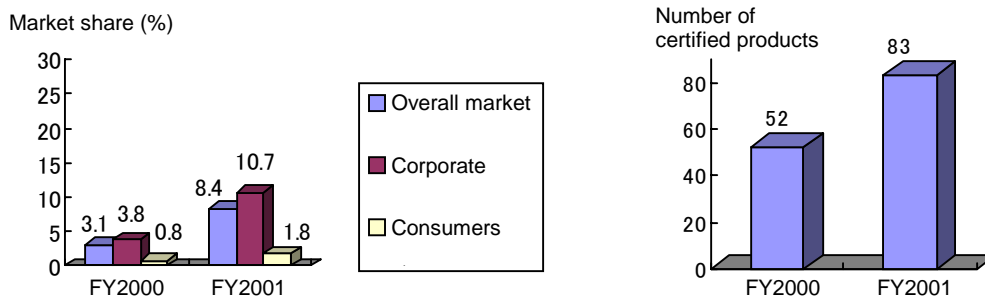
(2) Estimated share by sales volume of Eco Mark certified products for each product category by different sales channels (Figures based on yen amount for notebooks).

The following figures show the share by sales volume (overall, corporate and consumer) of Eco Mark certified products for each product category. We have also included the increases in the number of Eco Mark certified products.

1) Ballpoint pens

Between 2000 and 2001, the estimated market shares for Eco Mark certified products in this category in the overall, corporate and consumer markets grew by 5.3%, 6.9% and 1.0%, respectively. We believe the dramatic increase in corporate demand was due to the enactment of the Green Purchase Law in April 2001. The share of Eco Mark certified products in the consumer market also grew, although not as rapidly as in the corporate market.

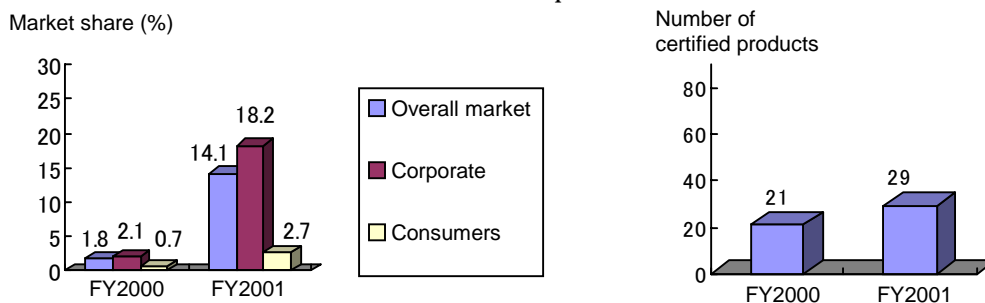
Figure 1 Share of Eco Mark certified products (based on volume) - Ballpoint pens
Increase of Eco Mark certified product volume



2) Mechanical pencils

Between 2000 and 2001, the estimated market shares for Eco Mark certified products in this category in the overall, corporate and consumer markets grew by 12.3%, 16.1% and 2.0%, respectively. We believe the dramatic increase in corporate demand was due to the enactment of the Green Purchase Law in April 2001. The share of Eco Mark certified products in the consumer market also grew, although not as rapidly as in the corporate market. Of the five product categories targeted in this survey, this group of Eco Mark certified products showed the most significant growth in the overall and corporate markets.

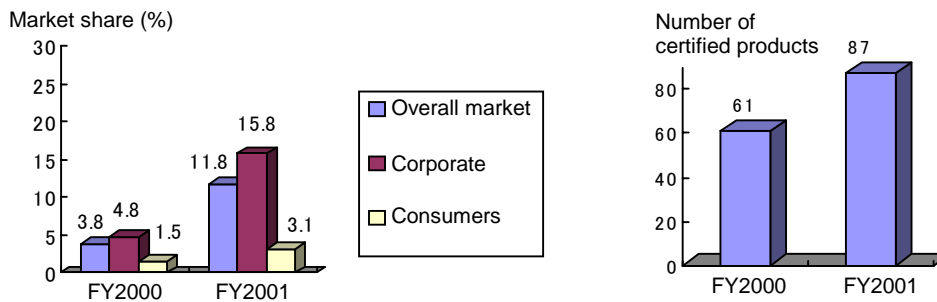
Figure 2 Share of Eco Mark certified products (based on volume) - Mechanical pencils
Increase of Eco Mark certified product volume



3) Marker pens

Between 2000 and 2001, the estimated market shares for Eco Mark certified products in this category in the overall, corporate and consumer markets grew by 8.0%, 11.0% and 1.6%, respectively. We believe the dramatic increase in corporate demand was due to the enactment of the Green Purchase Law in April 2001. The share of Eco Mark certified products in the consumer market also grew, although not as rapidly as in the corporate market.

