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Ticker symbol 8830

June 7, 2021

Sumitomo Realty & Development Co., Ltd.

2-4-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo

Kojun Nishima

Executive Managing Director and President

To Our Shareholders:

NOTICE OF CONVOCATION OF THE 88TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are hereby notified that the 88th Ordinary General Meeting of Shareholders of Sumitomo Realty & Development Co., Ltd. (the “Company”) will be held as stated below. Your attendance is respectfully requested.

In the event that you are unable to attend, you can exercise your voting rights with the appropriate form. You are requested to review the attached Reference Documents for General Meeting of Shareholders and indicate your approval or disapproval on the enclosed Form for the Exercise of Voting Rights and return it to the Company **by 5:40 p.m. of Monday, June 28, 2021.**

Particulars

1. Date and Time: 10:00 a.m. on Tuesday, June 29, 2021

2. Place: Shinjuku Sumitomo Hall (Entrance B1F)

Shinjuku Sumitomo Building

2-6-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo

Please note that the place is different from that of last year.

3. Purpose of the Meeting:

Matters to be reported:

1. Business Report, Consolidated Financial Statements and Audit Reports for Consolidated Financial Statements for the 88th fiscal year (from April 1, 2020 to March 31, 2021) by the Independent Auditor and the Board of Statutory Auditors
2. Financial Statements for the 88th fiscal year (from April 1, 2020 to March 31, 2021)

Matters to be resolved:

- | | |
|------------------|--|
| Agenda 1. | Appropriation of Retained Earnings |
| Agenda 2. | Election of Ten Directors |
| Agenda 3. | Election of One Substitute Statutory Auditor |

If attending the meeting, you are kindly requested to submit the enclosed Form for the Exercise of Voting Rights to a receptionist.

If any matter is found to be modified in the Reference Documents for General Meeting of Shareholders, Business Report, Consolidated Financial Statements and/or Financial Statements until the day before the meeting, it will be notified by mail or posted on the Company website. (<http://www.sumitomo-rd.co.jp/english/>)

REFERENCE DOCUMENTS FOR GENERAL MEETING OF SHAREHOLDERS

Agenda and References

Agenda 1. Appropriation of Retained Earnings

The Company's basic policy of profit distribution is to ensure prioritization of investment in rental buildings in order to enhance the long-term revenue base and a "sustainable increase on dividend payments" in line with profit growth. In the fiscal year under review, a decline in profits in the commercial facilities such as hotels and event halls was unavoidable due to the impact of the COVID-19 pandemic. However, profit renewed a record high for the 8th consecutive year as a result of growth of mainstay office building leasing business in both revenue and profits, and also steady trend of housing-related business including condominiums, remodeling and brokerage.

Taking this result into consideration, we would like to propose to continue the "annual dividend increase of 5 yen" and to increase the year-end dividend to 21 yen per share (2 yen increase from the previous fiscal year) as stated in the "Notice Concerning Revision of Year-end Dividend Forecast" dated February 12, 2021.

If this agenda is approved as originally proposed, the annual dividend per share will be 40 yen (5 yen increase from the previous fiscal year), including the interim dividend of 19 yen per share.

For the next fiscal year ending March 31, 2022, we expect to renew record profit for the 9th consecutive year, and we intend to raise the annual dividend by 5 yen from the fiscal year under review to 45 yen (including an interim dividend of 22 yen).

Matters concerning year-end dividends

Type of dividends

Cash

Matters concerning allocation of dividends to shareholders and the aggregate amount

