

Why Sri Lanka

Identification of new Markets in Asia to promote Sri Lanka's **Apparel** Products



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PART- I

PRODUCT-MARKET IDENTIFICATION

1. Introduction

Apparel serves as the primary export sector for Sri Lanka, contributing 44.23% to the total exports in 2021. The dominant markets for apparel include the USA (USD 2124.54 Mn, 39.22% share), the EU (USD 1550.27 Mn, 28.6% share), and the UK (USD 690.62 Mn, 12.75% share).

Consequently, these three markets collectively constitute around 86% of Sri Lanka's apparel exports. Unfortunately, these markets are currently experiencing a recession due to increased energy prices and the ongoing conflict in Ukraine. These factors have resulted in heightened unemployment rates, ultimately leading to reduced consumer spending and a detrimental economic cycle.

Given these challenges, the Sri Lankan apparel industry is under significant pressure to explore new markets. This research aims to identify potential markets for the sector's growth over the next 5-10 years. India and East Asia have emerged as promising markets for promoting the Sri Lankan apparel sector's expansion.

All numerical data in this report is categorized under the respective Harmonized System (HS) codes representing the 'Apparel sector':

- HS Code 61: Knitted garments
- HS Code 62: Woven garments

2. Market analysis for Apparel

Major importers of apparel in Asia

Values in USD Mn

No	Importers	2017	2018	2019	2020	2021
1	Japan	26,374.02	28,489.55	27,965.37	23,953.98	23,834.59
2	China	6,618.15	7,560.95	8,132.58	8,259.06	10,734.34
3	Korea, Republic of	8,786.35	10,171.60	10,399.09	9,084.66	10,533.76
4	Hong Kong, China	11,678.71	11,923.04	10,461.88	7,237.68	7,963.33
5	Taipei, Chinese	1,742.11	1,937.82	1,949.82	1,821.64	1,927.22
6	Singapore	2,400.86	2,457.16	2,289.57	2,041.85	1,915.15
7	Malaysia	1,582.84	1,730.15	1,510.64	1,117.97	1,207.27
8	Macao, China	501.59	595.85	668.50	666.97	1,170.38
9	India	688.11	1,067.56	1,174.95	889.27	1,158.31
10	Thailand	1,035.23	1,315.63	1,380.19	1,114.84	1,061.66

Source: ICT trade Map

3. Most potential markets for Sri Lanka's apparel in Asia

As per the data presented in the provided table, a selection of countries in Asia emerges as particularly promising potential markets for the apparel sector. The countries identified are as follows:

1. **Japan:** The data underscores Japan as a robust contender for the apparel sector's expansion. Its well-established economy and consumer base present opportunities for growth and market penetration.
2. **China:** With its colossal population and burgeoning middle class, China stands out as an attractive destination for the apparel sector. The sheer size of the market provides avenues for significant expansion.
3. **South Korea:** The data suggests South Korea as a potential market due to its economic stability and consumer demand. Its strategic location in East Asia further enhances its attractiveness for apparel exports.
4. **India:** The proximity of India, coupled with the existing Indo-Sri Lanka Free Trade Agreement (ISFTA), signifies a valuable market opportunity. Additionally, the expressed interest in Intellectual Property (IP) division adds an encouraging dimension to trade relations.

The aforementioned countries exhibit promising characteristics that align with the growth objectives of the apparel sector. These observations warrant further exploration and strategic engagement to tap into the potential these markets offer.

4. Product identification for each selected markets

4.1 Most potential products for Japan

HS4 Digit Level

Values in USD Mn

HS Code	Product Description	Trade Potential 2021	Tariff 2021	Sri Lanka Exports to Japan 2021	Japan Import form World 2021
'6212	Brassieres and parts thereof, not knit	686.1	0	4.2	864.7
'6108	Women's undergarments	607.6	7	6.1	613.7
'6104	Women's suits	554.6	11	2.6	1446.8

Source: ICT trade Map

HS6 Digit Level

Values in USD Mn

HS Code	Product Description	Trade Potential 2021	Japan Import form World 2021	Sri Lanka Exports to World
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'621210	Brassieres and parts thereof	505.2	509.4	684.2
'610990	T-shirts, singlets etc, of material nes, knit	334.4	786.1	338.7
'610910	T-shirts, singlets and other vests, of cotton, knit	201.6	1284.7	203

