

[TRANSLATION]

The following is an unofficial English translation of “Notice of Convocation of the 74th 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 this English translation and the Japanese original.

May 29, 2014

To Our Shareholders

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

## NOTICE OF CONVOCATION OF THE 74TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We would like to express our appreciation for your courtesies always shown us.  
You are cordially invited to our 74th 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 Internet, etc. Please refer to “Reference Documents for the General Meeting of Shareholders” (see pages 4-14) and exercise your voting rights in accordance with “Guidance Notes on the Exercise of Voting Rights” (see pages 2-3).**

1. **Date and Time:** Friday, June 20, 2014 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:**

**Items No 1:** Reports on the Business Report, the Consolidated Financial Statements, and the Non-consolidated Financial Statements for the 74th Business term (from April 1, 2013 to March 31, 2014);

**Items No 2:** Report on the Results of Audits of the Consolidated Financial Statements for the 74th 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 :** Partial Amendments of Articles of Incorporation

**Proposal No 3 :** Election of Nine (9) Directors

**Proposal No 4 :** Election of Three (3) Statutory Auditors

**Proposal No 5 :** Payment of Bonuses to Directors

**Proposal No 6 :** Revision of Remuneration for Directors and Statutory Auditors

**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 to the Meeting with you.

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

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

**Voting by Postal Mail**

Please indicate your approval or disapproval of each proposal on the enclosed voting form, and return it to reach our Administrator of Share Registry no later than 5:30 p.m. on Thursday, June 19, 2014 (Japan Standard Time).

**Voting by 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 19, 2014 (Japan Standard Time).

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

a. If you exercise your voting rights more than once by 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 Internet, etc., we will only accept the vote registered by Internet, etc. as valid.

– End –

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The Notes to the Consolidated Financial Statements and the Notes to the Non-Consolidated Financial Statements for the 74th Business term 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 the Notice.

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 before 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 Internet, etc.】**

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

- (1) Exercising your voting rights via Internet by your personal computer is available only by accessing the voting website. This site is also available via the Internet by your cellular phone.  
Online voting site: <http://www.web54.net> (Japanese only)
- (2) Please access the voting website for exercising your voting rights by your personal computer, smart phone or cellular phone, and 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 19, 2014 (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)**

**<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.



**Proposal No. 2: Partial Amendments of Articles of Incorporation**

1. Reasons for Amendments

- (1) In order to strengthen the Directors' supervisory functions and the management structure, it is proposed that the number of Directors as provided in Article 20 (Number of Directors) of the Articles of Incorporation be changed from not more than ten (10) to not more than twelve (12).
- (2) For the purpose of reorganizing and updating the titles of Directors and Executive Officers, it is proposed that a necessary amendment be made to Article 25 (Directors with Special Titles) of the Articles of Incorporation.
- (3) In order to ensure more flexible operation of the Board of Directors, it is proposed that the notice period for convocation of a meeting of the Board of Directors as provided in Article 26 (Notice of Convocation of Meetings of the Board of Directors) of the Articles of Incorporation be reduced from five (5) days to two (2) days prior to the date of the meeting.
- (4) In order to facilitate the invitation of suitable candidates for Outside Directors and to enable them to fulfil their expected roles, the Company proposes the addition to the Articles of Incorporation of a new article which allows the Company to conclude with each Outside Director an agreement to limit his or her liability pursuant to the provision on contracts for limitation of liability under Article 427, Paragraph 1 of the Companies Act. The proposal for addition of Article 28 (Agreement for Limitation on Liabilities of Outside Directors) to the Articles of Incorporation has been consented to by each Statutory Auditor.
- (5) Upon the addition of the above-mentioned Article, the numbering of the subsequent articles shall be moved down.

2. Details of Amendments

Details of the amendments are as follows:

(Changes are underscored)

