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Roadmap for the Realization of The Free Trade Area of the Asia-Pacific (FTAAP)

The Asian region is of the utmost importance to Japan for the expansion of trade and investments and stimulation of sustained economic growth. Promotion of economic partnerships in Asia is vitally important for the development and growth of the entire region. For the realization of a nation based on global trade and investment in the global society, it is absolutely imperative that Japan opens its doors, stimulates mutual exchange with Asia and strives for sustainable growth.

We the Japan Foreign Trade Council, inc. published a feature article titled “Roadmap for the Realization of The Free Trade Area of the Asia-Pacific (FTAAP)” in the Nihon Keizai Shimbun on June 5th and discussed what policies Asia would need for continued sustainable growth into the future and the role Japan would need to fulfill, as described in detail below.

Towards the Preservation and Expansion of Free Trade and Investment

Asia continues to have a high economic growth rate, and currently leads the world economy. To

continue to have sustainable growth and lead the world economy in the future, regional partnerships need to be promoted and new rules for trading and investment need to be formed. As this happens, it is vital that Japan takes the initiative to open its doors and play a leading role in the formation of these rules and partnerships.

In the midst of a progressively globalized world economy, the JFTC, with “Pioneering a New Frontier of Global Trade” as its catch phrase, actively makes proposals for “a nation based on global trade” through increased mutual exchange of people, goods, money and information. This vision specifically requests and proposes the active promotion of investment accords, tax treaties and social security agreements to the government. It contributes to the realization of the protection and encouragement of foreign investment by Japanese industry, the regulation of international double taxation and the smooth transfer of people between trading partners.

In this manner, the JFTC would like to contribute to not only Japanese but to Asian and world economic growth through proposals aimed towards the preservation and expansion of free trade and investment.

The Current State and Issues of Japanese Economic Partnerships

As the Doha round of WTO talks remain in a stalled state, the Japanese government is actively negotiating bilateral and interregional economic partnership agreements (EPA, FTA).

However, looking at the current state of concluded EPA and FTA, Japan is lagging far behind in negotiations with its main trading partners, including the US, the EU and China. In contrast, Korea, for example, has concluded agreements or reached consensus through negotiations with these countries. Even in East Asia, an area in which Japan is attempting to show its leadership, Korea and China have agreed to start negotiations in May of this year for a bilateral EPA.

As such, the share of trade with countries with which EPAs or FTAs have been concluded with in relation to Japan's total amount of trade (FTA ratio) stands at 19% in contrast with 35% for Korea, 38% for the US and 32% for the EU. Consequently, due to the reduction of tariffs for Korean goods in the US, the EU, China, Australia and other principal Japanese export markets, it is feared the ability of Japanese industry to compete with Korea will be further reduced.

The Importance of APEC and the Development of Infrastructure in Asia

The Asia-Pacific Economic Cooperation (APEC) has a framework for the realization of a Free Trade Area of the Asia-Pacific (FTAAP) that aims to liberalize trade, investment, and exchange of services in the Asia Pacific region, which includes the Association of Southeast Asian Nations (ASEAN) plus Japan, China, Korea, India, Australia and New Zealand.

In this setting, aiming towards the realization of the FTAAP as part of its "Strategy for Rebirth of Japan," the government has made clear its intentions to seek to begin early negotiations for wide-area economic

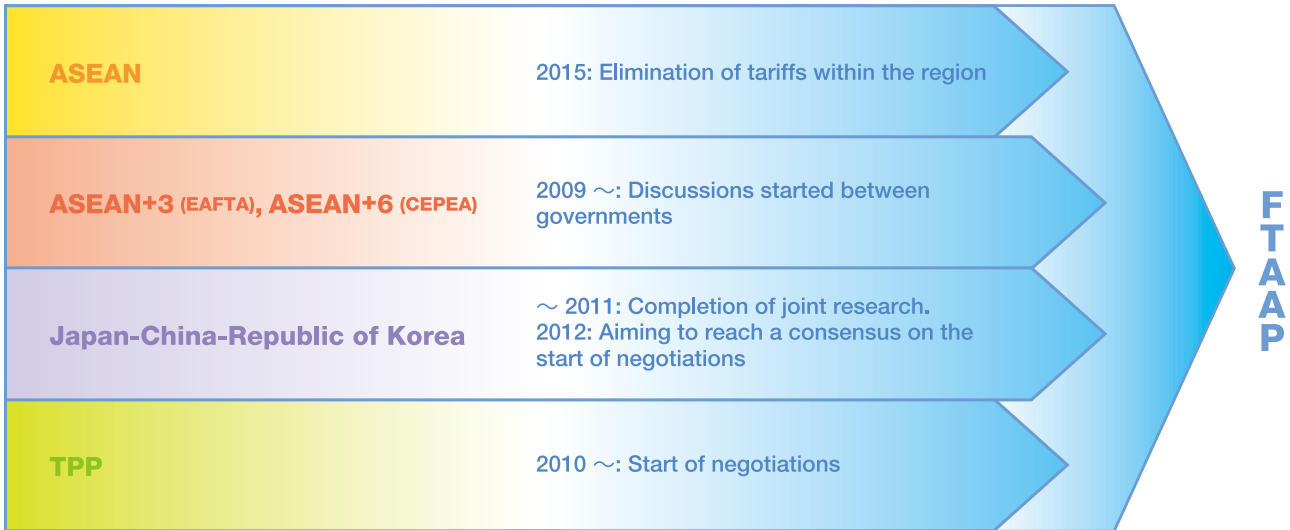
partnerships such as the Japan-China-Korea FTA, the ASEAN+3 and the ASEAN+6. In preparation for participating in the Trans-Pacific Partnership (TPP) negotiations, the government has also made clear its intentions to pursue talks with involved countries.