Source: ICT trade Map

4.2 Most potential products for China

HS4 Digit Level

Values in USD Mn

HS Code	Product Description	Trade Potential 2021	Tariff 2021	Sri Lanka Exports to China 2021	China Import form World 2021
'6104	Women's suits	544.9	4	12.3	575.7
'6109	T-shirts	494.7	4	46.9	1115.6
'6204	Women's suits, not knit	485.7	5	5.8	1482.1

Source: ICT trade Map

HS6 Digit Level

Values in USD Mn

HS Code	Product Description	Trade Potential 2021	China Import form World 2021	Sri Lanka Exports to World
'610990	T-shirts, singlets etc, of material nes, knit	217.5	259.8	338.7
'620342	Mens, boys trousers & shorts, of cotton, not knit	198.9	316.5	204.4
'610910	T-shirts, singlets and other vests, of cotton, knit	198.3	855.9	203

Source: ICT trade Map

4.3 Most potential products for Korea

HS4 Digit Level

Values in USD Mn

HS Code	Product Description	Trade Potential 2021	Tariff	Sri Lanka Exports to Korea	Korea Import form World 2021
			2021	2021	

'6109	T-shirts	534.1	13	7.5	935.5
'6204	Women's suits, not knit	484.4	8	7.1	1377.6
'6212	Brassieres and parts thereof, not knit	228.9	13	4.1	233

Source: ICT trade Map

HS6 Digit Level

Values in USD Mn

HS Code	Product Description	Trade Potential 2021	Korea Import form World 2021	Sri Lanka Exports to World
'620342	Mens, boys trousers & shorts, of cotton, not knit	201.5	279.5	204.4
'610910	T-shirts, singlets and other vests, of cotton, knit	201.1	609.8	203
'610822	Womens, girls briefs or panties, manmade fibre, knit	111.1	112.5	159.1

Source: ICT trade Map

4.4 Most potential products for India

The Industrial Product Division of the Export Development Board (EDB) has expressed a keen interest in investigating avenues to foster apparel promotion within the Indian market. A comprehensive analysis of pertinent statistical data reveals the considerable potential that the Indian market holds. Evidently, the Indian consumer base exhibits a substantial appetite for superior-quality and stylish clothing items, aligning well with the apparel offerings from Sri Lanka.

The underlying market dynamics indicate a favorable environment for Sri Lankan apparel products to resonate with the discerning Indian consumers. Leveraging this opportunity could lead to noteworthy gains in terms of increased sales volume and enhanced profitability for Sri Lanka's apparel industry.

To effectively capitalize on this potential, it is recommended that Sri Lanka focuses its efforts on the following product categories within the Indian market: [Specify the product categories as per your report's context].

Strategic targeting of these specific product categories will enable Sri Lanka to tailor its offerings to align precisely with the preferences and demands of the Indian consumer market. This approach not only enhances the prospects of successful market penetration but also positions Sri Lanka's apparel sector for substantial growth within India's dynamic market landscape.

HS4 Digit Level

Values in USD Mn

HS Code	Product Description	Trade Potential 2021	Tariff 2021	Sri Lanka Exports to India 2021	India Import form World 2021
'6203	Men's suits, not knit	207.9	0	6	213.9
'6109	T-shirts	112.9	0	2.2	115.1
'6204	Women's suits, not knit	110.8	0	6.2	117

*Source: ICT trade Map*HS6 Digit Level

Values in USD Mn

HS Code	Product Description	Trade Potential 2021	India Import form World 2021	Sri Lanka Exports to World
'620342	Mens, boys trousers & shorts, of cotton, not knit	102.5	105.8	204.4

Source: ICT trade Map

PART II

JAPAN MARKET FOR THE APPAREL



Background information

Japan stands as the 13th prominent export destination for Sri Lanka. The recorded export value from Sri Lanka to Japan in the year 2021 amounted to USD 223.77 million. During the same period, the total imports from Japan to Sri Lanka reached a value of USD 419.07 million. Notably, Sri Lanka's exports to Japan marked a significant upsurge of 19.21% in the year 2021 as compared to the preceding year, 2020.

Sri Lanka's main export products to Japan in 2021 Tea in Bulk, Shrimps and Prawns, Animal Feed, Coco Peat, Fiber Pith & Moulded products, Tea Packets, Men's Outerwear, Industrial & Surgical Gloves of Rubber, Men's and Women's Under Garments, Women's Outerwear and Activated Carbon.

