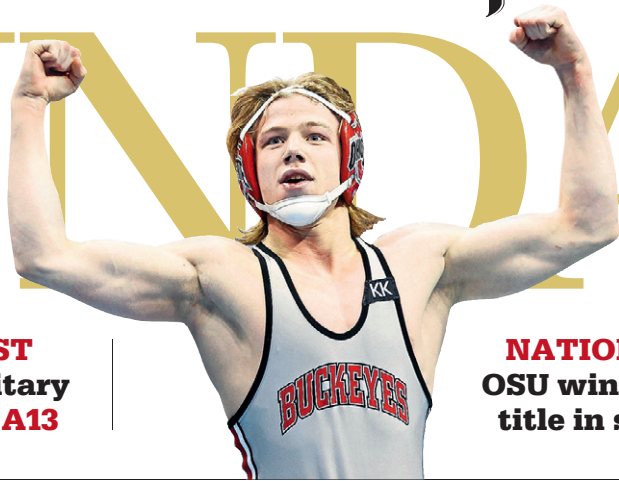


SUNDAY



ISLAMIC STATE HIT LIST
Names, photos of U.S. military members posted online / **A13**

NATIONAL CHAMPIONS
OSU wins its first wrestling title in school history / **C1**

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Price is \$2.50 in areas outside Franklin County.

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Inside: Coupons worth up to \$240
Coupon values vary by delivery zone.



44/25
Details on Page B10



Campaign finances

Millions reported only part of spending

By Jim Siegel
THE COLUMBUS DISPATCH

Donors gave more than \$27.5 million to majority Republican state lawmakers and caucus committees in the last two-year cycle and \$8.9 million to Democrats.

The oil and gas industry gave about \$1.2 million to Republicans, while charter-school operators, short-term lenders, the beer and wine industry, utilities and others concerned about how they are regulated and taxed also were among the top GOP givers.

Those figures are impressive, but they are only a portion of the money spent. Third-party

See **Donors** Page **A8**

Buckeye Lake

Evacuation plans get new priority

By Lori Kurtzman
THE COLUMBUS DISPATCH

It takes about 90 minutes to clear out the 60,000 visitors who watch the Fourth of July fireworks over Buckeye Lake. Half of them take the same routes that residents would drive should the lake's earthen dam fail.

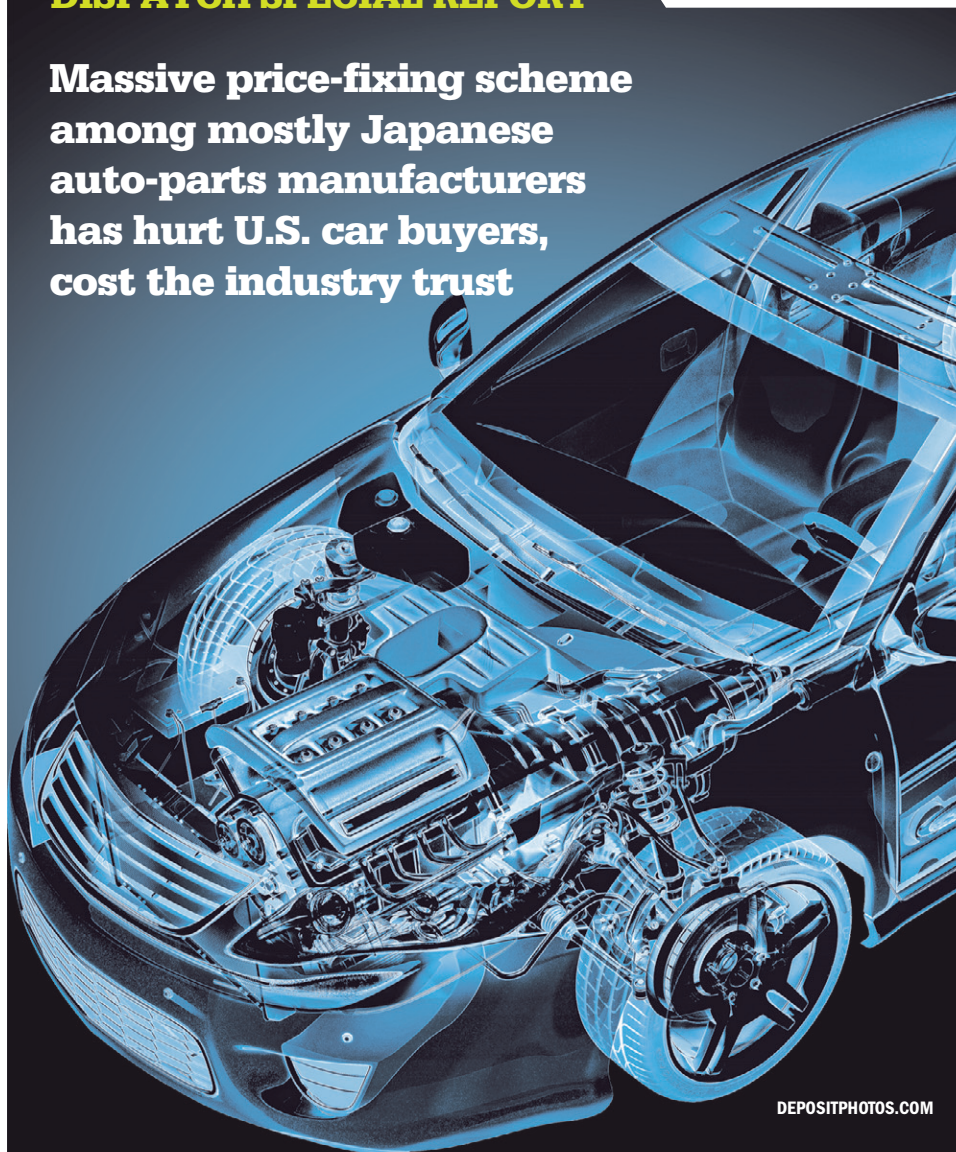
So what does that mean for a potential evacuation of the area?