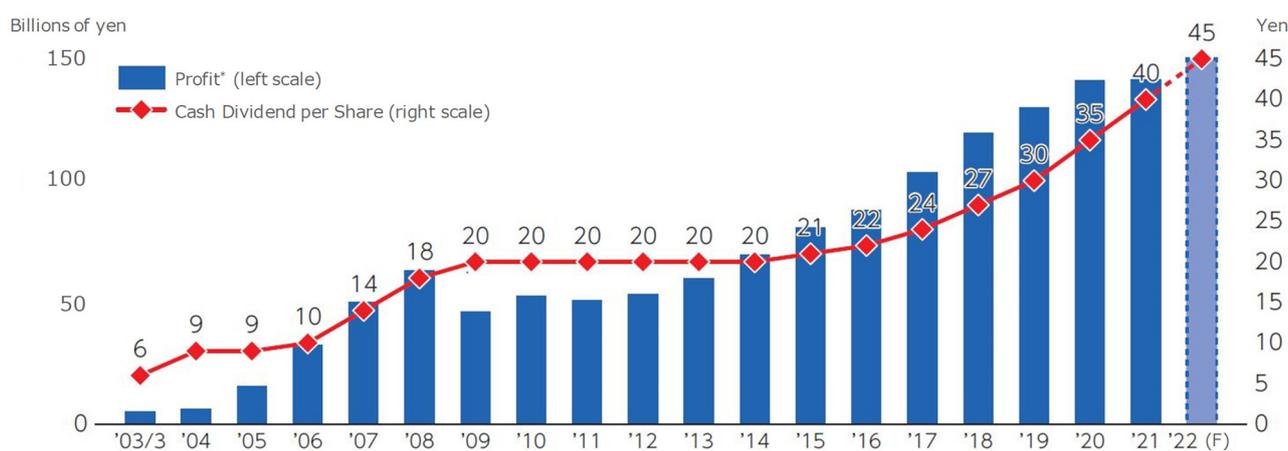
Dividends of 21 yen per share of common stock of the Company

The aggregate amount: 9,952,720,113 yen

The effective date of the appropriation of retained earnings

June 30, 2021

Cash Dividend per Share and Profit*



Agenda 2. Election of Ten Directors

The term of office of all ten directors will expire upon the conclusion of this meeting, and the Company proposes the election of the ten directors.

Candidates for director:

Candidate number	Name	Current position and responsibility in the Company	Candidate attributes
1	Kenichi Onodera	Director - Chairman of the Board	Reelection
2	Kojun Nishima	Executive Managing Director and President Head of Building Development Division	Reelection
3	Nobuaki Takemura	Executive Managing Director and Deputy President Head of Management Division	Reelection
4	Masato Kobayashi	Executive Managing Director and Deputy President Head of Residential Business Division	Reelection
5	Hiroshi Kato	Director, Senior Managing Executive Officer Head of Shinchiku - Sokkurisan Remodeling Division	Reelection
6	Hisatoshi Katayama	Director, Senior Managing Executive Officer Head of Urban Property Development Division	Reelection
7	Yoshiyuki Odai	Director, Senior Managing Executive Officer Head of Corporate Planning Division	Reelection
8	Koji Ito	Director, Senior Managing Executive Officer Executive Managing Director and President of Sumitomo Real Estate Sales Co., Ltd.	Reelection
9	Yozo Izuhara	Outside Director	Reelection Outside Independent
10	Nobumasa Kemori	Outside Director	Reelection Outside Independent

- Notes:
1. There is no special conflict of interest between each of the candidates and the Company.
 2. The Company has concluded a directors and officers liability insurance policy with an insurance company, whereby insured persons will be compensated for any legal damages and litigation costs incurred under the policy. Each candidate will be included as an insured person under said policy. In addition, we plan to renew the policy upon the next renewal with the same terms and conditions.

Candidate number	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares held
1	Kenichi Onodera (February 4, 1947) Reelection	<p>Apr. 1970 Joined the Company</p> <p>June 1998 Director</p> <p>June 2001 Managing Director</p> <p>June 2005 Executive Managing Director</p> <p>June 2007 Director - President</p> <p>June 2013 Director - Deputy Chairman of the Board</p> <p>Sept. 2019 Director - Chairman of the Board (present)</p> <p>(Significant concurrent positions outside the Company)</p> <p>—</p>	30,500
		<p>Reasons for nomination as candidate for Director</p> <p>Mr. Kenichi Onodera leads management of the Company as Director - Chairman of the Board, and the Company expects him to make further contribution to improving the corporate value of the Group by utilizing his extensive knowledge of the Group's management in general, and therefore proposes his re-election.</p>	
2	Kojun Nishima (March 6, 1961) Reelection	<p>Apr. 1984 Joined the Company</p> <p>Apr. 2000 General Manager of Business Management Department, Building Development Division</p> <p>Apr. 2007 Deputy Head of Urban Property Development Division</p> <p>Apr. 2009 Head of Residential Business Division</p> <p>June 2009 Director</p> <p>Sept. 2009 Head of Building Development Division</p> <p>June 2010 Executive Managing Director (present)</p> <p>June 2013 Director - President (present)</p> <p>May 2017 Head of Building Development Division (present)</p> <p>(Significant concurrent positions outside the Company)</p> <p>—</p>	15,000
		<p>Reasons for nomination as candidate for Director</p> <p>Mr. Kojun Nishima leads management of the Company as Director - President, and the Company expects him to make further contribution to improving the corporate value of the Group by utilizing his extensive knowledge of the Group's management in general, and therefore proposes his re-election.</p>	