Current Articles of Incorporation	Proposed Amendment
<p>Article 20. (Number of Directors) The Company shall have not more than <u>ten (10)</u> Directors.</p>	<p>Article 20. (Number of Directors) The Company shall have not more than <u>twelve (12)</u> Directors.</p>
<p>Article 21.~Article 24. (Omitted)</p>	<p>Article 21.~Article 24. (Unchanged)</p>
<p>Article 25. (Directors with Special Titles) The Board of Directors, by its resolution, may appoint from among its members one Chairman of the Board (<i>Torishimariyaku-Kaicho</i>), one President/Director (<i>Torishimariyaku-Shacho</i>), and several <u>Vice Presidents/Directors</u> (<i>Torishimariyaku-Fukushacho</i>), <u>Senior Managing Directors</u> (<i>Senmu-Torishimariyaku</i>) and <u>Managing Directors</u> (<i>Jomu-Torishimariyaku</i>).</p>	<p>Article 25. (Directors with Special Titles) The Board of Directors, by its resolution, may appoint from among its members one Chairman of the Board (<i>Torishimariyaku-Kaicho</i>), one President/Director (<i>Torishimariyaku-Shacho</i>), and several <u>other Directors with special titles</u>.</p>
<p>Article 26. (Notice of Convocation of A Meeting of The Board of Directors) Notice of convocation of a meeting of the Board of Directors shall be dispatched to each Director and Auditor at least <u>five</u> days prior to the date of such meeting. In case of emergency, however, the above period may be shortened.</p>	<p>Article 26. (Notice of Convocation of A Meeting of The Board of Directors) Notice of convocation of a meeting of the Board of Directors shall be dispatched to each Director and Auditor at least <u>two (2)</u> days prior to the date of such meeting. In case of emergency, however, the above period may be shortened.</p>
<p>Article 27. (Omitted)</p>	<p>Article 27. (Unchanged)</p>
<p>[New article]</p>	<p><u>Article 28. (Agreement for Limitation on Liabilities of Outside Directors)</u> <u>The Company may enter into an agreement with each Outside Director for limitation on his liabilities for compensation for damage due to the failure to perform his duty as prescribed in Article 427, Paragraph 1 of the Corporation Act; provided, however, that the upper limit on liabilities under such agreement shall be such amount as stipulated by law.</u></p>
<p>Article <u>28.</u>~Article <u>41.</u> (Omitted)</p>	<p>Article <u>29.</u>~Article <u>42.</u> (Unchanged)</p>

**Proposal No. 3: Election of Nine (9) Directors**

The terms of office of all seven (7) Directors will expire at the closing of the Meeting. Meanwhile, with the view to strengthening the Directors' supervisory functions and the management structure, the Company hereby proposes to add two Directors, including one Outside Director, to the Board and accordingly, elect nine (9) Directors.

The candidates for the Directors are as follows:

(Current positions, responsibilities and significant concurrent positions are underscored)

No.	Name (Date of birth)	Career summary, positions and responsibility in the Company, and significant concurrent positions	Number of shares in the Company owned
1	Ryu Yano (April 21, 1940)	<p>April 1963      Joined the Company  December 1988      Director  June 1992      Managing Director  June 1995      Senior Managing Director  April 1999      President / Director  June 2002      President and Executive Officer  April 2010      <u>Chairman of the Board</u></p> <p>[Significant concurrent position at other company]  <u>Outside Statutory Auditor of DAIKIN INDUSTRIES, LTD.</u></p>	89,075 shares
2	Akira Ichikawa (November 12, 1954)	<p>April 1978      Joined the Company  June 2007      Executive Officer  June 2008      Director  April 2010      Managing Executive Officer                      <u>President / Director</u>                      <u>President and Executive Officer</u></p>	53,600 shares
3	Hitoshi Hayano (July 10, 1953)	<p>April 1977      Joined the Company  June 2005      Executive Officer  April 2006      Managing Executive Officer  June 2006      <u>Director</u>  April 2007      Divisional Manager of Real Estate Business Division  April 2010      Divisional Manager of Housing Division  April 2011      Senior Managing Executive Officer  April 2014      <u>Executive Vice President and Executive Officer</u>                      <u>In charge of, Value up and Cost down works, TOP (Tokyo Olympics Paralympics) 2020, Group IT Strategy, Divisional Manager of Lifestyle Service Division and Forestry &amp; Environment Division</u></p>	24,300 shares

(Current positions, responsibilities and significant concurrent positions are underscored)

No.	Name (Date of birth)	Career summary, positions and responsibility in the Company, and significant concurrent positions	Number of shares in the Company owned
4	Shigeru Sasabe (February 28, 1954)	<p>April 1977      Joined the Company</p> <p>June 2008      Executive Officer</p> <p>September 2008            General Manager of General Administration Department and Personnel Department</p> <p>October 2008    General Manager of General Administration Department</p> <p>April 2010      Managing Executive Officer</p> <p>                    In charge of Corporate Planning, General Administration, Environmental Management, Corporate Communications, Personnel, Finance, Information Systems and Internal Audit</p> <p>June 2010      <u>Director</u></p> <p>April 2011      In charge of General Administration, Personnel, Corporate Communications, Internal Audit, Intellectual Property, Environmental Management and Tsukuba Research Institute (also oversees Corporate Planning, Finance, and Information Systems)</p> <p>April 2012      In charge of General Administration, Personnel, Corporate Communications, Internal Audit, Intellectual Property, Environmental Management. Divisional Manager of Lifestyle Service Division and General Manager of Lifestyle Service Department, Lifestyle Service Division (also oversees Corporate Planning, Finance, Information Systems and Tsukuba Research Institute)</p> <p>October 2012    In charge of General Administration, Personnel, Corporate Communications, Internal Audit, Intellectual Property, Environmental Management. Divisional Manager of Lifestyle Service Division (also oversees Corporate Planning, Finance, Information Systems and Tsukuba Research Institute)</p> <p>April 2013      Divisional Manager of Lifestyle Service Division (also oversees Corporate Planning, General Administration, Personnel, Finance, Information Systems, Corporate Communications, Internal Audit, Intellectual Property, Environmental Management, Tsukuba Research Institute, Forestry &amp; Environment Division, Timber &amp; Building Materials Division and Overseas Business Division)</p> <p>June 2013      Divisional Manager of Lifestyle Service Division (also oversees Forestry &amp; Environment Division, Timber &amp; Building Materials Division and Overseas Business Division)</p> <p>April 2014      <u>Senior Managing Executive Officer</u> <u>Divisional Manager of Overseas Business</u> <u>Division</u> (also oversees Timber &amp; Building Materials Division)</p>	18,121 shares



