

17. Audio Products

1. Definition of Category

The term “audio products” usually includes audio products and accessory items, including speaker cables, power cables and racks. However, this report confines itself to audio products alone, and will not address accessories.

HS Numbers	Commodity
<Tape recorders> 8519.92-010 / 8527.12-010, 13-010 8527.12-090, 13-090 8519.92-090, 99 / 8520.32, 33, 39 8520.90	Walking stereos Radio with cassette recorder Ordinary tape recorders Other tape recorders
<Stereo component> 8519.21,31, 39 8518.40 8518.21, 22	Record players & decks Amplifiers Speaker systems
<Radios> 8527.21, 29 8527.19, 31, 32, 39	Car stereo and radio Other radios
<Other> 8519.10, 29, 40 / 8520.10 / 8527.90	

2. Import Trends

(1) Recent Trends in Audio Product Imports

Since the middle of the 1980s, the major Japanese audio product manufacturers shifted offshore most of their production of low priced products with limited functions, particularly to South East Asia, with only production of high added value products remaining in Japan. Along with this, there has been a steady increase in the import value of audio products under the brands of Japanese manufacturers from South East Asia into Japan. Imports faltered for a while at the start of the 1990s, but once again rose in 1994 and 1995 when there was another spurt in the value of the yen. Since then, imports have remained at almost the same level.

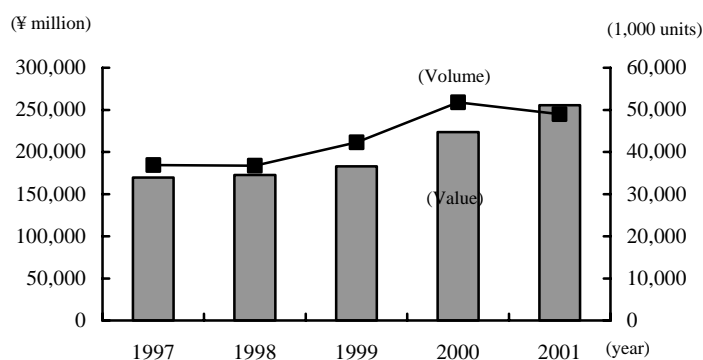
Total audio product imports posted strong growth in 2000 on a value basis, rising a solid 22.3% to ¥223.5 billion, the first time imports have topped the ¥200 billion mark. Imports rose still further in 2001, finishing the year at ¥255.7 billion. Leading categories were radios with ¥140.5 billion (up 12.5%), tape recorders with ¥71 billion (up 18.6%), stereo components with ¥42.4 billion (up 15.0%). However, on a volume basis every product subcategory fell short of previous-year levels. (see Fig. 1 on the following page)

(2) Imports by Place of Origin

Leading Japanese makers are progressively shifting more and more production offshore, and this is leading to major import growth from other Asian countries. Moreover, countries such as China and Malaysia have taken over the lead from past mainstays Taiwan, the Republic of Korea and Singapore. On a volume basis, China accounted for 57.7%, followed by Malaysia with 15.4% in 2001. These two countries together have a commanding lead 73.1% in volume and 62.2% in value. (see Fig. 2)

In core product categories such as radios, tape recorders, radio cassettes and speaker systems, China and Malaysia now account for almost all of Japan's imports. Nevertheless, in amplifiers the United States continues to hold the lead on both a volume and value basis with its upscale product lines. In addition, the United States showed gain in exports of speakers to Japan in 2001. (see Fig. 3)

