

DAF/COMP/AR(2023)20

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Directorate for Financial and Enterprise Affairs COMPETITION COMMITTEE	23 October 2023
Annual Report on Competition Policy Developments in Japan	
2022	
This report is submitted by Japan to the Competition Committee FOR INFORMA	ATION.

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Table of contents

Japan	3
1. Introduction	3
2. Developments in Antimonopoly Act and relevant regulations	3
3. Strict and Accurate Law Enforcement	3
3.1. Active Elimination of the Antimonopoly Act Violations 3.2. Promotion of Fair Trade Practices 3.3. Improvement in Merger Review	6
4. Improvement of Competitive Environment (Advocacy)	8
4.1. Toward the active promotion of competition policy in response to digitization and other socioeconomic changes 4.2. Establishment of Guidelines, etc. 4.3. Fact-Finding Survey 4.4. Study Group on Innovation and Competition Policy 4.5. Participation in the Digital Market Competition Council 4.6. Implementation of Competition Assessment 4.7. Efforts to Prevent Bid Rigging 4.8. Consultation Services 5. Reinforcement of Foundations for Operation of Competition Policy 5.1. Development of Theoretical and Empirical Foundations for Competition Policy	
5.2. Utilization of Economic Analysis in Competition Policy and Law Enforcement 5.3. Response to the Globalization of the Economy	10 10
6. Resources	12
6.1. Budget	
Tables	
Table 1. Cases involving cease and desist orders in FY2022 Table 2. Cases involving approvals of the commitment plans in FY2022 Table 3. Table 4. Table 5.	4 4 5 12 13
Figures	
Figure 1. Number of Cases Involving Legal Measures* Figure 2. Amount of Surcharge (Administrative Fines) Figure 3.	5 6 13

Japan

1. Introduction

In FY2022 (from April 1st, 2022 to March 31st, 2023), the Japan Fair Trade Commission (hereinafter referred to as the "JFTC") was proactively committed to the implementation of competition policy, including enforcement of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947; hereinafter referred to as the "Antimonopoly Act") to recover competition by eliminating violations through strict and accurate law enforcement, and advocacy in which the JFTC recommends to improve trade practices and to revise the regulations and systems in order to promote the competitive environment, for the purpose of enhancing vitality of enterprises, increasing consumers' utility and stimulating innovation through fair and free competition. The major developments in competition policy in Japan in FY2022 are as follows.

2. Developments in Antimonopoly Act and relevant regulations

- Based on the "Grand Design and Action Plan for a New Form of Capitalism" (approved by the Cabinet on June 7, 2022), which stated that a legal system for fair transactions with freelance workers should be studied and submitted to the Diet as soon as possible, and in light of the diversification of work styles in Japan, and in order to create an environment in which individuals can stably engage in business entrusted to them as business operators, a "Bill on the Act on the Improvement of Transactions Pertaining to Specified Entrusted Business Operators" was submitted to the 211th Diet session on February 24, 2023, with the content that it would take measures such as requiring business operators who entrust business to specified entrusted business operators to clearly indicate the contents of proceeds and other matters¹.
- In addition to the above, the Antimonopoly Act and related regulations were amended or established for improving the procedure or reinforcing the JFTC's structure.

3. Strict and Accurate Law Enforcement

3.1. Active Elimination of the Antimonopoly Act Violations

- Under the fundamental policy of conducting prompt and effective case 4. investigations, the JFTC takes strict and active measures against diverse cases that accurately respond to social needs, including price-fixing cartels and bid rigging cases that have significant impacts on the public, abuse of superior bargaining position that unjustly disadvantages SMEs and unjust low price sales (predatory pricing).
- 5. In FY2022, the JFTC opened investigations against 116 cases of suspected Antimonopoly Act violations and of these, completed 99 cases.

¹ The Law was passed on April 28, 2023 and promulgated on May 12, 2023. It shall put into operation on the date specified by a Cabinet Order within a period not exceeding one year and six months from the day of promulgation.

4 | DAF/COMP/AR(2023)20

- 6. During the same period of time, the JFTC took eleven legal measures, including eight cease and desist orders and three commitment plan approvals. In terms of conduct types, the legal measures were taken against one price-fixing cartel, three other type of cartels, four bid rigging cases and three unfair trade practice cases (See Figure 1). The JFTC also ordered payment of surcharge (administrative fine) totalling JPY 101.99 billion (approximately USD 771.83 million) to a total of 21 enterprises (See the table below).
- 7. Under the leniency program to motivate enterprises to self-report their violations, the JFTC received a total of 22 applications in FY2022.

