Act on the Promotion of Entrusted Small and Medium-Sized Enterprises

(Act No. 145 of December 26, 1970)

(Purpose)

Article 1 The purpose of this Act is to take measures to efficiently promote the strengthening of the business foundations of small and medium-sized enterprises that receive manufacturing entrustments, etc., and to improve relationships involved in transactions involving entrusted work by promoting the mediation, etc. of such transactions by the Association for the Promotion of Entrusted Small and Medium-Sized Enterprises. Through these measures, the Act aims to facilitate the development of entrusted small and medium-sized enterprises by enabling those engaged in such transactions to conduct their businesses independently and fully exercise their capabilities, thereby contributing to the sound development of the national economy.

(Definitions)

Article 2 (1) The term "manufacturing entrustment, etc." as used in this Act means the entrustment by one business operator to another of any of the acts listed in the following items:

(i) the manufacture of goods or their semi-finished products, parts, accessories, or raw materials that are the object of sales or manufacturing (including processing; the same applies below) in the course of business, or the manufacture of parts or raw materials necessary for the repair in the course of business of such goods; or the manufacture in the course of business of goods or their semi-finished products, parts, accessories, or raw materials that the person uses or consumes;

(ii) the manufacture or repair, in the course of business, of equipment or similar tools used to manufacture goods that are the object of sales in the course of business or manufacturing that the person contracts to manufacture in the course of business (excluding what is stated in the preceding item), or their semi-finished products, parts, accessories, or raw materials;

(iii) all or part of the repair, in the course of business, of goods that the person undertakes in the course of business, or part of the repair of goods that the person uses in the course of business (other than what is stated in the preceding item);

(iv) all or part of the act of creating information-based deliverables that are the object of provision or creation undertaken by the person in the course of business, or all or part of the act of creating information-based deliverables

used by the person in the course of business;

(v) all or part of the acts constituting services provided by the person in the course of business;

(vi) all or part of the act of transporting to the other party to the transaction (including any person designated by that party) goods that are the objects of sales in the course of business, goods that are the objects of manufacturing or repair services undertaken in the course of business, or goods embodying information-based deliverables that are the object of creation undertaken in the course of business, where such goods are stated, recorded, or embodied.

(2) The term "information-based deliverables" as used in this Act means the following:

(i) programs (meaning instructions for a computer, combined in such a way as to produce a specific result);

(ii) films, broadcast programs, and other works composed of images, voices and sounds, or other types of audio;

(iii) works composed of characters, figures, symbols, or any combination of these, or any combination of these with colors;

(iv) in addition to the items listed in the preceding three items, other similar items specified by Cabinet Order.

(3) The term "small and medium-sized enterprise" as used in this Act means a person who falls under any of the following items:

(i) a company with stated capital or total capital contribution of not more than 300 million yen, and a company or individual with no more than 300 regular employees, that operates, as its principal business, a manufacturing, construction, transportation, or other business conducted in the course of business (excluding the business types listed in the following item and those specified by Cabinet Order as referred to in item (iii));

(ii) a company with stated capital or total capital contribution of not more than 50 million yen, and a company or individual with no more than 100 regular employees, that operates, as its principal business, a business in the service industry conducted in the course of business (excluding the business types specified by Cabinet Order in the following item);

(iii) a company with stated capital or total capital contribution not exceeding the amount specified by Cabinet Order for each business type, and a company or individual with a number of regular employees not exceeding the number specified by Cabinet Order for each business type, that operates, as its principal business, a business belonging to a type specified by that Cabinet Order;

(iv) an enterprise cooperative;

(v) a cooperative partnership.

(4) The term "entrusting business operator" as used in this Act means, in the case of

a corporation, a person that, in the course of business, entrusts any of the acts listed in the items of paragraph (1) to a small and medium-sized enterprise that is either a corporation whose stated capital or total contributions are smaller than that of the corporation, or a small and medium-sized enterprise whose number of regular employees is smaller than that of the corporation; and, in the case of an individual, a person who, in the course of business, entrusts any of the acts listed in the items of that paragraph to a small and medium-sized enterprise whose number of regular employees is smaller than that of the individual.

(5) The term "entrusted small and medium-sized business operator" as used in this Act means a small and medium-sized enterprise that, in the case of a corporation, engages in the course of business in any of the acts listed in the items of paragraph (1), having been entrusted by a corporation whose stated capital or total capital contribution is greater than its own, or from a corporation or individual whose number of regular employees is greater than its own; and in the case of an individual, a small and medium-sized enterprise that engages in the course of business in any of the acts listed in the items of the same paragraph, having been entrusted by a corporation or individual whose number of regular employees is greater than that of the individual.

(6) The term "transactions involving entrusted work" as used in this Act means a transaction in which an entrusted small and medium-sized business operator receives a manufacturing entrustment, etc. from an entrusting business operator.

(7) The term "specified entrusted small and medium-sized business operator" as used in this Act means an entrusted small and medium-sized business operator that, with respect to its business activities, is in a state specified by Order of the Ministry of Economy, Trade and Industry as being substantially dependent for a long period of time on transactions involving entrusted work with a specified entrusting business operator (referred to below as the "state of dependence on specified transactions involving entrusted work"). The term "specified entrusting business operator" means the specified entrusting business operator corresponding to the specified entrusted small and medium-sized business operator.

(8) The term "specified coordinated project" as used in this Act means a project in which two or more specified entrusted small and medium-sized business operators coordinate in an integrated manner and effectively utilize their respective management resources (meaning equipment, technology, knowledge and skills possessed by individuals, and other resources utilized in business activities; the same applies below) to engage in the development, production, or creation of new products or information-based deliverables; the development or provision of new services; the introduction of new methods for the production, creation, or sale of products or information-based deliverables; the introduction of new methods for providing services; or other new business activities, thereby

initiating or expanding transactions involving entrusted work or other transactions with parties other than specified entrusting business operators, and aiming to reduce dependence on specified transactions involving entrusted work in the business activities of each of the specified entrusted small and medium-sized business operators.