Figure 3 Share of Eco Mark certified products (based on volume) - Marker pens
Increase of Eco Mark certified product volume

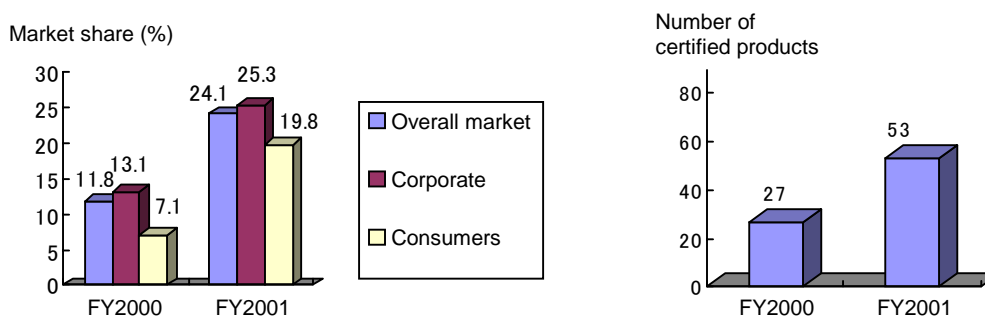


4) Correction products

Between 2000 and 2001, the estimated market shares for Eco Mark certified products in this category in the overall, corporate and consumer markets grew by 12.3%, 12.2% and 12.7%, respectively. We believe the dramatic increase in corporate demand was due to the enactment of the Green Purchase Law in April 2001. The share of Eco Mark certified products in the consumer market also grew intensively. Of the five product categories targeted in this survey, this group of Eco Mark certified products showed the most significant growth in the consumer market.

The share of Eco Mark certified products in this category as of 2000 was greater than that of writing instruments (ballpoint pens, mechanical pencils and marker pens).

Figure 4 Share of Eco Mark certified products (based on volume) - Correction products
Increase of Eco Mark certified product volume

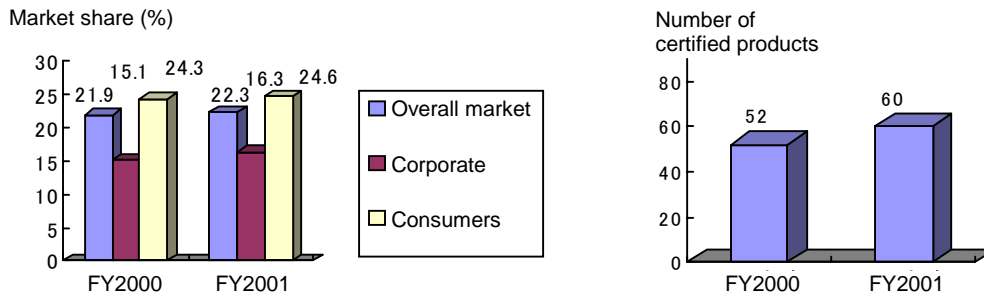


5) Notebooks

Between 2000 and 2001, the estimated market shares for Eco Mark certified products in this category in the overall, corporate and consumer markets grew by 0.4%, 1.2% and 0.3%, respectively. Of the five product categories targeted in this survey, this group of Eco Mark certified products showed the least growth in the overall, corporate and consumer markets.

The share of Eco Mark certified products in this category as of 2000 was greater than that of writing instruments (ball-point pens, mechanical pencils and marker pens). When viewed by distribution channel, the demand from consumers was high. 70% of the products in this category were purchased by consumers. We estimate the proportion of major manufacturers who have been Eco Mark certified in the school notebook category--which constitutes a considerable proportion of the overall notebook category--exceeds 90%.

