



公正取引委員会
Japan Fair Trade Commission



Report on Trade Practices in Cloud Services Sector (Summary)

June 2022

Japan Fair Trade Commission (JFTC)

Purpose of the survey

- As the digitization of economy has advanced in recent years, information systems, which form the foundation of business activities, must provide prompt and flexible support to meet the need of the frontline workforce, which changes rapidly. **The use of cloud services is expanding as one of the solutions to such need of businesses.**
 - Some cloud service providers (CSPs) are **becoming important players who provide the foundation of business activities to a number of enterprises** by providing a wide range of services.
- >JFTC conducted a fact-finding survey regarding trade practices in cloud services sector to identify the trade practices and conditions of the competitors in the cloud service sector and promote efforts to prevent acts that violate the Antimonopoly Act (AMA) and ensure fair, free competition environments implemented by concerned parties by demonstrating JFTC's views regarding the AMA and competition policy.

Survey method

Interview-based survey

A survey based on the interviews to the following parties was conducted.

CSPs : 25 Companies
Introduction support providers : 33 Companies
Third-party software vendors : 6 Companies
Businesses using cloud services: 18 Companies
Experts, trade associations, research firms, etc : 20 entities

※In the course of this investigation, report orders under the Article 40 of the AMA were issued.

Questionnaire-based survey of cloud service customers (CSCs)

JFTC selected 10,000 companies (including those which did not use a cloud service) randomly from about 30,000 enterprises that had a sales amount of 5 billion yen or more and sent them a request to answer its questionnaire.

[Numbers of respondents]
IaaS customers : 419 companies
PaaS customers : 129 companies
SaaS customers : 1055 companies

Expert Opinion Exchange Meeting

Expert Opinion Exchange Meeting was held to listen to expert opinions to compile the report.

[Experts]

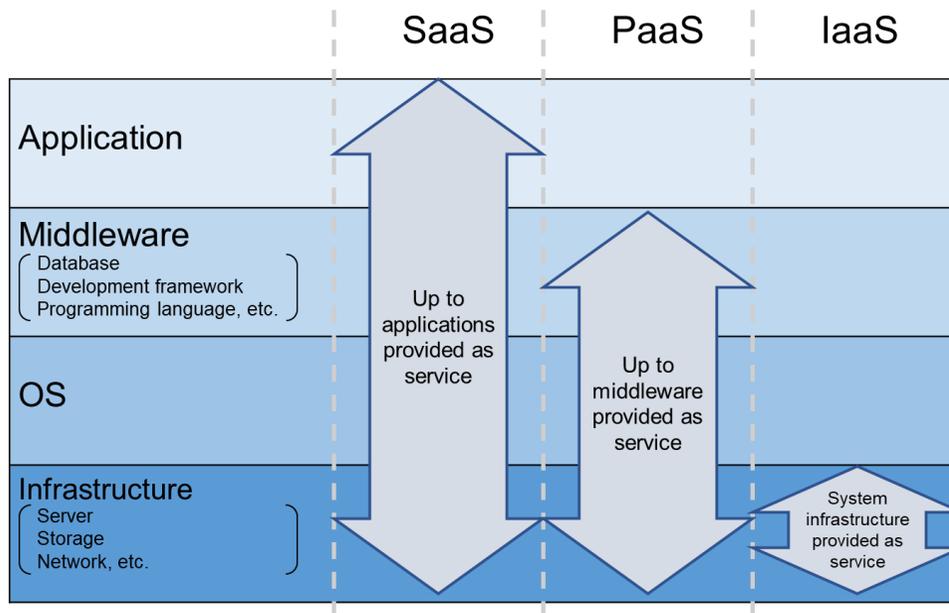
Jurists, economists, experts in cloud services, etc.
9 people

International cooperation

Opinions were exchanged with the European Commission, the Netherlands Authority for Consumers and Markets and French Autorité de la concurrence to refer to related discussions in other countries and regions.

- The survey mainly targets IaaS and PaaS with a focus on their roles of the cloud services as the foundation or a component in the digital market.
(On the following pages, “cloud” refers to IaaS and PaaS, unless otherwise specified.)

Classifications of cloud services by service model



Source: Data produced by JFTC, based on documents such as NIST Special Publication 800-145: *The NIST Definition of Cloud Computing*, by Peter Mell and Timothy Grance (September 2011)

IaaS (Infrastructure as a Service)

- IaaS provides infrastructure resources such as servers, storage and networks via a network (to enable the construction of infrastructure in a virtualized environment).
- The CSCs must introduce and manage its middleware, applications and other software by themselves.

PaaS (Platform as a Service)

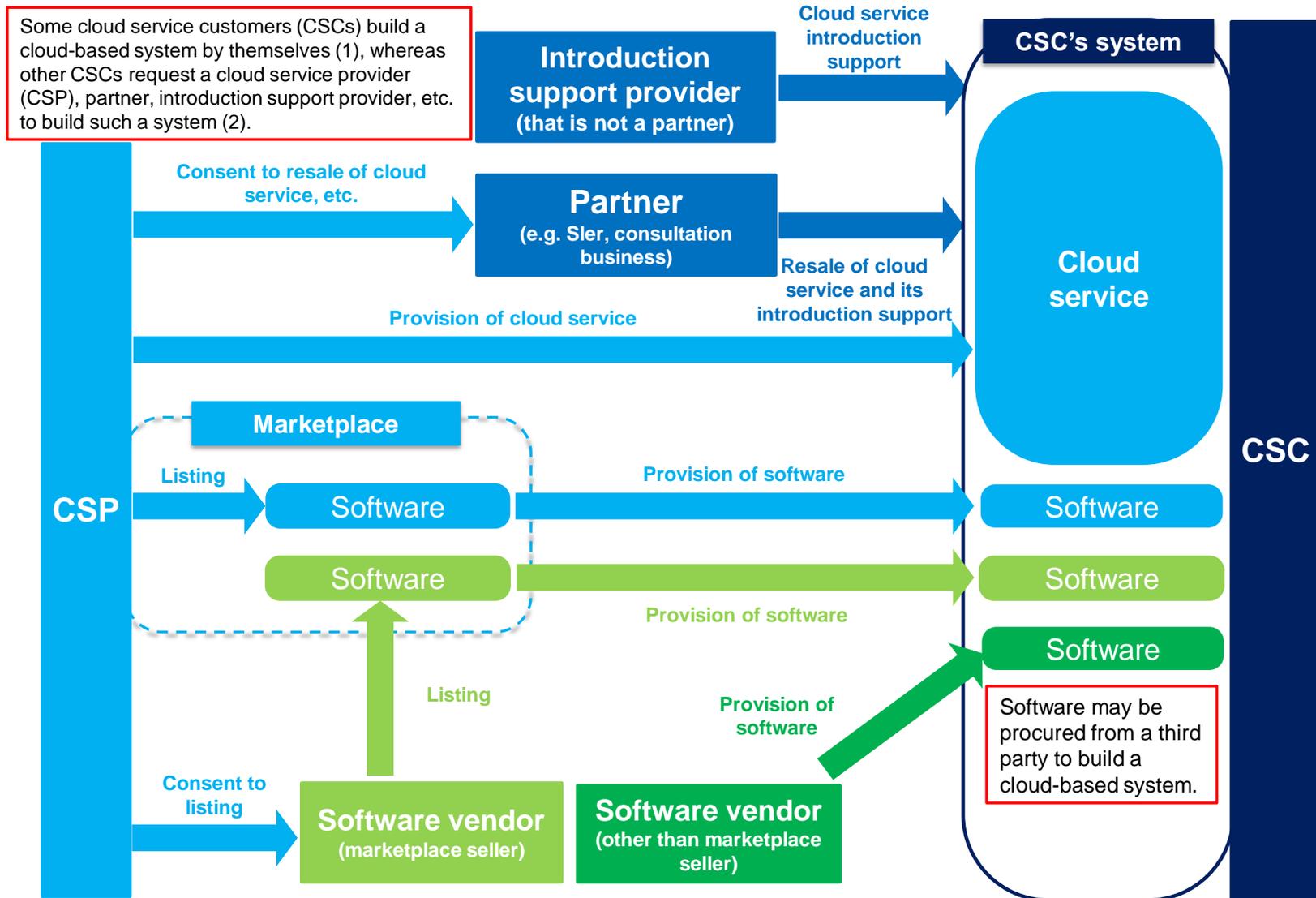
- In addition to infrastructure resources, PaaS provides platforms and middleware resources required to operate applications via a network.
- When an environment for application development and execution is provided, for instance, the CSCs can start developing applications without the need to build their development environment by themselves.
- Now, PaaS also provides functions for the foundation of IoT and AI.

