



公正取引委員会
Japan Fair Trade Commission

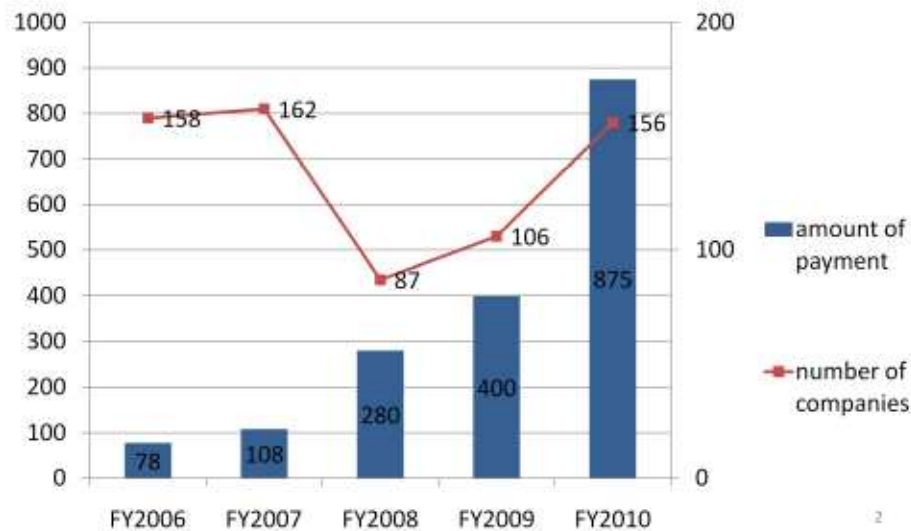
Promoting Compliance with Competition Law in Japan

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Today, I would like to introduce how the Japan Fair Trade Commission, the JFTC, is trying to promote compliance with competition law in Japan.

1.Introduction①

Stronger sanctions to prevent violations of the Antimonopoly Act




First of all, as we all know well, vigorous enforcement of the competition law is the most fundamental base to promote compliance with the law.

The JFTC has been enforcing the Antimonopoly Act, our competition law, vigorously.

The statutory surcharge rate was increased in 2005 and 2009 one after another.

The leniency program introduced in 2005 has been working well also in Japan.


As a result, the amount of surcharge payment reached its record high of 72 billion JPY, or 875 million US\$ in FY 2010.


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1.Introduction②

JFTC's surveys on compliance

May 24, 2006	May 16, 2007	May 9, 2008	March 18, 2009	June 30, 2010
TSE * Listed Companies	Construction Companies	Foreign- Owned Companies	TSE Listed Companies	TSE Listed Companies



* TSE: Tokyo Stock Exchange

In addition, the JFTC has been employing various methods to induce Japanese companies to improve their compliance.

Among the methods, we have conducted questionnaire surveys on targeted companies, publishing survey reports and recommendations almost every year.

The survey's main aim is to come close to the reality, of course, but at the same time, the JFTC aims to urge Japanese companies to improve their compliance by compiling these survey results and recommendations.

As some of you might know, one effective way to urge Japanese businessmen to do some honorable conduct is to whisper to them, "Other companies are doing so."

2. Some findings from past reports on compliance

I would like to introduce some findings from past reports.

(1) Analyses by industry (2006 report)

We think violations of the competition law would not happen in our company.

