

## Precious Metal and Jewelry

The precious metal and jewelry described in this document are grouped into three categories: “jewelry,” “colored stones,” and “accessories.” “Jewelry” refers to personal ornaments made from precious metals (gold, silver, and platinum). Personal ornaments refer to small articles worn on the body, such as rings, bracelets, necklaces, earrings, clips, tiepins, and cuff links.

“Colored stones” are categorized into “precious stones” and “semi-precious stones.” There is no clear-cut definition for the two categories, but rubies, sapphires, and emeralds are generally classified as the three major precious stones. Other colored stones are referred to as semi-precious stones. The degree of hardness and durability for these stones is usually 7 or under. Examples of semi-precious stones include garnet, amethyst, and turquoise, etc.

“Accessories” refer to articles of personal ornaments in which precious metal or colored stones are not used. They are classified into “accessories of base metal” which are made of titanium or stainless-steel and “other accessories” which are made of material other than metal, such as plastic.

### Scope of Coverage

Item	Definition	HS Code
Jewelry	Gold jewelry	7113.11.021.029
	Silver jewelry	7113.11.000
	Platinum jewelry	7113.19.010
Colored stones	Precious stones (rubies, sapphires, emeralds)	7103.91.000
	Semi-precious stones	7103.99.000
Accessories	Of base metal	7117.11, 19
	Other (of materials other than metal)	7117.90

Note 1: Jewelry refers to “personal accessories made from precious metals (gold, silver, and platinum),” which includes both pure jewelry of precious metal, and precious metal jewelry with a precious stone inset.

Note 2: Colored stone encompasses only polished colored gemstones. It does not include uncut colored stones or synthetic gemstones.

Note 3: Accessories refer to articles of personal ornaments in which precious metal or colored stones are not used. Items plated with precious metal, or decorated with precious metal as minor ornamentation on initials or rims are included.

## 1. Points To Note in Exports to and Sales in Japan

### (1) Import Regulation and Procedures

In principle, there are no particular legal restrictions on the importation of jewelry and accessories. However, products that use certain species of wild fauna and flora (such as ivory or coral) may be restricted or prohibited under terms of the Washington Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora, CITES). The importation of uncut diamonds is subject to the provisions of the Foreign Exchange and Foreign Trade Act under the international Kimberley Process Certificate program. In addition, the Customs Tariff Act prohibits the importation of fake name-brand products and knockoff copies, and such items are subject to confiscation or destruction at customs based on provisions of the Customs Act. Importers can even be subject to criminal penalties, including fines and imprisonment.

#### •Import Trade Control Order of the Foreign Exchange and Foreign Trade Act (under CITES)

Under terms of the Washington Convention, the Foreign Exchange and Foreign Trade Act regulates importing of species of wild fauna and flora listed in the Appendices to the Convention. It covers not only the wild fauna and flora themselves but also products made wholly or partially from them. The Washington Convention applies to three

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categories of species, as discussed below. For more information on the specific content and applicability of these classifications, you can contact the Trade Licensing Division, Trade and Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry.

### A: Appendix I (All species threatened with extinction)

Commercial traffic in these species or products made from these species is prohibited. Trade is allowed in special cases such as for academic purposes. However, an export permit issued by the exporting government and an import approval by the Minister of Economy, Trade and Industry are required.

\*Examples: Asian elephants (Indian elephants), African elephants (excluding those from Botswana, Namibia, South Africa, and Zimbabwe, mentioned in Appendix II)

### B: Appendix II (All species requiring strict international regulation to prevent danger of extinction)

The importer of any such species or product made from a member of such species must present to Japanese customs authorities an export certificate or re-export certificate from the management authority of the exporting country. Some species need prior confirmation by the Minister of Economy, Trade and Industry.

\*Examples: African elephants (limited to those from Botswana, Namibia, South Africa, and Zimbabwe)

All species of Antipatharia (black corals), helioporidae (blue corals), scleractinia (stony corals), tubiporidae (organ-pipe corals), milleporidae (fire corals), and stylasteridae (lace corals)

### C: Appendix III

(All species that any party identifies as being subject to regulation and as needing the cooperation of other parties in the control of trade)

The importer of any such species or product made from a member of such species for commercial purposes must present to Japanese customs an export certificate and a certificate of origin issued by the management authority of the exporting country, or a certificate granted by the management authority of the country of re-export that the specimen was processed in that country. Some species need prior confirmation by the Minister of Economy, Trade and Industry.

\*Examples: *Corallium elatius* (pink corals), *corallium japonicum* (red corals), *corallium konojoi* (white corals), and *corallium secundum* (raw corals) from China

Materials may be bred and raised in captivity for commercial purpose, or those obtained prior to conclusion of the Convention are permitted so long as a certificate by the management authority of exporting country to that effect is granted. It is preferable when importing precious metal and Jewelry containing ivory, coral and other certain species to list the scientific name on the invoice.

## **• Import Trade Control Order of the Foreign Exchange and Foreign Trade Act (Under the Kimberley Process Certificate System)**

As of January, 2003, Japanese importers of uncut diamonds must present an exporter-issued Kimberley Process Certificate (KPCS), instituted under the international Kimberley Process program to halt improper trade in diamonds, the proceeds from which have been used to finance conflicts in Africa. There are now 70 or more member countries of the KPCS. Non-member state imports are banned under the UN Security Council resolution. In addition, voluntary industry standards stipulate that invoices for uncut diamonds and diamond jewelry must include a written oath.

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

The sale of precious metal and Jewelry is subject to provisions of the Act Against Unjustifiable Premiums and Misleading Representations. The various intellectual property laws (Trademark Act, Design Act, Unfair Competition Prevention Act, etc.) regulate products that infringe trademarks, design rights and other intellectual property rights. These include knockoff copies, misleading trade names, and unauthorized use of the characters in advertisements. Prospective importers must be aware of these considerations, as rights holders may initiate legal action. Products made

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from certain species (such as ivory or coral) may be restricted or prohibited under terms of the Act on Conservation of Endangered Species of Wild Fauna and Flora. Besides this, door-to-door sales, mail order sales, chain sales, and other specified commercial transactions are subject to provisions of the Act on Specified Commercial Transactions. Containers and packaging may also be subject to identifier labeling provisions of the Act on the Promotion of Effective Utilization of Resources, and recycling provisions of the Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging (certain small-scale providers are exempt from regulation).

### •Act Against Unjustifiable Premiums and Misleading Representations

The Act prohibits a form of improper, exaggerated, or false labeling that misleads consumers about the nature or quality of products. The Consumer Affairs Agency can demand documentation of a rational basis for labeling that makes claims of superior quality etc. If the importer or reseller is unable to do so, those claims are considered as a form of improper labeling. Vague or confusing labeling that makes it difficult to discern the actual country of origin is also prohibited as a form of improper labeling.

### •Act on Conservation of Endangered Species of Wild Fauna and Flora

The Act established a legal framework of protection for species considered to be in danger of extinction. Products made from certain species, which are designated as species specially identified for protection, may not be sold or transferred in Japan. However, species that are being raised for commercial purposes may be distributed in Japan, provided that proper registration procedures with the Minister of the Environment are completed. Registration procedures take place at the Japan Wildlife Research Center, a registration organization officially designated by the Ministry of the Environment.

### •Act on Specified Commercial Transactions

Sales of products, rights, and services to general consumers through specified commercial transactions such as mail order sales or door-to-door sales are subject to provisions of the Act on Specified Commercial Transactions. The commercial transactions specified under the Act include: (1) door-to-door sales, (2) mail order sales, (3) telemarketing sales, (4) chain sales (multilevel marketing), (5) specific continuous service provision transactions, and (6) sales transactions offering business opportunities. Mail order sales include Internet sales and commercial advertisement by e-mail (information linked to a URL). In order to provide consumers with accurate information, in mail order sales, operators are required to list the following information in their advertisements: (1) sales price, (2) payment period and method, (3) delivery date, (4) clauses related to the return system, (5) and name, address and telephone number of the operator. The Act also prohibits advertising containing false or exaggerated statements.

