



NCAC NEWS

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1 . Activities of NCAC

(1) Surveys

The 2008 Top Ten Consumer Issues

The National Consumer Affairs Center of Japan (hereinafter 'NCAC') selects the top ten consumer issues of the financial year by taking into account inquiries and complaints that were raised by a large number of consumers and that attracted public attention during the year. NCAC then reveals the selected ten consumer issues.

The 2008 Top Ten Consumer Issues are described below:

- Increasing concern over food products represented by 'Chinese frozen dumplings' and 'tainted rice'
- Another fatal case involving jelly products that contain 'konnyaku' – some cases where a choking hazard occurred were triggered by products that had been recalled and improved
- A variety of 'health foods' – improvements required to assure the safety of these products and to provide correct product labeling
- 'Mobile phones' used in a large number of problematic consumer issues such as their usage in illegal business practices
- No sign of a significant decline in consumer problems involving 'questionable investment transactions' and 'multilevel marketing'
- The total number of consumer inquiries and complaints reached over 'one million' cases five years in a row – the number of cases relating to fictitious billing remains high
- The bill submitted to establish the 'Ministry of Consumer Affairs' and to provide local support measures
- The Alternative Dispute Resolution Committee established by NCAC
- Major amendments targeting the Act on Specified Commercial Transactions and the Installment Sales Law to tackle 'illegal business practices' more effectively
- Increasing public expectations towards the qualified consumer organizations that can function as 'market supervisors.'

Increasingly problematic TV mail-order shopping programs

Owing to advanced information communication technologies, there have been a variety of commercial, satellite and cable TV programs introducing mail-order products (hereinafter 'TV mail-order shopping programs').

Under these circumstances, there has been a rise in the number of consumer inquiries and complaints relating to TV mail-order shopping programs reported through PIO-NET (Practical living Information Online-NETwork). According to these cases, it is often the case that, while TV mail-order shopping programs make a strong appeal to consumers due to the ability to introduce the details and characteristics of products by taking full advantage of sound and images, important information, such as the refund and return policies that may disadvantage consumers, quickly disappear from the screen in some cases and consumers are therefore not able to understand such information properly.

NCAC accordingly summarized the problematic areas of these TV programs and organized precautionary advice to consumers and then released this information with the details of the tendencies and case examples seen in consumer inquiries and complaints relating to these TV programs.

- Number of consumer inquiries and complaints

- 14,539 consumer inquiries and complaints relating to TV mail-order shopping programs have been reported since the Fiscal 1998. When compared to the past financial years, the number of these cases reported in the Fiscal 2008 showed an upward trend by increasing 29.2% from the Fiscal 2006 and 22.7% from the Fiscal 2007.
- The percentage of female consumers, especially housewives in their 50s and older, was noticeable among those who have purchased a product through a TV mail-order shopping program. While types of products purchased varied, the percentages of 'health foods' and 'cosmetic products' were large.

○ Problematic areas

- The display of important information disappears quickly from the screen in some cases and consumers are unable to comprehend the content of such information.
- TV personalities' say things that may misinform consumers and this also applies to the content of some information descriptions appearing on the screen.
- These TV programs are produced in a way to induce consumers to buy products.
- Some products are found to be of a lower standard compared to how they appear during the program.
- Some consumers purchased a product after being convinced by the feedback of people using the product who were introduced during the program though they later discovered that the product did not have the same effects.
- A large number of consumer issues involved the return of the product.
- Some consumers were asked to take out a membership when purchasing a product.
- The quality of after-sales services is poor in some cases.

By taking into account the above findings, NCAC provided the following advice to consumers:

- Think carefully before purchasing a product.
- Do not believe what is said in the program at first glance. Before purchasing, obtain further information such as the directions for use and verify whether or not there are any restrictions applicable when using the product.
- Before purchasing, ensure that the product is returnable.
- Confirm the return policy even if the product is said to be returnable as there may be conditions that apply when returning it.
- Obtain the copy of the purchase contract and note down the contact address.

