Attachment

JFTC's Review Results Concerning Acquisition of Nippon Cargo Airlines Co., Ltd. by ANA HOLDINGS INC. (Overview)

(Tentative Translation)

I. The Parties

ANA HOLDINGS is a holding company with group companies engaged in the international air passenger and cargo transportation businesses. NCA is a company primarily providing international air cargo transportation services.

The abbreviations of the Parties, etc. are shown in the table appendix.

II. Outline of the Case and Applicable Provisions

This is a share acquisition case in which ANA HOLDINGS plans to acquire more than 50% of the voting rights in NCA (hereinafter referred to as "the Transaction").

The applicable provision is Article 10 of the Antimonopoly Act.

III. Reviewing Process

- January 17, 2025: The JFTC received the notification regarding the Transaction (the commencement of the primary review)
- January 30, 2025: The JFTC notified ANA HOLDINGS that it would not issue a cease and desist order

IV. Definition of a Particular Field of Trade, etc.

1. Scope of Services

International air cargo transportation business involves cargo transportation service, between a certain point in Japan and another certain point outside Japan, or between multiple points outside Japan, for a certain fee in response to the needs of various customers. The JFTC defined the relevant service market as "International air cargo transportation services." The transportation services provided by integrators[1] and sea freight forwarding services are defined as distinct services adjacent to the international air cargo transportation services. (However, the transportation of cargo entrusted by forwarders[2] to the aviation division of integrators is included in the scope of International air cargo transportation services.)

In addition, air cargo includes not only cargo that can be transported in the cargo hold of passenger aircraft, but also cargo that can only be transported by dedicated cargo aircraft (hereinafter referred to as "freighters"), such as large cargo and hazardous materials (hereinafter referred to as "large cargo"). Among the competitors on the routes where the Parties Group competes, there are

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[1] "Integrators" are air cargo carriers that own aircraft and provide door-to-door transportation services by integrating land and air transportation.

[2] "Forwarders" are enterprises that perform a series of operations necessary for cargo transportation on behalf of shippers, such as collection from shippers, transport to airports, cargo assembly, document preparation, customs clearance, and delivery to consignees.

many airlines operating only passenger aircraft, and the competitive situation may differ between transportation services for large cargo and those for other types of cargo. Therefore, in this case, the JFTC defined international air cargo transportation services as both a “whole cargo market” covering all air cargo and a “market for large cargo” covering only large cargo in a multilayered manner.

2. Geographical Scope

(1) Distinction Between Routes Departing from Japan and Routes Arriving in Japan

International air cargo transportation services are utilized for the transportation of import or export cargo across borders and are not intended for round-trip use. Therefore, transactions related to routes departing from Japan and those related to routes arriving in Japan are considered separate transactions. In addition, the customers of services provided on the routes departing from Japan are forwarders located in Japan, while the customers of services provided on the routes arriving in Japan are forwarders located in the country of departure, meaning that the target customers are different. Furthermore, the target cargo also differs, with export cargo from Japan on the routes departing from Japan and import cargo to Japan on the routes arriving in Japan. As a result, there are differences in the types of cargo transported and the state of transport demand, and there is no situation where the price trends in one direction influence the price trends in the other.

Based on the above, the JFTC defined the geographical scope by separating the routes departing from Japan and the routes arriving in Japan.

(2) Substitutability Between Airports in Japan

In Japan, international flights to and from Japan are concentrated at the Narita International Airport (hereinafter referred to as “Narita Airport”). Given that forwarder facilities are also concentrated around Narita Airport, forwarders tend to load cargo from all over Japan onto flights to and from Narita Airport for its convenience. However, forwarders, who are the customers, have established a land transportation network that covers the entire country of Japan, and they can use the routes to and from each domestic airport as an alternative to the routes to and from Narita Airport. Therefore, forwarders are not necessarily bound to specific departure and arrival airports, and they choose airlines offering conditions more favorable to shippers, based on factors such as transportation lead time and fares, to meet their own needs.

Based on the above, the JFTC considered the geographical scope for Japan as encompassing all domestic airports as a whole.

