

Recommendation against Knorr-Bremse Commercial Vehicle Systems Japan Ltd. under the Subcontract Act

March 19, 2025

Japan Fair Trade Commission
Small and Medium Enterprise Agency

The Japan Fair Trade Commission (hereinafter referred to as the “JFTC”) today issued a recommendation against Knorr-Bremse Commercial Vehicle Systems Japan Ltd. (hereinafter referred to as the “KBSJ”) for violating the Subcontract Act. This case involves an investigation conducted by the Small and Medium Enterprise Agency (hereinafter referred to as the “SMEA”) into the KBSJ. As a result, on January 31, 2025, the Director-General of the SMEA filed a request for measures (Note 1) to the JFTC under Article 6 of the Subcontract Act.

(Note 1) This refers to the process in which the Director-General of the SMEA confirms, based on an investigation, that there is a potential violations of Article 4 of the Subcontract Act, and requests the JFTC to take appropriate measures in accordance with the provisions of the Subcontract Act.

Outline of Violation

- (1) The KBSJ outsources the manufacturing of commercial vehicle brake components and other parts, which it undertakes on behalf of automobile manufacturers, to enterprises that are incorporated entities with a capital of 300 million yen or less (hereinafter referred to as “subcontractors”).
- (2) From September 2023 to April 2024, the KBSJ reduced the amount of subcontract proceeds by deducting amounts labeled as a “One Time Bonus” (Note 2), without any fault attributable to the subcontractors. The total amount of payment reduction was 67.38 million yen, affecting nine subcontractors.
(Note 2) The term used by the KBSJ when reducing subcontract proceeds.
- (3) On February 21, 2025, the KBSJ reimbursed the subcontractors for the amounts previously deducted as described in (2) above.

The KBSJ’s conduct falls under “reduction of subcontract proceeds” in Article 4, paragraph 1, item 3 of the Subcontract Act.
JFTC recommended that KBSJ resolve not to engage in the similar conduct and improve its compliance program.

* Note that this announcement is a tentative translation. For more details, please refer to the original text in Japanese.