

Major Business Combinations in FY 2009 (Tentative Translation)

June 2, 2010

Japan Fair Trade Commission

1. Notification system and other matters under the Antimonopoly Act concerning business combination plans

As a result of the 2009 amendment to the Antimonopoly Act, while it was previously set forth that the acquisition or ownership of stocks meeting certain requirements was to be reported to the Japan Fair Trade Commission (hereinafter referred to as the "JFTC") after the fact, following the amendment, it is now necessary to notify the JFTC in advance. For business combinations where the companies combining businesses meet requirements such as having total amount of domestic sales of over 20 billion yen, as well as notifying the JFTC in advance, it is set forth that the companies concerned may not undertake the business combination to which the notification relates until 30 days have elapsed since receipt of the notification.

The JFTC reviews the business combinations for which it has received notifications under the Antimonopoly Act. When reports or materials are required from the notifying company, the notifying company will be requested to provide the reports, etc. within 30 days of the date of notification receipt, and in principle, a determination will be made under the Antimonopoly Act within 90 days of the date of receipt of the reports, etc.

When the JFTC finds the business combination violates the Antimonopoly Act, the cease and desist will be issued after the JFTC has notified a person who is to be the addressee of the said cease and desist order and given it an opportunity to express his or her opinions and to submit evidences (Reference 1, "Major Cases of Business Combinations in Fiscal 2009"). In addition, in the case of dissatisfaction with the cease and desist order, the recipient may request a decision by means of a hearing of the JFTC or a judicial decision.

2. Prior consultation regarding business combination plans

Separate from the notification system based on the provisions of the Antimonopoly Act described in section 1 above, prior consultations regarding business combination plans are sometimes conducted. This involves consultations conducted prior to notification from companies planning business combinations concerning whether the plans raise issues of concern in light of the provisions of the Antimonopoly Act, to which the JFTC provides a

response. With respect to the application requirements and procedures, etc. for prior consultation, the “Policies Dealing with Prior Consultation Regarding Business Combination Plans” (hereinafter referred to as the “Consultation Policies”) specify that when an application is made for prior consultation, if necessary the JFTC shall, as a general rule, present a list of additional materials within 20 days and commence its initial review (as a general rule within 30 days) as of the date the additional materials have been submitted. Further, in the event a more detailed review (secondary review) is required, the JFTC will provide the parties concerned subject to the consultation with notice to that effect, request the submission of concrete materials deemed necessary to conduct the secondary review, and respond with the results of its review as a general rule within 90 days following the receipt of the materials concerned.

Although prior consultations have been established to enable companies to proceed smoothly with preparations for business combinations, whether or not to engage in prior consultation is voluntary on the part of companies, and in the case of fiscal 2009, whereas there were 985 notifications received, instances of business combinations where the JFTC had provided responses regarding the presence of issues under the Antimonopoly Act and given approval numbered 24 (around 2%).

3. About the major cases of business combinations

To date the JFTC has, in an effort to improve the transparency and predictability of the reviews of business combinations, drawn up and announced perspectives on application of the Antimonopoly Act to the business combination reviews and its policies concerning prior consultation in the form of the “Guidelines for Applications of the Antimonopoly Act Concerning the Review of Business Combination” (hereinafter, “Business Combination Guidelines”) and “Policies Dealing with Prior Consultation Regarding Business Combination Plans,” both of which were amended in January 2010. It has additionally published the results of reviews of major cases of business combinations in the past.

In the current fiscal year as well, the JFTC is publishing the results of reviews of major business combinations that took place in fiscal 2009 and provides data relating to business combinations during this particular fiscal year.

The JFTC hopes that companies planning to engage in business combinations will make full use of the Business Combination Guidelines as well as the results of reviews of outstanding examples of business combinations published on this occasion.

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Note 1: The order in which the cases are mentioned is based on the order of products handled by the companies concerned according to the Japan Standard Industry Classification.

Note 2: Descriptions of individual cases make use of alphabetic and other characters in the place of some proper names to preserve the confidentiality of classified information, competitors and other information relating to the companies concerned.

Note 3: Numerical data on the market scale, the market share, the Herfindahl-Hirschman Index (HHI) values before and after business combination and the like are approximately calculated by the JFTC on the basis of materials submitted from the companies concerned. The market share values are in principle represented to the nearest five percent.

Case 1 Acquisition of Shares of Mitsubishi Rayon Co., Ltd. by Mitsubishi Chemical Holdings Corporation

Part I Outline of the Case

In this case, Mitsubishi Chemical Holdings Corporation (hereinafter, "MCH"), whose subsidiaries are the Mitsubishi Chemical Corporation (hereinafter, "MC") engaging in the manufacture and sale of chemicals and other companies, acquires all issued shares and makes a subsidiary of Mitsubishi Rayon Co., Ltd., an entrepreneur engaged in the same chemical business. Article 10 under the Antimonopoly Act are the related articles in this regard.

Part II Particular Fields of Trade

Of the seven goods in which the parties concerned compete with each other, those goods regarded as having the greatest impact on competition and other factors are PBT resin compounds, acrylamide and UV curable hard coating materials.

The geographical range is defined as nationwide, since there are no restrictions on the transportation of the goods and there are no differences in the products which can be purchased by users depending on the region within Japan, and because the parties concerned maintain operations nationwide.

1. PBT Resin Compounds

PBT resin is a resin formed through the polymerization of butylene glycol and terephthalic acid, and has characteristics including excellent thermal stability, strength and insulating properties. PBT resin is rarely used on its own, and in most cases, additives, glass fibers and suchlike are blended (compounded) with PBT resin for use in automobiles and vehicle components (side view mirror stay components, etc.), electrical and electronic components (frame components for DVD drives, etc.) and so on. A number of different grades of products exist within the scope of PBT resin compounds to precisely correspond to the needs of users, and the functions which with the resins are endowed differs among products of differing grades. Therefore, substitution of demands is not regarded as high.

However, it is possible for PBT resin manufacturers to manufacture differing grades of products easily by altering the compounding agent or compounding ratio, or by cleaning the interior of manufacturing equipment. Further, in actual fact each of the manufacturers alters the grade of the products manufactured and manufactures products of various grades on an as-needed basis. Therefore, substitution of supply among products of differing grades is

considered to be high.

For these reasons, PBT resin compounds overall are defined as the product range.

2. Acrylamide

Acrylamide is a derivative of acrylonitrile, and its primary application is its use as a paper strength additive that strengthens the bonding force between paper fibers to increase the strength of paper. Since acrylamide has no variance in quality and the same acrylamide is used for all applications, acrylamide is defined as the product range.

3. UV Curable Hard Coating Materials

While the substitution of plastics for metal and glass has progressed primarily because the process for forming plastics is straightforward, compared with metal and glass, plastics feature inferior physical properties such as in terms of hardness, resistance to abrasion and durability. The materials (coatings) applied to the surface of plastics to improve these physical properties are referred to as hard coating materials (plastic hard coating materials). Hard coating materials are used as the coating for plastics used in a variety of applications such as the interior and exterior trim of automobiles, headlights, mobile phone frames, optical film and plastic lenses.

Among hard coating materials, those which are hardened due to exposure to ultra-violet light are referred to as UV curable. Since other types such as thermal curable and electron beam curable hard coating materials have no recognized substitutability with the applications described above, UV curable hard coating materials is defined as the product range in which the companies concerned compete.

Part III Review of the Impact of the Acquisition on Competition

1. PBT Resin Compounds

(1) Market share

As of 2007, the domestic market for PBT resin compounds was worth approximately 57 billion yen.

After this acquisition, the total market share of the companies concerned is about 25%, ranking it third. In addition, the HHI after this acquisition is about 2,800, with an approximate increase of 200, which does not fall under the safe harbor conditions for horizontal business combination.

Rank	Company	Market Share
1	Company A	Approx. 35%

2	Company B	Approx. 30%
3	MCH (MC)	Approx. 20%
4	Mitsubishi Rayon	Approx. 5%
5	Company C	Approx. 5%
	Others	Approx. 5%
(3)	Combination of the companies concerned	Approx. 25%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Existence of competitors

There are several powerful competitors with a market share of 10% or more.

(3) Imports

While imports presently account for a negligible market share, overseas manufacturers of PBT resin compounds have been entering the Japanese domestic market. The PBT resin compounds sold by these overseas manufacturers and the PBT resin compounds sold by domestic manufacturers are set at largely the same grades with virtually no difference in terms of quality.

For these reasons, it is recognized that a certain level of import pressure exists.

(4) Competitive pressure from related markets

On a per-application basis, there are products that stand in competition against PBT resin compounds, including polyamide resin, glass fiber reinforced polyethylene terephthalate, and liquid crystal polymer.

For these reasons, it is recognized that a certain level of competitive pressure from related markets exists.

(5) Competitive pressure from users

The majority of PBT resin compound users (plastic processing manufacturers) conduct business with multiple PBT resin compound manufacturers. Since each of the manufacturers is able to precisely meet the needs of users by switching the grade of products manufactured, there is virtually no difference in quality among the products of each manufacturer. Furthermore, users issue inquiries to multiple manufacturers to have them compete with one another and procure PBT resin compounds from the manufacturer able to supply on optimum trade terms after comparing the respective

products in terms of quality, price and so on. As such, all users have strong pricing power with respect to manufacturers.

For these reasons, it is recognized that some competitive pressure from users exists.

(6) Assessment under the Antimonopoly Act

In view of the circumstances stated in (2) to (5) above, this acquisition is deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

2. Acrylamide

(1) Market share

As of 2008, the domestic market for acrylamide was worth approximately 10 billion yen.

After this acquisition, the total market share of the companies concerned is about 60%, ranking it first. In addition, the HHI after this acquisition is about 5,100, with an approximate increase of 1,400, which does not fall under the safe harbor criteria for horizontal business combination.

Rank	Company	Market Share
1	MCH (MC)	Approx. 45%
2	Company D	Approx. 35%
3	Mitsubishi Rayon	Approx. 15%
4	Company E	0-5%
(1)	Combination of the companies concerned	Approx. 60%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Existence of competitors

While there are several powerful competitors with a market share of 10% or more, the number of entrepreneurs in the market will decrease from four companies to three companies.

(3) Imports

Since acrylamide is toxic, most acrylamide is transported in a 50% water solution rather than in a crystallized state. This, combined with the difficulty of temperature control to prevent polymerization means that acrylamide is rarely imported, and it is recognized that no import pressure exists.

(4) Market entry

Based on circumstances including that the companies concerned hold patents related to the manufacture of acrylamide, to newly enter the acrylamide market, an entrant would have to obtain new licenses concerning manufacturing technologies from the companies concerned or competitors. As such, market entry is regarded as difficult, and it is recognized that no market entry pressure exists.

(5) Assessment under the Antimonopoly Act

a. Competitive concerns

In view of the circumstances stated in (2) to (4) above, it is deemed that this acquisition may constitute substantial restraint of competition in a particular field of trade through independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

b. Remedy

To eliminate the competitive concerns stated in a. above, the companies concerned proposed remedy.

a) Details

The operations to sell acrylamide for paper strength additive in which Mitsubishi Rayon Co., Ltd. currently engages will be transferred to a company with no capital ties to the companies concerned (hereinafter, the “transferee company”). In response to requests from the transferee company, the companies concerned will provide the required quantity of acrylamide for paper strength additive under appropriate terms.

b) Assessment

The transferee company is the subsidiary of one of the world's largest manufacturers of polymers for water treatment which specializes in polymer coagulants that use acrylamide and other chemicals as raw materials. Its engages in the import and sale of chemicals focused on polymer coagulants as a sales office in

Japan.

For these reasons, if the remedies proposed by the companies concerned are faithfully implemented, the transferee company can be assessed as a potential powerful competitive entrepreneur.

c. Assessment under the Antimonopoly Act

In the event that the remedies proposed by the companies concerned are faithfully implemented, this acquisition is deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

3. UV Curable Hard Coating Materials

With respect to UV curable hard coating materials, since the HHI level after this acquisition and the resultant HHI increase falls under the safe harbor criteria for horizontal business combination, this acquisition is deemed to constitute no substantial restraint of competition in any particular field.