### (3) Contacts of Competent Authorities

**Fig. 1 Contacts of competent authorities**

Related regulations and control	Competent agencies	Contact/Website
Foreign Exchange and Foreign Trade Act	Trade Licensing Division, Trade Control Department, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 <a href="http://www.meti.go.jp">http://www.meti.go.jp</a>
Customs Tariff Act / Customs Act	Compensation and Operation Division, Customs and Tariff Bureau, Ministry of Finance	TEL: +81-3-3581-4111 <a href="http://www.mof.go.jp">http://www.mof.go.jp</a>
Act against Unjustifiable Premiums and Misleading Representations	Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan	TEL: +81-3-3507-8800 <a href="http://www.caa.go.jp">http://www.caa.go.jp</a>
Act on Conservation of Endangered Species of Wild Fauna and Flora	Wildlife Division, Nature Conservation Bureau, Ministry of the Environment	TEL: +81-3-3581-3351 <a href="http://www.env.go.jp">http://www.env.go.jp</a>
Act on Specified Commercial Transactions	Consumer Related Trade Division, Trade Practices Department, Fair Trade Commission of Japan	TEL: +81-3-3501-1511 <a href="http://www.meti.go.jp">http://www.meti.go.jp</a>
Act on the Promotion of Effective Utilization of Resources/Act on the Promotion of Sorted Garbage Collection and Recycling of Containers and Packaging	Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry	TEL: +81-3-3501-1511 <a href="http://www.meti.go.jp">http://www.meti.go.jp</a>
	Office of Recycling Promotion, Policy Planning Division, Waste Management and Recycling Department, Ministry of the Environment	TEL: +81-3-3581-3351 <a href="http://www.env.go.jp">http://www.env.go.jp</a>

## 2. Labeling

### (1) Labeling under Legal Regulations

Under the Act on the Promotion of Effective Utilization of Resources, specific containers and packaging are subject to identifier labeling provisions, in order to promote sorted collection. When paper or plastic is used as a packaging material for the wrapping of individual product items, or for labels, external packaging or elsewhere, a material identifier mark must be displayed at least one spot on the side of the container with information where the material is used.

[Representation example]



### (2) Labeling under Industry-level Voluntary Restraint

#### Hallmark by Japan Mint

The Japan Mint conducts quality tests under the precious metal product grading verification system upon requests from metal product manufacturers and distributors. A certification code, referred to as “Hallmark,” is stamped on products passing the test to demonstrate the purity level of the metal used. This system is voluntary, but the marking of jewelry in Japan in this way has more or less become standard practice. Jewelry made in other developed countries also bears some sort of metal content mark, but there are no consistent, internationally recognized standards for precious metal or quality labeling.

[Representation example]



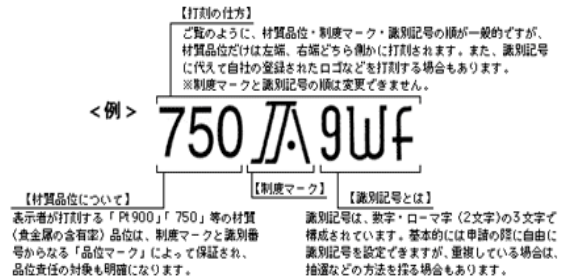
\*Contact: Operations Management Dept., Tokyo Branch, Japan Mint TEL: +81-3-3987-3136 <http://www.mint.go.jp>

### Quality Marking by the Japan Jewellery Association

The Japan Jewellery Association has instituted a quality marking system. This guarantees the quality (content of precious metal) of precious metals. Under this system, the responsibility of the labeler (member of the Association) is clearly defined by stamping a registered trademark and labeler identification mark. The quality mark is displayed on a voluntary basis by the labelers who are registered under the quality marking committee of the Japan Jewellery Association.

\*Contact: Japan Jewellery Association TEL: +81-3-3835-8567 <http://www.jja.ne.jp>

### **[Representation example]**



### Voluntary standards on appraisals

The Association of Gemological Laboratories Japan (AGL) and the Japan Jewellery Association (JJA) have established the “Rules for definition and naming method of gemstones and materials used for fashion accessories,” and provided the items mineral names, material names, and gemstone names to be described in their appraisals (written statements of gemologist opinion). In that, they make the disclosure of information according to the “disclosure comments” to inform consumers the facts of improvements and changes on color and appearance other than cutting and polishing. Members of the Japan Jewellery Association need to describe that information in the letter of guarantee. Sales clerks are also obliged to inform customers of these facts when explaining the products for sales purposes. In addition, the Japan Jewellery Association has instituted ethical guidelines regarding transactions in the industry.

\*Contact: Japan Jewellery Association TEL: +81-3-3835-8567 <http://www.jja.ne.jp>

The Association of Gemological Laboratories Japan TEL: +81-3-3835-8267 <http://www.agl.jp>

### Warning Displays by the Japan Jewellery Association

In Japan, the Product Liability (PL) Act has been enacted in order to stipulate the liability for compensation of manufacturers etc. in case damages to human life, body or properties have been caused due to defects in manufactured goods. Importers shall be liable for compensating damages caused by imported products. In the jewelry industry, potential risks may include skin allergy caused by metallic accessories. Importers need to take careful measures in preparing instruction manuals and warning indications. The Japan Jewellery Association prepares “warning cards” to draw attention to allergies as a countermeasure for the PL Act.

\*Contact: Japan Jewellery Association TEL: +81-3-3835-8567 <http://www.jja.ne.jp>

### **[Representation example]**



- Depending on your health conditions, you may experience itchiness or rashes. If you find any abnormality with your skin, please stop using the product and contact a medical specialist.
- Please take off your jewelry when engaging in physical labor, active sports, or when sleeping, taking care of infants since it may cause harm to the human body.
- Please do not wear jewelry such as earrings at places of high temperature such as a sauna, or of extremely low temperature such as a ski resort, since it may cause a burn injury or frostbite.

## **3. Taxation System**

### **(1) Tariff Duties**

Fig. 2 presents tariff duties on jewelry and accessories. In order to apply for preferential tariff rates on articles imported from preferential treatment countries, the importer should submit a certificate of preferential country of origin issued by the customs or other issuing agency in the exporting country (not required if the total taxable value of the article is no greater than ¥200,000). For more details, you can contact the Customs and Tariff Bureau, Ministry of Finance. In case of

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confirming the tariff classification or applicable tariff rate in advance, it is convenient to use the “advance-counseling program.” By making an inquiry to the customs orally, or through document or e-mail, the customs will reply to such inquiry.

\*Contact: Customs website <http://www.customs.go.jp/english/index.htm>

For jewelry imported as consignment or as anticipated imports, it is permitted to request after re-export (in principle, within one year after import permission) to refund the tariff duty paid at the time of importation by using the system called “Refund on export of goods whose nature and form are unchanged at the time of their importation” (Article 19-3 of the Customs Act).

**Fig2. Tariff duties on precious metal and Jewelry**

HS Code.	Description	Rate of duty				
		General	Temporary	WTO	Preferential	Special preferential
7101.22	Cultured pearls worked	Free		(Free)		
210	Akoya pearls					
220	Silver lipped pearls and Black lipped pearls					
290	Other					
7102.39	Diamonds, non-industrial	Free		(Free)		
7103	Precious stones and semi-precious stones					
7103.91	Rubies, sapphires and emeralds (precious stone)	Free		(Free)		
7103.99	Other (semi-precious stones)	Free		(Free)		
7113	Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal					
7113.11	1. Of Silver (Silver jewelry)	6.2%		5.2%	2.08%	Free
7113.19	2. Other					
010	Of Platinum (Platinum jewelry)	6.2%		5.2%	2.08%	Free
021	Of Gold jewelry	6.6%		5.4%	2.16%	Free
021	—Chains for watches, spectacles or pince-nez and other ornamental chains worn on person					
029	—Other					
7117	Imitation jewellery					
7117.11	Of base metal (metallic imitation jewellery)					
010	Cuff-links and studs					
010	1.Made of, or combined with metal plated with precious metal, coral, elephants' tusk or Bekko (cuff-links plated with precious metal)	6.6%		5.4%	Free	
020	2.Other (cuff-links plated with base metal )	6.4%		5.3%	Free	
7117.19	Other	5.6%		3.7%	0.74%	Free
010	1.Plated with precious metal (Other plated with precious metal)					
010	2.Other (Other plated with base metal)					
7117.90	Other (other imitation jewellery)					
010	Of at least two materials (for example, wood and glass, bone and amber, mother-of-pearl and plastics), no account being taken of materials (for example, necklace strings) used only for assembly, not plated with precious metal (combined imitation jewellery)	12.5%		10%	2%	Free
021	Other					
021	1.Of wood (wooden imitation jewellery)	3.2%		2.7%	Free	
022	2.Of ivory, of bone, of tortoise-shell, of antlers, of coral, of mother-of -pearl or of other animal carving material (Ivory)	4.1%		3.4%	Free	
023	3.Ohter	5.5%		5%	Free	
024	Of plastics (plastic imitation jewellery)					
024	Plated with precious metal (imitation jewellery plated with precious metal)					
029	Other					

Note 1: Special preferential rate is applicable only for the Least Developed Countries.

Note 2: Normally the order of precedence for application of tariff rates is Preferential, WTO, Temporary, and General, in that order. However, Preferential rates are only eligible when conditions stipulated by law or regulations are met. WTO rates apply when those rates are lower than Temporary or General rates. Refer to "Customs Tariff Schedules of Japan" (by Customs and Tariff Bureau, Ministry of Finance) for a more complete interpretation of the tariff table and for more details on economic partnership agreements (EPAs) with each country.

