

[TRANSLATION]

The following is an unofficial English translation of “Notice of Convocation of the 76th 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.

June 2, 2016

To Our Shareholders

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

NOTICE OF CONVOCATION OF THE 76TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We would like to express our appreciation for your courtesies always shown us.

You are cordially invited to our 76th 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 4-13) 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 24, 2016 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 76th Business term (from April 1, 2015 to March 31, 2016);

Items No 2: Report on the Results of Audits of the Consolidated Financial Statements for the 76th 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 Ten (10) Directors

Proposal No 3 : Election of Two (2) Statutory Auditors

Proposal No 4 : Payment of Bonuses to Directors

Proposal No 5 : Revision of Remuneration for 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 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 23, 2016 (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 23, 2016 (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 –

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 for the 76th 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 this Notice. If there are any items that require amendments to the Reference Documents for the General Meeting of Shareholders, 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 23, 2016 (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.

– End –

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Appropriation of Surplus

The Company hereby proposes to appropriate the surplus from a comprehensive view point towards balance of our base of operations, financial position and cash flow as follows:

1. Year-end dividend for the 76th business term

The Company proposes to pay the following year-end dividend for the 76th business term in 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.

Accordingly, the annual dividend for the 76th business term will be twenty-four (24) yen per share, including the interim dividends.

(1) Type of dividend assets:

Cash

(2) Allocation of dividend assets to our shareholders and the total amount of annual dividends:

12 yen per ordinary share of common stock	Total amount : 2,125,558,524 yen
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(3) Effective date of the dividend payment:

June 27, 2016

2. Appropriation of other surplus

The Company hereby proposes to provide for amount as general reserve in order to reinforce its base of operations and prepare for future business development as follows:

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

General reserve	4,900,000,000 yen
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(2) The item of surplus to be decreased, and the amount thereof:

Retained earnings brought forward	4,900,000,000 yen
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Proposal No. 2: Election of Ten (10) Directors

The terms of office of all nine (9) Directors will expire at the closing of the Meeting. Therefore, in order to enhance corporate governance, the Company hereby proposes to add one (1) Outside Director to the Board of Directors and accordingly, elect ten (10) Directors.

The candidates for the Directors are as follows:

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 Representative Director (Current position) Senior Managing Director April 1999 President / Director June 2002 President and Executive Officer April 2010 Chairman of the Board (Current position)</p> <p>[Significant concurrent position at other company] Outside Statutory Auditor of DAIKIN INDUSTRIES, LTD.</p> <p>[Reasons for nominating the candidate to be a Director] The Company requests shareholders to re-elect Mr. Yano as a Director because the Company believes that he is capable of executing his duty as a Director appropriately, based on his abundant experience and achievement in corporate management which he developed during his career as a President / Director and a Chairman of the Board.</p>	93,475 shares
2	Akira Ichikawa (November 12, 1954)	<p>April 1978 Joined the Company June 2007 Executive Officer June 2008 Director Managing Executive Officer April 2010 Representative Director (Current position) President / Director (Current position) President and Executive Officer (Current position)</p> <p>[Reasons for nominating the candidate to be a Director] The Company requests shareholders to re-elect Mr. Ichikawa as a Director because the Company believes that, as he has been engaged in management of the Sumitomo Forestry Group (“Group”) as a President / Director since April 2010, he is capable of executing his duty as a Director appropriately, based on his knowledge relating to the Group’s overall business and abundant achievement in corporate management.</p>	60,100 shares

