

February 27, 2019

Attention: All concerned parties

Toyo Tanso Co., Ltd.

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(Stock Exchange Code: 5310, 1st Section, Tokyo Stock Exchange)

Notice of Revision of Remuneration System for Directors

At the Board of Directors meeting held on February 27, 2019, the Company decided to revise the remuneration system for the Company's directors excluding outside directors.

The revision is subject to the approval of the proposal "Revision of Remuneration Amount for Directors and Auditors" which will be submitted to the 77th Ordinary General Shareholders Meeting scheduled to be held on March 28, 2019.

Particulars

1. Revision of the remuneration amount for directors and auditors

Currently, the remuneration of directors of the Company is set at a 25 million yen maximum per month, which was approved by resolution of the 63rd Ordinary General Shareholders Meeting held on August 30, 2005, while a separate stock option remuneration framework is set at a 150 million yen maximum per year, which was approved by resolution of the 67th Ordinary General Shareholders Meeting held on August 28, 2009, and payment of remuneration for granting restricted stocks is set at a 90 million yen maximum per year, which was approved by resolution of the 75th Ordinary General Shareholders Meeting held on March 30, 2017. With respect to remuneration to auditors, it is currently set at a 3 million yen maximum per month, which was approved by resolution of the 76th Ordinary General Shareholders Meeting held on March 29, 2018.

The Company recently conducted a review of its remuneration system for directors of the Company and decided to revise the system with the aim of further enhancing the link between remuneration to directors of the Company (excluding outside directors) and the Company's medium to long-term business performance. This revision is subject to the approval of the proposal "Revision of Remuneration Amount for Directors and Auditors" (hereinafter referred to as the "Proposal") which will be submitted to the 77th Ordinary General Shareholders Meeting scheduled to be held on March 28, 2019.

Assuming that the revision of the remuneration system for directors will be carried out, the Proposal seeks resolution to abolish the separate framework for stock option remuneration (a 150 million yen maximum per year) and to abolish also the restricted stock remuneration system (a total remuneration of 90 million yen maximum per year), and to revise the amount of remuneration to directors from a 25 million yen maximum per month to a 540 million yen maximum per year.

In conjunction with the revision of directors' remuneration, from a monthly amount to a yearly amount, a proposal will also be submitted for a revision of the remuneration to auditors from a 3 million yen maximum per month to a 36 million yen maximum per year.

If the proposal regarding the election of directors and auditors to be submitted to the 77th Ordinary General Shareholders Meeting is approved as proposed, the number of directors will be

eight (8) (including three (3) outside directors), and the number of auditors will be three (3) (including two (2) outside auditors).

2. Outline of the new remuneration system for directors and auditors

(1) Basic policy on decision of remuneration

Remuneration for directors comprises base remuneration in the form of monthly remuneration, and officer's bonus and medium to long-term incentive which are performance-linked remunerations, the amounts of which are determined within the respective maximum limits approved by resolution of the general shareholders meeting. The Nominating/Compensation Committee deliberates on the remuneration of the representative director. For individual director remuneration, the representative director first conducts an appraisal based on certain criteria, after which the Nominating/Compensation Committee deliberates and the Board of Directors determines the respective remuneration amounts. Remuneration to outside directors consists solely of base remuneration in the form of monthly remuneration.

With respect to auditors' remuneration, which consists solely of base remuneration, the Nominating/Compensation Committee deliberates on the basic policy regarding determination of the total compensation level, and the Board of Directors determines the policy. The amount of remuneration for each auditor is determined upon consultation among the auditors.

(2) Remuneration Amount for Directors and Officers

Directors

Type of Remuneration	Current remuneration	Proposed Revision
Basic remuneration	25 million yen maximum per month	540 million yen maximum per year
Bonus		
Stock option (SO)	150 million yen maximum per year	Abolition
Restricted stock remuneration (RS)	90 million yen maximum per year	Abolition
Total	540 million yen maximum per year	540 million yen maximum per year

(Note) In the calculation of the current total remuneration amount, the combined monthly limit of 25 million yen for basic.

