

[TRANSLATION]

The following is an unofficial English translation of “Notice of Convocation of the 77th Ordinary General Meeting of Shareholders” (“Notice”) by Sumitomo Forestry Co., Ltd. (“Company”). The Company provides this English translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. The Japanese original is the sole official version and shall prevail in the event of any discrepancy between it and this English translation.

June 1, 2017

To Our Shareholders

Akira Ichikawa  
President/Director  
Sumitomo Forestry Co., Ltd.  
3-2, Otemachi 1-chome  
Chiyoda-ku, Tokyo

## NOTICE OF CONVOCATION OF THE 77TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We would like to express our appreciation for your courtesies always shown to us. You are cordially invited to our 77th Ordinary General Meeting of Shareholders (“Meeting”) to be held as described hereunder.

**If you are unable to attend the Meeting, you can exercise your voting rights either by Postal Mail or by electromagnetic method (the Internet etc.). Please refer to “Reference Documents for the General Meeting of Shareholders” and exercise your voting rights in accordance with “Guidance Notes on Exercise of Voting Rights”(see pages 2-3).**

1. **Date and Time:** Friday, June 23, 2017 at 10:00 a.m.
2. **Place:** Main Conference Room of the Company on the 8th Floor of Keidanren Kaikan at 3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo
3. **Agenda:**

**Matters to be reported:**

- Item No 1:** Reports on the Business Report, the Consolidated Financial Statements, and the Non-Consolidated Financial Statements for the 77th business term (from April 1, 2016 to March 31, 2017);
- Item No 2:** Report on the Results of Audits of the Consolidated Financial Statements for the 77th business term by the Accounting Auditor and the Board of Statutory Auditors.

**Proposals to be resolved:**

- Proposal No 1 :** Appropriation of Surplus
- Proposal No 2 :** Payment of Bonuses to Directors

#### 4. Guidance Notes on Exercise of Voting Rights:

##### (1) Method of Exercising Voting Rights

- a. If you attend the Meeting in person

###### **Attendance at the Meeting**

Please submit the enclosed voting form to our receptionist at the Meeting. Please bring this Notice of Convocation with you.

- b. If you are unable to attend the Meeting in person

Please exercise your voting rights either by Postal Mail or by the Internet etc.

###### **Voting by Postal Mail**

Please indicate your approval or disapproval of each proposal on the enclosed voting form, and return it and ensure it is received by our Administrator of Share Registry no later than 5:30 p.m. on Thursday, June 22, 2017 (Japan Standard Time).

###### **Voting by the Internet etc.**

Please exercise your voting rights in accordance with “Guide to Exercising Voting Rights by Internet etc.” on page 3, and register your approval or disapproval of each proposal no later than 5:30 p.m. on Thursday, June 22, 2017 (Japan Standard Time).

##### (2) Matters of Exercising Voting Rights

- a. If you exercise your voting rights more than once by the Internet etc., we will only accept the last exercise of your voting rights as valid.
- b. If you exercise your voting rights both by Postal Mail and by the Internet etc., we will only accept the vote registered by the Internet etc. as valid.

– End –

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- The Consolidated Financial Statements and the Non-Consolidated Financial Statements attached to this Notice of Convocation, are part of the Consolidated Financial Statements and the Non-Consolidated Financial Statements that have been audited by the Statutory Auditors for the purpose of an auditors’ report and by the Accounting Auditor for the purpose of an accounting auditor’s report. The Consolidated Statements of Changes in Net Assets and the Notes to the Consolidated Financial Statements, and the Non-Consolidated Statements of Changes in Net Assets and the Notes to the Non-Consolidated Financial Statements, which are part of the documents that should be provided together with this Notice of Convocation, are disclosed on our website (<http://sfc.jp/english/>) in accordance with the relevant laws and regulations and Article 17 of the Articles of Incorporation of the Company. Accordingly, those documents are not included in this Notice of Convocation.
  - If there are any items that require amendments to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements by the day immediately prior to the Meeting, we will announce the amendments either by Postal Mail or by posting them on our website (<http://sfc.jp/english/>).

**【Guide to Exercising Voting Rights by the Internet etc.】**

**1. Exercising Voting Rights via the Internet**

(1) Exercising your voting rights via the Internet is available only by accessing the following Online Voting Site designated by the Company. This site is also available via the Internet by your cellular phone.

Online Voting Site: <http://www.web54.net> (Japanese only)

(2) Please log in the website with your voting code and password written on the enclosed voting form. Then, register your approval or disapproval of each proposal no later than 5:30 p.m. on Thursday, June 22, 2017 (Japan Standard Time), following the instructions on the screen.