## (2) Consumption Tax

(CIF + Tariff duties) × 5%

## 4. Trade Trends

### (1) Changes in Imports

#### <Overall import trend for precious metal and jewelry>

As precious metal and jewelry are considered as luxury goods rather than living necessities, there is a trend for consumers to restrain themselves from purchasing during an economic slump, in order to curtail household spending. Consumer demand for precious metal and Jewelry has long been on the decline after the collapse of the so-called bubble economy in the early 1990s. Around 2005 when there were temporary signs of the economy back on track, it looked like the sluggish demand for precious metal and Jewelry seemed to hit the bottom. However in 2008, demand has taken an even deeper plunge due to the global financial crisis. Nevertheless, partly because consumers grew tired of their long-term restriction of purchase, demand has shown a slight recovery in 2010, leaving 2009 at the lowest level. Imports of precious metal and Jewelry have been shifting in accordance with the aforementioned domestic demand.

#### [Jewelry]

Jewelry imports posted a downward trend until 2009 but marked an increase in 2010 with ¥114 billion (109% compared to the previous year) on a value basis, and with 26 tons (112% compared to the previous year) on a volume basis. Seen by category, gold jewelry imports have recorded 58.5 billion yen (110% compared to the previous year) by value and 20 tons (114% compared to the previous year) by volume. Platinum imports have marked ¥38.2 billion (114% compared to the previous year) in terms of value and 6 tons (109% compared to the previous year) in terms of volume. Consequently, two categories have shown a rise in imports compared to the previous year. Meanwhile, silver jewelry has been on the decline due to less popularity among consumers and has been reduced to 17.3 billion yen (95% compared to the previous year) by value and 101 tons (85% compared to the previous year) by volume.

#### [Colored stones]

In 2010, colored stone imports were observed at 6.3 billion yen in value, down to 91% compared with the year before, and 1,035 tons in volume, down to 89% of the previous year. Among these imports, precious stones accounted for ¥2.2 billion or 3 tons and semi-precious stones for 4.1 billion yen or 1,032 tons. The ratio of precious stones against semi-precious stones varies considerably between value basis and volume basis. Although precious stones account for 34.9% of colored stones in terms of value, the figure is meager with only 0.3% in terms of volume. This is because there is a major gap in the price range between precious stones and semi-precious stones, with the former costing an average of 723 yen per carat and the latter costing around 4 yen for the same volume.

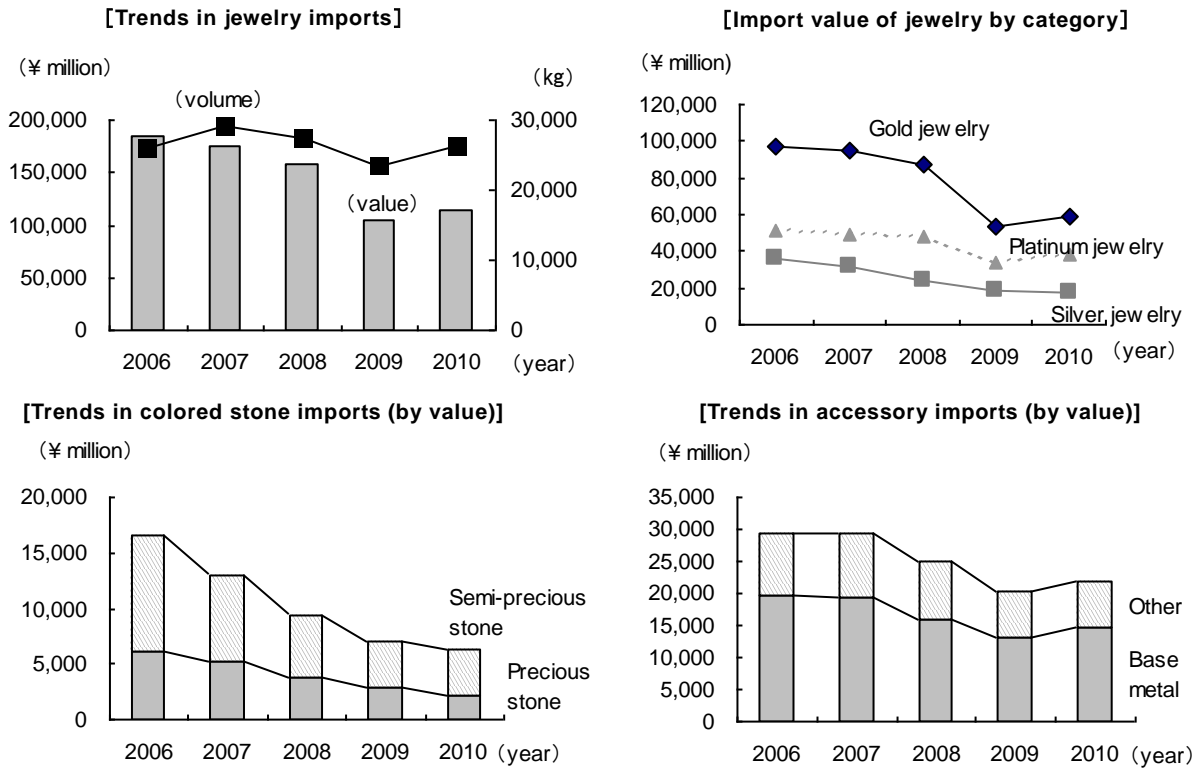
Colored stone imports have been steadily declining and the import amount for 2010 has dropped to less than half that of 2006. The trends for demand in jewelry using colored stones are as follows: the popularity of colored stones is diminishing; there is no growth in the sales of expensive products; and there is an increase in the number of reasonably-priced products with less material cost involved, using small and inexpensive colored stones.

#### [Accessories]

Among imports of precious metal and jewelry, accessories account for the largest share in terms of volume, with 21.8 billion yen (108% compared to the previous year) in value and 2,085 tons (97% compared to the previous year) in volume for 2010. Among the 21.8 billion yen, 14.5 billion yen or 70% covers popular accessories using base metal such as titanium or stainless steel (“accessories of base metal (other)” or “accessories of base metal (plated with precious metal)” in the table below). Furthermore, accessories made with plastic (“plastic accessories”) and accessories made by combining various materials such as wood and glass, shells and plastic (“combination accessories”) have also been well-accepted. The reason why these accessories are favored is because consumers tend to prefer fashionable products with reasonable prices, placing less importance on the material being used.

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**Fig.3 Changes in precious metal and Jewelry imports**



Item	Value					Volume					Average unit price		
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	2009	2010	
Gold jewelry	97,479	94,371	86,742	53,223	58,469	21,484	24,241	22,377	17,365	19,759	3,065	2,959	
Silver jewelry	35,466	32,121	24,277	18,182	17,309	236,288	170,849	146,533	119,383	101,487	152	171	
Platinum jewelry	51,513	49,042	47,518	33,583	38,193	4,274	4,765	4,841	5,835	6,343	5,755	6,021	
<b>Jewelry total</b>	<b>184,458</b>	<b>175,535</b>	<b>158,537</b>	<b>104,988</b>	<b>113,971</b>	<b>25,995</b>	<b>29,176</b>	<b>27,365</b>	<b>23,319</b>	<b>26,204</b>	<b>4,502</b>	<b>4,349</b>	
Precious stone	6,198	5,167	3,735	2,875	2,215	11,365	6,598	2,271	2,193	3,065	1,311	723	
Semi-precious stone	10,335	7,805	5,673	4,095	4,129	1,313,454	1,446,890	1,340,405	1,162,799	1,031,836	4	4	
<b>Colored stone total</b>	<b>16,533</b>	<b>12,972</b>	<b>9,409</b>	<b>6,970</b>	<b>6,344</b>	<b>1,324,819</b>	<b>1,453,488</b>	<b>1,342,677</b>	<b>1,164,991</b>	<b>1,034,900</b>	<b>6</b>	<b>6</b>	
Base metal	Cuff-links plated with precious metal	293	269	230	165	109	4	3	4	3	3	52	40
	Cuff-links plated with base metal	187	266	159	127	141	5	13	7	7	7	18	21
	Other plated with precious metal	7,083	8,044	6,987	4,986	6,127	317	389	318	258	290	19	21
	Other plated with base metal	12,014	10,741	8,560	7,807	8,340	1,452	1,088	831	978	857	8	10
Other	Combined imitation jewellery	3,756	4,139	3,735	3,126	2,912	498	540	535	490	462	6	6
	Wood imitation jewellery	133	84	66	65	49	18	15	15	9	6	8	8
	Ivory imitation jewellery	111	100	103	114	80	12	8	10	9	5	13	16
	Plastic imitation jewellery	1,681	1,902	1,675	1,166	1,930	376	366	359	247	303	5	6
	imitation jewellery plated with precious metal	2,964	2,716	2,738	2,013	1,349	96	95	88	87	61	23	22
	Other	1,196	997	773	632	716	144	84	73	66	91	10	8
<b>Imitation jewellery total</b>	<b>29,419</b>	<b>29,259</b>	<b>25,026</b>	<b>20,201</b>	<b>21,753</b>	<b>2,923</b>	<b>2,602</b>	<b>2,240</b>	<b>2,155</b>	<b>2,085</b>	<b>9</b>	<b>10</b>	
Reference	Diamonds	117,398	104,091	80,577	57,792	60,956	2,707	2,298	2,248	2,168	2,431	26,652	25,070
	Cultured pearls	9,674	11,853	9,268	6,030	4,703	38,192	33,097	23,120	22,762	21,648	265	217

Units: value=¥ million, volume: jewelry, cultured pearls = kg, colored stones, diamonds = kilo-carats, accessories = tons, average unit price = ¥ per gram (carats). 1 carat = 0.2 grams

Source: Trade Statistics (MOF)

Note 1: Total is not always the simple sum for each column due to rounding.

