



An Overview of the Japanese Jewelry Market

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Summary

Japan still remains the third largest jewelry market in the world after the United States and China. In 2013, Jewelry retail sales in Japan totaled 9,610 hundred million JP Yen (\$ 8,110 million USD) ¹. Furthermore, imported jewelry accounted for 30.7 percent of the market in this particular year ¹. The United States places in the top tier of the supplier market for precious metal, silver, and platinum jewelry products with \$ 6,000 million worth of exports to Japan ².

Most imported jewelry brands are expanding their share within the trends of the bridal and re-bridal categories. Despite continued decline in both birth and marriage rates, Japan is becoming more competitive in the bridal jewelry market with profit from retail sales increasing along with rising prices. Moreover, the re-bridal jewelry market is emerging as a strong trend accompanying the aging population.

Through the effect of “Abenomics” the Japanese economy and market is slowly recovering. Although domestic consumers are still price conscious, the Japanese market is assisted by the presence of international visitors whose consumption in Japan cannot be ignored. Particularly, Chinese tourists and buyers, are a significant and growing presence in the Japanese market. With the 2020 Olympics coming up, this market is expected to grow continuously, with retail sales estimated to reach 1 trillion JP yen by 2015.

Market Demand

Japanese consumers are very sophisticated and particular about the quality and safety of the products they buy and use. Furthermore, the recession and subsequent job insecurity has created a trend of frugality, with consumers becoming even more selective and value conscious. Products must be nicely designed, packaged, and promoted. Consumer needs and tastes may change with seasonal trends and fashion changes, and they may be eager to try something new and different from time to time, as long as products and value propositions are appealing.

As described in more detail in the Trends section, key products are valuable, and limited editions that target not only upper classes and wealthy Chinese tourists, but also middle aged and elderly couples are important. Brand name and quality are no longer enough, and products must have themes and messages that go beyond brand names. This does not mean that quality can be compromised, and today’s demanding consumer tends to be looking for a new innovative limited edition high end design with some type of message or theme. This creates an extremely competitive environment for both domestic and import brands.

Market Data

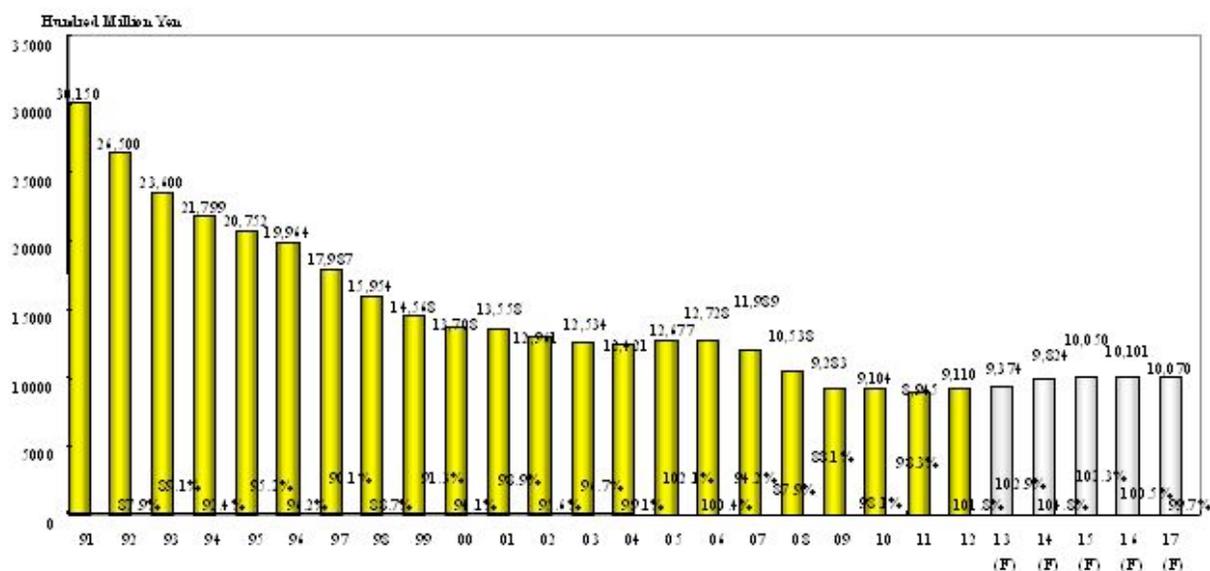
The size of the retail jewelry market in Japan ended up being 9,610 hundred million JP Yen (\$ 8,110 million USD) in 2013, 105.6 percent of that of the year 2012 ¹. The market size for 2014 is estimated to be 9,800 hundred million JP Yen (\$ 8,200 million USD) ¹.

