

15. Sports Shoes

1. Definition of Category

The category of sports shoes includes not only those used in athletic competition but also those used as casual wear. For statistical purposes footwear is classified according to the material used in the uppers. Because it is difficult to rigorously define what constitutes a sports shoe, for the purposes of this report sports shoes will be defined as follows:

HS Numbers	Commodity
6403.19-011, 19-019, 19-090, .51-021, 59-021 .91-011, 91-021, .99-011, 99-021	Athletic shoes
6404.11-010, 11-090, b19-220, 20-310	Canvas shoes

Notes:

- (1) "Athletic Shoes" means mainly produced by sports goods maker companies and using for sports, or kind of this. Its soles made by rubber, plastic, fur or synthetic fur and insteps made by fur.
- (2) "Canvas Shoes" are mainly produced by rubber shoemaker companies and sports type casual shoes, or kind of this. Its soles made by rubber, plastic, fur or synthetic fur and insteps made by spinning fiber. Include athletic shoes, which has spinning fiber insteps.
- (3) When refer "sports shoes," it means both "athletic shoes" and "canvas shoes" hereafter.

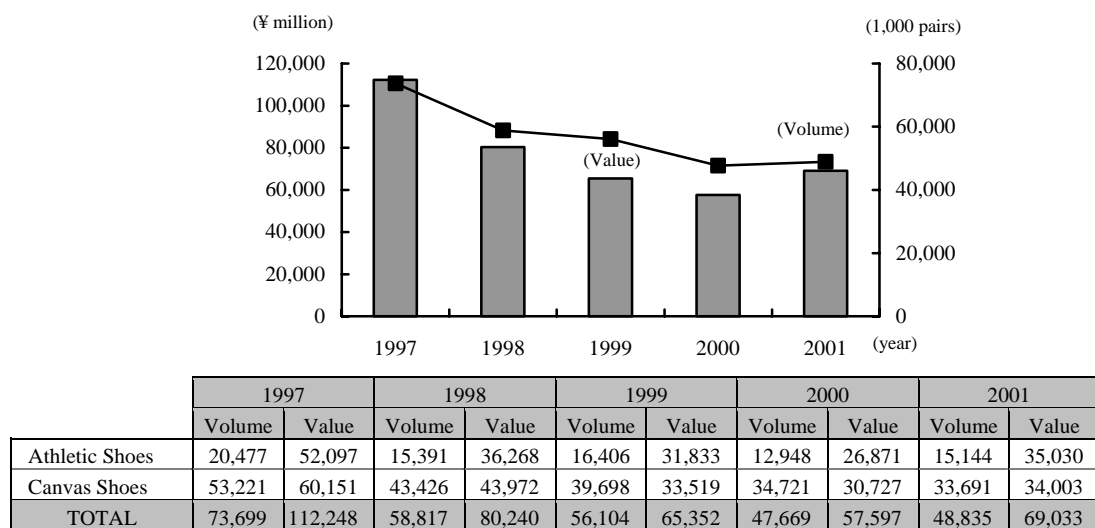
2. Import Trends

(1) Recent Trends in Sports Shoe Imports

Imports of sports shoes with leather uppers (athletic shoes) set an all-time record of 23.48 million pairs in 1996. But overstocked inventories cut dramatically into imports, which tumbled in 1998 to 15.39 million pairs. After a slight turnaround in 1999, the downward trend resumed in 2000, when imports sank to just 12.95 million pairs, the lowest level of any recent year. In 2001, however, imports turned up again to 15.14 million pairs.

Canvas shoe imports also set an all-time record of 53.22 million pairs in 1997, but this was followed by four straight years of decline. Imports totaled 33.69 million pairs in 2001, just 63% of the peak year level.

