

29. Toy Fireworks

1. Definition of Category

Toy fireworks as fireworks, which are used as toys.

HS Numbers	Commodity
3604.10-010	Fireworks

Note: The term "fireworks" normally encompasses both toy fireworks and air-exploded fireworks such as those used at public fireworks shows. Because fireworks are made from gunpowder provisions of the Explosives Control Law regulate them. The Law defines toy fireworks as firework's that are used as toys.

Note: In HS classification, starting in 1997, toy fireworks are separated from the category of air-exploded fireworks.

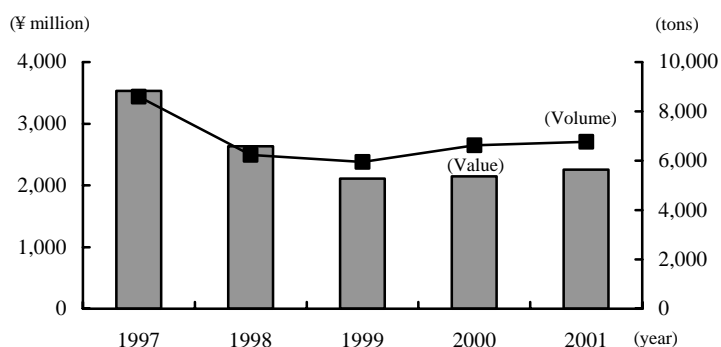
2. Import Trends

(1) Recent Trends in Toy Firework Imports

Fireworks are a typical part of Japanese culture, but people use them less often than in the past, partly because of the proliferation of video game computers and other types of toys and partly because of a loss of open play space outdoors due to housing development as well as the increased danger of fire in using fireworks in neighborhoods where houses stand in very close proximity. Demand for fireworks is highly seasonal, since toy fireworks are used almost exclusively during the summer months. Production is also affected by the size of the leftover inventory from the previous year. In some years the summer season is shorter or has more bad weather than normal. This depresses sales and increases the inventory held over to the next year. That year, production is cut as a result. Consequently, imports tend to fluctuate in relation to changes in domestic demand.

Toy firework imports in 2001 rose by 2.2% to 6,772 tons, worth ¥2.26 billion (up 5.1%).

Fig. 1 Japan's toy firework imports



	1997		1998		1999		2000		2001	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Toy fireworks	8,594	3,532	6,236	2,636	5,946	2,107	6,623	2,146	6,772	2,255

Units: tons, ¥ million

Source: Japan Exports and Imports

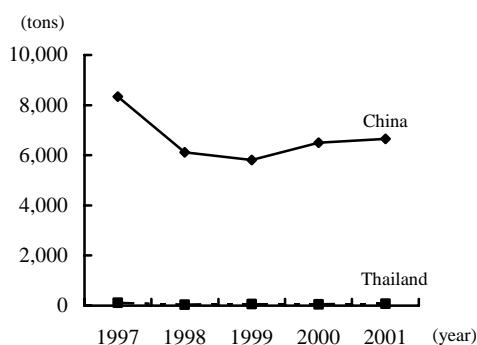
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(2) Imports by Place of Origin

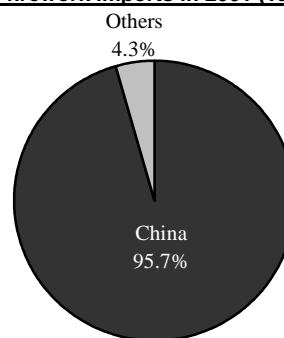
Practically all firework imports come from China, which has consistently maintained a large share of the import market in recent years. In 2001, China accounted for 98.2% on a value basis and for 95.7% on a volume basis. Most fireworks are made by hand and the labor shortages and high wage scales in Japan make it less economical to produce fireworks in Japan. As a result, Japan has become increasingly dependent on imports from China.

Fig. 2 Leading exporters of toy fireworks to Japan

Trends in import volume by leading exporters



Shares of toy firework imports in 2001 (value basis)



	1997	1998	1999	2000		2001			
	Volume	Volume	Volume	Volume	Value	Volume	Value	Volume	Value
China	8,339	6,116	5,816	6,498	2,044	6,649	98.2%	2,158	95.7%
Thailand	118	34	60	53	15	80	1.2%	32	1.4%
Taiwan	125	69	46	40	39	34	0.5%	34	1.5%
R. Korea	10	15	5	10	40	8	0.1%	31	1.4%
Denmark	0	0	0	0	0	0	0.0%	0	0.0%
Others	1	2	19	23	8	0	0.0%	0	0.0%
TOTAL	8,594	6,236	5,946	6,623	2,146	6,772	100.0%	2,255	100.0%
(E U)	1	0	0	0	0	0	0.0%	1	0.0%

Units : tons, ¥ million

Source: Japan Exports and Imports

In HS classification, starting in 1997, toy fireworks are separated from the category of air-exploded fireworks.

