Attachment 2

Major Business Combination Cases in Fiscal Year 2017

June 6, 2018
The Japan Fair Trade Commission

For the purpose of ensuring the transparency of reviews undertaken by the Japan Fair Trade Commission (hereinafter referred to as "JFTC") on business combination cases, and for the purpose of improving the predictability of the JFTC's reviews on cases, the JFTC has published "Guidelines to Application of the Antimonopoly Act concerning Review of Business Combination (May 31, 2004, JFTC. Hereinafter referred to as the "Business Combination Guidelines")"in applying the Antimonopoly Act (hereinafter referred to as the "AMA") to the JFTC's reviews on business combinations. In addition, the JFTC has also published the results of the reviews of major business combination cases each fiscal year.

This year, the JFTC also publishes the results of reviews of major business combinations in fiscal year 2017.

The JFTC sincerely hopes that companies planning business combinations will make use of the published outcomes of the JFTC's reviews of major business combination cases, as well as the Business Combination Guidelines.

Major Business Combination Cases in Fiscal Year 2017

Case 1 Acquisition of shares of JCR Pharmaceuticals Co., Ltd. by Medipal Holdings Corporation

Case 2 Acquisition of shares of Santoku Corporation by Hitachi Metals, Ltd.

Case 3 Acquisition of shares of NXP Semiconductors N.V. by Qualcomm River Holdings B.V.

Case 4 Integration of Broadcom Ltd. and Brocade Communications Systems, Inc.

Case 5 Acquisition of shares of Fujitsu Client Computing Limited by Lenovo International Cooperatief U.A.

Case 6 Acquisition of shares of AH Brake Co., Ltd. by Hosei Brake Industry Co., Ltd.

Case 7 Acquisition of shares of Ring Techs Co., Ltd. by Topy Industries, Limited

Case 8 Acquisition of the marine deck machinery business of IHI Corporation by Iknow Machinery Co., Ltd.

Case 9 Absorption-type company split of Plus One Marketing Ltd.'s MVNO business by Rakuten, Inc.

Case 10 Integration of the container shipping business of Kawasaki Kisen Kaisha, Ltd., Mitsui O.S.K. Lines, Ltd., and Nippon Yusen Kabushiki Kaisha

Case 11 Acquisition of shares of Beavertozan Co., Ltd. by Kohnan Shoji Co., Ltd.

Case 12 Joint share transfer by The Daishi Bank, Ltd. and The Hokuetsu Bank, Ltd.

(Note 1) The order of the cases in this document complies with the order used in the Japan Standard Industry Classification, applied to business concerning products and services subject to reviews of business combinations.

(Note 2) Confidential information and competitor names, etc. associated with the companies concerned are not disclosed in the respective cases. Each competitor is represented by a random alphabet letter.

(Note 3) Market shares, HHI levels after business combinations, and number counts, e.g, the increment of the HHI after business combinations, are shown as approximate figures estimated by the JFTC based on the calculations according to the documents/materials submitted by the companies concerned (note that the term “HHI” in this context refers to the Herfindahl-Hirschman Index; the same shall be applied hereafter). When it comes to market shares, in principle, these figures are shown at 5% intervals. (For example, any number that is 37.5% or larger and less than 42.5% is expressed as “around 40%.”)

(Note 4) In each case, a horizontal business combination refers to a business combination between companies with a competitive relationship in the same

particular field of trade, a vertical business combination refers to a business combination between companies at different transaction stages, such as a merger between a manufacturer and a distributor that sells its products, and a conglomerate business combination refers to a business combination that is neither a horizontal business combination nor a vertical business combination, including a merger between companies in different industries and acquisition of shares between companies in different geographic ranges in the same particular field of trade.

Case 1 Acquisition of shares of JCR Pharmaceuticals Co., Ltd. by Medipal Holdings Corporation

Part I Outline of this case

This case concerns a plan in which Medipal Holdings Corporation (JCN 5010001068510) (hereinafter referred to as "Medipal Holdings"; a group of companies which have already built joint relationships with Medipal Holdings hereinafter referred to as "Medipal Holdings Group"), which engages in wholesale of prescription drugs, would acquire over 20% of the voting rights with regard to shares of JCR Pharmaceuticals Co., Ltd. (JCN 6140001000905) (hereinafter referred to as "JCR Pharma"), which manufactures and sells prescription biopharmaceuticals (Medipal Holdings Group and JCR Pharma hereinafter collectively referred to as "the company group"; the acquisition of voting rights in this case hereinafter referred to as "the conduct of this case").

The applicable provision in this case is Article 10 of the AMA.

Part II Particular field of trade

1. Product/service range

(1) Biopharmaceuticals

The word "biorpharmaceutical" is a general term for any protein drug manufactured by applying biotechnology including genetic recombination, cell fusion, and cell culture. As for classification of pharmaceutical products including biopharmaceuticals, the ATC Classification System[1] established by European Pharmaceutical Market Research Association (EphMRA) is widely used. Under the ATC Classification System, any pharmaceutical product is assigned with a code (so-called ATC code) comprised of four different levels (the first level to the fourth level) thereby being divided into groups.

With regard to biopharmaceuticals, it is appropriate to specify competing products based on the digits and letters on first three levels according to the ATC Classification System, and in cases where two products are assigned with the same ATC code up to the third level, to define a product range based on the fourth-level letter or other classification if they are not deemed to have the same type of functions/effects from the perspective of medical institutions, etc. (e.g., two drugs were not substitutable in light of actual practice of administration to patients or doctors' judgment)[2].

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[1]It stands for "Anatomical Therapeutic Chemical Classification System." It is regarded as classification of pharmaceutical products according to the anatomical site of action, the indication, the usage, the chemical formula, and the action mechanism.

[2]This approach was used for defining product ranges in "Capital Alliance between Kirin Group and Kyowa Hakko Group" (Case 1 of Major Business Combinations in FY 2008).

Among many drugs JCR Pharma manufactures and sells or develops, the following discusses prescription drugs ("Anterior pituitary lobe hormones and analogues" and "Other antianemic preparations") in detail, as the conduct of this case is considered to have a relatively large impact on competition concerning such drugs.

A. Anterior pituitary lobe hormones and analogues (H1A)

Drugs classified into "Anterior pituitary lobe hormones and analogues (H1A)"[3]based on their first three levels of ATC code have indications for diseases listed in the following table. Drugs in this category, if administered, all produce effects to promote a growth hormone increase and do not particularly vary depending on the indication. By the dosage form, they are grouped into a freeze-dried type or a liquid type. But they share the same substances and are used interchangeably at medical institutions.

Based on the above, the JFTC defined a product range as "Anterior pituitary lobe hormones and analogues (H1A)" (hereinafter referred to as "Anterior pituitary lobe hormones" in this case.

[Table: Indications of Anterior pituitary lobe hormones]

Indications	Symptoms
Growth hormone deficiency dwarfism	Short stature caused by the inhibition of growth hormone secretion from the pituitary gland
Turner syndrome	Short stature due to insufficient growth hormone secretion and menstrual disorders and ovarian failures due to insufficient female sex hormone secretion, caused by chromosomal abnormality .etc
Adult growth hormone deficiency	Metabolic disorders and cardiovascular diseases due to insufficient growth hormone secretion caused by pituitary tumors, head trauma, or perinatal abnormality. etc.
Small for gestational age (SGA) newborns	Infants of short stature who were born smaller in weight and size than normal due to intrauterine growth restriction and grow restrictedly after birth too.

B. Other antianemic preparations (B3X)

[3] Under the ATC Classification System,"Anterior pituitary lobe hormones and analogues (H1A)" belongs to "Pituitary and hypothalamic hormones and analogues,"the group whose first two levels are H1, and H1A is not subdivided at the fourth level.

(a) Classification by indication

Drugs classified into "Other antianemic preparations (B3X)"[4]based on their first three levels of ATC code are divided by their indications into 1) "Drugs which treat indications of renal anemia during dialysis and anemia of prematurity" and 2) "Drugs which only treat an indication of renal anemia during dialysis"[5]. These indications are both anemia mainly caused by decreased production of "erythropoietin," a hematopoietic factor produced by the kidneys and renal anemia is often found in chronic dialysis patients. Drugs 1) and 2) both have properties equivalent to a hematopoietic factor and, if administered, bring about effects of promoting differentiation and proliferation of red blood cells, and thereby improving anemia. Therefore, drugs 1) and 2) share the same action mechanism. However, because the safety of administering drugs 2) to premature infants has not been confirmed, they do not cover the indication of anemia of prematurity. Accordingly, demand substitutability is recognized between drugs 1) and 2) for renal anemia patients while it is not for premature infants suffering anemia.

(b) Classification by administration frequency/price range

Other antianemic preparations (B3X) (excluding anemia drugs to treat folic acid deficiency) are classified by administration frequency into a short-term type and a long-term type. Short-term drugs and long-term drugs must be administered several times a week and once a week or month respectively. The price range is lower for short-term drugs.

Therefore, short-term drugs have advantages of enabling fine-tuning of hemoglobin and being less costly whereas long-term drugs have an advantage of less administration frequency. Guidelines of an academic society do not call for use of these drugs for different purposes and they are used interchangeably at medical institutions as well.

(c) Summary

Based on the above, by dividing "Other antianemic preparations (B3X)" by indication, the JFTC defined a product range as "Drugs for

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4 Under the ATC Classification System,"Other antianemic preparations (B3X)" belongs to "Antianemic preparations,"the group whose first two levels are B3, and B3X is not subdivided at the fourth level.

5 Apart from drugs 1) and 2), there is another type of anemia drugs which treat the indication of folic acid deficiency. However, it has limited demand substitutability with drugs 1) or 2) due to its different action mechanism.

anemia of prematurity (the above (a) 1)) and another product range as "Drugs for renal anemia (the above (a) 1) and 2)), and the following discusses "Drugs for anemia of prematurity" in detail, as the conduct of this case is considered to have a relatively large impact on competition concerning such drugs.

(2) Prescription drug wholesale business

To meet the demand of medical institutions, etc., the users, prescription drug wholesalers improve their product lineups while purchasing and selling prescription drugs as needed. Rather than selecting wholesalers for each drug, medical institutions purchase drugs of multiple manufacturers collectively through specific prescription drug wholesalers based on their lineups, delivery systems, prices, etc. For medical institutions, there is no demand substitutability between prescription drug wholesalers and wholesalers of other products. As no other types of businesses can easily supply prescription drugs which are equivalent to those supplied by prescription drug wholesalers, no supply substitutability is recognized with other types of businesses.

Based on the above, the JFTC defined a service range as "Prescription drug wholesale business" in this case.

2. Geographic range

(1) Manufacturing business of anterior pituitary lobe hormones and manufacturing business of drugs for anemia of prematurity

No special circumstances including restrictions on domestic transportation apply to either anterior pituitary lobe hormones or drugs for anemia of prematurity, and there is no regional price difference either. As well, these drug manufacturers conduct business all over Japan and prescription drug wholesalers also procure products from any place in Japan. Accordingly, the JFTC defined the geographic range as "all regions of Japan."

(2) Prescription drug wholesale business

Pursuant to The Law on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical devices (Act No. 145 of 1960), prescription drug wholesalers obtain approvals from prefectural governors when establishing sales offices, and develop drug distribution systems for each prefecture, thereby operating their businesses.

In the meantime, medical institutions, the users, purchase prescription drugs mainly from prescription drug wholesalers which have established sales offices in the users' prefectures because prescription drug wholesalers manage their

distribution systems by each prefecture.

Accordingly, the JFTC defined the geographic range as “each prefecture” and because Medipal Holdings Group has a sales office in every prefecture, the JFTC examined the impact of the conduct of this case concerning prescription drug wholesale business for every prefecture.

Part III Impact of the conduct of this case on competition

As JCR Pharma manufactures and sells anterior pituitary lobe hormones and drugs for anemia of prematurity and Medipal Holdings Group engages in wholesale of prescription drugs, the conduct of this case falls under the definition of vertical business combinations, in which manufacturing business of anterior pituitary lobe hormones and manufacturing business of drugs for anemia of prematurity are considered upstream market and prescription drug wholesale business as downstream market.

1. Position of the company group and conditions of competing enterprises

(1) Upstream market

A. Anterior pituitary lobe hormones

The following table shows JCR Pharma’s market share of anterior pituitary lobe hormones. As HHI is around 2,500 and the market share of the company group is around 20%, the conduct of this case does not meet the safe-harbor criteria for vertical business combinations. As well, there are influential competitors, Company A, Company B, and Company C, holding around 35%, 30%, and 15% of the market respectively.

[Market shares in the market of anterior pituitary lobe hormones in FY2016]

Rank	Company name	Market share
1	Company A	Approx. 35%
2	Company B	Approx. 30%
3	JCR Pharma	Approx. 20%
4	Company C	Approx. 15%
	Others	0-5%
Total		100%

B. Drugs for anemia of prematurity

The following table shows JCR Pharma’s market share of drugs for anemia of prematurity. As HHI is around 3,400 and the market share of the company group is around 30%, the conduct of this case does not meet the safe-harbor

criteria for vertical business combinations. As well, there are influential competitors, Company D and Company E, holding around 40% and 30% of the market respectively.

[Market shares in the market of drugs for anemia of prematurity in FY2016]

Rank	Company name	Market share
1	Company D	Approx. 40%
2	JCR Pharma	Approx. 30%
3	Company E	Approx. 30%
Total		100%

(2) Downstream market

With regard to prescription drug wholesale business, the safe-harbor criteria for vertical business combinations are not met in 23 of all prefectures (hereinafter referred to as "23 prefectures")[6] based on Medipal Holdings Group's market share and HHI. Medipal Holdings Group's market shares in 23 prefectures are between around 15% and around 50%.

In each of 23 prefectures, there are six or more competitors including influential ones which hold an over 20% market share respectively.

2. Supply refusal, etc. of anterior pituitary lobe hormones or drugs for anemia of prematurity

Here, let us examine the possibility that an issue of closure or exclusivity of the market may arise in the prescription drug wholesale business if JCR Pharma refuses to supply prescription drugs discussed in above 1 (1) above to competitors of Medipal Holdings Group or does business with them only under unfavorable conditions compared to those for business with Medipal Holdings Group (such an act hereinafter referred to as "input foreclosure"). (As there is no difference in criteria for judgment between two prescriptions drugs discussed in 1 (1) above, the following discusses the two prescription drugs together.)

In this respect, because multiple competitors exist for either prescription drug discussed in 1 (1) above and competitors are considered to have a certain excess capacity, prescription drug wholesalers would be able to switch suppliers easily, if input foreclosure should be attempted.

Accordingly, JCR Pharma is considered to have no capabilities to conduct input foreclosure. Therefore, the JFTC decided that no issues of closure or exclusivity of

6 Ibaraki, Tochigi, Saitama, Tokyo, Kanagawa, Ishikawa, Fukui, Shiga, Kyoto, Osaka, Hyogo, Nara, Wakayama, Tottori, Shimane, Okayama, Hiroshima, Tokushima Ehime, Kochi, Saga, Oita, and Miyazaki

the market would arise.

3. Purchase refusal, etc. of anterior pituitary lobe hormones or drugs for anemia of prematurity

Here, let us examine the possibility that an issue of closure or exclusivity of the market may arise in each prescription drug market if Medipal Holdings Group refuses to purchase prescription drugs discussed in 1 (1) above from competitors of JCR Pharma or does business with them only under unfavorable conditions compared to those for business with JCR Pharma (such an act hereinafter referred to as "customer foreclosure").

While Medipal Holdings Group's market share is between around 15% and around 50% in each of 23 prefectures, there are six or more competitors including influential ones with an over 20% market share in each of the 23 prefectures. Therefore, each prescription drug manufacturer would be able to switch customers from Medipal Holdings Group to such competitors easily, if customer foreclosure should be attempted.

Accordingly, Medipal Holdings Group is considered to have no capabilities to conduct customer foreclosure. Therefore, the JFTC decided that no issues of closure or exclusivity of the market would arise.

4. Substantial restriction of competition through coordinated conduct

Some prescription drugs manufactured by JCR Pharma including anterior pituitary lobe hormones and drugs for anemia of prematurity face competition from only a couple of competitors. With regard to such products, if Medipal Holdings Group does not refuse to purchase from competitors of JCR Pharma and continues to do business with them after the conduct of this case, JCR Pharma may obtain, through Medipal Holdings Group, competitors' information concerning sales prices to Medipal Holdings Group. Therefore, here, let us examine the risk of JCR Pharma and competitors taking coordinated conduct.

In this respect, practical sales prices to each prescription drug wholesaler are decided by each prescription drug manufacturer at closed-door talks based on the uniform purchase price that is set for each prescription drug and applied to all wholesalers across the board, and on "rebates (kickbacks)[7]" and "allowances[8]" decided according to each wholesaler's sales volume and achievement ratio. For this reason, it is impracticable for a prescription drug wholesaler to determine practical sales prices set by a prescription drug manufacturer for other wholesalers.

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[7] Amounts paid according to the sales of key items, the wholesaler's total purchase, etc.
[8] Amounts paid according to the sales target achievement ratio

Based on he above, JCR Pharma may obtain, through Medipal Holdings Group, information concerning practical sales prices set by JCR Pharma's competitors for Medipal Holdings Group, but would not be able to determine practical sales prices those competitors apply to other wholesalers. Therefore, it is considered impracticable for JCR Pharma and competitors to predict each other's move with high probability.

Based on the above, the conduct of this case would not cause a substantial restrain of competition in manufacturing business of either prescription drug through coordinated conduct.

Part IV Conclusion

The JFTC concluded that the conduct of this case would not substantially restrain competition in any particular field of trade.

Case 2 Acquisition of shares of Santoku Corporation by Hitachi Metals, Ltd.

Part I Outline of this case

This case concerns a plan in which Hitachi Metals, Ltd. (JCN 3010401038783) (hereinafter referred to as "Hitachi Metals"; a group of companies which have already built joint relationships with Hitachi Metals hereinafter referred to as "Hitachi Metals Group") would acquire over 50% of voting rights with regard to shares of Santoku Corporation (JCN 3140001001609) (hereinafter referred to as "Santoku"; a group of companies which have already built joint relationships with Santoku hereinafter referred to as "Santoku Group"), which manufactures and sells neodymium magnet alloys among others (Hitachi Metals and Santoku collectively referred to as "the Parties"; Hitachi Metals Group and Santoku Group collectively referred to as "the company group";the acquisition of voting rights in this case hereinafter referred to as "the conduct of this case").

The applicable provision in this case is Article 10 of the AMA.

Part II Particular field of trade

1. Product outline

(1) Neodymium magnet alloys

Neodymium magnet alloys are alloys made of rare-earth elements, i.e., neodymium (Nd), praseodymium (Pr), and dysprosium (Dy) by adding iron and boron, and used as a material for neodymium magnets.

Neodymium magnet alloys are mainly manufactured by a method called strip casting (SC) technology. SC technology refers to a casting method in which metal is melt and the resulting hot metal is poured over copper rolls, thereby getting rapidly solidified.

Alloy manufacturers produce alloys based on specifications designated by magnet manufacturers on mixing ratios of rare-earth elements, cooling temperature, etc. However, as the alloy composition including the size of organization and the quantity of impurities varies depending on the casting conditions, alloy manufacturers also possess the manufacturing know-how, which is kept to each manufacturer as confidential information.

Among the company group, Santoku Group manufactures neodymium magnet alloys.

(2) Neodymium magnets

Neodymium magnets are permanent magnets made of rare-earth elements and the strongest type of magnet currently manufactured. Due to their strong

magnetic force, they are used in automobile driving motors, hard disk drives, air conditioner motors, elevator winches, etc.

Neodymium magnets are largely divided into sintered neodymium magnets (hereinafter referred to as "sintered magnets") and bonded neodymium magnets (hereinafter referred to as "bonded magnets").

Sintered magnets are manufactured by pulverizing neodymium magnet alloys made through SC technology, sintering the resulting powder into blocks in a strong magnetic field, and heat-treating them. Bonded magnets, on the other hand, are manufactured by pulverizing neodymium magnet alloys into magnetic particles, mixing them with resin, and molding and solidifying the result. Bonded magnets are different from sintered magnets in that they generally have less magnetic force and heat-resistance as they contain resin while being easier to process and less costly.

Among the company group, Hitachi Metals Group manufactures neodymium magnets by procuring neodymium magnet alloys from alloy manufacturers.

2. Product range

(1) Neodymium magnet alloys

Neodymium magnet alloys are only used as a material for neodymium magnets. As no other alloy can substitute for neodymium magnet alloys as a material for neodymium magnets, no demand substitutability is recognized between neodymium magnet alloys and other alloys. As well, manufacturing facilities/processes of neodymium magnet alloys are different from those of other alloys, and switching from manufacturing of other alloys to neodymium magnet alloys would require a large amount of capital investment as well as manufacturing know-how. Therefore, it is not easy to switch from manufacturing of other alloys to neodymium magnet alloys and no supply substitutability is recognized between neodymium magnet alloys and other alloys.

Next, neodymium magnet alloys are divided into alloys made through SC technology (hereinafter referred to as "SC alloys") and alloys made through other manufacturing methods including centrifugal casting (hereinafter referred to as "non-SC alloys"), and the company group and a competitor, Company A, mainly manufacture SC alloys. In this respect, as there is quality difference between non-SC alloys and SC alloys, in some cases end user designate SC technology or any other method to be used for manufacturing neodymium magnet alloys. Therefore, demand substitutability is limited between SC alloys and non-SC alloys. As well, manufacturing facilities and required patents are not the same between SC alloys and non-SC alloys, and switching of manufacturing methods is

not easy either. Therefore, no supply substitutability is recognized.

