

Survey Report on Gasoline Transaction

July 23, 2013

Japan Fair Trade Commission

The Japan Fair Trade Commission (hereinafter, "JFTC") has conducted surveys on the distribution state of gasoline, and proposed its views in light of the Antimonopoly Act (hereinafter, "AMA") (The reports were published in September 2004 and September 2005). Since then, there have emerged some changes in competitive environment of gasoline distribution market including significant change in setting method of wholesale prices from primary distributors to retailers. Against the backdrop, the JFTC decided to conduct this time survey so as to figure out the current condition of gasoline distribution, and accordingly examined how to better ensure fair competition in gasoline distribution market.

Through this survey, many cases are observed where primary distributors set their wholesale prices to dealerships operating under their trademarks, especially to "general dealerships" (others than primary distributors' subsidiaries, etc.) at relatively high level, without disclosing sufficient information to the dealerships or negotiating with them at the time of setting the prices. It is also found that primary distributors provide trading companies with own-refined gasoline which is to be distributed to private-labeled gas stations. Such gasoline called "*gyoten-gyoku*" is generally cheaper. On the other hand, the primary distributors restrain the dealerships from purchasing and selling the "*gyoten-gyoku*."

The JFTC considers, in general, these practices are inappropriate from the viewpoint of establishing fair competitive environment in gasoline distribution market, because they may be deemed as the unilateral imposition of adverse trade terms on "general dealerships" by primary distributors in superior bargaining position.

Therefore, the JFTC will ask the primary distributors for an improvement on these practices in order to ensure fair competition, and keep a close watch on their responses. Moreover, the JFTC would take strict actions against primary distributors in cases where it recognizes the facts regarding possible infringements of the AMA such that primary distributors cause disadvantages over trade conditions on "general dealerships" unjustly in light of the normal

business practices, by making use of their superior bargaining positions. Meanwhile, governmental authorities supervising gasoline distribution sector also should take a role of encouraging the parties involved to appropriately address this issue first, so as to build fair competition environment in gasoline distribution market.