

Result of review regarding integration of Microsoft Corporation and Activision Blizzard Inc.

March 28, 2020 Fair Trade  
Commission

The Japan Fair Trade Commission has established Microsoft Corporation (corporation number 8700150090374) (hereinafter referred to as "Microsoft", and the group of companies that have already formed a joint relationship with Microsoft as the ultimate parent company is referred to as the "Microsoft Group") and Activision Blizzard, Inc. (hereinafter referred to as "Activision"), and the group of companies that have already formed a joint relationship with Activision as the ultimate parent company is referred to as the "Activision Group". Group and the Activision Group are collectively referred to as the "participating company groups"). As a result, it was recognized that it would not substantially restrain competition in a certain field of trade. finished the review.

Part 1 Overview of this case

In this case, the corporate groups concerned are planning to integrate Microsoft and Activision (hereinafter referred to as the "conduct") through stock acquisition and merger.

Part 2 Background of this case

June 16, 2020 Call for information and opinions from third parties regarding this act

(Deadline for submission of information and opinions: July 15, 2022)

March 10, 2023 Receipt of the notification of the plan concerning the conduct of this case (start of the first examination) March 28, 2023 Notification that cease and desist orders will not be issued

Third Conclusion

The JFTC determined that the conduct of this case would not substantially restrain competition in certain fields of trade (see attachment for details of examination results).

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# Merger of Microsoft Corporation and Activision Blizzard Inc.

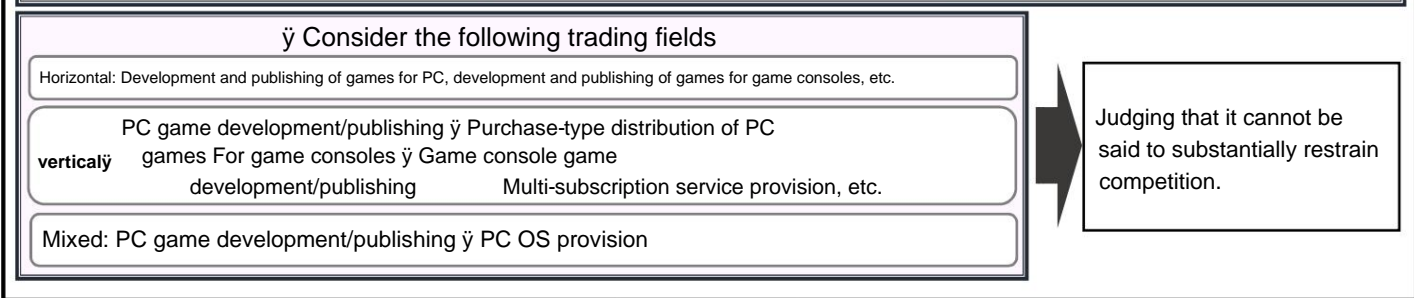
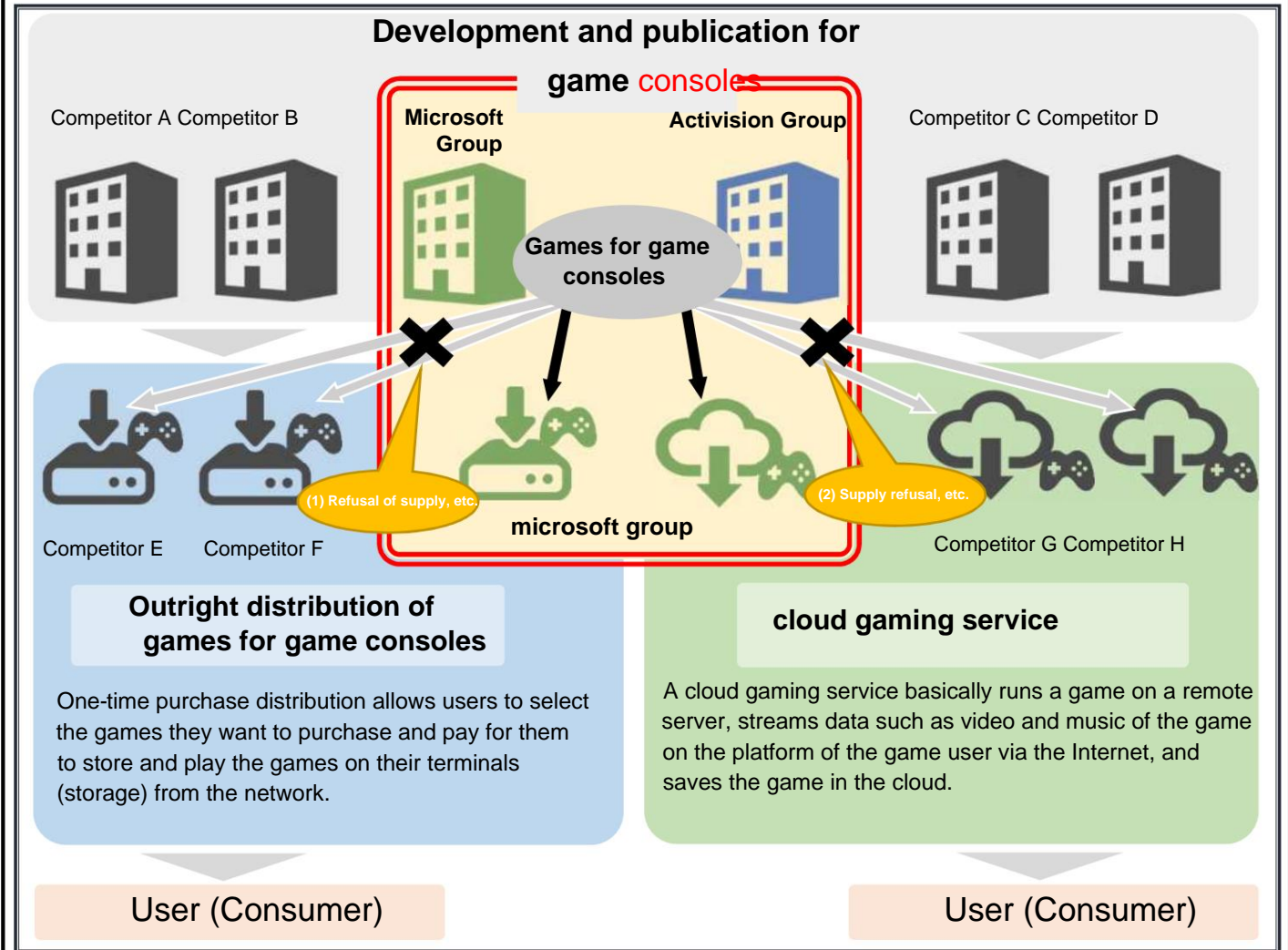
Overview of this examination

reference

## Judging perspective

With regard to the refusal to provide games for game consoles, etc., which may have a significant impact on competition as a result of the conduct of this case, will it substantially restrict competition in the relevant market?

## Consideration of Defining Certain Fields of Trade and Substantial Restrictions on Competition



The conduct of this case falls under the safe harbor criteria for vertical business combinations in (1), and there is a shortage of excess supply capacity in (2) because there are competitors and games are distributed in digital format. As it is difficult to imagine that such measures would be effective, it was judged that such measures would not substantially restrain competition in certain fields of trade.

Result of review regarding integration of Microsoft Corporation and Activision Blizzard Inc.

### Part 1 Company Group

Microsoft Corporation, headquartered in the United States, is a company that mainly provides operating systems (OS) for PCs. Activision Blizzard Inc. is a company headquartered in the United States that primarily engages in the development and publishing of games. Hereinafter, the terms in the left column of the table below will be described as in the right column.

left column	right column
Microsoft Corporation A group of companies	Microsoft Microsoft
that have already formed a joint relationship with Microsoft as the ultimate parent company	Group Activision Activision
Activision Blizzard Inc. A group of companies that	Group Participating
have already formed a joint relationship with Activision as the ultimate parent company Combined	company Participating company
Microsoft and Activision 2 companies A group of companies	group
combining the Microsoft Group and the Activision Group	

### Section 2 Overview of this case and

relevant legal provisions In this case, the corporate groups concerned are planning to integrate Microsoft and Activision through share acquisition and merger (hereinafter referred to as the "conduct").

The relevant legal provisions are Articles 10 and 15 of the Antimonopoly Act.

### Section 3. Background of the

Examination, etc. 1.

Background of the Examination We voluntarily submitted written opinions and materials to the Japan Fair Trade Commission to the effect that we believe that it cannot be said to be the case. We exchanged opinions on the following: In addition to examining the content and materials of the written opinion, the Committee conducted hearings with competitors and users. In addition, the committee

requested the company groups concerned to submit materials related to the conduct that were actually used at various meetings such as board of directors meetings.

formulas, and materials related to analysis of competition within the company groups concerned. After that, on March 10, 2023, the company group concerned submitted a notification of a plan concerning the conduct of this case in accordance with the provisions of the Antimonopoly Act. started the review. In addition to the relevant plan notification form and written opinions and materials submitted by the company groups concerned, the Committee has determined that the conduct of the case is not a competition based on the results of interviews with competitors and consumers, economic analysis, etc. We proceeded with the examination of the impact on Foreign competition authorities are also reviewing this conduct, and the Commission has consulted with the UK Competition and Markets Authority, the European Commission, the Korean Fair Trade Commission, the Australian Competition and Consumer Commission, and the U.S. Federal Trade Commission. We proceeded with the review while exchanging information with them.

## 2 Solicitation of information and opinions from third parties

Since this is a business combination involving a market that is expected to be complex and subject to major changes, information and opinions from third parties regarding the conduct of this case were sought from June 16 to July 15, 2022. was solicited. As a result, we received multiple pieces of information and opinions from business operators and individuals, and we conducted a review based on these pieces of information and opinions.