(Current positions, responsibilities and significant concurrent positions are underscored)

No.	Name (Date of birth)	Career summary, positions and responsibility in the Company, and significant concurrent positions	Number of shares in the Company owned
5	Ken Wada (December 26, 1956)	<p>July 1983 April 2008</p> <p>Joined the Company Deputy Divisional Manager of Housing Division (in charge of Business Strategy and SUCCEED Business)</p> <p>June 2008 April 2009</p> <p>Executive Officer Deputy Divisional Manager of Housing Division (in charge of Business Strategy, Corporate Marketing, Product Development and FOREST MAISON)</p> <p>April 2010</p> <p>Managing Executive Officer Deputy Divisional Manager of Housing Division (in charge of Corporate Marketing and FOREST MAISON) and General Manager of Marketing Strategy Department, Housing Division</p> <p>April 2011</p> <p>Deputy Divisional Manager of Housing Division (in charge of Marketing)</p> <p>June 2011 April 2012</p> <p><u>Director</u> Deputy Divisional Manager of Housing Division and General Manager of Custom-Build Housing Section, Housing Division</p> <p>April 2014</p> <p><u>Senior Managing Executive Officer</u> <u>Divisional Manager of Housing Division and General Manager of Custom-Build Housing Section, Housing Division</u></p>	29,100 shares
6	Tatsuru Satoh (December 14, 1955)	<p>April 1978 October 2008</p> <p>Joined the Company General Manager of Administration Department and Two-By-Four Business Department, Housing Division and President/Director of Two-By-Four Homes Co., Ltd.</p> <p>January 2009</p> <p>General Manager of Administration Department and Two-By-Four Business Department, Housing Division</p> <p>April 2009</p> <p>General Manager of Administration Department, Housing Division</p> <p>April 2011 June 2011</p> <p>General Manager of Personnel Department Supervisory Officer</p> <p>April 2012</p> <p>General Manager of Personnel Department Supervisory Officer</p> <p>June 2012</p> <p>General Manager of General Administration Department Executive Officer</p> <p>April 2013</p> <p>General Manager of General Administration Department <u>Managing Executive Officer</u> In charge of General Administration, Personnel, Corporate Communications, Internal Audit, Intellectual Property, Environmental Management</p> <p>June 2013</p> <p><u>Director</u> <u>In charge of General Administration, Personnel, Corporate Communications, Internal Audit, Intellectual Property, Environmental Management</u> <u>(also oversees Corporate Planning, Finance, Information Systems and Tsukuba Research Institute)</u></p>	14,800 shares

(Current positions, responsibilities and significant concurrent positions are underscored)

