

MER MEC JAPAN GK

MER MEC S.p.A., an Italian company that develops inspection and diagnostic systems for railway infrastructure, established a Japanese subsidiary, MER MEC JAPAN GK, in Tokyo in February 2017. MER MEC's unique inspection system can obtain and automatically analyze images of railway tracks and infrastructure while onboard in real time, and accurately and speedily detect railway defects which are usually checked visually by workers. We interviewed Giuseppe Aurisicchio, Executive Manager of MER MEC JAPAN, on the background of establishing the office and their future business development in Japan.

MER MEC S.p.A. was founded in 1969 as a manufacturer of agricultural machinery. Following the development of a non-contact inspection system for railway infrastructure in the 1990s, it has developed and produced systems and provided inspection and analysis services for railway companies around the world. Currently, the company has 14 offices worldwide and does business in about 50 countries, with an experience providing over 1,500 systems to more than 150 client companies. MER MEC emphasizes initiatives for the creation of innovation and invests 12% of its total sales to research and development expenses. It conducts joint development projects with companies of the same Angel Company Group, such as SITAEL (the largest privately-owned space engineering company in Italy and a worldwide leader in the small satellite sector, which provides turn-key solutions for Earth observation, advanced propulsion systems, on-board avionics telecom and science) and BLACKSHAPE (a developer and producer of high-performance two-seater carbon fiber ultralight aircraft for leisure and military training).

Japan as Asian headquarters

MER MEC began business in Japan through a trading company in 2014. In order to provide after-sales service to Japanese clients, expand sales channels, and conduct joint development projects with Japanese companies, the

company set up a subsidiary in Japan. Mr. Aurisicchio explains about the company's decision: "There is a very high demand among our Japanese clients, and they have very high technical requirements. Doing business in Japan as a local office was a challenge and opportunity for maximizing the performance of our products." He continues, "We believe that the Japanese market is one of the most strategic markets in the world. As we often compete with major, established Japanese companies, particularly in the field of railway infrastructure inspection, how we can satisfy our clients through our products and services is the key." MER MEC, which already has an office in China, considers the Japanese office as its headquarters in Asia. It aims to strengthen business in Japan as well as in Korea, Taiwan and Singapore in the future.

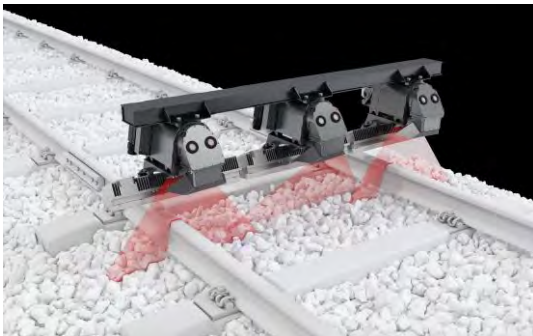


Encounter with JETRO

According to Mr. Aurisicchio, MER MEC was able to overcome challenges with the help of JETRO. When starting business in Japan through a trading company, MER MEC got on the right track by successfully signing a large-scale contract with a major Japanese railway company. However, it had to reconsider working with the trading company in 2016, and prospects for developing business in Japan

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became uncertain. It was at this time that JETRO London contacted Mr. Aurisicchio, who was President of MER MEC UK at the time, to propose establishing an office in Japan. Mr. Aurisicchio recalls, “Italy also has a trade and investment promotion organization called the Italian Trade Agency, which helps Italian companies expand their business abroad. I was surprised to know that there is a government organization like JETRO which has offices around the world and promotes mutual trade and investment by providing support for both Japanese and foreign companies.” One year since the establishment of their Japanese office in February 2017, MER MEC is currently planning and conducting multiple joint projects through the agreement of alliances with Japanese companies.