## 3 Viewpoints of Business Combination Examination and Overview of Examination Results

The Microsoft Group manufactures and sells OS software for PCs (Windows) and game consoles<sup>1</sup> (Xbox), as well as develops and publishes games for PCs, game consoles, and mobiles. It also sells and distributes games on its own and operated online stores (Microsoft Store and Xbox Store). In addition, other businesses include cloud service (Microsoft Azure<sup>2</sup>) provision business and digital advertising business. Activision Group, on the other hand, develops and publishes games for PCs, game consoles, and mobiles, and sells and distributes them on its own and operated online store (Battle.net). It also provides games to game

consoles of the Microsoft Group, Sony Interactive Entertainment LLC. ("Sony"), and Nintendo Co., Ltd. ("Nintendo"). Among the games provided by the Activision Group, the most popular games

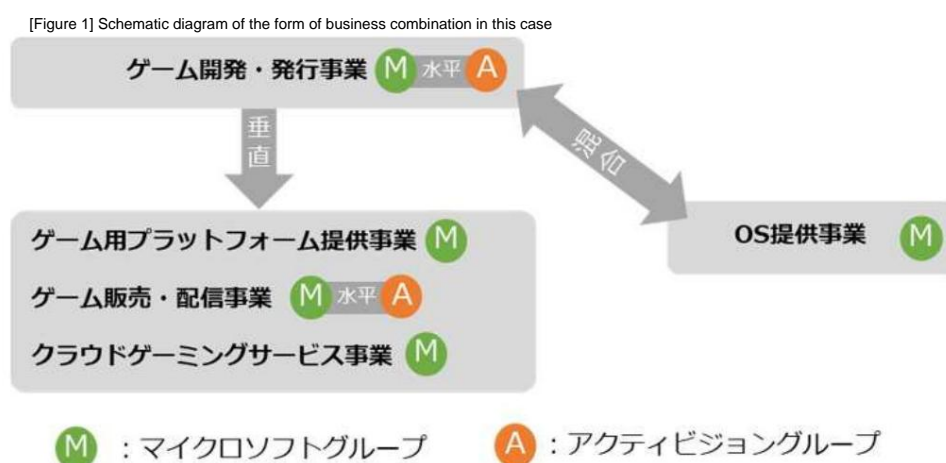
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<sup>1</sup> Game consoles are hardware dedicated to games, such as Microsoft Group's Xbox Series X/S, Sony's Play Station 5, and Nintendo's Nintendo Switch.

<sup>2</sup> Microsoft Azure provides two types of platform cloud services, IaaS and PaaS, via the Internet. IaaS (Infrastructure as a Service) is a service that creates the entire infrastructure environment such as CPU, OS, storage, hardware and network environment in a virtual environment and provides it via the Internet. It is possible to expand the storage without physically increasing the number of servers. On the other hand, PaaS (Platform as a Service) is a service that provides an environment in which applications operate via the Internet, and can be used for the development of application software.

There is the Call of Duty series as a program.

Based on the above, among the company groups involved, the Microsoft Group in particular has a wide range of businesses. In addition to the horizontal business combination related to the game development/publishing business and game sales/distribution business in which the company group competes, the Microsoft Group's game platform provision business, game sales/distribution business, and cloud gaming service provision business and Acti The review also focused on vertical business combinations based on the relationship between the Vision Group's game development and publishing businesses. In addition, the examination focused on mixed-type business combinations based on the relationship between the Microsoft Group's OS provision business and the Activision Group's game development and publishing business.



Regarding the Act and the accumulation of data, there is no specific type of data in the data obtained through the services of the company groups concerned, and the amount of data is even higher than that of competitors. , the scope, and the frequency of collection, it is unlikely that the company group concerned will have a competitive advantage. As a result of the

examination, as described in Sections 4 to 8 below, it was determined that the conduct of this case would not substantially restrain competition.

#### Section 4 Overview of Goods and Services

##### 1 Business for providing game platforms such as game consoles (1)

###### Overview of game platforms

Consumers usually need to use gaming platforms such as game consoles, PCs or mobiles (smartphones, tablets) when playing games. Of these, mobile games generally do not have the computing power and memory capacity of PCs and game consoles, so games for mobiles tend to have lower graphics and sound levels than games for PCs and game consoles.

In addition, the functions available in-game are more limited. In addition, game consoles used to have lower computing power than PCs, but the latest game consoles are equipped with CPUs equivalent to those of PCs. difference is almost gone.

Among the company groups concerned, game consoles manufactured and sold by the Microsoft Group There is Xbox Series X / S (released November 10, 2020) as a console.

In addition, game platform providers install on their platforms an OS for each platform (see (2) below) that has functions that enable games to run on the platform.

## (2) Overview of the OS installed on the game platform

The OS is software that provides basic functions commonly used by many application software including games, and manages the entire computer system.

OSs for PCs and mobiles are developed by OS providers, installed in their own PCs and mobiles, and licensed to other PC and mobile providers free of charge or for a fee. On the other hand, OS for game consoles is developed by game console providers themselves and installed only in their own game consoles.

The Microsoft Group develops operating systems for PCs and game consoles. The OS for PCs is installed on the company's own PCs and is also licensed to other PC providers, while the OS for game consoles is installed only on its own game consoles.

## 2 Overview of Game Development and Publishing

Business (1) Game Development Game developers use game development tools (including game engines and other tools such as audio and video middleware) when developing games. I use it to design, program and test games. Functionality provided by game development tools includes rendering engines<sup>3</sup> for 2D or 3D graphics , physics engines for collision detection and response, sound, scripting, memory management, and localization support. In order to develop games that can be played on each platform, it is necessary to use game development tools provided by game platform providers and OS providers<sup>4</sup>. We have concluded such license agreements with game developers and provided game development tools for Windows and Xbox.

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<sup>3</sup> A software component that processes data related to image rendering and generates specific animations. <sup>4</sup> OS providers for game consoles include Microsoft Group, Sony, and Nintendo, while OS providers for PCs and mobile OSs include Microsoft Group, Apple Inc., and Google LLC.

are providing.

The company groups concerned develop various games for PCs, game consoles and mobiles. Examples of game titles developed by the Microsoft Group include the following.

<Games for PC and game consoles>

- Minecraft (sandbox game)
- Forza Horizon (racing game)
- Halo (action/shooting game) <Mobile game>

•Fallout Shelter (simulation) •The Elder

Scrolls: Blades (action role-playing game) Meanwhile, the Activision

Group is also developing various games for PC, game consoles and mobiles.

Examples of game titles developed by the Activision Group include the following.

<Games for PC and game consoles> •Call of Duty (action/shooting game) •Overwatch (action/shooting game)

<Mobile games> •Candy Crush (puzzle game) •Hearthstone (role-playing/deck-building game)

## (2) Publishing

games Game publishers may distribute games developed in-house or outsourced to external game developers (hereinafter referred to as “third-party developers”) to physical retail stores, etc. In addition to selling media such as cartridges and compact discs (hereinafter referred to as “packaged products”) and managing licenses for digital distribution to consumers in online stores, it also conducts game advertising and marketing.

When a game publisher outsources the development of a game to a third-party developer and sells it, the game publisher concludes a development and publishing agreement with the third-party developer and pays the royalties stipulated in the agreement to the third party. paid to the developer.

Both Microsoft Group and Activision Group

In addition to games developed by himself (called "first party games"),

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~ A sandbox game is a game in which the user can freely collect and place items in the game space, rather than aiming to clear the game with fixed objectives and tasks. .

We publish games developed by third-party developers.

In addition, although some of the games developed and published by the Microsoft Group are sold and distributed as games exclusively for Xbox (exclusive titles<sup>6</sup>), most of these games are games that can be played on other companies' game consoles. It is sold and distributed. Also, although some of the PC games developed and published by the Activision Group are distributed only through its own online store, most of them are also distributed through other companies' online stores.

(3) Relationship between game development and game publishing

As mentioned in (2) above, game publishers sometimes develop games in-house, and major game publishers often own game developers. In the past, where sales of packaged products were the main focus, small and medium-sized third-party developers had limitations in manufacturing and marketing on their own when selling games without going through game publishers. However, in recent years, the sales method through digital distribution has become mainstream, and it is possible to sell games at a lower cost than packaged products. The number of so-called indie games for sale is also increasing.

3 Game sales and distribution business

(1) Overview of game sales and distribution business

In the past, games were sold as packaged products at brick-and-mortar stores such as home electronics mass retailers, but in recent years they have been sold as downloads<sup>7</sup> at online stores . are provided as electronic data by way of digital distribution of data and digital distribution through fixed-price subscription services. In recent years, in addition to the sales and digital distribution of packaged products for the main games, there has also been an increase in download sales of game expansion content and items.

While sales of packaged products require equipment for manufacturing physical media and securing space for inventory storage, in the case of digital distribution, the game is directly uploaded as electronic data to an online store, from which the game is distributed. Users can download or stream them. Digital distribution includes one-time distribution, multi-game subscription services, and free

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<sup>6</sup>Exclusive titles of the Microsoft Group include Forza Horizon 5 (released in 2021) and Halo Infinite (released in 2021).

<sup>7</sup> Purchase and download games from online stores operated by game console providers, etc. Another method is to purchase a digital download code sold at a physical store, enter the download code on an online store operated by a game console provider, etc., and download the game.



There are three types of miam models, and the outlines of each are as follows.