Apparel Imports into Japan

		Values in USD Mn				
HS Code	Product label	2017	2018	2019	2020	2021
	Apparel	26,374.02	28,489.55	27,965.37	23,953.98	23,797.85
'61	Knitted garments (% share)	48.57	48.37	48.86	50.05	52.53
'62	Woven garments (% share)	51.43	51.63	51.14	49.95	47.47

Source: ITC, 2022

Knitted garments are getting more popular in Japan as against woven garments

Apparel Market in Japan

The Japanese apparel market stands among the largest globally, reflecting a blend of cultural traditions and evolving fashion trends. While traditional attire remains integral to Japanese culture, the fashion sector has undergone a notable shift towards Western influences, often dictating and inspiring new trends. Although national dresses like the kimono continue to hold cultural significance, they are now predominantly reserved for special occasions, leading to a decline in the kimono market. Every day wear, on the other hand, has transitioned towards Western-style clothing, encompassing items such as pants, skirts, and suits.

This transformative shift can be largely attributed to the growing prevalence of Western fashion norms in Japan. Apparel manufacturers and retailers are pivotal in shaping these changing dynamics, with their emphasis on Western-style clothing in everyday attire. Traditional garments have progressively given way to a diverse array of Western clothing in the daily lives of the Japanese populace.

Japan boasts a rich landscape of multinational casual wear manufacturers, including industry giants such as Uniqlo and Muji. However, it is important to note that the Japanese apparel market is substantially influenced by imports, particularly from China. The strategic diversification of procurement markets in recent years has reduced Japan's dependence on China as a primary trading partner. Nevertheless, China remains a dominant force in the Japanese apparel market, significantly contributing to clothing imports into the archipelago.

Bilateral trade between Japan and Sri Lanka Product group:

Product: 61 Knitted garments (USD Mn)

	2018	2019	2020	2021
Japan's imports from world	13,781.06	13,663.49	11,989.27	12,526.92
Japan's imports from Sri Lanka	25.788	33.022	30.665	29.623
% Share of Sri Lanka	0.19	0.24	0.26	0.24

Product: 62 Woven garments (USD Mn)

	2018	2019	2020	2021
Japan's imports from world	14,708.49	14,301.88	11,964.71	11,307.66
Japan's imports from Sri Lanka	37.19	38.13	27.42	20.56
% Share of Sri Lanka	0.25	0.27	0.23	0.18

How Important Is Japan for Sri Lankan Garment Industry?

The Japanese apparel market has reached a substantial valuation, estimated at approximately US \$23,834.58 million in the year 2021. In contrast, Sri Lanka's total apparel exports amounted to US \$50.18 million within the same year. However, Sri Lanka's current standing as the 17th apparel supplier to Japan translates to less than 1 percent of the total export revenues from the apparel sector. This indicates a significant potential for market share expansion within the Japanese apparel market.

The retail landscape of Japan's apparel industry witnessed the generation of approximately 7.5 trillion Japanese yen in sales value during the year 2020. Remarkably, the women's fashion segment dominates this market, accounting for around half of the retail sales.

Notably, Japan boasts a diverse range of fashion brands that cater to various consumer preferences, spanning from budget-friendly casual wear to high-end luxury fashion. Local fashion events primarily featuring Japanese brands primarily target the general public, contributing to the country's distinct fashion ecosystem. On the other hand, global fashion shows hold significant influence over the luxury fashion segment, both setting and reflecting prevailing trends in the industry.

Among the notable players, fast fashion enterprises such as Uniqlo and GU, owned by Fast Retailing, stand out. These brands consistently introduce fresh styles through their seasonal collections, thereby redefining the apparel market through innovative functional wear.

From Sri Lanka's perspective, Japan presents a promising target market. The substantial market size, diverse consumer demands, and the presence of both established and evolving fashion brands position Japan as an opportune arena for the expansion of Sri Lanka's apparel sector.

Trends in Japan

The concept of sustainability has significantly influenced purchasing patterns within the Japanese consumer landscape in recent years. A discernible shift is observed in consumers' preferences, particularly evident in their demand for sustainable materials when acquiring new items. Notably, the ascendancy of organic and recycled materials is at the forefront of these evolving trends. A noteworthy transformation is also witnessed in the management of unwanted clothing, where items in good condition are redirected away from wastage through the burgeoning reuse market.

