III 20. Hand-Held Electric Power Tools

1. Definition of Category

Hand-held electric power tools.

HS Numbers	Commodity
8508.10	Drills
8508.20	Saws
8508.80-010	Grinders
8508.80-090	Other
8508.90	Parts

Note 1: The drill category includes electric drills, vibration drills, hammer drills and driver drills.

Note 2: The saw category includes jig saws, circular saws, sabre saws, and chain saws.

Note 3: The grinder category includes angle grinders and straight grinders.

Note 4: For the purposes of this report, the term "hand-held electric power tools" shall also include screwdrivers, orbital sanders, belt sanders, shear, niffler, planes and router.

Note 5: Battery-powered tools are discussed separately under each relevant category.

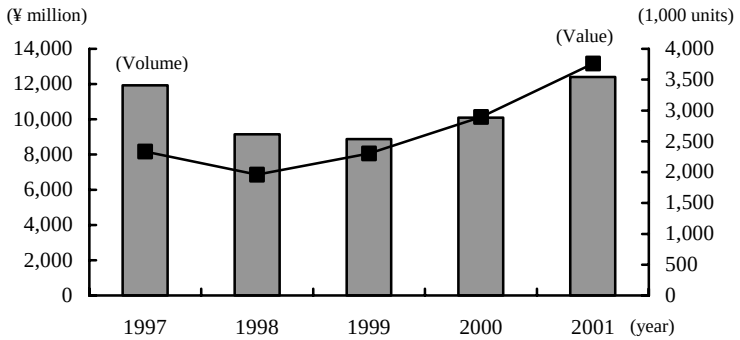
2. Import Trends

(1) Recent Trends in Power Tool Imports

Japan is one of the world's leading producers and suppliers of hand-held power tools, but recent years have seen a fundamental shift by Japanese makers to offshore production in other Asian countries. With more production now taking place in China, mass market products from Japanese makers have increasingly become reverse imports.

Total imports of hand-held electric power tools (excluding parts) reached 3.76 million units (up 29.9% from the year before) worth ¥12.4 billion (up 23.0%) in 2001, indicating sizable increase both on a volume and value basis for three straight years. Leading category was drills (33.0%), followed by saws (12.7%), grinders (9.5%). But other products accounted for 44.8% of total, a greater diversity of products being imported.

Fig. 1 Japan's hand-held electric power tool imports



	1997		1998		1999		2000		2001	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Drills	857	4,450	723	3,689	641	2,661	772	3,371	981	4,090
Saws	273	1,378	229	1,056	329	1,152	344	987	507	1,573
Grinders	513	1,616	378	1,176	413	1,109	482	1,113	534	1,181
Other	691	4,490	629	3,231	918	3,954	1,297	4,610	1,738	5,555
TOTAL	2,334	11,934	1,960	9,151	2,301	8,875	2,896	10,082	3,760	12,398
Parts	796	1,218	650	1,184	522	926	598	1,086	702	1,098

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

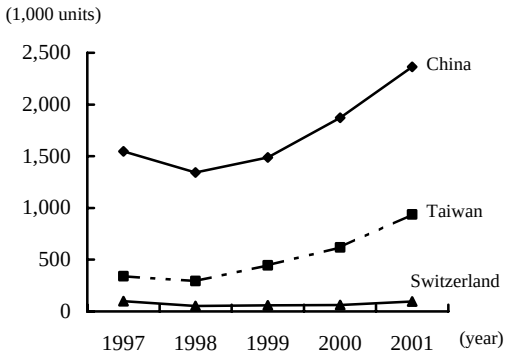
(2) Imports by Place of Origin

In recent years there was a substantial change in which countries exported hand-held electric power tools to Japan. In the first half of 1990s, about 85% of all imports came from just three countries: Switzerland, Germany, and the United States.

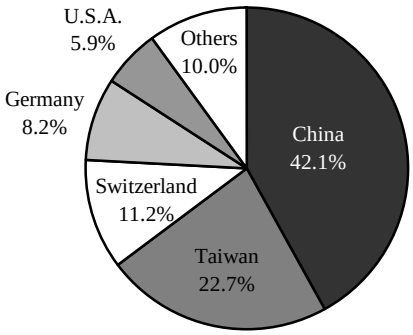
Since 1995, however, as the three leading Japanese manufacturers started full-scale production operation in China, imports from China showed the explosive growth, from 1.34 million units in 1998 to 2.36 million units in 2001. The leading exporters of power tools to Japan in 2001 were China (42.1%) and Taiwan (22.7%) even on a value basis, which together accounted for 64.8% of all imports. Germany, the United States and Switzerland together accounted for just 25.3% of all Japan's imports.