SaaS (Software as a Service)

- SaaS provides applications that operate on cloud infrastructure via a network.
- For example, SaaS provides groupware and Customer Relationship Management (CRM).

Businesses involved in cloud services

- As CSCs use cloud services by selecting required functions and combining them according to their own need, a number of players are involved in cloud trade.



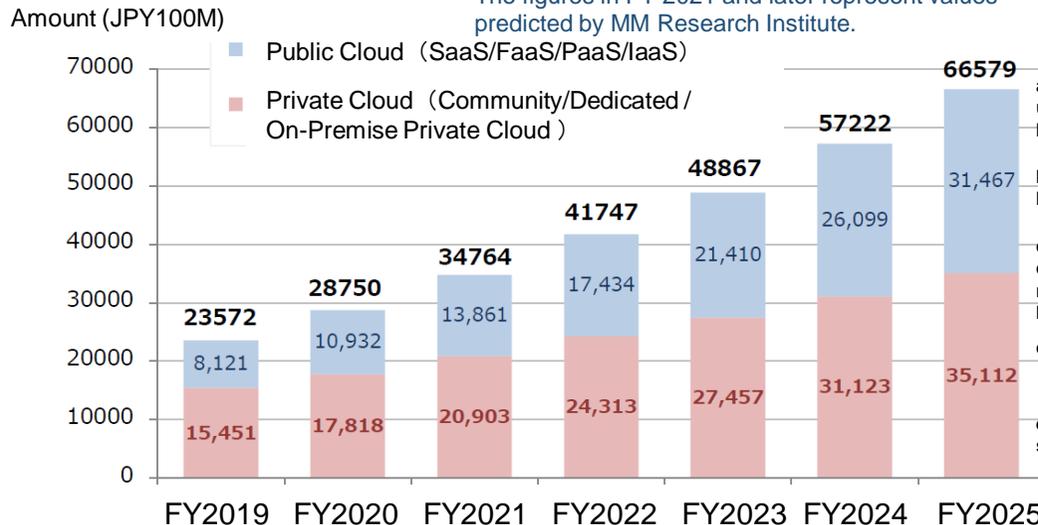
(Note) As this diagram only shows related businesses in a broad, general manner, it may not be applicable to some CSPs.

- The performance-based scale of the cloud service market (including SaaS) was nearly 3 trillion yen in FY 2020 and it is also expected to continue to expand.
- Only 10 to 20% of the respondents of the questionnaire have introduced “multi-cloud*,” which uses a combination of cloud services (IaaS/PaaS) provided by different providers.

* “Multi-cloud” is a cloud configuration that allows you to introduce multiple IaaS/PaaS provided by different providers and use a combination of the IaaS/PaaS by selecting the best service for each operation or assign the same function to IaaS/PaaS provided by different providers to achieve redundancy.

Changes in the market scale of the cloud service market

* Including SaaS
* The figures in FY 2021 and later represent values predicted by MM Research Institute.

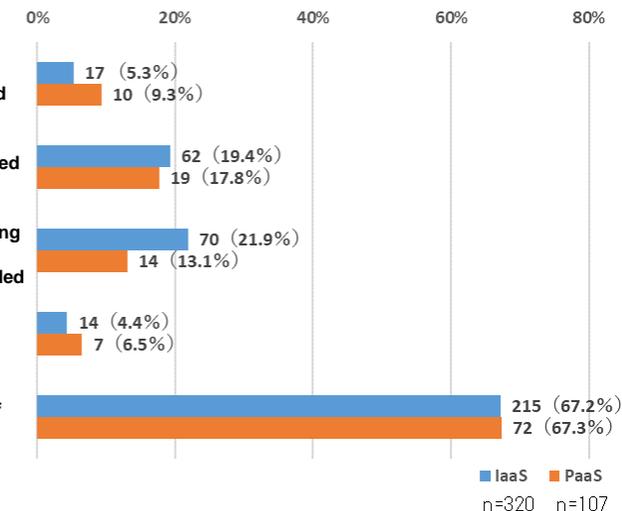


Source: MM Research Institute, Ltd., Trends in Demand for Cloud Services in Japan (2021 Edition)

Reasons why multi-cloud is yet to be introduced

(Questionnaire results from CSCs that answered they were yet to introduce it; multiple responses allowed)

- a) It is technically difficult to link currently-used IaaS/PaaS to other IaaS/PaaS provided by a different developer/provider.
- b) It is more costly to use IaaS/PaaS provided by a different developer/provider.
- c) Costs (e.g., labor cost, educational/training costs) are required to develop human resources that can handle IaaS/PaaS provided by multiple developers/providers.
- d) Other
- e) There is no need to use a combination of services.