In response to the evolving sustainability paradigm, innovative re-commerce platforms have emerged to facilitate the resale of unwanted clothing items. A notable outcome of this endeavor is the establishment of Japan's inaugural unicorn startup, attaining a remarkable valuation of \$1 billion USD. Demonstrating impressive growth since its inception, the consumer-to-consumer (C2C) flea market app Mercari experienced a doubling of its active user base within a short span.

This transformative landscape reflects a significant cultural and behavioral shift, with consumers actively engaging in sustainable consumption practices. The embrace of re-commerce platforms underscores both the environmental consciousness and the economic potential that lie at the intersection of sustainability and commerce in Japan.

Source: <https://www.statista.com/>

Competitiveness of Garments industry in Japan

		CY2020									
		Knitwear		Fabric Clothing		Other Clothing & Accs			Total		
		Units '000	Value ¥m	Units '000	Value ¥m	Tonnage	Value ¥m	Tonnage	Share	Value ¥m	Share
1	China	1,341,404	650,365	673,556	587,151	109,072	217,477	586,247	61.9	1,454,993	55.8
2	Vietnam	355,566	202,411	155,454	191,820	10,551	33,982	135,333	14.3	428,214	16.4
3	Cambodia	117,154	52,256	56,129	56,338	913	3,411	42,661	4.5	112,005	4.3
4	Bangladesh	149,904	54,192	65,185	55,435	597	1,247	58,096	6.1	110,874	4.3
5	Myanmar	62,528	25,729	67,478	74,803	776	2,296	38,226	4	102,828	3.9
6	Indonesia	68,631	40,490	47,881	44,477	4,564	6,716	34,822	3.7	91,683	3.5
7	Italy	1,468	24,598	1,451	40,524	271	12,786	1,553	0.2	77,908	3
8	Thailand	55,434	24,553	15,717	5,717	4,454	13,591	11,931	1.3	43,861	1.7
9	India	10,826	5,398	23,092	17,062	465	1,365	7,204	0.8	23,825	0.9
10	Romania	183	2,830	579	13,013	1	37	404	0	15,880	0.6
	Asean	687,716	360,933	346,550	380,185	25,118	67,277	275,609	29.1	808,395	31
	<i>YoY %</i>	-9.5	-10.9	-5.9	-14	-8.5	-9.3	-10.2		-12.2	
	EU	4,712	40,497	3,318	72,587	563	20,920	3,731	0.4	134,005	5.1
	<i>YoY %</i>	-24.4	-16.9	-22.7	-13.7	-28.8	-22.7	-22.8		-19.2	
	Global	2,235,794	1,143,955	1,123,902	1,146,418	137,812	317,679	947,352	100	2,608,052	100
	<i>YoY %</i>	-10.7	-13.7	-11.1	-19.4	-12.2	-15.7	-11.8		-16.1	

Source: Japan Govt Data; JapanConsuming

As depicted in the presented chart, China persists as the predominant exporter to Japan, holding a substantial 62% share of the total volume of exported goods. However, this commanding volume share translates to a relatively lower value share of 55.8%, underscoring the prevalence of comparatively lower-priced products originating from China.

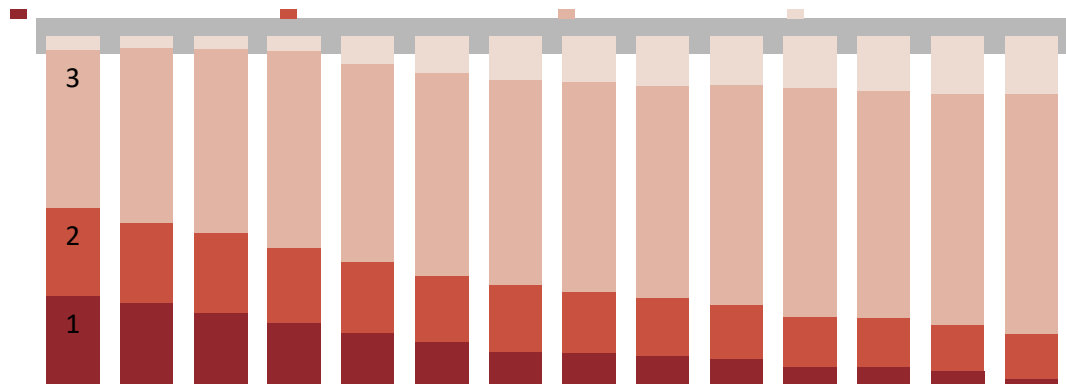
Within the top 10 exporter countries, only Italy and Romania from the European Union (EU) find representation. Italy, in particular, has consistently maintained its presence among Japan's top exporters for an extended period. Italy's enduring stature is attributed to its role as a significant supplier of both textiles and apparel, particularly within the premium market segment.

