The Antimonopoly Act is a law providing for basic rules for business activities.

The Japanese competition law known as "the Antimonopoly Act” provides rules which entrepreneurs should observe in carrying out their business operations in free economic society, and regulates such acts as impede fair and free competition. The JFTC positively deploys competition policies and maintains competitive order in the market by enforcing 2 laws: "the Antimonopoly Act” and its complementary law known as “the Subcontract Act”.

**Structure of the Antimonopoly Act**

- **Prohibition of Private Monopolization**
- **Prohibition of Unreasonable Restraint of Trade (cartels, bid riggings, etc.)**
- **Regulation of Trade Associations**
- **Restriction of business combination**
- **Regulation of Monopolistic Situations**
- **Prohibition of Unfair Trade Practices**
- **Regulation in accordance with the Subcontract Act**

**Promote Fair and Free Competition**

- **Stimulation and Creation of Initiatives of Entrepreneurs**
- **Encouragement of Business Activities of Entrepreneurs**
- **Heightening of the Level of Employment and People’s Real Income**
- **Securement of the Interest of Consumers**
- **Democratic and Wholesome Development of the National Economy**

**Regulation of the Antimonopoly Act ~ Monopoly and Oligopoly**

Any acts to monopolize the market are prohibited.

The monopolistic or oligopolistic market under the control of only a few entrepreneurs makes it difficult for competition to function effectively. The Antimonopoly Act applies various regulations to acts intended to monopolize the market and maintain oligopolistic situations by undue means.

**Prohibition of private monopolization**

If any entrepreneurs try to exclude competitors from the market individually or by combination with other entrepreneurs by means of unjust low-price sales, discriminatory prices, etc. or monopolize the market by obstructing business activities of new-comers to the market, such acts are prohibited as "private monopolization (exclusion type).” Moreover, if any dominant entrepreneurs try to control the market by restraining business activities of other entrepreneurs through the acquisition of stock, dispatch of officers, etc., such acts are also prohibited as “private monopolization (control type).”

**Measures against monopolistic situations**

If competition fails to function effectively in a certain industry in a monopolistic situation because some dominant entrepreneurs engage in large-scale operations, the JFTC may regard such a case as monopolistic situation, and take measures to restore competition. In such a case, the JFTC may request such entrepreneurs to transfer a part of their business operations, as necessary.
Regulation of the Antimonopoly Act ~ Cartels and bid riggings

Any entrepreneurs are prohibited from restraining competition in conjunction with other entrepreneurs.

There are many cases where several entrepreneurs execute agreements for product prices and volumes in order to protect mutual interests, thus voluntarily restraining market competition. The Antimonopoly Act prohibits any artificial competition-restricting acts such as cartels and bid riggings.

Prohibition of cartels

If any entrepreneurs or any entrepreneurs as constituent members of trade associations consult with each other to jointly determine product prices, sales and production volumes, etc., which should be determined voluntarily by each entrepreneur, and restrain competition as the result, such acts are regarded as “cartels,” and prohibited. Such arrangements, whether by gentlemen’s agreements, by word of mouth or any other forms, are regarded as “cartels,” if some kind of arrangements exist among these entrepreneurs, and if they eventually take a concerted action.

Prohibition of bid riggings

“Bid rigging” means several entrepreneurs participating in bidding for e.g. public works of the central and local governments and public procurement consult with each other in advance to determine the contractors and contract prices, and is prohibited as one of the unreasonable restraint trades.

Prohibition of participation in international cartels

It is unlawful and prohibited to conclude agreements providing for cartels with overseas entrepreneurs in the same trade. For instance, if domestic and overseas entrepreneurs form a cartel whereby they do not export their respective products to their respective partner countries, it follows that such products are not imported into the domestic market. This case falls under an illegal act because of a substantial restraint of competition.

Restraint of activities by trade associations

Trade associations are prohibited from performing such acts as unjustly restrain voluntary business activities of entrepreneurs by limiting the number of entrepreneurs in a particular field of trade and giving instructions as to price raises, volume restraint, transaction partners, and allocation of sales-territories.