MER MEC's Track Machine Vision System called “V-CUBE”

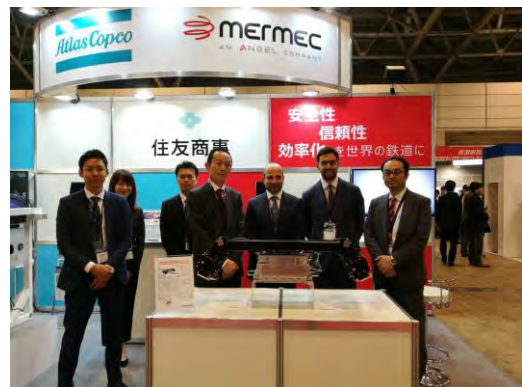
Cases of cooperation with Japan

The test-run of MER MEC's track inspection system for JR West's Sanyo Shinkansen in March 2017 was big news for both companies. Two years before, in May 2015, at the third meeting of the EU-Japan Industrial Dialogue on Railways and Urban Transport held in Brussels, Belgium, JR West announced the selection of MER MEC's “railway inspection system” for inspections of track infrastructure. Complete automation of track inspections is expected to increase passenger safety as well as the efficiency of infrastructure repair and maintenance work. This system provides a solution to the shortage of maintenance workers

and the challenge of managing the infrastructure maintenance standards that the Japanese railway industry must uphold. “Our system also ensures the safety of workers on the tracks,” Mr. Aurisicchio stresses.

After a long, rigorous selection process by JR West, MER MEC became the first supplier of a foreign-made inspection system for a Japanese railway company. The system's excellent performance, stability and flexibility were given high marks during the selection process. On MER MEC's system being selected over those of major Japanese competitors, Mr. Aurisicchio says, “Our ability to provide special systems which large companies don't have at a high technological level must have led to the selection by JR West.”

MER MEC, which engages in more than 20 international joint research projects around the world and works in cooperation with over 15 universities and research institutes, hopes that access to Japanese academic institutions will be improved. With JETRO's support, MER MEC is making steady progress in talks regarding research with a Japanese university. MER MEC, which places great importance on research and development, hopes that the Japanese government and related organizations will expend more effort in facilitating joint development between foreign-affiliated companies and Japanese universities and research institutes.



MER MEC JAPAN's exhibition stand at Makuhari Messe in November 2017

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Future prospects

MER MEC aims to increase its sales by 30% annually in the coming years. The Japanese office will focus on three areas to expand sales: sales promotion, cooperation with Japanese companies, and research and development. MER MEC is planning to introduce its systems to local lines other than the Shinkansen, potentially including those in disaster-affected areas in Tohoku, if negotiations with related authorities and local governments go well. “We want to strengthen our presence as a foreign-affiliated company by making approaches to the Japanese railway industry and related organizations,” Mr. Aurisicchio strongly asserts.

MER MEC plans to develop projects in new fields in cooperation with other member companies of Angel Company from now on. For example, 3D modeling of data collected using satellites and airplanes will enable the development of railway infrastructure management software that can prevent secondary disasters in the event of natural disasters. Earthquakes, floods and volcanic eruptions are threats familiar to both Italy and Japan. MER MEC is therefore considering investing in the establishment of a research and development center in Japan for this innovative project, which is also planned to be introduced in Japan.

JETRO's support

For the establishment of MER MEC JAPAN, the JETRO Invest Japan Business Support Center (IBSC) provided support including providing a temporary office space; consultation on labor-related matters; referral to service providers such as an administrative scrivener office, certified tax accountant office, labor and social security attorney office and real estate agency; the provision of market information; and business matching. The business matching led to potential business opportunities for MER MEC, including a joint project in overseas

countries with Japanese companies which are currently under negotiation. Mr. Aurisicchio says, “JETRO’s presence was very reassuring for us, especially when we faced challenges. We hope to be able to count on JETRO’s continued support in expanding business in Japan.”

(Interviewed in February 2018)



From Left: MER MEC JAPAN Project Manager Hoshino, Business Development Manager Omori, Executive Manager Aurisicchio

Company history

1969 Meridional Meccania (currently MER MEC S.p.A) founded in Monopoli, Bari in the region of Apulia in Italy
 February 2017 MER MEC JAPAN GK founded in Chiyoda-ku, Tokyo

MER MEC JAPAN GK

Established in: February 2017
 Business Overview: Supply of railway infrastructure equipment inspection systems, provision of inspection and analysis services
 Capital: 120 million yen
 Parent Company: MER MEC S.p.A (Italy)
 Address: Akihabara Seishin Building 9F, 1-7-8 Kandasudacho, Chiyoda-ku, Tokyo, 101-0041
 URL: <http://www.mermecgroup.com/japan/>

JETRO's support

- Providing a temporary office space
- Consultation on establishing an office
- Referral to service providers
- Provision of market information and information on R&D incentives
- Business matching support