Note 2: Carat is a unit indicating the weight of jewelry. 1 carat = 0.2 grams.

Note 3: Diamonds are limited to those for jewelry (HS7102.39.000) and cultured pearls are limited to worked pearls(HS7101.22.210, 220, 290).



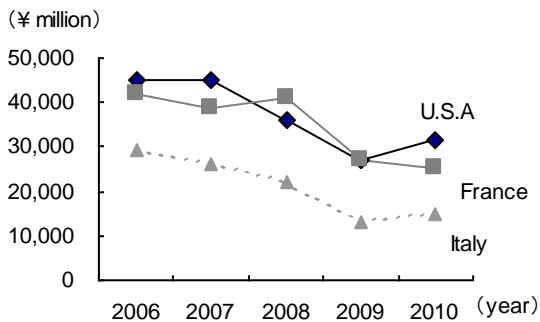
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[Jewelry]

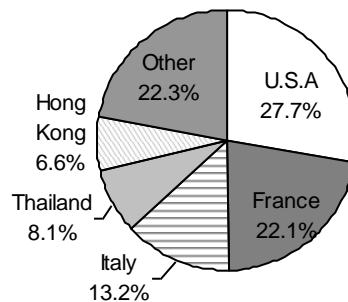
Japan imports jewelry from 50 countries or more. The top three in the 2010 jewelry import market were dominated by Western countries with the United States strong in design and brand image (¥31.6 billion, share 27.7%), followed by France (¥25.2 billion, share 22.1%), and Italy (¥15.1 billion, share 13.2%), totaling a share of 63.0%. Jewelry from the United States and Europe are constituted of luxury brand platinum or gold products that excel in design and fashionableness. Tiffany (US), Cartier (France), and Bvlgari (Italy) are some of the well-known brands. Most of the imports from the United States and Europe are upscale brand products mentioned above.

**Fig. 4 Principal places of origin of jewelry (total)**

[Trends in import value by leading partners]



[Shares of imports in 2010 (value basis)]



Country	2006	2007	2008	2009			2010				
	Value	Value	Value	Value	Volume	Average unit price	Value	Volume	Average unit price		
U.S.A	44,912	45,269	35,983	27,194	26,280	1,035	31,617	27.7%	31,242	24.5%	1,012
France	41,901	38,598	41,023	27,145	12,485	2,174	25,178	22.1%	7,162	5.6%	3,516
Italy	29,133	26,090	22,198	13,075	19,398	674	15,081	13.2%	14,090	11.0%	1,070
Thailand	13,106	10,788	12,173	8,306	28,779	289	9,216	8.1%	24,766	19.4%	372
Hong Kong	11,331	9,342	7,392	5,794	3,804	1,523	7,569	6.6%	2,820	2.2%	2,684
Switzerland	9,777	12,459	8,914	6,004	5,785	1,038	6,029	5.3%	4,810	3.8%	1,253
China	9,125	8,981	7,598	4,507	21,616	209	5,368	4.7%	20,583	16.1%	261
Other	25,173	24,006	23,256	12,963	24,435	530	13,911	12.2%	22,115	17.3%	629
(Africa)	62	59	41	5	41	124	10	0.01%	334	0.3%	29
Total	184,458	175,535	158,537	104,988	142,583	736	113,971	100.0%	127,589	100.0%	893

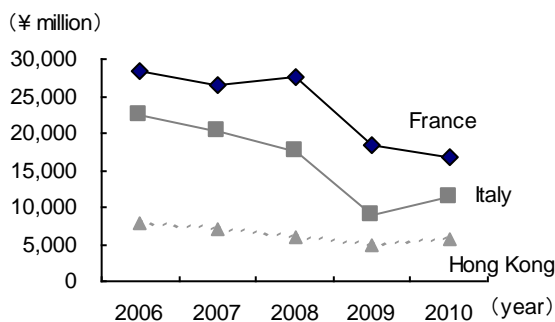
Units: volume=kg, value=¥ million, average unit price = ¥ per gram

Source: Trade Statistics (MOF)

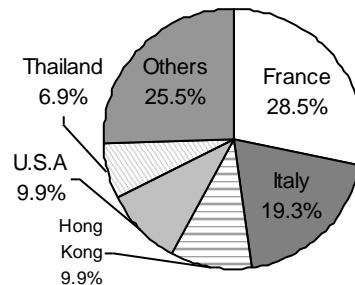
Note: Total is not always the simple sum for each column due to rounding.

**Fig. 5 Principal places of origin of gold jewelry**

[Trends in import value by leading partners]



[Shares of imports in 2010 (value basis)]



**-Precious Metal and Jewelry-**

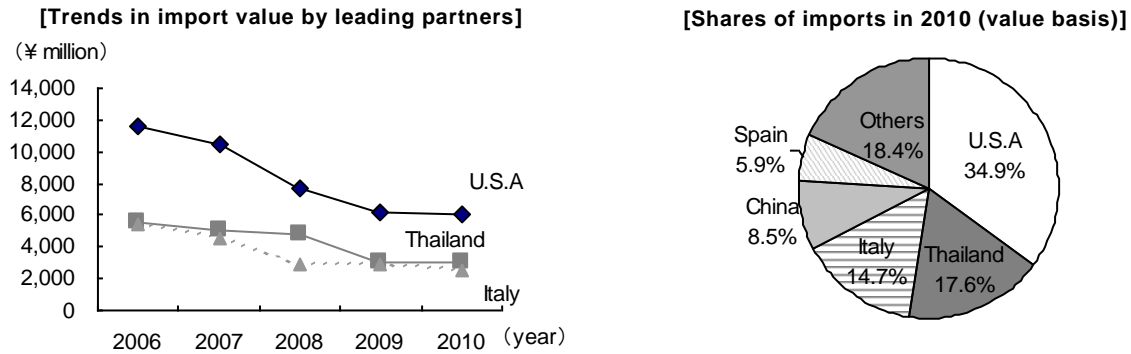
Country	2006	2007	2008	2009			2010				
	Value	Value	Value	Value	Volume	Average unit price	Value	Volume	Average unit price		
France	28,487	26,605	27,523	18,484	3,302	5,599	16,635	28.5%	3,358	17.0%	4,954
Italy	22,457	20,395	17,437	9,036	3,784	2,388	11,286	19.3%	4,381	22.2%	2,576
Hong Kong	7,913	7,023	5,903	4,760	1,609	2,958	5,806	9.9%	2,494	12.6%	2,328
U.S.A	5,999	7,470	5,175	4,369	2,518	1,735	5,786	9.9%	1,117	5.7%	5,182
Thailand	6,073	4,798	6,086	3,674	1,123	3,273	4,048	6.9%	1,205	6.1%	3,360
Others	26,551	28,080	24,619	12,898	5,030	2,564	14,906	25.5%	7,205	36.5%	2,069
(Africa)	1	11	2	2	2	1,171	3	0.004%	1	0.01%	2,469
<b>Total</b>	<b>97,479</b>	<b>94,371</b>	<b>86,742</b>	<b>53,223</b>	<b>17,365</b>	<b>3,065</b>	<b>58,469</b>	<b>100.0%</b>	<b>19,759</b>	<b>100.0%</b>	<b>2,959</b>

Units: volume=kg, value=¥ million, average unit price=¥ per gram

Source: Trade Statistics (MOF)

Note: Total is not always the simple sum for each column due to rounding.

