

## **The JFTC rendered a recommendation to DNP Logistics Co., Ltd.**

December 15, 2006

Japan Fair Trade Commission

The Japan Fair Trade Commission (hereinafter “JFTC”) had investigated a suspected violation against the Act against Delay in Payment of Subcontract Proceeds, etc. (hereinafter “Subcontract Act”) conducted by DNP Logistics Co., Ltd. (hereinafter “DNP Logistics”). As a result of the investigation, the JFTC found violation of Section 4-1 (3) (prohibition on reduction of the amount of subcontract proceeds) of the Subcontract Act and, on December 15, rendered a recommendation to DNP Logistics according to Section 7-2 of the Subcontract Act.

### 1 Summary of the company

Name of company	Place of head office	Representative Director
DNP Logistics Co., Ltd.	Tokyo	Arinobu HARA

### 2 Summary of the Recommendation etc.

#### (1) The finding of facts

DNP Logistics has outsourced to subcontractors its business regarding whole or part of cargo service.

A. In order to ensure profits, DNP Logistics requested subcontractors to bear some percent of payment or a certain amount of money as “management charge” or “price reduction”, and in the period from May 2004 to March 2006, targeting at some subcontractors which agreed to the request, DNP Logistics deducted some percent of payment or a certain amount of money from the subcontract proceeds that should be paid.

B. When paying subcontract proceeds, DNP Logistics, in principle, draws a bill in case that a payment exceeds a certain amount. In the period from May 2004 to April 2006, DNP Logistics alternatively paid subcontract proceeds by cash instead of drawing bills. However, DNP Logistics reduced the payment by the amount of money exceeding an interest of fund necessary to pay by cash. ( Note : When paying

by cash instead of drawing a bill, it is legal for an entrepreneur to reduce the payment to a subcontractor by the amount of money corresponding to an interest that would be obtained in the period from a bill issuing date to a due date if a bill were issued. )

- C. As a result of the above, without any reason for which the subcontractors were responsible, DNP Logistics reduced the subcontract proceeds that should be paid to those subcontractors. (The amount reduced against 54 subcontractors was around 59.4 million yen.)

On the other hand, DNP Logistics returned the amount reduced to those subcontractors on December 11, 2006.

- (2) Summary of measures recommended

- A. DNP Logistics shall notify to the subcontractors that the above deduction from the subcontract proceeds is against the Subcontract Act. Moreover, it shall be made sure by the board of directors that DNP Logistics will never reduce subcontract proceeds without any reason for which subcontractors are responsible, and it shall notify the above to the subcontractors.
- B. DNP Logistics shall take necessary measures to establish its compliance system and shall notify its executives etc. the measures taken.