Who we are & How we serve



# SECUSIANA Creating Value Globally

Shosha Handbook 2017



Japan Foreign Trade Council, inc.





## Introduction

Throughout the world, the *Shosha* are considered to be a uniquely Japanese form of business enterprise. For this reason, most people, especially non-Japanese, probably find it difficult to understand exactly what the *Shosha* do. Even people who have worked at *Shosha* for many years likely have problems explaining them to others in a succinct, easily understandable manner.

It is difficult to describe the *Shosha* because the roles they fulfill and the services they offer are not fixed, but change with the times.

We prepared this Handbook with a view to helping as many people as possible to understand the frequently complex activities in which the *Shosha* are involved.

Chapter 1 explains the essence of the *Shosha* and their strengths, and summarizes how their recent business model is based on two cornerstones -- trading and business investments.

Chapter 2 examines the role that the *Shosha* play in the global economy, and the value they contribute to society. It goes on to explain how they support the lives of people around the world from seven perspectives.

It concludes with a ranking of the world's *Shosha* (trading companies), while Chapter 3 provides a simple overview of *Shosha*'s CSR activities.

Chapter 4 introduces the activities of Japan Foreign Trade Council, Inc. (JFTC), which this year celebrates the 70th anniversary of its founding in 1947.

We hope this Handbook will provide as many readers as possible with a deeper understanding of the activities, business and projects in which the *Shosha* engage.

July 2017







Japan Foreign Trade Council, Inc.

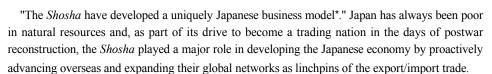
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## What Are the Shosha?



\* Comment by Professor Ryuji YASUDA, Graduate School of International Corporate Strategy, Hitotsubashi University, during the symposium on The Front Line of the Shosha Business sponsored by JFTC.

The main features of the activities of the Shosha today are as follows.

- They quickly identify, and attempt to anticipate, customers' ever-diversifying needs as they change with the times, expanding their roles and functions on their own initiative, while constantly and flexibly altering and expanding their business portfolios (See Chapter 1.1-(2)).
- ②The Shosha handle products in a wide range of business sectors that are said to cover everything "from mineral water to communications satellites (see Column 2)." Their business domains extend from upstream to downstream sectors, from the development and procurement of raw materials, to manufacturing and processing, logistics, sales and services. They contribute at each stage by enhancing value-added (See Chapter 1.1-(3)).
- 3 The Shosha operate worldwide, making business investments on a global scale. By building numerous value chains (see Chapter 1.2-(3)), they contribute to creating richer lives for people through satisfying their varied needs in countries and regions around the world (See Chapter 1.1-(4)).

**Extensive Range** of Assorted Products and **Business Sectors** 



Variety of functions

> **Problem**solving Valuecreation

Global networks

**Change Provides Opportunities** 



## **Using a Variety of Functions to Create Businesses**



The Shosha make use of various functions to create many types of business.

These functions are constantly becoming more sophisticated in response to changing times and environments.

## **Function**

## **Explanation**

## **Business** transactions

Core functions that promote global trade

## **Information** and research

Collect and analyze extensive, wide-ranging information for use in business

## **Market** development

Analyze supply and demand trends, and open up global markets

## **Business** development and management

Strengthen business development & promotion, and group management

## Risk management

Minimize business risk

## **Logistics**

Aspire to optimum overall logistics

## **Finance**

Provide financial functions that are unique to Shosha, and develop leasing business

## **Organizer**

Combine functions organically to develop projects

# Extensive Range of Assorted Products and Business Sectors

## **Involvement in a Wide Range of Business Sectors**

Machinery, transportation equipment, infrastructure

- Construction machinery, machine tools, agricultural machinery, mining machinery
- Power generation, water supply & sewerage systems, railways & ports, cargo handling facilities
- Solar, wind & geothermal power generation
- Automobiles & auto parts, railways, ships, aircraft

Energy, metals, chemicals

- Coal, iron ore
- Iron & steel products, steel service centers
- Copper, aluminum, nickel, rare metals
- Precious metals (dealing)
- Oil, LNG, LPG, petroleum products, alternative energy sources
- Petrochemicals, inorganic & fine chemicals, synthetic resins, electronics materials, fertilizers & agrochemicals, pharmaceuticals, and biochemicals

Consumer goods

- Textiles (raw materials, products, materials, apparel, branded goods)
- Lumber & construction materials, paper & pulp, chippings, leather, ceramics, tires, rubber products, interior goods and household sundries
- Grains, raw sugar, marine & livestock products, fruit & vegetables, oils & fats, beverage ingredients
- Alcoholic beverages, canned goods, dairy products and other processed foods
- Pharmaceuticals, drug stores, health-related products, hospitals, and facilities for the elderly
- Convenience stores & supermarkets

Information, construction and real estate, finance, logistics

- Information & communications, CATV, TV shopping
- IT, BPO services
- Industrial parks
- Leasing (automobiles, railway rolling stock, aircraft, etc.)
- Comprehensive regional development, housing (development, construction, sales & management), commercial facilities, office buildings (construction, facilities management, leasing, distribution)

## **Huge Industrial Groupings**

Companies that create companies: Establishing business corporations, entering new sectors through acquisitions of existing companies

In Japan and overseas prox. **4,100** companies

400,000 employees

Consolidated companies/employees of seven Shosha\* (incl. employees of parent companies: 30,000)

\* Seven Shosha: Itochu Corporation, Marubeni Corporation, Mitsubishi Corporation, Mitsui & Co., Sojitz Corporation, Sumitomo Corporation, Toyota Tsusho Corporation (The same applies hereinafter.)

# **Global Networks**



cities in Japan

Business locations of the seven Shosha (excluding overlaps)

(Reference: The number of Japanese Embassies, Consulates and Permanent Missions totaled 220 as of Jan. 2017)

## **Opening up the World's Frontiers**

#### **Europe, Russia, CIS**

#### East Asia\*

Number of **business locations** increasing in North and Latin America. Asia & Oceania

#### North America

#### **Middle East**

#### **Latin America**

## Asia & Oceania

**Africa**  **Changes in** the number of business **locations** 





Note: Number of cities in which the seven Shosha have established business locations derived from Annual Reports (Integrated Reports), websites and other sources (this number differs from the numbers disclosed by individual companies).

<sup>\*</sup> East Asia: China, Hong Kong, Taiwan, Korea, Mongolia

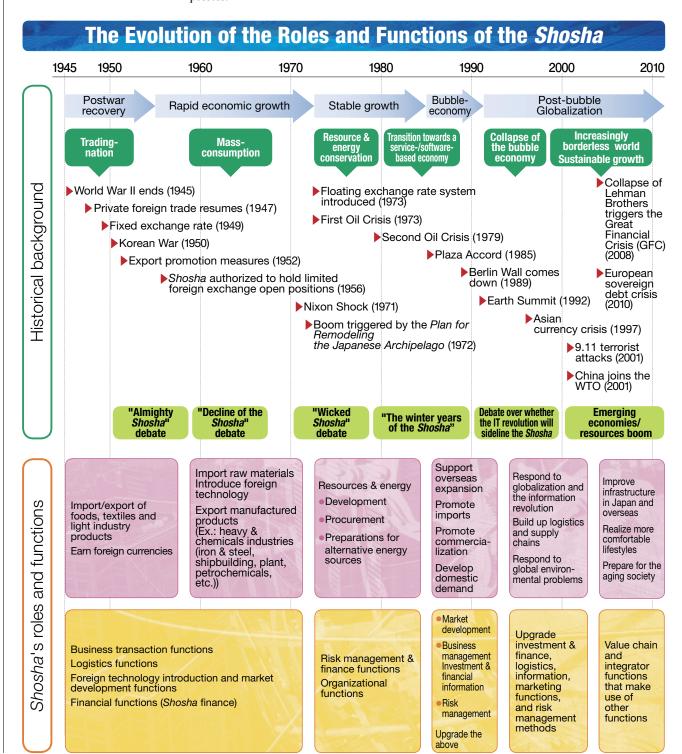


# The Continuously Evolving Functions of the *Shosha*

Amidst the constantly changing external environment, the *Shosha* have always adopted a flexible, autonomous approach to evolving and expanding their roles and the services they offer, while anticipating and identifying the current needs of industry and society.

As discussed in Column ① below, the *Shosha* have faced doubts about their future, such as when people talked about the "decline of the *Shosha*," or the "winter years of the *Shosha*." For their part, the *Shosha* took a positive attitude and repeatedly reformed themselves.

We believe this ability to respond to change is in itself the greatest strength that the *Shosha* possess.





## Why Shosha?





Extensive knowledge of global markets



Strong teams of in-house experts (taxation, accounting, finance, legal matters, risk management)



Expert at pioneering new businesses and markets



Ample financial resources

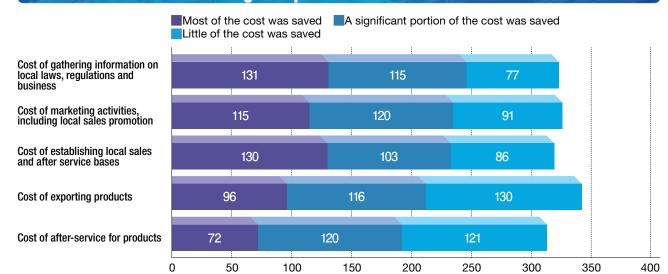


The Shosha develop businesses by managing them themselves



Ability and clear mission to respond to customers' needs by providing solutions to all their problems

## **Cost Savings Achieved Through the Use of Trading Companies and Wholesalers**



Source: Prepared by JFTC based on the White Paper on International Economy and Trade 2016 published by METI

(Company)



# How the Shosha Overcame

Although the Shosha have been key drivers of Japan's postwar growth, they have certainly not enjoyed smooth sailing at all times. a Variety of Crises As they faced multiple afficulties in the process, they have the needs of the times by flexibly evolving their functions. As they faced multiple difficulties in the process, they responded to

#### "The Decline of the Shosha" debate

The first indication of doubts in the future of the Shosha came in the form of an article on "The Decline of the Shosha\*1". Since trade was the mainstay business of the Shosha, the argument went, their services would no longer be needed if manufacturers became large enough to establish their own sales networks. In reality, however, Japan was in the midst of its rapid growth era, leading to a situation where the manufacturers needed the Shosha more than ever because of their skills in procuring the necessary raw materials and introducing first-class technology from overseas. The manufacturers and the Shosha also worked together to develop export markets and steadily expand their businesses. Several factors were behind the rapid advance of the Shosha. The debate over the decline of the Shosha not only provided them with an opportunity to strengthen their corporate structures, but also encouraged them to formulate long-term strategies that included diversifying their operations.

Around the time of the Oil Crisis

#### Criticism of the *Shosha* and the theory Ithat they were no longer needed

Social criticism of the Shosha mounted from the second half of 1971 through 1975, when the Japanese economy faced disruptions caused by rapid price increases. The Shosha were seen as the ringleaders behind runaway inflation because they were accused of hoarding and withholding goods from sale. Japan's Fair Trade Commission carried out investigations, while the top management of the larger Shosha were summoned to testify before the Diet (Japan's parliament). This alerted the Shosha to the impact that their own activities had on society and to the magnitude of their social responsibilities. As a result, they drew up The General Trading Companies' Corporate Code of Conduct\*2, which declared that the entire sector would henceforth act in a spirit of selfrestraint.

Second half of the 1970s through the first half of the 1980s

### "The winter years of the Shosha"

The global economic stagnation and ongoing appreciation of the

yen against the dollar that followed the Oil Crisis eroded Shosha profits, ushering in what was known as "the winter years of the Shosha." Weaker Shosha profits were attributed to four factors: ① the Shosha were slow to react to change in Japan's industrial structure as it made the transition from large smokestack industries to lighter, more compact knowledge-intensive industries; 2 growing exchange and country risk; 3 manufacturers' growing disengagement from Shosha; and @increasingly bloated in-house organizations. The Shosha survived the winter years of the Shosha by taking a more defensive stance. To overcome these problems, they adopted measures to improve management, including steps to reduce their interest burdens by diversifying their funding methods and preventing bad debts through more rigorous risk management. They also became more proactive towards exports to the oilproducing nations, which had begun to play a much greater role in the global economy following the oil crisis, and towards overseas investment and entry into new business sectors.