Maybe a lot. Maybe very little. It all depends on the scenario, county officials said — and whether residents are panicked or prepared.

See **Evacuation** Page **A4**

DISPATCH SPECIAL REPORT

Massive price-fixing scheme among mostly Japanese auto-parts manufacturers has hurt U.S. car buyers, cost the industry trust



DEPOSITPHOTOS.COM

A culture of collusion

By Dan Gearino • THE COLUMBUS DISPATCH

The Japanese executives met at Cafe Renoir, blending in with the crowd at the Tokyo coffee shop. • They represented competing makers of anti-vibration rubber for cars and they were coming together to fix prices on parts made in the U.S. • The meeting was a small part of a conspiracy that has grown to the largest price-fixing prosecution in U.S. history. So far, 33 companies have pleaded guilty and agreed to pay \$2.4 billion in fines, and the investigation is ongoing. | See **Collusion** Page **A10**

Explosion

Big blast destroys home in Arlington

Mailman smelled gas; as many as 30 houses damaged

By Holly Zachariah and Dean Narciso
THE COLUMBUS DISPATCH

After six years as a mailman in Upper Arlington, Tim Nelson has learned to notice little things along his route. But yesterday was different.

"You smell gas daily. But that was strong," Nelson said of the

On the Web

► For more photos and a video from the blast site, visit Dispatch.com.

air outside the home at 3418 Sunningdale Way.

The odor became stronger at the gas meter. So he asked a neighbor to call the gas company.

It was just before noon. Nelson continued his rounds.

And then, three hours later: *Boom*. No one had time to do anything but duck.

The split-level home was gone. Debris rained down. Flames shot into the air.

Nelson, a few blocks over, said, "I knew immediately what it was when it went up."

The closest neighbors took cover. People who live as far as a mile away heard and felt the blast and said they ran outside to see if a tree had crashed onto their roof or a vehicle had careened into their home.

In the end, only minor in-

See **Big blast** Page **A6**



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PRICE FIXING

Collusion

FROM PAGE A1

Consumers are the biggest losers as the collusion led to higher prices for cars and trucks.

In central Ohio, the cases have left deep wounds among the cluster of Japanese businesses that provide parts to Honda, eroding trust between longtime partners. Three suppliers with plants in central Ohio have pleaded guilty, as well as a number of companies with area offices.

The cases show some of the weaknesses in a supply network that has long been a strength for Japanese automakers. And they raise difficult questions about the role of Japanese business culture, and whether the illegal conduct was going on long before prosecutors got involved.

"Your honor, I truly regret what I did," said Hiroshi Yoshida, a midlevel executive for Yamashita Rubber, a maker of anti-vibration rubber whose U.S. subsidiary, YUSA Corp., has a plant in Washington Court House. He spoke at his 2012 sentencing hearing in a downtown Toledo courtroom, before heading to federal prison. "And I apologize to you and the United States, and also separately to my family, for what happened."

