



## DETERMINATION OF MERGER NOTIFICATION M/17/031 - KKR/JIP

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### Section 21 of the Competition Act 2002

**Proposed acquisition by KKR & Co. L.P. and Japan Industrial Partners, Inc. of joint control of the video and communication solutions business of Hitachi Kokusai Electric, Inc.**

**Dated 5 July 2017**

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### Introduction

1. On 31 May 2017, 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 whereby HKE Holdings G.K. (“HKE Holdings”), an entity controlled by funds managed by affiliates of KKR & Co. L.P. (“KKR”)<sup>1</sup>, and Japan Industrial Partners, Inc. (“JIP”) would acquire joint control of the video and communication solutions business of Hitachi Kokusai Electric, Inc. (“Hitachi Kokusai Electric”).

### The Proposed Transaction

2. Hitachi Kokusai Electric is currently controlled by Hitachi, Ltd. (“Hitachi”), which holds 51.67% of Hitachi Kokusai Electric’s issued share capital.
3. Pursuant to a master agreement dated 26 April 2017 between Hitachi, HKE Holdings and HVJ Holdings Inc. (“HVJ Holdings”), which is indirectly solely controlled by JIP, HKE Holdings will initially acquire the entire share capital and, thus, indirect sole control of Hitachi Kokusai Electric, by way of the following two-stage process:
  - a tender offer for all of the shares in Hitachi Kokusai Electric not currently held by Hitachi; and,

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<sup>1</sup> KKR is ultimately controlled by its general partner, KKR Management LLC.



- a subsequent share buyback by Hitachi Kokusai Electric of Hitachi's 51.67% shareholding in Hitachi Kokusai Electric.
4. Hitachi Kokusai Electric will then immediately conduct a corporate split of its thin film process solutions business, which will move up the structure to merge with HKE Holdings. This transaction is the subject of a separate notification to the Commission.<sup>2</sup> The remaining business – the video and communication solutions business (the “Target”) – will stay within Hitachi Kokusai Electric.
  5. Upon completion of the proposed transaction, HKE Holdings will hold 60% of the Target's issued share capital with HVJ Holdings and Hitachi each holding 20% of the Target's issued share capital. However, Hitachi will have no veto rights over strategic decisions relating to the Target's business and thus will have no control of the Target. Therefore, KKR, through HKE Holdings, and JIP, through HVJ Holdings, will indirectly acquire joint control of the Target.

### The Undertakings Involved

#### KKR

6. KKR, a limited partnership controlled by its general partner, KKR Management LLC, is a global investment firm offering a broad range of alternative asset funds and other investment products to investors. KKR's affiliated private equity funds invest in companies across a variety of sectors. Each KKR-affiliated portfolio company has its own board of directors, which generally includes at least one KKR representative, and is operated independently of other KKR-affiliated portfolio companies.
7. In the State, the following [...] KKR-controlled portfolio companies generated turnover in 2015<sup>3</sup>: [...].

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<sup>2</sup> As a result of this corporate split by Hitachi Kokusai Electric, KKR will indirectly acquire sole control of Hitachi Kokusai Electric's thin film process solutions business. This transaction was notified to the Commission on 6 June 2017. For more information, please see

<https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m1733-kr-hitachi-kokusai/>

<sup>3</sup> KKR informed the Commission that “it is in the process of collecting turnover information from its controlled portfolio companies for 2016.”



8. For the year ending 31 December 2015, KKR's worldwide turnover was approximately €[...] billion, of which approximately €[...] million was generated in the State.

#### *JIP*

9. JIP is a private equity firm specialising in buyout and carve-out investments, primarily in the manufacturing sector in Japan. JIP controls [...] portfolio companies:[...].
10. In the State, [...] generated turnover for the financial year 2016 through the sale of [...].
11. For the financial year ending 31 March 2016, JIP's worldwide turnover was approximately €[...] million, of which approximately €[...] million was generated in the State.

#### *The Target*

12. Hitachi Kokusai Electric, based in Japan and listed on the Tokyo Stock Exchange, is solely controlled by Hitachi. Hitachi Kokusai Electric is active in two areas of business: (a) video and communication solutions (which is the target business subject to this notification); and (b) thin-film process solutions. As noted in footnote 2 above, KKR's proposed acquisition of indirect sole control of Hitachi Kokusai Electric's thin-film process solutions business was notified to the Commission on 6 June 2017.
13. The Target manufactures and sells various systems products (e.g., radio systems for business use, high-speed radio repeaters, infrastructure for mobile telecommunications, wireless communications and information systems, broadcasting and video systems, surveillance systems and industrial video cameras) and business solutions to customers on a global scale. The Target is primarily active in [...].
14. For the financial year ending 31 March 2016, the Target's worldwide turnover was approximately €742 million. The Target generated no turnover in the State for the financial year ending 31 March 2016.

#### **Rationale for the Proposed Transaction**

15. The parties state in the notification:



*“The Proposed Transaction represents an investment opportunity for KKR that is consistent with KKR’s strategy of investing in attractive companies to increase the value of their businesses with a view to profiting from their eventual sale. For JIP, taking advantage of the knowledge and experience JIP has gained to date through various strategic carve-out cases regarding Japanese undertakings, JIP intends to support the Target through the Proposed Transaction so that the Target can maximise its potential for growth.”*

### **Third Party Submissions**

16. No submission was received.

### **Competitive Analysis**

17. There is no horizontal overlap between the activities of the parties in the State. The Target is not currently active in the State. The parties informed the Commission and the Commission confirmed that none of the [...] portfolio companies controlled by KKR that generated turnover in the State in 2015 are engaged in the same business activities as the Target. None of the four portfolio companies controlled by JIP are engaged in the same business activities as the Target. Finally, none of the [...] portfolio companies controlled by KKR that generated turnover in the State in 2015 are engaged in the same business activities as any of the [...] portfolio companies controlled by JIP.

18. The proposed transaction does not raise any vertical competition concerns.

19. In light of the above, the Commission considers that the proposed transaction will not substantially lessen competition in any market for goods or services in the State.

### **Ancillary Restraints**

20. No ancillary restraints were notified.



### **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 transaction whereby HKE Holdings G.K., an entity controlled by funds managed by affiliates of KKR & Co. L.P., and Japan Industrial Partners, Inc. would acquire joint control of the video and communication solutions business of Hitachi Kokusai Electric, Inc. 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**