The year 1991 was the peak for the Japanese jewelry market with 3.0 trillion JP Yen (\$ 223 hundred million USD) growth ¹, and domestic consumers able to afford to purchase highly expensive products due to the bubble economy. However, the jewelry market has significantly declined since the bubble burst at the end of 1991, and even more so during 2007-2008 global financial crises. After the Great East Japan Earthquake in March 2011 and the return of the LDP regime in 2012, the market has started recovering, and is expected to be upward in the long run.

¹ Yano Research Institute

2 Japanese Ministry of Finance

Japan Jewelry Market (Retail Sales) from 1991 to 2012 and forecasts



Notes:

1. Figures are based on retail value.
2. F stands for Forecast.

Source: Yano Research Institute

In comparison to the 1990s after the bubble burst, Japan's consumer consumption in the jewelry market has not experienced a dramatic decline. These days, sales of luxury goods are recovering due to the increase of Chinese consumers and trend conscious domestic consumers. As a result, the market will continue to grow in next several years.

Rate of Exchange and Import:

Moreover, the increase of imported jewelry and currency exchange rate fluctuations correlate to the growth of jewelry market. Since 2012, exchange rates for the dollar and euro have been increasing, and the yen has been devalued. The exchange rate today is approximately 120 yen, which is getting closer to the 2004. In the same way, the quantity of imported jewelry decreased during the yen's rise from 2007 to 2011, but it is gradually increasing these days with a more favorable exchange rate for the import market. A weaker yen has been shown to lead to an increase in imported jewelry, and a stronger jewelry market in Japan.

