Acquisition of the Stock of SANYO Electric Vending Machine Co., Ltd. by Fuji Electric Co., Ltd.

March 22, 2002

Fair Trade Commission

The Fair Trade Commission (hereinafter referred to as "FTC") received a request from Fuji Electric Co., Ltd. (hereinafter referred to as "Fuji") and SANYO Electric Vending Machine Co., Ltd. (hereinafter referred to as "SEVM") for prior consultation regarding the acquisition of the stock of SEVM by Fuji.

The FTC responded to the parties starting that the proposed stock acquisition is unlikely to violate Article 10 of the Antimonopoly Act in light of the explanations the parties gave with respect to the contents of the consultation, and the remedial measures which they proposed.

I. Outline of the stock acquisition

As SANYO Group intends to withdraw from the vending machine business, SANYO Electric Co., Ltd. has decided to transfer all of the stock of SEVM, its wholly owned subsidiary, to Fuji. Following the acquisition, Fuji plans to establish SEVM as its subsidiary specializing in the manufacture and development of vending machines, while consolidating its manufacturing capabilities.

II. Views with respect to the Antimonopoly Act

(A) Particular fields of trade

The FTC concluded that particular fields of trade are constituted by the manufacture and sale of each type of product sold in the vending machines manufactured and sold by the respective parties, taking into account the varying specifications and customers of each type of product.

(B) Impact on competition

Among the particular fields of trade designated in II (A) above, particular attention was given to the manufacture and sale of beverage vending machines, as they potentially have a strong impact on competition.

i) As a result of the proposed stock acquisition, the combined market share of the parties by the volume of shipments of the beverage vending machines in the manufacturing and sales sectors is expected to reach approximately 55%, the largest domestic share.

ii) The following points also merit attention:

(a) Presence of strong competitors.

Several competitors are present, including two major companies, each assuming a market share of around 20% in the volume of shipments.

(b) Customers' price negotiation power.

The beverage manufacturers, as the customers, try to achieve stronger price negotiation power through the procurement of beverage vending machines with comparative specifications, from more than one vending machine manufacturer. They are also engaged in the practice of joint purchases, in order to take advantage of the more favorable buying conditions available for bulk orders. In this regard, it may be said that the customers hold a strong bargaining position.

Furthermore, customers have been increasing pressure for the reduction of the purchase price of beverage vending machines, following the decline of beverage sales by way of vending machines, due to the rising number of convenience stores.

These conditions have resulted in the lowering of beverage vending machine prices.

(c) Customers' procurement policy.

As discussed in II (B) ii) (b) above, customers typically adopt a policy of procuring beverage vending machines from more than one vending machine manufacturer, in an attempt to maintain their strong bargaining position. The parties’ competitors generally expect that the proposed stock acquisition will increase their business opportunities, because the industry less one competitor will give them greater exposure to potential customers. Therefore, it is unlikely that the parties will attain the combined volume of their current shipments.

iii) Based on information from various sources including customer surveys , it is anticipated that the proposed stock acquisition will result in the substantial accumulation of technological expertise in the manufacture of the beverage vending machines, boosting the technology levels of the parties. Consequently, the parties are likely to achieve an extremely strong competitive position among the manufactures, not only in operations but also in technological development capabilities. If the parties place restrictions on the licensing of their proprietary technologies to competitors, the ability of competitors in manufacturing and selling beverage vending machines with similar functions as those of the parties, will be substantially hindered. This will also limit the customers' ability to procure beverage vending machines from more than one vending machine manufacturer, thus undermining the customers' price negotiation power. The FTC highlighted these concerns to the parties. The parties provided assurances that they will not unreasonably withhold, but willingly approve licensing of their proprietary technologies, including patents, under reasonable conditions, if such a request is made by any competitor.

(C) Conclusive judgment

The proposed stock acquisition will result in a combined market share of around 55% held by the parties in the market for manufacturing and selling beverage vending machines. However, as discussed in (B) ii) above, several strong competitors are present, and the beverage manufacturers, as the customers, hold a strong price negotiation power. Moreover, the parties have proposed a remedial measure, which is expected to be effective once solidly in place. The proposed measure will enable customers to procure beverage vending machines from more than one vending machine manufacturer, thus maintaining the customers’ strong price negotiation power. The measure also eliminates potential concern for the market exclusivity in consequence of the parties' refusal to grant competitors licensing of their proprietary rights including patents. In view of the aforementioned circumstances and trends, it is considered that the proposed stock acquisition may not substantially restrain competition in any particular field of trade in the beverage vending machine business.