The structure of this free-trade zone in the Asia Pacific region also matches the vision of the JFTC. In November 2011, for the APEC Economic Leaders' Meeting in Hawaii, we submitted "Proposals for the 2011 APEC Economic Leaders' Meeting" to the government and requested the promotion of economic integration in the Asia Pacific region, in other words, early participation in TPP negotiations that will lead to an FTAAP. Vietnam and Singapore, countries already participating in TPP negotiations, have expressed high hopes for Japan's participation and have agreed to strengthen ties.

Further, to support the remarkable growth of the Asian economy, it is essential to develop infrastructure. In addition to the structure of logistics networks and electricity supply, Asian countries are also placing priority in relation to the conservation of energy and green technology. If a joint public and private sector initiative to export packaged infrastructure making use of Japan's leading edge technology was carried out, growth in Japan would ensue.

Towards the Recovery and Internationalization of Japan's Agriculture

As trade in goods, investments and services becomes more liberalized around the world, initiatives aimed at strengthening the infrastructure of and



(Source : Ministry of Foreign Affairs data)

internationalizing Japan's agriculture in order to preserve and develop it will also be of significance.

Utilizing the information, functions and know-how of Shoshas, the Shosha Industry would also like to lend support through the creation of value chains in the agricultural sector, the pioneering of new markets overseas, and the branding of agricultural products.

The combined population of TPP member countries is 500 million, however, if the FTAAP is established, the export market for agricultural produce will grow to 3.5 billion people. Japanese beef, strawberries, apples and some other agricultural products have begun to achieve brand status, and despite being highly priced in China and Hong Kong, are popular products. Although brand name rice is selling well to the upper class in China, there is a good likelihood of expanding sales if logistics and sales networks become more thoroughly established. It is thought that if tariffs are eliminated, cheap produce will enter from overseas, though if structural reforms such as the upsizing of agricultural land and participation by industry are further promoted, Japan's agriculture can surely shift to a Netherlands-style "Profitable Agriculture" model.

For the Earliest Possible Participation in TPP Negotiations

For Japan, which advocates a nation based on global trade and investment, the greatest issue is the promotion of economic partnerships with each country. Even in this sense, the TPP is a cornerstone in the new economic order of the Asia Pacific region, for which the JFTC is hopeful of the earliest possible participation in negotiations and rulemaking by the Japanese government.

Report on Aid Donations for Children Left Orphaned or Parentless by the Great East Japan Earthquake

Member companies of the JFTC participate in reconstruction and restoration efforts and activities in support of the people and areas affected by the Great East Japan Earthquake. It was decided that the JFTC itself would also carry out humanitarian support, so the call was made to member companies for aid donations

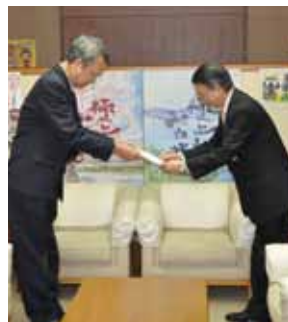
for children left orphaned or parentless by the Great East Japan Earthquake.

Consequently, contributions of well over our target of 100 million yen were raised, which we were able to donate to educational funds and scholarships in the three most seriously affected prefectures of Iwate, Miyagi and Fukushima (February 2012).

