

27. Toys

1. Definition of Category

Toys and play equipment (including parts and accessories), but does not include fireworks and family computers.

HS Numbers

9501
9502
9503.10~30
9503.41~90, 9504.20, 90-010, -090
9505
9506.61~69

Commodity

Wheeled toys
Dolls
"Scale" models, construction toys
Other toys
Entertainment articles
Balls

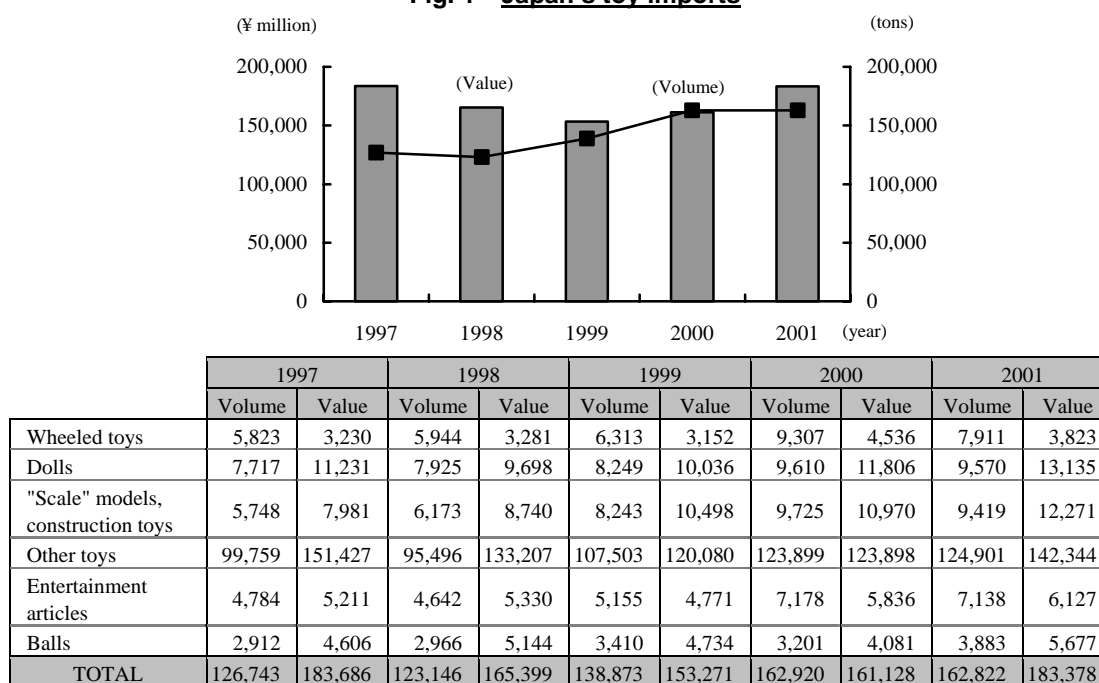
2. Import Trends

(1) Recent Trends in Toy Imports

2001 marked the second straight year of import growth for toys on a value basis, with an increase of 13.8% over a year earlier to ¥183.4 billion. This total is close to the all-time record set in 1997, but because of growth in lower-priced toys from China, the average unit price has dropped by about 23%.

Today, many toy manufacturers have relocated most of their production of toys to China and other Asian countries/regions. At the same time, many of them began producing toys for export to the Japanese market, resulting in an increase in re-imports of toys. In addition, smaller Japanese toy makers tied up with producers in other countries for consignment production of their products and began increasing development imports. However, there are so many different kinds of toys, and the average life span of a toy is very short, on average just three months. Most imported toys are classified under "other toys" in official customs statistics, which makes it difficult to identify trends in particular product categories.

