

Cease and Desist Orders and Surcharge Payment Orders against
Manufacturers and Sellers of Vinyl Chloride Pipes and Joints
(Tentative Translation)

February 18, 2009
Japan Fair Trade Commission

The Japan Fair Trade Commission (JFTC), in accordance with the provisions of the Antimonopoly Act (AMA), investigated the manufacturers and sellers of vinyl chloride pipes and joints ^(Note 1) (hereinafter “vinyl chloride pipes etc.”) and found that they had acted in violation of the provision of Article 3 (Prohibition of Unreasonable Restraint of Trade) of the AMA. Accordingly, on February 18, 2009, the JFTC issued cease and desist orders pursuant to the provision in Paragraph 2, Article 7 of the AMA and surcharge payment orders pursuant to the provision in Paragraph 1, Article 7-2 of the AMA as detailed below.

Note 1: Refers to hard polyvinyl chloride pipes and hard polyvinyl chloride joints made from vinyl chloride resin and other materials (excluding those used for protecting electrical wires or communication cables installed in public utility conduits)

1. Entrepreneurs involved in the violation and entrepreneurs subject to the cease and desist orders and the surcharge payment orders, and the amount of the surcharge

No.	Name of entrepreneur	Location of principal office	Cease and desist order	Surcharge payment order
1	Sekisui Chemical Co., Ltd.	2-4-4 Nishitenma, Kita-ku, Osaka	○	7,965,320,000 yen
2	Mitsubishi Plastics, Inc.	1-2-2 Nihonbashi Hongokuchou, Chuo-ku, Tokyo	○	3,721,370,000 yen
3	Kubota-C.I. Co., Ltd.	14-2 Ishizu Nishi-machi, Nishi-ku, Sakai, Osaka	-	-
4	Aronkasei Co., Ltd.	1-22-1 Higashi Gotanda, Shinagawa-ku, Tokyo	-	-
5	Kubota Corporation	1-2-47 Shikitsu-higashi, Naniwa-ku, Osaka	-	-
6	C.I. Kasei Co., Ltd.	1-18-1 Kyobashi, Chuo-ku, Tokyo	-	-
Total			2 entrepreneurs	11,686,690,000 yen

Note 2: The entrepreneurs indicated with a circle “○” in the table above are addressees of the cease and desist order.

Note 3: The entrepreneurs indicated with a hyphen “-” in the table above are those who committed a violation but are not addressees of the cease and desist order or the surcharge payment order.

Note 4: Kubota Corporation and C.I. Kasei Co., Ltd. had Kubota-C.I. Co., Ltd., which was established on April 1, 2005 by a joint incorporation-type demerger, take over business related to the manufacturing and sales of vinyl chloride pipes etc.. Since then, the two companies have not engaged in the business.

2. Outline of the violation

(1) The five corporations—Sekisui Chemical Co., Ltd. (hereinafter “Sekisui Chemical”), Mitsubishi Plastics, Inc. (hereinafter “Mitsubishi Plastics”), Aronkasei Co., Ltd., Kubota Corporation and C.I. Kasei Co., Ltd. (hereinafter the “Five Corporations”)—agreed as follows around January 27, 2004, as the price of vinyl chloride resin was to be raised around February of that same year.

- a. The shipment prices of vinyl chloride pipes are to be raised by 15% or more and the shipment prices of vinyl chloride joints by 10% or more from the current prices, starting with orders received on March 1, 2004.
- b. To ensure the implementation of item a. above, for three types of vinyl chloride pipes ^(Note 5), the sales prices per pipe to secondary stores ^(Note 6) and directly selling secondary stores ^(Note 6) (hereinafter the sales prices are collectively referred to as “secondary store prices”) are to be set to the prices indicated in the column for first-phase price increase in the table below.