Fig. 1 Japan's audio product imports



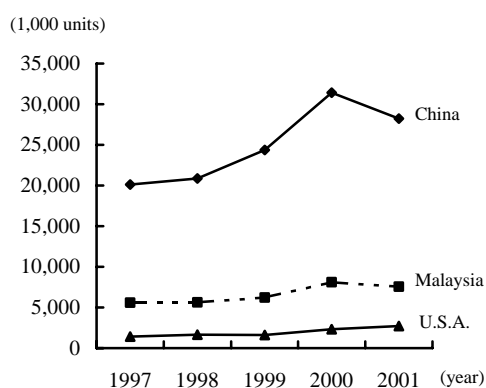
	1997		1998		1999		2000		2001	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Tape recorders (total)	9,521	49,210	8,609	50,230	9,468	47,628	12,263	59,973	12,137	71,153
Walking stereos	1,079	2,660	1,179	2,490	1,961	5,277	2,175	6,035	1,698	4,875
Radio with cassette recorder	2,815	16,965	2,747	18,569	1,823	9,799	1,854	8,861	1,514	6,916
Ordinary tape recorders	4,489	27,028	4,146	25,226	5,098	27,384	6,683	35,358	7,459	45,688
Other tape recorders	1,138	2,557	538	3,944	586	5,168	1,551	9,719	1,467	13,674
Stereo components (total)	13,119	34,617	15,425	32,818	18,668	30,736	22,056	36,904	20,000	42,438
Record players & decks	114	701	122	705	118	563	131	651	91	450
Amplifiers	867	10,946	757	10,458	747	8,924	855	10,414	1,143	14,767
Speaker systems	12,138	22,971	14,547	21,656	17,803	21,248	21,070	25,839	18,767	27,221
Radios (total)	12,162	78,025	11,479	82,532	13,817	98,885	17,097	124,843	16,594	140,469
Car stereo & radios	2,999	33,206	2,732	30,968	3,191	34,046	3,462	39,056	4,493	56,756
Other radios	9,162	44,819	8,746	51,564	10,626	64,839	13,635	85,787	12,101	83,714
Other audio products	2,045	7,757	1,197	7,221	358	5,507	336	1,739	227	1,640
TOTAL	36,846	169,609	36,710	172,801	42,311	182,756	51,753	223,459	48,959	255,700

Units : 1,000 units, ¥ million

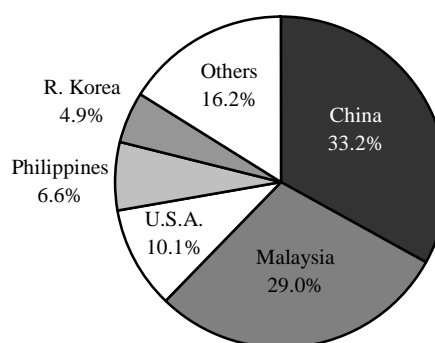
Source: Japan Exports and Imports

Fig. 2 Principal exporters of audio products to Japan

Trends in import volume by leading exporters



Shares of audio product imports in 2001 (value basis)



	1997	1998	1999	2000		2001		Volume	Value
	Volume	Volume	Volume	Volume	Value	Volume	Value		
China	20,114	20,878	24,358	31,434	87,560	28,228	57.7%	84,775	33.2%
Malaysia	5,604	5,646	6,227	8,128	58,796	7,550	15.4%	74,204	29.0%
U.S.A.	1,424	1,666	1,631	2,312	20,800	2,734	5.6%	25,833	10.1%
Philippines	2,278	1,813	2,064	1,935	12,742	2,285	4.7%	16,876	6.6%
Indonesia	1,602	1,290	1,705	1,776	7,782	2,041	4.2%	9,680	3.8%
Others	5,823	5,418	6,327	6,167	35,778	6,121	12.5%	44,333	17.3%
TOTAL	36,846	36,710	42,311	51,753	223,459	48,959	100.0%	255,700	100.0%
(E U)	115	129	153	160	3,508	185	0.4%	4,597	1.8%

Units : 1,000 units, ¥ million

Source: Japan Exports and Imports

Fig. 3 Leading exporters by product category (2001)

		Total volume	First	Share	Second	Share
Tape recorders	Walking stereos	1,698	Taiwan	35.7%	China	33.7%
	Radio with cassette recorder	1,514	China	80.8%	Malaysia	11.7%
	Ordinary tape recorders	7,459	China	53.0%	Malaysia	24.4%
	Other tape recorders	1,467	Malaysia	43.3%	China	26.7%
Stereo components	Record players and decks	91	China	68.9%	R Korea	23.1%
	Amplifiers	1,143	U.S.A.	33.9%	China	25.7%
	Speaker systems	18,767	China	64.3%	U.S.A.	10.2%
Radios	Car stereo and radios	4,493	Philippines	28.0%	China	20.6%
	Other radios	12,101	China	70.9%	Malaysia	19.0%

Units : 1,000 units

Source: Japan Exports and Imports

(3) Imports' Market Share in Japan

Because manufacturing statistics and import statistics use different units of quantitative measurement, it is difficult to accurately measure the size of the Japanese audio product market on a volume basis. The shift by domestic manufacturers to production facilities offshore has led to a striking contrast between a slump in domestic production and exports and a sharp rise in imports. The share of imports in the market for tape recorders is more than 80%, and the shares of imports of other audio products are increasing. According to the Japan Electronic and Information Technology Industries Association, domestic shipments of stereo sets had gone up for four straight years up through 2000, setting new records each of those years. However, this growth was fueled by initial demand for audio products with built-in MDs (mini-disks). In 2001 this demand subsided, and shipments finished the year down 10.4% from the year before, at 2.718 million units.

