

Enforcement Status of the Subcontract Act in the First Half of Financial 2007 and Issues to be Addressed (Outline)

October 31, 2007

Japan Fair Trade Commission

The Japan Fair Trade Commission (JFTC) has strictly implemented the “Act against Delay in Payment to Subcontract Proceeds, etc. to Subcontractors” (Subcontract Act) by taking legal measures (recommendation) against violations and making public such measures. In addition, the JFTC has been making efforts to advocate and disseminate the Subcontract Act in view of preventing violative activities.

The followings are the current status of the JFTC’s law enforcement in financial year 2007.

1. Enforcement status of the Subcontract Act

(1) Recommendation against violation of the Subcontract Act

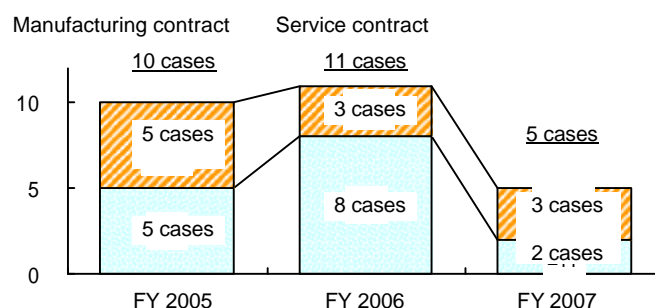
There were four cases in the first half of FY 2007 that the JFTC found violative conducts against the Subcontract Act and issued recommendation.

Since the JFTC took legal measures in one case in October 2007, there have been a total of five cases that the JFTC has issued recommendation so far in FY 2007.

[Features of cases]

- a. All five cases that the JFTC issued recommendation during the period from April through October, 2007, fall under the category of cases of a reduction in subcontract proceeds. Three of those cases were in connection with service contract, etc.
- b. Of these five cases, three occurred in the field of road cargo transport.

[Trend of legal measures]



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

In the case of reduction of subcontract proceeds, the JFTC instructs subcontracting

enterprises to offer restitution of the reduced amount of payment to subcontractors. In the case of delayed payment of subcontract proceeds, subcontracting enterprises are instructed to pay a certain extent of money as interest attributed to the delay in payment of subcontract proceeds.

a. Restitution of reduced amount of payment in the cases of reduction in subcontract proceeds (April to September, 2007)

Number of subcontracting enterprises having repaid (Companies)	Number of subcontractors having been repaid (Entrepreneurs)	Total amount of restitution (units of 10,000 yen)
19	409	24,555

b. Payment of interest for delay in the cases of delayed payment of subcontract proceeds (April to September, 2007)

Number of subcontracting enterprises having paid (Companies)	Number of subcontractors having received payment (Entrepreneurs)	Total amount paid (units of 10,000 yen)
28	1,563	4,187

(3) Efforts based on “Strategy for Boosting the Growth”

In the light of the “Strategy for Boosting the Growth” (Basic Concept), which was formulated by the Government in February, 2007, as part of strategies for growth, the JFTC has implemented the following efforts in addition to taking necessary measures such as recommendation against violations of the Subcontract Act.

a. Special investigation under the Subcontract Act

The JFTC is investigating subcontracts in the fields of road cargo transport, production of broadcasting programs as well as motion pictures, and manufacturing of metal molds, those of which are part of the fields newly designated as being under the revised Subcontract Act and are considered prioritized to be investigated.

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

The JFTC conducted follow-up investigation into four cases, where it issued recommendation to relevant subcontracting entrepreneurs in FY 2004. The investigation was mainly focused on their status concerning compliance with the Subcontract Act after their acceptance of recommendation. As a result of the investigation, the JFTC confirmed that they had been making efforts for compliance with the Subcontract Act.

c. Prevention of “beating down of price”

The JFTC, in cooperation with the Small and Medium Enterprise Agency, prepared an easy-to-understand booklet that explains examples concerning “beating down

of price” as stipulated in the Subcontract Act. The booklets were sent to approximately 80,000 subcontracting entrepreneurs and 48 relevant associations (July, 2007).

2. Issues to be addressed

(1) Strict enforcement against violation of the Subcontract Act

In accordance with the “Strategy for Boosting the Growth,” the JFTC will continue to conduct special investigations into specific fields based on the Subcontract Act, and to strictly enforce the Act against violations.

(2) Training program on the Subcontract Act

The JFTC, in cooperation with the Small and Medium Enterprise Agency, will place this November as “The Month for Promoting Proper Subcontract,” and organize a training program 55 times in 47 prefectures (including 30 sites in 27 prefectures at which the JFTC will host such a program).

◆ Slogan of “The Month for Promoting Proper Subcontract”

“Did you discuss the price sufficiently? - No More Beating Price Down, and promote proper subcontract -”