(Promotion Standards)

Article 3 (1) The Minister of Economy, Trade and Industry must establish general standards (referred to below as the "promotion standards") to be observed by entrusted small and medium-sized business operators and entrusting business operators for the purpose of promoting entrusted small and medium-sized enterprises.

(2) The promotion standards are to specify the matters listed in the following items:

(i) matters concerning the improvement of the productivity of entrusted small and medium-sized business operators, and the quality or performance of products or information-based deliverables, or the quality of services;

(ii) matters concerning the clarification of the ordering fields of the entrusting business operator through the delivery of order forms or other methods, and the improvement of the ordering methods of the entrusting business operator;

(iii) matters concerning the introduction of facilities or equipment, improvement of technology, and collaboration in businesses by entrusted small and medium-sized business operators;

(iv) methods for determining compensation, inspecting deliveries, and other matters concerning the improvement of transaction conditions;

(v) matters concerning the promotion of coordination among entrusted small and medium-sized business operators;

(vi) matters concerning the promotion of autonomous business operations by entrusted small and medium-sized business operators;

(vii) matters concerning the promotion of dispute resolution related to transactions involving entrusted work; and

(viii) other necessary matters for promoting entrusted small and medium-sized enterprises, including the promotion of the creation of opportunities for transactions involving entrusted work.

(3) The promotion standards must be established by taking into consideration the actual conditions of transactions involving entrusted work by small business operators prescribed in Article 2, paragraph (5) of the Basic Act on the Small and Medium-Sized Enterprises (Act No. 154 of 1963) and other relevant circumstances.

(4) When the Minister of Economy, Trade and Industry establishes the promotion standards, the Minister must make them public without delay.

(Guidance)

Article 4 When the competent minister finds it necessary to promote entrusted small and medium-sized enterprises, the minister is to provide guidance or advice to entrusted small and medium-sized business operators or entrusting business operators on the matters specified in the promotion standards, and recommend that they take appropriate and specific measures.

(Promotion Project Plan)

Article 5 (1) An entrusting business operator, and one or more entrusted small and medium-sized business operators (including those that have received a manufacturing entrustment, etc. as part of transactions involving entrusted work from another entrusted small and medium-sized business operator (including manufacturing entrustments, etc. spanning two or more stages); referred to below as "related entrusted small and medium-sized business operators"), or a business cooperative or other organization whose members are mostly such related entrusted small and medium-sized business operators of the entrusting business operator (referred to below as "entrusted small and medium-sized business operators, etc."), may prepare a plan concerning a promotion project (referred to below as a "promotion project plan") and submit it to the competent minister for approval. The plan may concern matters such as clarification of the ordering fields of the entrusting business operator (including related entrusted small and medium-sized business operators that entrust manufacturing, etc. to others), introduction of facilities or equipment for one or more related entrusted small and medium-sized business operators or for related entrusted small and medium-sized business operators that are members of such an organization, establishment of jointly used facilities, improvement of technology, collaboration of business operations, and other projects related to the promotion of entrusted small and medium-sized enterprises (referred to below as "promotion projects").

(2) A promotion project plan must include the following matters:

(i) the goals and content of the promotion project;

(ii) the implementation period of the promotion project; and

(iii) the amount of funds required to implement the promotion project and the method of raising those funds.

(3) If an entrusted small and medium-sized business operator, etc. expresses a desire to consult on the preparation of a promotion project plan, the entrusting business operator must consult with and cooperate with them in preparing the plan.

(Criteria for Approval)

Article 6 (1) If an application is filed for the approval referred to in paragraph (1) of the preceding Article, and the competent minister finds that the relevant

promotion project plan falls under all of the following items, the minister is to grant such approval:

(i) the matters stated in paragraph (2), item (i) of the preceding Article must be appropriate in light of the promotion standards, and the entrusting business operator and entrusted small and medium-sized business operators, etc. must have the necessary qualifications to achieve those matters;

(ii) the matters stated in paragraph (2), items (ii) and (iii) of the preceding Article must be appropriate to ensure proper implementation of the promotion project.

(iii) if the entrusting business operator engages in manufacturing entrustments, etc. spanning two or more stages, and a related entrusted small and medium-sized business operator other than a direct entrusted small and medium-sized business operator participates in the promotion project, then all preceding related entrusted small and medium-sized business operators must also participate in the project;

(iv) if the entrusted small and medium-sized business operator, etc. is an organization as prescribed in paragraph (1) of the preceding Article, it must satisfy all of the following requirements:

(a) the members of the organization must not be unjustly discriminated against in their participation in the promotion project;

(b) a majority of the entrusted small and medium-sized business operators that are members of the organization must participate in the promotion project.

(Changes to a Promotion Project Plan)

Article 7 (1) An entrusting business operator and entrusted small and medium-sized business operators, etc. that have received the approval referred to in Article 5, paragraph (1) must obtain the competent minister's approval before making any changes to the promotion project plan related to that approval.

(2) If the competent minister finds that an entrusting business operator or entrusted small and medium-sized business operator, etc. that has received the approval referred to in Article 5, paragraph (1) is not implementing the promotion project in accordance with the relevant promotion project plan (or, if any amendments have been approved under the provisions of the preceding paragraph, in accordance with that approved amended plan; referred to below as the "approved plan"), the minister may revoke such approval.

(3) The provisions of the preceding Article apply mutatis mutandis to the approval referred to in paragraph (1).

(Specified Coordinated Project Plan)

Article 8 (1) Two or more specified entrusted small and medium-sized enterprises may prepare a plan concerning specified coordinated project that they intend to carry out jointly (if two or more such enterprises intend to carry out specified

coordinated project jointly with a company (limited to a company in which one or more of the specified entrusted small and medium-sized enterprises have invested one half or more of the stated capital or total contributions; referred to below as a "specified company"), the plan is to include the specified coordinated project to be carried out jointly with the specified company; referred to below as a "specified coordinated project plan"). They are to designate a representative and submit the plan to the competent minister to obtain certification that the specified coordinated project plan is appropriate, pursuant to the provisions of order of the competent ministry.