Based on the above, the JFTC defined a product range as "SC alloys" (hereinafter, SC alloys referred to as "neodymium magnet alloys").

(2) Neodymium magnets

While there are different kinds of permanent magnets than neodymium magnets, no other permanent magnets have magnetic force as strong as neodymium magnets. Therefore, no demand substitutability is recognized between neodymium magnets and other magnets. As well, manufacturing facilities and required patents are not the same between neodymium magnets and other magnets, and switching of manufacturing methods is not easy either. Therefore, no supply substitutability is recognized.

Regarding sintered magnets and bonded magnets, there are differences in price and quality but end users use either kind of products as long as they meet the quality standards set by end users (magnetic-flux density, coercive force, etc.) rather than choosing one or the other and setting specifications based on the choice. Therefore, a certain degree of demand substitutability is recognized between sintered magnets and bonded magnets.

Based on the above, the JFTC defined a product range as "neodymium magnet alloys."

3. Geographic range

No restrictions apply to domestic transportation of neodymium magnet alloys, and there is no regional price difference either. As well, neodymium magnet alloy manufacturers sell neodymium magnet alloys to magnet manufacturers, the users, in all regions of Japan, and magnet manufacturers also procure materials from neodymium magnet alloy manufacturers regardless of where the suppliers are located.

The same applies to neodymium magnets as well.

Accordingly, the JFTC defined the geographic range of both neodymium magnet alloys and neodymium magnets as "all regions of Japan."

Part III Impact of the conduct of this case on competition

As Santoku Group manufactures and sells neodymium magnet alloys, which are used by Hitachi Metals Group to manufacture and sell neodymium magnets, the conduct of this case falls under the definition of vertical business combinations, in which neodymium magnet alloys and neodymium magnets are considered upstream market and downstream market respectively.

1. Position of the company group and conditions of competing enterprises

(1) Upstream market

The following table shows market shares of the company group and a competitor concerning neodymium magnet alloy manufacturing. As HHI is around 6,000 and the market share of the company group is around 75%, the conduct of this case does not meet the safe-harbor criteria for vertical business combinations.

Apart from Santoku Group, Company A, holding around 20% of the market, is an influential competitor supplying neodymium magnet alloys to outside customers.

Incidentally, there are also magnet manufacturers which manufacture neodymium magnet alloys for self-consumption.

[Market shares in the market of neodymium magnet alloys in FY2016]

Rank	Company name	Market share
1	Santoku Group	Approx. 75%
2	Company A	Approx. 20%
	Imports	0-5%
Total		100%

(2) Downstream market

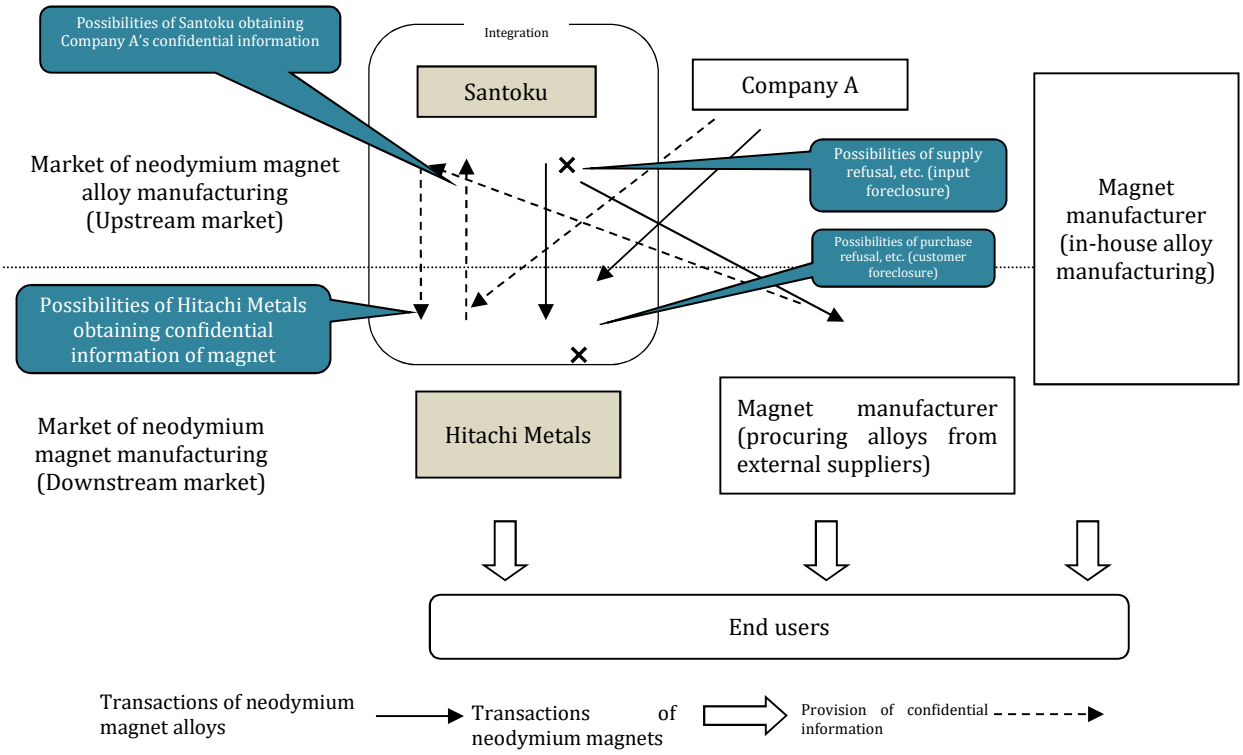
The following table shows market shares of the company group and competitors concerning neodymium magnet manufacturing. As HHI is around 3,100 and the market share of the company group is around 30%, the conduct of this case does not meet the safe-harbor criteria for vertical business combinations.

Apart from Hitachi Metals Group, there are influential competitors, Company B and Company C, holding around 40% and 15% of the market respectively. Magnet manufacturers either manufacture neodymium magnet alloys by themselves for their own consumption or procure neodymium magnet alloys from outside suppliers.

[Market shares in the market of neodymium magnets in FY2016]

Rank	Company name	Market share
1	Company B	Approx. 40%
2	Hitachi Metals Group	Approx. 30%
3	Company C	Approx. 15%
	Others	Approx. 10%
	Imports	0-5%
Total		100%

Figure: Diagrammatic illustration of the conduct of this case



2. Supply refusal, etc. of neodymium magnet alloys

(1) Capabilities to implement input foreclosure

Here, let us examine the possibility that an issue of closure or exclusivity of the market may arise in the neodymium magnet market if Santoku Group refuses to supply neodymium magnet alloys to neodymium magnet manufacturers other than Hitachi Metals Group or does business with them only under unfavorable conditions compared to those for business with Hitachi Metals Group (such an act hereinafter referred to as "input foreclosure").

Neodymium magnet alloys are made to order based on specifications set by magnet manufacturers, and a certain period of time is required before production

of new neodymium magnet alloys. As magnet manufacturers are procuring certain types of alloys only from Santoku Group, they cannot easily switch suppliers for such neodymium magnet alloys.

Therefore, it would require a certain period of time for magnet manufacturers to switch suppliers, and the company group is considered to have capabilities to implement input foreclosure.

(2) Incentives to implement input foreclosure

On the grounds that Hitachi Metals Group has a considerable amount of excess capacity and that Hitachi Metals Group's sales amount of neodymium magnets to end users is several times larger than Santoku Group's sales amount of neodymium magnet alloys, the company group is considered to have incentives to implement input foreclosure as it may increase profits of the company group.

(3) Summary

Some magnet manufacturers manufacture neodymium magnet alloys by themselves while others procure them from outside suppliers. Input foreclosure by the company would not affect the former but could have an impact on the latter and reduce their competitiveness. Accordingly, there is a likelihood that an issue of closure or exclusivity of the market will arise from input foreclosure.

3. Purchase refusal, etc. of neodymium magnet alloys

(1) Capabilities to implement customer foreclosure

Here, let us examine the possibility that an issue of closure or exclusivity of the market may arise in the neodymium magnet alloy market if Hitachi Metals Group refuses to purchase neodymium magnet alloys from neodymium magnet alloy manufacturers other than Santoku Group or does business with them only under unfavorable conditions compared to those for business with Santoku Group (such an act hereinafter referred to as "customer foreclosure").

The company group holds around 30% of the downstream market. Company A currently sells a considerable amount of neodymium magnet alloys to Hitachi Metals Group. If customer foreclosure is implemented, Company A will not be able to switch customers to magnet manufacturers which manufacture their own alloys and it will require a certain period of time for Company A to get ready for manufacturing alloys for other magnet manufacturers which procure alloys from external suppliers. In addition, as neodymium magnet alloys are made to order, Company A will not be able to use some materials it has purchased for

manufacturing alloys for Hitachi Metals. As a result, Company A may face slow-moving inventory and a drop in the capacity utilization rate for some time, which could lead to a decline in cost competitiveness.

Therefore, the company group is considered to have capabilities to implement customer foreclosure.

(2) Incentives to implement customer foreclosure

Santoku Group and Company A are the only two companies in Japan supplying neodymium magnet alloys to external customers. If Hitachi Metals Group implements customer foreclosure and excludes Company A from the market, then the company group will be the only player in the upstream market. In addition, as Santoku Group has sufficient excess capacity, customer foreclosure by Hitachi Metals Group could raise Santoku Group's capacity utilization rate. Therefore, customer foreclosure could increase profits of the company group, and the company group is considered to have incentives to implement customer foreclosure.

(3) Summary

Based on the above, there is a likelihood that an issue of closure or exclusivity of the market will arise from customer foreclosure.

4. The impact of the company group sharing a competitor's confidential information on the market

(1) The impact of Santoku Group obtaining an alloy manufacturer's confidential information on the market

After the conduct of this case, Santoku Group would be able to obtain Company A's competition sensitive information (confidential information) including total sales price, quantity, and composition through Hitachi Metals Group. If Santoku Group exploits such confidential information, Company A will be placed at a disadvantage. Therefore, there is a likelihood that an issue of closure or exclusivity of the market will arise.

(2) The impact of Hitachi Metals Group obtaining magnet manufacturers' confidential information on the market

After the conduct of this case, Hitachi Metals Group would be able to obtain competition sensitive information (confidential information) of magnet manufacturers which procure neodymium magnet alloys from external suppliers including total procurement price, quantity, and composition through Santoku

Group. If Hitachi Metals Group exploits such confidential information, magnet manufacturers which procure neodymium magnet alloys from external suppliers will be placed at a disadvantage. Therefore, there is a likelihood that an issue of closure or exclusivity of the market will arise.

5. Recapitulation

As described above, there is a likelihood that an issue of closure or exclusivity of the market will arise, if the company group implements input foreclosure or customer foreclosure or shares confidential information of competitors in the upstream market or downstream market internally after the conduct of this case.

Part IV Proposal of remedy by the Parties

When the Parties were informed that there is a likelihood that an issue of closure or exclusivity of the market will arise from the conduct of this case, they proposed a remedy summarized in the following (hereinafter referred to as "remedy of this case").

1. Measures concerning continuation of transactions

(1) For a five-year period starting from the day when the conduct of this case is implemented, Santoku will supply neodymium magnet alloys to magnet manufacturers up to the average quantity supplied by Santoku per year on the fiscal 2014 or fiscal 2016 at the total of raw material costs (prices applied to transactions with each magnet manufacturer at the time of proposal of remedy of this case) and of processing costs (amounts agreed upon by each magnet manufacturer and Santoku).

(2) For a one-year period, in principle, starting from the day when the conduct of this case is implemented, Hitachi Metals will procure neodymium magnet alloys from Company A up to the average quantity procured by Hitachi Metals per year on the fiscal 2014 or fiscal 2016 at a price not more than a transaction price set for Company A for each product type at the time of proposal of remedy of this case.

2. Measures to block the flow of information at the Parties

(1) Organizational blocking of information and restriction of information access

Neither one of the Parties will disclose non-public information it holds concerning transactions of neodymium magnet alloys or neodymium magnets with competitors, including prices, quantity, and composition, to the other.

In addition, the Parties will take measures to make sure that directors or employees of either one of the Parties cannot access the above non-public information held by the other.

(2) Securing of written undertakings

The Parties will inform directors and employees who access non-public information concerning transactions of neodymium magnet alloys or neodymium magnets with competitors that they should not disclose such information to directors or employees of the other one of the Parties, and will make them submit written undertakings that they would follow the remedy of this case and that they understand that they would be subject to disciplinary actions based on working regulations, should they violate any of these conditions.

3. Regular reporting

The Parties will make a report to the JFTC once a year in principle for a period of five years from the day when the conduct of this case is implemented on details of transactions with magnet manufacturers and an alloy manufacturer discussed in 1 above and the state of implementation of measures to block the flow of information discussed in 2 above.

Part V Assessment of the remedy of this case

By taking into account the result of interviews with competitors as well, the JFTC determined that the measures concerning continuation of transactions discussed in Part IV 1 above would be appropriate because an issue of closure or exclusivity of the market is considered unlikely to arise on the grounds that if such measures are taken, competitors will be able to keep their competitiveness and, in addition, will have sufficient preparation time for switching suppliers or customers in the event of input foreclosure or customer foreclosure.

As well, the JFTC determined that the measures to block the flow of information discussed in Part IV 2 above would be also appropriate because an issue of closure or exclusivity of the market is considered unlikely to arise in the upstream market or downstream market on the grounds that if such measures are taken, information on competitors' products will not be shared inside the company group.

In addition, regular reporting is considered as an effective measure in terms of monitoring implementation of the remedy of this case.

As described above, the remedy of this case will prevent issues of closure or exclusivity of the market from arising.

Part VI Conclusion

The JFTC concluded that the conduct of this case would not substantially restrain competition in any particular field of trade, provided that the Parties implement the remedy of this case.[1]

[1] In the downstream market of this case, there is considered to be a certain degree of competitive pressure from enterprises which are independent of suppliers and free from the impact of input foreclosure as well as from auto manufacturers and other end users. However, the JFTC did not see the need for examining the degree of such competitive pressure because the remedy of this case will prevent issues of closure or exclusivity of the market from arising, and concluded that the conduct of this case would not substantially restrain competition in any particular field of trade.

Case 3 Acquisition of shares of NXP Semiconductors N.V. by Qualcomm River Holdings B.V.

Part I Outline of this case

This case concerns a plan in which Qualcomm River Holdings B.V., a subsidiary of Qualcomm Incorporated which manufactures and sells semiconductors (headquartered in the US; the corporate group to which the company belongs hereinafter referred to as "Qualcomm") would acquire over 50% of voting rights with regard to shares of NXP Semiconductors N.V. which manufactures and sells semiconductors (headquartered in the Netherlands; the corporate group to which the company belongs hereinafter referred to as "NXP"; Qualcomm and NXP hereinafter collectively referred to as "the Parties"; the acquisition of voting rights in this case hereinafter referred to as "the conduct of this case").

The applicable provision in this case is Article 10 of the AMA.

Both of the Parties manufacture and sell semiconductors, and in many specific products among them the Parties are in a horizontal or conglomerate relationship with each other. Among such products, the following discusses baseband chips, NFC chips, and SE chips in detail, as the conduct of this case is considered to have a relatively large impact on competition concerning these types of semiconductors.

(FYI) Coordination with foreign competition authorities

This case was also reviewed by foreign competition authorities and the JFTC reviewed this case while exchanging information with European Commission and Korea Fair Trade Commission.

Part II Particular field of trade

1. Product outline

(1) Baseband chips

A. Product description

Baseband chips are semiconductors to enable voice and data communication between mobile terminals including smartphones, mobile phones, and tablets (hereinafter referred to as "mobile terminals") and a network including base stations, and mounted mainly on mobile terminals. Baseband chips connect mobile terminals to a network according to the

available generation of telecommunications technology (2G[1], 3G[2], or 4G[3]) by processing digital signals required for reception/transmission of mobile phone frequency signals. Baseband chips vary in data communication functionality and performance by the type; the greater the functionality and performance, the more costly.

Of the Parties, Qualcomm manufactures and sells baseband chips.

B. Baseband chips and mobile terminals

Although there is no one clear-cut standard, mobile terminals are generally divided into three grades of high-end, middle-range, and low-end, and the higher the grade, the faster communication speed and the greater functionality. Employing many new technologies, high-end mobile terminals pursue greater functionality and high performance and are priced higher. Middle-range mobile terminals are standard devices and low-end mobile terminals are entry-level devices or budget alternatives. Generally, high-end mobile terminals tend to be equipped with highly functional, high-performance, high-priced baseband chips. However, there is no clear-cut division of high-end baseband chips, middle-range baseband chips, and low-end baseband chips. Instead, cutting-edge baseband chips originally manufactured for high-end mobile terminals are manufactured for middle-range mobile terminals a year or two later, and then for low-end mobile terminals even later as time passes.

C. Functions/performance of baseband chips

Baseband chip manufacturers usually develop and start manufacturing new products every one or two years. Most of the baseband chip manufacturers manufacture multiple types of base band chips, which differ in functions and performance. Functions/performance of a baseband chip are decided by factors such as telecommunications methods based on the available generation of telecommunications technology, which is discussed later, the state of compatibility in UE category and carrier aggregation, and the performance of an application processor mounted together.

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[1] 2G (2nd Generation) is the second generation standards of wireless mobile telecommunications technology used by mobile terminals, etc. In contrast to analog-based 1G, 2G introduced a digital method and voice was converted into digital data before being transmitted.

[2] 3G (3rd Generation) is the third generation standards of wireless mobile telecommunications technology used by mobile terminals, etc. Advanced from analog-based 1G and digital-based 2G, 3G enabled high-speed communication of a large amount of data based on wireless mobile telecommunications technology.

[3] 4G (4th Generation) is the fourth generation standards of wireless mobile telecommunications technology used by mobile terminals, etc. As the next-generation technology following 3G, 4G has further advanced 3G technology and realized communication speed on a par with that of optical fibers.

Telecommunications carriers present these factors as specifications of mobile terminals they want to mobile terminal manufacturers, which then select baseband chips that meet such specifications made by telecommunications carriers. Before procuring baseband chips, mobile terminal manufacturers solicit bids usually once a year, in which they inform baseband chip manufacturers on the functions/performance, quantity, and target price of baseband chips they want, and then decide on suppliers.

(a) Various telecommunications methods based on the telecommunications generation

Baseband chips connect mobile terminals to a network according to the available generation of telecommunications technology. What generations of telecommunications technology are used vary depending on the country. Countries/regions with developed telecommunications infrastructures mainly use 3G or 4G communications whereas many developing countries mainly use 2G communications. Telecommunications carriers decide on specifications according to telecommunications methods (GSM[4], UMTS[5], CDMA[6], LTE[7], etc.) which are based on telecommunications generations available in their countries, and then, mobile terminal manufacturers procure baseband chips and other parts which are compatible with the telecommunications methods. To offer consistent quality in regions where signal is poor and international roaming services, etc., mobile terminals are usually equipped with baseband chips that are compatible with multiple telecommunications methods.

(b) UE category

UE category is an index established by 3GPP (Third Generation Partnership Project) to represent telecommunications performance of mobile terminals including smartphones. Generally, the larger the UE category number, the faster communications speed.

(c) Carrier aggregation

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4 GSM is virtually the world standard 2G telecommunications method. 2G services started in Japan in 1993 and they were terminated in July 2012 when frequency bands were reallocated. 2G is still used in over 100 countries especially in Europe and Asia.

5 UMTS (W-CDMA) is a 3G telecommunications method.

6 CDMA (Code Division Multiple Access) is technology developed by Qualcomm. Under CDMA, a mobile terminal receives signals from up to three base stations and chooses the best signal, realizing more consistent speech communication quality as communication is resilient even if one signal becomes poor.

7 LTE (Long Term Evolution) is a 4G telecommunications method.

Carrier aggregation is technology to communicate data by bundling multiple radio channels (carriers) of different spectra. By combining multiple carriers and increasing the bandwidth, this technology enables high-speed, stable communication. Generally, baseband chips mounted on high-end mobile terminals have functions to use carrier aggregation whereas those installed on low-end mobile terminals often lack such functions, compatible only with specific frequencies.

(d) Application processors

Application processors are processors which have functions to process images and sounds. The functions/performance of baseband chips are also affected by the functions/performance of application processors (functions/performance of camera modules, etc.)

Usually, a baseband chip is integrated with an application processor. Some mobile terminal manufacturers, however, invest time and money to develop their own baseband chips or application processors. If mobile terminal manufacturers develop application processors by themselves, they purchase only baseband chips from chip manufacturers. Therefore, mobile terminal manufacturers procure baseband chips and application processors through one of the following methods:

1) Purchasing baseband chips integrated with application processors from chip manufacturers
2) Developing application processors by themselves and purchasing only baseband chips from chip manufacturers
3) Developing baseband chips and application processors by themselves

(2) NFC chips

NFC (Near Field Communication) is short-range wireless communication technology which generally uses the frequency band of 13.56 MHz. NFC chips are semiconductors enabling data communication when multiple devices compatible with NFC wireless communication protocols come into contact or within a distance of 10 cm with each other. NFC chips are often mounted on boarding pass readers, credit card readers, security cards, etc., and in some cases on mobile terminals to enable electronic payment.

