

Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators

(Act No. 25 of May 12, 2023)

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Chapter I General Provisions

(Purpose)

Article 1 In view of the increasing diversification of work styles in Japan, the purpose of this Act is to ensure proper transactions involving specified entrusted business operators and to improve the working environment for specified persons engaged in entrusted business through measures such as requiring an enterprise that entrusts its business to a specified entrusted business operator to clearly indicate the details of the work to be performed by the specified entrusted business operator and other matters with the goal of developing an environment that will allow individuals to reliably provide services with which they have been entrusted as enterprises and, as a result, contributing to a sound development of the national economy.

(Definitions)

Article 2 (1) The term "specified entrusted business operator" as used in this Act means an enterprise that is the other party to the business entrustment and falls under any of the following items:

- (i) an individual that does not employ any employees;
- (ii) a corporation that has no officers (meaning directors, company directors, executive officers, members who execute business, auditors or company auditors, or other equivalent persons; the same applies in paragraph (6), item (ii)) other than a single representative and does not employ any employees.

(2) The term "specified person engaged in entrusted business" as used in this Act

means an individual stated in item (i) of the preceding paragraph who is a specified entrusted business operator or the representative of a corporation stated in item (ii) of that paragraph who is a specified entrusted business operator.

- (3) The term "business entrustment" as used in this Act means the following acts:
- (i) as part of its business operations, an enterprise entrusts the manufacture (and processing) of goods or the creation of an information-based product to another enterprise;
 - (ii) as part of its business operations, an enterprise entrusts the provision of services to another enterprise (including an enterprise having services provided to itself by another enterprise).
- (4) The term "information-based product" as used in item (i) of the preceding paragraph means the following:
- (i) programs (meaning programs that are commands sent to a computer and are designed to achieve a single result);
 - (ii) films, broadcast programs, and other programs composed of images, voice, or other acoustic effects;
 - (iii) products composed of letters, figures, symbols, or combinations of these elements, or products composed of combinations of these elements and colors;
 - (iv) beyond what is stated in the preceding three items, products that are similar to those described in those items and are specified by Cabinet Order.
- (5) The term "entrusting business operator" as used in this Act means an enterprise that entrusts its operations to a specified entrusted business operator.
- (6) The term "specified entrusting business operator" as used in this Act means an entrusting business operator that falls under any of the following items:
- (i) an individual that employs employees;
 - (ii) a corporation that has two or more officers or employs employees.
- (7) The term "remuneration" as used in this Act means the payment to be made by the entrusting business operator for the work performed by the specified entrusted business operator when the former entrusts its business (or for the provision of services if the business is entrusted pursuant to paragraph (3), item (ii); the same applies below except in Article 5, paragraph (1), items (i) and (iii) and Article 8, paragraphs (3) and (4)).

Chapter II Ensuring Proper Transactions Involving Specified Entrusted Business Operators

(Clear Indication of the Details of the Work Performed by a Specified Entrusted Business Operator and Details on Other Matters)

Article 3 (1) If an entrusting business operator entrusts its business to a

specified entrusted business operator, the entrusting business operator must immediately and clearly indicate to the specified entrusted business operator, in writing or by electronic or magnetic means (meaning methods using information and communications technology provided for by the Rules of the Fair Trade Commission, including a method using electronic data processing systems; the same applies below in this Article), the details of the work to be performed by the specified entrusted business operator, the remuneration amount, the date of payment and other matters, pursuant to the provisions of the Rules of the Fair Trade Commission; provided, however, that if there are reasonable grounds not to determine the details of a matter, that matter does not have to be indicated. In that case, the entrusting business operator must clearly indicate that matter to the specified entrusted business operator in writing or by electronic or magnetic means immediately after the details of that matter have been determined.

- (2) If an entrusting business operator has clearly indicated the matters prescribed in the preceding paragraph by electronic or magnetic means pursuant to the provisions of that paragraph and is requested by a specified entrusted business operator to deliver a document in writing stating those matters, the entrusting business operator must deliver the document in writing pursuant to the provisions of the Rules of the Fair Trade Commission without delay; provided, however, that this does not apply in cases specified by the Rules of the Fair Trade Commission where the protection of the specified entrusted business operator is not compromised by not doing so..