Candidate number	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares held
3	Nobuaki Takemura (February 13, 1959) Reelection	<p>Apr. 1981 Joined the Company</p> <p>June 2000 General Manager of Accounting Department, Finance and Accounting Division</p> <p>June 2008 Director</p> <p>Oct. 2008 Head of Finance and Accounting Division</p> <p>June 2010 Executive Managing Director (present)</p> <p>Oct. 2012 Head of Business Management Division</p> <p>June 2013 Director - Deputy President (present)</p> <p>Mar. 2016 Head of Management Division (present)</p> <p>(Significant concurrent positions outside the Company)</p> <p>–</p>	20,600
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Nobuaki Takemura has experience in finance, accounting, general affairs, human resources, etc., and the Company expects him to make further contribution to improving the corporate value of the Group by especially utilizing his extensive knowledge about the Management Division in general of the Group, and therefore proposes his re-election.</p>			
4	Masato Kobayashi (June 14, 1960) Reelection	<p>Apr. 1983 Joined the Company</p> <p>Apr. 2000 General Manager of Building Planning Department, Building Development Division</p> <p>Apr. 2007 Deputy Head of Urban Property Development Division</p> <p>Apr. 2009 Head of Site Acquisition Division</p> <p>June 2009 Director</p> <p>June 2010 Executive Managing Director (present)</p> <p>Aug. 2010 Head of Residential Business Division</p> <p>June 2013 Director - Deputy President (present)</p> <p>Mar. 2016 Head of Building Development Division, Head of Urban Property Development Division</p> <p>Nov. 2017 Head of Residential Business Division (present)</p> <p>(Significant concurrent positions outside the Company)</p> <p>–</p>	14,900
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Masato Kobayashi has experience in real estate development and real estate management related to office building business and condominium business, etc., and the Company expects him to make further contribution to improving the corporate value of the Group by especially utilizing his extensive knowledge about the Group's business divisions in general, and therefore proposes his re-election.</p>			

Candidate number	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares held
5	Hiroshi Kato (August 1, 1961) Reelection	<p>Apr. 1984 Joined the Company</p> <p>Apr. 2000 General Manager of Related Businesses Department, Building Development Division</p> <p>Apr. 2007 General Manager of Site Acquisition Department, Urban Property Development Division</p> <p>Aug. 2010 Deputy Head of Building Development Division</p> <p>Apr. 2012 Head of New Business Development Division</p> <p>Apr. 2013 Head of Assets Development Division</p> <p>June 2013 Director (present)</p> <p>Sept. 2016 Head of Shinchiku - Sokkurisan Remodeling Division (present)</p> <p>Apr. 2020 Senior Managing Executive Officer (present)</p> <p>(Significant concurrent positions outside the Company)</p> <p>—</p>	13,500
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Hiroshi Kato has experience in real estate development and real estate management related to office building business and housing renovation business, etc., and the Company expects him to make further contribution to improving the corporate value of the Group by utilizing his extensive knowledge about the Company's real estate business, and therefore proposes his re-election.</p>			
6	Hisatoshi Katayama (July 11, 1961) Reelection	<p>Apr. 1985 Joined the Company</p> <p>Dec. 2004 Branch Manager of West Tokyo Branch, Urban Property Management Division</p> <p>Dec. 2005 General Manager of Redevelopment Department, Urban Property Development Division</p> <p>Apr. 2010 Deputy Head of Building Development Division</p> <p>Feb. 2014 Deputy Head of Site Acquisition Division in the Metropolitan Area</p> <p>Apr. 2016 Deputy Head of Urban Property Development Division</p> <p>Sept. 2016 Head of Urban Property Development Division (present)</p> <p>June 2018 Director (present)</p> <p>Apr. 2020 Senior Managing Executive Officer (present)</p> <p>(Significant concurrent positions outside the Company)</p> <p>—</p>	10,500
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Hisatoshi Katayama has experience in urban redevelopment, real estate development, and real estate management related to office building business, etc., and the Company expects him to make further contribution to improving the corporate value of the Group by utilizing his extensive knowledge about the Company's real estate business, and therefore proposes his re-election.</p>			