Fig. 2 Principal exporters of hand-held electric power tool to Japan

Trends in import volume by leading exporters



Shares of hand-held electric power tool imports in 2001 (value basis)



	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume		Value	
China	1,547	1,342	1,488	1,872	4,198	2,363	62.8%	5,215	42.1%
Taiwan	341	295	444	620	2,047	937	24.9%	2,820	22.7%
Switzerland	99	52	60	61	1,239	97	2.6%	1,384	11.2%
U.S.A.	110	91	114	77	570	90	2.4%	726	5.9%
Malaysia	37	43	55	76	341	90	2.4%	461	3.7%
Others	200	137	139	190	1,687	183	4.9%	1,794	14.5%
TOTAL	2,334	1,960	2,301	2,896	10,082	3,760	100.0%	12,398	100.0%
(E U)	167	90	107	122	1,341	160	4.2%	1,579	12.7%

Units : 1,000 units, ¥ million *Source: Japan Exports and Imports*
Note: total volume does not include parts.

Fig. 3 Leading exporters of hand-held electric power tools to Japan by category (2001)

	Total volume	First	Share	Second	Share
Drills	981	China	64.0%	Taiwan	18.8%
Saws	507	China	81.4%	U.S.A.	7.9%
Grinders	534	China	81.7%	Malaysia	12.5%
Other	1,738	China	51.0%	Taiwan	40.9%
Parts	702	Taiwan	57.2%	China	18.4%

Units : 1,000 units, tons for parts *Source: Japan Exports and Imports*

(3) Imports' Market Share in Japan

The recession depressed demand for metalworking power tools, due to reduced private-sector plant and equipment investment. Still, the power tool market in Japan was bolstered by comparatively strong demand by home users in the DIY market. But although the market outlook turned overcast beginning in 1998, imported power tools have gained market share every year, reaching 14.9% by 2001. Imports have an especially sizable market share in power drills.

Fig. 4 Imports' share in the Japanese market

	1996	1997	1998	1999	2000
Domestic production	137,424	142,656	117,871	107,010	109,955
Exports	47,532	55,269	55,983	49,172	52,397
Imports	10,053	11,934	9,151	8,876	10,082
Total market	99,945	99,321	71,039	66,714	67,640
Imports' share	10.1%	12.0%	12.9%	13.3%	14.9%

Units : ¥ million *Source: Yearbook of Machinery Statistics, Japan Exports and Imports*

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 hand-held electric power tools. However, when importing hand-held electric power tools designated by the Electric Appliance and Material Safety Law, importer must notify the commencement of business by each type classification 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.

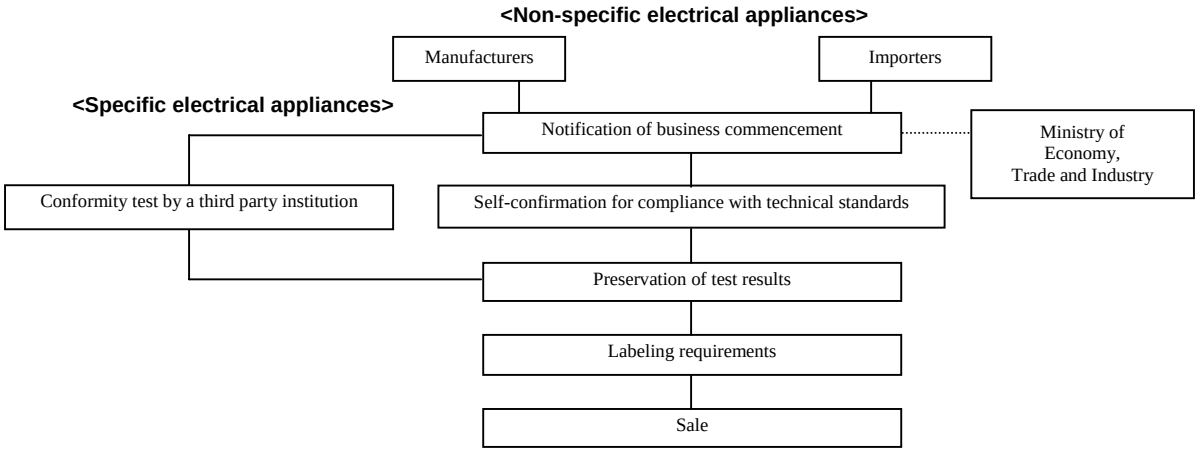
(2) Regulations and Procedural Requirements at the Time of Sale

The sale of almost all hand-held electric power tools is subject to provision 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

The Law is renamed from the Electrical Appliance and Material Control Law and enters into effect in April 2001. Under the revised Law, the manufacturer or importer shall undertake in-house testing, and be obligated to conform to technical standards through self-confirmation. In order to substantiate post control in line with the abolishment of prior control, 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. 5 Procedures required under the Electrical Appliance and Material Safety Law



1) Specific electrical appliances ------- Detachable DC power unit with capacity less than 1kVA

Specific electrical appliances are required to take a conformity test conducted by a third party institution certified or authorized by the Minister of Economy, Trade and Industry. Manufacturers overseas may have their products tested by an approved testing organization in their own countries. Also, when a specific electrical appliance with the same type classification is imported from the same manufacturer, it is only necessary to present a copy of the certificate of qualification. In other words, a new original certificate need not be obtained for each import shipment of the same item.

