

TOTO



TOTO - Taking Care of Water.



PRODUCT

Compassion for enduring manufacturing heritage.

Since our founding, TOTO's compassion for manufacturing continues to be handed down.

Our compassion comes from creating comfortable living environments by resolving social issues through our products.

■ Editorial policy:

The TOTO Group first released our Social and Environmental Report in fiscal 2004 and CSR Report the following year. From fiscal 2009, we started issuing the TOTO CORPORATE REPORT as a comprehensive communications tool for all stakeholders. Amid the increasing importance of corporate social responsibility (CSR), the TOTO CORPORATE REPORT transcends the framework of the annual CSR Report to convey a broader view of TOTO's business and desired stance based on the idea that CSR is an integral part of all corporate activities. TOTO aims to ensure easily accessible communication that meets the needs of a diverse array of stakeholders.

To do this, we utilize four tools: this report; TOTO Guide, which is

conveniently available at TOTO showrooms and other places of business; the TOTO CORPORATE VIEW, which describes TOTO's history and business activities as well as TOTO's annual financial and ESG (environment, society, and governance) data in order to provide readers a more in-depth understanding of TOTO; and the TOTO Group website, which offers more detailed information.

TOTO hopes to use these communication tools to increase interest in its corporate stance committed to linking TOTO's past and present performance with initiatives designed to further enhance corporate value for the future.

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- Period of reporting: FY2014 (April 1, 2014 to March 31, 2015) *This report includes some information pertaining to before or after the period.
 - Scope of reporting: TOTO LTD. and Group companies
 - Guidelines: This report uses Standard Disclosure of the GRI Sustainability Reporting Guidelines as a reference.
GRI Version 4 reference Guidelines are available on the TOTO Group website.

Two compassions that remain constant.



EARTH

Unchanging compassion for the global environment.

Reducing the impact on the environment without realizing by daily use.

We want to protect the global environment by innovating these kinds of products.

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● About the Cover

Dry landscape garden at Kyoto Myoshinji Temple Tokai Hermitage

By placing NEOREST as a symbol of TOTO's environmental water-conserving technology, we are expressing Japan's manufacturing heritage and our compassion for the global environment.

TOTO Manufacturing

Passing on Our Founding Spirit and Continuing to Promote Innovation

The history of TOTO production stretches back almost 100 years. In 1912, when the concept of public sewage systems was not yet widespread in Japan, Kazuchika Okura, then president of Nippon Toki Gomei Kaisha (currently Noritake Co., Ltd.), upon exposure to advanced lifestyles overseas, established a ceramic sanitary ware laboratory based on a desire to provide sanitary living spaces. Two years later in 1914, the laboratory successfully produced Japan's first ceramic seated flush toilet. In 1917, Toyo Toki Company, Limited (currently TOTO LTD.) was founded to permeate the market with these products. A letter written by the company's first president, Kazuchika Okura, to his successor, Saburo Momoki, contains words that have been treasured as the "Words of the Predecessor."*

Since then, we have sought to contribute to the development of society based on a spirit of service that inspires the provision of high-quality products and ensures customer satisfaction. This concept is expressed in TOTO's Company Mottos formulated in 1962. TOTO Manufacturing, which began with Japan's first ceramic sanitary ware, continued to expand to the development

of products for the bathroom, washroom, and kitchen, as the company aimed for improved quality and environmental optimization.

Even today, as our business expands worldwide, the hopes and convictions of our founder Kazuchika Okura are being passed down to each and every employee in the TOTO Group.

*[Words of the Predecessor]

Founder
Kazuchika Okura



Kindness must always come first.

Bring the concept of service to your work.

Your goal should be to provide good products and satisfy the customer.

**Accomplish that, and profit and compensation will follow.
Many in this world chase after the shadow of profit. But, in the end, they never capture the real thing.**

Washroom

Bathroom



1958: Launched TOTOLITE Bath FRP bathtubs



1963: Developed construction method for prefabricated bathroom modules



1946: Commenced production of faucets

Short-term delivery achieved by prefabricated construction methods



1966: Launched heated toilet seat

Restroom



1912: Established ceramic sanitary ware laboratory



1914: Successfully produced Japan's first ceramic seated flush toilet

Pre-founding
1912

1st Generation
1917

2nd Generation
1947

1917: Established Toyo Toki Company, Limited

1918: Tableware Division established (discontinued in 1970)

New business domains



1998: Developed HYDROTECT technology



2013: Launched HydroCera Floor and HydroCera Wall

Kitchen



1981: Launched modular kitchen

Environmental purification by application of photocatalytic technology



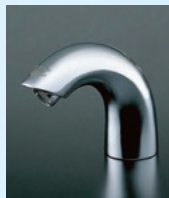
2010: Launched "CRASSO" new modular kitchen



1968: Launched bathroom vanity unit



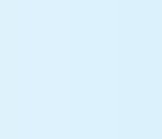
1985: Launched "Shampoo dresser" bathroom vanity



2001: Launched Aqua Auto Eco self-sustaining powered faucet



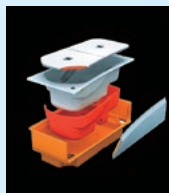
1970: Commenced production of enamel bathtub



"Rear cleansing" lifestyle habit begins



2001: Developed "Karari" floor for thorough drainage



2004: Developed thermal insulating "Mahobin" bathtub



2010: Launched Air-in-Shower showerhead

Started transition to toilet water conservation



1976: Launched CS Series water-saving, noise reducing toilet



1980: Launched Washlet (toilet seats with a warm-water washing feature)



1991: Launched 6L-flush toilet in the U.S.



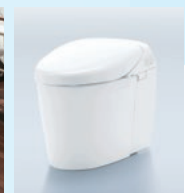
1993: Launched NEOREST toilets



2007: Launched NEOREST Hybrid Series



2013: Launched Bedside Flushable Toilet



2014: Launched new NEOREST Hybrid Series (photograph shows the RH model)

3rd Generation
1977

4th Generation
2007

1993: Remodeling Declaration

2017: 100th anniversary of TOTO's foundation

1977: First overseas manufacturing site established in Indonesia
1970: Changed name to TOTO Kiki Ltd.

2007: Company name changed to TOTO LTD.

2009: Announced "TOTO V-Plan 2017"

Results of FY2014 Activities

Financial and Non-financial Highlights

Consolidated net sales and operating income

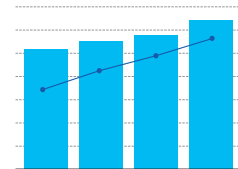
▶ P9・P13

Consolidated net sales

¥544.5 billion

Operating income

¥37.4 billion



Successful advancement towards achieving V-Plan

ROA・ROE

▶ P9・P13

ROA 7.5%

(Operating income base)

ROE 10.0%

(Net income base)

Advancement towards achieving V-Plan Target of above 10%

Work-related accident frequency in Japan

▶ P26

0.13

Number of accidents decreased four years consecutively

Employment rate of persons with disabilities

▶ P25

2.5%

(Japan)

Promoted employment of persons with intellectual disabilities and expanding job types they take

Ratio of female managers

▶ P25

5.6%

(Japan)

Deployed initiatives towards FY2017 target of 10%

Compliance rate of requested standards of suppliers in Japan

▶ P27

100%

Achieved all raw materials and parts suppliers to meet the standards

Business summary and results

Domestic housing equipment business

Sales:
¥400.0 billion
Operating income:
¥19.0 billion

<Business Overview>

Consolidated net sales for fiscal 2014 totaled ¥400.0 billion (-8% year-on-year) and consolidated operating income totaled ¥19.0 billion (-47%). These results reflected the longer-than-expected impacts on both the remodeling* and new construction segments due to the recoil decline following the surge in demand.

<Business Topics>

Renewed design of the NEOREST Hybrid Series launched in February 2015. These are equipped with the new deodorizer feature using TOTO's original antibacterial electrolyzed water. The new design RH model won the Reddot Design Award, which is awarded by the world authority in the field of design.



Overseas housing equipment business

Sales:
¥124.8 billion
Operating income:
¥22.0 billion

<Business Overview>

We are steadily pursuing our growth strategies while also focusing our attention on economic developments and social trends in different countries and areas. Owing to increased sales, productivity improvements and fluctuations in exchange rates, consolidated net sales for fiscal 2014 stood at ¥124.8 billion (+23% year-on-year) and consolidated operating income totaled ¥22.0 billion (+42%).