Part IV Conclusion

In view of the circumstances reviewed above, this acquisition is deemed to constitute no substantial restraint of competition in any particular field.

Case 2 Business Integration of Nippon Oil Corporation and Nippon Mining Holdings Inc.

Part I Summary of the Integration

This case concerns a plan for Nippon Oil Corporation (hereinafter, “NOC”), an entrepreneur that engages in the manufacture and sale of petroleum products and Nippon Mining Holdings Inc. (hereinafter, “NMH”), a concern whose subsidiaries include Japan Energy Corporation, which engages in the same business, to establish a holding company and engage in a business integration. This case is subject to Article 15-3 of the Antimonopoly Act.

Part II Particular Fields of Trade

Of the 29 goods in which the companies concerned compete with each other, those goods regarded as having the largest market size and having the greatest impact on competition and other factors are gasoline, needle coke, paraxylene and naphtha.

1. Gasoline

(1) Product range

Since gasoline is divided into two types, high-octane and regular gasoline, depending on high and low octane numbers, and because some degree of demand and supply substitutability is recognized, “gasoline,” which encompasses both types, is defined as the product range.

(2) Geographic range

Each of the petroleum refining and distribution companies which are operated by the companies concerned have, in reality, the means and capacity to supply gasoline nationwide. On the other hand, in the determination of invoice prices, even now there are petroleum refiner-distributors that take into account the retail circumstances in each prefecture. Therefore, for this case the geographic range in the refining-distribution market for gasoline is defined in multiple levels as “nationwide” and “each prefecture.”^{Note}.

2. Needle Coke

(1) Product range

^{Note} For reasons such as the consideration given in the merger of the former Nippon Oil and the former Mitsubishi Oil (Fiscal 1998, Case 7) and the integration of Exxon Corporation and Mobil Corporation (Fiscal 1999, Case 10) to the retail circumstances in each prefecture as well, in setting invoice prices for gasoline, the geographic range for gasoline is defined both as nationwide and on a prefectural basis.

Needle coke refers to one of the products from the calcination (baking) of green coke, a solid of carbon, which has a needle-like shape (needle-shaped structure) from the longitudinal formation of the carbon. There are two varieties of needle coke, petroleum-based needle coke, which is formed in the petroleum refining process and uses heavy oil as a raw material, and coal-based needle coke, the raw material of which is the residual pitch from the distillation of coal tar produced during the carbonization (thermal decomposition) of coal. Both varieties are basically the same or similar in terms of intended use, movements in price and quantity as well as user recognition and action, and some degree of supply substitutability is recognized.

For these reasons, “needle coke,” which encompasses both petroleum and coal-based needle coke, is defined as the product range.

(2) Geographic range

There are two companies that manufacture needle coke overseas. However, for the reasons of (1) that overseas manufacturers do not supply needle coke to users in Japan due to supply capacity issues; and (2) that users in Japan do not regard imported needle coke as a substitute for the domestic variety due to quality issues and there is a shortage of supply capacity within Japan, needle coke is not procured from overseas manufacturers. For these reasons, the geographical range is defined as nationwide.

3. Paraxylene

(1) Product range

Paraxylene is a hydrocarbon that serves as a raw material for purified terephthalic acid (hereinafter, “PTA”) and dimethyl terephthalate (hereinafter, “DMT”). PTA and DMT are both raw materials in the production of polyester fiber and polyethylene terephthalate resin. Since paraxylene is a so-called basic commodity chemical and is formed from a substance with a single chemical structure, it has no varieties or grades. On the other hand, paraxylene is the only basic chemical acting as a raw material for PTA and DMT.

For these reasons, the product range is defined as paraxylene.

(2) Geographic range

(1) A universal index price exists for paraxylene in Asia and the sales price is determined based on this index price; (2) Paraxylene users in Asia, including those in Japan, are able to import paraxylene with relative ease due to the low import barriers, both in institutional and real terms; (3) Companies in Asia that manufacture paraxylene have the means and capacity to supply paraxylene to each country in Asia. For these reasons

the geographic range is defined as Asia.

4. Naphtha

(1) Product range

Naphtha is the collective term for light hydrocarbons that undergo fractional distillation within the range of 30°C to 230°C, and is primarily used as the raw material for petrochemical products. Types of naphtha are separated into heavy naphtha, light naphtha and whole naphtha based on differences in fraction, but since only light naphtha is distributed in the market, the product range is defined as “Naphtha (light naphtha).”

(2) Geographic range

Petroleum refiner-distributors are able to supply naphtha to users anywhere in Japan using tankers and although many users are supplied naphtha through pipelines from nearby refineries, the use of a tanker means the products can be procured from anywhere in Japan. The wholesale price of naphtha is determined in a unified way across Japan.

For these reasons, the geographic range is defined as nationwide.

Part III Review of the Impact of the Integration on Competition

1. Gasoline

(1) Nationwide

a) Market share

As of fiscal 2008, the domestic market for gasoline was worth approximately 7.9 trillion yen.

After this integration, the total market share of the companies concerned is about 35%, ranking it first. In addition, the HHI after this integration is about 2,100, with an approximate increase of 500, which does not fall under the safe harbor criteria for horizontal business combination.

Rank	Company	Market Share
1	NOC	Approx. 25%
2	Company A	Approx. 20%
3	Company B	Approx. 15%
4	Company A	Approx. 15%
5	Company D	Approx. 10%
6	NMH	Approx. 10%
7	Company E	Approx. 5%

8	Company F	Approx. 5%
9	Company G	0-5%
	Others	0-5%
(1)	Combination of the companies concerned	Approx. 35%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

b) Presence of competitors

There are several powerful competitors with a market share of 10% or more.

While the size of the gasoline market was on an expansionary trend until fiscal 2004, this was affected by factors such as the steep rise in oil prices and increased awareness of environmental issues. Due to a shift away from automobiles and reduced automobile usage on the part of general consumers (the users of gasoline), combined with the increased adoption of hybrid vehicles and fuel-efficient cars, the size of the market has trended downward since fiscal 2005.

Based on the fact that further widespread adoption of hybrid vehicles is forecast in the future and the widespread adoption of electric vehicles is making steady advances, the downward trend in the demand for gasoline is expected to become more pronounced.

For these reasons, it is recognized that there are sufficient competitors with excess supply capacity.

c) Imports

Much of the gasoline produced overseas does not meet the standards of quality established based on the provisions such as those of the Act on the Quality Control of Gasoline and Other Fuels (Act No. 88 of 1976), and for such gasoline to be sold in Japan quality adjustments are required. The share of imported gasoline in the Japanese market is been on a downward trend in recent years, and as of fiscal 2008, remained between 0 and 5%. However, there are some overseas entrepreneurs with the capacity to produce gasoline of a quality that can be sold in Japan, and it is also possible for entrepreneurs other than petroleum refiner-distributors to import gasoline of such quality from those overseas entrepreneurs and sell it in Japan. Depending on the circumstances of domestic and overseas gasoline prices, a future increase in the volume of gasoline imported is regarded as a possibility. Moreover, a series of plans to construct new refineries have emerged in Asia, the Pacific and the Middle East. As

such, the overseas supply capacity of gasoline is expected to expand in the future.

For these reasons, it is recognized that some import pressure exists.

d) Competitive pressure from users

With respect to gasoline, since there is virtually no different in quality among each of the petroleum refiner-distributors, including the companies concerned, and due to the reasons indicated in (i) and (ii) below, it is recognized that some competitive pressure from users exists.

(i) Price competition among sole agents

Over 90% of the sales locations for the gasoline produced by the companies concerned are sole agents, with the sole agents selling gasoline to general consumers at service stations which are self-operated or operated by dealers. Moreover, since general consumers tend to purchase gasoline with an awareness of prices, spirited price competition takes place among sole agents in the retail sale of gasoline, and sole agents try to purchase gasoline from the companies concerned at the lowest price possible.

(ii) Ease of changing supplier by the other party in direct sales

When the companies concerned sell gasoline directly to transportation companies without going through sole agents, in trade with the other party to direct sales such as a transportation company, there is no brand of refiner-distributor, and for that reason it is possible for transportation companies to freely switch suppliers based on terms of trade such as price.

e) Assessment under the Antimonopoly Act

In view of the circumstances stated in (b) to (d) above, this integration is deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

(2) Prefectural basis

Out of all of the prefectures, there are some prefectures for which the HHI level after this integration and the resultant HHI increase do not fall under the safe harbor criteria, and while the total market share and ranking of the companies concerned rises, in addition to the fact that there are multiple powerful competitors in each prefecture, in view

of the circumstances stated in (1)-(b) to (d) above, this integration is deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

2. Needle coke

(1) Market share

As of fiscal 2007, the domestic market for needle coke was worth approximately 20 billion yen.

After this integration, the total market share of the companies concerned is about 55%, ranking it first. In addition, the HHI after this integration is about 4,200, with an approximate increase of 1,500, which does not fall under the safe harbor conditions for horizontal business combination.

Rank	Company	Market Share
1	NMH	Approx. 35%
2	Company H	Approx. 25%
3	NOC	Approx. 20%
4	Company I	Approx. 20%
(1)	Combination of the companies concerned	Approx. 55%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Presence of competitors

While there are several powerful competitors with a market share of 10% or more, the number of entrepreneurs in the market would decrease from four to three.

A large portion of needle coke serves as the raw material for graphite electrodes, which are the electric furnace cathodes used into the electric furnace steel-making process. The electric furnace steel making process involves applying an ultra-high voltage current through the electric furnace cathodes, thereby artificially generating an electrical discharge (arc discharge) in the furnace that resembles thunder. Iron scraps melt from the heat generated by the electrical discharge, and after removing impurities such as oxygen and sulfur, steel manufacturing takes place. As this arc discharge heat reaches ultra-high temperatures, needle coke is the only raw material available as an artificial graphite electrode.

While worldwide demand for electric furnace steel is expected to expand in the future, since entry into the market for the manufacture and sale of needle coke is not a simple undertaking, in the medium to long term the demand and supply of needle coke as a raw material for artificial graphite electrode is forecast to remain tight, and it is recognized that there are not sufficient competitors with excess supply capacity.

(3) Imports

For electrode manufacturers who supply artificial graphite electrodes to electric furnace manufacturers producing electric furnace steel, since there is only one overseas manufacturer capable of manufacturing needle coke that can be substituted with the products of the companies concerned and due to problems with the manufacturer's supply capacity, it is not regarded as a company that will supply needle coke to Japanese electrode manufacturers in the present or in the near future. Therefore, import pressure is deemed to be weak.

(4) Market entry

To enter the market for needle coke, (1) the installation of needle cook production equipment; (2) the procurement of heavy oil raw materials ("raw oil," hereinafter); the acquisition of manufacturing expertise such as production line operating conditions; and (4) the development of sales are among the things considered necessary. Among these requirements, although the new construction of production equipment is possible, since the steady procurement of good heavy oil, acquisition of manufacturing expertise and development of sales channels for domestic users is not easy, it is recognized that there are high barriers to entry for the domestic needle coke market and that there is no market entry pressure.

(5) Competitive pressure from related markets

While needle coke refers to one of the products of the calcination (baking) of green coke that features a needle-like shape, it is physically possible to manufacture artificial graphite electrodes using regular calcined coke (that without a needle-like shape) as a raw material. However, since artificial graphite electrodes manufactured from regular calcined coke are of inferior quality, domestic electrode manufacturers do not use regular calcined coke other than needle coke as a raw material for artificial graphic electrodes. Therefore, for domestic electrode manufacturers, regular calcined coke is not a competing good with respect to needle coke.

For these reasons, it is recognized that no competitive pressure exists.