(2) The following matters must be stated in a specified coordinated project plan:

(i) the goal of the specified coordinated project;

(ii) the content and implementation period of the specified coordinated project;

(iii) if there are business operators other than the specified entrusted small and medium-sized enterprises (including specified companies) that jointly carry out the specified coordinated project (referred to below as "joint business operators"), or if there are general incorporated associations, general incorporated foundations, or other entities that cooperate in the implementation of the specified coordinated project (referred to below as "supporters"), the name and address of each joint business operator or supporter, and the name of their representative;

(iv) the content of management resources to be provided by the joint business operators or supporters for the purpose of the specified coordinated project;

(v) the amount of funds necessary to implement the specified coordinated project and the method of raising such funds.

(Criteria for Certification)

Article 9 (1) When an application for certification referred to in paragraph (1) of the preceding Article is filed, the competent minister is to grant the certification if the specified coordinated project plan related to the application is found to conform to all of the following items:

(i) that the matters stated in paragraph (2), items (i), (ii), and (iv) of the preceding Article are appropriate in light of the promotion standards;

(ii) that, through the implementation of new business activities under the specified coordinated project, the commencement or expansion of transactions involving entrusted work or other transactions with persons other than the specified entrusting business operator will lead to the improvement in the state of dependence on specified transactions involving entrusted work in the respective business activities of the specified entrusted small and medium-sized business operator; and

(iii) that the matters stated in paragraph (2), items (ii), (iv), and (v) of the preceding Article are appropriate to ensure the reliable implementation of the

specified coordinated project.

(Changes to Specified Coordinated Project Plans)

Article 10 (1) A specified entrusted small and medium-sized business operator that has obtained the certification referred to in Article 8, paragraph (1) (referred to below as a "certified specified entrusted small and medium-sized business operator") must obtain certification from the competent minister, as specified by order of the competent ministry, if intending to make changes to the specified coordinated project plan related to the certification; provided, however, that this does not apply to minor changes specified by order of the competent ministry.

(2) If a certified specified entrusted small and medium-sized business operator makes a minor change as specified by order of the competent ministry, as referred to in the proviso to the preceding paragraph, the operator must notify the competent minister of the change without delay.

(3) If the competent minister finds that the specified coordinated project is not being conducted in accordance with the certified plan (meaning the plan as amended, if a change has been certified under paragraph (1) or notified under the preceding paragraph; referred to below as the "certified plan"), the minister may revoke the certification.

(4) The provisions of the preceding Article apply mutatis mutandis to the certification referred to in paragraph (1).

(Special Provisions for the Small and Medium-Sized Enterprise Credit Insurance Act)

Article 11 For insurance relationships under ordinary insurance as prescribed in Article 3, paragraph (1) of the Small and Medium-Sized Enterprise Credit Insurance Act (Act No. 264 of 1950) (referred to below as "ordinary insurance"), unsecured insurance as prescribed in Article 3-2, paragraph (1) of that Act (referred to below as "unsecured insurance"), special small-lot insurance as prescribed in Article 3-3, paragraph (1) of that Act (referred to below as "special small-lot insurance"), or insurance secured by current assets as prescribed in Article 3-4, paragraph (1) of that Act (referred to below as "insurance secured by current assets"), which are tied to small and medium-sized enterprises that have obtained a promotion project-related guarantee (limited to guarantees of obligations prescribed in Article 3, paragraph (1); Article 3-2, paragraph (1); Article 3-3, paragraph (1); or Article 3-4, paragraph (1) of that Act, with respect to guarantees of obligations under Article 3-4, paragraph (1), only those for which collateral is provided as required, in favor of an entrusting business operator that is implementing the promotion project in accordance with an approved plan (including an entrusted small and medium-sized business operator that is implementing the promotion project in accordance with the approved plan and is

an entrusted small and medium-sized business operator to another entrusted small and medium-sized business operator executing the plan, or an entrusted small and medium-sized business operator that is a member of an organization under Article 5, paragraph (1), having obtained the approval stated in that paragraph, and which is also an entrusted small and medium-sized business operator of another member of that organization)) to the extent that the guarantee is related to funds necessary for carrying out the promotion project under the approved plan; the same applies below), the application of the provisions of that Act stated in the left column of the following table is to be construed such that the phrases in the middle column of that table are to be replaced with the phrases in the right column of that table.

Article 3, paragraph (1)	the total insurance value	the total insurance value of the insurance relationships concerning the promotion project-related guarantee prescribed in Article 11, paragraph (1) of the Act on the Promotion of Entrusted Small and Medium-Sized Enterprises (Act No. 145 of 1970) (referred to as the "promotion business-related guarantee") and the total insurance value of other insurance relationships, respectively
Article 3-2, paragraph (1), Article 3-3, paragraph (1), and Article 3-4, paragraph (1)	the total insurance value	the total insurance value of the insurance relationships concerning the promotion project-related guarantee and the total insurance value of other insurance relationships, respectively
Article 3-2, paragraph (3) and Article 3-3, paragraph (2)	out of the amount of the borrowings	out of the amount of the borrowings for each of the promotion project-related guarantees and for each of the other guarantees, respectively
	the relevant obligor	the relevant obligor for each of the promotion project-related guarantees and for each of the other guarantees;

(2) With respect to insurance relationships under ordinary insurance, unsecured insurance, or special small-lot insurance involving small and medium-sized enterprises that have received the specified coordinated project-related guarantee (meaning the guarantee of obligations prescribed in Article 3, paragraph (1), Article 3-2, paragraph (1), or Article 3-3, paragraph (1) of the Small and Medium-Sized Enterprise Credit Insurance Act, relating to funds necessary for a specified coordinated project conducted in accordance with a certified plan (referred to

below as a "certified specified coordinated project"); the same applies below), the application of the provisions of that Act listed in the left column of the following table is to be construed such that the terms in the middle column are replaced with the corresponding terms in the right column.