(3) Imports' Market Share in Japan

Toy fireworks tend to be highly varied and inexpensive. However, the cost of production is high in Japan, so imports often compensate for the shortfall between domestic supply and demand. As a result, the collective market share for imported toy fireworks maintained a share of majority.

3. Key Considerations related to Importing

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

The importation of toy fireworks is subject to provisions of the Explosives Control Law.

1) Explosives Control Law

Every time an importer wishes to bring fireworks into Japan, the importer must submit an application for approval to import to the governor where the port of entry is located. The merchandise being imported must unmistakably consist of toy fireworks (exclusively for sale to consumers for their own enjoyment), and they must be classifiable as fireworks used as toys under Article 1, Section 5, Part 1 of the Ministerial Ordinance Concerning Explosives Control Law. The application form must list product name, purpose, importer name, place of manufacture, date of manufacture, date of projected use, port of entry, storage site to be used, and structure and composition of the imported merchandise.

<Preliminary Inspections and Main Inspections> (by the Japan Pyrotechnics Association)

In order to prevent accidental explosions, toy fireworks must undergo preliminary inspections and main inspections. The Japan Pyrotechnics Association under the supervision of the Ministry of Economy, Trade and Industry at the Bureau of Pyrotechnics Inspection conducts these inspections.

- a) The preliminary inspection consists of inspections for standards compliance and for safety conducted in advance on toy fireworks produced or imported for the first time. If the goods pass inspection, their manufacture or import is permitted, and they are awarded the Standard Mark (type certification mark). Products that have obtained type certification in this manner may be ordered and imported in larger quantities.
- b) The main inspection consists of the same tests performed in the preliminary inspection, performed on samples of Japanese-made fireworks before they can be sold one or more times periodically every year, and performed on samples of imported fireworks at the time of import. Products that pass inspection are awarded the Mark of Compliance.

In principle, only products bearing the standard Mark of Compliance can be imported and sold in Japan. If a person is injured as a result of a defect in a product bearing these marks, that person is eligible to receive an indemnity from industrial product indemnity insurance maintained for that purpose. (see 4. Labeling)

Contacts:

- Japan Pyrotechnics Association TEL: 03-3281-9871 <http://www.hanabi-jpa.jp>

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

The sale of toy fireworks is subject to provisions of the Explosives Control Law and the Fire Prevention Act. In addition, containers and packaging may be subject to provisions of the Containers and Packaging Recycling Law and the Law for Promotion of Effective Utilization of Resources. For more detailed information about the subject, scope, labeling method, etc., please consult the competent government agencies listed below.

1) Explosives Control Law

Provisions of the Explosives Control Law regulate the storage and transport of toy fireworks. However, these regulations sometime may not apply to storage of 25 kg or less and to transport of 500 kg or less (not including cracker balls). For more information please contact the nearest Regional Bureau of Economy, Trade and Industry, prefectural administrative office, or the Japan Pyrotechnics Association.

Note: Toy fireworks are not subject to any usage restrictions as long as instructions are followed properly. Some forms of use may be considered to manufacturing explosives, not toy fireworks, which may result in criminal penalties under the Explosives Control Law. Therefore, users must make sure they follow all instructions and warnings carefully.

< Storage of Toy Fireworks >

The prefectural governor as in compliance with firewall standards must approve the magazines for toy fireworks and regulations on safe distance from other structures. In addition, the owner or occupant of the magazine (if rented from the owner) must appoint a responsible supervisor of explosives handling who has a license under provisions of the Explosives Control Law.

2) Fire Prevention Act

The consumption, sale or storage of toy fireworks is sometimes subject to regulation by the Fire Prevention Act. For more information please consult with the nearest prefectural Fire Safety Division or the nearest local fire station.

