

Research on the Sporting Goods Industry in Japan

➤ **Research Outline**

Yano Research Institute has conducted a study on the sporting goods industry according to the following research outline.

1. Research objective:

The objective of this research is to reveal the factors that constitute current environment of the sporting goods market in Japan and to understand the background of the market trend, as well as to forecast the future trend of the market, by obtaining up-to-date information.

2. Research items: Sporting goods (16 categories: Golf, Ski, Fishing, Athletic wear, Outdoor, Sports shoes, Tennis, Swimming, Baseball & Softball, Marine sports, Snowboarding, Cycle sports, Badminton, Martial arts, Table tennis and Fitness)

3. Research targets: 450 major Japanese companies dealing with sporting goods, including manufacturers, wholesalers and retailers

4. Research period: From November 2007 to February 2008

➤ **Research topics:**

- Market trend outlook
- Trend of the retail channels
- Analysis on the consumer behavior
- Market forecast
- Product trend of the sporting goods
- Ranking of manufacturers by annual shipment value

*The research topics covered depend on product category.

➤ **Summary of Research Findings**

- The market size of the sporting goods in shipment value in 2007 is estimated to be 1,242 billion and 545 million yen, 102.3 % of the previous year. The market has achieved positive growth for three consecutive years from 2005.
- The rapid growth of the “wellness-related market” is supporting the market growth in spite of the continuous sluggish sales of the recreational sporting goods typified by winter sports. Swimming goods, cycling goods, running goods, walking shoes, etc. are all categorized in the field of “wellness” that is supposed to be beneficial to one’s health. It is assumed that the recent growing awareness of metabolic syndrome is a driving factor for people not participating to any sports regularly to do some sorts of exercises. Another important factor that greatly contributed to the positive growth of the entire sporting goods market is that the golf market, with the largest share in the total sporting goods market, had turned to a growth category.

➤ **Report format:**

Published report: “White Paper on the Sporting Goods Industry 2008 (with CD-ROM)”

Issued in: March 2008

Language: Japanese

Format: 667 pages in A4 format

Price: 155,000 yen (7,750 yen of consumption tax will be additionally charged for sales in Japan.)

Contacts:

Public Relations

Yano Research Institute Ltd. (URL: <http://www.yanoresearch.com/>)

Phone: +81-3-5371-6912

E-mail: press@yano.co.jp

➤ Overview of the research outcome

The total shipment value of sporting goods in Japanese market in 2007 is projected to be 1,242 billion and 545 million yen (approx. 11.95 billion US dollars at 104 yen/\$), 102.3% of the previous year. The market has achieved positive growth for the three consecutive years from 2005 after hitting the bottom, and it is now on the trend in the direction of stable growth. There are two important factors that contributed to raising the total sporting goods market size. The one should be the increase of demand for the items used for daily exercise to improve ones' health and body shape mainly by the people who have just begun some exercises. And, the other should be the resurgence of the golf industry that has the largest share in shipment value in the entire sporting goods market.

The key word of "health" and "beauty" might have attracted much more attention in 2007 than they did ever before. For the most people who have just started exercises, it is most important to "stay in fit", and they were attracted to engaging in, for instance, swimming, cycling, running, walking or some other types of fitness, which has raised the sale of these categories that should be classified in the "wellness-related market". In particular, walking-related goods and fitness goods became very popular among the people who are concerned about metabolic syndrome. And thus, sports are not done or played only for athletic purpose these days but also for improving ones' "health" and "beauty". For example, the fitness market exploded, with large-scale participation of women in the fitness accelerated by the key words of "health" and "beauty", and this is proved by the double digit growth of the markets for three consecutive years from 2005. Consequently, the total wellness-related market was activated also by the rapid increase of participants in some unique categories of fitness such as yoga and Pilates. As for the "walking"-related market that has also achieved rapid growth due to the close relation to "health" has turned to the focus category of both manufactures and retailers backed by the great demand for walking shoes mainly from middle-aged and senior persons. The demand of the walking shoes had been stimulated due to the increase of demand for traveling purpose in addition to conventional athletic purpose. The walking-related market that includes the sales of walking shoes also made double digit growth for the last few years, which, as well as fitness market, truly played an important role in achieving positive result of the 102.3% shipment year-on-year.

With respect to the golfing goods market with the largest share of the 16 categories* of sporting goods market, it has changed to the growth category after suffering from long lasted curtailment of business scale caused by the sluggish demand after the collapse of the bubble economy, which greatly contributes to the positive growth of the entire sporting goods market without doubt. Activities of existing players have been further enhanced and new participants have been increased by diversification of play style promoted by popularization of golf which was triggered by soaring popularity of ladies professional golf players and by the increase of foreign capital golf courses.

