



Photo:PIXTA

New Japanese Regulations Start for Businesses Selling Overseas and Children’s Products: Aiming for Better Product Safety

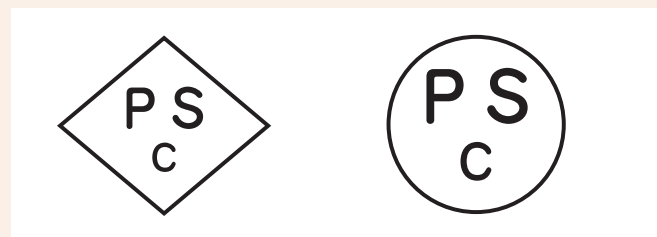
The market for online shops and other e-commerce (EC) sites conducting Internet transactions has continued to expand in recent years, and consumers are increasingly purchasing products directly from overseas businesses through online malls that serve as networks of multiple online shops. There has also been an increase in the number of accidents caused by overseas products that are not sufficiently safe. Given these circumstances, the Ministry of Economy, Trade and Industry (METI) plans to ensure the safety of overseas products by partially amending the Consumer Product Safety Act and the rest of the Four Product Safety Acts¹ to introduce new regulations on overseas business operators, including requiring the appointment of domestic supervisor who is legally responsible for these products sold in Japan. The Government of Japan aims for these amendments to go into effect by the end of 2025.

Expanding the EC Market, Clarifying Responsibility

With the proliferation of personal computers and smartphones, the Internet has become an extremely familiar shopping channel for many consumers. Due in part to the COVID pandemic, the B-to-C EC market² reached nearly 14 trillion yen in 2022. More than double the figure of 10 years ago, the shift to EC³ for the sale of goods has grown significantly, from 3.85% of sales in 2013 to 9.13% in 2022⁴. In addition to the conventional structure of an importer or distributor acting as intermediary between overseas business and consumer, a new business model has emerged by which overseas businesses sell products directly to consumers through online mall-like digital platforms for shopping (DPF). As a low-cost, easy to use business model, this new structure is expected to expand even further in the future. However, many of these overseas businesses do not operate offices in Japan, and the question of who has legal responsibility for the safety of these products has been unclear. To address these issues, the Four Product Safety Acts will be partially amended with the goal of achieving the following: (1) clarifying that overseas businesses have legal responsibility when selling products directly to consumers through DPF and other means and requiring these businesses to appoint a representative located in Japan

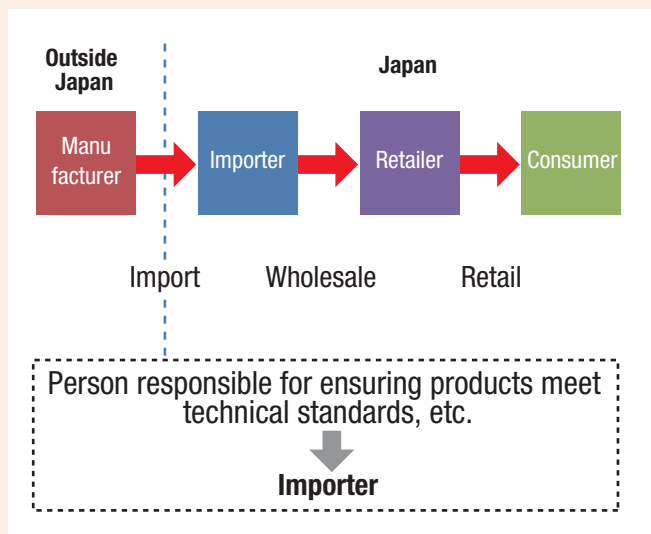
(domestic supervisor); (2) allowing for requests that DPF remove products that do not meet safety standards from the marketplace; (3) publicly disclosing the names and other information of business operators submitting notification, domestic supervisors; and (4) publicly disclosing the names of business operators that have violated laws, regulations, and standards.

These amendments are expected to help create a safer environment for consumers using overseas products.