(Date of Remuneration Payment)

Article 4 (1) If a specified entrusting business operator entrusts its business to a specified entrusted business operator, the date of remuneration payment must be set on the earliest possible date that is no later than 60 days from the day on which the specified entrusting business operator receives the work from the specified entrusted business operator (if the business is entrusted pursuant to Article 2, paragraph (3), item (ii), from the day on which the service was provided by the specified entrusted business operator; the same applies in the following paragraph), regardless of whether or not the specified entrusting business operator inspects the details of the work performed by the specified entrusted business operator.

- (2) In the case referred to in the preceding paragraph, if the date of remuneration payment is not set, the day on which the specified entrusting business operator receives the work from the specified entrusted business operator is deemed to be the date of remuneration payment, and if the date of remuneration payment is set in violation of the provisions of that paragraph, the final day in the sixty-day period that commences on the day on which the

specified entrusting business operator receives the work from the specified entrusted business operator is deemed to have been set as the date of remuneration payment.

- (3) Notwithstanding the provisions of the preceding two paragraphs, if a specified entrusting business operator that has been entrusted with business by another enterprise (referred to below as the "first entrusting business operator" in this paragraph and paragraph (6)) further entrusts all or part of the relevant entrusted business (referred to below as the "business entrusted by the first entrusting business operator" in this paragraph and paragraph (6)) to a specified entrusted business operator (limited to cases in which the specified entrusting business operator has clearly indicated to the specified entrusted business operator that the business is being further entrusted to it, the personal or trade name of the first entrusting business operator, the date of payment of the price of the business entrusted by the first entrusting business operator (referred to below as the "date of payment for the business entrusted by the first entrusting business operator" in this paragraph and the following paragraph), and other matters specified by the Rules of the Fair Trade Commission pursuant to the provisions of paragraph (1) of the preceding Article), the date of remuneration payment for the relevant business to be further entrusted to the specified entrusted enterprise must be set on the earliest possible date that is no later than 30 days from the date of payment for the business entrusted by the first entrusting business operator.
- (4) In the case referred to in the preceding paragraph, if the date of remuneration payment is not set, the date of payment for the business entrusted by the first entrusting business operator is deemed to be the date of remuneration payment, and if the date of remuneration payment is set in violation of the provisions of that paragraph, the final day in the thirty-day period that commences on the date of payment for the business entrusted by the first entrusting business operator is deemed to have been set as the date of remuneration payment.
- (5) A specified entrusting business operator must remunerate the specified entrusted business operator by the date of payment specified pursuant to the provisions of paragraph (1) or paragraph (3) or by the date of payment referred to in paragraph (2) or the preceding paragraph; provided, however, that if the specified entrusting business operator is unable to remunerate the specified entrusted business operator due to grounds attributable to the specified entrusted business operator, the specified entrusting business operator must pay the remuneration within 60 days (or within 30 days in the case referred to in paragraph (3)) from the day on which those grounds cease to exist.
- (6) In the case referred to in paragraph (3), if a specified entrusting business operator receives an advance payment from the first entrusting business

operator, the specified entrusting business operator must give due consideration to make sure that the specified entrusted business operator to which the specified entrusting business operator further entrusted all or part of the business entrusted by the first entrusting business operator receives an advance payment for the costs necessary to commence the work for business entrustment, including the procurement of materials.

