

*Who we are & How we serve*



# SHOSHA

Creating Value Globally

Shosha Handbook 2020

*JFTC*

Japan Foreign Trade Council, Inc.



# Introduction

The *Shosha* have always reorganized and expanded their roles and the services they offer, to adapt with the change of the times. 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.

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.

Chapter 3 provides a simple overview of *Shosha*'s CSR activities.

Chapter 4 introduces the activities of Japan Foreign Trade Council, Inc. (JFTC)

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 2020





Japan Foreign Trade Council, Inc.

## Contents

<b>Introduction</b>	02
<b>Chapter 1: What Are the <i>Shosha</i>?</b>	
<b>1. The Strengths of the <i>Shosha</i></b>	
(1) What Are the <i>Shosha</i> ?	04
(2) Using a Variety of Functions to Create Businesses	05
(3) Extensive Range of Assorted Products and Business Sectors	06
(4) Global Networks	07
(5) The Continuously Evolving Functions of the <i>Shosha</i>	08
(6) Why <i>Shosha</i> ? — Ability to Make Proposals to Meet Wide-ranging Needs —	09
<b>Column ①</b> How the <i>Shosha</i> Overcame a Variety of Crises	10
<b>2. The <i>Shosha</i>'s Business Model</b>	
(1) Trade and Business Investment Are the Two Cornerstones	11
(2) Features of <i>Shosha</i> 's Business Investments	12
(3) The <i>Shosha</i> 's Value Chain Strategy	13
<b>Column ②</b> Catchphrases That Summarize <i>Shosha</i> 's Activities	14
<b>Column ③</b> <i>Shosha</i> 's Characters and Kids' Websites	14
<b>Chapter 2: The <i>Shosha</i> Are Active Worldwide</b>	
<b>1. Working to Resolve Global Social Problems</b>	15
<b>2. The Roles of the <i>Shosha</i></b>	
(1) Stable Supplies of Resources and Energy (Energy)	16
Stable Supplies of Resources and Energy (Metal Resources)	18
(2) Stable and Secure Supplies of Safe Food	20
(3) Achieving a Sustainable Society	22
(4) Establishing Social Infrastructures in Japan and Overseas	24
(5) Leading Global Expansion	26
(6) Supporting More Comfortable Lifestyles	28
(7) Preparing for the Aging Society	30
<b>Column ④</b> The <i>Shosha</i> in Fiction	32
<b>Chapter 3: The <i>Shosha</i>'s CSR Activities</b>	
<b>1. The <i>Shosha</i>'s CSR Activities</b>	33
<b>2. Action for a Better International Community (ABIC)</b>	34
<b>Column ⑤</b> Heritage of Industrial Modernization and the <i>Shosha</i>	35
<b>Chapter 4: The Activities of Japan Foreign Trade Council, Inc. (JFTC)</b>	36
<b>Attached Table: The World Economy and Trade</b>	
<b><i>Shosha</i>'s Corporate Code of Conduct</b>	



## 1-(1)

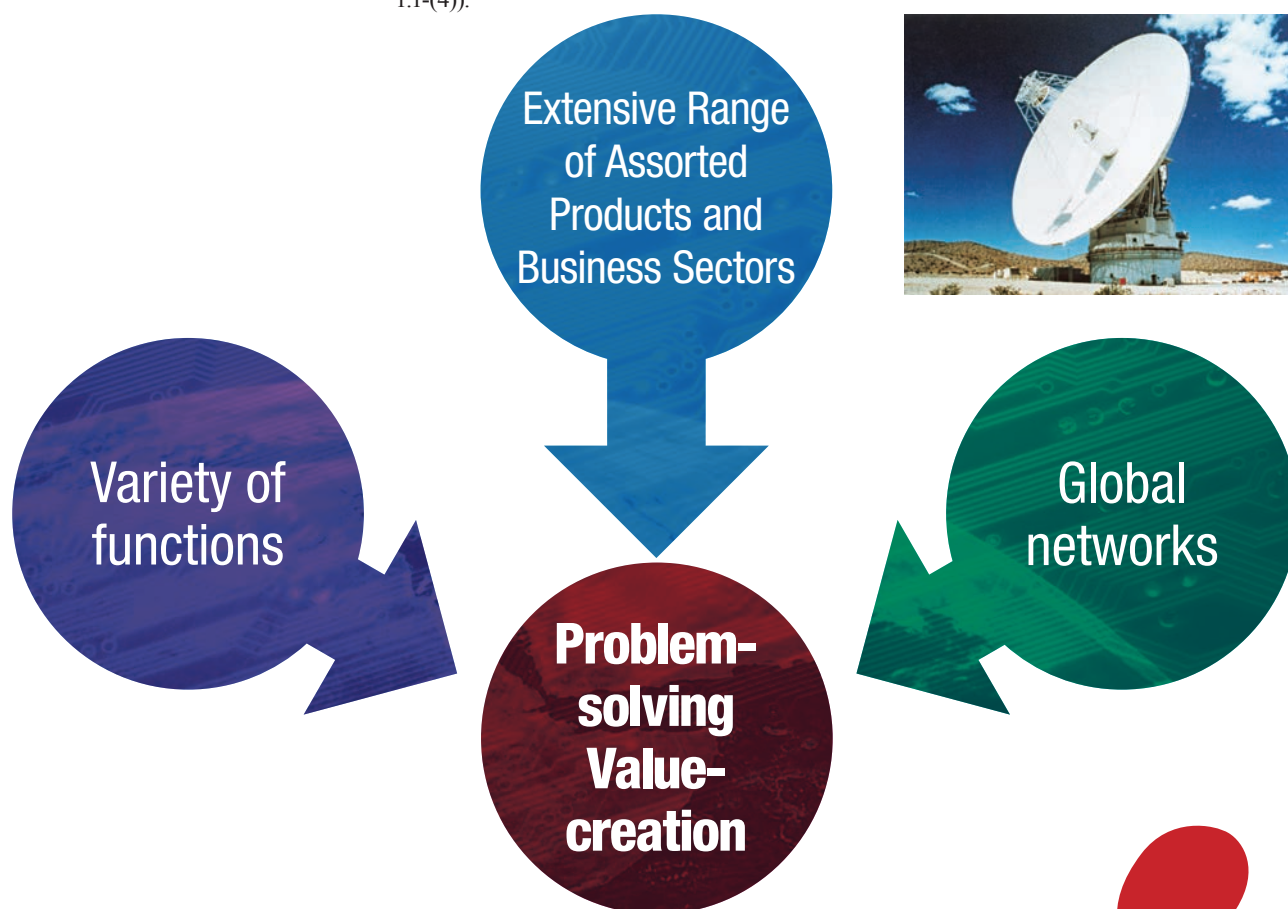
What Are the **Shosha**?

"The *Shosha* have developed a uniquely Japanese business model\*." Japan has always been poor in natural resources and, as part of its drive to become a trading nation in the days of postwar reconstruction, the *Shosha* played a major role in developing the Japanese economy by proactively advancing overseas and expanding their global networks as linchpins of the export/import trade.

\* 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.

- ① 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)).
- ② The *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)).



**Change Provides Opportunities!**



# 1-(2)

## 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
<b>Business transactions</b>	Core functions that promote global trade
<b>Information and research</b>	Collect and analyze extensive, wide-ranging information for use in business
<b>Market development</b>	Analyze supply and demand trends, and open up global markets
<b>Business development and management</b>	Strengthen business development & promotion, and group management
<b>Risk management</b>	Minimize business risk
<b>Logistics</b>	Aspire to optimum overall logistics
<b>Finance</b>	Provide financial functions that are unique to <i>Shosha</i> , and develop leasing business
<b>Organizer</b>	Combine functions organically to develop projects

# 1-(3)

## 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, 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, drugstores, 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

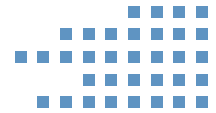
In Japan  
and  
overseas

Approx. **5,000/400,000**  
companies employees

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

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

Note: Derived from the seven *Shosha*'s Annual Securities Reports 2019.



No. of  
domestic &  
overseas  
locations

**210**

cities overseas

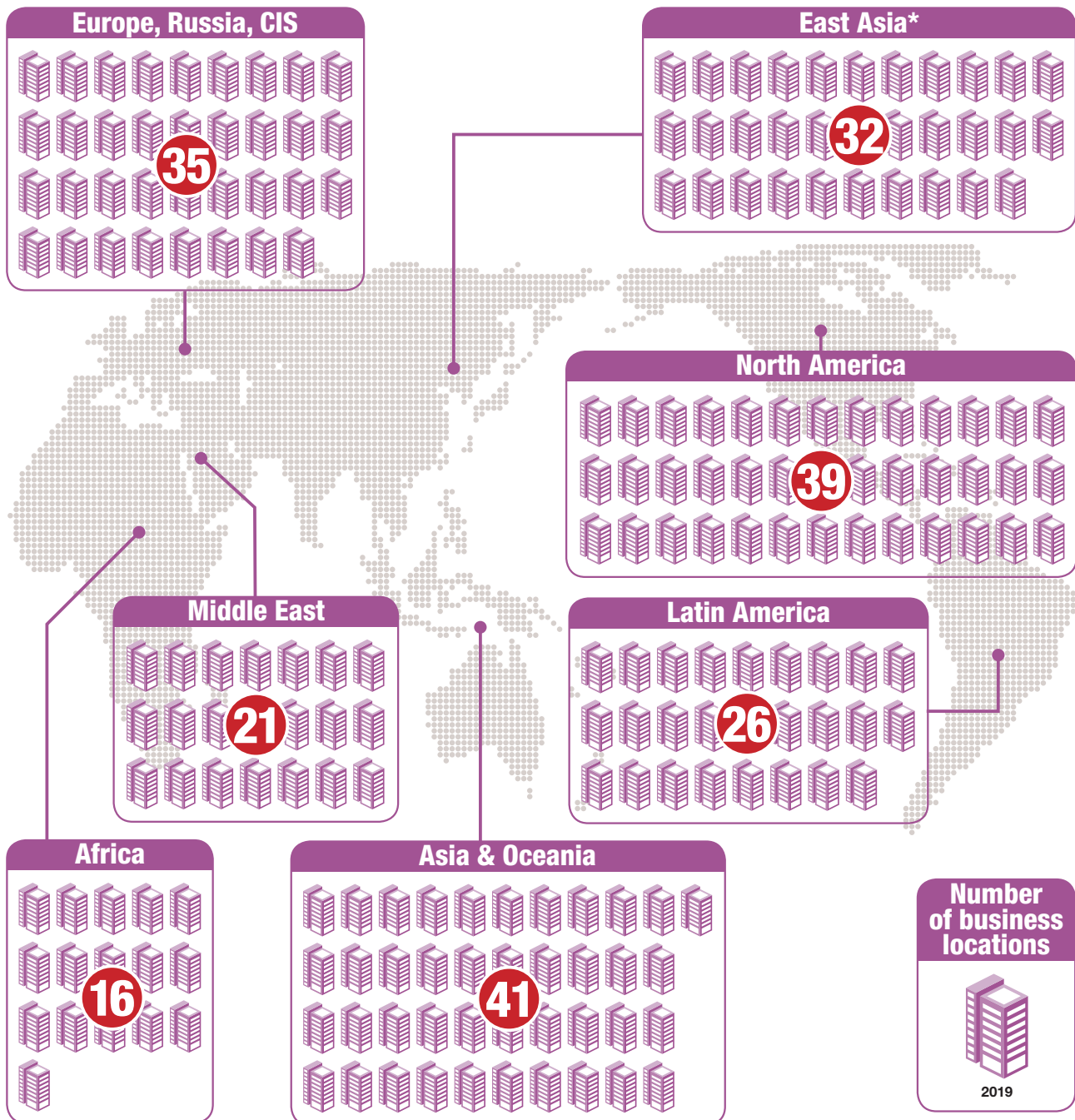
**23**

cities in Japan

Business locations of the  
seven *Shosha* (excluding  
overlaps)

(Reference: The number of Japanese Embassies, Consulates and Permanent Missions totaled 227 as of January 2020)

## Opening up the World's Frontiers



\* East Asia: China, Hong Kong, Taiwan, Korea, Mongolia

Note: Number of cities in which the seven *Shosha* have established business locations derived from Annual Reports (Integrated Reports) 2019, websites and other sources (this number differs from the numbers disclosed by individual companies).