Fig. 1 Japan's toy imports



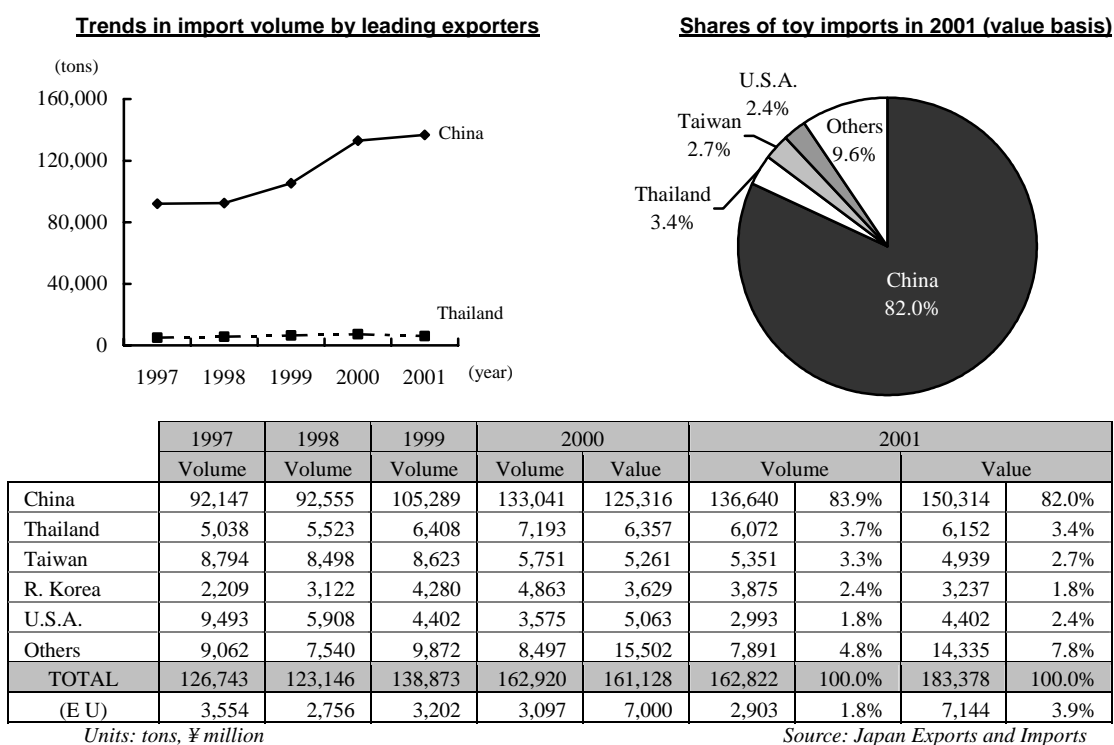
Units: tons, ¥ million

Source: Japan Exports and Imports

(2) Imports by Place of Origin

China holds a commanding lead in import share, with 83.9% on a volume basis and 82.0% on a value basis in 2001. The next leading exporters of toys to Japan all are other Asian nations -- Thailand, Taiwan and the Republic of Korea. Direct imports from the United States and the EU amount to only 6.3% in total, even on a value basis.

Fig. 2 Principal exporters of toys to Japan



(3) Imports' Market Share in Japan

Because domestic production statistics and import statistics differ coverage of toy products, it is not possible to calculate imports' share in the Japanese toy market. Domestic production of toys reached ¥780 billion in 2000, but nearly all (¥741 billion) consisted of electronic and electric-powered toys, more than half of which was exported (¥376.5 billion). As is shown in Fig. 5 below, domestic shipments of non-electronic and non-motorized toys has fallen over the last five years from ¥84.9 billion to ¥34.0 billion. Estimates put imports' share of this market segment at 82.6% in 2000.

Fig. 3 Imports' share in the Japanese market

	1996	1997	1998	1999	2000
Domestic supply	84,891	56,077	43,872	37,922	34,015
Imports	144,744	183,690	165,402	153,274	161,131
Total market	229,635	239,767	209,274	191,196	195,146
Imports' share	63.0%	76.6%	79.0%	80.2%	82.6%

Units: units, ¥ million Source: Yearbook of Miscellaneous Goods Statistics, Japan Exports and Imports

3. Key Considerations related to Importing

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

Most toys are not subject to any regulations at the time of importation. However, some toys for infants are subject to applicable regulations by the Food Sanitation Law. The Customs Tariff Law prohibits the importation of fake name brand items that infringe trademark rights, design rights and other intellectual property rights. Any Goods suspected of infringement are either confiscated, destroyed or returned to the shipper.

