

To All Our Stakeholders



Kuniharu Nakamura

Representative Director
President and Chief Executive Officer

Moving Forward

Moving forward today with eyes to the next 50 and 100 years

The Sumitomo Corporation Group aims to continue growing together with society by staying a step ahead in dealing with change and leveraging its strengths to address social issues.

Progress of Be the Best, Be the One 2017



Since I assumed the position of president in 2012, I maintained my desire to ensure that the Sumitomo Corporation Group will continue to grow over the next 50 and 100 years and well on into the future beyond. I thus designated achieving an even higher level of profit growth by fiscal 2019, our centennial year, as a milestone needing to be passed for the Group to grow over the next century.

Under the three-year medium-term management plan, Be the Best, Be the One 2017, or BBBO2017 for short, we are currently moving forward with managerial reforms and growth strategies to boost earnings capacity and return to the growth track, despite recording massive impairment losses in both fiscal 2014 and fiscal 2015. Two years have passed since the plan was enacted, and the results of these efforts are manifesting in a tangible recovery. Measures for boosting earnings capacity, meanwhile, have successfully stimulated an increase in basic profit,* and

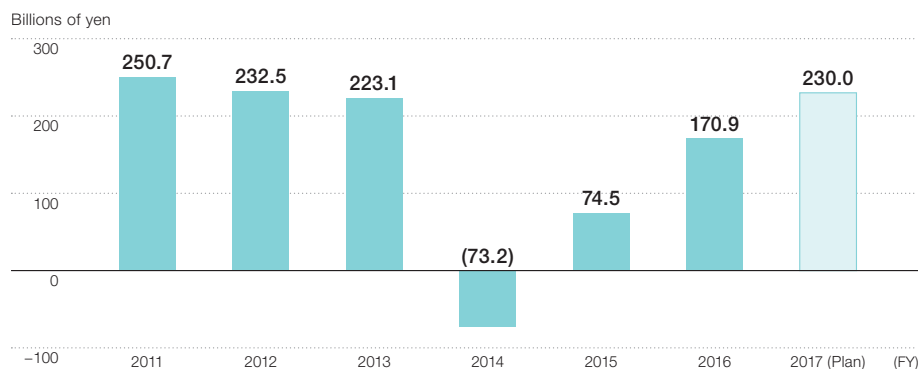
consolidated profit for the year attributable to owners of the parent thus came to ¥170.9 billion in fiscal 2016, the year ended March 31, 2017, climbing above the target of ¥130.0 billion. We will target consolidated net income of ¥230.0 billion in fiscal 2017 as we steadily return to the growth track (see [▶“Message from the Chief Financial Officer” on page 18](#) for more information).

However, certain businesses are still facing challenges. The tubular products business and the Ambatovy nickel project in Madagascar are feeling the impacts of poor market conditions and are therefore unable to exhibit their inherent earning power. Nevertheless, I do believe that these businesses boast the competitiveness and the potential necessary to recover and grow in the future.

BBBO2017 is not only aimed at recovering profit levels today. Quite the contrary, this plan is designed to pursue ongoing growth by reinforcing existing earnings pillars and building new pillars for tomorrow. In fiscal 2016, we sold copper and gold mine interests in Indonesia as well as our e-commerce operations in Japan—moves taken from a strategic perspective to secure financial soundness. Conversely, we purchased office buildings in the United States while also acquiring Fyffes plc, an international produce marketer and distributor headquartered in Ireland. In fiscal 2017, we will maintain our focus on investing in fields in which Sumitomo Corporation boasts strengths. Although we might have to wait a little before these investments begin producing satisfactory results, we strive for the success of these investments, as such success will illustrate the accomplishments of the initiatives for raising investment success rates advanced under BBBO2017.

* Basic profit = (Gross profit + Selling, general and administrative expenses [excluding provision for doubtful receivables] + Interest expense, net of interest income + Dividends) × (1 – Tax rate) + Share of profit (loss) of investments accounted for using the equity method

▶ Profit for the Year Attributable to Owners of the Parent



Distinctive Approach of Sumitomo Corporation and Quest to “Be the Best, Be the One”

As we work to return to our previous growth track and to achieve an even higher level of profit growth, I want to place extreme emphasis on the importance of Sumitomo Corporation’s distinctive approach. This approach entails moving forward in a faithful and wholehearted manner while passionately engaging with our business partners and other stakeholders.