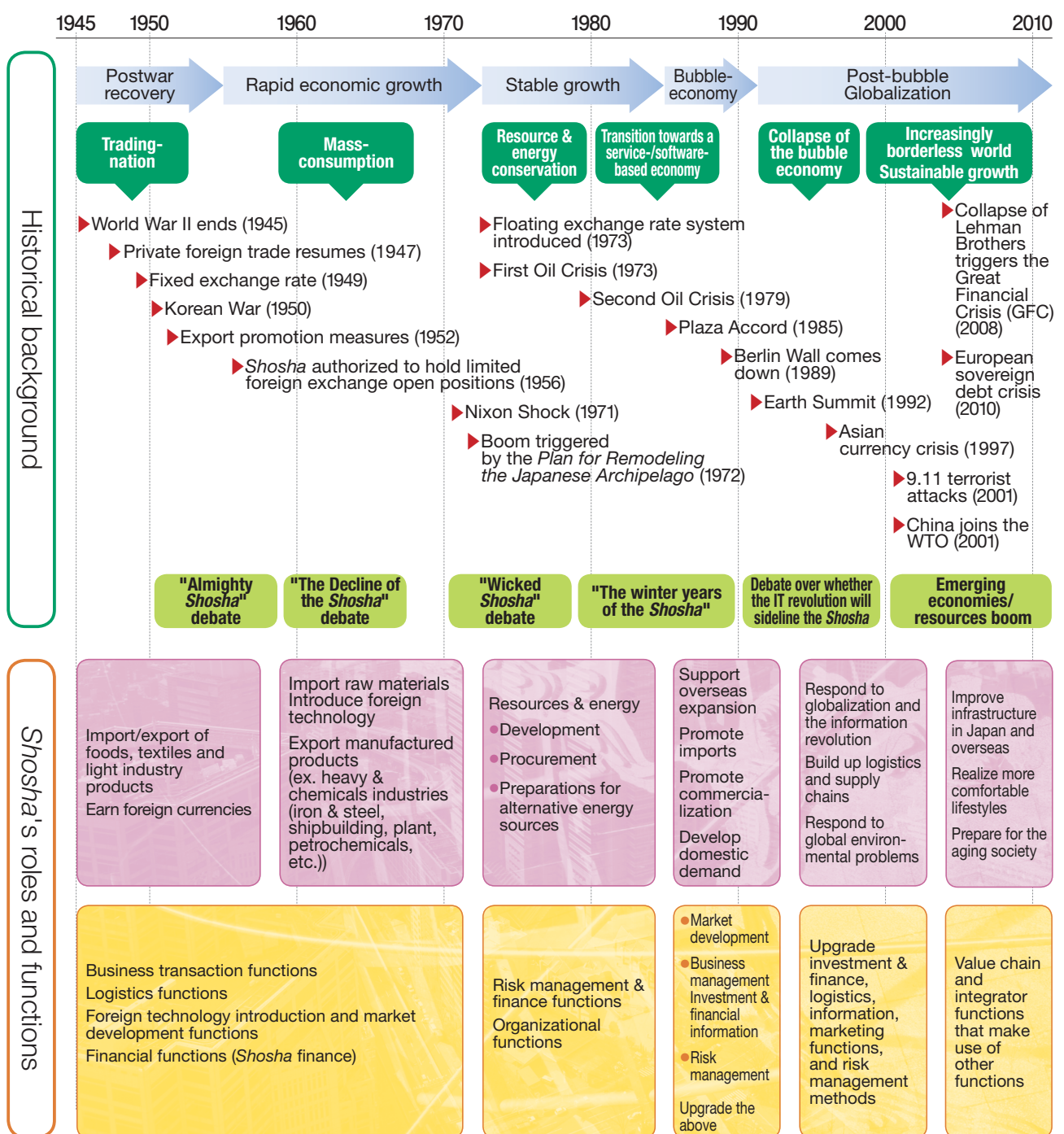
## 1-(5)

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.

The Evolution of the Roles and Functions of the *Shosha*



# 1-(6)

## Why Shosha?

—Ability to Make Proposals to Meet Wide-ranging Needs—



Extensive knowledge of global markets



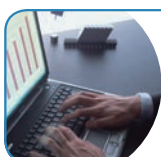
Strong teams of in-house experts  
(taxation, accounting, finance, legal matters, risk management)



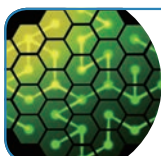
Expert at pioneering new businesses and markets



Ample financial resources

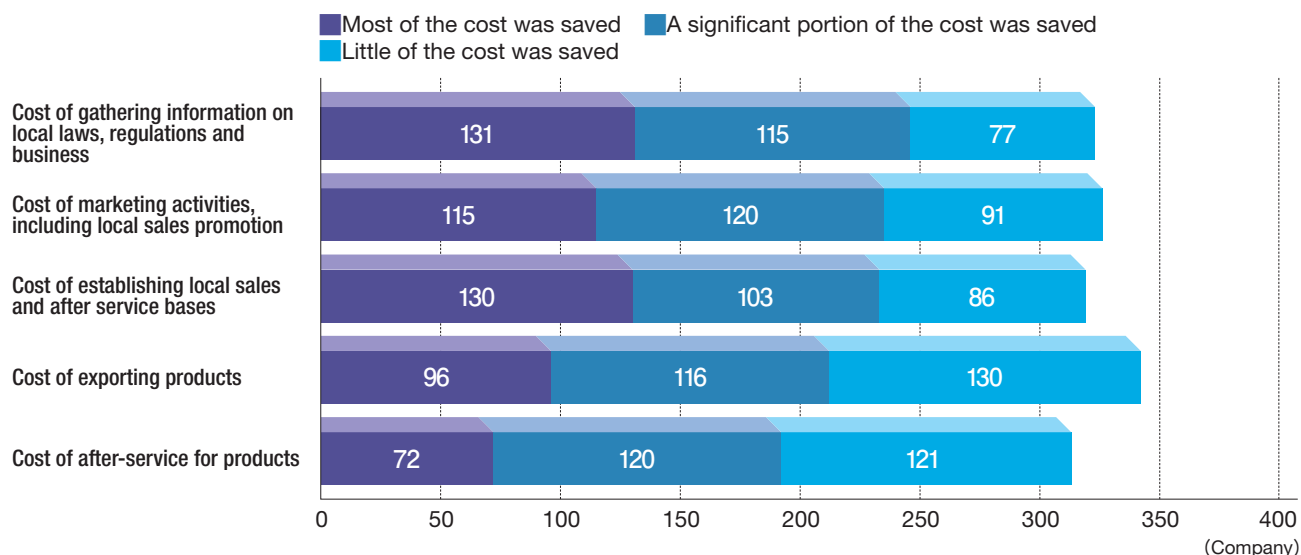


The *Shosha* develop businesses by managing them themselves



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

## Column 1 How the *Shosha* Overcame a Variety of Crises

1960s

### "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*"<sup>\*1</sup>. 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 that 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 *Sogo-Shosha's Code of Conduct*<sup>\*2</sup>, which declared that the entire sector would henceforth act in a spirit of self-restraint.

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 ④ 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 oil-producing 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.

1990s

### 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 *Shosha's Corporate Code of Conduct* on July 8, 1999, and revised again on June 16, 2005 and on March 22, 2018. See Page 42 for details.

Reference materials: *Seminar: Nihon no Sogo Shosha (Second edition)* (Ed. Research Division, ITOCHU Corporation, Pub. Toyo Keizai Shimposha)  
*Sogo Shosha no Kenkyu -- Sono Genryu, Seiritsu, Tenkai* (Takayuki TANAKA, Pub. Toyo Keizai Shimposha)



## 2-(1)

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

## Differences Between the Trade and Business Investment Businesses

## Trade business

Blast furnaces (manufacture)

Intermediary sales  
of iron & steel  
products  
(trade)

Customers  
(manufacturers of consumer  
electronics, automobiles, etc.)

Shosha revenues  
(commissions)

## 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 + labor charges,  
dividend receipts from the business)

# 2-(2) 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



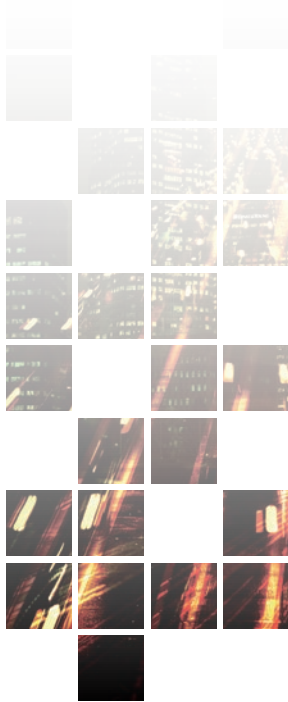
Returns range from dividends and equity gains to capital gains and fee revenues



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



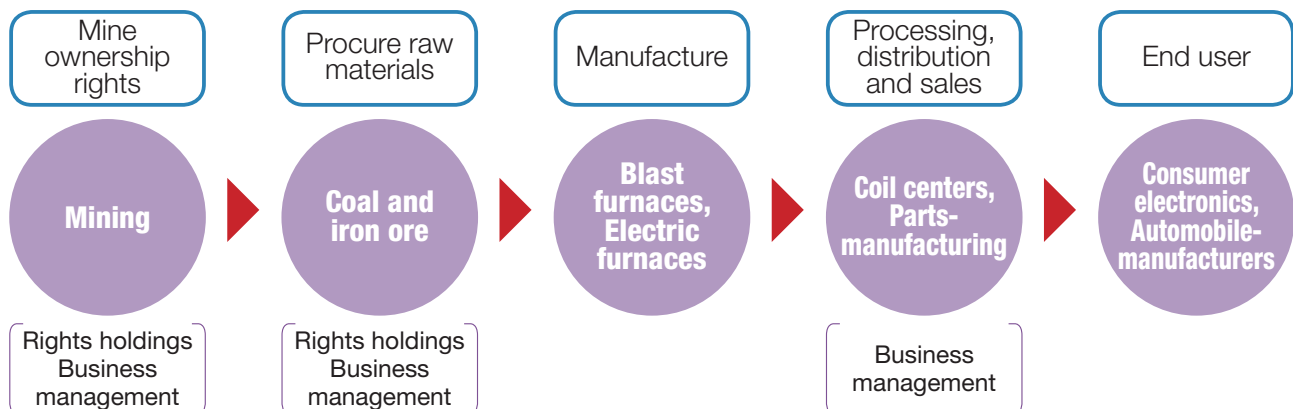
A value chain is a series of activities in which companies engage in order to deliver value to customers. Understanding a value chain is very important when it comes to understanding the *Shosha*. A value chain comprises initiatives that aim for higher returns by raising value-added and linking it to various businesses based on the knowledge and information that *Shosha* gain through their engagement in widely-ranging, upstream through downstream sectors. This covers everything from developing and procuring materials, to manufacturing, processing, sales and services.

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



**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

## Column 2 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\*<sup>1</sup> 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*\*<sup>2</sup> 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.



Resin raw materials

Photo courtesy of Inabata & Co., Ltd.



Leisure facilities

Photo courtesy of Hanwa Co., Ltd.

## Column 3 *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: "Itoh Chuta no daibouken"

<https://www.itochu.co.jp/ja/kids/index.html>



Itoh Chuta

#### Chori Co., Ltd.: CHORI-KUN

<https://www.chori.co.jp/chorikun.html>



CHORI-KUN

#### JFTC: JFTC Kids Site

<https://www.jftc.or.jp/kids/>



Shoma & Osho

### Others

#### Kowa Company, Ltd.: Kowa Kero-Koro Land

<https://kr2.kowa.co.jp/>

#### Sojitz Corporation: Discover Sojitz

<https://www.sojitz.com/en/special/>

## 1

## Working to Resolve Global Social Problems



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 practices.