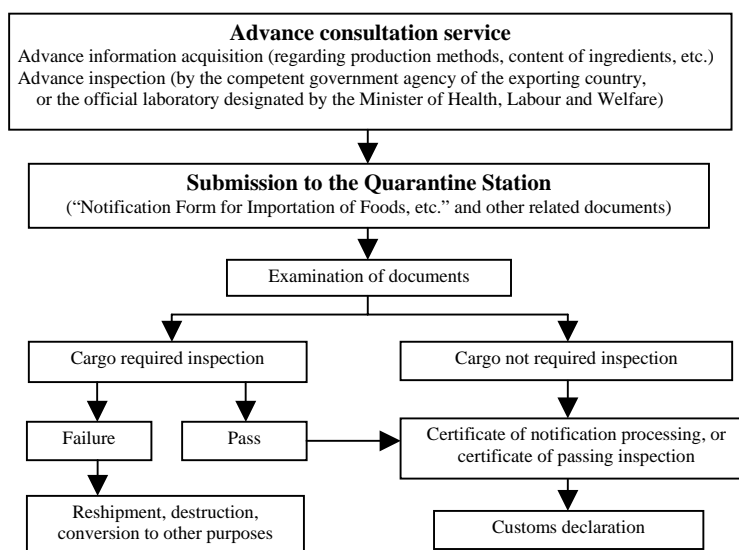
Some electric toys are subject to provisions of the Electrical Appliance and Material Safety Law. Importers must file a notification of business commencement by each type classification with the Director-General of the competent Bureau of Economic, Trade and Industry (or with Minister of Economic, Trade and Industry in case of multiple business sites) within 30 days of commencing import operations. Importers are also required to prepare and maintain self-testing records.

1) Food Sanitation Law

An import notification is required for some toys for infants being imported for the purpose of sale or for other commercial purposes. Importers are required to submit the completed “Notification Form for Importation of Foods, etc.” to the Quarantine Station at the port of entry. A determination is made based on the document examination whether or not an inspection at the bonded area is required. Toys are subject to inspection for discharge of heavy metals, arsenic, and other harmful substances.

Prior to importing, the importer may take a sample of forthcoming imports to official laboratories designated by the Minister of Health, Labour and Welfare in Japan or in exporting countries. Those test results may be substituted for the corresponding inspection at the port of entry, which expedites the quarantine clearance process.

Fig. 4 Import Inspection (Quarantine) Procedures under the Food Sanitation Law



The Food Automated Import Inspection and Notification System (FAINS) provides computer-based import notifications. To make use of this system, importers must install FAINS software on a Windows-capable computer system, notify the Minister of Health, Labour, and Welfare, and verify their passwords.

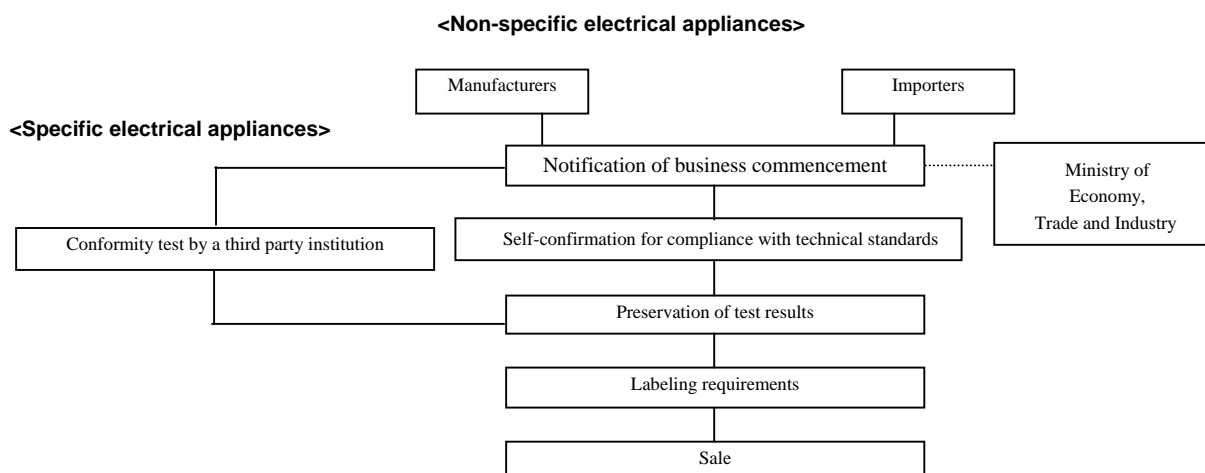
(2) Regulations and Procedural Requirements at the Time of Sale

