

26. Games

1. Definition of Category

Games played in the home for amusement, including puzzles, card games, chess and darts, among others. It does not include home video games or equipment for game used in recreation halls or arcades.

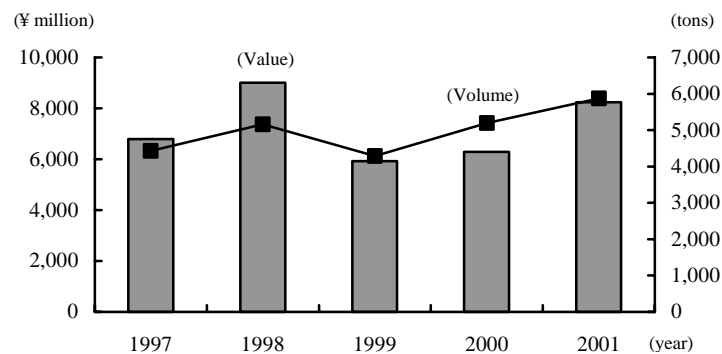
HS Numbers	Commodity
9503.60	Puzzles
9504.40	Playing cards
9504.90-010	Other table games & parts

2. Import Trends

(1) Recent Trends in Game Imports

Imports of games recovered from the falloff in 1999 to reach 5,876 tons (up 13.2% from the year before), worth ¥8.24 billion (up 31.0%) in 2001. This represents a significant gain on both a volume and value basis. It is an all-time record on a volume basis, and it is just below the all-time record on a value basis set in 1998. Leading category of game imports was playing cards, accounting for 71.5% of total value in 2001.

Fig. 1 Japan's game imports



	1997		1998		1999		2000		2001	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Puzzles	1,038	996	648	615	770	599	1,251	856	1,628	1,042
Playing cards	1,746	4,280	2,486	6,727	1,873	4,142	2,080	4,208	2,550	5,887
Other table games & parts	1,646	1,512	2,030	1,661	1,643	1,189	1,861	1,221	1,698	1,306
TOTAL	4,429	6,789	5,164	9,004	4,286	5,930	5,191	6,284	5,876	8,235

Units : tons, ¥ million

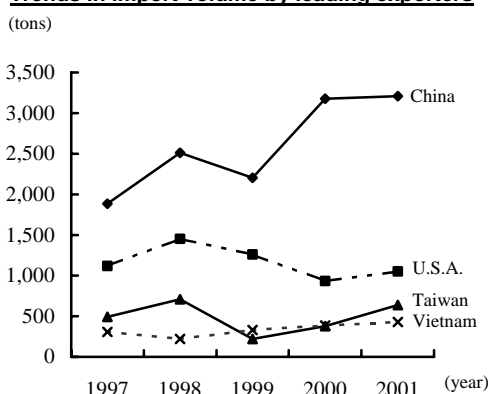
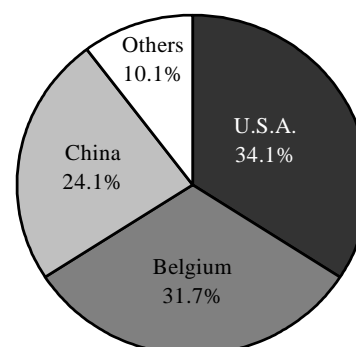
Source: Japan Exports and Imports

(2) Imports by Place of Origin

Many of the games imported from western countries are superior in visual design and color and have value as interior decor as well. The games imported from China, Hong Kong, Taiwan, and other parts of Asia are mostly inexpensive items produced under Japanese technical cooperation using local materials and labor. Leading exporters of games to Japan are China, Belgium, and the United States. These top three countries together accounted for 83.4% of the total on a volume basis, and 89.9% on a value basis. Belgium (40.1%) and the United States (25.0%) held the lead in imports of playing cards, while China accounted for 69.1% of puzzle imports in 2001. (see Fig. 2)

