

Cease and Desist Order Against Hamanaka Co., Ltd.
(Tentative Translation)

June 23, 2008
Japan Fair Trade Commission

The Japan Fair Trade Commission (JFTC) had investigated Hamanaka Co., Ltd. (hereinafter referred to as “Hamanaka”) in accordance with provisions under the Antimonopoly Act and found the company in violation of Article 19 of the Act (Item 1 and 2, Paragraph 12 [Resale Price Restriction] of Unfair Trade Practices). Accordingly, the JFTC today issued a cease and desist order against Hamanaka pursuant to the provision of Paragraph 1, Article 20 of the Act.

1. Party Concerned

Name	Hamanaka Co., Ltd.
Location	2-3, Hanazono-yabunoshitacho, Ukyo-ku, Kyoto
Representative	Sadahiro Hamanaka, Representative Director
Outline of Business	Sale of hand-knitting wool, handicraft yarns, etc.

2. Outline of the Violation

- (1) a. Hamanaka fixed the discount limit price (Note 1) for Hamanaka wool (Note 2) around September 2005 and thereafter requested that retailers sell the product at such discount limit price or higher and had the wholesalers request that retailers to which such wholesaler sold Hamanaka wool sell the product at the discount limit price or higher.
b. To assure the actual effect of the request to the retailers in paragraph a. above, Hamanaka stopped shipment of Hamanaka wool to the retailer that did not satisfy such request or the wholesaler distributing the product to such retailer.

- (2) Also for the sale of Hamanaka wool by means of Internet, Hamanaka decided around May 2007 to have retailers sell the product at a price equal to or higher than the discount limit price from July 1 that year. Hamanaka requested the retailers to sell the product at the discount limit price or higher and had the wholesalers request the retailers to which it sold Hamanaka wool to sell the product at the discount limit price or higher.

Note 1: “Discount limit price” means the price 10% lower than the standard price for sale by the unit of a ball or other prices as the lower limit when the retailer sells the product with a discount.

Note 2: “Hamanaka wool” means the yarn for hand knitting or handicraft in the form of a ball with the trademark “Hamanaka” or “Rich More.”

3. Outline of the Cease and Desist Order

- (1) Hamanaka should stop the action in section 2 above and resolve at its board of directors that it will stop such action and will not take any similar action.
- (2) Hamanaka should notify the measure taken based on item (1) above to the wholesalers and retailers. Hamanaka should also have such measure thoroughly disseminated to general consumers and its employees.
- (3) Hamanaka should not take any action similar to section 2 above to restrict the retailer selling price in relation to the sale of Hamanaka wool in future.