Donation of contributions:

Recipient:	Amount of donation:
Iwate Prefecture "IWATE Learning Hope Fund"	40 million yen
Miyagi Prefecture "The Donation Account for the Benefit of Children Orphaned by the Great East Japan Earthquake"	70 million yen
Fukushima Prefecture "Fukushima Donation for Orphans affected by the Great East Japan Earthquake"	27.505 million yen

Presentation of List of Donors:



Presentation of the list of donors to Miyagi Prefecture Vice Governor Miura by Executive Managing Director Mr. Amano



Presentation of the list of donors to Fukushima Prefecture Vice Governor Uchibori by Executive Managing Director Mr. Amano



Presentation of the list of donors to Director of the Iwate Prefectural Government Mr. Hirota by Planning Group General Manager Mr. Matsui

Executive Managing Director Mr. Amano and Planning Group General Manager Mr. Matsui of the JFTC made the donations to the Vice Governors in charge of reconstruction in each of the prefectural governments. At this time, they presented the list of donor companies from

which contributions had been received and conveyed the continuing support for reconstruction by the Shosha Industry.

Officials from the prefectural governments expressed their gratitude for the support of children left orphaned or parentless and promised the contributions would be put to use effectively. They also asked for our continued support of reconstruction efforts and for many people to visit Tohoku to revitalize the tourism industry in affected areas.

Member Companies which participated in fundraising

(33 companies, listed in alphabetical order)

CBC Co., Ltd.; Chori Co., Ltd.; D Nagata Co., Ltd.; Hanwa Co., Ltd.; Hitachi High-Technologies Corporation; Inabata & Co., Ltd.; Itochu Corporation; Iwatani Corporation; JFE Shoji Trade Corporation; Kanematsu Corporation; Kowa Company, Ltd.; Kyoei Shoji Co., Ltd.; Kyokuto Boeki Kaisha, Ltd.; Marubeni Corporation; Marubeni-Itochu Steel Inc.; Meiwa Corporation; Mitsubishi Corporation; Mitsui & Co., Ltd.; Morimura Bros., Inc.; N.I. Teijin Shoji Co., Ltd.; Nagase & Co., Ltd.; Nomura Trading Co., Ltd.; Okaya & Co., Ltd.; Seika Corporation; Shinyei Kaisha; Sojitz Corporation; Sumikin Bussan Corporation; Sumitomo Corporation; Toho Bussan Kaisha, Ltd.; Tokyo Boeki Group ; Toyota Tsusho Corporation; Y. Nishida & Co., Ltd.; Yuasa Trading Co., Ltd.

His Highness Sheikh Sabah the Amir of the State of Kuwait Imperial Banquet (March 21)

During His Highness Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah the Amir of the State of Kuwait's visit to Japan from March 20 to 23 as a state guest, he was invited to an imperial banquet held by Their Majesties the Emperor and Empress at the Imperial Palace on March 21. The JFTC Chairman Mr. Utsuda and his wife also attended the banquet.

His Highness Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

Born in June 1929 (82 years of age), after being appointed Foreign Minister of Kuwait in 1963, His Highness came to hold a number of cabinet positions including those for guidance, information and oil before being made Prime Minister in July 2003. He was proclaimed as Amir of the State of Kuwait in January 2006. Known as being sympathetic with Japan, this is His Highness' seventh visit to Japan.

Outline of Kuwait

Kuwait is one of the leading oil producing countries in the Middle East. Positioned at the base of the Arabian Peninsula, Kuwait shares borders with Iraq to the north-west and Saudi Arabia to the south.

Iran is located on the opposite shore of the Persian Gulf.

While the ruling House of Sabah has been governing Kuwait since the 18th century, a parliament and cabinet exists, and four women were elected in 2009 national parliamentary elections for the first time in history (none were elected in February 2012 elections). Kuwait's main industries are centered on the oil sector. In 2010, crude oil reserves were 101.5 billion barrels



(7% of worldwide reserves), daily oil production was 2.51 million barrels (3% of worldwide production), and oil reserve life years stood at 105 (5th in the world).

Based on the trade figures, Japan is Kuwait's biggest import and fourth biggest export partner (2010).

After the Great East Japan Earthquake, the government of Kuwait supplied Japan with 5 million barrels of crude oil (equivalent to approximately 40 billion yen) as donation.

Basic Data

Area : 17,818km² (roughly the same as Shikoku)

Population : 2.74 million (World Bank, 2010)

Language : Arabic

Religion : Islam

Government : Presidential system/constitutional monarchy

Parliament : National Assembly of Kuwait

Total GDP : approx. \$171 billion (IMF estimate, 2011)

Per capita GDP : approx. \$46,461 (IMF estimate, 2011)

Japanese Trade with Kuwait

Trade Figures Exports to Kuwait: 124.5 billion yen

Imports from Kuwait: 901 billion yen

Major items Exports: motor vehicles, general machinery, electrical equipment, food
Imports: crude oil, petroleum products

Crude oil imports : 240,000 barrels/day (5th largest import, accounting for approximately 7% of all imports to Japan, 2011)