(3) Competent Agencies

- Explosives Control Law
Safety Division, Agency for Nuclear and Industrial Safety, Agency of Natural Resources and Energy, Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.enecho.meti.go.jp>
Regional bureau of international trade and industry or prefectural governor's office
- Containers and Packaging Recycling Law / Law for Promotion of Effective Utilization of Resources
Recycling Promotion Division, Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
Recycling Promotion Division, Waste Management and Recycling Department, Ministry of the Environment
TEL: 03-3581-3351 <http://www.env.go.jp>

4. Labeling

(1) Legally Required Labeling

There are no legal requirements regarding the labeling for toy fireworks. But, under the Law for Promotion of Effective Utilization of Resources, when paper or plastic is used as a packaging material for wrapping of individual product items, or for labels, tags, external packaging or elsewhere, a material identifier mark must be displayed with information where the material is used.

< Example >



External packaging



Tag

(2) Voluntary Labeling based on Provisions of Law

There is no voluntary labeling based on provisions of law for toy fireworks.

(3) Voluntary Industry Labeling

The Japan Pyrotechnics Association has adopted voluntary labeling guidelines and SF marks.

<Labeling items>

- Product name
- Gunpowder weight (per unit)
- Place of manufacture (country or state name in the case of imports)
- Importer name (sometimes abbreviated, although abbreviation must be commonly recognizable)
- Warnings and cautions (use of gunpowder and hazard, warning to use properly, product information and ways to prevent accidents)
- Usage instructions (performance, action, handling warnings)
- Date of manufacture

<SF Mark (Standard Mark and Mark of Compliance)>

Toy fireworks that pass prescribed inspections may display the labels described hereafter. Any consumer who, while following all use instructions properly, sustains an injury from a product bearing this Mark will be compensated from a special industrial product indemnity insurance fund.



a) Standard Mark

Awarded to products that pass preliminary inspections conducted when a product is manufactured or imported for the first time. This mark is a token of type certification for the product, signifying that it is in compliance with standards set forth in the Law and with other safety standards. The mark appears on all product labels of approved products.

b) Mark of Compliance

Awarded to products that pass main inspections conducted periodically during ongoing manufacturing or immediately after being imported into Japan. This mark appears on large cartons or boxed containing a number of product units.

5. Taxes

(1) Customs Duties

Toy fireworks are eligible for preferential tariff rates. In order to apply for preferential tariff rates, the importer should submit a certificate of origin issued by the Customs or other issuing agency in the country of export (not required if the total value of the shipment is no greater than ¥200,000). For more details, please contact the Customs and Tariff Bureau, Ministry of Finance.

Fig. 3 Customs duties on toy fireworks

HS No.	Description	Rate of Duty (%)			
		General	WTO	Preferential	Temporary
3604.10	Fireworks	4.8%	4%	Free	

Note: Refer to "Customs Tariff Schedules of Japan" (published by Japan Tariff Association) etc. for interpretation of tariff table.

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

Chinese fireworks are best known for firecrackers and other sound-producing fireworks, along with rotating fire-works. Japan, on the other hand, is best known for hand-held and spurting-type fireworks. The Japanese fireworks industry observes a distinction between air-exploded fireworks (used at fireworks shows) and toy fireworks, and each category has separate safety and quality standards. Japan is said to have the most stringent fireworks standards of any country in the world, although recently the EU and the United States have also grown stricter.

The Explosives Control Law classifies toy fireworks into eight categories, each of which may contain up to a specific amount of gunpowder.

<Toy Fireworks Categories>

- 1) Fire-producing fireworks
- 2) Rotating fireworks
- 3) Running fireworks
- 4) Leaping fireworks
- 5) Air-exploded fireworks
- 6) Explosive sound-producing fireworks
- 7) Smoke-producing fireworks
- 8) Others

Note: Products that exceed the specified gunpowder content level or fail to bear proper labeling will be treated as pyrotechnics rather than toy fireworks. In that case, a revised approval statement will have to be obtained from the prefectural governor's office.

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Currently there are some 80 companies producing fireworks in Japan of which 39 firms specialize in production of toy fireworks, while 38 produce both airburst fireworks and toy fireworks. Only 3-4 of these fireworks makers has annual shipments of over ¥300 million, with the remaining companies accounting for about ¥3.5-4.0 billion of total fireworks shipments. The leading fireworks producing area in Japan lies in and around Okazaki City in Aichi Prefecture, where fireworks factories have been located for centuries. This area accounts for some 40% of Japan's entire fireworks production, almost all of it coming from very small companies employing 20 or fewer people. Toy fireworks sales are strongly affected by the weather during the months of July and August. Recently the most popular sale item has been mixed set containing several types of fireworks, usually selling in the ¥500- ¥3,000 range. In the past the season for fireworks sales used to extend from early summertime in June until around the traditional festivals in August. Lately, however, fireworks do not start selling well until July, but they continue selling all the way into September. Thus, the sales season appears to be shifting somewhat.