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)

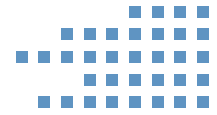
#### SUSTAINABLE DEVELOPMENT GOALS





## 2-(1)

## 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.

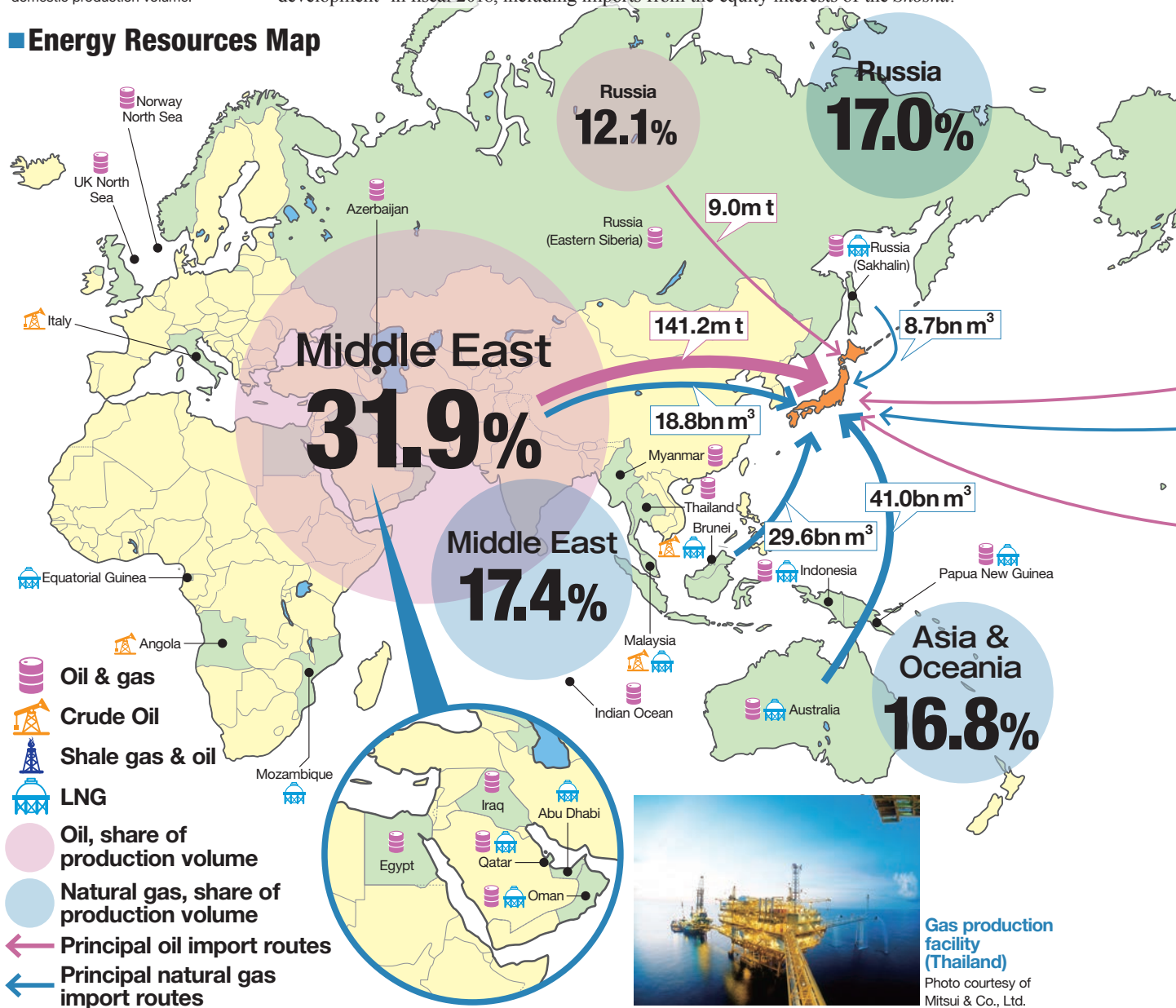
On the one hand, they expand the areas from which they procure resources in cooperation with strong overseas partners. On the other hand, at the distribution level they build broadly-based value chains that extend from refining and trading, to the management of LPG sales outlets and filling stations.

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 29.4% of its own oil and natural gas development\* in fiscal 2018, including imports from the equity interests of the *Shosha*.

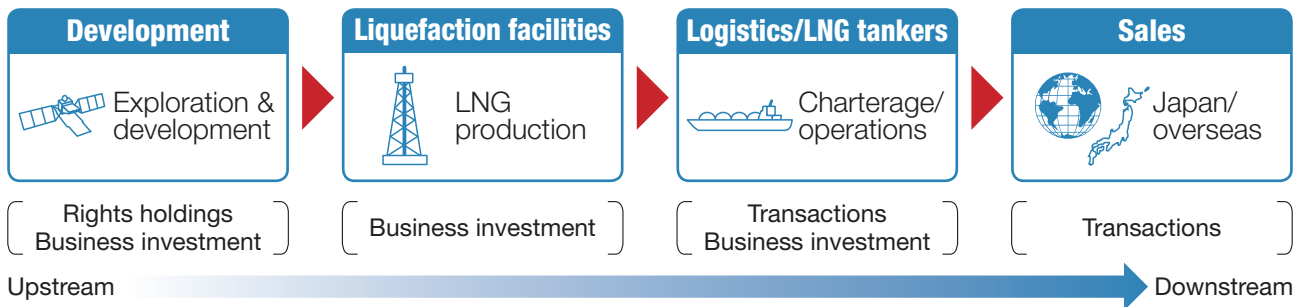
\*Take-up of oil and natural gas under Japanese corporate equity interests as a proportion of total imports and domestic production volume.

## ■ Energy Resources Map





## ■ The LNG Value Chain



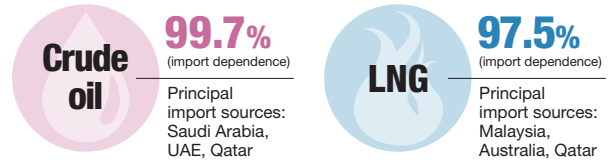
**Methanol plant that uses natural gas (Indonesia)**

Photo courtesy of Sojitz Corporation

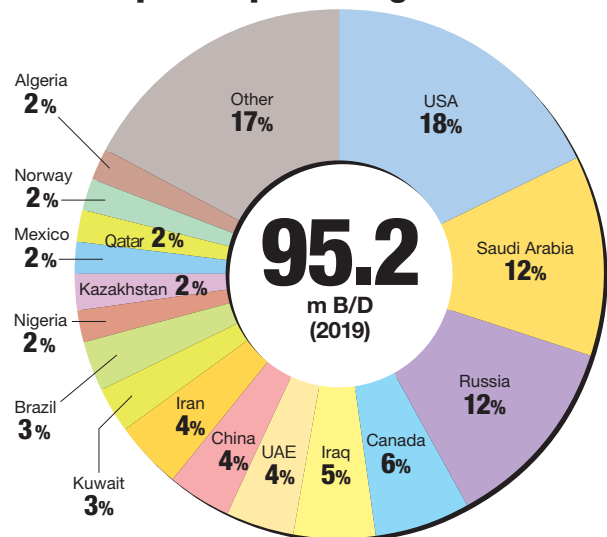


**Offshore Jackup Drilling Rig Charter Business (Egypt)**

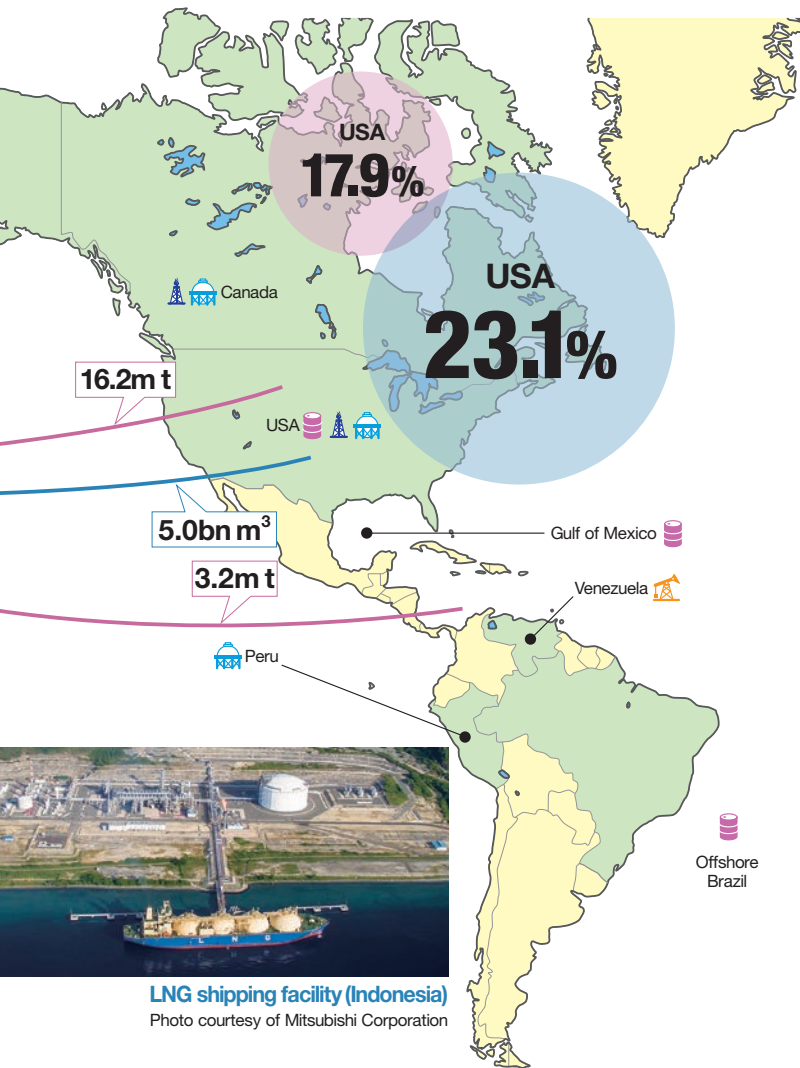
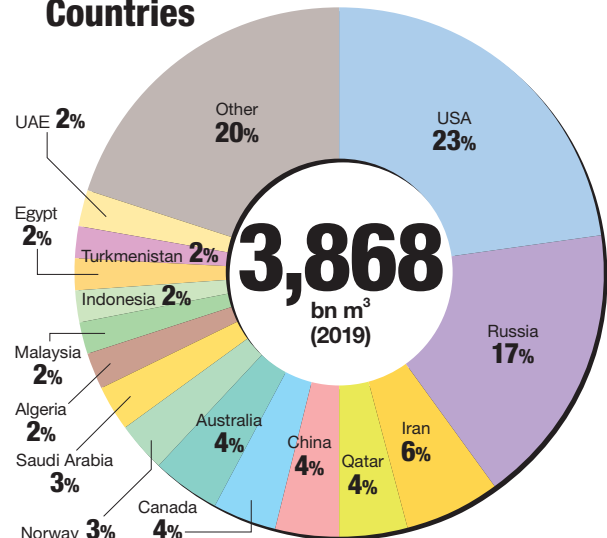
Photo courtesy of Toyota Tsusho Corporation



## ■ Principal Oil-producing Countries



## ■ Principal Natural Gas-producing Countries



**LNG shipping facility (Indonesia)**

Photo courtesy of Mitsubishi Corporation

### Note This!

- Japan depends on the Middle East for much of its crude oil imports, but the *Shosha's* oil development 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) 2019, websites; BP statistics 2020; *Brains* magazine (February 13, 2019 edition; Brains, Inc.), etc.