Advantages of cloud services (proportions of CSCs that answered in the CSC questionnaire, regarding reasons why they had introduced IaaS/PaaS)

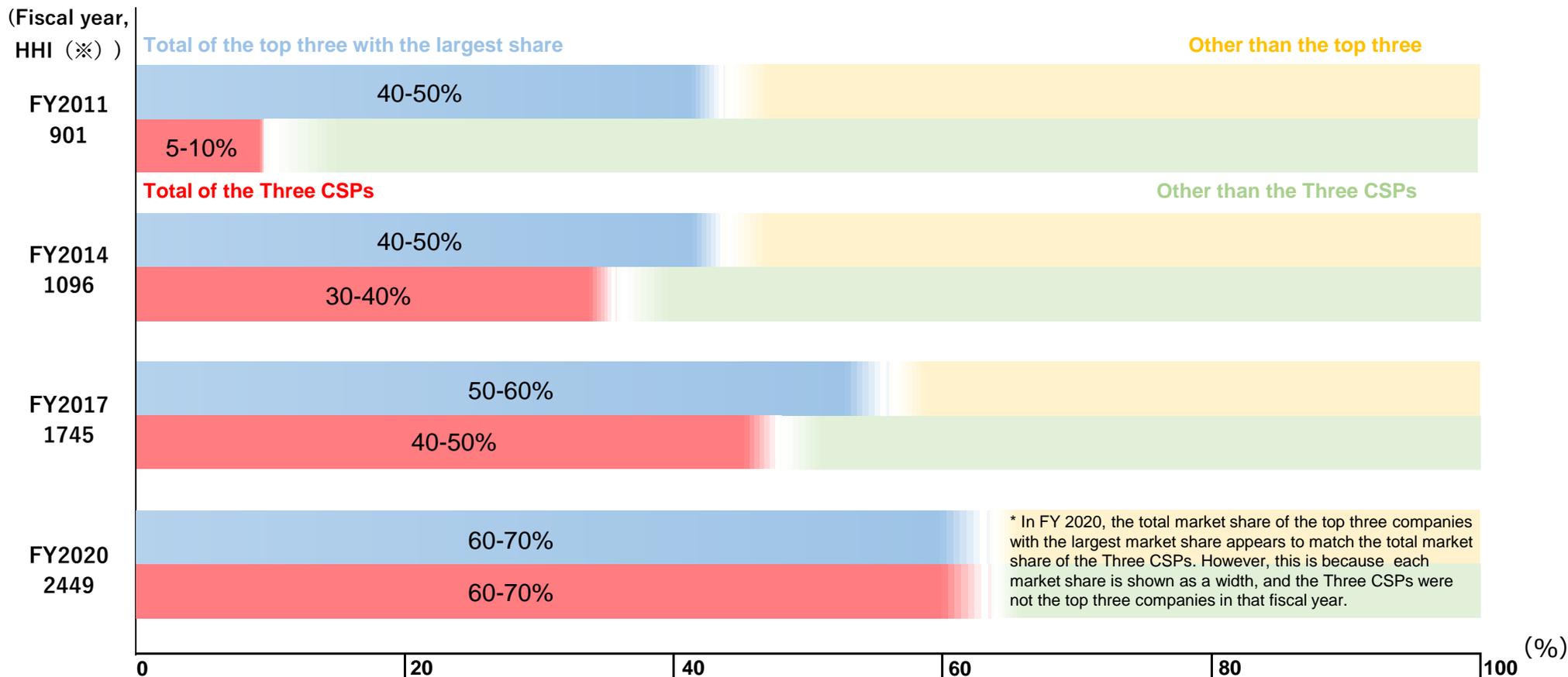
- Flexibility / swiftness of construction (IaaS: 64.0%, PaaS: 55.1%)
- Effective use of internal IT human resources by outsourcing maintenance/operation (IaaS: 57.1%, PaaS: 52.0%)
- Availability/reliability (IaaS: 54.9%, PaaS: 45.7%)

Cost/number of cloud services (commented by CSPs)

- The cost of cloud services is on the decrease, especially for IaaS.
- The number of services provided by CSPs that have a large market share is increasing every year.

- The degree of market concentration in the IaaS and PaaS markets is increasing every year.
- Amazon Web Services (AWS), Microsoft and Google (hereinafter “the Three CSPs”), in particular, are expanding their market shares significantly.

Changes in the total market share of the top three companies with the largest market share in Japan and the total market share of the Three CSPs
(Total of IaaS and PaaS)



Source: The presented data was calculated by JFTC, based on information submitted by CSPs and *Present Situation and Future Outlook for Cloud Computing 2021 (Market)*, which was issued by Fuji Chimera Research Institute, Inc.

※ HHI (Herfindahl-Hirschman Index) is calculated by the sum of the squares of the market shares of each business in the market.

In the cloud service market, the degree of its market concentration is increasing gradually and this trend is expected to continue in the future due to the following market characteristics.

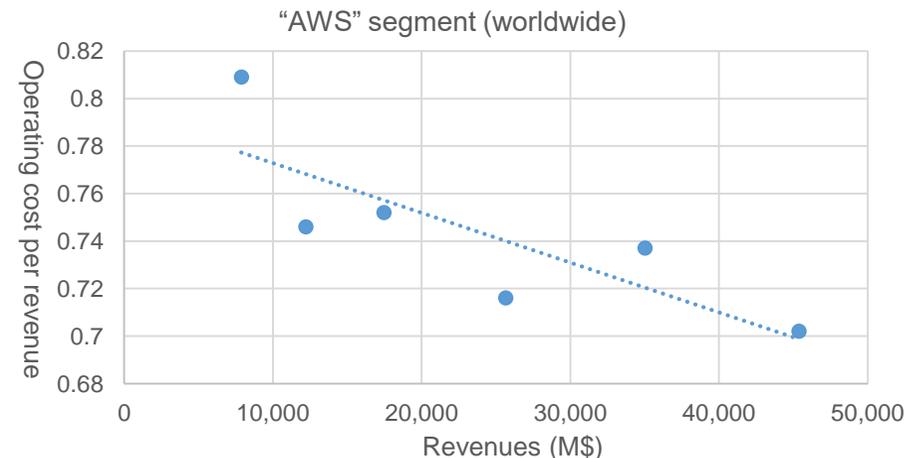
1. Competitiveness based on economies of scale
2. Competitiveness based on economies of scope
3. Competitiveness based on a wide range of provided services
4. Indirect network effects due to an increase in related businesses
5. Tendency among CSCs toward preferential use of services provided by current providers

1. Economies of scale

Competitiveness based on economies of scale includes that, as the scale of a business increases, it can reduce the procurement costs of hardware required to provide cloud services such as data centers and servers, electricity required to operate the hardware, etc.

2. Competitiveness based on economies of scope

A CSP may have an advantage from a cost perspective by using its equipment and technologies used in its existing businesses (other than cloud services) in its cloud services business, which can generate synergistic effects.



* Prepared by JFTC, based on Amazon.com, Inc. Form10-k (2015 - 2020).

A yearly trend on AWS can be recognized that its operating cost per revenue is on the decreases while its revenue is increasing.

3. Competitiveness based on a wide range of provided services

For cloud services, it is important to have an ability to develop technologies that can provide a wide range of services and functions to meet diverse needs of CSCs in addition to differentiating each individual service.

[Result of the CSC questionnaire]

Regarding the reason why each CSC chose its current CSP, 22.9% of IaaS customers and 30.8% of PaaS customers answered, "There are abundant related services that operate on the cloud service, including (first-party) software and applications provided by such CSP."

4. Indirect network effects due to an increase in related businesses

When there are a larger number of introduction support providers and engineers experienced in technologies related to a particular cloud service, CSCs have more opportunities to receive services optimized to their own needs. Then, as such cloud service becomes more convenient for CSCs and the number of CSCs using such service increases as a result, the number of introduction support providers and engineers dealing with such cloud service also increases as an indirect network effect.