Construction industry **Yes: 31%**

All industries **Yes: 41%**

**Industry-wide effort would be the most effective measure
for full compliance with the competition law.**

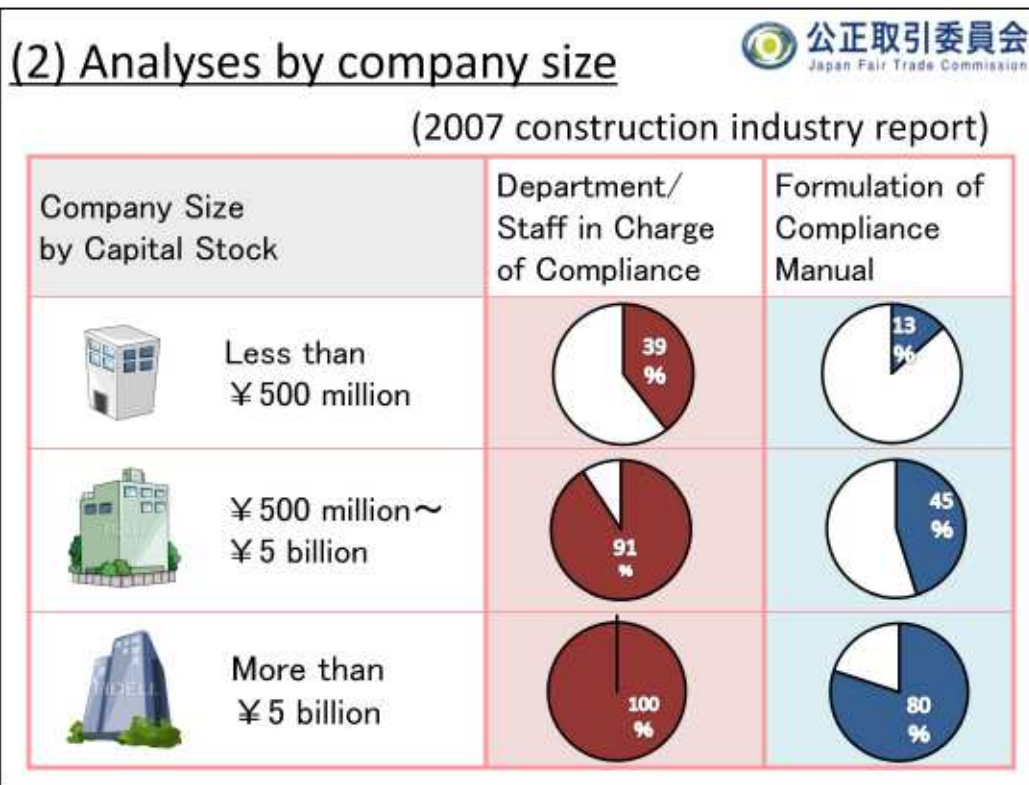
Construction industry **Yes: 33%**

All industries **Yes: 12%**

In the 2006 report, we analyzed the characteristics of some industries, such as the construction industry, in which bid riggings in public procurement had occurred frequently.

As this graph shows, the ratio of the construction companies that think themselves unlikely to violate the competition law is relatively low.

Also, construction companies tend to consider industry-wide efforts would be the most effective measure for full compliance with the competition law.




This table shows an analysis by the size of companies.

Usually, large-scale construction companies are equipped with department or staff in charge of compliance.

They also have formulated some kind of compliance manual.

On the other hand, smaller construction companies sometimes lack department or staff in charge of compliance. Many of them have not formulated compliance manuals, either.

(2) Analyses by company size (cont.)

Large-scale companies	Smaller companies
<p>Promotion of compliance in substance is a major challenge.</p> 	<p>Development of a compliance system is not sufficient.</p> <p>However, positive response may be expected as for less burdensome challenges.</p>

From these analyses, we can identify different challenges for different-sized companies.