Table 1. Cases involving cease and desist orders in FY2022

Price- Fixing Cartel	Cease and Desist Order and Surcharge Payment Orders to the Manufactures of Steel Butt-Welding Pipe Fittings ²
Other Cartels	Cease and Desist Orders and Surcharge Payment Orders against the Former General Electricity Utilities, etc. (Three cases) ³
Bid Rigging	 Cease and desist orders and surcharge payment orders against participants in bidding for personal computers and managed local area network servers for schools ordered by Hiroshima Prefecture and City of Hiroshima (Two cases)⁴
	 Cease and desist order and a surcharge payment order against a participant in bidding for office work in hospitals ordered by hospitals located in Aichi and Gifu Prefecture⁵
	 Cease and desist orders and surcharge payment orders against participants in bidding for pharmaceutical procurement for hospitals in Kyushu area ordered by National Hospital Organization⁶

Table 2. Cases involving approvals of the commitment plans in FY2022

Resale Price Maintenance	•	Approval of the Commitment Plan submitted by ICHIRAN Inc. ⁷				
Trading on Restrictive Terms	•	Approval of the Commitment Plan submitted by Expedia Lodging Partner Services Sàrl ⁸				
Interference with a Competitor's Transactions	•	Approval of the Commitment Plan submitted by SCINEX CORPORATION and SMARTVALUE Co., Ltd. 9				

8. In FY2022, the JFTC also closed one investigation in light of voluntary measures taken by the suspected enterprise, which was made public.

 $^{^2\} https://www.jftc.go.jp/en/pressreleases/yearly-2022/December/221215.html$

³ https://www.jftc.go.jp/en/pressreleases/yearly-2023/March/230330.html

⁴ https://www.jftc.go.jp/en/pressreleases/yearly-2022/October/221006.html

⁵ https://www.jftc.go.jp/en/pressreleases/yearly-2022/October/221017.html

⁶ https://www.jftc.go.jp/en/pressreleases/yearly-2023/March/230324.html

⁷ https://www.jftc.go.jp/en/pressreleases/yearly-2022/May/220519.html

 $^{^{8}\} https://www.jftc.go.jp/en/pressreleases/yearly-2022/June/220602.html$

⁹ https://www.jftc.go.jp/en/pressreleases/yearly-2022/June/220630.html

3.1.1. Cases closed in accordance with voluntary measures of enterprises, etc. in FY2022

Report from SEVEN-ELEVEN JAPAN ceasing Product Guide Production Fee in PB manufacturing contract

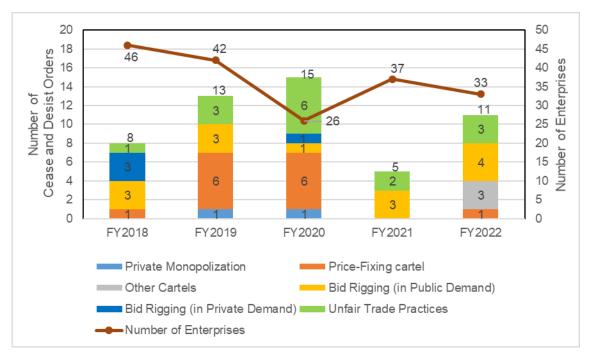


Figure 1. Number of Cases Involving Legal Measures*

Table 3.

	Fiscal year	FY 2018	FY2019	FY 2020	FY2021	FY2022
Details*						
Private Monopolization		0	1	1	0	0
Price-Fixing Cartel		1	6	6	0	1
Other Cartels**		0	0	0	0	3
Bid Rigging (in Public Demand)		3	3	1	3	4
Bid Rigging (in Private Demand)		3	0	1	0	0
Unfair Trade Practices		1	3	6	2	3
Total		8	13	15	5	11

^{*:} The cases which fall into both private monopolization and unfair trade practice are categorised as "Private

^{*: &}quot;Legal measures" refer to cease and desist orders, surcharge payment orders and approvals of the commitment plans. The case in which both a cease and desist order and a surcharge payment order are issued is counted as one legal measure

^{**: &}quot;Other cartels" are cartels involving quantity, sales channels, prohibitions on customer movement, facility restrictions, etc.