#### The "collapsing Shosha" debate and the theory that the IT revolution would eliminate the need for the *Shosha*

The after effects of the collapse of the bubble economy and the Asian currency crisis presented the Shosha with an unprecedented management problem in the latter half of the 1990s, prompting business magazines to put out numerous special editions on the collapse of the Shosha. This led to a sectoral restructuring whereby the Shosha sought to get back on their feet again by focusing on their core competences, liquidating their unprofitable businesses, and writing off their problem loans. Other observers wondered whether the IT revolution would render the intermediary function of the Shosha unnecessary. Against this background, the Shosha saw business investment as a new way out of their difficulties, proactively expanding their resource and energy sectors, and their businesses in emerging economies such as China. They also channeled more effort into their downstream businesses in Japan. Making greater use of IT in the logistics sector, they moved ahead with supply chain management initiatives designed to enhance their customers' production and sales activities.

\*1 In 1961, Japan's The Weekly Economist magazine published a report entitled Are Japan's Shosha in Decline?

\*2 Formulated on May 10, 1973, revised as The Shosha's Corporate Code of Conduct on July 8, 1999, and revised again on June 16, 2005. See Page 42 for details. Reference materials; Seminar; Nihon no Sogo Shosha (Second edition) (Ed. Research Division, Itochu Corporation, Pub. Tovo Keizai Shimposha)





## **Trade and Business Investment Are the Two Cornerstones**



The Shosha have two sources of revenues: traditional trading, and their rapidly growing investment activities. Their business portfolios are thus based on two cornerstones, trade and business investment.

Their basic business model for trade consists of utilizing global information, logistical networks, and financial resources to seek buyers and sellers on behalf of their customers, and earning commissions on linking them together.

In contrast, the business investments made by Shosha have various objectives. Unlike investment banks and funds, they seek neither capital gains on future sales of the businesses involved nor dividend receipts from the outset. Instead, they engage in long-term ownership to foster the businesses themselves in the hope of expanding trade or finding synergies with other businesses under their ownership. In addition to acting as sole investors, they seek strong partners to make joint investments with a view to securing knowhow in new sectors. Both cases are characterized by relatively long-term strategic investments and a deep involvement in managing the targets of the investments, or 'investees.'

Shosha revenue structures are transitioning from a focus on commissions arising from conventional trading towards the wide-ranging revenue opportunities obtainable from the manufacturing and service businesses in which investments have been made, as well from the overall activities of the group, including subsidiaries (→ The *Shosha*'s Value Chain Strategy).



Toyota Steel Center (Japan) Photo courtesy of Toyota Tsusho Corporation

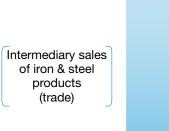
## fferences Between the Trade and Business Investment Businesses

#### **Trade business**

Blast furnaces (manufacture)

**Business investment** 

Blast furnaces (manufacture)



Intermediary sales of iron & steel products (trade)

Coil Center (business investment) \*Process products in line with customer needs

Involvement in the manufacturing process



Sales that enhance value-added

### Customers

(manufacturers of consumer electronics, automobiles, etc.)

> Shosha revenues (commissions)

## Customers

(manufacturers of consumer electronics, automobiles, etc.)

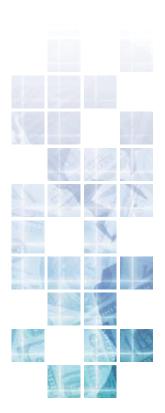
Shosha revenues (commissions + labor charges, dividend receipts from the business)



# Features of *Shosha*'s **Business Investments**



The features of Shosha's business investments can be summarized as follows:



They cover a wide spectrum of businesses from upstream to downstream sectors.

They utilize the *Shosha*'s overall capabilities based on typical functions such as capital, managerial and organizational strengths to advance into hitherto unfamiliar business domains. The *Shosha* did not have the diversified functions they possess today from the outset. Instead, they have acquired them through businesses with partners in various specialist sectors, and in many respects the investment experiences they have had with their partners around the world have enhanced their overall capabilities.

While dividends and equity gains are the basis of the returns that *Shosha* derive from their business investments, they also earn commissions on trading in raw materials, profit margins on purchases and sales of facilities, and advisory fees.

They do not see business success or failure in terms of whether a single investment deal is profitable or not. There are cases where they earn profits by engaging in similar investments in similar schemes with other companies, and deploy this approach to other countries and regions.

Unlike investment banks and funds that aim for short-term capital gains, they make strategic investments based on long-term ownership.



Business opportunities can be found anywhere in value chain, from upstream down through midstream to downstream



Teaming up with partners who have regional or sectoral expertise, they share risk while enhancing their knowledge as they venture into areas where they have no experience.



Shosha make use of their overall capabilities, which include providing finance and management support, risk-taking and management functions, and trading and organizational functions



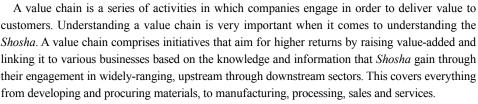
Returns range from dividends and equity gains to capital gains and fee revenues



They make strategic (extensive) investments that focus more on long-term holdings rather than short-term capital gains

# 2-(3)

## The Shosha's Value Chain Strategy



Take steel for example:

- 1) The Shosha invest in ownership rights in mines in order to develop the coal and iron ore that are essential for steel manufacture. They also invest in ways of supplying the mined raw materials to iron & steel manufacturers, and even in steel businesses themselves.
- 2) In addition to buying in steel products from steel manufacturers and selling them to manufacturers of railway rolling stock and automobiles, and shipbuilders, they add value by processing these products to specifications that customers find easier to use, and through their involvement in manufacturing automobile parts.
- 3) Their involvement in businesses relating to end products extends from auto sales and leasing, to sales and operations of ships, as well as sales of gasoline for vehicles and fuels for aircraft and ships.

This participation in mutually-related businesses in upstream through downstream sectors gives them a birds-eye view of the overall business processes involved, enabling them to offer financial, information and logistical functions as necessary. This, in turn, helps them enhance customer convenience and aspire to higher value-added business. It also explains why value-chains are significant for the *Shosha*, and why they are building value chains in various sectors, including energy development, foods and textiles.

## **The Steel Value Chain**

Mine ownership rights

Procure raw materials

Manufacture

Processing, distribution and sales

End user

Invest in ownership rights Coal and iron ore

Blast furnaces, Electric furnaces Single-pressure mills

Coil centers,
Partsmanufacturing

Consumer electronics,
Automobilemanufacturers

Rights holdings Business management Rights holdings Business management

Business management



**Iron ore mining business (Brazil)**Photo courtesy of Itochu Corporation



Ferrocoke pilot facility reduces CO<sup>2</sup> emissions and conserves energy (Japan)
Photo courtesy of JFE Shoji Trade Corporation



Steel Service Center (Mexico)
Photo courtesy of Sumitomo Corporation

# Catchphrases That Summarize Shosha's Activities



The catchphrases used to describe the *Shosha*'s activities have changed with the times.

Today, "from mineral water to communications satellites" is often used. At the beginning of the 20th century, the slogan was "from bird feed to warships," but this changed to "from ramen\*1 to missiles." Following complaints that "missiles" were not good for the corporate image, however, "rockets" or "aircraft" were adopted instead and used proactively.

The idea was to use a simple expression that conveyed the idea that the *Shosha* handle a very wide range of products, from the smallest to the largest. However, the message that the *Shosha* handled every conceivable product unfortunately conveyed the negative impression that they were suspicious mega corporations. We believe this was one reason for the criticism of the *Shosha\*2* that occurred in the 1970s (Column(1)).

- \*1 Sales of Nissin Foods' Chicken Ramen started in August 1958. The packs weighed 85g and the retail price was ¥35.
- \*2 Oil prices rocketed when the Fourth Arab-Israeli War broke out in 1973. The mass media and consumer groups accused the *Shosha* of causing the jump in prices for petroleum products and general consumer goods by hoarding and withholding goods from sale. The top management of the larger *Shosha* were summoned to testify before the Diet (Japan's parliament) as part of its intensive investigations into price rises.

# Shosha's Characters and Kids' Websites

The Shosha have worked out ways to provide simple explanations of their involvement in our daily lives through their websites. They use characters and sites created for children to enhance understanding of their activities and make them more familiar, as shown below.

#### **Characters and sites created for children**

Itochu Corporation:
Chuta ITOH's Big
Adventure

http://www.itochu.co.jp/ja/kids/



Chori Corporation: CHORI-KUN

http://www.chori.co.jp/topics/ CHORlkun.html



Mitsui & Co.:

**Learning from the Forests** 

http://www.mitsui.com/jp/ja/morikids/

#### JFTC: JFTC Kids Site http://www.jftc.or.jp/kids/



Shoma & Osho

#### **Others**

**Kowa Company:** 

**Kowa Kero-Koro Land** 

http://kr2.kowa.co.jp/

**Sumitomo Corporation:** 

**Who is Sumitomo Corporation?** 

http://www.sumitomocorp.co.jp/

**Sojitz Corporation:** 

**Welcome to Sojitz Wonderland!** 

http://sp.sojitz.com/ wonderland/



Sojitz Wonderland





Whatever the era, the Shosha have continued to respond to the needs of the times by carefully considering the functions and roles they should fulfill to meet the needs of the ever-changing environment. The same goes for the world today. The Shosha contribute to society and support the lives of the people of the world through the various initiatives outlined below.

In 2015, the United Nations led the way in formulating Sustainable Development Goals (SDGs), which list the common social problems facing the world that we must resolve on a priority basis by 2030. It called on companies to contribute to achieving these goals through their business

As the Shosha are active in countries and regions throughout the world, and in all kinds of industrial sectors, they endeavor to achieve these SDGs and resolve common social problems through their business transactions and investments. Among other things, they strive to ensure sustainable use of resources, devise responses to climate change, develop regional economies, take human rights and labor conditions into account, and preserve biological diversity.



Stable Supplies of Resources and Energy



Lead Global Expansion



Stable and Secure Supplies of Safe Food



Support More Comfortable Lifestyles



Achieve a Sustainable Society



Preparing for the Aging Society



Establish Social Infrastructures in Japan and Overseas

## **Sustainable Development Goals (SDGs)**



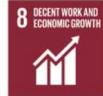






























# Stable Supplies of Resources and Energy (Energy)



Since Japan depends on overseas sources for supplies of minerals (iron ore, nonferrous metals, rare metals, etc.) and energy (oil, coal, natural gas, etc.), the *Shosha* have always played a key role in their procurement.

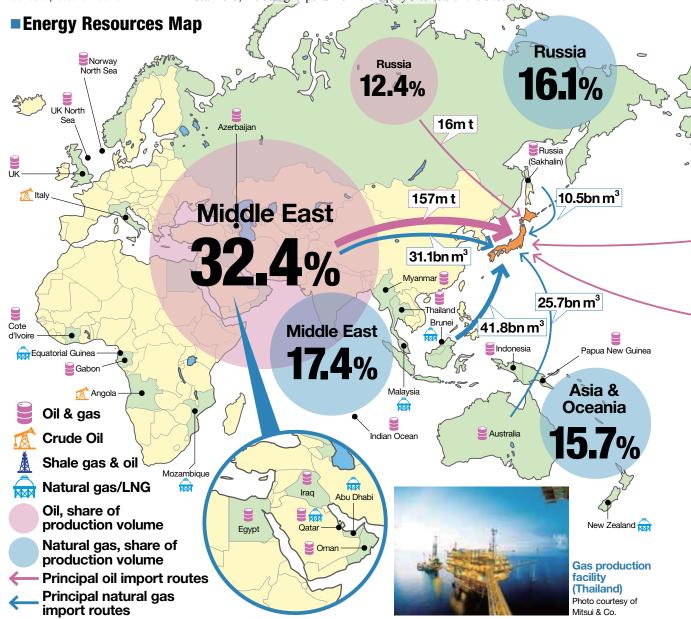
The *Shosha* explore resources at their own risk, negotiate with the governments of the countries that own the resources and the companies with rights holdings, secure their own rights through investments and financing, etc., and even participate directly in mine operations. At the same time, they seek to spread risk by diversifying their suppliers, and contribute to stable prices and supplies by concluding long-term contracts.