(3) Substitutability Between Airports in the United States

Upon examining the selection of the routes for cargo originating from Japan (export cargo from Japan) transported using the routes from Japan to the United States, it is recognized that forwarders primarily use Chicago or Los Angeles routes, where there is a high supply of cargo space, and then transport the cargo by truck to surrounding areas based on the destination of the cargo. However, airports near cargo destinations are also used if there are advantages in terms of lead time, supply-demand conditions, or transportation costs.

Therefore, the JFTC considered that the geographical scope for the United States included airports around Los Angeles (covering Los Angeles, Seattle, San Francisco, and San Diego) and airports around Chicago (covering Chicago, Boston, New York, Washington D.C., Minneapolis, Detroit, Cincinnati, and Atlanta) as a whole.

(4) Summary for Geographical Scope

In this case, the JFTC defined the geographical scope as the routes from Japan to the airports around Los Angeles and the routes from Japan to the airports around Chicago and conducted their review accordingly.

3. Type of Business Combination

Since the Parties Group provides international air cargo transportation services within the geographical scope defined in Section 2 (4) above, the Transaction constitutes a horizontal business combination in this service market.

V. Assessment of Substantial Restraint of Competition

1. Whole Cargo Market

(1) Substantial Restraintof Competition by Unilateral Conduct

The combined market share of the Parties Group after the Transaction (based on 2023 actual results) is approximately 30%[3] in the whole cargo market on the routes from Japan to the airports around Los Angeles, and approximately 35% on the routes from Japan to the airports around Chicago, ranking first in terms of market share in both geographical scopes. Since the Parties Group operates freighters and has high capabilities both in types of cargo it can transport and in transportation volume, the loss of competition between ANA Group and NCA — which together comprise the Parties Group —is considered to have a significant impact. In addition, while there are multiple competitors on both routes, and some competitors have a market share exceeding 10%, the ability of competitors to constrain the Parties Group is limited for the following reasons:

(a) Since not only cargo originating from Japan but also a significant amount of cargo exported from countries such as China to the United States via Japan are loaded onto flights from Japan to the United States, the supply-demand balance is constantly tight, and the loading rate of each competitor is extremely high, leaving no spare capacity.

(b) Competitors do not have concrete plans to expand their supply capacity through means such as chartering freighters.

(c) Since some of the competitors, including a party that has obtained ATI[4] (Anti Trust Immunity)

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[3] The market shares stated are approximate figures of the actual market shares. The stated figures indicate a range within 5% of the median value (the same shall apply hereinafter). For example, “approximately 30%” refers to a figure within the range of 27.5% to less than 32.5%.

[4] To deepen the cooperative relationships including fare adjustments, route and frequency adjustments, and the implementation of revenue pools, agreements between operators are concluded with the approval of the Minister of Land, Infrastructure, Transport and Tourism under the provisions of Article 111 of the Civil Aeronautics Act. These agreements are recognized as exemptions from the Antimonopoly Act (ATI: Antitrust Immunity) under the provisions of Article 110 of the Civil Aeronautics Act.

approval for a joint venture with the ANA Group, cannot be expected to exert price discipline on the Parties Group.

Therefore, the JFTC concluded that the Transaction would substantially restrain competition in any paticular field of trade by unilateral conducts within the whole cargo market on the routes from Japan to the airports around Los Angeles and the routes from Japan to the airports around Chicago.

(2) Substantial Restraint of Competition by Coordinated Conduct

It is considered difficult for each airline to accurately predict each other's prices and cargo volumes for the following reasons: (a) There will still be multiple competitors even after the Transaction, (b) International air cargo carriers can be divided into two types of carriers: those specializing in cargo, which need to cover operating costs solely from revenues of cargo operations to ensure business profitability, and those that can basically cover operating costs from passenger revenues because they operate cargo businesses using passenger aircraft. As a result, price strategies may vary among airlines.

Therefore, the JFTC concluded that the Transaction would not substantially restrain competition in the whole cargo market on the routes from Japan to the airports around Los Angeles and the routes from Japan to the airports around Chicago by coordinated conduct.

