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Mitsubishi Cable Industries and Showa Electric Wire & Cable To Unify Power Cable Operations Through Strategic Alliance

Mitsubishi Cable Industries, Ltd. (President Shunichi Ajima, hereinafter called "MCIL") and **Showa Electric Wire & Cable Co., Ltd**. (President Nobuyuki Gonsho, hereinafter called "SWCC") today announced they have entered into an agreement to integrate their power cable operations under a joint venture company. The alliance is to focus the new company's activities mainly on sales to domestic and overseas power utilities as well as conducting research and development, cable design and manufacturing of medium- and high-voltage power cables.

Positioned as part of their traditional core businesses, the power cable operations in the companies are so sluggish these days that the companies have taken this move in consideration of having reached the limit of individual improvements in the power cable business.

1. The Aims of the Alliance

The business environment today in the power cable sector is changing dramatically. Demand of power cables in the home market is plunging because of smaller-than-expected increases in power demand due to the prolonged recession in Japan and the restraint upon investment experienced by domestic power utilities in the power grid facing stiff competition under deregulation.

Competition has also further intensified not only domestically but also abroad. Companies have encountered serious difficulties due to the present excess of facilities in the electric power cable industry, and the prospects for a rebound of power cable sales in the home market, even in the long run, are uncertain.

In light of today's rapidly changing business environment, MCIL and SWCC have implemented a variety of structural changes to maintain their power cable operations.

Both companies have now decided to take the appropriate step in adapting to the increasingly severe business environment by integrating both technology and expertise to unify the power cable operations into a joint venture company in order to bolster thoroughly the operational structure, implement an extensive corporate reorganization and enhance its competitive edge.

The new joint venture company should be seen as a newly integrated entity, capable of delivering a full product range of medium- and high-voltage power cables, related components and the installation work for the power cabling.
The new company will strive to enhance technical development and productivity and also realize a stable supply of high-quality products to satisfy the comprehensive requirements of all its customers.

2. Overview of the Alliance

[1] Establishment of a Joint Venture Company

MCIL and SWCC are scheduled to form a joint venture company, once the various arrangements and necessary procedures have been completed.
The new company is slated to commence operations in July 2002, within one year at the latest.

[2]Product Range

Power cables	(OF cables and medium/high voltage XLPE power cables)
Overhead transmission lines	(ACSR, OPGW and others)
Overhead distribution lines	(Outdoor power cables such as OC, OW, etc.)
Components	(Splicing materials for power cables and Overhead transmission and distribution lines and others)
Installation work	(Installation and joint work for power cabling)

[3]Integration of Plant Sites

Plant sites for manufacturing of power cables and lines:

Both companies are now manufacturing power cables, overhead transmission and distribution lines and components at seven (7) locations. Manufacturing sites are scheduled to be integrated in the following locations at the earliest opportunity on a one-product, one-location basis.

Plant Sites after the Integration

Power cables:	Aichi
Overhead transmission lines:	Sendai
Overhead distribution lines:	Kumagaya
Plant site for assembling of cable components:	Under consideration

Both MCIL and SWCC have subsidiaries for installation work. In the near future,

integration of such companies into the new entity will be considered.
Besides the integration of the plant sites for production, the business offices and research and development sites of both companies are scheduled to be unified on an orderly basis to secure a favorable outcome of the strategic alliance.

The above integration is designed to enhance cost competitiveness, maintain stable supply of the product range and improve customer service. The companies will deal with the resulting excess manpower presumed to arise from the integration activities by transferring some employees to growing business sectors in their groups such as telecommunications and other sectors from time to time.

3. Profile of the Joint Venture Company

(1) Corporate name:	Under consideration
(2) Commencement of operation:	Within one year (scheduled July 2002)
(3) Paid-up Capital:	480 million yen (planned)
(4) Equity position:	50:50
(5) President:	To be determined
(6) Directors:	Not more than six (6) members (divided equally per company)
(7) Outline: Annual sales	Approximately 35 billion yen (after the integration)
Number of Employees	Approximately 450 (After the integration. Employees are to be sent on loan from both companies at the establishment).
(8)Head Office:	Tokyo, Japan