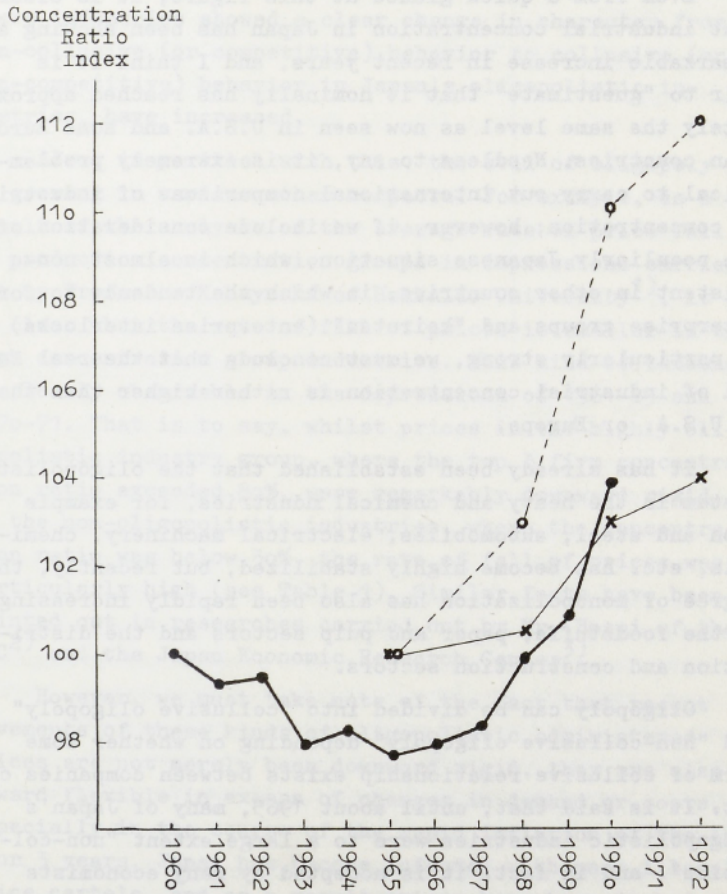
INDUSTRIAL CONCENTRATION IN JAPAN: THE ECONOMIC BACKGROUND TO THE REVISION OF THE ANTIMONOPOLY LAW **

Masao Baba

I. "The core of the economic problem facing us today is the concentration of power in a few hands." This was written exactly 10 years ago in Estes Kefauver's book "In a Few Hands" (1965). Needless to say, it was written about the U.S.A. However, these words have an urgent sound to Japan today. In September 1974, the Fair Trade Commission (FTC) published "The Proposed Main Points of the Antimonopoly Act Revision" (as set out in Appendix A.). Ever since, discussions centering on these proposals have become increasingly vigorous, and voices for or against them have been heard from the various related government offices, all political parties, industrial circles, consumer groups, economists and legal academics. Why then must the present Antimonopoly Law in Japan be revised and strengthened? The main purpose of this paper is to clarify some of the aspects of the economic background of this question.

II. In Figure 1, the thick line marked with •'s represents the index of the top 3 firm accumulated production concentration ratio for 121 manufacturing industries, using 1965 as the base year, and shows its movement based on a simple arithmetic average. The thin line marked with x's increased the coverage by about 50 industries and by the same method, but using 1970 as the base year, and shows the movements up to the most recent year. In addition, the dotted line marked with o's shows the average concentration ratio index, using 170 industries (in 1972 the total production of these 170 industries amounted to 60% of the total produc-

Figure 1



Data: Fair Trade Commission

tion of all manufacturing industries) weighted by the production of each industry (FTC data were used).

Even from a quick glance at this figure, it is clear that industrial concentration in Japan has been showing a remarkable increase in recent years, and I think it is fair to "guestimate" that it nominally has reached approximately the same level as now seen in U.S.A. and some European countries. Needless to say, it is extremely problematical to carry out international comparisons of industrial concentration; however, if we include consideration of the peculiarly Japanese situation, which is almost nonexistent in other countries, in which the tendency to form enterprise groups and "keiretsu" (enterprise interlocks) is particularly strong, we must conclude that the real level of industrial concentration is rather higher than that of U.S.A. or Europe.

