

**Annual Report of FY 2007  
(Outline)**

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## **Chapter 1 – Summary**

The Japan Fair Trade Commission (JFTC) positively implemented competition policy during FY 2007 mainly focusing on the following types of measures.

### **1. Prompt and Effective Enforcement of Laws**

#### **(1) Smooth Implementation of the Amended Antimonopoly Act**

A bill to amend the Antimonopoly Act (AMA) was enacted by the National Diet in April 2005 and the amended AMA has been in force since January 2006. Designed to strengthen measures against antimonopoly violations, the amended AMA features (a) revision of the surcharge system, (b) introduction of a leniency program, (c) introduction of compulsory measures for criminal investigations, and (d) revision of hearing procedures.

The amended AMA has been smoothly introduced, as detailed below, and its expected effects are steadily being realized.

#### **A. Implementation of the Surcharge System**

During FY 2007, payments of surcharges computed according to the higher rates introduced in the amended AMA were ordered in 15 cases.

#### **B. Smooth Implementation of the Leniency System**

Seventy-four cases were submitted under the leniency program during FY 2007 (a total of 179 cases have been submitted since the enforcement of the amended AMA in January 2006). Cases where legal measures were taken using information submitted under the leniency program include bid-rigging for marine hoses ordered by a user located in Japan.

#### **C. Appropriate Exercise of Compulsory Measures for Criminal Investigations**

The JFTC has installed a rigid firewall between the divisions responsible for administrative investigation and those for criminal investigation, for example, by setting up a Criminal Investigation Department solely in charge of probing into criminal cases, to appropriately exercise its criminal investigative power.

During FY 2007, the JFTC conducted a criminal investigation into collusive bidding for studying, surveying, and designing forest roads ordered by the Japan Green Resources Agency. As a result of the investigation, the JFTC concluded that a criminal violation of the AMA had occurred, and filed criminal accusations with the Prosecutor General.

#### **D. Appropriate Implementation of Investigative Procedures**

The amended AMA abolished the recommendation system, and the JFTC now issues cease and desist orders. The cease and desist orders are issued following preliminary procedures whereby the JFTC provides prior notice to the subject parties of the contents of the planned cease and desist orders and, upon request, offers explanations

of the evidence on which the facts recognized by the JFTC are based. Prior to the enforcement of the amended AMA, when hearing procedures on cases were instituted, the JFTC could not issue surcharge payment orders for the concerned cases until the hearing procedures of the cases were completed. With the amendment of the AMA, the JFTC can now issue surcharge payment orders at the same time as cease and desist orders.

The JFTC provides the following information upon request from the subject parties and others during the preliminary procedures of cease and desist orders or surcharge payment orders: facts recognized by the JFTC, basis for the computation of surcharges, and evidence proving the grounds for the violations subject to the surcharges. During FY 2007, explanations of the facts and other matters were given to a total of 145 requesting parties in the preliminary process of the legal action. With the appropriate implementation of these investigative procedures, the percentage of cases where hearing procedures are instituted has sharply declined compared to the situation prior to the enforcement of the amended AMA. (Between April 2003 and December 2005, hearing procedures were started for about 20.6 percent of cases involving recommendations or surcharge payment orders. Between January 2006 and March 2008, this percentage decreased to about 1.6 percent for cases involving cease and desist orders or surcharge payment orders issued under the amended AMA.)

## **(2) Vigorous Elimination of Violations of the Antimonopoly Act**

During FY 2007, under the fundamental policy of prompt and effective law enforcement, the JFTC acted strictly and vigorously against violations of the AMA, especially price-fixing cartels, bid-rigging, abuse of superior bargaining position, and other unfair trade practices that place small and medium enterprises at an unfair disadvantage.

During FY 2007, cease and desist orders and other legal measures were taken in 24 cases, the main cases of which were as follows.

<Main Legal Measures Cases during FY 2007>

Bid-rigging:

- Bid-rigging in civil engineering and construction projects ordered by the Defense Facilities Administration Agency
- Bid-rigging in natural gas eco-station construction projects ordered by gas enterprises, petroleum product retailers, et al.

International cartel:

- Bid-rigging for marine hoses ordered by a user located in Japan

Cartel:

- Price-fixing cartel involving manufacturing and sales companies of calcium silicate boards for building interiors
- Price-fixing cartel involving manufacturing and sales companies of polyethylene pipes and couplings for gas industry

The JFTC also actively brings charges seeking criminal punishment in grave and malicious cases that are likely to have a widespread influence on the lives of the people.

During FY 2007, the JFTC filed criminal accusations with the Prosecutor General against 4 enterprises and 7 individuals in a case concerning bid-rigging for studying, surveying, and designing forest roads ordered by the Japan Green Resources Agency.

### **(3) Proper Implementation of Hearing Procedures**

Before the enforcement of the amended AMA, hearing procedures were initiated by decision of the JFTC when enterprises and other parties did not accept the JFTC recommendations issued to them. In contrast, after the enforcement of the amended AMA, hearing procedures are initiated on the request of enterprises and other parties after they have received cease and desist orders, etc.

During FY 2007, the JFTC initiated hearing procedures on 112 cases. The JFTC endeavored to conduct hearings in a careful and effective manner while maintaining proper procedures. Decisions were rendered in 35 cases during FY 2007 (3 hearing decisions, 21 consent decisions, 10 decisions for surcharge payment, and 1 decision pertaining to a surcharge payment order).

