

For Immediate Release

Company name: Sumitomo Forestry Co., Ltd.
(Stock code: 1911 1st section, Tokyo Stock Exchange)
Representative: Akira Ichikawa, President & CEO
Inquiries: Yuichiro Ono, General Manager of
Corporate Communications
(Tel: +81-3-3214-2270)

Notice Concerning Introduction of Remuneration Plan for Shares with Restriction on Transfer

We hereby give notice that the board of directors meeting held today resolved, as follows, to revise the executive remuneration plans and introduce a remuneration plan for shares with restriction on transfer (Plan”), and to submit a proposal concerning the Plan to the 78th Annual Ordinary General Meeting of Shareholders (“General Meeting of Shareholders”) scheduled for June 22, 2018.

Upon the introduction of the Plan, the Company will abolish the provisions on the amount of remuneration in respect of stock acquisition rights and such stock option plans that constitute the existing stock-based compensation stock option; and, except for those already in issue, the Company will no longer allot any stock acquisition rights as stock-based compensation stock option based on such provision on the amount of remuneration.

1. Purpose, etc. of the introduction of the Plan

(1) Purpose of introduction of the Plan

As part of its revision of executive remuneration plans, the Company shall introduce the Plan as a remuneration plan, which shall allot to Directors (excluding Outside Directors) shares with restriction on transfer, in order to provide incentives for them to strive to increase the medium- and long-term corporate value, and at the same time realize a prompt sharing of value with our shareholders by having such Directors hold shares from the time of allotment, as compared to the stock-based compensation stock option.

(2) Conditions for the introduction of the Plan

The Plan provides our Directors (excluding Outside Directors) with monetary compensation receivables in order to allot them shares with restriction on transfer, which means the approval of our shareholders at this General Meeting of Shareholders for the provision of the described remuneration is a condition for the introduction thereof. At the 76th Annual General Meeting of Shareholders held on June 24, 2016, the amount of remuneration for the Company’s Directors of not more than JPY 40,000,000 per month (of which the amount for Outside Directors being not more than JPY 5,000,000 per month), and at the 75th Annual General Meeting of Shareholders held on June 23, 2015, the amount of remuneration for the Company’s Directors concerning stock acquisition rights as stock-based compensation stock option of not more than JPY 100,000,000 per year (excluding Outside Directors) were approved, respectively; and at this General Meeting of Shareholders, the Company intends to seek the approval of our shareholders to set the amount of the monetary compensation receivables, in order to allot shares with restriction on transfer to our Directors (excluding Outside Directors), in addition to the existing amount of executive remuneration, at not more than JPY 100,000,000 per year, which equals to the amount of remuneration under the existing stock acquisition rights as stock-based compensation stock option,

and which amount the Company considers to be reasonable based on the purpose mentioned above.

2. Outline of the Plan

(1) Allotment of and payment for the shares with restriction on transfer

The Company will, pursuant to the resolution of the board of directors meeting, provide to Directors (excluding Outside Directors) monetary compensation receivables within the annual limit amount stated above, as remuneration in order to conduct allotment of shares with restriction on transfer. Each Director will accept allotment of shares with restriction on transfer by providing all of such monetary compensation receivables by contribution in kind.

The amount to be paid in for shares with restriction on transfer will be determined by the board of directors, based on the closing price of the common share of the Company quoted at the Tokyo Stock Exchange as of the business day immediately preceding the date of resolution of the board of directors meeting concerning issuance or disposition of such shares (if no transaction is executed on such date, then the closing price quoted as of the immediately preceding trading day), which amount shall be within the scope that will not be particularly beneficial to Directors who will accept such shares with restriction on transfer.

With respect to provision of the monetary compensation receivables, such shall be made on condition that Directors of the Company have agreed to contribution in kind stated above and that Directors have concluded an agreement on allotment of shares with restriction on transfer containing the contents set forth in 3 below.