It is highly expected that the overall market trend described above continue throughout 2008, and the Japanese domestic market size of the sporting goods (shipment basis) in the same year is forecasted to be 1,278 billion and 38 million yen (approx. 12.29 US dollars at 104 yen/\$), 102.9% year-on-year.

In some categories, however, the imbalance of supply versus demand has occurred due to great increase of supply with a surge of openings of new stores most of which are mass merchandisers of sporting goods, directly operated stores and outlet stores, and there may be overstocks at foregoing stores even for growing categories. Furthermore, there are 6 categories out of the 16 categories exhibiting trend of sales decline. It is concerned, therefore, that the total market decline again if the status described above continues.

*16 categories: Golf, Ski, Fishing, Athletic wear, Outdoor, Sports shoes, Tennis, Swimming, Baseball & Softball, Marine sports, Snowboarding, Cycle sports, Badminton, Martial arts, Table tennis and Fitness

Market Size of Sporting Goods in Japan (Shipment value basis)

Units: Mil. Yen, % (Upper row : Market share, Lower row : Year-on-year ratio)

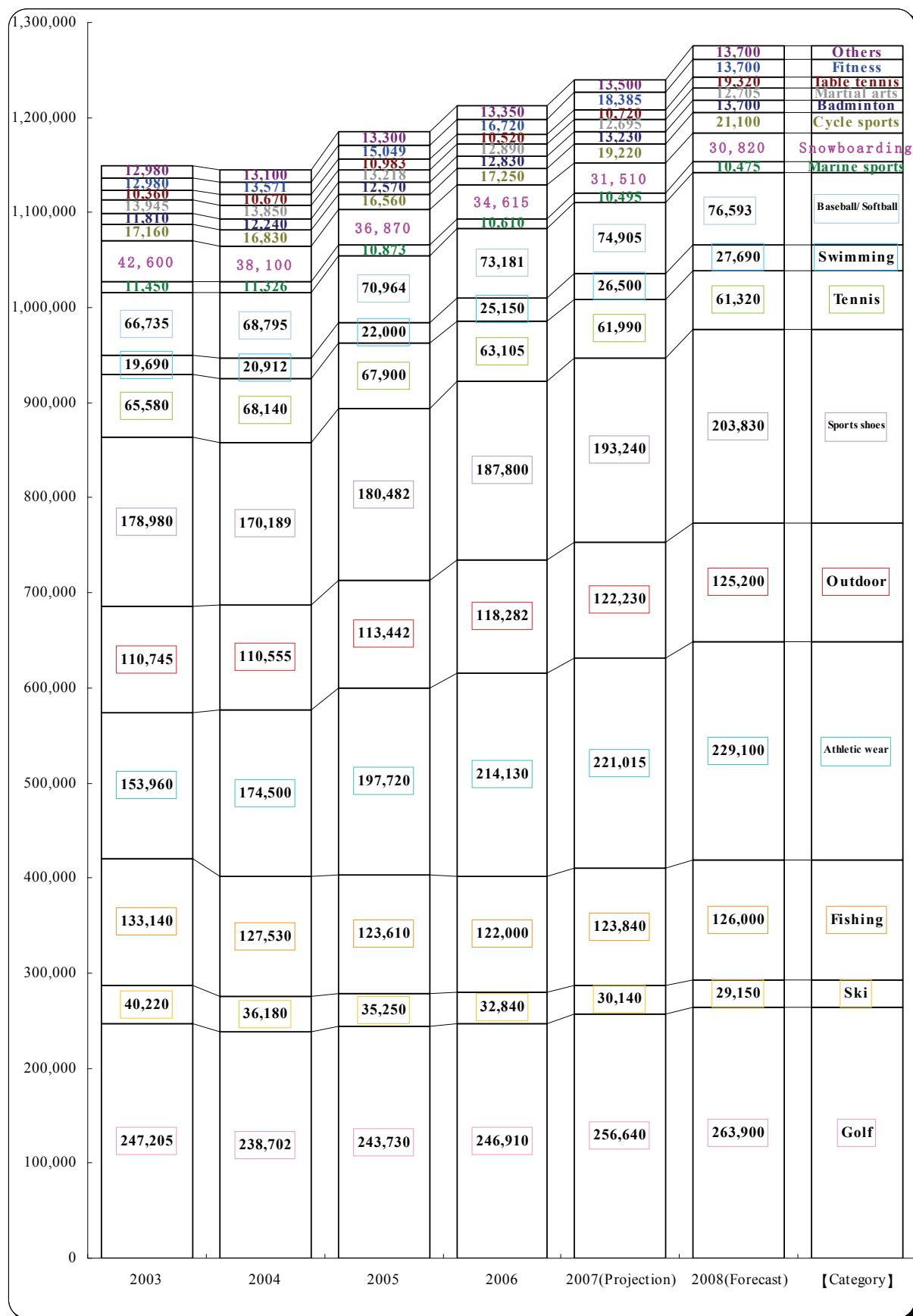
	2003		2004		2005		2006		2007(Projection)		2008(Forecast)	
		%		%		%		%		%		%
Golf	247,205	21.4	238,702	20.7	243,730	20.5	246,910	20.3	256,640	20.7	263,900	20.6
		-		96.6		102.1		101.3		103.9		102.8
Ski	40,220	3.5	36,180	3.1	35,250	3.0	32,840	2.7	30,140	2.4	29,150	2.3
		-		90.0		97.4		93.2		91.8		96.7
Fishing	133,140	11.5	127,530	11.1	123,610	10.4	122,000	10.0	123,840	10.0	126,000	9.9
		-		95.8		96.9		98.7		101.5		101.7
Athletic wear	153,960	13.3	174,500	15.1	197,720	16.6	214,130	17.6	221,015	17.8	229,100	17.9
		-		113.3		113.3		108.3		103.2		103.7
Outdoor	110,745	9.6	110,555	9.6	113,442	9.5	118,282	9.7	122,230	9.8	125,200	9.8
