

March 27, 2001  
Hitachi Cable, Ltd.  
Sumitomo Electric Industries, Ltd.

Re: Business Integration for High-voltage Electric Power Cable, etc.

Hitachi Cable, Ltd. (President Seiji HARA) (hereinafter referred to as "HC") and Sumitomo Electric Industries, Ltd. (President Norio OKAYAMA) (hereinafter referred to as "SEI"), having undergone negotiations since April of last year on the comprehensive business integration for high-voltage electric power cables, etc., recently reached an agreement on various conditions and concluded a joint venture contract. This agreement was formed via a special committee co-headed by responsible executives of both companies who focused on reorganization for intensive production according to product item and the eventual goal of establishment of a joint venture.

#### 1. Scope of business integration, and intensive production

##### (1) Details of business integration

The two companies will transfer to the joint venture the business of research, development, design, manufacturing, laying and other construction works, and the export of high-voltage electric power cables as specified below. As for sales within Japan, HC and SEI will continue their respective operations as before in accordance with the recommendations given by the Fair Trade Commission.

- Power cables (OF, CV, and outdoor cables)
- Overhead power transmission line (ACSR, OPGW)
- Accessories (connection components of underground and overhead power transmission lines, etc.)

## (2) Intensive production

With the sharp drop in demand in the domestic market and intensifying competition in exports, the high-voltage electric power cable business is under pressure due to excess equipment. Since demand is expected to become even tougher, the two companies plan to slim down their production capacities to an appropriate level suitable to the decrease in demand, by integrating production functions according to product/service item.

The production of power cables will be shared by HC Hitaka Works and SEI Osaka Works, and overhead power transmission lines will be manufactured intensively in HC Toyoura Works. In this respect, HC will reorganize the manufacturing functions within their Hitaka Works, and SEI will close a power cable plant within their Yokohama Works, as with the Overhead power transmission line plants of Osaka Works and Toyama Sumitomo Electric Industries, Ltd., a production subsidiary of SEI.

Similarly, these companies will incorporate/reorganize their production and design functions of accessories and laying works.

## (3) Objectives of business integration

The business integration is designed to preserve and develop the outstanding technological development competence of both companies, and to enhance cost competitiveness, thus promoting a stable supply and a better service for users.

Meanwhile, both companies will effectively utilize surplus human and other business resources to be generated in the wake of integration in the information/telecommunications and other growing sectors.

## 2. Establishment of a joint venture

In accordance with the recommendations given by the Fair Trade Commission, the two companies will transfer, to a joint venture, all the works except those sales related to the high-voltage electric power cable business development, design, production, and construction in Japan, and related export business. The joint venture is scheduled to commence in October of this year.

A profile of the joint venture is given below:

- Company name: J-Power Systems, Corporation. (planned)
- Commencement of operations: October 1, 2001 (planned)
- Capital: 4 billion yen(planned)
- Shareholders: HC (50%), SEI (50%)
- President: Alternately from HC and SEI. The first president will be from SEI, while the vice president, from HC.
- Directors: Up to 10 directors. The board will consist of the same number of directors from HC and SEI, respectively.
- Head Office: 3-13-16 Mita, Minato-ku, Tokyo(planned)
- Organization: Besides the Head Office, three offices will be established: Hitaka (Hitachi City, Ibaraki Prefecture), Toyoura (Hitachi City, Ibaraki Prefecture), and Osaka (Konohana Ward, Osaka City).
- Employees: Approx. 700 (As of October 1, 2001, 700 employees will be sent on loan from HC and SEI.)
- Sales: Approx. 60 billion yen (target for the fiscal year 2003(April 1, 2002-March 31, 2003))