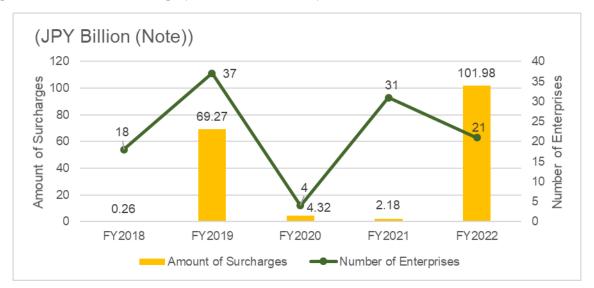


Figure 2. Amount of Surcharge (Administrative Fines)

Note: Surcharges have been rounded down to the nearest ten million yen.

- 9. In addition, JFTC's efforts for appropriate and prompt law enforcements include 275 cautions (including 192 cautions for promptly dealing with unjustly low price sales cases) on practices likely to lead to the Antimonopoly Act violations.
- 10. The JFTC requests business associations, etc. to take the necessary measure in light of competition policy, when it finds in the course of the investigation on the Antimonopoly Act that such a measure should be taken in terms of competition policy.
- 11. In FY2022, the JFTC made such a request to the Federation of Electric Power Companies of Japan.
- 12. The JFTC has actively pursued criminal prosecution for malicious and serious cases that are considered to have a broad impact on people's lives.
- 13. In FY2022, the JFTC, having investigated into a bid-rigging case concerning the "outsourcing contracts of planning test events, etc." regarding the Olympic and Paralympic Games Tokyo 2020 ordered by the Tokyo Organizing Committee of the Olympic and Paralympic Games, believed a criminal violation of the Antimonopoly Act and filed, on February 28, 2023, a criminal accusation with the Prosecutor General against 6 companies, 6 individuals of the 6 companies who were engaged in work related to winning the outsourcing contracts of planning test events, etc., and 1 individual in charge of work related to ordering the outsourcing contracts of planning test events, etc. as an operations executive at the Tokyo Organizing Committee.

3.2. Promotion of Fair Trade Practices

3.2.1. Efforts against Abuse of Superior Bargaining Position

- 14. The JFTC has conducted surveillance to prevent abuse of superior bargaining position that constitutes unfair trade practice under the Antimonopoly Act and has tackled the violations.
- 15. In FY2022, the JFTC issued 55 cautions against suspected abuses of superior bargaining position that are likely to lead of Antimonopoly Act violations.

3.2.2. Efforts against Unjust Low-Price Sales (Predatory Pricing)

- The JFTC takes a prompt action against unjust low-price sales in the retail industry. 16. When unjust low-price sales by retailers are repeated, or conducted by large-scale retailers, and they are considered to significantly affect other competing retailers operating in neighbouring areas, the JFTC investigates the impact of their conduct on respective competing retailers. If the JFTC finds it anticompetitive, it takes stern actions including legal measures.
- 17. In FY2022, the JFTC issued cautions in 192 cases in the retail sector, including liquor, petroleum products, on the grounds of practices likely to lead to unjust low price sales (37 cases for liquor, 151 for petroleum products and four for products in other categories).
- 18. In addition, in light of changes in the business environment surrounding the gasoline distribution industry, and in order to further ensure transparency in the application of the law and increase predictability for business operators, on November 11, 2022, the JFTC released the revision of "Measures against Unjustifiable Underestimation and Discriminatory Pricing in the Distribution of Gasoline, etc.".

3.2.3. Efforts regarding the "Action Plan for the Promotion of Fair Trade by Small and Medium-sized Businesses, etc." based on the "Package of Measures to Facilitate Transfers for Value Creation through Partnership

On March 30, 2022, the JFTC formulated the "Action Plan for Promotion of Fair Trade by Small and Medium Sized Businesses in 2022" based on the "Package of Measures to Facilitate Transfers for Value Creation through Partnership" compiled by the relevant ministries and agencies including the JFTC on December 27, 2021. Based on this plan, the JFTC made unprecedented efforts to realize appropriate price pass-through, in which it conducted an emergency survey of 110,000 undertakings in 22 industries regarding "abuse of a superior bargaining position" under the Antimonopoly Act, and issued a letter of warning to 4,030 enterprises whose conduct was found to have the potential to lead to problems, as well as published the names of 13 enterprises who were found to be deferring review of transaction prices without consultation with numerous suppliers. In addition, on March 1, 2023, the JFTC formulated a new "Action Plan for the Promotion of Fair Trade by Small and Medium Sized Businesses in 2023" and compiled policies for further action to realize appropriate price pass-thorough such as sending a written request to approximately 1,600 related business associations for smooth price pass-through.