On the one hand, they expand the areas from which they procure resources in cooperation with strong overseas partners. On the other hand, at the distribution level they build broadly-based value chains that extend from refining and trading, to the management of LPG sales outlets and filling stations.

The following global map shows the resource and energy rights held by the seven *Shosha*. It clearly shows how the interests of the *Shosha* extend from the Middle East to the North Sea, Africa, Southeast Asia, Australia, and the Gulf of Mexico.

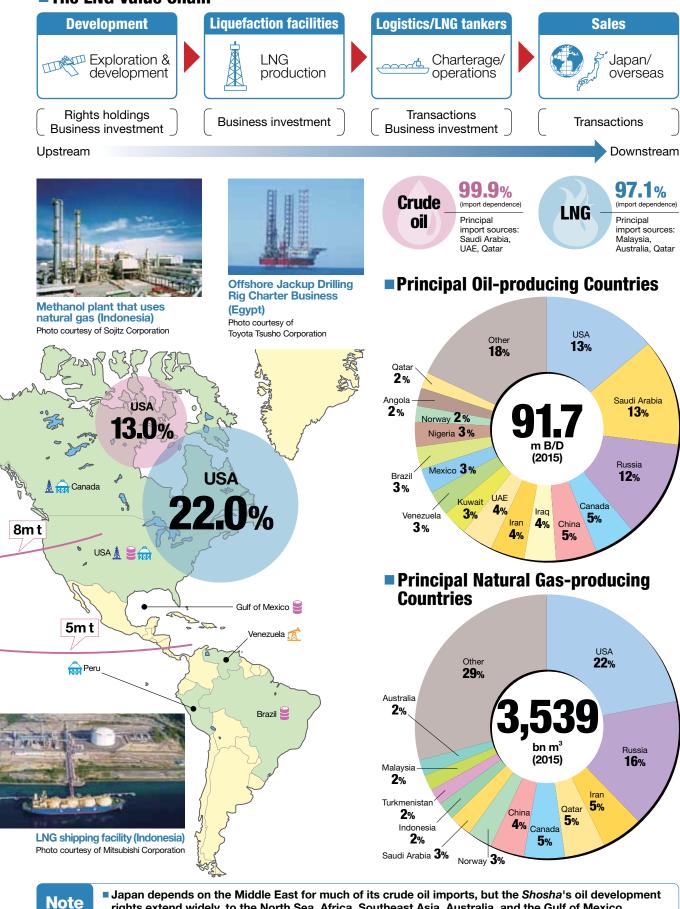
According to METI, Japan was responsible for 27% of its own oil and natural gas development\* in fiscal 2015, including imports from the equity interests of the *Shosha*.

\*Take-up of oil and natural gas under Japanese corporate equity interests as a proportion of total imports and domestic production volume.



#### ■The LNG Value Chain

This!



rights extend widely, to the North Sea, Africa, Southeast Asia, Australia, and the Gulf of Mexico.

■ Their natural gas rights also extend to Africa, Southeast Asia, and Australia, not just the Middle East.

Source: Prepared by JFTC based on Annual Reports (Integrated Reports), websites and BP statistics



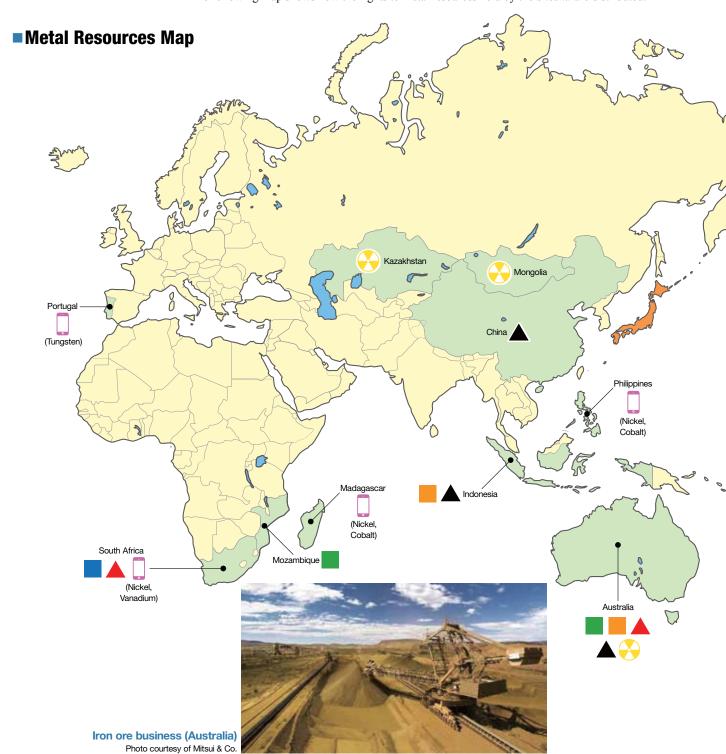
# Stable Supplies of Resources and Energy (Metal Resources)

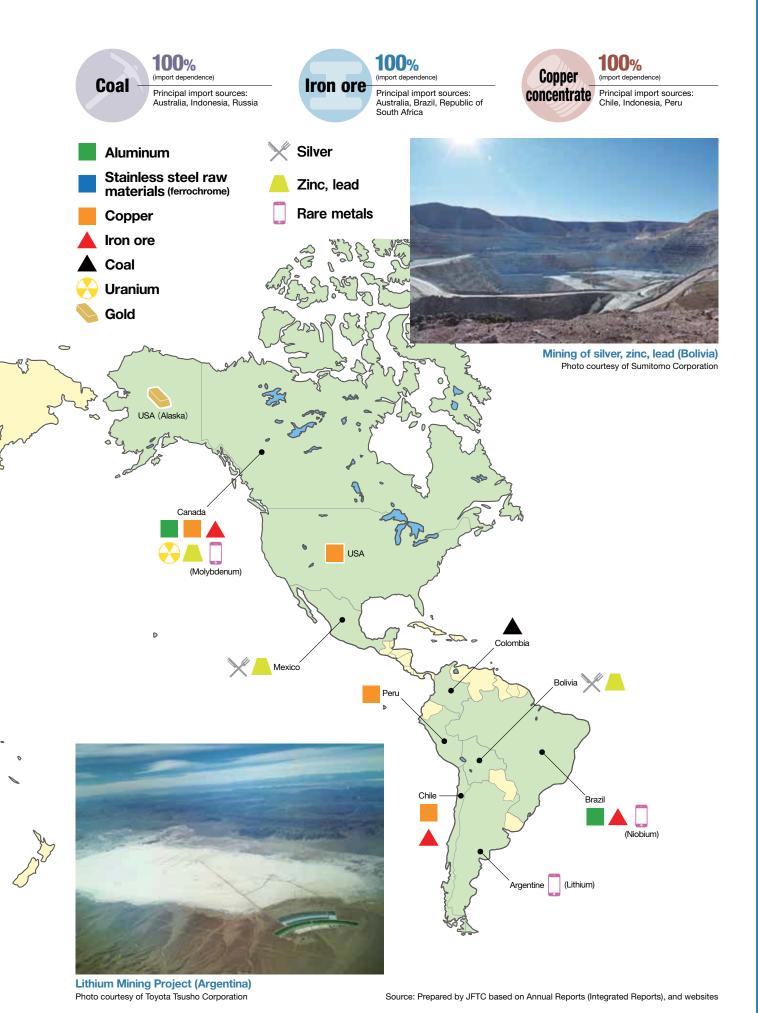


In addition to energy resources such as oil and natural gas, the *Shosha* handle mineral resources such as coal and iron ore, which are essential for producing steel. They also handle base metals, including aluminum, copper and lead, as well as precious metals and the rare metals used in various industries, including lithium, vanadium, cobalt, nickel, niobium, molybdenum and tungsten.

The *Shosha* endeavor to ensure long-term, stable supplies of such resources by securing mining rights and engaging in the smelting & refining business.

The following map shows how the rights to metal resources held by the *Shosha* are distributed.







## Stable and Secure Supplies of **Safe Food**



According to the United Nations, the global population was over 7.3 billion people in 2015, and is expected to increase going forward, especially in the emerging economies. By 2050, it is forecast to reach 9.7 billion, which will lead to an increase in demand for food.

As income levels rise in the emerging economies, moreover, demand for higher quality diets will likely increase, while the ingredients of the diets will also change, with greater demand for meats. At the same time, we expect people to become more concerned about food quality and food safety.

To ensure stable global food supplies, the Shosha will work on raising agricultural productivity, diversify suppliers, and build more reliable procurement routes, thus playing a role in efficiently matching food supply and demand, which are often unevenly distributed from one region to another.

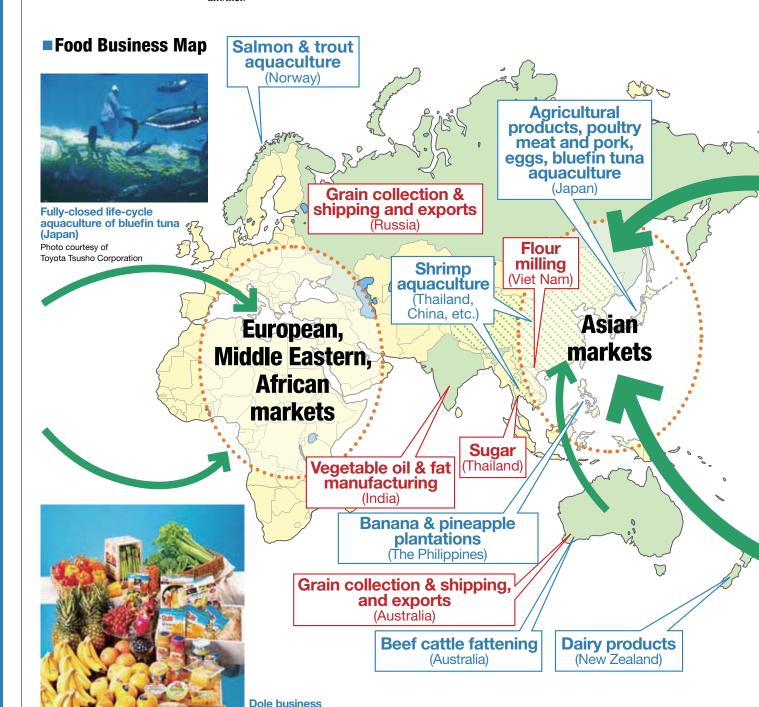


Photo courtesy of Itochu Corporation

#### **Improving agricultural** productivity

■ Supply agrochemicals, fertilizers, agricultural materials

#### Strengthen food procurement and supply capacity

- Participate in the agricultural production business, fishery product aquaculture business, etc.
- Improve grain collection & shipping, and sales networks

#### **Ensure safety and quality -**

■ Enhance traceability

### Example of Food Value Chain



- Farm management
- Aquaculture businessGrain production
- Grain collection
- & shipping Agrochemicals
- & fertilizers

  Agricultural materials



Primary processing

Secondary processing

Intermediate distribution





- Oils & fats
- Animal feeds
  - Flour milling Sugar manufacture
    Dairy products
  - Marine product processing
- Marine products
- Meats ■Sesame oil
- ■Edible oils
- Beverages Fruit & vegetables
- Processed food
- Meat distribution Food distribution
- ■Confectionery/ alcoholic beverages
- ■Convenience stores
- ■Supermarkets
- Mass retailers ■ Food service industry

## Salmon & trout aquaculture

(Canada)



Beef, pork, wheat, barley, soybeans, corn

Pig farming business (USA, Canada)

> Grain export terminal (USA) Photo courtesy of Marubeni Corporation

**Grain collection &** shipping, and exports (USA)

**Edible oil** refining (USA)

**Agricultural** production (Brazil)



Advance into the smart agriculture

Photo courtesy of Kanematsu Corporation

Corn, soybeans, soybean cake, green coffee beans

Salmon & trout aquaculture (Chile)

Grain collection & shipping and exports (Brazil, Argentine)

Coffee

production (Brazil)

Salmon aquaculture business (Chile) Photo courtesy of Mitsui & Co.

