

**Enforcement Status of the Subcontract Act and Promotion of Proper Corporate Transactions
in the Financial Year 2007 (Summary)**
(Tentative Translation)

May 14, 2008

Japan Fair Trade Commission

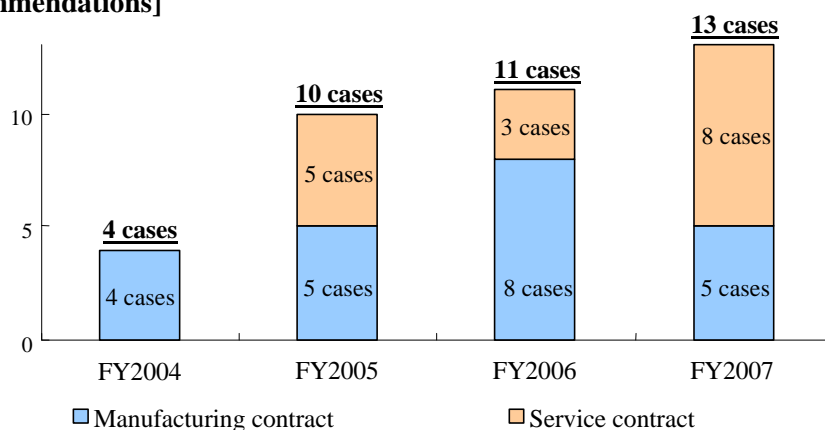
1. Enforcement Status of the Subcontract Act

(1) Recommendations against violation of the Subcontract Act

[Features of cases]

- i. There were 13 cases in fiscal year (FY) 2007 in which the JFTC issued recommendations against violations of the Subcontract Act. **[The largest number of cases since the revised Subcontract Act was introduced in April 2004]**
- ii. All 13 cases involved a reduction in subcontract proceeds (a recommendation against a coerced reduction in price was made in one of the cases). **[The first recommendation against a coerced reduction in price]**
- iii. Eight of the 13 cases were in connection with service contract etc. **(a record number)**. (Seven of the eight cases occurred in the field of road cargo transport **(a record number)**).

[Trends in recommendations]



(2) Refunding reduced amounts from subcontract proceeds and payment of interest for delayed payment of subcontract proceeds

[Features of cases]

- i. In cases involved a reduction in subcontract proceeds, the JFTC instructed the subcontracting enterprises to offer restitution of the reduced amount of payment, amounting to one billion and 88.04 million yen, to 3,736 entrepreneurs from subcontractors by issuing recommendations or warnings. **[Both the number of subcontractors who were offered the restitution and the amount of payment made as restitution were the highest figures recorded since the revised Subcontract Act was implemented in April 2004.]**

Number of subcontracting enterprises making repayments (Companies)	Number of subcontractors receiving repayments (Entrepreneurs)	Total amount of restitution (Units of 10,000 yen)
46	3,736	108,804

- ii. In the cases involving a delayed payment of subcontract proceeds, the JFTC instructed subcontracting enterprises to pay 724.4 million yen as interest on the arrears of subcontracting payments to 3,525 entrepreneurs from subcontractors, by issuing warnings. **[The number of subcontractors who were paid interest on arrears was the largest since the revised Subcontract Act was implemented in April 2004.]**

Number of subcontracting enterprises making repayments (Companies)	Number of subcontractors having receiving repayments (Entrepreneurs)	Total amount paid (Units of 10,000 yen)
68	3,525	7,244

(3) Efforts based on "Growth Strategy"

a. Special investigation under the Subcontract Act

The JFTC investigated subcontracts in areas recently designated as being within the scope of application of the Subcontract Act when it was amended in April 2004, with special emphasis on road cargo transport (service contracts), the creation of information deliverables for the production of broadcasting programs as well as motion pictures, and the manufacturing of metal molds. As a consequence, the JFTC issued four recommendations and 250 warnings (June to December, 2007).

b. Follow-up investigations into past cases of violation of Subcontract Act

The JFTC conducted follow-up investigations in four cases, in which it issued recommendations to relevant subcontracting enterprises in FY2004. Subsequently, the JFTC confirmed (in the first half of FY2007) that they had been making efforts to comply with the Subcontract Act.

2. Preventing Violations

(1) Review of the survey sheet for subcontracting enterprises

To ensure that the Subcontract Act is more widely known, awareness of the Act is higher and voluntary checks are being made by subcontracting enterprises, the JFTC reviewed a questionnaire regularly sent to subcontracting enterprises and specified what actions constituted violations of the Act. As a result, a number of subcontracting enterprises voluntarily improved their actions concerning their subcontracts.

(2) Subcontract Act advocating and training

- a. The JFTC positions November of each year as "Appropriate Subcontracting Month." In cooperation with the Small and Medium Enterprise Agency, the JFTC undertakes a number of advocacy and training initiatives for the Subcontract Act by organizing training courses throughout Japan.

In FY2007, training courses for the Subcontract Act were held at 55 venues in 47 prefectures (including courses at 30 venues in 27 prefectures that were hosted by the JFTC).

- b. The JFTC prepared an easy-to-understand booklet that explains examples of "coerced reductions in prices" as set out in the Subcontract Act, and in cooperation with the Small and Medium Enterprise Agency, distributed the booklets to approximately 80,000 subcontracting enterprises and 48 relevant organizations (July 2007).
- c. The JFTC prepared approximately 90,000 copies of booklets aimed at familiarizing subcontractors with the Subcontract Act and at encouraging them to provide information regarding subcontracts that may be in violation of the Act. The booklets were sent to relevant

organizations, etc. (March 2008)

3. Encouraging Appropriate Corporate Transactions

(1) Encouraging proper transactions between large-scale retailers and suppliers

In an effort to facilitate broader understanding and better awareness of the Designation of Specific Unfair Trade Practices by Large-Scale Retailers Relating to Trade with Suppliers, in 2007, the JFTC actively dispatched its officials as lecturers to briefings held by business associations and other organizations (21 times).

(2) Encouraging proper transactions etc. between cargo owners and logistics companies

To bolster monitoring of violations of the Antimonopoly Act (special designation for logistics) and violations of Subcontract Act by cargo owners in the area of logistics, the JFTC established the Task Force for Logistics Research, which is dedicated to researching unfair actions in transactions between cargo owners and prime contractors and in subcontracting transactions in the field of logistics businesses (February 2008).

The JFTC also conducted a written survey etc. of 14,126 logistics companies in an effort to monitor compliance with the Antimonopoly Act (special designation for logistics) and to request relevant entrepreneurs to take remedial actions when problems are found. The JFTC also started a special survey of approximately 30,000 logistics companies to strengthen monitoring (the questionnaires were sent to the subjects on March 28, 2008).