



## EUROPEAN COMMISSION - PRESS RELEASE

### **Mergers: Commission clears Western Digital's acquisition of Hitachi's hard disk drive business subject to conditions**

Brussels, 23 November 2011 - The European Commission has approved under the EU Merger Regulation the proposed acquisition of Hitachi Global Storage Technology (HGST), a subsidiary of Hitachi of Singapore recently renamed Viviti Technologies, by rival Western Digital of the US. The approval is conditional upon the divestment of essential production assets for 3.5-inch hard disk drives (HDD), including a production plant, and accompanying measures. Western Digital cannot complete the acquisition of Viviti until it has found a suitable purchaser that is approved by the Commission.

*"Hard disk drives are a key component of computers and other sophisticated electronic devices as they are used to store a growing bulk of data in the digital economy. The proposed divestiture will ensure that competition in the industry is fully restored before the merger is implemented,"* said Commission Vice-President in charge of competition policy Joaquín Almunia.

The Commission's in-depth examination showed that there are separate worldwide markets for HDDs based on their form factor (3.5-inch or 2.5-inch) and end use (such as desktop computers, mobile computers, consumer electronics devices and enterprise business critical and mission critical applications). The Commission also identified a separate market for external HDDs (or XHDDs), which is downstream from HDDs, in the European Economic Area (EEA)<sup>1</sup>.

On the markets for 3.5-inch Desktop HDDs and Consumer Electronics HDDs, the merged entity would only face competition from the recently merged Seagate/Samsung. This is a problem because for security of supply reasons, most customers on these markets multi-source HDD purchases. Toshiba only recently entered the market for 3.5-inch Business Critical HDDs and it is uncertain whether it could replace the competitive constraint presently exerted by Viviti..

To gain regulatory clearance, Western Digital proposed to divest essential production assets for the manufacture of 3.5-inch HDDs, including a production plant, the transfer or licensing of the IP rights used by the divestment business, the transfer of personnel and the supply of HDD components to the divestment business. WD committed not to close its proposed acquisition of HGST before concluding a binding agreement for the sale of the divestment business to a suitable purchaser approved by the Commission.

As a result, the Commission concluded that the proposed merger, as modified by the commitments, will not significantly impede effective competition in the EEA.

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<sup>1</sup> The EU plus Iceland, Liechtenstein and Norway.

## Background

Western Digital notified its proposed acquisition of HGST to the Commission on 20 April 2011. Pursuant to a priority rule ("first come, first served") based on the date of notification, the present merger is assessed taking into account the Seagate/Samsung merger in the same sector that was notified one day earlier and approved by the Commission on 19 October (see [IP/11/1213](#)). After the Seagate/Samsung merger, there remain worldwide four active HDD suppliers: Western Digital, HGST, the merged Seagate/Samsung and Toshiba. The proposed WD / Hitachi transaction would reduce the number of competitors to three and in some markets to two. The Commission was concerned that the transaction would have a negative effect on prices and consumers in Europe and opened an in-depth investigation in May 2011 (see [IP/11/660](#)). A statement of objections, setting out the concerns, was sent to the parties on 18 August.

**Hard disk drives ("HDDs")** store and allow access to data. They are used in desktop computers and laptops, consumer electronics devices such as DVR players, as well as servers and data centers run by companies. **External hard disk drives ("XHDDs")** are finished products sold to consumers. They allow consumers to supplement the storage space of their computers, small networks or consumer electronics devices. HDDs are their key component. **Solid-state drives ("SSDs")** are data storage devices that use a different technology (flash memory). They have improved technical characteristics such as faster access and higher reliability but are sold at a much higher price than HDDs.

**Western Digital ("WD")** designs, develops, produces and sells HDDs, SSDs, XHDDs and media players. WD also produces key HDD components, such as read/write heads and media.

**Hitachi Global Storage Technologies ("HGST")**, recently renamed Viviti Technologies, is a wholly-owned subsidiary of Hitachi, Ltd. It develops and manufactures HDDs and SSDs, branded XHDDs and also produces key HDD components such as heads and media.

## Merger control rules and procedures

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the [Merger Regulation](#)) and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

The vast majority of mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has a total of 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

There are currently three other ongoing phase II investigations: In the first one, the Commission is examining the proposed acquisition of NYSE Euronext by Deutsche Börse (see [IP/11/948](#), with a deadline of 23 January 2012). The second one assesses the proposed acquisition of Synthes by Johnson and Johnson, both US companies active in the area of orthopaedic medical devices (see [IP/11/1306](#), with a deadline of 19 March 2012).

The last ongoing phase II investigation was opened a few days ago and concerns the acquisition of control over the sugar trader ED&F MAN by Südzucker of Germany (see [IP/11/1327](#), with a deadline of 23 March 2012). A non-confidential version of today's decision will be available at:

[http://ec.europa.eu/competition/elojade/isef/case\\_details.cfm?proc\\_code=2\\_M\\_6203](http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=2_M_6203)

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