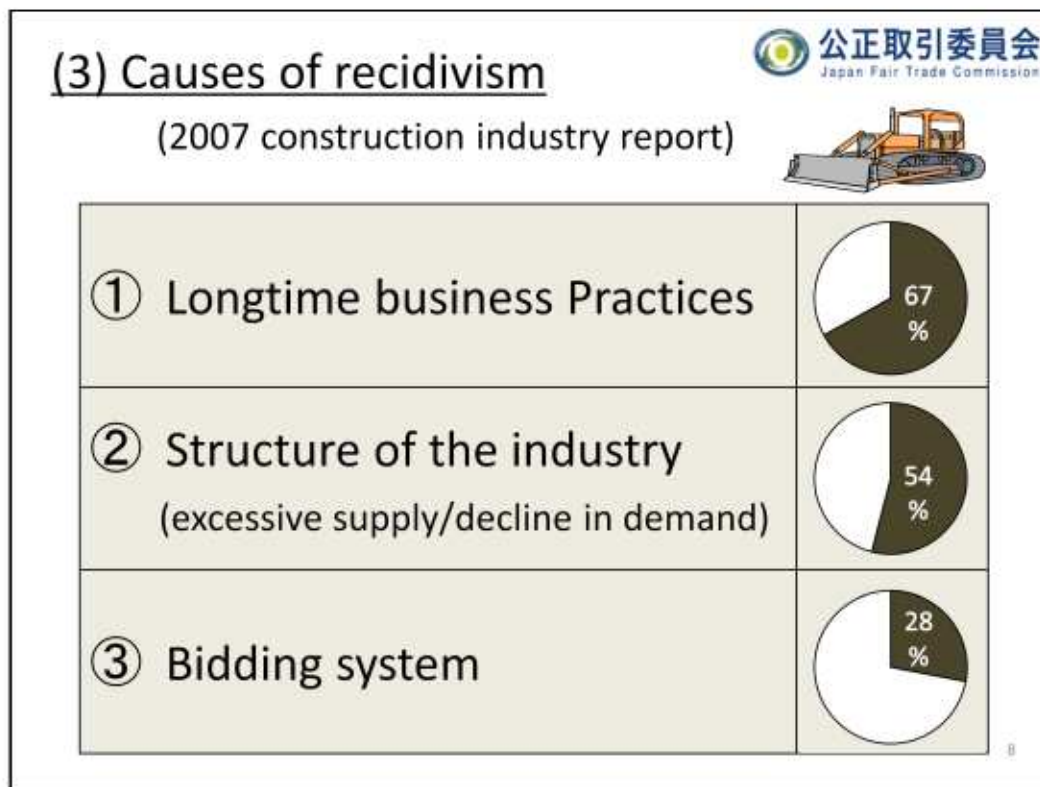
As for large-scale construction companies, we can say promotion of compliance, at least in form, is satisfactory.

However, they tend to lack recognition of the risk of violating the competition law. Their efforts for internal audit, etc., do not seem to be sufficient.

Therefore, promotion of compliance in substance is a major challenge for large-scale construction companies.

In smaller construction companies, development of a compliance system in itself is not sufficient. This may be due to the burden of developing such a system.

However, as for less burdensome challenges, such as designating staff for compliance or developing compliance manuals, a more positive response may be expected even from these smaller construction companies.



In the 2007 construction industry report, we surveyed the causes of recidivism, too.

Longtime business practices in the construction industry were pointed out to be the cause of bid rigging by 67% of the respondents. The second highest answer was the structure of the construction industry, which suffers from excessive supply and decline in demand. The third was the procurement system, which is prone to bid-rigging. On the other hand, the percentage of the answer referring to insufficiency of the competition-law-enforcing effort was the lowest among all.

3. To enhance the effectiveness of compliance

In the next section, I would like to present several methods for each company to enhance the effectiveness of compliance. These methods are derived from the past surveys and the JFTC is now recommending these methods in the 2010 report.

(1) Most important point is...



*Initiatives and involvement of
top management*



The most important point is the “initiatives and involvement of top management”.

Top management should directly, repeatedly, and explicitly deliver messages stressing the importance of compliance to employees by taking advantage of every opportunity.

(2) Establishing an enhanced legal affairs department/staff in charge of compliance.

(3) Formulating a concrete and practical compliance manual suitable for the reality of each company's business.

(4) Improving training courses for management executives as well as for employees.

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The second is establishing an enhanced legal affairs department or staff in charge of compliance.

The third is formulating a concrete and practical compliance manual suitable for the reality of each company's business.

The fourth is improving training courses for management executives as well as for employees.

- (5) Active involvement of a parent company in group companies' compliance with the competition law.
- (6) Establishing an in-house rule to be observed when employees or executives make a contact with staff of competitors and constantly checking whether it is observed.
- (7) Conducting proper in-house investigations promptly in response to information regarding violation of the competition law.

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The fifth is an active involvement of a parent company in the group companies' compliance with the competition law.

The sixth is establishing an in-house rule to be observed when employees or executives make contact with the staff of competitors and constantly checking whether it is observed.