### **(4) Appropriate Implementation of Business Combination Regulations, etc.**

The AMA prohibits company mergers, stockholdings, and other transactions that substantially restrain competition in any particular field of trade. Due to the globalization of corporate activities and rapid changes in the economic environment, an increasing number of large-scale business combinations such as mergers involving large companies are being proposed. In light of these developments, the JFTC is committed to preserving the competitive structure of Japanese markets through the appropriate implementation of regulations on business combinations.

#### **A. Appropriate Implementation of Business Combination Regulations**

During FY 2007, the JFTC took appropriate action on the following proposed business combinations. The JFTC published the details of these cases in order to further enhance transparency and predictability in its review of business combinations.

<Main Business Combination Cases during FY 2007>

- Merger of the industrial gunpowder businesses of Asahi Kasei Chemicals Corporation and Nippon Kayaku Co., Ltd.
- TDK Corporation's acquisition of fixed assets for the manufacturing of magnetic heads from Alps Electric Co., Ltd.
- Topcon Corporation's acquisition of the shares of Sokkia Co., Ltd.
- Acquisition of Kobashou, Inc. shares by Mediceo Paltac Holdings Co., Ltd.

#### **B. Ex-post Verifications of Business Combination Reviews (Released in June 2007)**

To further refine the process of business combination reviews, during FY 2007, the JFTC carried out ex-post verifications of business combination reviews that had been conducted in the past. These were designed primarily to analyze competitive conditions in the market after the conclusion of business combinations and to verify such matters

as the determinations made at the time of the review concerning factors promoting competition and the effectiveness of measures implemented for the elimination of problems.

## **2. Submission of Bill for the Partial Amendment of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act Against Unjustifiable Premiums and Misleading Representations**

In compliance with the provisions contained in Article 13 of the Supplementary Provisions of the amended AMA of 2005, the Advisory Panel on Basic Issues Regarding the Antimonopoly Act (chaired by Hiroshi Shiono, Professor Emeritus of the University of Tokyo) was convened under the Chief Cabinet Secretary in July 2005 for a period of two years, and submitted its final report to the Chief Cabinet Secretary in June 2007.

In light of the recommendations contained in this report concerning amendments to the AMA, the JFTC studied specific directions for revisions to the law, examined various matters deemed necessary for the promotion of fair and free competition in the Japanese economy, and formulated the basic principles for the amendment of the AMA, etc., which was released on October 16, 2007. Subsequently, the bill for the amendment of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act Against Unjustifiable Premiums and Misleading Representations, featuring the expansion of the scope of surcharge application and other measures, was submitted to the 169th Ordinary Session of the National Diet on March 11, 2008.

On June 20, 2008, the bill was tabled in the House of Representatives for deliberation during recess (carried over to the next session).

## **3. Response to the Globalization of the Economy**

The globalization of business activities in recent years has given rise to an increasing number of cases involving violations of the competition laws of multiple countries and cases in which competition law enforcement activities of one country may affect the interests of others. These developments have enhanced the need for the internationalization of enforcement activities and the strengthening of cooperation and liaison among competition authorities.

Responding to these developments, the JFTC has taken the following measures.

### **(1) Hosting the Seventh Annual International Competition Network Conference**

The International Competition Network (ICN) was formed in October 2001 as a network primarily of the competition authorities of various countries and functions to promote convergence and harmonization in the practices and procedures of competition law enforcement. In April 2008, the JFTC hosted the Seventh Annual ICN Conference held in Kyoto. Some 500 people participated in the Conference, including the top-level officials and staff members of the competition authorities of countries and regions throughout the world, and attorneys and others from the private sector. Reports were

given by working groups on their work products since the previous annual conference held in May 2007, and the Conference adopted “Cartel Settlements,” and “Recommended Practices for Merger Analysis.” The JFTC hosted a panel on “Abuse of Superior Bargaining Position,” a special program for discussion of issues of concern to the organizing authority.

## **(2) Bilateral and Multilateral Relations and Technical Support**

The JFTC is strengthening its cooperative relations with the competition authorities of other countries through bilateral antitrust cooperation agreements and other initiatives. The JFTC is working with various government ministries and agencies and is participating in negotiations for economic partnership agreements to establish competition policies as an important element in such agreements. The JFTC is also an active participant in multilateral forums and discussions, including the Organization for Economic Co-operation and Development (OECD), the ICN, Asia-Pacific Economic Cooperation (APEC), the United Nations Conference on Trade and Development (UNCTAD), and the International Consumer Protection and Enforcement Network (ICPEN). In addition to these activities, the JFTC is playing a leadership role in organizing the East Asia Conference on Competition Law and Policy, and the East Asia Top Level Officials’ Meeting on Competition Policy.

Due to a growing awareness of the importance of competition laws and policies in a market economy, developing countries and transition economies are acting to strengthen their existing competition law systems or to introduce new ones. The JFTC provides the competition authorities of such countries with technical support by organizing training programs and through other means.

The JFTC is also working to enhance its international presence and to provide information on Japan’s competition policies globally through the distribution of English-language pamphlets, development of its English-language website, and the dispatch of speakers to seminars and other functions organized by overseas bar associations.

The major international activities of the JFTC during FY 2007 were as follows.

