III 14. Golf Equipment

1. Definition of Category

Golf clubs, golf balls and other golf accessories (such as golf tees). It does not include golf shoes, golf bags or golf gloves.

HS Numbers	Commodity
9506.31-000	Golf clubs (finished products)
9506.32-000	Golf balls
9506.39-000	Other golf equipment and components

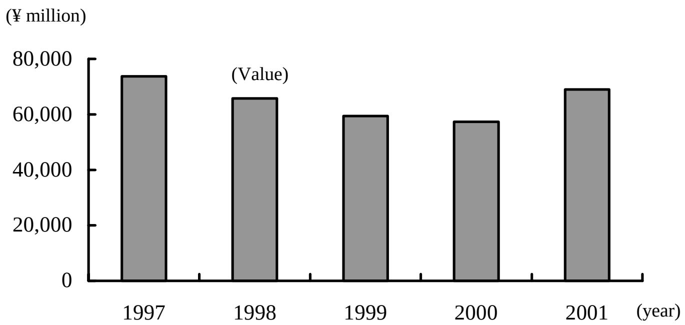
2. Import Trends

(1) Recent Trends in Golf Equipment Imports

Since the Japanese economy slipped into recession in 1991, golf equipment sales have fallen precipitously. In 1991, imports shrank to the ¥50.0 billion level and in 1994 dropped further to the ¥40.0 billion level. Due to increased overseas production by Japanese golf equipment manufacturers, imports picked up in 1995, and recovered temporarily to the ¥73.7 billion in 1997. But, from 1998 onward decline trend continues again.

Imports of gold equipment finally turned up again in 2001, with total imports of ¥68.9 billion, a jump of 20.3% over the year before. This total comprises ¥30.5 billion in golf clubs (finished products) and ¥31.7 billion in golf accessories and components. This marks the first time ever that accessories topped imports of finished products. Manufacturers increasingly import shafts and heads as components from China, Taiwan and elsewhere, then assemble them into finished products in Japan. Imports of golf balls also rose in 2001 on both a volume and value basis. The results suggest a recovery trend in demand for imported golf equipment generally.

Fig. 1 Japan’s golf equipment imports



	1997		1998		1999		2000		2001	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Golf clubs	7,649	36,165	6,088	33,034	5,056	29,062	5,645	27,492	5,294	30,489
Golf balls	96,919	6,731	77,903	5,700	78,213	5,195	80,054	5,340	83,404	6,696
Other golf equipment & components	3,203	30,825	2,614	27,028	2,653	25,116	2,808	24,483	2,879	31,738
TOTAL	-	73,722	-	65,763	-	59,373	-	57,316	-	68,923

Units: 1,000 units, tons, ¥ million *Source: Japan Exports and Imports*

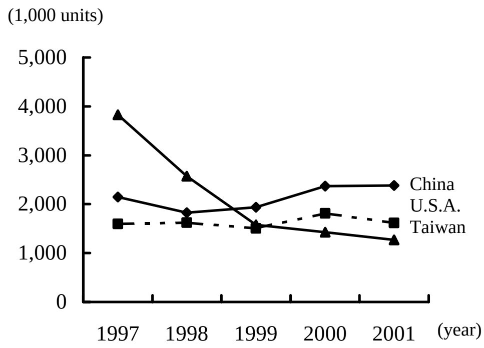
(2) Imports by Place of Origin

1) Golf Clubs

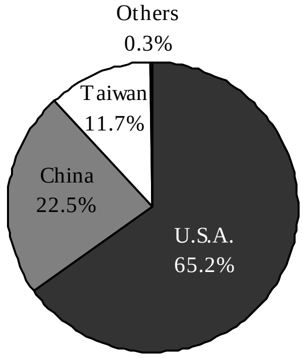
The imported golf club market is effectively monopolized by the United States, China and Taiwan. The United States exports a number of well-known and prestigious brands of golf clubs to Japan, and on a value basis the U.S. leads all other exporters with a 65.4% import share. China took the lead on a volume basis in 1999, and its import volume rose still further in 2001 (2.38 million units, 45.0%), while Taiwan’s golf club exports fell sharply and the United States continued to fare well (1.62 million units, 30.6%).