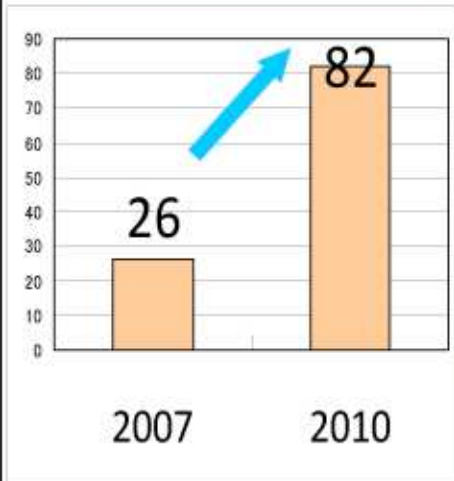
The seventh is conducting proper in-house investigations promptly in response to information regarding violations of the competition law. Top management should exercise their strong leadership especially on these occasions.

4. The JFTC's other efforts

I would like to show the JFTC's other efforts for promoting better compliance.

▪ Lecturers in schools

The number of
Antimonopoly Act
classes



The JFTC has been seeking to enhance the understanding of competition law and policies by the general public.

One effort is to offer Antimonopoly Act classes to various high schools and universities. For example, the JFTC dispatches its staff as lecturers to junior high schools to speak on the role of Antimonopoly Act, utilizing an easy-to-understand teaching kit. These classes are welcomed by youngsters and therefore, requests for the class are increasing.

- Exchanging opinions with local experts
- Seminar for consumers and businesses
- Films related to PR activities



"Dokkin !! Please teach me the Antimonopoly Act !"
(Let's learn the competition law joyfully)

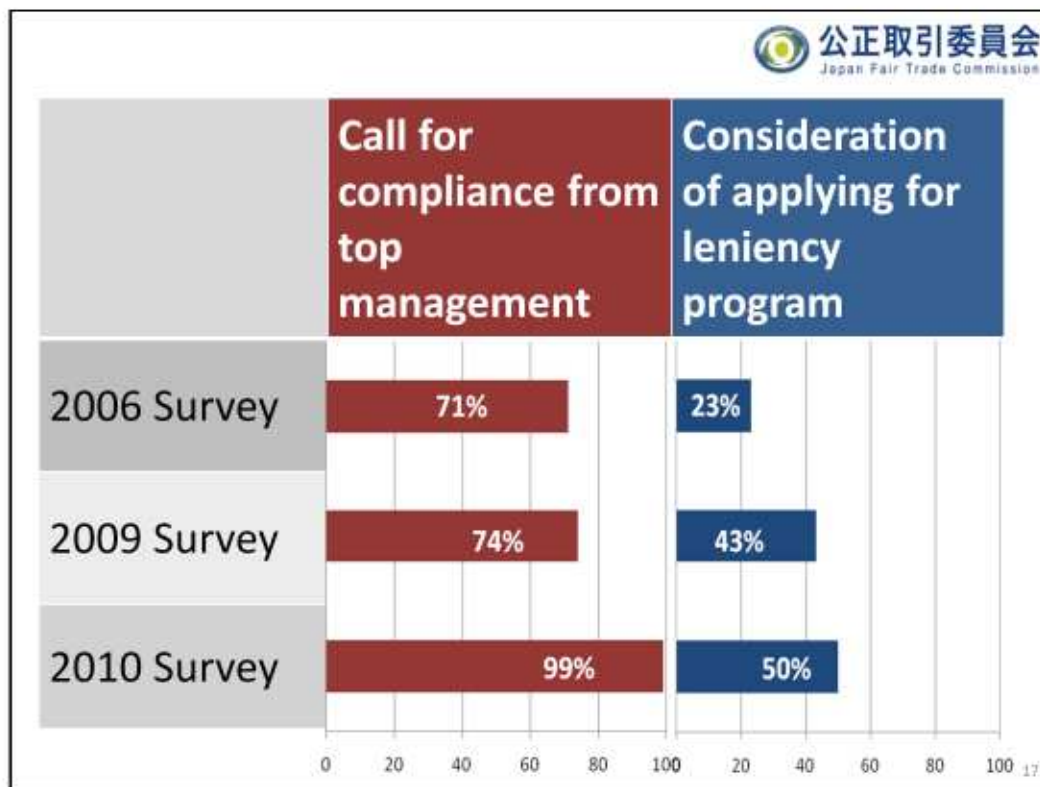
The JFTC is also trying to advocate competition policy to a wide range of the general public.