<Business Topics>

In July 2014, we began operating our sanitary ware plant, which is our first manufacturing site in South Asia, in Gujarat, India, which is an important emerging market for new entrants. TOTO is expanding its sanitary ware product line throughout each region centering on India.



*Remodeling: A promise to go beyond ordinary alterations and extensions, proposing and realizing a new lifestyle for customers which goes beyond their expectations

Water consumption during product use ▶ P16

1.1 billion m³ reduction



FY2017 target of 1.3 billion m³ reduction

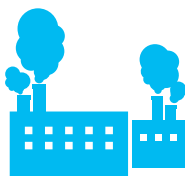
Changes in figures for shipments of water-saving toilets of below 4.8L ▶ P16

Japan: 72% Overseas: 54%

FY2017 target Japan: 70%, Overseas: 80%

CO₂ emissions from business sites ▶ P16

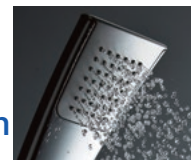
324 thousand tons



FY2017 target of less than 352 thousand tons reduction

CO₂ emissions during product use ▶ P16

4.75 million tons reduction



FY2017 target of 5.63 million tons reduction

Number of Green Volunteer participants ▶ P16

42,500



Achieved 109% compared to previous year

TOTO Water Environment Fund ▶ P28

FY2014 grant amounts

¥13.0 million

Grants presented to 25 organizations in Japan



New business domains

Sales: ¥19.4 billion
Operating income: -¥0.3 billion

<Business Overview>

In our Ceramics Business, sales grew strongly across the product range supported by factors such as a recovery in the semiconductor market and increased activity in the optical communications market. In our Green Building Materials Business, strong sales of new products including Hydrocera Floor J Surface Ceramics launched in August 2014, mitigated the impact of the recoil decline in sales of some exterior wall products following the earlier surge in demand.

<Business Topics>

Environmental cleaning technology Hydrotec is already being used by many of our customers in a wide range of products, including exterior walls, interior walls, and floors.



Photo: Sochi Olympic Cauldron (Alcoa Architectural Products)
Dmitry Tatarin | Horizont | KALZIP | Alcoa Architectural Products®
Olympstroy State Corporation

The Four Innovation Activities

■ Marketing innovation

Enhancing product planning and development activities based on core technologies created in Japan in response to the specialities and characteristics in Japan and all foreign markets. The new Neorest Hybrid Series, matching each region's standard, launched in February 2015 has also undergone global expansion.

■ Supply chain innovation*

We are putting structures in place, such as minimizing delivery divergence, inventories, and supply chain costs that will enable us to respond with agility to changes in market conditions and improve customer satisfaction. In addition, we are promoting cost reductions by consolidating and integrating our logistics hubs, platform design, and central purchasing of raw and indirect materials.

■ Manufacturing innovation*

By advancing platformization, we have reduced development periods and improved productivity. While continuing our commitment to Washlets and System bathrooms, we are also advancing the roll-out of other product groups.

■ Management resource innovation

We are implementing all types of policies for promoting diversity, such as active recruitment and training of women and developing plans for employing people with disabilities. We are also conducting institutionalization, such as training and overseas internships for our management personnel at our overseas bases.

*From fiscal 2015 onwards, our Supply chain and Manufacturing innovations will be united as Demand chain innovation from the viewpoint of our customers.

Message from the President



TOTO

Moving Forwards to Achieving Our TOTO V-Plan 2017

One year has passed since TOTO Group started our new management and operating structures in April 2014. I would like to begin by explaining the fiscal 2014 performance results and our future endeavors towards achieving our TOTO V-Plan 2017.

The TOTO Group strives to pass down
its Common Group Philosophy to each and every employee.

Founder's Conviction

“Improve the lifestyle and culture of the people. Provide a healthy and civilized way of life.”



Common Group Philosophy

Company Mottos, TOTO Group Corporate Philosophy and Charter of TOTO Group Corporate Behavior



Visions for Business Activities

Vision, Mission and Mid- or Long-Term Management Plan (TOTO V-Plan 2017)

TOTO V-Plan 2017 and the TOTO Global Environmental Vision

TOTO Group conducts corporate activities with the aim of continuing to contribute to society and to the earth's environment. Underlying this is our founder's conviction to improve the lifestyle and culture of the people, and to provide a healthy and civilized way of life. This belief has been passed down unbroken to each and every employee as the Common Group Philosophy, and is collectively regarded as the starting point for customer satisfaction.

In 2009, the TOTO Group developed our long-term management plan TOTO V-Plan 2017 towards celebrating our 100th anniversary. This TOTO V-Plan 2017 sets down the aims for the TOTO Group to become a Truly Global Company. This extends beyond high sales levels or percentage of overseas business. It is about the acceptance and recognition by customers of the country or region as being indispensable to the area, by delivering products tailored to local culture and customs and providing a new lifestyle.

In order to achieve this, it is important for us to have initiatives that deal with the global challenges of environmental problems and, in particular, issues relating to water resources. TOTO products are an integral part of everyday life, being used by customers

throughout the world in their daily lives. By having customers use environmentally-friendly products, their everyday lives can generate contributions to the global environment such as water conservation, energy conservation and reduced CO₂ emissions.

In the TOTO V-Plan 2017, TOTO's products aim to support a comfortable living environment for customers through TOTO products while also continuing to realize lifestyles enabling a lower burden. By setting environmental contribution targets for 2017, we are committed as a Group to become the driving force behind TOTO's Global Environmental Vision.

Among the themes which we are working on in the TOTO's Global Environmental Vision, Conserving Water and Preventing Global Warming are two themes that enable us to contribute through our business. Amid the growing seriousness of water resource limitations, as a company that has largely built its business around water since our foundation, we will be contributing to achieving a truly sustainable society and delivering this way of life to our customers around the world.

Results in Fiscal 2014

The Japanese economy continued its modest recovery trend despite the effects of negative factors such as the rebound drop in demand following the surge in demand ahead of the consumption tax rate increase. In the domestic housing market, the rebound decline following the rush in demand had an impact on the market, including a decline in new housing starts and a drop in demand for home remodeling.

In this business environment, the fiscal 2014 performance results came to: ¥544.5 billion in consolidated net sales (-1.6% year on year), ¥37.4 billion in consolidated operating income (-20.7% year on year), and ¥39.6 billion in consolidated ordinary profit (-21.3% year on year) producing lower revenues and profits. However, in the first fiscal year of the newly formulated medium-term management plan geared towards fiscal 2017, the plan progressed accordingly and, in comparison to fiscal 2012, sales

and revenues increased.

In the Domestic housing equipment business, the effects of the recoil in rush demand and subsequent tail-off in the new housing starts and remodeling continued for longer than anticipated, which resulted in a decline in revenues and profits in both remodeling and new housing. On the other hand, transitions in the Overseas housing equipment business and New business domains were favorable. In particular, as a result of steady progress in strategic growth, sales in the Overseas housing equipment business increased. Due to productivity improvements and the effects of fluctuating exchange rates, operating income grew significantly with increased revenues in all expanded overseas regions. In addition, in the New business domains, product sales in the Advanced Ceramics Business, which utilizes our company's "Only One" technologies, grew significantly to produce increased revenues and profits.

FY2015 Strategies

Fiscal 2015 is the second year in our medium-term management plan and it is an important year for realizing our TOTO V-Plan 2017 in two-years time. Although originally planned during a difficult business environment, the decline in revenues and profits reverted once again to growth from fiscal 2014, in what was a restart year for securely achieving our set numerical targets.

As an initial forecast, we aimed for increased revenues and profits of ¥584.5 billion in consolidated net sales (+7.3% year on year), ¥42.8 billion in consolidated operating income (+14.4% year on year), and ¥44.7 billion in consolidated ordinary profit (+12.7% year on year). The Domestic housing equipment business was busy responding to the demand for remodeling and new-builds and again continued to track growth. The Overseas housing equipment business increased revenues and profits in all regions of the Americas, China, Asia and Oceania, Europe and the emerging countries achieving record net sales and operating income. In the New business domains, the Advanced Ceramics Business and Green Building Materials Business are aiming for a surplus in operating income. All three business achieved record sales with increases in revenues and profits.