The distinct market positioning of Italy becomes evident through its market shares. With a marginal 0.2% share by volume, Italy's value share resonates more prominently, constituting 3% of the total. This prominence in the value share underscores Italy's role as a supplier of higher-value goods, accentuating its presence within the premium market segment and reinforcing its relevance within Japan's import landscape.

Products that Sri Lanka should target in Japan

HS Code	Product Description
• 621210	Brassieres and parts thereof
• 610990	T-shirts, singlets etc, of material nes, knit
• 610910	T-shirts, singlets and other vests, of cotton, knit
• 620342	Mens, boys trousers & shorts, of cotton, not knit
• 610463	Womens, girls trousers, shorts, synthetic fibres, knit
• 611610	Gloves impregnated or coated with plastic,rubber, knit
• 610462	Womens, girls trousers & shorts, of cotton, knit
• 611120	Babies garments, accessories of cotton, knit
• 620469	Womens, girls trousers, shorts, material nes, not knit
• 610822	Womens, girls briefs or panties, manmade fibre, knit
• 610821	Womens, girls briefs or panties, of cotton, knit
• 610711	Mens, boys underpants or briefs, of cotton, knit
• 620462	Womens, girls trousers & shorts, of cotton, not knit

Key Retail Channels



1. Department Stores 2. GMS/Supermarkets 3. Specialty Stores 4. Non-store retailing
Source: Company Reports; Nikkei; Stores Report; Hanbai Kakushin; JDSA; JapanConsuming.

Department Stores

The decline in market share of department stores within the top 100 is a persisting trend. The presented chart underscores this trajectory, revealing a significant reduction in the department store's apparel market share over the past 15 years. Starting at 38%, this market share has dwindled considerably, reaching a mere 18.3% within the given timeframe.

This decline can be attributed to a combination of shifting consumer preferences and market dynamics. Evolving consumer demands and changing tastes have played a pivotal role in reshaping the landscape. Simultaneously, structural factors have also influenced this trend. The department store sector grappled with issues of excess capacity, leading to a substantial contraction in store numbers, with an approximate decline of nearly 30%.

Concurrently, consumers have demonstrated a notable inclination towards specialty chains. These specialty chains have gained traction due to their ability to deliver significantly higher cost performance to consumers. This enhanced value proposition has driven consumers away from traditional department stores towards these specialized retail options, contributing to the observed decline in the department store's market share within the apparel sector of the top 100.

GMS Chains

GMS chains, encompassing hypermarkets that offer a diverse range of products including supermarket produce, apparel, and household items like televisions, encountered a relatively more modest decline in their market share, down by 0.2 points in FY 2019. However, this decrease is part of a broader trend over the past 15 years, during which GMS chains have witnessed a substantial reduction of approximately 50% in their market share.

Parallel to the predicament faced by department stores, the decline in GMS chains' market share can be attributed to several converging factors. The ascent of specialized retail chains that offer enhanced value propositions to consumers and the burgeoning influence of e-commerce have significantly impacted the traditional retail landscape. These developments have fostered a shift in consumer behavior, drawing them away from conventional retail avenues.

Furthermore, the evolution of shopping traffic patterns has played a pivotal role in reshaping the dynamics. Shopping centers, particularly those situated in close proximity to transportation hubs such as train stations, have garnered increasing attention from consumers. This changing pattern is underpinned by the convenience and accessibility these shopping centers offer, further diverting consumer footfall from traditional retail formats like GMS chains.

In essence, the downward trajectory of GMS chains' market share finds resonance with the broader trends shaping the retail sector, marked by the ascendancy of value-driven specialized chains, the proliferation of e-commerce, & shifting preferences for shopping centers located in high-traffic areas.