**Suppliers** 

**End-users** (consumers)

Suppliers & end-users (consumers)

**Perishables** 

Raw materials

**Principal suppliers** 

USA, Australia, Brazil, Argentine, etc.

Source: Prepared by JFTC based on Annual Reports (Integrated Reports), websites; Brains magazine (July 20 & July 27, 2016 editions; Brain Trust Co.)



## **Achieving a Sustainable Society**

Unit: GW

The Shosha's top priority management issue is the realization of a sustainable society that promotes harmony between social and economic development on the one hand, and the global environment on the other. When contemplating investments in companies or development projects such as infrastructural improvements, therefore, decision-making involves careful consideration of the impact on the environment and society.

The adoption of the Paris Agreement on measures to deal with climate change from 2020 onwards has provided an opportunity to aim for a transition to a global, low-carbon society. This has encouraged the increasingly broadly-based introduction of measures to deal with climate change using renewable energy resources such as geothermal, solar, wind and small-scale hydroelectric power generation. All of these emit lower volumes of the greenhouse gas carbon dioxide than thermal power generation using oil, coal and other fossil fuels. In addition to adopting

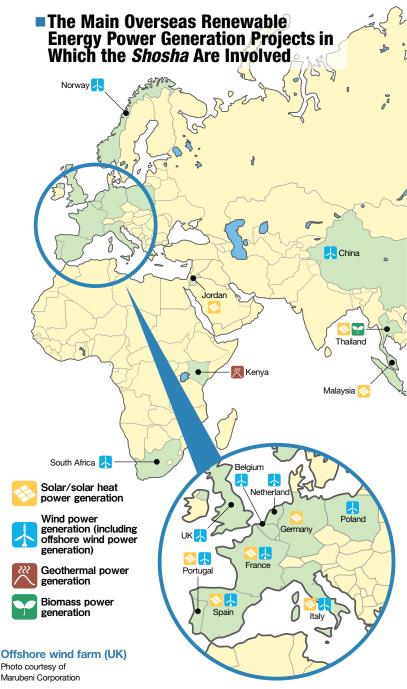
### ■ Global Natural Energy Generating Capacity in 2015

(Source: Prepared by JFTC based on the Renewables 2015 Global Status Report - REN21)

|                        |              |                |                |                                |                | Unit. GW                             |
|------------------------|--------------|----------------|----------------|--------------------------------|----------------|--------------------------------------|
|                        | Biomass      | Geothermal >>⊗ | Solar          | Concentrated Solar Power (CSP) | Wind           | Power generation<br>capacity (Total) |
| IEA forecast<br>(2030) | 210 ~<br>340 | 40 ~<br>50     | 490 ~<br>1,000 | 40 ~<br>120                    | 920 ~<br>2,700 |                                      |
| World                  | 106          | 13             | 227            | 5                              | 433            | 785                                  |
| EU28                   | 36           | 1              | 95             | 2                              | 142            | 276                                  |
| BRICS                  | 31           | 0              | 50             | 0                              | 180            | 262                                  |
| China                  | 10           | 0              | 44             | 0                              | 145            | 199                                  |
| USA                    | 17           | 4              | 26             | 2                              | 74             | 122                                  |
| Germany                | 7            | 0              | 40             | 0                              | 45             | 92                                   |
| Japan                  | 5            | 1              | 34             | 0                              | 3              | 43                                   |
| India                  | 6            | 0              | 5              | 0                              | 25             | 36                                   |
| Italy                  | 4            | 1              | 19             | 0                              | 9              | 33                                   |
| Spain                  | 1            | 0              | 5              | 2                              | 23             | 32                                   |

Note: Totals are not necessarily consistent because fractions of the displayed units have been rounded





initiatives for broadening electricity supplies using renewable energy, the *Shosha* are expanding their use of hydrogen energy, which is often dubbed the ultimate clean energy source. Working on boosting the spread of electric cars and other next-generation vehicles as well as the development of smart cities, they are increasing their involvement in various new businesses in readiness for the transition to a low-carbon society. Through such businesses, as well as sustainable forest management involving afforestation and the consumer electronics recycling business, they are thus aiming to realize a recycling-based economic society.

According to the *Renewable Energy Policy Network for the 21st Century (REN21)*, a non-profit organization headquartered in Paris, global renewable power capacity (excluding hydroelectric power) amounted to 785 gigawatts (GW) in 2015 (see table on left-hand page).

Currently, wind power has the highest renewable power capacity, generating around 55% of the total, followed by solar power with around 29%. By country, China accounts for by far the largest share of renewable power capacity with over 20% of the total, largely because of its substantial wind and solar power generating capacity. The United States and Germany rank second and third. Both have substantial wind and solar power generating capacity, whereas solar power is the mainstay in fourth-ranked Japan.

The global map below shows the main overseas renewable energy power generation projects in which the seven Shosha are involved. Solar power generation (Peru) Photo courtesy of Sojitz Corporation Canada Total power generation capacity Equity power generation capacity Korea 🙏 (seven Shosha total) Mexico 🙏 💆 🎇 Indonesia USA (Hawaii) Jamaica 🙏 Chile 🙏 Uruguay Geothermal power generation (Indonesia) Photo courtesy of Mitsubishi Corporation



- The equity renewable power generation capacity of 3,231MW is approximately equivalent to half the capacity of The Shikoku Electric Power Company's generating facilities.
- Including thermal and hydroelectric power, the overseas equity power generation capacity of the seven Shosha amounts to 36,505MW. This is the equivalent of 20% of the overall capacity of the power generating facilities of Japan's electric power suppliers, which totaled 228,479MW as of 2010, prior to the Great East Japan Earthquake.

  Reference: 1GW = 1,000MW (=1,000,000kW)

Source: Prepared by JFTC based on Brains magazine (February 10, 2016 edition; Brain Trust Co.); Annual Reports (Integrated Reports), etc.

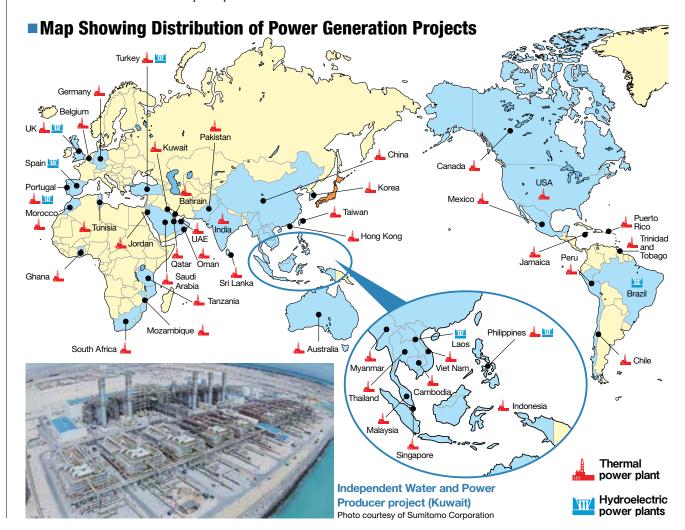


Demand for the development and construction of electric power, water, railway, telecommunications and other facilities that constitute the base of societal infrastructure is rising worldwide. Estimated at an annual \$1 trillion globally, infrastructural demand is particularly high in the developing economies, while demand for electric power continues to increase against the background of growing populations and rising living standards. Moreover, preparations to deal with water shortages is becoming an issue as uneven regional distribution of water resources is exacerbated by factors like population growth and climate change. Progress in urbanization characterized by rising concentrations of population in cities as economies grow is causing serious traffic congestion, which can only be mitigated and eliminated by improvements in transportation and logistical networks. Meanwhile, demand for superannuated infrastructure repairs and renewals is rising in the advanced nations.

In addition to business entities engaged in operations, the infrastructure business involves financial institutions that provide funding, public financial and insurance institutions such as the Japan Bank for International Cooperation (JBIC), and Nippon Export and Investment Insurance (NEXI), as well as manufacturers that provide equipment, engineering and construction companies that subcontract construction work, and public utilities that purchase services. The *Shosha* pay attention to all aspects of such projects and play a role in settling confrontations between interested parties whose vested interests may clash.

In the case of some power generation projects, for example, the *Shosha* select the optimal locations and the most competitive manufacturers of power generation facilities through their domestic and overseas networks. They also transport and install generating facilities, get involved in power plant construction, and venture into managing power stations themselves as independent power producers (IPP).

The following world map depicts the main overseas infrastructure projects in which the *Shosha* participate.





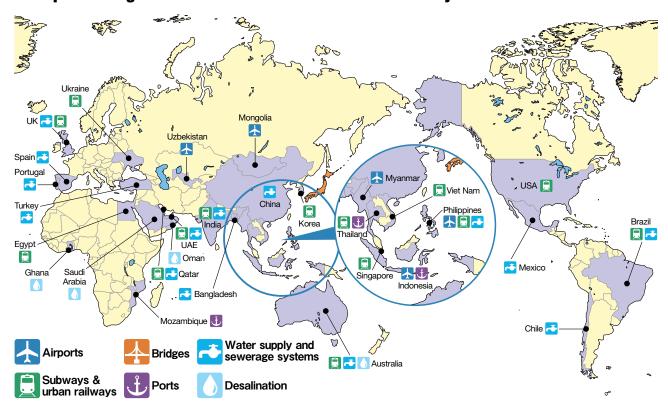
Water business/water treatment plant (UK)

Photo courtesy of Mitsubishi Corporation



Passenger transportation business/East Anglia (UK)

## ■ Map Showing Distribution of Other Infrastructure Projects





**Urban Railway in Bangkok (Thailand)**Photo courtesy of Marubeni Corporation



**New Ulaanbaatar International Airport Construction Project** (Mongolia)

Photo courtesy of Mitsubishi Corporation

Source: Prepared by JFTC based on Annual Reports (Integrated Reports), websites; Brains magazine (February 10, 2016 edition; Brain Trust Co.)



## **Leading Global Expansion**



Globalization is prompting businesses to accelerate their advances into rapidly growing emerging economies. However, venturing overseas inevitably involves legal procedures for securing land and registering companies, as well as hiring.

The Shosha are engaged in the industrial parks business, including sales of lots for the construction of factories after securing and preparing land, and preparing the electricity supplies, water supplies, sewerage systems and other infrastructure necessary for companies moving into the parks. The strengths of the Shosha do not lie simply in handling the physical elements of the infrastructure. They also excel in fully mobilizing their functions and knowhow to provide operational support in a variety of areas. These range from obtaining permits and licenses for setting up local subsidiaries to providing notifications and countermeasures relating to frequent legal amendments concerning hiring and labor management.

They also support manufacturing in foreign countries in various ways. These include: arranging for construction companies and construction materials for factory buildings; procurement, imports & customs clearance, and transportation; providing raw materials, importing parts and other resources necessary for production; providing just-in-time logistical services, including the use of their own warehouses; and product marketing and clientele development. They also provide rental plants for small-scale businesses.

The figures on the right-hand page list the industrial parks in eight Asian countries in which the seven Shosha are the principal entities.

