

Merck Ltd. (Dr. Karl Roeser)

Merck Ltd. is the Japanese arm of Merck KGaA, a global pharmaceutical and chemical company headquartered in Germany. In Japan, the company is currently operating while focusing on two business areas - "performance materials" (functional materials), which primarily fall under electronics materials, pigments and solutions for cosmetics, and "life science", which deals with pharmaceuticals R&D and manufacturing as well as bioscience research. We interviewed Dr. Karl Roeser, Representative Director, Chairman and President of Merck Ltd., regarding the company's business situation in Japan and future outlook.

Merck Ltd. is the chemicals operations arm in Japan of Merck KGaA, the world's leading pharmaceutical and chemical company headquartered in Darmstadt, Germany. Merck Ltd.'s parent company, Merck KGaA is a global company with approximately 39,000 employees in 66 countries, and it is also known as the world's oldest pharmaceutical and chemical company. We interviewed Dr. Karl Roeser, Representative Director, Chairman and President of Merck Ltd., regarding the company's view on the business in Japan.



Dr. Karl Roeser, Representative Director, Chairman and President of Merck Ltd.

History of the business in Japan

Our company was established in 1968 mainly to import and sell products from Merck KGaA. Then, in order to conduct business in a way closer to the Japanese market, we began conducting product research and manufacturing some liquid

crystal materials at our Atsugi site that had been originally built as a delivery center. In 1984, we built the Onahama Plant in Iwaki, Fukushima Prefecture, and we started research & development and production of pearlescence pigments. The initial objective of establishing the production base in Japan was to manufacture products according to the Japanese requirements, but over time, we started developing innovation in Japan. Currently, we have three sites for R&D – Atsugi, Onahama and Kakegawa (Shizuoka Prefecture).

Strength of Merck Ltd.

First of all, we provide high value added products and solutions to our customers. Our chemical products are different from bulk commodities such as polymers for construction or oil products, in nature. For example, though it has a low transaction volume, one of our core products, liquid crystal display materials, are used in displays of various products such as personal computers, high definition 3D TVs, smart phones, car navigation systems, and other displays, and these are high value added products that achieve high standards of performance in response speed, power consumption and image clarity, etc.

Another strength of our company is that we can customize all our products based on our customers' needs and propose them as solutions. For our customers, our products are not just raw materials – they are solutions. And as customer

needs are different respectively, we focus on being present with our business activities in areas where our customers are operating and understanding their needs through dialogs with them. So we have a presence in almost every country in Asia where industries have developed and companies are actively conducting R&D activities, such as Korea, Taiwan and China, not only in Japan.

By building closer relationships with our customers and developing and selling high value-added products that meet their needs, we have established a powerful position as a pharmaceutical and chemical company. We are leading the market for liquid crystal materials for liquid crystal displays and we are also highly competitive in the other chemical, life science and pharmaceutical-related businesses.

Benefit in operating in Japan

First of all, Japan is a big market in itself. It's the third biggest economy in the world, and there is a lot of buying power in the population. Also, people respect quality and intellectual properties. Now that the whole Japanese economy is matured, the Japanese GDP will not grow at double digits in the future, but with growing social needs for the aging society and treatments of chronic diseases, areas such as drugs and life science have significant growth potential. So I think that our company has many growth opportunities in the Japanese market.

Also, Japan has one of the most advanced scientific and technological capabilities in the world and can deliver unique technologies to the world. Many of the technologies used in our core products have been developed together with our Japanese partners such as universities and our customer companies. For example, in terms of liquid crystal-related technologies, nobody would have imagined that at some point in time we would have high resolution color TV displays such

as 4K of 80-inch size, but Merck, together with one of our customers—a Japanese leading electronics manufacturer—developed this. Japanese electronics and printer manufacturers are actively involved in the development of new technologies, therefore I think innovations in areas such as liquid crystal displays and organic light emitting displays (OLED) can come from Japan over the next years to come.

Examples of products/services developed in Japan and sold in the markets of other countries

As I mentioned earlier, our liquid crystal-related technologies were developed in Japan. Also, our core effect pigment products (pigments used for cars, plastics and cosmetics producing great colors) such as "Xirallic" and "Meoxal" were developed and manufactured in Japan in close cooperation with our Headquarters in Germany. Many other products of ours were developed in Japan and are sold around the world.

The roles and position of the Japanese base within the Group

We consider Japan as a very important market. In Asia, we bundle regional activities in Shanghai, Singapore and Tokyo, and we control two business units in the performance materials (functional materials) field in Tokyo.

When thinking about the importance of markets of each country, it is necessary not only to look at short-term market growth expectations but also to think from a long-term perspective such as stable market environments and development levels of intellectual property systems. In this, the importance of the Japanese market will not change. Furthermore, personally I feel that our business in Japan plays an important role in our Group because of efforts toward continuous improvement prevalent in the country, and the fact that the ideas originated in Japan can be the

source of our Group's innovation and provide
high-quality products that can serve as

benchmarks in the global market.

(December 2014)

History of the company

- 1668 Friedrich Jacob Merck acquired Angel Pharmacy in Germany, precursor to Merck KGaA
- 1968 Established E. Merck Japan Limited (currently called Merck, Ltd.) in Minato-ku, Tokyo
- 1975 Built a delivery center near Atsugi, Kanagawa Prefecture (Atsugi Site)
- 1981 Began producing liquid crystal materials at the Atsugi Site
- 1984 Built Onahama Factory in Iwaki, Fukushima Prefecture
- 1995 Merck KGaA was founded and listed on Frankfurt Stock Exchange
- 2002 Changed company name to Merck Ltd.
- 2013 Worldwide launch of new effect pigment, "Meoxal", developed at the Onahama Factory

Merck Ltd. (Japan subsidiary)

- Establishment: 1968
- Business: Manufacturing and selling of chemicals and life science-related products
- Parent company: Merck KGaA
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- URL: <http://www.merck.co.jp/en/index.html>