2) Electrical appliances other than "specific electrical appliances"

---- Electric power tools with a rated current of 1 kw or less (electric grinder, electric saws etc.)

When importing and selling electrical appliances other than designated as "specific electrical appliance," manufacturers or importers must confirm on their own that their products are compliant with technical standards (self certification), and must display required label items and PSE mark on the product.

(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, power consumption, frequency, name of the manufacturer, and PSE mark. In the case of specific electrical appliances, abbreviated name of testing organization that issued compliance certificate must be indicated.

PSE Mark (Specific electrical appliance)

PSE Mark (Non-specific electrical appliance)

Example labeling for electrical saws

Name of type	
Rated voltage	100V
Rated power consumption	100W
Manufacturer name	

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

<JIS Mark>

JIS Mark

Standards are set under the Japan Industrial Standardization Law (JIS Law). Products meeting those standards may display the JIS Mark. The Law stipulates that product performance labeling must appear on the main unit and on each individual unit packaging. However, this does not apply if the Electrical Appliance and Material Safety Law or some other law or regulation mandates the same content. Usage warnings must appear either on the main unit, on an attached tag, or in the user instruction manual.

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

(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 hand-held electric power tools are free.

Fig. 6 Customs duties on hand-held electric power tools

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
8508	Hand-Held Electric Power Tools				
10	Drills	Free	(Free)		
20	Saws	Free	(Free)		
80	Other				
-010	(1) Grinders	Free	(Free)		
-090	(2) Other	Free	(Free)		
90	Parts	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

Japan is one of the world's leading producers of electric power tools, most of which are intended for professional users. Leading brands such as Makita, Hitachi, and Ryobi are known the world over for the high quality of their products, and they are favorites of professional users in many countries.

1) Safety

In Japan primarily professional carpenters and construction workers use electric power tools. In contrast, there are many more non-professional power tool users in Europe and the United States, and the household penetration rate is high. In addition, EU countries use 230V electricity, which can be dangerous. In order to protect users from this danger, manufacturers early on began using double-layered insulation, safety clutches, dust vacuums and other outstanding features. Japanese electric power tool makers are gradually incorporating the same safety-conscious features into their own products.

2) Functionality

Imported electric power tools have many ergonomic design features that increase efficiency and reduce fatigue during frequent use. European and American manufacturers also offer many fine single-purpose tools that are easy for non-professionals to learn to use.

3) Durability

German and Swiss imports surpass Japanese-made power tools in durability. These countries are known for making excellent machine parts that hold up well in use.

4) Styling

Products from the United States and Europe also win praise for their styling.

5) Differences in size, weight, voltage

Foreign electric power tools are usually designed for different electric voltages and cycle frequencies than those used in Japan. Also, while the overall trend in the industry is toward making lighter equipment, sometimes the size and weight distribution of foreign electric power tools results in a center of gravity that is not quite right for Japanese people's body types.

(2) Characteristics of Products from Different Countries / Regions

• Germany and Switzerland

These countries' leading exports to Japan are hammer drills used for stone cutting work, along with grinders and jig saws. Both countries are world leaders in the electric power tool industry. Their products feature excellent functionality, durability and safety, as well as the most advanced technologies available.

• United States

The United States once was the world's largest producer of electric power tools, but now it has slipped to third place behind the EU and Japan. Most of its exports are oriented toward do-it-yourself users. American products emphasize immediate functionality and convenience, and their design differs markedly from Japanese products, which are mainly intended for professional users.

• Asian Countries/Regions

Most imports from Asian countries/area consist of low-priced drills and grinders, many of which come from offshore production facilities of Japanese manufacturers. Asian imports' main appeal is their low prices, but if Asian manufacturers can further improve the quality of their products, they probably can increase their export sales considerably.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Residential dwellings in Japan are small, and homeowners have usually been content to let specialists do repair work on roofs or exterior wall. Compared with Europe and the United States, the DIY market has a much shorter history, and also much more potential for growth.