[Result of the CSC questionnaire]

Regarding the reason why each CSC chose a particular cloud service, 23.1% of IaaS customers and 20.5% of PaaS customers answered, "There are a large number of introduction support providers and engineers, including Sler* and consultants, who can deal with that cloud service."

* A company or individual who undertakes the construction and operation of information systems. Abbreviation for "system integrator".

5. Tendency among CSCs toward preferential use of services provided by current providers

When CSCs expand their use of cloud services, they tend to give priority to the services of CSPs they already use.

[Result of the CSC questionnaire]

Regarding a hypothetical expansion of use of IaaS or PaaS, 62.5% of IaaS customers and 63.7% of PaaS customers answered that they would consider their current CSP in principle or somewhat.

- While a majority of the respondents have experienced switching from an on-premise service to a cloud service, **little switching from cloud services to on-premise would occur under a hypothetical price increase of 5-10%.**
- **Under a hypothetical price increase of 5-10%, there would also be little switching to other CSPs' services.**

Switching between a cloud service and on-premise service

(Analysis based on results of the CSC questionnaire)

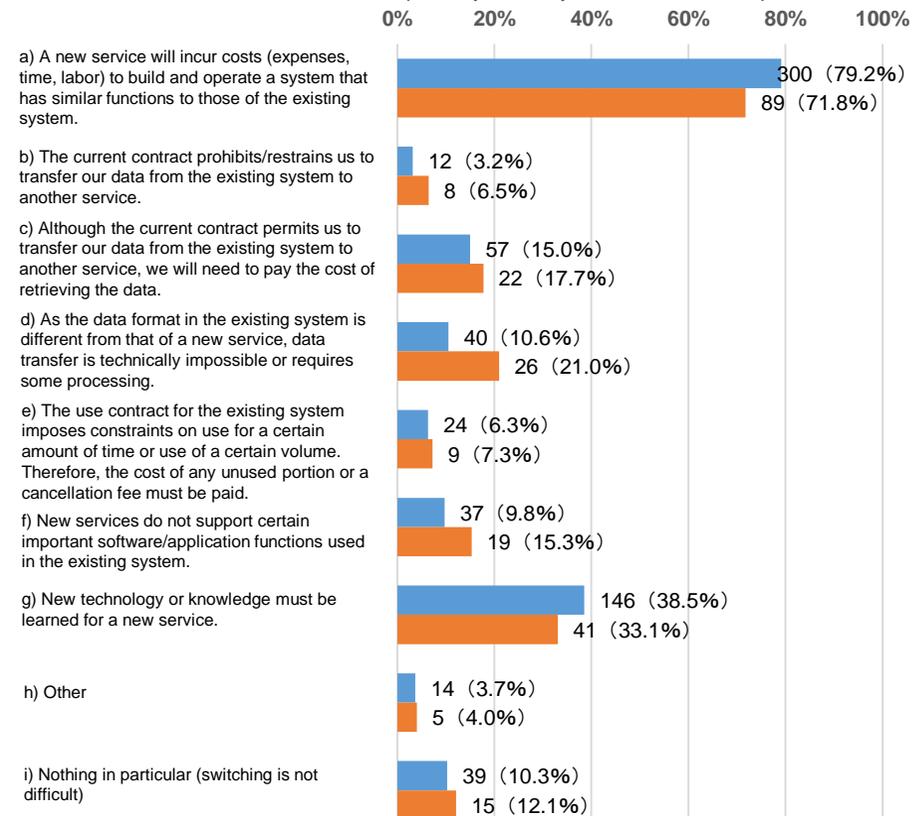
- 319 of 548 questionnaire respondents (58.2%) have experienced switching from on-premise services in the past.
- Even if all cloud services increased in price by 5-10%, **315 out of 533 respondents (95.7%, excluding 204 respondents who answered "unsure") answered that they would continue to use cloud services.**

Switching between cloud services

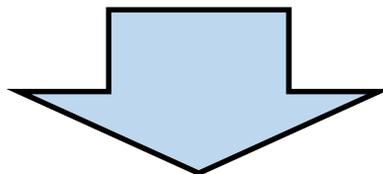
(Analysis based on results of the CSC questionnaire)

- If the price of currently used cloud services were to increase by 5-10%, **263 out of 480 respondents (85.9%, excluding 174 respondents who answered "unsure") would continue to use the cloud services they currently use.**

Factors that make it difficult to switch from the current cloud service (multiple responses allowed)



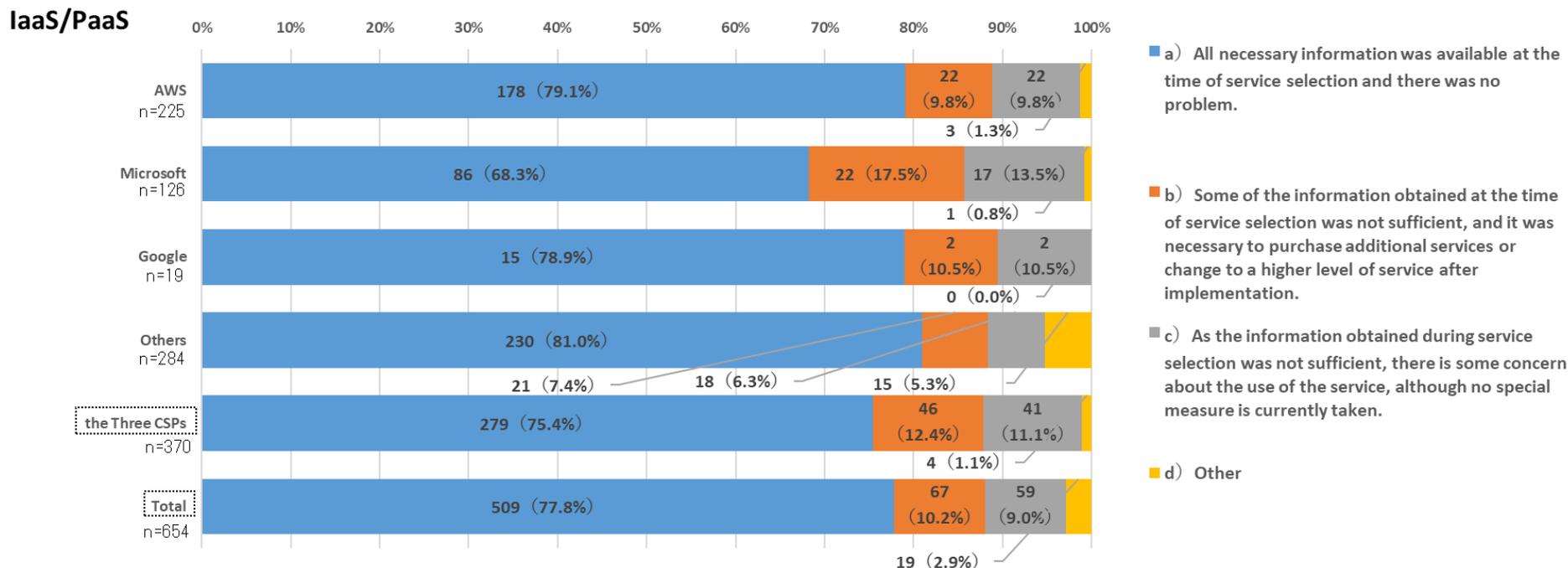
- The number of CSCs is on the rise, and there is currently a certain level of competition, as the acquisition of new CSCs becomes more important.
- Based on the aforementioned market characteristics 1 to 5, **the degree of market concentration is likely to continue to increase mainly among the Three CSPs.**
- There is also **a trend of almost no switching from cloud services currently in use to on-premise or other CSPs' services.**