(3) Summary for the Substantial Assessment of the Whole Cargo Market

For the above reasons, the JFTC concluded that the Transaction would substantially restrain competition in the whole cargo market on the routes from Japan to the airports around Los Angeles and the routes from Japan to the airports around Chicago.

2. Market for Large Cargo

(1) Substantial Restraint of Competition by Unilateral Conduct

Regarding the Market for large cargo, although the market shares are unknown for both the routes from Japan to the airports around Los Angeles and the routes from Japan to the airports around Chicago, the market participants are limited to airlines operating freighters, resulting in a limited number of competitors. The loss of competition between ANA Group and NCA, which together comprise the Parties Group and both operate freighters, is considered to have a significant impact. Additionally, competitors have no spare capacity, and the ability of competitors to constrain the Parties Group is limited, for the reasons stated in Section 1(1) above as well.

Therefore, the JFTC concluded that the Transaction would substantially restrain competition in any particular field of trade through unilateral conduct within the Market for large cargo on the routes from Japan to the airports around Los Angeles and the routes from Japan to the airports around Chicago.

(2) Substantial Restraint of Competition by Coordinated Conduct

It is considered difficult for each airline to accurately predict each other's prices and the cargo volumes regarding the transportation of large cargo for the following reasons: (a) There will still be multiple competitors after the Transaction, (b) The supply-demand situation of the entire cargo is expected to affect the prices of large cargo, because freighters carry not only large cargo but also a significant amount of cargo that can be loaded onto the cargo holds of passenger aircraft, and (c) There is no data available that shows market prices exclusively for large cargo.

As a result, the JFTC concluded that the Transaction would not substantially restrain competition in the market for large cargo on the routes from Japan to the airports around Los Angeles and the routes from Japan to the airports around Chicago by coordinated conduct.

(3) Summary for the Substantial Assessment of Market for Large Cargo

For the above reasons, the JFTC concluded that the Transaction would substantially restrain competition in the market for large cargo on the routes from Japan to the airports around Los Angeles and the routes from Japan to the airports around Chicago.

VI. Proposed Remedies

1. Outline of Remedies for the International Air Cargo Transportation Services

ANA HOLDINGS proposed to undertake the following remedies to address the competition concerns described in the Section V.

(a) The Parties shall enter into a Block Space Agreement (BSA)[5] with Polar Air Cargo Worldwide, Inc. (JCN 6700150002620), and shall provide Polar Air Cargo Worldwide, Inc. with cargo space on cargo aircraft operating on the Narita Airport-Los Angeles International Airport route and the Narita Airport-Chicago O'Hare International Airport route.

(b) ANA HOLDINGS shall appoint attorneys at law from Shimada Hamba & Osajima law firm and economists from UTokyo Economic Consulting Inc. (JCN 8010001211397) as Monitoring Trustee, who will continuously monitor the implementation of the measures described in (a) above and make periodic reports to the JFTC.

2. Adequacy of the Proposed Remedies

The JFTC assessed that the remedies proposed by ANA HOLDINGS would create effective competitive constraints that would prevent the Parties Group from freely influencing prices and other conditions after the Transaction. Thus, the JFTC concluded that the proposed remedies are adequate to restore the competition in each of the relevant markets for international air cargo transportation services, as defined in Section IV.1 and IV.2(4), that would otherwise be lost as a result of the Transaction.

[5] A Block Space Agreement means an agreement to provide a certain amount of cargo space to competitors.

VII. Conclusion

As a result of the review, based on the premise that the Parties would implement their proposed remedies, the JFTC concluded that the Transaction would not substantially restrain competition in any particular field of trade.

The abbreviations of the Parties, etc.

ANA HOLDINGS INC.	ANA HOLDINGS
Group of companies that have already formed an integral relationship with ANA HOLDINGS as the ultimate parent company	ANA Group
Nippon Cargo Airlines Co., Ltd.	NCA
A group of companies comprised of ANA HOLDINGS and NCA	the Parties
A group of companies comprised of ANA Group and NCA	the Parties Group