At the hearing, his attorney described how someone from a competing manufacturer recruited Yoshida into the conspiracy. Nine people were involved from several companies. They met in Japan at places where they would not be recognized, such as coffee shops and in conference rooms at train stations, the attorney said.

There were dozens of separate conspiracies, carried out over more than a decade, affecting more than 25 million vehicles purchased by U.S. consumers, according to prosecutors. To put that number in perspective, it is roughly 1.5 times the vehicles sold in the country last year.

"The bottom line is that Americans paid more for their cars as a result of this collusion," said Marvin Price, criminal director of the Department of Justice's antitrust division.

How much more did consumers pay? We don't know.

Oceans apart

The cases have the makings of a sensation: big numbers, betrayal, secrecy, and all of it related to a product that most people use every day. And yet, the reaction and interest in the United States has been muted. To get a more intense response, you need to look to Japan.

"The Japanese media and public (were) surprised very much for the past three or four years whenever individuals, executives in companies, were imprisoned in the U.S.," said Hideto Ishida, a leading anti-trust attorney in Tokyo, in an email. "Yes, the auto-parts cases have a long-term and great effect to the Japanese culture as

Auto-parts price fixing

The largest set of price-fixing investigations in U.S. history has ensnared 33 companies and many of their executives, and investigators are not done.

COMPANY	CRIMINAL FINE	PARTS MANUFACTURED	HOME COUNTRY	EXECUTIVES CHARGED	EXECUTIVES PLEADED GUILTY	EXECUTIVES WHO ARE FUGITIVES
Aisan Industry Co.	\$6,860,000	Electronic throttle-control systems	Japan	0	0	0
Aisin Seiki Co.	\$35,800,000	Variable valve-timing devices	Japan	0	0	0
Autoliv Inc.	\$14,500,000	Seat belts, air bags, steering wheels	Sweden	1	1	0
Bridgestone Corp.	\$425,000,000	Anti-vibration rubber	Japan	4	1	3
Continental Automotive Electronics and Continental Automotive Korea	\$4,000,000	Dashboard instrument-panel clusters	South Korea	2	0	2
DENSO Corp.	\$78,000,000	Electronic-control units	Japan	6	6	0
Diamond Electric Mfg. Co.	\$19,000,000	Ignition coils	Japan	2	2	0
Fujikura	\$20,000,000	Wiring systems	Japan	2	0	2
Furukawa Electric Co.	\$200,000,000	Wiring systems	Japan	3	3	0
G.S. Electech, Inc.	\$2,750,000	Antilock-brake systems	Japan	1	1	0
Hitachi Automotive Systems	\$195,000,000	Starter motors, alternators, ignition coils	Japan	4	0	4
Hitachi Metals	\$1,250,000	Brake hoses	Japan	0	0	0
Jtekt Corp.	\$103,270,000	Ball bearings, electronic steering assemblies	Japan	1	0	1
Koito Manufacturing Co.	\$56,600,000	Lighting fixtures	Japan	0	0	0
Mitsuba Corp.	\$135,000,000	Windshield washer/wiper systems; motors for starters, power windows and fans	Japan	3	1	2
Mitsubishi Electric Corp. (MELCO)	\$190,000,000	Starter motors, alternators, ignition coils	Japan	3	0	3
Mitsubishi Heavy Industries	\$14,500,000	Compressors, condensers	Japan	0	0	0
NGK Spark Plug Co.	\$52,100,000	Spark plugs, oxygen sensors, air-fuel ratio sensors	Japan	0	0	0
Nippon Seiki Co.	\$1,000,000	Instrument-panel clusters	Japan	0	0	0
NSK	\$68,200,000	Bearings	Japan	1	0	1
Panasonic Corp.	\$45,800,000	Battery cells	Japan	1	0	1
Sanden Corp.	\$3,200,000	Compressors used in air-conditioning systems	Japan	0	0	0
Showa Corp.	\$19,900,000	Pinion-assist type electric-powered steering assemblies	Japan	1	0	1
Stanley Electric Co.	\$1,440,000	Lamp ballasts	Japan	0	0	0
T.RAD Co.	\$13,750,000	Radiators	Japan	1	1	0
Takata Corp.	\$71,300,000	Seat belts	Japan	6	4	2
Tokai Rika Co.	\$17,700,000	Heater-control panels	Japan	1	0	1
Toyo Tire & Rubber Co.	\$120,000,000	Anti-vibration rubber, driveshaft parts	Japan	3	1	2
Toyoda Gosei Co.	\$26,000,000	Automotive hoses, air bags, steering wheels	Japan	1	0	1
TRW Deutschland Holding GmbH	\$5,100,000	Seat belts, air bags, steering wheels	Germany*	0	0	0
Valeo Japan Co.	\$13,600,000	Air-conditioning systems	Japan	0	0	0
Yamashita Rubber Co. (YUSA Corp.)	\$11,000,000	Anti-vibration rubber	Japan	1	1	0
Yazaki Corp.	\$470,000,000	Wire harnesses	Japan	6	6	0