JFTC commissioners and staff meet regularly with representatives of the business community, academic experts, mass media, and consumer groups, etc., in local communities. Of course, the JFTC offers many seminars for consumers and businesses. We also utilize our website to broadcast films related to PR activities.

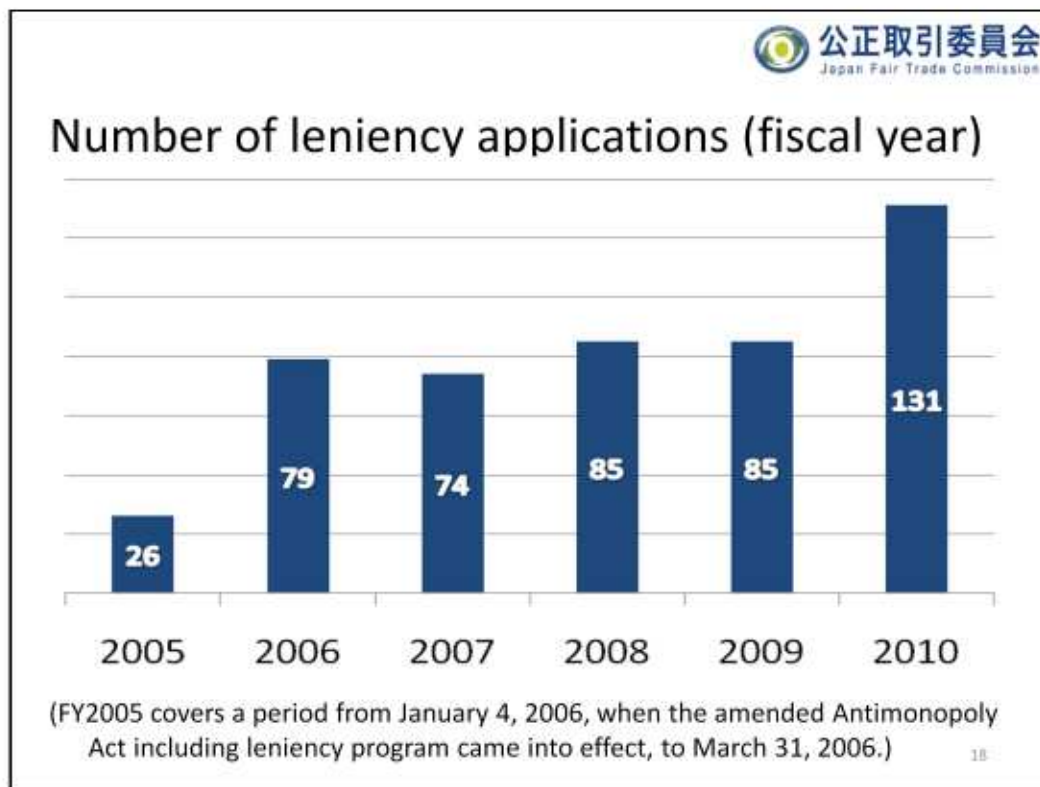
Recently, the JFTC created a mascot character called "Dokkin" to be used in PR films. Dokkin's name comes from the abbreviation of the Antimonopoly Act which is "Dokkin-hou" in Japanese. In addition, Dokkin means the sound of heartbeats in Japanese. Such a double meaning is utilized in a lovely way in the cartoon film but, to my regret, I have to skip the explanation of why it is lovely, because it takes too much time to explain in English.

5. The JFTC's efforts are successful ??

At the end of my presentation, I would like to introduce the performance of our efforts.



This graph compares the data of past surveys, focusing on “Call for compliance from top management” and “Consideration of applying for the leniency program”. Both data seem to be improving year by year.



This graph shows the number of leniency applications for each fiscal year. We see the number is on an upward trend. This trend may suggest the down-to-earth advocacy efforts that contribute to raising awareness about the importance of compliance with the competition law.



These are suggestions from the JFTC's efforts for promoting better compliance.

Thank you very much for your attention.