It has already been established that the oligopolistic system in the heavy and chemical industries, for example iron and steel, automobiles, electrical machinery, chemicals, etc. has become highly stabilized, but recently, the degree of monopolization has also been rapidly increasing in the foodstuffs, paper and pulp sectors and the distribution and construction sectors.

Oligopoly can be divided into "collusive oligopoly" and "non-collusive oligopoly" depending on whether some form of collusive relationship exists between companies or not. It is said that, until about 1965, many of Japan's oligopolistic industries were to a large extent "non-collusive", and in fact, it is accepted by many economists that this kind of company behavior, through its outstanding ability to adapt to changes in the economic structure, was one of the most important factors underlying the high

rate of economic growth. However, it is thought that, from about the time when the high rate of increase of industrial concentration began to appear (as seen in Figure 1), cases where industries showed a clear change in character from non-collusive (or competitive) behavior to collusive (or non-competitive) behavior in Japan's oligopolistic industries, have increased.

Also, in parallel with this, the evil of oligopoly is growing in various other respects. For example, as a result of the analysis of the average rate of price fall by production concentration groups in depressions carried out by Professor Kobayashi of Hokkaido University[1], it is clear that the rate of fall of prices is smaller in the high concentration group industries. This kind of tendency is clearly observable in the depressions of 1964-65 and 1970-71. That is to say, whilst prices in the highly oligopolistic industry group, where the top 3 firm concentration ratio exceeded 80%, were remarkably downward rigid, in the non-oligopolistic industries, where the concentration ratio was below 30%, the rate of fall of prices was particularly high (see Table 1). Similar facts have been pointed out in researches carried out by Mr. Hosoi of the FTC[2] and the Japan Economic Research Center[3].

However, we must take note of the fact that recent movements of these kinds of oligopolistic administered prices are not merely been downward rigid, they are also upward flexible in excess of changes in demand or costs. Especially in the course of the rapid inflation of the last 2 or 3 years, Japan has become infested with many illegal price cartels, and as a result prices have been jacked up more easily, and, moreover, on a larger scale.

In the four years between 1971 and 1974 (the period

Table 1: Concentration Ratios and Price Rigidity

Concentration Ratio Group	Recession period		
	1961-62	1964-65	1970-71
Top 3 Firms	%	%	%
over 90%	5.1	4.1	0.6
80 89	5.3	4.3	2.6
70 79	9.3	4.4	7.8
60 69	12.0	4.6	6.0
50 59	10.2	3.9	8.8
40 49	10.4	7.0	7.7
30 39	12.8	10.6	4.3
20 29	9.0	11.5	11.5
under 20%	18.5	14.5	15.1

Source: see footnote 1).

covered in 1974 is April to September), 132 of the 156 warnings issued due to violations of the Antimonopoly Law were the result of illegal price fixing violations. Moreover, the provisions in the present Antimonopoly Law for the punishment of these illegal acts are extremely unsatisfactory, and since policies to construct effective measures for the abolition of these cartels are not sufficient, the efficacy of control is not increasing. Of the above mentioned 156 violations 69 were repeated offences, and an amazing fact is that 16 large companies were instructed more than three times to abandon their illegal activities

In our free competitive economic system, conspiratorial groups are clearly more dangerous than villains who make mischief on their own. As I mentioned above, activities which restrict competition are spreading; moreover,

considering that the same company is repeatedly committing acts of violation against the Antimonopoly Law it is not sufficient merely to strengthen the present stipulations for penal action against offenders. I think we must, as soon as possible, establish a system in which excessive profits gained from monopolizing or restricting competition are confiscated in full, and illegal cartel behavior does not pay.

When monopolization of industry develops at a rapid pace it is greatly feared that, as a result of barriers to entry or conscious parallelism, a situation which scarcely differs from monopolistic market control will either be established or become prevalent. Especially in industries where dominant-firm-price-leadership exists, prices are formed as if there is absolutely no competitive relationship (i.e. the monopolistic price), and it makes no difference how many firms there are in the industry or what percentage of production they account for. The number of industries in which the top 3 firm concentration ratio is very high and in which recent evidence of the above kind of market behavior has been found, has increased to quite a large extent. As examples we can give dairy products, glutamin soda, mayonnaise, beer, whisky, nylon, synthetic rubber, dentifrice, photographic products, synthetic household cleaning products, plate glass, heavy rails, (steel) sheet pile, bricks, aluminium ores, cans used for food canning, automobiles, pianos and newspapers (national), an so on.