(3) Imports' Market Share in Japan

Industry sources put the size of the Japanese game and puzzle market at roughly ¥20 billion. Imports are believed to have about a 10% share of the market. A fairly large portion of all game imports consists of traditional Western games. For example, more than half of all dart games sold in Japan are imported. European and American exports once dominated the market for jigsaw puzzles, which made up more than 60% of the market, but nowadays almost all jigsaw puzzles are made in Japan, and imports have only a tiny share of this market segment. However, there has been an increase in imports of unimprinted puzzles, which are imprinted and then sold after reaching Japan. In the categories of electronic games and TV games, domestically produced products have a strong position in the market.

Fig. 2 Principal exporters of games to Japan**Trends in import volume by leading exporters****Shares of game imports in 2001 (value basis)**

	1997	1998	1999	2000		2001		Value	%
	Volume	Volume	Volume	Volume	Value	Volume	Value		
China	1,886	2,510	2,203	3,176	1,898	3,208	54.6%	1,987	24.1%
U.S.A.	1,118	1,453	1,258	932	2,419	1,053	17.9%	2,805	34.1%
Belgium	491	709	219	377	1,381	638	10.9%	2,607	31.7%
Taiwan	308	220	331	387	237	430	7.3%	268	3.3%
Vietnam	1	4	4	28	6	129	2.2%	53	0.6%
Others	627	268	270	292	343	418	7.1%	514	6.2%
TOTAL	4,429	5,164	4,286	5,191	6,284	5,876	100.0%	8,235	100.0%
(E U)	752	870	388	562	1,585	870	14.8%	2,896	35.2%

Units : tons, ¥ million

Source: Japan Exports and Imports

3. Key Considerations related to Importing

(1) Regulations and Procedural Requirements at the Time of Importation

Most games are not subject to any regulations. However, game machines that are motor driven and use electric lights are subject to provisions of the Electrical Appliance and Material Safety Law. Importers must file a notification of business commencement by each type classification with the Director-General of the competent Bureau of Economic, Trade and Industry (or with Minister of Economic, Trade and Industry in case of multiple business sites) within 30 days of commencing import operations. Importers are also required to prepare and maintain self-testing records.

Some games for very young children defined as toys are subject to applicable regulations by the Food Sanitation Law. For more information, please contact the Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare. In addition, the Customs Tariff Law prohibits the importation of fake name brand items that infringe trademark rights, design rights and other intellectual property rights. Any Goods suspected of infringement are either confiscated, destroyed or returned to the shipper.

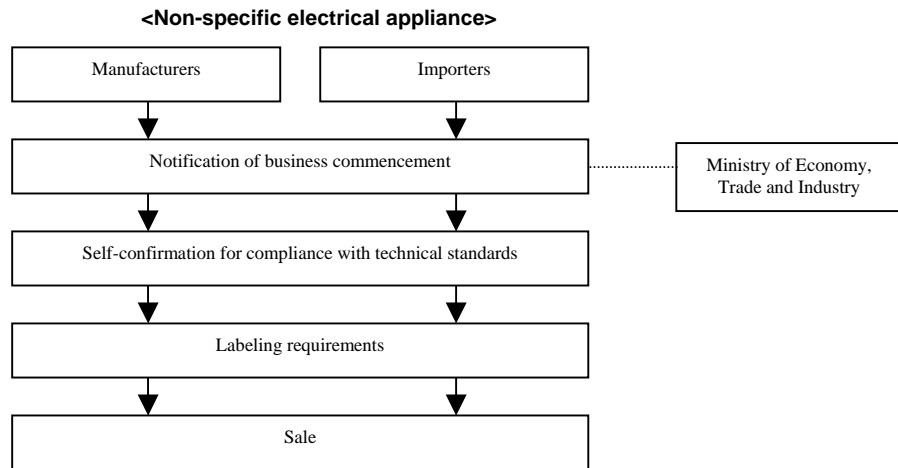
(2) Regulations and Procedural Requirements at the Time of Sale