No.	Name (Date of birth)	Career summary, positions and responsibility in the Company, and significant concurrent positions	Number of shares in the Company owned
3	Hitoshi Hayano (July 10, 1953)	<p>April 1977 Joined the Company June 2005 Executive Officer April 2006 Managing Executive Officer June 2006 Director April 2010 Divisional Manager of Housing Division April 2011 Representative Director (Current position) Senior Managing Executive Officer Divisional Manager of Housing Division April 2014 Executive Vice President and Executive Officer (Current position) Divisional Manager of Lifestyle Service Division and Forestry and Environment Division April 2016 Divisional Manager of Environment and Resources Division (Current position)</p> <p>[Responsibility in the Company] Overseeing of Lifestyle Service Division</p> <hr/> <p>[Reasons for nominating the candidate to be a Director] The Company requests shareholders to re-elect Mr. Hayano as a Director because the Company believes that, as he has been a Director since 2006, has served as a General Manager of the Corporate Planning Department and as a Divisional Manager of the Housing Division etc. and currently is an Executive Vice President and Executive Officer, and Divisional Manager of the Environment and Resources Division, he is capable of executing his duty as a Director appropriately, based on his abundant experience and achievement in the Group's business and management .</p>	25,200 shares
4	Shigeru Sasabe (February 28, 1954)	<p>April 1977 Joined the Company June 2008 Executive Officer April 2010 Managing Executive Officer June 2010 Director April 2012 Divisional Manager of Lifestyle Service Division April 2014 Senior Managing Executive Officer Divisional Manager of Overseas Business Division (Current position) April 2016 Representative Director (Current position) Executive Vice President and Executive Officer (Current position)</p> <hr/> <p>[Reasons for nominating the candidate to be a Director] The Company requests shareholders to re-elect Mr. Sasabe as a Director because the Company believes that, as he has been a Director since 2010, has served as an Executive Officer in charge of General Administration, Personnel etc., and as a Divisional Manager of the Lifestyle Service Division and currently is an Executive Vice President and Executive Officer, and Divisional Manager of the Overseas Business Division, he is capable of executing his duty as a Director appropriately, based on his abundant experience and achievement in the Group's business and management .</p>	22,821 shares

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 Joined the Company April 2008 Deputy Divisional Manager of Housing Division June 2008 Executive Officer Deputy Divisional Manager of Housing Division April 2010 Managing Executive Officer June 2011 Director (Current position) April 2014 Senior Managing Executive Officer (Current position) Divisional Manager of Housing Division (Current position)</p> <p>[Responsibility in the Company] In charge of Tohoku Reconstruction Support</p> <hr/> <p>[Reasons for nominating the candidate to be a Director] The Company requests shareholders to re-elect Mr. Wada as a Director because the Company believes that, as he served as a General Manager of the Marketing Strategy Department, Housing Division, and Deputy Divisional Manager of said Division, has been a Director since 2011 and currently is a Senior Managing Executive Officer and Divisional Manager of Housing Division, he is capable of executing his duty as a Director appropriately, based on his abundant experience in the Group's business.</p>	31,900 shares
6	Tatsuru Satoh (December 14, 1955)	<p>April 1978 Joined the Company April 2011 General Manager of Personnel Department April 2012 General Manager of General Administration Department June 2012 Executive Officer General Manager of General Administration Department April 2013 Managing Executive Officer June 2013 Director (Current position) April 2016 Senior Managing Executive Officer (Current position)</p> <p>[Responsibility in the Company] In charge of Corporate Planning, General Administration, Personnel, Finance, Information Systems, Corporate Communications, CSR, Intellectual Property, Internal Audit, and Tsukuba Research Institute</p> <hr/> <p>[Reasons for nominating the candidate to be a Director] The Company requests shareholders to re-elect Mr. Satoh as a Director because the Company believes that, as he served as a General Manager of the Administration Department Housing Division, a General Manager of the Personnel Department etc., has been a Director since 2013 and currently is a Senior Managing Executive Officer, he is capable of executing his duty as a Director appropriately, based on his abundant experience in the Group's business.</p>	18,700 shares