<The JFTC’S Main International Activities during FY 2007>

- Active engagement in International Competition Network (ICN) activities
- East Asia Conference on Competition Law and Policy, and the East Asia Top Level Officials’ Meeting on Competition Policy (May 2007)
- Discussions with competition authorities (U.S., EU, and South Korea)
- Participation in economic partnership agreement negotiations (Thailand, Indonesia, and others)
- Training on competition policy (for China, Indonesia, the Philippines, and others)

## **4. Surveys and Proposals to Create a Positive Competition Environment**

### **(1) Surveys on Regulatory Reform in Public Utilities, etc.**

To maintain fair competition in the public sector, the JFTC has published guidelines on issues related to the AMA, such as obstacles to entry, and is engaged in surveys and the formulation of proposals concerning regulatory reform.

During FY 2007, the JFTC issued guidelines and conducted surveys in this field, including those listed below.

<Surveys on Regulatory Reform in Public Utilities, etc.>

- Formulation of “Guidelines concerning the Activities of Agricultural Cooperatives under the Antimonopoly Act” (published April 2007)
- Formulation of “Guidelines for the Use of Intellectual Property under the Antimonopoly Act” (published September 2007)
- “JFTC’s views concerning Exemption from the Application of the Antimonopoly Act to International Airline Treaties” (published December 2007)

**(2) Publication of “Status of Compliance System Sin the Construction Industry—From the Perspective of the Antimonopoly Act” (May 2007)**

The JFTC conducted a questionnaire survey of 1,700 construction enterprises, including small- and medium-sized enterprises, with the following developments in mind: (a) continued and frequent occurrence of bid-rigging cases, including cases of government involvement in collusive bidding, (b) increased awareness and interest in compliance with the AMA, including the issuance of notices on rigorous compliance by industry organizations following the enforcement of the amended AMA, and (c) rapid progress made in the reform of bidding systems for public works, including the enforcement of the Act for Promoting Quality Assurance in Public Works. The results of the survey were published in “Status of Compliance System s in the Construction Industry—From the Perspective of the Antimonopoly Act.”

**5. Efforts to Promote a Rule-based Competitive Society**

**(1) Vigorous Elimination of Violations of the Subcontract Act**

The importance of rectifying subcontracting transactions was repeatedly mentioned in “Strategies for Boosting the Growth,” which was formulated in February 2007 as part of the government’s overall strategies for economic growth, and other reports. To ensure fairness in subcontracting transactions and to protect the interest of subcontractors, the JFTC promptly and strictly enforces the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act) and strives to eliminate practices hindering the autonomous business activities of small and medium enterprises.

During FY 2007, the JFTC issued recommendations in 13 cases, such as those outlined below (including 8 cases regarding a service or other contract that has been subject to regulation since April 2004). The JFTC also issued warnings as needed to ensure fairness in subcontracting transactions, including service contracts.

<Main Recommendation Cases during FY 2007>

- Reduction of subcontracting payments by a road freight transportation enterprise (main subcontracting enterprise)
- Reduction of subcontracting payments and beating down of price by firefighting equipment maintenance and inspection enterprise (main subcontracting enterprise)
- Reduction of subcontracting payments by food manufacturing enterprise (main subcontracting enterprise)

## **(2) Promotion of Appropriate Provision of Information to Consumers as Market Participants**

### **A. Vigorous Elimination of Violations of the Premiums and Representations Act**

With the growing diversification of goods and services and sales methods targeting consumers, the JFTC is working to eliminate misleading representations through the strict and swift enforcement of the Act Against Unjustifiable Premiums and Misleading Representations (Premiums and Representations Act) to prevent obstructions to the proper selection of products by consumers.

During FY 2007, the JFTC addressed cases in a proactive manner, issuing cease and desist orders in 56 cases and warnings as needed, including those outlined below.

<Main Cease and Desist Orders Issued during FY 2007>

- Improper representation of materials used in apparel
- Improper representation of marbled horsemeat
- Improper representation of life insurance payment conditions
- Improper representation of the efficacy of products claiming to improve automobile fuel efficiency, etc.
- Improper representation of telephone directory assistance services

### **B. Normalization of Consumer Transactions**

As a result of advances made in regulatory reform, it has become increasingly important to provide appropriate information to consumers and to ensure proper product selection by consumers. For this purpose, the JFTC is working to eliminate misleading representations and other improper practices through the strict enforcement of the Premiums and Representations Act. The JFTC also conducts surveys on the actual status of representations for certain products and services of keen interest to consumers. Based on these findings, the JFTC works to ensure appropriate consumer transactions, among others, by publishing its thinking on representation in these business fields in light of the provisions of the Premiums and Representations Act.

There have been various government-wide developments in the area of consumer administration. Firstly, the Council for Promoting Consumer Policy submitted its report on June 13, 2008, and the cabinet approved the Basic Plan for Promoting Consumer Policy on June 27. Referring to the Premiums and Representations Act, the cabinet decision states, "Following necessary review, it shall be placed under the



jurisdiction of a Consumer Affairs Agency.” In March 2008, a bill for the partial amendment of the Consumer Contract Act, etc., was submitted to the 169th Ordinary Session of the National Diet, containing provisions for the introduction of litigation system for consumer organizations to the Premiums and Representations Act and other revisions. The bill was enacted following its passage at the House of Representatives plenary session on April 15 and at the House of Councillors plenary session on April 25. The law was promulgated on May 2 and is scheduled to go into effect on April 1, 2009.