Fig. 2 Principal exporters of golf clubs to Japan

Trends in import volume by leading exporters



Shares of golf club imports in 2001 (value basis)



	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
China	2,144	1,825	1,940	2,369	5,868	2,382	45.0%	6,889	22.6%
U.S.A.	1,599	1,621	1,508	1,815	17,604	1,620	30.6%	19,937	65.4%
Taiwan	3,829	2,574	1,579	1,424	3,750	1,272	24.0%	3,571	11.7%
R. Korea	17	46	17	13	65	15	0.3%	61	0.2%
U.K.	4	2	1	1	15	2	0.0%	16	0.1%
Others	56	20	11	23	190	3	0.1%	15	0.1%
TOTAL	7,649	6,088	5,056	5,645	27,492	5,294	100.0%	30,489	100.0%
(E U)	11	3	1	2	31	2	0.0%	16	0.1%

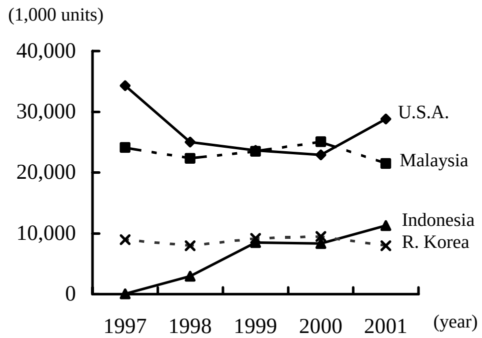
Units: 1,000 units, ¥ million *Source: Japan Exports and Imports*

2) Golf Balls

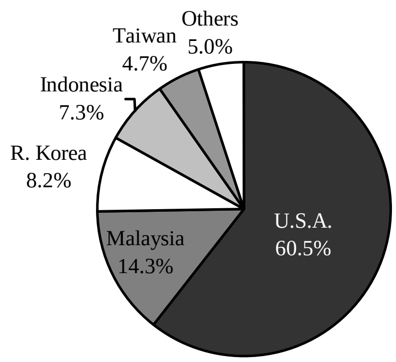
The United States and Malaysia are in a tight battle for the lead in golf ball imports. But in 2001 the United States saw its exports increase for the first time in a while, giving it a lead over Malaysia not only on a value basis (60.5% import share) but also on a volume basis (34.6%). Golf ball imports from Indonesia have also grown dramatically in recent years.

Fig. 3 Principal exporters of golf balls to Japan

Trends in import volume by leading exporters



Shares of golf ball imports in 2001 (value basis)



	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
U.S.A.	34,295	25,016	23,621	22,923	2,729	28,836	34.6%	4,054	60.5%
Malaysia	24,110	22,304	23,484	25,075	1,048	21,498	25.8%	954	14.3%
Indonesia	37	2,940	8,487	8,335	359	11,286	13.5%	492	7.3%
R. Korea	8,971	7,944	9,187	9,479	562	7,964	9.5%	546	8.2%
Taiwan	13,001	8,235	6,085	8,446	368	6,896	8.3%	317	4.7%
Others	16,504	11,464	7,350	5,796	275	6,925	8.3%	334	5.0%
TOTAL	96,919	77,903	78,213	80,054	5,340	83,404	100.0%	6,696	100.0%
(E U)	4,524	1,592	80	22	4	20	0.0%	3	0.0%