We cannot expect to have competitive company behavior unless there exists a competitive market structure. Consequently, in order to deal sufficiently with the various evils which result from a high degree of monopoly it is

necessary not only to further strengthen the various regulations for the control of behavior in the Antimonopoly Law, but rather to make legal preparations for taking steps to abolish monopoly (to divide companies and transfer a part of business) and so improve the market structure itself.

It is my opinion that the logically inevitable conclusion to the revision of the Antimonopoly Law is that it should follow a direction in which we aim at bringing into effect a law which abolishes monopoly and supports and encourages competition and in which we avoid nationalization of industries. When considering the regulation of market structure in this way it is, of course, necessary to take deliberate caution that the steps taken do not greatly harm the economies of scale of firms. However, judging from the results of the measurements I have undertaken up to now[4], the minimum optimum size of firms, with the exception of a very few industries (for example iron and steel, automobiles, etc.) is not thought to be very large.

III. As we briefly mentioned in the above section, industrial groupings or "keiretsu" take on an important meaning when considering problems of concentration of economic power or restriction of competition in Japan. In particular, we must take note that stockholding by companies has shown a remakable increase in recent years. At the end of 1965, the ratio of the stock of all quoted companies held by domestic corporations was approximately 47%, but at the end of 1973 this percentage reached 63%, and the ratio of stock held by individuals was little more than 30%. Compared to the U.S.A. or West Germany, where the ratio of stock held by individuals is about 70%, it must be said that this is an extraordinarily surprizing state of affairs,

and its economic significance and effects are extremely large.

If we study each individual case in detail, the following reasons are given for the existence of stockholdings; for example, the reconstruction of firms in which the management failed, investment in venture business or the exploitation of new industrial fields. However, if we consider it in basic terms, the major reason for a corporation acquiring stock is to secure some kind of business advantage. If that is so, the situation, in which amongst the huge corporations (with either more than ten billion Yen capital or more than 2oo billion Yen total assets) at present 3o have stock which clearly exceed their capital in value, must be called an excessive concentration of economic power.

Ever since the Antimonopoly Law was first enacted in 1947, Clause 9 of the Law has prohibited holding companies as a matter of principle. Despite this fact, rather than being surprised, we cannot help marvelling at the situation in which at present many companies exist, whose stockholdings are greater in value, in some cases many times greater, than their capital. "As long as it is a sideline, it does not matter how much stock an enterprise owns". On the basis of this kind of interpretation, Clause 9 of the Antimonopoly Law is becoming nothing more than a scrap of paper.

There are two problems which are especially worthy of note. The first is the massive stockholding by the general trading companies and the other is the mutual inter-corporate stockholding by companies within the same company grouping. According to FTC's "The First Report on General Trading Companies" (1974), the 6 largest trading companies

owned stock in 5,390 quoted (in Japan) and unquoted companies at the end of 1972, and the companies which were majority owned by them numbered 506. Furthermore, the largest 6 trading companies were the largest stockholders in 1,057 companies. Also the ratio of mutual inter-corporate stockholding amongst the most important companies of the 6 largest company groupings (the Mitsui group, the Mitsubishi group, the Sumitomo group, the Fuji group, the Dai-ichi-Kangin group and the Sanwa group) rose from 11.2% at the end of 1966 to 16.9% at the end of 1972. Especially in the old "zaibatsu" groups (Mitsui, Mitsubishi, and Sumitomo) the ratio showed an outstanding increase from an average of 14.8% to 22.9% in this same period. According to the research carried out by the "Oriental Economist", the ratio of mutual inter-corporate stockholding by the major companies of each major group was highest in the case of the Sumitomo group (at 25.4%), followed in order by Mitsubishi, Mitsui, Sanwa, Fuji, and Dai-ichi Kangin.