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 April 2009 General Manager of Corporate Planning Department June 2010 Executive Officer General Manager of Corporate Planning Department April 2011 Managing Executive Officer (Current position) General Manager of Corporate Planning Department April 2014 Managing Executive Officer June 2014 Director (Current position) October 2015 Divisional Manager of Timber and Building Materials Division (Current position)</p> <p>[Reasons for nominating the candidate to be a Director] The Company requests shareholders to re-elect Mr. Fukuda as a Director because the Company believes that, as he served as a General Manager of Corporate Planning Department, an Executive Officer in charge of Finance, Information Systems etc., has been a Director since 2014 and currently is a Managing Executive Officer and Divisional Manager of Timber and Building Materials Division, he is capable of executing his duty as a Director appropriately, based on his abundant experience in the Group's business.</p>	9,500 shares
8	Toshiro Mitsuyoshi (May 23, 1962)	<p>April 1985 Joined the Company June 2010 Executive Officer April 2011 Managing Executive Officer (Current position) Divisional Manager of Overseas Business Division April 2014 Deputy Divisional Manager of Housing Division June 2014 Director (Current position) April 2015 President / Director of Sumitomo Forestry Home Tech Co., Ltd.</p> <p>[Significant concurrent position at other company] President / Director of Sumitomo Forestry Home Tech Co., Ltd.</p> <p>[Reasons for nominating the candidate to be a Director] The Company requests shareholders to re-elect Mr. Mitsuyoshi as a Director because the Company believes that, as he served as a Divisional Manager of the Overseas Business Division, Deputy Divisional Manager of the Housing Division etc., has been a Director since 2014 and currently is a Managing Executive Officer of the Company and a President / Director of Sumitomo Forestry Home Tech Co., Ltd, the Company's subsidiary, he is capable of executing his duty as a Director appropriately, based on his abundant experience in the Group's business.</p>	3,600 shares

No.	Name (Date of birth)	Career summary, positions and responsibility in the Company, and significant concurrent positions	Number of shares in the Company owned
9	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Candidate for Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Independent Officer</div> <p>Junko Hirakawa (October 9, 1947)</p> <p>The record of attendance for the Board of Directors' Meetings during the 76th Business term: attended all 16 Board of Directors' Meetings</p>	<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 & Kobayashi (Currently called City-Yuwa Partners) Partner of Hirakawa, Sato & Kobayashi</p> <p>February 2003 Partner of City-Yuwa Partners (Current position)</p> <p>June 2012 Outside Statutory Auditor of the Company</p> <p>June 2014 Outside Director of the Company (Current position)</p> <p>[Significant concurrent position at other company] Attorney-at-law Outside Director of Tokyo Financial Exchange Inc. Outside Director of Hitachi Construction Machinery Co., Ltd.</p> <hr/> <p>[Reasons for nominating the candidate to be an Outside Director] The Company requests shareholders to re-elect Ms. Hirakawa as an Outside Director because the company believes that as a lawyer well versed in corporate legal practices both in Japan and overseas, Ms. Hirakawa is playing an appropriate role for the enhancement of our corporate governance by, among other things, 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.</p> <hr/> <p>■Special notes related to the candidate for Outside Director</p> <ol style="list-style-type: none"> 1. 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. 2. The Company has notified Tokyo Stock Exchange, Inc. of the designation of Ms. Hirakawa as an Independent Officer as required by its regulations. 3. Ms. Hirakawa currently serves as Outside Director of the Company, and her term of office as Outside Director will have been two (2) years at the closing of the Meeting. In addition, Ms. Hirakawa served as an Outside Statutory Auditor of the Company from June 2012 to June 2014. 4. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company concluded an agreement with Ms. Hirakawa to limit her 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 Ms. Hirakawa subject to approval of her reelection. 	0 share

