

[TRANSLATION]

The following is an unofficial English translation of “Notice of Convocation of the 79th 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.

May 31, 2019

To Our Shareholders

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

## NOTICE OF CONVOCATION OF THE 79th 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 79th 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 page 2).**

1. **Date and Time:** Friday, June 21, 2019 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 79th business term (from April 1, 2018 to March 31, 2019);
    - Item No 2:** Report on the Results of Audits of the Consolidated Financial Statements for the 79th 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:** Election of One(1) Statutory Auditor
    - Proposal No 3:** Payment of Bonuses to Directors

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- The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements attached to this notice, are part of the Business Report, 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 following documents which are part of the documents that should be provided together with this Notice, 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.
    1. The Business Report: “Information on the Subscription Rights to Shares etc.” and “Systems Necessary to Ensure the Properness of Operations”
    2. The Consolidated Financial Statements: “The Consolidated Statements of Changes in Net Assets” and “The Notes to the Consolidated Financial Statements”
    3. The Non-Consolidated Financial Statements: “The Non-Consolidated Statements of Changes in Net Assets” and “The Notes to the Non-Consolidated Financial Statements”
  - 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, we will immediately announce such amendments either by Postal Mail or by posting them on our website (<http://sfc.jp/english/>).

**【Guidance Notes on Exercise of Voting Rights】**

You can exercise your voting rights as follows;

**(A): Attendance at the Meeting**

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

Date and Time: Friday, June 21, 2019 at 10:00 a.m.

**(B): 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 the deadline noted below.

Deadline for exercise of voting rights: 5:30 p.m. on Thursday, June 20, 2019 (Japan Standard Time).

**(C): Voting by electromagnetic method (the Internet etc.)**

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

Please use a personal computer, smartphone or cellular phone to access the Online Voting Site (<https://www.web54.net> (Japanese only)) and register your approval or disapproval of each proposal in accordance with “Exercising Your Voting Rights” (see below).

**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.

Deadline for exercise of voting rights: 5:30 p.m. on Thursday, June 20, 2019 (Japan Standard Time).

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

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

**【Exercising Your Voting Rights】**

(1) Please access the Online Voting Site (<https://www.web54.net>), and follow the instructions.

(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 following the instructions on the screen.

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

\*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)**

## Reference Documents for the General Meeting of Shareholders

### Proposal No. 1: Appropriation of Surplus

In light of a comprehensive consideration of the balance of our 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 pay the following year-end dividend for this business term and to pay it as follows:

The annual dividend for this business term including the interim dividends will be forty (40) 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 share of common stock

- Total amount : 3,648,267,440yen

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

June 24, 2019

#### 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	13,254,000,000 yen
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#### (2) The item of surplus to be decreased, and the amount thereof:

Retained earnings brought forward	13,254,000,000 yen
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**Proposal No. 2: Election of One (1) Statutory Auditor**

At the closing of the Meeting, the term of office of Statutory Auditor Noriaki Toi will expire. Accordingly, the Company hereby proposes the election of one (1) Statutory Auditor. The Board of Statutory Auditors has already approved this proposal. The candidate for Statutory Auditor is as follows:

1	<b>Noriaki Toi</b> (Born February 22, 1956)  [Re-election]  <b>Number of shares in the Company owned:</b> 1,700 shares  <b>Attendance at Board of Directors:</b> 16/16 meetings  <b>Attendance at Board of Auditors:</b> 14/14 meetings	Career summary, positions in the Company, and significant concurrent positions	
		April 1979	Joined the Company
	April 2009	General Manager of Internal Audit Department	
	April 2015	Assistant to Officer in charge of Internal Audits	
	June 2015	Statutory Auditor(Current position)	
[Reasons for nominating a candidate to be Statutory Auditor] The Company requests shareholders to elect Mr. Toi as a Statutory Auditor because the Company believes that, as he has served as Statutory Auditor since 2015 and has abundant work experience, he is capable of executing his duty as a Statutory Auditor appropriately.			

- Notes: 1. The Candidate does not have any special conflicts of interest with the Company.  
2. The number of shares in the Company owned by the candidate stated above is as of March 31, 2019.

**Proposal No. 3: Payment of Bonuses to Directors**

The Company hereby proposes to pay bonuses in the total amount of 143,000,000 yen for eight (8) Directors, excluding two (2) 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, 2019

(Million yen)

**ASSETS**

**Current assets:**

Cash and time deposits	¥	82,421
Notes and accounts receivable-trade		135,636
Accounts receivable from completed construction contracts		9,601
Marketable securities		5,304
Finished goods, logs and lumber		20,588
Work in process		1,443
Raw materials and supplies		8,039
Costs on uncompleted construction contracts		26,945
Developed land and housing for sale		63,736
Real estate for sale in process		173,472
Short-term loans receivable		20,267
Accounts receivable-other		45,967
Other		16,756
Allowance for doubtful accounts		(355)