# 2-(1) Stable Supplies of Resources and Energy (Metal Resources)

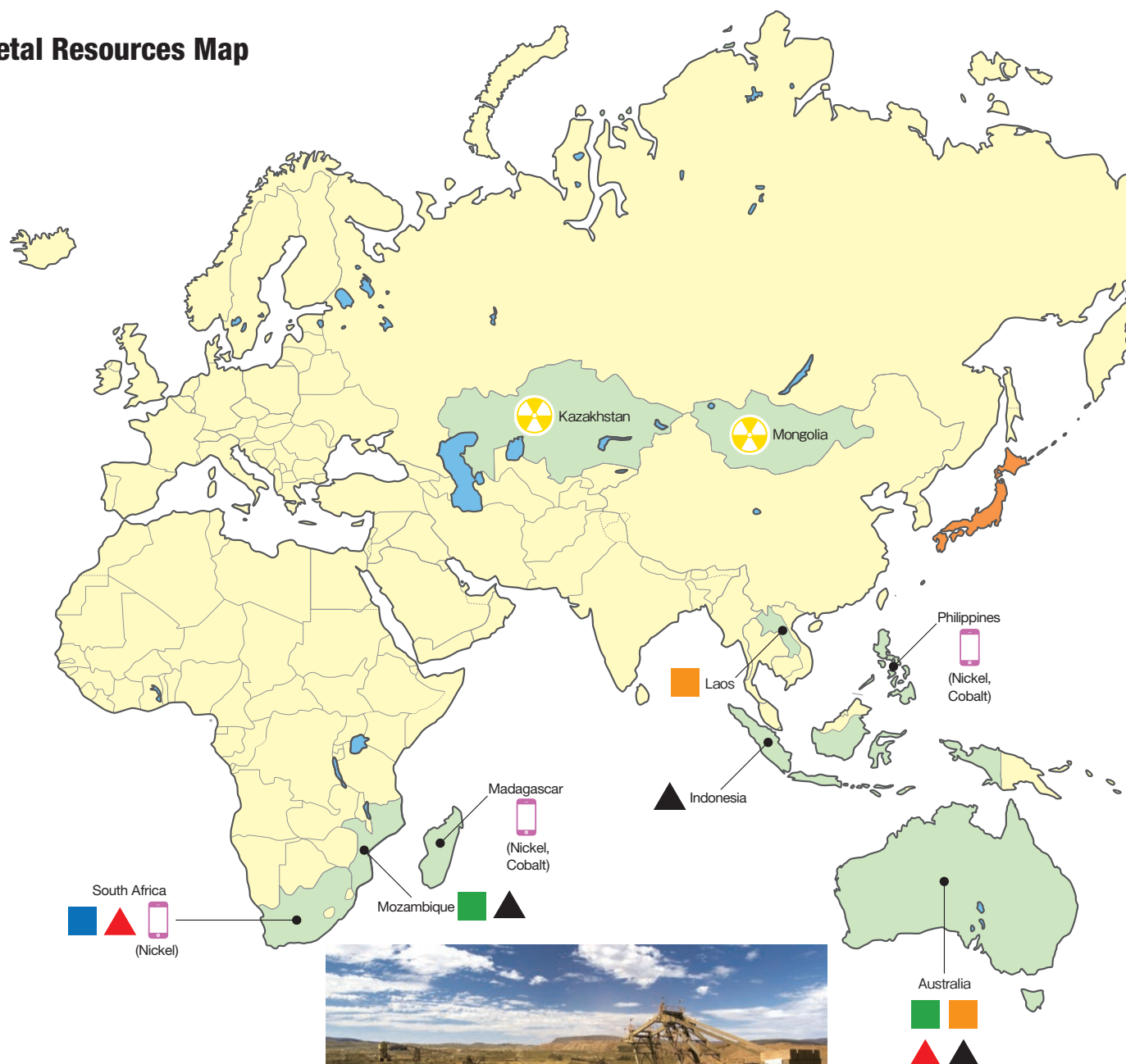


In addition to energy resources such as oil and natural gas, the *Shosha* handle mineral resources such as coal and iron ore, which are essential for producing steel. They also handle base metals, including aluminum, copper and lead, as well as precious metals and the rare metals used in various industries,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

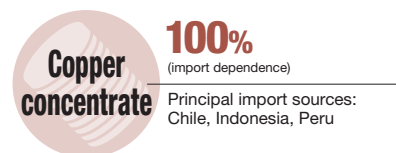
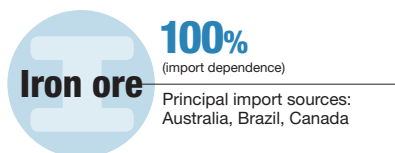
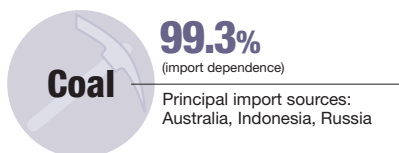
## ■ Metal Resources Map



Iron ore business (Australia)

Photo courtesy of Mitsui & Co., Ltd.





Aluminum

Stainless steel raw materials (ferrochrome)

Copper

Iron ore

Coal

Uranium

Gold

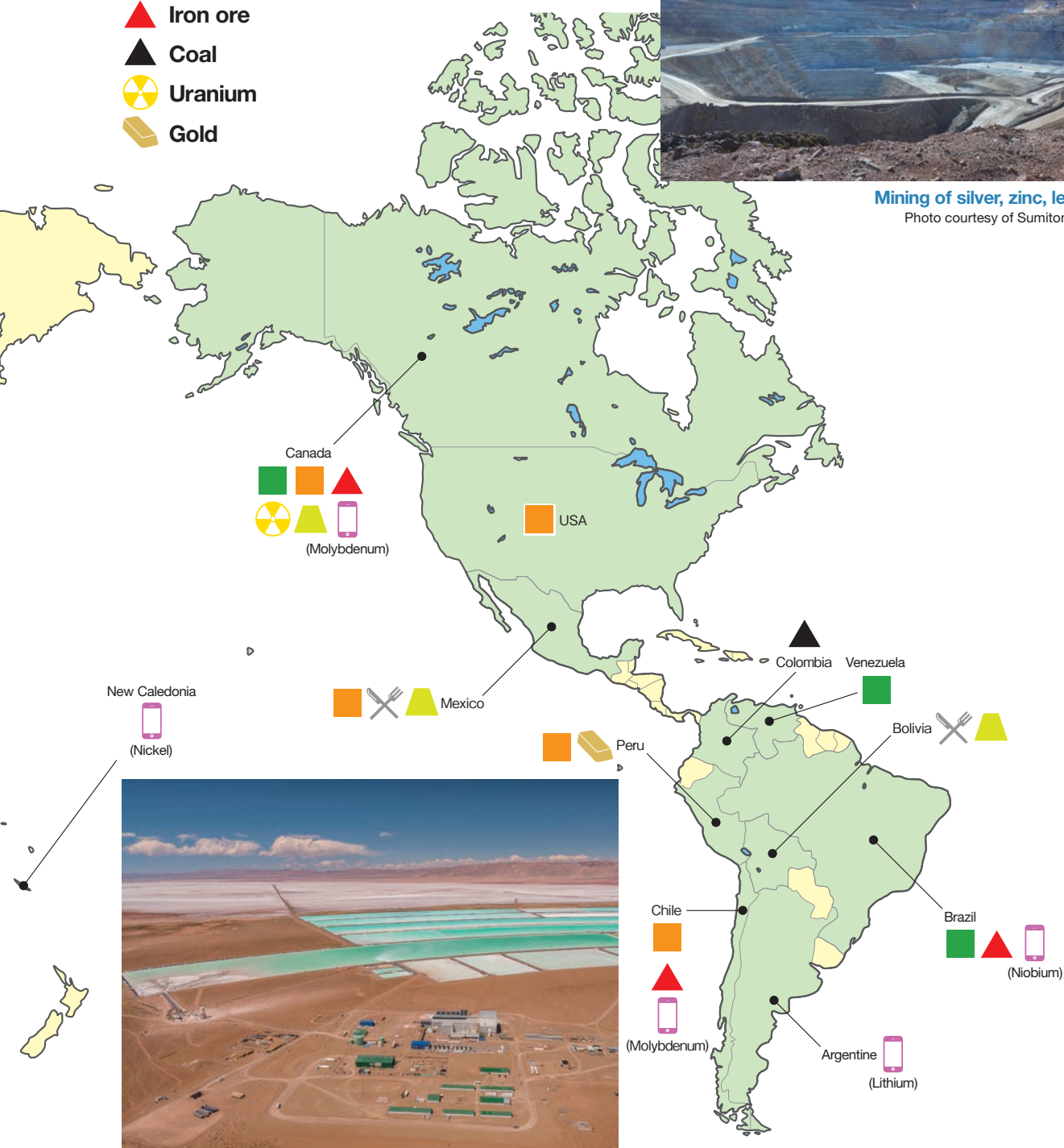
Silver

Zinc, lead

Rare metals



**Mining of silver, zinc, lead (Bolivia)**  
Photo courtesy of Sumitomo Corporation



**Lithium Mining Project (Argentina)**  
Photo courtesy of Toyota Tsusho Corporation  
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Source: Prepared by JFTC based on Annual Reports (Integrated Reports) 2019, websites; *Brains* magazine (June 19 & June 26, 2019 editions; Brains, Inc.), etc.



# 2-(2) Stable and Secure Supplies of Safe Food



According to the United Nations, the global population was over 7.7 billion people in 2019, 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.

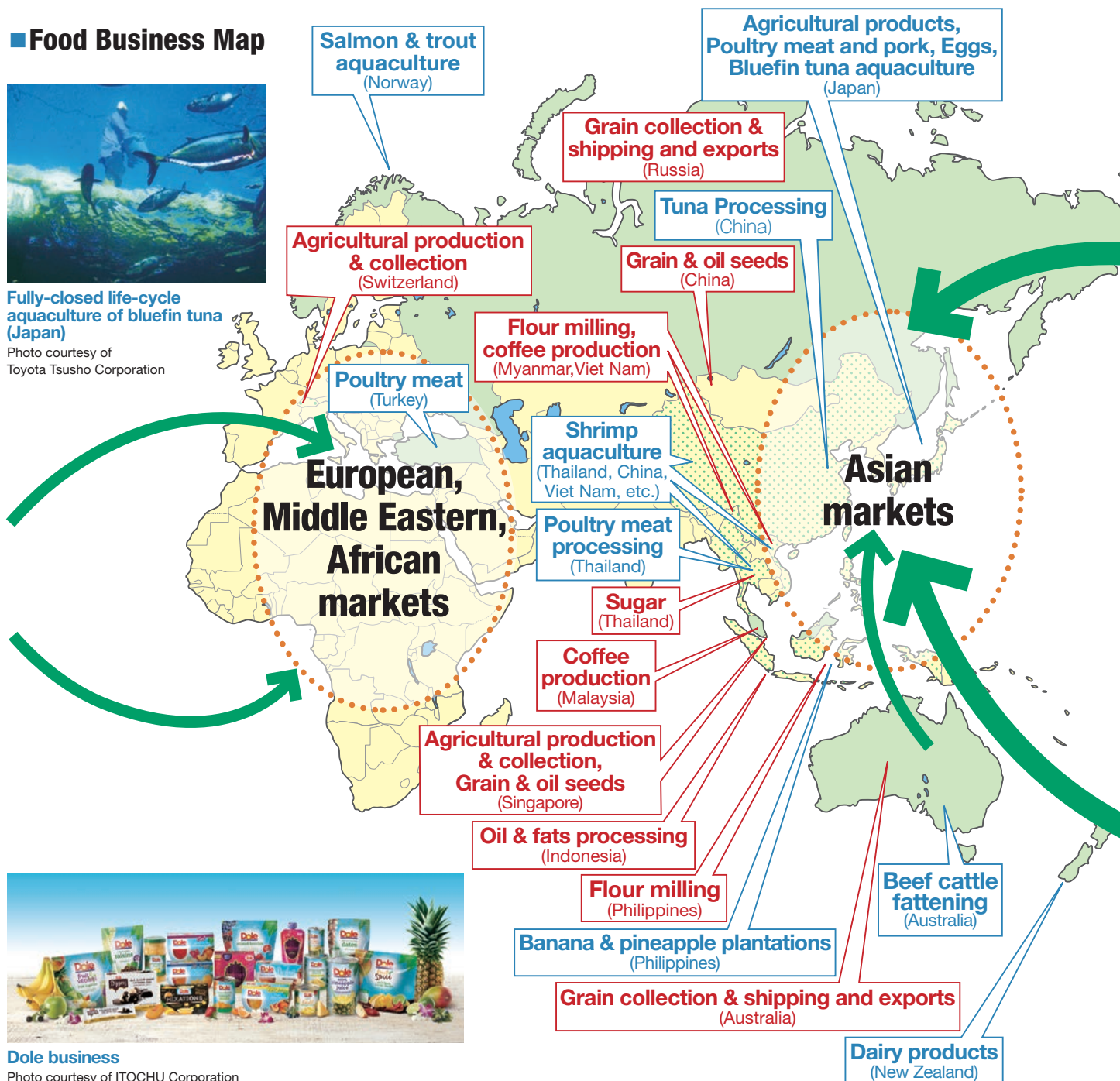
To ensure stable global food supplies, the *Shosha* will work on raising agricultural productivity, diversify suppliers, and build more reliable procurement routes, thus playing a role in efficiently matching food supply and demand, which are often unevenly distributed from one region to another.