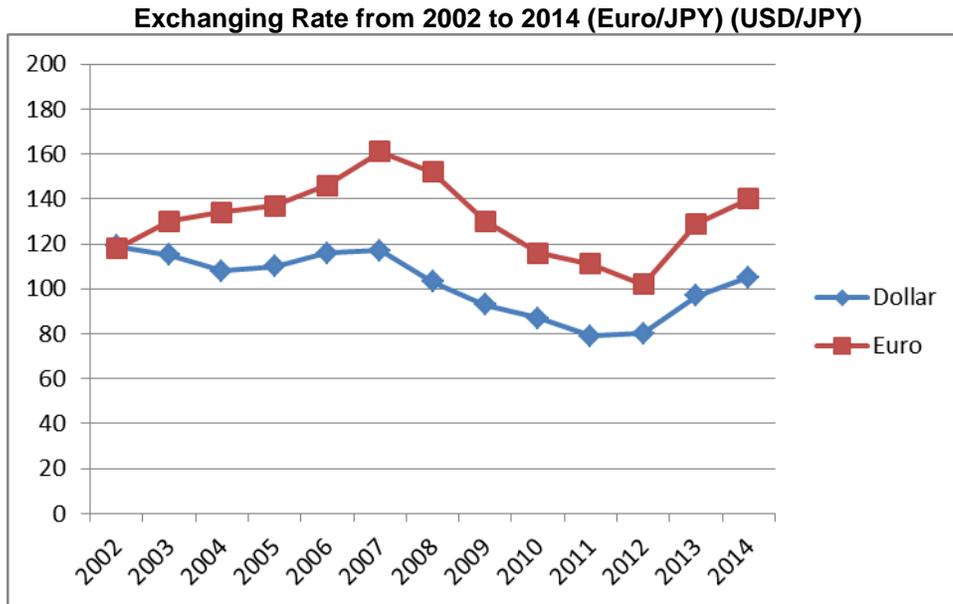


Figure 1. Source: Yano Research Institute

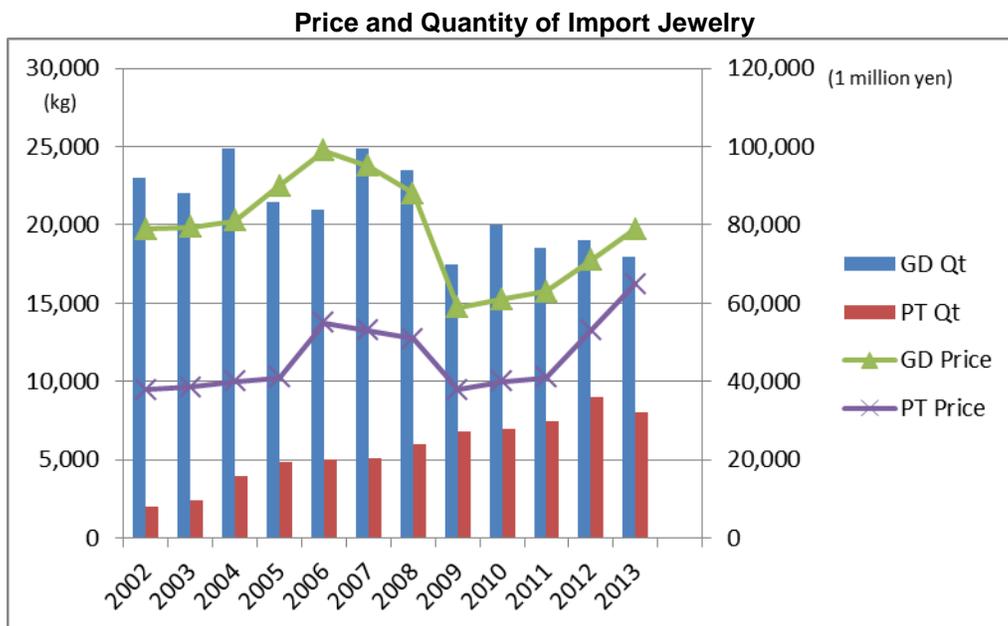


Figure 2. Source: Yano Research Institute



Figure 3. Source: Yano Research Institute

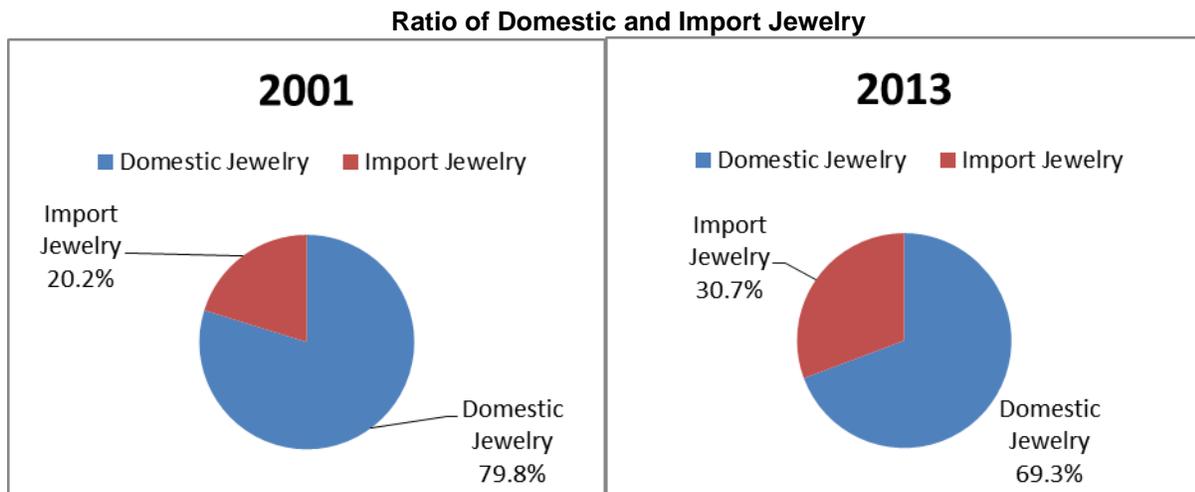


Figure 4. Source: Yano Research Institute

Japan's Jewelry Import from the rest of world in 2012

Ranking	Destination	Value (JPY)	Value (USD)
1	USA	6,065,856,000	50,452,607
2	Thailand	3,500,935,000	29,121,567
3	Italy	2,129,601,000	17,714,501
4	China	1,348,185,000	11,215,162
5	Spain	830,218,000	6,906,555
6	Vietnam	600,754,000	4,997,699
7	France	559,238,000	4,652,325
8	India	386,288,000	3,213,546
9	Hong Kong	376,024,000	3,127,905
10	Philippine	271,732,000	2,260,366

Figure 5. Source: Ministry of Finance

As figure 1 and 2 explain, the "exchange rate" is proportional to the "quantity of imported jewelry." As more imported jewelry enters Japan, the market becomes more competitive. However, the U.S still remains the largest supplier, with exports twice as large as Thailand and Italy combined. On the other hand, surprisingly, import jewelry is increasing in comparison to the early 2000s. This is due to the efforts import brands have made to enter the bridal market. Although marriage rates continuously decline, retail sales of import jewelry in the bridal category have been increasing while domestic brands have been struggling.

Bridal Market and Imported Jewelry:

The Bridal Market has become a key category for imported jewelry brands despite Japan experiencing continued declines in the rate of individuals getting married. As marriage rates decreased in past decades, the bridal market shrunk. For instance, total retail sales in 1995 were 2,729 hundred million JPY but went down to 1,728 hundred million JPY in 2013. Moreover, the number of married couples in 2013 was 660,594, and has become the lowest based on demographic statistics since 1947. As a result, the bridal jewelry market shifted from being competitive to experiencing attrition warfare.

Import jewelry had a different fate. Total sales of imported jewelry brands have been stable and increasing except during the global financial crisis between 2007 and 2010. Perhaps, it reveals that imported jewelry brands emphasized their strength in bridal market during such periods of hardship.



Figure 6. Source: Yano Research Institution

The comparison between Import Jewelry Market Size and Sales made by International Brands, Bridal and Accessory Chains:

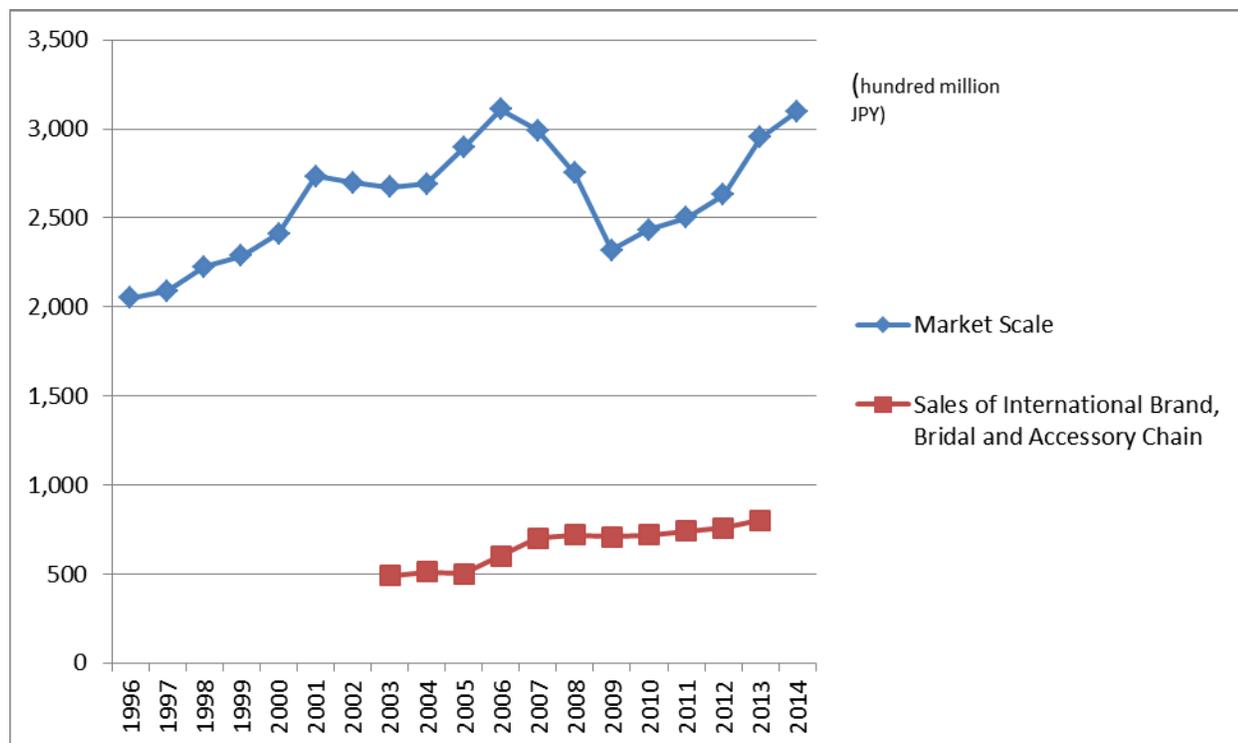


Figure 7. Source: Yano Research Institution

As Figure 7 demonstrates, international brands have been effectively growing their sales from 2003. Their efforts seem to be successful and are contributing to the vitality of the bridal jewelry market. Although experiencing both the global financial crisis and Great Earthquake or March 2011, international brands and related bridal chains are constantly increasing their retail sales. This may suggest that there is a capacity for more international brands to enter the Japanese bridal market. In addition, this implies that international brands and imported jewelry are more likely to fascinate consumers, and be able to compete with domestic brands and jewelry in the bridal category.

Trends and Prospects

Trends among bridal jewelry have changed by generation. Consumers are not only purchasing simple marriage-rings but also do choose other options such as earrings, bracelets, and fancy cut diamonds. Surprisingly, consumers today are not demanding formal, or gorgeous jewelry and rings. In reality, “fancy” and “small-sized diamonds” are appearing as key words to produce new styles of popular bridal jewelry. In order to promote “fancy” jewelry, cultivating “rural markets” is a key point for jewelry brands to expand their share.

Store Location: In 2013, a domestic brand named *deux et deux Bridal* under *FDC Products*, took a risk by establishing retail stores in Aomori, Akita, and Iwate Prefectures where major domestic brands did not have a presence. The brand specialized in custom made bridal jewelry and promoted designs using Disney characters. This unique edge appealed to consumers who saw something they liked that was more accessible. After this move, parent company 4 °C Holdings reported that their retail sales of jewelry and bridal products drastically increased from 2011 to 2014. According to their report, jewelry sales increased from 21,414 million JPY in 2011 to 26,277 million JPY in 2014, and bridal sales increased from 2,370 million JPY in 2012 to 5,055 million JPY in 2014. Much of this growth can be attributed to independent and strategically

placed rural stores. This instance shows that there may be potential in untapped areas of the market for unique and accessible products.

Diamond Size and 4C: The size of diamonds used in bridal jewelry is changing these days. While the average price of engagement rings decreases, the size of diamonds is also shrinking proportionally. For example, the average size of diamond used in the bridal category is between 0.2 ct and 0.25. In past decades, the common size was between 0.3 ct and 0.399 ct. At same time, both average price and import cost are increasing. This clearly suggests that cost should carefully be considered to determine the size of the diamond and design.

In terms of “4C” (Cut, Color, Clarity, Carat), Color down to “GH class,” Cut qualified to “Very Good” and Clarity of at least “SI 1” are preferred. In fact, size-enlarging is still preferable and ideal. However, while it risks of lowering other qualities of “4C”, most brands use small sized diamonds in bridal jewelry.

Re-Bridal: “Re-bridal” is appearing as new trend in the market these days. The background of this is due to increase of remarriage rates and married couples who did not originally purchase wedding rings that are able to do so later on in life. Moreover, lately, married couples are wearing wedding rings in layers with the engagement ring and anniversary ring as additional items. Since typical bridal retail stores are targeting only newly engaged couples, re-bridal couples hesitate to even enter stores. This gives smaller players an opportunity to promote re-bridal ring and re-bridal products. There is potential for import brands to find a place in this niche market.