In cases where one company owns stock in another company, a controller/controllee relationship can occur to some degree; but sufficient opportunities exist for cooperative or binding relationships to occur also in cases of mutual inter-corporate stockholding. At any rate, effective competition will be weakened or destroyed. It is reasonable to think that the degree of inter-company collusion is all the more large and strong in cases where even a small percentage of stock is held mutually by companies within the same group, especially when it is done with production and sales advantages in view, or accompanied by the dispatch of officers, rather than in cases where the percentage of stock held by one company is relatively large. In fact, in the above-mentioned FTC-report examples are presented of cases in which it is feared that

the activities of companies are in the position of being controlled by stockholders, or that their freedom of activity is being impeded by means of unfair practices.

General trading companies have played an important role in the development of the Japanese economy, in that they have access to an extremely efficient information-collection-mechanism, played a large part in the development of overseas resources and the introduction of new technology, have acted as coordinators for direct overseas investment, and hence are worthy of praise. However, if they are strengthening the move towards "keiretsu" or improving their own position in the various company groupings to which they belong, and also if they are taking dominant advantage of borrowing power from financial institutions, or purchasing large amounts of stock to strengthen the company groupings, and if by these means the concentration of economic power by company groupings raises barriers to entry, then we must apply stringent controls over the ownership of stock by the major companies within these groupings and in particular the general trading companies.

The role played by financial institutions in the concentration of economic power by company groupings is even larger than that played by the general trading companies. The large banks own larger quantities of stock than the general trading companies and it is necessary to strengthen the control on this kind of stockholding. Of course, control by financial institutions of ordinary companies is more effectively carried out by financing that stock ownership. Consequently, it is also necessary to strengthen controls in this direction.

According to FTC investigations, aggregate concentra-

tion in Japanese industry, measured by the capital concentration ratio of the top 1oo non-financial companies, shows a slight downward trend from about 1963. However, we must take note of the fact that the increase in the number of corporations in this period was astonishing, rising from 464,519 in 1963 to 825,6o5 in 1969, and also that the rate of increase of capital for all other firms was much greater than that for the top 1oo firms. In addition, according to research carried out by Mr.Iwasaki of Kōnan University[5] on the top 1oo firms by sales in the mining and manufacturing industries in the period 196o-7o, mobility (rank shift) within this "Big 1oo" is decreasing year by year and an inflexible structure is being formed.

Now, based on a similar idea to that used by Dr.Utton[6] in his tests carried out in England, and taking 69 sample industries selected at random from the approximately 26o industries covered by the "Oriental Economist" in its investigation of sales shares, I would like to try to calculate the probability of the top 3 firms of each industry belonging to the "Big 2oo" firms (taken from the President 5oo Directory and ranked by sales) of the mining and manufactoring industries. I found that in 83% of the 69 sample industries, at least one of the top 3 firms belonged to the "Big 2oo", and the probability of the top 2 or 3 firms all belonging to the "Big 2oo" was approximately 7o%. The average concentration ratio for industries, in which the top 3 firms all belong to the "Big 2oo" was approximately 2o% higher than the average concentration ratio for industries in which none of the top 3 firms belonged to the "Big 2oo".

If we look at the results of these calculations, an extremely close realtionship exists between aggregate con-

centration and market concentration. Moreover, the 6 largest company groupings (even omitting financial institutions) account for approximately 1/4 of the weight of all industries from the point of view of total assets, capital and sales. If we take this situation into consideration then, in real terms, a much higher level of concentration of economic power exists in Japan today than in the U.S.A. or some European countries, and it must be said that in many markets monopolistic companies by creating various anti-competitive effects are causing the competitive market mechanism in the Japanese economy to decay.

IV. On one occasion, Professor Fritz Machlup gave evidence at a public hearing of the U.S. Senate Committee on Judiciary, Subcommittee on Antitrust and Monopoly and said: "... our Government has done much more to create monopoly than to destroy monopoly". It seems to me that this statement is perhaps more applicable to Japan than to the U.S.A. Ever since the enactment of the Antimonopoly Law in 1947 it has been revised many times in the direction of alleviation (or rather deterioration). Now, almost 1,000 types of cartel (for example ante-depression cartels, rationalization cartels, export cartels and cartels for the protection of small and medium-sized firms, etc.) are recognized as exceptions to the Law. Various forms of gyōsei-shidō ("administrative guidance"), which disregard the competitive price mechanism,have played an important role in industrial and financial policy, etc.