No.	Name (Date of birth)	Career summary, positions and responsibility in the Company, and significant concurrent positions	Number of shares in the Company owned
7	※Akihisa Fukuda (April 16, 1957)	<p>April 1981      Joined the Company</p> <p>April 2009      General Manager of Corporate Planning Department</p> <p>June 2010      Executive Officer General Manager of Corporate Planning Department</p> <p>April 2011      <u>Managing Executive Officer</u> In charge of Corporate Planning, Finance and Information Systems General Manager of Corporate Planning Department</p> <p>April 2012      In charge of Corporate Planning, Finance, Information Systems and Tsukuba Research Institute General Manager of Corporate Planning Department</p> <p>April 2014      <u>In charge of Corporate Planning, Finance, Information Systems and Tsukuba Research Institute</u></p>	8,700 shares
8	※Toshiro Mitsuyoshi (May 23, 1962)	<p>April 1985      Joined the Company</p> <p>April 2008      General Manager of Overseas Development Department, Overseas Business Division</p> <p>April 2010      General Manager of Overseas Business Department and Jakarta Branch, Overseas Business Division</p> <p>June 2010      Executive Officer General Manager of Overseas Business Department and Jakarta Branch, Overseas Business Division</p> <p>April 2011      <u>Managing Executive Officer</u> Divisional Manager of Overseas Business Division and General Manager of Overseas Business Department, Overseas Business Division</p> <p>April 2012      Divisional Manager of Overseas Business Division</p> <p>April 2014      <u>In charge of Tohoku Reconstruction Support and Deputy Divisional Manager of Housing Division (in charge of Housing Business Strategy and also oversees Overseas Housing Business Supporting Department)</u></p>	2,800 shares
9	※Junko Hirakawa (October 9, 1947)	<p>April 1973      Registered as an attorney-at-law admitted in Japan</p> <p>February 1979      Registered as an attorney-at-law admitted in New York, United States of America</p> <p>October 1983      Partner of Yuasa and Hara</p> <p>July 1997      Established Hirakawa, Sato &amp; Kobayashi (Currently called City-Yuwa Partners) Partner of Hirakawa, Sato &amp; Kobayashi</p> <p>February 2003      <u>Partner of City-Yuwa Partners</u></p> <p>June 2012      <u>Statutory Auditor of the Company</u></p> <p>[Significant concurrent position at other company] <u>Outside director of Tokyo Financial Exchange Inc.</u></p>	0 share

Notes:

1. ※ indicates a candidate as newly appointed Director.
2. None of the candidates above has any special conflicts of interest with the Company.
3. The number of shares in the Company owned by each candidate stated above is as of March 31, 2014.
4. Ms. Hirakawa is a candidate for Outside Director as set forth in Article 2, Paragraph 3, item 7 of the Ordinance for Enforcement of the Companies Act.
5. The Company has notified Tokyo Stock Exchange, Inc. of the designation of Ms. Hirakawa as an independent officer as required by its regulations.
6. The Company proposes to elect Ms. Hirakawa as Outsider Director based on the judgment that as a lawyer well versed in corporate legal practices both in Japan and overseas, Ms. Hirakawa will be able to play an appropriate role for the enhancement of our corporate governance by, among others, providing expert recommendations for general management. While Ms. Hirakawa has not been involved in corporate management other than as an outside director or an outside statutory auditor, we believe that she is able to appropriately perform the duties of Outside Director for the reason outlined above.
7. Ms. Hirakawa currently serves as Outside Statutory Auditor of the Company, and her term of office as Outside Statutory Auditor will have been two (2) years at the closing of the Meeting.
8. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company will enter into an agreement with Ms. Hirakawa to limit her liability under Article 423, Paragraph 1 of said Act, subject to approval of Proposal No. 2 and her election. Total liability for damages under such agreement shall be limited to the aggregate sum of the amounts stipulated in each item of Article 425, Paragraph 1 of said Act.

**Proposal No. 4: Election of Three (3) Auditors**

At the close of the Meeting, Statutory Auditors Shigehiko Shiozaki and Junko Hirakawa will resign and the term of office of Statutory Auditor Satoshi Teramoto will expire. Accordingly, the Company hereby proposes the election of three (3) Statutory Auditors. The Board of Statutory Auditors has already approved this proposal. The candidates for Statutory Auditors are as follows:

(Current positions and significant concurrent positions are underscored)

No.	Name (Date of birth)	Career summary, positions in the Company, and significant concurrent positions	Number of shares in the Company owned
1	✕Hideyuki Kamiyama (November 29, 1951)	April 1975    Joined the Company June 2004    Executive Officer April 2005    Managing Executive Officer June 2005 <u>Director</u> June 2008    Divisional Manager of Timber & Building Materials Division June 2009    Senior Managing Executive Officer April 2010    Divisional Manager of Timber & Building Materials Division (also oversees Real Estate Business Division) April 2011    Executive Vice President and Executive Officer Divisional Manager of Timber & Building Materials Division and Forestry & Environment Division (also oversees Oversea Business Division and Real Estate Business Division) June 2011    Divisional Manager of Timber & Building Materials Division (also oversees Forestry & Environment Division and Oversea Business Division) April 2013    In charge of East Japan reconstruction support works, diminishing consumption-tax hike impacts, Value up and Cost down works April 2014 <u>Executive Officer</u> (also oversees <u>Internal Audit</u> )	27,500 shares
2	Satoshi Teramoto (June 29, 1941)	February 1966    Joined Miyasaka Accounting Office March 1969    Registered as a certified public accountant August 1982    Representative partner of Daiichi Audit Corporation January 1986    Representative partner of Century & Co. April 2000    Representative partner of Ota Showa Century & Co. May 2000    Senior partner of Ota Showa Century & Co. May 2002    Vice President of Ernst & Young Japan (Ernst & Young ShinNihon LLC) June 2006    Chief Executive Officer of CPA Common Facility Co-operative June 2007    Retired from Ernst & Young Japan (Ernst & Young ShinNihon LLC) June 2010    Chief Supervisory Officer of CPA Common Facility Co-operative July 2012 <u>Statutory Auditor of the Company</u> <u>Advisor of CPA Common Facility Co-operative</u>	0 share