Industry sources estimates that about 80% of the domestic market for hand-held electric power tools comes from professional users. As is clear from Fig. 7 below, housing starts peaked in Japan in FY 1996 at 1.63 million units, as people rushed to get houses built before the increase in the consumption tax. New housing starts slumped from FY 1997 onward.

Fig. 7 Trends in new housing starts in Japan

<F Y>	1995	1996	1997	1998	1999	2000
Total new housing starts	1,484,652	1,630,378	1,341,347	1,179,536	1,226,207	1,213,157
<Annual change>	95.1	109.8	82.3	87.9	104.0	98.9

Unit: units *Source: Statistics of Housing*

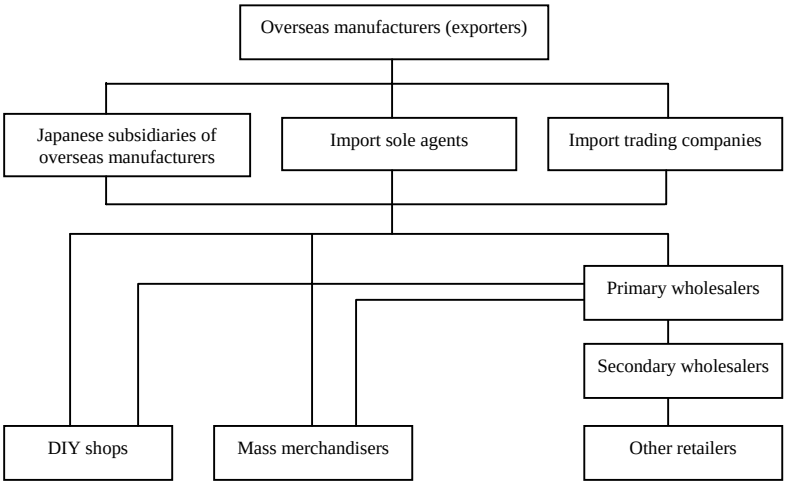
According to the Leisure White Paper, 12.4% of the total population aged 15 and over, or 13.5 million people engage in some form of household repair work at least once a year. 33.6% of men aged in 50s do some sort of household repair work at least once a year, suggesting that this is a very popular leisure activity among middle-aged men. Recently, DIY has also been making inroads among female users. The popularity of gardening is leading to greater interest in DIY on the part of women.

(2) Distribution Channels

An important element in the dissemination of DIY products was the emergence of home centers as a new form of retail outlet. Located along major suburban roads, home centers offered vast showroom space, large parking lots, full product lines of both materials and tools, and sometimes even advice to consumers. Home centers thus contributed mightily to the growth of the DIY product market. In the past, principal distribution channel for DIY products including hand-held electric power tool was from manufacturers through primary wholesalers and secondary wholesalers to hardware stores. Today about 80% of all DIY products occur through home centers located along major suburban roads or DIY shops located in downtown. More than half of all DIY products carried by home centers are shipped direct from the manufacturer or import agents without passing through the hands of a wholesaler. Thus wholesalers occupy a less powerful position in the DIY industry than in other industries.

Imported power tools are distributed from the overseas manufacturer to the manufacturer's Japanese subsidiary, to a Japanese manufacturer under contract as an import agent, or to an import trading company. Also, retailers sometimes make spot purchases direct from abroad.

Fig. 8 Distribution channels for hand-held electric power tools



(3) Key Considerations for entering the Japanese Market

Electric power tools are certain to require repair service at some point. Therefore, importers must make sure they have a complete after sales service program in place by the time they begin selling in Japan. Most of the leading electric power tool makers in the world are already in the Japanese market. Competing with these manufacturers requires a well-focused marketing campaign attuned to the Japanese market, combined with good products and sales management capabilities.

8. After-Sales Service

Since electric power tools eventually will have to be repaired, there needs to be an after-sales service program in place that can respond quickly and confidently when repairs are needed. Some manufacturers offer warranties that include free parts and labor during the warranty period. Most at least offer repair service for a fee at designated repair centers.

9. Related Product Categories

Imports of ordinary forms of tools such as saws, planes, chisels and drills are also unregulated. Knives, cutters, eye letters and sculpting knives for use in construction and craft work are subject to provisions of the Firearms and Swords Possessive Control Law. For more information, please consult the “Cutlery” section (V-11) in this guidebook.

10. Direct Imports by Individuals

Direct imports are not regulated. However, individuals should be aware that unless the equipment was designed for use with Japanese electric current, they will have to use a power transformer. Also, it may be difficult to get repair service in Japan due to a lack of parts or other reasons.

11. Related Organization

- The Japan Electrical Manufacturers’ Association TEL: 03-3581-4841 http://www.jema-net.or.jp