Article 3, paragraph (1)	the total insurance value	the total insurance value of the insurance relationships concerning the specified coordinated project-related guarantee prescribed in Article 11, paragraph (2) of the Act on the Promotion of Entrusted Small and Medium-Sized Enterprises (Act No. 145 of 1970) (referred to below as the "specified coordinated project-related guarantee") and the total insurance value of other insurance relationships, respectively
Article 3-2, paragraph (1) and Article 3-3, paragraph (1)	the total insurance value	the total insurance value of the insurance relationships concerning the specified coordinated project-related guarantee and the total insurance value of other insurance relationships, respectively
Article 3-2, paragraph (3) and Article 3-3, paragraph (2)	out of the amount of the borrowings	out of the amount of the borrowings for each of the specified coordinated project-related guarantees and for each of the other guarantees, respectively
	the relevant obligor	the relevant obligor for each of the specified coordinated project-related guarantees and for each of the other guarantees.

(3) For the application of the provisions of Article 3-8, paragraphs (1) and (2) of the Small and Medium-Sized Enterprise Credit Insurance Act to the insurance relationships under new business development insurance as prescribed in paragraph (1) of that Act (referred to below as "new business development insurance") concerning small and medium-sized enterprises that have received a specified coordinated project-related guarantee, the phrase "200 million yen" in paragraph (1) of that Article is to be read as "400 million yen (or 200 million yen in the case of insurance relationships concerning the guarantee of obligations related to funds other than the funds necessary for the certified specified coordinated project as prescribed in Article 11, paragraph (2) of the Act on the Promotion of Entrusted Small and Medium-Sized Enterprises (Act No. 145 of 1970) (referred to below as 'funds for specified coordinated projects'))", the phrase "400 million yen" is to be read as "600 million yen (or 400 million yen in the case of insurance relationships concerning the guarantee of obligations related to

funds other than the funds for specified coordinated projects)", and the phrase "200 million yen" in paragraph (2) of that Article is to be read as "400 million yen (or 200 million yen in the case of insurance relationships concerning the guarantee of obligations related to funds other than the funds for specified coordinated projects).

(4) For the application of the provisions of Article 3, paragraph (2) and Article 5 of the Small and Medium-Sized Enterprise Credit Insurance Act to insurance relationships under ordinary insurance relating to a promotion project-related guarantee or a specified coordinated project-related guarantee, the phrase "70 percent" in that paragraph and the phrase "70 percent (or 80 percent in the case of unsecured insurance, special small-lot insurance, insurance secured by current assets, pollution control insurance, energy conservation insurance, overseas investment-related insurance, new business development insurance, corporate rehabilitation insurance, and specified corporate bond insurance)" in that Article are to be read as "80 percent".

(5) Notwithstanding the provisions of Article 4 of the Small and Medium-Sized Enterprise Credit Insurance Act, the amount of insurance premiums for insurance relationships under ordinary insurance, unsecured insurance, special small-lot insurance, or insurance secured by current assets, in relation to a promotion project-related guarantee or a specified coordinated project-related guarantee, is to be the amount obtained by multiplying the insurance amount by a rate not exceeding two percent per annum, as specified by Cabinet Order.

(Special Provisions of the Small and Medium-Sized Enterprise Investment Business Corporation Act)

Article 12 (1) In addition to the businesses stated in the items of Article 5, paragraph (1) of the Small and Medium-Sized Enterprise Investment Business Corporation Act (Act No. 101 of 1963), a Small and Medium Business Investment & Consultation Company may engage in the following businesses:

(i) subscription for shares issued by a small and medium-sized enterprise upon the establishment of a stock company with stated capital exceeding 300 million yen for the purpose of conducting a certified specified coordinated project, and holding the shares related to such subscription;

(ii) subscription for shares, share options (excluding those attached to bonds with share options), or bonds with share options, etc. (meaning bonds with share options, etc. as prescribed in Article 5, paragraph (1), item (ii) of the Small and Medium-Sized Enterprise Investment Business Corporation Act; the same applies below), issued by a stock company—among small and medium-sized enterprises—with stated capital exceeding 300 million yen, for the purpose of raising funds necessary to conduct a certified specified coordinated project, and holding the shares, share options (including shares issued or transferred

through the exercise of such options), or bonds with share options, etc. (including shares issued or transferred through the exercise of share options attached to such bonds) related to such subscription.

(2) For the application of the Small and Medium-Sized Enterprise Investment Business Corporation Act, the businesses stated in the items of the preceding paragraph are deemed to be the businesses stated in Article 5, paragraph (1), items (i) and (ii) of that Act.

(Securing Funds)

Article 13 The government is to endeavor to secure the funds necessary for implementing a promotion project or a specified coordinated project in accordance with an approved plan or a certified plan, or to facilitate financing for those purposes.

(Collection of Reports)

Article 14 (1) The competent minister may request an entrusting business operator or an entrusted small and medium-sized business operator, etc. that has obtained the approval referred to in Article 5, paragraph (1) to report on the implementation status of the promotion project.

(2) The competent minister may request a person conducting a specified coordinated project in accordance with a certified plan to report on the implementation status of that certified plan.

(Certification of Business Operators Creating Transaction Opportunities for Entrusted Small and Medium-Sized Enterprises)

Article 15 (1) A person who engages in any of the following projects (referred to below as "project to create transaction opportunities for entrusted small and medium-sized enterprises") may, upon application, obtain certification from the Minister of Economy, Trade and Industry, provided that the person conforms to all of the criteria prescribed in the items of paragraph (3):

(i) being entrusted by a corporation or individual with any of the acts stated in the items of Article 2, paragraph (1), and re-entrusting all or part of that act to a small and medium-sized enterprise selected by a predetermined method;

(ii) carrying out process control or quality control concerning the re-entrustment of the acts referred to in the preceding item that have been entrusted;

(iii) providing advice and information necessary to a considerable number of small and medium-sized enterprises that are likely to engage in re-entrustment, in order to create further opportunities for transactions related to the project stated in item (i).