		-		99.8		102.6		104.3		103.3		102.4
Sports shoes	178,980	15.5	170,189	14.8	180,482	15.2	187,800	15.5	193,240	15.6	203,830	15.9
		-		95.1		106.0		104.1		102.9		105.5
Tennis	65,580	5.7	68,140	5.9	67,900	5.7	63,105	5.2	61,990	5.0	61,320	4.8
		-		103.9		99.6		92.9		98.2		98.9
Swimming	27,650	2.4	28,700	2.5	28,000	2.4	27,990	2.3	28,790	2.3	30,400	2.4
		-		103.8		97.6		100.0		102.9		105.6
Baseball/ Softball	66,735	5.8	68,795	6.0	70,964	6.0	73,181	6.0	74,905	6.0	76,593	6.0
		-		103.1		103.2		103.1		102.4		102.3
Marine sports	11,450	1.0	11,326	1.0	10,873	0.9	10,610	0.9	10,495	0.8	10,475	0.8
		-		98.9		96.0		97.6		98.9		99.8
Snowboarding	42,600	3.7	38,100	3.3	36,870	3.1	34,615	2.8	31,510	2.5	30,820	2.4
		-		89.4		96.8		93.9		91.0		97.8
Cycle sports	17,160	1.5	16,830	1.5	16,560	1.4	17,250	1.4	19,220	1.5	21,100	1.7
		-		98.1		98.4		104.2		111.4		109.8
Badminton	11,810	1.0	12,240	1.1	12,570	1.1	12,830	1.1	13,230	1.1	13,700	1.1
		-		103.6		102.7		102.1		103.1		103.6
Martial arts	13,945	1.2	13,850	1.2	13,218	1.1	12,890	1.1	12,695	1.0	12,705	1.0
		-		99.3		95.4		97.5		98.5		100.1
Table tennis	10,360	0.9	10,670	0.9	10,983	0.9	10,520	0.9	10,720	0.9	10,725	0.8
		-		103.0		102.9		95.8		101.9		100.0
Fitness	12,980	1.1	13,571	1.2	15,049	1.3	16,720	1.4	18,385	1.5	19,320	1.5
		-		104.6		110.9		111.1		110.0		105.1
Others	12,980	1.1	13,100	1.1	13,300	1.1	13,350	1.1	13,500	1.1	13,700	1.1
		-		100.9		101.5		100.4		101.1		101.5
Total	1,157,500	100.0	1,152,978	100.0	1,190,521	100.0	1,215,023	100.0	1,242,545	100.0	1,278,038	100.0
		-		99.6		103.3		102.1		102.3		102.9

Estimated by Yano Research Institute

Note: The above numbers (including those for 2006 or before) are based on the research and the calculation newly conducted during the research period of this report (Nov. 2007 - Feb. 2008).