Of these three businesses, the Overseas housing equipment business fulfilled a particularly important role as a “growth engine” in advancing cooperation beyond domestic and overseas boundaries. By

exhibiting at major overseas exhibitions, activities in conventional countries to which TOTO's products and technology appeal continued to strengthen. In the meantime, while Japan is aiming to receive some 20 million overseas tourists by 2020, we are promoting overseas demand stimulation activities with Japan as the launch pad. Overseas visitors coming to Japan in ever-increasing numbers should lead to an increase in demand once they return home to their own countries after experiencing the comfort by coming into contact with Japan's toilet culture. To this end, we are strengthening our proposal activities geared towards public facilities within Japan.

To coordinate these activities, it is necessary to renovate our business structure from the viewpoint of customer satisfaction (CS) in all areas of our business from marketing, R&D, purchasing, manufacturing to logistics and sales. As one example of restructuring, from fiscal 2015, of the four innovative activities, we have integrated the Supply chain innovation and Manufacturing innovation into the Demand chain innovation centered on the viewpoint of our customers. In addition, we have set up a global revolution promotion office for the purpose of further strengthening our securely growing overseas markets, and installed a Global Strategy Office for developing markets that are expected to grow in the future. Focusing on these two new departments, we will be strengthening the long-term expansion of these overseas markets.



Information about our Global strategy on P.21

■ Actual Results since the Formulation of TOTO V-Plan 2017, Projected Results for Fiscal 2015, and Targets for Fiscal 2017*

(Unit: Billion yen, rounded down)

	FY2009 actual	FY2010 actual	FY2011 actual	FY2012 actual	FY2013 actual	FY2014 actual	FY2015 planned		FY2017 target
Consolidated net sales	421.9	433.5	452.6	476.2	553.4	544.5	584.5	¥	650.0
Consolidated operating income	6.5	14.0	18.7	23.3	47.1	37.4	42.8	¥	61.0
Operating margin	1.6%	3.2%	4.1%	4.9%	8.5%	6.9%	7.3%	¥	9.4%
ROA (on a basis of operating income)	1.7%	3.7%	5.0%	6.0%	10.7%	7.5%	8.2%		At least 10%
ROE (on a basis of net income)	0.5%	2.8%	5.2%	8.8%	19.4%	10.0%	11.3%		At least 10%

*TOTO Group focuses on the operating income margin, ROA (on a basis of operating income) and ROE (on a basis of net income) as management indicators to monitor improvements in the growth and profitability of our business and to ensure the efficient management of our assets.

*ROA = Operating income / Total assets, ROE = Net income / Equity



Our Stakeholders

The TOTO Group regards all of our stakeholders, including our customers, employees, shareholders, business partners and society. Subsequently, we continue to deepen our relationships by two-way communications.

TOTO products are used by customers for 20 or 30 years. To enhance customer satisfaction towards our business, looking ahead to the future, it is imperative that we continue to provide products that have social value at appropriate prices. Also to achieve this, there needs to be an environment in which employees serving the business can always make the best possible use of their strengths. The TOTO Group respects the individuality of its human resources, which differ in such respects as age, gender and nationality, and we seek to develop self-motivated human resources who can think and act on their own. TOTO will contribute to society through our business, which makes practical use of fresh ideas that are borne from our will to challenge to create rich and comfortable lifestyles.

In addition, TOTO has a single important management priority, which is to see a return of profit to all our shareholders. With a target dividend payout ratio of 30% of consolidated net income, and with a view to tying returns of profit to business results, we strive to maintain a stable dividend level. The dividend in fiscal 2014 was ¥26 per share (¥13 yen at mid-term, ¥13 yen at year end). We sincerely ask all our stakeholders for your cherished continued support. With my heartfelt thanks to all of you.

About CSR Management at TOTO

At TOTO, our view on CSR management is that all corporate activities should be promoted from a perspective of ESG (environment, society, and governance). By doing so, we are working towards a strategic integration of our business and CSR activities.

I have always been a strong believer in the proverb: “Where there is a will, there is a way.” From the very start, the CSR philosophy was present in the origin of TOTO’s business. It is clearly recorded in a letter entitled “Words of the Predecessor” which was written by TOTO’s first president to his successor. These wonderful words have since been handed down to all TOTO Group employees in the form of TOTO’s Company Mottos. Each and every employee at TOTO has taken this conviction for their own, and with a desire to help society and contribute to the global environment, they are maintaining this commitment to achieving our goals.

Although TOTO V-Plan 2017 is our goal for the company’s centenary, I see it only as a transit point on our way to the future beyond. By maintaining and accelerating this momentum, we will raise our corporate value even further.

As the company to create and provide lifestyle value, we offer an “every day”, looking to “tomorrow” and moving toward the future.

Providing the World a New Every Day. Everyone in the TOTO Group will work in unison to achieve the goals we have set forth.

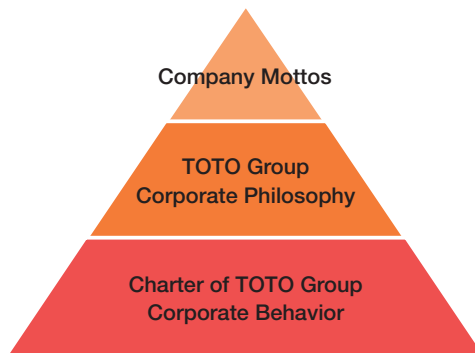
Madoka Kitamura
President, Representative Director



Human resources development activities on P.25

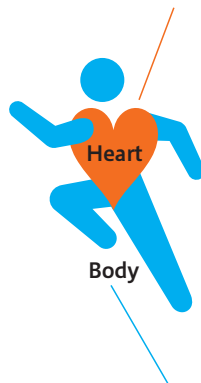
THE TOTO WAY

Common Philosophy and Business Vision



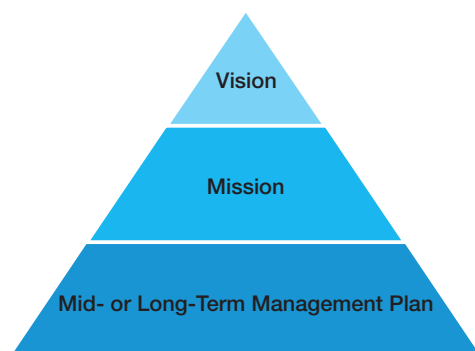
Common Group Philosophy

The common group philosophy represents the inherited values of TOTO that are shared among employees and will be carried forward into the future.



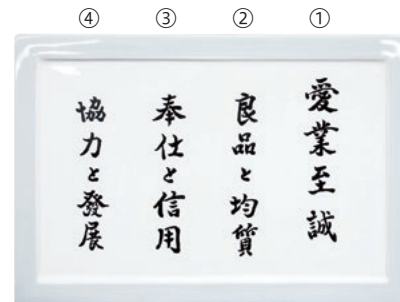
Visions for Business Activities

Our vision and mission are positioned as the course of our business activities that change in accordance with the demands of the times.



Common Group Philosophy

Company Mottos



Established in 1962

The Company Mottos reflect our determination to contribute to the improvement of our customers' cultured lifestyles with a strong service-oriented mindset, and to unite ourselves to support the social development.

- ① Take pride in your work, and strive to do your best
- ② Quality and Uniformity
- ③ Service and Trust
- ④ Cooperation and Prosperity

TOTO Group Corporate Philosophy

The TOTO Group strives to be a great company, trusted by people all around the world, and contributing to the betterment of society.

To achieve our philosophy, TOTO will:

- Create an enriched and more comfortable lifestyle and culture built on plumbing products.
- Pursue customer satisfaction by exceeding expectations with our products and services.
- Provide high-quality products and services through ongoing research and development.
- Protect the global environment by conserving finite natural resources and energy.
- Create an employee friendly work environment that respects the individuality of each employee.

Charter of TOTO Group Corporate Behavior (Preamble)

The TOTO Group wants to contribute to socio-economic development and be a broadly helpful entity for society by creating added value through fair competition and encouraging job creation in the countries and regions in which its businesses are promoted. To realize that, all people working for the TOTO Group strive to play an active role with a strong sense of duty based on the concepts indicated in the corporate motto and philosophy, and to fulfill their social responsibilities.

The Charter of TOTO Group Corporate Behavior stipulates the basic stance of behavior of all people working for TOTO Group to realize all stakeholders' satisfaction.