Most toys are not subject to any regulations. However, electro-thermal toys, electro-mechanical toys, other electrical toys, electronic toys and electromagnetic toys, etc. are all subject to provisions of the Electrical Appliance and Material Safety Law designed to ensure the safety of these products. Some toys for infants are subject to labeling requirements under provisions of the Food Sanitation Law. Some of toys may be subject to provisions of the Local Child Protection Ordinances. 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) Electrical Appliance and Material Safety Law

Motor-driven toys are subject to provisions of the Electrical Appliance and Material Safety Law as non-specific electrical appliances. Manufacturers or importers must confirm on their own that their products are compliant with technical standards, and must display required label items and PS mark on the product (see 4. Labeling). Under the revised Law in 1999, the manufacturer or importer shall undertake in-house testing, and be obligated to conform to technical standards through self-confirmation. Any products that are not compliant with the technical standards are subject to improvement orders or are prevented from displaying particular labels. When deemed necessary, products with a high level of danger or trouble shall be imposed to the violation of the order.

Fig. 5 Procedures required under the Electrical Appliance and Material Safety Law



1) Specific electrical appliances

----- Electric power cords, plugs, adapters, and power transformers used with toys, toy with electric heating elements, and electrically powered vehicles

Specific electrical appliances are required to take a conformity test conducted by a third party institution certified or authorized by the Minister of Economy, Trade and Industry. Manufacturers overseas may have their products tested by an approved testing organization in their own countries. Also, when a specific electrical appliance with the same type classification is imported from the same manufacturer, it is only necessary to present a copy of the certificate of qualification. In other words, a new original certificate need not be obtained for each import shipment of the same item.

2) Electrical appliances other than “specific electrical appliances”

---- Electric music boxes, electronic toys, etc.

When importing and selling electrical appliances other than designated as “specific electrical appliance,” manufacturers or importers must confirm on their own that their products are compliant with technical standards, and must display required label items and PSE mark on the product.

2) Local Child Protection Ordinances

Some games are classified as harmful toys by local child protection ordinances. Such items may not be sold over the counter, lent, given or sold through vending machines to persons under the age of 18. Please contact local government authorities for a list of specific proscribed items.

Note 1: Harmful toys are toys determined to have an undesirable effect on the health, safety or proper development of children under age 18.

Note 2: Child protection ordinances have different names and are administered by different offices in each locality. In the city of Tokyo, for instance, it is known as the Ordinance Concerning Healthy Development of Children.

(3) Competent Agencies

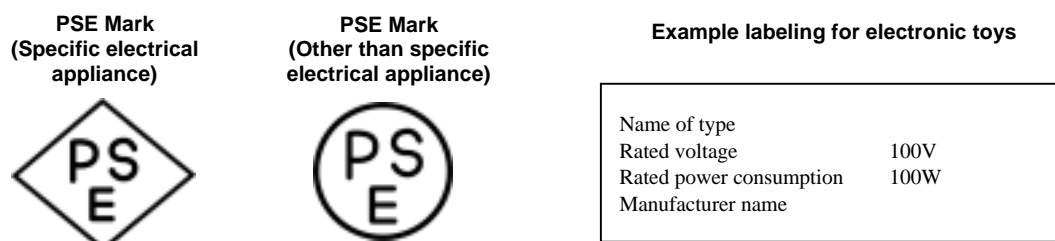
- Food Sanitation Law
Policy Planning Division, Department of Food Sanitation, Pharmaceutical and Medical Safety Bureau, Ministry of Health, Labour and Welfare
TEL: 03-5253-1111 <http://www.mhlw.go.jp>
- Electrical Appliance and Material Safety Law
Product Safety Division, Consumer Affairs Department, Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry
TEL: 03-3501-1511 <http://www.meti.go.jp>
- Tokyo Metropolitan Ordinance Concerning Healthy Development of Children
Youth Affairs Section, Bureau of Citizen and Cultural Affairs, Tokyo Metropolitan Government
TEL: 03-5321-1111
- 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