### **(3) Approaches to Unjust Low Price Sales, Abuse of Superior Bargaining Position, and Other Unfair Trade Practices**

#### **A. Approaches to Unjust Low Price Sales**

The JFTC takes prompt action against unjust low price sales cases in the retail sector. In particular, in cases of unjust low price sales by large-scale enterprises and in cases of repeated unjust low price sales that are believed to have a large impact on surrounding distributors, the JFTC conducts individual investigations into the influence on the business activities of the surrounding distributors and other issues, and deals strictly with cases by adopting legal measures where problems are noted.

- During FY 2007, the JFTC issued two cease and desist orders and one warning in cases involving unjust low price sales of standard gasoline by petroleum products retailers. Furthermore, the JFTC issued cautions to retailers in 1,679 cases over concerns that their practices might lead to illegal conduct (926 cases on alcoholic beverages, 306 cases on petroleum products, 427 cases on consumer electronics, and 20 cases on other products).

#### **B. Approach to Abuse of Superior Bargaining Position**

The JFTC has long conducted surveillance so that abuse of superior bargaining position that constitutes unfair trade practices under the AMA will not occur, and has responded strictly to the conducts that violate the AMA.

During FY 2007, the JFTC established the “Transport and Distribution Investigation Task Force” as part of its efforts to ensure fair transactions between shippers and transport enterprises. The task force was formed under the aegis of “Measures for Small- and Medium-Sized Businesses toward the Fiscal Year-End” (agreed in the February 20, 2008 meeting of related cabinet ministers) and is authorized to conduct investigations of violations of “Designation of Specific Unfair Trade Practices when Specified Shippers Assign the Transport and Custody of Articles” (hereinafter “Designated Transport and Distribution”) by shippers as well as unfair trade practices in subcontracting in the field of transport and distribution. During FY 2007, the JFTC also conducted special investigations seeking information on suspected Designated Transport and Distribution violations.

## **Chapter 2 – Works in Each Area**

The works conducted by the JFTC during FY 2007 are summarized by category as follows.

### **1. Development in Antimonopoly Related Laws and Systems**

#### **(1) Amendment of the Antimonopoly Act and Related Laws**

On March 11, 2008, a bill for the amendment of the Antimonopoly Act, etc., was submitted to the 169th Ordinary Session of the National Diet featuring the expansion of the scope of surcharge application and other measures.

On June 20, 2008, the bill was tabled in the House of Representatives for deliberation during recess (carried over to the next session).

#### **(2) Coordination between the Antimonopoly Act and Other Economic Laws, etc.**

During FY 2007, the JFTC engaged in coordination with various government ministries and agencies responsible for the formulation of bills pertaining to economic laws and ordinances. These included the bill for the partial amendment of the Consumer Products Safety Act, the draft ministerial ordinance concerning designated maintenance products related to the Ministry of Economy, Trade and Industry, and the bill for the partial amendment of the Radio Law.

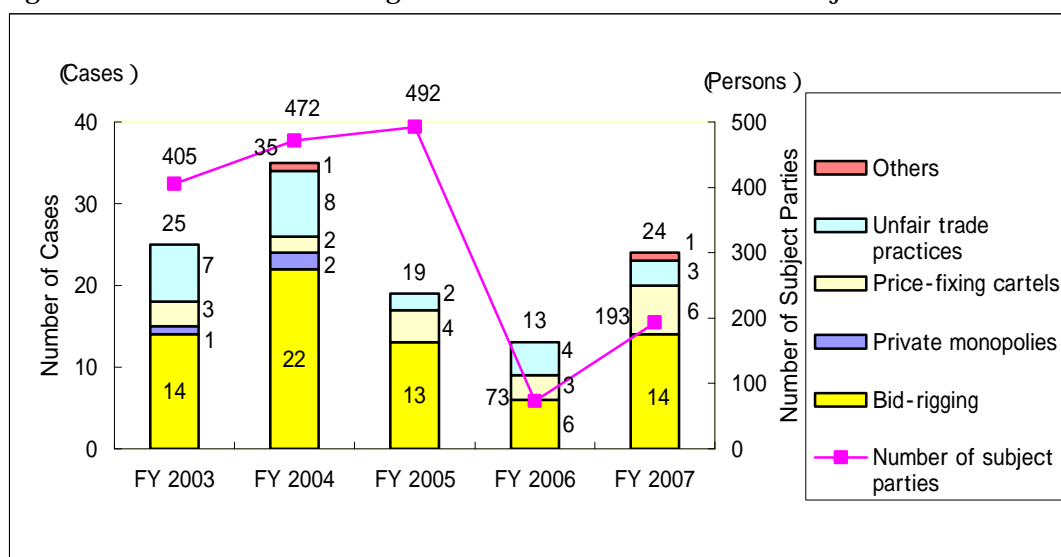
### **2. Investigation and Disposition of Suspected Violations of the Antimonopoly Act**

During FY 2007, the JFTC investigated 160 suspected violations of the AMA and completed 142 of those investigations. During the same period, legal measures were taken in 24 cases against a total of 193 parties (Figure 1).