(Source: Ministry of Foreign Affairs data)

The 44th Japan-Korea Business Conference (May 16-17, 2012)

The 44th Japan-Korea Business Conference, organized by the Japan-Korea Economic Association and Korea-Japan Economic Association, was held in Osaka City over May 16 and 17. The conference, with the theme "Japan-Korea Cooperation towards the Forging of a Single Economic Zone," was attended and vigorously discussed by 167 participants from Japan and 144 from Korea. The necessity of Japan and Korea

to conclude an advanced EPA/FTA and use it as a model for creating a unified Asian market was pointed out, and opinions calling for the early conclusion to a Japan-Republic of Korea EPA/FTA, the negotiations of which have currently reached an impasse, were voiced by participants. Case examples of partnerships between Japanese and Korean companies to jointly expand into other countries for purposes such as the securing of resources and promotion of infrastructure export were given, and their future plausibility discussed. Following on from last year's Japan-Korea Business Conference, the JFTC secretariat once again attended to exchange information and expand our network of contacts with the Korean participants. At the end of the conference, Japanese representative Mr. Mikio Sasaki (Former Chairman of the Board, Mitsubishi Corporation) and his Korean counterpart Mr. S.R. Cho (Chairman, Hyosung) adopted the following joint declarations:



The 44th Japan-Korea Business Conference

1. Relationship between Japan and Korea after one year has passed since the Great East Japan Earthquake
2. Cooperation between Japan and Korea, and their position in the world
3. Encouraging the conclusion of a Japan-Republic of Korea EPA/FTA
4. Concrete measures towards the forging of a single economic zone
5. Increasing Japan-Korea joint expansion into other countries
6. Increasing personnel and cultural exchanges between Japan and Korea

**“Research on Sogo Shosha: Origins,
Establishment, Development”
A Report of the JFTC Special Research
Committee**

The JFTC established the Special Research Committee on Sogo Shosha Principles in October 2010. The committee has built on research regarding Sogo Shosha, which are institutions said to be unique to Japan. Professor Takayuki Tanaka of the Faculty of Economics, Senshu University, was requested to author the report. We are proud to announce that these research findings were published in March of this year by Toyo Keizai Inc.



While the form of the current Sogo Shosha, which is hard to grasp due to its complexity, is daringly described with the single description of “General Enterprise Management and Enterprise Investment Company” by Tanaka based on their profit structure, he postulates that “trade” plays the vital role as the foundation of enterprise management and enterprise investment, with investment from the head office consolidating operations.

Further, the author also looks at the characteristics of the current Sogo Shosha, from the following three angles.

1.Strengths and advantages of Sogo Shosha

- Exceptional ability to pre-empt and adapt to changes in environment
- Acute business sense, used to handling risks
- Nurturing of experts in specialized fields
- Great financial power, etc.

2.Weaknesses and known inferiorities of Sogo Shosha (In contrast with above item 1)

- Horizontal decision making by operational management
- A mentality of “chops and changes” and “easily

warmed up but just as easily cooled down”

- Slow to leverage overseas personnel locally
- Poor at handling niche products
- The increasing number of employees in the head office unaware of how and where profits are made, etc.

3.Aspects to discuss the future of Sogo Shosha

- Balance between traditional trade and shift to investment in enterprises
- Whether to place importance on operations in Japan or in overseas countries
- Not feasible to give up “general” entities of Sogo Shosha and be specific

It is our hope that this report contributes to understanding the complicated and difficult nature of Sogo Shosha.

Special Research Committee on Sogo Shosha Principles Report

Title : “Research on Sogo Shosha: Origins, Establishment, and Development”

Author : Professor Takayuki Tanaka of the Faculty of Economics, Senshu University

Publisher : Toyo Keizai Inc.

Price : 1,800 yen plus tax

Contents

Preface : Why research Sogo Shosha?

Chapter 1 : The starting point of research: the concept, definition and types of Sogo Shosha

Chapter 2 : The formation of “Sogo Shosha” before WWII and the conditions of their establishment

Chapter 3 : The formation of the framework of Sogo Shosha after WWII and its conditions

Chapter 4 : Are the Sogo Shosha a business category unique to Japan? Comparisons with similar overseas business categories

Chapter 5 : Development after the establishment of the Sogo Shosha framework

Chapter 6 : Perceptions of organizational changes and current Sogo Shosha

Epilogue : Where to for Sogo Shosha?