Fig. 1 Japan's sports shoe imports



Units: 1,000 pairs, ¥ million

Source: Japan Exports and Imports

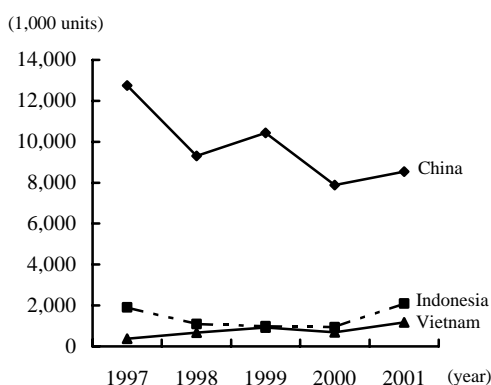
(2) Imports by Place of Origin

Many leading Japanese, European and American manufacturers have shifted sports shoe production to countries in Asia in an effort to take advantage of lower labor costs. As a result, most sports shoe imports come from other countries or areas in Asia. Only a very small number of sports shoe imports come directly from developed countries.

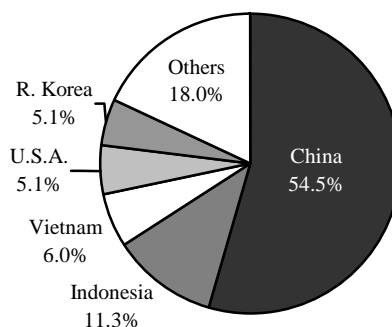
In recent years, China has established itself as the leading supplier of both athletic shoes and canvas shoes to Japan, with an import share on a volume basis of 56.4% in athletic shoes and 80.7% in canvas shoes (see Fig. 2 & 3). The nation with the highest growth in sports shoes in 2001 was Indonesia. Its exports to Japan more than doubled from the year before (to 2.09 million pairs), giving Indonesia a double-digit import share for the first time ever (13.8%).

Fig. 2 Principal exporters of athletic shoes to Japan

Trends in import volume by leading exporters



Shares of athletic shoe imports in 2001 (value basis)



	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume	Value	Volume	Value
China	12,749	9,309	10,435	7,878	15,301	8,534	56.4%	19,093	54.5%
Indonesia	1,912	1,099	982	935	1,565	2,093	13.8%	3,941	11.3%
Vietnam	375	668	917	688	1,093	1,167	7.7%	2,117	6.0%
R. Korea	2,168	1,135	1,063	907	2,223	708	4.7%	1,777	5.1%
Thailand	521	306	412	356	584	459	3.0%	799	2.3%
Others	2,751	2,874	2,598	2,184	6,105	2,183	14.4%	7,303	20.8%
TOTAL	20,477	15,391	16,406	12,948	26,871	15,144	100.0%	35,030	100.0%
(E U)	691	539	587	510	2,110	537	3.5%	2,696	7.7%