Postscript

The government's plan for the revision of the Antimonopoly Law was presented at the 75th ordinary session of the Diet in 1975, and, after partial amendment, receiv-

ed unanimous approval by the House of Representatives. In the House of Councilors, however, deliberation on the plan was not completed by the end of the session, and consequently, revision of the Antimonopoly Law was not achieved in this session. I sincerely think that it is a great shame that this should be the outcome of the Antimonopoly Law revision problem. However, I do not think that this means that the idea that the Antimonopoly Law must be strengthened and revised has been rejected. I hope that a superior plan will once again be presented to the Diet at the earliest possible opportunity and that the plan will be adopted.

Footnotes

** This paper was presented at the Second Meeting of the Assembly of Japan-U.S. Economic Policy at the American Enterprise Institute for Public Policy Research, Washington, D.C., on April 7 and 8, 1975.

1) Y.Kobayashi, "Shijyo-Kōzō to Oroshiuri Bukka no Kōchokusei (Market Structure and Rigidity of Wholesale Price)" (in Japanese), in: Keizai Kenkyū, April 1973.

2) T.Hosoi, "Shūchū to Kakaku no Keizai-bunseki (An Economic Analysis of the Relation between Concentration and Price)" (in Japanese), in: Keizai Hyōron, Nov. 1973.

3) Japan Economic Research Center, Aratana Tenkai eno Teiryū: Chūki Keizai Yosoku ni mukete (Undercurrents toward renewed Progress), 1974.

4) See my recent book, Handokusen no keizai-gaku (The Antimonopoly Economics) (in Japanese), Chikuma Shobō, 1974, Chap. II.

5) AIwasaki, "Kyodai Kigyō no Kyōsōteki Kōzō (Competitive Structure of Big Business)" (in Japanese), in: Keizai Hyōron, June 1972.

6) M.A.Utton, "Aggregate versus Market Concentration: A Note", in: Economic Journal, March 1974.

Appendix A

Proposed Main Points of the Antimonopoly Act Revision.

September 18, 1974
Fair Trade Commission

1. Partition of Enterprise.

(1) If the Commission is of the opinion that there exists a monopoly situation in any particular field of trade, and that it is extremely difficult to restore competition by other means, the Commission may order the entrepreneur, for the purpose of remedying this situation, to divide his company or to transfer a part of his business.

(2) A monopoly situation means a situation meeting each of the following conditions:

(i) The market share occupied by one or two companies is extremely high (50 percent by by one company, 75 percent by two companies).
(ii) The competition is substantially restrained.
(iii) A new entry to the particular field of trade concerned is extremely difficult.

(3) In issuing an order prescribed in Paragraph 1, the Commission shall give special consideration to the following items with respect to the entrepreneur concerned:

(i) Capital, reserve and other aspects of the assets.
(ii) Income and expenditure, and other aspects of operation.
(iii) Location of factories, work yards, etc.
(iv) Business facilities and equipment.
(v) Technological features.
(vi) Aspects of sales methods.
(vii) Capacity for obtaining finance and materials.
(viii) International competitivity.
(ix) Others.

(4) The commission may order the division of the company as a remedy to a private monopolization.

2. Disclosure of Cost.

(1) If the Commission is of the opinion that in an

oligopolistic situation (more than 7o percent of the market share occupied by not more than 3 companies) the price is simultaneously raised as a result of concerted actions and that there exists no competition in price, the Commission may order the entrepreneur concerned to publish the cost of the product.

(2) The entrepreneur who is ordered to publish the cost shall do so in conformity with the rule of calculation and the forms which will be provided by the Commission.

(3) The categories of business and products subject to the publication of cost will be designated by the Commission.

3. Rollback of Agreed Price.

(1) In case the price is raised as a result of an unreasonable restraint of trade (hereinafter called "agreement"), the Commission may order the entrepreneur to restore the price level which existed before the agreement.