<p>one-time delivery</p>	<p>In the one-time purchase type distribution, the user selects the game they want to purchase, and by paying the fee, the game can be saved and played on the terminal (storage) from the network. Since the game files saved on the terminal can be played, once the game is downloaded, it can be played without an internet environment. The outright purchase service is an individual billing system in which users pay each time they purchase a game, etc.</p> <p>PC games are generally distributed mainly by OS providers, game developers/publishers, and companies that own and operate online stores that handle the works of multiple game developers/publishers. ing. In addition, games for game consoles are generally distributed mainly through purchases by game console providers. Multi-game subscription services allow users to access</p>
<p>Multi-game subscription service</p>	<p>their favorite games for a certain period of time without restrictions, from among the games in the catalog, including new games that have just been released, by paying a fixed monthly or yearly fee. The game distribution methods of the multi-game subscription service include download methods that allow users to save and play games from the network to their devices, as well as cloud services that allow users to play games that they want to play while connected to the Internet. There is a way to stream and play back. Multi-game subscription services for various platforms are generally provided by game console providers, OS providers, and game developers/publishers. The freemium model is basically provided to users free of charge, but there are restrictions such as advertisements being inserted during play, and some in-game functions are restricted. In some cases, it</p>
<p>Freemium model (partial billing system)</p>	<p>is necessary to purchase in-game items in order to play the game more comfortably or to change the appearance of in-game characters. Mobile games are generally released by OS providers.</p>

	The focus is on the distribution of premium models.
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Of the company groups involved, the Microsoft Group owns and operates the online stores Microsoft Store and Xbox Store, and sells games for various PCs and game consoles through a one-time purchase, multi-game subscription service, and freemium model. It is distributed digitally by Both the Microsoft Store and the Xbox Store are free to register, the Microsoft Store can be accessed from an app on a PC and a web browser, and the Xbox Store can be accessed from an app on a PC, a web browser and on the Xbox. In addition, the Microsoft Group provides Xbox Game Pass as a multi-game subscription service, and Xbox Game Pass offers three types of plans (Game Pass Ultimate, PC Game Pass, Console Game Pass) is offered. Of these, Game Pass Ultimate includes all services provided by PC Game Pass and Console Game Pass, as well as multiplayer 8 subscription service (Xbox Live Gold) and cloud gaming service (Xbox Cloud Gaming). Users can seamlessly share and play the same game data on multiple platforms by accessing apps or web browsers for games that support cloud gaming services<sup>9</sup>. Activision Group, on the other hand, owns and operates Battle.net, an online store for first-party PC games only, and digitally distributes games in a variety of genres on a one-time and freemium basis. Battle.net is free to register and accessible through an app and web browser on PC<sup>10</sup>.

## (2) Cloud gaming service

When you download a game to a game console or other platform, you access the game files on a remote server and create, store, and transfer a local digital copy of the game to the game console or other platform. The game can only be played on the platform from which it was normally downloaded. On the other hand, cloud gaming services basically run the game on a remote server, and the video, music, and other data of the game are imported.

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<sup>8</sup> It is a function to play online with other users who can connect on the Internet at the same time.

<sup>9</sup> Xbox Cloud Gaming is only available as a service included with Game Pass Ultimate and not as a standalone service. Users can play games that support Xbox Cloud Gaming by connecting a controller to their mobile device via Bluetooth, and play games that support a touch interface using touch operations without connecting a controller.

<sup>10</sup> Battle.net can also be accessed from a mobile application, but its functions are limited to social functions such as chat functions between players.

The game is streamed over the Internet on the user's platform and the game is stored in the cloud rather than on the platform. As a result, users of cloud gaming services can play games without waiting for download time, and have the advantage of not using the storage capacity of their devices to play games. In addition, users of cloud gaming services will be able to play games for PCs and games for game consoles even on low-end PCs and mobile platforms with lower computing and graphics performance. The same game data can be seamlessly shared and played on the platform.

Cloud gaming services, which have been on the rise in recent years due to improvements in internet communication speeds, are sometimes provided as a single service or as a package combined with a multi-game subscription service. , the size of the Japanese domestic market is expanding, and there is a possibility that it will continue to grow and change significantly in the future.

#### 4 Network effects in the market surrounding game-related businesses

In the game platform provision business and game distribution/sales business, the more consumers (consumers) who use products (game consoles, etc.) or services (game distribution services), the more likely it is that game developers/publishers will As a result, incentives to provide various game contents will increase. In addition, the more various game contents are provided, the more attractive the goods or services become for consumers, and the so-called two-way indirect network effect works. considered a market. In this way, it is necessary to consider the above-mentioned indirect network effects when considering the impact on competition in the market surrounding game-related businesses.

### Section 5 Defining Certain Fields

of Trade 1 Game platform (PC, game console, mobile) provision business

#### (1) Scope of products

and services A.

Demand substitutability Game platforms are classified into three types: PCs, game consoles, and mobiles. All three types of platforms have in common that they are necessary to play games, but each has differences in performance, functions, or operability. . Therefore, consumers who play games are considered to use the three types of platforms properly to a certain extent. Therefore, demand substitutability between different types of gaming platforms is limited.

B. Substitutability of

supply Although there are companies such as the Microsoft Group that manufacture multiple types of game platforms, the technologies and know-how required to manufacture each type of platform differ. It cannot be easily converted from manufacturing one type of platform to manufacturing another type of platform.

Therefore, supply substitutability between different types of gaming platforms is not permitted.

C.

Summary Based on the above, substitutability between different types of game platforms cannot be

recognized. Gaming platforms manufactured and sold by the Microsoft Group include PCs and game consoles. As described in Section 4, 1(2) above, for PCs, OS providers develop OSs, install them in their own PCs, and license them to other PC providers. provided to people. As PC providers have many competitors with higher market shares than the Microsoft Group, the impact of the Microsoft Group's position in the PC provider business on competition in the PC provider market is limited. it is conceivable that. On the other hand, as described in Section 7, 5(2) below, the Microsoft Group is presumed to have a high market share in the OS market for PCs, so it is believed that the OS provision business for PCs will be affected by this matter. Therefore, the scope of game platform products and services will be defined in the "game console provision business," and the OS provision business will be discussed in 2 below.

(2) Geographic

Scope Many domestic consumers purchase various platforms through online sales on the Japanese websites of various platform manufacturers, etc., and sales at brick-and-mortar stores such as consumer electronics mass retailers in Japan. ing. Therefore, for various platforms, the scope of purchases by Japanese consumers is basically considered to be within Japan. Therefore, the geographical scope of each platform will be defined as "all over Japan."

2. OS provision

business (1) Scope of products and services

a. Demand substitutability The OS installed on the game platform is specialized for each platform according to the performance, functions, or operability of each platform as described in 1(1) above.

It is developed for Therefore, for various platform manufacturers, who are consumers, there is no demand substitutability between OSs for different types of platforms.

#### B. Substitutability of

supply According to the performance, function or operability of various platforms as in 1(1) above, The application software to be controlled by the OS is different, and programming is required to control them. Therefore, different technologies and know-how are required to develop OSs for different types of platforms. Therefore, supply substitutability between operating systems for different types of platforms is not permitted.

#### C. Summary

Based on the above, substitutability between OSs for different types of platforms cannot be recognized.

Since the Microsoft Group develops and provides operating systems for PCs, the scope of products and services is defined as the "OS provision business for PCs."

#### (2) Geographic

Scope OS providers for PCs, including the Microsoft Group, supply PC OSs all over the world. sourced indiscriminately from In addition, due to the nature of OS as a product and service, transportation costs are not required, and the licensing situation is not significantly different in Japan and overseas. Therefore, the geographic scope of the OS provision business for PCs is defined as "the whole world."

### 3 Game development and publishing

#### business (1) Scope of products

and services A. Game development and game publishing business

As mentioned in Section 4, 2(3), conventionally, game sales have mainly been made as packaged products. It was common for game developers to sell games through publishers in order to secure production costs and know-how. However, in recent years, it has become possible to sell games through digital distribution, and more and more developers are supplying their own online stores and multi-game subscription service providers.

In addition, as described in Section 4-4 above, business operators who own and operate online stores and multi-game subscription service providers are not limited to games issued by game publishers, but also small and medium-sized game development businesses. issued by

From the perspective of securing a rich lineup of games, we are also considering games that are not sold through business operators as an alternative option, and are procuring a wide range of games from these business operators.

Therefore, it is recognized that demand substitutability exists between games published by game publishers and games sold by game developers without going through publishers. will be defined as the "game development and publishing business," which combines the game development business and the game publishing business.

B. Substitutability among games for different types of platforms (PC, game console and mobile) (a) Demand substitutability

However, online store owners and multi-game subscription service providers, who are users of the game, usually offer different types of games based on the demands of consumers, who are the end users. For platform games, we basically provide online stores and multi-game subscription services for each platform.

Therefore, demand substitutability among PC, game console, and mobile games is limited.

(b) Supply

substitutability As mentioned in Section 4, 1(1) above, there is almost no difference in graphics, sound, etc. between the latest game consoles and PCs when it comes to playing games. They share common know-how in developing games for consoles. In fact, there are many examples of the same game being developed for both PC and game consoles. Also, in game development and publishing, games developed for one type of platform may be ported so that they can be played on another type of platform. Porting a game requires work and costs, such as rewriting the programming language, adjusting graphics, and obtaining a license agreement for game development, but it can be done with less investment than creating a game from scratch. . In particular, porting is often performed between PCs and game consoles, which have little difference in performance, and between game consoles of different models, as mentioned above.

Therefore, the supply between PC games and game console games

A certain degree of substitutability of wages is recognized.

On the other hand, as described in 1(1) and 3(1) in Part 4 above, games for PCs and game consoles are more advanced graphics,

Utilizing sound, etc., the operation and contents are complicated, mainly on the premise of outright sales. In addition, games for mobile devices often have lower graphics and sound standards than games for PCs and game consoles, and generally have simple user interfaces and content based on the premise of monetization and touch operation through a freemium model. It is often developed as a simple game.

Therefore, there is little common know-how between games for PCs and game consoles and games for mobiles, and developers and publishers of games for PCs and game consoles cannot develop games for mobiles without significant additional costs and risks. Similarly, it is not easy for mobile game developers and publishers to develop games for PCs and game consoles without incurring significant additional costs and risks. It is not easy to provide

Therefore, PC games and console games and mobile  
Substitutability of supply between games aimed at is considered to be limited.