In Japan, FeliCa has been established as the de facto standard as technology to enable electronic payment with mobile terminals. Therefore, telecommunications carriers require installation of NFC chips compatible with FeliCa (hereinafter referred to as “FeliCa-compatible NFC chips”) to their

mobile terminals when they develop specifications for mobile terminals. Therefore, mobile terminal manufacturers mount FeliCa-compatible NFC chips on mobile terminals to be sold in Japan. If a chip manufacturer wishes to make NFC chips compatible with FeliCa, it must obtain a license from a licensing business concerning manufacturing of NFC chips compatible with FeliCa.

Mobile terminal manufacturers choose FeliCa-compatible NFC chips also based on specifications set by telecommunications carriers. However, they normally look at price when deciding suppliers because there is not much difference in the functions/performance of FeliCa-compatible NFC chips manufactured by different NFC chip manufacturers.

Of the Parties, NXP manufactures and sells NFC chips. NXP's NFC chips used to be not compatible with FeliCa. However, they have recently become compatible with FeliCa and have been mounted on some mobile terminals sold in Japan.

(3) SE chips

SE (Secure Element) chips are semiconductors used in combination with NFC chips, ensuring the safety of NFC communications by encrypting classified data such as personal information and PIN for the purpose of enabling safe electronic payment. When electronic payment is made by a mobile terminal equipped with an NFC chip, an SE chip is usually used in combination. SE chips are also mounted on some SIM cards and SD memory cards.

As discussed in (2) above, in Japan, FeliCa is the mainstream technology for enabling electronic payments. Therefore, SE chips as well as NFC chips need to be compatible with FeliCa in order to make electronic payments possible with mobile terminals.

Mobile terminal manufacturers choose SE chips compatible with FeliCa (hereinafter referred to as "FeliCa-compatible SE chips") also based on specifications set by telecommunications carriers. However, they normally look at price when deciding suppliers because there is not much difference in the functions/performance of FeliCa-compatible SE chips manufactured by different SE chip manufacturers.

Of the Parties, NXP manufactures and sells SE chips. Just as FeliCa-compatible NFC chips made by NXP as discussed in (2) above, NXP's FeliCa-compatible SE chips are now mounted on some mobile terminals sold in Japan.

2. Product range

(1) Baseband chips

As the functions/performance of baseband chips vary depending on the factors such as telecommunications methods, the state of compatibility in UE category and carrier aggregation, and the performance of an application processor mounted together, no demand substitutability is recognized among different types of baseband chips.

On the other hand, every baseband chip shares the same basic functions of controlling wireless communications and digital signals and, in general, baseband chip manufacturers are capable of manufacturing various types of baseband chips. Therefore, a certain degree of supply substitutability is recognized among different types of baseband chips.

Based on the above, the JFTC defined a product range as "baseband chips" in this case.

Incidentally, Qualcomm manufactures especially highly functional, high-performance baseband chips, and it is virtually the only supplier of baseband chips compatible with CDMA networks. Based on such characteristics of Qualcomm's baseband chips, the following Part III "Impact of the conduct of this case on competition" examines the possibilities of an issue of closure or exclusivity of the market arising.

(2) NFC chips

As discussed in 1 (2) above, in Japan, NFC chips need to be compatible with FeliCa if they are mounted on mobile terminals. In this respect, FeliCa-compatible NFC chips and "NFC chips that are not compatible with FeliCa" are not different in that they both use the same frequency, 13.56 MHz, and have the same practicable functions including payments based on short-range wireless communications. However, development of these technologies are led by different businesses and mobile terminal manufacturers are required to obtain relevant software from these developers when they mount NFC chips on mobile terminals. As well, machines/devices to read NFC chips mounted on mobile terminals are different between these two types of NFC chips. Under these circumstances, mobile terminals need to be equipped with FeliCa-compatible NFC chips when users make payments with mobile terminals in Japan, and therefore "NFC chips that are not compatible with FeliCa" cannot substitute for FeliCa-compatible NFC chips.

Accordingly, no demand substitutability is recognized between FeliCa-compatible NFC chips and "NFC chips that are not compatible with FeliCa."

While the know-how required for design and manufacturing of hardware is not different between FeliCa-compatible NFC chips and "NFC chips that are not

compatible with FeliCa," an individual licensing system is in place for each of these communications technologies because development of these technologies is led by different businesses and required software provided by these developers is different too, as discussed previously. For this reason, chip manufacturers cannot manufacture NFC chips compatible with either communications technology without obtaining a relevant license by investing time and money.

Accordingly, no supply substitutability is recognized between FeliCa-compatible NFC chips and "NFC chips that are not compatible with FeliCa."

Based on the above, the JFTC defined a product range as "FeliCa-compatible NFC chips" in this case.

(3) SE chips

Used in combination with NFC chips, SE chips also need to be compatible with the same technology as NFC chips are. As discussed in 1 (3) above, in Japan, SE chips also need to be compatible with FeliCa in order to make electronic payments possible with mobile terminals just as in the case of NFC chips. Accordingly, mobile terminal manufacturers mount FeliCa-compatible SE chips on mobile terminals sold in Japan, just as they do FeliCa-compatible NFC chips, and therefore "SE chips that are not compatible with FeliCa" cannot substitute for FeliCa-compatible SE chips.

Accordingly, no demand substitutability is recognized between FeliCa-compatible SE chips and "SE chips that are not compatible with FeliCa."

While the know-how required for design and manufacturing of hardware is not different between FeliCa-compatible SE chips and "SE chips that are not compatible with FeliCa," an individual licensing system is in place for each of these communications technologies just as in the case of NFC chips. For this reason, chip manufacturers cannot manufacture SE chips compatible with either communications technology without obtaining a relevant license by investing time and money.

Accordingly, no supply substitutability is recognized between FeliCa-compatible SE chips and "SE chips that are not compatible with FeliCa."

Based on the above, the JFTC defined a product range as "FeliCa-compatible SE chips" in this case.

3. Geographic range

Baseband chips, FeliCa-compatible NFC chips, and FeliCa-compatible SE chips defined in 2 above cost little in transportation or tariffs, being sold at the same price

levels across the world. As well, mobile terminal manufacturers, the users, do business with suppliers regardless of whether the suppliers are in or outside of Japan and the suppliers also sell their goods to users no matter what countries the users are based in.

Accordingly, the JFTC defined the geographic range as "worldwide."

Part III Impact of the conduct of this case on competition

As baseband chips manufactured and sold by Qualcomm and FeliCa-compatible NFC chips and FeliCa-compatible SE chips (including chips integrating NFC chips and SE chips; hereinafter collectively referred to as "FeliCa-compatible NFC/SE chips") manufactured and sold by NXP are sold to the same users, mobile terminal manufacturers, the conduct of this case falls under the definition of conglomerate business combinations.

1. Position of the Parties and conditions of competing enterprises

The following table shows market shares of the Parties and competitors concerning baseband chip manufacturing. HHI is around 3,400 and the market share of the Parties is around 50%. As for FeliCa-compatible NFC chips and FeliCa compatible SE chips, accurate market shares of either product are unknown. Therefore, this case will be examined based on the premise that the conduct of this case does not meet the safe-harbor criteria for conglomerate business combinations.

[Market shares in the market of baseband chips (incl. self-consumption) in 2016]

Rank	Company name	Market share
1	Qualcomm	Approx. 50%
2	Company A	Approx. 25%
3	Company B	Approx. 10%
4	Company C	Approx. 10%
5	Company D	0-5%
6	Company E	0-5%
	Others	0-5%
Total		100%

2. Examination of closure or exclusivity of the baseband chip market

Here, let us examine the possibilities of an issue of closure or exclusivity of the baseband chip market arising by the Parties, after the conduct of this case, manufacturing and selling FeliCa-compatible NFC/SE chips at NXP that are usable

or deliver full performance only in combination with baseband chips made by Qualcomm.

(1) Capabilities to implement market foreclosure

NFC chips and SE chips must be compatible with FeliCa if they are mounted on mobile terminals sold in Japan. While there are multiple enterprises, apart from NXP, manufacturing FeliCa-compatible NFC/SE chips, the performance of FeliCa-compatible NFC/SE chips is the same across different manufacturers.

As well, while manufacturers' FeliCa-compatible NFC/SE chip production lines are tight, they are able to reduce production of goods that use the same manufacturing process as FeliCa-compatible NFC/SE chips and increase production of FeliCa-compatible NFC/SE chips. Therefore, a certain degree of excess capacity is recognized.

In addition, as mobile terminal manufacturers choose suppliers of FeliCa-compatible NFC/SE chips mainly based on the price of the chips, there is considered to be no obstacle when they switch suppliers.

Therefore, the Parties are considered to have no capabilities to foreclose the baseband chip market.

(2) Summary

Based on the above, the JFTC decided that no issues of closure or exclusivity of the baseband chip market would arise.

3. Examination of closure or exclusivity of the FeliCa-compatible NFC/SE chip market

Here, let us examine the possibilities of an issue of closure or exclusivity of the FeliCa-compatible NFC/SE chip market arising by the Parties, after the conduct of this case, manufacturing and selling baseband chips at Qualcomm that are usable or deliver full performance only in combination with FeliCa-compatible NFC/SE chips made by NXP.

(1) Capabilities to implement market foreclosure

While some mobile terminal manufacturers develop and manufacture their own baseband chips in their or subsidiary's facilities, Qualcomm is virtually the only supplier of highly functional, high-performance baseband chips that are compatible with CDMA networks. Therefore, if mobile terminal manufacturers wish to manufacture products compatible with CDMA networks or to realize functions/performance only available by using Qualcomm's baseband chips, it is

virtually impossible for them, including those which can manufacture their own baseband chips, to switch to baseband chips made by other companies, and they cannot help but use Qualcomm's baseband chips.

As most mobile terminals especially in Japan are equipped with baseband chips made by Qualcomm, it is hard for Japanese mobile terminal manufacturers to switch from Qualcomm to other suppliers for the following reasons 1)-3):

1) As most mobile terminals sold in Japan are high-end products, highly functional, high-performance baseband chips that can be mounted on such mobile terminals are in demand. There are only a couple of enterprises including Qualcomm which can supply such highly functional, high-performance baseband chips to Japanese mobile terminal manufacturers.
2) As Japanese mobile terminal manufacturers are not able to develop their own application processors or procure application processors only, they procure baseband chips integrated with application processors for their mobile terminals. Of the couple of enterprises discussed in 1) above, Qualcomm is the only one which can supply such products integrating baseband chips and application processors to Japanese mobile terminal manufacturers.
3) The availability of generous support is an important factor when Japanese mobile terminal manufacturers choose baseband chip suppliers. In this respect, Qualcomm has developed a sufficient support system in Japan too.

   In addition, when mobile terminal manufacturers wish to switch baseband chip suppliers, they first complete design and develop prototypes, and then distribute them to telecommunications carriers, which conduct field tests of connections. Such a switch of suppliers involves difficulties in terms of time and money as it usually costs a substantial amount and takes at least a year and a half. Mobile terminal manufacturers, therefore, tend to hesitate to switch baseband chip suppliers. Based on the above, it is hard for mobile terminal manufacturers to switch from Qualcomm to other suppliers, and this is especially true for Japanese mobile manufacturers.

   Therefore, after the conduct of this case, the Parties are considered to have capabilities to foreclose the FeliCa-compatible NFC/SE chip market by adopting baseband chip specifications that would exclude NFC/SE chip manufacturers other than the Parties.

(2) Incentives to implement market foreclosure

In the relationship between a baseband chip and an NFC chip or SE chip, it is important to ensure that each chip fully achieves its designed objectives, or in

other words to ensure interoperability with each other. As baseband chips play key roles in mobile terminals, mobile terminal manufacturers emphasize the functions/performance of baseband chips when they choose baseband chip suppliers. As discussed in (1) above, switching baseband chips will cost a substantial amount in terms of time and money. As well, some mobile terminal manufacturers find it hard to switch from Qualcomm's baseband chips to other products as Qualcomm's baseband chips are highly functional and high-performance products.

Under such circumstances, if the Parties should develop products on their own, especially baseband chips that do not secure interoperability with FeliCa-compatible NFC/SE chips made by manufacturers other than NXP, many mobile terminal manufacturers would stop purchasing FeliCa-compatible NFC/SE chips from other suppliers and procure them only from NXP. That way, the Parties will be able to secure profits by making mobile terminal manufacturers switch purchase from other suppliers to that from the Parties when they procure FeliCa-compatible NFC/SE chips.

Therefore, the Parties are considered to have incentives to foreclose the FeliCa-compatible NFC/SE chip market.

(3) Summary

Based on the above, there is a likelihood that an issue of closure or exclusivity of the FeliCa-compatible NFC/SE chip market will arise by the Parties adopting baseband chip specifications that would exclude NFC/SE chip manufacturers other than the Parties.

Part IV Proposal of remedy by the Parties

When the Parties were informed that there was a likelihood that an issue of closure or exclusivity of the FeliCa-compatible NFC/SE chip market would arise by the Parties adopting baseband chip specifications that would exclude FeliCa-compatible NFC/SE chip manufacturers other than the Parties, they proposed the following remedy (hereinafter referred to as "remedy of this case").

1. Qualcomm promises that for an eight-year period starting from the day when the conduct of this case is implemented the company will maintain the interoperability between products of the Parties and third parties on a par with the possible future interoperability between Qualcomm's baseband chips and NXP's NFC chips or SE chips (regardless of whether they are compatible with FeliCa or not, including products integrating NFC chips and SE chips) across the world.

2. To realize interoperability discussed in 1 above, Qualcomm will provide necessary information and take other necessary measures in the event that the company receives a request in writing from a third party.

3. Regular reporting

(1) For an eight-year period starting from the day when the conduct of this case is implemented, Qualcomm will make a report to the JFTC, every quarter for the first five years and every half a year after that, on the state of implementation of the remedy of this case which will be monitored by an independent third party (monitoring trustee).

(2) or an eight-year period starting from the day when the conduct of this case is implemented, the JFTC can demand that the Parties submit all information that is considered reasonably necessary for monitoring effective implementation of the remedy of this case.

4. Notwithstanding the foregoing, the JFTC can extend the period in which the remedy of this case is planned to be implemented ex officio.

Part V Assessment of the remedy of this case

The JFTC decided that no issues of closure or exclusivity of the FeliCa-compatible NFC/SE chip market would arise because the Parties would not be able to adopt baseband chip specifications that would exclude NFC/SE chip manufacturers other than themselves, provided that the Parties implement the remedy of this case . In addition, regular reporting is considered as an effective measure in terms of monitoring implementation of the remedy of this case.

Part VI Conclusion

The JFTC concluded that the conduct of this case would not substantially restrain competition in any particular field of trade, provided that the Parties implement the remedy of this case.

Case 4 Integration of Broadcom Ltd. and Brocade Communications Systems, Inc.

Part I Outline of this case

This case concerns a plan in which a subsidiary of Broadcom Ltd. (headquartered in the US; hereinafter referred to as "Broadcom"; a group of combined companies held by the ultimate parent company Broadcom hereinafter referred to as "Broadcom Group") which manufactures and sells semiconductor equipment, and Brocade Communications Systems, Inc. (headquartered in the US; hereinafter referred to as "Brocade"; a group of combined companies held by the ultimate parent company Brocade hereinafter referred to as "Brocade Group") which manufactures and sells networking hardware and software would merge into a surviving company, Brocade, and then another subsidiary of Broadcom would acquire all shares of Brocade (Broadcom Group and Brocade Group hereinafter collectively referred to as the company group; the merger and the subsequent acquisition of shares in this case hereinafter referred to as "the conduct of this case").

The applicable provisions in this case are Article 10 and Article 15 of the AMA.

(FYI) Coordination with foreign competition authorities

This case was also reviewed by foreign competition authorities and the JFTC reviewed this case while exchanging information with Federal Trade Commission (FTC) and European Commission.

Part II Particular field of trade

In communications networks, servers and external storages (hereinafter referred to as "storages") must be hardwired in some way in order to enable writing data in storages or reading data from storages. Configurations of servers and storages connected by high-speed data communications networks are called storage area networks (hereinafter referred to as "SAN"). Among them those using Fibre Channel networks are called "Fibre Channel Storage Area Networks" (hereinafter referred to as "FCSAN(s)") and those connected by Ethernet-based internet protocol networks are called IPSAN.[1]

FCSAN is a network specialized in connecting servers equipped with Fibre Channel Host Bus Adapters (hereinafter referred to as "FCHBA(s)") with storages through a FCSAN switch.

Brocade Group, one of the Parties in this case, manufactures and sells FCSAN

[1] Because FCSAN enables faster and more reliable transfer of a larger amount of data to many users than IPSAN, it is used in various sectors including governmental institutions, financial institutions, and telecommunications.

switches, whereas Broadcom Group, the other, manufactures and sells FCHBA. As well, Broadcom Group manufactures and sells Application Specific Integrated Circuits (hereinafter referred to as "ASIC(s)") used in FCSAN switches and FCHBA.

1. Product outline

(1) ASIC

ASIC is a logic IC[2] customized for the purposes of specific customers, and has a variety of applications including use in communications equipment, household appliances, and automobiles, and customers purchase ASIC appropriate for their specific purposes.

ASICs are manufactured specifically for each customer mainly based on the customer's original design, and intellectual property and confidential information which make ASICs unique to the customer usually belong to the customer.

(2) FCSAN switches

An FCSAN switch is an intermediary device required when configuring FCSAN, which connects an FCSAN switch and multiple servers and storages by using Fibre Channel cables.

(3) FCHBA

Connecting servers and storages in FCSAN requires, in addition to FCSAN switches, the installation of FCHBAs, so-called "cards", to server ports. FCHBAs are mainly mounted on host servers, performing input/output of data.

2. Product range

(1) ASICs for FCSAN switches

FCSAN switches are equipped with ASICs designed for FCSAN switches (hereinafter referred to as "ASICs for FCSAN switches"). ASICs for FCSAN switches cannot substitute for ASICs for other specific purposes, and vice versa. Accordingly, no demand substitutability is recognized between ASICs for FCSAN switches and ASICs for other specific purposes.

As manufacturing of ASICs for FCSAN switches requires investments in research and development (R&D) concerning the said usage and circuit design development, enterprises which manufacture ASICs for other specific purposes cannot easily start manufacturing of ASICs for FCSAN switches. Accordingly, no supply substitutability is recognized between ASICs for FCSAN switches and

[2] A logic IC is an integrate circuit which performs various kinds of processing including numeric operations, logic operations, and comparison/decision-making as its key functions.

ASICs for other specific purposes.

Based on the above, the JFTC defined a product range as “ASICs for FCSAN switches” in this case.

(2) FCSAN switches

As discussed in 1 (2) above, connecting servers and storages in FCSAN requires FCSAN switches whereas, in IPSAN, “IP/Ethernet networking rooters and switches” are used.

As FCSAN switches and IP/Ethernet networking rooters and switches are different in their functions, they cannot substitute for each other, and therefore, no demand substitutability is recognized.

In addition, as FCSAN switches and IP/Ethernet networking rooters and switches are different in required manufacturing facilities, manufacturers cannot easily switch manufacturing between them, and therefore, no supply substitutability is recognized.

Based on the above, the JFTC defined a product range as “FCSAN switches” in this case.

(3) FCHBA

As discussed in 1 (3) above, connecting servers and storages in FCSAN requires the installation of FCHBAs to servers whereas, in IPSAN, servers are usually equipped with Internet Small Computer System Interface (hereinafter referred to as “iSCSI”) HBAs.

As FCHBAs and iSCSIHBAs are different in their functions, they cannot substitute for each other, and therefore, no demand substitutability is recognized.

In addition, as FCHBAs and iSCSIHBAs are different in required manufacturing facilities, manufacturers cannot easily switch manufacturing between them, and therefore, no supply substitutability is recognized.

Based on the above, the JFTC defined a product range as “FCHBAs” in this case.

3. Geographic range

With regard to any of“ASICs for FCSAN switches,”“FCSAN switches,” and “FCHBAs,” there is no restrictions on transportation and transportation costs and tariffs account for only a small part of product prices. As a result, there is very little price difference between Japan and other countries. As well, suppliers sell their goods to users no matter what countries the users are based in and users also do business with suppliers regardless of whether the suppliers are in or outside of

Japan.

Based on the above, the JFTC defined the geographic range as “worldwide.”

Part III Impact of the conduct of this case on competition

1. Vertical business combination

As Broadcom Group manufactures and sells ASICs for FCSAN switches, which are used by Brocade Group to manufacture and sell FCSAN switches, the conduct of this case falls under the definition of vertical business combinations, in which ASICs for FCSAN switches and FCSAN switches are considered upstream market and downstream market respectively.

(1) Position of the company group and conditions of competing enterprises

A. Upstream market

The following table shows market shares of the Parties and a competitor in the market of ASICs for FCSAN switches. As HHI is around 5,400 and the market share of Broadcom Group is around 35%, the conduct of this case does not meet the safe-harbor criteria for vertical business combinations.

The competitor, Company A, is influential in the market of ASICs for FCSAN switches, holding around 65% share and there is no difference in performance of products between the two manufacturers of ASICs for FCSAN switches.

[Market shares in the market of ASICs for FCSAN switches in 2016]

Rank	Company name	Market share
1	Company A	Approx. 65%
2	Broadcom Group	Approx. 35%
Total		100%

B. Downstream market

The following table shows market shares of the Parties and a competitor in the market of FCSAN switches. As HHI is around 5,800 and the market share of Brocade Group is around 75%, the conduct of this case does not meet the safe-harbor criteria for vertical business combinations.

While the competitor, Company B, holds around 25% of the market of FCSAN switches, Brocade Group is more advanced in development of FCSAN switches than Company B.