Most games are not subject to any regulations. However, game machines that are motor driven and use electric lights are subject to provisions of the Electrical Appliance and Material Safety Law. Some of games may be subject to provisions of the Local Child Protection Ordinances. 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

Game machines that are motor driven and use electric lights 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. 3 Procedures required under the Electrical Appliance and Material Safety Law



2) Local Child Protection Ordinances

Some games are classified as harmful toys by local child protection ordinances. Such items may not be sold over the counter, lent, given or sold through vending machines to persons under the age of 18. Please contact local government authorities for a list of specific proscribed items.

Note 1: Harmful toys are toys determined to have an undesirable effect on the health, safety or proper development of children under age 18.

Note 2: Child protection ordinances have different names and are administered by different offices in each locality. In the city of Tokyo, for instance, it is known as the Ordinance Concerning Healthy Development of Children.

(3) Competent Agencies

- Food Sanitation Law
Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau,
Ministry of Health, Labour and Welfare
TEL: 03-5253-1111 <http://www.mhlw.go.jp>
- 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>
- Tokyo Metropolitan Ordinance Concerning Healthy Development of Children
Youth Affairs Section, Bureau of Citizen and Cultural Affairs, Tokyo Metropolitan Government
TEL: 03-5321-1111
- 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, power consumption, frequency, name of the manufacturer, and PSE mark.

Example label of non-specific electrical appliance under the Electrical Appliance and Material Safety Law

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



2) 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.



(2) Voluntary Labeling based on Provisions of Law

There is no voluntary labeling based on provisions of law for games.

(3) Voluntary Industry Labeling

<ST Mark System>

The Japanese toy industry has established safety standards that apply to toys designed for use by children age 14 and under. Although participation in the ST Mark system is voluntary, almost of all toys designed for children age 14 and under currently bear the ST Mark, and the same is true for games as well.

Toys and games that are compliant with the Toy Safety Standard adopted by the Japan Toy Association may display the ST Mark on product labels. To obtain approval to display the ST Mark, the manufacturer or importer first signs a ST Mark usage contract with the Association and then submits product samples for safety standard compliance testing by a designated testing facility.

If the product passes testing, an approval number is issued and authorization is granted to display the Mark. Usage contracts have a one-year term and may be renewed annually. The ST Mark system includes provisions for victims' compensation in the event of inquiry caused by a product bearing ST Mark labeling.



- The Japan Toy Association
- TEL: 03-3829-2513
- http://www.toys.or.jp

<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

Fig. 4 on the following page presents tariff rates on games. In order to apply for preferential tariff rates, the importer should submit a certificate of origin issued by the Customs or other issuing agency in the country of export (not required if the total value of the shipment is no greater than ¥200,000). For more details, please contact the Customs and Tariff Bureau, Ministry of Finance.

(2) Consumption Tax

(CIF + Customs duty) x 5%

Fig. 4 Customs duties on games

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
9503.60-010	Puzzles of base metal or of plastics	4.6%	3.9%	2.34%	
-020	Other puzzles	3.4%	2.8%	*Free	
9504.40-000	Playing cards	3.8%	3.2%	Free	
9504.90-010	Articles for chess or other table games and parts and accessories thereof	3.8%	1%	Free	

Note 1: “*Free” in Preferential Rate is applicable only for Least Less Developed Countries.

Note 2: Refer to “Customs Tariff Schedules of Japan” (published by Japan Tariff Association) etc. for interpretation of tariff table.

