

February 24, 2017

Attention: All concerned parties

Toyo Tanso Co., Ltd.

5-7-12 Takeshima, Nishiyodogawa-ku, Osaka 555-0011, Japan
(Stock Exchange Code: 5310, 1st Section, Tokyo Stock Exchange)

Notice of Introduction of Restricted Stock Compensation System

At the Board of Directors Meeting held on February 24, 2017, the Company decided to revise its director compensation system and introduce a restricted stock compensation system (hereafter, “the System”). The proposal related to the System will be discussed at the 75th General Meeting of Shareholders (hereafter, “the Shareholders’ Meeting”) to be held on March 30, 2017. The details are provided below.

1. Objective of introduction of the System and other

(1) Objective of introduction of the System

The System for the Company’s directors (excluding outside directors; hereafter, “the Eligible Directors”) is introduced to provide an incentive for the Eligible Directors to sustainably improve the Company’s corporate value and to further promote shared value between the Eligible Directors and shareholders.

The System takes into account the fiscal 2016 tax reforms, which include tax provisions for the taxation period for income tax for directors and others and the deduction of expenses related to the services provided by directors and others in a corporation in the event that stocks with restrictions on transfers for a certain period of time and other conditions are granted as compensation to directors for services provided to corporations.

(2) Conditions for introduction of the System

The System grants restricted shares to the Eligible Directors and thus monetary receivables are provided to directors as compensation. Accordingly, the introduction of the System depends on shareholders’ authorization of this compensation at the shareholders’ meeting.

At the 63rd General Meeting of Shareholders held on August 30, 2005, compensation for the Company’s directors in the amount of 25 million yen or less a month was approved, in addition to compensation in the form of stock options totaling 150 million yen or less a year approved at the 67th General Meeting of Shareholders held on August 28, 2009. However, at the Shareholders’ Meeting, the Company seeks authorization from shareholders to introduce the System and set compensation for the System as distinct from the aforementioned compensation.

2. Overview of the System

Based on the System, the Eligible Directors will receive from the Company the monetary compensation receivable, which will be fully contributed in kind for Company shares issued or disposed of.

The total monetary compensation paid to Eligible Directors through the System shall be 90 million yen or less a year. However, in principle this compensation is assumed to be paid in the first fiscal

year of the medium-term business plan in a lump sum equivalent to payment for the execution of operations over the three years of the period covered by plan, and is expected to be equivalent to payments of 30 million yen or less for each fiscal year. Moreover, since the System will be introduced in the fiscal year corresponding to the second year of the business reform plan covering three years, the total monetary compensation given to Eligible Directors in this fiscal year will be 60 million yen or less a year. The specific timing of the payment and the allocation to the Eligible Directors will be determined at the Board of Directors meeting after discussion by the Nomination and Compensation Committee.

In the System, the total number of ordinary shares that the Company newly issues or disposes of shall be 50,000 shares or less a year. (However, in the event that the Company conducts a stock split [including gratis allotment of the Company's shares] or a consolidation of its shares with an effective date after the decision made at the Shareholders' Meeting, the number of shares granted shall be adjusted according to the share split ratio or share consolidation ratio after the pertinent effective date, and within a reasonable range as necessary.) The payment per share shall be the closing price of the Company's ordinary shares listed on the First Section of the Tokyo Stock Exchange on the business day before the decision made by the Board of Directors (in the event that a trade is finalized on the same day, the closing price on the most recent trading day preceding it).

When the Company's ordinary shares are issued or disposed of through the System, between the Company and the Eligible Directors who are to receive the payment of the restricted stock compensation, (1) the transfer of these shares to third parties, setting of collateral and any other kind of disposal is prohibited for a certain time period and (2) in certain cases, a contract must be signed, including the provision enabling the Company to acquire these shares gratis. The ordinary shares allotted to the Eligible Directors will be managed in a dedicated account that the Eligible Directors open at Nomura Securities Co., Ltd., during the period in which transfers are restricted, so that they are not able to transfer the shares, use them as collateral or otherwise dispose of them during the restriction period.

In the event that the Shareholders' Meeting approves the payment of restricted share compensation, in addition to the Eligible Directors, similar restricted share compensation will be paid to the Company's executive officers who do not also serve as Company directors, in accordance with a decision by the Board of Directors on a similar restricted share compensation system, and the Company will issue or dispose of ordinary shares.

Please direct inquiries regarding the current situation to:

Toyo Tanso Co., Ltd. Publicity & Investor Relations E-mail: info@toyotanso.co.jp
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