3.3. Improvement in Merger Review

- 20. The Antimonopoly Act prohibits an acquisition of shares, shareholding, merger and other transactions (hereinafter collectively referred to as "merger(s)") that would substantially restrain competition in a particular field of trade. The JFTC operates merger regulations in a prompt and appropriate way in order to ensure competitive market structure in Japan. The JFTC also actively utilizes economic analysis in merger review if necessary.
- In FY2022, based on Articles 9 to 16 of the Antimonopoly Act, the JFTC approved 21 cases of acquiring and holding of voting rights of non-financial companies by banks or insurance companies; and it also received 116 reports from holding companies on their business and 306 prior notifications of mergers, and conducted necessary review on these cases. In addition, the JFTC conducted necessary review based on the "Policies Concerning Procedures of Review of Business Combination" (Fair Trade Commission, published on June 14, 2011 and amended on December 17, 2019), which stipulate that the JFTC reviews

merger cases of which the total consideration for the acquisition is large and which are expected to affect domestic consumers, even if they do not meet the notification thresholds in the Antimonopoly Act. In addition, on June 22, 2022, the JFTC published "JFTC's Practice on Submission of Internal Documents in Review of Business Combinations" to contribute to smooth communication between the parties and the JFTC regarding the submission of internal documents.

4. Improvement of Competitive Environment (Advocacy)

4.1. Toward the active promotion of competition policy in response to digitization and other socioeconomic changes

22. In the midst of rapid changes in the social economy, such as the advancement of digitalization, it has become important to create a competitive environment that encourages innovation and corporate growth. To this end, the JFTC has been working to eliminate violations of the Antimonopoly Act through strict and appropriate enforcement, and improving the competitive environment through advocacy to improve business practices in various fields and to propose revisions of regulations and systems. On June 16, 2022, the JFTC released a statement entitled "Towards the Active Promotion of Competition Policy in response to Socioeconomic Changes as represented by Digitalization - Coordination and Strengthening of Advocacy and Enforcement —" The statement expressed the JFTC's commitment to strengthen its whole of the organization responses to socioeconomic changes, such as the advancement of digitalization, by working more vigorously to promote enforcement and advocacy as two wheels of a cart.

4.2. Establishment of Guidelines, etc.

23. The JFTC has established and published Guidelines that identify the actions that may actually be Antimonopoly Act violations in activities of enterprises and trade associations, in order to prevent enterprises and trade associations from violating the Antimonopoly Act and to help them promote proper business activities.

4.2.1. Establishment of Major Guidelines, etc. in FY2022

- Revision of the "Guidelines for Promotion of Competition in the Telecommunications Business Field"
- Establishment of "Guidelines Concerning the Activities of Enterprises, etc. Toward the Realization of a Green Society Under the Antimonopoly Act¹⁰

4.3. Fact-Finding Survey

24. The JFTC has conducted fact-finding surveys in a variety of fields actively and, based on their results, pointed out problems and issues from a viewpoint of the Antimonopoly Act and competition policy to encourage enterprises and trade associations to improve the trade practices by themselves, and recommended that regulatory authorities should review regulations and systems, thereby promoting competitive environment.

¹⁰ https://www.jftc.go.jp/en/pressreleases/yearly-2023/March/230331.html

4.3.1. Major fact-finding surveys in FY2022

- Survey on Credit Card Market
- Report Regarding Cloud Services¹¹
- Market Study Report on Mobile OS and Mobile App Distribution¹²
- Urgent Survey on Low-Priced Mobile Phone Handsets
- Report on the Follow-up Survey on Fintech-based Services¹³

4.4. Study Group on Innovation and Competition Policy

Ensuring a market environment conducive to innovation is an important and new policy issue in competition policy, and it is important to properly assess possible future innovation as having long-term effects on the competitive environment. Based on this recognition, the JFTC has been holding the "Study Group on Innovation and Competition Policy" since March 2023 for the purpose of theoretically and systematically studying the mechanisms by which corporate behaviours affect innovation, based on economic and other knowledge in order to gain a deeper understanding and knowledge on these matters.