(2) Total number of the shares with restriction on transfer

The maximum number of shares with restriction on transfer to be allotted to Directors (excluding Outside Directors) during the period of one (1) year commencing on the date of the relevant annual general meeting of shareholders pertaining to each business year shall be 350,000 shares.

Notwithstanding the foregoing, if, on any day on or after the date of resolution on this Proposal, a share split (including allotment of the common shares of the Company without contribution) or a reverse share split of the common shares of the Company is conducted, or in the event of arising of any other equivalent case which requires an adjustment of the total number of shares with restriction on transfer to be allotted, the Company may make an appropriate adjustment to such total number of shares with restriction on transfer within the reasonable scope.

(3) Outline of the agreement on allotment of shares with restriction on transfer

Upon allotment of shares with restriction on transfer, the Company and Directors who will receive allotment of shares with restriction on transfer shall conclude an agreement on allotment of shares with restriction on transfer (“Allotment Agreement”) containing the following provisions, pursuant to the resolution of the board of directors meeting.

1) Details of restriction on transfer

Directors who have received allotment of shares with restriction on transfer may not assign, provide as collateral or otherwise dispose of such shares with restriction on transfer to a third party for a period of thirty (30) years (“Restriction Period”).

2) Treatment upon retirement

If any Director who has received allotment of shares with restriction on transfer retires from the post of both Director and Executive Officer of the Company on or prior to the day immediately preceding the date of the first annual general meeting of shareholders of the Company arriving on or after the commencement date of the Restriction Period, the Company

shall automatically acquire shares with restriction on transfer allotted to such Director (“Allotted Shares”) without consideration, except for the case of expiry of term of office, death or where there is any other reason deemed justifiable by the board of directors.

3) Removal of restriction on transfer

On condition that Director who has received allotment of shares with restriction on transfer continues to be in the office of either Director or Executive Officer of the Company during the period commencing on the date of commencement of the Restriction Period until the date of the first annual general meeting of shareholders of the Company arriving on or after the date of commencement of the Restriction Period, the Company shall remove the restriction on transfer in respect of all of the Allotted Shares as at the time of expiry of the Restriction Period.

Notwithstanding the foregoing, if the relevant Director retires from its post of both Director and Executive Officer of the Company prior to the expiry of the Restriction Period due to expiry of term of office, death or any other reason deemed justifiable by the board of directors, the number of the Allotted Shares subject to removal of restriction on transfer and the timing of removal of restriction on transfer shall be adjusted in a reasonable manner and as required.

From among the Allotted Shares, should there be any of them with respect to which removal of restriction on transfer under the provisions of this item has not been made at the time of expiry of the Restriction Period, the Company shall automatically acquire them without consideration.

4) Treatment at the time of entity conversion or the like

If a proposal concerning merger agreement where the Company becomes the disappearing company, share exchange agreement or share transfer plan where the Company becomes the wholly-owned subsidiary, or any other proposal regarding entity conversion or the like is passed at the Company’s general meeting of shareholders (or at the board of directors, where such entity conversion or the like does not require approval of the Company’s general meeting of shareholders) during the Restriction Period, the Company shall, prior to the date of effectuation of such entity conversion or the like, remove the restriction on transfer for the number of the Allotted Shares reasonably determined considering the period from date of commencement of the Restriction Period until the date of approval of such entity conversion or the like, pursuant to the resolution of the board of directors meeting.

In this case, the Company shall automatically acquire without consideration the Allotted Shares with respect to which the restriction on transfer still is not removed as at the time immediately after the removal of the restriction on transfer pursuant to the foregoing provision.

5) Other provisions

In addition to the above, method of manifestation of intention and notice under the Allotment Agreement, method of amendment of the Allotment Agreement and other matters determined by the board of directors shall be included in the Allotment Agreement.

– End –

<Reference Information>

The Company plans to introduce a plan which shall be equivalent to the Plan, for the Company’s Executive Officers (excluding Executive Officers who concurrently serve as Directors) from and the after the close of this general meeting of shareholders.