(Matters to be Observed by Specified Entrusting Business Operator)

Article 5 (1) If a specified entrusting business operator entrusts its business to a specified entrusted business operator (limited to business entrusted for a period equivalent to or longer than the period specified by Cabinet Order (including business to be entrusted continuously for a period equivalent to or longer than the period specified by Cabinet Order after the relevant business entrustment contract is renewed); the same applies below in this Article), the specified entrusting business operator must not conduct any of the acts stated in the following items (excluding acts stated in items (i) and (iii) if the business is entrusted pursuant to Article 2, paragraph (3), item (ii)):

- (i) refusing to receive work from the specified entrusted business operator without grounds attributable to the specified entrusted business operator;
 - (ii) reducing the remuneration amount without grounds attributable to the specified entrusted business operator;
 - (iii) making the specified entrusted business operator take back the goods relating to its work after receiving the work from the specified entrusted business operator without grounds attributable to the specified entrusted business operator;
 - (iv) unjustly setting a remuneration amount at a level significantly lower than the price ordinarily paid for the type of work that is identical or similar to the work performed by the specified entrusted business operator;
 - (v) coercing the specified entrusted business operator to purchase goods designated by the specified entrusting business operator or to use services designated by the specified entrusting business operator, except if it is necessary to standardize or improve the work performed by the specified entrusted business operator or if there are other reasonable grounds.
- (2) If a specified entrusting business operator entrusts its business to a specified entrusted business operator, it must not unjustly harm the interests of the specified entrusted business operator by conducting any one of the acts stated in the following items:
- (i) making the specified entrusted business operator provide cash, services, or other economic gains for the specified entrusting business operator;
 - (ii) making the specified entrusted business operator change its work or redo its work after receiving the work from the specified entrusted business

operator (after the specified entrusted business operator provides the services if the business is entrusted pursuant to Article 2, paragraph (3), item (ii)) without grounds attributable to the specified entrusted business operator.

(Reports)

Article 6 (1) If there is a violation of the provisions of this Chapter, a specified entrusted business operator that is entrusted with business by an entrusting business operator may report that fact to the Fair Trade Commission or the Commissioner of the Small and Medium Enterprise Agency and ask for appropriate measures be taken.

(2) When a report under the preceding paragraph has been made, the Fair Trade Commission or the Commissioner of the Small and Medium Enterprise Agency must conduct the necessary investigation, and if the Fair Trade Commission or the Commissioner finds the content of the report to be true, they must take measures based on this Act or any other appropriate measures.

(3) An entrusting business operator must not reduce the volume of transactions, suspend transactions, or otherwise treat a specified entrusted business operator disadvantageously on the grounds that the specified entrusted business operator has made a report under paragraph (1).

(Requests from the Commissioner of the Small and Medium Enterprise Agency)

Article 7 (1) The Commissioner of the Small and Medium Enterprise Agency may investigate whether or not an entrusting business operator has violated the provisions of Article 3 or is in violation of the provisions of paragraph (3) of the preceding Article, and if the Commissioner finds that there has been a violation, they may request the Fair Trade Commission to take appropriate measures in accordance with the provisions of this Act.

(2) The Commissioner of the Small and Medium Enterprise Agency may investigate whether or not a specified entrusting business operator has violated the provisions of Article 4, paragraph (5), Article 5, paragraph (1) (excluding the part regarding item (i)), or paragraph (2), or is in violation of the provisions of paragraph (1) of the latter Article (limited to the part regarding that item), and if the Commissioner finds that there has been a violation, they may request the Fair Trade Commission to take appropriate measures in accordance with the provisions of this Act.

(Recommendations)

Article 8 (1) If the Fair Trade Commission finds that an entrusting business operator has violated the provisions of Article 3, the Commission may recommend to the entrusting business operator that it promptly indicate the

details under paragraph (1) of that Article, deliver a document under paragraph (2) of that Article, or take other necessary measures.

