

Caterpillar Japan Ltd.

Caterpillar Japan Ltd., the Japanese subsidiary of global construction-machinery manufacturer Caterpillar Inc. in the US, researches, develops and manufactures hydraulic excavators at their Akashi Campus in Hyogo Prefecture. The Akashi Campus is a key base for the Caterpillar group in this field, being comprised of the Hydraulic Excavator Development Center (HEDC), a global development base for the group's hydraulic excavator division, and the Akashi Plant, a mother factory for its excavator business.

The US-based Caterpillar Inc. is a global manufacturer which has been engaged in the development and manufacture of construction machinery, mining machinery, diesel and natural gas engines, commercial gas turbines and diesel electric locomotives since its establishment in 1925. The company continues to grow in the global construction machinery industry, supplying more than 300 products to its customers in over 180 countries, chalking up sales of 47 billion dollars in 2015, and employing more than 100,000 people across the globe.

Caterpillar Japan Ltd., the Japanese arm of Caterpillar, has about 2,100 employees in total at its Tokyo headquarters, the Akashi Campus in Hyogo Prefecture - a global base for the group's hydraulic excavator division - and the Sagami-hara Plant in Kanagawa Prefecture, which develops and manufactures hydraulic equipment. It is also the largest company in the Japanese construction machinery sector, possessing multiple affiliated companies under the collective name Caterpillar Japan Group, which are responsible for sections such as the Sales Division and the Chichibu Visitor Center for product demonstrations.

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Background of Caterpillar Japan's establishment

Caterpillar's entry into Japan began in 1963, when Mitsubishi Heavy Industries (then Shin Mitsubishi Heavy Industries) and Caterpillar set up Caterpillar Mitsubishi Ltd. in Sagami-hara City, Kanagawa Prefecture under equal ownership.

Already active in the construction machinery industry since before the joint company was established, Mitsubishi Heavy Industries had opened a special plant in 1960 for construction machinery on the site owned by its Kobe Shipyard & Machinery Works, where it produced the "Y35," the first domestic hydraulic excavator in Japan. That site would become a prototype for the Akashi Campus of the current Caterpillar Japan.

Starting its business during a period of high economic growth which saw a boom in construction, Caterpillar Mitsubishi increased its earnings without a hitch through manufacturing bulldozers and wheel loaders. In 1987, Caterpillar Mitsubishi and the Akashi Plant of Mitsubishi Heavy Industries merged into Shin Caterpillar Mitsubishi Ltd. This new company would expand the hydraulic excavator business by beginning production of the "E200B," the first hydraulic excavator under the Caterpillar brand.

While Shin Caterpillar Mitsubishi's business remained strong after its establishment, the situation in the construction machinery industry began to change due to a slowdown in the domestic construction machinery market and the rise of the market in China.

For this reason, Mitsubishi Heavy Industries decided to withdraw from the construction machinery business. This led to Caterpillar in the US raising the percentage of its stake in 2008, and the company was renamed Caterpillar Japan Ltd., as it remains today. In 2012, Caterpillar assumed 100% ownership and began sole administration of the Japanese subsidiary's bases, including Akashi Campus.



Caterpillar's hydraulic excavator CAT320E

Akashi Campus, a global base for hydraulic excavators

Caterpillar Japan's Akashi Campus is a plant dedicated to hydraulic excavators, which incorporates the Akashi Plant, a production division and the Hydraulic Excavator Development Center (HEDC) on a site that is about 210,000 square meters. Regarding the Akashi Campus, known as the lynchpin for Caterpillar's global hydraulic excavator production, Nobumi Toyoura, Operating Director and Technical Services Manager of the HEDC Excavation Division, explains: "We have set up a framework that has integrated the development and production of hydraulic excavators from small to large. We also provide designs and drawings to all of Caterpillar's hydraulic excavator production plants around the world. Pursuing uniform design on a global scale, we work to improve business efficiency while maintaining the highest quality for the entire group. We also regard it important to localize our products,

putting our energies into the research and development of the next-generation of hydraulic excavators capable of meeting the requirements of any country. Under our slogan, 'Showing Akashi's Strength to the World!' we are proud of playing a pivotal role in Caterpillar's worldwide hydraulic excavator business."