Units: 1,000 pairs, ¥ million

Source: Japan Exports and Imports

(3) Imports' Market Share in Japan

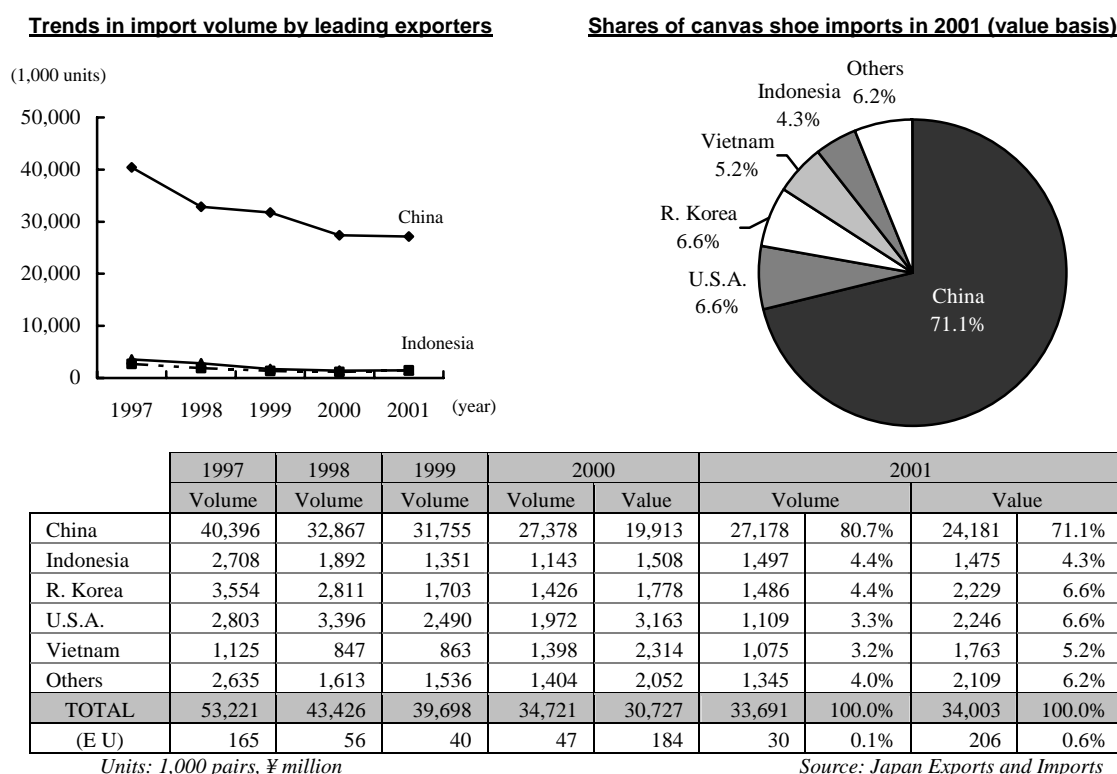
Official statistics for the manufacture and shipment of footwear in Japan classify footwear by material type. Since there are no official statistics that track domestic production trends in sports shoes, imports' share in the Japanese market is not available. Some of the international suppliers in the market have no production sites in Japan, and instead rely on imports from offshore factories, primarily located in China and in other countries in Asia. As a result, except for certain sectors such as spike shoes and soccer shoes, the market had come to rely primarily on imports. Imports' share is estimated to rise to around 80% in the Japanese sports shoes market.

3. Key Considerations related to Importing

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

There are no legal or regulatory restrictions that apply to the importation of sports shoes. However, footwear with leather uppers and outer soles made wholly or partly from leather and not considered to be for use in sports or athletic activity are subject to Tariff Quota (TQ) System as established by the Customs Tariff Law. Prospective importer should note that customs officials make a separate determination in each particular case as to whether a particular shoe is intended for use in sports or athletic activity. For more information about Tariff Quota System, please refer to "II-6 Leather Footwear" in this guidebook.

Fig. 3 Principal exporters of canvas shoes to Japan



There are the following provisions for sports and gymnastic shoes. For details, contact the Tariff Consultation Office.

- a) Sports shoes: Footwear manufactured for sports activities with spikes, springs, stops, grips, bars, and other similar articles attached or attachable, for example, spiked shoes and field sports, baseball, golf, soccer, bicycle racing shoes, etc.
- b) Gymnastic shoes: Flat bottomed footwear, for example, for jogging, tennis, basketball, volleyball, weightlifting, etc.

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

When selling sports shoes, they are subject to labeling requirements under provision of the Act Against Unjustifiable Premiums and Misleading Representations. Some footwear is subject to labeling requirements of the Household Goods Quality Labeling 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) 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).

2) Household Goods Quality Labeling Law

Footwear made from synthetic leather uppers and outer soles of rubber, synthetic resins or mixtures of the two, in which the uppers are attached to the soles with adhesive, are subject to labeling requirements of the Household Goods Quality Labeling Law. (see 4. Labeling)

(3) Competent Agencies

- Act 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
- Household Goods Quality Labeling Law
Consumer Affairs Policy 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) Labeling based on the Household Goods Quality Labeling Law

Labeling requirements of the Law apply only to footwear made from synthetic leather uppers and outer soles of rubber, synthetic resins or mixtures of the two, in which the uppers are attached to the soles with adhesive. The following information must be labeled: material used for sole, type of bottom material (in some cases, oil resistant), usage warning, name and address or telephone number of labeler.