## Food Business Map



Fully-closed life-cycle aquaculture of bluefin tuna (Japan)

Photo courtesy of Toyota Tsusho Corporation



Dole business

Photo courtesy of ITOCHU Corporation



### Improving agricultural productivity

- Supply agrochemicals, fertilizers, agricultural materials

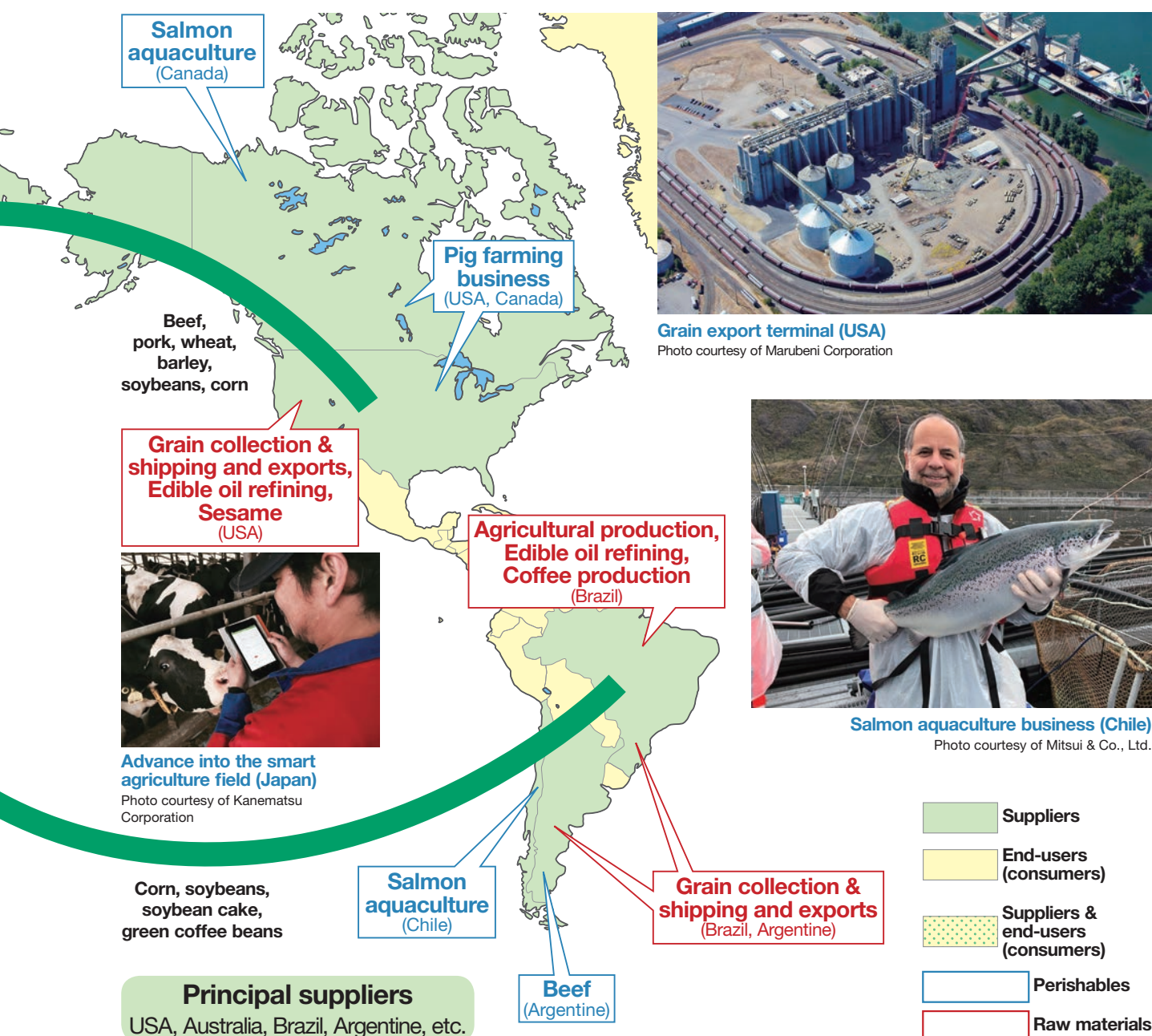
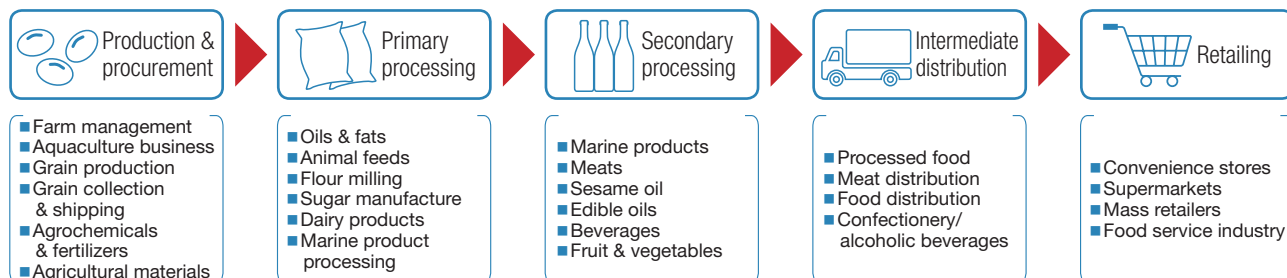
### Strengthen food procurement and supply capacity

- 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



Source: Prepared by JFTC based on Annual Reports (Integrated Reports) 2019, websites; *Brains* magazine (July 17 & July 24, 2019 editions; Brains, Inc.), etc.

# 2-(3) Achieving a Sustainable Society






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 2019

(Source: Prepared by JFTC based on the *Renewables 2020 Global Status Report - REN21*)

Unit: GW

	 Biomass	 Geothermal	 Solar	 Concentrated Solar Power (CSP)	 Wind	Power generation capacity (Total)
World	139	14	627	6	651	1,438
BRICS	48	0	256	1	292	597
EU28	44	1	132	2	192	371
China	23	0	205	0	236	464
USA	16	3	76	2	106	202
Germany	9	0	49	0	61	119
India	11	0	43	0	38	92
Japan	4	1	63	0	4	72
UK	8	0	13	0	24	45

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



## The Main Overseas Renewable Energy Power Generation Projects in Which the *Shosha* Are Involved



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 1,438 gigawatts (GW) in 2019 (see table on left-hand page).

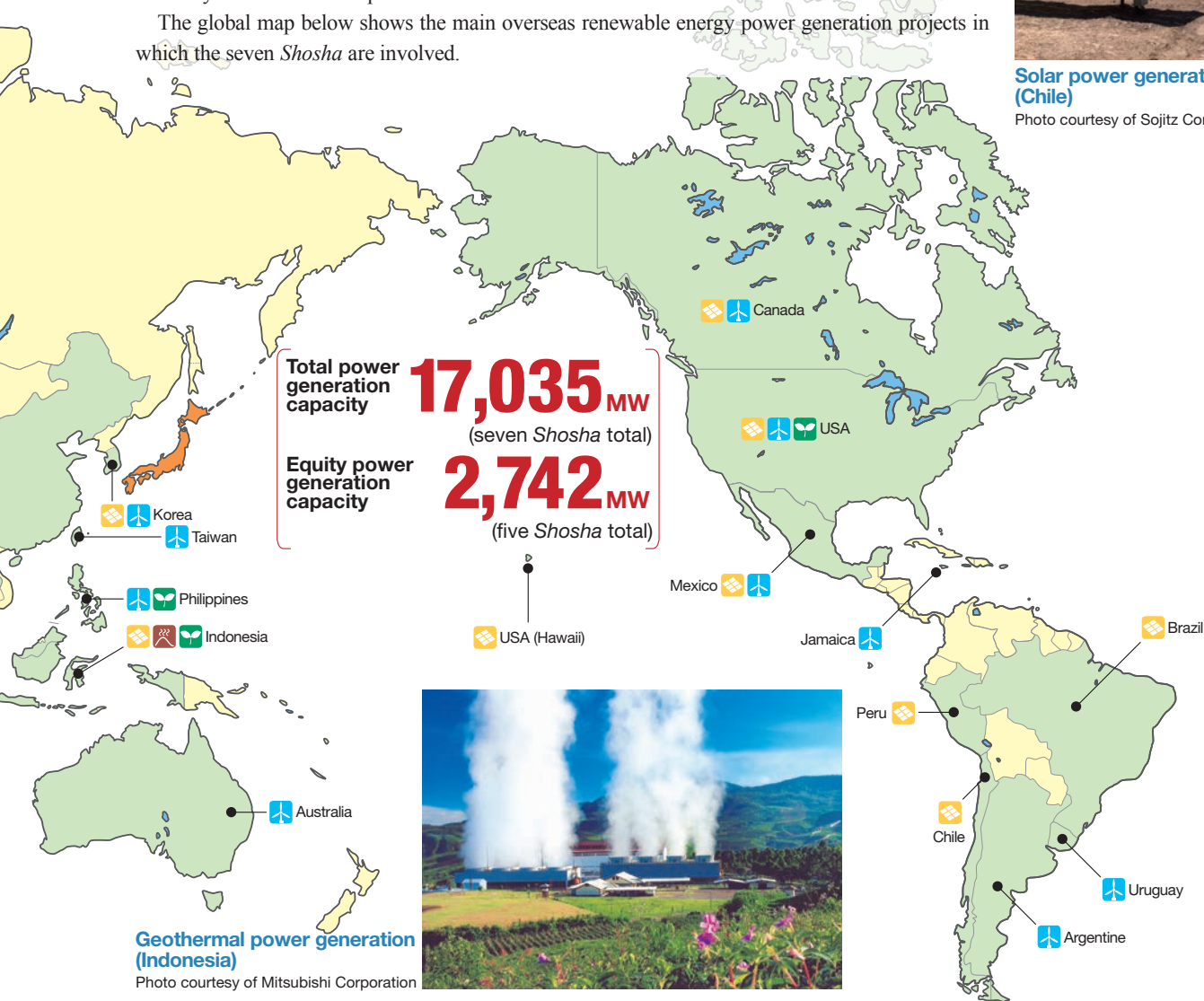
Currently, wind power has the highest renewable power capacity, generating around 45% of the total, followed by solar power with around 40%. By country, China accounts for by far the largest share of renewable power capacity with around 30% of the total, largely because of its substantial wind and solar 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 fifth-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 (Chile)**

Photo courtesy of Sojitz Corporation



### Note This!

- The equity renewable power generation capacity of **2,742MW** 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 **41,449MW**. 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 Annual Reports (Integrated Reports) 2019, websites; *Brains* magazine (January 29 & February 5, 2019 editions; Brains, Inc.), etc.