#### C Substitutability between games of different

genres Games are sometimes categorized by genre based on story development and operation methods. Game genres include action, adventure, role-playing games, sports, strategy, etc. There are also games that combine aspects of multiple genres. End-user consumers generally alternately play multiple genres of games rather than playing only a specific range of genres. Therefore, online store owners and operators and multi-game subscription service providers, who are the users of the game, are required to provide a wide range of game lineups based on consumer demand. We are considering each as an alternative option and procuring games in a wide range of genres.

Therefore, demand substitutability is recognized between games of different genres.

#### D. Substitutability between different types of games

Games may be categorized by genre, development and marketing costs, content complexity, and other factors. For game types  
There are AAA games, casual games, etc. AAA games are games that are generally developed over a long period of several years with large budgets and manpower costs and released for multiple types of platforms. Casual games, on the other hand, are games with relatively simple operating methods and user interfaces that require low budgets and personnel costs for development. The game type distinction is

Decisions are made based on multiple factors such as the scale of costs related to marketing, game content, number of units sold, name recognition, etc., and the distinction is fluid and unclear. In addition, end-user consumers generally do not play only one type of game, but alternately play various types of games. Therefore, online store owners and operators and multi-game subscription service providers, who are demanders, should consider all types of games as alternative options from the perspective of securing a rich lineup. We have considered and sourced a wide range of types of games.

Thus, demand substitutability between different types of games is recognized.

#### E.

Summary From the above, substitutability can be recognized between different genres and different types of games. On the other hand, although there is a certain degree of supply substitutability between games for PCs and games for game consoles as described in B. Since the substitutability of demand is limited, the range of products and services will be limited to the "PC game development and publishing business,"

The game development and publishing business for game consoles and the game development and publishing business for mobile devices are defined as the business for game development and publishing for mobile devices. Examine the existence and degree of competitive pressure as a market adjacent to

#### (2) Geographic

Scope Since the contents and functions of games provided to consumers are common in many countries, it is conceivable that the geographic scope will be the "world wide". On the other hand, when supplying games, it is necessary to localize languages, etc. for each country. The tastes of consumers in each country are different, such as the fact that there are many popular game software, and the number of top-selling titles varies from country to country<sup>11</sup>. Even companies that are actually doing business all over the world may

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<sup>11</sup> In this regard, for example, according to data on home video game software sales for 2020 published by Kadokawa ASCII Research Institute, the top 10 titles are as follows, and the Activision Group's globally popular titles are: The game software "Call of Duty Modern Warfare II" (released on October 28, 2020) is not included in this. 1st place: Pokemon Scarlet Violet, 2nd place: Splatoon 3, 3rd place: Pokémon LEGENDS Arceus, 4th place: Kirby Discovery of the Stars, 5th place: Nintendo Switch Sports, 6th place: Mario Kart 8 Deluxe, 7th place: Minecraft, 8th place: Mario Party Super Stars, 9th place: Super Smash Bros. SPECIAL, 10th place: ELDEN RING



Therefore, the market share is different.

Therefore, from the perspective of examining the impact on Japanese consumers in particular, as the geographical extent.

#### 4 Game sales and distribution business

##### (1) Scope of products and

services A. Substitutability between sales of packaged products and digital distribution

##### (a) Substitutability of

demand Comparing packaged products and digital distribution, for consumers who are consumers, digital distribution can be obtained immediately when they want to purchase it, and it does not take up space for storage. One advantage is that it is easy to carry. On the other hand, packaged products have the advantage of not putting pressure on device storage. Based on these differences, it is believed that consumers use packaged products and digital distribution to some extent.

Therefore, the substitutability of demand for packaged products and digital distribution is limited.

##### (b) Substitutability of

supply As mentioned in Section 4, 3(1) above, when selling packaged products, it is necessary to establish a system for securing physical media manufacturing facilities and inventory storage locations. On the other hand, although digital distribution does not seem to require facilities for manufacturing physical media or securing space for inventory storage, it is necessary for processing related to digital content, such as processing to prevent illegal copying. Know-how is required. Therefore, supply substitutability is not allowed.

##### b) different types of gaming platforms (PC, game console and mobile);

##### (a) Demand substitutability Consumers, who are consumers, buy games

for gaming platforms they do not own. There is no demand substitutability for sales and distribution. In addition to consumers who own multiple types of game platforms, there are also consumers who purchase new platforms. In addition to differences in performance, functions, or operability, there are also differences in the types of games that can be played in response to these differences. It is thought that there are

Therefore, between selling and distributing games for different types of platforms,

demand substitutability in

(b) Substitutability of

supply For online stores and multi-game subscription services for each type of platform, it is necessary to develop and modify distribution management systems and applications for digital files that are compatible with each type of platform. It is not easy to develop and provide an online game store and multi-game subscription service for any type of platform without incurring significant additional costs and risks. Therefore, supply substitutability between game sales and distribution for different types of platforms is limited.

C. Between different distribution methods (one-time purchase type, multi-game subscription service, Substitutability of freemium model)

(a) Demand

substitutability There are three different distribution methods for digital distribution of games: one-time purchase, multi-game subscription service, and freemium model. It is thought that consumers selectively use each service based on these characteristics.

be.

Therefore, one-time purchases, multi-game subscription services, Demand substitutability between premium models is limited.

(b) Substitutability of

supply If a game distributor intends to distribute games using a distribution method that has not been distributed before, for example, in the case of a multi-game subscription service, management of the distribution period for games in the catalog In addition, the freemium model requires a system for in-game billing such as gacha and the display of in-game advertisements, which requires new development and modification of delivery management systems and applications.

Therefore, one-time purchases, multi-game subscription services, Supply substitutability between premium models is limited.

D. Summary

Based on the above, no substitutability is recognized between sales of packaged products and digital distribution. Also, substitutability between sales and distribution for different types of platforms and between different distribution methods is limited.

The company group concerned is concerned with games for PCs and games for game consoles.

, which are offered through one-time distribution, multi-game subscription services, and freemium models, respectively. Of these, with regard to the freemium model, the market position of the company group concerned is low, and the impact of this act on competition is believed to be negligible. Purchase-type distribution business for games for

Consider the range of products and services for the “multi-game subscription service provision business for PCs” and “multi-game subscription service provision business for game consoles.”

## (2) Geographic

Scope Since the contents and functions of games provided to consumers are common in many countries, it is conceivable that the geographic scope will be the “world wide”. On the other hand, when supplying games, it is necessary to localize languages, etc., for each country, and as mentioned in 3(2) above, the number of top-selling titles differs from country to country in regards to annual game sales. People have different tastes, and even companies that are actually doing business all over the world have different market shares depending on the country/

region. Therefore, from the perspective of examining the impact on Japanese consumers in particular, as the geographical extent.

## 5 Cloud gaming service provision business

### (1) Scope of products

and services As stated in Section 4, 3(2) above, cloud gaming services are provided as standalone services, as well as multi-game subscription services such as Game Pass provided by the Microsoft Group. Since it is sometimes provided as a service combined with a multi-game subscription service, it can be considered to be in the same product/service range as the cloud gaming service and the multi-game subscription service. However, cloud gaming services have emerged in recent years, and the size of the domestic market in Japan is expanding. , “Cloud Gaming Service” shall be defined as a separate market from “Multi Game Subscription Service”.

In addition, users of the cloud gaming service may, for games supported by the cloud gaming service, use the gaming platform they own as long as it is a gaming platform that can connect to the Internet as described in Section 4, 3(2) above. The game can be played regardless of the type. Therefore, for cloud gaming services, there is no need to demarcate the market by platform type.

Therefore, the scope of products and services shall be defined in the "cloud gaming service provision business".

(2) Geographic scope

When transferring game data processed on the cloud to the user's platform, if the transfer takes a long time, there will be a time lag between the user's operation and the image on the screen. has established data centers in each country and region, and provides cloud gaming services to users in the countries and regions where the data centers are located. In fact, the lineup of business operators differs depending on the country/region.

Therefore, "the whole of Japan" is defined as the geographical range.

Part 6 Applicability of the Safe Harbor Standards in Certain Fields of Trade It

will be considered as a type business combination, a vertical type business combination, and a mixed type business combination. The market shares for 1 through 5, 8 and 11 in Table 1 below fall under the safe harbor criteria<sup>12</sup> for horizontal and vertical business combinations as shown in Tables 2 through 7. On the other hand, although it is difficult to accurately grasp the market shares of 6, 7, 9, 10 and 12 in Table 1 below, the estimated values are shown in Tables 8 to 10 for reference.

As described in Section 7 below, market shares related to 6, 7, 9, 10 and 12 in Table 1 below do not fall under the safe harbor criteria for vertical business combinations and mixed business combinations. Consider whether the

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<sup>12</sup> In the "Guidelines for the Operation of the Antimonopoly Act Concerning Review of Business Combinations" (May 31, 2004, Japan Fair Trade Commission) Section 4, 1 (3), regarding horizontal business combinations, (1) Herfindahl and If the Hirschman Index (an indicator of market concentration, calculated as the sum of the squares of the market shares of each business operator in a certain field of trade; hereinafter referred to as "HHI") is 1,500 or less; If the post-merger HHI is more than 1,500 and 2,500 or less and the HHI increase is 250 or less, or (3) the post-business combination HHI is over 2,500 and the HHI increase is 150 or less Where applicable, it is generally not considered to result in substantial restraint of competition in certain fields of trade. In addition, Section 5, 1 (2) and Section 6, 1 (2) of the Guidelines stipulate that (1) all certain fields of transactions in which the parties are involved in vertical business combinations and mixed business combinations, respectively; or (ii) HHI after the business combination is 2,500 or less in all certain fields of trade in which the parties are involved. Therefore, if the market share of the company group after the business combination is 25% or less, it is generally not considered to substantially restrain competition in a certain field of trade. Such standards are called "safe harbor standards".