No.	Name (Date of birth)	Career summary, positions and responsibility in the Company, and significant concurrent positions	Number of shares in the Company owned
10	<div data-bbox="280 600 517 645" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">New Candidate</div> <div data-bbox="280 667 517 712" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Candidate for Outside Director</div> <div data-bbox="280 757 517 801" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Independent Officer</div> <p data-bbox="292 824 505 880">Izumi Yamashita (February 1, 1948)</p>	<p data-bbox="539 248 1235 674"> July 1971 Joined the Bank of Japan April 1998 Director-General of Financial Markets Department, Bank of Japan March 2002 General Manager of Financial Marketing Division, Accenture Japan Ltd April 2003 Executive Director of Japan Post April 2005 Deputy Governor of Japan Post October 2007 President, CEO, Representative Executive Officer of Japan Post Insurance Co., Ltd. June 2012 Chairman, Representative Executive Officer of Japan Post Insurance Co., Ltd. June 2013 Resigned from Chairman, Representative Executive Officer of Japan Post Insurance Co., Ltd. </p> <p data-bbox="539 685 1203 775"> [Significant concurrent position at other company] Outside Statutory Auditor of Yokogawa Electric Corporation Outside Director of AEON Bank, Ltd. </p> <hr/> <p data-bbox="539 797 1246 1032"> [Reasons for nominating the candidate to be an Outside Director] The Company requests shareholders to elect Mr. Yamashita as an Outside Director because, as he has abundant experience in the financial industry and deep insight as a business manager, the Company believes that he will be able to play an appropriate role for the enhancement of our corporate governance by, among other things, providing expert recommendations for general management. </p> <p data-bbox="539 1055 1241 1447"> ■Special notes related to the candidate for Outside Director 1. Mr. Yamashita 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. 2. The Company will notify Tokyo Stock Exchange, Inc. of the designation of Mr. Yamashita as an Independent Officer as required by its regulations. 3. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company will enter into an agreement with Mr. Yamashita 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. </p>	0 share

Notes:

1. None of the candidates above has any special conflicts of interest with the Company.
2. The number of shares in the Company owned by each candidate stated above is as of March 31, 2016.

Proposal No. 3: Election of Two (2) Statutory Auditors

At the closing of the Meeting, the term of office of Statutory Auditor Hidekazu Tanaka and Shin Nagata will expire. Accordingly, the Company hereby proposes the election of two (2) Statutory Auditors.

The Board of Statutory Auditors has already approved this proposal.

The candidates for Statutory Auditors are as follows:

No.	Name (Date of birth)	Career summary, positions in the Company, and significant concurrent positions		Number of shares in the Company owned
1	Hidekazu Tanaka (May 29,1954)	April 1978 April 2010 April 2012 June 2012	Joined the Company General Manager of Environmental Business Department, Forestry and Environment Division General Manager of Internal Audit Department Statutory Auditor (Current position)	9,891 shares
		[Reasons for nominating the candidate to be a Statutory Auditor] The Company requests shareholders to re-elect Mr. Tanaka as a Statutory Auditor because the Company believes that, as he has served as a Statutory Auditor since 2012 and has abundant work experience, he is capable of executing his duty as a Statutory Auditor appropriately.		

No.	Name (Date of birth)	Career summary, positions in the Company, and significant concurrent positions	Number of shares in the Company owned
2	<div data-bbox="276 611 515 651" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">New Candidate</div> <div data-bbox="276 678 515 741" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Candidate for Outside Statutory Auditor</div> <div data-bbox="276 768 515 808" style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Independent Officer</div> <p data-bbox="276 835 515 898">Yoshitsugu Minagawa (April 27, 1954)</p>	<p data-bbox="539 248 1248 338">April 1978 Joined the Ministry of Agriculture and Forestry (Currently called Ministry of Agriculture, Forestry and Fisheries)</p> <p data-bbox="539 342 1248 432">July 2010 Director-General of Forestry Agency, Ministry of Agriculture, Forestry and Fisheries</p> <p data-bbox="539 436 1248 526">September 2012 Vice-Minister of Agriculture, Forestry and Fisheries of Ministry of Agriculture, Forestry and Fisheries</p> <p data-bbox="539 530 1248 620">August 2015 Advisor to the Minister of Agriculture, Forestry and Fisheries, Ministry of Agriculture, Forestry and Fisheries</p> <p data-bbox="539 624 1248 714">March 2016 Resigned from Advisor to the Minister of Agriculture, Forestry and Fisheries, Ministry of Agriculture, Forestry and Fisheries</p> <hr style="border-top: 1px dashed black;"/> <p data-bbox="539 730 1248 792">[Reasons for nominating the candidate to be an Outside Statutory Auditor]</p> <p data-bbox="539 797 1248 1032">The Company requests shareholders to elect Mr. Minagawa as an Outside Statutory Auditor because the Company believes that he will use in his audit work his abundant experience and deep insight on forestry administration as well as the agricultural, forestry and fishery sectors. While Mr. Minagawa has not been involved in corporate management, we believe that he is able to appropriately perform the duties of Outside Statutory Auditor for the reason outlined above.</p> <hr style="border-top: 1px dotted black;"/> <p data-bbox="539 1048 1248 1079">■Special notes related to the candidate for Outside Statutory Auditor</p> <ol data-bbox="555 1084 1248 1451" style="list-style-type: none"> <li data-bbox="555 1084 1248 1173">1. Mr. Minagawa is a candidate for Outside Statutory Auditors as set forth in Article 2, Paragraph 3, item 8 of the Ordinance for Enforcement of the Companies Act. <li data-bbox="555 1178 1248 1267">2. The Company will notify Tokyo Stock Exchange, Inc. of the designation of Mr. Minagawa as an Independent Officer as required by its regulations. <li data-bbox="555 1272 1248 1451">3. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company will enter into an agreement with Mr. Minagawa 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. 	0 share