(2) The order may indicate the period during which the price thus restored should be maintained not longer than six months, when the Commission thinks it necessary.

(3) When the price raise is due to a marked degree of cost up not attributable to the responsibility of the entrepreneur, the Commission may take it into consideration.

(4) The constituent entrepreneur of the trade association who carried out a price raise as a result of decision of the association are subject to the same measure as prescribed above.

4. Administrative Fine

(1) The Commission may impose an administrative fine on the entrepreneur who has unduly raised the price by an agreement.

(2) The amount of the administrative fine is at maximum the difference between the agreed price and the original price, multiplied by the amount of sales carried out in the period covered by the agreement. For the purpose of this paragraph, this period is deemed to have ended at the time when the Commission decision is issued.

5. Restriction on Stockholding by a Company.

(1) Companies of a certain magnitude, engaging in

other business than financing, are subject to the restriction under Paragraph 3 of this section.

(2) A company of a certain magnitude means a company whose capital exceeds ten billion Yen or whose gross assets exceed two hundred billion Yen. Companies whose ratio of holding stock of other companies is extremely high are also subject to the restriction under Paragraph 3 of this section.

(3) A company falling within the category above-mentioned shall not hold stock of other domestic companies in exess of half the amount of its net assets or the amount of its capital, whichever larger.

(4) It is in principle prohibited for a company falling within the category above-mentioned to hold stock of another competing company in Japan. One can be exempted from this restriction by furnishing sufficient reasons under the Commission's approval.

(5) A reasonable period of deferment will be granted to a company, especially for the one who has to dispose a considerable amount of stock. This deferment period may be permitted to exceed five years, if necessary.

6. Restriction on Stockholding by a Financial Company.

(1) No company engaging in financial business schall hold stock of another company in Japan in excess of 5 percent of the total outstanding stock of the latter.

(2) An appropriate period of deferment shall be granted to a financial company, according to the amount of stock it disposes.

7. Penal Provisions.

(1) The upper limit of the fine (actually 500,000 Yen) shall be raised at least to 5,000,000 Yen.

(2) Any director representing a corporation, who, knowing that a violation is planned fails to take the necessary steps to prevent it or, who knowing of the violation, fails to take the necessary steps to remedy it, shall be liable to a fine.

8. Unfair Business Practices.

(1) Measures against unfair business practices are to be amended so that measures taken against violations of Section 3 (Private Monopolization and Unreasonable Restraint of Trade) may be applied mutatis mutandis.

(2) Penal punishments will be applied to unfair business practices although this is actually not the case.

9. Measures against a Past Violation.

Actually no measure can be taken under the provisions of the Act against a violation already terminated. The Act will be amended so that appropriate measures may be taken against a past violation in order to prevent a repetition of the violation.

Appendix B

Government Plan to Revise the Antimonopoly Law.

(unofficial tentative translation)

March 5, 1975

1. Administrative Fine.

(1) As administrative measure to assure the effectiveness of "illegal cartel prohibition" provision, the Fair Trade Commission (FTC) would be empowered to order payment of administrative fine on excess profit obtained through illegal cartel practices.

(2) The amount of the administrative fine is the difference between the profit per unit of the product in the profitable period and that in a certain period previous to the agreement, multiplied by the amount of sales carried out in the period covered by the agreement. The method of calculation shall be provided by the government ordinance.

(3) The provision would also apply to the associations of producers which supported illegal acts.

(4) The related provisions such as not to be counted in business expenses in computing the income in tax accounting and procedures such as compulsory collection procedures would be revised.

2. Penal Provisions.

The maximum amount of fines would be raised from ¥ 500,000 at present to an amount yet to be determined. Penalties would be levied on representatives of the corporations which formed illegal cartels.

3. Enforcement of Prohibition Measures of Illegal Cartels.

(1) To assure the measure to eliminate illegal cartels (unreasonable restraint of trade), FTC would order corporations to decide specific actions concerning price and other business practices, to report thereof with the said commission, and also to report on actions taken after dissolution of the cartel agreement.

(2) The provision would also apply to the associations of producers which supported illegal acts.