#### ■The Main Roles of the Shosha in the Industrial Parks Business

**Land acquisitions** Infrastructuralimprovement

- Transformer substations
- Sewage & water treatment plants
- Main roads
- Rental plants

**Provide services** 

- F/S support
- Support company start-ups
- : Cooperate in research, provide information : Investment procedures, licensing procedures for plant/
- company start-up
- Operational support: Hiring and labor management; safety & security; taxation; accounting; foreign exchange controls; export/import procedures; local procurement; industrial waste disposal



Thilawa Special Economic Zone (Myanmar)

Photo courtesy of Marubeni Corporation



| Name                                      | Area (ha)  | Company name              |
|---|--|---------------------------|
| Dalian<br>Industrial Estate               | 217  | Marubeni<br>Corporation   |
| China-Singapore<br>Suzhou Industrial Park | 26,000   | Mitsubishi<br>Corporation |
| Yulin Business Park                       | 320*   | Mitsui & Co.              |
| China Logistics<br>Center                 | Approx. 19.2<br>(Shanghai),<br>Approx. 4.6<br>(Tianjin)* | Mitsui & Co.              |

| Name   | Area (ha)        | Company name              |
|--|------------------|---------------------------|
| AMATA (Vietnam)<br>Industrial Park             | 700              | Itochu<br>Corporation     |
| Vietnam Singapore<br>Industrial Park<br>(VSIP) | 500              | Mitsubishi<br>Corporation |
| Thang Long<br>Industrial Park I                | 274              | Sumitomo<br>Corporation   |
| Long Binh Techno<br>Park                       | 100              | Sojitz<br>Corporation     |
| VSIP Binh Duong                                | Approx.<br>2,045 | Mitsubishi<br>Corporation |
| Thang Long Industrial Park I                   | 346              | Sumitomo<br>Corporation   |
| VSIP Bac Ninh                                  | Approx. 700      | Mitsubishi<br>Corporation |
| VSIP Hai Phong                                 | Approx.<br>1,600 | Mitsubishi<br>Corporation |
| VSIP Quang Ngai                                | Approx.<br>2,866 | Mitsubishi<br>Corporation |
| Long Duc Industrial<br>Park                    | 270              | Sojitz<br>Corporation     |



Thailand (Total: 10,440ha

Myanmar (Total:

| Name                                   | Area<br>(ha)   | Company name  |
|--|----------------|---|
| Thilawa<br>Special<br>Economic<br>Zone | Approx.<br>400 | Mitsubishi<br>Corporation,<br>Marubeni<br>Corporation,<br>Sumitomo<br>Corporation |
|  |                |   |

| Ivallie                             | Area (na) | Company name              |
|-------------------------------------|-----------|---------------------------|
| First Cavite<br>Industrial Estate   | 155       | Marubeni<br>Corporation   |
| Laguna<br>Technopark                | 460       | Mitsubishi<br>Corporation |
| Lima Technology<br>Center           | 500       | Marubeni<br>Corporation   |
| First Philippine<br>Industrial Park | 448       | Sumitomo<br>Corporation   |

| Name                              | Area (ha) | Company name                 |
|-----------------------------------|-----------|------------------------------|
| Lad Krabang<br>Industrial Estate  | 200       | Marubeni<br>Corporation      |
| Amata Nakorn<br>Industrial Estate | 4,000     | Itochu<br>Corporation        |
| Amata Nakorn<br>Industrial Estate | 2,480     | Sumitomo<br>Corporation      |
| Amata City<br>Industrial Estate   | 2,400     | Itochu<br>Corporation        |
| Amata City<br>Industrial Estate   | 1,360     | Sumitomo<br>Corporation      |
| Eastern Seaboard<br>Techno-Park   |           | Toyota Tsusho<br>Corporation |

Indonesia Cambodia

| Name                                | Area (ha) | Company name                 |
|-------------------------------------|-----------|------------------------------|
| Phnom Penh Special<br>Economic Zone | 360       | Sumitomo<br>Corporation      |
| Techno Park Poipet                  | 4         | Toyota Tsusho<br>Corporation |

| Name   | Area (na) | Company name                 |
|--|-----------|------------------------------|
| MM 2100  | 817       | Marubeni<br>Corporation      |
| East Jakarta Industrial<br>Park                      | 320       | Sumitomo<br>Corporation      |
| Suryacipta City of Industry                          | 1,400     | Sumitomo<br>Corporation      |
| Karawang International<br>Industrial City            | 1,400     | Itochu<br>Corporation        |
| TT Techno-Park<br>Indonesia                          | 15        | Toyota Tsusho<br>Corporation |
| Greenland International Industrial Center (G.I.I.C.) | 1,300     | Sojitz<br>Corporation        |
|  |           |                              |

Note: Projects in individual countries are listed in order of establishment date; including sales agency activities. Please check individual company websites for information on recent developments.

(Total: Approx. 9,400ha)

## Totals: 54 (eight countries)

(approximately equal to the area of the 23 wards of Tokyo, around 61,900ha)

Source: Prepared by JFTC based on *Brains* magazine (May 13, 2015 edition; Brain Trust Co.) \* Excerpted from websites



**Karawang International Industrial City (Indonesia)** 

Photo courtesy of Itochu Corporation



Thang Long Industrial Park (Viet Nam) Photo courtesy of Sumitomo Corporation



## **Supporting More Comfortable** Lifestyles



Since the Shosha often provide many products and services for consumers through joint ventures and other cooperative arrangements with investees and other partners, consumers frequently buy such products and services without realizing that the Shosha are involved.

In fact, the Shosha are engaged in almost every aspect of daily life, from clothing, food and dwellings, to everyday living and enjoyment, thereby contributing to the realization of more comfortable lifestyles.

#### Principal areas of focus:

- Convenience stores, supermarkets
- ▼ Food services, foreign fashion brands
- Satellite broadcasting & cable TV, movie production & distribution, anime content
- ✓ Office buildings, real estate (residential), shopping centers
- Car-sharing, electricity retail in Japan

They also operate TV shopping and online shopping services, as well as in-store sales of products.



**High-performance materials** (official uniforms and sportswear for Japan's Olympic team)



Cable TV business (Jupiter Telecommunications)

Photo courtesy of Sumitomo Corporation Photo courtesy of Chori Corporation



Large Mixed-Use Redevelopment Project in Downtown Yangon (Myanmar)

Material provided by Mitsubishi Corporation



Shopping centers (Mallage Shobu) Photo courtesy of Sojitz Corporation



Denim brand
Photo courtesy of NIPPON STEEL &
SUMIKIN BUSSAN CORPORATION

Summit, Seven & i Holdings, Sotetsu Rosen, Tobu Store, Mammy Mart, United Super Markets Holdings, FamilyMart UNY Holdings, Life Corporation, Lawson

Grand Marche, Jupiter Shop Channel, MAGASeek, BookLive!, QVC Japan

TV & online shopping



Iwatani hydrogen refueling station, Morinomiya, Osaka

Photo courtesy of Iwatani Corporation

enience

Convenience stores & supermarkets

Meal services, car-sharing, online English conversation services, welfare services

Others

Nippon Mobile Hydrogen Station Services

KFC、 Soup Stock Tokyo

Food service chains

The *Shosha*'s
Principal
Consumer-oriented
Businesses

Electricity retail

Fukuske, Admiral, GELANOTS

Branded fashion goods

Urban development & real estate



Orobianco
Broadcasting
&
video services

Satellite broadcasting & CATV, movie production & distribution

Brand goods store (Orobianco)
Photo courtesy of Itochu Corporation

ICT infrastructure services

High-speed communications, sales of portable terminals & circuits, Internet-related services, IT solutions, IoT Housing & office building development, shopping centers, smart cities, Mixeduse development "Global Gate complex"

## **Preparing for the Aging Society**

As a result of their rapidly falling birthrates and aging populations, Japan and many other advanced nations are facing growing needs in a variety of areas, including healthcare, nursing care and health services.

In the emerging economies, too, rising incomes and changing lifestyles are spurring improvements in healthcare and encouraging greater awareness of preventive health services.

The Shosha recognize that demand for healthcare is expanding on a global scale and have already launched initiatives to meet it.

They are therefore contributing to enhancing people's quality of life through participation in a wide range of sectors, including: medical equipment for treating cancer; support for new and generic drug development; supplies of pharmaceutical raw materials and formulations; support for establishing and managing medical institutions in Japan and overseas; provision of medical information services; drugstore management; online sales of pharmaceuticals and health-related products; rental wholesaling of nursing care supplies; and management of facilities for the elderly.

The chart on the right-hand page summarizes the principal initiatives adopted by the Shosha in the areas of medical treatment, pharmaceuticals, and healthcare.



**Deodorant fabrics** Photo courtesy of CBC



Hospital under IHH (Singapore) Photo courtesy of Mitsui & Co.











**Consumer Healthcare Products** (OTC drugs, Life support products) Photo courtesy of Kowa Company



Health care business (Karada Station: health care consultation services) Photo courtesy of Toyota Tsusho Corporation

# Medical Treatment, Pharmaceuticals, and Healthcare-related Businesses

### Medical machinery, equipment, and materials

- Development, manufacture, imports, sales & leasing
- Clinical research outsourcing business

## **Pharmaceuticals**

- Drug design support, pharmaceuticals development
- Pharmaceutical ingredients/intermediates/formulations/ diagnostic products, cosmetic raw materials
- Generic drug manufacturing & sales
- Health insurance dispensing, drug stores

## **Hospitals**

- Hospital management & management support
- Hospital outsourcing business (support for inventory management & procurement of pharmaceuticals, medical equipment & materials, etc.)

### Health

- Agency handling of reservations for medical examinations & physical check-ups, and payments
- PET (Positron Emission Tomography) business
- Telephone health consultation
- Pharmaceuticals information services
- Medical treatment & healthcare publications
- Welfare & health support services
- Health care consultation services

#### **Nursing care &** care services for seniors

- Welfare product supplies
- Home-based care services
- Wholesaling and rental wholesaling of nursing care supplies

Source: Prepared by JFTC based on Brains magazine (January 27, 2016 edition; Brain Trust Co.); Shosha Report magazine (November 9, 2016 edition; Shosha Report Co.)



Beauty care products Photo courtesy of NAGASE & CO.



**Clinical analyzers** Photo courtesy of Hitachi High-Technologies Corporation



## The World's Shosha (Trading Companies) (Forbes Global 2000)

It would be easy to think that the *Shosha* exist in all countries, but in reality, they are almost unique to Japan. In particular, the type of major *Shosha* that falls into the 'integrated trading company' category is currently very unusual outside Japan. From the mid-1970s through the mid-1980s, countries like Korea, The Philippines, Thailand, Malaysia, the United States, Mexico and Brazil attempted to foster *Shosha* of their own, but apparently things did not go very well.

Today, how many companies that apparently belong to the same category as Japan's *Shosha* exist around the world? Every year, *Forbes* Magazine publishes its *Forbes Global 2000* ranking of the world's top 2000 public companies in terms of four indicators:

trading revenue, profits, assets, and market value. The Forbes rankings classify Japan's Shosha as 'trading companies,' and the following table extracts only this category from the 2016 edition of the publication. It is clear from this edition of Forbes Global 2000 that seven of Japan's Shosha have an overwhelming presence among the 15 companies belonging to the trading company category. Of the remaining eight companies, three were from Korea, two from China and one each from Hong Kong, the United States and India. None of these companies came anywhere near the seven Japanese Shosha in terms of product items handled, multiple functionality, or global networks.