**Fig. 6 Principal places of origin of silver jewelry**



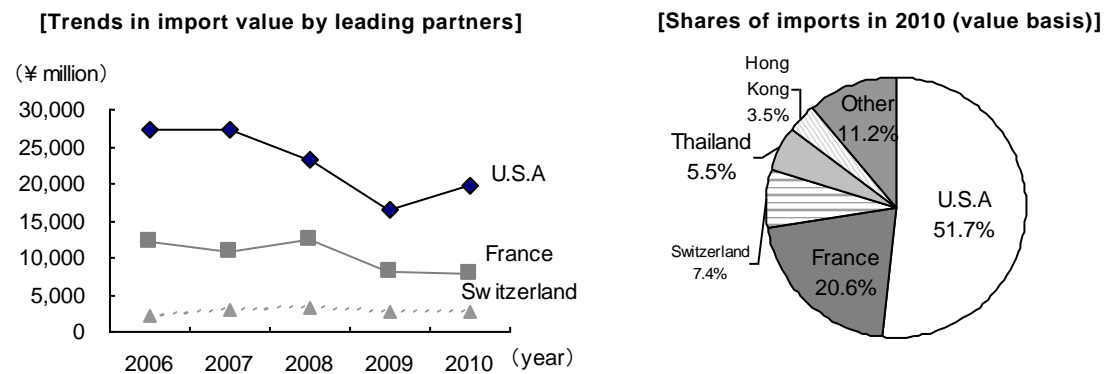
Country	2006	2007	2008	2009			2010				
	Value	Value	Value	Value	Volume	Average unit price	Value	Volume	Average unit price		
U.S.A	11,596	10,414	7,684	6,217	22,033	282	6,049	34.9%	27,293	26.9%	222
Thailand	5,508	5,083	4,820	3,084	27,424	112	3,050	17.6%	23,226	22.9%	131
Italy	5,472	4,574	2,964	2,852	15,470	184	2,536	14.7%	9,565	9.4%	265
China	2,849	2,772	2,211	1,606	20,277	79	1,468	8.5%	18,773	18.5%	78
Spain	1,409	1,540	810	841	2,724	309	1,028	5.9%	1,083	1.1%	949
Others	8,631	7,739	5,788	3,582	31,455	114	3,177	18.4%	21,547	21.2%	147
(Africa)	1,602	2.65	4,852	2,362	39	61	7	0.04%	333	0.3%	21
<b>Total</b>	<b>35,466</b>	<b>32,121</b>	<b>24,277</b>	<b>18,182</b>	<b>119,383</b>	<b>152</b>	<b>17,309</b>	<b>100.0%</b>	<b>101,487</b>	<b>100.0%</b>	<b>171</b>

Units: volume=kg, value=¥ million, average unit price=¥ per gram

Source: Trade Statistics (MOF)

Note: Total is not always the simple sum for each column due to rounding.

**Fig. 7 Principal import trading partners of platinum jewelry to Japan**



Country	2006	2007	2008	2009			2010				
	Value	Value	Value	Value	Volume	Average unit price	Value	Volume	Average unit price		
US	27,318	27,385	23,124	16,608	1,729	9,605	19,762	51.7%	1,455	22.9%	13,583
France	12,050	10,787	12,309	7,984	291	27,442	7,883	20.6%	1,134	17.9%	6,951
Switzerland	2,267	3,012	3,135	2,782	2,847	977	2,837	7.4%	2,740	43.2%	1,035
Thailand	1,525	906	1,267	1,548	232	6,668	2,118	5.5%	335	5.3%	6,316
Hong Kong	2,263	1,112	1,008	740	31	23,950	1,330	3.5%	35	0.5%	38,541
Other	6,089	5,839	6,676	3,922	705	5,564	4,264	11.2%	644	10.2%	6,616
(Africa)	60	45	34	1	0.1	6,076	0.3	0.001%	0.05	0.001%	5,745
<b>Total</b>	<b>51,513</b>	<b>49,042</b>	<b>47,518</b>	<b>33,583</b>	<b>5,835</b>	<b>5,755</b>	<b>38,193</b>	<b>100.0%</b>	<b>6,343</b>	<b>100.0%</b>	<b>6,021</b>

Units: volume=kg, value=¥ million, average unit price=¥ per gram

Source: Trade Statistics (MOF)

Note: Total is not always the simple sum for each column due to rounding.

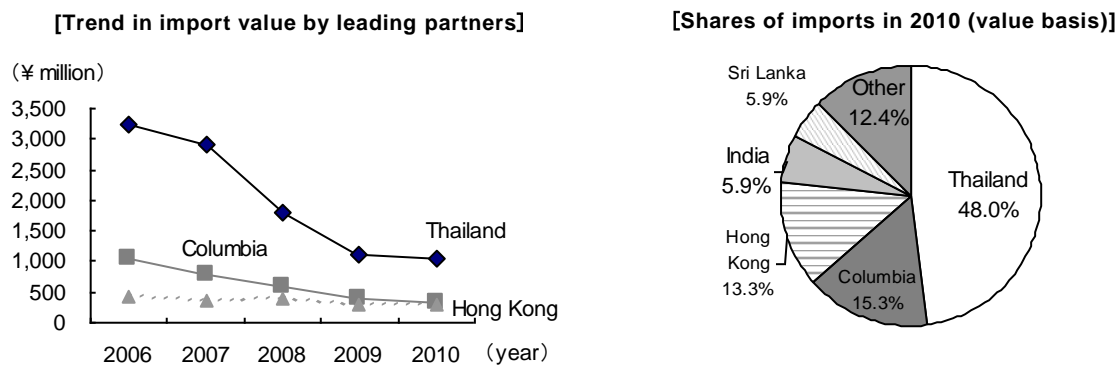
**[Colored stones]**

Colored stones are produced in Asia and South America. The largest portion of Japan’s precious stone imports comes from Thailand, amounting to 1.06 billion yen (share 48.0%) in 2010. Thailand is a producer of rubies and sapphires, and is also one of the leading worldwide centers for polishing and reworking colored stones. The next leading exporters of precious stones to Japan were Colombia (340 million yen, share 15.3%) famous for its emeralds, and Hong Kong (300 million yen, share 13.3%), which produces no stones of its own but is well known as a processing and distribution point. Other major exporters to Japan include India (130 million yen, share 5.9%) which produces stones of its own, and Sri Lanka (110 million yen, share 5.1%). On a volume basis, India held the top share with 21.9% or 670 kilo-carats of low-cost colored stones with an average unit price of 195 yen per carat.

The leading exporter of semi-precious stones to Japan was Hong Kong, accounting for 24.3% (¥1.00 billion) of total imports in 2010. The next leading exporters were China (780 million yen, 18.9%), Brazil (660 million yen, 15.9%), India (570 million yen, 13.7%), and Thailand (320 million yen, 7.7%). All of these countries are producers of colored stones except for Hong Kong, which usually ranks high as a transit point for polishing and processing gemstones. On a volume basis, Brazil and China together hold an extremely high share in the 2010 imported semi-precious stone market with China at 52.3% (540,048 kilo-carats) and Brazil at 35.3% (364,135 kilo-carats). These are ultra-low-priced semi-precious stones with unit prices of ¥1 or ¥2. Brazil is the top producer of colored stones such as aquamarine, topaz, tourmaline, garnet, amethyst, and sardonyx, etc. and is said to produce 90% of the world’s supply of major semi-precious stones. China produces aquamarine, jade, peridot, and other various semi-precious stones.

Regarding diamonds, the Central Selling Organization of De Beers Consolidated Mines Ltd. located in London is a supplier of uncut diamonds distributing to all parts of the world. De Beers holds absolute superiority in producing and selling diamonds, and is said to possess around 80% of the uncut diamonds produced globally. These stones are polished and processed in limited regions (India, Israel, Belgium) and then exported. The distribution points for diamonds are usually places where they are polished and processed. Consequently, Japan imports a substantial amount of diamonds from India, Israel, and Belgium.

**Fig. 8 Principal import trading partners of precious stones to Japan**



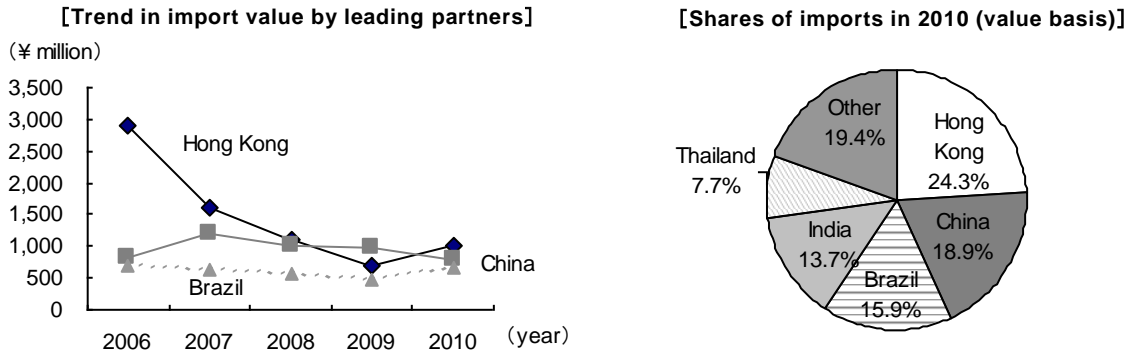
Country	2006	2007	2008	2009			2010				
	Value	Value	Value	Value	Volume	Average unit price	Value	Volume	Average unit price		
Thailand	3,248	2,895	1,797	1,115	179	6,228	1,062	48.0%	387	12.6%	2,746
Columbia	1,045	775	604	379	54	6,993	338	15.3%	62	2.0%	5,467
Hong Kong	425	356	388	295	503	588	295	13.3%	515	16.8%	572
India	121	68	113	150	320	469	131	5.9%	670	21.9%	195
Sri Lanka	393	398	269	351	27	13,038	114	5.1%	22	0.7%	5,134
Other	967	675	565	584	1,110	526	275	12.4%	1,408	46.0%	195
(Africa)	2	42	12	30	0.04	750,300	20	0.9%	0.2	0.01%	107,628
<b>Total</b>	<b>6,198</b>	<b>5,167</b>	<b>3,735</b>	<b>2,875</b>	<b>2,193</b>	<b>1,311</b>	<b>2,215</b>	<b>100.0%</b>	<b>3,065</b>	<b>100.0%</b>	<b>723</b>

Units: volume=kg, value=¥ million, average unit price =¥ per carat

Note: Total is not always the simple sum for each column due to rounding.