Notes:

1. None of the candidates above has any special conflicts of interest with the Company.
2. The number of shares in the Company owned by each candidate stated above is as of March 31, 2016.

Proposal No. 4: Payment of Bonuses to Directors

The Company hereby proposes to pay bonuses in the total amount of 130,000,000 yen for eight (8) directors, excluding Outside Director, among nine (9) Directors in office at the end of the current fiscal year, taking into account of the operating performance for the 76th 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. 5: Revision of Remuneration for Directors

The remuneration for Directors of 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 concerning stock acquisition rights as stock-based compensation stock option of not more than 100,000,000 yen for Directors (excluding Outside Directors) per year were approved at the 74th General Meeting of Shareholders held on June 20, 2014 and the 75th General Meeting of Shareholders held on June 23, 2015, respectively, and these amounts remain the same to date. Meanwhile, in consideration of the expected addition of one (1) Outside Director to the Board, subject to approval of Proposal No. 2 as presented, as well as among other circumstances, the Company proposes to revise the amount of remuneration for Directors to not more than 40,000,000 yen per month (of which the amount for Outside Directors being not more than 5,000,000 yen).

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. In addition, the amount of remuneration concerning stock acquisition rights as stock-based compensation stock option of not more than 100,000,000 yen for Directors (excluding Outside Directors) per year approved at the 75th General Meeting of Shareholders held on June 23, 2015 will not be modified. Currently, the number of Directors is nine (9) (of which one (1) being Outside Director). If Proposals No. 2 is approved without modification, the number of Directors will be ten (10) (of which two (2) being Outside Directors).

– End –

CONSOLIDATED BALANCE SHEET

As of March 31, 2016

(Million yen)

ASSETS**Current assets:**

Cash and time deposits	¥	83,499
Notes and accounts receivable-trade		121,415
Accounts receivable from completed construction contracts		5,723
Marketable securities		34,000
Finished goods, logs and lumber		17,388
Work in process		1,390
Raw materials and supplies		7,328
Costs on uncompleted construction contracts		23,906
Developed land and housing for sale		43,239
Real estate for sale in process		56,371
Deferred tax assets		7,377
Short-term loans receivable		31,709
Accounts receivable-other		46,963
Other		12,004
Allowance for doubtful accounts		(842)

Total current assets **491,469****Noncurrent assets:****Property, plant and equipment:**

Buildings and structures		32,064
Machinery, equipment and vehicles		19,443
Land		26,817
Leased assets		4,193
Construction in progress		13,572
Other		12,611

Total property, plant and equipment **108,700****Intangible assets:**

Goodwill		8,258
Other		9,820

Total intangible assets **18,078****Investments and other assets:**

Investment securities		74,875
Long-term loans receivable		3,481
Net defined benefit assets		74
Deferred tax assets		2,573
Other		12,042
Allowance for doubtful accounts		(2,104)

Total investments and other assets **90,942****Total noncurrent assets** **217,719****Total assets** **¥ 709,188**

CONSOLIDATED BALANCE SHEET

As of March 31, 2016

(Million yen)