[Table 1] Form of business combination and eligibility for safe harbor

Form of business		Goods/Services	Safe Harbor Applicability
combination	1	PC game development and publishing business	••
	2	Game console game development and publishing business Mobile	
Horizontal business combination	3	game development and publishing business	••
	4	Purchase-type distribution business for PC games	

		Kawakami Market	downstream market	
vertical business combination	5	PC game development and publishing business (M, A)	Purchase-type distribution business for PC games (M, A)	•
	6		Multi-game subscription service business for PC (M)	×
	7		Cloud gaming service provision business (M)	×
	8	Game development and publishing business for game consoles (M, A)	Purchase-type distribution business for games for game consoles (M)	•
	9		Multi-game subscription service business for game consoles (M)	×
	Ten		Cloud gaming service provision business (M)	×
	11		Game console provision business (M)	•

Mixed business combination	12	PC game development and publishing business (M, A)	PC OS provision business (M)	×
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\* (M) is a Microsoft Group business, (A) is an Activision Group business.

[Table 2] Market share of 13 companies in the game development and publishing business for

rank	PC in 2021	Market share
1		Approx.
Company		20% Approx. 10%
A 2		0-5%
Company B 3 Company C 4		0-5%
Microsoft		0-5%
Group 5		0-5%
Company		0-5%
D 6		0-5%
Company E 7 Company F 8		0-5%
Company G 12 Activision Group y Others		about 55%
Total		100%
Total market share / ranking: 0-5% / 4th place HHI after this act (maximum): 589.7 HHI increase: 5.9		

[Table 3] Market share of game development and publishing business for game consoles in 2021

rank	Company Name	Market share
1 Company		about 35%
H 2		0-5%
Company I 3 Microsoft Group		0-5%
4 Company		0-5%
J 5		0-5%
Company		0-5%
K 6		0-5%
Company L 7 Company M 8		0-5%
Activision Group y Others		about 60%
total		100%
Total market share / ranking: 0-5% / 3rd HHI after this act (maximum): 1,142.9 HHI increase: 1.7		

<sup>13</sup> 32.5% or more and less than 37.5% are described in units of 5%, such as "about 35%." So the total value is Not necessarily 100. same as below.

[Table 4] Market share of mobile game development and publishing business in 2021

Rank	Company Name	Market share
1	Company N	About 10%
2	Company O	About
3	Company P	5% About
4	Company Q	5% About
5	Company R	5% About 5%
6	Company S	0-5%
7	Company T	0-5%
8	Company U	0-5%
	<b>Unknown Microsoft Group</b>	<b>0-5%</b>
	<b>Unknown Activision Group ÿ Others</b>	<b>0-5%</b>
		about 55%
Total		100%
Total market share/Ranking: 0-5%/Unknown Post-action HHI (maximum): 449.8 HHI increment: 0.2		

[Table 5] Market share of purchase-type distribution business for PC in 2021

rank	Company name	Market share
1	Company	About 30%
V 2		About 25%
	Company	About 15%
W 3		About 10%
	Company	About 5%
X 4	Company	0-5%
Y 5	Company Z 6 Company	0-5%
AA 7		0-5%
	<b>Microsoft Group 8 Company BB</b>	<b>0-5%</b>
9	Activision Group ÿ Others	0-5%
Total		100%
Total market share / ranking: 0-5% / 6th HHI after this act (maximum): 2,057.0 HHI increase: 5.5		

[Table 6] Market share of purchase-type distribution business for game consoles in 2021

	Company Name	Market share
Rank 1		About
	Company	50% About 50%
	CC 2 Company DD 3 Microsoft	0-5%
	Group 4 Company EE	0-5%
	total	100%
HHI: 4,804.6		

[Table 7] Market share of the game console provision business in 2021 Company

	name Market share About 70% About 30%	
Rank 1	FF	
	Company 2	
	GG Company 3 Microsoft Group	0-5%
	total	100%
HHI: 5,630.0		

## Section 7 Examination of Substantial

Restrictions on Competition 1. Vertical business combination with the PC game development and publishing business as the upstream market and the PC multi-game subscription service provision business as the downstream market

("6" in Table 1) (1) Substantial

restrictions on competition through unilateral action A. Status of the company groups concerned The market shares of the company groups involved in the PC game development and publishing business are as shown in Table 2 above, which falls under the safe harbor criteria for vertical business combinations. . Although it is difficult to accurately grasp the market share of the multi-game subscription service provision business for PCs after this act, the market share including the multi-game subscription service for game consoles is shown below for reference. Table 8 of Since the exact market share of the company group's multi-game subscription service business for PCs is unknown, it is considered that it does not fall under the safe harbor criteria for vertical business



[Table 8] (Reference) Market share of multi-game subscription service provision business for PCs and game consoles in 2021

rank	Company Name	Market share
1	Company	about 95%
HH 2		0-5%
	Company II 3 Microsoft Group 4	0-5%
	Company JJ	0-5%
	total	100%
	HHI: about 9,414.5	

### B. Closure of

inputs If the company group refuses to supply games for PC, delays the supply timing, or removes part of the content from multi-game subscription service providers for PCs other than the Microsoft Group. Restrictions, etc. (hereinafter referred to as “refusal of supply of PC games, etc.”) may cause problems of market closure and exclusivity in the downstream market.

In the upstream market, besides the company group concerned, there are multiple competitors with a higher market share than the company group concerned, and there are powerful competitors with a market share of 10% or more. In addition, considering that it is difficult to imagine a shortage of supply capacity due to the nature of digital distribution, even if the company group concerned refuses to PC multi-game subscription service providers can source from other PC game developers and publishers. In addition, as described in

Section 4.4 above, although indirect network effects are expected to work in the game-related business, the company group's market share in the PC game development and publishing business is less than 5%. Therefore, the company group's position in the PC game development and publishing business is considered to have a limited impact on competition in the PC multi-game subscription service business market.

Therefore, even if the indirect network effect is taken into consideration, the company group concerned does not have the ability to implement the closure of inputs, so it is recognized that the closure of inputs will not cause the problem of market closure or exclusivity in the downstream market.

### C. Customer

closure The Microsoft Group refuses to post PC multi-game subscription services to PC game developers/publishers other than the company group, delays the posting time, or publishes them. Make the location difficult to understand (hereinafter referred to as “rejection of posting of PC games, etc.”)

As a result, issues of market closure and exclusivity may arise in the upstream market.

However,

there are multiple competitors in the downstream market, and given the nature of the multi-game subscription service, it is unlikely that there will be a shortage of spare capacity. In addition, since there are multiple competitors in the adjacent market of multi-game subscription service provision business for game consoles, which has a larger market scale, PC game developers and publishers other than the companies concerned. can be treated by transplantation as described in Section 5, 3(1)B. Furthermore, there are companies that are expected to enter the multi-game subscription service for PCs.

Considering these facts, even if the Microsoft Group refuses to publish PC games, PC game developers and publishers other than the parties concerned will not provide multi-game subscription services for PC. The Microsoft Group does not have the ability to close customers because it can supply to business operators. Therefore, the issue of market closure and exclusivity in the upstream

market due to the closure of customers  
recognized as not occurring.

(2) Markets resulting from the sharing of confidential information of competitors between the company groups concerned  
Information

shared in transactions between PC game developers and publishers and PC multi-game subscription service providers includes information such as designs and product plans related to their respective products and services. If the company group obtains confidential information of competitors and uses the information to its own advantage, competitors in the upstream or downstream market will be placed at a competitive disadvantage. not be allowed to be placed in

(3) Substantial restraint of competition through cooperative behavior

As a result of this conduct, the company group in the upstream market, through the Microsoft Group in the downstream market, will be able to determine the sales price, etc. of other PC game developers and publishers in the upstream market to providers of multi-game subscription services for PC. Obtaining information may raise the question of effective restraint of competition through coordinated actions in the upstream market. Similarly, the Microsoft Group in the downstream market may, through the company group in the upstream market, provide information on fees, etc., to game developers and publishers of other multi-game subscription service providers for PCs in the downstream market. Acquisition may raise the issue of effective restraint of competition through coordinated actions in the downstream market.

However, multi-game subscription service providers for PC

With regard to the licensing fee, which is the amount paid to PC game developers and publishers after deducting the fees, it is difficult to predict price information, etc. of competitors in light of the actual business conditions. It will not be easy to predict each other's actions with a high degree of accuracy. Therefore, it

does not mean that the conduct in question substantially restrains competition in the business of developing and publishing games for PCs and the business of providing multi-game subscription services for PCs through cooperative actions with competitors of the companies concerned. It is considered unlikely.

2. Vertical business combination with the game development and publishing business for game consoles as the upstream market and the multi-game subscription service provision business for game consoles as the downstream market ("9" in Table 1) (1) Substance

of competition through unilateral action legal restrictions

a. Status of the company group concerned

The market shares of the company groups involved in the game development and publishing business for game consoles are shown in Table 3 above, and fall under the safe harbor criteria for vertical business combinations. Although it is difficult to accurately grasp the market share of the multi-game subscription service provision business for game consoles after this act, the market share including the multi-game subscription service for PCs is shown in Table 8 above for reference. It is as follows. Since the exact market share of the company group's business of providing multi-game subscription services for game consoles is unknown, it is considered not to fall under the safe harbor criteria for vertical business combinations.

B. Closure of

inputs The company group refuses to supply games for game consoles to multi-game subscription service providers for game consoles other than the Microsoft Group, delays the supply timing, or refuses to supply content. By implementing partial restrictions (hereinafter referred to as "refusal to supply games for game consoles, etc."), the issue of market closure and exclusivity may arise in the downstream market.

In the upstream market, in addition to the company group concerned, there are competitors with a higher market share than the company group and powerful competitors with a market share of 10% or more. In addition, considering that it is difficult to imagine a shortage of supply capacity due to the nature of digital distribution, even if the company group concerned refuses to supply games for game consoles, etc., games other than those of the Microsoft Group Providers of multi-game subscription services for consoles may procure from other game developers and publishers for game consoles.

can. In

addition, as described in 4.4 above, in the game-related business, the indirect network effect is considered to work, but the company group's market share in the game development and publishing business for game consoles is only less than 5%. do not have. Also, regarding the Call of Duty series, which is the globally popular game software of the Activision Group, there are many games that are more popular in Japan<sup>14</sup>. For this reason, the company group's position in the business of developing and publishing games for game consoles is considered to have a limited impact on competition in the market for the multi-game subscription service business for game consoles. Therefore, even if the indirect network effect is taken

into consideration, the company group concerned does not have the ability to implement the closure of inputs. Therefore, it is recognized that the closure of inputs will not cause the problem of market closure or exclusivity in the downstream market<sup>15</sup>.