4.5. Participation in the Digital Market Competition Council

- Under the Headquarters for Digital Market Competition established within the Cabinet, the Digital Market Competition Council has been held to examine and discuss the important matters concerning digital markets. The Council is chaired by Chief Cabinet Secretary, and includes the Minister of State for Special Missions of the Cabinet Office, who is in charge of administrative affairs related to the JFTC, and the Chair of the JFTC as its members.
- The 6th conference of the Council were held on April 26th, 2022, and the Minister 27. of State for Special Missions of the Cabinet Office and the Chair of the JFTC participated in them.

4.6. Implementation of Competition Assessment

- All of the government ministries and agencies have been in principle mandated to conduct an Ex-ante Regulatory Impact Assessment ("RIA"), which includes an analysis of the impacts of the regulations on competition (competition assessment), when establishing, revising or abolishing regulations. The Ex-ante RIA requires the relevant ministries and agencies to fill out the "competition assessment checklist" and then submit the completed checklist together with an Ex-ante RIA report to the Ministry of Internal Affairs and the Communications ("MIC"), which is supposed to forward the checklists to the JFTC.
- In FY2022, the JFTC received 227 competition assessment checklists from the MIC and examined them. In addition, the JFTC held two meetings in which the experts with knowledge or insights about economics or policy evaluation of regulation discussed

¹¹ https://www.jftc.go.jp/en/pressreleases/yearly-2022/June/220628.html

¹² https://www.jftc.go.jp/en/pressreleases/yearly-2023/February/230209.html

¹³ https://www.jftc.go.jp/en/pressreleases/yearly-2023/March/230301.html

competition assessment, in order to improve an approach of competition assessment, for the purpose of appropriate implementation of RIA.

4.7. Efforts to Prevent Bid Rigging

- 30. Since procurement officers' efforts are extremely important for the thorough elimination of bid rigging, the JFTC has been holding training seminars on the Antimonopoly Act and the Act for the Prevention of Collusive Bidding at the Initiative of Government Officials for procurement officers at local governments, providing them with practical knowledge about competition law and policy. The JFTC has also been cooperating with other government ministries and agencies, local governments and publicly owned companies by dispatching its officials as resource persons or providing materials to the related seminars organized by those ministries and agencies.
- 31. In FY2022 the JFTC held 36 training seminars and dispatched resource persons to 225 training seminars hosted by government ministries and agencies, local governments and publicly owned companies.

4.8. Consultation Services

32. The JFTC answers questions about the Antimonopoly Act and related laws from enterprises, trade associations, general consumers, etc. in writing or orally.

5. Reinforcement of Foundations for Operation of Competition Policy

5.1. Development of Theoretical and Empirical Foundations for Competition Policy

33. Since its establishment in the JFTC in June 2003, the Competition Policy Research Center ("CPRC") has been strengthening theoretical and empirical foundations for the enforcement of the Antimonopoly Act, and for planning, policy making and evaluation of the JFTC's competition policy. In FY2022, the CPRC held two symposiums and one "Open Seminar".

5.2. Utilization of Economic Analysis in Competition Policy and Law Enforcement

34. Based on the "Follow-up to the Growth Strategy" (Cabinet decision on June 18, 2021), the JFTC established the "Office of Economic Analysis" on April 1, 2022 to strengthen the system for conducting high-quality economic analysis that can serve as a basis for enforcing the Antimonopoly Act and formulating competition policies. In addition, on May 31, 2022, the JFTC published "Points to Consider When Submitting An Economic Analysis Report and Data". It also published the results of economic analysis that was used in the investigation of cases involving alleged violations of the Antimonopoly Act, merger review, and various fact-finding surveys published in FY2022.

5.3. Response to the Globalization of the Economy

5.3.1. Reinforcement of Cooperation with Other Competition Authorities

35. Based on bilateral and multilateral competition agreements, the JFTC closely cooperates with foreign competition authorities through the ways such as notifying competition authorities of the related jurisdictions of enforcement actions. The JFTC holds

bilateral meetings with competition authorities in countries or areas with particularly active economic relations with Japan.