Example label under the Household Goods Quality Labeling Law

Upper material:	Synthetic leather
Sole material:	Synthetic resins (oil-resistant)
Using instructions:	a) Use a damp cloth to remove dirt from the uppers. Special leather cleaning compounds are not required. b) Leaving the shoe near heat sources may result in cracking or deformation of the shoe materials. c) If the shoe becomes wet, leave it in a shady place to dry.
XYZ Company, Ltd.	X-X, YY-machi, ZZ prefecture TEL: 01-2345-6789

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

1) JIS Mark

The Japan Industrial Standards Institute has established voluntary shoe size labeling standards. JIS standard S5037 (“shoe size”) was revised to bring them in line with ISO (International Standard Association). In the past labeling only indicated the foot length in centimeters and foot perimeter (expressed as a code), but under the revised standard, labeling may use either the former method or may indicate the size in foot length and width in millimeters. Note, however, that this labeling is not obligatory.

Canvas shoe labels must also include the following items of information in a readily visible location. For more detailed information, please refer to JIS standard S5002 (“canvas shoes”).

- 1) Size
- 2) Manufacturer name or code
- 3) Date of manufacture or abbreviation
- 4) Oil-resistant (only if so designed)
- 5) For indoor use (only if so designed)
- 6) Sole Material (rubber, polyethylene, polyurethane)

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

(3) Voluntary Industry Labeling

1) 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. 6 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

Different tariff rates are applied to athletic shoes and canvas shoes according to sub-classification by place of origin (see Fig. 7). In addition, the Uruguay Round agreement contains a provision calling for a general reduction of tariff rate on fabric upper canvas shoes. 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 for shipments valued at ¥200,000 or less). For more detailed information, please consult the Customs and Tariff Bureau, Ministry of Finance.

(2) Consumption Tax

$(\text{CIF} + \text{Customs duty}) \times 5\%$

6. Product Characteristics

(1) Comparison with Japanese Products

Most imports in the Japanese market come from Asia, and they range all the way from popular brands from major manufacturers to low-cost no-name merchandise. Nevertheless, the leading products in terms of features and styling are popular American brand labels. There are no major substantive differences between Japanese-made and imported sports shoes, although European and American brands tend to be more expensive and come with variant size labeling systems. Japanese brands have size labeling in centimeters. European brands use a special European system of size labeling, while American brands mostly use English measurements in size labeling. In addition, American and European brands tend to have narrower widths for the same length of shoe, reflecting differences in foot size and shape between Western peoples and Japanese.

In recent times Japanese canvas shoe makers have brought out more high-tech shoe models with advanced features and more sporty and fashionable styling.

Fig. 7 Customs duties on sports shoes

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
6403.19	Sports footwear excluding ski-boots and snowboard boots				
	1. With outer soles of rubber, leather or composition leather	27%	(27%)	*Free	
-090	2. Other sports footwear	30%	(30%)	*Free	
6403.51	1. Other footwear with outer soles of leather, covering the ankle, excluding house footwear				
-021	(1) Footwear for gymnastics, athletics or similar activities	27%	(27%)	*Free	
6403.59	2. Other footwear				
-021	(1) Shoes for gymnastics, athletics or similar activities, excluding house footwear	27%	(27%)	*Free	
6403.91	1. Footwear with outer soles of rubber, leather or composition leather, excluding house footwear				
-011	(1) Footwear for gymnastics, athletics or similar activities, excluding house footwear	27%	(27%)	*Free	
-021	2. Other footwear with other soles				
	(1) Footwear for gymnastics, athletics or similar activities, excluding house footwear	30%	(30%)	*Free	
6403.99	1. Other footwear, with outer soles of rubber, leather or composition leather, excluding slippers or covering the ankle				
-011	(1) Footwear for gymnastics, athletics or similar activities, excluding house footwear	27%	(27%)	*Free	
-021	2. Other footwear				
	(1) Slippers or footwear for gymnastics, athletics or similar activities, excluding house footwear	30%	(30%)	*Free	
6404.11	1. Footwear for gymnastics, athletics or similar activities, excluding house footwear and uppers of textile materials:	10%	8%	*Free	
-010	(1) Canvas shoes				
-090	(2) Other Footwear for or gymnastics, athletics or similar activities				
6404.19	2. Other footwear				
-220	(1) Canvas shoes, not with uppers containing fur skin	10%	6.7%	*Free	
6404.2	With outer soles of rubber, leather or composition leather				
-310	Canvas shoes, not with uppers containing fur skin, excluding with outer soles of leather	10%	6.7%	*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.