### C. Closure of

Customer The Microsoft Group refuses to publish multi-game subscription services for game consoles in game catalogs by game developers and publishers for game consoles other than the company group concerned, or at the time of publication. By delaying the deadline or making it difficult to understand the posting location (hereinafter referred to as "refusal to post games for game consoles, etc."), the problem of market closure and exclusivity may arise in the

upstream market. . There are multiple competitors in the downstream market, and given the nature of the multi-game subscription service, it is unlikely that there will be a shortage of spare capacity. In addition, there are multiple competitors in the neighboring market of multi-game subscription service providers for PCs, and game developers and publishers for game consoles other than the party company group It is possible to respond by transplantation as shown.

Considering these facts, even if the Microsoft Group refuses to publish games for game consoles, it is

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<sup>14</sup> See footnote 11.

<sup>15</sup> With regard to the incentives for the closure of inputs related to the game development and publishing business for game consoles, the parties submitted a critical transformation analysis applying vertical calculation and "profits to be obtained by implementing input closure" are calculated and compared in magnitude. (a critical conversion rate) is calculated to evaluate the feasibility, etc.), and the Committee made an evaluation. The economic analysis of the companies concerned was conducted mainly by combining data from the UK and the world. If implemented, it is highly likely that the critical conversion rate will be higher in light of the relevant market conditions in Japan, so it is unlikely that we will be able to conclude that there will be an incentive to withdraw inputs. bottom.

The Microsoft Group does not have the ability to close customers because developers and publishers of games for game consoles can supply them to other multi-game subscription service providers for game consoles by porting. Therefore, the issue of market closure and exclusivity

in the upstream market due to the closure of customers recognized as not occurring.

(2) Markets resulting from the sharing of confidential information of competitors between the company groups concerned  
Information

shared in transactions between game developers and publishers for game consoles and multi-game subscription service providers for game consoles includes information such as designs and product plans related to their products and services. is not included, and the party company group obtains confidential information of competitors, and the party company group uses such information to its own advantage, so that competitors in the upstream or downstream market It is not permissible to be placed at a competitive disadvantage.

(3) Substantial restraint of competition through cooperative behavior

As a result of this conduct, the company group in the upstream market, through the Microsoft Group in the downstream market, will sell games to multi-game subscription service providers for game consoles of other game console game developers and publishers in the upstream market. Obtaining information such as prices may raise the issue of effective restraint of competition through coordinated actions in the upstream market. Similarly, the Microsoft Group in the downstream market will, through the company group in the upstream market, pay fees to developers and publishers of games for game consoles of other multi-game subscription service providers for game consoles in the downstream market. Obtaining such information may raise the issue of effective restraint of competition due to coordinated actions in the downstream market. However, with regard to the

license fee, which is the amount paid by the game console multi-game subscription service provider to the game console game developer/publisher after deducting the fees, in light of the actual transaction conditions, price information, etc. of competitors is difficult to predict, and it is considered that it will not be easy for the company group concerned and competitors to predict each other's actions with a high degree of certainty. Therefore, the conduct of this case will

substantially restrain competition in the business of developing and publishing games for game consoles and the business of providing multi-game subscription services for game consoles through cooperative actions of the parties' groups with their competitors. It is considered that it will not happen.

3 Vertical business combination with the PC game development and publishing business as the upstream market and the cloud gaming service provision business as the downstream market ("7" in Table 1) Group status The market shares of the

company groups involved in the PC game development and publishing business are shown in Table 2 above, and fall under the safe harbor criteria for vertical business combinations. On the other hand, although it is difficult to accurately grasp the market share of the cloud gaming service provision business after this act, the market share of the cloud gaming service provision business estimated by the Microsoft Group is shown in Table 9 below for reference. It's a cage. In addition to the fact that the exact market share of the Microsoft Group's cloud gaming service provision business is unknown, the domestic market size related to the cloud gaming service provision business is expanding, and there is a possibility that it will continue to grow and change significantly in the future. There is Therefore, from the viewpoint of careful examination, we will consider it as not falling under the safe harbor criteria for vertical business combinations.

[Table 9] (Reference) Market share of cloud gaming service provision business in 2021

Rank	Company Name	Market share
1	KK Company	Approx.
2	Microsoft Group	90% Approx. 10%
total		100%
HHI: about 8,427.9		

#### B. Closure of inputs

The company group refuses to supply PC games to cloud gaming service providers other than the Microsoft Group, delays the supply timing, or restricts part of the content (hereinafter referred to as (referred to as "refusal to supply PC games, etc.") could lead to issues of market closure and exclusivity in the downstream market.

In the upstream market, besides the company group concerned, there are multiple competitors with a higher market share than the company group concerned, and there are powerful competitors with a market share of 10% or more. In addition, considering that it is difficult to imagine a shortage of supply capacity due to the nature of digital distribution, even if the company group concerned refuses to supply PC games, etc., cloud gaming by companies other than the Microsoft Group Service providers can procure from other PC game developers and publishers.

In addition, as described in Section 4.4 above, although the game-related business is expected to have an indirect network effect, the company group's PC game development and

Since the market share in the issuing business is less than 5%, we believe that the company group's position in the PC game development and issuing business will have a limited impact on competition in the PC cloud gaming service business market. be done. Therefore, even if the indirect

network effect is taken into account, the company group concerned does not have the ability to implement the closure of inputs. Therefore, it is recognized that the closure of inputs will not cause the problem of market closure or exclusivity in the downstream market.

#### C. Customer closure

##### (a) Ability to perform customer closure

The Microsoft Group refuses to publish cloud gaming services in their game catalogs, delays the timing of publication, or makes the publication location difficult for PC game developers and publishers other than the parties. (hereinafter referred to as "refusal to publish PC games, etc."), the issue of market closure and exclusivity may arise in the upstream market. KK exists as a competitor in the downstream market, and due to the nature of the cloud gaming service, it is unlikely that there will be a shortage of spare capacity. In addition, games can also be played by downloading them, and there are powerful competitors in the one-time purchase distribution business for various platforms, which are adjacent markets for the purpose of playing games. There are multiple competitors in the subscription service provision business. Therefore, even if the Microsoft Group refuses to post PC games, PC game developers and publishers other than the company group concerned are other cloud gaming service providers and outright purchase distributors. etc. In light of the above, it is believed that the Microsoft Group does not have the ability to close customers. However, as mentioned in Section 5, 5(1) above, innovation is active in this market, and further growth and transformation are expected in the future. Therefore, just in case, incentives for closing customers will also be considered in (b) below.

##### (b) Incentives to close customers

As a result of this action, the Microsoft Group has an incentive to refuse listing of the cloud gaming service in the game catalog, etc. when the profit of  $\ddot{y}$  and the loss of  $\ddot{y}$  below are compared and considered, and if the profit of  $\ddot{y}$  exceeds the loss of  $\ddot{y}$ , The problem of market closure and exclusivity will arise.

(1) The Microsoft Group provides game catalogs for cloud gaming services to PC game developers and publishers other than the company group concerned.

Decline in PC game sales by competing PC game developers/publishers and increase in PC game sales by the company group

(2) The Microsoft Group refuses to list cloud gaming services in game catalogs of game developers and publishers for PCs other than the company groups concerned, thereby preventing the cloud gaming services provided by the company groups concerned. loss due to a decrease in the number of users (consumers) of

As described in 4.4, the more games listed in the game catalog of a cloud gaming service, the more attractive the cloud gaming service becomes to consumers (the indirect network effect works). . In addition, Activision Group's market share in the PC game development and publishing business is less than 5%.

In light of these factors, the Microsoft Group's refusal to publish content, etc., against competing PC game developers and publishers would greatly reduce the appeal of the Microsoft Group's cloud gaming services. It is conceivable that users of the Microsoft Group's cloud gaming services may flow out to competitors' cloud gaming services or other distribution methods, such as one-time purchase-type distributions where there are powerful competitors, and the losses due to such outflows will be as described above. This is considered to be larger than the profit of (1).

Therefore, there is no incentive for the Microsoft Group to close customers, and the issue of market closure and exclusivity does not arise.

(2) Markets resulting from the sharing of confidential information of competitors between the company groups concerned

The

information shared in transactions between PC game developers and publishers and cloud gaming service providers does not include information such as designs and product plans related to their respective products and services. Competitors in the upstream or downstream markets may be placed at a competitive disadvantage due to the company group obtaining confidential information of competitors and using such information to their own advantage. It is not acceptable to be

(3) Substantial restraint of competition through cooperative behavior

As a result of this act, the party company group in the upstream market obtained information such as sales prices of other PC game developers and publishers in the upstream market from cloud gaming service providers through the Microsoft Group in the downstream market. This may raise the issue of effective restraint of competition through coordinated actions in the upstream market. Similarly, the downstream market Microsoft Group may provide other cloud gaming services in the downstream market through the company group in the upstream market.



Obtaining information such as commissions paid to PC game developers and publishers by business operators may pose a problem of effective restraint of competition through coordinated actions in the

downstream market. However, it is difficult to predict the price information, etc. of competitors in light of the actual trading situation regarding the license fee, which is the fee paid by the cloud gaming service provider to the PC game developer/publisher. Therefore, it would not be easy for the company group concerned and competitors to predict each other's actions with a high degree of certainty.

Therefore, it is considered that the conduct of this case will not substantially restrain competition in the business of developing and publishing games for PCs and the business of providing cloud gaming services through cooperative actions with competitors of the company groups concerned. .