For details regarding the Charter of Corporate Behavior, please see the Common Group Philosophy section on our website at:
http://www.toto.co.jp/company/profile_en/philosophy/group/

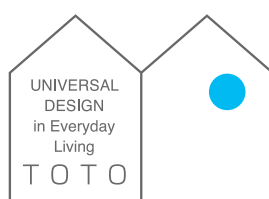
Visions for Business Activities

Vision

Toward a Dynamic, Vibrant and Excellent TOTO

Mission

“Providing the World a New Every Day” Through The Three Missions.



TOTO's products are used daily by a diverse variety of people.

That's why we've been contemplating easy-to-use design for over 30 years, delivering products and creating spaces that are safe, comfortable and fun for all ages and regardless of physical mobility.

The specialized TOTO Universal Design Research Center promotes human research and pursues new heights in user-friendliness every day.

This is what TOTO refers to as Universal Design.

Universal Design in Everyday Living. TOTO



TOTO's products are used daily by a diverse variety of people.

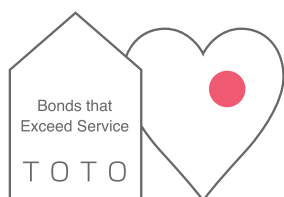
This inevitably has an impact on the environment, both positive and negative.

While ensuring a comfortable living environment, TOTO aims to protect the natural environment as well.

For that reason, development focuses on water-conserving and energy-saving products, as well as environmental technologies, such as photocatalyst technology, which support healthy, green living.

TOTO has set its own targets for reduction of environmental loads in all business activities from production to logistics and sales.

For the Earth and Living in Harmony with the Environment. TOTO



TOTO's products are used daily by a diverse variety of people.

All of them are designed to be used for a long time.

That's why TOTO does more than just sell; we forge life-long bonds.

Apart from superior after-sales service, TOTO proposes new lifestyle value beyond expectations in accordance with each lifecycle.

Making full use of showrooms and a remodeling network has enabled strong relationships with customers.

Thus, it is these personal bonds that can make your future more comfortable.

Bonds that Exceed Service. TOTO



Mid- or Long-Term Management Plan on P.13

Mid- or Long-Term Management Plan

TOTO V-Plan 2017



(at the time of announcement in May 2014)
*From fiscal 2015, Supply chain and Manufacturing innovations will be promoting as Demand chain innovation.

Meaning of the Three Vs: Vital, Victory and V-shaped recovery

Background of TOTO V-Plan 2017 and the FY2017 Target

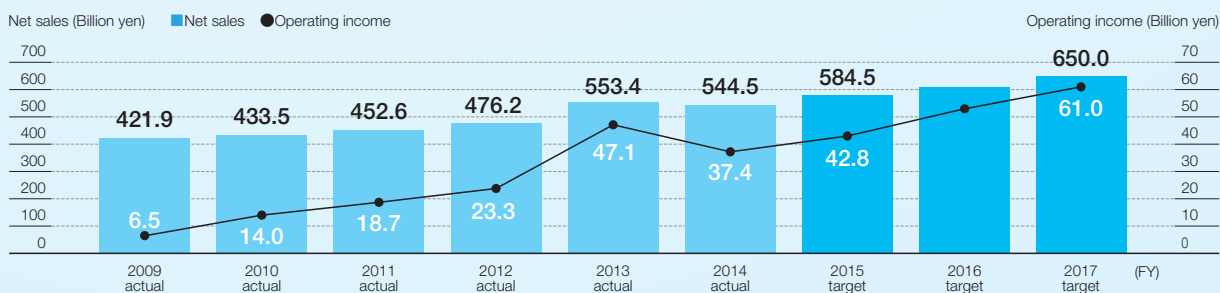
As we move toward our centenary in 2017, the TOTO Group aims to be a Truly Global Company that remains indispensable to customers around the world by providing a new “Everyday.” To achieve this, we formulated the TOTO V-Plan 2017: a long-term management plan in July 2009.

With the strategic framework of TOTO V-Plan 2017, we will reinforce corporate governance, the basis of our corporate activities, and promote the three core businesses of the “domestic housing equipment business,” “overseas housing equipment business” and “new business domains” as well as the three cross-organizational innovation

activities, with the optimization of the entire company in mind. The TOTO Global Environmental Vision will be the driving force behind these business activities. In order to ensure the achievement of TOTO V-Plan 2017, we formulated and promote the mid-term management plan for fiscal 2014–2017.

The TOTO Group as a whole is committed to achieving net sales of ¥650 billion, operating income of ¥61 billion, and a ROA (on a basis of operating income) and ROE (on a basis of net income) of at least 10% in fiscal 2017.

Target Figures for TOTO V-Plan 2017



■ The Three Core Businesses

■ Domestic housing equipment business

As Japan continues to transition to a stock-based society with a declining number of new housing starts, we will further accelerate our remodeling strategy, which is one of TOTO's strengths. TOTO is promoting the construction of a highly-profitable corporate constitution by also pushing ahead with cost structure reforms for sustainable growth.

■ Overseas housing equipment business

As a driver of growth, the foundations of the Overseas housing equipment business will be strengthened to withstand changing markets and environments in countries we operate. This business will develop new markets and lead to growth for the TOTO Group.

■ New business domains

This business is expanding globally, with TOTO "Only One" technologies for ceramic products built on our experience with ceramic sanitary ware, and with HYDROTECT technology, which uses photocatalytic technology to provide environmental cleaning through the power of light.

■ The Three Cross-organizational Innovation Activities

■ Marketing innovation

The Marketing innovation, which carries the product strategy from the viewpoint of company-wide optimization, will comprehensively advance our development and production activities for creating attractive products' designs and functions globally that will put a smile on our customers faces. Additionally, in response to regional markets' specialties and characteristics, we are strengthening our product planning and development while leveraging our core technologies created in Japan as global common-base technologies.

■ Demand chain innovation

From 2015, TOTO will be promoting Manufacturing that exceeds preconceived ideas and also advancing our Supply chain innovation to generate strong cost competitiveness to expand our three new innovation activities: Production system innovation, Logistics innovation, and Purchasing innovation as part of the Demand chain innovation.

■ Management resource innovation

TOTO's Management resource innovation positions human resources with unmatched diverse attributes within the most important management resources. By aiming to continue self-learning, securing distinctive human resources and actualizing a challenge-oriented corporate culture, we are promoting diversity while strengthening our HR development. In addition, we are evaluating and organizing our assets in parallel with aggressive investments to achieve financial growth in order to slim down and enhance our financial standing through efficient utilization of our assets.

TOTO Global Environmental Vision

The TOTO GREEN CHALLENGE was formulated in 2010 with an aim of supporting a comfortable living environment for customers through TOTO products while also continuing to realize lifestyles enabling a lower burden on the environment. TOTO has conducted activities based on environmental contribution targets to be accomplished through to fiscal 2017, which will mark the 100th anniversary of our company's founding. In 2014, we have been working to further advance these activities to face environmental and social issues in each country and region

by putting our efforts into the TOTO Global Environmental Vision, which takes into consideration greater global expansion, and our TOTO V-Plan 2017 promotion engine. In the Global Environment Targets set by the TOTO Global Environmental Vision, the entire TOTO Group is committed to making environmental contributions through our business activities based on our six themes: Conserving Water, Preventing Global Warming, Conserving Natural Resources, Keeping the Earth Clean, Conservation of Biodiversity, and Contribution to Local Communities.

Corporate Governance

For matters requiring management decisions, TOTO recognizes the importance of systematizing "who makes the decision, on what and where" as well as "what checks are implemented" in a fair and honest manner. TOTO has

adopted the Audit & Supervising Board system and been promoting more efficient and effective decision-making, supervision, and business execution, with the aim of continuously increasing corporate value.

Aims of Promoting the TOTO Global Environmental Vision

The TOTO Group established the TOTO Global Environmental Vision in 2014 for the purpose of taking its environmental contribution activities an evolutionary step further while facing up to the environmental problems of each country and region. Based on six themes of global environmental activities, the entire TOTO Group is committed to making contributions to the global environment through our business activities.

With a view to realizing the TOTO Global Environmental Vision, the TOTO Group established Global Environment Goals to be pursued on a common global basis until the end of fiscal 2017. As a company that is largely involved with water, we are committed to setting clear targets for each of the six themes centered around conserving water.

Water, Earth & A Better Tomorrow

Since its founding, the TOTO Group has recognized the tremendous value of water. Today, with ever-increasing water shortages and the rise of global warming, we are redefining our relationship with this essential resource and are even more dedicated to sustaining the environment through the development of high-quality, water-efficient products.