By category, the 24 cases were broken down into 6 cases of price-fixing cartels, 14 cases of bid-rigging, 3 cases of unfair trade practices, and 1 case of unjustified restrictions on the activities of member enterprises by an industry association (Figure 1).

During FY 2007, the JFTC also received a total of 74 reports of facts from parties regarding their own violations under the leniency program introduced by the amended AMA.

Figure 1: No. of Cases with Legal Measures Taken and No. of Subject Parties

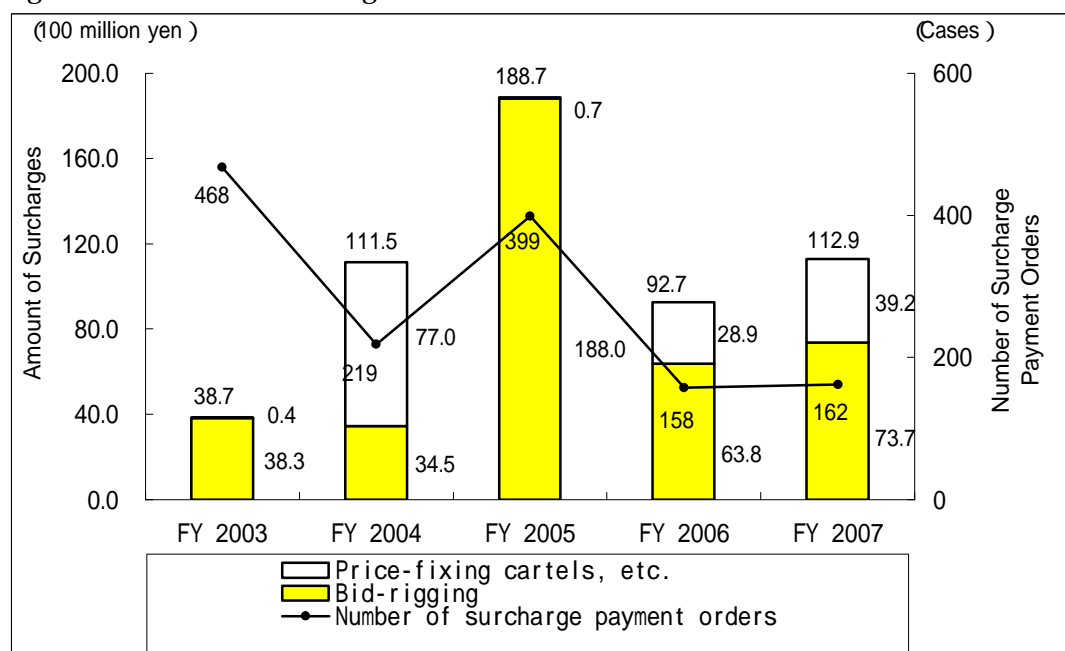


Aside from cases of unjust low price sales, which are addressed below, in cases where legal measures were not taken during FY 2007, the JFTC issued 10 warnings and 88 cautions. Investigations were terminated in 20 cases where the facts of violation were not recognized.

In cases of unjust low prices sales, the JFTC issued 2 cease and desist orders, 6 warnings, and 1,679 cautions over concerns that current practices might lead to illegal business activities. Including such enforcement activities, the JFTC strived to implement promptly and appropriately the relevant provisions against unjust low price sales.

During FY 2007, with respect to price-fixing cartels and bid-rigging, a total of 162 surcharge payment orders became final, and the surcharge amounted to 11,296.86 million yen (Figure 2).

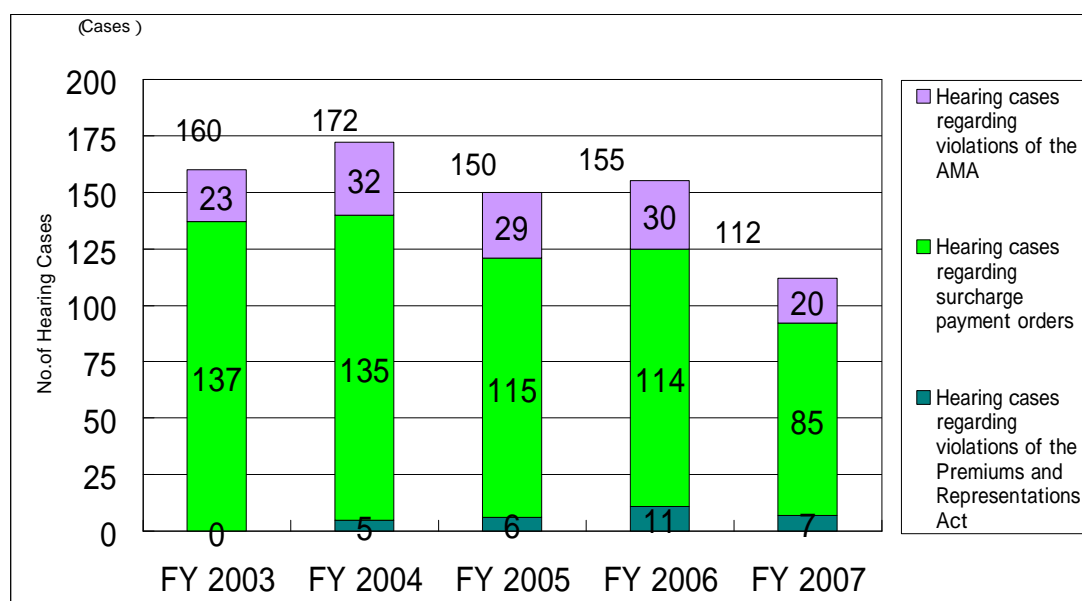
Figure 2: Amount of Surcharges



Note: Includes decisions on surcharge payment under the former law, and excludes surcharge payment orders nullified by the initiation of hearing procedures under the former law.