(6) Assessment under the Antimonopoly Act

a. Competitive concerns

In view of the circumstances stated in (2) to (5) above, it is deemed that this integration may constitute substantial restraint of competition in a particular field of trade through independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

b. Remedy

To remedy the competitive concerns stated in a. above, the companies concerned proposed measures to remedy the problems.

a) Details

After one of the companies concerned has split off its needle coke business to a company separate from the companies concerned (hereinafter referred to as the “needle coke manufacturer”), the voting rights the companies concerned own in the needle coke manufacturer will be transferred to a third party, and that third party shall own a voting stake of over 90% in the needle coke manufacturer (“this transfer,” hereinafter). The company to which the voting rights are transferred will be a major trading firm that currently purchases needle coke from other the companies concerned or their related companies and sells it to domestic users (“transferee company,” hereinafter).

Within six months of receiving a response from the JFTC indicating there are no problems with this integration, an agreement concerning this transfer will be concluded with the transferee company, as this transfer will be completed within six months of the conclusion of the agreement concerned.

Additionally, in the time up to completion of this transfer, whether before or after this integration, the companies concerned will endeavor to maintain the business value of the businesses subject to transfer and report to the JFTC each month on sales volume related to the businesses concerned.

b) Measures to ensure the effectiveness of the remedial measures

- (1) When desired by the needle coke manufacturer, green coke (raw material for needle coke) of a quality and quantity that can reasonably be supplied in the operation of a refinery overall should be supplied at a reasonable price.

- (2) When desired by the transferee company, the manufacture of needle coke should be entrusted under appropriate terms.
- (3) Appropriate measures to block communication should be employed to prevent the exchanging of competitively significant information in the needle coke business with the needle coke manufacturer.
- (4) If desired by the transferee company, until the point when this transfer is executed, R&D results and expertise related to the needle coke business that has been accumulated to date should be provided under appropriate terms.

c) Assessment

Petroleum products including needle coke are complementary products produced simultaneously from the same raw material (crude oil), are produced based on the overall petroleum product production plans of the companies concerned, and needle coke manufacturing equipment is operated as a part of the overall manufacturing equipment at refineries operated by the companies concerned. For these reasons, it is difficult to split off only the needle coke business.

However, through the measures to remedy the problems at the measures to ensure their effectiveness, the transferee of the needle coke business is regarded as being able to engage in the needle coke business independently.

Therefore, if the measures to remedy the problem proposed by the companies concerned are faithfully implemented, the transferee company can be assessed as a potential powerful competitive entrepreneur.

c. Assessment under the Antimonopoly Act

In the event that the measures to remedy the problems proposed by the companies concerned are faithfully implemented, this integration is deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

3. Paraxylene

(1) Market share

As of fiscal 2007, the market for paraxylene in Asia was worth approximately 2.45 trillion yen.

After this integration, the total market share of these companies is about 20%, ranking it first. In addition, the HHI after this integration is about 1,000, which falls under the safe

harbor criteria for horizontal business combinations.

Also note that as of fiscal 2007, these companies had a combined market share of about 40% in the domestic paraxylene market, ranking first.

Rank	Company	Market Share
1	Company J (overseas)	Approx. 15%
2	Company K (overseas)	Approx. 15%
3	NOC	Approx. 10%
4	NMH	Approx. 10%
5	Company L (overseas)	Approx. 5%
6	Company M (overseas)	Approx. 5%
7	Company N	0-5%
8	Company O	0-5%
9	Company P (overseas)	0-5%
	Others	Approx. 30%
(1)	Combination of the companies concerned	Approx. 20%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Assessment under the Antimonopoly Act

Since this acquisition falls under the safe harbor criteria for horizontal business combinations, it is deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

4. Naphtha

(1) Market share

As of fiscal 2007, the domestic market for naphtha was worth approximately 2.98 trillion yen.

After this integration, the total market share of these companies is about 30%, ranking it first (fiscal 2008). In addition, the HHI after this integration is about 2,100, with an approximate increase of 400, which does not fall under the safe harbor criteria for horizontal business combination.

Rank	Company	Market Share
1	NOC	Approx. 20%
2	Company Q	Approx. 15%
3	Company R	Approx. 15%
4	NMH	Approx. 10%
5	Company S	Approx. 5 %
6	Company T	0-5%
7	Company U	0-5%
8	Company V	0-5%
	Imports	Approx. 25%
(1)	Combination of the companies concerned	Approx. 30%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Presence of competitors

There are several powerful competitors with a market share of 10% or more.

Compared with fiscal 2006, which recorded the highest-ever demand for naphtha, demand in fiscal 2013 is expected to decline by about 10%.

In addition, as well as manufacturing naphtha in-house, petroleum refiner-distributors import naphtha from overseas and sell it to consumers in Japan. Since demand and supply is expected to ease in the future, it is thought that petroleum refiner-distributors will be able to step up their own naphtha supply capacity through imports.

For these reasons, it is recognized that there are sufficient competitors with excess supply capacity.

(3) Imports

With no difference in quality between domestic and overseas naphtha and the fact that users can easily import naphtha from overseas, import pressure is recognized to exist. In fact, as of fiscal 2008, the share of imported naphtha in the domestic Japanese market was about 25%.

(4) Competitive pressure from related markets

In response to the wild fluctuations in oil prices seen in recent years, for petrochemical raw materials users have begun to substitute naphtha for non-naphtha-based chemical raw materials such as butane and heavy natural gas liquid.

In fiscal 1997, naphtha accounted for approximately 98% of petrochemical raw materials, while this had shrunk to about 93% in fiscal 2007. Non-naphtha-based chemical raw materials continue to serve as competing goods to naphtha and it is recognized that some competitive pressure from related markets exists.

(5) Competitive pressure from users

The main users are large-scale chemical manufacturers, and since it is easy for users to procure naphtha themselves through spot goods from petroleum refiner-distributors other than the companies concerned or imports from overseas, users are able to freely switch suppliers based on terms of trade such as price, and it is recognized that competitive pressure from users exists.

(6) Assessment under the Antimonopoly Act

In view of the circumstances stated in (2) to (5) above, this integration is deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

Part IV Conclusion

In view of the circumstances reviewed above, this integration is deemed to constitute no substantial restraint of competition in any particular field.

Case 3 Integration of Wrought Copper and Copper Alloy Product Businesses by Mitsui Mining & Smelting Co., Ltd. and Sumitomo Metal Mining Co., Ltd.

Part I Summary of the Integration

This case involves a plan for Mitsui Mining & Smelting Co., Ltd. (hereinafter, “Mitsui Mining”) to integrate the copper and copper alloy product business it operates with Sumitomo Metal Mining Brass & Copper Co., Ltd., which engages in the same business and is a subsidiary of Sumitomo Metal Mining Co., Ltd. (hereinafter, “Sumitomo Mining”). This case is subject to Article 15-2 (Absorption-type demerger) of the Antimonopoly Act.

Part II Particular Fields of Trade

Though this integration, the companies concerned aim to engage in the copper and copper alloy product business by jointly financing a company engaged in the business. Since an integrated relationship will be formed between the companies concerned through their establishment of a joint venture, the integration in question is thought to have an impact on competition with respect to copper and copper alloy products.

On the other hand, while the two companies compete in many product areas, not limited to the copper and copper alloy products subject to the integration, since the companies have little involvement with copper and copper alloy products aside from cathode copper (meaning copper products refined to a copper content of over 99.99% through electrolytic refining, etc.; hereinafter the same), it is thought that this integration will have no impact on competition.

Still, with respect to cathode copper ^(Note 1), since cathode copper is an essential raw material for copper and copper alloy products and since about 40% of cathode copper is used in copper and copper alloy products and copper, and copper alloy product manufacturers are important customers for makers of cathode copper, copper and copper alloys and cathode copper are recognized as closely related products.

For these reasons, given that the sharing of information pertaining to cathode copper between the companies as a result of this integration is believed to impact competition with respect to cathode copper, the review under the Antimonopoly Act encompassed not only to copper and copper alloy products, but to cathode copper as well.

With respect to geographic range, neither product is subject to restriction in terms of physical distribution, and both are sold to users nationwide. Therefore, the geographic range is defined as nationwide.

^(Note 1) Mitsui Mining has an approximate 34% stake in Pan Pacific Copper Co., Ltd., which engages in cathode copper business. Sumitomo Mining engages in the same business itself.

1. Copper and Copper Alloy Products

While copper and copper alloys come in various shapes, Sumitomo Mining only manufactures and sells copper strips (products wound into a coil shape with a thickness of between 0.1 mm and 3.0 mm; hereinafter the same), but Mitsui Mining manufactures and sells copper strips, sheets, rods and wires. Manufacturing techniques also differ for each shape and users select the shapes depending on processing purposes. Since no substitutability is recognized among copper and copper alloy products of differing shapes, copper and copper alloy “strips” in which the companies concerned compete are considered below.

(1) Pure copper strip

Material with a copper content of 99.90% or more is referred to as pure copper. There are three types of pure copper strip, namely tough pitch copper strip, phosphorous-deoxidized copper strip and oxygen-free copper strip. Although no demand substitutability is recognized among the three types due to the differing compositions and properties of each, only the specifications of the cathode copper to be procured as a raw material differs, with the manufacturing process for pure copper strip largely the same among them. Considering the fact that many manufacturers manufacture and sell all three types of pure copper strip, there is thought to be supply substitutability between the three types of pure copper strip.

For these reasons “pure copper strip” in general is defined as the product range.

(2) Brass strip

Brass is an alloy of copper and zinc. While there are more than ten varieties of brass strip including red brass strip of types 1 through 4 and brass strip of types 1 through 3, as with pure copper strip, these various types each differ in composition and properties and users use different types depending on the application. Therefore, there is not thought to be demand substitutability between the various types of brass strip.

On the other hand, whereas type 1 brass strip and type 2 brass strip can be manufactured using the same manufacturing equipment, type 3 brass strip and red brass strip types 1 through 4 cannot necessarily be manufactured with the same manufacturing equipment and among other factors, the required manufacturing expertise also differs.

For these reasons, the respective product ranges are defined as “Type 1 Brass Strip and Type 2 Brass Strip,” “Type 3 Brass Strip” and “Red Brass Strip Types 1 through 4.”

(3) Special copper alloy strip

With respect to special copper alloy strip containing tiny amounts of metal, since users use different types depending on the application, no demand substitutability is recognized among the various types of special copper alloy strip. Further, since the metal contained in each special copper alloy strip differs for each type and the manufacturing techniques, such as annealing conditions, are also different, supply substitutability is also not recognized.

For these reasons, since no substitutability is recognized among the various types of special copper alloy strip, “tin-bearing copper alloy strip,” in which the companies concerned compete, is defined as the product range.

2. Cathode Copper

The cathode copper sold domestically is all high-purity cathode copper that meets LME (London Metal Exchange) standards, but as for the form in which cathode copper is sold, it can be sold with the metal in its unprocessed form as cathode copper metal, or as cathode copper ingots (ingots made by funneling molten unprocessed metal into molds; hereinafter the same) which have undergone primary processing at a cathode copper manufacturer.

Cathode copper users use each type as the situation demands, based on the intended use of the cathode copper, the equipment and manufacturing techniques at the company concerned and so on, and as such, there is thought to be a low demand substitutability between cathode copper metal and cathode copper ingots. On the other hand, since cathode copper manufacturers require a set of cathode copper ingot casting equipment to apply primary processing to the unprocessed metal and turn it into cathode copper ingots, supply substitutability is also regarded as low.

For these reasons, since not substitutability is recognized between cathode copper metal and cathode copper ingots, the product range is defined as “cathode copper metal,” in which the companies concerned compete.

Part III Review of the Impact of the Integration on Competition

1. Copper and Copper Alloy Products

With respect to copper and copper alloy products, since the HHI levels after this integration and the resultant HHI increase for each of five products, namely pure copper strip, type 1 and type 2 brass strip, type 3 brass strip, red brass strip types 1 through 4 and tin-bearing copper alloy, fall under the safe harbor criteria for horizontal business combination, this integration is deemed to constitute no substantial restraint of competition

in any particular field of trade.