- ✓ Since the existing CSPs, especially the Three CSPs, are in an advantageous position to win new CSCs, and even if the market becomes mature, active switching between services is not expected, so **the market may change into a noncompetitive structure in the future.**
 - > As the competitive pressure on the existing CSPs weakens, there will be concern about negative effects, such as **increased costs, stagnation of quality improvement of cloud services, less transparent trade conditions for CSCs and stagnation of technological innovations.**

- According to the CSC questionnaire, about 20% of its respondents answered that the available information had not been sufficient when selecting a service.
 - > **There is asymmetry of information** between CSPs and CSCs.

Whether the information provided when considering introducing a cloud service was sufficient or not



- ✓ There is the possibility that it may **become difficult for CSCs to select services properly.**
 - > As **competition may be distorted**, it is important to eliminate asymmetry of information.

- To make competition continue to function effectively in the cloud services market, it is **important to develop an environment in which a wide variety of businesses provide services and CSCs can freely select cloud services as needed.**

Basic views for preventing negative effects by concentration of market shares

- (1) The contractual, technical, and economic constraints that CSCs face when switching are reduced as much as possible, such as that **CSCs should be able to switch to other cloud services or port to their own on-premise option if they wish,** and should not be required to bear excessive costs from the CSPs in doing so.
- (2) **Interoperability of services between different providers should be ensured.** and **CSCs should be able to use IT services and software from different providers in a single system environment, regardless of format (cloud or on-premise),** in response to changing circumstances such as their changing needs or the appearance of innovative services from new providers, with the minimum necessary contractual, technical and economic constraints faced by CSCs in doing so.

- There are some issues concerning fairness and transparency of transactions, such as **asymmetry of information** between CSPs and CSCs.

Basic views for ensuring fairness and transparency

- (1) For services such as cloud services, for which it is often not easy for CSCs to switch services once they have started using them, it is especially important that **appropriate information is provided to CSCs before they start using the services, so that CSCs can voluntarily and rationally select services that are necessary for them.**
- (2) In order not to prevent CSCs from combining or expanding services, it is necessary that **appropriate information on the contents of the service shall be provided even after the conclusion of the contract.** In addition, it is desirable that **a system will be established to appropriately accept consultation and negotiation from CSCs.**

Recommended efforts to be undertaken by CSPs

- Minimize technical, contractual, and economic constraints that prevent CSCs from switching to cloud services of other CSPs or on-premise, or from implementing multi-cloud or hybrid cloud services.
- Provide CSCs (and prospective CSCs) with information that contributes to their service selection prior to signing a contract.

More specifically, including without limitation,

- Notify CSCs of whether they can port to another service after they start to use the target cloud service, and the method, cost, conditions, procedure and other requirements specified by the CSP (the original provider) for such porting, before the CSCs sign the contract.
- Minimize as much as possible trade conditions that impede porting to cloud services of other CSPs or on-premise, such as setting a data transfer fee.
- Enable the import and export of CSC data stored in cloud services, as long as technically possible.
- Ensure interoperability of third-party software that operates in CSPs' services, as far as technically possible. In particular, open the same range of functions to third parties under equivalent conditions to the extent that its own software can access them.
- Notify CSCs, prior to signing a contract for the use of cloud services, of the terms and conditions that are important for them to judge the quality of such cloud services and make the most appropriate choice.

Recommended efforts to be undertaken by CSCs

- Consider internally what conditions should be met to stop using the target cloud service and exit from the service, before signing the contract regarding the use of the cloud service.
- Confirm that a prospective cloud service meets the CSC's needs concerning system migration and data portability.
- Adopt a system design that anticipates porting, if necessary.
- Retain and train personnel with expertise in cloud services.

More specifically, including without limitation,

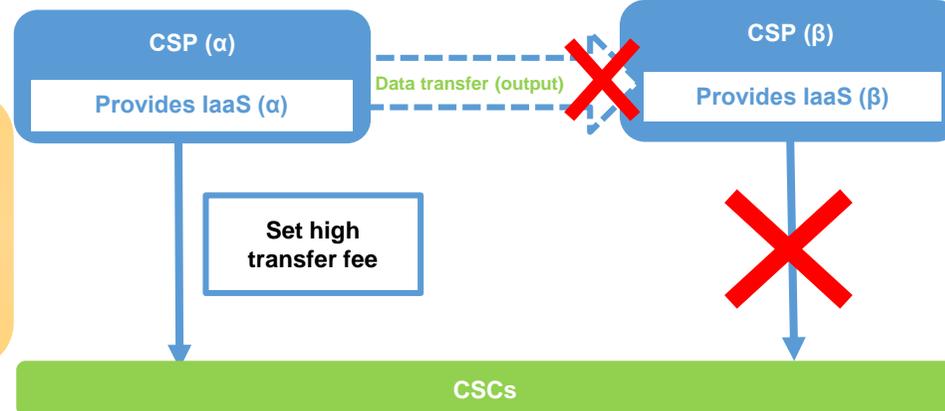
- Predetermine conditions for terminating the contract (maximum allowable cost increase, and policy for dealing with technical obsolescence), in consideration of the possibility that the CSC may need to leave the CSPs' service, and verify the service periodically according to such conditions.
- Confirm whether any method to retrieve CSCs' data stored on the cloud service in a complete form in the case of termination of the contract is widely provided to users in general (e.g., APIs are open to the public), and if provided, check such a method.
- Especially for critical information systems that may be migrated, design to facilitate migration from the cloud service, by prioritizing technologies that can operate in the cloud environment of a different CSP or technologies with high portability (e.g., open source software, containers, etc.).

Setting of a data transfer fee

Comment from CSC, etc.



We have heard that, **as the data transfer fee for use of IaaS is set free for input, but expensive for output**, the high transfer fee for migration of accumulated data is a hurdle to switching cloud services.



Explanations by CSPs



The data transfer fee reflects costs associated with the development and maintenance of network infrastructure to provide network services to CSCs. Our company is expanding our free data transfer allowance, which is applied to most of our CSCs. Charging for the excess of the free quota allows each CSC to pay a fairly calculated fee based on its usage.



Many CSPs may choose not to charge CSC for data input so as to support switching from other cloud services, and instead recover the cost of data transfer at the time of the CSC's data output. CSPs provide CSCs with information about such cost for data transfer.