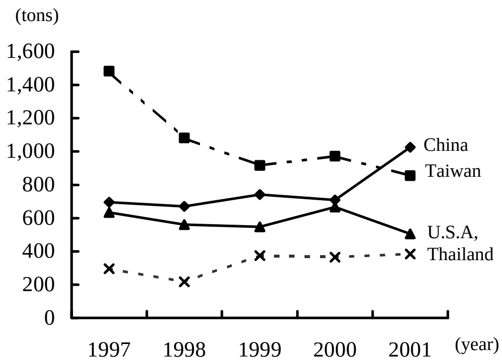
Units:1,000 units, ¥ million *Source: Japan Exports and Imports*

3) Other Golf Equipment and Components

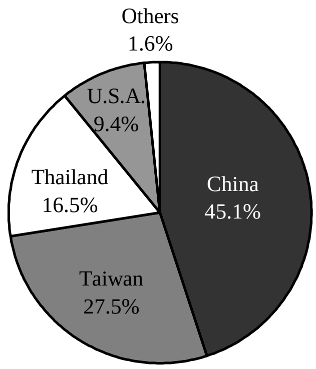
In the category of other golf equipment and components, China took over first-place from long-time leader Taiwan on both a volume basis (35.6%) and a value basis (45.1%). Many Japanese makers are having the shafts and heads manufactured in these countries and then assembling the finished products in Japan. And China shows their superiority in this area as well. Direct imports from the United States make up 17.5% of the total, but this is the lowest percentage in the last five years.

Fig. 4 Principal exporters of other golf equipment to Japan

Trends in import volume by leading exporters



Shares of other golf equipment imports in 2001 (value basis)



	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
China	695	670	741	709	7,576	1,025	35.6%	14,304	45.1%
Taiwan	1,483	1,081	916	971	8,810	856	29.7%	8,739	27.5%
U.S.A.	634	560	548	667	3,083	505	17.5%	2,968	9.4%
Thailand	296	217	375	365	4,580	384	13.3%	5,234	16.5%
R. Korea	47	32	46	76	381	73	2.6%	318	1.0%
Others	48	53	27	19	54	36	1.3%	175	0.6%
TOTAL	3,203	2,614	2,653	2,808	24,483	2,879	100.0%	31,738	100.0%
(E U)	3	2	2	2	19,469	2	0.1%	26,011	82.0%

Units: tons, ¥ million *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

According to the Japan Golf Goods Association, Japan produced 1.39 million golf woods and 3.45 million irons in 2000, less than half the production level of 1990. However, the average unit price has risen about 40%, suggesting that Japan has switched more to production of titanium clubs and other high-performance and higher-priced products.

Fig. 5 Domestic production of golf clubs/balls

		Volume			Value		
		1998	1999	2000	1998	1999	2000
Golf clubs	Wood	1,441	1,383	1,390	27,112	26,570	27,101
	Iron	3,997	3,521	3,449	34,507	30,637	30,563
	TOTAL	5,438	4,904	4,839	61,619	57,207	57,664
	(Yearly change)	(80.0)	(90.2)	(98.7)	(82.1)	(92.8)	(100.8)
Golf balls	TOTAL	12.35	11.82	11.30	33,156	30,910	28,465
	(Yearly change)	(94.3)	(95.7)	(95.6)	(92.4)	(93.2)	(92.1)

Units: Value=¥ million, Volume: golf clubs=1,000 units, golf balls= million dozens
Source: Japan Golf Goods Association

On a value basis, in 2000 imports had a 37.3% share of the golf equipment market in Japan. Although imports were down, domestic production was also down, so imports' market share did not change much. With the overall market shrinking, imports generally, and American imports in particular, are locked in feverish competition with domestic products. Some Japanese-brand golf clubs are assembled in Japan from components produced abroad. Accordingly, Japan relies more on imports in this product category than the foregoing statistics imply. In contrast, imports' share of the golf ball market has increased to 17.1%, the highest level in the last five years (see Fig. 6).