Turning on a faucet and taking a shower are ordinary activities, but now they are opportunities to save water and reduce CO₂ emissions. Adding "protection of water resources" to our list of Global Environment Goals highlights our efforts to produce products that facilitate environmental sustainability.

The TOTO Group will work as one and meet these crucial objectives, and we sincerely hope that our involvement in local communities leads to better living, and a better tomorrow.

The diagram shows six themes arranged in a circle around a central icon of a hand holding a plant. The themes are: Conserving Water (water drop icon), Preventing Global Warming (CO₂ icon), Conserving Natural Resources (leaf icon), Keeping the Earth Clean (fish icon), Conservation of Biodiversity (plant icon), and Contribution to Local Communities (hand holding plant icon).

■ TOTO Group Global Environment Goals until FY2017

<h4>Conserving Water</h4> <ul style="list-style-type: none"> ■ Reduce the amount of water consumed during product use by 1.3 billion m³ (due to improved performance compared to 1990) ■ Shipment rate of water-saving toilets (4.8L or less per flush) Japan: 70% Overseas: 80% 	<h4>Preventing Global Warming</h4> <ul style="list-style-type: none"> ■ Reduce CO₂ emissions during product use by 5.63 million (due to improved performance compared to 1990) ■ Total CO₂ emissions from business sites: 352,000 t Using policies, reduce CO₂ emissions by 29,000 t (compared to FY2013)
<h4>Conserving Natural Resources</h4> <ul style="list-style-type: none"> ■ Promote zero emissions Recycling rate in manufacturing plants Japan: 99%, Overseas: 90% 	<h4>Keeping the Earth Clean</h4> <ul style="list-style-type: none"> ■ Control the release of hazardous chemical substances (Japan) Number of cases of violations of environmental laws: 0
<h4>Conservation of Biodiversity</h4> <ul style="list-style-type: none"> ■ Using raw materials with consideration to biodiversity (Japan) Goods using legal materials/ utilization of recycled wood materials: 100% 	<h4>Contribution to Local Communities</h4> <ul style="list-style-type: none"> ■ Resolve social and regional issues that originate in the environment, in collaboration with stakeholders in each country/region Number of Green Volunteer participants globally: 55,000



Conserving Water

We are working at setting targets through the global introduction of water-saving products, with the aim of reducing water consumption during product use by 1.3 billion m³ by fiscal 2017 compared to the amount of water consumed by products with 1990's performance that are still in use. A reduction of 1.1 billion m³ has been achieved with respect to the fiscal 2014 target reduction of 1.08 billion m³. In addition, shipping ratios of water-saving toilets (less than 4.8 liters) progressed favorably with 72% domestic and 54% overseas. From here onwards also, we will be contributing to conserving water resources through our business by popularizing water-saving products around the world.



Preventing Global Warming

We are working at setting targets through the introduction of water and energy-saving products with the aim of reducing CO₂ emissions during product use by 5.63 million tons by fiscal 2017 compared to products with 1990's performance that are still in circulation. A reduction of 4.75 million tons has been achieved with respect to the fiscal 2014 target reduction of 4.97 million tons. In addition, to reduce CO₂ emissions from our business sites, we are upgrading to high-efficiency equipment (air conditioners, lighting, transformers) and introducing LED lighting. We are putting our efforts into improving loading efficiencies for reducing transportation fuel consumption and streamlining cooperative distribution systems.



Contribution to Local Communities

Conservation of the natural environment is essential for sustained social development, corporate business sustainability, and conserving water environments. The TOTO Group is pushing ahead with regional and community-based environmental contribution activities at home and abroad, such as regenerating and conserving water resources and woodlands as sources of water. In addition, we are promoting participation in Green Volunteer social contribution activities, such as tree planting and local cleanup activities. Through activity participation and information sharing, associations have been created with local communities with the circle of activities growing annually. In fiscal 2014, the number of participants came to 42,500 people.



Conserving Natural Resources

From March 2009, we have continually achieved zero emissions at all TOTO's 21 bases, such as our domestic manufacturing centers, etc. In addition, recycling rates at our manufacturing plants in fiscal 2014 progressed to 99.9% in Japan and 74.4% overseas.



Keeping the Earth Clean

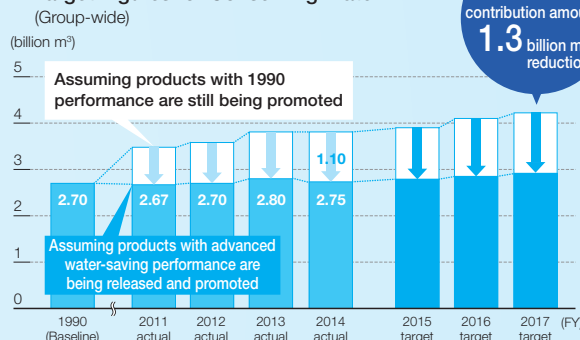
TOTO is making stern efforts to remove harmful substances from all the products we provide, based upon applicable laws and regulations and market demands. We are working to reduce to the barest minimum the effects of chemical substances on our bodies and the environment. In fiscal 2014 there were no violations of environmental laws.



Conservation of Biodiversity

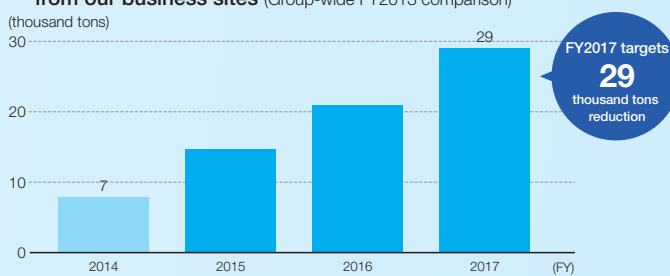
In our raw materials procurements, we take into consideration the impact on the environment and ecosystems in our production locations. We are moving forwards with our CSR procurements while balancing sustainable resources utilization and stable procurements. Fiscal 2014 utilization rates of legal and recycled wood materials used for products in Japan came to 90%.

Target Figures for Conserving Water

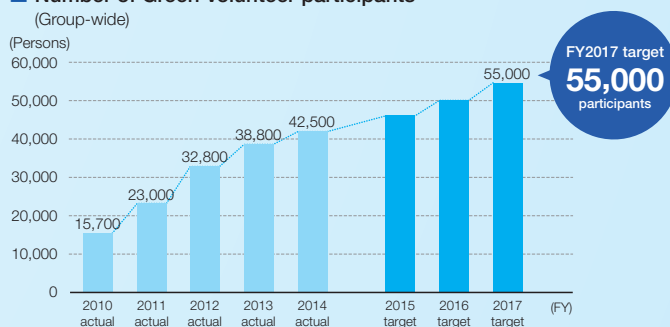


*Total volume of water consumption during product use is the total volume of water consumed during the use of all products shipped that year (excluding the water consumption for some products whose purpose of use is unclear).

Transitions in CO₂ emissions reduction through initiatives from our business sites (Group-wide FY2013 comparison)