(3) Any access fees to internet service providers and any communication fees (including, but not limited to telephone fees) for the usage of the voting website for voting shall be borne by the shareholder.

(4) Please be aware that exercising voting rights by personal computer or smart phone may not be possible in certain internet user environments. In addition, exercising voting rights by cellular phone may not be possible with certain types of cellular phones.

Please contact the following Help Desk for inquiries about exercising voting rights via the Internet.

**Administrator of Share Registry  
Sumitomo Mitsui Trust & Banking Co., Ltd.  
(Help Desk)  
Phone (toll-free within Japan): 0120-652-031  
(AM9:00~PM9:00, Japan Standard Time) (Japanese only)**

**<Help Desk for other inquiries >  
Phone (toll-free within Japan): 0120-782-031  
(Weekday, AM9:00~PM5:00, Japan Standard Time)**

**2. Electronic Voting Platform for Institutional Investors**

Institutional investors, who have applied to use “Electronic Voting Platform for Institutional Investors” operated by ICJ Inc. in advance, may use the voting platform to exercise your voting rights.

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## Reference Documents for the General Meeting of Shareholders

### **Proposal No. 1: Appropriation of Surplus**

In light of a comprehensive consideration of the balance of its base of operations, financial position and cash flow, the Company hereby proposes to appropriate the surplus as follows:

#### 1. Year-end dividend

In light of a comprehensive consideration of the operating performance for the relevant business term and other relevant factors in accordance with the Company's basic policy of continuously and steadily returning profits to our shareholders, the Company proposes to increase the year-end dividend for this business term by eight (8) yen per share from the previous business term and to pay it as follows.

The annual dividend for this business term including the interim dividends will be thirty-five (35) yen per share.

##### (1) Type of dividend assets:

Cash

##### (2) Allocation of dividend assets to our shareholders and the total amount thereof:

20 yen per ordinary shares Total amount : 3,542,565,380 yen

##### (3) Effective date of the dividend payment:

June 26, 2017

#### 2. Appropriation of other surplus

In order to reinforce its base of operations and prepare for future business development, the Company hereby proposes to provide an amount as general reserve as follows:

##### (1) The item of surplus to be increased, and the amount thereof:

General reserve 14,363,000,000 yen

##### (2) The item of surplus to be decreased, and the amount thereof:

Retained earnings brought forward 14,363,000,000 yen

### **Proposal No. 2: Payment of Bonuses to Directors**

The Company hereby proposes to pay bonuses in the total amount of 146,000,000 yen for eight (8) Directors, excluding Outside Directors, among ten (10) Directors in office at the end of this business term, comprehensively taking into account the operating performance for this business term and other relevant factors.

The Company also proposes that bonus amount for each Director be determined by the Board of Directors.

**CONSOLIDATED BALANCE SHEET**

As of March 31, 2017

(Million yen)

**ASSETS**

**Current assets:**

Cash and time deposits	¥	111,506
Notes and accounts receivable-trade		119,274
Accounts receivable from completed construction contracts		4,180
Marketable securities		6,500
Finished goods, logs and lumber		14,708
Work in process		1,389
Raw materials and supplies		7,917
Costs on uncompleted construction contracts		23,934
Developed land and housing for sale		48,249
Real estate for sale in process		79,756
Deferred tax assets		7,001
Short-term loans receivable		30,287
Accounts receivable-other		45,902
Other		13,551
Allowance for doubtful accounts		(438)

**Total current assets** **513,715**

**Noncurrent assets:**

**Property, plant and equipment:**

Buildings and structures		34,139
Machinery, equipment and vehicles		29,796
Land		30,597
Mature timber		37,189
Leased assets		4,691
Construction in progress		6,013
Other		3,374

**Total property, plant and equipment** **145,798**

**Intangible assets:**

Goodwill		12,189
Other		11,229

**Total intangible assets** **23,418**

**Investments and other assets:**

Investment securities		91,806
Long-term loans receivable		3,683
Net defined benefit assets		142
Deferred tax assets		3,276
Other		14,141
Allowance for doubtful accounts		(2,362)

**Total investments and other assets** **110,686**

**Total noncurrent assets** **279,902**

**Total assets** **¥ 793,617**

**CONSOLIDATED BALANCE SHEET**

As of March 31, 2017

(Million yen)

**LIABILITIES**

**Current liabilities:**

Notes and accounts payable-trade	¥	111,281
Accounts payable for construction contracts		71,211
Short-term loans payable		37,108
Lease obligations		1,628
Income taxes payable		5,511
Advances received on uncompleted construction contracts		48,249
Provision for employees' bonuses		11,139
Provision for directors' bonuses		146
Provision for warranties for completed construction		3,849
Asset retirement obligation		551
Other		33,260