Figure 5 Share of Eco Mark certified products (based on yen amount) - Notebooks
Increase of Eco Mark certified product volume



2. In-depth Data from the Survey Results

1) Estimated market share of Eco Mark certified products by distribution channel

Ballpoint pens	FY2000				FY2001			
	Corporations purchasing directly from wholesalers and sales companies.	Retail sales	Corporations purchasing from retailers	Total	Corporations purchasing directly from wholesalers and sales companies.	Retail sales	Corporations purchasing from retailers	Total
Estimated market share (volume)	3.9%	0.8%	3.7%	3.1%	13.0%	1.8%	6.9%	8.4%

Mechanical pencils	FY2000				FY2001			
	Corporations purchasing directly from wholesalers and sales companies.	Retail sales	Corporations purchasing from retailers	Total	Corporations purchasing directly from wholesalers and sales companies.	Retail sales	Corporations purchasing from retailers	Total
Estimated market share (volume)	2.4%	0.7%	1.6%	1.8%	23.8%	2.7%	9.2%	14.1%

Marker pens	FY2000				FY2001			
	Corporations purchasing directly from wholesalers and sales companies.	Retail sales	Corporations purchasing from retailers	Total	Corporations purchasing directly from wholesalers and sales companies.	Retail sales	Corporations purchasing from retailers	Total
Estimated market share (volume)	4.8%	1.5%	4.9%	3.8%	20.1%	3.1%	10.4%	11.8%

Correction products	FY2000				FY2001			
	Corporations purchasing directly from wholesalers and sales companies.	Retail sales	Corporations purchasing from retailers	Total	Corporations purchasing directly from wholesalers and sales companies.	Retail sales	Corporations purchasing from retailers	Total
Estimated market share (volume)	15.5%	7.1%	9.5%	11.8%	23.2%	19.8%	28.4%	24.1%

Notebooks	FY2000				FY2001			
	Corporations purchasing directly from wholesalers and sales companies.	Retail sales	Corporations purchasing from retailers	Total	Corporations purchasing directly from wholesalers and sales companies.	Retail sales	Corporations purchasing from retailers	Total
Estimated market share (volume)	10.6%	24.3%	23.0%	21.9%	11.6%	24.6%	24.4%	22.3%

2) Estimated market share of Eco Mark certified products by product categories targeted in this survey

Product category: Ballpoint pens

<Market share based on the estimated size of the domestic market>

	FY2000	FY2001
Eco Mark share	3.1	8.4
Non-Eco Mark share	96.9	91.6
Gross shipment (1,000 units)	581,867	621,100

<Proportion of these purchased by corporations: 74.2%>

	FY2000	FY2001
Eco Mark share	3.8	10.7
Non-Eco Mark share	96.2	89.3
Gross shipment (1,000 units)	431,163	460,857

<Proportion of these purchased by consumers: 25.8%>

	FY2000	FY2001
Eco Mark share	0.8	1.8
Non-Eco Mark share	99.2	98.2
Gross shipment (1,000 units)	150,704	160,243

Product category: Mechanical pencils

<Market share based on the estimated size of the domestic market>

	FY2000	FY2001
Eco Mark share	1.8	14.1
Non-Eco Mark share	98.2	85.9
Gross shipment (1,000 units)	159,208	147,613

<Proportion of these purchased by corporations: 73.5%>

	FY2000	FY2001
Eco Mark share	2.1	18.2
Non-Eco Mark share	97.9	81.8
Gross shipment (1,000 units)	116,418	108,495

<Proportion of these purchased by consumers: 26.5%>

	FY2000	FY2001
Eco Mark share	0.7	2.7
Non-Eco Mark share	99.3	97.3
Gross shipment (1,000 units)	42,790	39,118

Product category: Marker pens

<Market share based on the estimated size of the domestic market>

	FY2000	FY2001
Eco Mark share	3.8	11.8
Non-Eco Mark share	96.2	88.2
Gross shipment (1,000 units)	591,882	574,584

<Proportion of these purchased by corporations: 68.9%>

	FY2000	FY2001
Eco Mark share	4.8	15.8
Non-Eco Mark share	95.2	84.2
Gross shipment (1,000 units)	405,891	395,888

<Proportion of these purchased by consumers: 31.1%>

	FY2000	FY2001
Eco Mark share	1.5	3.1
Non-Eco Mark share	98.5	96.9
Gross shipment (1,000 units)	185,991	178,696

Product category: Correction products

<Market share based on the estimated size of the domestic market>

	FY2000	FY2001
Eco Mark share	11.8	24.1
Non-Eco Mark share	88.2	75.9
Gross shipment (1,000 units)	64,239	70,342

<Proportion of these purchased by corporations: 78.8%>

	FY2000	FY2001
Eco Mark share	13.1	25.3
Non-Eco Mark share	86.9	74.7
Gross shipment (1,000 units)	50,171	55,429

<Proportion of these purchased by consumers: 21.2%>

	FY2000	FY2001
Eco Mark share	7.1	19.8
Non-Eco Mark share	92.9	80.2
Gross shipment (1,000 units)	14,068	14,913