Market Size of Sporting Goods in Japan by Category (Shipment value basis)

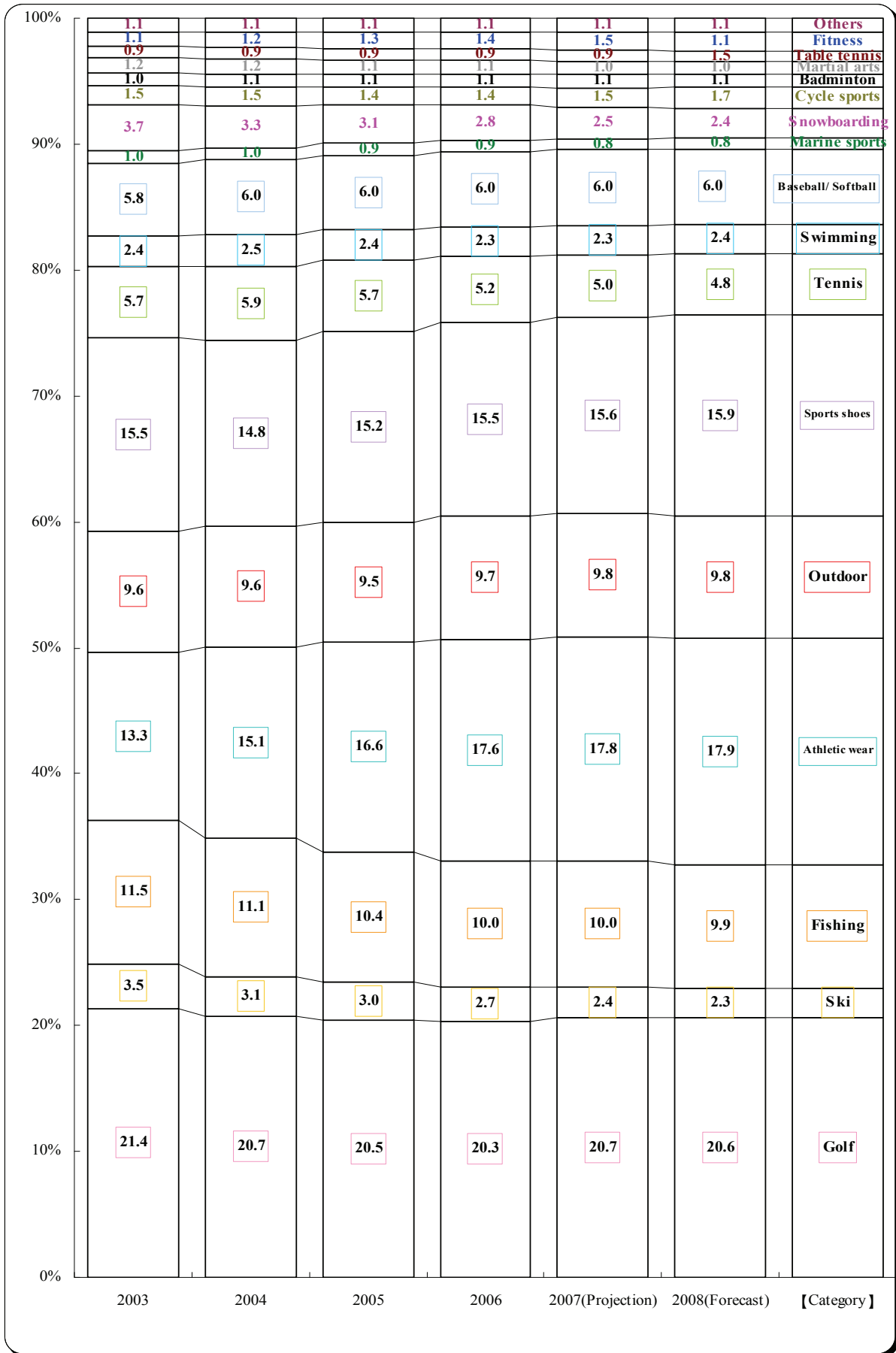
(Unit: Mil. Yen)



Estimated by Yano Research Institute

Breakdown of Sporting Goods Market in Japan by Category (Shipment value basis)