Views from the AMA and the competition policy

(★: Views from the AMA, ■: View from the competition policy)

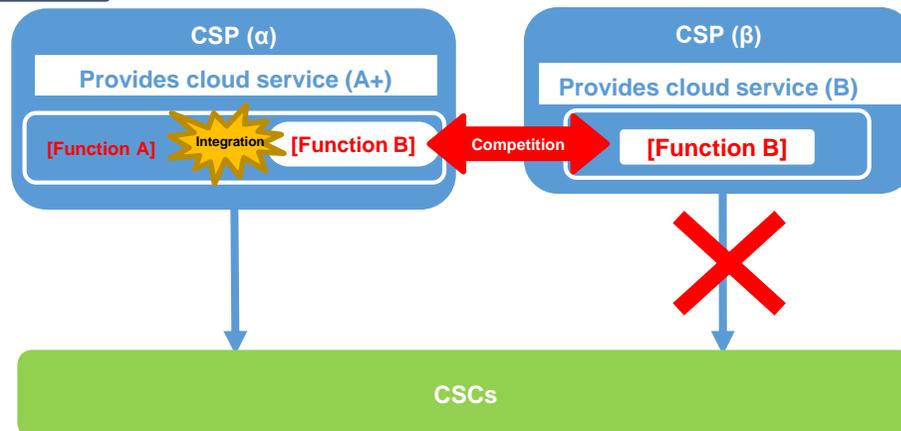
★ Setting an unfairly high data transfer fee by a CSP influential in the cloud services market would be a problem under the AMA, if it causes foreclosure effect (i.e., In the case that it will prevent CSCs from using cloud services provided by other CSPs, which may result in the exclusion of other CSPs or the decrease in trade opportunities for such other CSPs). (Interference with a competitor's transactions, etc.)

■ It is desirable that the data transfer fees at the time of output shall be reduced as much as possible, so as not to prevent CSCs from switching the cloud services.

Integration of different functions that are traded independently

Comment from CSC, etc.

In a situation where CSP α provides Cloud Service A with Function A, and CSP β provides Cloud Service B with Function B in the market, CSP α may **integrate Function B into said Cloud Service A and provide it to CSCs as a new Cloud Service A+.**



Explanation by CSPs

Integrating different functions into a single product is a hallmark of technology products. For example, early productivity applications and "spell check" services were separate applications, but later spell check functionality was embedded into the productivity applications. Similar to this example, SaaS is also oriented toward adding functionality that increases the value of the service.

Views from the AMA and the competition policy

(★: Views from the AMA, ■: View from the competition policy)

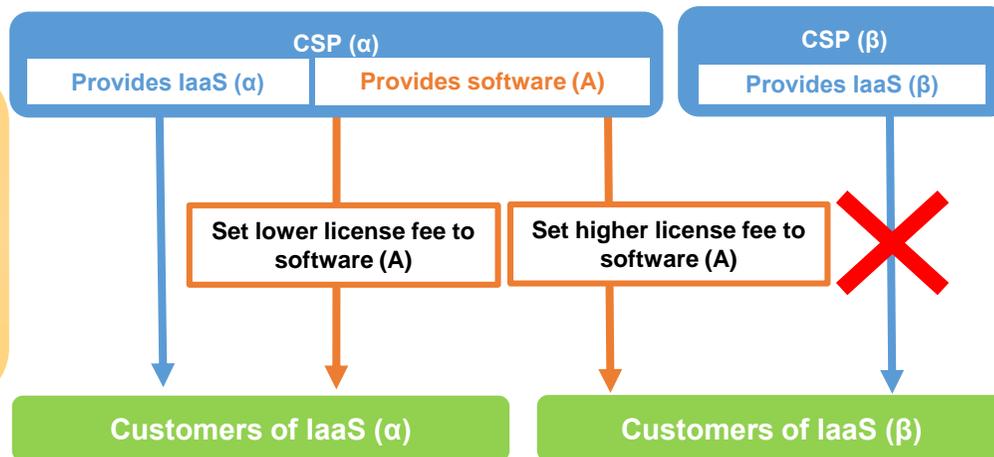
★ In the case CSP α is influential in the market of Function A, integrating Function B into Cloud Service A and providing it to CSCs as a new Cloud Service A+ or bundling Cloud Service A with Cloud Service B to CSCs would be a problem under the AMA, if such conducts cause foreclosure effect for the Cloud Service B market (i.e., In the case that such conducts may result in the exclusion of existing competitors and new entrants or the decrease in trade opportunities for such players.). (Tie-in sales, etc.)

■ In order to enable other CSPs and software vendors to provide services in a fair competitive environment and to allow users to select the services they need from a wide variety of services, it is desirable that each function and service shall be provided as an independent service under reasonable conditions so that users can individually select each function and service that is subject to function integration or bundling.

Self-preferential treatment in the licensing of software used in cloud services

Comment from CSC, etc.

When offering specific software to CSCs, some CSPs **set a higher license fee or differentiate support conditions when CSCs use the software on other CSPs' cloud services compared to when CSCs use the software on their own cloud services.**



Explanation by CSPs

A customer who has a license for certain software and wishes to operate that software on a new cloud service may receive an additional discount for the use of the software license from the relevant CSP. The customer may also purchase services related to such software from other CSPs who have obtained a license from us, and such CSP may offer the same discount to the customer as we do.

Views from the AMA and the competition policy

(★: Views from the AMA, ■: View from the competition policy)

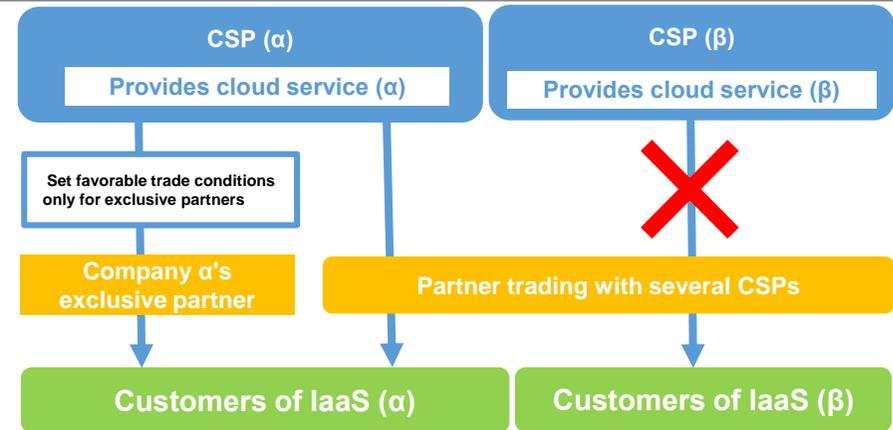
★ Setting an unfairly high software license fee by a CSP influential in the software market only for CSCs of IaaS provided by such CSP's competitor would be a problem under the AMA, if it causes foreclosure effect (i.e., In the case that it will prevent such CSCs from using cloud services provided by other CSPs, which may result in the exclusion of such other CSPs or the decrease in trade opportunities for such other CSPs). (Discriminatory consideration, discriminatory treatment on trade terms etc., interference with a competitor's transactions, etc.)

Preferential treatment for exclusive partners

Comment from CSC, etc.



Our company is currently a partner of several CSPs and has **concerns that any CSP could give preferential treatment to partners who deal solely with that CSP.**



Explanations by CSPs



We may enter into individual agreements with some of our top partners in order to offer them more attractive trade terms, but we do not give preferential treatment specially to partners who deal exclusively with us.



