

## Notice Regarding Disposition of Treasury Stock through Third-Party Allotment

Furusato Industries, Ltd. (the “Company”) has announced today that at the meeting of Board of Directors held on July 31, 2017, a resolution was made to dispose of treasury stock through a third-party allotment. The details are as follows;

### 1. Outline of Disposition

(1) Date of disposition	August 18, 2017 (scheduled)
(2) Number of shares to be disposed	23,200 common shares
(3) Price of disposition	1,745 yen per share
(4) Amount of Proceeds	40,484,000 yen
(5) Subscriber	Sumitomo Mitsui Trust Bank, Limited (Trust Account) (Re-trustee : Japan Trustee Services Bank, Ltd. (Trust Account))
(6) Other	The disposition of treasury stock is subject to the effectiveness of a security registration statement submitted under the Financial Instruments and Exchange Act.

### 2. Objective of and Reason for Disposition

The Company passed a resolution to introduce a new stock-based remuneration plan (hereinafter the “Plan”) for directors (excluding outside directors, hereinafter the same) using a trust at the meeting of Board of Directors on May 8, 2017 and the Plan which applies to Directors was approved at the 59th General Shareholders Meeting, held on June 28, 2017.

The Plan is designed to motivate Directors to contribute more to enhancing the medium- to long-term business performance of the Company and its corporate value, through further clarifying linkage between remuneration for Directors and the Company’s business performance as well as shareholder value, whereby Directors share common interest with shareholders, including not only the merit derived from the rising share price, but also the risk associated with the decline in share price.

Please refer to “Notice Regarding Introduction of Stock-Based Remuneration Plan for Directors”, announced on May 8, 2017, for the details of the Plan.

The disposition of treasury stock will be conducted to the Trust Account of Sumitomo Mitsui Trust Bank, Limited, (Re-trustee: Trust Account of Japan Trustee Services Bank, Ltd.) which is the trustee for the trust established for the introduction of the Plan.

The total number of shares of treasury stock to be disposed of is equal to the number of shares expected to be delivered to the Company’s Directors during the period of the Trust based on the Share Delivery Regulations that the Company will establish on the introduction of the plan. The level of share dilution as against the total number of shares issued and outstanding as of March 31, 2017 of 14,574,366 will be 0.16%, the ratio as against the total number of voting rights as of March 31, 2017 of 144,582 will be 0.16% (rounded to the second decimal place, respectively).

The Company considers that the Plan will clarify the link between the remuneration of the Company's Directors and the Company's stock price, resulting in an enhancement of the Company's corporate value in the medium- to long-term. Thus, the Company believes that the number of shares to be disposed of and the level of share dilution due to the disposition of treasury stock is reasonable. The Company believes the impact on the trading market is not material through this disposition.

#### Overview of the Trust

Name	Sumitomo Mitsui Trust Bank, Limited (Trust Account)
Entrustor	Furusato Industries, Ltd.
Trustee	Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Trust Bank, Limited will execute a specified comprehensive trust agreement with Japan Trustee Services Bank, Ltd. on August 18, 2017 (scheduled) under which Japan Trustee Services Bank, Ltd. will become a re-trustee.
Beneficiaries	Eligible Directors fulfilling requirements of the beneficiaries
Trust administrator	Aoyama Sogo Accounting Firm Co., Ltd.
Type of trust	Trust of money other than money trust (third-party-benefit trust)
Date of trust agreement	August 18, 2017 (scheduled)
Period of Trust	August 18, 2017 (scheduled)- End of September 2020 (scheduled)
Policy for the exercise of voting rights	No voting rights shall be exercised.
Objective of the trust	To deliver the Company's shares to the beneficiaries based on the Share Delivery Regulations

#### 3. Basis of calculation of the price of disposition and the specific details

The price of disposition has been fixed at 1,745 yen per share, which is the closing price of the Company's shares on the Tokyo Stock Exchange, Inc. on July 28, 2017, the business day immediately prior to the date of the meeting of the Board of Directors, in order to set a price that eliminates any arbitrary elements in view of the recent trends in the price of the Company's shares.

The average closing price of the Company's common shares for the immediately preceding one month (June 29, 2017-July 28, 2017) was 1,715 yen (rounded down to the nearest whole yen), representing a divergence ratio of 1.75%. Likewise, the average closing price of the Company's common shares for the immediately preceding three months (May 1, 2017-July 28, 2017) was 1,715 yen (rounded down to the nearest whole yen), representing a divergence ratio of 1.75%. In addition, the average closing price of the Company's common shares for the immediately preceding six months (January 30, 2017-July 28, 2017) was 1,720 yen (rounded down to the nearest whole yen), representing a divergence ratio of 1.45%. Therefore, the Company believes that the calculation of the price of disposition is reasonable considering the above divergence ratios against the recent average price of the Company's common shares.

Therefore, the Company believes that the calculation of the price of disposition is not especially favorable to the subscriber.

In addition, the three corporate auditors (two out of the total of three are outside corporate auditors) who attended the meeting of the Board of Directors, have expressed the opinion

that the price of disposition is not especially favorable to the subscriber for the above-stated reasons.

#### 4. Procedures under the Code of Corporate Conduct

The third-party allotment does not require the acquisition of an opinion from an independent third party or require procedures for confirming the intent of shareholders, which are provided for under Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc. because ①the dilution ratio is less than 25% and ②the disposition does not involve a change in controlling shareholders.