(2) Characteristics of Products from Different Countries / Regions

There are very few differences in athletic shoes made in different countries. The reason is that most production in China and elsewhere comes not from domestic producers but rather from offshore operations of major international shoe brands. If there are any differences at all, those would be in the level of technical sophistication of shoes made in the Republic of Korea and Taiwan compared to those made in China and Indonesia, which primarily consist of simple products based on less advanced technology. In recent years China has been an appealing production base not only because of low labor costs but also because peripheral industries are well developed. Technical capabilities have risen dramatically. Recently the trend has been toward unified worldwide marketing of the same models and styles, the purpose of which is to increase production efficiency and improve inventory handling.

Canvas shoes are widely sold at supermarkets and other mass merchandiser outlets, and product lines typically include some imported models from Asian countries/areas, most of which are rather simple in terms of styling and features. Prices of American-made canvas shoes generally run 2-5 times those of imports from other Asian countries/areas.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

The sport shoe market in Japan grew rapidly along with the spread of greater health consciousness and interest in leisure activities. However, from 1993 through 1995 the market contracted due to the post-bubble slump in personal spending and excess supplies. In the fall of 1995, though, the new Air Max running shoes of Nike became a major fad and a social phenomenon as high school students began wearing them as street shoes. This reinvigorated the market. According to Leisure White Paper, the size of the market reached around ¥166.0 billion in 1997.

But sales on a volume basis shrank in 2000 to ¥144.0 billion. One of the main reasons for this trend is the decline in the population of school-age children in Japan, who make up one of the largest single user groups for these products. Another important factor is past overemphasis by leading manufacturers on high-volume production. This led to overproduction and rising inventories, which in turn caused manufacturers to cut back on production. As discussed previously, the popularization of athletic shoes for use as casual wear and the inclusion of more advanced features in casual footwear has increasingly blurred the distinction between the two categories. Where once there was a clear-cut distinction between high-performance athletic shoes and casual shoes, there is now a proliferation of middle-of-the-road products that incorporate some of the characteristics of both.