The decline in the number of children per family is casting a long shadow on the toy fireworks market. Also, a growing number of young boys are no longer interested in fireworks. In addition, many parks, beaches, and campgrounds are restricting the use of fireworks, resulting in a very difficult business climate for toy fireworks manufacturers.

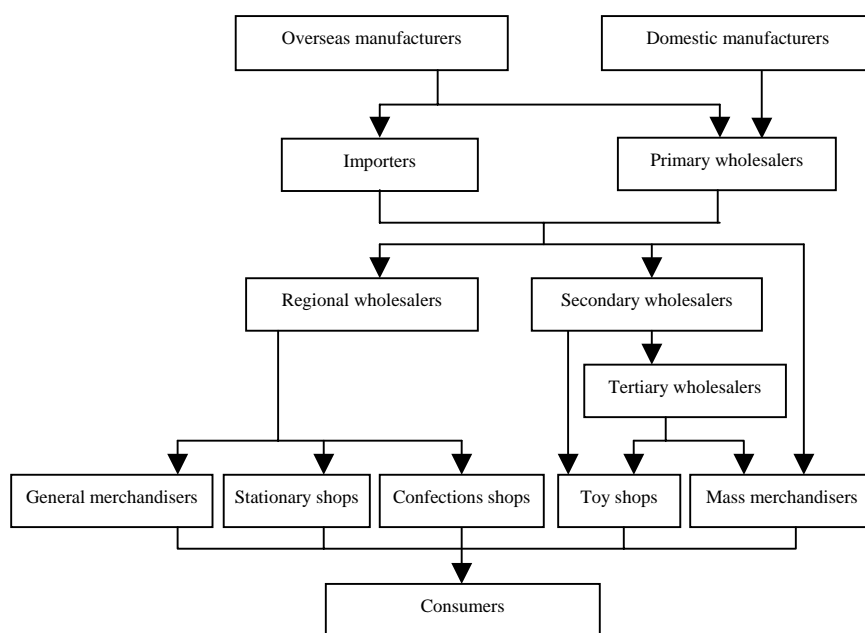
Most imported toy fireworks are made in China. In an effort to improve the safety consciousness of Chinese manufacturers, the Importers' Cooperation of Chinese Fireworks (ICCF) was established. The organization holds joint talks on simplifying import procedures, sponsors quality improvement programs for Chinese products, and conducts consumer injury prevention activities. Nearly all-Chinese imports currently come from manufacturers, which are members of the ICCF.

(2) Distribution Channels

In general, toy fireworks are distributed from the manufacturer to wholesalers and then to retailers. Some primary wholesalers also act as importers. Some retail outlets such as stationery and confections shops obtain their inventory from non-fireworks wholesalers. Toy stores account for a progressively smaller portion of total fireworks sales, whereas volume retailers have posted sizable sales increases.

Importers must be authorized to handle toy fireworks, but in other respects the distribution of imported toy fireworks is similar to that of Japanese-made toy fireworks. The port of Nagoya handles a relatively large proportion of all fireworks imports because of the large number of primary wholesalers in Nagoya area. The following figure illustrates the toy fireworks distribution process.

Fig. 4 Distribution channels for toy fireworks



(3) Key Considerations for entering the Japanese Market

Because fireworks are made from gunpowder, prospective importers must obtain approval to import and submit the cargo to safety inspections. Prospective importers must also secure adequate magazines and spend money on equipment. In addition, a license for supervisor of explosives handling under provisions of the Explosives Control Law is required.

8. After-Sales Service

Any person who sustains an injury resulting from a defect in a toy fireworks product that has been certified compliant with all safety standards will be compensated from a special industrial product indemnity insurance fund.

9. Related Product Categories

- Air-exploded fireworks

Fireworks shows use both air-exploded fireworks and ground-placed fireworks arrays. The Explosives Control Law more tightly restricts both these types of fireworks.

10. Direct Imports by Individuals

Individuals must obtain approval from the prefectural governor’s office in order to import so much as a single firecracker or sparkler. In practice, therefore, it is difficult for individuals to import toy fireworks for their own use. In addition, depending on the quantity imported, individual imports may be subject to storage and transport regulations as well.

11. Related Organization

- Importers’ Cooperation of Chinese Fireworks (I.C.C.F.) TEL: 03-3865-8205