# 2-(4) Establishing Social Infrastructures in Japan and Overseas

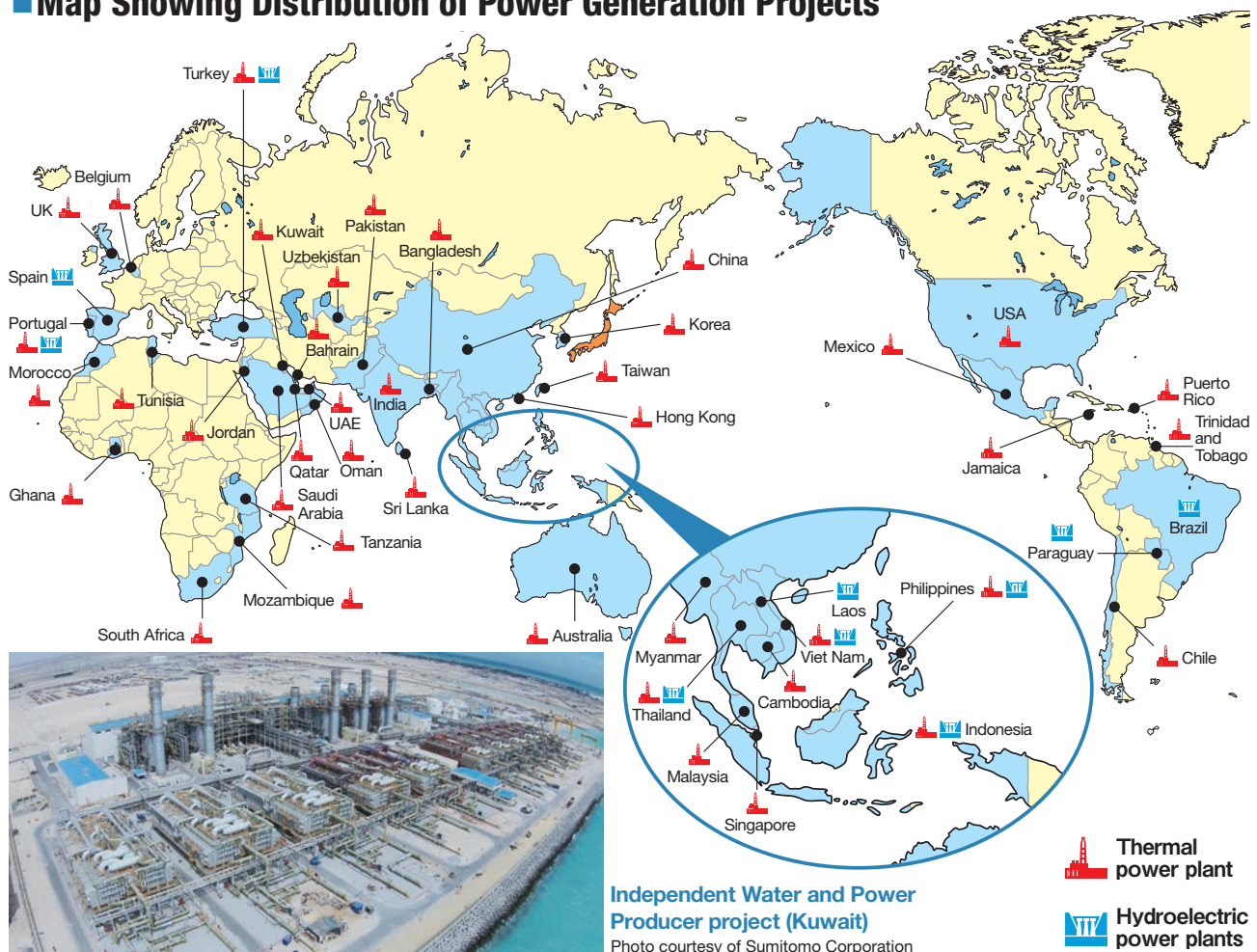
Demand for the development and construction of electric power, water, railway, telecommunications and other facilities that constitute the base of societal infrastructure is rising worldwide. Estimated at an annual \$1 trillion globally, infrastructural demand is particularly high in the developing economies, 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.

## ■ Map Showing Distribution of Power Generation Projects







**Water business/water treatment plant (UK)**

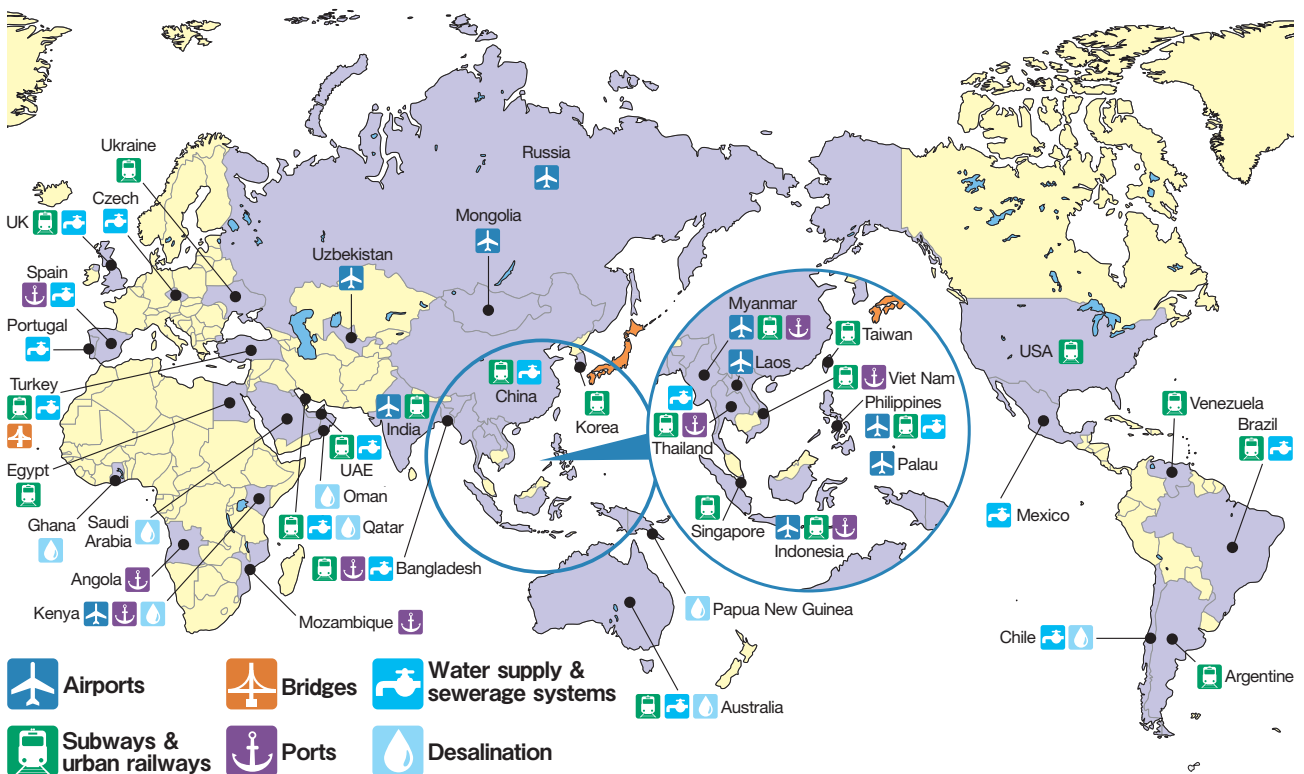
Photo courtesy of Mitsubishi Corporation



**Passenger transportation business/West Midlands (UK)**

Photo courtesy of Mitsui & Co., Ltd.

## ■ Map Showing Distribution of Other Infrastructure Projects



**Urban Railway in Bangkok (Thailand)**

Photo courtesy of Marubeni Corporation



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

Photo courtesy of Mitsubishi Corporation

Source: Prepared by JFTC based on Annual Reports (Integrated Reports) 2018, websites; *Brains* magazine (January 31 & February 7, 2018 editions; Brains, Inc.), etc.

# 2-(5) 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 below list the industrial parks in nine Asian countries in which the seven *Shosha* are engaged.

## Industrial Park Map

Name	Area (ha)	Company name
Thilawa Special Economic Zone	662	Mitsubishi Corporation, Marubeni Corporation, Sumitomo Corporation



**Myanmar**  
(Total: 662ha)

**Thilawa Special Economic Zone (Myanmar)**

Photo courtesy of Marubeni Corporation

Name	Area (ha)	Company name
Toyota Techno Park India	12	Toyota Tsusho Corporation
Sri City	3,000	Toyota Tsusho Corporation
Toyota Tsusho India Autopark	22	Toyota Tsusho Corporation
TT Techno Park Management Services India	70	Toyota Tsusho Corporation
Sojitz-Motherson Industrial Park	115	Sojitz Corporation
ORIGINS by Mahindra World City, North Chennai	107	Sumitomo Corporation
Techno Trends Auto Park	28	Toyota Tsusho Corporation
Model Economic Township	3,300	Marubeni Corporation

**India**  
(Total: 6,654ha)

Name	Area (ha)	Company name
Saha Industrial Park - Sriracha	288	Sojitz Corporation
Rojana Industrial Park	3,900	NIPPON STEEL TRADING CORPORATION
Amata City, Chonburi	4,000	ITOCHU Corporation, Sumitomo Corporation
Saha Industrial Park - Kabinburi	402	Sojitz Corporation
Saha Industrial Park - Lamphun	371	Sojitz Corporation
Amata City, Rayong	2,720	ITOCHU Corporation, Sumitomo Corporation
WHA	7,780	Toyota Tsusho Corporation
TT Techno-Park	2	Toyota Tsusho Corporation
Saha Industrial Park - Mae Sot	24	Sojitz Corporation

**Thailand**  
(Total: 19,487ha)



**Cambodia**  
(Total: 430ha)

**Techno Park Poi Pet (Cambodia)**

Photo courtesy of Toyota Tsusho Corporation

Name	Area (ha)	Company name
Phnom Penh Special Economic Zone	360	Sumitomo Corporation
Poipet Phnom Penh Special Economic Zone	68	Sumitomo Corporation
Techno Park Poi Pet	2	Toyota Tsusho Corporation



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

### Land acquisitions Infrastructural- improvement

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

### Provide services

- F/S support : Cooperate in research, provide information
- Support company start-ups : 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

**China**  
(Total:  
26,000ha)

Name	Area (ha)	Company name
China-Singapore Suzhou Industrial Park	26,000	Mitsui & Co., Ltd. Mitsubishi Corporation

**Viet Nam**  
(Total:  
3,255ha)

Name	Area (ha)	Company name
AMATA (Vietnam) Industrial Park	700	ITOCHU Corporation
Thang Long Industrial Park	274	Sumitomo Corporation
Long Binh Techno Park	100	Sojitz Corporation
Thang Long Industrial Park II	346	Sumitomo Corporation
Phu My 3 Specialized Industrial Park	999	NIPPON STEEL TRADING CORPORATION
Long Duc Industrial Park	270	Sojitz Corporation
Thang Long Industrial Park (Vinh Phuc)	213	Sumitomo Corporation
Phu Ann Thann	353	Sojitz Corporation



**Thang Long Industrial Park II (Viet Nam)**

Photo courtesy of Sumitomo Corporation

**Philippines**  
(Total:  
1,555ha)

Name	Area (ha)	Company name
Lima Technology Center	600	Marubeni Corporation
First Philippine Industrial Park	448	Sumitomo Corporation
First Industrial Township	70	Sumitomo Corporation
Light Industry Science Park IV	212	Sojitz Corporation
Hermosa Ecozone Industrial Park	162	Sojitz Corporation
Anflo Industrial Estate	63	Sumitomo Corporation

**Indonesia**  
(Total:  
5,674ha)



Name	Area (ha)	Company name
MM 2100	817	Marubeni Corporation
East Jakarta Industrial Park	320	Sumitomo Corporation
Suryacipta City of Industry	1,400	Sumitomo Corporation
Karawang International Industrial City	1,400	ITOCHU Corporation
PT.TT Techno Park	15	Toyota Tsusho Corporation
Greenland International Industrial Center (G.I.I.C.)	1,700	Sojitz Corporation
SLP Karawang	22	Mitsui & Co., Ltd.

**Karawang International Industrial City (Indonesia)**

Photo courtesy of ITOCHU Corporation

**Malaysia**  
(Total:  
26ha)

Name	Area (ha)	Company name
Nusajaya Tech Park	10	Mitsui & Co., Ltd.
Bandar Bukit Raja	16	Mitsui & Co., Ltd.

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

**Totals:**  
**Approx. 63,750ha**  
**(nine countries)**

**(Reference: The area of the 23 wards of Tokyo, around 62,800ha)**

Source: Prepared by JFTC based on *Brains* magazine (February 28, 2018 edition; Brains, Inc.), etc.



# 2-(6) 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.



**Denim brand (RESOLUTE)**

Photo courtesy of NIPPON STEEL TRADING CORPORATION



**Cable TV business (Jupiter Telecommunications)**

Photo courtesy of Sumitomo Corporation



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

Photo courtesy of Mitsubishi Corporation



**Brand goods store (Orobianco)**

Photo courtesy of ITOCHU Corporation

# Iwatani hydrogen refueling station, Ariake, Tokyo

Photo courtesy of Iwatani Corporation



# Daycare management business (Japan)

Photo courtesy of Sojitz Corporation



# 2-(7) 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.

In recent years, they have also become proactively engaged in businesses that bring together ICT and the healthcare sector to provide online examinations and diagnostic support using AI.