Candidate number	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares held
7	Yoshiyuki Odai (June 9, 1961) Reelection	<p>Apr. 1985 Joined the Company</p> <p>Sept. 2004 General Manager of Corporate Planning Department, Corporate Planning Division</p> <p>Apr. 2010 Head of Residential Business Division</p> <p>Nov. 2010 Head of Corporate Planning Division</p> <p>June 2011 Director (present)</p> <p>Nov. 2011 Head of Finance and Accounting Division</p> <p>Jan. 2014 Head of Overseas Business Division</p> <p>Nov. 2019 Head of Corporate Planning Division (present)</p> <p>Apr. 2020 Senior Managing Executive Officer (present)</p> <p>(Significant concurrent positions outside the Company)</p> <p>—</p>	15,700
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Yoshiyuki Odai has experience in corporate planning, finance, accounting, overseas business, etc., and the Company expects him to make further contribution to improving the corporate value of the Group by utilizing his extensive knowledge about the Group's corporate planning and overseas business, and therefore proposes his re-election.</p>			
8	Koji Ito (December 13, 1959) Reelection	<p>Apr. 1984 Joined the Company</p> <p>Apr. 2000 General Manager of Jyosai Operation Department, Building Management Division</p> <p>Apr. 2004 General Manager of Development and Planning Department, Urban Property Development Division</p> <p>Apr. 2009 Head of Construction Technology Division</p> <p>Apr. 2010 Head of Customer Division</p> <p>Apr. 2013 Head of Residential Business Division</p> <p>June 2013 Director (present)</p> <p>Mar. 2016 Head of Housing Renovation Division</p> <p>Apr. 2017 General Manager of General Affairs Department, Management Division</p> <p>Apr. 2019 Executive Managing Director and President of Sumitomo Real Estate Sales Co., Ltd. (present)</p> <p>Apr. 2020 Senior Managing Executive Officer of the Company (present)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Executive Managing Director and President of Sumitomo Real Estate Sales Co., Ltd.</p>	16,768
<p>Reasons for nomination as candidate for Director</p> <p>Mr. Koji Ito has experience in real estate development, general affairs, and real estate management related to housing business and real estate brokerage business, etc., and the Company expects him to make further contribution to improving the corporate value of the Group by utilizing his extensive knowledge about the Group's administrative division and real estate business, and therefore proposes his re-election.</p>			

Candidate number	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares held
9	Yozo Izuhara (September 23, 1938) Reelection Outside Independent	<p>Apr. 1962 Joined Nippon Sheet Glass Co., Ltd.</p> <p>June 1996 Managing Director</p> <p>June 1998 Representative Director, President</p> <p>June 2004 Representative Director, Chairman</p> <p>June 2008 Director, Chairman of the Board</p> <p>Oct. 2009 Director, Chairman of the Board - Chairman</p> <p>June 2010 Executive Advisor</p> <p>June 2012 Honorary Senior Advisor (present)</p> <p>June 2014 Outside Statutory Auditor of the Company</p> <p>June 2019 Outside Director (present)</p> <p>(Significant concurrent positions outside the Company)</p> <p>—</p> <p>Reasons for nomination as a candidate for Outside Director and expected roles Mr. Yozo Izuhara had served as President and Chairman of Nippon Sheet Glass Co., Ltd., and he has extensive knowledge on overseas business and M&A as a manager. The Company deems him to be suitable as an Outside Director, and therefore proposes his re-election. The Company expects Mr. Yozo Izuhara, mainly through important decision-making of the Board of Directors, to provide supervision of the Group's management and advice aiming at improving corporate value over the medium- to long-term from an independent standpoint.</p>	0

- Notes:
1. The Company has registered Mr. Yozo Izuhara as an independent officer with Tokyo Stock Exchange, Inc.
 2. The Company has entered into a limited liability agreement with him as an outside director in accordance with laws and regulations and the articles of incorporation. Under the agreement, his liability is limited to the minimum limit stipulated by laws and regulations. If this agenda is approved, the Company plans to enter into a limited liability agreement of the same content as above with him.
 3. Nippon Sheet Glass Co., Ltd., in which candidate for Outside Director Mr. Yozo Izuhara was Chairman of the Board, does not hold the Company's shares. The Company holds 0.3% of said company's shares, and the transaction amount between said company and the Company (most recent fiscal year) is less than 1% of sales for both companies; since both capital and business relationships are small, the Company deems there is no impact on independence.
 4. His tenure as an outside director of the Company will have been two years at the conclusion of this meeting.