Product category: Notebooks

<Market share based on the estimated size of the domestic market>

	FY2000	FY2001
Eco Mark share	21.9	22.3
Non-Eco Mark share	78.1	77.7
Gross shipment (Millions of yen)	37,927	35,988

<Proportion of these purchased by corporations: 26.9%>

	FY2000	FY2001
Eco Mark share	15.1	16.3
Non-Eco Mark share	84.9	83.7
Gross shipment (Millions of yen)	10,127	9,648

<Proportion of these purchased by consumers: 73.1%>

	FY2000	FY2001
Eco Mark share	24.3	24.6
Non-Eco Mark share	75.7	75.4
Gross shipment (Millions of yen)	27,800	26,340

3. Compilation of a Questionnaire on Eco Mark (certified companies)

Questionnaires were sent to 40 companies of which 31 responded. The questionnaire included questions on the following five areas.

- 1) Growth in the sales of Eco Mark certified products (FY1999 through 2001: volume base)

62% of the companies replied that the sales of their Eco Mark certified products had increased.

10.3% of the companies replied that the sales of their Eco Mark certified products had decreased.

Replies	Sales had increased by 200% or more	Sales had increased by 100% or more but less than 200%	Sales had increased by 0% or more but less than 100%	Sales had remained unchanged	Sales had decreased
Composition (%)	20.7	17.2	24.1	27.6	10.3

- 2) Corporations' (businesses) interest in Eco Mark certified products
96.7% of the companies replied that corporations (businesses) had shown interest in Eco Mark certified products. Most certified companies recognized that the corporations' interest in Eco Mark certified products was high.

Replies	Very interested	Somewhat interested	Hardly interested	Don't know / Don't have information
Composition (%)	54.8	41.9	0.0	3.2

- 3) Consumers' interest in Eco Mark certified products
31% of the companies replied that corporations (businesses) had shown interest in Eco Mark certified products. Certified companies recognized that the consumers' interest in Eco Mark certified products was not as high compared to the corporations' (businesses) levels of interest.

Replies	Very interested	Somewhat interested	Hardly interested at all	Don't know / Don't have information
Composition (%)	3.4	27.6	58.6	10.3

4) Distributors' interest in Eco Mark certified products

89.7% of the companies replied that distributors had shown interest in Eco Mark certified products. Most certified companies recognized that the distributors' interest in Eco Mark certified products was high as was the case with corporations (businesses).

Replies	Very interested	Somewhat interested	Hardly interested at all	Don't know / Don't have information
Composition (%)	48.3	41.4	6.9	3.4

5) Future plans for obtaining Eco Mark certification

86.2% of the companies replied that they plan to expand the range of products that qualify for Eco Mark certification.

Replies	We plan to actively expand our range of qualifying products	We plan to gradually expand our range of qualifying products	We plan to maintain the current status	We plan to cutback our range of qualifying products	TBD
Composition (%)	34.5	51.7	6.9	0.0	6.9

(Excerpts of unsolicited comments regarding Eco Mark certified products)

- There is no difference in the levels of interest in Eco Mark certified products between product categories.
- Environmental awareness and the proportion of environmentally compatible products purchased by users (primarily government agencies, local governments and major corporations) have been increasing. Eco Mark certified products constitute a major proportion of such purchases.
- Interest in the Eco Mark is almost nonexistent outside the circle of major corporations and government agencies.
- The tendency to place emphasis on ecological compatibility is growing stronger in private corporations as well.
- Interest among distributors is low, except for those who deliver to government offices.
- Some respondents feel that user corporations regard the Eco Mark products as being reliable.
- Levels of interest at corporations and other organizations are high, but consumers are generally not interested.
- Consumers tend to choose and purchase products for their attractive appearance. The respondents does not feel that the use of recycled material (eco products) was conducive to promoting sales.
- Eco Mark products are hardly recognized by the retailers. This is an issue for the manufacturers.
- Consumers are interested but this does not directly lead to sales.
- Consumers recognize electric appliances and garbage as being important parts of the environmental problem, but stationery products are not regarded in the same light.
- As the awareness in environmental issues increases, more and more consumers are beginning to show interest in the environmental compatibility of stationery products. (Consumer behavior is shifting from "Somewhat interested" to "Very interested.")
- Since stationery products are difficult to recycle, our product development is based on extending the life of our products.
- We have obtained Eco Mark certification for all applicable product categories that we carry. Eco Mark certification will be a prerequisite for all new product development projects.
- Since consumers tend to prefer low priced items, it would be difficult to dramatically increase recycled paper products from the perspective of cost.