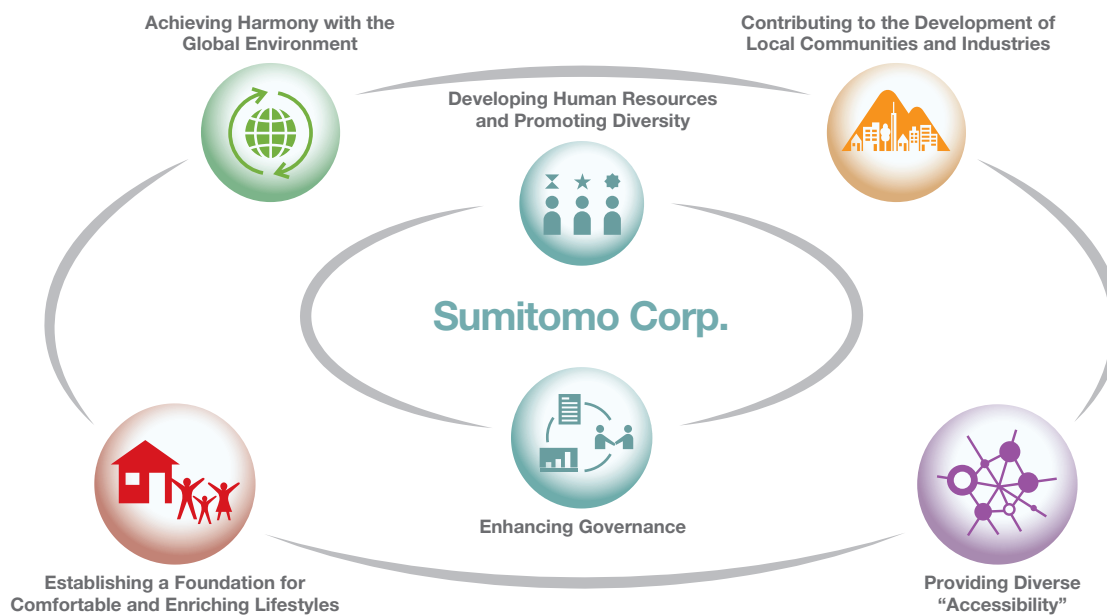
We are called upon by Sumitomo’s business philosophy and the Sumitomo Corporation Group’s Corporate Mission Statement “to place prime importance on integrity and sound management.” Seeking to become an embodiment of this principle, we have continued to act with a sense of sincerity toward our business partners and all of the other individuals we work with.

We also adopt this approach with regard to society. A core concept of Sumitomo’s business philosophy is “Benefit for self and others, private and public interests are one and the same.” Learning from our pioneering forebears, we will strive to go beyond simply pursuing our own interest and ensure Sumitomo Corporation is always a company that is beneficial to society, that contributes to society, and that is

respected by society. It is this type of company that is the one, that is the best—the endpoint of our quest to “Be the Best, Be the One.” I am confident that moving forward on this quest will in turn help the Sumitomo Corporation Group continue to grow into the future.

In April 2017, Sumitomo Corporation unveiled its Six Material Issues to Achieve Sustainable Growth with Society (see ▶ [“Six Material Issues to Achieve Sustainable Growth with Society”](#) on [page 10](#) for more information). These material issues are an expression of the desire to be a company that contributes broadly to society described in our Corporate Mission Statement and also represent the shared sentiment of the individuals that actually take part in advancing our business activities. Furthermore, the material issues represent shared goals for all of the Group’s diverse businesses. We aim to foster a deeper understanding of the Six Material Issues and the passion that forms the basis for our various business activities by discussing these issues with internal and external stakeholders.

▶ Six Material Issues to Achieve Sustainable Growth with Society



Reinforcement of Management Bases

If we are to continue addressing social issues while pursuing higher levels of value creation, we will need management bases to support these efforts.

For an integrated trading company, human resources are of the utmost importance. It will therefore be crucial to foster our human resources and support them in their endeavors if we are to achieve an even higher level of growth. People are best able to exercise their talents when they have dreams and are able to think and act autonomously. For this reason, we aim to make the Sumitomo Corporation Group into an organization that is filled with people with dreams who chase these dreams together. The power born out of such a dream-filled organization will become a strong force driving us forward on the growth track. To become such an organization, we will foster an environment in which people are provided various opportunities to connect with others through their work and to think for themselves, regardless of their gender, age, or nationality, and to thereby achieve a sense of accomplishment in their job. Moreover, we hope to make this environment one in which every employee is able to

exercise their talents to their fullest (see ▶ [“Human Resource Management” on page 42](#) for more information).