3. Key Considerations related to Importing**(1) Regulations and Procedural Requirements at the Time of Importation**

There are no legal restrictions on the importation of audio product. However, when importing audio product designated by the Electric Appliance and Material Safety Law, importer must notify the commencement of business to the Director-General of the competent Bureau of Economy, Trade and Industry (or to the Minister of Economy, Trade and Industry, for importers with business sites in multiple areas) within 30 days of commencing import operations.

(2) Regulations and Procedural Requirements at the Time of Sale

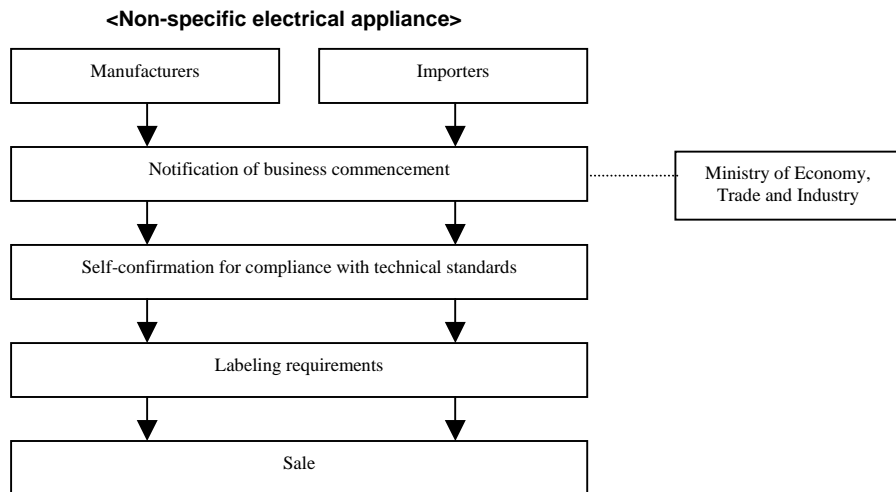
Audio product are subject to provisions of the Electrical Appliance and Material Safety Law. In addition, containers and packaging may be subject to provisions of the Containers and Packaging Recycling Law and the Law for Promotion of Effective Utilization of Resources. For more detailed information about the subject, scope, labeling method, etc., please consult the competent government agencies listed below.

1) Electrical Appliance and Material Safety Law

Radio receivers, tape recorders, record players, jukeboxes, and other audio product are subject to provisions of the Electrical Appliance and Material Safety Law as non-specific electrical appliances. Manufacturers or importers must confirm on their own that their products are compliant with technical standards, and must display required label items and PS mark on the product. (see 4. Labeling)

Under the revised Law in 1999, the manufacturer or importer shall undertake in-house testing, and be obligated to conform to technical standards through self-confirmation. Any products that are not compliant with the technical standards are subject to improvement orders or are prevented from displaying particular labels. When deemed necessary, products with a high level of danger or trouble shall be imposed to the violation of the order.

Fig. 4 Procedures required under the Electrical Appliance and Material Safety Law



(3) Competent Agencies

- Electrical Appliance and Material Safety Law
Product Safety Division, Consumer Affairs Department, Commerce and Information Policy Bureau,
Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
- Containers and Packaging Recycling Law / Law for Promotion of Effective Utilization of Resources
Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau,
Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
TEL: 03-3581-3351 <http://www.env.go.jp>

4. Labeling

(1) Legally Required Labeling

1) Electrical Appliance and Material Safety Law

Products covered by the Electrical Appliance and Material Safety Law must be labeled with rated voltage, current, frequency, name of the manufacturer, and PSE mark.

Example label of audio product under the Electrical Appliance and Material Safety Law

Rated voltage	100W
Rated current	3W
Rated frequency	50 / 60Hz
XYZ Co., Ltd.	



2) Labeling under the Law for Promotion of Effective Utilization of Resources

When paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, tags, external packaging or elsewhere, a material identifier mark must be displayed with information where the material is used.

< Example >



External packaging



Tag

(2) Voluntary Labeling based on Provisions of Law

There is no voluntary labeling on provisions of law for audio products.

(3) Voluntary Industry Labeling**<Safety Certification Mark (S Mark)>**

Third party certification organizations commissioned by the government, the Japan Electrical Safety & Environment Technology Laboratories (JET) and the Japan Quality Assurance Organization (JQA) conduct safety test on the individual products and check the quality control systems of the factories. Products conformed to be safe may be labeled with the following safety certification marks. Safety certification marks are combinations of the logo marks of the certification organizations with the common certification mark of the Steering Council of Safety Certification for Electrical and Electronic Components and Material of Japan (SCEA).