Specialty Chains

Within this retail format, a notable concentration of market share is evident, primarily held by a select few prominent retailers. The foremost among them is Fast Retailing, recognized as the entity behind Uniqlo and GU, commanding an approximate 10% share of the overall apparel market. Additionally, other key players include Adastria, Ryohin Keikaku (Muji), Stripe International, Pal Group, and World. The market landscape is further enriched by the presence of various premium retailers, including the notable United Arrows.

A discernible shift towards specialty retailing has been witnessed, becoming a prominent feature over the past two decades. This trajectory is distinctly highlighted in the chart, which showcases a consistent rise in specialty market share over the course of 16 out of the last 17 years. Notably, this share surged by nearly 2 points, reaching 57.2% in FY 2019.

While most specialty chains have demonstrated robust performance in the last decade, it is noteworthy that a segment of traditional retailers has encountered declining sales. These older, conventional retailers have grappled with diminishing viability in the changing retail landscape. This stark divergence underscores the evolving dynamics within the industry, with agile and specialized retail chains emerging as dominant contenders, while older establishments contend with challenges in maintaining their competitive edge.

In essence, the market share distribution within this format is marked by a concentration of major players, led by giants like Fast Retailing. The prevailing trend towards specialty retailing has seen consistent growth, largely fueled by evolving consumer preferences. However, this shift has also brought challenges to traditional retailers, necessitating adaptation to remain relevant and competitive in the rapidly transforming market milieu.

The key wholesale and retail sectors

Wholesalers and Distributors

- Trading Companies
- General Fashion Distributors
- Specialist Textile Distributors/Wholesalers
- Specialist Apparel Distributors/Wholesalers

Retailers

- Apparel Specialty Retailers
- Select Shops
- Department Stores
- GMS Chains
- E-Commerce

Distributors and trading firms in Japan

Three types of trading company are active in fashion distribution in Japan:

- Sogo Shosha (large General Trading Companies)
- Senmon Shosha (Specialist Trading Companies)
- Importer-Distributors (similar to distributors in other markets)

Leading Fashion Importers

Company	Website
A.Ka Tokvo	http://www.akatokvo.com
Airmonte	http://www.airmonte.co.jp
Aman	http://aman.ne.jp
Aoi	http://www.aoi-net.co.jp
BLBG	http://www.blbg.co.jp
Bluebell Japan	http://jp.bluebellgroup.com
Bluemoon	http://bluemoon-
Boy's Co.	http://www.bovscold.co.jp
Caitac International	http://www.caitac.co.jp
Coronet	http://www.coronet.jp
Diptrics	http://www.diptrics.com
Emporio	http://www.emporio.co.jp
Figo	http://www.figo.co.jp
Hero International	http://www.hero-inter.com
HighBridge Int'l	https://highbridge-
HP France	http://www.hpfrance.com
Jack of All Trades	http://www.jackofalltrades.i
Kamei Proact	http://kamei-pro.co.jp
KIC	http://www.kic-jpn.com
Lapine	http://www.lapine.co.jp
Lea Mills	http://www.lea-mills.jp
Lidea	http://www.lidea.jp
Look Inc.	http://www.look-inc.jp
LTN	http://www.ltn.jp
Maiden	http://www.maiden.jp
Misaki Shoji	http://www.misaki.co.jp
Mitsui Bussan i-	http://www.mif-
Oiso Sangyo	http://oiso.co.jp
Onward Global Fashion	https://onwardglobalfashion
Prime Corpration	http://www.prime-

Trade Shows and Events

- **Fashion World Tokyo**
(Apparel (Import and domestic), textile (import), OEM, sustainable fashion, etc.) Tokyo: 18-20 October 2021, Tokyo: 6-8 April 2022
<https://www.fashion-tokyo.jp>
- **Rooms**
(Apparel, accessories, shoes, etc)
Tokyo: 21-23 October 2021 (the first closing date for the application is 31 July, and the second date is 31 August): Tokyo
<https://www.roomsroom.com>