Note 5: Refers to vinyl chloride pipes VU100 used with drainage facilities and vinyl chloride pipes SRA150 and SRA200 used with sewerage, among vinyl chloride pipes

Note 6: The manufacturers and sellers of vinyl chloride pipes etc. respectively sold these products to sellers referred to as “primary stores” and to sellers referred to as “directly selling secondary stores,” and end users. The primary stores sold vinyl chloride pipes etc. mainly to sellers referred to as “secondary stores,” and secondary stores and directly selling secondary stores sold vinyl chloride pipes etc. mainly to end users, respectively. (See [Reference](#) “2 Distribution of Vinyl Chloride Pipes etc.”)

(2) The Five Corporations agreed as follows around August 25, 2004, as the price of vinyl chloride resin was expected to rise again in the autumn of that same year.

- a. The shipment prices of vinyl chloride pipes are to be raised by 10% or more and the shipment prices of vinyl chloride joints by 8% or more from the current prices, starting with orders shipped on October 1, 2004.
- b. To ensure implementation of item a. above, for the three types of pipes, secondary store prices per pipe are to be set to those indicated in the column for secondary-phase price increase in the table below.

(3) The three corporations—Sekisui Chemical, Mitsubishi Plastics, and Kubota-C.I. Co., Ltd. (hereinafter “Kubota-C.I.”) (hereinafter the “Three Corporations”)—agreed as follows around August 25, 2005, because the price of vinyl chloride resin was expected to rise again around the autumn of that same year.

- a. The shipment prices of vinyl chloride pipe are to be raised by 8% or more and the shipment prices of vinyl chloride joints by 5% or more from the current prices, starting with orders shipped around October 11, 2005.
- b. To ensure implementation of item a. above, for the three types of pipes, secondary store prices per pipe are to be set to those indicated in the column for the third-phase price increase in the table below.

(4) Kubota C.I. conveyed the following policies on price increase (hereinafter “Kubota C.I. Policies”) by around May 11, 2006 to the two companies Sekisui Chemical and Mitsubishi Plastics (hereinafter the “Two Corporations”) and requested that Two Corporations raise the prices in accordance with the Kubota C.I. Policies, because the

price of vinyl chloride resin was expected to rise again in the summer of that same year.

- a. The shipment prices of vinyl chloride pipes are to be raised by 15% or more and the shipment prices of vinyl chloride joints by 10% or more from the current prices, starting with orders shipped on June 21, 2006.
- b. To ensure implementation of item a. above, for the three types of pipes, secondary prices per pipe are to be set to those indicated in the column for the fourth-phase price increase in the table below.

The Two Corporations agreed with the request from Kubota C.I. Thus, the Three Corporations agreed to raise the shipment prices of vinyl chloride pipes etc. in accordance with the Kubota C.I. Policies.

(5) As shown in items (1)-(4) above, six corporations, namely the Five Corporations and Kubota C.I., had substantially restrained competition in the area of vinyl chloride pipe sales in Japan, contrary to public interests.

(yen/pipe)

	First-phase price increase	Second-phase price increase	Third-phase price increase	Fourth-phase price increase
VU100	950	1,100	1,200	1,400
SRA150	2,400	2,800 - 3,000	3,200	3,800
SRA200	4,000	4,500	4,800	5,200

3. Outline of cease and desist order

- (1) Two Corporations shall resolve the following at the respective Board Meetings.
 - a. It shall be confirmed that the agreements of item 2 (1)-(4) above have terminated.
 - b. Each corporation shall individually determine the prices of vinyl chloride pipes etc., without consulting mutually with one other or jointly with other entities in the future.
 - c. Neither corporation shall exchange information about revision of the shipment prices of vinyl chloride pipes etc. with each other or with other entities in the future.
- (2) Two corporations respectively shall notify one another on measures provided as item (1) above, and make them thoroughly known among sellers and users of vinyl chloride pipes etc. that are the transaction parties of them, and also among employees of the respective corporations.
- (3) Two corporations respectively shall not determine the shipment prices of vinyl chloride pipes etc. through mutual consultation or joint consultation with other entities in the future.
- (4) Two corporations respectively shall not exchange information about revision of the shipment prices of vinyl chloride pipes etc. mutually or jointly with other entities in the future.