- Japan Electrical Safety & Environment Technology Laboratories (JET)
TEL: 03-3466-5145 <http://www.jet.or.jp>
- Japan Quality Assurance Organization (JQA)
TEL: 03-3583-9001 <http://www.jqa.jp>

**5. Taxes****(1) Customs Duties**

Customs duties on audio products are free.

Fig. 5 Customs duties on audio products

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
8519.92	Pocket-size cassette-players	Free	(Free)		
-010	Walking stereo cassette players	Free	(Free)		
-090	Other pocket-size cassette-players	Free	(Free)		
8527.12	Pocket-size radio cassette-players	Free	(Free)		
-010	Walking stereo cassette players	Free	(Free)		
-090	Other pocket-size radio cassette-players	Free	(Free)		
8527.13	Other apparatus combined with sound recording or reproducing apparatus	Free	(Free)		
-010	Walking stereo cassette players	Free	(Free)		
-090	Other sound recording or reproducing apparatus	Free	(Free)		
8520	Magnetic tape recorders and other sound recording apparatus whether or not incorporating a sound reproducing device	Free	(Free)		
32	Digital audio type	Free	(Free)		
33	Other, cassette-type	Free	(Free)		
39	Other magnetic tape recorders and other sound recording apparatus	Free	(Free)		
8518.21	Loudspeakers	Free	(Free)		
	Single loudspeakers, mounted in their enclosure	Free	(Free)		
8518.22	Multiple loudspeakers, mounted in their enclosure	Free	(Free)		
8518.40	Audio-frequency electric amplifiers	Free	(Free)		
8519.21	Record-players	Free	(Free)		
	Turntables (record-decks)	Free	(Free)		
8519.31	With automatic record changing mechanism	Free	(Free)		
8519.39	Other record-decks	Free	(Free)		
8519.10, 29, 40	Coin- or disc-operated record-players	Free	(Free)		
8520.10	Dictating machines not capable of operating without an external source of power	Free	(Free)		
8527.90	Other apparatus	Free	(Free)		

Note: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

(2) Consumption Tax

CIF x 5%

6. Product Characteristics

(1) Comparison with Japanese Products

The leading audio product manufactured in Japan is digital audio disc players (CD players, MD players) and MD built-in component stereos. The leading imports from Europe and the United States are large-scale speaker systems, book-shelf-type speaker systems, amplifiers, headphones and accessories. European and American products are characterized by small production runs typical of small-scale manufacturers, audiophile feature orientation and destructive design features and styling. Their amplifiers in particular make use of the most advanced technology available. Their products, however, are designed for different electrical power current. American products run on 115V AC, while European products run on 230V AC current. They have to have it modified or use a power converter.

(2) Characteristics of Products from Different Countries / Regions

- Asian Countries and Areas

As mentioned previously, most imports from Asian countries are offshore production by subsidiaries of Japanese manufacturers. These products target mainstream users, who generally prefer simplicity and basic functionality, rather than sophisticated audiophiles, who prefer high performance product with multiple possible configurations. In addition, the technological skills of Asian makers increase and are shifting from single-function low-priced products toward products with somewhat higher levels of functionality. Leading products are tape recorders, ordinary radios and car stereos.

- United States

Leading exports to Japan are large-scale speaker systems, power amplifiers and control amplifiers. American speaker systems derive historically from the motion picture industry and have their roots in systems used in theaters and on stage. Amplifiers make use of cutting edge technology from the space program.

- EU Countries

Main exports to Japan are book-shelf-type speaker systems, headphones and record players. Great Britain in particular, with its active music scene, makes a number of excellent commercial use audio products.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

After CD players hit the saturation point, the audio market recovered its vitality on the strength of the popularity of the digital mini-disk. A more extensive line of compatible products combined with lower prices has boosted sales not only of mini-disk products (portable MD players and MD decks) but also of stereo sets and stereo cassettes with built-in mini-disks, as well as sales of car mini-disk players. However, the initial demand has shown signs of sluggishness in latter half of 2001.

With mini-disk players now becoming virtually standard equipment, the audio market is being driven toward further growth by the emergence audio-enhancing products, such as home theater systems that link sound and images, PC (personal computer) compatible audio systems, and “interior audio” systems that coordinate with the room interior design.

