Hitachi Metals, Hitachi Cable Plan Merger

The Associated Press

Hitachi Metals Ltd. and Hitachi Cable Ltd. announced Tuesday that they plan to merge in April to expand their businesses overseas and boost their competitiveness against foreign rivals amid the shrinking Japanese market.

The merger of the two subsidiaries of Hitachi Ltd., both listed on the First Section of the Tokyo Stock Exchange, will create an industrial product maker with around 1 trillion yen in annual revenue, based on their annual sales reported for the year ended March.

The move comes as the two companies are seeking to increase overseas sales amid weakening domestic demand, their presidents said at a news conference in Tokyo.

The two companies plan to streamline their domestic bases and promote efficient operation of overseas bases as each company has strengths in different regions, said Hitachi Metals President Hiroyuki Fujii, adding they are aiming for synergies in areas such as automobiles.

Hitachi Cable President Hideaki Takahashi said domestic demand has been shrinking since the spring not only for products such as cables but also electronics and semiconductors.

"We can survive on our own restructuring, but when thinking about achieving sustainable growth, we need to expand globally and use resources effectively," Takahashi said.

The two companies said they aim to finalize details such as the merger ratio and ink the deal in January and to merge on April 1. Hitachi Cable will be absorbed by Hitachi Metals and will be delisted in late March.

Hitachi Metals has expertise in the development of neodymium magnets essential for motors in electric vehicles and industrial machinery, while Hitachi Cable produces electric and optical cables, for which demand in emerging economies is rising. The companies are lagging behind in their overseas operations.

As domestic demand for social infrastructure has peaked in Japan, Hitachi is looking to expand its overseas operations in the field.

Hitachi has traditionally allowed its group firms relative independence but is now promoting restructuring in its group in an effort to compete against international giants such as General Electric Co. and Siemens A.G.

Hitachi has a 52.8 percent shareholding in Hitachi Metals and owns 51.4 percent of Hitachi Cable.

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