Consumer and Buyers: In 2013, the number of overseas tourists reached 10.36 million. This is about 8 times the number in the early 2000s. A majority of the tourists are either from China, Taiwan, or Korea. Moreover, Chinese jewelry consumers are dramatically increasing these years due to the weak yen. Total spending per Chinese tourist is estimated at “210,000 JP yen” (\$2,000 USD) in average, and “52.4 percent” is spent for shopping. This number is higher than spending for shopping of other foreign tourists visiting Japan.

One reason that Chinese tourists tend to buy jewelry in Japan is to be certain of quality and validity. They prefer to buy jewelry either “made in Japan” or “Checked in Japan”, and eventually resell such jewelry in the Chinese market. In fact, Chinese buyers significantly increased at the International Jewelry Trade Show held at Tokyo Big Sight in 2015.

Key Suppliers

Domestic:

As-me Estelle www.as-estelle.co.jp/
 Tsutsumi www.tsutsumi.co.jp/
 FDC Products www.yondoshi.co.jp/group/
 Mikimoto www.mikimoto.com/jp/
 Kuwayama www.kuwayama.co.jp/

International:

Harry Winston www.harrywinston.com/
 Tiffany www.tiffany.co.jp/
 De Beers www.debeers.co.jp/

Domestic brands are successfully promoting fashion jewelry and bridal categories. Currently, only “Mikimoto” is succeeding with luxury and expensive products. Besides fashion and categories, other Japanese brands are also

targeting affordable and reasonable jewelry options. In the area of luxury, there is room for more international brands, including U.S. luxury brands, to expand market presence.

Distribution Channels:

Japan's jewelry distribution channels are diversified by the type of items, price, and quality. Jewelry items are sold in several fields such as department stores, regional retail shops, television shopping, and online stores. The price and number of items available for direct purchase has increased as additional online options are available.

Takashimaya, *Isetan* and *Mitsukoshi* are major department stores in Japan. The department stores have a larger share of the market in urban areas such as Shinjuku, and Ginza. However, retail chains have shares of the market near major stations and main streets in urban areas. These are the two channels competing with each other for the luxury product market. On the other hand, shopping malls like *Ekinaka* (located in major transit train or subway stations in metropolitan areas of Tokyo), and side street retail stores are competing for reasonable jewelry or men's jewelry accessories.

TV and Online Channels:

In recent years, jewelry products have been advertised and sold at same time on the internet or through TV shopping programs. Web sites such as *Rakuten* and *Amazon*, and a TV program called "Shop Channel" and "QVC" are significant models for selling jewelry items in those fields. Lately, such distribution channels are selling both luxury and reasonable jewelry products, threatening department and retail stores. In addition, consumers tend to see items in their eyes at stores, and then purchase them online. This means that department and chain retail stores are encouraged to provide aftercare or additional value-add services.

Promotion and Advertisement:

Many luxury brands are promoting their brands and advertising their products on the internet through SNS (Social Network Service) such as Facebook, and Twitter. In the same way, retail stores use similar tactics through their blogs and web pages. Brands are arranging receptions, launch events, limited product sale events for loyal or even occasional consumers. This can be a key strategy for international brands as domestic brands often do not have the financial capacity for such advertisement or events.

Market Issues & Obstacles

Customs Duties and Tax:

The general Tariff Rate below is applied to all precious metal jewelry items with and without precious stones.

HS Code 71.13.11-000 5.2 %; HS Code 71.13.19-010 5.2 %; HS Code 71.13.19-029 5.4 %

A consumption tax on all imported items: (CIF + Custom Duty) * 8 %

The Japan Customs and Tariff Bureau, and Ministry of Finance will consult with you for any questions and taxation issues. (<http://www.customs.go.jp/english/index.htm>)

Import regulations and Japanese laws:

Japanese laws strictly prohibit counterfeit coins, products which infringe upon trademarks or design rights or products which are made from certain species/ ivory/coral under the Washington Convention.