**Total current liabilities** **323,932**

**Long-term liabilities:**

Bonds issued		20,000
Convertible bonds		20,000
Long-term loans payable		81,818
Lease obligations		3,264
Deferred tax liabilities		11,537
Provision for directors' retirement benefits		80
Net defined benefit liability		18,732
Asset retirement obligation		937
Other		17,974

**Total long-term liabilities** **174,341**

**Total liabilities** **498,273**

**NET ASSETS**

**Shareholders' equity:**

Common stock		27,672
Capital surplus		18,637
Retained earnings		196,511
Treasury stock		(280)

**Total shareholders' equity** **242,541**

**Accumulated other comprehensive income:**

Valuation difference on available-for-sale securities		25,896
Deferred gains or losses on hedges		(80)
Foreign currency translation adjustment		6,874
Remeasurements of defined benefit plans		(320)

**Total accumulated other comprehensive income** **32,370**

**Subscription rights to shares** **82**

**Non-controlling interests** **20,352**

**Total net assets** **295,344**

**Total liabilities and net assets** **793,617** ¥

**CONSOLIDATED STATEMENTS OF INCOME**

For the year ended March 31, 2017

	(Million yen)
<b>Net sales</b>	¥ <b>1,113,364</b>
<b>Cost of sales</b>	<b>909,225</b>
<b><u>Gross profit</u></b>	<b><u>204,138</u></b>
<b>Selling, general and administrative expenses</b>	<b>150,149</b>
<b><u>Operating income</u></b>	<b><u>53,989</u></b>
<b>Non-operating income:</b>	
Interest income	533
Purchase discounts	381
Dividends income	1,363
Equity in earnings of affiliates	3,053
Other	2,260
<b>Total non-operating income</b>	<b>7,589</b>
<b>Non-operating expenses:</b>	
Interest expenses	1,560
Sales discounts	680
Foreign exchange losses	47
Other	1,450
<b>Total non-operating expenses</b>	<b>3,737</b>
<b><u>Recurring income</u></b>	<b><u>57,841</u></b>
<b>Extraordinary gains:</b>	
Gain on sales of noncurrent assets	193
Gain on sales of investment securities	96
Gain on liquidation of subsidiaries and affiliates	152
Gain on sales of stocks of subsidiaries and affiliates	481
<b>Total extraordinary gains</b>	<b>922</b>
<b>Extraordinary loss:</b>	
Loss on sales of noncurrent assets	37
Loss on retirement of noncurrent assets	164
Impairment loss	30
Loss on sales of investment securities	8
Loss on devaluation of investment securities	1
<b>Total extraordinary loss</b>	<b>240</b>
<b><u>Income before income taxes and minority interests</u></b>	<b><u>58,523</u></b>
Income taxes-current	15,652
Income taxes-deferred	2,640
<b><u>Net income</u></b>	<b><u>40,230</u></b>
<b>Net income attributable to non-controlling interests</b>	<b>5,699</b>
<b><u>Net income attributable to owners of parent</u></b>	¥ <b><u>34,532</u></b>

**NON-CONSOLIDATED BALANCE SHEET**

As of March 31, 2017

(Million yen)

**ASSETS**

**Current assets:**

Cash and time deposits	¥	84,019
Notes receivable-trade		43,679
Accounts receivable-trade		58,999
Accounts receivable from completed construction contracts		1,491
Marketable securities		6,500
Finished goods, logs and lumber		10,329
Costs on uncompleted construction contracts		14,366
Developed land and housing for sale		21,577
Real estate for sale in process		6,044
Advance payments		467
Prepaid expenses		838
Deferred tax assets		4,578
Short-term loans receivable		30,000
Short-term loans receivable from subsidiaries and affiliates		11,858
Accounts receivable-other		67,211
Other		381
Allowance for doubtful accounts		(715)

**Total current assets** **361,621**

**Noncurrent assets:**

**Property, plant and equipment:**

Buildings		9,014
Structures		610
Machinery and equipment		1,236
Vehicles		3
Tools, furniture and fixtures		606
Land		12,170
Mature timber		8,554
Growing timber		357
Leased assets		4,115
Construction in progress		795

**Total property, plant and equipment** **37,460**

**Intangible assets:**

Telephone subscription right		180
Right of utilization on forest road		114
Right of using facilities		2
Industrial property rights		23
Software		4,256