- (2) If the Fair Trade Commission finds that a specified entrusting business operator has violated the provisions of Article 4, paragraph (5), the Commission may recommend to the specified entrusting business operator that it promptly pay the remuneration or take other necessary measures.
- (3) If the Fair Trade Commission finds that a specified entrusting business operator is in violation of the provisions of Article 5, paragraph (1) (limited to the part regarding item (i)), the Commission may recommend to the specified entrusting business operator that it promptly receive the work from the specified entrusted business operator or take other necessary measures.
- (4) If the Fair Trade Commission finds that a specified entrusting business operator has violated the provisions of Article 5, paragraph (1) (excluding the part regarding item (i)), the Commission may recommend to the specified entrusting business operator that it promptly pay the amount deducted from the remuneration amount, accept the goods related to the work performed by the specified entrusted business operator, increase the remuneration amount, take back the goods that the specified entrusted business operator was forced to purchase, or take other necessary measures.
- (5) If the Fair Trade Commission finds that a specified entrusting business operator has violated the provisions of Article 5, paragraph (2), the Commission may recommend to the specified entrusting business operator that it promptly take the measures necessary to protect the interests of the specified entrusted business operator.
- (6) If the Fair Trade Commission finds that an entrusting business operator is in violation of the provisions of Article 6, paragraph (3), the Commission may recommend to the entrusting business operator that it promptly cease any disadvantageous treatment or take other necessary measures.

(Orders)

- Article 9 (1) If the operator that received a recommendation under the preceding Article fails to take the measures related to that recommendation without reasonable grounds, the Fair Trade Commission may order the operator that received the recommendation to take the measures related to that recommendation.
- (2) If the Fair Trade Commission issues an order under the preceding paragraph, the Commission may make that fact public.

(Application Mutatis Mutandis of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade)

Article 10 The provisions of Article 61, Article 65, paragraphs (1) and (2), Article

66, Article 70-3, paragraphs (3) and (4), Articles 70-6 to 70-9, Article 70-12, Article 76, Article 77, Article 85 (limited to the part regarding item (i)), Article 86, Article 87 and Article 88 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947) apply mutatis mutandis to cases where an order is issued under paragraph (1) of the preceding Article.

(Collection of Reports and Inspection)

Article 11 (1) The Commissioner of the Small and Medium Enterprise Agency may have an entrusting business operator, a specified entrusting business operator, a specified entrusted business operator, or any other person concerned submit a report on the entrusted business, or have its officials enter their offices or any other workplace to inspect their books and documents and other items, to the extent necessary for the enforcement of the provisions of Article 7.

(2) The Fair Trade Commission may have an entrusting business operator, a specified entrusting business operator, a specified entrusted business operator, or any other person concerned submit a report on the entrusted business, or have its officials enter their offices or any other workplace to inspect their books and documents and other items, to the extent necessary for the enforcement of the provisions of Article 8 and Article 9, paragraph (1).

(3) The officials who enter the offices pursuant to the provisions of the preceding two paragraphs must carry their identification cards and present them to any persons concerned.

(4) The authority of entry and inspection under paragraphs (1) to (2) must not be construed as being granted for criminal investigation purposes.

Chapter III Improvement of the Working Environment for Specified Persons Engaged in Entrusted Business

(Accurate Presentation of Recruitment Information)

Article 12 (1) When a specified entrusting business operator provides information concerning the recruitment of a specified entrusted business operator (limited to information on the business and other matters specified by Cabinet Order as work-related matters) to which the specified entrusting business operator is to entrust its business, by placing advertisements in newspapers, magazines, or other publications, by posting or distributing documents, or by any other means specified by Order of the Ministry of Health, Labour and Welfare (referred to as "advertisements, etc. " in the following paragraph), the specified entrusting business operator must not make false or misleading representations regarding the information.

- (2) When a specified entrusting business operator provides the information referred to in the preceding paragraph through advertisements, etc., it must keep the information accurate and up-to-date.

(Consideration Regarding Pregnancy, Childbirth, Childcare, or Nursing Care)

Article 13 (1) In response to a request from a specified entrusted business operator that is the other party to the relevant business entrustment (limited to business entrusted for a period equivalent to or longer than the period specified by Cabinet Order (including business to be entrusted continuously for a period equivalent to or longer than the period specified by Cabinet Order after the relevant business entrustment contract is renewed); referred to below as "continued business entrustment" in this Article and Article 16, paragraph (1)), the specified entrusting business operator must give due consideration to the circumstances of the specified entrusted business operator (if the specified entrusted business operator is a corporation stated in Article 2, paragraph (1), item (ii), its representative) so that the specified entrusted business operator can engage in the continued business entrustment while maintaining a balance with pregnancy, childbirth, childcare, or nursing care (referred to below as "childcare and nursing care, etc. " in this Article).