*Subsidiary of a U.S. company Source: U.S. Department of Justice

THE COLUMBUS DISPATCH

Central Ohio ties

Some of the central Ohio businesses with ties to the price-fixing cases, including Honda, which is a victim:



THE COLUMBUS DISPATCH



KYLE ROBERTSON | DISPATCH

Yazaki Corp., which has an office on the Far West Side, admitted to price fixing and was fined \$470 million.

well as the auto-industry culture."

The prison sentences were a surprise, he said, because many executives considered this conduct to be merely an "administrative offense."

Prosecutors cracked the case in part by offering incentives for

companies to be the first to come forward and provide information about others. This leniency program means that some offenders get away with no charges and no public disclosure of their roles, a fact that is galling to many of the companies that were charged.

"Some of the people who (received leniency) were some of the evil, evil people in this thing," said a midlevel manager for one of the companies that pleaded guilty, a U.S. citizen, speaking on condition of anonymity because he was not authorized to comment.

He described a culture in which decisions were made by Japanese executives, often working with Japanese executives at other companies, and in which competitors were used to working together.

Meanwhile, the many American employees of the companies, even high-level employees, felt shut out from big decisions. In the price-fixing cases, this turned out to be a good thing. All but one of the 54 people charged are Japanese. (The exception is Gary Walker, a Michigan-based sales executive for Takata Corp., who declined to be interviewed.)

"We read about it along with everyone else," said a top manager for one of the companies that pleaded guilty, a U.S. citizen, speaking on condition of anonymity because he was not authorized to comment. "It hurts perception of us here. We had nothing to do with it."

His frustration underscores long-standing tension within many of the companies. "I've always been told that the Japa-

Continued on Page A11

Continued from Page A10

nese hold the power," said Mike Tanner, a retired executive for a U.S.-based parts supplier who teaches management at Fisher College of Business at Ohio State University. "They put the Americans there to talk to the Americans, the American suppliers and the American employees."

Tanner spent five years on the outside at Honda, trying to get the automaker to consider buying his company's brake hoses. He found that the major Japanese automakers — Honda, Nissan and Toyota — remained loyal to Japanese partners, even when some of the suppliers had high costs.

He now thinks that some form of price-fixing had been happening for a long time in the Japanese parts networks. "You always knew there had to be something going on. You just didn't know what it was," he said.

Eventually, Honda began buying a small share of hoses from Tanner's company. In hindsight, he thinks Honda was using his company's bids as leverage to get price concessions from longtime suppliers.

He found it eye-opening that Honda needed to go to such great lengths to get reasonable prices.

The parts-supply network was an almost ideal situation for illegal activity to develop, said Mark Rosman, an antitrust attorney who spent 20 years at the Department of Justice and is now in private practice.

"You've got very close and long-standing relationships between the supplier and the carmaker in many of these cases," he said. "On top of that, the Japanese business culture is more collaborative than the U.S. business culture, and it should be taken into account when investigating communications among competitors. That culture plays into this conduct significantly."