- **Rooms Online Showroom**
3 June 2021-31 August 2021
1 September - 30 November 2021, 1 December - 28 February (2022)
<https://www.roomsroom.com/showroom>
- **Plug In**
(Apparel, accessories, etc) Tokyo 27-29 October 2021 <https://plugin-ex.com>
https://plugin-ex.com/pdf/202103_plugin_application.pdf
- **Project Tokyo**
(Apparel, Fashion accessories, shoes) Tokyo: 8-9 September 2021
<https://www.project-tokyo.com>
- **Jumble**
(Casual, outdoor, sports, lifestyle apparel, shoes, etc) Tokyo: 1-3 September 2021
<https://jumble-tokyo.com>
- **MAG**
(Apparel, Fashion accessories, shoes) Tokyo: 7-9 September 2021
Osaka: 21-22 September 2021 <https://mag-preview.com>
AFF (Asia Fashion Fair) (Apparel and Textile) Osaka: 13-14 April 2021
<http://www.asiafashionfair.jp>
- **JIAM Osaka**
(Textile)
Osaka: 30 November - 3 December 2022
<https://jiam-show.com>
- **Premium Textile Japan**
Tokyo: 25-26 May 2021 <http://www.ptjapan.com/index2.html>
JITAC European Textile Fair Tokyo: 20-22 October 2021
<https://www.jitac.jp>

How to sell to Japan

Brick-and-mortar establishments persist as the primary shopping channels for Japanese consumers, with department stores retaining their significance as pivotal points of sale. Nonetheless, the realm of offline retail has witnessed a consistent decline in recent years, largely attributed to the escalating prevalence of online apparel sales, achieving record highs on an annual basis.

This report encapsulates an extensive array of potential retailers, distributors, and trading firms operating within Japan. The decision for Sri Lankan exports to establish a presence in the Japanese market hinges on multiple factors, including the company's scale, commitment level, and available budgets.

In the contemporary landscape, a compelling avenue to test the Japanese market involves initiating online sales, followed by potential investments. This strategy necessitates a modest investment in

tasks such as hiring a translator to render key pages into Japanese and arranging cost-effective shipping solutions. Platforms like Amazon provide a seamless interface to engage in online sales, simplifying the process.

For enterprises inclined to collaborate with distributors, this report outlines the distinctions between trading companies and distributors, elucidating their operational methodologies. This insight assists exporters in discerning the most suitable partnership type based on their specific circumstances. Engaging with such intermediary firms presents numerous benefits, including the opportunity to leverage their existing expertise. However, a wealth of experience derived from interactions within the Japanese business landscape underscores the paramount importance of effective communication in cultivating successful partnerships. Open, frequent communication is essential for nurturing and maintaining fruitful relationships with business partners in Japan.

In summary, while brick-and-mortar stores persist as dominant shopping avenues for Japanese consumers, the escalating surge in online apparel sales underscores the shifting dynamics of consumer behavior. This report encompasses a comprehensive overview of potential avenues for Sri Lankan exports to access the Japanese market. The choice of entry mode depends on various factors, and it is increasingly viable to initially test the waters through online platforms. For those opting to collaborate with distributors or trading firms, understanding their distinct roles and effective communication remain critical factors for cultivating mutually beneficial relationships.

Sources and Trade Bodies

Trade Bodies

- Japan Customs : <https://www.customs.go.jp>
- Ministry of Economy, Industry and Trade : <https://www.meti.go.jp>
- JETRO : <https://www.jetro.go.jp>
- Japan Department Store Association : <http://www.depart.or.jp>

Sources of Information

- Japan Consuming: produces a monthly report on Japanese retail & consumer markets: <https://www.japanconsuming.com>
- News on Japan: a source of English language news on Japan: <http://www.newsonjapan.com>
- Doing business in Japan: <http://www.venturejapan.com/doing-business-in-japan/how-to-sell-to-japanese-corporations/foreign-executives-selling-in-japan/>
- Street Fashion Trends: <http://www.web-across.com>.

Relevant Major Trade Publications

- Gekiryu (general retail, monthly): <https://www.kokusaishogyo.co.jp/gekiryu/>
- Nikkei Marketing Journal (Nikkei MJ) (newspaper covering all aspects of marketing, 3 times a week): <https://www.nikkei.com/theme/?dw=18083102>

- Nikkei X-Trend (Daily marketing blog): <https://xtrend.nikkei.com>
- Hanbai Kakushin (general retail & distribution, monthly): <https://www.fujisan.co.jp/product/1281679630/>
- Senken Shimbun (textile and apparel daily): <https://senken.co.jp>

Regulations in Japan

Ruling administrative bodies

When venturing into the realm of exporting to Japan, it is imperative to familiarize oneself with two primary administrative entities that play pivotal roles in this process. For uncomplicated export transactions to Japan, your primary engagement will typically be with Japan's Customs Organization, the principal entity responsible for overseeing the customs-related aspects of the export process.