2. Cathode Copper Metal

(1) Market share

As of fiscal 2007, the domestic market for cathode copper metal was worth approximately one trillion yen.

After this integration, the total market share of these companies is about 55%, ranking it first. In addition, the HHI after this integration is about 3,500, with an approximate increase of 1,400, which does not fall under the safe harbor criteria for horizontal business combination.

Rank	Company	Market Share
1	Mitsui Mining (PPC)	Approx. 35%
2	Sumitomo Mining	Approx. 20%
3	Company A	Approx. 15%
4	Company B	Approx. 10%
5	Company C	Approx. 10%
6	Company D	Approx. 5%
	Imports	Approx. 10%
(1)	Combination of the companies concerned	Approx. 55%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Presence of competitors

There are several powerful competitors with a market share of 10% or more.

(3) Imports

The share of imports in the Japanese market has remained at below 10%. Since there is ultimately no difference in procurement price between cathode copper metal from overseas manufactures and domestic manufacturers, users place a priority on stable procurement, preferring to purchase from domestic manufacturers rather than overseas ones and the import times they entail. As it is difficult to imagine such procurement tendencies on the part of users changing significantly in the future, import pressure is recognized as weak.

(4) Market entry

To newly enter the market for cathode copper metal, a huge investment in the order of tens of billions of yen is required. Market entry is therefore difficult, and there is considered to be no market entry pressure. In fact, there have been no new entrants for the past 40 years.

(5) Competitive pressure from related markets

Depending on the intended use, while there are an increasing number of cases in which cathode copper metal is substituted for lightweight aluminum, fiber optic cable capable of high-capacity communications or other materials, since copper presents intrinsic advantages compared with other materials such as its high electric conductivity, hardness and ease of processing, copper is not necessarily being substituted for other products in all possible applications, and competitive pressure from related markets is considered weak.

(6) Competitive pressure from users

Although the users of cathode copper metal (electrical wire manufacturers, copper and copper alloy product manufacturers and other customers such as electrical and electronic equipment manufacturers, automotive component manufacturers and so on) are major companies, according to the circumstances of past price negotiations, users are not necessarily seen as having strong pricing power.

For these reasons, competitive pressure from users is considered weak.

(7) Assessment under the Antimonopoly Act

a. Competitive concerns

In view of the circumstances stated in (2) to (6) above, it is deemed that through the sharing of information pertaining to cathode copper metal between the companies concerned, this integration may constitute substantial restraint of competition in a particular field of trade through independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

b. Remedy

To remedy the competitive concerns stated in a. above, the companies concerned proposed measures to remedy the problems.

a) Details

- (1) To prevent the sharing of information pertaining to cathode copper metal as a result of this integration, Mitsui Mining and this joint venture should build a system to responsibly design, implement and monitor measure to block communication.
- (2) Mitsui Mining and this joint venture should prohibit persons ("persons authorized for access," hereinafter) who need to deal with confidential information pertaining to cathode copper^(Note 2) (meaning non-disclosed information pertaining to the research, development, manufacture, sale or marketing of cathode copper) from disclosing or leaking confidential information pertaining to cathode copper to any other person, or using the information for other than its intended purpose. At the same time, they should prohibit access to confidential information pertaining to cathode copper to persons other than the persons authorized for access, and prevent access by unauthorized persons through password management, locking control and so on.
- (3) The companies concerned should establish disciplinary matters for those who found in violation of (2) above.
- (4) Between PPC and this joint venture, the companies concerned should not appoint a person who is an officer at one company (including those who have served as officers in the past) as an officer at the other company, and of the persons authorized for access at one company, not second or transfer the employment of those who have gained knowledge of confidential information pertaining to cathode copper to the other company^(Note 3).

b) Assessment

The competitive concern with this integration is the sharing of information concerning cathode copper metals due to the integration. To prevent this kind of information from being shared, it is necessary to thoroughly block the flow of information between the cathode copper business and copper and copper alloy product business of either of the

(Note 2) At Mitsui Mining, this refers to confidential information pertaining to the cathode copper business pursued at PPC, and at the joint venture in question, this refers to confidential information pertaining to the cathode copper business pursued at Sumitomo Mining.

(Note 3) For persons who were persons authorized for access at one company in the past, as a general rule, they should not be seconded or transferred to the other company, and if they need to be seconded or transferred due to unavoidable circumstances, they should be seconded or transferred after five years have passed as figured from the last day on which they gained knowledge of confidential information pertaining to cathode copper.

companies concerned and restrict personal relationships between both businesses.

Therefore, if the measures to remedy the problem proposed by the companies concerned are faithfully implemented, the concerns stated above can be assessed as eliminated.

c. Assessment under the Antimonopoly Act

In the event that the measures to remedy the problems proposed by the companies concerned are faithfully implemented, it is deemed that this integration does not constitute substantial restraint of competition due to the sharing of information pertaining to cathode copper metal between the companies concerned in a particular field of trade through independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

Part IV Conclusion

In view of the circumstances reviewed above, this integration is deemed to constitute no substantial restraint of competition in any particular field.

Case 4 Business Integration of Kyoei Steel Ltd. and Tokyo Tekko Co., Ltd.

Part I Summary of the Integration

This case concerns a plan for Kyoei Steel Ltd. (hereinafter, “Kyoei Steel”), an entrepreneur that engages in the manufacture and sale of electric furnace goods and Tokyo Tekko Co., Ltd. (hereinafter, “Tokyo Tekko”), an entrepreneur that engages in the same business, to undertake a business integration. This case is subject to Article 10 of the Antimonopoly Act.

Also note that for this case, there was a request for prior consultation from the companies concerned, and as a result of an initial review, the JFTC deemed that a more detailed review (secondary review) was necessary. Upon being notified to this effect, the companies concerned gave notification of the cancellation of this integration.

Part II Consideration in Initial Review

Of the eight goods in which the companies concerned compete with each other, those goods regarded as having the largest market size, among other factors, are general reinforcing steel bars and screw reinforcing bars.

1. Particular Fields of Trade

(1) Product Range

(a) Reinforced concrete construction, a structure used in construction and civil engineering, refers to supporting a structure with concrete pillars, beams and walls arranged with reinforcing steel bars inside to provide additional tension. Since reinforced concrete offers excellent sound insulation and confidentiality as well as habitability and other benefits, it has been widely adopted for many construction and civil engineering applications, particularly for housing complexes.

Since reinforcing steel bars are manufactured and sold at certain lengths, in the process of constructing building structures, the bars need to be joined to make up the necessary length. Generally, a worker with a gas welding qualification puts the ends of the bars facing one another and heats them with a flame while applying pressure, forming a swelling and joining the bars together. In recent years, however, to simplify the process of joining, special steel reinforcing bars with screw shapes pre-machined onto their surfaces (hereinafter, “screw reinforcing bars.” Other steel reinforcing bars referred to as “general steel reinforcing bars”) have been developed, and using a cylindrical component machined to same screw shape (“screw reinforcing bar coupling,” hereinafter) that has

mating compatibility ^(Note 1), the bars can be efficiently joined. Among the advantages of mechanical couplers such as screw reinforcing bar couplers, they ensure a certain level of reliability as couplers independent of the skills of the worker involved, the safety of joining high-strength steel reinforcing bars is confirmed, there is no shrinkage and the ability to continue working in rainy weather shortens work schedules. For these reasons, use of screw reinforcing bars has increased in recent years.

According to interviews with users (building contractors), when users engage in the construction of high-rise reinforced concrete structures, out of consideration for construction schedule, quality and safety, they select construction techniques such as the precast concrete technique or pre-framed reinforcing bars technique, and for the most part employ the mechanical couplers best suited to these construction techniques, particularly screw reinforcing bar couplings, and screw reinforcing steel bars.

In addition, while there are four varieties of steel grade designated by JIS standards for general steel reinforcing bars, for screw reinforcing steel bars, in addition to the four steel grades under JIS standards, ultrahigh strength steel grades that feature even greater strength and fall outside the JIS standards also exist. When ultrahigh strength steel reinforcing bars are required, such as in the construction of high-rise buildings, only screw reinforced steel bars are used.

For this reason, at present, it is highly likely that users who select and use screw reinforcing bars do so when they have a substantial need for them and their demand substitutability with general steel reinforcing bars is limited.

In addition, according to interviews with competing entrepreneurs, to newly manufacture and sell screw reinforcing bars, the bars need to be developed in combination with screw reinforcing bar couplings of the same screw shape that exhibit mating compatibility, and users prefer screw reinforcing bar couplings that are compact, slim and easy to work with. Consequently, some time is required to develop screw reinforcing bar couplings that strike a balance between such properties and safety. It is believed to take around two years for manufacturers to demonstrate adequate assurances of safety in the screw reinforcing bars and screw reinforcing bar couplings through testing and to obtain an official performance certificate. In this way, since interviews with competing entrepreneurs have shown that reasonable technical capabilities and expertise are needed to enter the market for screw reinforcing bars, it is regarded as taking several years to begin the manufacture and sale of a newly-developed

(Note 1) Mating compatibility refers to the ability of the screw shaped indentations on the surface of a screw steel reinforcing bar and the indentations on the inner surface of the cylindrical screw reinforcing bar coupling to firmly interlock, and screw until tight. To ensure mating compatibility in a screw steel reinforcing bar, it is important to ensure correspondence between the indentations on the screw steel reinforcing bar and the indentations on the screw reinforcing bar coupling. In contrast, although general steel reinforcing bars also feature surface indentations, as this is to improve adhesion to the concrete, the indentations serve no function as screws.

screw steel reinforcing bar.

For these reasons, it is difficult for companies not currently manufacturing screw reinforcing bars to promptly engage in their manufacture and sale, and it is highly likely that there is insufficient supply substitutability between general steel reinforcing bars and screw reinforcing bars.

(b) With respect to this, using information such as screw steel reinforcing bar sales volume, price and profit of the companies concerned as a basis, the results of an economic analysis based on the SSNIP test ^(Note 2) concept showing that profit declined when a hypothetical monopolist raised current prices by 5% were submitted by the companies concerned, expressing views including that general steel reinforcing bars and screw reinforcing bars could be defined as the same product range because it was not appropriate to defined the product range only as screw reinforcing bars.

(c) However, with respect to the economic analysis submitted by the companies concerned, it is possible that the data pertaining to screw reinforcing bars used in the analysis diverge significantly from the general assumptions in a SSNIP test. Also, it is not necessarily appropriate to make a judgment on the product range based on the results of the economic analysis concerned. Further, assuming the results of interviews with users and competing entrepreneurs and other information, it is regarded as highly likely that “general steel reinforcing bars” and “screw reinforcing bars” will be defined as separate product ranges.

(2) Geographic range

(a) General steel reinforcing bars

Each manufacture conducts sales on a district-by-district basis, prices are determined based on the balance of supply and demand in each district and there is a difference in price among districts. For these reasons, the geographic range is defined as “Kanto District,” the district in which the companies concerned compete.

(b) Screw reinforcing bars

Since many manufacturers, including the companies concerned, engage in operations

(Note 2)

In the business combination guidelines regarding approaches to determining product range and geographic range, it states, “On the assumption that a certain entrepreneur has a monopoly on the supply of a certain product, in the event the monopolist concerned makes a small but significant non-transitory increase in price aimed at maximizing its profit, with respect to the product and region concerned, the degree to which consumers transfer to another product or region is considered. In cases where the monopolist concerned is able to expand profit by raising prices because the degree of transfer to other regions or products is small, that range becomes the range upon which the business combination concerned may affect competition in some way.” (This refers to the so-called SSNIP test, where SSNIP stands for Small but Significant and Non-transitory Increase in Price.)

nationwide and because cross-district trade without restriction on transportation costs, etc., the geographic range is defined as nationwide.