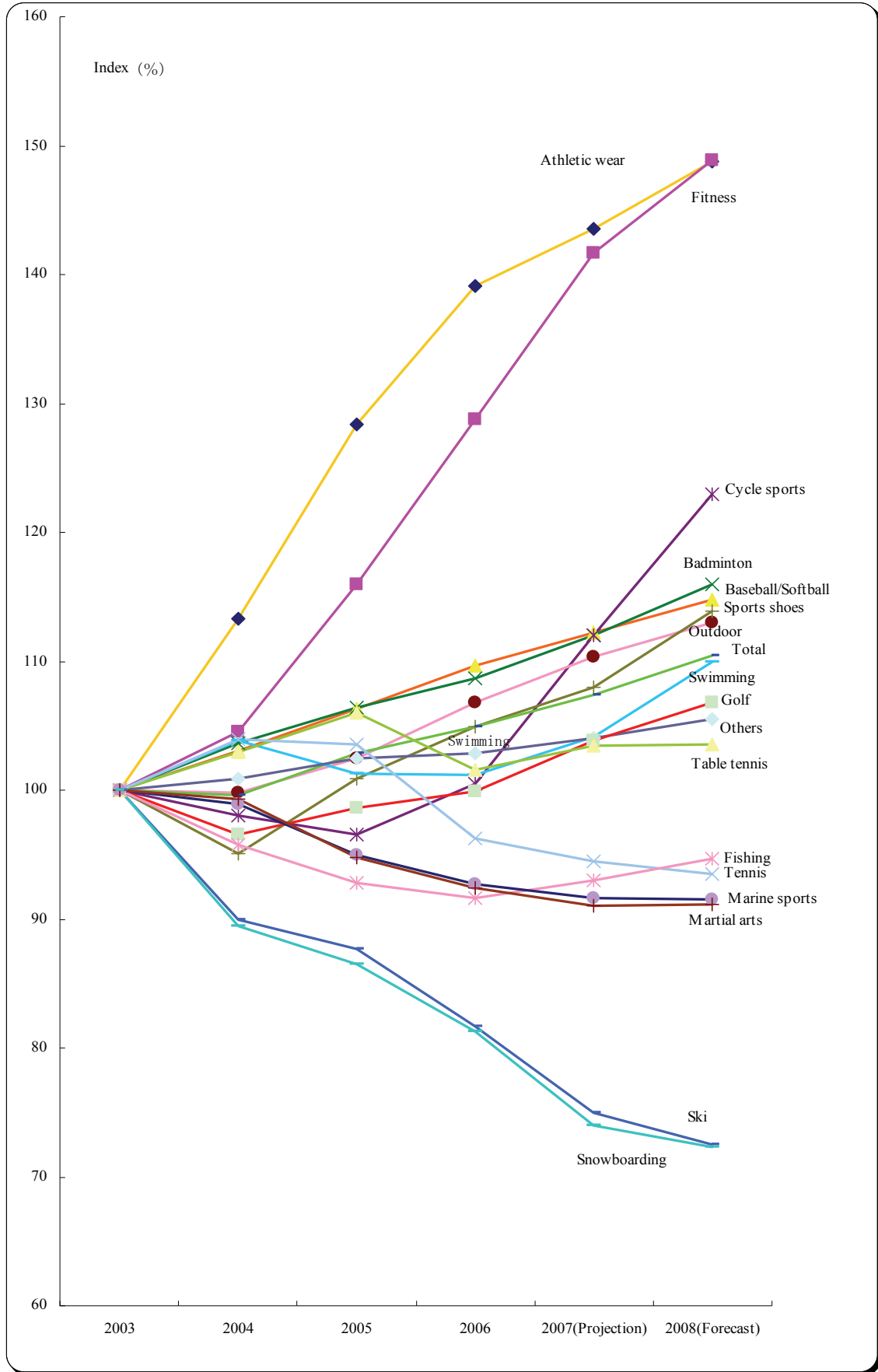
(Unit: %)



