

Mitsui & Co.

cuts the cost of trade transactions

50% by using TradeCard

"TradeCard is the most advanced and most tested service available." Shinya Imai, general manager of trade function business department, Mitsui & Co.

The leading Japanese trading group, Mitsui & Co. Ltd, adopted TradeCard's transaction management platform for some of its business in 2002 and has since been rewarded with significant cost savings and improved efficiency in all processes involved in the trade, encouraging the company to extend TradeCard to other parts of their trading operations.

Mitsui owns a total of over 850 companies and subsidiaries in five operating groups: Metal Products & Minerals; Machinery, Electronics & Information; Chemical; Energy; and Consumer Products & Services.

Mitsui also has equity investments in such diverse activities as oil and gas exploration, broadcasting satellites and TV programmes. The company is active in mergers, acquisitions and joint ventures, and provides expertise in investment, finance and business development to its customers.

Currently, Mitsui is introducing a management concept called the Value Creation Hub, in order to enhance the group's leading edge capabilities in information technology, financial technology, and logistics technology, and make them available to the entire company.

Focus on streamlining logistics

In particular, the logistics unit within the parent company accumulates information, know-how and personnel to meet client needs. Its mission is to assist the operating groups in developing the most sophisticated procedures for supply chain management and other value-added logistics solutions and to use the company's know-how as a basis for developing new business opportunities. Mitsui & Co.'s technological expertise in trading and business management is available not only to its own group companies, but also to its customers.

"We have credit, finance and logistics, all sorts of know-how and skills in this company and we intend to make all these functions into one integrated service platform, a shared service centre, available to both internal users and our clients," says Shinya Imai, general manager of the trade function business department.

In the first half of 2004 Mitsui is planning to introduce an ERP (Enterprise Resources Planning) system and, in preparation for the new system, the company is rationalizing the business processes within the company and also looking for suitable tools and services to support this goal.

Challenges

- Offline payments systems were an obstacle to Mitsui's plan for Integrated Logistics
- Excessive paper involved in purchase orders and payments
- Letters of Credit often slowed the payments cycle
- Trade finance difficult to manage because of uncertainty over Letters of Credit compliance dates
- Direct and indirect payment costs too high
- Too much staff time spent processing purchase orders and payments
- Lack of visibility into trade transactions

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"Using TradeCard..,the overall cost saving compared with our Letter of Credit operation is about 50%."

Why Mitsui & Co. chose TradeCard

In early 2002, Mitsui began looking for a way of taking its purchase orders and payments transactions online. Says Imai, "We needed a web-based solution that would allow us to electronically exchange documents both within our company and with our trade partners, thus reducing the amount of paper involved in the process."

Mr Imai evaluated the alternative systems available on the market, and made his selection: "TradeCard is the most advanced and most tested service available," he said.



Shinya Imai, general manager, trade function business department, Mitsui & Co.

Mitsui decided that the first trial of TradeCard would be in the textiles group. Said Imai: "In the textiles and apparel trading business, we handle frequent shipments, which are paid for with letters of credit (L/Cs), and these generate floods of paper documents that have to be distributed manually within our offices and those of our suppliers and customers.

On the import side, there are frequent amendments of L/Cs, a serious issue, which slows the payments cycle. Our systems have been in urgent need of rationalization. We also decided to trial TradeCard for the export of synthetic resin to Korea."

Implementation of TradeCard is simple

Implementation of TradeCard was very simple. In the synthetic resin trade, it took two months from planning to implementation, up to May 2002, whereas for the textile import trade, it took six weeks and by September 2002 the system was up and running.

Cost savings were immediate, reports Imai, "On the import side, we had two US\$50,000 shipments a week from Hong Kong to Japan and the direct cost of the TradeCard payment assured transaction per consignment was \$150 on average. Using TradeCard, with its automatic online compliance engine as an alternative to L/Cs, reduced the direct costs by 50%, and the indirect costs, mainly labor, by 51%. The overall cost saving compared with L/C operation was about 50%.

For our export business, the direct cost reductions are about 30% and the labor costs are reduced by 68%, so the overall cost reduction is also about 50%. We also use TradeCard for open account trading and it is successful in this application as well," said Imai.