1) Electrical Appliance and Material Safety Law

Products covered by the Electrical Appliance and Material Safety Law must be labeled with rated voltage, current, frequency, name of the manufacturer, and PSE mark. In the case of specific electrical appliances, abbreviated name of testing organization that issued compliance certificate must be indicated.



2) 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.



(2) Voluntary Labeling based on Provisions of Law

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

(3) Voluntary Industry Labeling

1) SG Mark System

In the products for babies and infants, SG Mark applies to swing, play-ground slide, horizontal bar for preschool children, tri-cycles designed to be ridden by children, foot operated toy car, and swing for one person. Products that comply with safety criteria established by the Consumer Product Safety Association are eligible to display the SG (Safety Goods) Mark.



When consumers are injured during the use of a SG-approved product, each injured party is eligible to receive up to ¥100 million in damages. The guarantee is only valid, however, for personal injuries.

There are two methods for obtaining compliance certification: the lot inspection method, under which a test facility performs compliance testing on behalf of the Association, or the type approval system, under which Association approval is granted to registered factories. Lot inspection and factory registration may both be conducted abroad.

Contacts:

- Consumer Product Safety Association TEL: 03-5255-3631 <http://www.sg-mark.org>

2) ST Mark System

The Japanese toy industry has established safety standards that apply to toys designed for use by children age 14 and under. Although participation in the ST Mark system is voluntary, almost of all toys designed for children age 14 and under currently bear the ST Mark.

Toys that are compliant with the Toy Safety Standard adopted by the Japan Toy Association may display the ST Mark on product labels. To obtain approval to display the ST Mark, the manufacturer or importer first signs a ST Mark usage contract with the Association and then submits product samples for safety standard compliance testing by a designated testing facility.



If the product passes testing, an approval number is issued and authorization is granted to display the Mark. Usage contracts have a one-year term and may be renewed annually. The ST Mark system includes provisions for victims' compensation in the event of inquiry caused by a product bearing ST Mark labeling.

- The Japan Toy Association TEL: 03-3829-2513 <http://www.toys.or.jp>

3) Safety Certification Mark (S Mark)

Third party certification organizations commissioned by the government, the Japan Electrical Safety & Environment Technology Laboratories (JET) and the Japan Quality Assurance Organization (JQA) conduct safety test on the individual products and check the quality control systems of the factories. Products conformed to be safe may be labeled with the following safety certification marks. Safety certification marks are combinations of the logo marks of the certification organizations with the common certification mark of the Steering Council of Safety Certification for Electrical and Electronic Components and Material of Japan (SCEA).

- Japan Electrical Safety & Environment Technology Laboratories (JET)
TEL: 03-3466-5145 <http://www.jet.or.jp>
- Japan Quality Assurance Organization (JQA)
TEL: 03-3583-9001 <http://www.jqa.jp>



5. Taxes

(1) Customs Duties

Tariff rates on toys range from duty free to 4.6%. However, because of the large number of statistical categories encompassed by this product, precise delineation is not listed herein. Consult the "Customs Tariff Schedule of Japan" or check with customs authorities to determine the customs duty on a particular item.

In addition, the following categories 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.

- Chapter 95---- Toys, games and sports requisites; parts and accessories thereof
- Chapter 42---- Articles of leather; handbags and similar containers
- Chapter 85---- Transformers and radio remote control units

(2) Consumption Tax

(CIF + Customs duty) x 5%

6. Product Characteristics

(1) Classification by Production Method

- Asian Countries/Regions
Toy exports from China have made spectacular gains in the Japanese market. China is already ranked the world's largest supplier of toys.

