

Cease and Desist Order against Royal Home Center Co., Ltd.
(Tentative Translation)

July 30, 2010

The Japan Fair Trade Commission

The Japan Fair Trade Commission (JFTC), under the provisions of the Antimonopoly Act (AMA), has investigated Royal Home Center Co., Ltd. (hereinafter referred to as “Royal Home Center”) and found that they were in violation of Article 19 (falling within Paragraph 1 and 7 of the Designation of Specific Unfair Trade Practices by Large-Scale Retailers Relating to the Trade with Suppliers) (Note 1) of the AMA, as detailed below. Accordingly, the JFTC today issued a cease and desist order pursuant to Paragraph 2, Article 20 of the AMA (Note 2).

(Note 1) “Large-Scale Retailers”, in the above Designation, refers to a retailer of the goods daily used by general consumers with sales amount of at least 10 billion yen in the previous fiscal year or with a floor space (floor area used as a shop for retailing) of at least 3,000 m² in case of special wards in the Tokyo Metropolitan area and the ordinance-designated cities or at least 1,500 m² in case of other areas.

(Note 2) The JFTC did not issue a surcharge payment order, because the conduct in question had been terminated before the day of the enactment of the amended AMA, which expanded types of conduct subject to surcharges to certain types of unfair trade practices, as detailed below 2(3).

1. Violating Party

Name	Royal Home Center Co., Ltd.
Address	1-15-16 Awaza, Nishi-ku, Osaka-fu
Representative	Representative director Tetsuya Tamura
Outline of business	Home center (Retailer of household products, pet-accessory, garden supplies, industrial tool, etc.)

2. Outline of the violation

(1) Even though there was no reason attributable to the suppliers (Note 3), Royal Home Center, on or after November 23, 2006, returned goods which it decided not to sell at its stores when closing or fully remodeling (Note 4) one of its stores, and which fell outside lineup of popular products (Note 5) when changing display (Note 6) or reshuffling (Note 7), to the suppliers of such goods who were in positions

inferior to it.

- (2) On the occasion of opening or closing, fully remodeling or changing display of its stores, Royal Home Center, on or after November 23, 2006, coerces the suppliers of goods sold at those store, whose bargaining positions were inferior to Royal Home Center, into dispatching employees with the aim of conveying to selling floor, displaying, removing, taking out from selling floor, without concluding any agreement on dispatching terms and conditions with the suppliers and without bearing the costs usually required to have temporary staff dispatched.
- (3) Since the JFTC began the investigation under the provisions of the AMA, Royal Home Center has not engaged in the acts of number 2(1) and (2) above, after December 21, 2010.

(Note 3) "suppliers" mean companies that engage in delivering goods sold at Royal Home Center, and who are continuing their transactions with Royal Home Center.

(Note 4) "fully remodeling" means that Royal Home Center refurbishes its existing stores, such as removal of the store, expanding or reducing departmental floor space, renovating equipments, based on the decision of the president, senior sales director or the Board.

(Note 5) "popular goods" mean the products that Royal Home Center decided to continuously sell for a certain period.

(Note 6) "changing display" means that Royal Home Center, in whole or part of its selling floor, readjusts the layout of goods, changes the lineup of popular goods and the display of popular goods.

(Note 7) "reshuffling" means that Royal Home Center reshuffles the lineup of popular goods when new items appear, current products are discontinued, or private brand goods are released.

3. Summary of the cease and desist order

- (1) Royal Home Center shall adopt a resolution at the Board of Directors confirming that the acts of number 2(1) and (2) above have been terminated, and that it will not engage in similar conducts in the future.
- (2) Royal Home Center shall notify the measures taken in accordance with item (1) above to the suppliers, and shall have such measures thoroughly disseminated to the employees.
- (3) Royal Home Center shall not do any acts similar to those described number 2(1) and (2) above in the future.
- (4) Royal Home Center shall take measures necessary to do the following:
 - a. Preparation of the guidelines of activities with regard to compliance with the

AMA in relation to transactions with suppliers.

- b. Implement a regular training program for the board members and employees, and regular audits by the legal department, with regard to compliance with the AMA in relation to transactions with suppliers.