(Current positions and significant concurrent positions are underscored)

No.	Name (Date of birth)	Career summary, positions in the Company, and significant concurrent positions	Number of shares in the Company owned
3	※Katsuhide Kurasaka (November 1, 1946)	April 1971      Joined Sumitomo Electric Industries, Ltd. June 2005      Executive Officer of Sumitomo Electric Industries, Ltd. June 2007      Managing Executive Officer of Sumitomo Electric Industries, Ltd. June 2008      Managing Director of Sumitomo Electric Industries, Ltd. and General Manager, Industrial Materials Business Unit June 2010      Senior Managing Director of Sumitomo Electric Industries, Ltd. and General Manager, Industrial Materials Business Unit June 2012 <u>Senior Advisor of Sumitomo Electric Industries, Ltd.</u> [Significant concurrent position of other company] <u>Director/Chairman of the Board, Sumitomo Electric Hardmetal Corp.</u> <u>Director/Chairman of the Board, Sumitomo Electric Sintered Alloy, Ltd.</u>	0 share

Notes:

1. ※ indicates a candidate as newly appointed Statutory Auditor.
2. None of the candidates above has any special conflicts of interest with the Company.
3. The number of shares in the Company owned by each candidate stated above is as of March 31, 2014.
4. Mr. Teramoto and Mr. Kurasaka are candidates for Outside Statutory Auditors as set forth in Article 2, Paragraph 3, item 8 of the Ordinance for Enforcement of the Companies Act.
5. The Company has notified Tokyo Stock Exchange, Inc. of the designation of Mr. Teramoto as an independent officer as required by its regulations and will notify said Exchange of the designation of Mr. Kurasaka as an independent officer as required by its regulations.
6. The Company proposes to elect Messrs. Teramoto and Kurasaka based on the judgment that Mr. Teramoto, a certified public accountant with specialized knowledge and extensive experience in finance and accounting, and Mr. Kurasaka, a corporate manager with deep insight and extensive experience in management of domestic and overseas production sites, are capable of appropriately executing their duties as Outside Statutory Auditors.
7. On May 21, 2010, Sumitomo Electric Industries, Ltd. ("SEI"), for which Mr. Kurasaka served as a director, received from the Japan Fair Trade Commission (JFTC) a cease and desist order and a surcharge payment order on the ground of a violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (the "Antimonopoly Act") in connection with the sale of optical fiber cables and related products. In addition, in connection with the supply of automotive wiring harnesses and related products, SEI received a surcharge payment order from JFTC on January 19, 2012 on the ground of a violation of the Antimonopoly Act, and on July 10, 2013, SEI received the European Commission's decision that it had committed an infringement of EU competition law. Furthermore, on December 20, 2013, in relation to overhead transmission facility works ordered by Tokyo Electric Power Company, Incorporated, SEI received from JFTC a cease and desist order and a surcharge payment order on the ground of a violation of the Antimonopoly Act. As a result, on April 10, 2014, SEI was subjected to partial suspension of business under the Construction Business Act by the Ministry of Land, Infrastructure, Transport and Tourism. The above-mentioned administrative actions and decisions concerned business activities in the period during which Mr. Kurasaka served as a director of SEI.
8. Mr. Teramoto currently serves as Outside Statutory Auditor of the Company, and his term of office as Outside Statutory Auditor will have been four (4) years at the closing of the Meeting.
9. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company concluded an agreement with Mr. Teramoto to limit his liability under Article 423, Paragraph 1 of said Act. Total liability for damages under such agreement is limited to the aggregate sum of the amounts stipulated in each item of Article 425, Paragraph 1 of said Act. The Company is to enter into an agreement of the same nature and content with Mr. Teramoto subject to approval of his reelection. Likewise, pursuant to Article 427, Paragraph 1 of the Companies Act, the Company will enter into an agreement with Mr. Kurasaka to limit his liability under Article 423, Paragraph 1 of said Act, subject to approval of his election. Total liability for damages under such agreement shall be limited to the aggregate sum of the amounts stipulated in each item of Article 425, Paragraph 1 of said Act.

**Proposal No. 5: Payment of Bonuses to Directors**

The Company hereby proposes to pay bonuses in the total amount of 120,000,000 yen for seven (7) directors in office at the end of the current fiscal year, taking into account of the operating performance for the 74th business term and other relevant factors comprehensively.