2. Review of the Impact of the Integration on Competition

In the event that “general steel reinforcing bars” and “screw reinforcing bars” are defined as separate product ranges as stated in 1. above, the impact of the integration on competition is as follows.

(1) Market share for screw reinforcing bars

As of fiscal 2007, the domestic market for screw reinforcing bars was worth about 43 billion yen.

After this integration, the total market share of the companies concerned is about 80%, ranking it first. In addition, the HHI after this integration is about 6,100, with an approximate increase of 2,500, which does not fall under the safe harbor criteria for horizontal business combination.

Rank	Company	Market Share
1	Tokyo Tekko	Approx. 55%
2	Kyoei Steel	Approx. 25%
3	Company A	Approx. 10%
4	Company B	Approx. 5%
5	Company C	0-5%
6	Company D	0-5%
7	Company E	0-5%
8	Company F	0-5%
(1)	Combination of the companies concerned	Approx. 80%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Other factors taken into account regarding screw reinforcing bars

According to the results of interviews with users, factors such as range of products and quality differ depending on the screw steel reinforcing bar manufacturer. The companies concerned have a wide range and are recognized by users as the most powerful manufacturers. For many users, as a percentage of total procurement amounts, the percentage spent on procurements from the companies concerned generally ranged from

80% to 100%. For this reason, while users have to date demanded price cuts by having the companies concerned compete with one another, after this integration, users will not be able to make the companies concerned compete and may lose pricing power.

In interviews with users, in light of the circumstances, multiple users expressed concerns that prices for screw reinforcing bars would rise due to this integration.

(3) General steel reinforcing bars

After this integration, the total market share of the companies concerned is about 35%, ranking it first. In addition, the HHI after this integration is about 1,900, with an approximate increase of 600, which does not fall under the safe harbor criteria for horizontal business combination.

On the other hand, based on the fact that there are several powerful competitors with a market share of 10% or more and some degree of competitive pressure from users is recognized to exist, this integration is deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

Part III Notification of Necessity of a More Detailed Review of the Companies Concerned (Secondary Review)

With respect to this integration, as shown in Part II above, in view of the fact that the market share of the companies concerned following this integration is about 80%, ranking it first in the “screw steel reinforcing bar” field of trade, and that multiple users expressed concern that prices for screw reinforcing bars would rise due to this integration, was is determined that a more detailed review (secondary review) was required, and the companies concerned were notified to this effect.

In addition, the JFTC provided an explanation collectively to the companies concerned regarding the specific points under the Antimonopoly Act, including the defining of screw reinforcing bars as a product range with respect to screw steel reinforcing bar manufacturing and sales operations (nationwide) and requested the submission of specific materials deemed necessary in order to conduct a secondary review.

Part IV Response from the Companies Concerned

With respect to this integration, after being notified as stated in **Part III above**, the companies concerned gave notification of the cancellation of this integration. At the same time, the companies concerned made public announcements to this effect.

Case 5 Acquisition of Shares of BMB Corp. by Xing Inc.

Part I Summary of the Acquisition

This case concerns a plan for Xing Inc. (hereinafter referred to as “Xing”), an entrepreneur engaged in the karaoke-on-demand business (manufacture, sale and lease of karaoke-on-demand equipment and operations to distribute music and video; hereinafter the same) to acquire all issued shares and make a subsidiary of BMB Corp. (hereinafter referred to as “BMB”). This case is subject to Article 10 of the Antimonopoly Act.

Part II Particular Fields of Trade

1. Product Range

While karaoke-on-demand comprises two types, commercial and consumer, since they differ in terms of the number of available songs, quality aspects such as audio source, performance and distribution channels and because no substitutability is recognized between the two, the product ranges are defined separately, as “commercial karaoke-on-demand business” and “consumer karaoke-on-demand business” respectively.

2. Geographic Range

Since commercial and consumer karaoke-on-demand business operators engage in operations all across Japan, the geographic range is defined as nationwide.

Part III Review of the Impact of the Acquisition on Competition

1. Consumer Karaoke-on-demand Businesses

With respect to the consumer karaoke-on-demand business, since the HHI level after this acquisition and the resultant HHI increase fall under the safe harbor criteria for horizontal business combination, this acquisition is deemed to constitute no substantial restraint of competition in any particular field of trade.

2. Commercial Karaoke-on-demand Businesses

(1) Market share

As of fiscal 2008, the domestic market for commercial karaoke-on-demand businesses was worth approximately 80 billion yen, roughly 60% of which is consideration for the sale or lease of commercial karaoke-on-demand equipment, with consideration for the distribution of songs (hereinafter referred to as “information service fees”) accounting for about 40%.

New commercial karaoke-on-demand equipment as well as second-hand commercial

karaoke-on-demand equipment supplied by resellers such as trading firms and agents are circulated in the market for commercial karaoke-on-demand. In addition to engaging in the manufacture, sale and leasing of commercial karaoke-on-demand equipment, commercial karaoke-on-demand business operators also continue to distribute songs and other content to the commercial karaoke-on-demand equipment they have produced whether new or second-hand, a business that nets them a constant stream of revenue. For this reason, commercial karaoke-on-demand business operators check the state of competition among business operators based not on how many units they have shipped but on the number of active commercial karaoke-on-demand units to which songs and other content are being distributed. Given this situation, it is regarded as appropriate to consider market share based on the number of active commercial karaoke-on-demand units, both new and second-hand, for each commercial karaoke-on-demand business operator.

After this acquisition, the combined market share of the companies concerned in terms of the number of active commercial karaoke-on-demand equipment units is about 40%, ranking it second. In addition, the HHI after this acquisition is about 5,200, with an approximate increase of 750, which does not fall under the safe harbor criteria for horizontal business combination.

Rank	Company	Market Share
1	Company A	Approx. 60%
2	BMB	Approx. 25%
3	Xing	Approx. 15%
(2)	Combination of the companies concerned	Approx. 40%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Existence of competitors

Company A continues to hold a majority share in the commercial karaoke-on-demand market and ranks higher than the companies concerned in every aspect of product strength, recognition, brand power and a dealer network of sales branches and other locations.

With respect to commercial karaoke-on-demand equipment, since each business operator is experiencing a downward trend in the sale of new equipment, they are considered to have excess supply capacity. Further, as shown in (3) below, since many

users consider the possibility of second-hand units whose quality is virtually the same to that of new units in addition to new units when procuring commercial karaoke-on-demand equipment, the supply of second-hand equipment is on the increase and there is a constant excess in supply of commercial karaoke-on-demand equipment.

For these reasons, it is recognized that there are sufficient competitors with excess supply capacity.

(3) Competitive pressure from users

Since the technology pertaining to the basic performance of commercial karaoke-on-demand equipment, such as specifications and song distribution, has for the most part matured and there is virtually no difference in quality or performance between commercial karaoke-on-demand business operators in terms of the number of loaded songs and other factors, it is easy for users to switch the commercial karaoke-on-demand business operator with whom they do business on the basis of quality. Also, agents who purchase inventory of commercial karaoke-on-demand equipment from commercial karaoke-on-demand equipment business operators sell not only new but second-hand equipment to users, and since there are many users in a position opt for second-hand equipment as an alternative to new equipment, users have dominated price negotiations.

For these reasons, it is recognized that some competitive pressure from users exists.

(4) Group financial conditions of the companies concerned

According to its consolidated statement for the period ended August 2009 and other materials, BMB as well as its parent company has continued to show a marked decline in business performance.

(5) Assessment under the Antimonopoly Act

In view of the circumstances stated in (2) to (4) above, this acquisition is deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

Part IV Conclusion

In view of the circumstances reviewed above, this acquisition is deemed to constitute no substantial restraint of competition in any particular field.

Case 6 Merger of NEC Electronics Corporation and Renesas Technology Corporation

Part I Summary of the Merger

The case relates to a merger between two entrepreneurs engaging in the manufacture and sale of semiconductors, NEC Electronics Corporation (hereinafter referred to as “NECEL”) and Renesas Technology Corporation (hereinafter referred to as “Renesas”). The case is subject to Article 15 of the Antimonopoly Act.

Part II Particular Fields of Trade

1. Product Ranges

(1) Memory

Memory is a semiconductor with the function of storing and retaining information, and is mainly used in personal computers, mobile phones and suchlike. There is both volatile memory, whose information is lost when the supply of power is cut, and nonvolatile memory, whose information is not lost even when the supply of power is cut. As these types of memory differ in functionality, no substitutability is recognized, nor is substitutability recognized for the DRAM ^(Note 1) and SRAM ^(Note 2) subtypes of volatile memory, since each is used in different applications due to differences in performance and price.

For these reasons, the product range is defined as SRAM, in which the companies concerned compete.

(2) Microcomputers

A microcomputer is a piece of equipment equipped with a CPU ^(Note 3) that serves as the brain of a computer and has the functionality to freely define its operation by processing programs. Microcomputers are widely used as the brains in personal computers, home electronics and the like. While microcomputers come in the form of MPUs ^(Note 4) and MCUs ^(Note 5), MPUs are characterized by their greater enhancement of CPU functionality, whereas MCUs are more compact than MPUs and are products that combine not only CPU functions but also other functions on a single chip. Due to these differences in performance, MPUs are largely used for the CPUs in personal computers, with MCUs being widely used in home appliances as well as cars, mobile phones and industrial machinery.

(Note 1) DRAM: Dynamic Random Access Memory

(Note 2) SRAM: Static Random Access Memory

(Note 3) CPU: Central Processing Unit

(Note 4) MPU: Micro-processing Unit

(Note 5) MCU: Micro-controller Unit

Since MPUs and MCUs are each used in different applications due to differences in performance and price, and because their respective competitive environments are essentially different, each is defined as a separate product range.

(3) ASICs/ASSPs

An ASIC ^(Note 6) is a fully-customizable products developed and produced for a specific user, and an ASSP ^(Note 7) is a semi-customizable product developed and produced with multiple users already in mind, to be equipped by those users in a common manner. In this way, ASICs and ASSPs are classified in terms of products that achieve functionality that meets user requirements, not in terms of products that have certain functionality. ASICs and ASSPs are similar in the sense that they are products that combine other functions with MPUs or MCUs as their core, but on the other hand, as evidenced by products developed as ASICs sometimes becoming ASSPs at the time of sale, classification criteria are unclear, and since whether a product is an ASIC or an ASSP is also something not strictly classified by each manufacturer, these products are defined as the single product range of “ASICs/ASSPs.”

Moreover, ASICs/ASSPs are often combined with other functions that mainly form the core of MCU functionality. Statistically speaking, depending on the manufacturer, the classification of products categorized as ASICs/ASSPs and products categorized as MCU is vague, and it is possible that sales of ASICs/ASSPs is also reported under the sales for products categorized as MCUs. For these reasons, “ASICs/ASSPs and MCUs” is defined as a single product range.

Also, in the semiconductor industry, goods that combine ASICs/ASSPs with microcomputers (MPUs and MCUs) are sometimes defined as System LSIs. Therefore, “ASICs/ASSPs, MPUs and MCUs” is defined as a single product range.

For these reasons, the product ranges are defined in multiple levels as “ASICs/ASSPs,” “ASICs/ASSPs and MCUs” and “ASICs/ASSPs, MPUs and MCUs” respectively.

(4) Logic Integrated Circuits (ICs)

Of the functions found in a microcomputer, logic ICs are products that perform only the logic functions (numerical computation, logical operations, comparisons and determinations). As such, they are often used in components that involve the execution of simple operations and do not require the sophistication of microcomputers, and are used in different applications to microcomputers.

(Note 6) ASIC: Application Specific Integrated Circuit

(Note 7) ASSP: Application Specific Standard Product

Among logic ICs are LCD drivers, products specific to the application of driving operation of the liquid crystal in LCD panels. Since LCD drivers are recognized in the industry as distinct products, the product range is defined as “LCD Drivers,” in which the companies concerned compete.