Since it is important for CSPs to work with partners who can support CSCs' migration to the cloud, excluding partners or imposing unfavorable trade terms on them simply because they also work with other CSPs will result in lost business opportunities for CSPs in the long run.

Views from the AMA and the competition policy

(★: Views from the AMA, ■: View from the competition policy)

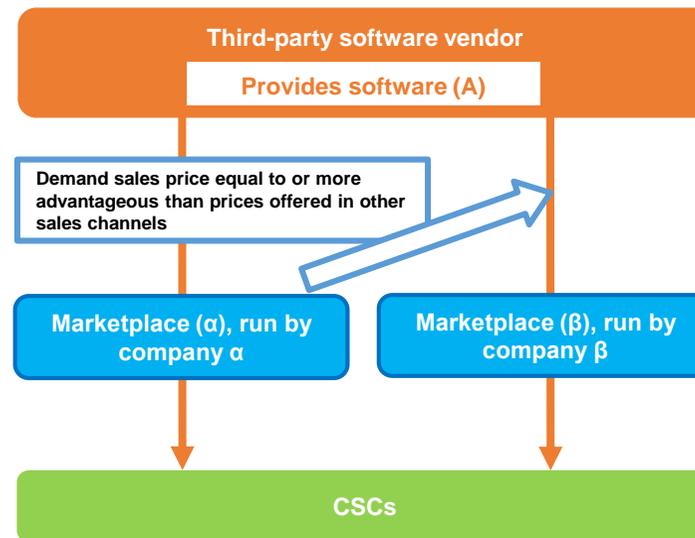
★Offering favorable purchase prices or trade terms only to its partners who do not handle other CSPs' services or requesting sales volume (sales amount) close to the limit of each partner's handling capacity by a CSP influential in the market would be a problem under the AMA, if it causes foreclosure effect (i.e., In the case that it will prevent partners from handling other CSP's services, which may result in the exclusion of such other CSPs or the decrease in trade opportunities for such other CSPs). (Discriminatory consideration, discriminatory treatment on trade terms etc., trading on exclusive terms, trading on restrictive terms, etc.)

■Since the enclosure of introduction support providers by a CSP can have the effect of making CSC's switching difficult, it is desirable that trade terms making it advantageous for introduction support providers to trade only with that CSP shall be minimized as much as possible.

Parity clauses on sellers in the marketplace

Comment from CSC, etc.

A certain CSP **substantially imposes sales price parity clauses on third-party software vendors to list their software in a marketplace operated by such CSP**, by setting a trade term with them for such listing that the CSP can immediately remove the third-party vendor's software from the marketplace if the selling price of the software in the marketplace is higher than the selling price to users in any other commercial channel.



Explanation by CSPs

The purpose of the parity clause in our terms and conditions was to ensure that third-party sellers would not discriminate against our customers by setting their selling prices on the marketplace higher than those offered on other sales channels, thereby improving the customer experience. Our Company, however, has revised the terms and conditions, and does not currently set parity clauses, nor does it substantially impose parity clauses on sellers with respect to their selling prices.

Views from the AMA and the competition policy (★: Views from the AMA, ■: View from the competition policy)

★CSP's imposing parity clauses on software vendors listing their software in the marketplace operated by such CSP (including cases where the situation is evaluated to be in the same reality as imposing parity clauses) may prevent competitions among software vendors and/or software distributors, and prevent CSCs from enjoying the benefits of competition over price and product lineup enhancement.

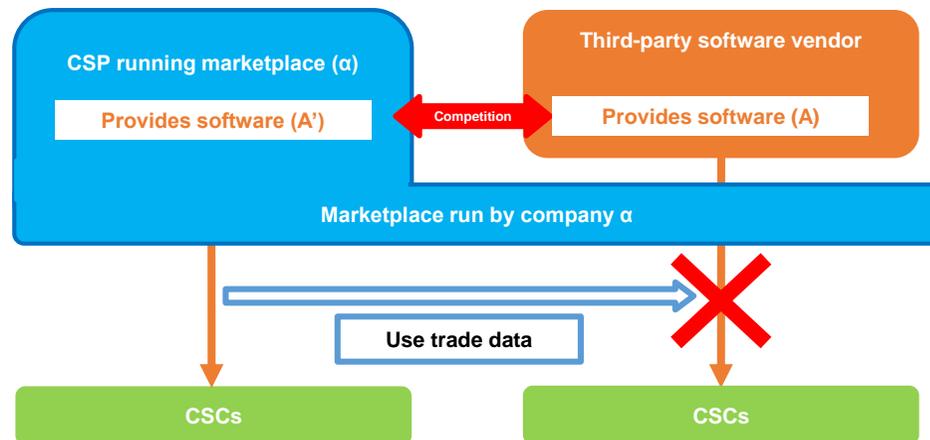
Setting parity clauses solitarily by a business influential in the software distribution market or in parallel by multiple businesses would be a problem under the AMA, if it causes price maintenance effect or foreclosure effect. (Trading on restrictive terms, etc.)

Marketing using data on sales and purchase made by third party sellers in the marketplace

Comment from CSC, etc.



We suspect CSPs operating a marketplace or other **platform can use its position to leverage trade data from third-party software vendors for developing and marketing such CSP's own services with advantage.**



Explanations by CSPs



We never share any trade data specific to sellers listing in our marketplace with any other department of our company for the purpose of competing with such sellers.



We use trade data of third party software vendors in our marketplace for the development of services that we sell as well as our marketing. However, since marketplaces for cloud services have relatively low transaction volumes and are not the only way for software vendors to offer solutions to their customers, the use of marketplace-related information is less relevant to competitiveness.

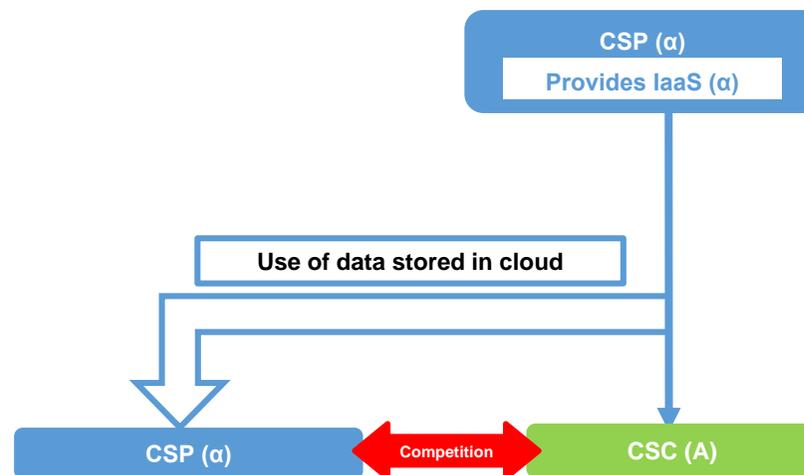
Views from the AMA and the competition policy (★: Views from the AMA, ■: View from the competition policy)

★ It would be a problem under the AMA that a CSP uses the sales information, customer information, or other transaction data of a competing third-party software vendors obtained by taking advantage of its position as a marketplace operator to develop and market its own services to its own advantage, and unjustly interferes with transactions between the competing third-party software vendor and its counterparty (Interference with a competitor's transactions, etc.)