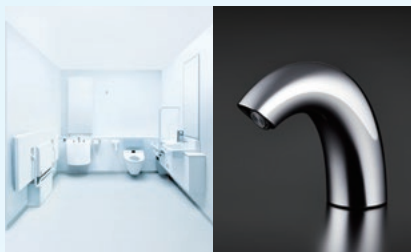
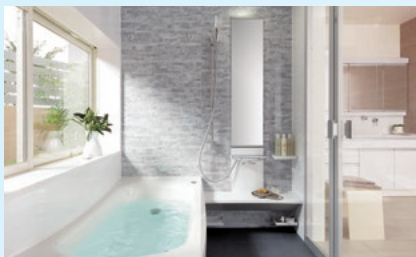
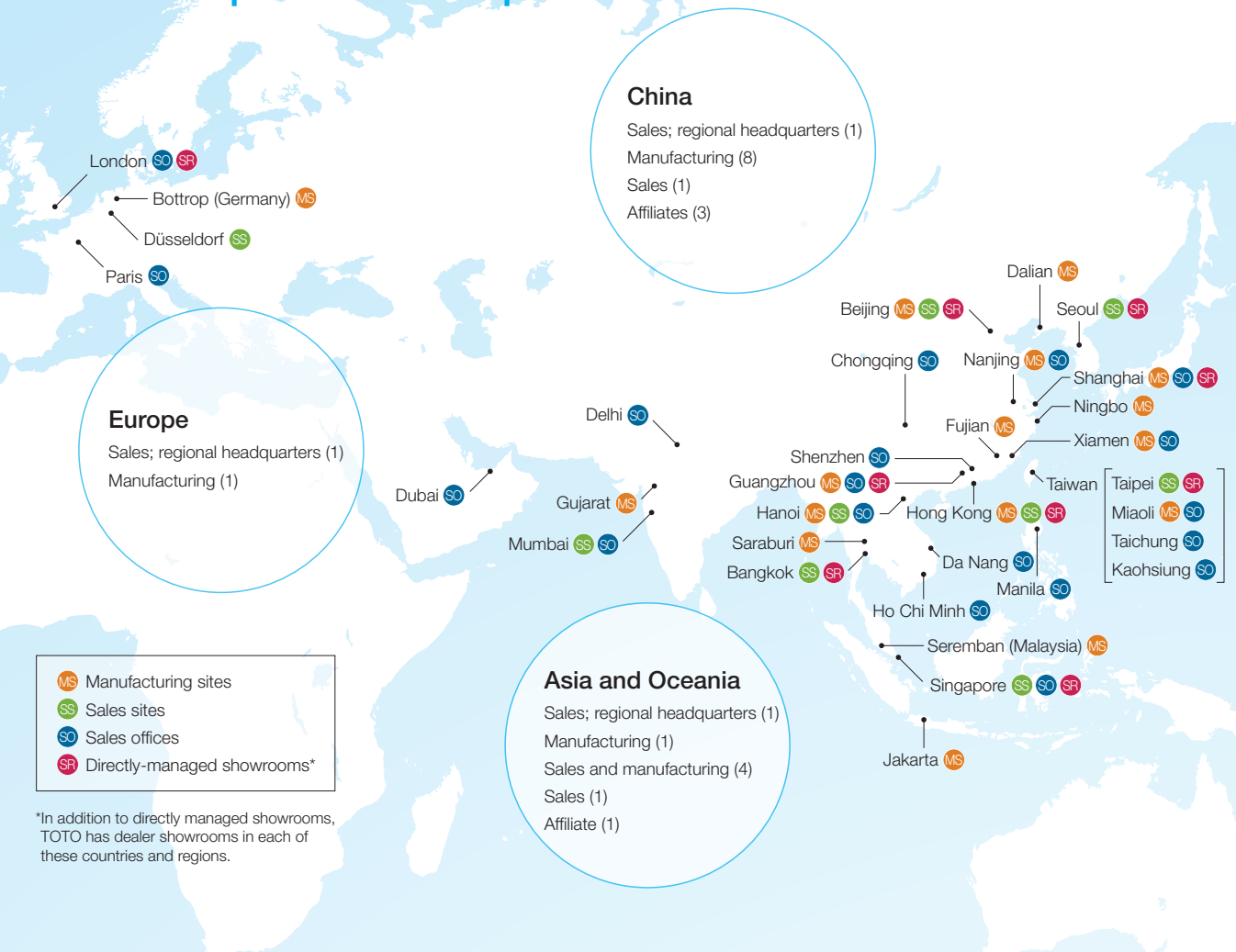
Number of Green Volunteer participants



*Number of participating employees and stakeholders (single-year cumulative)



TOTO Group Business Expansion



Domestic Housing Equipment Products

TOTO offers residential products for the restroom, bathroom, kitchen, and washroom, along with faucets, to meet both new construction and remodeling demand. We also offer products for restroom and washroom spaces in offices, commercial facilities, schools, hospitals, and other public facilities. TOTO can offer complete plumbing system solutions with products featuring unique TOTO technology to reduce environmental impact by conserving hot and cold water and saving energy.

Japan

Manufacturing (9)
Sales (13)
Service, other (7)
Showrooms (103)

Americas

Holding company (1)
Sales and manufacturing (2)
Sales (1)

Chicago (SO, SR) — Boston (SO, SR)
Los Angeles (SO, SR) — New York (SO, SR)
Cienega de Flores (Mexico) (MS, SS) — Morrow (MS, SS)
Sao Paulo (SS)

Company Data (as of March 2015)

Date of establishment: May 15, 1917

Capital: ¥35,579 million

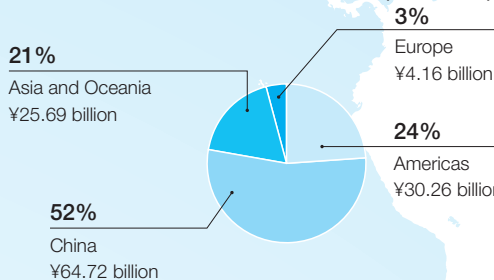
Headquarters: 1-1, Nakashima 2-chome, Kokurakita-ku,
Kitakyushu, Fukuoka, Japan

Number of employees: 26,842 (consolidated)
6,783 (non-consolidated)

Group companies: 58 companies

*56 consolidated subsidiaries and affiliates (domestic: 29, overseas: 27)

Overseas Sales Breakdown (Fiscal 2014)



Overseas Housing Equipment Products

TOTO offers products for the restroom, bathroom, and washroom featuring unique technologies developed in Japan, along with faucets.

TOTO can offer unified, suite-style space and complete plumbing system solutions to reduce environmental impact by conserving hot and cold water and saving energy.

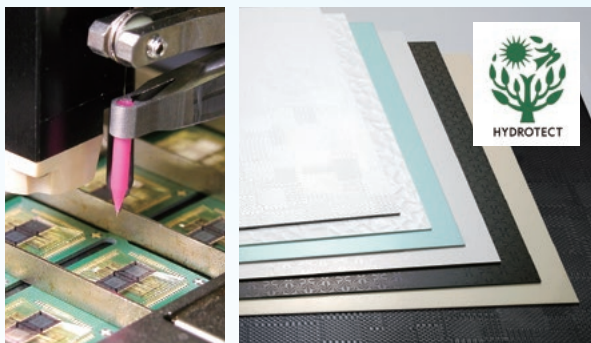
New Business Domain Products

[Advanced Ceramics Business]

TOTO manufactures and sells a range of high-quality, high-precision ceramics for the semiconductor, plasma display manufacturing, and fiber optic communications industries, including air bearings, electrostatic chucks, bonding capillaries, and receptacles.

[Green Building Materials Business]

TOTO offers paints and building materials utilizing HYDROTECT, an environmental purification technology. TOTO also enters license agreements and technology introduction contracts with companies worldwide handling exterior building materials (including tile, paint, metal panels, glass, and architectural stone).



TOTO NOW 1



Manufacturing Supporting TOTO

Manufacturing forms the basis of TOTO. From our Founder's thoughts of wanting to provide clean and comfortable plumbing equipment, TOTO has developed and popularized the first ceramic seated flush toilet in Japan. Through our manufacturing, we aim to be a company that continues to be indispensable to our customers.

The Origins of TOTO Manufacturing

The first time TOTO shipped its products dates back to August 1914. The very first seated flush toilets produced in Japan, manufactured at the Sanitary Ware Laboratory at Nippon Toki Gomei Kaisha (presently: Noritake Co., Ltd.), were delivered to stores and trial marketing began.

At a time when sewerage systems were not commonplace, Kazuchika Okura, who was to become the first president of Toyo Toki Co., Ltd. (presently: TOTO LTD.), and his father, Magobe, introduced the domestic production of sanitary ware, which included seated flush toilets. Father and son Okura toured the European pottery works to study and deepen their knowledge. Seeing how the popularization of flush toilets had touched American and European lifestyles, they foresaw how flush toilets would also become necessary in Japan within the near future. In January 1912, they invested their own money in Japanese pottery to establish the Sanitary Ware Laboratory where they began research into domestic production of sanitary ware. After some 17,280 trial productions, they successfully made the transition to domestic production of sanitary ware in 1914 and perfected not only Japanese-era style toilets, but also what went on to become the commonplace seated toilet. In May 1917, three years after making the transition to domestic production, in order to popularize sanitary ware, they established Toyo Toki Co., Ltd. (presently: TOTO LTD.) on land in Kokura, Kyushu. Perfecting the seated flush toilet through their desire to provide clean and comfortable lifestyles, formed the origin of TOTO Manufacturing.