The total number of hearing procedures in progress amounted to 112 cases during FY 2007 (20 cases regarding violations of the AMA, 85 cases regarding surcharge payment orders, and 7 cases regarding violations of the Premiums and Representations Act). Of these, 93 cases were continued from the previous fiscal year, while 19 cases were newly initiated during FY 2007 (Figure 3). Among these cases, decisions were rendered on 35 cases during FY 2007, while hearing procedures were terminated in 3 cases. The breakdown of the 35 decisions was as follows. Hearing decisions were made in 3 cases, consent decisions were issued in 21 cases, and surcharge payment decisions were made in 10 cases under the provisions of the former law. In addition, a surcharge payment decision was made in 1 case under the current law. As a result, the number of hearing procedures in progress as of the end of FY 2007 (continued over to FY 2008) amounted to 96 cases. (Two of the decisions for the termination of hearing procedures and 20 of the consent decisions pertained to some of the parties involved in other hearing procedures in progress. However, this did not affect the total number of hearing procedures in progress because procedures remained in place for other parties involved in these cases.)

Figure 3: No. of Hearing Cases by Category



### 3. Survey and Proposals regarding Regulatory Reform and Competition Policy

#### (1) Review of Exemptions from the Application of the Antimonopoly Act

The JFTC carefully examined the exemption from the application of the AMA to international airfare agreements entered into by airline companies under the Civil Aeronautics Act. Based on this examination, in December 2007, the JFTC filed a request with the Ministry of Land, Infrastructure, Transport and Tourism for the prompt and fundamental review of this system and published this request.

#### (2) Measures for the Improvement of Corporate Compliance

The JFTC conducted a questionnaire survey of 1,700 construction enterprises, including small and medium enterprises, with the following developments in mind: (a) continued and frequent occurrence of bid-rigging cases, including cases of government involvement in collusive bidding, (b) increased awareness and interest in compliance with the AMA, including the issuance of notices on rigorous compliance by industry organizations following the enforcement of the amended AMA, and (c) rapid progress made in the reform of bidding systems for public works, including the enforcement of the Act for Promoting Quality Assurance in Public Works. The results of the survey were published in May 2007 under the title, "Status of Compliance Systems in the Construction Industry—From the Perspective of the Antimonopoly Act."

### 4. Clarification of Law Enforcement and Prevention of Violations of the Antimonopoly Act

To prevent violations of the AMA in advance, the JFTC provides individual consultations to enterprises and business groups that seek guidance as to whether the

specific business activities they are planning to implement would be in violation of the AMA.

During FY 2007, the JFTC provided consultations regarding 1,897 cases of individual company activities and regarding 433 cases of business association activities.

### **5. Surveying of Business Activities**

In addition to the disposition of cases in violation of the AMA, the JFTC strives to prevent violations by surveying business activities as needed.

During FY 2007, the JFTC conducted a survey of the status of textbook distribution. The JFTC published its survey results and made recommendations from the perspective of competition policy.

### **6. Preparation of Theoretical and Empirical Bases for Competition Policy**

During FY 2007, the JFTC's Competition Policy Research Center addressed 6 research themes, and vigorously conducted activities including an international symposium (held jointly with the Hitotsubashi University 21st Century COE/RES Program, Nikkei Inc., and the Fair Trade Institute), 11 workshops, and 2 public seminars.

### **7. Works Related to Business Combination Regulations**

In works related to business combinations during FY 2007, under the provisions of Articles 9 through 16 of the AMA, the JFTC approved 5 cases of voting rights for banks and insurance companies, received 93 reports regarding holding companies and other matters, 2 notifications regarding the establishment of holding companies, etc., 232 notifications regarding such matter as company mergers, spin-offs, and business transfers, and 1,052 reports regarding the shareholdings of operating companies, and conducted necessary examinations (Figures 4 and 5).

Figure 4: Receipt of Notifications regarding Mergers, Spin-offs, and Business Transfers

