



## **DETERMINATION OF MERGER NOTIFICATION M/06/033 – Screen/Applied Materials- JV**

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### **Section 21 of the Competition Act 2002**

**Proposed Joint Venture, Sokudo Co. Limited, by Dainippon  
Screen Manufacturing Co. Limited and Applied Materials, Inc.**

**Dated 11/07/06**

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### **Introduction**

1. On 12 June 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 proposed joint venture, Sokudo Co. Limited (“Sokudo”), by Dainippon Screen Manufacturing Co. Limited (“Screen”) and Applied Materials, Inc. (“Applied Materials”).
2. The proposed transaction involves the creation of a joint venture in relation to semiconductor track systems<sup>1</sup> by: (i) demerging Screen’s track systems business into a new Japanese corporation to be named Sokudo; (ii) the subscription and purchase by Applied Materials of new shares of common stock of Sokudo; and (iii) the entry of Screen, Applied Materials and Sokudo into various related agreements. As a result of the proposed transaction, Sokudo will be jointly controlled by Screen and Applied Materials. However, Sokudo will operate as a separate entity with its own management structure.

### **The Undertakings Involved**

3. Screen is incorporated under the laws of Japan. Screen develops, manufactures, markets and services track equipment for semiconductor, flat panel display, printed circuit board for production, prepress and printing processes, and related spare parts for the worldwide electronics and graphic arts industries. For its financial year ended 31 March 2006, Screen’s worldwide turnover was €1.73 billion of which [less than €100] million was generated in the State. In 2005, Screen generated [ ] revenue in respect of sales of track systems in the State.
4. Applied Materials is incorporated under the laws of Delaware, USA. Applied Materials engages in the development, manufacture,

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<sup>1</sup> Track systems are used in connection with the photolithography phase of the semiconductor manufacturing process. Photolithography entails the projection of microscopic circuitry pattern on to a wafer that has been coated with a light-sensitive chemical.

marketing, and service of integrated circuit fabrication equipment and related spare parts for the worldwide semiconductor industry. For its 2005 financial year, Applied Materials generated worldwide turnover of approximately €5.62 billion of which [less than €200] million was generated in the State.

### **Analysis**

5. There is no horizontal or vertical overlap in the parties' activities. While Applied Materials has conducted some track system-related research and development, the parties submit that it is not currently, and has not previously been a manufacturer of track equipment or other equipment that is used in direct connection with the photolithography process in semiconductor production.
6. The Parties submit that the proposed transaction will combine the skills of a manufacturer of track systems with the research and development capabilities of a company that does not currently manufacture track system. As a result of the proposed transaction, Screen's track equipment business together with Applied Materials' track-related research and development will be transferred to Sokudo. Sokudo will take over the track systems-related activities currently carried out by Screen.
7. The parties provided sales revenue data which suggest that Tokyo Electron, a Japanese company, is the market leader for the supply of track systems. In 2005, Tokyo Electron accounted for 77% and 85% market share, respectively in Europe and worldwide. The Parties submit that the Sokudo joint venture will create a more effective competitor to Tokyo Electrons than currently exists.
8. Neither of the Parties is engaged in the track systems business in the State, therefore, the Authority considers that the proposed acquisition does not raise competition concerns in the State.

### **Ancillary Restraints**

9. The Authority considered ancillary restraints entered into by the undertakings involved.
10. The Authority does not regard it as 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 joint venture, Sokudo Co. Limited, by Dainippon Screen Manufacturing Co. Limited and Applied Materials, Inc., 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