Source: Trade Statistics (MOF)

**Fig. 9 Principal import trading partners of semi-precious stones to Japan**



Country	2006	2007	2008	2009			2010				
	Value	Value	Value	Value	Volume	Average unit price	Value	Volume	Average unit price		
Hong Kong	2,903	1,605	1,097	701	20,191	35	1,001	24.3%	15,463	1.5%	65
China	808	1,183	1,020	985	633,875	2	781	18.9%	540,048	52.3%	1
Brazil	707	616	574	481	382,592	1	657	15.9%	364,135	35.3%	2
India	754	713	563	494	32,837	15	567	13.7%	18,347	1.8%	31
Thailand	2,347	1,767	982	493	2,980	166	319	7.7%	1,559	0.2%	205
Other	2,814	1,921	1,437	941	90,324	10	803	19.4%	92,284	8.9%	9
(Africa)	3	6	609	8	609	12	4	0.1%	2,150	0.2%	2
<b>Total</b>	<b>10,335</b>	<b>7,805</b>	<b>5,673</b>	<b>4,095</b>	<b>1,162,799</b>	<b>4</b>	<b>4,129</b>	<b>100.0%</b>	<b>1,031,836</b>	<b>100.0%</b>	<b>4</b>

Units: volume=kg, value=¥ million, average unit price = ¥ per carat

Source: Trade Statistics (MOF)

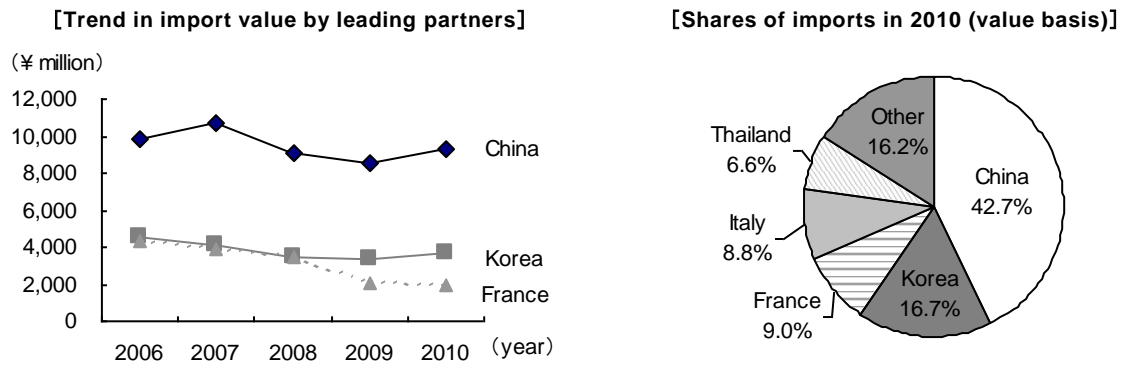
Note: Total is not always the simple sum for each column due to rounding.

**[Accessories]**

The top exporter of accessories to Japan in 2010 was China at 9.3 billion yen (share 42.7%) and 1,521 tons in volume (share 73.0%), occupying a large share of the market. Chinese exports are significantly lower in price compared to other nations with the average unit price at 6 yen per gram, leading to the increase in the volume of imports to Japan.

Accessories are mainly imported from Asia and Europe. The average unit price tends to be lower in Asia, and higher in Europe. While Asia excels with its bargain prices, Europe is superior in its prevalent stylish image, with various brands well-accepted in Japan.

**Fig. 10 Principal import trading partners of accessories to Japan**



Country	2006	2007	2008	2009			2010				
	Value	Value	Value	Value	Volume	Average unit price	Value	Volume	Average unit price		
China	9,873	10,719	9,078	8,536	1,598,807	5	9,288	42.7%	1,521,572	73.0%	6
Korea	4,523	4,149	3,439	3,320	294,382	11	3,634	16.7%	297,448	14.3%	12
France	4,300	3,880	3,509	2,053	20,389	101	1,949	9.0%	20,616	1.0%	95
Italy	2,804	2,707	2,559	2,029	36,266	56	1,923	8.8%	34,063	1.6%	56
Thailand	2,255	2,132	1,870	1,288	42,331	30	1,435	6.6%	48,670	2.3%	29
Other	5,664	5,673	4,572	2,975	163,016	18	3,523	16.2%	162,555	7.8%	22
(Africa)	27	31	16	22	5,980	4	25	0.1%	1,170	0.1%	21
<b>Total</b>	<b>29,419</b>	<b>29,259</b>	<b>25,026</b>	<b>20,201</b>	<b>2,155,191</b>	<b>9</b>	<b>21,753</b>	<b>100.0%</b>	<b>2,084,924</b>	<b>100.0%</b>	<b>10</b>

Units: volume=kg, value=¥ million, average unit price = ¥ per gram

Source: Trade Statistics (MOF)

Note: Total is not always the simple sum for each column due to rounding.

**Fig. 11 Principal import trading partners of accessories by category (2010, value basis)**

Rank	Cuff buttons plated with precious metal						Cuff buttons of base metal					
	Country	Value	Share	Yearly change	Volume	Average unit price	Country	Value	Share	Yearly change	Volume	Average unit price
1	U.K.	33	30.3%	85.9%	1,023	32	China	46	32.7%	143.4%	4,270	11
2	Germany	21	19.3%	63.7%	221	96	U.K.	27	19.5%	116.6%	661	41
3	China	21	19.2%	68.2%	1,054	20	Thailand	21	15.1%	108.2%	626	34
4	Italy	15	13.9%	52.5%	147	103	France	10	7.3%	67.0%	66	155
5	France	10	8.8%	50.5%	93	103	Germany	10	6.9%	165.1%	154	63

Rank	Other accessories plated with precious metal						Other accessories of base metal					
	Country	Value	Share	Yearly change	Volume	Average unit price	Country	Value	Share	Yearly change	Volume	Average unit price
1	China	1,637	26.7%	118.6%	173,470	9	China	4,078	48.9%	33.9%	623,628	7
2	France	968	15.8%	99.2%	7,137	136	Korea	2,160	25.9%	29.6%	169,919	13
3	Thailand	942	15.4%	264.8%	34,074	28	France	399	4.8%	244.5%	5,207	77
4	Italy	776	12.7%	97.7%	10,284	75	Italy	353	4.2%	224.5%	7,877	45
5	Korea	640	10.5%	100.1%	45,239	14	Thailand	331	4.0%	107.6%	7,364	45

Rank	Combination accessories						Wooden accessories					
	Country	Value	Share	Yearly change	Volume	Average unit price	Country	Value	Share	Yearly change	Volume	Average unit price
1	China	1,221	41.9%	91.3%	332,276	4	Italy	14	29.0%	65.8%	219	65
2	Korea	525	18.0%	92.1%	54,748	10	China	13	26.6%	98.8%	2,943	4
3	Italy	448	15.4%	90.3%	9,422	48	Philippines	6	12.5%	36.9%	1,425	4
4	France	167	5.7%	87.1%	3,687	45	India	4	7.9%	165.5%	605	6
5	India	107	3.7%	132.1%	22,654	5	Korea	2	4.5%	129.2%	185	12

Rank	Ivory accessories						Plastic accessories					
	Country	Value	Share	Yearly change	Volume	Average unit price	Country	Value	Share	Yearly change	Volume	Average unit price
1	Taiwan	30	37.5%	104.9%	354	85	China	1,343	69.6%	193.5%	268,113	5
2	China	18	22.9%	75.6%	1,372	13	Korea	175	9.0%	112.9%	17,831	10
3	Philippines	6	7.8%	59.5%	2,260	3	France	166	8.6%	124.3%	1,671	99
4	Vietnam	6	7.1%	36.1%	50	113	US	89	4.6%	209.8%	5,030	18
5	Hong Kong	4	5.2%	39.8%	16	261	Italy	86	4.4%	157.5%	1,706	50

Rank	Accessories plated with precious metal						Other					
	Country	Value	Share	Yearly change	Volume	Average unit price	Country	Value	Share	Yearly change	Volume	Average unit price
1	China	657	48.7%	71.2%	43,591	15	China	254	35.4%	152.2%	70,855	4
2	France	164	12.2%	101.2%	1,284	128	Italy	138	19.3%	88.9%	3,092	45
3	Spain	113	8.4%	1219.1%	1,318	86	France	61	8.5%	103.1%	1,409	43
4	Thailand	91	6.7%	19.1%	3,380	27	Korea	49	6.9%	111.8%	4,078	12
5	Italy	82	6.0%	61.8%	1,163	70	US	27	3.8%	138.3%	653	41

Units: volume=kg, value=¥ million, average unit price = ¥ per gram

Source: Trade Statistics (MOF)

Note1: Total is not always the simple sum for each column due to rounding.