China	Stuffed toys, dolls, plastic models
Taiwan	Bicycles, table games, outdoor play equipment, polyethylene toys
Republic of Korea	Stuffed toys, electronic games
Hong Kong	Radio-controlled cars and other mechanical toys, dolls
- Europe and the United States
Europe and the United States have a long toy-making tradition, and many of their products reflect their history and culture as well as their available resources and production methods.

Germany	Staff (stuffed toys), Maerkrin (model trains)
Denmark	Lego Blocks (block toys)
United States	Fischer-Price (educational toys)
United Kingdom	Matchbox (die cast toys)

7. Domestic Distribution System and Business Practices

(1) Domestic Market Conditions

Japanese toy market shipments recovered in 2000, rising from just ¥240 billion the year before to some ¥400 billion, with an estimated retail market value of ¥900 billion. The driving force in the market was high-end electronic toys like Playstation2 and Game Cube, which accounted for more than 90% of shipments.

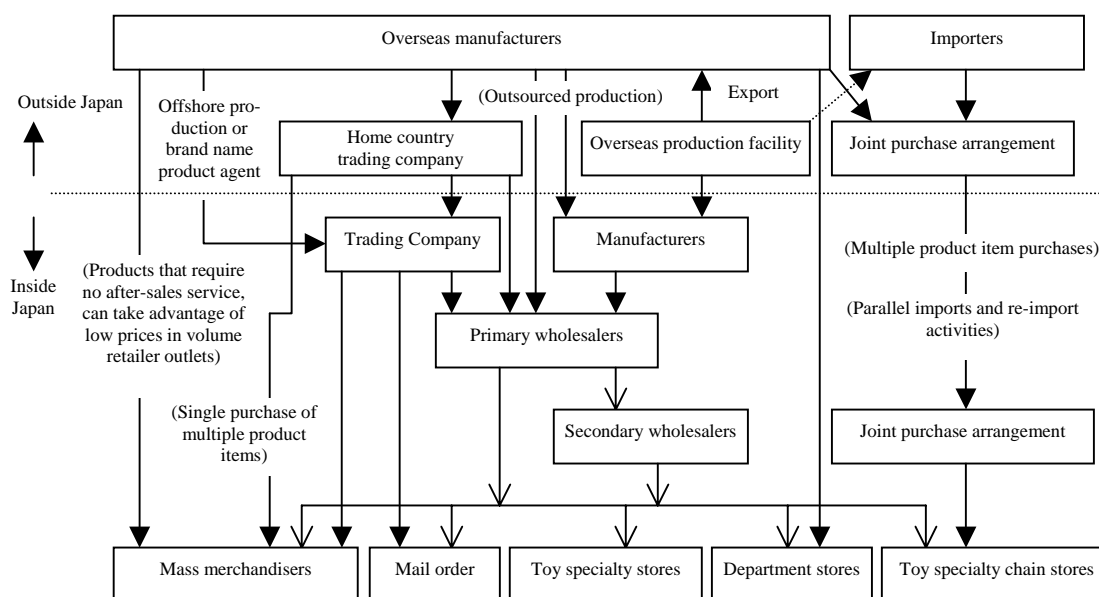
Market shrinkage in the children's toy market is inevitable given Japan's declining birth rate. Thus, recent times have seen the introduction of new types of toys that parents and children can enjoy together, or that target middle-aged and older adults. "Toys for the whole family" was the key concept in the 2001 Christmas season, when the most popular items were air hockey, ping-pong and soccer games played on TV screens, along with *karaoke* toys and remote controlled mini-cars. Updated versions of toys that were popular during the childhood years of today's parents also proved to be hit products. Toy makers are also venturing into non-traditional domains such as "toy candies" (chocolate or lemon candy with human or animal figurines inside, popular not just with children but also among men in their 30s and 40s) and "toy digicams" (simple digital cameras priced at ¥10,000 and under, popular with young adults).