Estimated by Yano Research Institute

Shipment Value Index of Sporting Goods Market in Japan by Category

*Index: Figures for 2003=100%



Estimated by Yano Research Institute

➔ **Market overview by category**

Category	Growth in 2007		Projection of 2007	Market Trends
	Compared 2006		Amount Upper row Unit: Mil. Yen (Lower row Unit: Mil. US\$ at 104yen/\$)	
Golf	103.90%	↗	256,640 (2,467)	<p>◆ Although the golf supply market has suffered from long lasted curtailment of business scale for years after the collapse of the economic bubble, it now shows a sign of market resurgence.</p> <p>◆ Soaring popularity of young female professional golf players in their twenties and the change of playing environment driven by the increase of foreign-affiliated golf course operating companies should be the major footholds of the market resurgence. The former contributed to attract more attention of people to golf and the latter made more people to participate in playing golf in addition that it made existing players to play more frequently.</p> <p>◆ A new, young star professional golfer, Ryo Ishikawa, also improved image of golf, which also contributed to the increase in number of golf players, broadened the golf player base in Japan and drove the resurgence of the golf supply market as a consequence.</p>
Ski	91.80%	↘	301,400 (2,898)	<p>◆ There had been some positive phenomenon since a few years ago for the ski goods market such as “increase of family skiers” and “the return of the skiers who had stayed away from skiing for some time”, and the market had grown for a few years before 2006.</p> <p>◆ In 2006, however, winter was warm and there was much less snow than it should be. Consequently, the growth trends ended, and there were too many products for 2006 in inventory in the season of 2007-2008. The retailers had to clear those old models and they lost a lot of opportunities to sell new models that could be sold at regular prices, which made the revenue significantly lower.</p> <p>◆ The key factor for success in this market is to do appropriate demand forecasting and supply adjustment in order to keep sound inventory level as much as possible although the success of the market largely depends on weather, since it should be extremely important not to carry old stock over next season.</p>
Fishing	101.50%	↗	123,840 (1,190)	<p>◆ The market had been on a shrinking trend for several years before 2007 due to the decrease in demand mainly caused by limitations of activities regarding fishing for alien species enforced by Invasive Alien Species Act and by increase of forbidden zones associated with the International Convention for the Safety of Life at Sea.</p> <p>◆ The market finally achieved a positive growth in 2007 for the first time in a decade. This growth, however, was achieved not by the increase in actual demand but by the markup of product prices due to material cost increase triggered by the rise in oil price.</p>
Athletic wear	103.20%	↗	221,015 (2,125)	<p>◆ The market enjoyed a benefit that was brought by the enrichment of women’s line of products promoted mainly by such international brands as “Adidas”, “Nike” and “Puma”.</p> <p>◆ Recent popularity of the wellness sports or personal exercise among women contributed to attracting entry-level participants to the wellness sports that does not have an established market of specialized wear, and to activating the market by enhancing basic line of sporting goods (or, what is called “sports basic”) more oriented to actual sports use. This new lines of apparel products have started to be displayed or stocked more in large sporting goods stores or in-shops in department stores or some other types of stores, which succeeded in winning new customers.</p> <p>◆ The “sports basic” market is continuously expanding not only in the category of fitness which should be related to “wellness” that stimulated the market growth, but also in some other categories.</p>

Category	Growth in 2007		Projection of 2007	Market Trends
	Compared 2006		Amount Upper row Unit: Mil. Yen (Lower row Unit: Mil. US\$ at 104yen/\$)	
Outdoor	103.30%	↗	122,230 (1,858)	<p>◆For the market of this category, increase in the use of “apparel”, “shoes” and “backpacks” in daily life is one of the major factors that pushed up the entire market scale.</p> <p>◆Since the outdoor goods market has been supported by the boom of mountain climbing and camping in addition to the demand for the clothes for daily use especially when going out in city, it could be regarded as a market easily influenced by some sorts of booms. Although the market had experienced continuous negative growth until 2004 due to the downturn of the mountain climbing boom and camping boom, the current market is in good shape being supported by the broadened customer base triggered by the popularity of “low hill climbing”, “nature hikes”, “nature-based travel”, etc. and by the demand for the casual clothes such as down jackets, one of the leading items in the outdoor goods market, to be worn when going out in city.</p> <p>◆Furthermore, environmental issues such as the global warming have gathered more attention than ever in 2007 and “the environmentally-friendly life style” including adoption of “cool biz” and “warm biz” has been becoming more and more popular. This “social awareness of environmental issues” and affinity of the line of outdoor products are assumed to have positively affected the growth of the market visibly and invisibly.</p>
Sports shoes	102.90%	↗	193,240 (1,858)	<p>◆For the last several years, the market has been continuously having a host of problems such as too much distribution stock, flood of bargain goods, decline of unit price, etc., although the market still shows growing trends.</p> <p>◆While the sales of running shoes and walking shoes are growing due partly to “health and beauty boom”, much more products than actual demand have supplied, resulting in excess-supply of multi-purpose (casual sneakers) shoes and some other products.</p> <p>◆In order to make the situation better, some suppliers started to reduce their supply in around 2006 and the market commenced full-fledged adjustment of distribution stock in 2007, mainly led by major manufacturers.</p> <p>◆The market has been progressively shifting to “market in” from “products out”, and consequently, the distribution stock has just started to be reduced gradually. Even though the supply control and adjustment of distribution stock may have been undertaken a little too late, these activities of major manufacturers are highly appraised also by retail industry as a foothold for healthy growth of the market.</p> <p>◆The national brand manufacturers show their intention to tackle with the challenge of how to nurture the depressed national brand sports shoes again into hi-end fashion brand products in order to raise the unit price by enhancing the scarcity value.</p>
Tennis	98.20%	↘	61,990 (596)	<p>◆Tennis goods market has been shrinking since 1991 of the peak year. Although it showed a positive growth in the short-term in 2004 as the popularity of “Prince of Tennis”, a cartoon featuring a boy tennis player, among youth helped the growth of the market for children, it showed downward trends again in 2005 and thereafter.</p> <p>◆Some of the possible factors that affected the tennis goods market include declining birthrate and the trend among young people to stay away from sports.</p> <p>◆Another important factor for the shrinking market is the influence of the too much supply that exceeded the demand. In particular, the glut of rackets (non soft-ball tennis rackets) in the market has caused shorter product cycle and flood of bargain products.</p>

