

Approval of the Commitment Plan Submitted by HASHIMOTO SOGYO CO., LTD.

December 12, 2024
Japan Fair Trade Commission

The Japan Fair Trade Commission (hereinafter referred to as the “JFTC”) has investigated HASHIMOTO SOGYO CO., LTD. (hereinafter referred to as “Hashimoto Sogyo”) in accordance with the provisions of the Antimonopoly Act (hereinafter referred to as the “Act”), and suspected that Hashimoto Sogyo’s conducts described below might violate the Article 19 (falling under paragraph (1), item (ii) [payment reduction], paragraph (1), item (iii) [unfair price cutting] and paragraph (1), item (vi) [unjust requests for the provision of economic benefits] of Specific Unfair Trade Practices when Specified Shippers Assign the Transport or Custody of Articles) of the Act.

Recognizing that competition would be promptly restored, through the Commitment Procedure, by measures to be swiftly taken by Hashimoto Sogyo to eliminate its conducts described below, the JFTC issued the Notice of Commitment Procedures to Hashimoto Sogyo on November 7, 2024, pursuant to Article 48-2 of the Act.

Hashimoto Sogyo submitted the Commitment Plan to the JFTC for an approval of measures necessary to eliminate its conducts described below, pursuant to the Article 48-3, paragraph (1) of the Act. The JFTC today approved the Commitment Plan, pursuant to the Article 48-3, paragraph (3) of the Act recognizing that the plan is sufficient to eliminate the alleged conducts and expected to be reliably implemented (Note 1) (Note 2).

This Commitment Plan includes a five-year implementation period for the commitment measures and the entrustment of monitoring the overall implementation of these measures to a third party (Note 3).

It is noted that today’s approval does not mean that Hashimoto Sogyo’s conducts violated the Act.

(Note 1) An approval of the Commitment Plan is an administrative disposition under the Act.

(Note 2) The JFTC is to render a decision to rescind the approval pursuant to the Article 48-5, paragraph (1) of the Act and resume the investigation procedure conducted before the Notice of Commitment Procedures is issued, for instance, if the JFTC recognizes that the Commitment Plan is not being conducted according to the approved Commitment Plan.

(Note 3) At the regular press conference of the Secretary General held on July 3, 2024, measures to ensure more effective and practical implementation of the Commitment Procedures were announced.

1. Overview of Hashimoto Sogyo's Business

- (1) Hashimoto Sogyo, headquartered in Tokyo, operates as a wholesaler of plumbing materials, housing equipment, and related products across Japan.
- (2) Hashimoto Sogyo is one of the leading companies in terms of sales revenue in Japan's wholesale trade (machinery and equipment) industry.
- (3) Hashimoto Sogyo entrusts the transportation of products to logistics operators.

2. Overview of the Alleged Conducts

Hashimoto Sogyo has committed the following conducts on the logistics operators at latest from July 2017.

- (1) For some of the logistics operators, Hashimoto Sogyo has engaged in the following conducts without any fault attributable to the logistics operators:
 - (a) Deducting an amount calculated by applying a fixed rate to the predetermined payment amount;
 - (b) Deducting bank transfer fees from the payment when depositing it into the logistics operators' bank accounts.
- (2) For some of the logistics operators, Hashimoto Sogyo has not agreed in advance the daily working hours for the entrusted transportation services and the freight charges for work exceeding those hours. In such a situation, Hashimoto Sogyo adopted fixed daily or monthly freight charges. Consequently, in cases where the transportation services involve extended working hours, including overtime beyond statutory limits, the hourly freight charges paid to these operators have been significantly lower than the standard hourly rates typically paid for similar transportation services.
- (3) Hashimoto Sogyo has set fixed daily or monthly freight charges for some of the logistics operators, based on predetermined daily working hours for the entrusted transportation services. However, though the required working hours have exceeded these predetermined limits, Hashimoto Sogyo has not agreed in advance with the logistics operators on freight charges for the additional hours. Consequently, these operators have been compelled to perform additional transportation work beyond the agreed hours without receiving any compensation.
- (4) For some of the logistics operators, Hashimoto Sogyo has required them to perform specific

ancillary tasks related to the transportation services, which have not been included in the scope of the entrusted services. This has been done without agreeing on the terms of the arrangement in advance with the logistics operators, effectively compelling them to perform these tasks without compensation.

3. Overview of the Commitment Plan

- (1) Ceasing the conducts described in section 2 above.
- (2) Resolving following matters at a meeting of the Board of directors.
 - (a) To cease the conducts described in section 2;
 - (b) To decide not to engage in conducts similar to those described in section 2 and to implement this measure for the next 5 years.
- (3) Notifying the logistics operators entrusted with the transportation services of the measures taken based on (2) above, as well as the intent to implement the measures described in (1) above, and ensure that these measures are thoroughly communicated to the company's employees.
- (4) Recovering the lost monetary value incurred by the conducts described in section 2 (1) through (3) to the logistics operators.
- (5) Refraining from engaging in conducts similar to those described in section 2 and implement this measure for the next 5 years.
- (6) Taking necessary measures to perform following items:
 - (a) Compiling guidelines for compliance with the Act related to transactions with logistics operators and disseminating these guidelines to all of its employees;
 - (b) Periodic training for its executives and employees and periodic supervision by legal section for compliance with the Act regarding transactions with logistics operators.
- (7) Delegating the monitoring of the implementation of the measures described in (1) through (6) above to a third party, limited to those approved by the JFTC.
- (8) Requiring the third party entrusted under (7) to report to the JFTC on the implementation status of the measures described in (1) through (4) and (6).
- (9) Requiring the third party entrusted under (7) to report annually to the JFTC, for the next five years, on the implementation status of the measures described in (5) and the measures taken based on (6)(b).

With the implementation of the Commitment Plan, the recovery of the lost monetary value described in section 3 (4) above is expected to be about 38 million yen in total for approximately 25 logistics operators at present.

* This announcement is a tentative translation. Please refer to the original text written in Japanese.