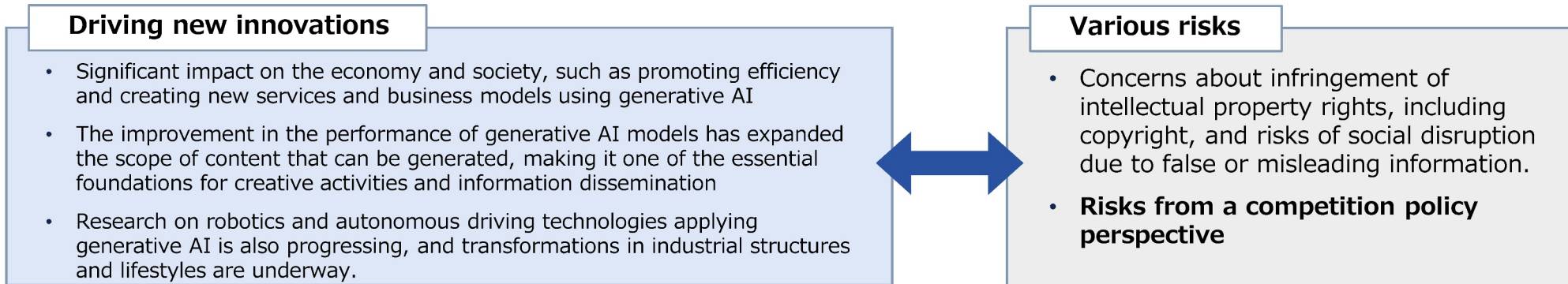




**Report Regarding  
Generative AI  
ver. 2.0**

**April 2026  
Japan Fair Trade  
Commission**

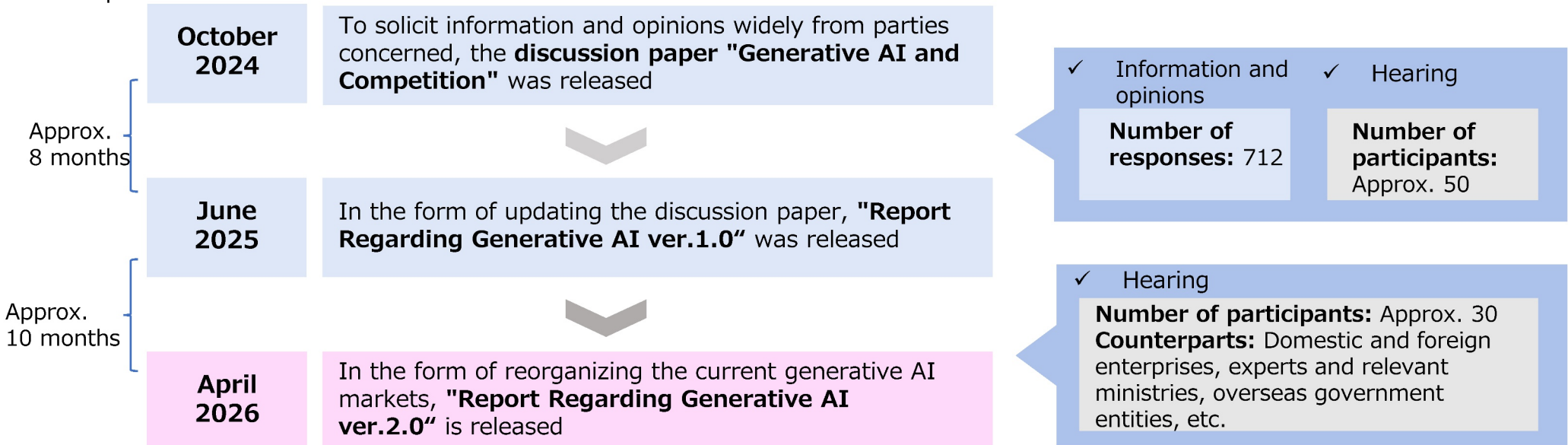
## ✓ Background of the Market Study (generative AI has both advantages and disadvantages)