Category	Growth in 2007		Projection of 2007	Market Trends
	Compared 2006		Amount Upper row Unit: Mil. Yen (Lower row Unit: Mil. US\$ at 104yen/\$)	
Swimming	102.90%	↗	28,790 (276)	<p>◆The market is expected to mark stable growth in terms of manufacturers' shipment due to the increase of masters swimmers* that should form solid demand, and introduction of new brands.</p> <p>*Masters swimming: Programs are open to all adult swimmers (fitness, triathlete, competitive, non-competitive) who are dedicated to improving their fitness through swimming. (Source: http://www.usms.org/about.php)</p> <p>◆Some industry participants pointed out "the excess stock of swimming wear for fitness and other items" and "the tendency of young women 'to avoid swimming' due to popularity of some sports club programs such as yoga that compete" and there are some other concerns, although the market is expected to make a positive growth.</p>
Baseball/ Softball	102.40%	↗	74,905 (720)	<p>◆The market has achieved positive growth for the fifth consecutive years.</p> <p>◆There are a lot of hot topics related to baseball including increasing number of active Japanese major league baseball players in US, introduction of interleague games of professional baseball, playoff games newly introduced in 2007 also by Central League, newly established series of games called Asia Series to decide the champion of professional baseball teams in Asia, popularity of high school baseball tournament, etc.</p> <p>◆The shipment of major domestic manufacturers still shows increase trend owing to new openings of large sports stores and expansion of store space for emphasizing team sports.</p> <p>◆While there are some positive factors such as foregoing favorable topics and improved retail environment, increase of shipment has been continuously slim. This is because the popularity of watching games does not necessarily lead to increase in player number, and the rubber baseball goods for adults that account for large portion of the market still exhibits downward trend as a matter of fact.</p> <p>◆The market is not completely unrelated to the problem of sharp increase in material price that most manufacturers have and problems of human resource in China and other Asian countries, and each manufacturer is thus struggling with the problem of cost increase.</p>
Marine sports	98.90%	↘	10,495 (100)	<p>◆As oversea travel become more and more popular, the number of people who obtain the diving license during their travel abroad increases. Accordingly, the number of people who obtain the entry level C card in Japan has decreased and diving goods market has shrunken in proportion to the decrease in the number of obtainment of the license domestically, which should be the biggest factor of the flagging marine sports market.</p> <p>◆One of the important factors of sluggish replacement demand is the slower rate of wear-out of goods according to the decreased frequency of diving.</p> <p>◆Popularization of rental diving equipment should be another important factor of decreased demand.</p>

Category	Growth in 2007		Projection of 2007	Market Trends
	Compared 2006		Amount Upper row Unit: Mil. Yen (Lower row Unit: Mil. US\$ at 104yen/\$)	
Snowboarding	91.00%	↘	31,510 (302)	<p>◆ Shipment value of snowboarding goods in 2007 (2007-2008 Season) is estimated to be 31.51 billion yen, 91.0% of the previous year. The market, which peaked in 1993 (with domestic shipment value of 82.15 billion yen), dropped by 60% by 2007 from its peak.</p> <p>◆ The number of young people who start snowboarding remains decreasing due to changes in and diversification of options for their leisure time. Furthermore, the market has not been able to break out of the long-lasting trend of negative growth because of chronically weak replacement demand.</p> <p>◆ The market suffered a major slump in physical store sales due to the warm winter of 2006-2007 season and subsequent shortage of snow, which resulted in a considerable amount of old stock retained in the market. Consequently, the market in 2007 (2006-2007 Season) was forced to face a serious decline as there were very few chances for new products to be marketed and sold.</p> <p>◆ As in the case of skiing goods market, it is difficult to forecast the snowboarding goods market as it is affected by natural environment including the amount of snow considering that the snow is essential for snowboarding. For the future, it may become more important to improve quality of business, rather than just to pursue the size of business, by reducing the retained stock through proper supply planning based on real demand.</p>
Cycle sports	111.40%	↗	19,220 (184)	<p>◆ One of the major reasons for the growth of the market may be very close association of the cycle sports as merchandise with the concepts of “stay in fit” and “environment”, some of the most popular key words in Japan these days.</p> <p>◆ Although it is estimated that there are still few consumers who are environment conscious strong enough to choose a sports bicycle as a replacement of such transportation as trains and automobiles from a view point of “an environment-friendly vehicle”, the growth of the market seems to be supported mainly by increased number of middle-aged and elderly persons and women, the customer segments that used to be in the minority in this market, who purchase sports bicycles for the purpose of promoting their health.</p> <p>◆ With the growth of the foregoing new customer segments, the products trend and popular price ranges in the cycle sports goods market has been drastically changing since several years ago. For example, “mountain bikes (MTB)” that used to have a dominant share in the sales of sports bicycles finally lost the top position and was replaced by the category of “other finished bicycles”.</p> <p>◆ As to the “road bike” market, the relatively low-priced products (for this market) that are sold under, for example, 100,000 yen are selling well due to the increase of new users mentioned earlier, which is one of the growth driver of the market.</p>
Badminton	103.10%	↗	13,230 (127)	<p>◆ The major factors that contributed to the positive growth of the market include the increase in number of players and good, steady replacement demand.</p> <p>◆ Another important factor may be influence of the increased media exposures of Kumi Ogura and Reiko Shiota to young generation in particular, very popular badminton players who are to participate in the 2008 Beijing Olympic Games and active as the representatives from Japan.</p> <p>◆ The demand of rackets and shuttlecocks are also steady without being effected by the price increase, although there was a concern that the price increase of the shuttlecock caused by the cost increase stemmed from the bird flue could lessen the frequency of plays, which could lead to decrease in consumption of goods.</p>

