

Management Integration of AEON Co., LTD. and TSURUHA HOLDINGS INC.

Viewpoint of the Review

Would the integration (the “Transaction”) substantially restrain competition in the **drugstore market?**

Definition of a Particular Field of Trade

Competition in the drugstore business occurs at the individual store level.

⇒ Service range : **drugstore business**

Geographic range : **within a 2km radius of each store (the “trading area”)**



Assessment of Substantial Restraints on Competition

Implications from Economic Analysis

Economic analysis to determine the impact of the number of companies in the trading area and other factors, on the gross profit margin of each store.

- AEON Group stores and TSURUHA Group stores within a trading area are in a competitive relationship.
- The smaller the number of Competitor Groups in the trading area, the more likely competition concerns are to arise, etc.

⇒ The implications of the economic analysis are consistent with the approach of identifying the competitive trading areas (1,330 trading areas as noted below) and focusing the examination on those with fewer Competitor Groups (157 trading areas, as noted below).

1,330
trading areas

... areas where both AEON Group and TSURUHA Group stores are located within the geographic range

Of these, **1,173** areas have more than 2 Competitor Groups
⇒ **No restraints on competition**

157
trading areas

...trading areas where only 1 Competitor Group is located, or areas where no Competitor Groups exist

Of these, **147** trading areas are subject to competitive pressures such as the following ⇒ **No restraints on competition**

- Competitive pressure from Competitors' stores in the trading area
- Competitive pressure from other business categories' stores in the trading area
- Competitors' store opening plans in the trading area
- Competitive pressure from Competitors' stores outside the trading area.

↑ Mobile phone carriers' **mobility data** can also be used to estimate the actual shopping scope of consumers.

10
trading areas*

... **the Transaction would substantially restrict competition in a particular field of trade**

*2 in Aomori, 1 in Ibaraki, 1 in Tochigi, 2 in Shizuoka, 2 in Tottori, 1 in Shimane and 1 in Ehime Prefectures

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Proposed Remedies

- In each of the 10 trading areas, any one of the Parties Group's stores shall be transferred (sold) to a third party.
- Among other remedies, the Parties shall appoint a suitable Monitoring Trustee, who will continuously monitor the performance of the Remedy and make periodic reports to the JFTC.

Conclusion

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 fields of trade.