

JFTC News

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Message from the Chairman



Japan Foreign Trade Council, Inc. (JFTC) was founded in 1947 as a key economic organization of companies in the private sector engaged in international trade. Since 1986, when the organization was reorganized, JFTC has become a trade-industry body consisting of trading companies and trading organizations.

JFTC aims to contribute to the prosperity of the Japanese economy and the development of the international community through trade, and is engaged in a wide range of activities. Most importantly, JFTC functions to develop a consensus within the industry regarding various trade-related issue, and to submit recommendations to the government and related organizations to help resolve such issues. Our role in this area has been highly praised.

Our country now faces mounting problems ranging from a declining birthrate, an aging population and a growing budget deficit, to social security reform including the public pension scheme. As we look to the future, these problems must be resolved for the Japanese economy to develop.

In the area of international trade, negotiations are currently underway to form an Economic Partnership Agreement in Eastern Asia. We believe that the expansion of economic exchanges with these countries is of considerable significance, as it will invigorate the Japanese economy.

Given these circumstances, under the corporate banner of “Global Frontier”, JFTC seeks to further engage in activities that facilitate the submittal of recommendations and requests to improve the fundamentals of trading activities, with the aim of

contributing to a revitalization of the Japanese economy and development of a sound global economy.

“SHOSHA” Today & TomorrowToward a Bright Future (Part II)

Originally the “SHOSHA” were known as trading companies. However, general trading companies have expanded and diversified their functions and business fields to include not only trading, but also investment as well as services and industry development.

The last issue of JFTC News featured SHOSHA’s “Function” in the Part I. This issue and the next issue will illustrate SHOSHA’s “Activities” in the Part II and Part III.

Activities of SHOSHA

Today’s SHOSHA handle a wide range of products in various types of industry, literally everything from mineral water to communications satellites. They are involved in and contribute to each value-added process in all phases of the business transaction, namely from upstream to downstream, from the purchase of materials to the sales of products. Such comprehensive involvement is the outcome of always staying with and often ahead of the requirements of the time, and flexibly adding the necessary modifications and improvements to the products handled, industries involved, pattern of transactions and relative business models. To give the reader a better idea of the scale of SHOSHA’s transactions, it might be noted that the combined sales volume of the 48 SHOSHA who are members of JFTC amounted to approximately 80 trillion yen, or almost 16 percent as much as Japan’s gross domestic product (GDP) in fiscal 2001.

Involvement in economic advancement

Always staying with and sometimes ahead of the

requirements of each era, the SHOSHA have constantly developed business and expanded the scope of their transactions according to the flow of the times.

Period of postwar recovery:	promoted the growth of light industries (textiles, food products, etc.)
Period of booming growth:	contributed to the growth of heavy and chemical industries (steel, machinery and plants, petrochemicals, etc.)
Period after oil crises:	promoted the development and stable supply of oil-alternative energy resources
Period after the Plaza Accord:	expanded foreign direct investment and overseas production, promoted product imports to Japan, official development assistance (ODA), development of infrastructure in developing countries, and domestic-demand oriented industries
Period of the 1990s through 2000s:	have promoted businesses in such new growth fields as information technology & telecommunications, logistics, retail, financing, bio and nano-technology, and environmental related industries

In the period of economic recovery immediately following World War II, highest priority was put on the sufficient supply of living essentials. Under these circumstances, the activities of the SHOSHA recommenced in the field of light industries, including textiles and food products.

Thereafter, as Japan entered the period of booming economic growth, the SHOSHA's operations were broadened to include the fields of steel, non-ferrous metals, machinery and plants, energy and chemicals coinciding with the growth of heavy and chemical industries. Active on the trade front for Japan, whose economic growth largely depended upon foreign trading, SHOSHA built global networks linking Japan and overseas countries, and made a vital contribution in expanding the import of raw materials and the export of products.



When the Japanese economy was hit twice by oil crises in the 1970s, the stable supply of energy resources became a vital factor on the SHOSHA's agenda. It was in this period that they began to step



up their involvement in large-scale development of energy resources including oil-alternative energy.

The conclusion of the Plaza Accord in the mid 1980s was promptly followed by the rapid appreciation of the yen, which triggered a surge in direct investment in foreign countries and a shift to overseas production. The SHOSHA deepened their involvement in the cultivation of export industries and supporting industries in emerging economy countries. At the same time, they escalated the promotion of product imports to Japan, involvement in ODA business and infrastructure development to lay the foundation for economic advancement in developing countries. In Japan, meanwhile, they took up the challenge of new business fields outside the trade sector with a view to stimulating a domestic demand oriented economy. More specifically, they carved out such new domains as satellite communications and broadcasting, and the surrounding businesses.