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

**Proposal No. 6: Revision of Remuneration for Directors and Statutory Auditors**

The remuneration for Directors of not more than 30,000,000 yen per month and the remuneration for Statutory Auditors of not more than 7,000,000 yen per month were approved at the 65th General Meeting of Shareholders held on June 29, 2005 and the 57th General Meeting of Shareholders held on June 27, 1997, respectively, and these amounts remain the same to date. Meanwhile, in consideration of the expected addition of two (2) Directors to the Board, subject to approval of Proposal No. 3 as presented, as well as the planned reinforcement and improvement of the audit system of the Company, among other circumstances, the Company proposes to revise the amount of remuneration for Directors to not more than 36,000,000 yen per month (of which the amount for Outside Directors being not more than 2,500,000 yen) and the amount of remuneration for Statutory Auditors to not more than 8,000,000 yen per month. As has been the case to date, the amount of remuneration for Directors shall not include the employee salary portion of the Directors concurrently serving as employees.

Currently, the number of Directors is seven (7) and that of Statutory Auditors is five (5). If Proposals No. 3 and No. 4 are approved without modification, the number of Directors will be nine (9) (of which one (1) being Outside Director) and that of Statutory Auditors will be five (5) (of which three (3) being Outside Statutory Auditors).

**CONSOLIDATED BALANCE SHEET**

As of March 31, 2014

(Millions of Yen)

**ASSETS**

**Current assets:**

Cash and deposits	¥	75,694
Notes and accounts receivable-trade		128,580
Accounts receivable from completed construction contracts		4,341
Securities		43,000
Merchandise and finished goods		19,831
Work in process		1,215
Raw materials and supplies		5,877
Real estate for sale		31,514
Costs on uncompleted construction contracts		35,564
Deferred tax assets		8,754
Short-term loans receivable		33,397
Accounts receivable-other		54,254
Other		5,559
Allowance for doubtful accounts		(724)

**Total current assets** **446,855**

**Noncurrent assets:**

**Property, plant and equipment:**

Buildings and structures		31,331
Machinery, equipment and vehicles		20,134
Land		26,665
Lease assets		4,864
Construction in progress		6,917
Other		13,821

**Total property, plant and equipment** **103,733**

**Intangible assets:**

Goodwill		3,122
Other		8,570

**Total intangible assets** **11,692**

**Investments and other assets:**

Investment securities		65,499
Long-term loans receivable		649
Net defined benefit asset		68
Deferred tax assets		1,797
Other		16,997
Allowance for doubtful accounts		(2,093)

**Total investments and other assets** **82,917**

**Total noncurrent assets** **198,342**

**Total assets** **¥ 645,197**

**CONSOLIDATED BALANCE SHEET**

As of March 31, 2014

(Millions of Yen)

**LIABILITIES**

**Current liabilities:**

Notes and accounts payable-trade	¥	115,294
Accounts payable for construction contracts		76,136
Short-term loans payable		26,434
Current portion of bonds		10,000
Lease obligations		1,468
Income taxes payable		8,102
Advances received on uncompleted construction contracts		55,120
Provision for bonuses		10,360
Provision for directors' bonuses		120
Provision for warranties for completed construction		2,035
Asset retirement obligations		559
Other		20,502

**Total current liabilities** **326,130**

**Noncurrent liabilities:**

Bonds payable		5,000
Bonds with subscription rights to shares		20,000
Long-term loans payable		26,616
Lease obligations		3,458
Deferred tax liabilities		10,807
Provision for directors' retirement benefits		64
Net defined benefit liability		11,038
Asset retirement obligations		874
Other		15,133

**Total noncurrent liabilities** **92,989**

**Total liabilities** **419,120**

**NET ASSETS**

**Shareholders' equity:**

Capital stock		27,672
Capital surplus		26,872
Retained earnings		146,654
Treasury stock		(272)

**Total shareholders' equity** **200,925**

**Accumulated other comprehensive income:**

Valuation difference on available-for-sale securities		14,559
Deferred gains or losses on hedges		21
Foreign currency translation adjustment		3,284
Remeasurements of defined benefit plans		(112)