**Total intangible assets** **4,576**

**Investments and other assets:**

Investment securities		67,589
Stocks of subsidiaries and affiliates		102,810
Investments in other securities of subsidiaries and affiliates		772
Long-term loans receivable		258
Long-term loans receivable from employees		22
Long-term loans receivable from subsidiaries and affiliates		17,982
Claims provable in bankruptcy, claims provable in rehabilitation and other		2,237
Long-term prepaid expenses		391
Other		4,226
Allowance for doubtful accounts		(4,784)

**Total investments and other assets** **191,503**

**Total noncurrent assets**

**233,539**

**Total assets**

¥ **595,161**



NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2017

(Million yen)

**LIABILITIES**

**Current liabilities:**

Notes payable-trade	¥	17,198
Accounts payable-trade		70,234
Accounts payable for construction contracts		84,313
Long-term loans payable due within 1 year		3,493
Lease obligations		1,609
Accounts payable-other		5,776
Income taxes payable		3,084
Accrued consumption taxes		1,725
Accrued expenses		1,012
Advances received		871
Advances received on uncompleted construction contracts		37,590
Deposits received		36,067
Unearned revenue		1,271
Provision for employees' bonuses		6,280
Provision for directors' bonuses		146
Provision for warranties for completed construction		2,366
Asset retirement obligation		551
Other		152

**Total current liabilities** **273,739**

**Long-term liabilities:**

Bonds issued		20,000
Convertible bonds		20,000
Long-term loans payable		18,738
Guarantee deposited		4,788
Lease obligations		2,585
Deferred tax liabilities		8,772
Provision for retirement benefits		10,494
Provision for loss on business of subsidiaries and affiliates		2,286
Asset retirement obligation		747
Other		2,913

**Total long-term liabilities** **91,323**

**Total liabilities** **365,063**

**NET ASSETS**

**Shareholders' equity:**

Common stock		27,672
Capital surplus:		
Legal capital surplus		26,613
Other capital surplus		259
<u>Total capital surplus</u>		<u>26,872</u>
Retained earnings:		
Legal retained earnings		2,857
Other retained earnings		
Reserve for special depreciation		96
Reserve for reduction entry		1,715
General reserve		120,387
Retained earnings brought forward		24,991
Total other retained earnings		147,190
<u>Total retained earnings</u>		<u>150,047</u>
Treasury stock		(280)

**Total shareholder's equity** **204,311**

**Valuation and translation adjustments:**

Valuation difference on available-for-sale securities		25,782
Deferred gains or losses on hedges		(77)

**Total valuation and translation adjustments** **25,705**

**Subscription rights to shares** **82**

**Total net assets** **230,098**

**Total liabilities and net assets** **¥ 595,161**

**NON-CONSOLIDATED STATEMENTS OF INCOME**

For the year ended March 31, 2017

	(Million yen)
<b>Net sales:</b>	
Net sales of goods	¥ 381,641
Completed contracts	332,399
<b>Total net sales</b>	<b>714,040</b>
<b>Cost of sales:</b>	
Cost of goods sold	363,058
Cost of completed contracts	245,429
<b>Total cost of sales</b>	<b>608,487</b>
<b><u>Gross profit</u></b>	<b><u>105,553</u></b>
<b>Selling, general and administrative expenses:</b>	<b>79,819</b>
<b><u>Operating income</u></b>	<b><u>25,734</u></b>
<b>Non-operating income:</b>	
Interest income	322
Interest on securities	27
Purchase discounts	276
Dividends income	6,111
Other	1,019
<b>Total non-operating income</b>	<b>7,755</b>
<b>Non-operating expenses:</b>	
Interest expenses	243
Bond interest expenses	75
Sales discounts	540
Other	935
<b>Total non-operating expenses</b>	<b>1,793</b>
<b><u>Recurring income</u></b>	<b><u>31,696</u></b>
<b>Extraordinary income:</b>	
Gain on sales of noncurrent assets	66
<b>Total extraordinary income</b>	<b>66</b>
<b>Extraordinary loss:</b>	
Loss on retirement of noncurrent assets	73
Loss on devaluation of investment securities	1
Loss on devaluation of investments in other securities of subsidiaries and affiliates	619
Loss on devaluation of stocks of subsidiaries and affiliates	885
Loss on liquidation of subsidiaries and affiliates	41
<b>Total extraordinary loss</b>	<b>1,619</b>
<b><u>Income before income taxes</u></b>	<b><u>30,143</u></b>
Income taxes-current	6,433
Income taxes-deferred	1,418
<b><u>Net income</u></b>	<b>¥ <u>22,292</u></b>

(Amounts less than one (1) million yen in the Consolidated Financial Statements and the Non-Consolidated Financial Statements are rounded to the nearest million yen.)

– End –