Fig. 6 Imports' share in the Japanese market

		1996	1997	1998	1999	2000
Golf clubs	Domestic shipment	75,064	75,027	61,619	57,207	57,664
	Exports	10,494	16,295	7,116	9,688	11,540
	Imports	36,149	36,165	33,034	29,062	27,492
	Total market	100,719	94,897	87,537	76,581	73,616
	Imports' share	35.9%	38.1%	37.7%	37.9%	37.3%
Golf balls	Domestic shipment	37,850	35,896	33,156	30,910	28,465
	Exports	4,053	3,073	2,245	2,140	2,600
	Imports	6,491	6,731	5,700	5,195	5,340
	Total market	40,288	39,554	36,611	33,965	31,205
	Imports' share	16.1%	17.0%	15.6%	15.3%	17.1%
TOTAL	Domestic shipment	112,914	110,923	94,775	88,117	86,129
	Exports	14,547	19,368	9,361	11,828	14,141
	Imports	42,610	42,897	38,734	34,257	32,832
	Total market	140,977	134,452	124,148	110,546	104,820
	Imports' share	30.2%	31.9%	31.2%	31.0%	31.3%

Units: ¥ million *Source: Japan Golf Goods Association, Japan Exports and Imports*

3. Key Considerations related to Importing

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

There are no regulations that apply to the importation of golf equipment.

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

The sale of golf equipment is subject to the Act Against Unjustifiable Premiums and Misleading Representations. 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.

2) Act Against Unjustifiable Premiums and Misleading Representations
<Fair Competition Code Concerning Representations of Sporting Goods>

The Fair Trade Conference of Sporting Goods has voluntarily adopted labeling guideline in order to assure consumer product choice availability and preserve fair competition, based on the Act Against Unjustifiable Premiums and Misleading Representations. (see 4. Labeling)

(3) Competent Agencies

- Law Against Unjustifiable Premiums and Misleading Representations (Fair Competition Code)
  Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan
  TEL: 03-3581-5471 http://www.jftc.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

<Labeling under the Law for Promotion of Effective Utilization of Resources>

There are no legal requirements regarding the labeling for golf equipment. But, 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

1) JIS Mark

JIS Mark

The Japan Industrial Standards Institute (JIS) has established industrial product standards based on the Industrial Standardization Law (JIS Law). Manufacturers may display the JIS Mark on the labels of products made in approved factories with the approval of the competent Minister.

Golf balls are subject to JIS standards. Golf balls are subject to International Standards Organization (ISO) standards for size and shape, standards designed to assure proper flight distance and direction. JIS standards are compliant with ISO standards.

Contacts:

- Japanese Standards Association TEL: 03-3583-8005 http://www.jsa.or.jp

(3) Voluntary Industry Labeling

1) SG Mark

SG Mark

Golf clubs and shafts for golf clubs are covered by SG Mark system. Products that comply with safety criteria established by the Consumer Product Safety Association are eligible to display the SG (Safety Goods) Mark. When consumers are injured during the use of a SG-approved product, each injured party is eligible to receive up to ¥100 million in damages. The guarantee is only valid, however, for personal injuries.

There are two methods for obtaining compliance certification: the lot inspection method, under which a test facility performs compliance testing on behalf of the Association, or the type approval system, under which Association approval is granted to registered factories. Lot inspection and factory registration may both be conducted abroad.

Contacts:

- Consumer Product Safety Association TEL: 03-5255-3631 http://www.sg-mark.org

2) Fair Competition Code Concerning Representations of Sporting Goods

The Fair Trade Conference of Sporting Goods, which covers five sporting goods related trade organizations, defines the following labeling items which apply to the manufacture and sale of sporting goods. These are voluntary regulations for the sporting goods industry that apply to member companies of the Conference. While they are not legally binding on non-members, when the law is enforced they are considered equivalent to the Fair Competition Code, the legal effect of which often extends to non-members.