**Total accumulated other comprehensive income** **17,751**

**Minority interests** **7,401**

**Total net assets** **226,078**

**Total liabilities and net assets** **¥ 645,197**



**CONSOLIDATED STATEMENTS OF INCOME**

For the year ended March 31, 2014

	(Millions of Yen)
<b>Net sales</b>	¥ <b>972,968</b>
<b>Cost of sales</b>	<b>812,806</b>
<b><u>Gross profit</u></b>	<b><u>160,162</u></b>
<b>Selling, general and administrative expenses</b>	<b>126,747</b>
<b><u>Operating income</u></b>	<b><u>33,415</u></b>
<b>Non-operating income:</b>	
Interest income	448
Purchase discounts	413
Dividends income	1,072
Other	1,602
<b>Total non-operating income</b>	<b>3,536</b>
<b>Non-operating expenses:</b>	
Interest expenses	1,127
Sales discounts	758
Equity in losses of affiliates	522
Foreign exchange losses	240
Other	737
<b>Total non-operating expenses</b>	<b>3,384</b>
<b><u>Ordinary income</u></b>	<b><u>33,567</u></b>
<b>Extraordinary income:</b>	
Gain on sales of noncurrent assets	99
Gain on sales of investment securities	31
Gain on step acquisitions	2,124
<b>Total extraordinary income</b>	<b>2,254</b>
<b>Extraordinary loss:</b>	
Loss on sales of noncurrent assets	26
Loss on retirement of noncurrent assets	261
Impairment loss	436
Loss on valuation of investment securities	193
Loss on sales of stocks of subsidiaries and affiliates	1
Loss on liquidation of subsidiaries and affiliates	275
<b>Total extraordinary loss</b>	<b>1,192</b>
<b><u>Income before income taxes and minority interests</u></b>	<b><u>34,629</u></b>
Income taxes-current	13,101
Income taxes-deferred	(1,613)
<b><u>Income before minority interests</u></b>	<b><u>23,141</u></b>
<b>Minority interests in income</b>	<b>610</b>
<b><u>Net income</u></b>	¥ <b><u>22,531</u></b>

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

For the year ended March 31, 2014

(Millions of Yen)

	Shareholders' equity					Accumulated other comprehensive income					Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of the beginning of the 74th business term	27,672	26,872	127,489	(269)	181,763	12,132	249	(1,654)	-	10,727	760	193,250
Changes of items during the period												
Dividends from surplus			(3,366)		(3,366)							(3,366)
Net income			22,531		22,531							22,531
Purchase of treasury stock				(3)	(3)							(3)
Disposal of treasury stock		0		0	0							0
Net changes of items other than shareholders' equity						2,426	(228)	4,937	(112)	7,023	6,642	13,665
Total changes of items during the period	-	0	19,165	(3)	19,162	2,426	(228)	4,937	(112)	7,023	6,642	32,827
Balance as of the end of the 74th business term	27,672	26,872	146,654	(272)	200,925	14,559	21	3,284	(112)	17,751	7,401	226,078

NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2014

(Millions of yen)

**ASSETS**

**Current assets:**

Cash and deposits	¥	64,817
Notes receivable-trade		50,391
Accounts receivable-trade		64,194
Accounts receivable from completed construction contracts		809
Securities		43,000
Merchandise and finished goods		14,679
Real estate for sale		22,652
Costs on uncompleted construction contracts		17,685
Advance payments-trade		478
Prepaid expenses		693
Deferred tax assets		5,393
Short-term loans receivable		28,997
Short-term loans receivable from subsidiaries and affiliates		20,677
Accounts receivable-other		77,120
Other		122
Allowance for doubtful accounts		(784)

**Total current assets** **410,923**

**Noncurrent assets:**

**Property, plant and equipment:**

Buildings		9,607
Structures		447
Machinery and equipment		392
Vehicles		3
Tools, furniture and fixtures		550
Land		10,986
Timber		8,709
Produce wood creation		332
Lease assets		4,260
Construction in progress		851

**Total property, plant and equipment** **36,137**

**Intangible assets:**

Telephone subscription right		181
Path through a forest right		152
Right of using facilities		3
Industrial property		10
Software		4,819

**Total intangible assets** **5,167**

**Investments and other assets:**

Investment securities		53,731
Stocks of subsidiaries and affiliates		25,539
Investments in capital of subsidiaries and affiliates		2,038
Long-term loans receivable		101
Long-term loans receivable from employees		30
Long-term loans receivable from subsidiaries and affiliates		9,972
Claims provable in bankruptcy, claims provable in rehabilitation and other		1,611
Long-term prepaid expenses		563
Long-term time deposits		5,400
Other		4,317
Allowance for doubtful accounts		(3,871)

**Total investments and other assets** **99,431**

**Total noncurrent assets**

**Total assets**

¥ **140,735**  
**551,657**

NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2014

(Millions of yen)