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



**Mount Elizabeth Novena Hospital in Singapore under IHH**

Photo courtesy of Mitsui & Co., Ltd.



**Easily wearable mobile measuring instrument, evaluating physical conditions**

Photo courtesy of CBC Co., Ltd.



**Consumer Healthcare Products (OTC drugs, Life support products)**

Photo courtesy of Kowa Company, Ltd.



**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, veterinary drug sales
- Health insurance dispensing, drugstores

### Hospitals

- Hospital management & management support
- Hospital outsourcing business  
(support for inventory management & procurement of pharmaceuticals, medical equipment & materials, etc.)
- Pharmaceuticals information services
- Education & staffing services for healthcare providers
- Telemedicine business
- Regenerative medicine business

### Health

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

### Nursing care & care services for seniors

- Welfare product supplies
- Home-based care services
- Wholesaling and rental wholesaling of nursing care supplies
- Home medical massage service
- Private rehabilitation business

Source: Prepared by JFTC based on Annual Reports (Integrated Reports) 2019, websites; *Brains* magazine (January 15 & January 22, 2020 editions; Brains, Inc.), etc.



Beauty care products

Photo courtesy of NAGASE & CO., LTD.



Clinical analyzers

Photo courtesy of Hitachi High-Tech Corporation



## 4 The *Shosha* in Fiction

The *Shosha* business is always popular among new graduates seeking work, but in some respects, it is difficult to grasp what these companies actually do because they cover so many different areas.

To illustrate certain aspects of the motivations and occupational difficulties *Shosha* employees face, this section looks at some of the main works of fiction that feature *Shosha*. Several of these works are set in prewar or postwar Japan, but they convey something of the ambience of the *Shosha* business today.

### Wasted Land (Fumo Chitai)

by YAMAZAKI Toyoko

An immortal masterpiece. The story of a man who, after surviving dreadful experiences as a prisoner of war in Siberia, fights desperately to live as a *Shosha* man in the turbulence of a postwar Japan struggling to overcome the devastation of the Pacific War.

### Energy

by KUROKI Ryo

Based on actual events, this portrait of the war over international resources was written by a former *Shosha* employee and provides insights into the *Shosha* energy business and international finance.

The author also wrote *The Silk Road Runway* (Shiruku Rodo no Kasoro), which touches on other facets of the *Shosha* business.

### Castles in the Sky (Sora no Jo)

by MATSUMOTO Seicho

Based on the collapse of Ataka & Co. following a slump in oil prices, this novel depicts the struggle of a *Sogo-Shosha* striving to secure oil agencies on the global stage.

### O-le-san

by TAMAOKA Kaoru

From the Taisho era (1912-1926) through the beginning of the Showa era (1926), Suzuki Shoten was known worldwide as the

*Shosha* with the highest yearly turnover in Japan. This is an historical novel about the female owner, Suzuki Yoneto, and her head clerk Kaneko Naokichi. It was dramatized on Yomiuri TV in May 2014.

The *Burning of Suzuki Shoten* (Suzuki Shoten Yakiuchi Jiken) by Shiroyama Saburo is also recommended.

### The Scorching Trader (En-netsu Shonin)

by FUKADA Yusuke

This novel describes the realities experienced by a *Shosha* employee in Manila in the Philippines still suffering from the deep scars left by the Pacific War. It won the 87th Naoki Prize in 1982.

Other fine works describing the trade wars faced by *Shosha* employees by the same author include *The God Eagle Trader* (Kami-washi Shonin), *The Dark Trader* (Kuroyami Shonin) and *The Revolutionary Trader* (Kukumei Shonin).

### The Entrepreneurial Office Worker

by AZUCHI Satoshi

Can a salaried worker become an entrepreneur? This novel tells the story of a *Shosha* man who struggled during the “winter years of the *Shosha*” as he led an overseas food services group.

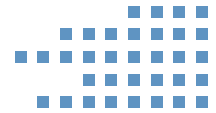
### Every Day is Sunday (Mainichi ga Nichiyo)

by SHIROYAMA Saburo

This story depicts the daily life of a *Shosha* employee who has been transferred to a meaningless job, and his family. It explores what actually constitutes a happy life for any businessperson, not just a *Shosha* employee.

The novels introduced in this column are just a few of the many publications about *Shosha*. In addition to research publications about the sector, there are nonfiction books based on the experiences of people who have worked for *Shosha*, or protagonists modeled on actual *Shosha* employees.

## 1

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 &amp; 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.



**"DREAM AS ONE." project**  
in support of parasports

Photo courtesy of  
Mitsubishi Corporation

## 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. Also participating in the *Commitment to a Low Carbon Society* and the *Voluntary Action Plan for Establishing a Sound Material-Cycle Society* through JFTC, promoting energy efficiency, reduction of wastes and recycle.



**Sojitz Foundation**

Photo courtesy of Sojitz Corporation

## 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.



**Mobile Learning Center Project**

Photo courtesy of ITOCHU Corporation © Save the Children

## 4 Culture &amp; 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.



**Cultural activities support**

Photo courtesy of Hanwa Co., Ltd.



**Mitsui SASUGAKU Academy**

Photo courtesy of Mitsui & Co., Ltd.



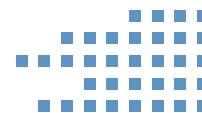
**Marubeni Laos Scholarship Program**

(Picture taken by ceremony)



## 2

## Action for a Better International Community (ABIC)



## 1 What is ABIC?



## JICA Experts

(Industrial development advisor for Tanzania)



## Bazaar to support international students



## Translator Support in FOODEX JAPAN

(Ukraine pavilion)



## Lecture in English at the University



## Appointment ceremony of "Overseas Sales Representative"

(Support for local governments)



## Olympic and Paralympic Education in Tokyo

ABIC, which stands for "Action for a Better International Community" is a non-profit organization (NPO) established by Japan Foreign Trade Council, Inc. (JFTC). It was established in April 2000 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.

Their activities lead to bridge Japan and international community through private sector initiative as well as interaction with local communities. They also play a role in the field that are not sufficiently dealt with by public sector and private companies, covering part of the function that administrative agency has traditionally performed.

## 2 Membership

Registered members: **2,974** (as of June 30, 2020)

- Average age: 71
- *Shosha* alumni: 68%
- Alumni of financial, insurance and manufacturing companies, and public agencies: 32%
- Members with overseas posting experience: 85% (Approx. 150 countries and regions)
- Members with multilingual abilities: 47% (36 countries)

## 3 Principal Activities

Fiscal 2019: **2,505** activities; Fiscal 2000-2019: **27,738** activities

- Cooperation with government agencies
- Cooperation with non-governmental organizations
- Cooperation with local governments
- Support for small and medium enterprises
- Support for foreign companies doing business with Japan
- Training programs
- Lecturing at universities and others
- Education for international understanding at elementary and secondary schools
- Support and exchanges for international students studying in Japan
- Cooperation with international events
- Project outsourcing
- Introducing experts & staffs with skills, etc.

# Column 5

## Heritage of Industrial Modernization and the Shosha

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 Modernization Heritage sites. Several of these sites are associated with the *Shosha*. The following section introduces some of the leading sites.

### 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., Ltd., MASUDA Takashi 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.



The Sado Gold Mine



MASUDA Takashi

### 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 KUSUNOKI Masashige outside Tokyo's Imperial Palace is the work of TAKAMURA Koun and others. It was planned by Sumitomo to commemorate the bicentenary of the opening of the Besshi Copper Mine



KUSUNOKI Masashige outside Tokyo's Imperial Palace



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

Yokohama Customs House



NAKAJIMA Nobuyuki

### 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., Ltd. commenced.

Tomioka Silk Mill

### Miike Coal Mines-related Heritage Sites

Transportation- and Trade-related Heritage Sites related to Coal from the Miike Coal Mines



Miike Coal Mines

DAN Takuma

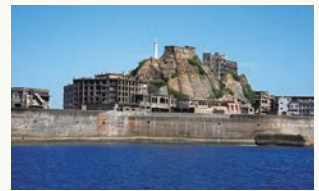


The Miike Coal Mines were taken over by Mitsui in 1889. At that time, DAN Takuma, transferred to Mitsui and later became the Director-General of the Mitsui *zaibatsu*. Prior to that, he had been an engineer at the Ministry of Works and after traveling with the Iwakura Mission, graduated from the Massachusetts 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 the old 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 present-day 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. MORIMURA Ichizaemon 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



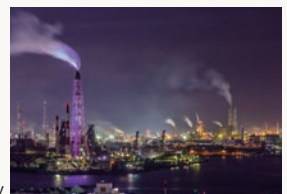
Maruki mark

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 JFTC

Japan Foreign Trade Council, Inc. (JFTC) is a trade-industry association whose core members are made up of *Shosha* and trade associations.

- Established in June 1947
- Regular Members: 42 Trading companies, 20 Associations, 29 Individuals  
Associate Members: 55 Companies (other than *Shosha*) & 31 Associations involved in trade (Total 177 members; as of May 29, 2020)

## 2 Principal Business Activities

### (1) Government Relations: Stronger Attempts to Implement Proposals and Satisfy Requests

- The *Shosha* and indeed all trading entities face issues relating to system and environmental improvements in free corporate activities designed to maintain and develop sustainable growth in the free trade system. To this end, JFTC is working hard to consolidate the opinions of corporate members and industry players; proactively present proposals, requests and initiatives to government ministries and relevant agencies; and ensure they are brought to fruition.

#### <Maintaining and Strengthening the Free Trade System>

In light of the growing uncertainties facing international commerce, including trends hindering the maintenance and expansion of free trade, JFTC is strengthening its efforts to broaden and deepen economic ties, and reinforce the activities and reform of the WTO with a view to sustaining and developing freer and fairer trade and investment rules.

#### <Improving the Systems and Conditions Needed for Freer Corporate Activities to Promote Sustainable Growth >

JFTC proactively submits proposals and requests relating to the following issues, which are crucially important for *Shosha* and trade industry business growth. It also works on strengthening cooperation and lobbying routes with related organizations, and strives hard to make these initiatives a reality through the following.

- ① Investment agreements, social security agreements and tax treaties
- ② Security export controls
- ③ Accounting standards and taxation
- ④ Trade- and investment-related procedures
- ⑤ Logistics
- ⑥ Safety measures overseas
- ⑦ Corporate governance and compliance with Japan's Financial Instruments and Exchange Act (FIEA)
- ⑧ International standardization, international institutions
- ⑨ Infrastructure exports
- ⑩ Opinions and requests on improving and expanding educational environments for students overseas with a view to training human resources who can contribute to global society

### (2) Member Relations: Information Gathering and Sharing of Information among Members

- Support for initiatives adopted by member corporations through gathering information essential for *Shosha* activities and ensuring mutual sharing of such information among corporate members, including: policy measures adopted by governments at home and abroad that have a major impact on business (including regulatory changes, economic sanctions, tie-ups in third country markets, and monetary policies); analyses of domestic and overseas conditions, and economic trends by relevant organizations and experts; and management problems shared by multinational companies (including environmental, social and governance (ESG) management, information security, and digital transformation (DX); training of global human resources; diversity and inclusion).



- ① Gather information from persons involved in government and experts through committees and external meetings; promote mutual exchanges and sharing of information among members; and support measures adopted by member companies (produce manuals, etc.)
- ② Gather information and promote exchanges of views through informal conversations with persons involved in government and experts at meetings of executive directors, directors' meetings, policy meetings, etc.
- ③ Improve services for members, including regular lectures and webcasts.
- ④ Trade analyses in cooperation with member companies.
- ⑤ Exchange information and carry out educational seminars concerning workstyle reforms and diversity and inclusion
- ⑥ Training programs for employees (lectures by experienced managers of member companies, Action for a Better International Community (ABIC)).