Solutions

- Adopt TradeCard after evaluating alternative systems in the market as the most advanced and most proven service available
- Use TradeCard for both transactions with payment assurance and in open account trading
- Employ TradeCard in the textiles and synthetic resin export group first and roll out to other divisions in the near future
- Rapidly implement TradeCard within a timeframe of six weeks to two months
- Plan to integrate TradeCard with Mitsui's future ERP system
- TradeCard's online platform contributes to Mitsui's Integrated Logistics program

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platform has allowed us to... achieve an unprecedented level of speed, accuracy and full transparency for our trade processes."

Benefits of the system are impressive

"TradeCard is very good at handling trade payments for very frequent small- or medium-sized consignments," says Imai, adding: "We wish to expand the use of TradeCard as much as possible, but this depends on the type of business. For instance, for us TradeCard is most successful at supporting frequent shipments in the value of about US\$100,000."

"Using TradeCard's transaction management platform has allowed us to significantly cut down the amount of paper that is shuffled, and to achieve an unprecedented level of speed, accuracy and full transparency for our trade processes," says Imai.

Imai continues: "Just as JIT (Just-In-Time) systems reduce stock in the manufacturing business, the online electronic transactions reduce the paper-based documents on our hands, moving us closer to Just-In-Time processing, and we expend less time and labor on administering trade transactions. This system will result in improvements for our clients in Japan and overseas."

Increased customer satisfaction

Customer satisfaction also benefits, says Imai: "The process efficiency contributed by TradeCard has also resulted in greater customer satisfaction, and we are committed to extending this to other industries in which Mitsui is active."

Credit management has improved too, says Imai: "TradeCard's electronic documents, financial system and the guaranteed payments make credit more manageable."

Capital cost was not a problem, notes Imai: "Not only did we achieve all of this with a very small upfront investment, but the implementation time and the interval after which we saw the first results were much shorter than expected."

Mitsui intends to expand the use of TradeCard, says Imai: "We have thoroughly tested TradeCard and obtained good results so far. In future, we will encourage our trade partners to join the TradeCard system and bring rationalization to both buyers and sellers."

Expanding the use of TradeCard

Imai is already talking to the managers of other divisions, to persuade them of the benefits of using TradeCard for the purchase-to-payment cycle. Each division has different commodities and trades differently, so Imai plans to talk to the managers of each division in order to get the best benefit out of the system. Another promising application for the online trade platform is in the footwear trade.

Back-end integration of TradeCard can improve efficiency further, says Imai: "At the moment, TradeCard is not connected to Mitsui's own computer systems, but we are planning to integrate TradeCard with our divisional systems. In the longer term, we plan to link TradeCard to the new ERP system that we are planning."

Results

- Cost of purchase transactions down 50%
- Increased customer satisfaction, due to greater process efficiencies
- TradeCard's purchase order-to-payment cycle eliminates most paper documents moving Mitsui closer to Just-in-Time processing
- Through TradeCard, Mitsui has achieved an unprecedented level of speed, accuracy and full transparency for their trade processes
- Online payments are much more predictable than L/Cs
- Predictable payment dates make trade finance easier to manage
- TradeCard brings the same process efficiencies to open account trading as to L/C-type transactions
- Time spent processing purchase orders and payments has been reduced significantly
- All trade partners can have instant visibility into the progress of online transactions
- Low upfront costs of online purchase-to-payments system
- Improved credit management, due to guaranteed payments

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About TradeCard

TradeCard is the only end-to-end financial supply chain service provider that enables transparent commerce among global trade partners over an open, secure and neutral network. For the first time, buyers and sellers can manage transaction workflow with complete visibility into purchasing and financial transactions, from order to settlement, resulting in optimized cash flow and credit lines.

With TradeCard, global trading partners can realize unprecedented value from the financial supply chain including immediate cost savings, improved partner relationships and shortened trade cycles. TradeCard offers the most expansive network of extended trade services including export and vendor financing, payment assurance, money movement and inspection. This range of offerings makes TradeCard a proven alternative to traditional paper-based, expensive and labor-intensive trade settlement methods. Headquartered in New York City, TradeCard, Inc. has offices in the San Francisco Bay Area, Hong Kong, Taipei, Seoul and Tokyo. TradeCard is located online at www.tradecard.com.

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