[Market shares in the market of FCSAN switches in 2015]

Rank	Company name	Market share
1	Brocade Group	Approx. 75%
2	Company B	Approx. 25%
	Others	0-5%
Total		100%

(2) Sales refusal, etc. of ASICs for FCSAN switches

As Broadcom Group sells ASICs for FCSAN switches to both Brocade Group and Company B, Broadcom Group, after conduct of this case, could refuse to supply products to Company B or does business with Company B only under unfavorable conditions to Company B in terms of prices among others (such an act hereinafter referred to as "input foreclosure").

However, there is another player, Company A, in the market of ASICs for FCSAN switches, holding around 65% of the market, and Company B does not necessarily have to purchase ASICs for FCSAN switches from Broadcom Group. Therefore, if Broadcom Group should refuse to supply ASICs for FCSAN switches to Company B or raise their price, Company B could purchase equivalent products from Company A.

Based on the above, the JFTC decided that no issues of closure or exclusivity of the market would arise from input foreclosure.

(3) Purchase refusal, etc. of ASICs for FCSAN switches

As Brocade Group uses ASICs for FCSAN switches of either Broadcom Group or Company A when manufacturing FCSAN switches, Brocade Group, after conduct of this case, could refuse to purchase products from Company A or does business with Company A only under unfavorable conditions to Company A in terms of prices among others (such an act hereinafter referred to as "customer foreclosure").

In particular, as discussed in (1) above, Brocade Group holds a large market share in the downstream market and Company A could lose a substantial amount of business from the customer foreclosure in question, and it would be hard for Company A to find an alternative customer other than Company B as ASICs for FCSAN switches can only be used for FCSAN switches.

In the downstream market, however, Company B holds around 25% share, and there are no obstacles to Company B switching suppliers as products made by the two manufacturers of ASICs for FCSAN switches are no different in performance, etc. Therefore, Company A could switch customers from Brocade

Group to Company B.

Based on the above, the JFTC decided that no issues of closure or exclusivity of the market would arise from customer foreclosure.

(4) The impact of the company group sharing competitors' confidential information on the market

A. The impact of Broadcom Group obtaining Company A's confidential information on the market

When ASICs for FCSAN switches are developed or sold, manufacturers of ASICs for FCSAN switches and of FCSAN switches share confidential information with each other. If, after the conduct of this case, Broadcom Group should obtain Company A's confidential information through Brocade Group which mutually shares confidential information with Company A, Company A, the competitor in the market of ASICs for FCSAN switches, would be placed at a disadvantage, which could have an impact on the competition in the said market.

As discussed in Part II 1 (1) above, however, as ASICs are manufactured specifically for each customer mainly based on the customer's original design, and intellectual property and confidential information which make ASICs unique to the customer usually belong to the customer.

Accordingly, it is considered unlikely that the competition in the market of ASICs for FCSAN switches would be affected by Company A's confidential information being shared.

B. The impact of Brocade Group obtaining Company B's confidential information on the market

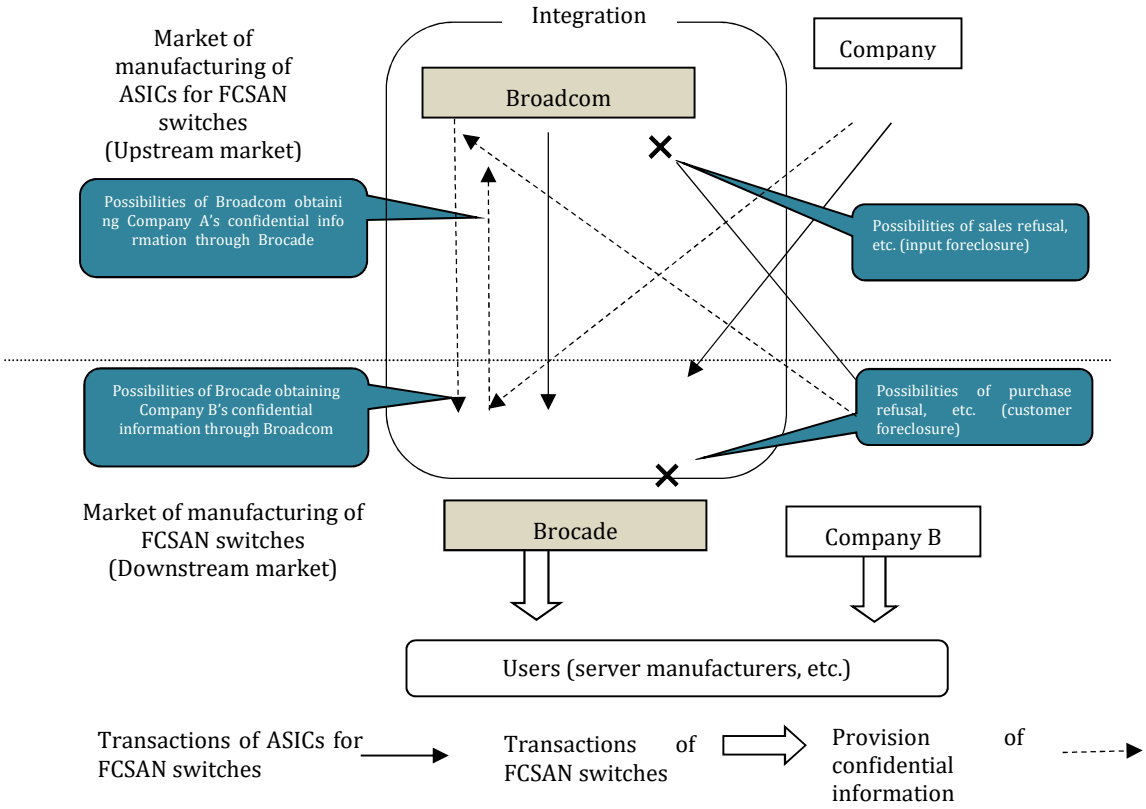
In a similar way to A above, if Brocade Group should obtain Company B's confidential information through Broadcom Group which mutually shares confidential information with Company B, Company B, the competitor in the market of FCSAN switches, would be placed at a disadvantage, which could have an impact on the competition in the said market.

However, FCSAN switches made by Company B and those made by Brocade Group differ in performance, and in addition, Broadcom Group and Company B have entered into a non-disclosure agreement[3] which requires them to keep mutual information on product development, prices, etc. to themselves. Therefore, it is considered unlikely that the competition in the

[3]The non-disclosure agreement between Broadcom Group and Company B applies to transactions for the entire world.

market of FCSAN switches would be affected.

Figure: Diagrammatic illustration of the vertical business combination



2. Conglomerate business combination

As FCSAN switches manufactured and sold by Brocade Group and FCHBAs manufactured and sold by Broadcom Group are sold to the same users, server manufacturers, the conduct of this case falls under the definition of conglomerate business combinations.

(1) Position of the company group and conditions of competing enterprises

The following table shows market shares of the Parties and competitors in the market of FCHBAs. HHI is around 5,000 and the market share of the Parties is around 45%. In addition, as discussed in 1 (1) B above, in the market of FCSAN switches, HHI is around 5,800 and the Parties hold around 75% share. Therefore, the conduct of this case does not meet the safe-harbor criteria for conglomerate business combinations.

In the market of FCHBAs, Company C holds around 55% share, and the products made by the two FCHBA manufacturers are largely the same in performance although there is a slight difference in ease of use.

[Market shares in the market of FCHBAs in 2015]

Rank	Company name	Market share
1	Company C	Approx. 55%
2	Broadcom Group	Approx. 45%
	Others	0-5%
Total		100%

(2) Examination of closure or exclusivity of the FCSAN switch market

There are possibilities of an issue of closure or exclusivity of the FCSAN switch market arising by the company group, after the conduct of this case, manufacturing and selling FCHBAs at Broadcom Group that are usable or deliver full performance only in combination with FCSAN switches made by Brocade Group.

As discussed in (1) above, however, in the FCHBA market, Company C holds around 55% share and has a certain degree of excess capacity. In addition, prices are the main factor when users choose FCHBA suppliers although there is a slight difference in ease of use depending on the product. Consequently, there are no obstacles to users switching suppliers to Company C.

Based on the above, the JFTC decided that no issues of closure or exclusivity of the FCSAN switch market would arise.

(3) Examination of closure or exclusivity of the FCHBA market

Here, let us examine the possibilities of an issue of closure or exclusivity of the FCHBA market arising by the company group, after the conduct of this case, manufacturing and selling FCSAN switches at Brocade Group that are usable or deliver full performance only in combination with FCHBAs made by Broadcom Group.

A. Capabilities/incentives to implement market foreclosure

Currently, Brocade Group holds a large share in the FCSAN switch market and it requires a certain period of time before Company B catches up with Brocade Group in the performance of FCSAN switches. Consequently, when a new-generation product concerning FCSAN is released, Brocade Group takes the lead in ensuring the interoperability with Brocade Group's FCSA switches and with FCHBAs made by Broadcom Group and Company C by conducting connection tests.

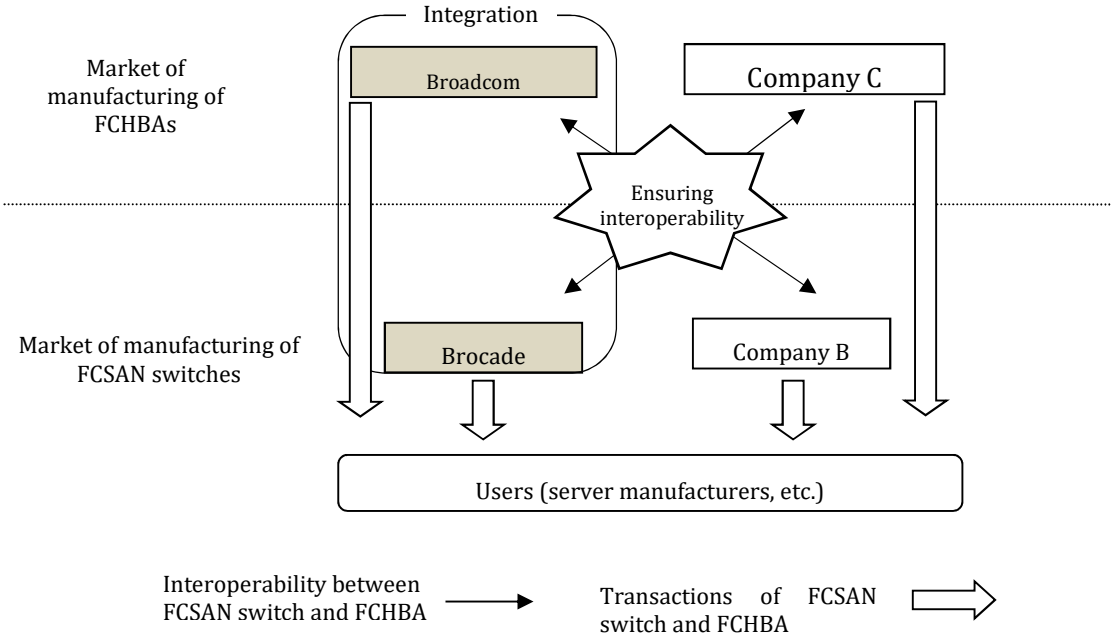
As well, users generally tend not to change FCSAN switch suppliers because changing FCSAN switch suppliers is harder than changing FCHBA

suppliers in terms of costs, etc.

Under such circumstances, if the company group should manufactures and sells FCSAN switches at Brocade Group that are usable or deliver full performance only in combination with FCHBAs made by Broadcom Group, Company C's FCHBAs could be placed at a disadvantage. This is particularly true when a next-generation product is released as users are unlikely to purchase Company C's FCHBAs unless their interoperability to and full performance in combination with Brocade Group's FCSAN switches are ensured.

Therefore, the Parties are considered to have capabilities to foreclose the FCHBA market. As well, by foreclosing the FCHBA market, the Parties could increase profits. Therefore, the Parties are considered to have incentives to foreclose the FCHBA market.

Figure: Diagrammatic illustration of the conglomerate business combination



B. Obtaining of confidential information of competing enterprises concerning FCHBA

As discussed in A above, when a new-generation product concerning FCSAN is released, Brocade Group takes the lead in ensuring the interoperability of Brocade Group's FCSAN switches with FCHBAs made by Broadcom Group and Company C by conducting connection tests. During this process, Brocade Group mutually shares product plans with Company C, through which Brocade Group obtains confidential information required for

ensuring the Interoperability between FCSAN switches and FCHBAs.

For this reason, after the conduct of this case, Broadcom Group could gain an advantage over Company C in the competition in the FCHBA market by obtaining Company C's confidential information concerning FCHBAs through Brocade Group.

C. Summary

Based on the above, there is a likelihood that an issue of closure or exclusivity of the FCHBA market will arise by the company group adopting FCSAN switch specifications that would exclude FCHBAs made by other than the company group and sharing the competitor's confidential information concerning FCHBAs.

Part IV Proposal of remedy by the company group

When the company group was informed that there was a likelihood that an issue of closure or exclusivity of the FCHBA market would arise by the company group adopting FCSAN switch specifications that would exclude FCHBAs made by other than the company group and sharing the competitor's confidential information concerning FCHBAs, the company group proposed the following remedy (hereinafter referred to as "remedy of this case").

1. Ensuring of the interoperability between FCSAN switches of the company group and FCHBAs of competing enterprises and prohibition of discrimination

The company group will ensure the interoperability between competitors' FCHBAs and FCSAN switches of the company group except in cases where it would be difficult due to competitors' technical restrictions, and will see to it that the ensured interoperability is at the same level as the interoperability between FCSAN switches and FCHBAs of the company group regardless of what stage of development they are in.

At any stage of development, the company group will provide competitors in FCHBAs with support[4] on a par with that provided by FCSAN switch business of the company group to FCHBA business of the company group, without giving itself a head start. In addition, the company group will not design or develop its FCSAN switches or modify them for the purpose of placing the FCHBA business of competitors at a disadvantage.

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[4] To ensure the interoperability of competitors' FCHBAs to FCSAN switches of the company group, the company group will provide services to competitors throughout the entire development cycle, including product simulation, technical tests, inspections, and guarantees as well as support after product release.

2. Protection of confidential information of competing enterprises concerning FCHBA

(1) Undertaking by the company group

The company group will keep competitors' confidential information concerning FCHBA under tight control as its own confidential information, and will not use it to the advantage of its FCHBA business etc.

(2) Measures to block the flow of information by the company group

The company group will physically separate its activities concerning design and development of FCHBAs from support activities provided by the company group to competitors in FCHBA business etc.

3. Regular reporting

For a 10-year period starting from the day when the conduct of this case is approved by the JFTC, the company group will make a report to the JFTC every other year on the state of implementation of the remedy discussed in 1 and 2 above which will be monitored by an independent third party (monitoring trustee).

Part V Assessment of the remedy of this case

Competitors in FCHBA business need interoperability to Brocade Group's FCSAN switches when manufacturing and selling FCHBAs, and after the conduct of this case, an environment will be required where FCHBA manufacturers can connect to Brocade Group's FCSAN switches on the same conditions as before.

1. Interoperability between FCSAN switches of the company group and FCHBAs of competing enterprises and prohibition of discrimination

Under this measure, the company group will ensure competitors' FCHBAs interoperability on a par with that for its own FCHBAs at any stage of development of FCSAN switches or FCHBAs, and will provide related support. FCHBAs of competitors will be affected no more negatively than FCHBAs of the company group, provided that the remedy of this case is implemented, Therefore, the measure is considered effective.

2. Protection of confidential information of competing enterprises concerning FCHBA

Under this measure, the company group will handle competitors' information

concerning FCHBAs as confidential information, and thereby blocking the flow of information between the company group's product development division and the division to confirm interoperability with FCHBAs of competitors. Therefore, the measure is considered effective in preventing the company group's FCHBA business from gaining an advantage and preventing competitors in FCHBA business from being placed at a disadvantage.

3. Regular reporting

Reporting every other year is considered effective in terms of monitoring implementation of the remedy of this case because developing a next-generation product of FCSAN switches or FCHBAs takes more than two years at least and it is impracticable for the company group to lower interoperability of products once they are released.

Part VI Conclusion

The JFTC concluded that the conduct of this case would not substantially restrain competition in any particular field of trade, provided that the company group implements the remedy of this case.

Case 5 Acquisition of shares of Fujitsu Client Computing Limited by Lenovo International Cooperatief U.A.

Part I Outline of this case

This case concerns a plan in which Lenovo International Cooperatief U.A. (headquartered in the Netherlands) which belongs to the group of combined companies (hereinafter referred to as "Lenovo Group") held by the ultimate parent company, Lenovo Group Limited, which manufactures and sells personal computers, would acquire over 50% of voting rights with regard to shares of Fujitsu Client Computing Limited (JCN 3020001114711) which belongs to a group of combined companies (hereinafter referred to as "Fujitsu Group") held by the ultimate parent company, Fujitsu Limited (JCN 1020001071491), which manufactures and sells personal computers (hereinafter "Lenovo Group" and "Fujitsu Group" collectively referred to as "the company group";the acquisition of voting rights in this case hereinafter referred to as "the conduct of this case").

The applicable provision in this case is Article 10 of the AMA.

Part II Particular field of trade

1. Product outline, etc.

Personal computers (PCs) are general-purpose computer systems for individual users, including desktop PCs, notebook PCs, and tablet PCs, manufactured for use by corporations and individuals. Desktop PCs are standalone computers used in fixed locations whereas notebook PCs and tablet PCs are portable computers which come with integrated keyboards (physical keyboards or virtual keyboards), flat-panel displays, storage devices, and batteries.

Through the conduct of this case, Lenovo Group plans to acquire Fujitsu Group's desktop PC sales business for individual customers, notebook PC manufacturing and sales business for individual customers, notebook PC manufacturing business for corporate customers, tablet PC manufacturing and sales business for individual customers, and tablet PC manufacturing business for corporate customers.[1]

2. Product range

(1) Substitutability between desktop PCs and other PCs

Desktop PCs are installed in fixed positions in a room, not designed for portability whereas notebook PCs and tablet PCs can be carried and used

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[1] PCs of each business that would be acquired are based on Windows OS.
The business of tablet PCs based on Android OS is not included in the planned acquisition.

anywhere.

It is easy to add or replace parts of desktop PCs after purchase (extensibility), while notebook PCs also have extensibility but to only a certain degree, less than desktop PCs. As for tablet PCs, it is hard to add or replace parts.

As described above, demand substitutability between desktop PCs and other PCs is considered limited.

(2) Substitutability between notebook PCs and tablet PCs

When looking at notebook PCs and tablet PCs, demand is currently shifting from the former to the latter. However, the demand substitutability between them is not necessarily high because they are different in operability as well as the purpose of use; notebook PCs are often used for work whereas tablet PCs are for viewing.

(3) Substitutability between PCs for individual customers and those for corporate customers

PCs for corporate customers are made of materials and parts different from those for individual users as they are used for long hours in general and require robustness. As well, PCs for individual customers have various software products already installed whereas PCs for corporate users, which are usually custom-made, come with only business-use software which meets the need of each customer. The two types of PCs also differ in the warranty periods and support systems. In addition, PCS for individual customers and corporate customers are sold through different sales channels at different price ranges.

Based on the above, demand substitutability between PCs for individual customers and those for corporate customers is limited.

(4) Substitutability between products based on different OS

Desktop PCs and notebook PCs are largely divided into two groups: PCs based on Windows OS and those equipped with macOS.

PCs based on Windows OS are manufactured and sold by various PC manufacturers, which install Windows OS during the manufacturing process whereas PCs equipped with macOS are manufactured and sold by the PC manufacturer which developed macOS by itself installing macOS to its own PCs.

Some end users are considered to recognize the effects of these PCs based on different OS are the same to a certain degree on the grounds that PCs for individual customers, regardless of whether they are based on Windows OS or

macOS, are used for the same purposes, and are sold in about the same price range, if they have similar performance, and that there are some cases where an end user switches from PCs based on one OS to PCs based on the other OS. On the other hand, it is not exactly easy to switch from PCs on one OS to the other because there is difference in ease of use between Windows-OS-installed PCs and macOS-installed PCs.

The company group manufactures and sells Windows-OS-installed PCs, and the JFTC decided to examine the conduct of this case based on the premise that demand substitutability between Windows-OS-installed PCs and macOS-based PCs is limited in order to allow careful examination.

(5) Summary

Based on the above, the JFTC decided to define a separate product range by the type of PCs, i.e., desktop, notebook, and tablet, by the type of users, i.e., individual customers and corporate customers, and by the installed OS, and the following discusses in details "Windows-OS-installed notebook PCs for individual customers," in which the conduct of this case is considered to have a relatively large impact on competition.

3. Geographic range

It appears to make sense to define a geographic range greater than the Japanese market based on the fact that transportation cost accounts for only a tiny fraction of product price of Windows-OS-installed PCs for individual customers. However, before selling PCs in Japan, PC manufacturers install Japanese keyboards and software and change power adapters, etc. to those meeting Japanese specifications, and thereby tailoring the products for the Japanese market. As well, domestic users, who attach great importance to after-sales service, purchase these localized products almost exclusively from manufacturers which have sales offices in Japan.

For this reason, the JFTC defined the geographic range of this case as "all regions of Japan."

Part III Impact of the conduct of this case on competition

1. Position of the company group and conditions of competing enterprises

The following table shows market shares of manufacturers of Windows-OS-installed notebook PCs for individual customers. As HHI, after the conduct of this case, will be around 2,800, up around 1,000, the conduct of this case does not meet the safe-harbor criteria for horizontal business combinations.