Note2: Cuff buttons plated with precious metal = (7117.11.010), cuff buttons of base metal = (7117.11.020), other accessories plated with precious metal = (7117.19.010), other accessories of base metal = (7117.19.090), combination accessories = (7117.90.010), wooden accessories = (7117.90.021), ivory accessories = (7117.90.022), plastic accessories = (7117.90.023), accessories plated with precious metal = (7117.90.024), others = (7117.90.029)

## (2) Import Market Share in Japan

Almost 100% of the precious metal and jewelry used for jewelry in Japan are imported.

Well-established luxury brands hold an eminent position in the Japanese market, and it is said that imported brand goods account for 20 to 30% (value basis) of the jewelry market. Among these global brands, especially Tiffany (US), Cartier (France), and Bvlgari (Italy) are known as the “Big Three of the jewelry industry” and boast high sales. These upscale brands have opened stores in prestigious locations like Marunouchi and Ginza in central Tokyo, and have also located stores in suburban outlet malls, trying to expand sales. However, since many of their products are high-priced, they are strongly affected by the conservative purchasing attitudes of the consumers and the market for luxury brand jewelry is on a diminishing trend.

## (3) Changes in Volume of Imports and Backgrounds

Since almost 100% of the material for precious metal and jewelry relies on imports, the volume of imports fluctuates depending on consumer demand.

Precious metal and jewelry are nonessential goods which are purchased using disposable income. When business is

dull, consumers tend to have less of a desire to buy precious metal and jewelry. Because of this trend, an import volume decline is prominent especially in costly products such as jewelry and colored stones.

Furthermore, a recent trend has been noted to enjoy precious metal and jewelry as more of a fashion, instead of placing emphasis on its property value. Reasonably priced precious metal and jewelry that are in fashion, irrelevant of what material is being used, are becoming increasingly popular given the conditions that they have good design and are easy to coordinate with clothes.

## **5. Domestic Distribution**

### **(1) Trade Practice**

In the past, consignment contracts called “sales purchase methods” were common mostly among local retailers. This is a system where retailers make payments to the suppliers according to what was actually sold. Under this method, retail stores were able to reduce their risk of purchasing products that were not sold. However in recent years with price competition becoming fierce, the trend is leaning toward a “purchase method,” where particularly major retailer chain stores are able to procure products at a relatively low cost.

Payment is usually made by cash or a promissory note with the due dates ranging from 90 to 150 days.

### **(2) Domestic Market Situations**

#### **<Jewelry market trends>**

Jewelry is used for decorating oneself; hence there is a strong impression that it is a luxury product. Therefore it is often the case that consumers buy jewelry when they have extra cash, and the demand is particularly vulnerable to business conditions. The Japanese jewelry market (market for precious metal and jewelry) reached an all-time record size of 2 trillion yen or more in 1990 (retail price basis). Nevertheless, after the collapse of the so-called bubble economy in the early 1990s, sales of higher-priced jewelry began to decline sharply. Around 2005, with signs of the economy bouncing back, it looked like recovery was also on its way for the jewelry market. However, due to the global financial crisis of 2008, consumer buying motives took an even larger nosedive, with the market size in 2009 at 928.3 billion yen (according to the Japan Jewellery Association), falling to less than half the size of its peak.

The recent trend is expensive products not selling at retail stores, because of low consumer motivation. The average purchase amount per customer is dwindling, leading to a continuing decline in sales. Retail stores have tried to supplement decreasing sales by selling lower-priced products such as low-grade (low purity) products, products using mini semi-precious stones, and products using cubic zirconia (artificial stones). As a result, a vicious cycle of the average purchase amount dropping to an even lower level has ensued. Furthermore, demand for bridal jewelry such as engagement rings and wedding rings, considered to make up 20% of the jewelry market, is also shrinking because of the recent trend in the decline of marriages due to couples getting married at a later stage or not at all. In addition, there are cases where couples are only buying wedding rings and not engagement rings so that they can cut back on wedding expenses.

Nonetheless, it is said that the jewelry market hit the bottom in 2009 and is showing a slight recovery in 2010, with economic conditions on a partial upward trend.

#### **<Preference for jewelry>**

Especially among the young generation, consumers who place little importance on material used in jewelry are increasing. For “fashion jewelry” in which consumers enjoy jewelry as low-cost fashion within a lower price range of several tens of thousands yen, they only need to be satisfied with factors such as the design. They are not looking for high-value materials such as gold or platinum, and do not care much about the purity either. Importance is placed on how much they can enjoy and be satisfied with the product, which usually means factors such as the design, trend, and how easily it can be coordinated with daily fashion. One example of a popular product is jewelry made with cubic zirconia

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(artificial stone). Cubic zirconia is an artificial stone that is very hard to distinguish from diamonds by appearance. It is sufficient material to coordinate with and adapt to one's apparel and style. Accordingly, consumers are more concerned about the ease of coordination, rather than the asset value of the product. Since there are a large number of these practical and reasonably-priced products on the market, they need to be differentiated from other products by giving meaning to the product concept or design, or making a story out of the product in order to attract consumers.

In the jewelry market, women play a pivotal role. A recent noteworthy trend in Japan is the growth of "gift for myself" purchasing in metropolitan areas. The pattern is most prominent among working women who feel they want to reward themselves for working hard by buying jewelry for themselves. The type of jewelry they will purchase is different from the "fashion jewelry" that they normally buy. They will choose simple yet high-quality jewelry items that can be worn to the office, in the ¥200,000-300,000 class as "gifts." In many cases like this, consumers will select products placing more importance on the material being used.

Diamonds are well-known jewelry from Africa. There are some stores that sell jewelry using African diamonds and promote brand concepts of "high-class jewelry using high-class diamonds." Other renowned stones from Africa include "tanzanite," which became famous because Tiffany used the stone, and "green garnet" from Kenya.

### <Re-distribution market>

In Japan, the re-distribution market for jewelry is gaining momentum. A consumer may have purchased a piece of jewelry which he/she rarely wore afterward, and was therefore put away for a long time. A buyer will purchase the piece of jewelry, reform or remodel it and sell it in the market again. In the past, jewelry recycling meant domestic retailers handling requests for size-fixing, repairs, and cleaning for no cost or at actual cost. However in recent years, professional buyers purchase products and sell them as second-hand or remodeled products. The total value of jewelry consumed in Japan in the past would amount to several ten trillion yen, and it is said that the re-distribution market will expand further with this backlog. The boost in the redistribution market, however, is seen as a factor for the diminishing of the jewelry market.

## **(3) Distribution Channels**

Because natural materials such as precious metals and jewelry are used to make jewelry, mass production and standardization are difficult. Therefore, there is no key player that dominates the market, and the whole supply chain including manufacturers, wholesalers, and retailers is constituted of small and medium-sized businesses. This is one characteristic of the jewelry industry. Consequently, the distribution structure is growing more complex due to the absence of a leading company in the market. The basic flow of distribution would be from importer through manufacturer (material), manufacturer (product), primary wholesaler/manufacturing wholesaler, secondary wholesaler, to retailer. In reality, there is a fair volume of trading between wholesalers and between retailers, therefore making the marketing structure multi-layered.