¹ Composition of the Special Research Committee

Advisor : Professor Takayuki Tanaka, Faculty of Economics, Senshu University

Chair : Toshimitsu Hidaka, Executive Director & Vice President, Mitsui Global Strategic Studies Institute

Members : The eight companies whose officers are members of the JFTC Board of Executive Directors (Itochu Corporation, Sumitomo Corporation, Sojitz Corporation, Toyota Tsusho Corporation, Hanwa Co., Ltd, Marubeni Corporation, Mitsui & Co., Ltd., Mitsubishi Corporation)

The Executive Managing Director and the Managing Director of the JFTC

Secretariat : Planning Group, the JFTC

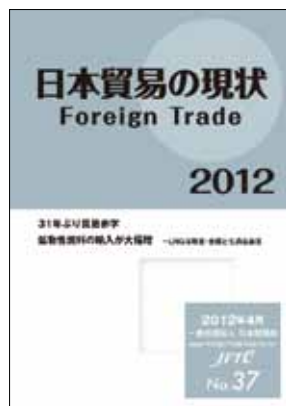
Bilingual “Japan’s Foreign Trade 2012” published in March

The JFTC published “Foreign Trade 2012” in March this year. A series of this handy booklet, a kind of the “Small-White Paper on Trade” has been widely used among those interested in Japanese economy and trade since first edition in 1976.

Foreign Trade 2012 is written bilingually in Japanese and English. Booklet (¥500 including tax) is available for purchase at large book stores and government book centers. Inquiry for mail order should be addressed to iar@jftc.or.jp or by fax 03-3435-5979.

Introduction

2011 was a year of adversity for Japan and the Japanese economy.



On March 11, the Great East Japan Earthquake hit Japan which was taking new steps for growth after overcoming the economic turmoil triggered by the Lehman Shock. Supply chains were broken down in many places in the world. Despite such adverse conditions including planned outages and the imposition of the Restriction of Electricity Use based on the Electricity Business Act, Japan managed to make a faster-than-expected recovery. However, the Japanese economy was hit again by the influence of the debt problems in Europe, severe floods in Thailand, and the appreciation of the yen in the aftermath of the earthquake. How have all these adversities affected Japan’s foreign trade?

The distinguishing features of Japan’s foreign trade during 2011 can be summarized as follows.

Exports

- The total value of Japan’s exports fell 3% (a decrease of ¥1.8 trillion) year-on-year to ¥65.6 trillion, declining after a year of growth.
- By area and country, exports to the U.S. went down 3% and exports to Asia also fell 3%.
- Exports of Motor Vehicles, mainly to the U.S., declined 11% (a decrease of ¥1.0 trillion) to ¥8.2 trillion, and exports of Semiconductors etc. went down 14% (a decrease of ¥0.6 trillion) to ¥3.6 trillion.

Imports

- The total value of Japan’s imports grew for the second consecutive year, rising 12% (an increase of ¥7.3 trillion) to ¥68.1 trillion.
- By area and country, imports from Asia grew 10%, imports from the Middle East went up 24%, and imports from the EU increased 10%.
- Imports of Mineral Fuels increased 25% (an increase of ¥4.4 trillion) to ¥21.8 trillion. Among these, imports of LNG went up 38% (an increase of ¥1.3 trillion) to ¥4.8 trillion (an increase of 9.0 million tons i.e. 12% to 79 million tons), reaching record high on both a volume and value basis.

Trade Balance

- In 2011, Japan’s trade balance became a deficit of ¥2.5 trillion, which was the first deficit in 31 years, and the second largest on record.

The trade value (the combined value of exports and imports) with Asia accounted for 50% of the total, which is almost flat from a year ago. In contrast, the trade value with the U.S. accounted for 12%, falling to all-time record low.

The Trade Trend Research Committee of the Japan Foreign Trade Council, Inc. released “FY 2012 Outlook for Japan’s Trade Balance and Current Account”(included here in the Data Chapter) in December 2011. The Outlook projects that production recovery will result in an increase in exports and a slight decrease in imports and that the trade balance will register a surplus again in fiscal 2012. The Japanese economy is projected as more resilient than general expectations.

However, it is only possible by securing trade with

emerging economies, especially with those in the East Asian market. For this reason, the Japanese government deserves acclaim for deciding in October 2011 to initiate discussions with the countries concerned as a preparatory step to participate in the negotiation process for Trans-Pacific Partnership.

In any case, we will keep a close eye on how Japan’s exports and imports will turn out.

Foreign Trade 2012 marks the 37th edition since it was first released in 1976.

We hope you will find this volume useful for various purposes, for example, as a reference and for education of new employees (including those at operating companies), and for local employees in foreign countries.

(Research Group)

What’s SHOSHA?

“SHOSHA” Activities

Business Fields

We will introduce a number of major Shosha business fields. Through these sectors, Shosha activities cover major sections of the Japanese economy.