[Market shares in the market of notebook PCs for individual customers in 2016]

Rank	Company name	Market share
1	Lenovo Group	Approx. 30%
2	Company A	Approx. 20%
3	Fujitsu Group	Approx. 15%
4	Company B	Approx. 10%
5	Company C	Approx. 10%
6	Company D	5%
7	Company E	0-5%
8	Company F	0-5%
9	Company G	0-5%
	Others	0-5%
Total		100%
Combined market share/rank: Approx. 45%/1st		

After the conduct of this case, the combined market share will be around 45%. However, there are influential competitors, Company A, Company B, and Company C, holding around 20%, 10%, and 10% of the market respectively.

As well, all the competitors have a certain degree of excess capacity respectively because any manufacturer can manufacture and sell notebook PCs for individual customers by outsourcing production from contract manufacturers even if they are unable to manufacture the products by themselves.

2. Competitive pressure from adjacent markets

Usage of PCs is largely divided into two types, for viewing and for work, and a typical PC usage for viewing involves the internet. The internet can be accessed from any device, be it a notebook PC, tablet PC, or smartphone. In fact, notebook PC ownership has declined since around 2010 when tablet PCs and smartphones were introduced to the Japanese market, and therefore demand is considered to be shifting from notebook PCs to tablet PCs and smartphones.

Based on the above, a certain degree of competitive pressure from adjacent markets is recognized.

3. Summary

Based on the above, the conduct of this case would not substantially restrain competition in the field of trade of Windows-OS-installed notebook PCs for individual customers through unilateral conduct of the company group or

coordinated conduct with competitors.

Part IV Conclusion

The JFTC concluded that the conduct of this case would not substantially restrain competition in any particular field of trade.

Case 6 Acquisition of shares of AH Brake Co., Ltd. by Hosei Brake Industry Co., Ltd.

Part I Outline of this case

This case concerns a plan in which Hosei Brake Industry Co., Ltd. (JCN 4180301019263), which belongs to the group of combined companies (hereinafter referred to as "Aisin Seiki Group") held by the ultimate parent company, Aisin Seiki Co., Ltd. (JCN 6180301013611), would acquire all shares of AH Brake Co., Ltd.[1] (JCN 7180301030795) (hereinafter referred to as "AH Brake"), which acquired the foundation brake business[2] from Nisshinbo Brake Inc. (JCN 5010001123983) (AH Brake and Aisin Seiki Group hereinafter collectively referred to as "the company group"; the acquisition of shares in this case hereinafter referred to as "the conduct of this case").

The applicable provision in this case is Article 10 of the AMA.

Part II Particular field of trade

1. Product outline

There are two types of braking mechanism for automobiles, namely drum brakes and disc brakes. The following discusses characteristics and required automobile parts for each.

(1) Drum brakes

A drum brake is a brake system to control the rotation of a wheel by pressing friction material against the inner surface of a brake drum rotating along with a wheel.

As drum brakes have large friction area, realizing high braking force, and are low-cost as well, they are usually used in brakes of trucks, buses, and other large sized vehicles as well as the rear brakes of light vehicles and small-sized vehicles in which cost is an important issue.

In general, auto manufacturers procure brake drums and drum brake assemblies (mechanisms to press friction material against the inner surfaces of brake drums) separately, and then build drum brakes by themselves.

(2) Disc brakes

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[1] AH Brake Co., Ltd. is a company newly established by Nisshinbo Brake Inc. for the purpose of the conduct of this case. Its original trade name was Nisshinbo Brake Demerger Preparatory Company, which was changed into AH Brake Co., Ltd. as of February 1, 2018.

[2] The foundation brake business manufactures and sells parts for drum brakes, disc brakes, and parking brakes which are involved in braking of automobiles.

A disc brake is a brake system to control the rotation of a wheel by pressing friction material against the both sides of a brake rotor rotating along with a wheel. As main parts are exposed, they easily release heat and realize stable braking force. Therefore, disc brakes are used in both front and rear brakes of general passenger cars.

Auto manufacturers procure brake rotors and brake calipers (mechanisms to press friction material against the both sides of brake rotors) separately, and then build disc brakes by themselves. As well, disc brakes used as rear brakes are also equipped with parking brake mechanisms which are used to hold wheels stationary. The parking brake mechanism applied to disc brakes is divided into electric parking brakes and non-electric parking brakes, and the latter use parts called drum-in-hat brakes[3].

2. Product range

(1) Drum brake assemblies and drum-in-hat brakes

As discussed in 1 above, while a drum brake assembly is a part of the drum brake system and a drum-in-hat brake is a part of the disc brake system, these two types of products have the same structure. In this respect, however, demand substitutability is not recognized between them because they are different in their purposes, performance, and required safety standards as drum brake assemblies are used as both regular brakes (to stop driving vehicles) and parking brakes (to hold vehicles stationary) whereas drum-in-hat brakes are exclusively used as parking brakes (of vehicles whose regular brakes consist of brake rotors and brake calipers).

On the other hand, supply substitutability is recognized between the two products because drum brake assemblies and drum-in-hat brakes are similar in basic structure of parts and they can be manufactured by the same equipment without incurring particular switching costs.

In addition, no demand substitutability is recognized between these two products and other automotive parts due to the difference in roles, functions, and shapes, and there is no supply substitutability either because manufacturing equipment and know-how are different and switching production between them is impracticable.

(2) Brake drums

As discussed in 1 (1) above, brake drums are products used for braking

[3] Parking brake which has a built-in drum brake mechanism in the projected part (called hat) at the center of a brake rotor.

vehicles by drum brakes, and they and other automotive parts are different in roles, functions, and shapes. Therefore, no demand substitutability is recognized.

As well, no supply substitutability is recognized between brake drums and other automotive parts because manufacturing equipment and know-how are different and switching production between them is impracticable.

(3) Brake calipers

As discussed in 1 (2) above, brake calipers are products used for braking vehicles by disc brakes, and they and other automotive parts are different in roles, functions, and shapes. Therefore, no demand substitutability is recognized.

As well, no supply substitutability is recognized between brake calipers and other automotive parts because manufacturing equipment and know-how are different and switching production between them is impracticable.

(4) Summary

Based on the above, the JFTC defined product ranges as "drum brake assemblies and drum-in-hat brakes for automobiles," "brake drums for automobiles," and "brake calipers for automobiles."

3. Geographic range

No restrictions apply to domestic transportation of products provided in 2 (4) above, and there is no regional price difference either. As well, auto manufacturers basically procure these products from domestic auto parts manufacturers regardless of where the parts manufacturers are located.

Accordingly, the JFTC defined the geographic range for all of these products as "all regions of Japan."

Part III Impact of the conduct of this case on competition

1. Drum brake assemblies and drum-in-hat brakes for automobiles

(1) Position of the company group and conditions of competing enterprises

The following table shows shares of different manufacturers in the market of drum brake assemblies and drum-in-hat brakes for automobiles. As HHI, after the conduct of this case, will be around 4,600, up around 1,200, the conduct of this case does not meet the safe-harbor criteria for horizontal business combinations with regard to drum brake assemblies and drum-in-hat brakes for automobiles.

After the conduct of this case, the combined market share of the company group will be around 65%. However, there are influential competitors, Company A and Company B, holding around 20% and 10% of the market respectively. As

well, domestic demand for drum brake assemblies and drum-in-hat brakes for automobiles is on a downward trend, and therefore competitors have a certain excess capacity.

Therefore, competitive pressure from competitors is recognized.

[Market shares in the market of drum brake assemblies and drum-in-hat brakes for automobiles in FY2016]

Rank	Company name	Market share
1	Aisin Seiki Group	Approx. 55%
2	Company A	Approx. 20%
3	Company B	Approx. 10%
4	AH Brake	Approx. 10%
5	Company C	0-5%
6	Company D	0-5%
	Imports	0-5%
Total		100%
Combined market share/rank: Approx. 65%/1st		

(2) Imports

Although auto manufacturers basically procure drum brake assemblies and drum-in-hat brakes for automobiles from domestic auto parts manufacturers, it is not that there is any institutional or practical obstacle to importing these products. In fact, multiple auto manufacturers procure drum brake assemblies for automobiles from auto parts manufacturers overseas.[4]

Accordingly, a certain degree of import pressure is recognized.

(3) Competitive pressure from users

Drum brake assemblies and drum-in-hat brakes for automobiles are mature products, and those made by domestic auto parts manufacturers provide the same level of performance and quality. For this reason, auto manufacturers, the users, can easily switch suppliers, and in fact multiple auto manufacturers have switched auto parts suppliers in the past.

As well, auto manufacturers choose suppliers by gaining a rough understanding of the capabilities of each parts manufacturer including production cost, and even after they decide on suppliers, they bargain with the

[4] Any results of procurement of drum-in-hat brakes from auto parts manufacturers overseas were not confirmed by the JFTC.

suppliers for price revision generally on a yearly basis. In this respect, suppliers of drum brake assemblies and drum-in-hat brakes for automobiles tend to come under pressure from auto manufacturers to rationalize (give discounts) because there is little room for technical differentiation in these mature products.

Therefore, competitive pressure from users is recognized.

(4) Summary

Based on the above, the conduct of this case would not substantially restrain competition in the field of trade of drum brake assemblies and drum-in-hat brakes for automobiles through unilateral conduct of the company group or coordinated conduct with competitors.

2. Brake drums for automobiles

The following table shows shares of different manufacturers in the market of brake drums for automobiles. As HHI, after the conduct of this case, will be around 2,100, up around 100, the conduct of this case meets the safe-harbor criteria for horizontal business combinations with regard to brake drums for automobiles.

[Market shares in the market of brake drums for automobiles in FY2016]

Rank	Company name	Market share
1	Aisin Seiki Group	Approx. 30%
2	Company F	Approx. 20%
3	Company G	Approx. 20%
4	Company H	Approx. 10%
5	Company I	Approx. 5%
6	Company J	0-5%
7	Company K	0-5%
8	Company L	0-5%
9	AH Brake	0-5%
	Others	0-5%
Total		100%
Combined market share/rank: Approx. 30%/1st		

3. Brake calipers for automobiles

The following table shows shares of different manufacturers in the market of brake calipers for automobiles. As HHI, after the conduct of this case, will increase

only a little to around 2,700, the conduct of this case meets the safe-harbor criteria for horizontal business combinations with regard to brake calipers for automobiles.

[Market shares in the market of brake calipers for automobiles in FY2016]

Rank	Company name	Market share
1	Aisin Seiki Group	Approx. 40%
2	Company M	Approx. 30%
3	Company N	Approx. 20%
4	Company O	Approx. 5%
5	Company P	0-5%
6	AH Brake	0-5%
	Imports	0-5%
Total		100%
Combined market share/rank: Approx. 40%/1st		

4. Conclusion

The JFTC concluded that the conduct of this case would not substantially restrain competition in any particular field of trade.

Case 7　Acquisition of shares of Ring Techs Co., Ltd. by Topy Industries, Limited

Part I　Outline of this case

This case concerns a plan in which Topy Industries, Limited (JCN 2010701019419), which manufactures and sells wheels (hereinafter referred to as "Topy Industries"; a group of combined companies held by the ultimate parent company, Topy Industries, hereinafter referred to as "Topy Industries Group"), would acquire all issued shares of Ring Techs Co., Ltd. (JCN 2260001024276) (hereinafter referred to as "Ring Techs"), which manufactures and sells wheels (Topy Industries Group and Ring Techs hereinafter collectively referred to as "the company group"; the acquisition of shares hereinafter referred to as "the conduct of this case").

The applicable provision in this case is Article 10 of the AMA.

Part II　Particular field of trade

1.　Product outline

Wheels are parts which are fixed to axles of vehicles and have roles to transmit power of vehicles to the contact area while holding tires. They are used in buses, trucks, fork lifts, and other industrial vehicles in addition to passenger cars. Wheels are usually made of aluminum or steel. In recent years, aluminum wheels are increasingly popular for passenger cars for their fuel efficiency designs etc.
Topy Industries Group, one party of the company group in this case, manufactures aluminum wheels and steel wheels whereas the other party, Ring Techs, manufactures steel wheels only.

2.　Product range

(1) Substitutability among different types of vehicles

As discussed in 1 above, wheels are used in buses, trucks, fork lifts, and other industrial vehicles in addition to passenger cars. However, as there are differences in size, loading conditions, and weight/stiffness among wheels of these various types of vehicles, no demand substitutability is recognized. As well, because wheels of different types of vehicles are manufactured by respective special equipment, no supply substitutability is recognized.

(2) Substitutability among different materials

Aluminum wheels and steel wheels are both used in passenger cars, buses, trucks, etc. However, these two types of products differ in performance, design, and price, and therefore demand substitutability is not high. As well, because

manufacturing equipment is different between aluminum wheels and steel wheels, no supply substitutability is recognized.

(3) Summary

Based on the above, the JFTC defined product ranges as "steel wheels for passenger cars" and "steels wheels for buses and trucks" with regard to steel wheels in which the two sides of the company group were competing in this case.

3. Geographic range

No restrictions apply to domestic transportation of products provided in 2 (3) above, and there is no regional price difference either. As well, manufacturers of passenger cars and buses/trucks procure these products from domestic steel wheel manufacturers regardless of where the wheel manufacturers are located.

Accordingly, the JFTC defined the geographic range for both of these products as "all regions of Japan."

Part III Impact of the conduct of this case on competition

1. Steel wheels for passenger cars

(1) Substantial restriction of competition through unilateral conduct

A. Position of the company group and conditions of competing enterprises

The following table shows shares of different manufacturers in the market of steel wheels for passenger cars in FY2015. As HHI, after the conduct of this case, will be around 5,000, up around 1,400, the conduct of this case does not meet the safe-harbor criteria for horizontal business combinations with regard to steel wheels for passenger cars.

After the conduct of this case, the combined market share of the company group will be around 50%. However, there is an influential competitor, Company A, holding around 50% of the market. As well, demand for steel wheels for passenger cars is on a downward trend, and therefore each competitor has a certain excess capacity.

Accordingly, a certain degree of competitive pressure from competitors is recognized.

[Market shares in the market of steel wheels for passenger cars in FY2015]

Rank	Company name	Market share
1	Company A	Approx. 50%
2	Topy Industries Group	Approx. 30%
3	Ring Techs	Approx. 25%
Total		100%
Combined market share/rank: Approx. 50%/1st		

B. Imports

While steel wheels for passenger cars are currently not imported, some auto passenger car manufacturers argue that import is viable because quality of imports is almost on a par with steel wheels made in Japan. In addition, there is no institutional or practical obstacle to importing these products.

Accordingly, a certain degree of import pressure is recognized.

C. Entry

No enterprise has newly started manufacturing of steel wheels for passenger cars for the past five years, and as discussed in A above, demand for the product is declining. Therefore, it is unlikely that there will be a new entry to the market in the future.

Accordingly, entry pressure is not recognized.

D. Competitive pressure from adjacent markets

As discussed in Part II 1 above, aluminum wheels are increasingly popular for passenger cars in recent years and use of steel wheels for passenger cars is declining. In addition, passenger car manufacturers have the perception that a shift from steel wheels to aluminum wheels will continue for sometime. The company group holds only a small share in the market of aluminum wheels for passenger cars, where there are many influential competitors.

Therefore, a certain degree of competitive pressure from an adjacent market, the market of aluminum wheels for passenger cars, is recognized.

E. Competitive pressure from users

Demand for steel wheels for passenger cars is declining year after year. As well, competitive pressure from passenger car manufacturers is considered to be growing on the grounds that they can easily switch suppliers because steel wheels for passenger cars are matured products.

As well, passenger car manufacturers, even after deciding on suppliers of

steel wheels for passenger cars, bargain with the suppliers for price revision generally on a yearly basis. In this respect, suppliers of steel wheels for passenger cars tend to come under pressure from passenger car manufacturers to rationalize because there is little room for technical differentiation in these products.

Therefore, competitive pressure from users is recognized.

F. Summary

As described above, the conduct of this case would not substantially restrain competition in the field of trade of steel wheels for passenger cars through unilateral conduct of the company group.

(2) Substantial restriction of competition through coordinated conduct

After the conduct of this case, it may become easier for manufacturers of steel wheels for passenger cars to predict each other's move and they could take coordinated conduct because their products are not much different and their cost structures are mutually similar too.

However, it would still be hard for manufacturers of steel wheels for passenger cars to predict moves of other competitors on the grounds that the market share of the product is highly volatile because passenger car manufacturers in general procure the entire quantity of steel wheels for a particular car model from steel wheel manufacturers that they signed with when they newly launched the car or relaunched it; that they do not disclose prices quoted by manufacturers of steel wheels for passenger cars or final procurement prices; and that such transactions take place only on an irregular basis.

Coupled with the above conditions, import pressure, competitive pressure from adjacent markets, and competitive pressure from users are working as discussed in (1) above. These different kinds of pressure are also considered to help prevent coordinated conduct.

Based on the above, the conduct of this case would not substantially restrain competition in the field of trade of steel wheels for passenger cars through coordinated conduct between the company group and competitors.

2. Steel wheels for buses and trucks

The following table shows shares of different manufacturers in the market of steel wheels for buses and trucks in FY2015. As HHI, after the conduct of this case, will increase only a little, the conduct of this case meets the safe-harbor criteria for horizontal business combinations with regard to steel wheels for buses and trucks.

[Market shares in the market of steel wheels for buses and trucks in FY2015]

Rank	Company name	Market share
1	Topy Industries Group	Approx. 85%
2	Company A	0-5%
3	Ring Techs	0-5%
	Imports	Approx. 10%
Total		100%
Combined market share/rank: Approx. 85%/1st		

Part IV Conclusion

The JFTC concluded that the conduct of this case would not substantially restrain competition in any particular field of trade.

Case 8 Acquisition of the marine deck machinery business of IHI Corporation by Iknow Machinery Co., Ltd.

Part I Outline of this case

This case concerns a plan in which Iknow Machinery Co., Ltd. (JCN 2310001007548), which manufactures and sells marine equipment (hereinafter referred to as "Iknow Machinery"; a group of combined companies which Iknow Machinery belongs to and which is held by the ultimate parent company, Osaka Shipbuilding Co., Ltd. (JCN 2120001029297), hereinafter referred to as "Osaka Shipbuilding Group"), would acquire the marine deck machinery business (deck cranes, mooring machines), etc. of IHI Corporation (JCN 4010601031604), which manufactures and sells heavy industrial products (hereinafter referred to as "IHI"; IHI and Osaka Shipbuilding Group hereinafter collectively referred to as "the company group"; the acquisition of the business hereinafter referred to as "the conduct of this case").

The applicable provision in this case is Article 16 of the AMA.

The following discusses in detail a horizontal relationship of deck cranes and a vertical relationship between deck cranes and bulk carriers as the conduct of this case is considered to have a relatively large impact on competition concerning these products.

In Osaka Shipbuilding Group, deck cranes are manufactured by Iknow Machinery (hereinafter, Iknow Machinery after the conduct of this case referred to as "post-acquisition Iknow Machinery") and bulk carriers are manufactured by Oshima Shipbuilding Co., Ltd. (JCN 9310001006519) (hereinafter referred to as "Oshima Shipbuilding").

Part II Particular field of trade

1. Product outline

(1) Deck cranes

Both parties of the company group manufacture and sell deck cranes used for cargo handling operations on the deck (hereinafter referred to as "deck cranes"). Deck cranes are mainly mounted on bulk carriers (so-called bulkers) used for loading and unloading of steel materials, packaged cargo, general goods, etc.[1] General-purpose deck cranes are priced at around 20 million yen apiece. A bulk carrier is usually equipped with four deck cranes, although depending on the size of the boat, and deck cranes are divided into general-purpose products

[1] Deck cranes are not necessary if a port is equipped with cranes. In developing countries etc., however, many ports do not have cranes installed, where deck cranes are required for loading and unloading cargo.

and special-purpose products. They are also classified by their driving systems into electric deck cranes and hydraulic deck cranes. When procuring deck cranes, shipyards decide suppliers by taking into account requests, prices, and specifications from shipowners or operators who actually run boats. After a deck crane manufacturer is decided, it usually takes around three years before delivery (completion of a bulk carrier and installation of deck cranes).

(2) Bulk carriers

According to the deadweight tonnage (DWT), bulk carriers are classified into Capesize (DWT 100,000 tons or more), Panamax-size (DWT 65,000-100,000 tons), Handymax-size (DWT 40,000-65,000 tons), and Handy-size (DWT 10,000-40,000 tons). Of these, deck cranes are mainly mounted on small-to-mid-sized bulk carriers of Handymax-size and Handy-size, which account for around 70% of bulk carriers.

2. Product range

(1) Deck cranes

A. Substitutability based on usage

As discussed in 1 (1) above, deck cranes are divided into general-purpose products and special-purpose products. General-purpose deck cranes are in general capable of handling cargo of any kind (for any purpose) whereas special-purpose-deck cranes are used for specific purposes in specific areas. Typical examples of the latter include electric cranes for wood chip cargo[2] and electric grab cranes[3].

While shipyards choose cranes based on the usage of the shipowner, the customer, during a shipbuilding planning stage, demand substitutability between general-purpose cranes and special-purpose cranes is limited because they can substitute for each other only in some limited ways and they are different in price too.

As well, no supply substitutability is recognized between general-purpose cranes and special-purpose cranes because required manufacturing techniques are different.

While Iknow Machinery manufactures both general-purpose and special-purpose cranes, IHI manufactures only general-purpose cranes.

B. Substitutability between electric cranes and hydraulic cranes

[2] Cranes to unload chips from boats to the shore.

[3] Electric cranes which can operate continuously for 24 hours even in the subtropics or cold regions.