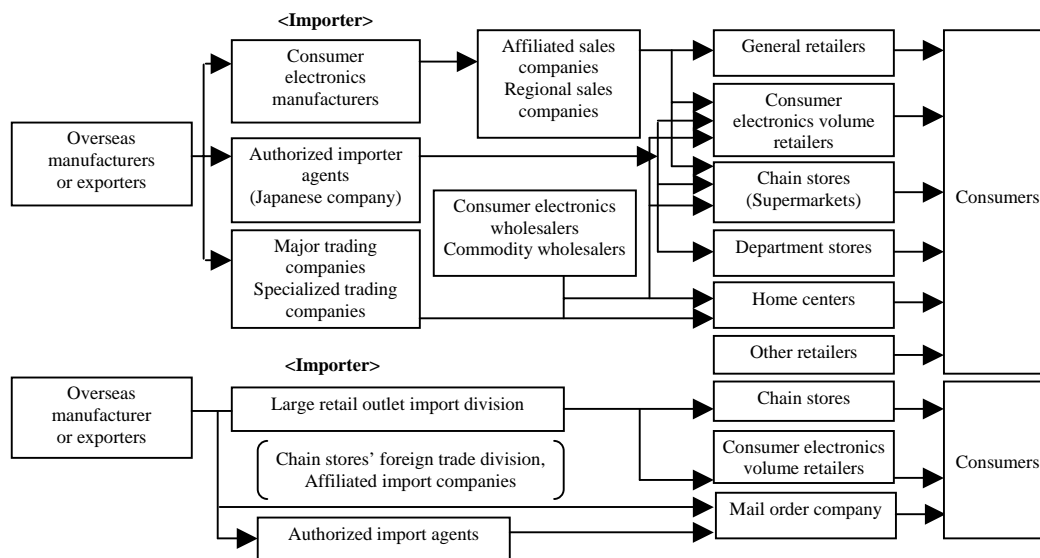
Higher value added audio products are still produced mainly in Japan, while production of less expensive products with simple functions such as radio cassette tape recorders, headphone stereos, tape decks, and other products is being shifted by Japanese manufacturers to Asia. Reflecting stronger demand for up market products among some consumers, demand for products imported from Europe and the United States remains. American and European products are mainly imported and sold by import agents. To differentiate their products from parallel imports, they provide customer services by affixing warranty seals and through serial number control.

(2) Distribution Channels

Reflecting their sophisticated user orientation, most imports from Europe and the United States consist of high-end, higher-priced models. Consequently, most of their imports pass through fixed distribution channels from importer agents to specialty outlets. These outlets generally provide after-sales service, and franchise-type distribution patterns are common. Recently mail order companies have attracted attention as a new retail channel. Some of mail order companies carry a number of products with strong, upscale product images that also offer features not widely available in Japanese products.

Imports from Asian countries and areas are usually distributed by Japanese manufacturers or specialized trading companies.

Fig. 6 Typical distribution channels of audio products



(3) Key Considerations for entering the Japanese Market

- 1) Prospective importers need to have a thorough understanding of consumer needs (differing needs for low-prices, mid-range and high-end equipment among different consumer groups) and consumer preference trends (strong brand name orientation, high quality standards).
- 2) Audio products are bound to develop problems and require repair service eventually. Therefore, it is essential to have a complete after-sales service program in place.

8. After-Sales Service

Normally the retail outlet provides after-sales service. The main selling point for audio products is sound quality, an invisible trait. Audio products require constant and precise maintenance in order to maintain sound quality. Consequently, the import agent must make sure that service technicians are thoroughly trained and that they have the most sophisticated diagnostic equipment available. Because consumers want sound reproduction with the same sound quality and tone color as the original sound, having highly experienced service technicians is extremely important. High-end, sophisticated speakers and amplifiers are often very large and heavy, and sometimes they cannot be brought into the store for service. In such cases service technicians are usually sent out to the owner's home to provide repair service. These human resource costs are an inevitable part of offering a complete after-sales service program. Some outlets are willing to repair "parallel imported" products but only for a rather high price.

9. Related Product Categories

Related items include pre-recorded products such as records, compact discs and video cassettes that are subject to provisions of the Copyright Law and the Trademark Law. For more details, please refer to "III-18 Audio/Video Software" in this guidebook.

10. Direct Imports by Individuals

Direct imports by individuals are unrestricted, but those who buy product designed for use in other countries will have to have it modified or use a power converter. Authorized import agents for the brand may refuse to provide after-sale service.

11. Related Organization

- Digital Home Appliances Department, Japan Electronic and Information Technology Industries Association
TEL: 03-3518-6427 <http://www.jeita.or.jp>

<Note>

The Japan Electronic Industry Development Association (JEIDA) and Electronic Industries Association of Japan (EIAJ) have merged effective November 1, 2000 as the Japan Electronic and Information Technology Industries Association (JEITA).