## ■ List of Trading Companies Extracted from the *Forbes Global 2000*

|    | 2016    |  |                    |                         |                 |                |                      |
|----|---------|--|--------------------|-------------------------|-----------------|----------------|----------------------|
|    | Ranking | Company name   | Country/<br>region | Trading revenue<br>\$bn | Profits<br>\$bn | Assets<br>\$bn | Market value<br>\$bn |
| 1  | 136     | Mitsubishi Corp  | Japan              | 59.8                    | 2.7             | 135.7          | 27.7                 |
| 2  | 203     | ltochu   | Japan              | 43.2                    | 2.9             | 76.8           | 22.0                 |
| 3  | 229     | Mitsui   | Japan              | 40.6                    | 1.5             | 97.6           | 22.5                 |
| 4  | 365     | Marubeni   | Japan              | 61.7                    | 1.2             | 64.3           | 9.5                  |
| 5  | 645     | Sumitomo Corp  | Japan              | 31.1                    | 0.0             | 71.0           | 13.7                 |
| 6  | 711     | Toyota Tsusho  | Japan              | 68.9                    | 0.3             | 35.8           | 8.6                  |
| 7  | 897     | Hanwha Corp  | Korea              | 36.6                    | -0.3            | 124.2          | 2.6                  |
| 8  | 919     | Xiamen C&D   | China              | 19.8                    | 0.4             | 15.3           | 7.6                  |
| 9  | 1236    | Sojitz   | Japan              | 14.1                    | 0.3             | 18.1           | 2.6                  |
| 10 | 1300    | Li & Fung  | Hong<br>Kong       | 18.8                    | 0.4             | 4.9            | 5.4                  |
| 11 | 1664    | Zhejiang Material Industrial<br>Zhongda Yuantong Group | China              | 11.5                    | 0.1             | 12.1           | 4.3                  |
| 12 | 1717    | SK Networks  | Korea              | 18.0                    | 0.1             | 7.0            | 1.4                  |
| 13 | 1915    | LG International                                       | Korea              | 11.7                    | -0.2            | 4.6            | 1.2                  |
| 14 | 1970    | Core-Mark Holding Company                              | US                 | 11.1                    | 0.1             | 1.1            | 1.8                  |
| 15 | 1993    | Adani Enterprises                                      | India              | 10.6                    | 0.3             | 6.8            | 1.4                  |

Source: Prepared by JFTC based on Forbes Global 2000 The World's Biggest Public Companies 2016

## The Shosha's CSR Activities

The *Shosha* strive to realize a sustainable society by resolving various social problems through their activities (see Chapter 2.1). At the same time, they are involved in activities that transcend the boundaries of their business so as to be useful to society by responding to the needs and demands of the various stakeholders around them.

## 1 Social Welfare & Reconstruction Support

The *Shosha* donate assistance funding for the handicapped and welfare activities, as well as for reconstruction support in countries and regions that have been struck by disasters. They also work on industrial recovery and provide assistance to create employment in disaster-stricken areas, and encourage their employees to engage in fund-raising and volunteer activities. To help poverty-stricken areas and disadvantaged children, they cooperate in constructing facilities and improving the living environment by resolving problems involving water and hygiene.

## 2 Global Environment

The *Shosha* have initiated activities aimed at resolving problems affecting the global environment, resources & energy, and have established environmental funds to support research into such issues. They also provide funding support for NPOs and other volunteer organizations, and research institutions at universities, etc. In addition, they are engaged in projects to regenerate tropical rain forests, and preserve coral reefs, forests and ecosystems.

## 3 Education and International Exchange

The *Shosha* are involved in activities to promote educational support and human exchange with a view to fostering internationally-minded members of the next generation who will take responsibility for the future. These activities include educational support through scholarship funds and grant programs, financial aid for establishing schools, donations of books to educational institutions and libraries, and establishing foundations for educational purposes in Japan. They also extend to courses and training at universities overseas.

## 4 Culture & Arts

The *Shosha* provide support for cultural and artistic activities as part of their social contribution activities. In Japan, for example, they sponsor awards for musical competitions and symphony orchestra concerts, run career support programs for people who aspire to become professional artists, support sports events and the athletes who participate in them, manage museums and art galleries, and display or lend out paintings and costumes. Overseas, they provide funding assistance for museums and donate vehicles.

The URL for the CSR Activities of JFTC's *Shosha* members is as follows: http://www.jftc.or.jp/environment/links.html



Environmental education through Mitsui's Forests Photo courtesy of Mitsui & Co.



"DREAM AS ONE." project in support of parasports Photo courtesy of Mitsubishi Corporation



Sojitz Foundation

Photo courtesy of Sojitz Corporation



Mobile Learning Center
Project
Photo courtesy of Itochu Corporation
© Save the Children



Cultural activities support Photo courtesy of Hanwa Co.



Marubeni Educational Fund in Viet Nam Photo courtesy of Marubeni Corporation



# Action for a Better International Community (ABIC)



## 1 What Is "Action for a Better International Community (ABIC)"?

ABIC is a non-profit organization (NPO) established by Japan Foreign Trade Council, Inc. (JFTC). It was established to contribute to society at home and abroad through private sector cooperation and exchange activities involving human support provided by their members. JFTC's membership comprises people from *Shosha* and other companies and organizations associated with international trade.

In cooperation with JFTC, retired employees of *Shosha* and other companies with experience and know-how in various kinds of international business register with ABIC. They are active in many areas, including support and exchanges for international students studying in Japan, lecturing at universities and courses for working adults, and working together with local governments to support small and medium enterprises.

## 2 History

Established in April 2000 Acquired NPO status (approved by Tokyo Metropolitan Government) in May 2001

## 3 Membership

Registered members: 2,782 (as of June 30, 2017)

- Members with overseas posting experience: 85% (Approx. 150 countries and regions)
- Members with multilingual abilities: 46% (36 countries and regions)
- Shosha alumni: 72%
- Alumni of financial, insurance and manufacturing companies, and public agencies: 28%
- Residents of Tokyo Metropolitan Area: 80% Residents of Kansai District: 15% Residents of other locations: 5%
- Average age: 69

## 4 Results of Activities

Fiscal 2016: **2,392** activities; Fiscal 2000-2016: **20,177** activities



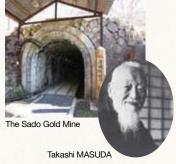
# Heritage of Industrial Modernization

METI designates industrial heritage sites that contributed to Japan's industrial modernization from the closing days of the Tokugawa shogunate and the Meiji Restoration through the prewar period as Industrial and the Shosha Modernization Heritage sites. Several of thisses sites. The following section introduces some of the leading sites. Modernization Heritage sites. Several of these sites are associated with

#### **The Sado Gold Mine**

The Sado Gold Mine opened in 1601 and supported the finances of the Edo shogunate for many years. It was nationalized in 1869, and sold off to Mitsubishi Goshi Kaisha in 1896.

In 1848, the first president of the former Mitsui & Co. Takashi MASUDA was born in the home of a local official



who had a multi-generation association with the Sado Gold Mine, and lived in Sado until his father was transferred to Hakodate as a retainer of the shogun in 1855.

#### **Seto Inland Sea Copper**

The Besshi Copper Mine opened in 1691 and is believed to have laid the foundations for today's Sumitomo. Until it closed in 1973, it was the only copper mine in the world to have been worked by the same company for approximately 300 years. The statue of Masashige KUSUNOKI outside Tokyo's Imperial Palace is the work of Koun TAKAMURA and others. It was planned by Sumitomo to commemorate the bicentenary of the opening of the Besshi Copper Mine





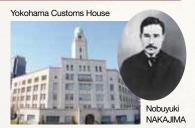


and presented to the Imperial Household Agency in 1900.

Seto Inland Sea Copper

#### The Port of Yokohama (Yokohama Customs House)

The building opened as Kanagawa Tax Office in 1859, but after going through several name changes, including Yokohama Government Office and Yokohama Tax Office, became Yokohama Customs House on November 28, 1872.



The head of the office at the time was Nobuyuki NAKAJIMA, a member of the Kaientai (maritime corps) created by Ryoma SAKAMOTO. He was also the father of the first chairman of JFTC, Kumakichi NAKAJIMA. Various events are held annually on November 28 to celebrate Customs Memorial Day.

#### Tomioka Silk Mill



The Tomioka Silk Mill started operations in 1872 and the raw silk manufactured there was initially exported to Lyon in France by the French company Hecht Lilienthal & Co. until 1877, when direct exports by the former Mitsui & Co. commenced.

Tomioka Silk Mill

## Milke Coal Mines-related Heritage Sites



The Miike Coal Mines were taken over by Mitsui in 1889. At that time, Takuma DAN, transferred to Mitsui and later became the Director-General of the Mitsui zaibatsu. Prior to that, he had been

an engineer at the Ministry of Works and after traveling with the Iwakura Mission, graduated from the Massachusetts Institute of Technology.

## **Takashima Coal Mine-related Heritage Sites** (Hashima Island, or Gunkanjima (*Battleship Island*))

The Takashima Coal Mine started operations towards the end of the Tokugawa shogunate as a joint venture between the Saga-han (Saga Clan or Saga Domain) and Glover & Co., founded by Scottish merchant Thomas Glover. Mining operations got underway in earnest when Mitsubishi bought it in 1881. The coal mining, mining division and mining research institute went independent in 1918 as Mitsubishi Mining (now Mitsubishi Materials), and in the same year, the coal sales division went independent as Mitsubishi Shoji, which was dissolved in 1947\*. Mining operations started at Hashima

Island in 1875 and came under Mitsubishi management in 1890. Hashima is also known as Gunkanjima (Battleship Island) and is located to the southwest of Takashima.



Battleship Island

\* The current Mitsubishi Corporation was established in 1954.

#### **Former Noritake Bone China Clay Factory**

Old Noritake products were marked with a backstamp known as the Maruki Mark. Ichizaemon MORIMURA VI, the founder of Morimura Brothers Inc., is reputed to have said, "You are bound to confront with different ideas and customs. However, you should overcome them to



Maruki mark

succeed." To ensure the words would not be forgotten, Kanji "困" ("difficulty") became the company logo; "木" ("tree") inside "困" is symbolized as an arrowhead that breaks through "difficulty." The logo was also used in the back of potteries and porcelain wares until World War II. It was known as the "spider mark" in the United States.

#### Yahata Steel Works-related Heritage Sites

The government-managed Yahata Steel Works was established with a view to manufacturing various types of steel materials with a focus on weapons at a time when demand for steel for military purposes was rising, and started operations in 1901. As production grew, sales to the private sector also began. These were referred to as 'disposals by the government,' and Okura Gumi and Morioka Shoten of Tokyo, and Kishimoto Shoten and Tsuda Katsugoro Shoten of Osaka were recognized as 'disposal merchants.'

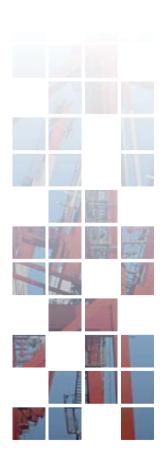
After World War I, the focus shifted from disposals of physical items to futures contracts, and Mitsui, Mitsubishi, Iwai and Ataka. were active as recognized merchants.

A night view of Yahata Steel Works today



# The Activities of Japan Foreign Trade Council, Inc. (JFTC)





## 1 About the JFTC

The JFTC is an industry association whose members are made up of *Shosha* and trade associations.

- Established in June 1947
- The JFTC has 178 members: Regular Members comprising *Shosha* and trade associations (42 companies and 20 associations); and Associate Members comprising manufacturers, financial institutions, shipping companies and other companies and associations involved in international trade (59 companies and 29 associations).

## 2 Principal Business Activities

#### (1) Submission of Policy Proposals and Requests to Government

Working to improve and develop the international trade environment by submitting specific policy proposals and requests to government authorities concerning problems facing the international trade industry.

#### < Principal Areas of Recommendations >

Accounting standards & taxation / promoting economic ties & cooperation / security export controls / trading system reforms / trade insurance system reforms / promoting investment agreements & tax treaties / improving the inward investment environment / promoting social security agreements / security & safety measures overseas / cooperation with overseas commerce & industry associations, JETRO, etc. / information security measures / the working environment improvements, etc.