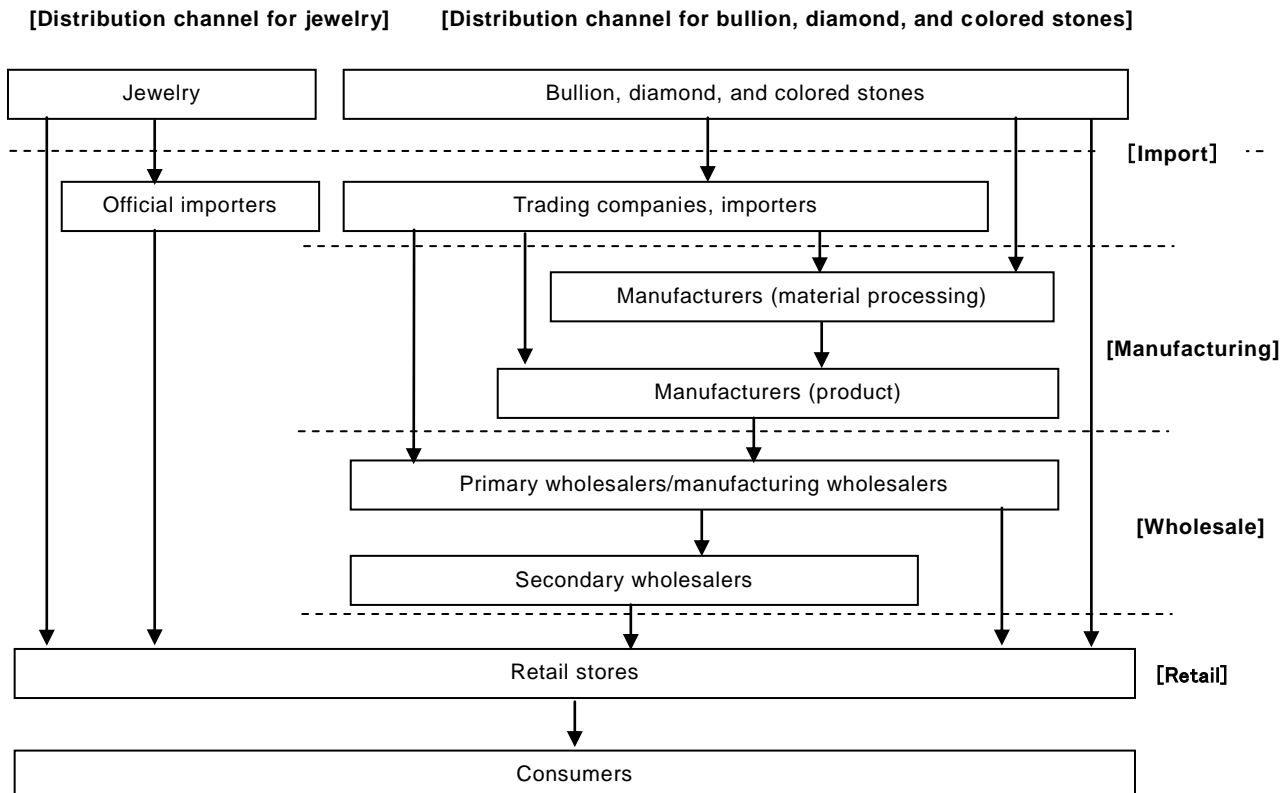
Retailers have various types of businesses. The figure for retail stores would amount close to 20,000 including stores carrying not only jewelry but also timepieces, eyewear, and other fashion accessories. Retail channels include department stores, boutiques, mass retailers, mail order sales, and door-to-door sales. Apparel makers and drapery firms are also making moves to enter the market. The recent trend is for department stores and major retailers to turn to business forms like SPA (Specialty store retailer of Private label Apparel) where planning, manufacturing and sales functions are fully integrated. They also purchase jewelry directly from overseas suppliers without going through wholesalers, and are trying to provide products at a lower cost by cutting the distribution channel short and reducing the margin. Recent times have also seen a growth in mail order sales, especially through the internet. This is due to the fact that consumers, especially the younger generation, are generally becoming more open to online shopping. Products purchased online are in the price range of a few thousand yen up to around ten thousand yen, and are generally cheaper than products purchased at stores.

**-Precious Metal and Jewelry-**

Domestic importers usually buy precious metal and jewelry directly from producing countries or at jewelry trading centers. According to the trade statistics already mentioned, the volume of precious metal and jewelry directly imported to Japan from Africa is small in number, not even making up a few percentage of the share. Much of the precious metal and jewelry produced in Africa is shipped to Japan via polishing and processing centers in Hong Kong or Thailand.

Overseas (especially Western) name-brand companies do not go through the distribution route mentioned above. Brand manufacturers or official importers usually sell directly to consumers through direct outlets.

**Fig. 12 Production and distribution system for precious metal and jewelry**



**(4) Issues and Considerations for Entering the Japanese Market and Marketing Method**

The following points need to be taken into consideration in trading precious metal and jewelry.

**<Prevalence of informal international business practices>**

Commercial trade in precious metal and jewelry has historically been noted for relying on informal business arrangements based on mutual trust, in which parties operate under parole contracts without any written contract document. Even though there may be no written agreement, people in the industry still expect strict adherence to product return and payment agreements.

**<Bonding Procedure>**

Jewelry import transactions are unique in the sense that buyers can examine the actual product before purchasing. There are cases where Japanese buyers travel abroad to purchase products, and also cases where overseas suppliers carry their products into Japan. In both cases, the Japanese buyer can check the product before purchasing. Imported products usually go through the procedure of “application for import and customs inspection,” “clearing customs,” and “receiving an import permit.” Since jewelry is purchased only after examining the actual product, there is the possibility that the product be re-exported in case business negotiations have not been agreed on upon import clearance procedures. This



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would cause cumbersome procedures including importation procedures and re-exporting procedures. In order to get rid of these cumbersome procedures, jewelry importers are allowed to use the bonding procedure which enables them to conduct a product inspection in a bonded area. The transactions currently take place at the Jewelry Trade Center, Inc., under the supervision of the Tokyo Customs Office.

The benefits of this bonding procedure are as follows:

- **Simplifies tax payments by foreigners**

Suppliers from other countries are freed from the troublesome process of having to pay tariff duties and consumption tax on merchandise brought into Japan for inspection, then having to obtain tax refunds on unsold merchandise. Once negotiations are complete, the Japanese buyer can pay any taxes owed on purchased items only.

- **Advance inspections**

Japanese buyers have the opportunity to inspect ordered merchandise after it arrives in Japan but before they have to submit notification of import. This simplifies the process if any merchandise has to be returned because it does not match the order or because of defects.

- **Transactions based on inspection**

The bonding process gives buyers the opportunity to import only the items they like and send back the rest. This saves both time and money spent traveling overseas to examine and purchase jewelry.

### **(5) Examples of Developing Countries' Products in Japan**

Uncut stones etc. from developing countries are usually imported through distribution centers. Thailand is one of these distribution centers, and is also one of the leading exporters of precious metals and jewelry to the Japanese market. The country produces uncut stones, and is also central as a polishing and processing location worldwide. The Thai government and its private industrial associations are working together to achieve a nationwide focus on the jewelry industry. For example, Thailand holds the Bangkok Gems & Jewelry Fair, which is on the largest scale in Asia, twice annually, sponsored by the Department of Export Promotion, Ministry of Commerce, Royal Thai Government (DEP), and the Thai Gem and Jewelry Traders Association (TGJTA). The country is also active within Japan and has held a seminar called the “Thailand and Japan Color Stone Education Program” for two consecutive years in 2009 and 2010. This seminar, which targeted retail store employees, was coordinated by Japanese jewelry industry associations, DEP (Department of Export Promotion, Thailand) and TGJTA (Thai Gem & Jewelry Traders Association). The purpose of this seminar was to deepen retailer knowledge regarding colored stones, in order to expand sales.

### **(6) Import Promotion Activities**

The Japan Jewellery Association hosts International Jewellery Tokyo and Japan Jewellery Fair. These events consist of exhibits leading to business meetings. They also aim to promote jewelry to general consumers by selecting celebrities as winners of Best Dresser Awards, and holding awards ceremonies and fashion shows. Companies from countries/regions such as Italy, Sri Lanka, Thailand, Taiwan, Germany, and Hong Kong exhibit at the Japan Jewellery Fair.

Other precious metal and gem-related events are also held. Japan has set November 11, the memorial day on which the unit of “carat” was officially established in Japan, as “Jewelry Day.” The Japan Jewellery Association conducts campaigns to promote the habit of wearing jewelry and to give gifts of jewelry. One example is a fund-raising activity called the “Jewelry Day Charity Campaign.”

**Fig. 13 Exhibitions and other events of precious metal and Jewelry**

Name of events	Date	Details
International Jewellery Tokyo	Annually Around January	Sponsored by Reed Exhibitions Japan Ltd. and Japan Jewellery Association. General exhibition of jewelry goods
Japan Jewellery Fair	Annually Around September	Sponsored by UBM Japan Co., Ltd. and Japan Jewellery Association. General exhibition of jewelry goods
Kofu Jewelry Fair	Annually Around April	Sponsored by Yamanashi Jewelry Association. Exhibition of jewelry goods, held in Yamanashi Prefecture
Tokyo International Gift Show	Biannually Around February, September	Sponsored by TIGS Office, Business Guide-sha, INC. General exhibition of personalized gifts and household goods
International Jewellery Kobe	Annually Around May	Sponsored by Reed Exhibitions Japan Ltd. Exhibition of jewelry goods, held in Kobe, Hyogo Prefecture
JFW International Fashion Fair	Biannually Around January, July	Sponsored by Senken Shimibun. General fashion exhibition

## 6. Import Associations & Related Organization

**Fig. 14 Import associations & related organizations**

Organization	Contact	URL
Japan Jewellery Association	TEL: +81-3-3835-8567	<a href="http://www.jja.ne.jp">http://www.jja.ne.jp</a>
Association of Gemmological Laboratories Japan	TEL: +81-3-3835-8267	<a href="http://www.agl.jp">http://www.agl.jp</a>
Platinum Guild International	TEL: +81-3-3597-0254	<a href="http://www.preciousplatinum.com">http://www.preciousplatinum.com</a>
JTC, Inc. (Jewelry Trade Center)	TEL: +81-3-3862-5600	<a href="http://www.jtc-japan.co.jp">http://www.jtc-japan.co.jp</a>
Japan Re-jewelry Council	TEL: +81-3-6806-0013	<a href="http://www.re-jewelry.net">http://www.re-jewelry.net</a>