4. Reports on Collusive Price Increase.

(1) In a highly oligopolistic industry, in case that

all leading firms raised prices at almost the same amounts or ratio in a certain period, FTC would order them to report the reason of price increase.

(2) FTC must publish in its annual report to the Diet the summary of the reasons of price increase reported by each firm as well as their comment on it.

5. Business Divestiture.

(1) Where there exists a monopolistic situation in any particular field of trade and it is extremely difficult to restore competition by any other means, FTC may order the firm, for the purpose of remedying this situation and eliminating a monopolistic situation and restoring competition, to transfer a part of their business (including investment capital assets and/or shares) and to take other necessary measures. But these measures shall not apply to such cases where it is clear that these measures remarkably deteriorate economies of scale, financial soundness or international competition of the firm.

(2) A monopolistic situation means a situation meeting each of the following conditions:

(i) The market share occupied by one or two companies is extremely high (minimum share would be 50 percent if only one firm was involved, and 75 percent when two firms were involved).

(ii) New entries into a given industry are restricted to such an extent that it is extremely difficult to start business anew.

(iii) Competition is substantively restricted, as shown by the following two conditions: (a) prices fixed for a long period of time without reflecting production costs or supply-demand relations, and (b) exceedingly high profit rates or rates of expenditure prevailing over a long period of time.

(3) In issuing an order prescrived in paragraph (1), FTC should make an effort to limit transfer of operations to an extent needed to eliminate monopolistic situation and to restore competition and take deliberate care not to disturb the business of the corporations concerned and related corporations or the livelihood of employees.

In so doing, FTC shall give special consideration to the following items with respect to the firm concerned:

(i) Assets, income and expenditure and other aspects of operation.

(ii) Aspects of officers and employees.
(iii) Location of factories, work yards, etc.
(iv) Business facilities and equipment.
(v) Existence, contents and technological feature of industrial property rights.
(vi) Capacity and actual state of production and sales.
(vii) Capacity for obtaining finance and materials and their actual state.
(viii) The actual state of production and distribution of the same or similar commodity.

(4) In case that the transfer order written in paragraph (1) is issued, FTC would beforehand consult with the Cabinet ministers concerned.

(5) The provisions with regards to concerning procedures of holding a public hearing and other items would be arranged.

6. Restriction on Stockholding by a Company.

(1) Except for financial institutions, a large-scale business corporation (with a capital of ¥ 1o,ooo million or more, or net assets of ¥ 3o,ooo million or more, criteria which will be decided by the government ordinance in the future) will not be allowed to hold shares of other domestic firms in excess of either its capital or net assets, whichever is larger at the end of each business year.

(2) For 1o years of a trasition period, where shares held on the effective date of this revision law (in case that the amount of shares held at the end of 1974 is below that amount, the former will be taken up) is beyond the limitation shown in paragraph (1), the former will be the maximum. The obtainment of new shares of increase in capital stock will be allowed in a certain period.

(3) This provision would not apply to the following items:

(i) (a) Shares of corporations in which the central government or local organization hold interest, (b) Shares of the firms which require huge investment funds and must conduct operations involving high risks, or companies whose activities are regarded by the government ordinance as very important ot the national economy.
(ii) Shares of corporations which carry out its operations only abroad and those of corporations which only invest or gives finan-

cial facilities of long term to such corporations.

(iii) Shares held as the result of the enforcement of lien, pledge, mortgage, or of payment in kind, which obtain the approval of FTC (in a certain period).

(iv) Ownership of shares of a wholly owned subsidiary which is established to carry out a part of business (in a certain period).

7. Stockholding by Financial Institutions.

(1) The current 1o percent limit on stockholdings - the maximum volume of shares one financial institution can hold in a corporation - will be changed to 5 percent.

(2) An insurance company and trust bank will be given an exception and the transition measures similar to the corporations will be applied to those companies.

8. Notification to the Persons Who Request the Investigation.

In case that any interested person or group has requested an investigation into and alleged violation of the law, FTC must immediately launch such an investigation and notify the interested person of group of its results.

9. Unfair Business Practices.

Measures against unfair business practices are to be reinforced.

1o. Other necessary provisions will be amended.