#### (2) Initiatives to Expand Trade and Overseas Business

- (1) Initiatives to increase overseas expansion of infrastructure system exports
- ② Support for exports of agricultural and marine products, and promotion of *Cool Japan*
- 3 Initiatives to promote free trade systems, including TPP, EPA/FTA and the WTO
- 4 Initiatives to streamline trade-related procedures
- (5) Improve logistics, including overseas logistics

#### (3) Promote Domestic Globalization, Strengthen Human Resources

1) Special Research Projects

The JFTC is currently working on a research project on the need for Japan to promote 'domestic globalization,' to encourage the inflow of highly skilled overseas human resources, to accelerate inward investment, and to open up Japan's domestic markets even more, in order to raise Japan's potential growth. The report, due to be published in the fall of 2017, will make policy recommendations to national and local governments, and the roles *Shosha* should fulfill.

- ②Initiatives to foster global human resources
  Support education for children living overseas and returnees; support Japanese students studying abroad; and support and welcome foreign students studying in Japan.
- ③ Encourage exchanges of information and educational seminars on promoting diversity, particularly the advancement of women in the workplace

#### (4) Information Service Activities

- Working to enhance recognition of the industry and JFTC itself through communications that provide easily understood explanations of the Shosha's activities.
  - ①Regular Chairman's press conferences (five times a year) and announcements of comments from the Chairman
  - ②JFTC Essay Competition

- (3) Symposiums and other events
- 4) Publication of the JFTC Monthly Report and the JFTC News; website
- (5) Keizai Koho Center (KKC; Japan Institute for Social and Economic Affairs)

#### (5) Training Programs

- (1) JFTC management seminars by former Shosha presidents (four times a year)
- ②On-the-job training in trade, training for new Shosha recruits, pre-overseas posting training (seven times a year)

#### (6) Research & Analysis, Information Services

- ①Regular lecture meetings (regular lecture luncheons, JFTC seminars, etc.; around 24 times a year)
- 2) Publication of the Foreign Trade (annual) and the Shosha Handbook
- ③ Preparation and publication of the Outlook for Japan's Trade Balance and Current Account (annual)

#### (7) Corporate Social Responsibility (CSR) Initiatives

- ①Initiatives to deal with global environmental problems (promoting a low-carbon society, creating a recycling-based society, etc.)
- 2 Initiatives relating to corporate ethics and compliance, measures to deal with fraud risk,etc.
- 3) Exchanges of information on the social contribution activities of member companies
- 4 Other initiatives relating to CSR Publicize the Supply Chain CSR Action Guidelines (Revised Edition); dispatch lecturers to university courses related to the environment, etc.

#### (8) Other

- 1) Attend luncheons and dinners to welcome state guests
- 2 Exchanges with VIPs from overseas and Foreign Embassies in Japan
- (3) Visit Japanese Chambers of Commerce and Industry overseas

#### (9) Cooperation with Action for a Better International Community (ABIC) (see Chapter 3.2)



Location: World Trade Center Bldg., 6th Floor (Hamamatsu-cho)

## ■ The World Economy and Trade

|      | The World   | Japan  | <b>Business Cycle</b>                                       | JFTC<br>Chairman                         |
|------|---|--|---|--|
| 1945 | World War II ends.<br>The United Nations is established.  |  |   |  |
| 1946 |   | The GHQ orders Japan to dissolve the big four family-run conglomerates.  |   |  |
| 1947 | Marshall Plan: European Recovery Program The GATT is signed.  | The GHQ allows Japan to resume private trading but with constraints.  Japan Foreign Trade Council, Inc. (JFTC) is established on May 28.   | Post-war Inflation  |  |
| 1948 |   |  |   |  |
| 1949 | The Coordinating Committee for Multilateral Export Controls (CoCom) is established.  The People's Republic of China is established. | The exchange rate against US dollar is fixed at ¥360.  | Recession<br>Induced by the<br>Post-war Stability           | Kumakichi<br>NAKAJIMA<br>(1947.5-1953.4) |
| 1950 | The Korean War begins.  | Japan resumes private trading. The GHQ agrees in general for the Shoshas to establish overseas branches.   |   |  |
| 1951 |   | The JETRO is established. San Francisco Peace Conference; The Treaty of Peace with Japan is signed. The Security Treaty between the US and Japan is signed. Operation of civil aviation resumes.                 | Special<br>Procurement<br>Boom Brought by<br>the Korean War |  |
| 1952 |   | Japan joins the IMF and World Bank.  |   |  |
| 1953 | The Korean War Armistice is signed.   | Three Objectives and Four Principles for Economic Independence: Austerity measures   |   |  |
| 1954 |   | 105 Shoshas specialized in textile go bankrupt (the post-war highest record).  |   |  |
| 1955 | The Bandung Conference: Asian-African Conference  | Japan joins GATT.  |   |  |
| 1956 |   | The systems that allow Shoshas to purchase and hold foreign currencies and to settle net balances between main and branch offices go into effect.  | Expansion Period of the 3rd Business Cycle                  |  |
| 1957 |   | The Japanese Government establishes an export council for trade business under the Export Council.   |   |  |
| 1958 | The European Economic Committee is established.   | The Ministry of International Trade and Industry (MITI) announces the outline for effective placement of overseas locations for Shoshas.   | Contraction Period of the 3rd Business Cycle                |  |
| 1959 | The GATT Conference is held in Tokyo.   | Japan Trade Charter is adopted on November 19.   |   | Heitaro                                  |
| 1960 | EFTA is established. The Dillon Round of the GATT is launched. OPEC is formed.  | The Basic Guidelines for the Liberalization of Trade and Exchange is decided. The Treaty of Mutual Cooperation and Security between the US and Japan is signed.  | Expansion<br>Period of the 4th<br>Business Cycle            | INAGAKI<br>(1953.4-1972.10)              |
| 1961 | The OECD is established. The Dillon Round of the GATT is concluded.   | The Joint US-Japan Committee on Trade and Economic Problems is created.  |   |  |
| 1962 | The naval quarantine of Cuba  | Japan-China Trade Memorandum   |   |  |
| 1963 |   | Trade Day is designated on June 28th.  |   |  |
| 1964 | The Kennedy Round of the GATT is launched.  | Japan accepts the obligations of Article VIII of the IMF Agreement. Japan joins the OECD. New tax breaks for export promotion come into effect; The export income credit system is abolished. The Tokyo Olympics | Boom Brought<br>by the Tokyo<br>Olympics                    |  |
| 1965 | American bombing of North Viet Nam begins.  | The Treaty on Basic Relations between Japan and the Republic of Korea is signed.   | Post-olympics<br>Recession                                  |  |

|      | The World   | Japan  | <b>Business Cycle</b>  | JFTC<br>Chairman            |
|------|---|--|--|-----------------------------|
| 1966 | The Cultural Revolution begins in China.  | Deficit-covering government bonds are issued for the first time.   |  |                             |
| 1967 | The Six-Day War begins. The Kennedy Round of the GATT is concluded. The ASEAN is established.   | The capital liberalization officially begins.  |  |                             |
| 1968 | The OAPEC is established. The Treaty on the Non-Proliferation of Nuclear Weapons is signed.   | Joint Japan-US Committee on Trade and Economic Affaires meeting in Honolulu: Cooperation to support the dollar   | Expansion Period of the 6th Business Cycle                           |                             |
| 1969 |   | The 2nd stage of capital liberalization  |  | Heitaro                     |
| 1970 |   | JFTC relocates head office from Boueki-<br>kaikan (Ginza) to World Trade Center Building<br>(Hamamatsu-cho).<br>The Japan-US textile negotiations begin.<br>The 3rd stage of capital liberalization  |  | INAGAKI<br>(1953.4-1972.10) |
| 1971 | New economic policy is announced in the US;<br>The Nixon Shock<br>China joins the UN.<br>Multilateral currency adjustment: Smithsonian<br>Agreement | The yen is revalued upward against the US dollar to ¥308 under the Smithsonian Agreement.  The 4th stage of capital liberalization (93%)  Japan agrees to a 3-year deal to limit textile exports to the US.  | Recession<br>Induced by the<br>Nixon Shock                           |                             |
| 1972 |   | The US-Japan Textile Agreement Okinawa is returned to Japan. Sino-Japanese relations are normalized.   |  |                             |
| 1973 | UK joins the EC. The Tokyo Round of the GATT is launched. The 4th Arab-Israeli War begins. The 1973 oil crisis                                      | 100% trade liberalization is decided.  JFTC draws up the "Shosha's Corporate Code of Conduct" in May.  The floating exchange rate system essentially comes into effect: The end of Smithsonian System.  Fact-finding survey on the largest 6 Shoshas (MITI)  The Act on Emergency Measures against Cornering and Speculative Stocking of Materials and Products Related to Daily Life is officially announced. | Boom Induced by<br>the Reconstructing<br>the Japanese<br>Archipelago |                             |
| 1974 |   | Fact-finding survey on Sogo Shoshas (Japan Fair Trade Commission)  JFTC establishes Committee on Japan-Korea Trade Expansion and Balance.  |  |                             |
| 1975 | The Viet Nam War ends. The 1st G6 Summit: Rambouillet Summit  | The 2nd Fact-finding survey on Sogo Shoshas (Japan Fair Trade Commission): "Sogo Shoshas in relation to Antitrust Policy"  JFTC sends 1st friendship delegation to People's Republic of China.   |  | Tatsuzo<br>MIZUKAMI         |
| 1976 |   | The Lockheed bribery scandals  | Oil Crisis   | (1972.10-1985.5)            |
| 1977 |   |  |  |                             |
| 1978 |   | The Sino-Japanese Peace and Friendship Treaty is signed. The Narita International Airport begins its operation.  |  |                             |
| 1979 | The 1979 energy crisis The 5th G7 Summit in Tokyo The Tokyo Round of the GATT is concluded. The Soviet-Afghan War begins.                           | Douglas-Grumman scandal  |  |                             |
| 1980 | The Iran-Iraq War   | Japan-US Auto Trade Talks begin. The Foreign Exchange and Foreign Trade Act is revised.  |  |                             |
| 1981 | The Cancun Summit on International Development: The 1st North-South Summit  | Japan agrees to limit Auto Trade. International Trade Institute (ITI) is organized.  |  |                             |
| 1982 | The invasion of the Falkland Islands  |  |  |                             |