(5) Discrete devices

Discrete devices are devices with various current or voltage switching functions realized on a single circuit element, some common examples of which are transistors, diodes and thyristors. The possible applications of discrete devices are wide-ranging, and differ based on the respective functions and characteristics of each device.

For this reason, the product ranges are defined separately as “transistors,” “diodes” and “thyristors,” respectively.

As established above, with respect to the products over which the companies concerned are in competition in this case, 10 product ranges are defined as follows.

Memory (volatile)	SRAM	1		
Microcomputers	MPUs	2		6
	MCUs	3	5	
	ASIC/ASSP	4		
Logic ICs	LCD Drivers	7		
Discrete Devices	Transistors	8		
	Diodes	9		
	Thyristors	10		

1. Geographic Range

Major semiconductor manufacturers for five products, SRAM, MCUs, LCD drivers, transistors and thyristors generally maintain manufacturing bases as well as sales & technical support branches worldwide and supply semiconductors to each region. For all semiconductors, no price differences have been established in sales regions around the world. Further, since semiconductor transportation costs are extremely low and there is no different in these costs among the different manufacturers, trade barriers are also nonexistent.

For these reasons, it has become possible for users around the world to easily procure products from semiconductor manufacturers anywhere in the world, with most users

procuring products on a large scale from manufacturers around the world, irrespective of where those users are based. In fact, even among the major users of SRAM, MCUs, LCD drivers and discrete devices supplied by the companies concerned, most of them procure products from several manufacturers around the world.

For these reasons, for the five products, namely SRAM, MCUs, LCD drivers, transistors and thyristors, the geographic range is defined as worldwide.

Note that even for the other five product ranges defined in 1. above (namely “MPUs,” “ASICs/ASSPs,” “ASICs/ASSPs and MCUs,” “ASICs/ASSPs, MPUs and MCUs” and “Diodes”), the companies concerned and other domestic manufacturers engage in trade not only with domestic users but with users around the world, and although it is possible for the geographic range to be defined as worldwide in the same way, whether the geographic range is defined as domestic or worldwide, in either case the HHI level after this merger and the resultant HHI increase fall under the safe harbor criteria for horizontal business combination. Therefore, without the need to define the geographic range for the five products, namely “MPUs,” “ASICs/ASSPs,” “ASICs/ASSPs and MCUs,” “ASICs/ASSPs, MPUs and MCUs” and “Diodes,” this merger is deemed to constitute no substantial restraint of competition in any particular field of trade.

Part III Review of the Impact of the Merger on Competition

The impact that this merger will have on competition will now be assessed with respect to the particular fields of trade defined for the five products of SRAM, MCUs, LCD rivers, transistors and thyristors.

1. MCUs, LCD drivers, transistors and thyristors

With respect to the four products of MCUs, LCD drivers, transistors and thyristors, the HHI the HHI level after this merger and the resultant HHI increase fall under the safe harbor criteria for horizontal business combination. This merger is therefore deemed to constitute no substantial restraint of competition in any particular field of trade.

2. SRAM

(1) Market share

As of 2008, the worldwide SRAM market was worth approximately 130 billion yen.

After this merger, the total market share of the companies concerned is about 30%, ranking it first. In addition, the HHI after this integration is about 2,000, with an approximate increase of 400, which does not fall under the safe harbor criteria for horizontal business combination.

In 2008, the companies concerned had a total market share of approximately 50% in the SRAM market in Japan, ranking first.

Rank	Company	Market Share
1	Company A	Approx. 25%
2	Renesas	Approx. 20%
3	Company B	Approx. 15%
4	NECEL	Approx. 10%
5	Company C	Approx. 5%
6	Company D	Approx. 5%
7	Company E	Approx. 5%
8	Company F	Approx. 5%
9	Company G	0-5%
10	Company H	0-5%
	Others	Approx. 5%
(1)	Combination of the companies concerned	Approx. 30%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Existence of competitors

There are several powerful competitors with a market share of 10% or more.

(3) Market entry

Engaged exclusively in development and sale without owning their production lines, fabless manufacturers are characterized by the fact that they have limited fixed cost burdens as it is unnecessary to make excessive capital investment in production machinery to sell new types of semiconductors. This means that it is easy for fabless manufacturers to enter the markets for SRAM and other products.

Although semiconductors have semi-permanent life spans, their market period is short because of the limited lifecycle of final products. Semi conductor manufacturers are actively working on technical development for miniaturization, higher speed, lower power consumption, higher-density implementation and shorter production lead times.

It is therefore recognized that there exists some market entry pressure.

(4) Competitive pressure from related markets

In recent years the processing speed of DRAM has improved, shrinking the gap in processing speed with SRAM.

Especially as memory for mobile phones, with its low power consumption, to date SRAM has been used as a means of temporary data storage for running communication control, gaming and other programs for the purpose of ensuring a long standby duration. However, functionally and technically advanced DRAM is now being increasingly used in place of SRAM given that the memory is required to provide a larger storage capacity as mobile phones deal with increasing volumes of data, that a greater focus is placed on low prices (and the price of DRAM is about one-third or a quarter that of SRAM) and that the standby duration is extended after an improvement of battery performance.

It is therefore recognized that there exists some competitive pressure from related markets.

(5) Competitive pressure from users

The principal users of SRAM, such as leading computer manufacturers and electronics manufacturers, make purchases from a number of manufacturers to ensure stable procurement and their pricing power. As there is little quality difference in semiconductors among manufacturers, users can easily change their suppliers. They reconsider their suppliers on the occasion of remodeling their products.

It is therefore recognized that there exists some competitive pressure from users.

(6) Assessment under the Antimonopoly Act

In view of the circumstances stated in (2) to (5) above, this merger is deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

Part IV Conclusion

In view of the circumstances reviewed above, this merger is deemed to constitute no substantial restraint of competition in any particular field.

Case 7 Acquisition of Shares of Sanyo Electric Co., Ltd. by Panasonic Corporation

Part I Summary of the Acquisition

This case concerns a plan for Panasonic Corporation (hereinafter referred to as “Panasonic”), an entrepreneur engaged in the manufacture and sale of electronic devices and the like, to acquire a majority of voting rights for issued shares and make a subsidiary of Sanyo Electric Co., Ltd. (hereinafter referred to as “Sanyo”), an entrepreneur engaged in the same electronic device business. This case is subject to Article 10 of the Antimonopoly Act.

Part II Particular Fields of Trade

Of the 87 goods in which the companies concerned compete, those with the greatest market size and regarded as having the greatest impact on competition are cylindrical lithium manganese dioxide batteries (for household fire alarm devices), lithium-ion secondary batteries (for consumer use) and nickel metal hydride batteries (for vehicle use).

1. Cylindrical lithium manganese dioxide batteries (for household fire alarm devices)

(1) Product scope

Cylindrical lithium manganese dioxide batteries are high-capacity primary batteries (single-use type batteries that cannot be recharged) which use manganese dioxide as a cathode material and lithium as an anode material. In addition to the power supply for household fire alarm devices, the batteries are used to power gas meters and as the main power supply and electronic flash power supply in film cameras. The internal formulation of the batteries differs depending on which of these applications is being targeted. Since this causes wide variance in discharge characteristics, quality and manufacturing techniques also differ.

For these reasons, the product range is defined as “cylindrical lithium manganese dioxide batteries (for household fire alarm devices).”

(2) Geographic scope

Cylindrical lithium manganese dioxide batteries (for household fire alarm devices) are sold across all regions of Japan with no variance in price by region. Further, with respect to cylindrical lithium manganese dioxide batteries (for household fire alarm devices) used overseas, since the amount of current they produce falls short of the amount required by household fire alarm devices used in Japan, overseas batteries cannot be used unless changes are made to the design of the used devices themselves.

For these reasons, the geographic scope is defined as nationwide.

2. Lithium-ion secondary batteries (for consumer use)

(1) Product scope

Lithium-ion secondary batteries are secondary batteries that can be recharge many times which use a lithium metal oxide (lithium cobalt oxide, lithium nickel oxide, etc.) as an electrode material. In addition to consumer uses in mobile phones and notebook computers, some varieties are also used to drive electric vehicles.

While lithium-ion secondary batteries are used in a wide variety of devices, what these devices have in common is that they each use the batteries as the main power supply. In addition, lithium-ion secondary batteries are ultimately used in the form of a battery pack incorporating a protection circuit.

For these reasons, the product range is defined as “lithium-ion secondary batteries (for consumer use)” and includes the associated battery packs.

(2) Geographic scope

Differences in the properties, performance and quality of lithium-ion secondary batteries have been observed among different battery manufacturer and battery manufacturers of different nationalities, and since safety standards differ depending on the country, the geographic range is defined as nationwide.

3. Nickel metal hydride batteries (for vehicle use)

(1) Product scope

Nickel metal hydride batteries (for vehicle use) are used as the power supply to drive vehicles such as hybrid cars. This variety of nickel metal hydride batteries are in demand for uses that require higher levels of power density and energy density than the nickel metal hydride batteries used in notebook computers, mobile phones and similar devices, and this type is not considered to have substitutability with the variety of nickel metal hydride batteries used in consumer devices.

In addition, since nickel metal hydride batteries (for vehicle use) require the technical development of entire systems to be mounted in vehicles, trade takes place in the form of battery packs produced to suit the products of each company.

For these reasons, the product range is defined as “nickel metal hydride batteries (for vehicle use)” and includes the associated battery packs.

(2) Geographic scope

When automobile manufacturers engage in joint development with battery

manufacturers, an emphasis is placed on aspects such as detailed technical discussions and the exchange of information, and there is a tendency for automobile manufacturers to make battery manufacturers in their own country their R&D partners. If a vehicle actually progresses to mass production stage thereafter, batteries are procured from the battery manufacturer in that country that served as the R&D partner. For these reasons, the geographic range is defined as nationwide.

Part III Review of the Impact of the Acquisition on Competition

1. Cylindrical lithium manganese dioxide batteries (for household fire alarm devices)

(1) Market share

As of fiscal 2007, the domestic market for cylindrical lithium manganese dioxide batteries was worth approximately five billion yen.

After this acquisition, the total market share of the companies concerned is about 100%, ranking it first. In addition, the HHI after this acquisition is about 10,000, with an approximate increase of 4,000, which does not fall under the safe harbor criteria for horizontal business combinations.

Rank	Company	Market Share
1	Sanyo	Approx. 70%
2	Panasonic	Approx. 30%
3	Company A	0-5%
(1)	Combination of the companies concerned	Approx. 100%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Existence of competitors

There are no powerful competitors with a market share of 10% or more.

(3) Imports

At present there are virtually no imported goods on the Japanese market, and pressure from imports is regarded as weak.

(4) Market entry

To enter the market, time is required to conduct performance assessments and price negotiations with users (household fire alarm device manufacturers), receive orders and make deliveries, and even more time is required to build up a track record to earn the trust

of users. For these reasons, no market entry pressure is recognized to exist.

(5) Competitive pressure from users

Since there are only three entrepreneurs in the market including the companies concerned and circumstances make it difficult for users to switch manufacturer, it is recognized that no competitive pressure from users exists.

(6) Assessment under the Antimonopoly Act

a. Competitive concerns

In view of the circumstances stated in (2) to (5) above, it is deemed that this acquisition may constitute substantial restraint of competition in a particular field of trade through independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

b. Remedy

To remedy the competitive concerns stated in a. above, the companies concerned proposed measures to remedy the problems.

(a) Details

The relevant battery manufacturing equipment, personnel and agreements with business associates at Sanyo's Tottori Plant, which serves as the manufacturing facility for the cylindrical lithium manganese dioxide batteries (for household fire alarm devices) that Sanyo manufactures for shipment domestically, will be transferred to another entrepreneur that engages in the manufacture and sale of batteries and is the subsidiary of a major electronics manufacturer.

The agreement pertaining to this transfer will be concluded by the end of March, 2010, with this transfer being executed within three months of the agreement's conclusion.

