

The JFTC rendered a recommendation to Intel K.K.

The Japan Fair Trade Commission (JFTC), March 8, 2005, rendered a recommendation to a Japan-based company, Intel Kabushiki Kaisha (IJKK), a wholly-owned subsidiary of Intel International (a wholly-owned subsidiary of Intel Corporation, Santa Clara, CA, USA). The recommendation requires IJKK to cease and desist its conducts which violate Section 3 of the Antimonopoly Act (Private Monopolization). The JFTC has been investigating since last April.

The Facts-Findings in the Recommendation

IJKK, since May 2002, has made the five major Japanese OEMs¹ refrain from adopting competitors' CPUs² for all or most of the PCs manufactured and sold by them or all of the PCs that belong to specific groups of PCs referred to as 'series', by making commitments to provide the five OEMs with rebates and/or certain funds referred as 'MDF' (Market Development Fund) in order to maximize their MSS³, respectively, on condition that

- (a) the Japanese OEMs make MSS at 100% and refrain from adopting competitors' CPUs.
- (b) the Japanese OEMs make MSS at 90%, and put the ratio of competitors' CPUs in the volume of CPUs to be incorporated into the PCs manufactured and sold by them down to 10%; or
- (c) the Japanese OEMs refrain from adopting competitors' CPUs to be incorporated into PCs in more than one series with comparatively large amount of production volume to others.

Based on the facts mentioned above, the ratio of the sales volume by AMD Japan and Transmeta USA among Total Domestic CPU Sales Volume decreased from approximately 24% in 2002 to approximately 11% in 2003.

By means of such conducts, IJKK has substantially restrained the competition in the market of CPUs sold to the Japanese OEMs, by acting to exclude its competitors' business activities related to the sales of CPUs to the five OEMs.

Summary of Measures Recommended

- (1) IJKK, when selling Intel's CPUs to the Japanese OEMs, shall terminate such conducts which have been engaged by IJKK since May 2002 as; with respect to the CPUs incorporated into the PCs manufactured and sold by the Japanese OEMs, by making commitments to provide the Japanese OEMs with the rebates and/or funds on condition that, as mentioned above, the Japanese OEMs refrain from adopting competitors' CPUs to be incorporated into all or most of the PCs which are manufactured and sold by them.

¹ Japanese manufacturers of PCs of which head offices are located in Japan.

² x86 series central processing units.

³ MSS is the ratio of the CPUs manufactured and sold by Intel ('Intel's CPUs') in the volume of CPUs to be incorporated into the PCs which are manufactured and sold by an OEM.

- (2) IJKK shall notify the following matters to all the Japanese OEMs with which IJKK deals, and shall also make them known to its employees thoroughly.
- a) Measures taken by IJKK based on (1) above
 - b) IJKK, when providing the Japanese OEMs with such rebates and/or funds, has no intention to set condition which lead to exclude competitors' CPUs out of the PCs which are manufactured and sold by the Japanese OEMs
 - c) IJKK has already terminated the conduct to make a Japanese OEM not adopt competitors' CPUs in more than one groups of PCs, each of which has comparatively large amount of production volume to others, thereby making all the PCs in those groups of PCs at that OEM incorporate Intel's CPUs, by making a commitment to provide it with the rebates and/or funds on condition that the Japanese OEM change to Intel's CPUs competitors' CPUs previously incorporated into the PCs in those groups of PCs, and that it keep using Intel's CPUs in all the PCs in those groups of PCs.
- (3) IJKK, from now on, shall not exclude the business activities of the competitors for the sales of CPUs by employing following conducts:
- a) The conduct to restrict the ratio in the volume of competitors' CPUs to be incorporated into the PCs manufactured and sold by a Japanese OEM at 10 percent or less, by making a commitment to provide the Japanese OEM with the rebates and/or funds on condition that it make MSS at 90% or more and maintain MSS at such level
 - b) The conduct to, without justification, make a Japanese OEM not adopt competitors' CPUs to be incorporated into PCs in more than one groups of PCs, each of which has comparatively large amount of production volume to others, thereby making all the PCs in those groups of PCs at that OEM incorporate Intel's CPUs, by making a commitment to provide the Japanese OEM with the rebates and/or funds on condition that it change to Intel's CPUs competitors' CPUs previously incorporated into the PCs in those groups of PCs, and that it keep using Intel's CPUs in all the PCs in those groups of PCs.
- (4) IJKK shall take measures to operate (i)Antimonopoly training for officers of sales department and their staffs engaged in promoting and selling CPUs, and (ii)periodical audits by legal section, thereby ensuring the conduct mentioned above in (3) shall not be caused hereafter.