|      | The World   | Japan  | <b>Business Cycle</b>    | JFTC<br>Chairman                                     |
|------|---|--|--------------------------|--|
| 1983 |   | Korean Air Lines Flight 007 is shot down by Soviet interceptors.   |                          | Tatsuzo  |
| 1984 |   | Covict interceptors.   | Yen Expensive            | MIZUKAMI<br>(1972.10-1985.5)                         |
| 1985 | The 1985 Mexico City earthquake<br>The Plaza Accord   | Privatization of Nippon Telegraph and Telephone,<br>and Japan Tobacco<br>Sharp appreciation of the yen against US dollar   | Recession                |  |
| 1986 | The Chernobyl disaster The 12th G7 Summit in Tokyo The Uruguay Round of the GATT is launched.                         | JFTC is reorganized from an economic organization to industry organization in June.  |                          |  |
| 1987 | Perestroika begins in the Soviet Union. The Louvre Accord Black Monday  | The US announces to impose restrictions on Japanese imports. The Japan National Railways is privatized and divided into companies collectively called JR group. The Revised Trade and Investment Insurance Act comes into force.   |                          |  |
| 1988 | The Iran-Iraq War ends.   | The US and Japan reach an agreement on the liberalization of beef and orange markets in Japan.   | Bubble Economy           | Yohei<br>MIMURA                                      |
| 1989 | The Tiananmen Square Massacre The 1st APEC Economic Leaders' Meeting The Berlin Wall is dismantled.                   | Sales tax is introduced.  The US-Japan working group on the Structural Impediments Initiatives begin.  |                          | (1985.5-1992.5)                                      |
| 1990 | Iraq invades Kuwait.<br>Germany reunifies.  | Stock market plunges showing signs of collapsing bubble in February. The International Garden and Greenery Exposition in Osaka The final report of the US-Japan working group on the Structural Impediments Initiatives  |                          |  |
| 1991 | Coalition forces attack Iraq. The Gulf War begins. The Soviet Union collapses.  |  |                          |  |
| 1992 |   | The International Peace Cooperation Law (PKO Law) is enacted.  The Japan Self-Defense Forces (JSDF) are deployed to Cambodia (PKO).  |                          |  |
| 1993 | The 19th G7 Summit in Tokyo The EU single market is created. Maastricht Treaty enters into force.                     | The Japanese Government eases regulations on 94 items.   |                          | Koichiro   |
| 1994 | The CoCom is disbanded. The Uruguay Round of the GATT is concluded.   | The yen rises above 100 yen to US dollar.  |                          | <b>EJIRI</b> (1992.5-1996.5)                         |
| 1995 | The WTO is established.   | The Great Hanshin earthquake US-Japan Automotive Agreement   |                          |  |
| 1996 |   | JSDF are deployed to the Golan Heights (PKO). US-Japan Semiconductor Agreement Japanese embassy hostage crisis in Peru   |                          |  |
| 1997 | Transfer of sovereignty over Hong Kong from<br>the UK to the People's Republic of China<br>The Asian financial crisis | Sales tax is raised to 5%.  The 50th Anniversary of JFTC  The Bank of Japan Act and Act on Prohibition of Private Monopolization and Maintenance of Fair Trade are revised, eliminating a ban on holding companies.  The Guidelines for Japan-US Defense Cooperation are approved.  The Conference of Parties to the Framework Convention on Climate Change in Kyoto | Post-bubble<br>Recession | <b>Minoru</b><br><b>MUROFUSHI</b><br>(1996.5-2000.5) |
| 1998 | Underground tests of nuclear weapons by India and Pakistan  | The Act on Emergency Measures for the Revitalization of the Financial Functions is enacted. The Nagano Winter Olympics   |                          |  |
| 1999 | The European Monetary Union begins. The NATO bombing of Yugoslavia in the Kosovo War                                  | JFTC publishes the revised "Shosha's Corporate Code of Conduct" in July.   |                          |  |
| 2000 | The 26th G8 Summit in Okinawa and Kyushu<br>The Inter-Korean Summit in Pyongyang                                      | JFTC sets up the Action for a Better International Community (ABIC).   |                          |  |

|      | The World   | Japan  | Business Cycle                                    | JFTC<br>Chairman                       |
|------|---|--|---|--|
| 2001 | The September 11 Terrorist Attacks in the US The WTO Doha Development Round begins. China joins the WTO.  | ABIC is approved as NPO. SFDF are deployed to Indian Ocean to support the US.  | Post-bubble<br>Recession                          | <b>Kenji MIYAHARA</b> (2000.5-2004.5)  |
| 2002 | Euro banknotes and coins come into circulation.  North Korea declares its development of nuclear weapons.   | JFTC draws up the "Shosha's Corporate<br>Environmental Code of Conduct" in February.<br>The 1st Japan-North Korea Summit meeting in<br>Pyongyang                     | Expansion<br>Period in the 14th<br>Business Cycle |  |
| 2003 | North Korea announces its withdrawal from the NPT. The Iraq War begins.   | The Act on Special Measures concerning Humanitarian Relief and Reconstruction Work and Security Assistance in Iraq is enacted for enabling JSDF to be deployed.      |   |  |
| 2004 | Repeated suicide bombing attacks in Iraq etc. EU expands to 25 countries including 10 new countries from Eastern Europe.  | JSDF are deployed to Samawah in Iraq. JSDF's joining to the coalition forces is decided.   |   |  |
| 2005 | The renminbi appreciates against USD by 2%. The 1st East Asia Summit (16 countries)   | The Kyoto Protocol enters into force. The 2005 World Exposition in Aichi: Love the Earth Expo JFTC revises the "Shosha's Corporate Code of Conduct" in June.         |   | <b>Mikio SASAKI</b> (2004.5-2008.5)    |
| 2006 | China becomes the world's largest holder of foreign exchange reserves. UN Security Council adopts sanction resolution against North Korea's underground nuclear test. | The end of the BOJ's zero-rate policy (0% to 0.25%)  The announcement is made that the past longest expansion period during the 6th business cycle is surpassed.     |   |  |
| 2007 | The US subprime mortgage crisis in August   | The 60th Anniversary of JFTC Postal privatization  |   |  |
| 2008 | The 34th G8 Summit at Toyako in Hokkaido<br>Lehman Shock in September<br>The crude oil price soars (above \$100/barrel at<br>one point).                              | Japan Air Self-Defense Force withdraws from Iraq after 5-year deployment.  | Global Economic<br>Crisis                         | <b>Nobuo KATSUMATA</b> (2008.5-2010.5) |
| 2009 |   | The three-party coalition government of<br>Democratic Party of Japan, Social Democratic<br>Party, and the People's New Party is set up.                              |   |  |
| 2010 | Financial crisis in Greece  | The 10th Anniversary of ABIC   |   |  |
| 2011 | US completes withdrawal of American military forces from Iraq.  Documents released from the negotiating chairs of WTO Doha round.                                     | The Great East Japan Earthquake on March 11 Japan completes analog switch off in terrestrial television broadcasting. Japan records first trade deficit in 31 years. | Expansion<br>Period in the 15th<br>Business Cycle | Shoei                                  |
| 2012 | Russia joins the WTO.   | JFTC becomes general incorporated association. LDP & NKP form coalition government.  |   | UTSUDA<br>(2010.5-2014.5)              |
| 2013 | EU enlargement (28 member states)   | Japan formally declares to join TPP in March.  Diet passes the act on the Protection of Specially Designated Secrets (SDS).  | European crisis                                   |  |
| 2014 |   | Japan raises sales tax from 5% to 8% in April.   |   | Eizo<br>KOBAYASHI<br>(2014.5-)         |
| 2015 | US-Cuba restores diplomatic relations.<br>The 70th Anniversary of WWII  |  |   |  |
| 2016 | The 42th G7 Summit: Ise-Shima Summit (May)  | Japan signs TPP in February.<br>2016 Kumamoto Earthquake on April 14   |   |  |
| 2017 | Donald Trump becomes the 45th President of the US.  | The 70th Anniversary of JFTC   |   |  |

## Shosha's Corporate Code of Conduct



#### Japan Foreign Trade Council, Inc.

1st version established: May 10, 1973 2nd version revised: July 8, 1999 3rd version revised: June 16, 2005

#### Foreword

The ongoing globalization of business activities, developments in information technology, and the spread of market-based economies are bringing great changes to the social and economic environment in which corporations currently operate. At the same time the supply of energy, environmental problems, population growth and food shortages are also becoming issues of global concern. Within this context, growing public expectations regarding the role of business have led to increasing demands for socially responsible corporate behavior.

As *Shosha*, we must constantly keep pace with these changes and manage our organizations in light of these expectations. In addition to working to realize socially responsible business built upon a foundation of legal compliance and disclosure, we must also strive to understand and meet evolving social and economic demands by fully applying our unique capabilities as *Shosha* in order to contribute to the achievement of sustainable economic growth.

We have produced this code of conduct in order to encourage JFTC member firms to live up to their social responsibilities, evaluate their own behavior as responsible corporations, and assist them in pursuing their own initiatives.

#### Section 1 Management Philosophy

As *Shosha*, we must constantly be aware of our role and responsibilities in society, go beyond the exclusive pursuit of short-term gain, and manage our business activities from a long-term perspective by balancing social, economic and environmental considerations so as to contribute to the realization of sustainable economic growth through business.

- We must effectively use our business resources for the benefit of our shareholders, business partners, consumers, employees, local communities and all our other various stakeholders.
- Executive management must lead by example in their efforts to create responsible businesses as defined by the evolving demands of the day.
- 3. By conducting our businesses with due consideration to the preservation of the global environment and the balanced development of the international community, we must actively engage in the resolution of issues of environmental problems, poverty and violations of human rights.

#### Section 2 Functions and Areas of Activity

As *Shosha*, we must strive to remain constantly aware of the evolving social, economic and environmental demands on our businesses, and respond to these demands in a comprehensive manner.

- 1. By collecting and disseminating information on a global scale and meeting the diversifying needs of our clients and markets, we must strive to provide resources, goods, and services that enrich society. In the provision of these resources, goods and services, we must give due consideration to the importance of personal information and intellectual property, and must make every effort to manage these resources in a responsible manner.
- By discovering new opportunities for business throughout the world, and by developing these opportunities into sources of social wealth, we must strive to advance industry and contribute to the creation of employment both domestically and internationally.
- By maintaining a spirit of cooperation and harmony, we must promote free trade and constructive collaboration between nations in order to contribute to the achievement of balanced regional economic development and global prosperity.

#### Section 3 Legal Compliance and Disclosure

As *Shosha*, in recognition of our responsibilities to society, we must conduct our business in accordance with all relevant laws and regulations, show due respect for social conventions, and stress information disclosure in our efforts to maintain transparent management practices.

 In addition to legal compliance in our respective regional areas of operation, we must abide by both the letter and the spirit of international rules and regulations, and conduct ourselves in a socially conscientious manner. Furthermore, we must manage our business activities upon the understanding that free and fair competition is the fundamental precondition for the functioning of a market economy, and must maintain open and fair relations with political parties and governments.

- 2. We must strive to achieve transparency through the appropriate and timely disclosure of corporate information. To further promote communication with our shareholders and other stakeholders, we must strive to expand the venues and means for information disclosure and thereby promote opportunities for the honest and constructive exchange of opinions.
- We must build systems to promote effective corporate decision-making, strengthen audit functions, and constantly monitor the legality of decisions made within our organizations.

#### Section 4 Social Contribution and the Promotion of Trust

As *Shosha*, we must strive to create relationships of mutual trust both domestically and internationally, and to contribute actively to society as good corporate citizens.

- We must show respect for the cultures, customs and languages of other countries and regions, and strive to actively participate in activities aimed at regional development through a process of private-sector diplomacy.
- 2. By promoting communication with a wide range of stakeholders including shareholders, business partners, consumers, employees, and local communities, we must strive to create mutual trust in our relationships with our stakeholders by promoting regional development and cooperating in activities aimed at the achievement of a secure and enriched standard of living.
- We will not deal with any organizations influenced by or comprised of organized crime that may operate in the communities in which we do business

#### Section 5 Creation of Rewarding Work Environments

As Shosha, we will strive to provide our employees with a rich and rewarding work environment, to respect the diversity, character and individuality of our employees, and to promote corporate cultures in which each individual's talents and creativity may be fully developed.

- We must create and maintain safe and fulfilling work environments for our employees.
- We must respect the human rights of our employees, promote equal opportunities among them, and oppose any discriminatory employment practices or treatment.
- We must respect the diversity and individuality of our employees and actively support their skill and career development.

#### Section 6 Communication and Implementation

Executive management of the respective *Shosha* must take full responsibility to make every effort to implement this code of conduct within their respective organizations, and to communicate the obligations set out within this code and their commitment to its implementation to their affiliates and trading partners.

#### Section 7 Violation and Prevention of Recurrence

In the event of a violation of this code of conduct, executive management of the respective *Shosha* is expected to publicly announce a plan for resolving the situation, to make a full investigation and account of the causes of the violation, and to make every effort possible to prevent a recurrence of the violation.

#### Note

The original Japanese language version of this document is the official version used by the JFTC and its members. This document is an English language translation of the Japanese language original and has been prepared as a public service.

## SHOSHA: Creating Value Globally Shosha Handbook 2017

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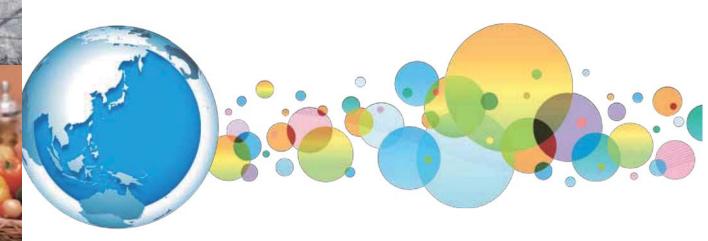
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