6. Product Characteristics

(1) Characteristics of Products from Different Countries/Regions

<Games>

For many years Japan has been importing traditional Western games and game materials such as chess, backgammon, dominoes and playing cards. Japanese made products tend to be low-priced mass-market items, while most European imports are luxury grade merchandise made from high quality materials that embody the lengthy tradition of these games. Some of these products are as much interior decoration pieces as they are game pieces. Examples of such items include chess sets made from wood or Italian alabaster, as well as leather and mahogany backgammon sets. Japan also imports a wide variety of other card games and board games, sales of which are highly vulnerable to shifting fashion trends. Although video games are the rage in Japan today, board games enjoy a steady level of demand, and some ten different games are routinely imported into Japan. American-made board games and card games tend to put more emphasis on the game concept. Manufacturers spend less on materials, printing and other aspects of physical production. Other Asian countries and areas are major producers of tops and dice used in game sets, and much of that production is exported for use as game as game set parts to Japan, Europe and the United States.

<Puzzles>

Jigsaw puzzles have many fans in Japan, and they account for a substantial share of the overall toy market. Japanese-made puzzles frequently come with a frame for mounting the puzzle on the wall after it is completed, and this practice is quite common. In contrast, Western people tend to put more importance on the process of completing the puzzle than on the outcome. Accordingly, European and American puzzles typically are made from sturdy materials that will stand up under re-use, but they sometimes will not fit inside standard frames. Other Asian countries export many unimprinted puzzles, which are imprinted and sold after reaching Japan. Luxury product preference trends among parents have led to increased imports of European and American jigsaw puzzles, block puzzles and educational puzzles for children. Exports from Hong Kong, China and Taiwan typically consist of handy plastic puzzles and plastic 3-D puzzles. Thai wooden puzzle imports are also common.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Because of the lack of a rigorous category definition and the great diversity of products in this category, it is extremely difficult to obtain accurate market size figures. Industry estimates put the size of the market at roughly ¥20 billion, amounting to a 7-10% of the overall toy market. TV games and electric games account for an about 75% share of the overall toy market.

About 20 years or so ago Rubik’s Cube and other adult-type games suddenly became very popular. Bingo became a common party game not long thereafter. Board games and card games peaked in popularity about more than years ago, and major toy stores and do-it-yourself shops all set up game corners. Now, though, the boom in popularity seems to have abated. Board games and card games are currently popular, especially those linked to television programs with program content and quizzes, etc.

Children and young adults overwhelmingly prefer video games. Imported board games and card games appeal primarily to generations more comfortable with foreign languages. The Japanese population is aging steadily, and the number of older adults with leisure time will no doubt increase substantially. Nevertheless, because many of these older adults will have had no game playing background in adult-type games in their younger years, there is unlikely to be any rapid increase in the game-playing population.

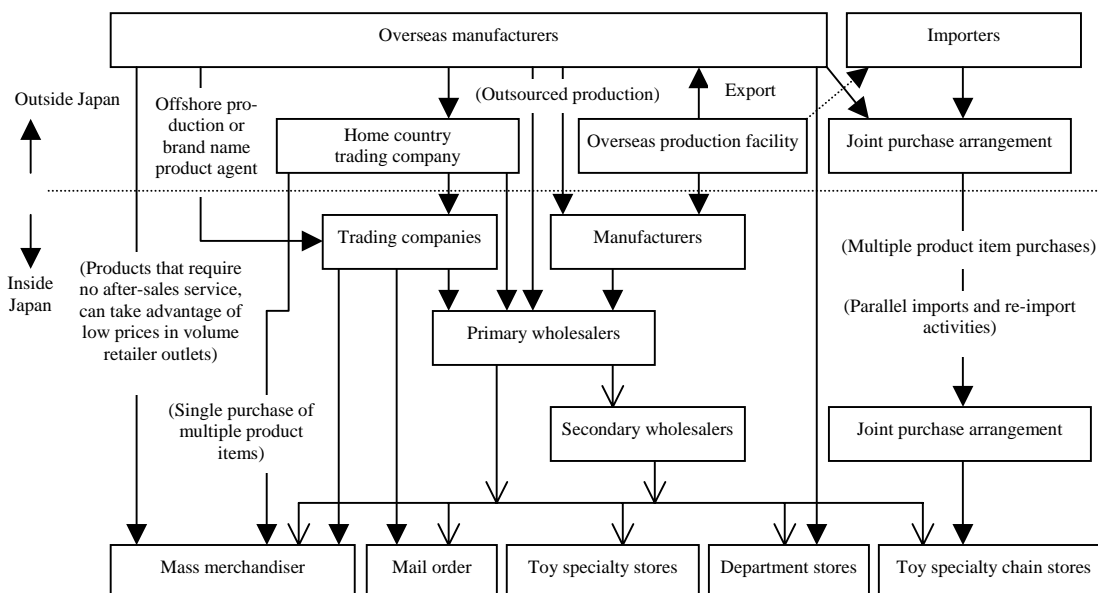
On the other hand, observers expect an increase in imports of parts and materials produced abroad and brought into Japan for final assembly.