Complementing the role of the Customs Organization, the Ministry of Economy, Trade and Industry (METI) serves as the overarching governing body with authority over trade-related matters. METI's purview extends to shaping and regulating various aspects of trade activities, encompassing policies, regulations, and frameworks that underpin the broader trade landscape.

In essence, these two administrative bodies—Japan's Customs Organization and METI—constitute the core components of Japan's regulatory infrastructure governing exports. Developing a nuanced understanding of their roles and interactions is pivotal for successfully navigating the complexities of the export process to Japan.

- Japan Custom: <https://www.customs.go.jp/english/index.htm>
- Ministry of Economy, Trade and Industry (METI): <https://www.meti.go.jp/english/index.html>

Labelling rules

The process of labeling products for consumer distribution in Japan is governed by distinct regulations unique to the country. Typically, when engaging in export activities to Japan, the destination points often involve distributors, agents, or subsidiaries. In these scenarios, the responsibility for crafting and adapting labels to conform to the Japanese market requirements rests with the Japanese counterpart.

In instances where applying labels during the manufacturing phase proves to be efficient, the Japanese side will offer guidance on the specifics of wording and other requisites dictated by Japanese regulations. Moreover, the label will necessitate the inclusion of the name of the Japanese entity responsible for overseeing the sale of the goods within the Japanese market. For example, if the goods are being sold through a subsidiary established in Japan, the label must bear the name, address, and contact number of that subsidiary, as opposed to the home country company details.

Notably, for exporters keen on comprehending the potential intricacies associated with labeling requirements, the Japanese government has offered a comprehensive guide in English. This guide outlines the essential information that needs to be presented on labels, contingent upon the nature of the exported product. By providing clear insights into the type of information demanded based on the

specific product, this resource assists exporters in navigating the labeling aspect while ensuring compliance with Japanese regulations.

In essence, Japan's distinct labeling regulations necessitate a tailored approach when exporting to the Japanese market. Collaboration with local counterparts ensures adherence to these regulations, while resources such as the government-provided labeling guide offer valuable clarity on the intricacies involved in product labeling.

The details are as follows:

Japan Household Goods Quality Labelling Act:

https://www.caa.go.jp/policies/policy/representation/household_goods/pamphlet/pdf/pamphlet_03_0001.pdf

Processes for export

Presently, exporting to Japan represents a notably streamlined endeavor, facilitated by advancements in processes that have gradually unfolded throughout history. The trajectory points toward further simplification and refinement of export procedures over the coming years. While certain categories such as food and cosmetics entail more intricate procedures, the export pathway for leather products and footwear holds a relatively straightforward trajectory.

Although the fundamental export process mirrors that of other markets, what sets Japan apart is the minimal number of barriers confronting exporters. Cultural barriers, including language considerations (though the English proficiency level is consistently improving), and heightened expectations regarding product quality and customer service are among the main considerations. Notably, these expectations often surpass those of other markets, particularly concerning the punctuality of shipments and the meticulousness of packaging.

Mechanically, the export process entails familiar components such as documentation and shipping arrangements, largely comparable to those applied in any market. The standard documentation requirements encompass the following:

- A completed import declaration form (Customs form C-5020), with three copies
- Invoice
- Bill of lading or Air Waybill
- Packing lists, freight accounts, insurance certificates, and any supplementary documents deemed necessary
- Customs duty payment slips, applicable in cases where goods are dutiable

The inherent ease in accessing the Japanese market underscores the importance of navigating cultural expectations and quality benchmarks. Familiarity with the prescribed documentation and procedural aspects remains pivotal, as the Japanese import landscape, while streamlined, necessitates adherence to the established protocols.

In essence, exporting to Japan represents a notably facilitated process, with evolving processes geared towards enhanced simplicity. The focus remains on bridging cultural considerations and adhering to stringent quality norms, ensuring a seamless entry into the Japanese market.

Consumption Tax

Japan has a Consumption Tax of 10% (increased from 8% in October 2019) which is applied to all imports.

Tariffs and Regulatory requirements

HS code	MFN duties	Regulatory requirements
621210	0%	1. Restricted use of certain substances 2. Labelling requirements 3. Product-quality, safety or -performance requirement
610990	10.90%	-
610910	10.90%	-

For more information, please refer (ITC market Access Map)

<https://www.macmap.org/en/query/results?reporter=392&partner=144&product=610910&level=6>

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