Steel



Shosha sell a wide range of steel materials (e.g., sheets, pipes, rails, rods & wires, stainless steel, and specialty steel) to customers inside and outside Japan. They not only make deliveries on a “just-in-time” basis through their network of domestic and foreign agencies, but

may also have their own inventories and offer value-added fabricating services: cutting coil supplied from steel makers to meet customer needs, for example, or offering plating at surface processing plants.

Non-Ferrous Metals



Besides iron and steel, Shosha handle all other types of metals, including aluminum, copper, nickel, and rare metals. Many non-ferrous metals are subject to intense price fluctuation. To assure a stable supply on a long-term basis, Shosha are investing in various minerals mines

and stepping into the smelting business. Another role Shosha occupy is to develop new applications and demand for such metals. In addition to the traditional physical trading based on actual demand, they are also involved in metals dealings, the creation of diverse investment commodities making full use of derivatives, and the establishment and sales of commodity funds.

Mineral Resources



The development and import of iron ore and other mineral resources is another traditional Shosha business that has been a vital engine for economic growth in resource-poor Japan.

Shosha work for a steady supply of mineral resources through their integrated scope of services. These range from natural resources exploration and negotiations with the relevant governments and interested parties to the sustainable maintenance of ownership rights and interests, through financing and direct equity participation, and in the management of mine operations themselves.

Machinery and Plants



Shosha handle various kinds of machinery, including construction machinery and machine tools. Particularly notable is their ability to propose and coordinate - independent of specific manufacturers - a best mix of

global sourcing for the construction of power plants, chemical factories and other types of plants overseas. Shosha are also noted for coordinating various other functions from financing and construction to operations management and maintenance services. Independent power producers (IPP) exemplify this type of business, which draws on the comprehensive capabilities of Shosha.

Transport Machinery



Shosha transportation machinery activities span land, sea, and air - that is, automobiles, railway systems, ships and aircraft. For example, Shosha have built automobile dealer networks for Japanese-made models

around the world, set up offshore assembly plants, and engaged in component supply and supply chain management (SCM), as well as facilitated the offshore migration of production by Japanese automakers. As for aircraft, Shosha not only sell planes to domestic airlines but also sell used planes to third parties and furnish financing and operating leases.

IT and Content



Shosha engage in a number of areas in this field - everything from satellite launches and IC (Information Communications) network construction to mobile telephone terminal sales. In recent years, their activities

are no longer confined to the handling of hardware. They now also participate in the development of applications, the creation of e-commerce business models, production of content (e.g., cinema and animation) and the worldwide sales promotion of that content. In addition, they are investing in and operating broadcasting businesses (e.g., satellite broadcasting and CATV), and incubating IT businesses.

Construction and Real Estate Development



In this field, the activities of Shosha encompass total regional development, construction, sale, and management of condominiums, detached houses, and other housing in other countries as well as in

Japan, leasing and distribution, and the development

and sales of industrial estates abroad. In addition, they are vigorously pursuing business in real estate funds, making use of their know-how in financial technology accumulated through their conventional trading activities.

Energy



Establishing a stable supply of energy resources is a vital task for Japan, which has few of its own. Shosha are active on this front as well. They are involved in the development and import of crude oil, liquefied petroleum gas (LPG), and liquefied natural gas (LNG) in the upstream sector, oil refining and trading of crude oil and petroleum products in the midstream sector, and the management of LPG sales stores and filling stations in the downstream sector. In recent years, they have also started to step up their business in power distribution and environment-related businesses, as well as new energy, in light of recent power sector deregulation.

Chemicals



Shosha deal in a variety of products in this field. The list includes petrochemicals, inorganic chemicals (sulfur, salt, etc.), precision chemicals (e.g., catalysts and fatty acids), electronic materials, agricultural chemicals, pharmaceuticals, and biochemicals. In the area of petrochemicals, they are investing in joint ventures in other countries in search of higher cost competitiveness, and are engaged in the production of ethylene, naphtha, polyvinyl chloride, ammonia, and methanol. They also distribute and sell the resulting products. In the area of general-purpose chemicals, they are aiming for the optimal supply adapted to customer needs while also making active approaches to the development of applications for high-performance chemicals.

Textiles



Shosha textile divisions handle not only apparel but also various other categories, including interior and lifestyle products, bedroom linens and industrial textile materials. In addition to traditional Shosha specialties, such as the import of cotton, wool, and other raw materials as well as distribution of yarn, woven goods, and other products, Shosha take part in creating and importing new brands, store development and management of directly-operated stores, and the provision of apparel production and logistics (SCM, etc.) capabilities through use of plants in Japan and abroad. They also are collaborating with textile manufacturers in the development and sale of new materials.