Candidate number	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares held
10	Nobumasa Kemori (April 12, 1951) Reelection Outside Independent	<p>Sept. 1980 Joined Sumitomo Metal Mining Co., Ltd.</p> <p>June 2006 Director, Managing Executive Officer</p> <p>June 2007 President, Representative Director</p> <p>June 2013 Chairman, Representative Director</p> <p>June 2016 Chairman</p> <p>June 2017 Executive Advisor (present)</p> <p>June 2019 Outside Director of the Company (present)</p> <p>(Significant concurrent positions outside the Company)</p> <p>Outside Director of NAGASE & CO., LTD.</p> <p>Outside Director of JFE Holdings, Inc.</p>	0
		<p>Reasons for nomination as a candidate for Outside Director and expected roles</p> <p>Mr. Nobumasa Kemori had served as President and Chairman of Sumitomo Metal Mining Co., Ltd., and he has extensive knowledge of the mining industry from a long-term perspective and overseas business as a manager. The Company deems him to be suitable as an Outside Director, and therefore proposes his re-election. The Company expects Mr. Nobumasa Kemori, mainly through important decision-making of the Board of Directors, to provide supervision of the Group's management and advice aiming at improving corporate value over the medium- to long-term from an independent standpoint.</p>	

- Notes:
1. The Company has registered Mr. Nobumasa Kemori as an independent officer with Tokyo Stock Exchange, Inc.
 2. The Company has entered into a limited liability agreement with him as an outside director in accordance with laws and regulations and the articles of incorporation. Under the agreement, his liability is limited to the minimum limit stipulated by laws and regulations. If this agenda is approved, the Company plans to enter into a limited liability agreement of the same content as above with him.
 3. Regarding Sumitomo Metal Mining Co., Ltd., in which candidate for Outside Director Mr. Nobumasa Kemori was Chairman, said company holds 1.0% of the Company's shares, and the Company holds 1.3% of said company's shares. The transaction amount between said company and the Company (most recent fiscal year) is less than 1% of sales for both companies; since both capital and business relationships are small, the Company deems there is no impact on independence.
 4. His tenure as an outside director of the Company will have been two years at the conclusion of this meeting.

(Reference) Members of Directors, Statutory Auditors (after approval and adoption of this agenda)

If Agenda 2 is approved as originally proposed, the members of directors and statutory auditors will be as follows.

	Name	Position in the Company	Attributes	Gender
Reelection	Kenichi Onodera	Director - Chairman of the Board		Male
Reelection	Kojun Nishima	Executive Managing Director and President		Male
Reelection	Nobuaki Takemura	Executive Managing Director and Deputy President		Male
Reelection	Masato Kobayashi	Executive Managing Director and Deputy President		Male
Reelection	Hiroshi Kato	Director, Senior Managing Executive Officer		Male
Reelection	Hisatoshi Katayama	Director, Senior Managing Executive Officer		Male
Reelection	Yoshiyuki Odai	Director, Senior Managing Executive Officer		Male
Reelection	Koji Ito	Director, Senior Managing Executive Officer		Male
Reelection	Yozo Izuhara	Outside Director	Outside Independent	Male
Reelection	Nobumasa Kemori	Outside Director	Outside Independent	Male
Present	Yoshifumi Nakamura	Full-time Statutory Auditor		Male
Present	Toshikazu Tanaka	Full-time Statutory Auditor		Male
Present	Yoshiyuki Norihisa	Outside Statutory Auditor	Outside Independent	Male
Present	Chiyono Terada	Outside Statutory Auditor	Outside Independent	Female

Independent: Independent officer registered with the Tokyo Stock Exchange

Agenda 3. Election of One Substitute Statutory Auditor

The Company requests approval for the election of one substitute statutory auditor, to provide for the case where the number of incumbent auditors becomes less than the number stipulated in laws and regulations, which require majority is comprised of outside statutory auditors. The board of statutory auditors has consented to this agenda.