(2) Any person seeking the certification referred to in the preceding paragraph must submit a written application to the Minister of Economy, Trade and Industry

pursuant to the provisions of Order of the Ministry of Economy, Trade and Industry, stating the following matters:

(i) the name and address of the applicant, and if the applicant is a corporation, the name of its representative;

(ii) the location of the principal office;

(iii) the following matters concerning the project to create transaction opportunities for entrusted small and medium-sized enterprises:

(a) the content of the project to create transaction opportunities for entrusted small and medium-sized enterprises;

(b) the system for implementing the project to create transaction opportunities for entrusted small and medium-sized enterprises;

(c) other matters specified by Order of the Ministry of Economy, Trade and Industry in addition to those stated in sub-items (a) and (b).

(3) If the Minister of Economy, Trade and Industry finds that the person who has applied for the certification referred to in paragraph (1) falls under all of the following items, the Minister is to grant that certification:

(i) the content of the project to create transaction opportunities for entrusted small and medium-sized business operators conducted by the person conforms to the standards specified by Order of the Ministry of Economy, Trade and Industry as contributing to the creation of transaction opportunities for entrusted small and medium-sized business operators;

(ii) the system for implementing the project to create transaction opportunities for entrusted small and medium-sized business operators conforms to the standards specified by Order of the Ministry of Economy, Trade and Industry as being necessary for the proper implementation of the project.

(4) A person who has received the certification referred to in paragraph (1) (referred to below as a "certified business operator") must notify the Minister of Economy, Trade and Industry of that fact without delay in the event of any change to the matters stated in paragraph (2), item (i) or (ii); and in advance when intending to make any change (excluding minor changes specified by Order of the Ministry of Economy, Trade and Industry) to the matters listed in item (iii), (a) through (c) of that paragraph.

(Renewal of Certification)

Article 16 (1) Unless the certification referred to in paragraph (1) of the preceding Article is renewed every two years, it loses its validity upon the expiration of that period.

(2) The provisions of paragraphs (2) and (3) of the preceding Article apply mutatis mutandis to the renewal referred to in the preceding paragraph.

(Collection of Reports)

Article 17 The Minister of Economy, Trade and Industry may request a certified business operator to report on the implementation status of initiatives related to the project to create transaction opportunities for entrusted small and medium-sized enterprises.

(Revocation of Certification)

Article 18 (1) If a certified business operator falls under any of the following items, the Minister of Economy, Trade and Industry may revoke the certification:

(i) when the operator no longer conforms to the standards specified by Order of the Ministry of Economy, Trade and Industry, as referred to in the items of Article 15, paragraph (3);

(ii) when the operator fails to make a notification under the provisions of Article 15, paragraph (4) or makes a false notification;

(iii) when the operator fails to make a report under the provisions of the preceding Article or makes a false report; or

(iv) when the operator has obtained the certification referred to in Article 15, paragraph (1), or the renewal referred to in Article 16, paragraph (1), by wrongful means.

(2) When certification has been revoked pursuant to the provisions of the preceding paragraph, the Minister of Economy, Trade and Industry must, without delay and in accordance with the provisions of Order of the Ministry of Economy, Trade and Industry, notify the person who had been certified of the revocation, indicating the reasons for it.

(Guidance and Advice)

Article 19 The Minister of Economy, Trade and Industry is to provide certified business operators with guidance and advice necessary for the proper implementation of initiatives related to the project to create transaction opportunities for entrusted small and medium-sized enterprises.

(Special Provisions for the Small and Medium-Sized Enterprise Credit Insurance Act)

Article 20 For the application of the provisions of the Small and Medium-Sized Enterprise Credit Insurance Act stated in the left column of the following table, with respect to insurance relationships under ordinary insurance, unsecured insurance, or special small-lot insurance concerning a small and medium-sized enterprise that has received the guarantee related to the project to create transaction opportunities for entrusted small and medium-sized enterprises (meaning a guarantee of obligations as prescribed in Article 3, paragraph (1), Article 3-2, paragraph (1), or Article 3-3, paragraph (1) of that Act, concerning funds—specified by Order of the Ministry of Economy, Trade and Industry—that

are necessary for carrying out the project to create transaction opportunities for entrusted small and medium-sized enterprises conducted by a certified business operator (referred to below as "certified project to create transaction opportunities for entrusted small and medium-sized enterprises")), the phrases in the middle column of that table as used in these provisions are to be replaced with the phrases in the right column.

Article 3, paragraph (1)	the total insurance value	the total insurance value of the insurance relationships concerning the guarantee related to the project to create transaction opportunities for entrusted small and medium-sized enterprises prescribed in Article 20, paragraph (1) of the Act on the Promotion of Entrusted Small and Medium-Sized Enterprises (Act No. 145 of 1970) (referred to below as the "guarantee related the project to create transaction opportunities for entrusted small and medium-sized enterprises") and the total insurance value of other insurance relationships, respectively
Article 3-2, paragraph (1) and Article 3-3, paragraph (1)	the total insurance value	the total insurance value of the insurance relationships concerning the guarantee related to the project to create transaction opportunities for entrusted small and medium-sized enterprises and the total insurance value of other insurance relationships, respectively
Article 3-2, paragraph (3) and Article 3-3, paragraph (2)	out of the amount of the borrowings	out of the amount of the borrowings for each of the guarantees related to the project to create transaction opportunities for entrusted small and medium-sized enterprises and for each of the other guarantees, respectively
	the relevant obligor	the relevant obligor for each of the guarantees related to the project to create transaction opportunities for entrusted small and medium-sized enterprises and for each of the other guarantees