Moreover, METI (Japan's Ministry of International Trade and Industry) and the MHLW (Ministry of Health, Labor and Welfare) distributed a warning notice to the firms by informing of the possible risk of poisoning to young children who swallow lead in pieces of jewelry items. Thus, jewelry products are subjected to the Food Sanitation Law that can be found at: <http://www.mhlw.go.jp/topics/bukyoku/iyaku/kigu/dl/15.pdf> and <http://www.mhlw.go.jp/topics/bukyoku/iyaku/kigu/dl/16.pdf>

Other industry warnings are also distributed by the Japan Jewelry Association.

- Radioactive Morganite: <http://www.gia.edu/gg-general-search?q=morganite>
- Lead Glass Filled Rubies: <http://www.gia.edu/gg-general-search?q=lead+glass+filled+rubies>

Detailed and accurate labeling has been required since April 2012. For instance, pure gold and silver must be labeled "999" instead "Pt 1000" and platinum must be labeled "1000." Such rules are applied to all jewelry products in order to sell them in the Japanese market.

Temporary Imports:

Temporary importing can be attempted since Japan is a member of the International Convention to Facilitate the Importation of Commercial Samples and Advertising Material under the ATA Carnet System. By using a *carnet*, products for commercial and exhibition samples intended for display, and are not for sale can be imported temporarily into Japanese market without paying duties or posting bonds. This will help U.S jewelry brands for market research prior to entering the market. A *carnet* is arranged in advance by contacting local offices such as those listed below.

The United States Council for International Business: www.uscib.org/
New York Office: TEL 212-354-4480 Email: info@uscib.org

Tax Drawbacks:

U.S companies are able to request a refund on duty/tax paid at the time of importation of their unsold and re-exported items. Instructions are provided below.

- Companies must submit additional documentation to Japanese Customs at the time of importation by notifying them that items may be re-exported back to the U.S. if items are unsold.
- The exporters must understand the documentary requirements and provide sufficient identification of products.
- In order to request this, companies must have local representatives or an importer in Japan claim the reimbursement.
- Freight forwarders may support companies in handling this process. Please consult with the show organizer or freight forwarder.
- Refund processing may take 3 to 4 months.

More details can be found below:
Import Clearance 1602 Article 19-3 and 1606
http://www.customs.go.jp/english/c-answer_e/customanswer_e.htm

Since the document is available in only Japanese, you may need assistance from Japanese local partners, importers, or service providers.

For more procedure details, please consult with Tokyo Customs:
tyo-gyomu-sodankan@customs.go.jp

Trade Events

International Jewelry Tokyo 2016
Date: January 20-23, 2016
Venue: Tokyo Big Sight, Tokyo
Organizer: Reed Exhibition Co., Ltd.
Phone: 81- 3-3349-8501

URL: <http://www.reedexpo.co.jp/>

Japan Jewelry Festival Tokyo 2015

Date: August 26-28, 2015

Venue: Tokyo Big Sight, Tokyo

Organizer: UBM Japan Co., Ltd and Japan Jewelry Association

Phone: 81-3--5296-1020, Fax: 81-3-5296-1018

URL: <http://www.japanjewelleryfair.com/index.php>

<http://www.ubmjapan.com/corp/ja/index.html>

<http://www.jja.ne.jp/>

Resources & Contacts

Japan Jewelry Association (JJA)

<http://www.jja.ne.jp/english/index.html>

Platinum Guild International

<http://www.preciousplatinum.com>

Ministry of Economy, Trade and Industry, Economic and Industrial Policy Bureau (METI):

<http://www.meti.go.jp/english/index.html>

Customs and Tariff Bureau/Ministry of Finance

<http://www.customs.go.jp/english>

Yano Research Institution

<http://www.yanoresearch.com>

Jewelry Trade Center Japan, Inc.

<http://www.jtc-japan.co.jp/>

For More Information

Please contact Yoshiko Okamoto, the Consumer Goods Specialist, at Yoshiko.Okamoto@trade.gov.

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