As discussed in 1 (1) above, deck cranes are divided into electric cranes and hydraulic cranes. Electric cranes use electric motors to drive cranes whereas hydraulic cranes are driven by hydraulic motors which use hydraulic pressure generated by electric motors. Hydraulic cranes are less costly and more versatile than electric counterparts. Electric cranes, on the other hand, can operate for long hours, although they are more costly.

Demand substitutability between electric cranes and hydraulic cranes is limited because they can substitute for each other only in some limited ways and they are different in price too.

As well, no supply substitutability is recognized between electric cranes and hydraulic cranes because they employ different systems to drive their motors and therefore require different manufacturing techniques.

While Iknow Machinery manufactures both electric cranes and hydraulic cranes, IHI manufactures only hydraulic cranes.

C. Summary

Based on the above, the JFTC defined a product range as "general-purpose hydraulic deck cranes" in this case.

(2) Bulk carriers

As discussed in 1 (2) above, bulk carriers are divided into several types according to their deadweight tonnage. While shipyards choose a type of bulk carrier to build based on the request of the shipowner, demand substitutability among different types of bulk carriers is limited because they can substitute for each other only in some limited ways and they are different in price too. On the other hand, supply substitutability is recognized among these different types of bulk carriers because shipyards can generally build a bulk carrier of any size without incurring a large additional cost.

Incidentally, large-sized bulk carriers can call at only so many ports and such ports already have cranes installed, which eliminates the need for deck cranes. As a result, deck cranes are generally mounted on small-to-mid-sized bulk carriers.

Therefore, the JFTC defined a product range as "small-to-mid-sized bulk carriers" in this case.

3. Geographic range

While being available across Japan, neither product provided in 2 (1) or (2) above is subject to any particular transportation restriction, and there is no regional price difference either. As well, shipyards and shipowners, the users,

procure these products from manufacturers in Japan regardless of where the manufacturers are located.

Accordingly, the JFTC defined the geographic range as “all regions of Japan.”

Part III Impact of the conduct of this case on competition

1. Horizontal business combination

As both parties of the company group manufacture and sell general-purpose hydraulic deck cranes, the conduct of this case falls under the definition of horizontal business combinations.

(1) Position of the company group and conditions of competing enterprises

The following table shows market shares of manufacturers of general-purpose hydraulic deck cranes. As HHI, after the conduct of this case, will be around 3,700, up around 900, the conduct of this case does not meet the safe-harbor criteria for horizontal business combinations.

[Market shares in the market of general-purpose hydraulic deck cranes in FY2016]

Rank	Company name	Market share
1	Company A	Approx. 35%
2	IHI	Approx. 30%
3	Company B	Approx. 20%
4	Iknow Machinery	Approx. 15%
Total		100%
Combined market share/rank: Approx. 45%/1st		

The market share of the post-acquisition Iknow Machinery will be around 45%. However, there are influential competitors, Company A and Company B, holding around 35% and 20% of the market respectively.

Even if a manufacturer of general-purpose hydraulic deck cranes receives orders that exceed its manufacturing capacity per year, it is capable of raising its supply capacity without making a huge investment by outsourcing manufacturing of general-purpose hydraulic deck cranes from third parties or other means. As well, demand for bulk carriers is on the decline in the first place. Therefore, competing manufacturers of general-purpose hydraulic deck cranes have a certain degree of excess capacity.

Therefore, competitive pressure from competitors is recognized.

(2) Competitive pressure from users

As there is not much difference in performance/quality of general-purpose hydraulic deck cranes made by different manufacturers, shipyards, the users, emphasize price when procuring the products.

In addition, facing declining prices of bulk carriers, shipyards are encouraging deck crane manufacturers to compete with each other in order to lower costs of deck cranes, major components of bulk carriers, as much as possible. Based on such conditions, shipyards can easily switch deck crane suppliers.

Therefore, competitive pressure from users is recognized.

(3) Summary

Based on the above, the conduct of this case would not substantially restrain competition in any particular field of trade through unilateral conduct of the company group or coordinated conduct with competitors.

2. Vertical business combination

As discussed in 1 above, both parties of the company group manufacture and sell general-purpose hydraulic deck cranes, and Oshima Shipbuilding which belongs to Osaka Shipbuilding Group manufactures and sells bulk carriers. As general-purpose hydraulic deck cranes are mounted on small-to-mid-sized bulk carriers, as discussed in Part II 2 (2) above, the conduct of this case falls under the definition of vertical business combinations, in which general-purpose hydraulic deck cranes and small-to-mid-sized bulk carriers are considered upstream market and downstream market respectively.

(1) Position of the Parties and conditions of competing enterprises

A. Upstream market

As discussed in 1 (1) above, HHI of general-purpose hydraulic deck cranes, after the conduct of this case, will be around 3,700, and the post-acquisition Iknow Machinery will hold around 45% of the market. Therefore, the conduct of this case does not meet the safe-harbor criteria for vertical business combinations.

In the market of general-purpose hydraulic deck cranes, there are influential competitors, Company A and Company B, holding around 35% and 20% of the market respectively.

B. Downstream market

Market shares of manufacturers in the entire market of small-to-mid-sized

bulk carriers are unknown. Looking at the market of small-to-mid-sized bulk carriers equipped with general-purpose hydraulic deck cranes, however, apart from Oshima Shipbuilding (holding around 15% of the market), there are multiple influential competitors including one which holds around 25%. The overall market of small-to-mid-sized bulk carriers is considered to have similar market structure.

The conduct of this case would meet the safe-harbor criteria if it was judged by the market shares in the market of small-to-mid-sized bulk carriers equipped with general-purpose hydraulic deck cranes. However, as the shares in the entire market of small-to-mid-sized bulk carriers are unknown, the following examines the conduct of this case based on the premise that it does not meet the safe-harbor criteria for vertical business combinations.

(2) Supply refusal, etc. of general-purpose hydraulic deck cranes

As discussed in 1 (2) above, there is not much difference in performance/quality of general-purpose hydraulic deck cranes made by different manufacturers, and shipyards are usually doing business with multiple deck crane manufacturers. If the post-acquisition Iknow Machinery should refuse to supply general-purpose hydraulic deck cranes to competing shipyards of Oshima Shipbuilding or do business with them only under unfavorable conditions compared to those for business with Oshima Shipbuilding (such an act hereinafter referred to as "input foreclosure"), competing shipyards would be able to purchase general-purpose hydraulic deck cranes from Company A or Company B as both of these competitors are influential deck crane manufacturers with a certain excess capacity.

Based on the above, the JFTC decided that no issues of closure or exclusivity of the market would arise from input foreclosure because the post-acquisition Iknow Machinery would not have capabilities to exclude competitors in the downstream market.

(3) Purchase refusal, etc. of general-purpose hydraulic deck cranes

Apart from Oshima Shipbuilding, there are at least four shipyards manufacturing small-to-mid-sized bulk carriers, more than one of which is as or more influential than Oshima Shipbuilding. Therefore, if Oshima Shipbuilding should refuse to purchase general-purpose hydraulic deck cranes from Company A or Company B, competitors of the post-acquisition Iknow Machinery, or do business with them only under unfavorable conditions compared to those for business with Iknow Machinery (such an act hereinafter referred to as "customer

foreclosure"), Company A and Company B would be able to sell general-purpose hydraulic deck cranes to shipyards other than Oshima Shipbuilding.

Therefore, the JFTC decided that no issues of closure or exclusivity of the market would arise from customer foreclosure because Oshima Shipbuilding would not have capabilities to exclude competitors in the upstream market.

(4) Substantial restriction of competition through coordinated conduct

By post-acquisition Iknow Machinery continuing to deliver general-purpose hydraulic deck cranes to shipyards other than Oshima Shipbuilding, Oshima Shipbuilding could obtain through post-acquisition Iknow Machinery information of other shipyards which do business with post-acquisition Iknow Machinery including their deck crane procurement prices.[4] This could let Oshima Shipbuilding and other shipyards predict each other's move with high probability, and therefore the following examines the risk of Oshima Shipbuilding and other shipyards taking coordinated conduct.

In this respect, it would be hard for shipyard to predict each other's move on the grounds that prices of general-purpose hydraulic deck cranes account for only so much of the total price of a bulk carrier and that Oshima Shipbuilding, even after the conduct of this case, would not be able to obtain information of the total price of a bulk carrier made by other shipyards.

In the meantime, Iknow Machinery is considered to have access to information of other deck crane manufacturers, Company A and Company B, such as how much these firms charge Oshima Shipbuilding. However, this situation will not be affected by the conduct of this case per se, and Oshima Shipbuilding in general procures products only from peer companies of Osaka Shipbuilding Group. Therefore, the conduct of this case would not make it easier for deck crane manufacturers to predict each other's move.[5]

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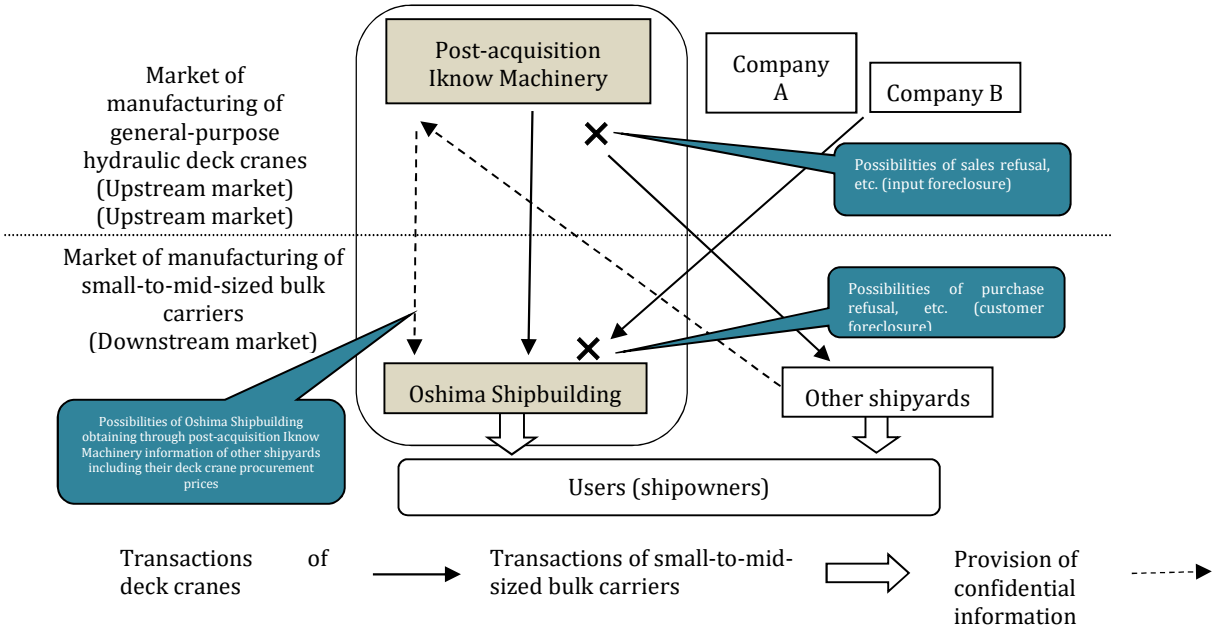
[4] Even before the conduct of this case, Oshima Shipbuilding could have obtained sales prices of Iknow Machinery. After the conduct of this case Oshima Shipbuilding could obtain IHI's sales prices as well. In this respect, Iknow Machinery claims that it will not disclose its sales prices for other shipyards to Oshima Shipbuilding on the grounds that such disclosure would put Iknow Machinery at a disadvantage in price bargaining with Oshima Shipbuilding and that it would also be against commercial morality.

[5] Oshima Shipbuilding claims that it will not disclose its purchase prices from other deck crane manufacturers to Iknow Machinery on the grounds that such disclosure would put Oshima Shipbuilding at a disadvantage in price bargaining with Iknow Machinery and that it would also be against commercial morality.

Figure: Diagrammatic illustration of the vertical business combination



(5) Summary

Based on the above, the conduct of this case would not substantially restrain competition in any particular field of trade through unilateral conduct of the company group or coordinated conduct with competitors.

Part IV Conclusion

The JFTC concluded that the conduct of this case would not substantially restrain competition in any particular field of trade.

Case 9 Absorption-type company split of Plus One Marketing Ltd.'s MVNO business by Rakuten, Inc.

Part I Outline of this case

This case concerns a plan in which Rakuten, Inc. (JCN 9010701020592) (hereinafter referred to as "Rakuten"; a group of companies which have already built joint relationships with Rakuten hereinafter referred to as "Rakuten Group"), which mainly operates the internet shopping mall "Rakuten Ichiba," would acquire the MVNO business of Plus One Marketing Ltd. (JCN 8010401102353) (hereinafter referred to as "Plus One Marketing"), which manufactures and sells mobile phone handsets, mainly smartphones, through an absorption-type demerger (Rakuten Group and Plus One Marketing hereinafter collectively referred to as "the company group"; hereinafter the acquisition of the business referred to as "the conduct of this case").

The applicable provision in this case is Article 15-2 of the AMA.

Part II Particular field of trade

1. Service outline

Mobile communication is a communication method through which voice or data (for the internet, email, etc.) is transmitted and received between two communication terminals while one or both of them are on the move. Telecommunications carriers provide mobile communication services using mobile communication terminals including mobile phones based on the Telecommunications Business Act (Act No. 86 of 1984)

Telecommunications carriers which provide mobile communication services are divided into those which have established or operated their own radio stations concerning the said mobile communication services (Mobile Network Operators hereinafter referred to as "MNO") and those which do not establish or operate their own radio stations but use mobile communication services provided by MNO or connect with MNO, thereby providing mobile communication services (Mobile Virtual Network Operators hereinafter referred to as "MVNO").

As of March 2017, there are 15.86 million MVNO contracts, accounting for around 9.4% of the total contracts of mobile communication services (167.92 million contracts).

2. Service range

Regardless of whether they are provided by MNO or MVNO, mobile communication services are used for the same purpose, which is transmitting and

receiving voice or data while one or both of communication terminals are on the move.[1]

Mobile communication services provided by MNO and MVNO are different in communication speed, price range, etc. Due to such difference, users of MNO and MVNO are somewhat different from each other.

The conduct of this case is an absorption-type demerger of MVNO business and both parties of the company group conduct MVNO business which is focused on SIM-type services[2] respectively. Based on such conditions, the JFTC defined a service range in this case as "MVNO business (SIM-type)" in a bid to conduct careful examination.

3. Geographic range

The services of MVNO business (SIM-type) are provided in Japan without particular regional restrictions, and it is not the case that there is a great regional price difference. Therefore, the JFTC defined the geographic range as "all regions of Japan."

Part III Impact of the conduct of this case on competition

The following table shows market shares in the market of MVNO business (SIM-type). As HHI, after the conduct of this case, will increase only a little, the conduct of this case meets the safe-harbor criteria for horizontal business combinations.

[Market shares in the market of MVNO business (SIM-type) in FY2016]

Rank	Company name	Market share
1	Company A	Approx. 15%
2	Company B	Approx. 15%
3	Rakuten Group	Approx. 10%
4	Company C	Approx. 10%
5	Company D	Approx. 5%
6	Plus One Marketing	0-5%
	Others	Approx. 40%
Total		100%
Combined market share/rank: Approx. 15%/2nd		

[1] Mobile communication services are provided by using mobile phones, PHS or BWA system (short for Broadband Wireless Access system, which is a wireless system for high-speed data services for the public, institutionalized in FY2001).

[2] These services use what is generally called "cheap SIM cards" or "cheap smartphones." Another type of MVNO services is the "communication-module type," in which terminals are mounted on a wide range of products including industrial vehicles and on-board devices and used for obtaining information of the operating status or location of such products.

Part IV Conclusion

The JFTC concluded that the conduct of this case would not substantially restrain competition in any particular field of trade.

Case 10 Integration of the container shipping business of Kawasaki Kisen Kaisha, Ltd., Mitsui O.S.K. Lines, Ltd., and Nippon Yusen Kabushiki Kaisha

Part I Outline of this case

This case concerns a plan in which Kawasaki Kisen Kaisha, Ltd. (JCN 8140001005720) (hereinafter referred to as "Kawasaki Kisen", which engages in oceangoing freight transport, Mitsui O.S.K. Lines, Ltd. (JCN 4010401082896) (hereinafter referred to as "Mitsui O.S.K. Lines", which engages in the same business, and Nippon Yusen Kabushiki Kaisha (JCN 7010001023785) (hereinafter referred to as "Nippon Yusen"), which engages in the same business, would integrate the container shipping business of the oceangoing freight transport business of the three companies (Kawasaki Kisen, Mitsui O.S.K. Lines, and Nippon Yusen hereinafter collectively referred to as "the Parties"; the integration of the business hereinafter referred to as "the conduct of this case").

The applicable provisions in this case are Article 10 and Article 16 of the AMA.

(FYI) Coordination with foreign competition authorities

This case was also reviewed by foreign competition authorities and the JFTC reviewed this case while exchanging information with European Commission, Chilean FNE etc.

Part II Particular field of trade

1. Service range

Container shipping business is conducted by oceangoing freight transport companies, transporting containers on a regular basis according to the service schedule released in advance which specifies ports of calls and port visit dates.

Container transportation business is divided into container shipping business which uses container ships carrying all of their load in internationally-standardized containers through containerization and conventional shipping business in which cargo is loaded as is. Container ships carry containers exclusively whereas conventional ships can transport not only large-sized cargo which cannot fit in a container but also containers. In this respect of container transportation, demand substitutability seems to exist between container shipping business and conventional shipping business. There are differences, however; many conventional ships are equipped with cranes for cargo loading/unloading operations, enabling cargo handling at ports where cranes are not available, whereas container ships do not have space for crane installation for higher transportation efficiency and can

load or unload cargo only in ports equipped with cranes. Container ships have higher transportation efficiency than conventional ships and most of containers are currently transported by container ships. Conventional ships do carry containers but only for transportation to or from limited regions where port facilities are underdeveloped. Accordingly, there is very little demand substitutability between container shipping business and conventional shipping business.

In addition, it would cost a lot of time and money and therefore would be impracticable for oceangoing freight transport companies to convert an existing container ship into a conventional ship or vice versa. Therefore, no supply substitutability is recognized.

Based on the above, the JFTC defined a service range in this case as "container shipping business."

2. Geographic range

(1) Cargo transportation methods, etc.

Many consignors take into account transportation cost from their location to a port of dispatch and use container shipping services provided by a shipping company which serves between the port closest to their location and the port closest to the location of the consignee. When choosing a shipping company, however, most consignors consider not only shipping companies which offer direct shipping services between the ports they want to use but also those offering indirect services as long as shipping charges, transport days, etc. are equivalent to those of direct services.

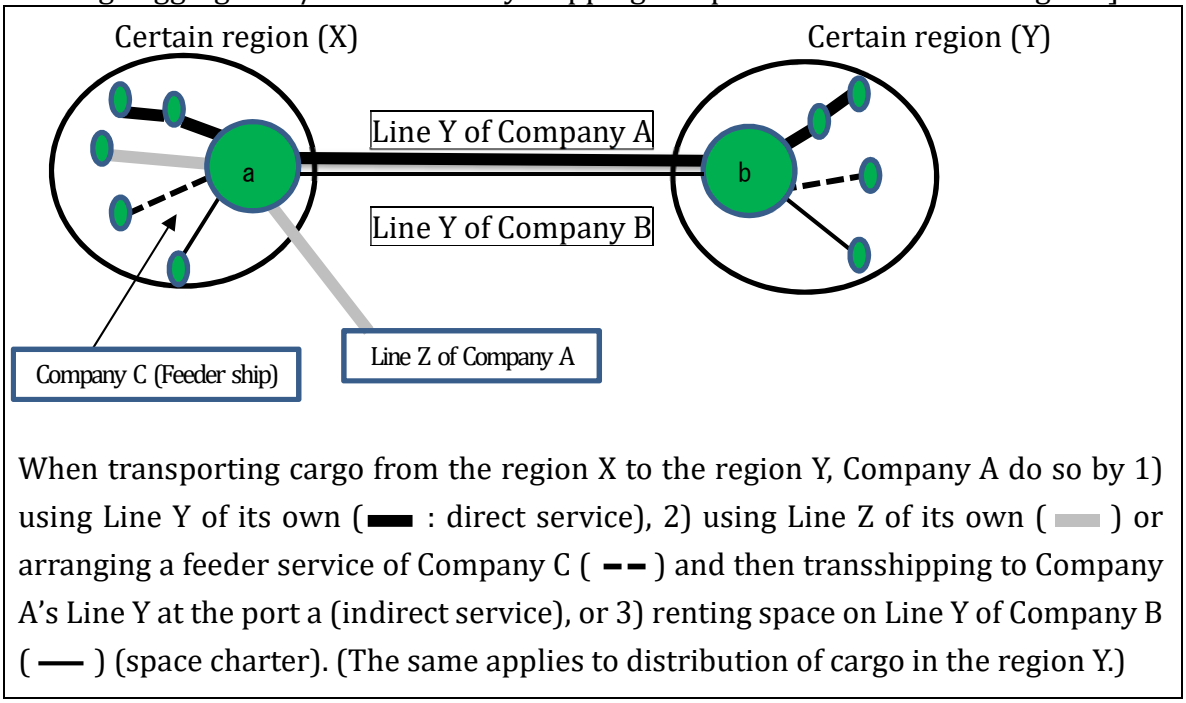
From the perspective of demand substitutability, therefore, it appears to make a sense to define a geographic range for each line connecting a specific port and another which is in a different region be it a direct service or indirect service.