NCAC also made the following requests to the industry:

- Any important information needs to be displayed on the screen more appropriately.
- The details of the product, such as its features, performance and/or effects, should be displayed on the screen more appropriately to provide the correct information for consumers.
- When receiving a purchase order, any conditions applicable should be explained to the consumer.
- When offering membership and/or a regular purchase contract, any conditions applicable need to be explained clearly to the consumer.
- A more appropriate customer service system needs to be developed.

'Knock-in' type investment trust transactions that were proclaimed to be 'low-risk' though are likely to cause a great loss of principle beyond expectation

A consumer complaint was reported to NCAC concerning what are called 'knock-in' type investment trust transactions*. These transactions are subject to bonds with special conditions (structured bonds utilizing derivatives) and are commonly referred to as 'capital-safe' and 'low-risk' as long as pre-designated conditions are met. Due to the recent sharp decline in stock prices, however, it has been reported that there are numerous cases of contracts of these transactions that no longer guarantee the safety of the principle and, as a result, the number of consumer inquiries and complaints are expected to rise henceforth. NCAC accordingly provided the following precautionary information to consumers:

* 'Knock-in' type investment trust transactions

Investment trust transactions are subject to bonds with special conditions (structured bonds), including those designed to produce stable interest as long as the asset price (i.e. stock index) does not drop below a pre-designated limit price. The major risk of these transactions is that, when such a price drops below the limit (this is commonly referred to as the price 'knocks in'), the amount of the drop from the knock-in price bears a loss. To be more specific, the 'principal amortization and high interest' (that is roughly 2% to 3% higher when compared to the interest derived from a savings deposit) are guaranteed on the condition that the Nikkei stock average does not fall below the pre-designated limit during the contract period. After it has dropped below the knock-in price, however, the amount of refund becomes interlocked with the stock price. During solicitations, these transactions are commonly referred to as 'limited/reduced risk' as a risk of loss of principle occurs only when the asset price falls below a pre-designated limit.

- Be aware that an investment trust transaction differs from a savings deposit and that it is not capital-safe. Do not begin any such transaction if wishing to protect the principle.
- When you are solicited to begin an investment trust transaction with a 'limited/reduced risk,' acquire adequate information concerning the mechanism of such a transaction and the types of possible risks until you are fully convinced. It is important not to sign the contract if you are still uncertain about the transaction.
- Consult with the nearest local consumer center if facing any problems as a result of starting an investment trust transaction. Although it will be difficult to solve the problem immediately, it may be possible to request business owners to improve their solicitation and sales methods if there are a large number of complaints reported.

(2) Safety hazard related information

A child suffered burns when washing his hands in the bathroom located in a shop due to boiling water coming out from the tap of the basin that had an electric water heating tank installed.

(Details of the above injury case)

It was reported to NCAC that, while a child was washing his hands in the bathroom located in a shop, both of his hands suffered burns twice over due to boiling water coming out from the tap. As a result of NCAC's investigation, it was discovered that a total of 88,000 units of the electric water heater of the same model were sold over the period from 1995 to 2002 and it is not known as to how many among these units are being used for public use. NCAC accordingly made the following requests to both manufacturers and administrators responsible for the management of public facilities:

- All stakeholders need to be instructed to install an electric water heating tank that produce moderately warm water if they are installed in bathrooms located in public facilities.
- Manufacturers should instruct administrators responsible for the management of public facilities to re-read the electric water heating tank instruction manual as it provides precautionary information concerning the water temperature setting and also request these administrators to carry out safety inspections on the tank.
- Administrators responsible for the management of public facilities should confirm the types of basins that produce hot water and, in the case of the use of an electric water heating tank, adjust water temperatures appropriately to assure safety. The manufacturer and/or the company responsible for the installation of the tank should be consulted if there is any issue with lowering set temperatures.
- As boiling water may come out if the tap is designed to produce both cold and hot water, such a tap needs to be replaced with one designed to produce moderately warm water so as to prevent burns.

(3) Product tests

Be alert that the clothing you wear may catch fire – the effectiveness of fire-proof clothing

According to the '2007 White Paper on Fire Service' prepared by the Fire Defense Agency, the number of

deaths due to fire disasters in 2006 (excluding those who committed suicide by starting a fire) reached 1,475 and 128 among these people (8.7%) died due to the clothing they were wearing at the time catching fire (unexpected fire disasters). 98 among these 128 people (76.6%) were of the elderly demographic group at the age of 65 and older.