- (2) In response to a request from a specified entrusted enterprise that is the other party to the relevant business entrustment that is not continued business entrustment, a specified entrusting business operator must endeavor to give due consideration to the circumstances of the specified entrusted business related to childcare and nursing care, etc. (if the specified entrusted business operator is a corporation stated in Article 2, paragraph (1), item (ii), its representative) so that the specified entrusted business operator can engage in the entrusted business while maintaining a balance with childcare and nursing care, etc..

(Measures to be Taken Regarding Issues Arising from Conduct or Statements in Connection with Business Entrustment)

Article 14 (1) A specified entrusting business operator must take necessary measures, including the establishment of a system necessary for responding to and appropriately handling consultations from a specified person engaged in entrusted business, to ensure that the circumstances stated in the following items will not arise as a result of conduct or statements prescribed in those items which are made against that person relating to the relevant business entrustment:

- (i) subjecting a specified person engaged in entrusted business to disadvantageous conditions for their business entrustment (if the person is the representative of a corporation stated in Article 2, paragraph (1), item

- (ii), the corporation) as a response to that person's reactions to sexually inappropriate conduct or statements, or damaging the working environment of the specified person engaged in entrusted business through sexually inappropriate conduct or statements;
 - (ii) damaging the working environment of a specified person engaged in entrusted business by engaging in conduct or making statements on grounds that are related to pregnancy or childbirth and are specified by Order of the Ministry of Health, Labour and Welfare;
 - (iii) damaging the working environment of a specified person engaged in entrusted business by taking advantage of a superior position in the business relationship to an extent exceeding the scope necessary and reasonable for the performance of the entrusted business.
- (2) A specified entrusting business operator must not cancel a business entrustment contract with a specified person engaged in entrusted business (or, if the person is the representative of a corporation stated in Article 2, paragraph (1), item (ii), the corporation) or subject that person to any other disadvantageous treatment on the grounds that the person has sought consultation referred to in the preceding paragraph or that the person stated a fact when cooperating with the specified entrusting business operator's handling of the consultation.

(Guidelines)

Article 15 The Minister of Health, Labour and Welfare is to make public the guidelines necessary for a specified entrusting business operator to adequately handle the matters specified in the preceding three Articles.

(Advance Notice of Cancellation)

- Article 16 (1) If a specified entrusting business operator seeks to cancel a contract for continued business entrustment (including if a specified entrusting business operator seeks not to renew the contract after it expires; the same applies in the following paragraph), it must give advance notice of this at least 30 days in advance to the specified entrusted business operator that is the other party to the contract pursuant to the provisions of Order of the Ministry of Health, Labour and Welfare; provided, however, that this does not apply if it proves difficult to give advance notice due to a natural disaster or any other unavoidable circumstances, or in any other case specified by Order of the Ministry of Health, Labour and Welfare.
- (2) If during the period from the day on which the advance notice was given as stated in the preceding paragraph until the day on which the contract expires as stated in that paragraph, a specified entrusted business operator requests a specified entrusting business operator to disclose the reasons for cancelling the

contract, the specified entrusting business operator must disclose the reasons without delay to the specified entrusted business operator pursuant to the provisions of Order of the Ministry of Health, Labour and Welfare; provided, however, that this does not apply if there is a risk of harming the interests of a third party or in other cases specified by Order of the Ministry of Health, Labour and Welfare.

(Reports)

- Article 17 (1) If there has been a violation of the provisions of this Chapter, a specified entrusted business operator that has been or seeks to be entrusted with business by a specified entrusting business operator may report that violation to the Minister of Health, Labour and Welfare and ask for appropriate measures to be taken.
- (2) If a report under the preceding paragraph is made, the Minister of Health, Labour and Welfare must conduct the necessary investigation, and if the Minister finds the content of the report to be true, the Minister must take measures based on this Act or any other appropriate measures.
- (3) The provisions of Article 6, paragraph (3) apply *mutatis mutandis* to the case referred to in paragraph (1).