#### 4 Upstream market for game development and publishing business for game consoles, cloud gaming Vertical business combination with the service provision business as the downstream market ("10" in Table 1)

The market shares of the company groups involved in the "game development and publishing business for game consoles" are shown in Table 3 above, which falls under the safe harbor criteria for vertical business combinations. On the other hand, although it is difficult to accurately grasp the market share of the "cloud gaming service provision business" after the conduct of this case, the market share of the cloud gaming service provision business estimated by the Microsoft Group is shown in Table 9 above for reference. is. In addition to the fact that the exact market share of the Microsoft Group's cloud gaming service provision business is unknown, the size of the Japanese domestic market for cloud gaming service provision business is expanding, and is expected to grow and change significantly in the future. be done. Therefore, from the viewpoint of careful examination, we will consider it as not falling under the safe harbor criteria for vertical business combinations.

#### B. Closure of inputs

If the company group refuses to supply games for game consoles to cloud gaming service providers other than the Microsoft Group, delays the supply period, or restricts part of the content ( (hereinafter referred to as "refusal to supply games for game consoles, etc.") may cause problems of market closure and exclusivity in the downstream market.

In the upstream market, in addition to the company group concerned, there are competitors with a higher market share than the company group and powerful competitors with a market share of 10% or more. In Japan, the Activision Group's globally popular game software Call of Duty series is also growing.

We are in a situation where there are many popular game software<sup>16</sup>. Furthermore, considering that it is difficult to imagine a shortage of supply capacity due to the nature of distribution in digital format, even if the company group concerned refuses to supply games for game consoles, etc., cloud services other than the Microsoft Group Gaming service providers can procure from game developers and publishers for other game consoles. Therefore, the company group does not have the capacity to perform input closure.

stomach. Therefore, the issue of closure and exclusivity of the market in the downstream market due to the closure of inputs is recognized not to occur

### C. Customer closure

#### (a) Ability to perform customer closure

The Microsoft Group refuses to publish cloud gaming services in game catalogs, delays the timing of publication, or makes it difficult to find the location of publication for game console game developers and publishers other than the company group concerned. (hereinafter referred to as "refusal to publish games for game consoles, etc."), the issue of market closure and exclusivity may arise in the upstream market.

KK exists as a competitor in the downstream market, and due to the nature of the cloud gaming service, it is unlikely that there will be a shortage of spare capacity. In addition, games can also be played by downloading them, and for the purpose of playing games, there are strong competitors in the adjacent market, the purchase-type distribution business for each platform, and there are multi-game subscriptions. There are multiple competitors in the service provision business. Therefore, even if the Microsoft Group refuses to publish games for game consoles, developers and publishers of games for game consoles other than the company group concerned will not be able to compete with other cloud gaming service providers or outright distribution. It can be supplied to telecommunication companies, etc.

In light of the above, it is believed that the Microsoft Group does not have the ability to close customers. However, as mentioned in Section 5, 5(1) above, innovation is active in this market, and further growth and transformation are expected in the future. Therefore, just in case, incentives for closing customers will also be considered in (b) below.

#### (b) Incentives to close customers

Due to this act, the profit of  $\bar{y}$  and the loss of  $\bar{y}$  below are compared and considered, and the profit of  $\bar{y}$  is  $\bar{y}$

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<sup>16</sup> See footnote 11.

The Microsoft Group will have an incentive to refuse listing of the cloud gaming service in the game catalog, etc., if it exceeds the loss of the market.

(1) The Microsoft Group refuses to list cloud gaming services in game catalogs for game console game developers and publishers other than the company group concerned, thereby preventing game development for game consoles by competitors. • Profit from a decrease in sales of games for game consoles by the issuer and an increase in sales of games for game consoles by the company group

(2) Microsoft Group develops and publishes games for game consoles other than the company group Loss due to a decrease in the number of users (consumers) of the cloud gaming service provided by the company group due to the business operator's refusal to publish the cloud gaming service in the

game catalog, etc. As described above, the more games listed in the game catalog of a cloud gaming service, the more attractive the cloud gaming service becomes for consumers (the indirect network effect works). In addition, the Activision

Group's market share in the game development and publishing business for game consoles is less than 5%. We are in a situation where there are many more popular game software<sup>17</sup>. In light of these factors, the Microsoft Group's refusal to post its content on its competitors, developers and publishers of games for game

consoles, will greatly reduce the appeal of the Microsoft Group's cloud gaming services. In addition, it is conceivable that users of the Microsoft Group's cloud gaming services will flow out to competitors' cloud gaming services, as well as other distribution methods such as purchase-type distribution where powerful competitors exist. This is considered to be larger than the profit of (1) above. Therefore, there is no incentive for the Microsoft Group to close customers, and the issue of market closure and exclusivity does not arise.

(2) Markets resulting from the sharing of confidential information of competitors between the company groups concerned  
impact on

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<sup>17</sup> See footnote 11.

The information shared in transactions between game developers and publishers for game consoles and cloud gaming service providers does not include information such as designs and product plans related to their respective products and services. Competitors in the upstream or downstream market are placed at a competitive disadvantage as a result of the company group obtaining confidential information of competitors and using such information to their own advantage. unacceptable.

(3) Substantial restraint of competition through cooperative behavior

As a result of this act, the party company group in the upstream market obtained information such as sales prices of game developers and publishers for other game consoles in the upstream market to cloud gaming service providers through the Microsoft Group in the downstream market. This may raise the issue of effective restraint of competition through coordinated actions in the upstream market. Similarly, if the Microsoft Group in the downstream market obtains information on fees, etc. for developers and publishers of games for game consoles of other cloud gaming service providers in the downstream market through the company group in the upstream market, , the issue of effective restraint of competition due to coordinated actions in the downstream market may arise.

However, it is difficult to predict the price information, etc. of competitors in light of the actual transaction status of license fees, which cloud gaming service providers pay to game console game developers and publishers after deducting the fees. Therefore, it would not be easy for the company group concerned and competitors to predict each other's actions with a high degree of certainty.

Therefore, it is considered that the conduct of this case will not substantially restrain competition in the business of developing and publishing games for game consoles and the business of providing cloud gaming services through cooperative actions of the company groups concerned with their competitors. .

5 Mixed business combination of game development and publishing business for PC and OS provision business for PC (“1 2”)

(1) Anti-competitive mechanisms

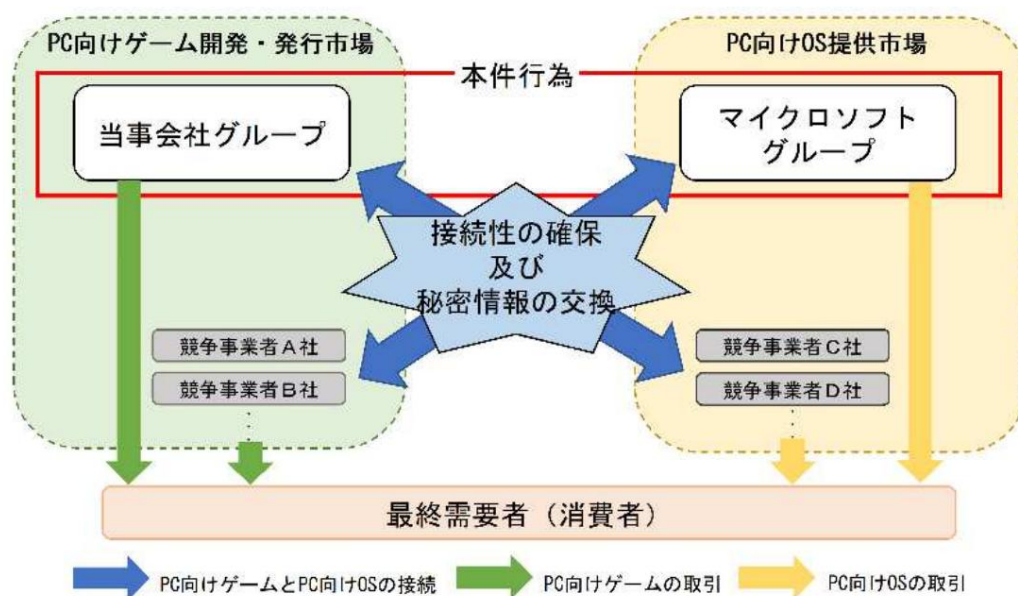
The figure below shows the mechanism (Theory of Harm) for restricting competition in a mixed business combination between the PC game development and publishing business and the PC OS provision business. In other words, the Microsoft Group will cut off the connection with the PC OS or reduce the interconnectivity with the PC OS (hereinafter referred to as “OS (referred to as “blocking”)), there is a possibility that market closure and exclusivity will arise in the PC game development and publishing business ((3) below).

In addition, the company group may block the connection with the PC game or interfere with the PC OS provider other than the Microsoft group.

Reducing connectivity (hereinafter referred to as “denial of optimization”) may lead to market closure and exclusivity in the PC OS provision business ((4) below).

Furthermore, if confidential information of a competitor is shared among the company groups concerned, and the company group concerned uses this information to its own advantage, the competitor may be put in a competitive disadvantage. As a result, the issue of market closure and exclusivity may arise ((5) below).

[Fig. 2] Schematic diagram of the mechanism (theory of harm) to restrict competition in this mixed-type business combination



## (2) Position of the company group concerned and status of competitors

Table 2 above shows the market share of the PC game development and publishing business in Japan. Although it is difficult to accurately grasp the PC OS market share in the world market, the estimated values are shown in Table 10 below for reference.

Therefore, it will be considered as not falling under the safe harbor criteria for conglomerate business combinations.

