

February 12, 2016

**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)

### **Notification of Reforms to Business Structure**

～ Implementation of structural reforms and reinforcement of our base for future growth ～

At the Board of Directors Meeting held on February 12, 2016, the Toyo Tanso Group made decisions on the direction of reforms to our business structure, as well as numerical targets, as outlined below.

#### **Particulars**

##### 1. Background of reforms to business structure

The business environment in which we operate has become increasingly competitive, and we expect similar trends to continue in the near term, while the recovery in demand for our mainstay products, such as special graphite products, has been limited. As a result, we will strive to improve marginal profit ratio and cut costs by reforming our business structure with the aim of shifting to a business structure that can generate steady profits that do not fluctuate with the business environment, and building a foundation for further growth and development in the future.

##### 2. Direction of reforms to business structure

We will consider and implement the following priority measures.

###### (1) Select specific businesses on which to focus resources

- Review existing projects with poor profitability  
We will thoroughly examine existing projects in 2016 and scale back or withdraw from projects whose revenue is not expected to improve in the future after a comprehensive assessment.
- Review price strategy on new orders  
We will strengthen management of the price approval process and adjust set prices based on competition and income/loss during 2016.

###### (2) Optimize organization

- Streamline headquarters and indirect departments at domestic plants  
In April 2016, we will reorganize the headquarters and the indirect departments of domestic plants, and reduce and streamline the number of staff needed for organization, position, and operations.
- Consolidate and close domestic and overseas bases  
In 2016, we will consolidate and close domestic and overseas bases that contribute little to revenue. We plan to reorganize several bases, both in Japan and overseas.

(3) Optimize personnel

- Reduce the hiring of indefinite-term employees  
Beginning in April 2016 and for the near future we will no longer hire indefinite-term employees in principle, and will not replace employees who retire.
- Reduce new and ongoing use of temporary employees  
Beginning in April 2016 and for the near future, we will no longer hire new temporary employees and discontinue the employment of current temporary employees when their contracts end.
- Review personnel structure at overseas bases  
In 2016, we will reduce and streamline the number of staff needed for organization, position and operations at overseas bases.

(4) Strengthen business management

In order to entrench the results achieved with the three priority measures described above, we will shift to a comprehensive business operation system with the introduction of the business division system, currently under way, and also strengthen business management by reinforcing governance systems in both domestic and overseas operations and clarifying the standards for the continuation of or withdrawal from existing businesses.

In addition to the above priority measures, we will strive to quickly bring the US business, which continues to post operating losses, back to profitability through the use and application of long-term retained stock, employee reductions at the US headquarters and plants' indirect departments, the reduction of nonessential and non-urgent capital investments, and the consolidation of business bases at the US headquarters.

3. Numerical targets for reforms to the business structure

The numerical targets for the Company's consolidated earnings (fiscal year ending December 31, 2018) in carrying out reforms to the business structure are as follows. We believe that these targets can be achieved regardless of the Group's business environment going forward.

- Marginal profit ratio: 3-point improvement (compared to fiscal year ended December 31, 2015)
- Fixed costs: ¥2.0 billion-reduction (compared to fiscal year ended December 31, 2015)
- Operating income: ¥3.0 billion
- Profit attributable to owners of parent: ¥2.0 billion

4. Impact on earnings forecasts

The costs that will be incurred in carrying out reforms to the business structure and that can be reasonably estimated at this point are included in the earnings forecasts for the fiscal year ending December 31, 2016 in the Consolidated Financial Results for the Fiscal Year Ended December 31, 2015, released on February 12, 2016. We will provide prompt notification of any revisions to earnings forecasts resulting from more accurate estimates.

Please direct inquiries regarding the current situation to:

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