

the Act to amend the Subcontract Act and the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises

Background and Overview

- In response to the rapid increases in labour, raw material, and energy costs in recent years, it is important to achieve “structural price pass-through” based on an equal client-contractor relationship and ensuring appropriate price shifting throughout the supply chain.
- For this reason, measures such as prohibiting the determination of payment amounts without proper negotiation, prohibiting payment of amounts by promissory notes, adding transportation consignment to transactions subject to regulation and promotion, and supporting collaborative efforts among multiple parties involved in multi-stage transactions will be implemented to ensure price pass-through and fair trade practices thoroughly.

1. Amendments of Regulations (Subcontract Act)

[Additional Regulatory Content]

(1) Prohibition on Determination of Price without Proper Negotiation

[Addressing Fixed-Price Transactions]

- The Act prohibits unilateral price determination in the covered transaction without responding to price negotiations or providing necessary explanations or information during the negotiations.

(2) Prohibition of Payment by Promissory Notes, etc.

- The Act prohibits payment by promissory notes in the covered transactions. It also prohibits payment methods that make it difficult to receive the full amount of the purchase price by the payment date.
*As a result of the prohibition of promissory note payment, regulations on promissory notes that are difficult to discount have been abolished.

[Additional Regulatory Targets]

(3) Inclusion of Transport Consignment in the Scope [Addressing Logistics Issues]

- Consignment of transport necessary for the delivery of the object of manufacture, sale, etc. is included in the scope of the Act.

(4) Additional Employee Criteria [Additional Applicable Criteria]

- The scope of regulation and protection is expanded with new criteria of 300 employees (100 employees for outsourced services, etc.).

[Strengthening Enforcement]

(5) Strengthening Extensive Enforcement

- New provisions have been established regarding guidance and advice from relevant administrative agencies, mutual information sharing, etc.

*Other necessary amendments have been made.

- Wooden moulds and other articles exclusively used in the manufacture of goods are added to the list of goods subject to manufacturing consignment.
- In the obligation to deliver documents, etc., the provision of such documents by electromagnetic means is permitted, regardless of whether or not consent is given.
- Addition of cases where the price has been reduced to the subject of interest for delay.
- Provisions are developed for recommendations in cases where no violation has already been committed, for example.

2. Enhancement of Promotion (Act on the Promotion of Subcontracting SMEs)

(1) Support for Collaborative Efforts by Multi-Level Operators

- Added provisions allowing approval and support for business promotion plans created by businesses operating at two or more stages of a multi-stage supply chain.

(2) Expanded Scope

- (i) The consignment of transport necessary for the delivery of the object of manufacture, sale, etc. is included in the scope of the Act.
- (ii) Cases involving differences in the number of employees between legal entities are included in the scope of the Act.

(3) Strengthening Cooperation with Local Governments

- New provisions have been established regarding: the responsibility of national and local governments for taking measures to promote businesses throughout Japan in cooperation with each other; and tied collaboration of relevant agencies including information sharing, etc.

(4) Strengthened Enforcement by Competent Ministers

- New provisions have been established to urge improvement by presenting more specific measures to business operators who have not improved despite guidance and advice by the competent minister.

3. Review of Terms such as “subcontractor” (Subcontract Act and Act on the Promotion of Subcontracting SMEs)

- Regarding terminology, “subcontractors” is revised to “small and medium-sized entrusted business operators”, “main subcontracting business operators” to “entrusting business operators”, etc.
- Regarding the official title of the Acts, “Act Against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors” is revised to “Act Against Delay in Payment of Fees, etc. to Small and Medium-sized Entrusted Business Operators in Manufacturing and Other Specified Fields”, and “Act on Promotion of Subcontracting Small and Medium-sized Enterprises” is revised to “Act on Promotion of Entrusted Small and Medium-sized Enterprises”.

Effective
Date

January 1, 2026 *Certain provisions shall come into force on the date of promulgation of this Act.