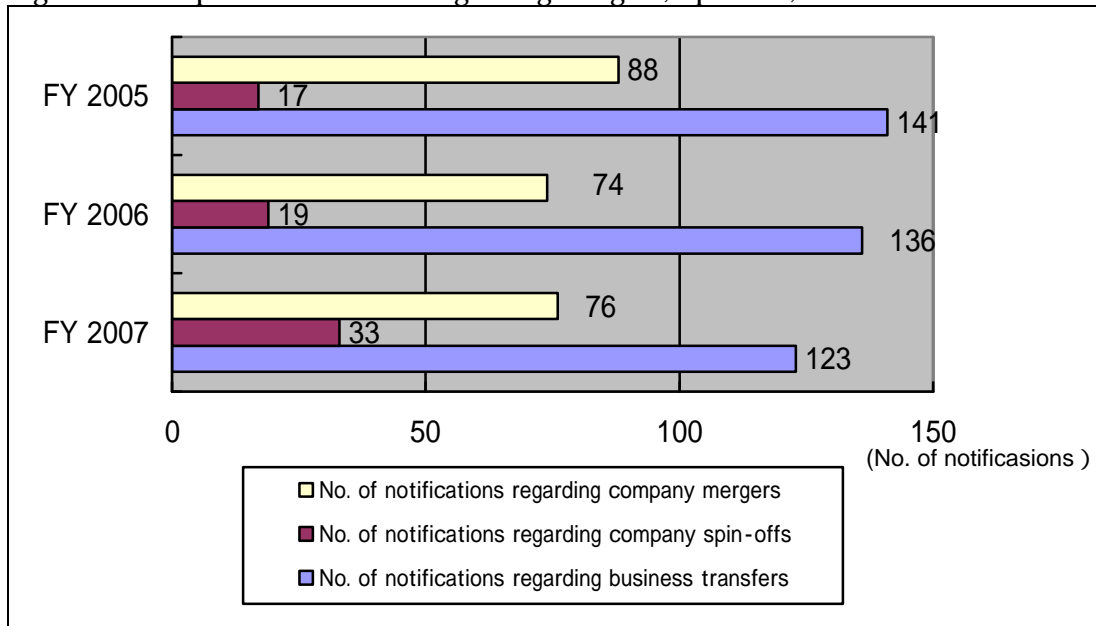
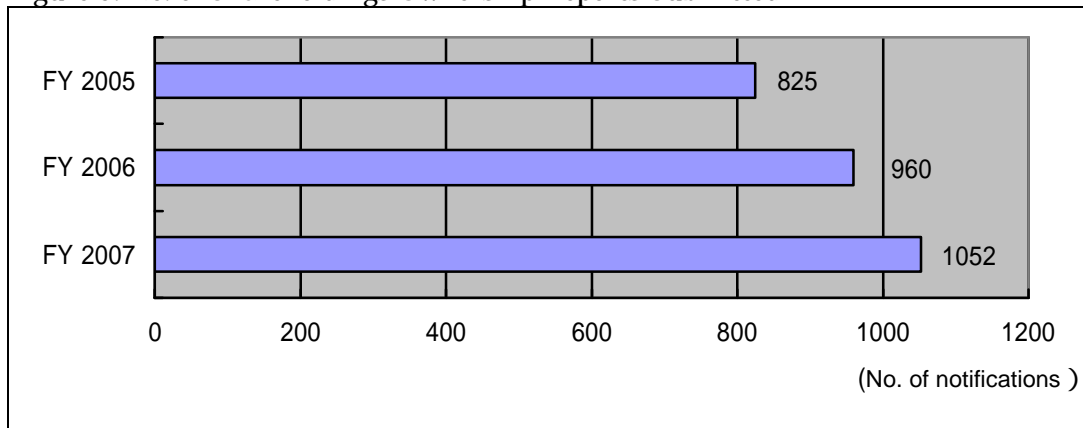


Figure 5: No. of Shareholdings Ownership Reports Submitted



### 8. Works regarding Business Associations

During FY 2007, the JFTC received 110 notifications of establishment, 1,157 notifications of changes, and 70 notifications of dissolution of business associations based on the provisions of Paragraphs 2 to 4 of Article 8 of the AMA.

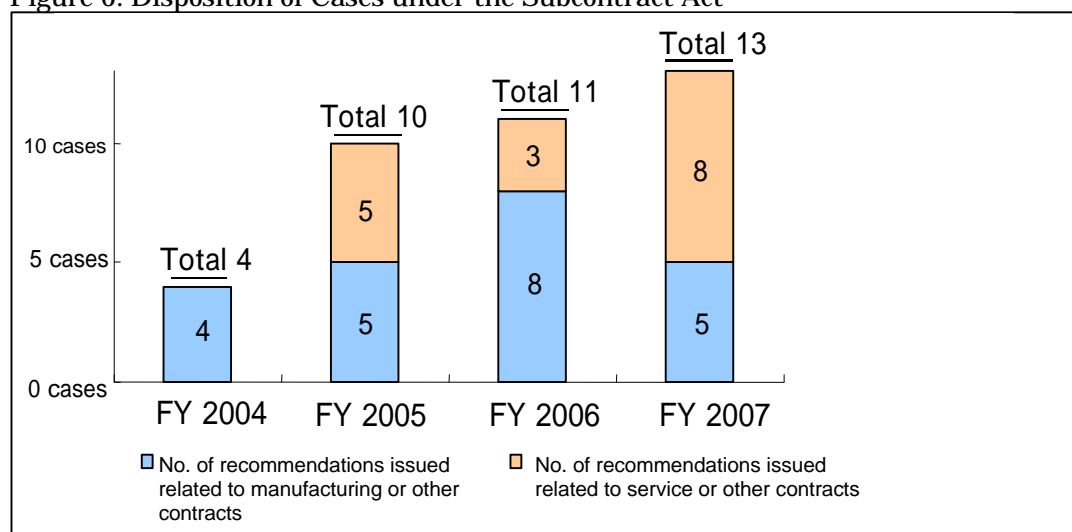
### 9. Works Related to the Subcontract Act

In works related to the Subcontract Act, to ensure fair subcontract transactions and to protect the interests of subcontractors, the JFTC conducted documentary examinations on 30,268 main subcontracting enterprises and 168,108 subcontractors engaged in transactions with such enterprises.