4. Outline of surcharge payment order

- (1) The Two Corporations shall pay the surcharge, of which the amount is 7,965,320,000 yen for Sekisui Chemical and 3,721,370,000 yen for Mitsubishi Plastics (The total amount is 11,686,690,000 yen.) by May 19, 2009.
- (2) Two Corporations had received surcharge payment order respectively in another case within 10 years retroactively from the starting date of investigation in this case, and the orders have been finalized. Therefore, pursuant to the provisions of Paragraph 6, Article 7-2 of the AMA, the calculation rate of 15% was applied to the sales amount that accrued after the date of enforcement of the amended AMA (January 4, 2006).

1. Vinyl chloride pipes etc.

Vinyl chloride pipes etc. are formed products made from vinyl chloride resin, etc. The applications are various, including drainage facilities of private houses, sewerage, water supply and agricultural water supply.

Vinyl chloride pipes

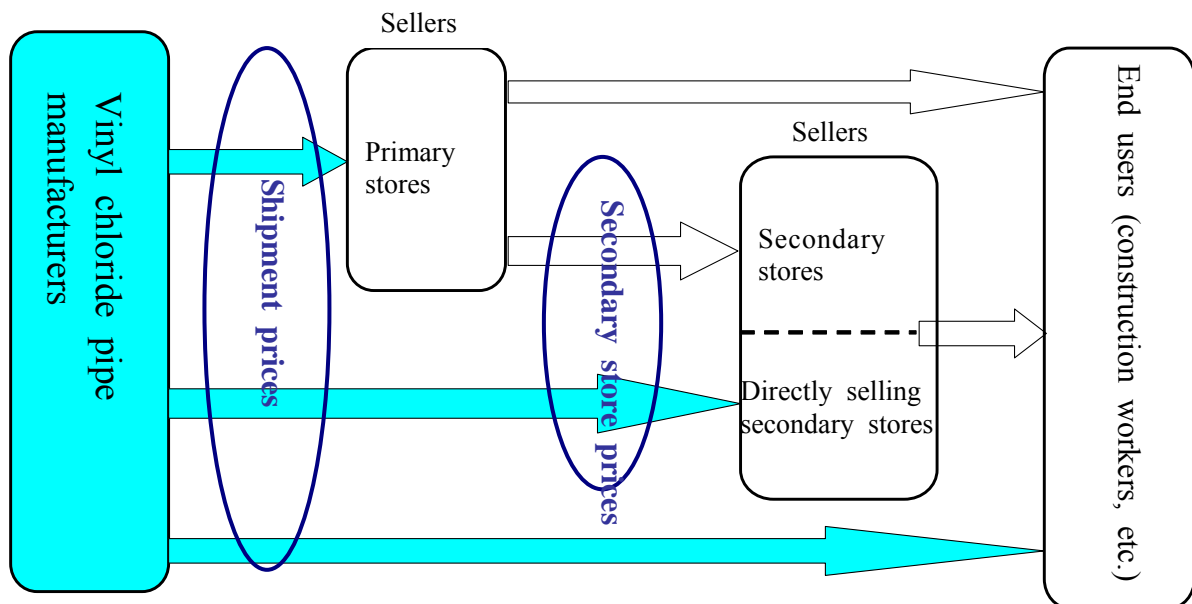



Vinyl chloride joints



2. Distribution of vinyl chloride pipes etc.

Concerning distribution of vinyl chloride pipes etc., the route from their manufacturer and seller (hereinafter “vinyl chloride pipe manufacturers”) to construction workers and other end users via primary stores and secondary stores, and the route from the vinyl chloride pipe manufacturers to the end users via directly selling secondary stores, are generally known.



Note 1: The violation in this case was that the six vinyl chloride pipe manufacturers jointly raised the shipment prices of vinyl chloride pipes etc.. (They are the prices of transactions shown as  in the diagram)

Note 2: Sellers are sometimes involved in transactions between secondary stores or directly selling secondary stores and end users.