(2) For the application of the provisions of Article 3-8, paragraphs (1) and (2) of the Small and Medium-Sized Enterprise Credit Insurance Act to insurance relationships under new business development insurance that concern small and medium-sized enterprises which have received the guarantee related to the project to create transaction opportunities for entrusted small and medium-sized enterprises, the phrase "200 million yen" in paragraph (1) of that Article is to be

read as "300 million yen (or 200 million yen in the case of insurance relationships concerning the guarantee of obligations related to funds other than those specified by Order of the Ministry of Economy, Trade and Industry, among the funds necessary for the certified project to create transaction opportunities for entrusted small and medium-sized enterprises as prescribed in Article 20, paragraph (1) of the Act on the Promotion of Entrusted Small and Medium-Sized Enterprises (Act No. 145 of 1970) (referred to below as 'funds for the project to create transaction opportunities for entrusted small and medium-sized enterprises'))", and the phrase "400 million yen" in paragraph (1) of that Article is to be read as "600 million yen (or 400 million yen in the case of insurance relationships concerning the guarantee of obligations related to funds other than the funds for the project to create transaction opportunities for entrusted small and medium-sized enterprises)". Likewise, the phrase "200 million yen" in paragraph (2) of that Article is to be read as "300 million yen (or 200 million yen in the case of insurance relationships concerning the guarantee of obligations related to funds other than the funds for the project to create transaction opportunities for entrusted small and medium-sized enterprises)".

(3) For the application of the provisions of Article 3, paragraph (2), and Article 5 of the Small and Medium-Sized Enterprise Credit Insurance Act to insurance relationships under ordinary insurance concerning the guarantee related to the project to create transaction opportunities for entrusted small and medium-sized enterprises, the phrase "70 percent" in that paragraph and the phrase "70 percent (or 80 percent for unsecured insurance, special small-lot insurance, insurance secured by current assets, pollution control insurance, energy conservation insurance, overseas investment-related insurance, new business development insurance, corporate rehabilitation insurance, and specified corporate bond insurance)" in that Article are to be read as "80 percent".

(4) The amount of insurance premiums for insurance relationships under ordinary insurance, unsecured insurance, or special small-lot insurance concerning the guarantee related to the project to create transaction opportunities for entrusted small and medium-sized enterprises is to be the amount obtained by multiplying the insured amount by a rate specified by Cabinet Order within two percent per annum, notwithstanding the provisions of Article 4 of the Small and Medium-Sized Enterprise Credit Insurance Act.

(Special Provisions of the Small and Medium-Sized Enterprise Investment Business Corporation Act)

Article 21 (1) Small and Medium Business Investment & Consultation Companies may conduct the following businesses, in addition to the businesses stated in each item of Article 5, paragraph (1) of the Small and Medium-Sized Enterprise Investment Business Corporation Act:

(i) subscription for shares issued by a small and medium-sized enterprise at the time of the establishment of a stock company with stated capital exceeding 300 million yen for the purpose of conducting a certified project to create transaction opportunities for entrusted small and medium-sized enterprises, and the holding of shares acquired through the subscription;

(ii) subscription for shares, share options (excluding those attached to bonds with share options), or bonds with share options, etc. issued by a stock company with stated capital exceeding 300 million yen from among small and medium-sized enterprises for the purpose of procuring funds necessary for conducting a certified project to create transaction opportunities for entrusted small and medium-sized enterprises, and the holding of such shares, share options (including shares issued or transferred through the exercise of those options), or bonds with share options, etc. (including shares issued or transferred through the exercise of share options attached to such bonds).

(2) For the application of the Small and Medium-Sized Enterprise Investment Business Corporation Act, the businesses stated in the items of the preceding paragraph are deemed to be the businesses referred to in Article 5, paragraph (1), items (i) and (ii) of that Act.

(Operations to Support Certified Business Operators Conducted by the Organization for Small & Medium Enterprises and Regional Innovation)

Article 22 The Organization for Small & Medium Enterprises and Regional Innovation is to, upon request from a certified business operator, provide information concerning the project to create transaction opportunities for entrusted small and medium-sized enterprises, and offer other necessary forms of cooperation.

(Responsibilities of the National Government)

Article 23 (1) The national government is to endeavor to comprehensively and effectively promote the measures necessary for strengthening the business foundation of entrusted small and medium-sized business operators, developing an environment that enables fair and appropriate transactions involving entrusted work, and otherwise promoting entrusted small and medium-sized enterprises.

(2) In coordination with the measures of the national government referred to in the preceding paragraph, local governments are to endeavor to promote the dissemination of measures necessary for the promotion of entrusted small and medium-sized enterprises and to implement other necessary initiatives in accordance with regional circumstances.

(3) The national government, local governments, the Association for the Promotion of Entrusted Small and Medium-Sized Enterprises prescribed in the following

Article, and other relevant parties are to endeavor to exchange necessary information and otherwise ensure close mutual coordination so that the necessary measures for promoting entrusted small and medium-sized enterprises are effectively implemented.

(The Association for the Promotion of Entrusted Small and Medium-Sized Enterprises)

Article 24 (1) The national and prefectural governments are to endeavor to provide necessary guidance and advice on the operations of general incorporated associations or general incorporated foundations that engage in the following operations (referred to below as the "Association for the Promotion of Entrusted Small and Medium-Sized Enterprises") in order to facilitate transactions involving entrusted work and promote entrusted small and medium-sized enterprises:

(i) mediating transactions involving entrusted work;

(ii) providing consultation on complaints or disputes concerning transactions involving entrusted work, and conducting mediation or conciliation for their resolution;

(iii) conducting investigations or collecting and providing information necessary for the promotion of entrusted small and medium-sized enterprises.

Article 25 The Association for the Promotion of Entrusted Small and Medium-Sized Enterprises is to endeavor to fairly, appropriately, and efficiently carry out the intermediation of transactions involving entrusted work and other services for certified specified entrusted small and medium-sized business operators and other entrusted small and medium-sized business operators over a wide area, while taking into account the actual conditions of transactions involving entrusted work and other relevant circumstances concerning the entrusted small and medium-sized business operators.