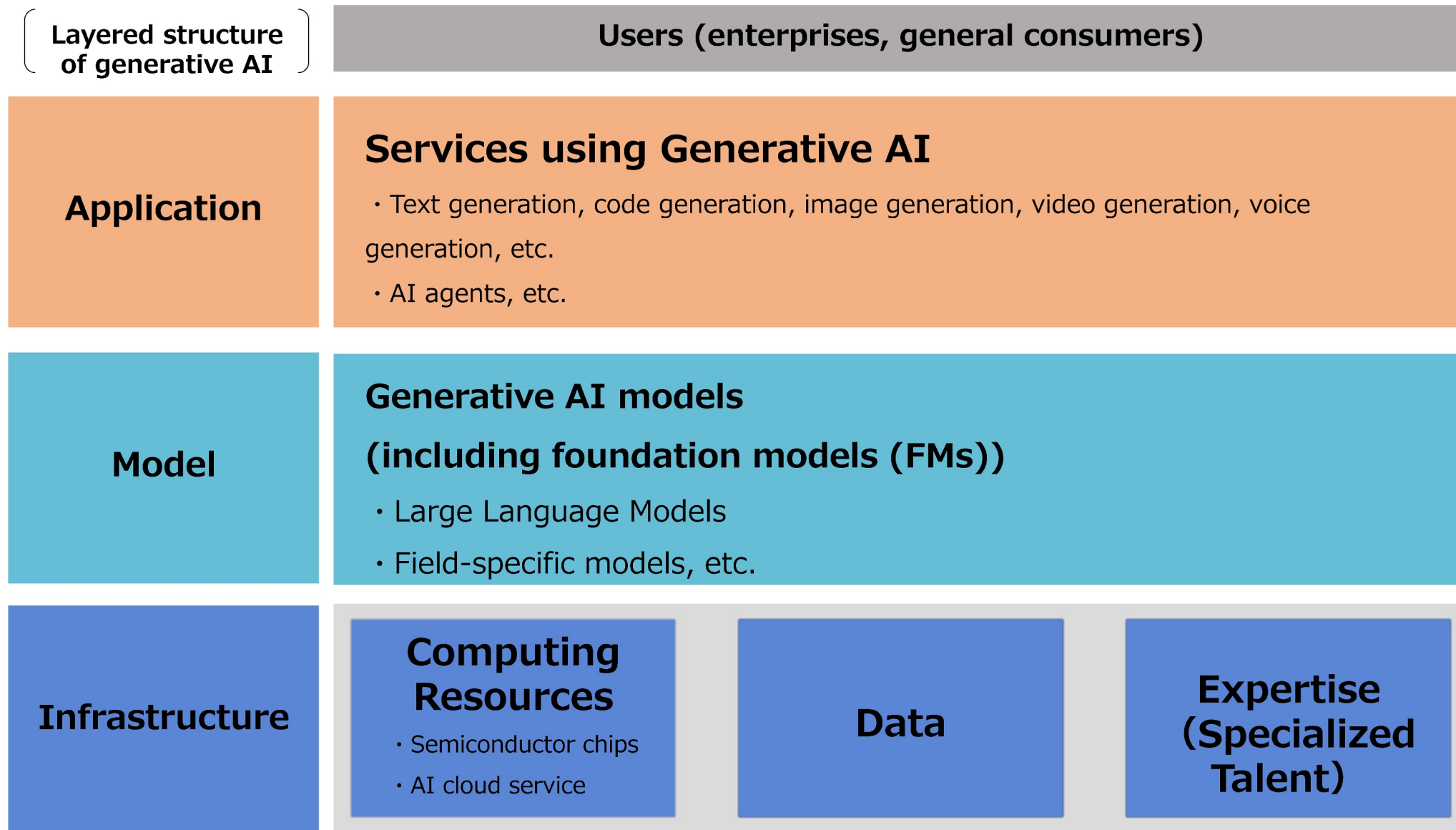
The Japan Fair Trade Commission (JFTC) conducted a market study to understand the actual conditions of the generative AI markets in Japan from the **viewpoint of maintaining a fair and free competition environment** and ensuring sustainable development of generative AI to **generate further innovation, as well as for generative AI to integrate in the economy and society in a sound manner.**

## ✓ Characteristics of the study method and the flow of the market study so far

In light of the **current state of flux in the generative AI markets**, this market study has adopted a more rapid and flexible manner than previous market studies.



- ✓ The JFTC has organized the current structure of generative AI sector into three market layers.



## 1 Infrastructure layer

### (1) Computing Resources

- ◆ In the training phase, NVIDIA GPUs continue to have an advantage, while in the inference phase, competition is more active than in the training phase.
- ◆ Although semiconductor chips other than NVIDIA GPUs are emerging, NVIDIA's strong position is expected to continue for a while at this point.
- ◆ In the AI cloud service market, major cloud service providers continue to occupy an influential position, and this situation is expected to continue in the future.

### (2) Data

- ◆ Quality as well as quantity of data is important in some cases.
- ◆ In addition to the use of synthetic data, the use of internal data within companies is also attracting attention.
- ◆ Although big tech companies have certain advantages in data collection, the assessment of these advantages varies depending on the type of model they aim to develop.

### (3) Expertise (specialized talent)

- ◆ Although big tech companies have an advantage in the competition for highly specialized human resources, competition among big tech companies, etc. continues to be active.
- ◆ Domestic enterprises have issues such as low remuneration levels, but they also have unique strengths, such as the ease of developing and hiring local human resources.