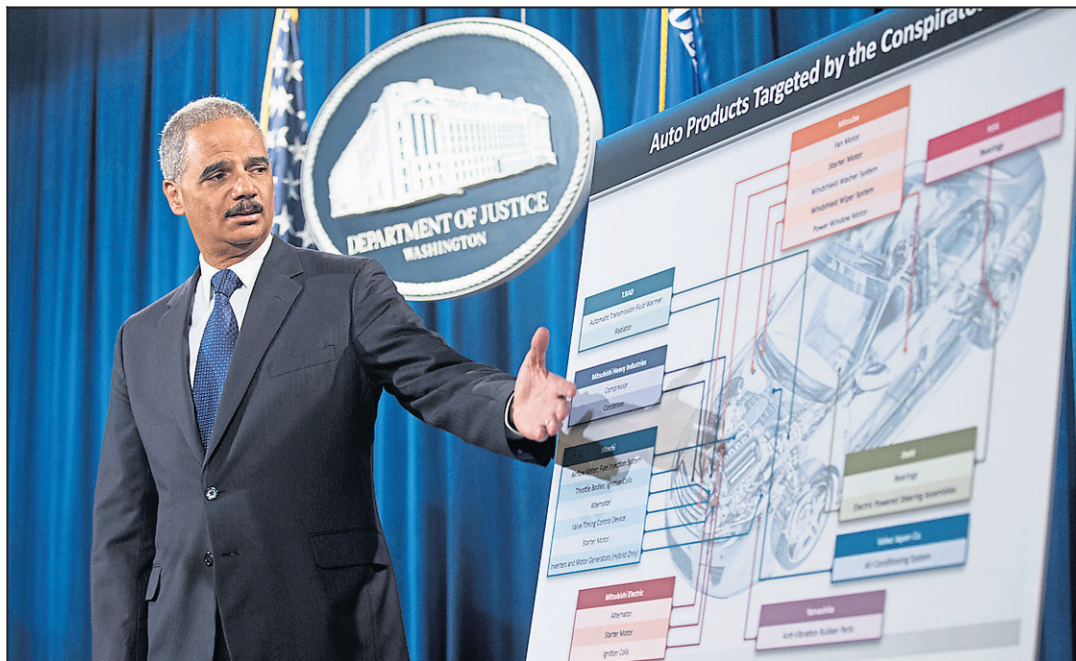
He is talking about a culture that is collegial, in which competitors see one another at trade shows and outside work and share drinks and talk business. This is in contrast with an American culture that tends to be tight-lipped and competitive.

The idea of a Japanese-American culture clash is a sensitive one, touching on what each side might view as stereotypes. It is particularly touchy in Ohio, which has a disproportionately large presence of Japanese-owned companies, many of which have ties to Honda.

As of last fall, Japanese companies had 422 locations in the state and 70,985 jobs, according to the Consulate General of Japan in Detroit.

Heavy fines

Some of the first signs of the investigation were in late 2009. That was when a whistleblower approached Canadian regulators and provided information in exchange for immunity from prosecution, according to a report in *Global Competition Review*, an antitrust-law journal.



BALCE CENETA | ASSOCIATED PRESS

Attorney General Eric Holder talked last year about the auto parts made by alleged conspirators.

What is price fixing?

Price fixing is when competitors work together to set prices or bids, rather than allowing market forces to work. This often results in higher prices, although it also can include agreements to make prices low or stable. The federal government has broad power to prosecute price fixing under the Sherman Antitrust Act of 1890, a law that Congress said was "aimed at preserving free and unfettered competition as the rule of trade."

Sources: Federal Trade Commission, U.S. Department of Justice

How did price-fixing work in the auto-parts cases?

When automakers prepare to launch a new or redesigned model, they ask parts suppliers to submit bids to make certain parts. The automakers will usually split their orders across a group of suppliers with whom they have previously done business, and negotiate the final prices for all participants based on the lowest bids. In these cases, parts manufacturers met in secret to plan their bids and make sure no bid was too low. The result was higher costs for the automakers, which translated to higher costs for consumers.

A few months later, in February 2010, the FBI conducted raids at plants and offices of at least three companies that make automotive wire harnesses, systems that connect a car's various electronic components.

Among the companies was Yazaki Corp., which got surprise visits from federal agents at locations in three states, including at its offices on Fisher Road on the Far West Side.

Yazaki was the second company to plead guilty, with a deal made public in January 2012. The company agreed to pay \$470 million, which remains the largest single penalty in these cases and the third-largest of any antitrust case in U.S. history. (The largest was \$500 million paid in 2012 by a Taiwanese maker of LCD monitors. The same amount was paid in 1999 by a Swiss maker of vitamins.)

The amount of the fine was based on guidelines that the penalty be double the company's financial gain from the illegal activity, or double the financial loss to consumers. Money from the fines is placed in a federal victims' assistance fund.