Since the 1990s, the SHOSHA have been moving into the information technology (IT) and telecommunications industry, participating in retail, logistics, and financial businesses, and making positive approaches in such new territory as high-technology and environmental related fields. At the beginning of the 21st century, faced with ongoing restructuring of the Japanese economy, the SHOSHA have been undertaken structural reform of their own businesses and corporate structures to achieve further contributions to the advancement of the world economy and continued growth in the new century.



Profile of transactions

The transactions and activities of the "SHOSHA" are often distinguished by the following major characteristics.

- * Wide range of products handled
- * Global scale of operations and diversity of transactions
- * Huge sales volume and business scale

Wide range of products handled

SHOSHA handle a wide range of products, literally "everything from mineral water to communication satellites". They are involved in all phases of transactions, from upstream to downstream in almost every kind of industry; machinery, plants, communications equipment,

metals, minerals, energy resources, chemicals, textiles, foodstuffs, and food products. Similarly, they deal in all categories of products ranging from raw materials to manufactured goods and from consumer goods to industrial tools. Lately, they have begun to enter such service sector businesses as food services, supermarkets, convenience stores, and mobile communications. They have also started involvement in promising new business fields related to IT, bio- and nano-technology, and the global environment.



Global operations and diversity of transactions

The SHOSHA are committed to global scale operations and engage in four major patterns of transactions. These are purely domestic transactions in Japan, export from Japan, import to Japan, and strictly offshore transactions between countries other than Japan. Of the combined transaction volume of the 48 JFTC members, domestic transactions account for the largest share at 48 percent, followed by offshore transactions at 21 percent, import at 16 percent, and export at 15 percent.



SHOSHA are involved in a large portion of Japan's imports of natural resources and raw materials required for the operations of such heavy and chemical industries as steel and non-ferrous metals, machinery and plants, energy and petrochemicals. And they are also largely involved in the export of manufactured products in those industries.



In regional terms, transactions are largely initiated depending on the investment made in each country. In other words, SHOSHA expand their business transactions in connection with the partners in or with whom they have invested. In addition, transactions are very often initiated based upon cooperation and assistance in relation to fund-raising and financial arrangements prevailing in each country and/or region.

In addition to spot basis trading on actual commodity movements, SHOSHA are also engaged in dealing in the forward contract market (i.e., term settlement market). This circle of commodity dealing includes commercial bonds, metals (precious and non-ferrous), energy (crude oil, natural gas, and naphtha), foodstuffs (grains, sugar, and coffee), and general merchandise (natural rubber). They make use of this scheme mainly to minimize the risks associated with price fluctuations.

Huge sales volume and business scale

Another characteristic of the SHOSHA is their huge sales volume and business scale. In fiscal 2001, the combined sales volume of the top eight SHOSHA was 65.8 trillion yen, which is about 13 percent of Japan's GDP. A major factor enabling these huge sales is the existence of a large number of subsidiaries and affiliates inside and outside Japan. For example, the aforementioned eight SHOSHA have some 4,860 subsidiaries and affiliates forming enormous business groups. SHOSHA pursue the expansion of their transactions and revenues through cooperation with these group companies.



These huge sales used to be regarded, in the context of growth strategy, as one of the most important management barometers in the period of booming economic growth. However, with the trend toward globalization starting in the 1990s, alignment with global standards motivated a shift in management strategy from pursuit of ever-larger sales volume to returns commensurate with the asset risk, i.e. putting more emphasis on profitability.

What is "SHOSHA"?

SHOSHA is consistently changing to meet the requirements of each era. Its function, activities and vision are explained in detail in English at <http://www.jftc.or.jp/shosha/english/index.html>

JFTC MONTHLY REPORT ON-LINE — Titles

JFTC publishes monthly reports covering wide variety of topics for the members and subscribers.

The following contents are available from the website (<http://www.jftc.or.jp/>) though written in Japanese.

From July/August 2005 issue

1. Foreword "The Things to be done by Companies and by Government"

... Hiroshi Nagase, Executive Director of JFTC, President & CEO, Nagase & Co., Ltd.