General Merchandise



Commodities that Shosha handle include everything from lumber, construction materials, paper, pulp, and chips to animal hides and many other consumer goods. They are actively promoting reforestation projects in all parts of the world and making efforts to curtail the burden placed on the environment by lumber and pulp production activities. In the area of consumer goods, they aspire to enrich people's lives by furnishing a diverse range of high value-added products. They deal in everything from skis, bowling balls and other types of sporting gear to brand-name goods, ceramics, tires, rubber goods and electrical household appliances.

Foodstuff and Food Products



Japan is not self-sufficient in food production, and Shosha have enabled the Japanese people to enjoy a full dietary life by importing foodstuffs from

other countries. They procure and supply the optimal items for consumer wants and needs in all areas, from materials such as grains, raw sugar, marine products, livestock products, and beverage ingredients to processed foods such as alcoholic beverages, canned foods, and dairy products. To assure supply stability and food safety, they are also making direct investment from upstream to downstream in grain elevators, livestock farms, food processing operations, and in food wholesaling and retailing.

Finance



Shosha kinyu (trade firm finance) traditionally refers to credit support between and among businesses. Many people may imagine foreign exchange dealing and project finance when thinking of the financial services

provided by Shosha. However, in today's world where highly advanced financial technology (FT) is used, the services provided have expanded into a wide range of areas including the handling of various derivatives, the establishment and sales of funds and M&A, asset liquidation, leasing, securities, investment advice and insurance-related services among others.

Logistics



Logistics services are a Shosha keystone. Shosha have established a combined multimodal transportation system by developing logistics bases and systems in order to provide the best and fastest logistics services.

Shosha also operate logistics centers and manage vessels designated for this purpose. In recent years, Shosha have also been providing 3PL services, which support the distribution needs of business partners and third parties, and have been consulting on improving distribution through supply chain management (SCM) by taking advantage of accumulated past business experience.

The roles and functions of Shosha vary according to the type of product handled.

Some of the roles and functions include supporting the complex domestic distribution system of the steel industry, exploring for natural resources overseas, exporting large scale plants, introducing unique foreign products and technologies into the Japanese market and endeavoring to ensure a stable supply of food and energy resources to Japan.

The list is extremely diverse and goes on and on. However, generally speaking, the major similarity in every Shosha's established business activities can be described as follows:

- Shosha have a history of pioneering and developing various business fields with other companies as partners.
- The overwhelming proportion of Shosha activities is accompanied by specific logistics services for specific products using a variety of logistics functions, led by SCM, connected to the simple flow of products.
- Shosha success has always thrived on global activities beyond national borders.

Traditional business fields are the basic revenue sources of Shosha, but it is a world in which scrap and build tactics are constantly practiced to cope with and survive the ever-changing industrial structure as well as the intense competition between businesses.

»»» to be continued.



Please refer to our website

<http://www.jftc.or.jp/shosha/english/index.html>

Financial Results of Shoshas

http://www.jftc.or.jp/english/balancesheet_e.html

for the year ended March 31, 2012

Consolidated Financial Results	ITOCHU CORPORATION		MARUBENI CORPORATION		MITSUBISHI CORPORATION	
Total Assets	6,507,273	(14.7%)	5,129,887	(9.6%)	12,588,513	(11.7%)
Liabilities	4,811,132	(12.5%)	4,214,117	(9.5%)	8,760,226	(13.4%)
Shareholders' Equity	202,241	(0.0%)	262,686	(0.0%)	204,447	(0.4%)
Total Shareholders' Equity	1,696,141	(21.4%)	915,770	(10.1%)	3,828,287	(7.8%)
Trading Transactions	11,978,276	(5.1%)	10,584,393	(17.3%)	20,126,321	(4.6%)
Gross Trading Profit	1,030,447	(-1.0%)	541,454	(3.7%)	1,127,860	(-1.9%)
Gross Trading Profit Ratio	8.60%	-	5.12%	-	5.60%	-
Selling, General and Administrative Expenses	752,902	(-3.0%)	382,971	(3.2%)	850,214	(3.1%)
Operating Income	272,620	(6.5%)	157,315	(7.9%)	271,122	(-14.2%)
Financial Balance	15,184	-	9,541	-	112,296	-
Net Income	300,505	(86.7%)	172,125	(26.1%)	453,849	(-2.3%)