(Cooperation Activities Conducted by the Organization for Small & Medium Enterprises and Regional Innovation with the Association for the Promotion of Entrusted Small and Medium-Sized Enterprises)

Article 26 In response to a request from the Association for the Promotion of Entrusted Small and Medium-Sized Enterprises, the Organization for Small & Medium Enterprises and Regional Innovation is to provide necessary information and other cooperation required to promote entrusted small and medium-sized enterprises.

(Surveys)

Article 27 If the national government finds it necessary to promote entrusted small

and medium-sized enterprises, it is to conduct surveys concerning the matters specified in the promotion standards and make public the results of such surveys.

(Competent Minister)

Article 28 (1) The competent minister under this Act is to be as follows:

(i) with respect to the guidance, advice, or recommendation under the provisions of Article 4, the competent minister is the minister having jurisdiction over the projects of the relevant entrusted small and medium-sized business operator or entrusting business operator;

(ii) with respect to the approval under Article 5, paragraph (1), Article 6, or Article 7, paragraph (1); the revocation of approval under paragraph (2) of that Article; or the collection of reports under Article 14, paragraph (1), the competent minister is the minister having jurisdiction over the projects of the business operator that is to implement the promotion project in accordance with the promotion project plan;

(iii) with respect to the certification under the provisions of Article 8, paragraph (1), Article 9, or Article 10, paragraph (1); the revocation of such certification under the provisions of paragraph (3) of that Article; or the collection of reports under the provisions of Article 14, paragraph (2), the competent ministers are the Minister of Economy, Trade and Industry and the minister having jurisdiction over the project related to the certified specified coordinated project.

(2) The orders of the competent ministry referred to in Article 8, paragraph (1) and Article 10, paragraph (1) are to be jointly issued by the competent ministers prescribed in item (iii) of the preceding paragraph. The order of the competent ministry referred to in the following Article is to be an order issued by the competent minister prescribed in that item.

(3) When the Minister of Economy, Trade and Industry intends to establish the promotion standards, the Minister must consult with the ministers having jurisdiction over the businesses of entrusted small and medium-sized business operators and entrusting business operators, and hear the opinions of the Small and Medium-Sized Enterprise Policy-Making Council.

(Delegation of Authority)

Article 29 The authority of the competent minister under this Act may be delegated to the head of a local branch office pursuant to the provisions of an order of the competent ministry.

(Penal Provisions)

Article 30 If a person fails to make a report under the provisions of Article 14, or makes a false report, that person is subject to a fine of not more than 500,000

yen.

Article 31 If a person fails to make a report under the provisions of Article 17, or makes a false report, that person is subject to a fine of not more than 200,000 yen.

Article 32 If the representative of a corporation or the agent, employee, or other worker of a corporation or an individual commits a violation referred to in either of the preceding two Articles in connection with the business of that corporation or individual, then in addition to the punishment imposed on the individual who committed the act, the corporation or individual is also subject to the fine referred to in the respective Article.

Supplementary Provisions Extract

(1) This Act comes into effect on the date of promulgation.

Supplementary Provisions (Act No. 115 of October 15, 1973) Extract

(Effective Date)
(1) This Act comes into effect on the date of promulgation.

Supplementary Provisions (Act No. 55 of March 31, 1995) Extract

(Effective Date)
Article 1 This Act comes into effect on April 1, 1995.

Supplementary Provisions (Act No. 18 of March 31, 1999) Extract

(Effective Date)
Article 1 This Act comes into effect on the date specified by Cabinet Order within a period not exceeding six months from the date of promulgation.

Supplementary Provisions (Act No. 146 of December 3, 1999) Extract

(Effective Date)
Article 1 This Act comes into effect on the date of promulgation.

(Transitional Measures Concerning Penal Provisions)
Article 14 Penal provisions under the former laws continue to apply to acts committed before the enforcement of this Act (or, in the case of the provisions

referred to in the proviso to Article 1 of these Supplementary Provisions, before the enforcement of those provisions; the same applies below in this Article), as well as to acts committed after enforcement that remain subject to the former laws under these Supplementary Provisions.

(Matters to Be Determined by Cabinet Order)

Article 15 In addition to what is prescribed in Article 2 through the preceding Article of these Supplementary Provisions, any transitional measures necessary for the enforcement of this Act are to be specified by Cabinet Order.

Supplementary Provisions (Act No. 160 of December 22, 1999) Extract

(Effective Date)

Article 1 (1) This Act (excluding Articles 2 and 3) comes into effect on January 6, 2001; provided, however, that the provisions stated in the following items come into effect on the respective dates specified in each item:

(i) the provisions of Article 995 (limited to the part concerning the provisions amending the Supplementary Provisions of the Act for Partial Revision of the Act on the Regulation of Nuclear Source Material, Nuclear Fuel Material and Reactors), Article 1305, Article 1306, Article 1324, paragraph (2), Article 1326, paragraph (2), and Article 1344: the date of promulgation.

Supplementary Provisions (Act No. 86 of June 18, 2003) Extract

(Effective Date)

Article 1 This Act comes into effect on the date specified by Cabinet Order within a period not exceeding six months from the date of promulgation.

(Review)

Article 2 When five years have elapsed since the enforcement of this Act, the government is to review the provisions of Article 8 of the Act on the Promotion of Subcontracting Small and Medium-Sized Enterprises, as amended by this Act, taking into account the status of their enforcement, and is to take necessary measures based on the results of that review, if it considers such action necessary.

Supplementary Provisions (Act No. 87 of July 26, 2005) Extract

This Act comes into effect on the date on which the Companies Act comes into effect.

Supplementary Provisions (Act No. 50 of June 2, 2006) Extract

This Act comes into effect on the date on which the Act on General Incorporated Associations and General Incorporated Foundations comes into effect.

Supplementary Provisions (Act No. 70 of June 1, 2007) Extract

(Effective Date)

Article 1 This Act comes into effect on the date specified by Cabinet Order within a period not exceeding three months from the date of promulgation.

Supplementary Provisions (Act No. 74 of June 24, 2011) Extract

(Effective Date)

Article 1 This Act comes into effect on the date on which 20 days have elapsed from the date of promulgation.