### (3) Public Relations: PR activities designed to promote deeper understanding of Shosha functions and activities

- PR activities to explain JFTC's activities and the history, current status and future of trading companies that have adopted the unique model of Japan's *Shosha* in a manner that can be easily understood by stakeholders at home and overseas.
  - ① Use internal and external media to provide JFTC's Opinion through regular Chairman's press conferences, announcements, comments and advertisements
  - ② *Shosha Symposiums* and other events
  - ③ *JFTC Monthly Report*, the *JFTC News*, and the JFTC website
  - ④ Regular Publications about JFTC's activities, such as the *Shosha Handbook* (in Japanese and English), *Foreign Trade* and the Quick JFTC Guide

### (4) Activities Aimed at Realizing a Sustainable Society

- Activities with a view to achieving SDGs (Sustainable Development Goals), and stronger cooperation with ABIC in line with national guidelines on contributing to a society in which lifespans will soon reach 100 years.
  - ① Ensure members are thoroughly acquainted with the *Shosha Corporate Code of Conduct*, SDGs and international codes that must be complied with
  - ② Research concerning *Shosha* endeavors to achieve SDG's involving members and external experts
  - ③ Thoroughly implement the *Long-term Vision for Global Warming Countermeasures*, and promote initiatives under the *Commitment to a Lowcarbon Society*, the *Voluntary Action Plan for Establishing a Sound Material-Cycle Society*; contribute to the reduction of greenhouse gases through the Global Value Chain and other initiatives to deal with climate change; support measures to deal with plastic waste; achieve SDGs; promote disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD); and strengthen approaches to environmental, social and governance (ESG) investment.
  - ④ Exchange information and engage in joint research relating to initiatives concerning social contributions, corporate ethics, compliance, governance, etc.
  - ⑤ Expand social contribution activities through stronger ties with entities such as Action for a Better International Community (ABIC); implement measures to boost ABIC activities and strengthen its operational base.
  - ⑥ Proactively develop external publicity activities through the above activities.



Executive Directors Meeting where METI Minister Kajiyama attended



Shosha Symposium 2019

## The World Economy and Trade

	The World	Japan	Business Cycle	JFTC Chairman
1945	World War II ends. 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. <b>Japan Foreign Trade Council, Inc. (JFTC) is established on June 25.</b>	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 Induced by the Post-war Stability	
1950	The Korean War begins.	Japan resumes private trading. The GHQ agrees in general for the Shoshas to establish overseas branches.		<b>NAKAJIMA Kumakichi</b> (1947.6-1953.4)
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 Procurement Boom Brought by 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.		
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 Period of the 4th Business Cycle	
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 by the Tokyo Olympics	<b>INAGAKI Heitaro</b> (1953.4-1972.10)
1965	American bombing of North Vietnam begins.	The Treaty on Basic Relations between Japan and the Republic of Korea is signed.	Post-olympics Recession	

	The World	Japan	Business Cycle	JFTC Chairman
1966	The Cultural Revolution begins in China.	Deficit-covering government bonds are issued for the first time.	Expansion Period of the 6th Business Cycle	<b>INAGAKI Heitaro</b> (1953.4-1972.10)
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 Affairs meeting in Honolulu: Cooperation to support the dollar		
1969		The 2nd stage of capital liberalization		
1970		JFTC relocates head office from Boueki-kaikan (Ginza) to World Trade Center Building (Hamamatsu-cho). The Japan-US textile negotiations begin. The 3rd stage of capital liberalization	Recession Induced by the Nixon Shock	
1971	New economic policy is announced in the US; The Nixon Shock China joins the UN. Multilateral currency adjustment: Smithsonian 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.		
1972		The US-Japan Textile Agreement Okinawa is returned to Japan. Sino-Japanese relations are normalized.	Boom Induced by the Reconstructing the Japanese Archipelago	
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 "Sogo-Shosha's 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.		
1974		Fact-finding survey on Sogo Shoshas (Japan Fair Trade Commission) JFTC establishes Committee on Japan-Korea Trade Expansion and Balance.	Oil Crisis	<b>MIZUKAMI Tatsuzo</b> (1972.10-1985.5)
1975	The Vietnam 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.		
1976		The Lockheed bribery scandals		
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			



## Attached Table

	The World	Japan	Business Cycle	JFTC Chairman
1983		Korean Air Lines Flight 007 is shot down by Soviet interceptors.	Yen Expensive Recession	<b>MIZUKAMI Tatsuzo</b> (1972.10-1985.5)
1984				
1985	The 1985 Mexico City earthquake The Plaza Accord	Privatization of Nippon Telegraph and Telephone, and Japan Tobacco Sharp appreciation of the yen against US dollar		
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 a trade-industry association in June.	Bubble Economy	<b>MIMURA Yohei</b> (1985.5-1992.5)
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.		
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.		
1990	Iraq invades Kuwait. 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.	Post-bubble Recession	<b>EJIRI Koichiro</b> (1992.5-1996.5)
1994	The CoCom is disbanded. The Uruguay Round of the GATT is concluded.	The yen rises above 100 yen to US dollar.		
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 the UK to the People's Republic of China The Asian currency 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		
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 The Inter-Korean Summit in Pyongyang	JFTC sets up the Action for a Better International Community (ABIC).		<b>MUROFUSHI Minoru</b> (1996.5-2000.5)

	The World	Japan	Business Cycle	JFTC 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 Recession	MIYAHARA Kenji (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 Environmental Code of Conduct" in February. The 1st Japan-North Korea Summit meeting in Pyongyang	Expansion Period in the 14th 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.		Global Economic Crisis
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 Lehman Shock in September The crude oil price soars (above \$100/barrel at one point).	Japan Air Self-Defense Force withdraws from Iraq after 5-year deployment.	Expansion Period in the 15th Business Cycle	
2009		The three-party coalition government of Democratic Party of Japan, Social Democratic 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.		European crisis
2012	Russia joins the WTO.	JFTC becomes general incorporated association. LDP & NKP form coalition government.		
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).		
2014		Japan raises sales tax from 5% to 8% in April.	KOBAYASHI Eizo (2014.5-2018.5)	
2015	US-Cuba restores diplomatic relations. The 70th Anniversary of WWII			
2016	The 42th G7 Summit: Ise-Shima Summit (May) BREXIT referendum (UK, June) Paris Agreement enters into force.	Japan signs TPP in February. 2016 Kumamoto Earthquake on April 14		
2017	Donald Trump is inaugurated as the 45th President of the US. North Korea accelerates its development of nuclear weapons.	The 70th Anniversary of JFTC		NAKAMURA Kuniharu (2018.5-2020.5)
2018	The Inter-Korean Summit in Panmunjom US announces its withdrawal from the Iran nuclear deal framework (May). US-China trade dispute has intensified.	JFTC revises the "Shosha's Corporate Code of Conduct"(March). The Related Acts to Promote Work Style Reform is enacted (June). TPP11 enters into force (December).		
2019	Hong Kong protests to intensify. G20 Osaka Summit	Japan-EU EPA enters into force (February). Japan raises consumption tax to 10%.		
2020	UK leaves EU (January). A new coronavirus spreads in the world.	The Japan-United States Trade Agreement and Japan-United States Digital Trade Agreement are enacted (January).	KOBAYASHI Ken (2020.5-)	

# 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

4th version revised: March 22, 2018

## Foreword

Since the establishment of the original "Sogo-Shosha's Code of Conduct" in 1973 we have consistently taken heed of the various opinions voiced regarding the activities of Shosha and, in order to clarify our social responsibilities and principles of conduct as corporations, have developed this Code of Conduct over time by implementing revisions in response to changes in the global situation and social expectations.

The business operations of Shosha encompass all the industrial sectors of the world. We act upon the firm belief that the realization of a sustainable society is both our responsibility and the essential foundation upon which our corporate activities must rest. Today, the international expansion of initiatives designed to realize a sustainable society in accordance with the United Nations Sustainable Development Goals adds even further importance to the social mission of Shosha while at the same time opening up new and potentially significant opportunities for business development.

As Shosha, we must maintain a constant awareness of these social changes and proactively transform our own management practices. By fulfilling our social responsibilities through the implementation of information disclosure and compliance with relevant laws and international standards, we must fully apply our capabilities as Shosha by combining mid to long term perspectives with a clear understanding of evolving social and economic demands in order to contribute to the realization of a sustainable society.

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 towards society and, while balancing environmental, social and economic considerations, manage our business activities from a long-term perspective in order to contribute to the realization of sustainable economic growth through business.

1. We must actively engage in communication with our shareholders, business partners, consumers, employees, local communities and other stakeholders and manage our businesses in such a way that responds to both their expectations and consistently achieves the creation of new value.
2. Executive management must lead by example in their efforts to create responsible businesses as defined by the evolving demands of the day.
3. We must engage in business in such a manner that the human rights of all people are respected.
4. We must conduct our businesses with due consideration to the preservation of a sound global environment and social sustainability, and actively engage in the resolution of global, environmental and social issues.

## Section 2 Functions and Areas of Activity

As Shosha, while giving due consideration to the attainment of the objectives of the United Nations Sustainable Development Goals, we must strive to accurately perceive evolving environmental, social and economic trends, and be responsive to the attendant social 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 provide resources, goods, and services to enrich society by implementing innovation.
2. By discovering new opportunities for business throughout the world, and by developing these opportunities into sources of value for society, we must strive to contribute to the resolution of social problems and the realization of sustainable economic growth.
3. In the course of our global operations we must contribute to the achievement of balanced global development and regional prosperity by the promotion of free trade and investment and constructive partnership with national governments, international bodies, and other relevant organizations and corporations.

## Section 3 Governance and Crisis Management

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 international standards and social conventions, and stress information disclosure in

our efforts to maintain transparent management practices. In addition, we must also implement and maintain crisis management systems designed to meet the various threats facing both civil society and corporate activity.

1. 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 in accordance with the understanding that free and fair competition is fundamental for the functioning of market economies, engage in proper transactions, responsible procurement and other appropriate business practices, and maintain open and fair relations with political parties and governments.
2. We must build systems to promote effective corporate decision-making, strengthen our internal audit functions, and constantly monitor the legality of decisions made within our organizations.
3. We must strive to achieve transparency through the appropriate and timely disclosure of corporate information.
4. We must promote crisis management and information security in preparedness for the eventuality of acts of terror, cyber-attacks, natural disasters and other crises.

## Section 4 Social Participation and the Promotion of Trust

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

1. 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. We must strive to promote relationships of mutual trust with all our stakeholders including shareholders, business partners, consumers, employees, and local communities by actively disclosing information regarding our corporate operations and by cooperating in regional activities which contribute to the achievement of secure and enriched standards of living.
3. 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 Reform of Work Practices and 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.

1. We must create and maintain work environments for our employees with due consideration for health and safety.
2. We must respect the human rights of our employees, promote equal opportunities among them, and oppose any discriminatory employment practices or treatment.
3. We must respect the diversity and individuality of our employees and actively support their skill and career development.

## Section 6 Role of Executive Management in the Implementation of this Code of Conduct

As Shosha, we recognize that it is the role of executive management to realize the spirit of this Code of Conduct, to lead by example in enhancing awareness of it within their respective corporate organizations including subsidiaries and affiliates, and to promote the understanding of the spirit of this Code of Conduct and its application throughout their supply chains.

In addition, in the event of a violation of the spirit of this Code of Conduct, executive management should discharge their responsibilities by taking the initiative in resolving the problem, investigating its causes and implementing measures to prevent its recurrence.

## 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 2020

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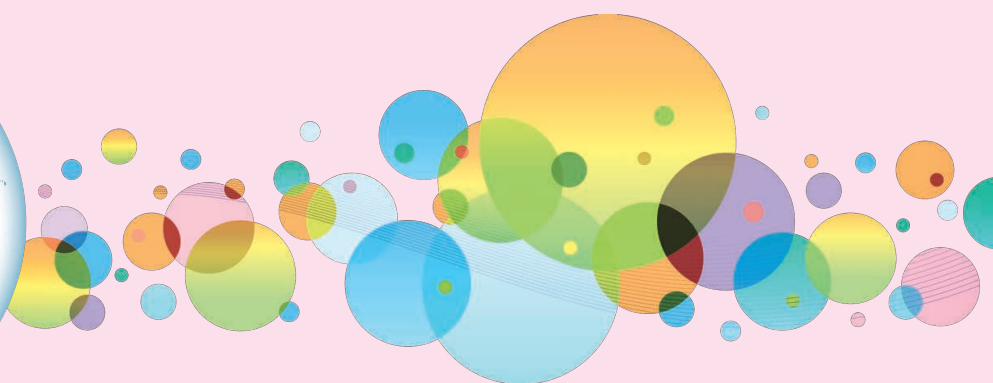
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