Contacts:

- The Fair Trade Conference of Sporting Goods TEL: 03-3219-2531

Fig. 7 Required label items for sporting goods

Required items	Requirements for makers or importers			Requirements for retailers	
	Catalogue	Products	Instruction manual	Products at storefront	Flyers
1. Manufacturer name and trademark	O	O		O	O
2. Product and model name	O	O	O	O	O
3. Materials	O	O		O	
4. Dimensions or specifications	O	O		O	
5. Country of origin	O	O		O	
6. Description of accessories	O		O	O	O
7. Usage warning (only when required)	O		O		
8. Company name and address	O		O + Tel No.		O
9. Date of issuance	O				
10. Contacts for after-sales service and customer inquiries	O		O		
11. Retail price				O	O
12. Processing cost (only when required)				O	O
13. Sales quantity or sales term limitation, if applicable					O
14. Other items as required by regulation	O	O		O	

Source: The Fair Trade Conference of Sporting Goods

5. Taxes

(1) Customs Duties

Customs duties on golf equipment are free.

Fig. 8 Customs duties on golf equipment

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
9506.31	Golf clubs, complete	Free	(Free)		
32	Balls	Free	(Free)		
39	Other golf equipment	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

Golfers tend to have strong brand preferences, and golf equipment endorsed by professional golfers, regardless of its place of origin, is usually quite popular. American products, which account for the bulk of all imports, consist mostly of name-brand merchandise, while products from Taiwan are mostly OEM products made for Japanese companies that sell the merchandise under their own brand names.

There is a trend among American-made clubs to substitute metal heads for true wood heads in the woods, as well as to make the wood heads larger than in the past. These clubs are commonly known as "*deca-heads*" in Japan. American-made irons also feature a number of performance enhancements, including larger "sweet spots." American-made golf balls are widely used in Japan, mainly because professional golfers often use them.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

According to the Leisure White Paper compiled by the Institute for Free Time Design, the golf equipment market hit its low point in 2000, when it posted growth of 1.1% over the year before to ¥481.0 billion. The slump in sales for high-priced goods continues, but popular titanium clubs have dropped into affordable price ranges. Also, many courses have banned golf shoes with metal spikes, which cause more damage to the course surface. As a result, sales of non-metal type golf shoes have been on the rise. Sales of used clubs have also been brisk. These are the main reasons for the slight upward sales trend.

However, there is no change in the fact that people play golf far less frequently than before as a form of business entertainment. Golf courses and golf driving ranges are nearing the limit of how far they can compete in cutting prices, and so they are now working to improve services to meet user needs and organize more events.

In addition, the growth of golf among older men and women has given impetus to efforts by both Japanese and foreign manufacturers to develop lightweight long-shafted clubs that yield greater flight distances and fewer miss-hits. These clubs offer superior performance due to their reliance on new types of materials (carbon, titanium, boron etc.) and more scientific manufacturing techniques. They have now come into widespread use among all age groups.

Fig. 9 Trends in golf market

		1995	1996	1997	1998	1999	2000
Participants	Golf (course)	13,700	13,200	13,000	11,800	11,600	12,900
	Golf (driving range)	15,700	14,800	14,000	13,300	12,800	13,900
Market size of golf equipment	Value	557	562	541	491	481	481
	(Annual change)	(100.2)	(100.9)	(96.3)	(90.8)	(98.0)	(101.1)

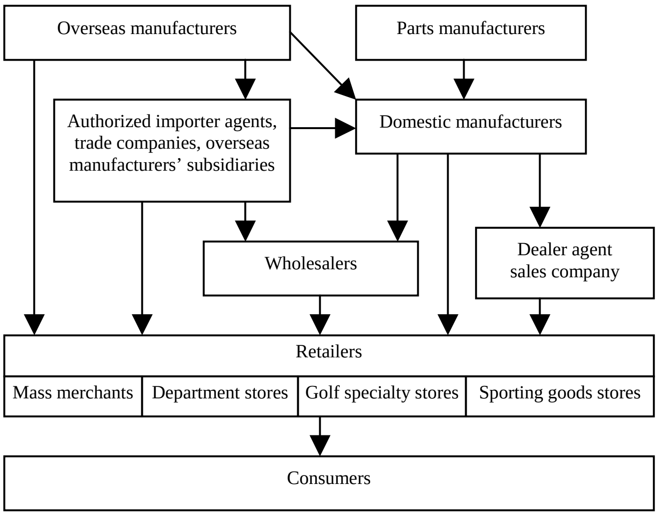
Units: Participants=people engaging in the activity at least once per year, unit=1,000
Value=¥ billion
Source: Leisure White Paper