Supplementary Provisions (Act No. 57 of June 21, 2013) Extract

(Effective Date)

Article 1 (1) This Act comes into effect on the date specified by Cabinet Order within a period not exceeding three months from the date of promulgation; provided, however, that the provisions stated in the following items come into effect on the respective dates specified in each item:

(i) the provisions of Article 5 of the Supplementary Provisions: the date of promulgation.

(Transitional Measures Concerning Penal Provisions)

Article 4 Penal provisions under the former laws continue to apply to acts committed before the enforcement of this Act (or, in the case of the provisions stated in Article 1, item (ii) of the these Supplementary Provisions, before the enforcement of those provisions; the same applies below in this Article), as well as to acts committed after enforcement that remain subject to the former laws under these Supplementary Provisions.

(Matters to Be Determined by Cabinet Order)

Article 5 In addition to what is prescribed in these Supplementary Provisions, any transitional measures necessary for the enforcement of this Act are to be specified by Cabinet Order.

(Review)

Article 6 Approximately five years after the enforcement of this Act, the government is to, taking into account the implementation status of the provisions amended by

this Act, review those provisions as necessary and take appropriate measures based on the results.

Supplementary Provisions (Act No. 29 of May 27, 2015) Extract

(Effective Date)

Article 1 This Act comes into effect on the date of promulgation; provided, however, that the provisions of Article 2 (excluding the provisions that add one paragraph to the Supplementary Provisions of the Small and Medium-Sized Enterprise Credit Insurance Act), as well as the provisions of Articles 5 through 12 and Articles 15 through 19 of the Supplementary Provisions, come into effect on the date specified by Cabinet Order within a period not exceeding one year from the date of promulgation.

Supplementary Provisions (Act No. 70 of June 16, 2021) Extract

(Effective Date)

Article 1 (1) This Act comes into effect on the date specified by Cabinet Order within a period not exceeding three months from the date of promulgation; provided, however, that the provisions stated in the following items come into effect on the dates respectively specified in each item:

(i) the provisions in Article 1 amending the Table of Contents of the Act on Strengthening Industrial Competitiveness (limited to the part changing "intellectual property rights in business activities" to "shareholders meeting, etc. without a fixed location"), the provisions amending Chapter III, Section 4 of that Act, and the provisions of Articles 3, 19, and 20 of the Supplementary Provisions: the date of promulgation.

(Review)

Article 2 Approximately three years after the enforcement of this Act, the government is to, taking into account changes in socioeconomic conditions, review the status of enforcement of the provisions amended by this Act and take necessary measures based on the results.

(Transitional Measures Accompanying the Partial Amendment of the Subcontractor Small and Medium-Sized Enterprise Promotion Act)

Article 11 A promotion project plan prescribed in Article 5, paragraph (1) of the Act on the Promotion of Subcontracted Small and Medium-Sized Enterprises before the amendment under the provisions of Article 7 (referred to below as the "Former Act on the Promotion of Subcontracted Small and Medium-Sized Enterprises" in this Article) that has been approved under Article 5, paragraph

(1) of the Former Act (including approval of changes under Article 7, paragraph (1) of the Former Act) at the time of the enforcement of this Act is deemed to be a promotion project plan approved under Article 5, paragraph (1) of the amended Act on the Promotion of Subcontracted Small and Medium-Sized Enterprises.

(Transitional Measures Concerning Penal Provisions)

Article 19 Penal provisions under the former laws continue to apply to acts committed before the enforcement of this Act (or, in the case of the provisions stated in Article 1, items (ii) through (iv) of these Supplementary Provisions, before the enforcement of those provisions; the same applies below in this Article and the following Article), as well as to acts committed after enforcement that, under these Supplementary Provisions, remain governed by the former laws or are treated as retaining legal effect under them.

(Matters to Be Determined by Cabinet Order for Other Transitional Measures)

Article 20 In addition to these Supplementary Provisions, transitional measures necessary for the enforcement of this Act (including transitional measures concerning penal provisions) are to be prescribed by Cabinet Order.

Supplementary Provisions (Act No. 41 of May 23, 2025) Extract

(Effective Date)

Article 1 This Act comes into effect on January 1, 2026; provided, however, that the provisions of Article 5 of the Supplementary Provisions come into effect on the date of promulgation.

(Transitional Measures Associated with the Partial Amendment of the Act on the Promotion of Subcontracted Small and Medium-Sized Enterprises)

Article 3 At the time of enforcement of this Act, the validity of approvals for promotion project plans under Article 5, paragraph (1) of the Act on the Promotion of Subcontracted Small and Medium-Sized Enterprises before the amendment under the provisions of Article 2 (referred to below as the "Former Act on the Promotion of Subcontracted Small and Medium-Sized Enterprises" in this Article) (including approvals of changes under Article 7, paragraph (1) of the Former Act) are to continue to be governed by prior laws. This also applies to approvals of changes to such promotion project plans, revocations of those approvals, the special provisions under the Small and Medium-Sized Enterprise Credit Insurance Act (Act No. 264 of 1950) related to these promotion project plans, and the collection of reports on the implementation status of these promotion projects.

(Transitional Measures Concerning Penal Provisions)

Article 4 Penal provisions under the former laws continue to apply to acts committed before the enforcement of this Act, as well as to acts committed after enforcement that remain governed by the former laws under Article 2, paragraph (2) of these Supplementary Provisions.

(Matters to Be Determined by Cabinet Order)

Article 5 In addition to the provisions of the preceding three Articles, transitional measures necessary for the enforcement of this Act (including transitional measures concerning penal provisions) are to be prescribed by Cabinet Order.

(Review)

Article 6 Approximately five years after the enforcement of this Act, the government is to, taking into account the status of enforcement of each of the Acts amended by the provisions of this Act (referred to below in this Article as the "respective revised Acts") and other relevant circumstances, review the provisions of the respective revised Acts as necessary and take appropriate measures based on the results of that review.