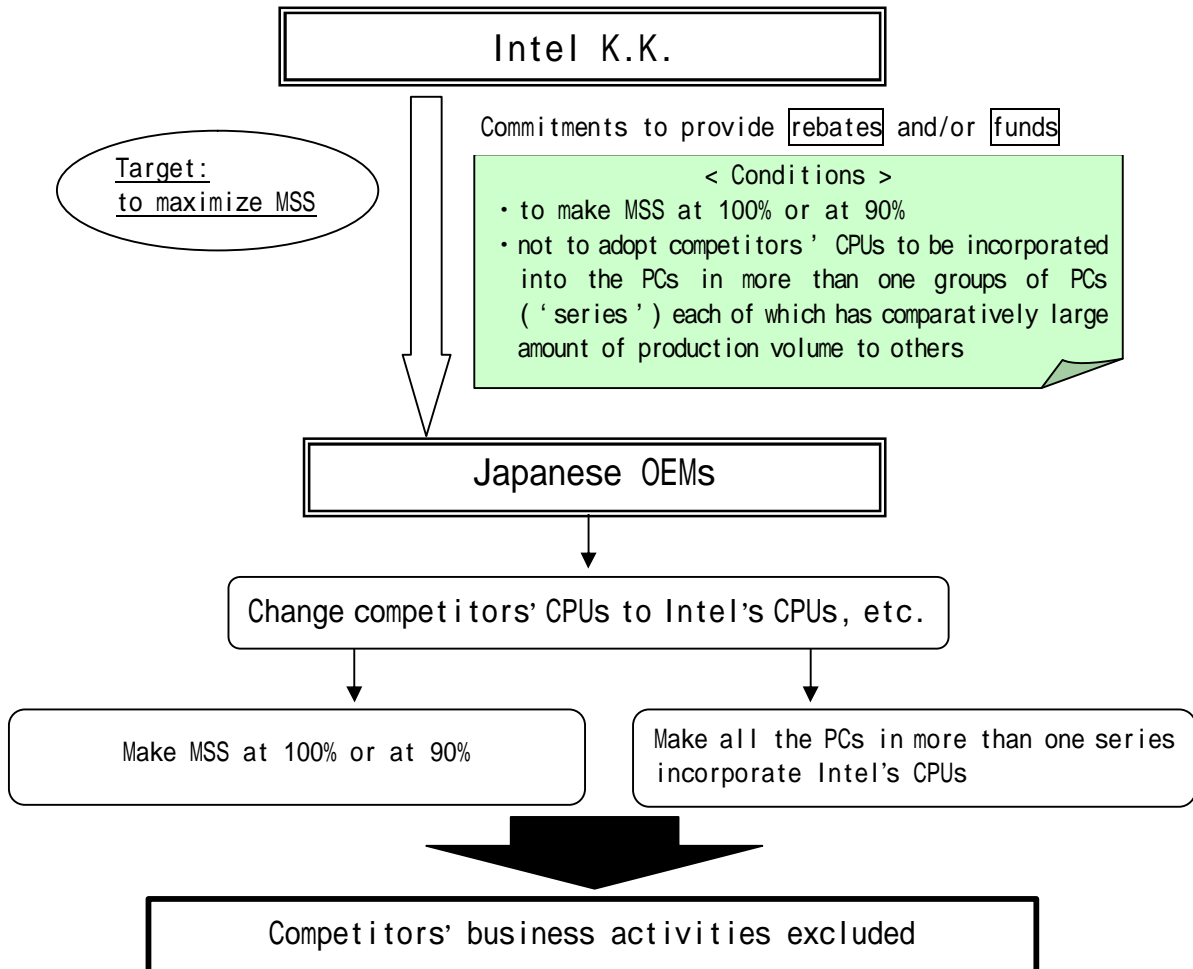
Due Date of Acceptance or Rejection of the Recommendation

March 18, 2005

(If the recommendation is accepted, the JFTC will issue a decision, a legally binding order with the same corrective measures as those in the recommendation. Otherwise, the JFTC will initiate a hearing procedure.)

Contact point: Third Investigation Division, Investigation Bureau
03-3581-3345

Outline of Intel K.K.'s conducts



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Share of competitors' CPU declined

	2 0 0 3	2 0 0 4
Share of competitors' CPU (i)	2 4 %	1 1 %

(i) Ratio of the sales volume of CPUs sold, either directly or through dealers, to the Japanese OEMs by AMD Japan and Transmeta USA in the total sales volume of CPUs sold by IJKK, AMD Japan and Transmeta USA (CPUs sold by IJKK, AMD Japan and Transmeta USA amount to almost all the CPUs sold in Japan.).