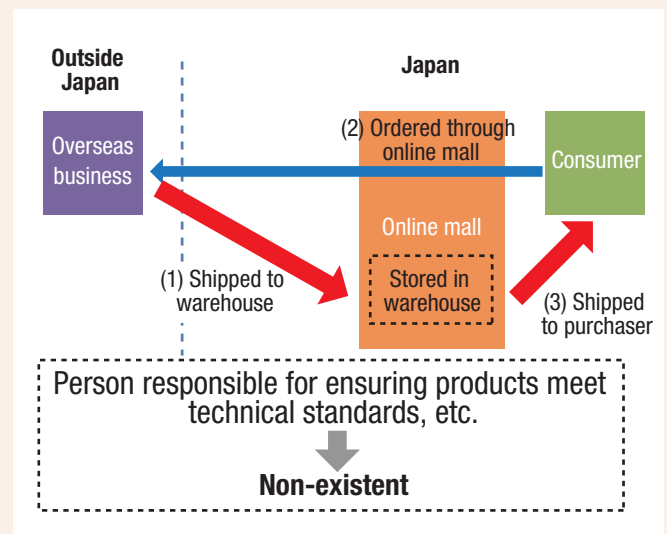


The amendments pertain to businesses that intend to bring into Japan, distribute, and/or sell 493 items (as of June 2024), including electrical products and gas appliances, which are designated by the Four Product Safety Acts as products that may cause harm (products requiring Product Safety marks).

Previous Import Business Model



Recent Business Model



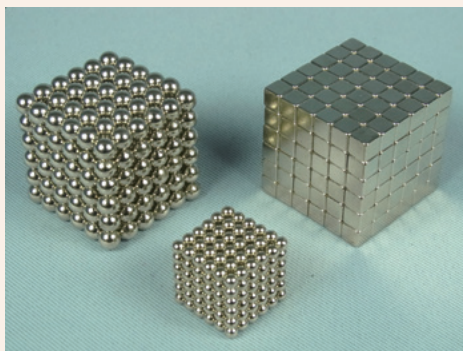
With conventional transactions, the importer is legally responsible for such matters as ensuring that products meet the technical standards stipulated by the Government of Japan. With the direct transactions through online malls in recent years, however, this responsibility is not clearly defined in some cases, as when no one located in Japan has been appointed as legally responsible.

Figures: Ministry of Economy, Trade and Industry

Regulating Children's Products

Amending the Consumer Product Safety Act will also establish regulations on toys and other products for children to ensure greater safety. To date, Japan's toy safety regulations have been limited to certain designated products, with no mechanism for preventing the distribution in Japan of certain toys, even those banned in other countries. However, the amended law will create a "specified products for children" category that is subject to regulation. Manufacturers and importers of products in this category specified separately by cabinet ordinance will be required to meet the technical standards stipulated by the Government

of Japan, as well as to indicate the product's intended age range and precautions for use. Products that do not comply with this mandatory labelling will not be able to be sold in Japan. However, the government plans to establish a special exception to allow the sale of used products that do not have packaging and for which the labeling cannot be verified, provided that the seller has a system in place to ensure product safety. In addition, sales of products in the "specified products for children" category manufactured or imported before the amendment takes effect will be permitted for an unrestricted amount of time.



The magnet set (left) and water-inflatable ball (right) will be subject to regulation from May 2023 under the amended Consumer Product Safety Act. Sales of both products are currently restricted due to the risk of internal organ damage and other serious health problems that can result from accidental ingestion.

Photos: National Consumer Affairs Center of Japan

1. These four laws — the Consumer Product Safety Act, the Electrical Appliances and Materials Safety Act, the Gas Business Act, and the Act on the Securing of Safety and the Optimization of Transaction of Liquefied Petroleum Gas — designate products that may cause harm to consumers and require manufacturers and importers to meet the technical standards stipulated by the Government of Japan.

2. Internet-based transaction marketplace where businesses sell directly to consumers

3. Proportion of e-commerce market to total commercial transaction market size

4. Market size is determined based on surveys of publicly available information and interviews with industry association representatives and businesspeople.

Source: Ministry of Economy, Trade and Industry "2022 Digital Transaction Environment Improvement Project" (e-commerce market research)

For more information on the partial amendments, visit the URL below.

<https://www.meti.go.jp/english/policy/economy/consumer/index.html>