



DETERMINATION OF MERGER NOTIFICATION M/16/067 FUJIFILM / WAKO PURE CHEMICALS

Section 21 of the Competition Act 2002

Proposed acquisition by FUJIFILM Corporation of sole control of Wako Pure Chemical Industries, Ltd.

Dated 03 February 2017

Introduction

1. On 29 December 2016, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (“the Act”), the Competition and Consumer Protection Commission (“the Commission”) received a notification of a proposed transaction (“the Proposed Transaction”) whereby FUJIFILM Corporation, a wholly-owned subsidiary of FUJIFILM Holdings Corporation (collectively, “FUJIFILM”), would acquire sole control of Wako Pure Chemical Industries, Ltd. (“Wako”) from Takeda Pharmaceutical Company Limited (“Takeda”).

The Proposed Transaction

2. Pursuant to a tender offer agreement entered into between FUJIFILM and Takeda dated 15 December 2016 (“the Agreement”), FUJIFILM has agreed to make an offer for all of the shares of Wako under a Japanese law tender offer structure and Takeda has agreed to accept the tender offer with respect to its majority shareholding in Wako.
3. According to the Agreement, the Proposed Transaction will be structured as a two-tiered transaction. First, FUJIFILM will make an offer to all shareholders of Wako to acquire the shares in Wako under equal terms and conditions. At this stage of the Proposed Transaction, FUJIFILM expects to acquire more than two-thirds of the shares in Wako, which includes Takeda’s entire shareholding in Wako, as well as the shareholding of any other shareholder of Wako that accepts FUJIFILM’s offer. That is, FUJIFILM will increase its current shareholding in Wako from approximately 9% to 80%



by acquiring all of Takeda's shares in Wako. Following the implementation of this first stage of the Proposed Transaction, and subject to the conditions set forth in the Agreement, FUJIFILM will acquire the remaining shares in Wako by way of a 'triangular stock swap'. This will enable FUJIFILM to acquire all of the remaining shares in Wako. In exchange for these shares, Wako's other minority shareholders will receive shares in FUJIFILM.

The Undertakings Involved

FUJIFILM

4. FUJIFILM, headquartered in Tokyo, is listed on the Tokyo Stock Exchange. FUJIFILM's businesses are managed in three units:¹
 - a. Imaging Solutions – this business unit is engaged in the development, manufacture, sale and service of colour films, digital cameras, colour paper and chemicals for photo print and photo print equipment, instant photo systems and optical devices;
 - b. Information Solutions – this business unit is engaged in the development, manufacture, sale and service of medical systems equipment, life science products, pharmaceutical products, regenerative medicine products, graphic systems equipment, flat panel display materials, recordable media and electronic materials; and
 - c. Documents Solutions – this business unit is engaged in the development, manufacture, sale and servicing of copy machines, printers, office services, papers and consumable supplies.
5. For the financial year ending 31 March 2016, FUJIFILM's turnover was approximately €18.8 billion², of which approximately €[...] was generated in the State. FUJIFILM's turnover in the State was generated from sales of three main product types: (i) imaging, graphics and recordable media (including colour and inkjet paper, cameras, printers and films, printer components, inks and consumables and data storage systems; (ii)

¹ [<http://www.fujifilmholdings.com/en/business/field/index.html>]

² FUJIFILM's JPY¥ revenue figure of approximately ¥2,500 billion converted using the ECB Bilateral €/¥ exchange rate of €1/¥132.58 to provide a revenue figure of €18.8 billion.



electronic materials (photoresists³, formulated products⁴, CMP slurries⁵ and thin-film materials⁶) predominantly for use in the manufacturing process of semiconductors); and, (iii) medical systems (endoscopes and modality systems such as x-ray diagnostic imaging machines and x-ray film).⁷

Takeda

6. Takeda is a global research-based pharmaceutical company. According to its website, Takeda claims to be the number one pharmaceutical company in Japan and one of the world's top 100 companies.⁸ Takeda, through two wholly-owned subsidiaries⁹, has three branches in the State.

Wako

7. Wako was founded in 1922 and is headquartered in Japan.¹⁰ Wako is, essentially, a chemicals business involved in the manufacture and sale of:
 - a. Test reagents, which have chemical and bio-science applications and can be used as part of research programmes. Wako categorises its test reagent products into nine categories, namely environmental analysis, immunity, inorganic chemistry/synthetic organic chemistry, chromatography, limulus testing, electrophoresis, genes, cultures and other biochemistry;
 - b. Chemical products used for semiconductors, polymerization, pharmaceutical and cosmetic products. Wako also manufactures and sells battery, copying and printing materials; and

³ Photoresists are products used to make a resist layer for the etching process, such as the product, ArF Resist.

⁴ Formulated products or photoresist ancillaries are products used to develop resists and to clean residue, such as developers, solvents, cleaners, etchant, etc.