(2) Distribution Channels

The golfing population tends to be concentrated in urban areas, and most retail outlets are in or near larger cities. However, the spread of mass merchandisers and department stores to the suburbs in recent years has brought golf equipment outlets close to more and more consumers. Golf equipment retailers may be broadly divided into golf specialty stores and general sporting and leisure goods stores. Specialty stores seek to differentiate themselves by offering a more complete product line, knowledgeable sales people and better store images, along with specialized product consulting capabilities. Nevertheless, the growth of golf among younger adults and women in recent years has contributed to marked growth of sporting and leisure goods stores. (see Fig. 10)

Although an increasing number of golf equipment retailers are doing business direct with manufacturers or authorized importer agents, most specialty stores continue to procure merchandise from wholesalers. In most cases the retailer rather than being sold on consignment purchases the merchandise outright. More and more equipment makers and retailers are working to boost future demand through direct corporate sales and by holding product demonstrations. Overseas manufacturers mostly have established arrangements with importer agents or specialty trading companies in Japan. This is especially true for the more popular American brands.

Fig. 10 Principal distribution channels for golf equipment



(3) Key Considerations for entering the Japanese Market

Golf is a sport in which thought and technique are more important than brute strength. Avid golfers have an abundance of knowledge about the golf, and many treasure their own unique theories about the golf. Anyone who hopes to succeed in golf equipment sales has to have accurate and highly specialized knowledge about performance characteristics, about product quality and about pricing.

As one might expect, the golf equipment business also involves a considerable amount of consumer requests for equipment repair and upgrading (by substituting higher performance shafts or grips, for instance). Thus, a solid after-sales service program is indispensable. Prospective parallel importers should realize that authorized dealer agents sometimes refuse to provide repair service on merchandise not sold through authorized channels, and make adequate alternative provisions for repair service. Prospective new retailers should understand that merchandise is usually sold outright to the store rather than sold on consignment. Accordingly, retailers must have a sharp eye for current sales trends and must also be fully knowledgeable about inventory management techniques.

8. After-Sales Service

Golf clubs are the product most often requiring repair service. Most repairs cannot be performed in the retail store, and the product is usually sent back to the importer or the manufacturer for repair. Broken shafts occur fairly often, and manufacturers and importers have to be able to offer this type of repair service. Golf balls and tees are generally treated as a consumable product not requiring after-sales service.

9. Related Product Categories

Related product categories include golf bags, golf wear and golf shoes, many of which are also carried by golf specialty stores. Golf bags and golf shoes may be subject to provisions of the Washington Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora) restricting or banning the importation of products made partly or wholly from the leather of designated animal species. Provisions of the Fair Competition Code also cover caddie bags, golf shoes and golfing gloves for Labeling of sporting goods. Leather shoe imports are normally subject to Tariff Quota System (see II-6 “Leather Footwear” section). However, tariff quotas do not apply to golf shoes, since they are considered to be a type of sports shoe. For more information, please consult “Sports Shoes” section (III-15) in this guidebook.

10. Direct Imports by Individuals

There are no legal restrictions on direct imports of golf equipment by individuals. However, prospective individual importers would be well advised to find out about the size labeling conventions of the brands they plan to purchase so they can obtain equipment that is the right size for their own body types. They should also find out ahead of time how much they will have to spend on shipping costs, realizing that the weight of golf equipment can result in high airfreight costs.

11. Related Organization

- Japan Golf Goods Association TEL: 03-3832-8589 http://www.jgga.or.jp