Pursuant to documentary examinations, the JFTC issued recommendations in 13 cases, including 8 cases concerning a service and other contract that has been subject to regulation since April 2004 (Figure 6), and issued 2,740 warnings, based on the Subcontract Act.

In cases related to delay in payment of subcontract proceeds, a total amount of 72.44 million yen was paid by 68 main subcontracting enterprises to 3,525 subcontractors as interest on delayed payments. In cases related to the reduction of subcontracting payments, a total amount of 1,088.04 million yen was reimbursed by 46 main subcontracting enterprises to 3,736 subcontractors.

Figure 6: Disposition of Cases under the Subcontract Act



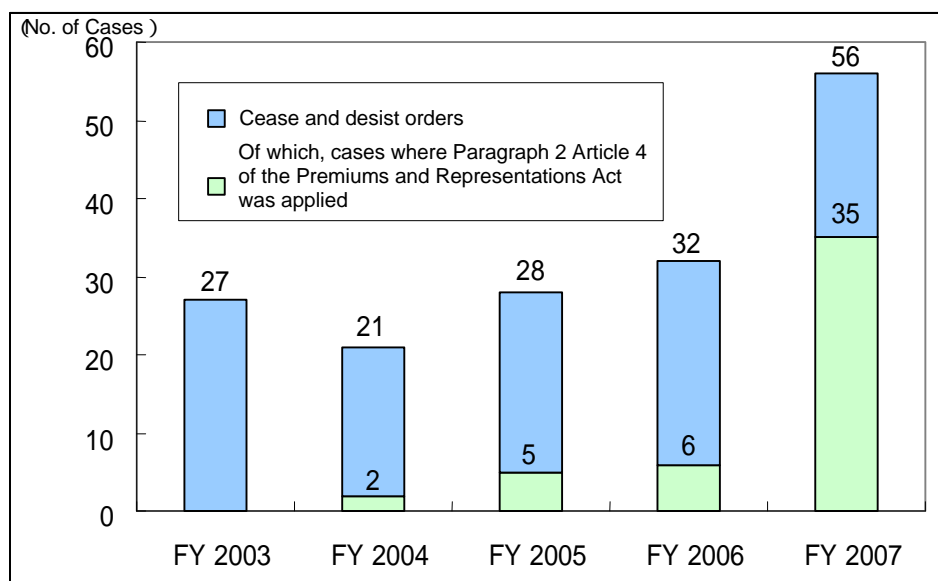
Note: In certain recommendation cases, violations were found in both manufacturing contracts and service contracts. The above numbers reflect the primary type of contract in such cases.

## 10. Works Related to the Premiums and Representations Act

During FY 2007, in works related to the Premiums and Representations Act, the JFTC issued cease and desist orders in 56 cases regarding representations—including 35 cases involving the application of Paragraph 2 of Article 4 of the Act (regulation of unproven advertising) that came into effect following the amendment of 2003 (Figure 7)—warnings in 19 cases regarding representations, and cautions in 38 cases regarding premiums and 482 cases regarding representations, based on the Act.



Figure 7: Disposition of Cases under the Premiums and Representations Act



In works at the prefectural level related to the Premiums and Representations Act, instructions were issued in 28 cases (all regarding representations), and cautions in 680 cases (20 regarding premiums, and 660 regarding representations) based on the Act.

During FY 2007, the JFTC newly approved 2 Fair Competition Codes and changes to 38 existing Fair Competition Codes. A Fair Competition Code is a set of industry rules regarding premiums and representations, which is voluntarily established by enterprises and business associations with the approval of the JFTC.

### 11. Works Related to International Relations

In works related to international relations, the JFTC hosted the Seventh Annual International Competition Network Conference (ICN), which was held in Kyoto in April 2008. The JFTC also held bilateral consultations to exchange opinions regarding common competition policy issues with competition authorities from the U.S., the EU, and South Korea, and actively participated in the East Asia Conference on Competition Law and Policy and the East Asia Top Level Officials' Meeting on Competition Policy, and international conferences organized by the Organization for Economic Cooperation and Development (OECD), the ICN, the Asia Pacific Economic Cooperation (APEC), the United Nations Conference on Trade and Development (UNCTAD), and the International Consumer Protection and Enforcement Network (ICPEN).

### 12. Works Related to Public Information, etc.

In public information works, the JFTC produced and distributed various types of pamphlets, videos, and DVDs during FY 2007. The JFTC also totally renewed its website and started the publication of an email magazine.

In an effort to deepen understanding regarding competition policy, the JFTC held Antimonopoly Policy Cooperation Committee Meetings in nine cities around the country, and members of the Commission exchanged opinions with local experts at eight cities nationwide.

The JFTC also dispatched lecturers for public lectures and other events organized by universities, dispatched lecturers to speak on the role of competition in economic activities and other issues at the request of junior high schools, and otherwise worked to spread knowledge of competition policy through school education.

### **13. Other Works**

The JFTC implements policy evaluations based on the Government Policy Evaluations Act. During FY 2007, the JFTC implemented and published a total of three ex-ante evaluations including “Codification of Substantive Provisions Associated with the Application of Surcharge System to Certain ‘Unfair Trade Practices,’” and 13 ex-post evaluations including “Measures concerning Violations of the Antimonopoly Act (FY 2006).”