Over the period from the Fiscal 2003 to 2008, NCAC learned of 58 accident cases that were caused by clothing catching fire. Among these, 8 fatal cases were reported such as on one occasion when a consumer 'died from burns suffered to his entire body as a result of his clothing catching fire from the gas stove when he was making coffee in the kitchen.' 5 cases among these fatal cases (62.5%) involved the elderly at the age of 65 and older.

Under these circumstances, NCAC conducted an accident reproduction test focusing on the flammability of clothing commonly worn at home. The effectiveness of clothing products with a 'fire-proof' label certified by the Japan Fire Retardant Association (hereinafter 'fire-proof products') were also looked into with this test.

(Product test findings)

- The tested fire-proof products demonstrated superior fire proofness when compared to general clothing products.
- As a result of the accident reproduction test (flammability test) whereby a flame was placed against dummies wearing the tested products, the tested fire-proof products caught fire but the flame did not spread through the clothing and it disappeared immediately after removing the flame. On the contrary, the flame spread in a large number of general products resulting in burns to nearly the entire bodies of the dummies.
- When a flame was placed against fire-proof products for 10 seconds and one minute respectively, these products kept burning for the duration of both periods as long as they were being exposed to the flame.
- A large number of general products did not provide precautionary information warning that the product had a risk of catching fire.

(Survey results concerning fire-proof products)

- A number of organizations including the Fire Defense Agency endeavor to make the public aware of the effectiveness of fire-proof products.
- There are however scarcely any shops that sell fire-proof products.
- The average price for fire-proof products is up to approximately five times larger when compared to general products.

By taking into account the above findings, NCAC provided the following advice to consumers:

- Be fully aware of the risk that the clothing you are wearing may catch fire and therefore make sure to avoid coming too close to any flames.
- Use fire-proof clothing products as required.
- If your clothing catches fire, make use of any water nearby such as water in the kitchen and/or the bathroom and/or lie down on the floor and keep rolling around to put out the fire.

Furthermore, NCAC made the following requests to the industry and the responsible governmental organizations:

- There needs to be more shops selling fire-proof products so as to allow consumers to look at these products, pick them up and try them on. In this way, there will exist more opportunities for consumers to purchase these products. Shops need to create environments in which these products are more accessible for consumers and accordingly facilitate more purchases.
- Products with superior fire proofness need to be developed as well as increasing the types of products and making prices more affordable.
- The public needs to be made aware of the effectiveness of fire-proof products and encouraged to use them in order to prevent further accidents.

Safety of electric heating cushions

NCAC received a consumer inquiry asking for a product test as an 'electric heating cushion (referred to as 'hot cushions' and 'electric mini-mats' in Japan) became burnt.' As a result of NCAC's investigation, the heater wires contained in the cushion were discovered to have become misaligned and clustered into a single area. This had resulted in a rise in temperature and had burnt the inner sponge and cushion cover. Some manufacturers that produce electric heating cushions have announced free replacements of their products that are discovered to be likely to cause fire and/or emit smoke due to the defective heater wire attachment.

NCAC accordingly carried out a product test to examine the extent of deterioration targeting seven products sized approximately 45cm x 45cm that are sold through the internet by taking into account the ways in which such a product would be used by the majority of consumers. This test was designed to discover whether or not the heater wires became misaligned, to verify any overheating as a result of the misaligned heater wires, and to identify any possible risk of low-temperature burns by measuring the surface temperatures of these products.

(Product test findings)

- The heater wires did not become misaligned during the test which took into account the general usage status of these products. The wires however may become misaligned and result in overheating if sitting on the cushion heavily causing a significant stress to the cushion and/or if the cushion has been used over a long period of time.
- Two among the overall tested products demonstrated extremely high surface temperatures reaching approximately 50°C at the highest which was significantly higher when compared to the other tested products.
- When the tested products with the misaligned and overlapped heater wires were turned on, the thermally-controlled products did not become burnt due to their safety mechanism feature while the heater wires and sponge of some of the thermostatic products became charred.