**Total current assets** **609,820**

**Noncurrent assets:**

**Property, plant and equipment:**

Buildings and structures		47,234
Machinery, equipment and vehicles		27,113
Land		39,513
Mature timber		34,956
Leased assets		4,419
Construction in progress		11,770
Other		4,996

**Total property, plant and equipment** **170,000**

**Intangible assets:**

Goodwill		12,651
Other		13,900

**Total intangible assets** **26,551**

**Investments and other assets:**

Investment securities		140,968
Long-term loans receivable		2,501
Net defined benefit assets		238
Deferred tax assets		4,945
Other		16,991
Allowance for doubtful accounts		(1,039)

**Total investments and other assets** **164,605**

**Total noncurrent assets** **361,156**

**Total assets** **¥ 970,976**

**CONSOLIDATED BALANCE SHEET**

As of March 31, 2019

(Million yen)

**LIABILITIES**

**Current liabilities:**

Notes and accounts payable-trade	¥	118,547
Accounts payable for construction contracts		75,595
Short-term loans payable		61,506
Lease obligations		584
Income taxes payable		4,902
Advances received on uncompleted construction contracts		52,198
Provision for employees' bonuses		14,353
Provision for directors' bonuses		143
Provision for warranties for completed construction		3,733
Asset retirement obligation		853
Other		41,359

**Total current liabilities** **373,772**

**Long-term liabilities:**

Bonds issued		70,000
Bonds with Subscription Rights to Shares		10,090
Long-term loans payable		102,269
Lease obligations		4,436
Deferred tax liabilities		11,474
Provision for directors' retirement benefits		127
Net defined benefit liability		19,822
Asset retirement obligation		1,157
Other		24,339

**Total long-term liabilities** **243,714**

**Total liabilities** **617,486**

**NET ASSETS**

**Shareholders' equity:**

Common stock		32,752
Capital surplus		22,247
Retained earnings		241,427
Treasury stock		(2,337)

**Total shareholders' equity** **294,088**

**Accumulated other comprehensive income:**

Valuation difference on available-for-sale securities		25,196
Deferred gains or losses on hedges		752
Foreign currency translation adjustment		(1,733)
Remeasurements of defined benefit plans		17

**Total accumulated other comprehensive income** **24,232**

**Subscription rights to shares** **135**

**Non-controlling interests** **35,034**

**Total net assets** **353,489**

**Total liabilities and net assets** **¥ 970,976**

**CONSOLIDATED STATEMENTS OF INCOME**

For the year ended March 31, 2019

	(Million yen)
<b>Net sales</b>	¥ <b>1,308,893</b>
<b>Cost of sales</b>	<b>1,076,747</b>
<b><u>Gross profit</u></b>	<b><u>232,146</u></b>
<b>Selling, general and administrative expenses</b>	<b>182,899</b>
<b><u>Operating income</u></b>	<b><u>49,247</u></b>
<b>Non-operating income:</b>	
Interest income	437
Purchase discounts	363
Dividends income	1,677
Equity in earnings of affiliates	1,715
Other	2,382
<b>Total non-operating income</b>	<b>6,573</b>
<b>Non-operating expenses:</b>	
Interest expenses	2,015
Sales discounts	710
Foreign exchange losses	190
Other	1,469
<b>Total non-operating expenses</b>	<b>4,384</b>
<b><u>Recurring income</u></b>	<b><u>51,436</u></b>
<b>Extraordinary gains:</b>	
Gain on sales of noncurrent assets	86
Gain on sales of investment securities	4,740
Gain on step acquisitions	629
Gain on change in equity	16
<b>Total extraordinary gains</b>	<b>5,471</b>
<b>Extraordinary loss:</b>	
Loss on retirement of noncurrent assets	162
Impairment loss	126
<b>Total extraordinary loss</b>	<b>289</b>
<b><u>Income before income taxes and minority interests</u></b>	<b><u>56,618</u></b>
Income taxes-current	15,468
Income taxes-deferred	724
<b><u>Net income</u></b>	<b><u>40,426</u></b>
<b>Net income attributable to non-controlling interests</b>	<b>11,266</b>
<b><u>Net income attributable to owners of parent</u></b>	¥ <b><u>29,160</u></b>

**NON-CONSOLIDATED BALANCE SHEET**

As of March 31, 2019

(Million yen)

**ASSETS**

**Current assets:**

Cash and time deposits	¥	51,483
Notes receivable-trade		52,717
Accounts receivable-trade		65,905
Accounts receivable from completed construction contracts		1,450
Marketable securities		5,304
Finished goods, logs and lumber		15,368
Costs on uncompleted construction contracts		16,318
Developed land and housing for sale		22,900
Real estate for sale in process		8,856
Advance payments		783
Prepaid expenses		1,195
Short-term loans receivable		20,000
Short-term loans receivable from subsidiaries and affiliates		7,851
Accounts receivable-other		64,809
Other		123
Allowance for doubtful accounts		(844)