(2) Distribution Channels

Toys have an extremely short product life cycle, and are subject to boom-and-bust cycles as fads come and go. This makes it difficult for smaller retail stores to keep highly popular product items in stock. Large toy manufacturers and manufacturer wholesalers (which combine wholesale distribution functions with product planning, development and manufacturing capabilities) used their superior product development and distribution strengths to assume a leadership role in the toy market. In the past there was little price competition in the toy industry.

However, in late 1991 Toys "R" Us, the world's largest toy chain store, opened its first retail outlets in Japan, and this event is expected to change the toy distribution in Japan. Toys "R" Us has built its success on large warehouse-type stores that are highly efficient and inexpensive to operate and offer vast product lines that enhance consumer appeal. Moreover, in recent years an increasing number of home interiors store, theme merchandise store and consumer electronics stores have begun carrying toys as well. The price breakdown trend promoted by Toys "R" Us and other large chain stores has brought about dramatic changes in toy distribution overall. Even department stores have felt obliged to start discounting when in the past they invariably sold at the manufacture's set retail price.

Fig. 6 Distribution channels for toys



Note: Bold arrows indicate shared channels with Japanese-made products.

In recent years more and more foreign toy makers have been selling direct to toy specialty retailers.

Source: Compiled from industry reference sources

(3) Key Considerations for entering the Japanese Market

- 1) New market entrants need to understand differences in product quality perceptions and business practices between Japan and other countries. Having done so, they need to choose a business partner who can provide consistent supplies of merchandise.
- 2) The toy business is a diverse field that is strongly affected by popularity trends. There is considerable business risk involved in making a product in large quantity, since if it fails to catch on, a lot of the inventory can end up sitting in warehouses. Inventories have to be managed to stay in sync with the peak sales seasons for toys, which fall around Christmas-time and then again from the start of the school year in April until Children's Day on May 5.
- 3) If adequate after sales service programs are not in place for toys requiring such service, it can prove rather costly.
- 4) Most toys are distributed through wholesalers to retailers. Importers can choose to split distribution between large national wholesalers and smaller regional wholesalers.
- 5) Wholesalers are often instrumental in helping new toys and new toy makers get shelf space for their products. However, retailers may not be enthusiastic unless a product is especially hot at a particular time or has some highly distinctive characteristic.
- 6) Wholesalers expect the manufacturer or importer to pay for shipping costs to their offices. Wholesalers usually pay shipping costs for defective and other returned merchandise, although in some cases they expect the importer to pay those costs as well.

8. After-Sales Service

Ultimate responsibility for an after-sales service lies with the manufacturer. However, in the case of imports the importer has an obligation as agent for the manufacturer to sell the product and to provide after sales service. Consequently, manufacturers should make sure that both the retailer and the importer have an adequate after-sales service program in place before they begin selling their products. Provisions of a written product warranty statement usually govern after-sales service, but because of the vast differences in various types of toys, not all toys come with warranty statements. The ST Mark label does provide the consumer with some basis in these cases for judging the quality of the product.

Many retailers, importers and even manufacturers operate repair service centers. However, with the proliferation of low-cost imports, many are choosing to simply replace the merchandise rather than bother trying to fix it. If a product requiring after-sales service is to be sold through a wholesaler or a volume retailer who cannot provide that service, then the manufacturer should choose an importer (trading company or manufacturer) who can provide after-sales service and make it a condition of the import sales agreement that such service be provided.

9. Related Product Categories

The importation, storage and transport of toy fireworks are regulated by provision of the Explosives Control Law. For more information please refer to "Toy Fireworks" section (III-29) in this guidebook. Also, detailed information on "Stuffed Animals" in the following section (III-28).

10. Direct Imports by Individuals

Direct imports by individuals are unrestricted with respect to price, quantity or any other factor.

11. Related Organizations

- The Japan Toy Association
- Japan Toys Museum

TEL: 03-3829-2513

TEL: 03-3874-5133

<http://www.toys.or.jp>

<http://www.toynes.or.jp>