Auditors

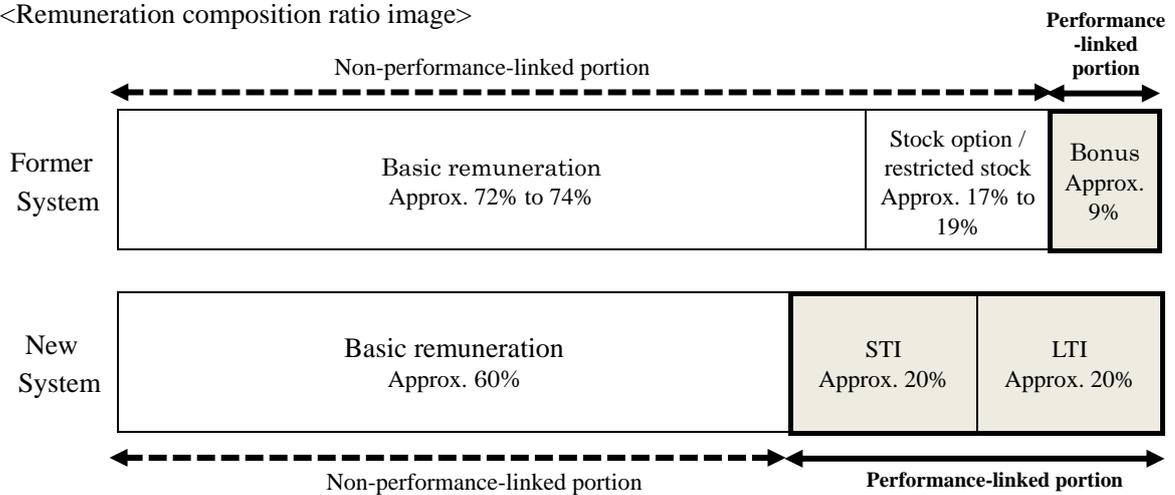
Type of Remuneration	Current remuneration	Proposed Revision
Basic remuneration	3 million yen maximum per month	36 million yen maximum per year

(3) Remuneration composition ratio and remuneration level for directors (excluding outside directors)

The ratio of fixed remuneration (the portion which is not linked to business performance) is being lowered to allow for a greater percentage of performance-linked remuneration. Further, by analyzing objective remuneration data of market surveys conducted by an external expert organization, and with due consideration to such factors as the nature of the Company's business and effectiveness of incentive remuneration, the levels of (1) "basic remuneration," (2) "short term incentive remuneration (STI) that is paid on achievement of performance targets," and (3) "medium to long-term incentive remuneration (LTI) that is paid on achievement of performance

targets” are set at a ratio of roughly 60%:20%:20%.

<Remuneration composition ratio image>



(Note) The above chart is an illustration of the composition calculated on the basis of a certain business performance of the Company and other factors. Percentages will vary in accordance with changes in the Company’s business performance and other factors.

(4) Incentive remuneration structure

The amount paid each fiscal year as short-term incentive remuneration (STI), relative to the amount paid on achievement of performance targets expressed as 100, ranges roughly between 0 to 150 according to the degree of such achievement. Performance indicators shall be “ROE” to share mutual interests with the shareholders, “operating income margin” as profitability and “individual evaluation of each officer.” A review of these indicators shall be considered as appropriate in accordance with the changes in business environment, roles of individual officers and other factors.

The amount paid as medium to long-term incentive remuneration (LTI) in the year following the final fiscal year of a medium-term management plan, relative to the amount paid on achievement of performance targets expressed as 100, ranges roughly between 0 to 150 according to the degree of such achievement. The period of performance appraisal shall be no more than three to five fiscal years in the future, and the performance targets of the final fiscal year of the performance appraisal period shall be set in the first fiscal year of the performance appraisal period. Performance indicators shall be “the Company’s stock growth rate,” “net sales,” and “ROE,” which are important performance indicators in a medium-term management plan. A review of these indicators shall be considered as appropriate in accordance with a review of the Group management policy.

(5) Decision-making process behind these revision

The proposed revision was resolved by the Board of Directors based on the results of deliberation on the details of the proposed revision by the Nominating/Compensation Committee (chaired by an outside director), of which the majority is comprised of outside directors and which serves as an advisory body to the Board of Directors.

3. Establishing guidelines for the ownership of company stock by officers

From the point of view of raising the morale and motivation for enhancing corporate value in the

long term and aligning the interest of the management with that of the shareholders, guidelines on ownership of the Company's shares shall be newly established. Intended for directors of the Company, the guidelines set out matters such as the shareholding target according to their rank, in order to further promote a sense of sharing the benefits of stock price increases and the risks of stock price decreases between the management and the shareholders. Based on these guidelines, directors shall endeavor to purchase a certain number of the Company's shares each month through officers' shareholding association and hold the shares thus acquired continuously throughout their term of office.

Please direct inquiries regarding the current situation to:

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