



DETERMINATION OF MERGER NOTIFICATION M/06/011 – SONY/ KONICA MINOLTA

Section 21 of the Competition Act 2002

Proposed acquisition by the Sony Corporation of Konica Minolta Photo Imaging Limited

DATED 28/03/06

Introduction

1. On 3 March 2006 the Competition Authority (“the Authority”), in accordance with Section 18 (1) of the Competition Act, 2002 (“the Act”) was notified, on a mandatory basis, of a proposal whereby the Sony Corporation and certain of its subsidiaries (“Sony”) would acquire certain assets of Konica Minolta Photo Imaging Inc. (“KMPI”) and its subsidiaries.
2. The assets to be acquired comprise KMPI’s digital single lens reflex business (“KMPI DSLR”). The KMPI DSLR business includes facilities used by KMPI and/or its subsidiaries to develop and manufacture DSLR cameras and lenses, DSLR-related trademarks owned by KMPI and a licence to patents and know-how owned by KMPI to produce DSLR cameras.

The Undertakings Involved

The Acquirer

3. Sony, the acquirer, is a global company manufacturing consumer electronics and is active in the development, promotion and distribution of entertainment media.
4. Its core business groups can be categorised as:
 - Electronics (including but not limited to computers, televisions, DVD players, digital cameras, portable audio devices and mobile phones);
 - Gaming systems (e.g. computer game consoles and games disks);
 - Entertainment (e.g. acquisition, production and distribution of motion pictures, home entertainment products and television programming);

- Financial Services (including but not limited to life and non-life assurance, internet banking services, and credit card services in Japan); and
 - Other products and services (limited activities in broadband internet access and content services in Japan).
5. In the financial year ended March 31, 2005, Sony's consolidated group revenues were approximately €52,981million world-wide and approximately €[] in Ireland¹.

The Target

6. KMPI DSLR, the target, is a subsidiary of Konica Minolta Holdings Inc. KMPI produces and distributes digital cameras, film scanners and lenses, and camera lenses.
7. In the financial year ended March 31, 2005, KMPI's DSLR business achieved revenues of approximately €[] world-wide and €[] in Ireland².

Analysis

8. The activities of the undertakings involved overlap in respect of the production, supply and distribution of digital cameras in the State.
9. The Authority considered the activities of the undertakings involved in the manufacture, supply and sale of "all digital cameras" in Ireland.
10. Based on its share of sales in Ireland in 2004³, Sony achieved approximately []% of the all digital camera segment. Based on the same IDC data provided to the Authority, KMPI DSLR had sales of €[] in 2004 representing less than []% of sales in the all digital camera segment in Ireland. Post merger, Sony's position in the all digital market segment will therefore increase minimally.
11. In addition to a minimal increase in share, Sony will face competition from many suppliers in the all digital camera segment, for example, Canon, Kodak, Nikon, Fuji, Ricoh and Pentax.
12. The Authority also considered a narrower classification of the all digital cameras segment by making a distinction between "digital compact cameras" and "DSLR cameras".

¹ Converted from Japanese Yen using official ECB exchange rate for the period April 1 2004 to March 31 2005.

² See *fn 1 supra*.

³ Based on data from IDC, Western European Digital Camera Market forecast 2005-2009 and parties' sales data. For more information on IDC, see its website at <http://www.idc.com/about/about.jsp>.

13. Digital compact cameras are the most common form of digital camera available for purchase. The undertakings involved have submitted that digital compact cameras are small, portable, aimed at everyday users with minimal technical knowledge. The price range of a digital compact camera is between €15 and several hundred euro.
14. DSLR cameras are bulkier and designed for professional and enthusiastic amateur photographers, i.e. not attracting everyday users. DSLR cameras are considerably more expensive than digital compact cameras utilising interchangeable lenses, standard high-end camera bodies and professional controls.
15. The Authority reviewed Sony's and KMPI's share of sales data for both (a) digital compact cameras and (b) DSLR cameras in Ireland in 2004.
16. Sony's share of the digital compact segment, was approximately []% in 2004 and Konica Minolta had a market share of []%. Similar to the all digital cameras segment, the digital compact segment is also characterised by many suppliers such as Canon, Kodak, Nikon, Fuji, Casio, Ricoh and Pentax. Konica Minolta has expressed its intention to exit the digital compact camera segment.
17. In respect of its share of sales in the DSLR camera segment, Sony's share of sales of less than []% will increase, post-merger, by KMPI DSLR's []% share of sales. []% of the total sales of DSLR cameras in the State, are accounted for by three large established competitors, Canon, Kodak and Nikon,⁴ with several other small competitors, such as Fuji and Pentax also supplying DSLR cameras in the State.
18. Therefore, whether in the context of analysing the proposed transaction in terms of 'all digital cameras' or, more narrowly, in making a distinction between digital compact cameras and DSLR cameras, the Authority has concluded that the proposed transaction does not raise competition concerns in the State as (a) it gives rise to only a small increment in concentration; and (b) there remains sufficient number of large competitors to the combined Sony/KMPI entity.

Ancillary Restraints

19. The Authority considered ancillary restraints entered into by the undertakings involved.

⁴ Source: IDC 2004. See *fn. 3 supra*.

20. The Authority does not deem it necessary to express a view on the appropriateness of the ancillary restraints to the proposed transaction as it considers that the proposed transaction does not raise competition concerns.

Determination

The Competition Authority, in accordance with Section 21(2) of the Competition Act, 2002, has determined that, in its opinion, the result of the proposed acquisition by the Sony Corporation of certain assets comprising the digital single lens reflex camera business of Konica Minolta Photo Imaging Inc and its subsidiaries will not be to substantially lessen competition in markets for goods and services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Dr. Paul K. Gorecki
Member of the Competition Authority