(2) Distribution Channels

The most important retail channels for games are department stores, mass merchandisers, toy specialists and other outlets (including confectioners, stationery shop and bookstores). Many games are purchased at specialty stores or department stores where the product selection is more diverse. The recent growth in mass merchandisers has led to an increase in the number of discount stores and suburban chain stores carrying toys. In addition, the entry of major American retailers into the Japanese market has prompted smaller retailers to carry more games in order to meet the stiffer competition. The following graphic illustrates the main distribution channels for games.

In late 1991 Toys “R” Us, the world’s largest toy chain store, opened its first retail outlets in Japan, and this event has changed the toy distribution system in Japan. Toys “R” Us has built its success on large warehouse-type stores that are highly efficient and inexpensive to operate and offer vast product lines that enhance consumer appeal. Toys “R” Us has grown into the largest toy and children’s accessories specialty store chain in Japan. Moreover, in recent years an increasing number of home interiors store, theme merchandise store and consumer electronics stores have begun carrying toys as well.

Fig. 5 Distribution channels for games



Note: Bold arrows indicate shared channels with Japanese-made products.

In recent years more and more foreign toy makers have been selling direct to toy specialty retailers.

(3) Key Considerations for entering the Japanese Market

There are no legal or regulator obstacles to entering the game market, but prospective market entrants would be well advised to note the following points. Sales of games are highly sensitive to ups and downs of fashion trends. Importers should try to identify games that would appeal to consumers and would sell well by collecting information about game contests in Europe and the United States, by reading foreign game specialty magazines and by looking for toys that have been awarded prizes for excellence in other countries. Imported games will sell much well if they include a copy of the rulebook in easy-to-understand Japanese.

8. After-Sales Service

Many retailers, importers and even manufacturers operate repair service centers. However, with the proliferation of low-cost imports, many are choosing to simply replace the merchandise rather than bother trying to fix it. If a product requiring after-sales service is to be sold through a wholesaler or a volume retailer who cannot provide that service, then the manufacturer should choose an importer (trading company or manufacturer) who can provide after-sales service and make it a condition of the import sales agreement that such service be provided.

The ST Mark label does provide the consumer with some basis in these cases for judging the quality of the product.

9. Related Product Categories

<Toys>

Toys containing paint or other materials contact with which may pose a health risk to small children is subject to provisions of the Food Sanitation Law.

<Video game software>

There are no legal restrictions on imports of video game software, but very little game software is imported into Japan. The main reason is that cultural difference results in game concepts to which Japanese video game players are unaccustomed. However, it is becoming more and more common for game systems to be designed in Japan and manufactured abroad.

10. Direct Imports by Individuals

There are no legal restrictions on direct imports of games by individuals.

11. Related Organizations

- | | | |
|---|-------------------|---|
| • The Japan Toy Association | TEL: 03-3829-2513 | http://www.toys.or.jp |
| • Computer Entertainment Software Association | TEL: 03-3591-9151 | http://www.cesa.or.jp |