(b) Assessment

Since production lines and associated trade rights will be transferred to the transferee company from the companies concerned, the transferee company is regarded as being able to engage in the cylindrical lithium manganese dioxide battery (for household fire alarm devices) business independently.

Therefore, if the measures to remedy the problem proposed by the companies concerned are faithfully implemented, the transferee company can be assessed as a potential powerful competitive entrepreneur.

c. Assessment under the Antimonopoly Act

In the event that the measures to remedy the problems proposed by the companies concerned are faithfully implemented, this acquisition is deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

2. Lithium-ion secondary batteries (for consumer use)

(1) Market share

As of fiscal 2007, the domestic market for lithium-ion secondary batteries was worth approximately 94 billion yen.

After this acquisition, the total market share of the companies concerned at about 20%, ranking it first. In addition, the HHI after this acquisition is about 5,300, with an approximate increase of 800, which does not fall under the safe harbor criteria for horizontal business combination.

Rank	Company	Market Share
1	Sanyo	Approx. 65%
2	Company B	Approx. 10%
3	Company C	Approx. 10%
4	Panasonic	Approx. 5%
5	Company D	Approx. 5%
6	Company E (imported goods)	0-5%
7	Company F (imported goods)	0-5%
8	Company G (imported goods)	0-5%
(1)	Combination of the companies concerned	Approx. 70%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Existence of competitors

There are several powerful competitors with a market share of 10% or more. As well as there being leeway in production equipment utilization rates in Japan overall, it is thought that competitors are augmenting their production capacity.

For these reasons, it is recognized that there are sufficient competitors with excess

supply capacity.

(3) Imports

Imports come from South Korea and China, and there are many users assessing these imports. In particular, products from South Korean manufacturers are regarded as on a par with the offerings of domestic manufacturers in terms of price and quality, and it is conceivable that those imports will increase in the future.

For these reasons, it is recognized that a certain level of import pressure exists.

(4) Market entry

The time to conduct performance assessments and price negotiations with users (notebook computer and mobile phone manufacturers, etc.), receive orders and make delivery which is necessary to enter the market is relatively short.

Moreover, several entrepreneurs, including major electronics component manufacturers, have entered the market in recent years. As such, supply is expected to increase in the future.

For these reasons, it is recognized that a certain level of market entry pressure exists.

(5) Competitive pressure from users

Reflecting the lively competition that exists among manufacturers of mobile phones, notebook computers and similar products, prices for lithium-ion secondary batteries (for consumer use) have also fallen, and competitive pressure from users is acknowledged.

(6) Assessment under the Antimonopoly Act

In view of the circumstances stated in (2) to (5) above, this acquisition is deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the companies concerned or through any collaboration between the companies concerned and any other competitive entrepreneur.

3. Nickel metal hydride batteries (for vehicle use)

(1) Market share

As of fiscal 2007, the domestic market for nickel metal hydride batteries (for vehicle use) was worth approximately 58 billion yen.

After this acquisition, the total market share of the companies concerned is about 100%, ranking it first. In addition, the HHI after this acquisition is about 10,000, with an approximate increase of 200, which does not fall under the safe harbor criteria for

horizontal business combination.

Rank	Company	Market Share
1	Panasonic EV Energy ^(Note)	Approx. 90%
2	Panasonic	Approx. 10%
3	Sanyo	0-5%
(1)	Combination of the companies concerned	Approx. 100%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Competitive pressure from related markets

Technical innovations in the field of nickel metal hydride batteries (for vehicle use) have essentially ended and battery manufacturers are presently focusing on the research and development of lithium-ion secondary batteries (for vehicle use). The benefits of lithium-ion secondary batteries (for vehicle use) over nickel metal hydride batteries (for vehicle use) is that they exhibit superior power density and recharging efficiency, suffer from no memory effect, are highly efficient and feature excellent durability.

As a result, although lithium-ion secondary batteries are yet to be employed as vehicle batteries from a safety standpoint, joint research and other endeavors conducted by automobile manufacturers and battery manufacturers in recent years have continued to establish the safety of lithium-ion secondary batteries (for vehicle use), and aside from the companies concerned, there are several powerful competitors which have been established through joint ventures on the part of automobile and battery manufacturers.

In the future, automobile manufacturers are expected to be releasing electric vehicles and similar products equipped with lithium-ion secondary batteries (for vehicle use), and along with the commercialization and shift to mass production for lithium-ion secondary batteries (for vehicle use), the shift from nickel metal hydride batteries (for vehicle use) to lithium-ion secondary batteries (for vehicle use) is set to proceed at a rapid pace in the future.

For these reasons, lithium-ion secondary batteries (for vehicle use) exert a restraining force on price rises by the companies concerned in the market for nickel metal hydride batteries (for vehicle use), and as such, competitive pressure from related markets is acknowledged to exist.

(Note) Panasonic owns a 40% stake in Panasonic EV Energy Co., Ltd., with the other 60% held by a major automobile manufacturer.

(3) Competitive pressure from users

There is lively competition among users (automobile manufacturers), and according to the circumstances of past price negotiations, users make severe price demands of manufacturers. Therefore, there is considered to be competitive pressure from users.

(4) Assessment under the Antimonopoly Act

In view of the circumstances stated in (2) and (3) above, it is deemed that this acquisition constitutes no substantial restraint of competition in any particular field through independent behavior of the companies concerned.

Part IV Conclusion

In view of the circumstances reviewed above, this acquisition is deemed to constitute no substantial restraint of competition in any particular field.

Reference: Liaising with Overseas Antitrust Authorities

In addition to the JFTC, antitrust authorities in ten countries and regions, including Europe and the United States, investigated this acquisition at around the same time. Although each overseas antitrust authority defined the geographic range for the markets subject to review as their respective country (and the European Economic Area in the case of Europe), since there were many similarities in product categories, from the outset of its review the JFTC, with the consent of the companies concerned, liaised with antitrust authorities in Europe and the United States while conducting its review.

Case 8 Business Integration of Mitsui Sumitomo Insurance Co., Ltd., Aioi Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd., and Business Integration of Sompo Japan Insurance Inc. and Nipponkoa Insurance Co., Ltd. ^(Note 1)

Part I Summary of the Integration

This case concerns plans for two groups of companies to undertake respective business integrations. The companies concerned are a group of three companies engaged in the non-life insurance business, namely Mitsui Sumitomo Insurance Co., Ltd. (hereinafter referred to as “Mitsui Sumitomo”), Aioi Insurance Co., Ltd. (hereinafter referred to as “Aioi”) and Nissay Dowa General Insurance Co., Ltd. (hereinafter referred to as “Nissay Dowa”), collectively referred to as “the three non-life insurers,” as well as two companies engaged in the same business, namely Sompo Japan Insurance Inc. (hereinafter referred to as “Sompo Japan”) and Nipponkoa Insurance Co., Ltd. (hereinafter referred to as “Nipponkoa”), referred to collectively as “the two non-life insurers.” ^(Note 2) . This case is subject to Article 10 and Article 15-3 of the Antimonopoly Act.

Part II Particular Fields of Trade

Of the seven items in which the three non-life insurers and the two non-life insurers compete, those items regarded as having the greatest market size, among other factors, are fire insurance, automobile insurance and accident insurance.

With respect to geographic range, since all companies concerned maintain operations on a nationwide basis, the geographic range is defined as nationwide.

1. Fire Insurance

Fire insurance is an insurance product that compensates for damage to insured items (the buildings and contents covered by the insurance) arising due to a random accident such as fire. The product range is defined as “fire insurance.”

2. Automobile Insurance

Automobile insurance (voluntary insurance) is an insurance product that compensates for potential liability on the part of the insured, injury sustained by the insured and damage to the automobile covered by the insurance, in the event of an automobile accident. The

(Note 1) While these business integrations are being undertaken separately from one another, since they will occur at around the same time, they were considered together.

(Note 2) With respect to the three non-life insurers, Mitsui Sumitomo Insurance Group Holdings, which is the parent company of Mitsui Sumitomo, will integrate the businesses with Aioi and Dowa Nissay as subsidiaries. With respect to the two non-life insurers, the companies will integrate businesses by establishing a joint holding company through a joint share transfer method.

product range is defined as “automobile insurance.”

3. Accident Insurance

Accident insurance is an insurance product that compensates for damages resulting from injuries sustained by the insured due to a sudden and random accident of external origin. The product range is defined as “accident insurance.”

Part III Review of the Impact of the Integration on Competition

1. Fire Insurance

(1) Market share

As of fiscal 2007, the domestic market for fire insurance was worth approximately 1.2 trillion yen on the basis of net direct premiums.

After this integrations, the total market share of the three non-life insurers is about 35%, ranking first, and the total market share of the two non-life insurers is about 25%, ranking third. In addition, the HHI after the integrations in question is about 2,500, with an approximate increase of 600 for the three non-life insurers and about 300 for the two non-life insurers, which in both cases does not fall under the safe harbor criteria for horizontal business combination.

Note that since the three non-life insurers and the two non-life insurers planned to undertake their respective business integrations on the same date, the increase in HHI for the three non-life insurers is calculated on the presumption that the two non-life insurers have completed their business integration, and vice versa (the same applies to the calculations in 2. (1) and 3. (1), below).

Rank	Company	Market Share
1	Company A	Approx. 25%
2	Mitsui Sumitomo (X)	Approx. 20%
3	Sompo Japan (Y)	Approx. 15%
4	Nipponkoa (Y)	Approx. 10%
5	Aioi (X)	Approx. 10%
6	Nissay Dowa (X)	Approx. 5%
7	Company B	Approx. 5%
8	Company C	0-5%
9	Company D	0-5%
10	Company E	0-5%
(1)	Combination of the three	Approx. 35%

	non-life insurers (combination of X)	
(3)	Combination of the two non-life insurers (combination of Y)	Approx. 25%
	Total	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Existence of competitors

In addition to there being several powerful competitors with a market share of 10% or more, the three non-life insurers and the two non-life insurers exist as powerful competitors to one another.

(3) Market entry

While the approval of the Prime Minister of Japan is required for a non-life insurance company to newly engage in the sale of insurance products, the usual length of time taken to obtain approval is a relatively short 90 days. Although new entry entails some degree of cost, since the market for fire insurance is large, the enticement to enter the fire insurance market is great, and in recent years there have been cases of non-life insurance companies from Japan and overseas newly entering the fire insurance market.

For these reasons, it is recognized that a certain level of market entry pressure exists.

(4) Competitive pressure from related markets

While fire mutual aid for members of benefit associations is available as a product with similar utility to fire insurance, since fire mutual aid is in principle a product that covers individuals, it is thought that a related market is formed with respect to fire insurance where individuals are the policyholders. While a significant proportion of fire insurance policies are made up of products for individuals, the market for fire mutual aid is larger than the market for fire insurance products aimed at individuals.

For these reasons, competitive pressure from related markets is acknowledged to exist.

(5) Competitive pressure from users

For fire insurance, there are no major differences among non-life insurers with respect to premiums and coverage, and switching to the policy of another fire insurance company poses little cost to the user. Therefore, it is regarded as easy for users to switch the fire insurance company with whom they have taken out a policy.

For these reasons, there is considered to be competitive pressure from users.

(6) Assessment under the Antimonopoly Act

In view of the circumstances stated in (2) to (5) above, this integrations are deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the three non-life insurers or the two non-life insurers or through any collaboration between the three non-life insurers or the two non-life insurers and any other competitive entrepreneur.

2. Automobile Insurance

(1) Market share

As of fiscal 2007, the domestic market for automobile insurance was worth approximately 3.6 trillion yen on the basis of net direct premiums.

After the integrations, the total market share of the three non-life insurers is about 35%, ranking first, and the total market share of the two non-life insurers is about 30%, ranking second. In addition, the HHI after these integrations is about 2,600, with an approximate increase of 700 for the three non-life insurers and about 300 for the two non-life insurers, which in both cases does not fall under the safe harbor criteria for horizontal business combination.