Candidate for substitute statutory auditor:

Name (Date of birth)	Career summary, position in the Company, and significant concurrent positions outside the Company	Number of the Company's shares held
<p>Kozo Uno (July 3, 1933)</p> <p>Outside Independent</p>	Aug. 1963 Registered as certified public accountant	0
	July 1969 Senior Partner of the auditing corporation Asahi & Co. (Currently KPMG AZSA LLC)	
	Apr. 1974 Registered as certified tax accountant	
	May 1974 Founded Uno Kozo Certified Public Accountant Office (present)	
	Oct. 1993 Vice President of Asahi & Co (Currently KPMG AZSA LLC)	
	May 1997 President of Asahi & Co	
	May 1999 Chairman of Asahi & Co	
	May 2001 Retired from Asahi & Co	
<p>Reasons for nomination as candidate for Substitute Outside Statutory Auditor</p> <p>Mr. Kozo Uno has expertise as certified public accountant and certified tax accountant, and rich experience and wide discernment as president of auditing firm, etc. The Company deems him to be suitable as a Substitute Outside Statutory Auditor, and therefore proposes his election.</p>		

- Notes:
1. There is no special conflict of interest between the candidate and the Company.
 2. If this agenda is approved and Mr. Kozo Uno assumes office as an outside statutory auditor, the Company will register him as an independent officer with Tokyo Stock Exchange, Inc.
 3. If this agenda is approved and he assumes office as an outside statutory auditor, the Company will enter into a limited liability agreement with him in accordance with laws and regulations and the articles of incorporation. Under the agreement, his liability is limited to the minimum limit stipulated by laws and regulations.
 4. The Company has concluded a director and office liability insurance policy with an insurance company, whereby insured persons will be compensated for any legal damages and litigation costs incurred under the policy. If he is appointed as an outside statutory auditor after the agenda is approved, he will be included as an insured person under the insurance policy.

(Reference) Status of the Company's Corporate Governance

■ Basic Views of Corporate Governance

The Company is a comprehensive real estate enterprise of the Sumitomo Group which has a history of 430 years and inherits Sumitomo's business philosophy of "Placing prime importance on integrity and sound management in the conduct of its business" and "Under no circumstances, shall it pursue easy gains." The Company's slogan, "Integrity and Innovation" expresses its corporate stance to all stakeholders including employees, customers, business partners, creditors, shareholders, etc. This includes the pride as a developer which values "Integrity" above all, and creates new corporate value with a pioneering spirit, without pursuing easy gains under any circumstances.

Under this slogan, we have set forth our fundamental mission as to "create even better social assets for the next generation," and our basic management policy aims to contribute to addressing various social issues such as the environment, while at the same time maximizing corporate value through each business.

This fundamental mission also includes a reminder "do not rest on seniors' laurels and make the best efforts for a better company for the next generation." At this point in time, we believe that the management of the Company should continue to be carried out by people mainly from within the Company who have inherited the strong will to sow the seeds of growth for the sake of the next generation. In so doing, we believe that employees will be able to maintain a high level of motivation to eventually participate in management.

In consideration of this basic stance, we are working to further strengthen and enhance corporate governance so as to contribute to the improvement of the Company's corporate value over the medium- to long-term, by working on collaboration and dialogue with all stakeholders including shareholders, improving the efficiency of decision-making, appropriate supervision of execution, and proper disclosure of information.

■ Corporate Governance System

In order for the Company to continue growing, we believe that people from within the Company who are deeply familiar with the significance of continuing to invest, always looking resolutely forward even in difficult times, should be the core members of management and execution; hence we have a structure as a company with a Board of Statutory Auditors, where the Board of Directors bears responsibility for execution, and statutory auditors take on the management supervision function.

Eight directors, mainly from within the Company, who are deeply familiar with the business content, are in charge of management and execution, while two outside directors and four statutory auditors for a total of six persons, which accounts for over 40% of the 14 Board of Directors attendees, are responsible for the management supervision function. In order to fully demonstrate the supervisory function, we have built a system to accurately grasp the management condition and issues and to cooperate with each other as follows. We believe that the Company's corporate governance is sufficiently functioning, as its effectiveness is being reflected in our business results.

Board of Directors

The Board of Directors promotes the sustainable growth of the Company and the enhancement of corporate value over the medium- to long-term, improves profitability and business efficiency, and prevents fraud before it occurs. In order to do so, it is responsible for deliberating and deciding important matters for the Company such as basic management policy and management strategy, as well as supervising the execution of duties by each director.