2. Special Articles "Corporate Branding"

– Corporate Branding for Shosha

Brand Strategy for New Born Sojitz Holdings Corporation

Necessity of Branding Activities for Shosha ... Mitsubishi Corporation

– Corporate Branding for Industries

Toward "Re-Born Snowbrand Milk Products Co., Ltd."

Global Brand Strategy of Matsushita Electric Industrial Co., Ltd.

Corporate Branding of Hotel Okura Tokyo Co., Ltd.

Corporate Image of Nippon Yusen Kabushiki Kaisha (NYK Line)

– Brand Image of Japanese Companies in China ... JETRO

3. International Letter "The World Cup, 1 year from now" ... Yukari Abe, Mitsubishi International GmbH

REGULAR MEMBERS OF JFTC

Companies (Total 45)

ASSOCIATED LUMBER & TRADING CO., LTD., CHORI CO., LTD., CBC CO., LTD., D. NAGATA CO., LTD., HANWA CO., LTD.

HITACHI HIGH-TECHNOLOGIES CORPORATION, INABATA & CO., LTD., ITOCHU CORPORATION, IWATANI INTERNATIONAL CORPORATION

JFE SHOJI HOLDINGS, INC., KANEMATSU CORPORATION, KINSHO CORPORATION, KOWA COMPANY, LTD., KYOEI SHOJI CO., LTD.

KYOKUTO BOEKI KAISHA, LTD., MARUBENI CORPORATION, MEIWA CORPORATION, MITSUBISHI CORPORATION, MITSUI & CO., LTD.

MORIMURA BROS., INC., NAGASE & CO., LTD., N. I. TEIJIN SHOJI CO., LTD., NOMURA TRADING CO., LTD., NOSAWA & CO., LTD., OGURA TRADING CO., LTD.

OKAYA & CO., LTD., SANKO MEDICAL SYSTEM CO., LTD., SANKYO SEIKO CO., LTD., SEIKA CORPORATION, SHINYEI KAISHA, SMILE CORP.

SOJITZ HOLDINGS CORPORATION, SUMIKIN BUSSAN CORPORATION, SUMITOMO CORPORATION, T. CHATANI & CO., LTD., THE TOSHO CO., LTD.

TOKYO BOEKI LTD., TOMEN CORPORATION, TOSHOKU LTD., TOHO BUSSAN KAISHA, LTD., TOYOTA TSUSHO CORPORATION, Y. NISHIDA & CO., LTD.

YAGI & CO., LTD., YAGI TSUSHO LTD., YUASA TRADING CO., LTD.

Associations (Total 26)

COSMETIC IMPORTERS ASSOCIATION OF JAPAN, FUKUOKA FOREIGN TRADE ASSOCIATION,

INTERNATIONAL DEVELOPMENT ASSOCIATION OF THE FURNITURE INDUSTRY OF JAPAN, JAPAN AUTOMOBILE IMPORTERS ASSOCIATION,

THE JAPAN BANANA IMPORTERS ASSOCIATION, JAPAN CHEMICAL EXPORTERS' ASSOCIATION, JAPAN CHEMICAL IMPORTERS' ASSOCIATION,

JAPAN EEL IMPORTERS ASSOCIATION, JAPAN ELECTRONIC PRODUCTS IMPORTERS ASSOCIATION, JAPAN FISH TRADERS ASSOCIATION,

JAPAN FOREIGN TRADERS ASSOCIATION, INC., JAPAN MACHINE TOOL IMPORTERS' ASSOCIATION, JAPAN MACHINERY EXPORTERS' ASSOCIATION,

JAPAN OVERSEAS ROLLING STOCK ASSOCIATION, JAPAN PAPER IMPORTERS' ASSOCIATION, JAPAN SHEEP CASING IMPORTERS ASSOCIATION,

JAPAN SHIP EXPORTERS' ASSOCIATION, JAPAN TEXTILE EXPORTERS ASSOCIATION, THE JAPAN TEXTILES IMPORTERS ASSOCIATION,

JAPAN WATCH IMPORTERS' ASSOCIATION, JAPAN WINES AND SPIRITS IMPORTERS ASSOCIATION, KOBE FOREIGN TRADE ASSOCIATION,

KYOTO FOREIGN TRADE ASSOCIATION, THE RUBBER TRADE ASSOCIATION OF JAPAN, TOKYO TRADE AND INDUSTRY ASSOCIATION,

THE YOKOHAMA FOREIGN TRADE ASSOCIATION

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