⁵ Chemical Mechanical Polishing (CMP) slurries are products used for planarization (polishing) and consist of copper CMP slurries and copper barrier CMP slurries.

⁶ Thin-film materials are products used to make Low-K dielectric layers and consist of Low-k Dielectrics products.

⁷ Representing approximately [...]%, [...]%, and [...]%, of FUJIFILM's turnover in the State, respectively.

⁸ <http://www.takeda.ie/>

⁹ Takeda Ireland Limited and Takeda Products Ireland Limited.

¹⁰ Wako was formed when the chemicals department of Takeda separated and established itself as an independent company, Takeda Pure Chemical Ltd. The company changed its name in [1947] to Wako Pure Chemical Industries, Ltd.; <http://www.wako-chem.co.jp/english/>.



- c. Clinical testing equipment and clinical diagnostic test drugs for biochemical examination and immunological tests.
8. Wako does not have a physical presence in the State. Two wholly-owned subsidiaries of Wako, which are based in [...] and in [...], respectively, make sales to customers located in the State.¹¹ Wako also sells certain products to Takeda's branches in the State, which are included in Table 1 below.
9. For the financial year ending 31 March 2016, Wako's turnover was approximately €600 million, of which approximately €[...] was generated in the State. Approximately [...] % of Wako's turnover in the State was generated from the sale of clinical testing equipment and clinical diagnostic test drugs for biochemical examination and immunological tests and the remaining [...] % was generated from the sale of test reagents. Wako does not currently sell any chemical products to customers in the State.

Rationale for the Proposed Acquisition

10. The parties state in the notification:

"[FUJIFILM] has been focusing on the growth of a healthcare business and high functionality materials in order to enhance its business portfolio, enabling stable growth of the [FUJIFILM] Group in the medium to long term. The [FUJIFILM] Group views the Wako business as complimentary to this objective."

Third Party Submissions

11. No submission was received.

Competitive Analysis

Horizontal Overlap

12. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to define the precise markets because doing so will not alter the Commission's assessment of the likely competitive effects of the Proposed Transaction in the State. Furthermore, there is no overlap between the parties' activities in the State. As shown

¹¹ [...] and [...]



in Table 1 below, FUJIFILM and Wako supply different, non-substitutable products in the State.

Table 1: Product types supplied by the parties in the State for the financial year ending 31 March 2016

Product type	Wako	FUJIFILM	Overlap
Medical systems	-	Endoscopes and x-ray imaging machines and x-ray film	No
Electronic materials	-	Photoresists, Formulated products, CMP slurries and Thin-film materials	No
Imaging, graphics and recordable media	-	Colour photographic and inkjet paper, cameras, printers; films, printer components, inks and consumables; and tape cartridges, audio/video media and flash memory	No
Clinical diagnostic reagents	Clinical testing equipment and clinical diagnostic test drugs for biochemical examination and immunological tests	-	No
Test reagents	Laboratory chemicals and clinical diagnostics	-	No

SOURCE: The Commission based on information supplied by the parties

13. At the request of the Commission, and for sake of completeness, the parties have informed the Commission that their activities outside of the State overlap in relation to two product types. The parties submit that such overlap will not have any effect on competition in the State. In particular, the parties have informed the Commission that both of FUJIFILM and Wako have sold 2-propanol (a chemical product) only to customers outside of the State and have also sold non-substitutable clinical diagnostic products to customers outside of the State. On the basis of the information provided by the parties, the Commission considers that the Proposed Transaction does not give rise to any horizontal competition concerns in the State.



Vertical Relationship

14. At the request of the Commission, and for sake of completeness, the parties have informed the Commission that there is vertical relationship between them in relation to a number of products outside of the State. The parties submit that such relationship is unlikely to have any substantial effect on competition in the State. In particular, the parties have informed the Commission that: (i) FUJIFILM buys test reagents, photo-acid-generating agents, polymers, ingredients for the manufacture of reagents for use in FUJI Dry-Chem¹², and various other generic chemical products from Wako outside of the State; and, (ii) FUJIFILM sells its cell culture scaffolding materials in Japan through Wako. FUJIFILM does not currently sell cell culture scaffolding materials (through Wako or any other distributor) to customers in the State. On the basis of the information provided by the parties, the Commission considers that the Proposed Transaction does not give rise to any vertical competition concerns in the State.
15. In light of the above, the Commission considers that the Proposed Transaction will not be to substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

16. No ancillary restraints were notified.

¹² FUJI Dry-Chem is a clinical diagnostic device used for biochemical examination.
M/16/067 – FUJIFILM / Wako Pure Chemical Industries



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed acquisition whereby FUJIFILM Corporation, a wholly-owned subsidiary of FUJIFILM Holdings Corporation, would acquire sole control of Wako Pure Chemical Industries, Ltd. from Takeda Pharmaceutical Company Limited, will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Patrick Kenny
Member
Competition and Consumer Protection Commission