Caterpillar Japan was selected for the 2014 Subsidy Program for Projects Promoting Foreign Direct Investment, Site Location and Regional Development in Japan (also known as the Project for Site Location for Global Companies), sponsored by the Ministry of Economy, Trade and Industry. Mr. Toyoura says, "With this subsidy program, we were able to establish a software development base for hydraulic excavator development and build a vehicle testing site for hydraulic excavators. The existence of this program helped us convince our head office of the plan. We are thankful for this program."

Advantage of Caterpillar: Win-win relationship with business partners

Mr. Toyoura explains that Caterpillar's advantage "is one of win-win mutual trust with dealers and suppliers that enables us to continuously improve our product quality." He continues, "Most of our customers both in Japan and overseas have long been using our products and are familiar with their quality and operability as well as our company's productivity. Therefore, their comments are indispensable for our quality improvement and product development. We benefit from our dealers' networking, which allows customer input to reach our manufacturing and development divisions. I believe this is an advantage unique to our company with its worldwide presence. Our company designs products taking into consideration profitability as well as how our dealers can swiftly and accurately provide customers with

maintenance services in the aftermarket area. We also highly value the attitude of growing together with one's suppliers instead of looking out for one's own profit alone. For this reason, we have heavily invested in building mutual trust with our business partners. A win-win relationship with one's partners contributes to enhanced customer satisfaction and the development of new products. This has been Caterpillar's business model since its foundation.

Reason for continuing development in Japan and future outlook

Mr. Toyoura explains the reason why Caterpillar continues its development in Japan, saying, "Although Japan's share of the global construction machinery market has been shrinking, it still has many key players and they have an abundance of the kind of knowledge needed for product development. Having a presence in Japan is therefore a significant advantage for us."

Caterpillar is now the focus of attention with a series of announcements, including regarding its response to emission restrictions in Japan by equipping excavators with a device for reducing NOx (nitrogen oxide), and the release of the latest model of hydraulic excavators that utilize IoT. Regarding the company's outlook, Mr. Toyoura says, "To continue being the No. 1 company in the world, we are working hard in recruitment in addition to product development. Even though we have adopted cutting-edge virtual reality (VR) devices for more accuracy, in the end it is people who must operate these devices. Being a foreign-owned company, Caterpillar has a lower profile than Japanese companies, which poses an obstacle to our recruitment activities. To turn this situation around, we regularly hold such events as

plant tours, VR experience workshops and workplace visits for preschool children so that they will become familiar with our company and work. Other essential matters we are working on include setting up a day-care facility in the company to improve the working environment for our female employees, as well as creating an environment in which foreign engineers can comfortably work.



Mr. Toyoura

Operating Director and Technical Services Manager of HEDC
Excavation Division

JETRO's support

JETRO provided Caterpillar Japan with various forms of information when the company applied for the 2014 Subsidy Program for Projects Promoting Foreign Direct Investment, Site Location and Regional Development in Japan. Mr. Toyoura comments, "Thanks to JETRO, we were able to solve problems which would have been impossible on our own and smoothly carry out procedures. We are truly thankful for JETRO's active support and hope to be able to continue relying on them for advice and information in the future as well."

(September 2016 Interview)

Corporate history

1925	Caterpillar Inc. established in the US	1987	Shin Caterpillar Mitsubishi Ltd. established
1960	First domestic hydraulic excavator Y35 produced at Akashi Plant of Mitsubishi Heavy Industries (then Shin Mitsubishi Heavy Industries)		after merger of Caterpillar Mitsubishi Ltd. and Akashi Plant of Mitsubishi Heavy Industries. First hydraulic excavators under the Caterpillar brand produced.
1963	Caterpillar Mitsubishi Ltd. established as joint company of Caterpillar and Mitsubishi Heavy Industries	2008	Renamed Caterpillar Japan Ltd.
		2012	Start of management by Caterpillar on its own

Caterpillar Japan Ltd.

Establishment:	1963
Business:	Development and manufacturing of construction machinery (hydraulic excavators, etc.)
Parent company:	Caterpillar Inc.
Address:	(Head office) 4-10-1 Yoga, Setagaya-ku, Tokyo, Postal code: 158-8530
URL:	http://www.caterpillar.com/en.html

JETRO's support

- Provision of information on incentives