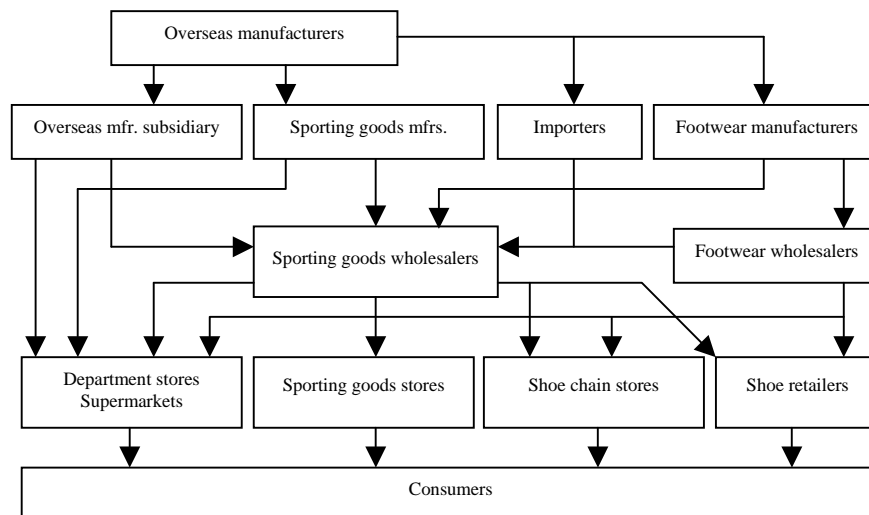
(2) Distribution Channels

1) Athletic Shoes

The orthodox distribution channel for athletic shoes is from the domestic manufacturer or the Japanese subsidiary or exclusive agent of a foreign manufacturer to sporting goods wholesalers (sales agents), and from there to retail stores (sporting goods specialty stores, department stores, mass merchandisers and shoe stores). Sporting goods wholesalers have agency contracts with multiple manufacturers, and they perform a variety of intermediary functions between manufacturers and retailers, including finance, inventory control, and physical distribution.

However, Nike and other international brands are promoting the option of bypassing wholesalers and doing business directly with sporting goods stores. These factors are diminishing the relative importance of sporting goods wholesalers and forcing a reassessment of the functions and roles they perform. Foreign-affiliated sports equipment retail chains selling primarily sports shoes have entered the Japanese market, a development of which is expected to transform the distribution structure in the near future.

Fig. 8 Principal distribution channels for athletic shoes



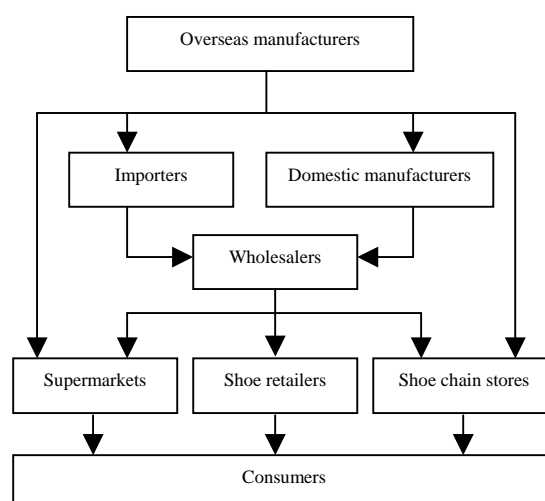
Note: Japanese-made products come from "sporting goods manufacturers" and "footwear manufacturers" in the flowchart above, and are distributed through the channels indicated by the arrows.

2) Canvas Shoes

The distribution channels for canvas shoes are not as complex as those for athletic shoes. The most common pattern of distribution is from the overseas manufacturer through one of the leading Japanese canvas shoe makers (Tsukihoshi Kasei, Achilles and Sekaicho) to wholesalers.

All the leading Japanese canvas shoe makers have affiliated wholesalers who handle each company's own products as well as those from smaller Japanese manufacturers as well as foreign brands. Manufacturers exercise considerable influence on the distribution process up through the wholesale stage.

Fig. 9 Principal distribution channels for canvas shoes



Note: Japanese-made products come from "domestic manufacturers" in the flowchart above, and are distributed through the channels indicated by the arrows.

8. After-Sales Service

Importers and manufacturers field requests for repairs and other after-sales service via retail outlets. In practice, however, requests for after-sales service are extremely rare. Sporting goods stores or shoe repair shops generally perform repair service. Replacement cleats or studs and other consumables can generally be obtained from sporting goods stores.

9. Related Product Categories

Footwear made wholly or partly from leather and not regarded as intended for use in sports or athletic activity are subject to Tariff Quota (TQ) Systems. Please refer to the section "II-6 Leather Footwear" in this guidebook.

10. Direct Imports by Individuals

Individuals are free to import sports shoes into Japan in any quantity or any value. Individuals should be aware of differences in size labeling in other countries. Merchandise with a customs value of under ¥10,000 is exempt from customs duties and consumption tax. This does not apply, however, to sports shoes. All sports shoes are subject to tariffs and consumption tax regardless of a customs value.

11. Related Organization

• Japan Shoe Manufacturers' Association

TEL: 03-3661-4672