LIABILITIES**Current liabilities:**

Notes and accounts payable-trade	¥	107,651
Accounts payable for construction contracts		68,793
Short-term debt		27,586
Current portion of bonds		5,000
Lease obligations		1,691
Income taxes payable		7,572
Advances received on uncompleted construction contracts		48,627
Provision for employees' bonuses		10,873
Provision for directors' bonuses		130
Provision for warranties for completed construction		2,770
Asset retirement obligation		478
Other		32,081

Total current liabilities **313,254**

Long-term liabilities:

Convertible bonds		20,000
Long-term debt		62,115
Lease obligations		2,676
Deferred tax liabilities		5,022
Provision for directors' retirement benefits		82
Net defined benefit liability		23,718
Asset retirement obligation		927
Other		17,267

Total long-term liabilities **131,807**

Total liabilities **445,061**

NET ASSETS**Shareholders' equity:**

Common stock		27,672
Capital surplus		26,872
Retained earnings		166,762
Treasury stock		(278)

Total shareholders' equity **221,028**

Accumulated other comprehensive income:

Valuation difference on available-for-sale securities		16,270
Deferred gains or losses on hedges		(58)
Foreign currency translation adjustment		6,497
Remeasurements of defined benefit plans		(276)

Total accumulated other comprehensive income **22,432**

Subscription rights to shares **36**

Non-controlling interests **20,631**

Total net assets **264,127**

Total liabilities and net assets **709,188** ¥

CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2016

	(Million yen)
Net sales	¥ 1,040,524
Cost of sales	857,390
<u>Gross profit</u>	<u>183,134</u>
Selling, general and administrative expenses	153,041
<u>Operating income</u>	<u>30,093</u>
Non-operating income:	
Interest income	474
Purchase discounts	361
Dividends income	1,350
Equity in earnings of affiliates	761
Other	2,142
Total non-operating income	5,088
Non-operating expenses:	
Interest expenses	1,236
Sales discounts	693
Foreign exchange losses	1,473
Other	1,272
Total non-operating expenses	4,674
<u>Recurring income</u>	<u>30,507</u>
Extraordinary gains:	
Gain on sales of noncurrent assets	559
Gain on sales of investment securities	33
Subsidy income	705
Gain on abolishment of retirement benefit plan	144
Total extraordinary gains	1,441
Extraordinary loss:	
Loss on sales of noncurrent assets	51
Loss on retirement of noncurrent assets	182
Impairment loss	4,692
Loss on reduction of noncurrent assets	705
Special retirement expenses	71
Loss on sales of stocks of subsidiaries and affiliates	3
Total extraordinary loss	5,704
<u>Income before income taxes and minority interests</u>	<u>26,243</u>
Income taxes-current	15,808
Income taxes-deferred	(4,919)
<u>Net income</u>	<u>15,354</u>
Net income attributable to non-controlling interests	5,627
<u>Net income attributable to owners of parent</u>	¥ <u>9,727</u>

NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2016

(Million yen)

ASSETS

Current assets:

Cash and time deposits	¥	69,191
Notes receivable-trade		46,797
Accounts receivable-trade		59,264
Accounts receivable from completed construction contracts		2,043
Marketable securities		34,000
Finished goods, logs and lumber		12,299
Costs on uncompleted construction contracts		14,584
Developed land and housing for sale		20,607
Real estate for sale in process		5,543
Advance payments		378
Prepaid expenses		904
Deferred tax assets		4,417
Short-term loans receivable		29,999
Short-term loans receivable from subsidiaries and affiliates		29,093
Accounts receivable-other		66,295
Other		84
Allowance for doubtful accounts		(1,325)

Total current assets **394,174**

Noncurrent assets:

Property, plant and equipment:

Buildings		9,407
Structures		438
Machinery and equipment		1,183
Vehicles		2
Tools, furniture and fixtures		526
Land		11,463
Mature timber		8,629
Growing timber		351
Leased assets		3,660
Construction in progress		1,207

Total property, plant and equipment **36,865**

Intangible assets:

Telephone subscription right		180
Right of utilization on forest road		124
Right of using facilities		3
Industrial property rights		9
Software		4,464