Research and Development Capabilities Supporting Manufacturing

Since our foundation, through developing a diverse array of products and services, TOTO has developed numerous manufacturing technologies. Firstly, we began by quantifying people's movements and sensations through "ergonomics" and "kansei (sensitivity) engineering," which are "people-observation" techniques for logically realizing ease of use and comfort. Next, came "fluid control," "electronic control" and "water modification," which are "water manipulation" techniques for realizing more comfortable and cleaner functionality by modifying water flow and water quality. This is followed by "surface control," "materials processing" and "material analysis," which are "material appreciation" techniques for improving the sophistication, antifouling properties and durability of materials by modifying material surface characteristics. By organically fusing these techniques, TOTO continues to produce attractive products and technologies that create customer value, such as "environmental consciousness," "UD*" and "design" values.

Manufacturing Technologies Supporting TOTO's Products

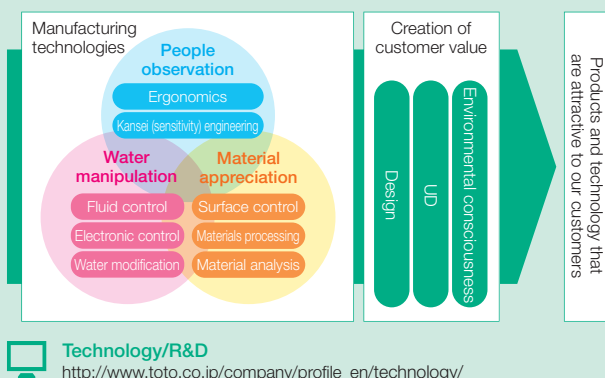
Let us take a look at one such example: SAZANA - a Cradle Bathtub that was launched in August 2012. This is a Cradle Bathtub which achieves a new sensation of being caressed in a cradle by focusing on the degree of comfort at the moment of entering into the bath. Improving the area around the head and

* Universal Design (UD): the design of products that are comfortable and safe to use for everyone, irrespective of differences in age, gender, physical condition, nationality, language, knowledge or experience.



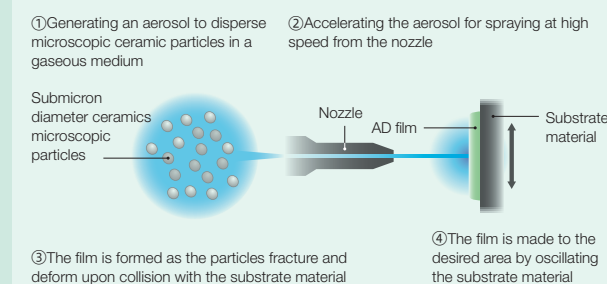
① Japan's first ceramic seated flush toilet ② First-generation Washlet G ③ Cradle Bathtub ④ Computer simulation result of the toilet by "TSUBAME" supercomputer

■ "TOTO R&D" road map



TOPIC Winner of the "39th Harushige Inoue Award"

In fiscal 2014, TOTO Fine Ceramics LTD. won the 39th Harushige Inoue Award for its "Practical application of aerosol deposition technology by using ambient temperature impact solidification phenomenon." This is a technique for forming high-density, high-adhesion ceramic films on substrate material surfaces by an aerosol created by mixing microscopic ceramic particles with a gas at ambient temperature. The application of this technology, which overturns the common perception of "making ceramics by firing," is greatly anticipated in a variety of fields.



Making ceramic films by aerosol deposition (AD) technique

neck, the shape of the rim at the section where you step over is lowered to make it easier to climb into and sit down, and the curved design of the bathtub follows the natural posture assumed by people while they are relaxing. This makes it possible to increase the contact surface area of the torso and back of the bathtub by approximately 34% (TOTO verification results) compared to conventional bathtubs, and support the area of the back nearest to the head to further stabilize the body posture when entering into the bath. These "people-observation" techniques are entirely based on ergonomics.

Our sanitary ware toilets are analyzed by using the Tokyo Institute of Technology's "TSUBAME" supercomputer. In days past, developers would actually trial products, which skilled engineers created models by their experiences and intuitions, by repeatedly checking water flow. In contrast to this, from the standpoint of "water manipulation" techniques, which are based on fluid dynamics, analyzing water flow by computer simulation has streamlined the process by reducing trial and error. By utilizing "TSUBAME," the two differential weights of water and air in a fluid can be simultaneously calculated; thereby, improving the evaluation accuracy by closely connecting the analysis results to the actual flow. From here onwards, by being able to develop more sophisticated product designs, we expect to contribute to

more exacting water-saving toilets and improve the groundbreaking performance of our products.

Future Challenges and Vision

Products that are attractive to our customers, such as technology, design and price are all qualities that bring satisfaction. TOTO focuses on pursuing all these value. To achieve this, it is important to switch our thinking from technology that resolves dissatisfaction of diverse customer demands to technologies that will create new value. In addition, we anticipate component miniaturization, for the dual-purpose of improving design and functionality, and the discovery and development of groundbreaking new materials will become necessary. Furthermore, the construction and manufacturing of products that can be presented at appropriate prices and platformization beyond conventional systems have become challenges.

By resolving these challenges, TOTO is consciously opening a path to become a Truly Global Company. By presenting a new lifestyle value to our customers around the world based on our capabilities that we have cultivated in Japan, TOTO Group will continue to be an indispensable company. This is the path that we will be taking.

TOTO NOW 2



TOTO's Global Strategy for Today and Tomorrow

TOTO's vision is to become a Truly Global Company. To become company that is rooted at home and overseas and to continue to be indispensable to our customers in the locations where they live. By establishing our brand in each country and region, we will promote further global expansion by taking a holistic view of future improvements in overseas sales ratios.

TOTO Has Looked Overseas Since Its Founding

The TOTO Group operates 56 consolidated companies in 18 countries and regions (29 in Japan, 27 overseas). We are creating a system for the development, production, and sale of products tailored to local markets cooperating while respecting the culture and lifestyle habits of that country and region.

This is the vision that we have maintained since our founding, going back to our naming as Toyo Toki Company, Limited ("Toyo" means "Orient" in Japanese) at the time of our establishment in 1917 with an eye to developing markets in the Orient (China and Southeast Asia). Selecting Kokura in Kitakyushu City for the location of our headquarters and production bases, which facilitates export of products to China and Southeast Asia as well as procurement of raw materials and fuel needed to mass-produce ceramic sanitary ware, was also for this reason.

A Truly Global Company that TOTO Aspires

The TOTO Group does not view countries and regions outside Japan simply as production bases or markets. Our vision is to put down roots as a corporate citizen in each country and region, practice our Company Mottos of "Quality and Uniformity," "Service and Trust," and

"Cooperation and Prosperity," and expand use of our products with high environmental performance realized through our unique technologies.

To achieve this, after being recognized as a company of the respective country and region, we must continue being indispensable to the local society and customers not as a "Japanese company that has entered the local market," but as a company of the respective country and region. This is why the TOTO Group is working to advance localization of human resources. Realizing our goals of permeating our brand rooted in local communities and contributing to improving lifestyles and sanitary culture is part of the localization that the TOTO Group is advancing and is our vision as a "truly global company."

Viewed from Fiscal 2014 Results TOTO's Global Expansion for Today

In fiscal 2014, TOTO's Overseas housing equipment business successfully achieved growth in sales and operating income. This was largely a result of expanding various overseas offices by focusing on achieving our TOTO V-Plan 2017.

In India, the sanitary ware production plant, which began construction in 2012, began operating in July 2014. The high water conservation technology and quality of TOTO's products have been highly appraised. We delivered our public equipment, such as toilets and fittings



- ① "ISH 2015" Exhibition booth
- ② Soccer stadium in Brazil "Arena de Sao Paulo"
- ③ Sanitary ware production plant in Fujian, China
- ④ IF Product Design Award winning "Neorest AC"
- ⑤ "GALLERY TOTO" toilet showcase

to Mumbai Airport (Chhatrapati Shivaji International Airport), which opened in January 2014. In Brazil, we delivered our water-saving toilets to a soccer stadium in Sao Paulo. In China's Fujian Zhengzhou City, our sanitary ware plant began operating to reinforce our supply system to meet increasing demand inside China.

In May 2014 we exhibited at Asia's largest plumbing equipment international trade fair: Kitchen & Bath China 2014, held in Shanghai and, in March 2015, we also exhibited at the International Sanitary and Heating (ISH) trade fair held in Frankfurt, Germany. The benefits of TOTO's water conservation products and the excellent design of our Reddot Design Award and iF Product Design Award winning products continue to be highly appraised each year and strongly appeal to numerous customers overseas.

