Mitsubishi Heavy- Hitachi update

The Associated Press

TOKYO, Nov. 29 (Kyodo) — Mitsubishi Heavy Industries Ltd. and Hitachi Ltd. said Thursday they will merge their thermal power generation and other power production businesses to boost competitiveness in the global market amid growing demand.

The two companies plan to consolidate their thermal power operation into a new company to be established in January 2014. The new company will be owned 65 percent by Mitsubishi Heavy and 35 percent by Hitachi, they said.

The scope of the merger include gas turbine and power generator businesses that are related to thermal power generation as well as geothermal generation and fuel battery business, with combined sales of about 1.1 trillion yen, they said.

With the integration, the two Japanese companies aim to catch up with global leaders -- Germany's Siemens A.G. with sales of some 2.9 trillion yen in the electricity business and U.S. conglomerate General Electric Co. with sales of around 2.5 trillion yen.

The nuclear power business is not subject to the merger as they each team up with different foreign companies, with Hitachi operating a joint venture with GE and Mitsubishi Heavy allying with Areva SA of France.

But Mitsubishi Heavy President Hideaki Omiya hinted at possible collaboration in the nuclear power business as well, saying, "We'd like to hold talks" when prospects of restarting nuclear power plants in Japan become clear following the Fukushima nuclear crisis last year.

The two presidents of the companies denied integrating their management in the future.

The move comes as demand for thermal power generation is increasing in emerging economies including China and Southeast Asia.

The two companies, which have often competed in winning orders, said they will pursue synergy effects as Mitsubishi Heavy has strength in Southeast Asia and the Middle East, while Hitachi is strong in Europe and Africa.

"Companies that we should compete with are not ones in the domestic market, but major players overseas," said Hitachi President Hiroaki Nakanishi, adding it is also important to prevail over emerging rivals in such countries as China and South Korea.

Mitsubishi Heavy and Hitachi are already collaborating in such operations as the

railway business and hydroelectric systems.

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