[Table 10] (Reference) Market share of PC OS in 2022

Rank	Company Name	Market share
1	Microsoft Group	
2	LL Company	Approx.
3	MM Company	Approx. 15%
	Others	0-5%
		about 10%
total		100%
HHI: about 5,748.0		

(3) Examination of the closed nature and exclusivity of the PC game development and publishing business

Since it is possible to play games on PCs using the OS for PCs provided by the Microsoft Group, the Microsoft Group will block the OS of game developers and publishers for PCs other than the companies concerned. (hereinafter referred to as "Microsoft Group OS Blocking"), the possibility of market closure and exclusivity issues arising in the PC game development and publishing business.

A.

Capabilities (a) Status of

market share The Microsoft Group's market share of OS for PCs in Japan is estimated as shown in Table 10 above, and the Microsoft Group has a high market share in this market. It is assumed that

(b) Competitive pressure from competitors and adjacent

markets As mentioned in (a) above, judging from the market share situation, the Microsoft Group's OS shutdown is generally limited to third-party PC game developers and publishers. It is thought that it can have a large impact on However, there are multiple competitors in the PC OS market. In addition, since there are multiple strong competitors in the neighboring market for game consoles, it is possible for third-party PC game developers and publishers to port their PC games to game consoles. In fact, the same game is developed for both PC and game console, and is often ported between PC and game console.

Therefore, competitive pressure from competitors and adjacent markets is recognized.

(c)

Summary Based on the above, the Microsoft Group will

It is considered that it does not have the ability to cause the problem of closedness and exclusivity of the field.

However, as shown in Table 10 above, the Microsoft Group is in the PC OS market.

Incentives for exclusion will also be considered in B. below, just in case.

B. Incentive Due to the

conduct of this case, if the profit of (1) and the loss of (2) below are compared and considered, and if the profit of (1) exceeds the loss of (2), the incentive for the Microsoft Group to shut down the OS is recognized, and the closedness and exclusivity of the market are recognized. problem will arise.

(1) The Microsoft Group shut down the operating systems of PC game developers and publishers other than the company group, resulting in a decrease in sales of PC game developers and publishers of competing businesses. , profit from increased sales of PC games of the company group

(2) Problems due to a decrease in the number of users (consumers) of the PC OS provided by the Microsoft Group as a result of the Microsoft Group shutting down the OS of game developers and publishers for PCs other than the company group

concerned. Losses of the Company Group Regarding this point, as shown in Table 2 above, the Company Group's market share in the PC game development and publishing business is small. In addition, as described in 4.4, the more games are provided on a gaming platform, the more attractive the gaming platform becomes to consumers.

Therefore, the Microsoft Group's blocking of operating systems for PC game developers and publishers, which are competitors, means that for consumers who use PCs to play games, the Microsoft Group's role as a gaming platform will be reduced. The attractiveness of PCs equipped with other operating systems will be greatly diminished, and it is conceivable that the consumers will flow out to other PC OSs or game consoles with strong competitors, and the losses due to such outflows will be as described above. It is

considered to be larger than the profit of (1). Therefore, no incentive for the Microsoft Group to shut down the OS is recognized, and the issue of market closure and exclusivity does not arise

C. Closeness and exclusivity in the PC game development and publishing business

Based on the above, there is no possibility that shutting down the OS after the conduct of the concerned company group will cause a problem of closedness or exclusivity in the PC game development and publishing business.

(4) Examination of the closedness and exclusivity of the OS provision business for PCs

Since PC games can be played on a PC with an optimized PC OS, the company group concerned

By refusing to optimize for PC OSs other than the Microsoft Group's OS for PCs (hereinafter referred to as "refusal of optimization by the company group concerned"), the closedness and exclusivity of the market in the OS provision business for PCs. Consider the potential for problems with

A.

Capabilities (a) Status of

market share As shown in Table 2 above, the company group's market share in the PC game development and publishing business is less than 5%, and it is a competitive business with a higher market share than the company group. There are multiple competitors, and there is a powerful competitor with a market share of 10% or more.

(b) Competitive pressure from competitors and adjacent

markets As described in (a) above, considering the market share, the refusal of optimization by the company group concerned is likely to affect third-party OS provision business for PCs. cannot be considered to have an impact on Moreover, in the neighboring market of game console game development and publishing, there are multiple leading companies as shown in Table 3 above, so it is also possible to port game console games to PCs. Therefore, competitive pressure from competitors and adjacent markets is recognized.

(c) Summary

Based on the above, the company group concerned will

It is considered that it does not have the ability to cause the problem of closedness and exclusivity of

B. Regarding the closedness and exclusivity of the OS provision business

for PCs Based on the above, it is unlikely that the problem of closure or exclusivity in the OS provision business for PCs will arise if the company group concerned refuses optimization after the conduct of this case. unacceptable.

(5) Possibility of sharing confidential information of competitors between the company groups concerned

Presence/absence When a third-party PC game developer/publisher develops a game compatible with the PC OS provided by the Microsoft Group, the game development tool specialized for the PC OS provided by the Microsoft Group is used. In order to ensure this, it is necessary to report the outline of the development of the new game to the Microsoft Group in advance and obtain permission to use the game development tools from the Microsoft Group. The company group concerned obtains such information through the Microsoft Group to compete with new businesses of competitors in the game development and publishing business.



If it is used to consider product development, the competitor may be placed at a competitive disadvantage. However, the information disclosed by the relevant game developer/publisher is no more than a game concept, etc. in the initial stage, and the disclosure of information related to the development of a new game by such a game developer/publisher. This is also done when other game platform providers provide development tools, and the information obtained by the company groups concerned is compared with the information obtained by other game platform providers. It is thought that there are no particular data that are anomalous. In addition, competitors involved in the game console provision business, which is an adjacent market, have a more powerful position in that market than the company group concerned, and such leading competitors have a stronger position in providing development tools. , the company group obtains information equivalent to the information obtained by the company group from an equal or greater number of game developers and publishers, and develops and publishes games for game consoles. It can be a sufficient restraint force as competitive pressure.

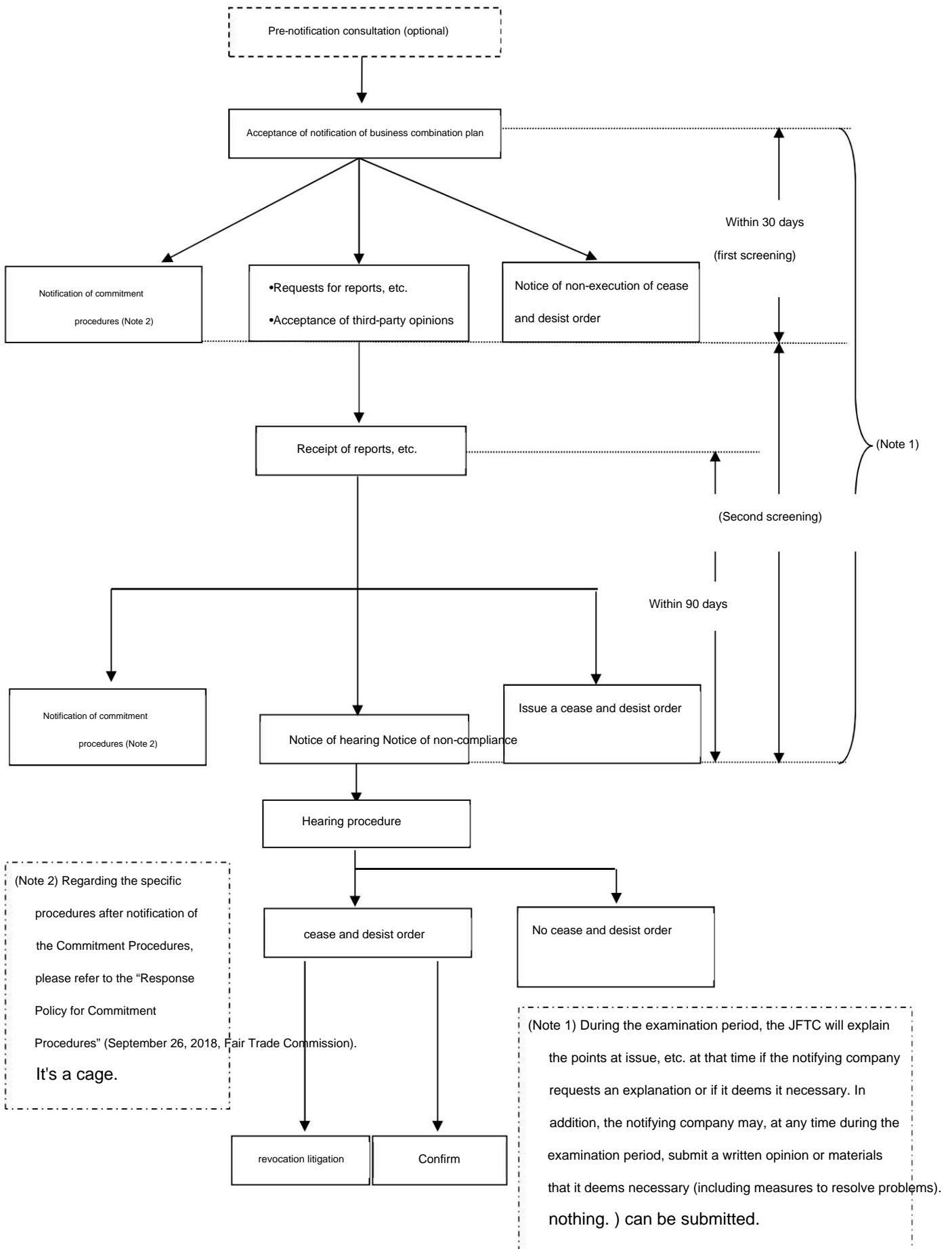
Based on this, it is considered that the business capabilities of the company group concerned will not improve to the extent that competitive pressure will no longer work effectively. Therefore, the issue of market closure and exclusivity due to the sharing of competitors' confidential information between the company groups concerned will not arise.

#### Part 8

Conclusion It was judged that the conduct of this case would not substantially restrain competition in a certain field of trade.

that's all

(Reference 1) Flowchart for Business Combination Examination Procedures



(Reference 2) <Flow chart of business combination review>