Handling of CSCs' data in connection with the use of cloud services

Comment from CSC, etc.

In the case a CSP is engaged in a business that is different from the cloud service and that business competes with business of CSCs of the CSP, we have a concern that **the CSP may access data of confidential business information stored by the CSCs on the cloud service and use it for its own business.**



Explanations by CSPs

We have contractually agreed not to use customer content (i.e., data stored by customers on our cloud services) to compete with customer's products or services. We provide our customers with tools and advanced encryption services that can be used to protect the customers' contents on the cloud. Encrypted content on the cloud is unusable unless the appropriate decryption key is applied.

We will not access customer data without a legitimate need to do so, except in rare cases when necessary to support the customer's use of the service and then only with the customer's permission. Customers may review and audit logs of access to their data.

Views from the AMA and the competition policy (★: Views from the AMA, ■: View from the competition policy)

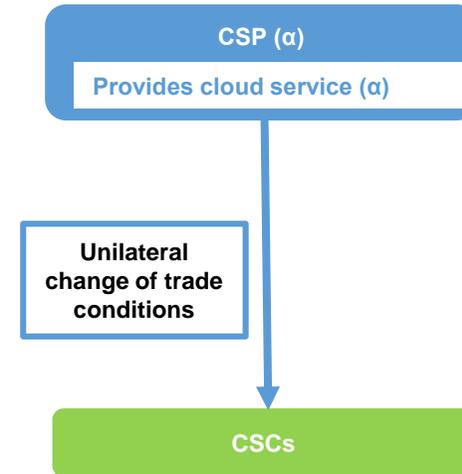
★ It would be a problem under the AMA that a CSP uses the confidential information or other data of a CSC accessed by taking advantage of its position as the CSP to take advantage of the business activities of another business that competes with that CSC, and unjustly interferes with transactions between the competing CSC and its counterparty. (Interference with a competitor's transactions, etc.)

Trade between CSP and CSCs

Comment from CSC, etc.



The fees and contents of cloud services are sometimes changed unilaterally. If prices are raised at the time that our cloud service usage amount has increased, it is difficult to migrate to the new service. So in some cases, we had no choice but to accept the price increase. In addition, CSPs **can terminate their services without prior notice**, in which case CSCs are required to be responsible for migrating to other services and continuing their business operation.



Explanations by CSPs



We may make business decisions that require changes to our services or trade terms to keep pace with technological advances, in order to continuously make improvement and provide the best user experience. However, when services or trade terms are changed, our CSCs may receive advance notice or be given the opportunity to discontinue using our services.



Cloud services are not the only sources of problems related to support continuity/termination. In the same manner as for support policies for traditional software, CSPs also set reasonable restrictions on the termination of contracts with their customers. As cloud services are still in a relatively early stage of adoption, the CSPs are competing to gain new workloads from existing customers and win new customers. Therefore, a strategy of raising prices for customers unlikely to switch to a new cloud services in the short term is likely to backfire.

Views from the AMA and the competition policy

(★: Views from the AMA, ■: View from the competition policy)

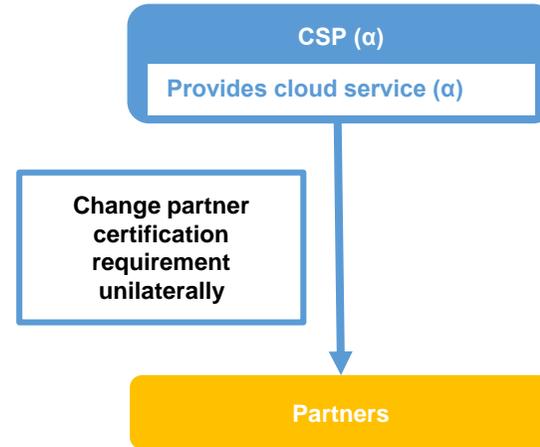
★ Unilaterally raising the price of cloud services or changing other trade terms on the cloud services with a CSC by a CSP in a superior bargaining position over the CSC, such that the CSC has no choice but to accept the CSP's request significantly disadvantageous to the CSC, because the CSC's difficulty in continuing trade with the CSP would be a major obstacle to its business operation, would be a problem under the AMA, if it unjustly causes disadvantage to the CSCs in light of normal business practices. (Abuse of a superior bargaining position)

Trade between CSP and Partners

Comment from CSC, etc.



The requirements for a CSP's partner certification, which is stipulated by the CSP, can be unilaterally changed by the CSP and become more stringent each time they are renewed. If the certification requirements are changed, we, a partner, may be forced to take actions to continue our partner agreement.



Explanations by CSPs



We have updated our partner rank requirements once before to improve our customers' experiences, with at least 12 months' prior notice to our partners.



It is important for partners not only to have sufficient knowledge of the products and services they sell, but also to ensure that preventive measures are taken to avoid problems such as fraud and other potentially illegal activities. Likewise, it is important for partners to sell enough services to at least cover the cost and administrative burden of our support for partners.

It is also obvious that the CSPs have interest to ensure that the partner program remains stable and attractive, and that necessary updates (e.g., new certification requirements on the launch of new services, new procedures to meet changing legal requirements, other improvements, etc.) are made as needed.

Views from the AMA and the competition policy (★: Views from the AMA, ■: View from the competition policy)

★ Unilaterally setting or changing the terms of partner agreement with a partner by a CSP in a superior bargaining position over the partner, such that the partner has no choice but to accept the CSP's request significantly disadvantageous to the partner, because the partner's difficulty in continuing trade with the CSP would be a major obstacle to its business operation, would be a problem under the AMA, if it unjustly causes disadvantage to the partners in light of normal business practices. (Abuse of a superior bargaining position)

JFTC is planning to make the following efforts in the future.

JFTC also hopes that both CSPs and CSCs continue to make voluntary efforts to promote fair and free competition in the cloud service sector, from the perspectives of preventing negative effects that may be caused through the concentration of market shares and ensuring the fairness and transparency of transactions.

1. **Actively inform** not only CSPs, but also **CSCs of details of this report, including the efforts recommended to be made by CSCs.**
2. Actively inform relevant government offices that make related efforts of this report and also **ensure the competition environment in the cloud service sector through collaboration with the relevant government offices as required.**
3. **Continue to watch conditions of the competitors in the cloud service sector**, which are expected to continue to change significantly, and also **continue to respond strictly and appropriately to concrete cases that become problematic under the AMA**, including the acts that restrict competition, which are commented in this report.
(Especially, if a CSP expands any provided service/function into another service sector, it may compete with other businesses in that service sector. Therefore, JFTC will watch the conditions of the competitors in the sector.)
4. **Exchange opinions with bureaus that promote competition in other countries and regions** at various levels and also use opportunities offered by organizations such as the Organization for Economic Cooperation and Development (OECD) and International Competition Network (ICN) to **promote continuous collaboration with relevant overseas authorities.**