## 2 Model layer

- ◆ Competition for the development of general-purpose models continues to be active, especially among big tech companies. Domestic enterprises are trying to differentiate themselves from the general-purpose models of big tech companies by developing models specialized for specific applications.
- ◆ Japanese proficiency is important for models used in Japan. While the gap in Japanese proficiency versus overseas models narrows, there is a possibility that domestic enterprises will be able to demonstrate advantages in specialized areas or when advanced Japanese is required.

## 3 Application layer

- ◆ Competition is especially intense. A diverse range of enterprises enter the market, and the use of generative AI products in Japan is progressing more than before.
- ◆ In addition to the increasing integration of generative AI products with existing digital services, AI agents are also becoming established in everyday tasks and services.

## 4 Other issues and considerations that transcend layers

### (1) Switching/transition of development environment, etc.

- ◆ Although there is a considerable amount of switching costs, whether or not it is a substantial barrier to switching between development environments varies depending on the development environment of each operator.

### (2) Open Source/closed source

- ◆ From a competition policy perspective, it is difficult to generalize whether open source or closed source is preferable. It is important to have a variety of options.

### (3) Partnerships

- ◆ While it could benefit both big tech and startups, it has also been pointed out that it could weaken competition.

### (4) Generative AI models on mobile OS

- ◆ The development of apps equipped with functions utilizing generative AI models running on smartphones is becoming active. The scope of its use is expected to expand further in the future.

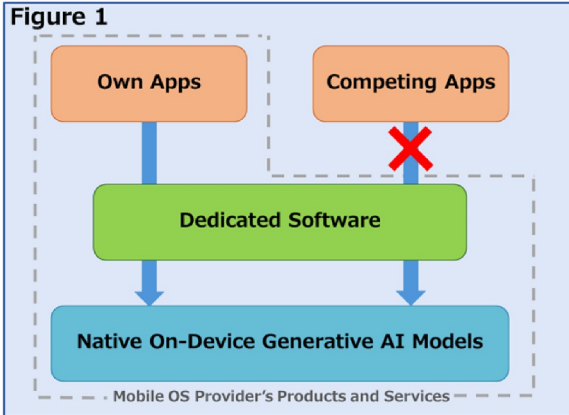
## (Note) Autonomous driving sector

✓ Summarizing the actual market conditions of the autonomous driving sector—an area gaining recent attention within the physical AI market powered by AI technologies, including generative AI.

- ◆ Competition is active at each layer. On the other hand, there are many differences from the market for services that directly utilize generative AI.
- ◆ At this moment, there was no opinion that there were bottlenecks in competition policy, but it is important to look at these applied areas.

- ✓ The last report summarized the views on solicitation of information and opinions and hearings from enterprises, especially regarding "access restrictions, exclusion of other companies" and "tying", as there were concerns about competition. This report further examined these issues and reorganized the concept as "restrictive acts related to dedicated software on mobile OS" and "acts of integrating generative AI into existing digital services".

## 1. Restricted Acts Regarding Dedicated Software on Mobile OS

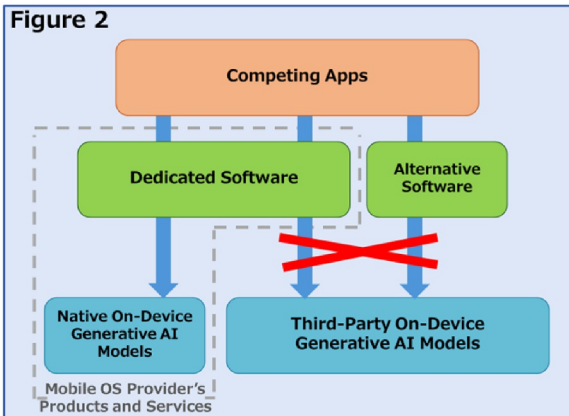


### Hypothetical Case (1)

Acts of a mobile OS provider restricting competing app developers and others from accessing dedicated software—which the provider's own apps, products, or services can access—in the market for apps, products, or services that utilize native on-device generative AI models.

#### < Approach under the Antimonopoly Act >

If an enterprise holding a strong position in the mobile OS market engages in the act of restricting competing app developers and others from accessing dedicated software—which its own apps, products, or services can access—in the market for apps, products, or services that utilize native on-device generative AI models, and if such conduct reduces the trading opportunities of other competing enterprises or excludes them, it may pose a problem under the Antimonopoly Act (e.g., Private Monopolization, Unfair Trade Practices - General Designation Item 14 (Interference with a Competitor's Transactions), etc.).



### Hypothetical Case (2)

Acts of a mobile OS provider limiting the on-device generative AI models accessible through dedicated software to native on-device generative AI models.