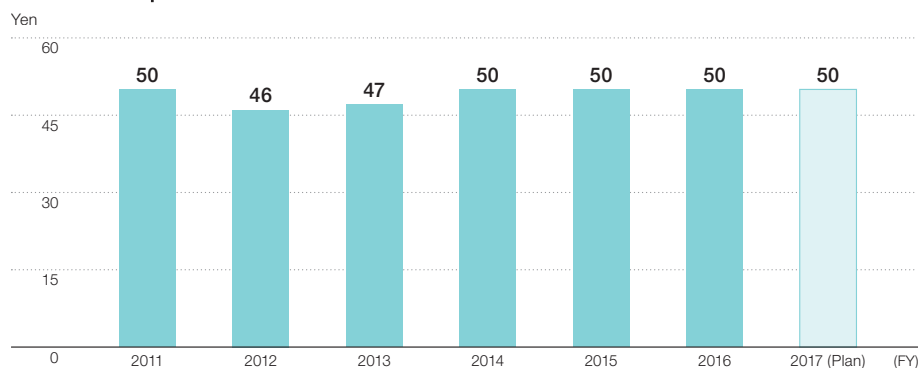
The current era is one in which the products and services in demand from society as well as the functions expected of Sumitomo Corporation change rapidly, necessitating an objective approach toward gauging whether or not our policies line up with the changing times. For this reason, it is vital that the Board of Directors contains various viewpoints to prevent discussions from being ruled by inward-looking perspectives. We are always examining means of ensuring more vigorous discussions among the Board of Directors in order to make full use of the knowledge and experience of both internal and outside directors. To this end, we reevaluated the structure of the Board of Directors and chose to reduce the number of internal directors this year. The change should allow for more frank discussion and effective communication, thereby leading to increased effectiveness for the Board of Directors as we incorporate input from Outside Directors (see ▶ [“Feature 2: Discussion between the President and Outside Directors” on page 30](#) for more information).

Shareholder Returns

Sumitomo Corporation seeks to forge stable, long-term relationships with its shareholders. For this reason, we aim to issue stable dividend payments over the long term funded by medium-to-long-term profit growth. This policy has led to our decision to maintain the level of ¥50 per share for dividend payments over the period of BBBO2017 regardless of declines

in performance. Based on the dividend policy of BBBO2017, we once again plan to issue dividend payments of ¥50 per share in fiscal 2017. At the same time, we will endeavor to provide a better response to the expectations of our shareholders by reaching an even higher level of profit growth at the earliest possible date.

▶ Dividends per Share



Commitment as the President

As I stated earlier, I desire to ensure that the Sumitomo Corporation Group will continue to grow over the next 50 and 100 years and well on into the future beyond. This desire arises from a certain experience I had when I was younger. I was involved in the automotive business for nearly 30 years and was engaged in importing Italian vehicles at one point during this time. Then, I worked at the front lines of business in a newly established operating company. Unfortunately, we were eventually forced to liquidate this company. We did all we could to find work in different fields for the employees who had worked at that company, but these individuals ended up leaving their new positions to return to the import vehicle industry. They truly loved import vehicles. It was then that I realized the importance of

companies functioning as places where people can fulfill their dreams, which also means that companies must continue to survive so as not to crush the dreams of their employees.

When I think of the difficulty faced by companies in surviving over the long term, I cannot help but feel the weight of Sumitomo's 400-year-old history, and I am also reminded of the value of Sumitomo Corporation's distinctive approach, which was arrived at through our emphasis of Sumitomo's business philosophy.

I am convinced that growing together with society while treasuring Sumitomo Corporation's distinctive approach is the most appropriate course of action for us, the course indicated by our forebears.

Moving Forward over the Next Century

Driven by this commitment, we are steadily advancing initiatives for boosting earnings capacity and reinforcing management bases. I see my responsibility in this undertaking as ensuring that the managerial reforms and growth strategies described in BBBO2017 create results. Fiscal 2017 will be the final year of BBBO2017. Throughout this year, we will move forward with the initiatives we have planned thus far to return to the growth track and position Sumitomo Corporation to pursue even higher levels of growth. I humbly ask for your continued understanding and support of our efforts.

July 2017



Kuniharu Nakamura
Representative Director
President and Chief Executive Officer