However, when looking at the actual state of container shipping businesses of shipping companies, they do not only serve back and force between specific ports but also offer services in which they call and pick up cargo at multiple ports in the same region, carry it to a destination region, and distribute it to multiple ports in the region. In a line between East Asia and Northern Europe, for instance, Nippon Yusen directly connects ports in Japan and ports in Northern Europe whereas Kawasaki Kisen transports cargo from ports in Japan to one in Vietnam (Ho Chi Minh port) using a line between the two countries, and then transships the cargo to another line connecting East Asia and Northern Europe, or in other cases, uses feeder service companies which serve a relatively short distance and get them to transport cargo from Japan to Vietnam, Hong Kong, Singapore, etc., where cargo is transshipped to Kawasaki Kisen's ship which serves between East

Asia and Northern Europe, and thereby getting delivered from Japan to various ports in Northern Europe. (Indirect service)

Apart from arranging feeder services, shipping companies may also rent transportation space on ships of other firms (space charter) or change ports of call of their own ships to transport goods from any port in a particular region (X) to any port in another region (Y).

[Image of cargo aggregation/distribution by shipping companies within certain regions]



When transporting cargo from the region X to the region Y, Company A do so by 1) using Line Y of its own (▬ : direct service), 2) using Line Z of its own (▬) or arranging a feeder service of Company C (▬) and then transshipping to Company A's Line Y at the port a (indirect service), or 3) renting space on Line Y of Company B (▬) (space charter). (The same applies to distribution of cargo in the region Y.)

(2) Examination

Based on the above, it is considered appropriate to define a geographic range for each line connecting between certain regions where the Parties and competitors aggregate or distribute cargo in this case.

In addition, while each line is served in both directions, users are different between an outward service and a homeward service and transportation services are different too because arrival and departure points switch places. Therefore, a geographic range should be established for each of the outward service and the homeward service of each line.

As the Parties conduct container shipping business in each of 12 lines listed in the following table (including lines which depart from or arrive at Japan only), the JFTC established a geographic range for each of the outward service and the homeward service of each line.

Among the 12 lines listed in the following table, when serving the eastbound lines from the Far East to North America or the west coast of Central and South

America, most shipping companies only collect cargo in the Far East and do not make a detour to pick up cargo in Southeast Asia due to costs and restrictions of ports of call. On the other hand, when serving westbound lines from East Asia to Northern Europe or the east coast of South America, most shipping companies call and pick up cargo at ports in Southeast Asia on the way.

Based on the conditions above, some of the 12 lines depart from (arrive at) East Asia and others the Far East.

Number	Line (by outward service/homeward service)
1	East Asia = Northern Europe
2	East Asia = Mediterranean
3	Far East = West Coast of North America
4	Far East = East Coast of North America
5	Far East = West Coast of Central and South America
6	East Asia = East Coast of South America
7	Far East = East Coast of Australia/New Zealand
8	East Asia = West Coast of Australia
9	East Asia = Middle East
10	East Asia = Indian Subcontinent
11	East Asia = East Coast of Africa
12	East Asia = Southern Africa

In addition, as the Parties and major competitors are able to aggregate and transport cargo within ports throughout East Asia by using direct or indirect services, it seems reasonable to define a geographic range as “Intra-East Asia lines” by putting together all of those services. In East Asia, however, many feeder service companies are specialized in transportation between specific two countries, e.g., between Japan and South Korea and between Japan and China, and the Parties too provide such services between two specific countries.

Therefore, in a bid to examine this case more carefully, the JFTC divided lines inside East Asia into Line 13 to Line 15 as listed in the following table, and established a geographic range respectively.

Number	Line (by outward service/homeward service)
13	Japan = Greater China
14	Japan = Southeast Asia
15	Japan = South Korea

Part III Impact of the conduct of this case on competition

Among the particular fields of trade defined in Part II above, all lines meet the safe-harbor criteria for horizontal business combinations, except Line 14 "Japan ＝ Southeast Asia (outward service)" and "Japan ＝ Southeast Asia (homeward service)." Therefore, the following examines the both directions of this line.

1. Japan = Southeast Asia (outward service)

(1) Position of the Parties and conditions of competing enterprises

The following table shows market shares of the Parties and some competitors in the market of "Japan = Southeast Asia (outward service)." While HHI will increase around 200, HHI after the conduct of this case is unknown because accurate market shares of other competitors are unavailable. Therefore, the JFTC decided to examine the conduct of this case based on the premise that it does not meet the safe-harbor criteria for horizontal business combinations.

[Market shares in the market of "Japan = Southeast Asia (outward service)" in 2016]

Company name	Market share
Nippon Yusen	Approx. 10%
Company A	Approx. 5%
Company B	Approx. 5%
Mitsui O.S.K. Lines	Approx. 5%
Kawasaki Kisen	0-5%
Company C	0-5%
Company D	0-5%
Company E	0-5%
Company F	0-5%
Company G	0-5%
Others	Approx. 65%
Total	100%
Combined market share: Approx. 20%	

In the “Japan = Southeast Asia (outward service),” while the combined market share of the Parties after the conduct of this case will be around 20%, there are many competitors, including Company A and Company B, holding a certain market share respectively, and many of these companies are headquartered inside Asia, providing container shipping service in the line of “Japan ＝ Southeast Asia (outward service)” as one of their main services.

As well, a certain degree of excess capacity of competitors is recognized.

(2) Entry

Shipping companies can easily change ports of call and do so with some frequency. No particular obstacles are considered to exist against shipping companies which have provided services in East Asia but not visited ports in Japan making entry to the market of “Japan = Southeast Asia (outward service).”

Accordingly, a certain degree of entry pressure is recognized.

(3) Ease of changing suppliers for users

Before deciding on a shipping company, consignors obtain estimates from multiple shipping companies through bidding or competitive quotations, negotiate with them on shipping conditions including charges, and compare and examine the conditions.

As well, according to a survey of consignors etc., there is not much difference in services between Japanese shipping companies including the Parties and foreign shipping companies, and many consignors attach the highest importance to shipping charges when they choose a shipping company. If the Parties should raise charges after the conduct of this case, most of the consignors said they would switch partially or entirely to foreign shipping companies. In fact, consignors have frequently switched to foreign shipping companies either entirely or partially in the past by comparing shipping charges and other conditions.

Therefore, the JFTC decided that users could change service providers easily.

(4) Summary

Based on the above, the conduct of this case would not substantially restrain competition in the field of trade of the container shipping business in the line of “Japan = Southeast Asia (outward service)” through unilateral conduct of the Parties or coordinated conduct with competitors.

2. Japan = Southeast Asia (homeward service)

(1) Position of the Parties and conditions of competing enterprises

The following table shows market shares of the Parties and some competitors in the market of "Japan = Southeast Asia (homeward service)." While HHI will increase around 500, HHI after the conduct of this case is unknown because accurate market shares of other competitors are unavailable. Therefore, the JFTC decided to examine the conduct of this case based on the premise that it does not meet the safe-harbor criteria for horizontal business combinations.

In the "Japan = Southeast Asia (homeward service)," while the combined market share of the Parties after the conduct of this case will be around 30%, there are many competitors, including Company H and Company I, holding a certain market share respectively, and many of these companies provide container shipping service in the line of "Japan = Southeast Asia (homeward service)" as one of their main services, just as in the line of "Japan = Southeast Asia (outward service),"

As well, a certain degree of excess capacity of competitors is recognized.

[Market shares in the market of "Japan = Southeast Asia (homeward service)" in 2016]

Company name	Market share
Mitsui O.S.K. Lines	Approx. 15%
Nippon Yusen	Approx. 10%
Company H	Approx. 10%
Company I	Approx. 10%
Kawasaki Kisen	0-5%
Company J	0-5%
Company K	0-5%
Company L	0-5%
Company M	0-5%
Company N	0-5%
Others	Approx. 50%
Total	100%
Combined market share: Approx. 30%	

(2) Entry

As discussed in 1 (2) above, a certain degree of entry pressure is recognized in the homeward service too.

(3) Ease of changing suppliers for users

As discussed in 1 (3) above, the JFTC decided that users could change service providers easily in the homeward service too.

(4) Summary

Based on the above, the conduct of this case would not substantially restrain competition in the field of trade of the container shipping business in the line of "Japan = Southeast Asia (homeward service)" through unilateral conduct of the Parties or coordinated conduct with competitors.

Part IV Conclusion

The JFTC concluded that the conduct of this case would not substantially restrain competition in any particular field of trade.

Case 11　Acquisition of shares of Beavertozan Co., Ltd. by Kohnan Shoji Co., Ltd.

Part I　Outline of this case

This case concerns a plan in which Kohnan Shoji Co., Ltd. (JCN 3120101003135) (hereinafter referred to as "Kohnan"; a group of combined companies held by the ultimate parent company, Kohnan, hereinafter referred to as "Kohnan Group"), which operates home improvement stores, would acquire all issued shares of Beavertozan Co., Ltd. (JCN 1021001021387) (hereinafter referred to as "Beavertozan"), which operates home improvement stores (Kohnan Group and Beavertozan hereinafter collectively referred to as "the company group"; the acquisition of shares hereinafter referred to as "the conduct of this case").

The applicable provision in this case is Article 10 of the AMA.

Part II　Particular field of trade

1. Service outline

Home improvement stores are a category of retail stores which carry mainly goods such as tools and building materials for maintenance and improvement of homes but also household articles, garden supplies, electrical machinery and apparatus, and general/storage furniture and sell these items to carpenters and other workmen as well as general consumers.

Other categories of stores dealing in the same types of goods as home improvement stores (hereinafter referred to as "other categories") include various specialty stores, including hardware stores and lumber stores, supermarkets and volume-sales electronics retailers.　The following table shows types of goods carried by both home improvement stores and stores of other categories.

Goods	Concrete examples	Stores of other categories
Tools/building materials	Carpenter's tools, power tools, lumber, joint metal, etc.	Hardware stores, lumber stores, one-price shops, etc.
Gardening supplies	Flowers, seeds and seedlings, agricultural chemicals, fertilizers, gardening materials, etc.	Flower shops, etc.
Household articles	Goods for bathrooms and kitchens, household detergents, etc.	Supermarkets, drugstores, etc.
Electrical machinery and apparatus	Antennas, lighting apparatus, TV sets, etc.	Volume-sales electronics retailers, etc.

General/storage furniture	Knock-down furniture, storage compartments, carpets, etc.	Interior shops, supermarkets, etc.

2. Service range

There are goods sold by both home improvement stores and stores of other categories. In addition, stores of other categories are expanding their lineup of goods too. Home improvement stores and stores of other categories are considered to be competing in these types of products to a certain degree. However, a wide range of goods such as tools and building materials for maintenance and improvement of homes are only available at home improvement stores, and users are considered to shop at either home improvement stores or stores of other categories according to their needs.

Based on the above, the JFTC defined a service range in this case as "home improvement store business."

3. Geographic range

Competition among enterprises which operate home improvement stores is considered to be waged by each store. More specifically, for each store, the enterprise which runs it designates a certain area where the store's frequent customers reside as a trading area based on information obtained through surveys of shoppers, and then uses the trading area as a guideline when distributing fliers for the store and investigating competing stores. Trading areas somewhat vary depending on the location (urban area or suburban area) and the size of the store.

Based on the fact that the company group's stores are competing with each other only in urban areas, the JFTC determined that the trading area of each store would be within a 5 km radius from the store (a 15-minute drive from the store), and defined the geographic range in this case as "within a 5 km radius from a store."

Part III Impact of the conduct of this case on competition

1. Conditions of competing enterprises

If the geographic range defined in Part II 3 above is applied, the company group's stores are competing in three areas (hereinafter the three areas where the company group's stores are competing referred to as "three areas of competition"). Because it is technically difficult to obtain comprehensive data in details including competitors' sales in each area of the three areas of competition, it is impracticable to calculate a market share of each home improvement store (hence impracticable to judge whether the conduct of this case meets the safe-harbor criteria for horizontal business combinations). In general, however, the more stores in a

particular geographic range, the more intense the competition. Therefore, the fewer the stores in the geographic range of this case, the greater the impact on competition the conduct of this case would have.

In each of the three areas of competition, the company group's stores are competing against multiple home improvement stores among which at least five stores have equivalent or greater sales floor space than the company group's stores. Therefore, competitive pressure from these stores run by competitors is recognized.

2. Competitive pressure from adjacent markets

(1) Competitive pressure from other categories (supermarkets, etc.)

Some goods sold in home improvement stores are also found in stores of other categories. For this reason, home improvement stores are considered to be engaging in competition to a certain degree in prices and services regarding goods sold also by nearby stores of other categories. Therefore, such home improvement stores are considered to be under a certain degree of competitive pressure from stores of other categories.

In each of the three areas of competition too, multiple stores of other categories are running business including supermarkets, volume-sales electronics retailers, and various specialty stores. Therefore, in the three areas of competition, a certain degree of competitive pressure from stores of other categories is recognized with regard to goods sold in common.

As well, internet mail order enterprises do business across the country, selling the same goods sold in home improvement stores. Therefore, a certain degree of competitive pressure from internet mail order enterprises is recognized.

(2) Competitive pressure from geographically adjacent markets

Consumers who live in a geographic range of a home improvement store, which is a 5-km radius of the store, may use another home improvement store which is located outside of the geographic range. In areas adjacent to each of the three areas of competition, multiple home improvement stores are run by enterprises other than the company group, and they and the company group's stores are considered to be competing with each other to a certain degree in prices and services. Therefore, a certain degree of competitive pressure from geographically adjacent markets is recognized.

3. Summary

As described above, the conduct of this case would not substantially restrain competition in the field of trade of home improvement store business in the three areas of competition through unilateral conduct of the company group or coordinated conduct with competitors.

Part IV Conclusion

The JFTC concluded that the conduct of this case would not substantially restrain competition in any particular field of trade.

Case 12 Joint share transfer by The Daishi Bank, Ltd. and The Hokuetsu Bank, Ltd.

Part I The Parties

The Daishi Bank, Ltd. (JCN 7110001000007) (hereinafter referred to as "Daishi Bank"; a group of companies which have already built joint relationships with Daishi Bank hereinafter referred to as "Daishi Bank Group") and The Hokuetsu Bank, Ltd. (JCN 9110001023146) (hereinafter referred to as "Hokuetsu Bank"; a group of companies which have already built joint relationships with Hokuetsu Bank hereinafter referred to as "Hokuetsu Bank Group") are corporations which conduct banking business (Daishi Bank and Hokuetsu Bank hereinafter collectively referred to as "the Parties" and Daishi Bank Group and Hokuetsu Bank Group "the company group").

Part II Outline of this case and applicable provision

This case concerns a plan in which the Parties would integrate with each other through joint share transfer (hereinafter referred to as "the integration of this case").

The applicable provision in this case is Article 15-3 of the AMA.

Part III Sequence of events, etc.

1. Sequence of events

In March 2017 and thereafter, the Parties voluntarily submitted to the JFTC written opinions and materials to the effect that the integration of this case would not substantially restrain competition, and in response to requests by the Parties, the JFTC held several meetings with them. Subsequently, the Parties submitted a written notification of a plan of joint share transfer concerning the integration of this case based on provisions of the AMA on June 20th, the same year. The JFTC received the notification and started the preliminary investigation. As a result of the preliminary investigation based on the results of interviews with competitors, users, etc. in addition to the above written notification of the plan and other materials submitted by the Parties, the JFTC found that the case would need a more detailed investigation. Therefore, on July 17th, the same year, the JFTC requested the notifying companies to provide reports, etc, and started the secondary investigation while, on the same day, the JFTC publicly announced that the secondary investigation was underway and that the JFTC would accept public comments from third parties.

In the secondary investigation, the JFTC had several meetings with the Parties

in response to requests by them, where the points of contention were explained and discussed. As well, the JFTC investigated effects of the integration of this case on competition based on the results of interviews with competitors and users and a questionnaire survey of users[1] as well as the reports submitted consecutively by the Parties.

As for the request for provision of reports, etc. to the Parties, it was all fulfilled with the last submission of reports, etc. on December 6th, 2017.

2. Brief summary of the investigation

Among fields of trade where the company group competes within, the JFTC focused its investigation on "business lending" in which the integration of this case was considered to have the largest impact on competition, to determine whether the integration of this case would substantially restrain competition by making sufficient options of lenders unavailable to users, especially small- and medium-sized enterprises. As a result of the investigation, the JFTC concluded that the integration of this case would not substantially restrain competition in any particular field of trade as discussed in detail in the following Part IV and Part V.

With regard to fields of trade other than business lending such as non-business lending, savings, etc., the JFTC concluded that the integration of this case would not substantially restrain competition in any particular field of trade because multiple competitors were considered to function as a brake against the Parties.

Part IV Particular field of trade concerning business lending

1. Service range

(1) Business lending and non-business lending

The so-called loan service in which financial institutions including the Parties lend funds is largely divided into business lending for enterprises and non-business lending for general consumers. In business lending, enterprises borrow funds required for business including an operating capital and equipment funds whereas, in non-business lending, general consumers borrow funds required for everyday life including housing and education. These two types of loans are offered to different users for different purposes. For this reason, no substitutability for users is recognized between these two loan types.

Loan conditions in business lending need to be decided based on the state of business and finance of individual users. For this reason, financial institutions require expertise in collecting information concerning the borrowers' credit

[1] To obtain information from a wide range of users in Niigata Prefecture on the state of their actual loans and to understand their perception of use of financial institutions, the JFTC conducted a questionnaire survey of around 6,900 companies among users located in the Prefecture. (The valid response rate was around 50%.)

standing by regularly visiting them, and assessing and incorporating such information into loan conditions as well as service branches and some sales representatives. In non-business lending, on the other hand, certain loan conditions are set in advance and in many cases financial institutions rely on credit guarantee companies for examination of loan applications. Therefore, expertise, branches, and personnel required for business lending are not necessary. For this reason, substitutability for suppliers is also limited between these two loan types.

Accordingly, the JFTC defined service ranges in this case as "business lending" and "non-business lending."

(2) Service range of business lending

The Parties are regional banks, providing business loans to big businesses, mid-tier enterprises, small- and medium-sized enterprises[2] and local governments. Depending on the user, the scale, scope, and characteristics of the business vary, and therefore loan amounts and transaction methods also vary. In addition, as different restrictions apply to borrowers depending on the type of financial institution, the lender, borrowers use the type of financial institution that is appropriate for them. As seen in the above, the details of transactions vary depending on the borrower in business lending, the JFTC defined service ranges as "lending for big businesses/mid-tier enterprises," "lending for small- and medium-sized enterprises," and "loan for local governments."

The market size of lending for big businesses/mid-tier enterprises in Niigata Prefecture is around 400 billion yen, that for small- and medium-sized enterprises around 2,500 billion yen, and that for local governments around 1,300 billion yen.

With regard to lending for local governments among the three service ranges defined above, the JFTC decided that the integration of this case would not substantially restrain competition in any particular field of trade because lending financial institutions are currently chosen basically by bidding or open application procedures in Niigata Prefecture, and the same competitive situation is considered to continue among multiple financial institutions including the Parties even after the integration of this case. The following discusses lending for big businesses/mid-tier enterprises and lending for small- and medium-sized

[2] Based on the provision in Article 2-1 of the Small and Medium-sized Enterprise Basic Act, the JFTC defined different types of users as follows: "small- and medium-sized enterprises" are manufacturing corporations with a capital of 300 million yen or less or 300 or fewer employees, wholesale businesses with a capital of 100 million yen or less or 100 or fewer employees, service businesses with a capital of 50 million yen or less or 100 or fewer employees, and retail businesses with a capital of 50 million yen or 50 or fewer employees, and corporations which do not meet any of these are categorized as "big businesses/mid-tier enterprises."

enterprises in detail.

(3) Scope of competing enterprises

A. Lending for big businesses/mid-tier enterprises

Big businesses/mid-tier enterprises conduct relatively large business, requiring large amounts of funds, and therefore their loans tend to be relatively large. In this respect, as no legal restrictions apply to banks in terms of the scale or industry of a borrowing business, and banks are allowed to extend a large amount of credit by the regulation of the lending limit to a single borrower, big businesses/mid-tier enterprises view different banks as substitutable lenders[3].

Japan agricultural cooperatives, etc. (hereinafter referred to as "JA, etc."), on the other hand, are basically allowed to provide loans only to farmers, etc. by laws and regulations. Development Bank of Japan Inc. (hereinafter referred to as "DBJ") is used to supplement loans from private financial institutions in cases where a large long-term loan is required. For this reason, there are only limited cases where big businesses/mid-tier enterprises can consider JA, etc. or DBJ as substitutable lenders.

As well, neither credit associations, credit unions, the Shoko Chukin Bank, Ltd. (hereinafter referred to as "Shoko Chukin") nor Japan Finance Corporation (hereinafter referred to as "JFC") can be a substitutable lender for big businesses/mid-tier enterprises because these financial institutions are generally allowed to provide loans only to small- and medium-sized enterprises by laws and regulations.

In addition, other than lending from conventional financial institutions, the JFTC was not able to confirm any result of a new type of loan extended by so-called FinTech corporations or crowdfunding schemes, not for small- and medium-sized enterprises either, as discussed later in B, and it is unlikely at least for the time being that such a new type of loan will increase so much that it will work as competitive pressure.

Therefore, the JFTC investigated the integration of this case based on the premise that competing loan providers for big businesses/mid-tier enterprises are banks only, and that JA, etc. and DBJ would put competitive pressure from adjacent markets.

B. Lending for small- and medium-sized enterprises

[3] In Niigata prefecture, the JFTC wa not able to confirm any result of business lending including lending for small and medium-sized enterprises described in following B by so called "net-banks"who trade through co mmunication terminals such as internet, telephone, etc.