5.3.2. Efforts Related to Economic Partnership Agreements, etc.

The JFTC considers competition policy as an important element in Economic Partnership Agreements (EPAs) and participates in negotiations with an intention to incorporate the competition chapter including articles related to a cooperation framework on competition in EPAs. In FY2022, the JFTC participated in the negotiations for the conclusion of the Indo-Pacific Economic Framework (IPEF).

5.3.3. Participation in the Multilateral Conferences

- The JFTC's chair has been a member of the ICN Steering Group since its establishment, and the JFTC has been a co-chair of the Unilateral Conduct Working Group since May 2020.
- In March 2023, the JFTC hosted a workshop in Tokyo on "Developments and Challenges in Competition Policy and Enforcement in the Current Unilateral Conduct Area".
- The JFTC's commissioner and other staff participate in meetings of the Competition Committee of the Organization for Economic Cooperation and Development (OECD).
- Moreover, on October 12, 2022, the Chairman of the JFTC attended the "Enforcers and Policy Makers Summit" held in Berlin, attended by top officials from competition authorities and policy makers of the G7 countries.
- The JFTC actively participates in multilateral meetings such as the Asia-Pacific Economic Cooperation (APEC), the United Nations Conference on Trade and Development (UNCTAD), and the East Asia Top Level Officials' Meeting on Competition Policy (EATOP).

5.3.4. Technical Assistance

- The JFTC has been providing technical assistance regarding competition policy to competition authorities of the developing countries such as dispatching its officials or providing training courses.
- In FY2022, the JFTC carried out technical assistance projects in Vietnam, Mongolia, Malaysia, and Thailand in cooperation with the Japan International Cooperation Agency (JICA), and also provided training courses on competition law and policy for officials from jurisdictions where competition laws had been newly introduced or strengthened.

5.4. Raising Public Awareness of Competition Policy

- 44. The JFTC solicited opinions, requests and suggestions from members of the "Antimonopoly Policy Cooperation Committee" for the purpose of utilizing them in implementing competition policy, and of promoting better understanding of it.
- 45. In order to ensure a timely response to socioeconomic changes and advance competition policy in an effective and appropriate manner, the JFTC organizes the "Council on Antimonopoly Policy" to promote broad opinion exchanges with experts and greater public understanding of competition policy. In FY2022, three council meetings were organized.

12 | DAF/COMP/AR(2023)20

- 46. The JFTC commissioners and senior officials had meetings with locally based experts in eight cities in FY2022. The JFTC also arranged meetings with business and consumer groups, meetings between directors of the JFTC's regional offices and locally based experts, members of bar associations in various districts and the nation-wide federation of bar associations in FY2022.
- 47. Moreover, the JFTC hosted "Consumer Seminars" to introduce an overview of the Antimonopoly Act and the JFTC's activities to general consumers in cities without its headquarter or regional offices, in order to increase people's awareness of the Antimonopoly Act and the related laws.
- 48. The JFTC's efforts also included activities for raising awareness of competition policy through school education. The JFTC dispatches its officials to junior high schools, high schools and universities (including graduate schools) and they introduce the roles of competition in economic activities to the students. The effort is called "Antimonopoly Act Class" or "Delivery Lecture."

6. Resources

6.1. Budget

49. The budget of the JFTC is as follows:

Table 4.

Fiscal Year	FY2018	FY2019	FY2020	FY2021	FY2022
Budget Amount (JPY billion)	11.0	11.4	11.6	11.5	10.8
Budget Amount (USD million) (Note)	95.3	98.9	100.4	99.6	82.1
Change over Previous Year (%)	-2.2%	3.8%	1.4%	-0.8%	-5.4%

Note: Based on the USD-JPY exchange rate as of December 30th, 2022.

6.2. Number of Officials

50. The number of officials in the General Secretariat of the JFTC is as follows (unit: persons):

Table 5.

Fiscal Year	FY2018	FY2019	FY2020	FY2021
Number of Officials	837	839	842	841
Enforcement against Anti- Competitive Practices	437	430	429	428
Merger Review Enforcement	41	44	43	48
Advocacy Efforts	33	35	43	43

Figure 3.