Category	Growth in 2007		Projection of 2007	Market Trends
	Compare to 2006		Amount Upper row Unit: Mil. Yen (Lower row Unit: Mil. US\$ at 104yen/\$)	
Martial arts	98.50%	↘	12,695 (122)	<ul style="list-style-type: none"> ◆The martial arts herein defined only include kendo, judo and karate, which are often incorporated in school activities or school curriculums. ◆The entry-level elementary school students and junior high school students tend to avoid activities that involve danger and pain, and the sports with game elements are more popular among them. Many of them refrain from martial arts as involves the concept of “training” or “lessons”, and in particular, kendo has rapidly become less popular among children. ◆While judo and karate have much topicality due to reported activities of famous karate or judo men and popularity of professional martial arts, kendo is often avoided due to higher cost for various protective gears and bamboo swords, and for kendo school. Against this backdrop, the decrease in kendo goods market with the largest share in the total martial art goods market is the biggest factor of the negative growth of the said market. ◆Steady demand from schools for educational use cannot be fully anticipated any longer due to the trend of fewer children, which is a problem common to all categories of the martial art market. Each year’s order has decreased to the level of 80% of the previous year, which suggests that the decrease rate of order is even higher than the decrease rate of the number of students.
Table tennis	101.90%	↗	10,720 (103)	<ul style="list-style-type: none"> ◆Manufacturers’ distribution control done in 2006 by means of reduction of shipment worked effectively in 2007 and lead to the adequate supply based on the real demand, which should be the biggest factor for the positive growth. ◆Table tennis has attracted more attention through media due to the popularity of Ai Fukuhara, the most famous young lady player in Japan, and image of table tennis has been even more improved because some other players in the similar age group of Ai Fukuhara were picked up for their performance in 2007, the year just before the year of the Olympic Games. This enhanced image of the table tennis contributes to maintaining the player numbers and relatively steady growth of the goods market. ◆Due to the increased table tennis enthusiasm, the players started to show the trend of seeking for better products. Insistence on winning has turned to insistence on quality of goods, and consequently, the amount of per capita customer spend was raised, which contributed to the growth of the total table tennis goods market.
Fitness	110.00%	↗	18,385 (176)	<ul style="list-style-type: none"> ◆The fitness goods market herein defined includes fitness clothes (pure fitness line of products provided by specialized manufacturers and all-round sporting goods manufacturers) and fitness shoes (based on manufacturers’ catalogs), and equipment and supplements are not included. ◆The number of sports club users has continued to grow supported by the recent health and wellness trend, and new sports clubs have been opened one after another. ◆While new participants are increasing, fitness clubs are making efforts to establish a system to keep users from being board by diversifying their programs. Attached facilities have been improving and fitness has been going to be established as a sort of status mainly for female office workers. ◆Nowadays, male users who are concerned about metabolic syndrome have been rapidly increasing, and this active status of fitness market is directly reflected in the positive growth of the fitness goods market centered on the fitness clothes. ◆The fitness goods market has thus been sharply growing as fitness is established as a part of lifestyle against the backdrop of the health and beauty boom. Fitness is now established as daily exercise that fits into people’s lifestyle. This situation enabled the market continually grow at a rapid rate.