

President's Speech to New Employees <Summary>

Introduction

I would like to express my heartfelt congratulations and respect to all of you here. Each one of you, both those belonging to the career track group and the clerical group, has made it through our highly competitive hiring process in which where only one in every 90 candidates is selected and offered positions here at this Company. I hope you will feel confident working here and will take pride in being a member of the Sumitomo Corporation family.

A year has passed since the devastating Great East Japan Earthquake; however, the rebuilding process is still incomplete. When I think about the victims and their families, I try to imagine what they must be going through—the emotional trauma that they have endured, the severe living conditions they are currently facing, and the constant fear of an unknown future. How can an outside observer ever truly understand these emotions? While this may be impossible, there are a few simple things we can do to help. We can deeply sympathize with those who have dealt with numerous hardships, share in the pain that they are confronted with, and take action by helping in whatever ways we can. I strongly believe that through sincere empathy we can provide true and meaningful support to both the victims and the afflicted areas. My hope is that we as a Group will continue our response efforts by effectively providing help where it is needed most. To aid in this mission, Sumitomo Corporation has launched a long-term reconstruction assistance team that will continue providing support for many years to come.

Today marks the start of your long careers as members of Sumitomo Corporation. Throughout your working life, you will undoubtedly experience many ups and downs. It is my hope that you will overcome whatever difficulties you encounter and that you will be able to maintain the fresh outlook and lofty aspirations you bring with you today. I also hope you will never stop asking yourself what you can do to make this company better. You chose Sumitomo Corporation, and the Company chose you. We would like to extend our hand to you now with the hope that each of us makes the utmost effort at strengthening this new friendship.

It has been more than 400 years since the foundation of Sumitomo, and Sumitomo Corporation is now in its 93rd year. The Company will be marking its centennial—the end of our first century and beginning of our second—in seven years' time. So that we may become a company that is respected beyond our commitment as an integrated trading company, not only by Japan, but around the world, I would like to offer the following two pieces of advice from a first-century Company leader to the future leaders of tomorrow.

1. Train yourself to be able to compete globally

The business jargon we hear today includes phrases like “globalization,” “global companies” and “human resources that can compete globally,” but why is this so? Just two years ago, Japan was overtaken by China in terms of GDP, thereby dropping it to third in world ranking. Last year the country saw its trade balance dip into the red for the first time in 48 years. Although the yen has slightly weakened in recent days, it still remains extremely strong. And the “processing trade,” which has been Japan’s formula for success since the beginning of its high-growth period, no longer applies, requiring the whole country to begin exploring new options to regain the achieved success of the 20th century. In these circumstances, we can no longer avoid the ever-increasing need for globalization.

As an integrated trading company, Sumitomo Corporation has been able to postpone much of the negative effects that the rest of Japan has been facing because of our many years of success on the international stage. Now, however, we are confronted with even more seemingly insurmountable competition than ever before. We must refrain from settling with the previous century’s successful business strategies, and instead have a sound understanding of the crisis at our doorstep so that we can continue to prevail over our competition. To this end, all employees must become capable professionals with a keen understanding of global business. These attributes will give the necessary edge for becoming international leaders who can successfully collaborate with business partners from around the world.

Good foreign language skills are a strong tool of such competent professionals, and I advise you to seek training that will allow you to acquire a good command of a foreign language. Language ability, however, is only one part of the necessary capability. What is more important is the ability to really communicate with your global business partners, who will come from a wide range of national, racial, cultural and other backgrounds. This means understanding them in a comprehensive way as well as making yourself understood. Capable professionals make ongoing efforts to brush up their skills in order to perform better in communication with global business partners as well as achieve relationships of mutual understanding. This kind of quality communication will help you to build trusting relationships, which are essential to doing business successfully.

While language skills can be obtained quickly, it is impossible to acquire sound business sense in a short amount of time; rather, it is developed slowly over many years of experience. Furthermore, you must actively strive to acquire it, as business sense cannot be learned without deep awareness and focus. What you need is to first have a clear vision of your future self, to then consider what you need to do to make the vision a reality, and to take the necessary steps. That is to say, you need to keep studying with the mindset of always striving to reach the next level. Instead of waiting for

opportunities to simply come to you, I encourage you to continue your daily efforts in learning and practicing the ABCs of business and the subtleties of human empathy as you fulfill the duties of your assigned departments.

Like every new employee that has come before you, each of you will receive individual guidance from your instructor as part of Sumitomo Corporation's tutoring system, a program that has been in use since the Company's founding. In addition, we promote a culture that fosters the development of human resources on a corporate-wide basis. However, these resources are based on the premise that you have a desire to develop yourselves. I urge you to take a personal initiative to continue studying by actively utilizing available in-house programs or other various training equivalents. In addition, I encourage you to become people who are capable of understanding differing standpoints with due consideration for the feelings of those you interact with. It is my firm belief that by improving your comprehensive abilities as a human being, you will naturally improve your abilities to create business opportunities, that is, business sense.