**Total current assets** **334,219**

**Noncurrent assets:**

**Property, plant and equipment:**

Buildings		13,324
Structures		862
Machinery and equipment		1,027
Vehicles		1
Tools, furniture and fixtures		883
Land		12,866
Mature timber		8,591
Growing timber		483
Leased assets		2,671
Construction in progress		3,213

**Total property, plant and equipment** **43,920**

**Intangible assets:**

Telephone subscription right		180
Right of utilization on forest road		90
Right of using facilities		2
Industrial property rights		17
Software		4,967

**Total intangible assets** **5,255**

**Investments and other assets:**

Investment securities		65,649
Stocks of subsidiaries and affiliates		207,796
Investments in other securities of subsidiaries and affiliates		471
Long-term loans receivable		240
Long-term loans receivable from employees		32
Long-term loans receivable from subsidiaries and affiliates		15,525
Claims provable in bankruptcy, claims provable in rehabilitation and other		947
Long-term prepaid expenses		814
Other		5,970
Allowance for doubtful accounts		(7,775)

**Total investments and other assets** **289,668**

**Total noncurrent assets** **338,844**

**Total assets** **¥ 673,063**



**NON-CONSOLIDATED BALANCE SHEET**

As of March 31, 2019

(Million yen)

**LIABILITIES**

**Current liabilities:**

Notes payable-trade	¥	22,549
Accounts payable-trade		77,599
Accounts payable for construction contracts		79,140
Long-term loans payable due within 1 year		5,382
Lease obligations		775
Accounts payable-other		7,376
Income taxes payable		1,497
Accrued consumption taxes		833
Accrued expenses		1,112
Advances received		1,143
Advances received on uncompleted construction contracts		40,192
Deposits received		35,894
Unearned revenue		1,143
Provision for employees' bonuses		6,760
Provision for directors' bonuses		143
Provision for warranties for completed construction		1,928
Asset retirement obligation		835
Other		13

**Total current liabilities** **284,313**

**Long-term liabilities:**

Bonds issued		70,000
Bonds with Subscription Rights to Shares		10,090
Long-term loans payable		21,042
Guarantee deposited		4,690
Lease obligations		2,057
Deferred tax liabilities		4,835
Provision for retirement benefits		10,948
Provision for loss on business of subsidiaries and affiliates		2,390
Asset retirement obligation		951
Other		1,475

**Total long-term liabilities** **128,478**

**Total liabilities** **412,790**

**NET ASSETS**

**Shareholders' equity:**

Common stock		32,752
Capital surplus:		
Legal capital surplus		31,692
Other capital surplus		259
<u>Total capital surplus</u>		<u>31,951</u>
Retained earnings:		
Legal retained earnings		2,857
Other retained earnings		
Reserve for special depreciation		48
Reserve for reduction entry		1,715
General reserve		140,923
Retained earnings brought forward		24,199
Total other retained earnings		166,886
<u>Total retained earnings</u>		<u>169,743</u>
Treasury stock		(286)

**Total shareholder's equity** **234,160**

**Valuation and translation adjustments:**

Valuation difference on available-for-sale securities		25,236
Deferred gains or losses on hedges		741

**Total valuation and translation adjustments** **25,977**

**Subscription rights to shares** **135**

**Total net assets** **260,273**

**Total liabilities and net assets** **¥ 673,063**

**NON-CONSOLIDATED STATEMENTS OF INCOME**

For the year ended March 31, 2019

	(Million yen)
<b>Net sales:</b>	
Net sales of goods	¥ 408,859
Completed contracts	312,130
<b>Total net sales</b>	<b>720,989</b>
<b>Cost of sales:</b>	
Cost of goods sold	391,035
Cost of completed contracts	234,509
<b>Total cost of sales</b>	<b>625,544</b>
<b><u>Gross profit</u></b>	<b><u>95,445</u></b>
<b>Selling, general and administrative expenses:</b>	<b>91,732</b>
<b><u>Operating income</u></b>	<b><u>3,713</u></b>
<b>Non-operating income:</b>	
Interest income	307
Interest on securities	18
Purchase discounts	256
Dividends income	15,702
Other	992
<b>Total non-operating income</b>	<b>17,275</b>
<b>Non-operating expenses:</b>	
Interest expenses	250
Bond interest expenses	190
Sales discounts	567
Other	719
<b>Total non-operating expenses</b>	<b>1,725</b>
<b><u>Recurring income</u></b>	<b><u>19,262</u></b>
<b>Extraordinary income:</b>	
Gain on sales of noncurrent assets	41
Gain on sales of investment securities	4,754
<b>Total extraordinary income</b>	<b>4,795</b>
<b>Extraordinary loss:</b>	
Loss on retirement of noncurrent assets	96
<b>Total extraordinary loss</b>	<b>96</b>
<b><u>Income before income taxes</u></b>	<b><u>23,961</u></b>
Income taxes-current	4,284
Income taxes-deferred	(854)
<b><u>Net income</u></b>	<b>¥ <u>20,531</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 –