Cartel exemptions from the application of the Antimonopoly Act

In order to achieve specific policy objectives, cartels may be allowed exceptionally under certain requirements in accordance with the Antimonopoly Act and other laws. For instance, joint economic business by those associations aimed at mutual aid of small-scale entrepreneurs and consumers is exempted from the application of prohibition of the Antimonopoly Act.
Regulation of the Antimonopoly Act ~ Unfair trade practices

Any acts likely to impede fair competition in a market are prohibited.

In order to revitalize the market, it is necessary for entrepreneurs to engage in fair competition in an effort to offer products, which are better in quality and lower in prices than those of their competitors. For this purpose, the Antimonopoly Act designates the acts restraining free competition and undermining the foundation for competition as "unfair trade practices," and prohibits such acts. "Unfair trade practices" consist of "general designation" applicable to the entire category of business and "Special designation" applicable only to specific category of business.

General designation

Refusal to deal
It is unlawful and prohibited that several entrepreneurs jointly refuse to do business with specific entrepreneurs or cause the third party to do so. For example, if several entrepreneurs jointly force raw material manufacturers not to supply products to newcomers to the market with intent to prevent such newcomers from launching their operations, this falls under refusal to deal. Refusal to deal on an individual basis is also deemed unlawful, if deals are refused as a means of achieving an unjust purpose in terms of the Antimonopoly Act, such as making retailers abide by sales prices.

Discriminatory pricing and discriminatory treatment
It is unlawful and prohibited to set unjustly different prices and transaction terms for the same products or services depending on transaction partners and sales territories. For instance, if dominant entrepreneurs offer lower prices only to the customers of competitors in order to exclude them, and take an excessive dumping means only in the area competing with their competitors, such acts falls under this case.

Unjust low price sales
It is unlawful and prohibited to sell products or services at unjustly low prices, for example, sell continuously at prices sizably lower than seller’s actual purchase prices if such sales make it difficult for competitors to carry out business activities. However, it is lawful and justified to make bargain sales as fair competition means and dispose of perishable or seasonal products at special prices.

Deceptive customer inducement
It is unlawful and prohibited to attract customers unjustly through deceptive and extravagant advertisements with intent to disguise own products or services as extremely superior to those of competitors, and sell them by attaching excessive premiums because such acts distort the proper selection of products or services by customers.

Excessive
Premiums

Unjust high price purchasing
It is unlawful and prohibited to purchase what competitors need at prices extremely higher than the market prices in order to exclude them from the market by making it difficult for such competitors to procure necessary products or services. For instance, buying up raw materials indispensable to products of competitors at extremely high prices falls under this case.

Deceptive
Unjust

Tie-in sales
It is unlawful and prohibited to force transaction partners to purchase products or services by tying them to the supply of other products or services. For instance, forcing purchasers to buy a combination of popular products and unsold unpopular ones against their will falls under this case.
Abuse of dominant bargaining position
It is unlawful and prohibited for large entrepreneurs in a dominant bargaining position to use their position to perform unreasonable acts to transaction partners to the disadvantage of the latter. Such acts include the late payment for subcontracted work due to one-sided reasons of ordering parties, forceful sales, unjust return of goods, request for dispatching employees, and request for money contribution. These acts often occur in subcontract transactions, and are regulated in detail by the Subcontract Act, a complementary law of the Antimonopoly Act.

Resale price restriction
It is prohibited, in principle, to give retailers, etc. instructions on sales prices because it restricts prices as a basic means of competition. It is also prohibited to impose economic disadvantage on retailers and suspend delivery to them in order to force them to sell products or services at designated prices.

Dealing on exclusive terms
If exclusive dealing, which makes transaction partners handle only one’s own products or services, and prohibits dealing with other competitors, has the possibility of depriving competitors of trade opportunities and distribution routes and hindering new entry, such conduct would be unlawful.

Dealing on restrictive terms
Carrying out trade on terms that unjustly restrict business activities of transaction partners is prohibited. Restriction of sales territories under the territory system and sales methods such as low-price sales falls under this case.