**LIABILITIES**

**Current liabilities:**

Notes payable-trade	¥	11,020
Accounts payable-trade		81,069
Accounts payable for construction contracts		93,042
Current portion of long-term loans payable		4,689
Current portion of bonds		10,000
Lease obligations		1,578
Accounts payable-other		5,744
Income taxes payable		4,461
Accrued consumption taxes		1,090
Accrued expenses		1,015
Advances received		461
Advances received on uncompleted construction contracts		45,380
Deposits received		34,407
Unearned revenue		1,323
Provision for bonuses		6,550
Provision for directors' bonuses		120
Provision for warranties for completed construction		1,408
Asset retirement obligations		512
Other		1

**Total current liabilities** **303,868**

**Noncurrent liabilities:**

Bonds payable		5,000
Bonds with subscription rights to shares		20,000
Long-term loans payable		12,639
Guarantee deposited		4,839
Lease obligations		2,484
Deferred tax liabilities		8,179
Provision for retirement benefits		3,807
Provision for loss on business of subsidiaries and affiliates		3,432
Asset retirement obligations		757
Other		1,214

**Total noncurrent liabilities** **62,351**

**Total liabilities** **366,218**

**NET ASSETS**

**Shareholders' equity:**

Capital 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		156
Reserve for reduction entry		1,444
General reserve		94,387
Retained earnings brought forward		17,629
Total other retained earnings		113,616
<u>Total retained earnings</u>		<u>116,473</u>
Treasury stock		(272)
<b>Total shareholder's equity</b>		<b>170,745</b>

**Valuation and translation adjustments:**

Valuation difference on available-for-sale securities		14,666
Deferred gains or losses on hedges		28
<b>Total valuation and translation adjustments</b>		<b>14,694</b>

**Total net assets** **185,439**

**Total liabilities and net assets** **¥ 551,657**

NON-CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2014

(Millions of yen)

<b>Net sales:</b>	
Net sales of goods	¥ 421,445
Net sales of completed construction contracts	335,052
<b>Total net sales</b>	<b>756,497</b>
<b>Cost of sales:</b>	
Cost of goods sold	402,577
Cost of sales of completed construction contracts	248,851
<b>Total cost of sales</b>	<b>651,428</b>
<b><u>Gross profit</u></b>	<b><u>105,069</u></b>
<b>Selling, general and administrative expenses:</b>	<b>81,839</b>
<b><u>Operating income</u></b>	<b><u>23,231</u></b>
<b>Non-operating income:</b>	
Interest income	337
Interest on securities	35
Purchase discounts	330
Dividends income	3,647
Other	901
<b>Total non-operating income</b>	<b>5,249</b>
<b>Non-operating expenses:</b>	
Interest expenses	367
Interest on bonds	203
Sales discounts	615
Other	544
<b>Total non-operating expenses</b>	<b>1,729</b>
<b><u>Ordinary income</u></b>	<b><u>26,752</u></b>
<b>Extraordinary income:</b>	
Gain on sales noncurrent assets	60
Gain on sales of investment securities	27
<b>Total extraordinary income</b>	<b>88</b>
<b>Extraordinary loss:</b>	
Loss on sales of noncurrent assets	9
Loss on retirement of noncurrent assets	148
Impairment loss	125
Loss on valuation of investment securities	193
Loss on sales of stocks of subsidiaries and affiliates	0
Loss on valuation of investments in capital of subsidiaries and affiliates	401
Loss on valuation of stocks of subsidiaries and affiliates	1,200
Loss on liquidation of subsidiaries and affiliates	92
<b>Total extraordinary loss</b>	<b>2,167</b>
<b><u>Income before income taxes</u></b>	<b><u>24,672</u></b>
Income taxes-current	7,658
Income taxes-deferred	922
<b><u>Net income</u></b>	<b>¥ <u>16,092</u></b>

**NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

For the year ended March 31, 2014

(Millions of yen)

	Shareholders' equity									Valuation and translation adjustments		Total net assets	
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges		
		Legal capital surplus	Other capital surplus		Other Retained earnings								
					Reserve for special depreciation	Reserve for advanced depreciation	General reserve						Retained earnings brought forward
Balance as of the beginning of the 74th business term	27,672	26,613	259	2,857	-	1,444	83,487	15,958	(269)	158,022	12,236	252	170,510
Changes of items during the period													
Provision of reserve for special depreciation					156			(156)		-			-
Provision of general reserve							10,900	(10,900)		-			-
Dividends from surplus								(3,366)		(3,366)			(3,366)
Net income								16,092		16,092			16,092
Purchase of treasury stock									(3)	(3)			(3)
Disposal of treasury stock			0						0	0			0
Net changes of items other than shareholders' equity											2,430	(223)	2,206
Total changes of items during the period	-	-	0	-	156	-	10,900	1,670	(3)	12,723	2,430	(223)	14,929
Balance as of the end of the 74th business term	27,672	26,613	259	2,857	156	1,444	94,387	17,629	(272)	170,745	14,666	28	185,439

(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 -