Although most consumers have not heard of Yazaki, it is a giant player in auto parts, with more than \$15 billion in annual sales.

The company's Far West Side office, which employs 53 people, is a small outpost for the multi-

national company. The site serves as the main sales and service office for dealing with Honda, and a warehouse.

There are almost no details in the public record about the structure of the wire-harness conspiracy, other than vague statements about how the participants used code names and met at remote locations. A Yazaki spokeswoman declined to comment, citing ongoing civil litigation.

How we got here

A century ago, when auto manufacturing was becoming a big business, the largest players made most of their own parts. Companies such as Ford made rubber and fabricated steel in one giant, vertically integrated business.

Japanese automakers upended this system by setting up something called *keiretsu*, networks of interlocking suppliers that shared costs and risks. Sometimes the automakers even had ownership interests in the suppliers. It was like a close-knit family.

This family-like relationship went on for decades. Then, in the late-1990s and early 2000s, the ties began to be strained. Automakers became more aggressive in asking vendors to cut costs, and brought on new suppliers — such as Tanner's company — to compete with the old ones.

The pressure to cut costs became so great that companies were making bids that left little room for profit. And that was a key driver for the escalation in illegal activity.

"They all have this problem in common, and that's what brings them together," said Philip Giordano, a former Department of Justice prosecutor who worked on some of the auto-parts cases and now works for a Washington, D.C., law firm.

Managers for parts manufacturers became more brazen working together to rig bids. The conspiracies grew and seemed to reach their apex at around the time of the 2008 economic downturn.

And then it all fell apart. Working from initial tips, investigators blew the cases open by providing inducements for companies to be the first to come forward. The government was able to do this because of a leniency program started in the early 1990s, a tool that never had been used to this extent.

In addition to company sanctions, 28 executives pleaded guilty to individual charges and most of them went to federal prison.

An additional 26 executives have been indicted but have not surrendered to authorities. They include Akira Wada, a former sales manager for Showa Corp., who was indicted in October. His company's U.S.-based subsidiary, American Showa, has a plant in Sunbury. An attorney for Showa declined to comment.

One of the big unanswered questions is what the Justice Department will do with these fugitives.

"Certainly one of the options we will consider will be extraditing them from the country where they are located," said Price, criminal director of the department's antitrust division.

Until last year, the Justice Department had never extradited someone in an antitrust case. That changed with the arrest in Germany of Romano Piscioti, an Italian national. He later pleaded guilty to price-fixing in the sale of hoses used on oil tankers.

A November report in *Auto-*

motive News said that some of the fugitives continue to work for their companies in Japan. *The Dispatch* reached out to each of the companies to ask if this is so. Most of the companies did not respond, and nearly all that did declined to go into specifics about the employees.

More to resolve

The prosecutions of companies and individuals are continuing, with the most recent indictments announced last month. Meanwhile, there are dozens of civil cases in which groups of consumers, car dealers and others are trying to win damages from the parts suppliers.

Another big, unanswered question is about the automakers: Did they know or suspect price-fixing?

"How could they not know?" asked Rosman, the former prosecutor. "It is likely they knew many of their suppliers communicated (with each other). In fact, some carmakers may have encouraged suppliers to communicate."

Just about every major automaker was affected, with Toyota, Nissan and Honda mentioned most frequently as victims in court documents. Toyota and Nissan declined to comment.

"At Honda, we believe in — and count on — fair and open competition," said Tom Lake, Honda vice president for North America purchasing, in an email. "We feel strongly that our suppliers, and all we do business with, abide by all laws and operate in an ethical manner. We believe this is the best way to run our business. Honda has and will continue to cooperate with this investigation."

While the investigations move forward, many of the participants have served their time, paid their fines and returned to Japan.

Hiroshi Yoshida, the Yamashita Rubber executive in the Toledo courtroom, was sentenced to a year in federal prison and a \$25,000 fine. He was released in December 2013. Attempts to reach him for comment were unsuccessful.

This story goes into specifics about Yoshida because he worked near central Ohio and because documents in his case had more details about the conspiracy than those in other court proceedings.

He is not unique. He is one of many Japanese managers who were living far from home and doing what they thought was best for their companies. Once caught, he seemed genuinely apologetic.

But there is no sympathy from government investigators. "The typical motivator for people to do this kind of activity is greed," said Price, from the Department of Justice. "They want more money, (and) they are going to have a more successful career if they are able to make more money for the company."

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