Consolidated Financial Results	CHORI CO.,LTD.		HANWA CO., LTD.		HITACHI HIGH-TECHNOLOGIES CORPORATION	
Total Assets	67,465	(4.8%)	582,404	(9.3%)	442,162	(7.0%)
Liabilities	38,766	(0.5%)	466,448	(10.4%)	189,150	(11.0%)
Shareholders' Equity	6,800	(0.0%)	45,651	(0.0%)	7,938	(0.0%)
Total Shareholders' Equity	28,698	(11.1%)	115,956	(5.0%)	253,012	(4.2%)
Trading Transactions	217,825	(-1.9%)	1,564,250	(12.0%)	645,865	(-1.2%)
Gross Trading Profit	20,020	(6.4%)	46,346	(5.9%)	112,971	(1.4%)
Gross Trading Profit Ratio	9.19%	-	2.96%	-	17.49%	-
Selling, General and Administrative Expenses	14,103	(3.4%)	31,369	(4.9%)	87,512	(4.7%)
Operating Income	5,916	(14.3%)	14,976	(8.1%)	25,459	(-8.7%)
Financial Balance	202	-	-1,867	-	492	-
Net Income	3,497	(-34.9%)	4,632	(-20.0%)	14,265	(-19.6%)

Note :

(1) This table is developed by JFTC secretariat and based on the financial results submitted by each company.

(2) Financial results of ITOCHU, MARUBENI, MITSUI, and MITSUBISHI is based on US GAAP. Financial results of SUMITOMO is based on the International Financial Reporting

(3) Non-consolidated financial results of each company has not been displayed here since the year ended March 31, 2011.

(4) Financial results of JFE SHOJI TRADE is based on the financial results of JFE SHOJI Holdings, Inc.

[Millions of Yen, Percentage changes from the previous year]

MITSUI & CO.,LTD.		SOJITZ CORPORATION		SUMITOMO CORPORATION		TOYOTA TSUSHO CORPORATION	
9,011,823	(4.8%)	2,120,596	(0.2%)	7,226,769	(-0.6%)	2,837,428	(16.5%)
6,151,013	(1.8%)	1,790,125	(1.6%)	5,425,581	(-2.0%)	2,085,681	(17.9%)
341,482	(0.0%)	160,339	(0.0%)	219,279	(0.0%)	64,936	(0.0%)
2,860,810	(12.0%)	330,471	(-7.0%)	1,801,188	(3.8%)	751,747	(12.6%)
10,481,166	(5.4%)	4,494,237	(11.9%)	8,273,043	(-0.9%)	5,916,759	(3.0%)
878,279	(2.2%)	231,566	(20.2%)	918,825	(6.4%)	343,999	(4.0%)
8.38%	-	5.15%	-	11.11%	-	5.81%	-
514,798	(-3.4%)	167,044	(7.6%)	686,404	(6.0%)	251,596	(2.5%)
348,384	(9.9%)	64,522	(72.0%)	219,857	(10.1%)	92,403	(8.3%)
81,021	-	-13,240	-	-3,862	-	676	-
434,497	(41.7%)	-3,649	(-122.8%)	250,669	(23.6%)	66,205	(40.4%)

INABATA & CO.,LTD.		IWATANI CORPORATION		JFE SHOJI TRADE CORPORATION		KANEMATSU CORPORATION		NAGASE & CO.,LTD.		SUMIKIN BUSSAN CORPORATION	
251,045	(5.4%)	386,127	(3.3%)	576,493	(0.9%)	399,753	(2.8%)	450,842	(20.1%)	370,268	(9.4%)
173,314	(4.3%)	306,576	(1.3%)	452,801	(-0.3%)	343,360	(1.3%)	238,097	(43.4%)	304,777	(9.2%)
9,364	(0.0%)	20,096	(0.0%)	20,000	(0.0%)	27,781	(0.0%)	9,699	(0.0%)	12,335	(0.0%)
77,730	(7.9%)	79,551	(11.7%)	123,692	(5.3%)	56,392	(13.7%)	212,744	(1.6%)	65,491	(10.3%)
464,429	(-1.0%)	661,185	(6.8%)	2,086,595	(3.7%)	1,006,365	(7.4%)	631,854	(-4.3%)	807,245	(2.1%)
31,759	(0.0%)	144,432	(4.2%)	66,328	(-9.4%)	80,900	(5.2%)	71,628	(-1.9%)	62,340	(6.4%)
6.84%	-	21.84%	-	3.18%	-	8.04%	-	11.34%	-	7.72%	-
24,127	(1.2%)	125,261	(1.2%)	49,551	(-0.6%)	59,473	(1.0%)	58,200	(7.2%)	48,810	(1.0%)
7,632	(-3.4%)	19,171	(28.9%)	16,777	(-28.2%)	21,426	(18.8%)	13,427	(-28.3%)	13,529	(31.9%)
390	-	-1,826	-	-594	-	-2,841	-	594	-	-780	-
6,297	(-12.9%)	10,543	(70.2%)	12,108	(-11.3%)	6,510	(-29.0%)	8,570	(-33.2%)	7,199	(25.2%)

Standard (IFRS). Operating income of SUMITOMO indicates profits relevant to operation on IFRS.

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○ Associations (Total 22)

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