Rank	Company	Market Share
1	Company F	Approx. 25%
2	Sompo Japan (Y)	Approx. 20%
3	Mitsui Sumitomo (X)	Approx. 15%
4	Aioi (X)	Approx. 10%
5	Nipponkoa (Y)	Approx. 10%
6	Company G	Approx. 5%
7	Nissay Dowa (X)	Approx. 5%
8	Company H	0-5%
9	Company I	0-5%
10	Company J	0-5%
(1)	Combination of the three non-life insurers (combination of X)	Approx. 35%
(2)	Combination of the two non-life insurers (combination of Y)	Approx. 30%

	Overall	100%
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(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Existence of competitors

In addition to there being several powerful competitors with a market share of 10% or more, the three non-life insurers and the two non-life insurers exist as powerful competitors to one another.

(3) Market entry

As with fire insurance, the time it takes to obtain approval to begin selling insurance products is relatively short. Although new entry requires significant costs, since the market for automobile insurance is large, the enticement to enter the automobile insurance market is great and recent years have seen new entrants to the automobile industry market, including entries originating outside the industry.

For these reasons, it is recognized that a certain level of market entry pressure exists.

(4) Competitive pressure from related markets

While automobile mutual aid for members of benefit associations is available as a product with similar utility to automobile insurance, since automobile mutual aid is in principle a product that covers individuals, it is thought that a related market is formed with respect to automobile insurance where individuals are the policyholders. While a considerable proportion of automobile insurance policies are made up of products for individuals, the size of the market for automobile mutual aid corresponds to a percentage of the market size for automobile insurance products aimed at individuals.

For these reasons, competitive pressure from related markets is acknowledge to exist.

(5) Competitive pressure from users

As with fire insurance, it is regarded as easy for users of automobile insurance to switch the automobile insurance company with whom they have taken out a policy.

Therefore, there is considered to be competitive pressure from users.

(6) Assessment under the Antimonopoly Act

In view of the circumstances stated in (2) to (5) above, these integrations are deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the three non-life insurers or the two non-life insurers or

through any collaboration between the three non-life insurers or the two non-life insurers and any other competitive entrepreneur.

3. Accident Insurance

(1) Market share

As of fiscal 2007, the domestic market for accident insurance was worth approximately 800 billion yen on the basis of net direct premiums.

After these integrations, the total market share of the three non-life insurers is about 30%, ranking first, and the total market share of the two non-life insurers is about 25%, ranking second. In addition, the HHI after these integrations is about 2,000. While the approximate increase of 200 for the two non-life insurers falls under the safe harbor criteria for horizontal business combination, the approximate increase of 400 for the three non-life insurers does not.

Rank	Company	Market Share
1	Company K	Approx. 20%
2	Mitsui Sumitomo (X)	Approx. 20%
3	Sompo Japan (Y)	Approx. 20%
4	Nipponkoa (Y)	Approx. 5%
5	Aioi (X)	Approx. 5%
6	Company L	Approx. 5%
7	Nissay Dowa (X)	Approx. 5%
8	Company M	Approx. 5%
9	Company N	0-5%
10	Company O	0-5%
(1)	Combination of the three non-life insurers (combination of X)	Approx. 30%
(2)	Combination of the two non-life insurers (combination of Y)	Approx. 25%
	Overall	100%

(Source: Created by the JFTC based on materials submitted by the companies concerned)

(2) Existence of competitors

In addition to there being several powerful competitors with a market share of 10% or more, the three non-life insurers and the two non-life insurers exist as powerful

competitors to one another.

(3) Market entry

As with fire insurance, the time it takes to obtain approval to begin selling insurance products is relatively short. Although new entry entails some degree of cost, due to the large size and other aspects of the market, the enticement to enter the accident insurance market is great, and recent years have seen new entries into the accident insurance market, including accident insurance companies from Japan and overseas and entries originating outside the industry.

For these reasons, it is recognized that a certain level of market entry pressure exists.

(4) Competitive pressure from related markets

While accident mutual aid for members of benefit associations is available as a product with similar utility to accident insurance, since accident mutual aid is in principle a product that covers individuals, it is thought that a related market is formed with respect to accident insurance where individuals are the policyholders. While products for individuals account for a certain percentage of accident insurance policies, size of the market for accident mutual aid corresponds to a percentage of the market size for accident insurance products aimed at individuals.

For these reasons, competitive pressure from related markets is acknowledge to exist.

(5) Competitive pressure from users

As with fire insurance, it is regarded as easy for users of accident insurance to switch the accident insurance company with whom they have taken out a policy.

Therefore, there is considered to be competitive pressure from users.

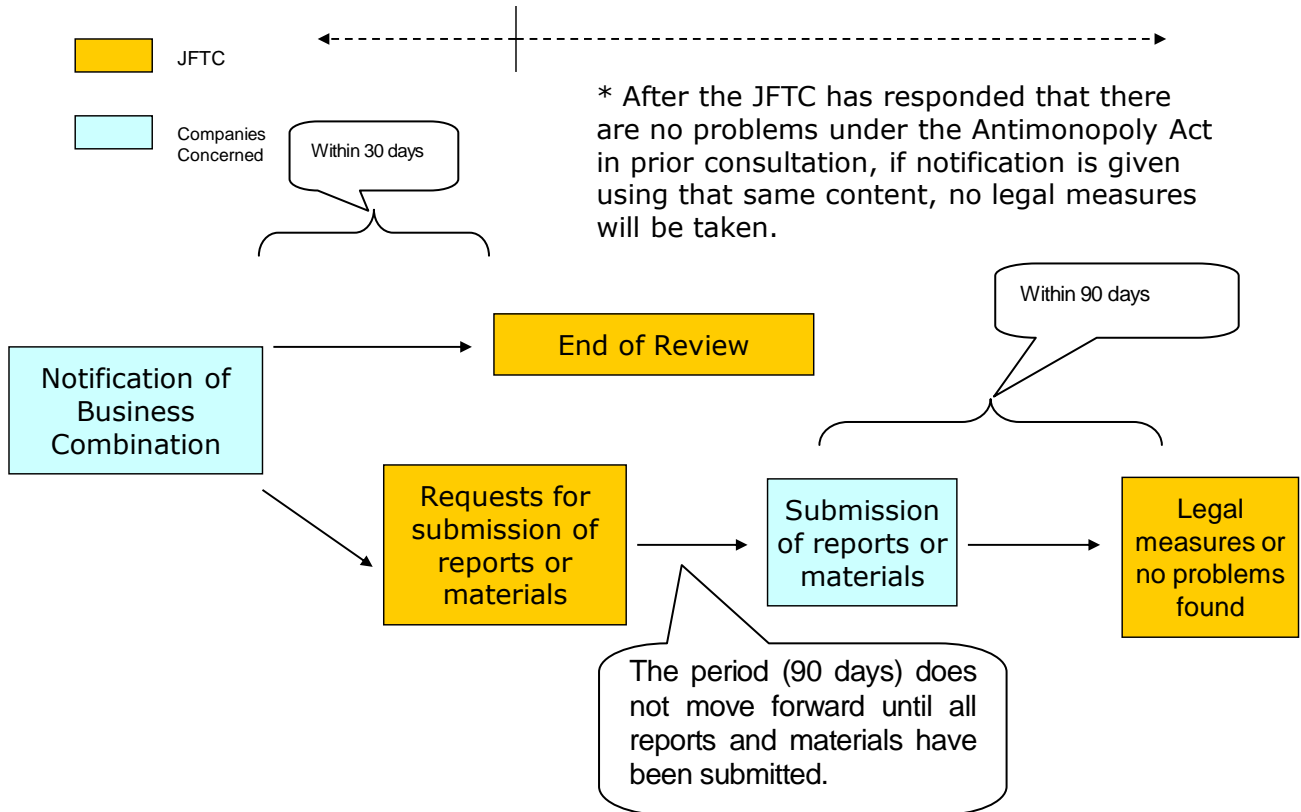
(6) Assessment under the Antimonopoly Act

In view of the circumstances stated in (2) to (5) above, these integrations are deemed to constitute no substantial restraint of competition in any particular field of trade through any independent behavior of the three non-life insurers or through any collaboration between the three non-life insurers or the two non-life insurers and any other competitive entrepreneur.

Part IV Conclusion

In view of the circumstances reviewed above, these integrations are deemed to constitute no substantial restraint of competition in any particular field.

Notification System Concerning Business Combinations under the Antimonopoly Act



Numbers of Notifications of Mergers, Divisions, Joint Share Transfers Business Acquisitions and Others and of Reports on Stockholding Submitted in Fiscal 2009

In fiscal 2009, the JFTC received a total of 985 notifications and reports, down 2.3% from the preceding fiscal year. Of them, 48 notifications were relating to mergers, 15 were relating to divisions, three were relating to joint share transfers and 79 were relating to business acquisitions and others. There were 840 reports on stockholdings. Among these, there was one notification of business acquisition and 57 reports on stockholdings from foreign companies. (The table below shows the trend in the past three years).

(Note) Any business with its scale exceeding the applicable predetermined level is obliged to make notification of its planned merger, division, business acquisitions and others or to deliver a report on stockholding. For example, in the case of a merger between domestic companies, the notification is required provided that either of the companies has a total gross asset value of more than 10 billion yen and that another has a total gross asset value of more than 1 billion yen.

Numbers of Notifications of Mergers, Divisions, Joint Share Transfers Business Acquisitions and Others and of Reports on Stockholding Submitted

	Fiscal 2007	Fiscal 2008	Fiscal 2009
Notifications of mergers	76 (100)	69 (91)	48 (63)
Notifications of divisions	33 (100)	21 (64)	15 (45)
Notifications of joint share transfers	-	-	3 (-)
Notifications of business transfers and others	123 (100)	89 (72)	79 (64)
Reports on stockholdings	1,052 (100)	829 (79)	840 (80)
Total	1,284 (100)	1,008 (79)	985 (77)

(Note 1) The figures in parentheses represent index values. An index value of 100 corresponds to the number of notifications or reports in fiscal 2007.

(Note 2) The number of reports on stockholdings in fiscal 2009 (840 reports) includes notifications on stock acquisitions (71 notifications) made in accordance with provisions of the Antimonopoly Act following its amendment due to the Act to Amend the Antimonopoly Act (Act No. 51 of 2009).

* For further details, please visit the JFTC website at <http://www.jftc.go.jp/ma/4syo.html>.

Results of the Reviews of Business Combinations in Fiscal 2009

The table below shows how many of the fields of trade defined as subject to review and how many of the fields in which remedies have been taken fall under different levels of the HHI value and the HHI increment (hereinafter referred to as “ Δ HHI”) resulting from the business combination of the groups of companies concerned. It covers the cases made public as principal cases of business combinations in fiscal 2009 and all other cases in which, based on the “Policies dealing with prior consultation regarding business combination plans,” the JFTC offered its replies to the companies concerned during fiscal 2009.

(Note 1) HHI and other values after business combination between the groups of companies concerned are mere results of calculation from data available from materials and other sources. The table does not take into account any case for which such values cannot be calculated.

(Note 2) In the table, HHI refers to the HHI level after business combination of the groups of companies concerned and Δ HHI to the increase in the HHI level after the business combination of the groups of companies concerned.

(Note 3) In fiscal 2009, there were 24 instances where the JFTC offered responses to the companies concerned regarding the presence of issues under the Antimonopoly Act and gave approval (of these, approval was given in four cases on the presumption that remedies would be undertaken.)

Number of fields of trade by HHI and Δ HHI

HHI Δ HHI	1,500 or less		Over 1,500 and 2,500 or less		Over 2,500		Total	
	Total	Fields with Remedies	Total	Fields with remedies	Total	Fields with remedies	Total	Fields with remedies
150 or less	25	0	22	0	22	0	69	0
Over 150 and 250 or less	5	0	10	0	7	0	22	0
Over 250	8	0	28	0	47	4	83	4
Total	38	0	60	0	76	4	174	4