According to the above findings, NCAC provided the following advice to consumers:

- Inspect the electric heating cushion regularly and ensure that it does not become bent or bowed when using and storing.
- Avoid using an electric heating cushion while sleeping (using the cushion as a heating pad) or using it for a pet so as to prevent fire or the emitting of smoke.

NCAC also made the following requests to the industry:

- Further improvements need to be made to prevent the misalignment of the heater wires.
- Thermal control is required as the tested thermally-controlled products demonstrated a high level of safety when the heater wires became misaligned.
- Surface temperatures need to be ensured to stay moderate to prevent low-temperature burns.

Information update concerning mini-cup jelly products that contain 'konnyaku'

There have been a series of accident cases where small children and the elderly choked as a result of eating mouthful seized 'mini-cup' jelly products that contain 'konnyaku' (alimentary yam past) and NCAC has been repeatedly releasing the findings of product tests alongside precautionary information since 1995. Nonetheless, a fatal case occurred in July, 2008 involving an infant. Accident preventive measures are currently under review at the government and the industry levels.

Under these circumstances, NCAC examined 32 different mini-cup jelly products that contain 'konnyaku' (produced by a total of 6 brands) which were available for purchase over the period from December 5 to 10, 2008 to look into the physical properties of these products such as their hardness, elasticity and sizes alongside their product labeling containing precautionary information designed to prevent accidents.

(Product test findings)

(1) Hardness and elasticity

- The hardness and elasticity of the individual tested products varied. Some of the tested products, of

which names were released in July, 2007 as they had contained a risk of causing a choking hazard, were softer while some of these particular products did not seem to go through any improvements and the degree of hardness remained almost the same as before.

(2) Shapes and sizes

- Although the shapes of the individual tested products varied, most of the tested products of which names were released in July, 2007 did not seem to have undergone any improvements and the shapes of these products remained almost the same as before.
- Most of the tested products were found to have almost the same maximum diameter and cubic content as the products targeted by the past product tests.

(3) Product labeling and sales policy

- The tested products contained a large-sized picture warning of a possible choking hazard on the top surface of their exterior package as well as eye-catching handling precautions were provided on the back surface of the package.
- Most of the brands provided precautionary product labeling to instruct consumers 'not to let children and/or the elderly eat the product' and 'not to freeze the product.'
- Only one brand provided additional warning information on the lid of the cup.
- When investigating the sales locations of these products, some shops did not provide any warning information to make consumers aware of a potential choking hazard and displayed these products alongside confectionary products.

NCAC provided advice to consumers not to let children and/or the elderly eat any mini-cup jelly products that contain 'konnyaku.'

(3) Others

Alternative dispute resolution (ADR) procedures established by NCAC

The number of consumer problems has generally been increasing in recent years and the details of such problems have become more diversified and complicated. There have accordingly been increasing occasions where NCAC and other organizations act as a mediator to solve consumer issues handled by NCAC and local consumer centers (local public organizations).

The capacity of legal procedures designed to relieve consumer damages is limited due to consumers having more disadvantages when compared to business owners due to only being able to access limited information and the difficulty with carrying out negotiations independently. Amounts of consumer damages are relatively small in general and this is also one of the reasons why it is so difficult to recover such damages. In a bid to solve consumer issues more simply and quickly, the government requested NCAC to establish alternative dispute resolution (ADR) procedures.

The 'Law pertaining to the National Consumer Affairs Center of Japan' accordingly underwent partial revision (issued on May 2, 2008) and the revised law will come into effect on April 1, 2009.

(Outline of the Alternative Dispute Resolution Committee)

In accordance with the above amended law, NCAC has established the Alternative Dispute Resolution Committee which has an independent authority to carry out mediation and arbitration to facilitate reconciliation of consumer conflict cases that are crucial to be solved on a nationwide scale (important consumer conflict cases).

A maximum of fifteen committee members, who have special knowledge concerning legal affairs and/or business transactions, are to be approved by the Prime Minister of Japan and then officially assigned by the Executive Director of NCAC.

NCAC summarized the ADR procedures and, with the approval of the Prime Minister of Japan, the Executive Director of NCAC has assigned fifteen committee members and released their names.