(Recommendations)

Article 18 If the Minister of Health, Labour and Welfare finds that a specified entrusting business operator is in violation of the provisions of Article 12, Article 14, Article 16, or Article 6, paragraph (3) as applied *mutatis mutandis* pursuant to paragraph (3) of the preceding Article, the Minister may recommend that the specified entrusting business operator take the necessary measures to rectify the violation or prevent future violations.

(Orders)

- Article 19 (1) If the operator that has received a recommendation under the preceding Article (excluding recommendations regarding Article 14) fails to take the measures related to that recommendation without reasonable grounds, the Minister of Health, Labour and Welfare may order the operator that received the recommendation to take the measures related to the recommendation.
- (2) If the Minister of Health, Labour and Welfare issues an order under the preceding paragraph, the Minister may make that fact public.
- (3) If the operator that has received a recommendation under the preceding Article (limited to recommendations regarding Article 14) fails to take the measures related to that recommendation without reasonable grounds, the Minister of Health, Labour and Welfare may make that fact public.

(Collection of Reports and Inspection)

Article 20 (1) The Minister of Health, Labour and Welfare may have a specified entrusting business operator, a specified entrusted business operator, or any other person concerned submit a report on the entrusted business, or have its officials enter their offices or any other workplace and inspect their books and documents and other items, to the extent necessary for the enforcement of the provisions of Article 18 (excluding the part regarding Article 14) and paragraph (1) of the preceding Article.

(2) The Minister of Health, Labour and Welfare may request a specified entrusting business operator to submit a report on the entrusted business, to the extent necessary for the enforcement of the provisions of Article 18 (limited to the part regarding Article 14) and paragraph (3) of the preceding Article.

(3) The provisions of Article 11, paragraphs (3) and (4) apply mutatis mutandis to the entry and inspection under paragraph (1).

Chapter IV Miscellaneous Provisions

(Establishment of a System for Responding to and Handling Consultations from Specified Entrusted Business Operator)

Article 21 The State is to take necessary measures, including the establishment of a system necessary for responding to and appropriately handling consultations from specified entrusted business operators, to contribute to ensuring proper transactions involving a specified entrusted business operator and to improving the working environment for a specified person engaged in entrusted business.

(Guidance and Advice)

Article 22 If the Fair Trade Commission, the Commissioner of the Small and Medium Enterprise Agency, and the Minister of Health, Labour and Welfare find it necessary for the enforcement of this Act, they may provide guidance and advice to entrusting business operators.

(Delegation of Authority of the Minister of Health, Labour and Welfare)

Article 23 Part of the authority of the Minister of Health, Labour and Welfare prescribed in this Act may be delegated to the directors of the Prefectural Labour Bureau, pursuant to the provisions of Order of the Ministry of Health, Labour and Welfare.

Chapter V Penal Provisions

Article 24 A person who commits a violation that falls under any of the following items is punished by a fine not more than 500,000 yen:

- (i) if a person violates an order under Article 9, paragraph (1) or Article 19, paragraph (1);
- (ii) if a person fails to submit a report under Article 11, paragraph (1) or (2) or Article 20, paragraph (1), or submits a false report, or refuses, obstructs, or evades inspection under those provisions.

Article 25 If a representative of a corporation, or an agent, employee, or any other worker in the service of a corporation or of an individual commits a violation related to the business of the corporation or individual under the preceding Article, in addition to the offender being punished, the corporation or the individual is subject to the fines prescribed in that Article.

Article 26 A person who fails to make a report under Article 20, paragraph (2) or submits a false report is subject to a civil fine of not more than 200,000 yen.

Supplementary Provisions

(Effective Date)

- (1) This Act comes into effect as of the day specified by Cabinet Order within a period not exceeding one year and six months from the date of promulgation.

(Review)

- (2) Approximately three years after the enforcement of this Act, the government is to review the provisions of this Act by taking into account the status of enforcement of the provisions of this Act, and take necessary measures based on the results of the review.