It is comprised of eight directors from within the Company who are in charge of business execution as they are deeply familiar with the significance of always looking resolutely forward and continuing to invest for sustainable growth, and two outside directors with experience as chairman and president of Sumitomo Group Companies, who share the Sumitomo's business philosophy and understand the Company's management principles.

The Company deems both of the two outside directors are suitable as outside directors based on their extensive experiences in management at other companies, character and insight. We are improving the rationality of management decisions by receiving their ideas that are not bound by the established concepts of the industry and advice based on their global perspectives.

In order for outside directors to deepen their understanding of the Company's management conditions and issues, we held eight briefings for outside directors during the fiscal year under review to explain the agenda of the Board of Directors and the content of discussions at management meetings.

Executive Officer System

Due to the limited number of directors, we have introduced an executive officer system comparable with directors so that we can appoint officers necessary for business expansion, and we have appointed six executive officers who do not concurrently serve as directors. Compensation for executive officers who are non-concurrent directors is to be paid from the total compensation for directors because they are considered to be comparable with directors.

Statutory Auditors and Board of Statutory Auditors

Statutory auditors are responsible to supervise whether directors are performing their duties properly by using the powerful authority endorsed by law.

The Board of Statutory Auditors consists of four statutory auditors, half of whom are the two outside statutory auditors.

The two full-time statutory auditors from within the Company are quite familiar with the internal circumstances of the Company, and they enhance the effectiveness of audits due to their high information-gathering abilities.

The two outside statutory auditors have extensive experience in management at other companies, and the Company deems they are suitable as outside statutory auditors in view of their character and insight as well. Both of them exchange opinions with the full-time statutory auditors, the Internal Audit Office, and the Independent Auditors as appropriate, and express their opinions to Board of Directors from an independent standpoint, ensuring the objectiveness of audits.

The Board of Statutory Auditors held meetings 13 times during the fiscal year under review to receive reports from the Independent Auditor and the Internal Audit Office, and to interview the head of each Department on their respective management status.

Board of Outside Directors and Auditors

In order for outside directors and outside statutory auditors to fully perform their roles, we have established a Board of Outside Directors and Auditors with only four members, comprised of outside directors and outside statutory auditors.

The Board of Outside Directors and Auditors directly hears from each officer about the execution status of the duties of which he or she is in charge and the issues they are aware of, as well as giving appropriate advice. In the event of whistle-blowing report toward officers, outside statutory auditors receive a report directly to share at the Board of Outside Directors and Auditors.

Internal Audit Structure

We have established the Internal Audit Office (16 persons) to check the business execution status of each Department of the Group and the operational status of internal controls, to prevent fraud and errors, and to make proposals for operational improvement. In addition to reporting the audit results of the Independent Auditors, the Internal Audit Office reports directly to the Statutory Auditors to enhance and improve the efficiency of audits by the Statutory Auditors.

■ Initiatives for Promoting Diversity

We have been actively promoting diversity since before, based on the awareness that the existence of diverse perspectives and values reflecting a variety of experiences, skills and characteristics within the Company is a strength that supports the sustainable growth of the Company.

For more than 20 years, we have been actively hiring people with diverse careers at other companies as individuals who can be immediately effective in the Company. Today, mid-career hires with work experience at other companies account for 90% of our employees, and are the source of the Company's growth.

In addition, we believe that equal opportunity in promoting employees to management positions is the most important factor for increasing their motivation, so we promote employees based solely on their enthusiasm, ability, and achievements, regardless of gender or whether they were hired as new graduates or as mid-career hires. As a result, more than 60% of our managers are currently mid-career hires, ensuring diversity in the managerial positions.

We are also actively working on the promotion of female participation and career advancement. Firstly, we have announced a numerical target for the ratio of female employees in sales and engineering positions that support our front line operations (25% in sales and 13% in engineering positions). By further increasing the ratio of female in our employees and working on their career development to expand the pool of our human resources, we will increase the number of female employees for future promotion and gradually promote them to managerial positions.

We believe that diversity in managerial positions should be ensured naturally as a result of fair appointments. We believe that setting a numerical target for diversity in managerial positions may distort equal opportunity in the appointment of managers and lower the morale of employees as a whole, and therefore we will not set such a numerical target.