Small- and medium-sized enterprises conduct relatively small businesses and their loans tend to be relatively small too. In this respect, as credit associations and credit unions in addition to banks can lend funds to small- and medium-sized enterprises, small- and medium-sized enterprises can consider banks, credit associations, and credit unions as substitutable lenders.

JA, etc., on the other hand, is basically allowed to provide loans only to farmers, etc. as discussed in A above. As government-run financial institutions, Shoko Chukin and JFC, following the principle of additionality to private businesses based on laws and regulations, lend funds to enterprises which have difficulties in borrowing from private financial institutions, and users borrow from private financial institutions or these government-run financial institutions according to the type of their financial need. For this reason, there are only limited cases where small- and medium-sized enterprises can consider JA, etc. Shoko Chukin or JFC as a substitutable lender.

Therefore, the JFTC investigated the integration of this case based on the premise that competing loan providers for small- and medium-sized enterprises are banks, credit associations, and credit unions only, and that JA, etc. Shoko Chukin, and JFC would put competitive pressure from adjacent markets.

2. Geographic range

The Parties argued that the geographic range should be defined as "Niigata Prefecture" without distinguishing lending for big businesses/mid-tier enterprises and lending for small- and medium-sized enterprises, and explained that if a finer division should be applied to the geographic range, it would make sense to divide it into 10 economic zones of "Murakami," "Niigata," "Sanjo," "Nagaoka," "Kashiwazaki," "Tokamachi," "Uonuma," "Joetsu," "Itoigawa," and "Sado" based on the actual scope of users' economic activities. With regard to the the Parties' argument, the JFTC established separate geographic ranges for lending for big businesses/mid-tier enterprises and lending for small- and medium-sized enterprises as follows:

(1) Lending for big businesses/mid-tier enterprises

Many big businesses/mid-tier enterprises in Niigata Prefecture conduct economic activities across the Prefecture, and according to a questionnaire survey of users, around 40% of big businesses/mid-tier enterprises said they would seek lenders in areas greater than the above 10 economic zones. As well, banks, the suppliers, have systems and capabilities to serve big businesses/mid-

tier enterprises for their financing needs across Niigata Prefecture, and they in fact provide loans for big businesses/mid-tier enterprises across the entire Prefecture.

In the meantime, as only less than 5% of big businesses/mid-tier enterprises take out loans from bank branches located outside of Niigata Prefecture, competition is waged almost entirely within the Prefecture.

Accordingly, the JFTC defined the geographic range concerning lending for big businesses/mid-tier enterprises as "Niigata Prefecture."

(2) Lending for small- and medium-sized enterprises

Many small- and medium-sized enterprises in Niigata Prefecture conduct economic activities only inside the above 10 economic zones, and according to a questionnaire survey of users, around 80% of small- and medium-sized enterprises said they would seek lenders at the farthest within the economic zones where they are based. As well, to save costs related to sales and credit management, banks, credit associations, and credit unions, the suppliers, focus their sales activities for small- and medium-sized enterprises which seek relatively small amounts of loans on the neighborhoods of their branches.

In the meantime, only around 10% of small- and medium-sized enterprises take out loans from branches of banks, credit associations, or credit unions located outside of their economic zones, and very few small- and medium-sized enterprises borrow funds from branches of those financial institutions located outside of Niigata Prefecture.

Accordingly, the JFTC established a geographic range concerning lending for small- and medium-sized enterprises for each of the above 10 economic zones. Municipalities included in each economic zone are provided in the following table:

	Economic zone	Municipalities by economic zone
1	Murakami economic zone	Murakami City, Sekikawa Village, and Awashimaura Village
2	Niigata economic zone	Niigata City, Shibata City, Gosen City, Agano City, Tainai City, Seiro Town, Tagami Town, and Aga Town
3	Sanjo economic zone	Sanjo City, Kamo City, Tsubame City, and Yahiko Village
4	Nagaoka economic zone	Nagaoka City, Ojiya City, Mitsuke City, and Izumozaki Town
5	Kashiwazaki economic	Kashiwazaki City and Kariwa Village

	zone	
6	Tokamachi economic zone	Tokamachi City and Tsunan Town
7	Uonuma economic zone	Uonuma City, Minamiuonuma City, and Yuzawa Town
8	Joetsu economic zone	Joetsu City and Myoko City
9	Itoigawa economic zone	Itoigawa City
10	Sado economic zone	Sado City

Part V Examination of substantial restriction of competition concerning business lending

1. Lending for big businesses/mid-tier enterprises

(1) Position of the Parties and conditions of competing enterprises

A. Market shares and conditions of the competitors

The following table shows the combined market share of the Parties in the market of lending for big businesses/mid-tier enterprises in Niigata Prefecture in FY2016 and the integration of this case does not meet the safe-harbor criteria for horizontal business combinations.

[Market shares in the market of lending for big businesses/mid-tier enterprises]

Rank	Financial institution name[4]	Market share[5]
1	Daishi Bank	Approx. 40%
2	Hokuetsu Bank	Approx. 15%
3	A	Approx. 15%
4	B	Approx. 10%
5	C	Approx. 5%
	Others	Approx. 15%
Total		100%
Combined market share/rank: Approx. 55%/1st		
HHI after integration: Approx. 3,400		
HHI increment: Approx. 1,300		

Before the integration of this case, 13 competitors apart from the Parties have established branches in Niigata Prefecture and provided loans to big businesses/mid-tier enterprises. Among them, the financial institution A holds a market share equivalent to Hokuetsu Bank prior to the integration.

While the Parties' combined market share will be around 55% after the

[4] Each competitor is represented by a random alphabet letter for anonymization. The same shall apply hereinafter.
[5] Figures are shown at 5% intervals. (For example, any number that is 37.5% or larger and less than 42.5% is expressed as "around 40%.") The same shall apply hereinafter.

integration, a high percentage of respondents in a user questionnaire survey[6] said that the financial institution A and some other banks would be substitutable lenders for the Parties, which shows that big businesses/mid-tier enterprises view the financial institution A and some other banks as lenders which could substitute for the Parties to a certain degree. As well, most of the big businesses/mid-tier enterprises in Niigata Prefecture are so creditworthy that banks are eager to extend loans to them, and in fact around half of big businesses/mid-tier enterprises say they have been approached by the financial institution A or some other banks for new loans during the past three years.

Based on the above, the financial institution A and some other banks are considered to function as a constraint against the Parties after the integration of this case.

B. Excess capacity of competitors

All competitors have sufficient excess capacity. In addition, according to interviews with competitors, those which do not have many branches in Niigata Prefecture still conduct their business activities across Niigata Prefecture for big businesses/mid-tier enterprises by traveling a long distance, if necessary, to meet such users, and therefore a limited number of branches or personnel would not be a constraint to providing loans for big businesses/mid-tier enterprises.

Therefore, the JFTC decided that competitors have sufficient excess capacity in terms of funds and systems.

C. Summary

Based on the above, pressure from competitors is recognized.

(2) Entry

There is no institutional entry barrier because banks already have licenses concerning banking business. According to interviews with competitors, however, no bank has established a new branch in Niigata Prefecture for the past five years, or has a plan to establish one in the future. Therefore, entry pressure is not recognized.

(3) Competitive pressure from adjacent markets

A. Competitive pressure from geographically adjacent markets

As discussed in Part IV 2 (1) above, only less than 5% of big

businesses/mid-tier enterprises take out loans from bank branches located outside of Niigata Prefecture. The user questionnaire reveals, however, that around 15% of big businesses/mid-tier enterprises would consider bank branches located outside of Niigata Prefecture when they look for new lenders in the event that the current loan conditions become worse. In addition, as discussed in (1) A above, many big businesses/mid-tier enterprises in Niigata Prefecture are so creditworthy that banks are eager to extend loans to them.

Therefore, a certain degree of competitive pressure from bank branches located outside of Niigata Prefecture is recognized.

B. Competitive pressure from JA, etc.

While operating within certain restriction by laws and regulations, JA, etc. has increased loans to big businesses/mid-tier enterprises, which it competes for against the Parties, and its balance of outstanding loans has reached a certain level.

Therefore, a certain degree of competitive pressure from JA, etc. is recognized.

C. Competitive pressure from DBJ

As DBJ is used to supplement loans from private financial institutions in cases where a large long-term loan is required, competitive pressure from DBJ is limited.

(4) Ease of changing suppliers for users[6]

According to the user questionnaire survey, a considerable percentage, around 60%, of big businesses/mid-tier enterprises would "consider" borrowing from banks other than the Parties in the event of an interest rate hike by the Parties after the integration of this case. In this respect, as around 60% of big businesses/mid-tier enterprises which borrow funds from the Parties also take out loans from banks other than the Parties, it is considered relatively easy for especially these big businesses/mid-tier enterprises to switch lenders to banks other than the Parties. While there are many highly creditworthy big businesses/mid-tier enterprises, banks other than the Parties are actively approaching them for new business as discussed in (1) A above. As these banks also have sufficient excess capacity, big businesses/mid-tier enterprises are

6 Including cases where a user reduces a loan from the Parties and takes out a new loan by the same amount from a competitor which the user has never borrowed funds from as well as cases where the user increases a loan by the same amount from a competitor which the user has borrowed funds from in the past. The same shall apply hereinafter.

considered to be able to switch lenders easily.

(5) Recapitulation

As discussed above, while users can easily switch lenders, there is pressure from competitors as well as a certain degree of competitive pressure from adjacent markets. Based on such conditions, the integration of this case would not lead to a situation where big businesses/mid-tier enterprises could not secure sufficient options of lenders, and would not substantially restrain competition in any particular field of trade concerning lending for big businesses/mid-tier enterprises in Niigata Prefecture through unilateral conduct of the Parties.

As well, it is considered impracticable for competitors to predict each other's move because business loan conditions are decided for each user based on the state of the user's business and finance as discussed in Part IV 1 (1). Therefore, the integration of this case would not substantially restrain competition in any particular field of trade concerning lending for big businesses/mid-tier enterprises in Niigata Prefecture through coordinated conduct between the Parties and competitors.

2. Lending for small- and medium-sized enterprises

(1) Position of the Parties and conditions of competing enterprises

A. Market shares and conditions of the competitors

The tables provided in the following (a) and (b) show the combined market share of the Parties in the market of lending for small- and medium-sized enterprises in each economic zone in FY2016 and the integration of this case does not meet the safe-harbor criteria for horizontal business combinations in any economic zone.

(a) Seven economic zones of this case

As the following tables show, one or two competitors (Note) hold an equivalent or greater market share than at least one of the Parties before the integration of this case in each economic zone of "Murakami," "Sanjo," "Kashiwazaki," "Tokamachi," "Uonuma," "Joetsu," and "Itoigawa" (hereinafter referred to as "seven economic zones of this case"). These competitors may be a regional bank, or a credit association or credit union based in each economic zone.

(Note) D and E of Murakami economic zone, G of Sanjo economic zone, J of

Kashiwazaki economic zone, M of Tokamachi economic zone, P of Uonuma economic zone, S and T of Joetsu economic zone and V of Itoigawa economic zone

While the Parties together hold the largest market share, around 40 to 55%, in the seven economic zones of this case after the integration, small- and medium-sized enterprises view these competitors as substitutable lenders which are equivalent or better than either of the Parties according to the user questionnaire survey. In addition, the same survey reveals that around 40 to 60% of small- and medium-sized enterprises have been approached by one of these competitors for new business during the past three years. Based on the above, these competitors are considered to continue to function as a brake against the Parties after the integration of this case.

Apart from the said competitors, there are other competitors which hold a certain market share respectively. Many users view some of these competitors as lenders who could substitute for the Parties too, and these competitors actively approach users for new business according to the user questionnaire survey. Therefore, these competitors are also considered to function as a brake against the Parties to a certain degree after the integration of this case.

[Murakami economic zone]

Rank	Financial institution name	Market share
1	D	Approx. 30%
2	Daishi Bank	Approx. 30%
3	E	Approx. 10%
4	Hokuetsu Bank	Approx. 10%
5	F	Approx. 10%
	Others	Approx. 10%
Total		100%
Combined market share/rank: Approx. 40%/1st		
HHI after integration: Approx. 2,800		
HHI increment: Approx. 700		

[Sanjo economic zone]

Rank	Financial institution name	Market share
1	Daishi Bank	Approx. 35%
2	G	Approx. 20%
3	Hokuetsu Bank	Approx. 15%
4	H	Approx. 10%
5	I	Approx. 10%
	Others	Approx. 10%
Total		100%
Combined market share/rank: Approx. 45%/1st		
HHI after integration: Approx. 2,700		
HHI increment: Approx. 800		

[Kashiwazaki economic zone]

Rank	Financial institution name	Market share
1	Daishi Bank	Approx. 30%
2	J	Approx. 25%
3	Hokuetsu Bank	Approx. 20%
4	K	Approx. 15%
5	L	Approx. 5%
	Others	Approx. 5%
Total		100%
Combined market share/rank: Approx. 55%/1st		
HHI after integration: Approx. 3,600		
HHI increment: Approx. 1,400		

[Tokamachi economic zone]

Rank	Financial institution name	Market share
1	Daishi Bank	Approx. 25%
2	M	Approx. 25%
3	Hokuetsu Bank	Approx. 25%
4	N	Approx. 20%
5	O	Approx. 5%
	Others	Approx. 5%
Total		100%
Combined market share/rank: Approx. 50%/1st		
HHI after integration: Approx. 3,400		
HHI increment: Approx. 1,200		

[Uonuma economic zone]

Rank	Financial institution name	Market share
1	Daishi Bank	Approx. 30%
2	Hokuetsu Bank	Approx. 20%
3	P	Approx. 15%
4	Q	Approx. 10%
5	R	Approx. 5%
	Others	Approx. 20%
Total		100%
Combined market share/rank: Approx. 50%/1st		
HHI after integration: Approx. 3,100		
HHI increment: Approx. 1,200		

[Joetsu economic zone]

Rank	Financial institution name	Market share
1	Daishi Bank	Approx. 35%
2	Hokuetsu Bank	Approx. 15%
3	S	Approx. 15%
4	T	Approx. 15%
5	U	Approx. 10%
	Others	Approx. 10%
Total		100%
Combined market share/rank: Approx. 50%/1st		
HHI after integration: Approx. 2,900		
HHI increment: Approx. 1,000		

[Itoigawa economic zone]

Rank	Financial institution name	Market share
1	Hokuetsu Bank	Approx. 25%
2	Daishi Bank	Approx. 25%
3	V	Approx. 25%
4	W	Approx. 10%
5	X	Approx. 5%
	Others	Approx. 10%
Total		100%
Combined market share/rank: Approx. 50%/1st		
HHI after integration: Approx. 3,400		
HHI increment: Approx. 1,300		

(b) Three economic zones of this case

As the following tables show, no competitor holds an equivalent or greater market share than at least one of the Parties before the integration of this case in any economic zone of “Niigata,” “Nagaoka,” and “Sado” (hereinafter referred to as “three economic zones of this case”). However,

Y of Niigata economic zone, BB and CC of Nagaoka economic zone, and EE and FF of Sado economic zone hold a certain market share respectively. According to the user questionnaire survey, many respondents view these competitors as lenders which could substitute for the Parties, and even rate some of them as substitutable lenders which are equivalent or better than either of the Parties. In addition, the same survey reveals that more than half of small- and medium-sized enterprises in each of the three economic zones of this case have been approached by one of these competitors for new business during the past three years.

Based on the above, these competitors are considered to function as a brake against the Parties to a certain degree after the integration of this case.

[Niigata economic zone]

Rank	Financial institution name	Market share
1	Daishi Bank	Approx. 35%
2	Hokuetsu Bank	Approx. 20%
3	Y	Approx. 15%
4	Z	Approx. 5%
5	AA	Approx. 5%
	Others	Approx. 20%
Total		100%
Combined market share/rank: Approx. 55%/1st		
HHI after integration: Approx. 3,500		
HHI increment: Approx. 1,500		

[Nagaoka economic zone]

Rank	Financial institution name	Market share
1	Hokuetsu Bank	Approx. 35%
2	Daishi Bank	Approx. 25%
3	BB	Approx. 15%
4	CC	Approx. 10%
5	DD	Approx. 5%
	Others	Approx. 10%
Total		100%
Combined market share/rank: Approx. 60%/1st		
HHI after integration: Approx. 4,100		
HHI increment: Approx. 1,800		

[Sado economic zone]

Rank	Financial institution name	Market share
1	Daishi Bank	Approx. 35%
2	Hokuetsu Bank	Approx. 25%
3	EE	Approx. 20%
4	FF	Approx. 15%
	Others	Approx. 5%
Total		100%
Combined market share/rank: Approx. 60%/1st		
HHI after integration: Approx. 4,300		
HHI increment: Approx. 1,800		

B. Excess capacity of competitors

All banks have sufficient excess capacity, and credit associations and credit unions which provide loans in specific areas also basically have excess capacity equivalent or greater than the Parties' balance of outstanding loans in

each economic zone.

According to a survey of competitors, they do not have particular systematic problems in increasing lending either.

Therefore, competitors are considered to have sufficient excess capacity in terms of funds and systems.

C. Summary

Based on the above, a considerable degree of pressure from competitors is recognized in the seven economic zones of this case and a certain degree of pressure from competitors is recognized in the three economic zones of this case.

(2) Entry

Just as described in 1 (2) above, entry pressure is not recognized.

(3) Competitive pressure from adjacent markets

A. Competitive pressure from geographically adjacent markets

As discussed in Part IV 2 (2) above, only about 10% of small- and medium-sized enterprises take out loans from branches of banks, credit associations, or credit unions located outside of the economic zones where they are based. The user questionnaire reveals, however, that around 10 to 30% of small- and medium-sized enterprises would consider branches of banks, credit associations, and credit unions located outside of the economic zones where they are based when they look for new lenders in the event that the current loan conditions become worse. However, as the Parties have considerable standing in any economic zone, as discussed in (1) A (a) and (b) above, competitive pressure from branches of banks, credit associations, and credit unions located in other economic zones is limited.

As discussed in Part IV 2 (2) above, only very few small- and medium-sized enterprises take out loans from branches of banks, credit associations, or credit unions located outside of Niigata Prefecture, and the user questionnaire reveals that only very few small- and medium-sized enterprises would consider branches of banks, credit associations, or credit unions located outside of Niigata Prefecture when they look for new lenders in the event that the current loan conditions become worse. Therefore, competitive pressure from branches of banks, credit associations, or credit unions located outside of Niigata Prefecture is not recognized.

B. Competitive pressure from JA, etc.

JA, etc. has rarely provided a loan to those who are not farmers, etc. Because the lending service for small- and medium-sized enterprises is designed for financing a wide range of enterprises other than farmers, etc., competitive pressure from JA, etc. is limited.

C. Competitive pressure from Shoko Chukin and JFC

As discussed in Part IV 1 (3) B above, as government-run financial institutions, Shoko Chukin and JFC, following the principle of additionality to private businesses based on laws and regulations, lend funds to enterprises which have difficulties in borrowing from private financial institutions. As well, according to interviews with other financial institutions, they compete against these government-run financial institutions, if at all, only for some business such as funds for equipment.

In this respect, the JFTC used data of Daishi Bank and conducted an economic analysis to find out if there was a significant difference in interest rates offered by Daishi Bank to users between cases where a user is borrowing funds from private institutions (banks, credit associations, or credit unions) competing against Daishi Bank and cases where a user is borrowing funds from government-run financial institutions (Shoko Chukin or JFC) while making appropriate adjustments to eliminate effects of factors which could have an impact on interest rates such as users' credit ratings. The result was that interest rates of the latter cases were statistically significantly high. This indicates that the degree of competition between Daishi Bank and government-run financial institutions is smaller than that between Daishi Bank and private financial institutions.

Therefore, competitive pressure from Shoko Chukin and JFC is limited.

(4) Ease of changing suppliers for users

According to the user questionnaire survey, around a quarter of respondents would "not consider" borrowing from competitors other than the Parties in the event of an interest rate hike by the Parties after the integration of this case while some others, around half of respondents, would "consider." Financial institutions selected as alternatives by many of those who would "consider" are competitors which could act as a brake on the Parties in each economic zone. In this respect, as around 60% of small- and medium-sized enterprises which borrow funds from the Parties also take out loans from competitors other than the Parties, it is considered relatively easy for especially these small- and medium-sized

enterprises to switch lenders to competitors other than the Parties. As well, in economic zones including the three economic zones of this case, competitors are actively approaching small- and medium-sized enterprises for new business as discussed in (1) A (a) and (b) above. As these competitors also have sufficient excess capacity, small- and medium-sized enterprises are considered to be able to switch lenders somewhat easily.

(5) Recapitulation

As discussed above, while users can somewhat easily switch lenders in each economic zone, there is a considerable degree of pressure from competitors in the seven economic zones of this case as well as a certain degree of pressure from competitors in the three economic zones of this case. Based on such conditions, the integration of this case would not lead to a situation where small- and medium-sized enterprises could not secure sufficient options of lenders, and would not substantially restrain competition in any particular field of trade concerning lending for small- and medium-sized enterprises in any economic zone through unilateral conduct of the Parties.

As well, it is considered impracticable for competitors to predict each other's move because business loan conditions are decided for each user based on the state of the user's business and finance as discussed in Part IV 1 (1). Therefore, the integration of this case would not substantially restrain competition in any particular field of trade concerning lending for small- and medium-sized enterprises in any economic zone through coordinated conduct between the Parties and competitors.

Part VI Conclusion

Based on the above, the JFTC concluded that the integration of this case would not substantially restrain competition in any particular field of trade.