Total intangible assets **4,780**

Investments and other assets:

Investment securities		52,447
Stocks of subsidiaries and affiliates		37,932
Investments in other securities of subsidiaries and affiliates		1,415
Long-term loans receivable		186
Long-term loans receivable from employees		25
Long-term loans receivable from subsidiaries and affiliates		13,779
Claims provable in bankruptcy, claims provable in rehabilitation and other		1,678
Long-term prepaid expenses		422
Other		4,069
Allowance for doubtful accounts		(4,115)

Total investments and other assets **107,839**

Total noncurrent assets

Total assets **¥ 543,658**

NON-CONSOLIDATED BALANCE SHEET

As of March 31, 2016

(Million yen)

LIABILITIES**Current liabilities:**

Notes payable-trade	¥	17,256
Accounts payable-trade		67,551
Accounts payable for construction contracts		81,556
Long-term debt due within 1 year		1,373
Current portion of bonds		5,000
Lease obligations		1,728
Accounts payable-other		6,258
Income taxes payable		4,519
Accrued consumption taxes		3,597
Accrued expenses		942
Advances received		862
Advances received on uncompleted construction contracts		39,488
Deposits received		35,357
Unearned revenue		1,277
Provision for employees' bonuses		6,340
Provision for directors' bonuses		130
Provision for warranties for completed construction		1,438
Asset retirement obligation		478
Other		82

Total current liabilities **275,234**

Long-term liabilities:

Convertible bonds		20,000
Long-term debt		14,384
Guarantee deposited		4,790
Lease obligations		1,996
Deferred tax liabilities		3,110
Provision for retirement benefits		14,991
Provision for loss on business of subsidiaries and affiliates		2,641
Asset retirement obligation		764
Other		2,796

Total long-term liabilities **65,473**

Total liabilities **340,706**

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		120
Reserve for reduction entry		1,716
General reserve		115,487
Retained earnings brought forward		12,358
Total other retained earnings		129,681
<u>Total retained earnings</u>		<u>132,538</u>
Treasury stock		(278)

Total shareholder's equity **186,804**

Valuation and translation adjustments:

Valuation difference on available-for-sale securities		16,169
Deferred gains or losses on hedges		(56)

Total valuation and translation adjustments **16,112**

Subscription rights to shares **36**

Total net assets **202,952**

Total liabilities and net assets **¥ 543,658**

NON-CONSOLIDATED STATEMENTS OF INCOME

For the year ended March 31, 2016

	(Million yen)
Net sales:	
Net sales of goods	¥ 385,253
Completed contracts	322,543
Total net sales	707,796
Cost of sales:	
Cost of goods sold	367,077
Cost of completed contracts	238,535
Total cost of sales	605,612
<u>Gross profit</u>	<u>102,184</u>
Selling, general and administrative expenses:	91,077
<u>Operating income</u>	<u>11,107</u>
Non-operating income:	
Interest income	404
Interest on securities	53
Purchase discounts	280
Dividends income	8,902
Other	1,189
Total non-operating income	10,827
Non-operating expenses:	
Interest expenses	229
Bond interest expenses	78
Sales discounts	561
Other	480
Total non-operating expenses	1,348
<u>Recurring income</u>	<u>20,586</u>
Extraordinary income:	
Gain on sales of noncurrent assets	442
Gain on sales of investment securities	33
Gain on liquidation of subsidiaries and affiliates	140
Total extraordinary income	615
Extraordinary loss:	
Loss on sales of noncurrent assets	5
Loss on retirement of noncurrent assets	79
Impairment loss	1,123
Loss on valuation of investments in capital of subsidiaries and affiliates	1,463
Loss on valuation of stocks of subsidiaries and affiliates	1,226
Loss on forgiveness of debt of subsidiaries and affiliates	3,218
Total extraordinary loss	7,114
<u>Income before income taxes</u>	<u>14,087</u>
Income taxes-current	7,692
Income taxes-deferred	(3,838)
<u>Net income</u>	¥ <u>10,233</u>

(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.)

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