For the next ten days you will study many different subjects in accordance with Sumitomo Corporation's training program. During this time you will be required to apply yourself to a much higher degree than you previously thought possible. However, if you work hard and keep an open mind, this training will help you to begin a lifelong path of continuing knowledge and experiences. I encourage you to study hard.

2. Sumitomo Corporation's business philosophy

1) "Integrity and sound management" and "Never pursue easy gains"—Make compliance your first priority

The most essential element in business is "integrity," or the extent to which you can gain the trust of others. The most basic attitude needed in order to gain and maintain trust is a commitment to always do our best and keep our word. This means we must be strict with ourselves when it comes to keeping promises. Act consistently on every small promise and build a solid record of accomplishment. This is the only way to win trust, and there can be no compromise to this philosophy.

To "never pursue easy gains" means that we should never profit through wrongful actions; Confucius wrote it more succinctly in his Analects as: "The superior man strives for righteousness even in seeking profit." About 400 years ago, a member of the Sumitomo founding family developed an innovative copper smelting technology, which drove the growth of the family business until the family became a leader in the Japanese copper refining industry. Building on this success, Sumitomo

later expanded into the copper mining business by launching a mining operation in the mountain of Besshi in 1691.

Following the Meiji Restoration, which marks the end of Japan's feudal era, the rapidly modernizing country began to confront a slew of emerging problems, including air pollution caused by the refining copper at mines at a number of locations across Japan. At the Besshi Copper Mine, Teigo Iba, the second director general of Sumitomo, solved the problem by first relocating the refinery and then modifying the refining method, all the while striving to keep the mine going. He also organized a reforestation project in order to restore to lush greenery the mountain area surrounding the mine site, where a vast number of trees had been felled, leaving the land bare and desolate. Iba's cherished motto was, in essence, "It is right to pursue profit, but it must be done in the proper manner." In line with his motto, Iba devoted himself to genuinely addressing the pollution issue despite the tremendous cost burden. We will remember the selfless efforts of our predecessor to avoid pursuing easy gains in managing the business as an example worth emulating.

This episode also reminds us of a significant aspect of corporate responsibility to society, namely, "compliance," to use the current terminology. A copper refiner that created pollution would be accused of violating—or failing to comply with—its social obligations. Iba managed to eliminate the non-compliant activity by taking appropriate measures such as relocating the facilities and adopting appropriate alternative methods. To Sumitomo, compliance is not merely concerned with official laws and regulations or even internal company rules. Rather, we are committed to never engage in business in which there might be even the slightest possibility of violation of not only laws and rules but also general social norms, even if the deal has the potential to be highly profitable. All employees of Sumitomo Corporation are expected to bear in mind this strict commitment to open and honest business practices and to never pursue easy profits.

2) "A spirit of challenge"

Although the principles of "integrity and sound management" and "never pursuing easy gains" need to be borne in mind, this should not be construed as an endorsement of conservatism, which by itself will not bring progress. I often tell my employees that avoiding risks is in itself risky and emphasize the importance of analyzing risks thoroughly before starting anything. Look twice before you leap, but leap in a timely manner—this is the Sumitomo Corporation's approach.

Risk itself is often categorized into two types, predictable and unpredictable. No one should be held responsible for a failure attributable to the materialization of a risk that could not have been predicted. When it comes to predictable risk, however, it is incumbent upon anyone working in the trading business to never skimp on efforts to minimize risk by conducting accurate analyses and taking effective countermeasures. This approach will lead to the enhancement of competitiveness

among trading companies.

The world of business is a world of constant change. At this pivotal point in history, there are an increasing number of factors that amplify anxiety and concern; this also means, however, that our business opportunities are expanding all the more. You will certainly have plenty of chances to take on the satisfying challenge of creating completely new business models to take advantage of these opportunities.

How can you identify a good opportunity amid the constant change engulfing the world? In order to be able to react in a timely manner, you first need to be finely calibrated to notice change. To this end, I advise you to constantly cultivate your curiosity and aspirations. Keep your antenna raised, adopt a broad outlook, and work each day with a persistent attitude.

When you notice change, you will need to be able to effectively communicate this to the people around you. This means good teamwork is required. I encourage you to seek better solutions by sharing information and discussing issues with your colleagues.

In the meantime, in any kind of job, failures and setbacks are unavoidable. When you do come up against a failure or setback, blaming the situation on your boss, business partner or a change in the economic environment will only prevent you from moving forward. Instead, you should accept responsibility for the failure, analyze what caused it, and learn a lesson from it so that you can succeed next time. To do this is to take responsibility, and Sumitomo Corporation requires all of its employees at all levels to act and take responsibility for the results of their actions. In addition, you must recognize that only those who take responsibility of their actions are truly capable of basking in the resulting pride and confidence derived from their successes.

Conclusion

As I mentioned at the beginning, our goal is to make Sumitomo Corporation a company that will continue to be respected throughout the world. To achieve this goal, we are relying on you as well as your superiors. Again, let me congratulate all of you in joining Sumitomo Corporation today. We look forward to seeing what you can do and how much you can grow. I hope that as we work together, we make Sumitomo Corporation a better company.