#### < Approach under the Antimonopoly Act >

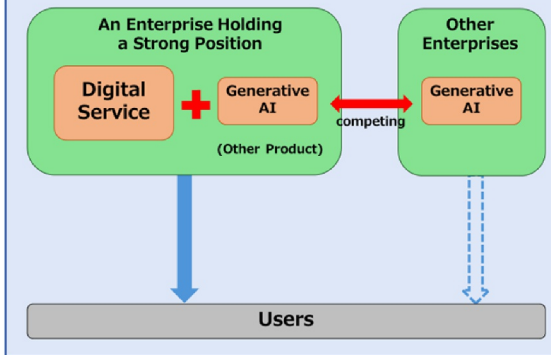
For example, if an enterprise holding a strong position in the mobile OS market engages in the act of limiting the on-device generative AI models accessible through dedicated software to native on-device generative AI models, and as a result, competing app developers and others in the market for apps, products, or services that utilize on-device generative AI models are forced to combine multiple pieces of alternative software to run third-party on-device generative AI models—making it difficult to use third-party on-device generative AI models via alternative software due to reasons such as increased development costs—such conduct may reduce the trading opportunities of other competing enterprises or exclude them, and may pose a problem under the Antimonopoly Act (e.g., Private Monopolization, Unfair Trade Practices - General Designation Item 14 (Interference with a Competitor's Transactions), etc.).

### (Note) Approach under the Mobile Software Competition Act

If the above-mentioned restrictive act regarding dedicated software on the mobile OS falls under an act that prevents other operators from using the OS functions used by the designated enterprise pertaining to the basic operation software to provide individual software with the same performance as the operating software, it falls under the act listed in Article 7, item 2 of the same Act (obstruction of the use of OS functions). Unless there is a justification for the act, it will be a violation of the same article.

## 2 Integrating Generative AI into Existing Digital Services

Figure 3



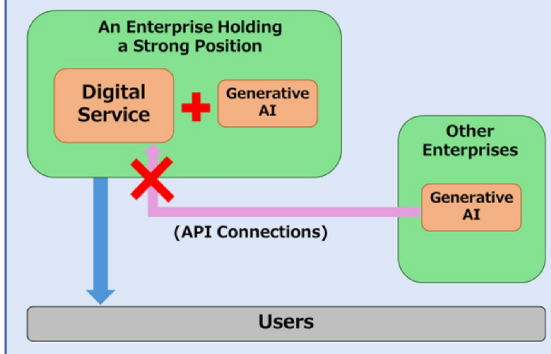
### Hypothetical Case (1)

The act of an enterprise holding a strong position in a specific digital service market integrating generative AI into existing digital services and providing them to users.

#### < Approach under the Antimonopoly Act >

In cases where the tied, subordinate generative AI falls under “other products”, if the integration of such existing digital services and generative AI is carried out by an enterprise in a strong position in the digital service market, and there is a market foreclosure effect on the generative AI markets, as subordinate product markets, the integration falls under tying and may become a problem under the Antimonopoly Act (Private Monopolization, Unfair Trade Practices, General Designation Item 10 (Tie-in Sales, etc.)).

Figure 4



### Hypothetical Case (2)

The act of an enterprise holding a strong position in a specific digital service market integrating the said digital service with its own generative AI, and restricting API connections, etc. to the digital service for generative AI provided by competing generative AI model developers

#### < Approach under the Antimonopoly Act >

If an enterprise holding a strong position in a specific digital service market prevents users from using competing generative AI models in the said digital service by restricting API connections, etc., to the digital service for generative AI provided by competing generative AI model developers, without justifiable grounds such as technical necessity or beyond the scope of such necessity, it may pose a problem under the Antimonopoly Act (e.g., Private Monopolization, Unfair Trade Practices - General Designation Item 14 (Interference with a Competitor's Transactions), etc.).

### (Note) Acts of providing a combination of cloud services and generative AI

Although there were no specific concerns at the hearing, the following acts, for example, may become a problem under the Antimonopoly Act.

- When an enterprise with a strong position in the cloud service market integrates and provides its own generative AI into its cloud services, resulting in a market foreclosure effect on the generative AI markets.
- When an enterprise with a strong position in the generative AI markets sets an unreasonably high license fee only for users of cloud services provided by the operator's competitors in the license of its own generative AI, resulting in a market foreclosure effect on the cloud service market.

## 3 Other Issues

- ✓ In addition to these two issues, the discussion paper released in 2024 gave examples of "self-preferencing", "parallel conduct using generative AI", and "acquiring specialized talent via partnerships". Although there have been no opinions indicating the behavior exemplified in there, it is necessary to continue to monitor the market in the future, including these three issues.