Interference with competitors’ transactions
It is unlawful and prohibited to unjustly obstruct business activities of competitors by obstructing the conclusion of contracts necessary for carrying out business activities and by inducing the non-fulfillment of such contracts. For instance, if import agents handling overseas brand-name products request overseas sales outlets to discontinue transactions with other domestic import agents, it falls under this case.

Interference with internal operations of competitors
It is unlawful and prohibited to unjustly induce or abet the shareholders and officers of competitors to perform acts detrimental to them.

Special designation
In addition to 5 categories of business; large-scale retailers, textbook business, maritime business, physical distribution, and newspaper business, the maximum amount of premiums in advertisement is designated as special designation.

Unfair trade practices by trade associations
Trade associations are prohibited from instructing their participating member entrepreneurs to perform acts falling under “unfair trade practices.” It is also prohibited to unjustly exclude those members not following such instructions from trade associations or make it difficult for such members to carry out business activities through discriminatory treatment.

International contracts and unfair trade practices
Domestic entrepreneurs are prohibited from concluding international contracts containing “unfair trade practices” with overseas entrepreneurs. As to overseas areas where it is difficult to regulate unfair trade practices of overseas entrepreneurs by the Japanese Antimonopoly Act, it is prohibited to conclude such international contracts.
The JFTC regulates business combination which may restrain competition.

The Antimonopoly Act prohibits merger, division and acquisition of business etc. where the effect of such a business combination may substantially restrain competition. The JFTC announces “Guidelines to application of the Antimonopoly Act concerning review of business combination” to clarify what kind of business combination may raise problem. Moreover, the AMA prohibits establishment of a company which may cause excessive concentration of economic power, and restricts rate of holding voting rights by a bank or an insurance company.

Prohibition of particular mergers
Mergers are prohibited if they may cause a substantial restraint of competition in any particular field of trade. “Particular field of trade” is generally defined individually in accordance with the types of products or services handled by merged companies, geographical extent to which such products or services are traded, and the specific phase of transactions. The judgment on whether the effect of the merger may substantially restrain competition or not is made by comprehensively taking into account various factors such as market shares and status of import and entry in the market.

Prohibition of particular divisions
“Joint establishment division” in which several entrepreneurs jointly cause a new company to take over business operations and “acquisition division” in which an entrepreneur cause the existing company to take over business operations are treated in the same manner as mergers because a portion subject to division and takeover is taken over by the other company. Such division is prohibited if it substantially restrains competition in any particular field of trade.

Prohibition of particular acquisition of business
The acquisition of business among companies are treated in the same manner as mergers because the business of acquired company is combined with that of acquiring company, and is prohibited if it substantially restrains competition in any particular field of trade. The acquisition of business includes the acquisition of sales and plant operations, the acquisition of fixed assets used for business and the lease of business, etc.

Prohibition of particular stockholding
When one company holds stocks of another company, there arises a relation of business combination between them. Such stockholding is prohibited if it substantially restrains competition in any particular field of trade.

Prohibition of particular interlocking directorates
Interlocking directorates are prohibited if it substantially restrains competition in any particular field of trade by one person concurrently serving as officers of several companies.

Prohibition of establishment of company which may cause excessive concentration of economic power
The Antimonopoly Act prohibits the establishment of and transformation into a company which may cause excessive concentration of economic power. Since it is important to enhance the predictability of entrepreneurs and secure the transparent operation of the Act, the JFTC announces “Guidelines Concerning Companies which Constitute Excessive Concentration of Economic Power” as a means of interpretation of what companies are prohibited as such.

Restriction on rate of holding voting rights by a bank or an insurance company
Banks or insurance companies are prohibited to hold more than 5% (10% in the case of insurance companies) of voting rights of non-financial companies in Japan. However, they can hold more than 5% (10% in the case of insurance companies) when so approved by the JFTC or exceptionally permitted by law.

The JFTC announces “Guidelines concerning Authorization of Acquisition and Holding of Voting Rights by Banking and Insurance Companies under the Provision of Section 11 of the Antimonopoly Act” etc.