Looking Ahead to Further Overseas Market Expansion

The targets for the Overseas housing equipment business in the TOTO V-Plan 2017 have grown to 24% of all sales. Based on this achievement, our vision is taking steps to become a Truly Global Company to realize continuous future improvement of our overseas sales ratios.

In order to expand our overseas market, it is vital that we increase opportunities for overseas customers to come into contact with and try out TOTO's products. Presently,

further expansion is expected to follow the increasing trend in overseas tourists visiting Japan and also with the hosting of the 2020 Tokyo Olympic and Paralympic Games.

The first steps were taken in April 2014 with the installation of GALLERY TOTO in the departure lobby inside the Terminal 2 building at Narita International Airport where visitors can "try out" the latest models. By experiencing first-hand the comfort of TOTO's products, which everyone will want to use, and Japan's attractive washroom culture, will stimulate demand when visitors return home to their country and want a toilet "like those they have in Japan." Therefore, as this cycle turns around, we are planning products that are tailored to each country and region by creating a platform to successfully facilitate localized purchasing and installation. To this end, networking of our global bases and product platformization have become increasingly important.

The TOTO Group is looking to pioneer and expand overseas markets by taking steady steps towards establishing our brand through brand recognition and penetration, and by expanding our business model so that it becomes rooted locally in all regions.

Strengths Supporting Business



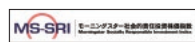
Highly objective and transparent management

http://www.toto.co.jp/company/csr_en/management/

International Recognition of Our CSR Management

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

ROBECOSAM
Sustainability Award
Bronze Class 2015



Risk simulation
Number of facility bases

FY2014 actual

15 sites



TOTO Group Business Conduct Guidelines

CSR Management

We aim to achieve our TOTO Group Corporate Philosophy through CSR initiatives.

Participation in the United Nations Global Compact

TOTO announced its participation in the “Global Compact,” which is put forward by the United Nations, and registered as a participant company (registered 2011). TOTO will uphold the 10 principles on “Human Rights, Labor, Environment and Anti-Corruption” and implement them as part of TOTO’s strategy, culture and daily work, and commit to the Development Goals targeted by the United Nations.

Materiality

At the CSR Committee, which convenes once a year, key global social issues are discussed based on a Materiality Map which takes into consideration the “significance for society” and “significance for the TOTO Group.” In fiscal 2014, we strategically focused on the three most important topics of “water resource conservation,” “preventing global warming” and “reinforcement of supply chain management.”

Strengthening of Risk Management

Every year, we identify the major risks that could have a significant impact on stakeholders and promote our risk prevention measures. Each major risk is mapped out on a matrix evaluating degree of impact and frequency of occurrence from the viewpoints of damage to the brand, and impact on personnel and financial consequences. Risks scoring high in risk points are flagged as priority risks and monitored by the Risk Management Committee, and risk mitigation activities are promoted throughout the entire Group.

The Great East Japan Earthquake required us to take unanticipated actions, and so using this as motivation, and in order to help us develop more flexible decision-making and executive abilities. From fiscal 2011, we have been implementing real-time risk simulation training. In the interim four years, training has been completed at all TOTO Group’s business locations.

Strengthening of Compliance

In order to promote the development of an organization that respects compliance within the Group, we have been working to create an organizational culture that does not turn a blind eye to violations through conducting Interactive Compliance Training at each place of work. In addition, by implementing Compliance Management Training by using case studies of possible workplace violations and thinking about how to respond and act during unexpected situations so as to acquire basic abilities and practical skills, we are working to further cultivate an organizational culture of correct behavior that abides by the rules. On the other hand, with regards to our activities towards global compliance, we have reviewed our compliance program with reference to the United States Federal Sentencing Guidelines, and we are strengthening our training and education programs as well as our audit and monitoring functions.

Ensuring Customer Satisfaction

To continue bringing our customers confidence and contentment in their daily lives, with a sense of unity, everyone at the TOTO Group listens sincerely to customer feedback, and we are committed to providing quality products and services that will exceed their expectations.



For Customer Satisfaction

http://www.toto.co.jp/company/csr_en/cs

Using Our Products with Confidence

TOTO Group products are used daily by a diverse array of people. Therefore, our mission is to provide products capable of safe use with confidence. The TOTO Group implements an integrated quality management system based on ISO 9001 standards and is working on continual improvement of the quality.

To ensure product safety and compliance with laws and regulations, our employees receive extensive training to increase their safety knowledge and awareness. As a basic policy for product safety, we have also drawn up voluntary action guidelines on product safety—the TOTO Group Voluntary Action Guidelines Related to Product Safety—to enhance awareness of product safety throughout the TOTO Group.



Product safety assessment

Sharing Customer Feedback and Utilizing It in Manufacturing

We aim to attain a level of satisfaction in our products and services exceeding customer expectations. TOTO makes full use of customer feedback as the starting point in product development and quality management.

The Customer Division promptly sorts opinions and requests from user questionnaires and through the Customer Consultation Center and conveys them to the division in charge while posting such information on the intranet to also share information with employees who generally do not deal directly with customers. We also collect and analyze customer feedback, utilizing it in manufacturing, such as in new product development and product improvement.

Through the Meeting of Customer Satisfaction (CS), which involves all divisions within the TOTO Group, and through meetings within individual divisions for the presentation of CS activities, we aim to share initiatives viewed from the customer's perspective and to implement activities designed to further improve customer satisfaction.



A call center



TOTO Group Meeting of Customer Satisfaction in FY2014

Building Foundations for a High-Quality After-Sales Service

At TOTO Group, “TOTO quality” refers not just to the quality of the products themselves but also encompasses product installation and maintenance if a problem arises.

We work to enhance all aspects of after-sales service: improving maintenance technology, educating staff on appropriate behavior when making a service call, and speeding up the process from booking a service call to repair completion, so that we can render after-sales service by the date and time promised.

Currently, the After-Sales Service Department and the Manufacturing Divisions are working in close coordination to improve products rapidly. In response to the wishes of customers undertaking repairs themselves, we are also continuing to post information on our website and other media on how to repair TOTO products.



Product maintenance

To Bring the Values of Remodeling to Customers

Our Remodeling fair at a TOTO plant, which is held at TOTO Group's production center in Japan, was held 13 times in fiscal 2014 and received approximately 26,000 visitors.

In addition, since the activity was first opened in fiscal 2009, the fair has been held a total of 134 times. The number of visitors exceeds 215 thousand people and the activity continues to convey the value of remodeling to an extraordinarily large number of people.



Remodeling fair at a TOTO plant in FY2014



All Employees Together

http://www.toto.co.jp/company/csr_en/employees/
<Content>

Systems and structures supporting diverse ways of working and detailed hierarchy-based training for the objective of promoting women in the workplace

Continuous Training of Human Resources that Lead Innovation

We are promoting an array of activities to create an animated working environment in which the privacy of every individual working in the TOTO Group is respected.

Promoting Diversity

The TOTO Group respects the individuality of its workforce, which differs in such respects as age, gender and nationality. We believe we can create prosperous and comfortable lifestyles by leveraging the fresh new ideas born from these differences. Led by the Diversity Promotion Section within our Human Resource Division, we are currently promoting a wide range of activities, including the career advancement of women and the hiring of persons with disabilities.

Ratio of female managers

FY2014 results (Japan)

5.6%



■ Career Advancement of Women

Having set a target of increasing the percentage of female managers at TOTO to 10% by fiscal 2017, the centenary of our foundation, we have promoted a number of initiatives. Particularly in the hierarchy-based training sessions targeted at female employees, we concurrently run the training for their supervisors, and we are also putting a great deal of effort into enhancing the management skills of supervisors aimed at promoting the career advancement of women.

As a result of promoting such activities, in 2013 we were the chosen company of the "Diversity Management Selection 100" and, in March 2015, we were selected as the "Nadeshiko Brand" at the Tokyo Stock Exchange.

Employment rate of persons with disabilities

FY2014 results (Japan)

2.5%

■ Promoting Employment of Persons with Disabilities

The TOTO Group aims to achieve normalization in its workplaces, and to this end, we continue to recruit individuals with disabilities. In fiscal 2014, we achieved a disabled person employment rate of 2.5% prior to the target year of fiscal 2017. From here onwards, we will be focusing on promoting the further occupational expansion of Group-wide disabled persons, such as promoting the recruitment of intellectually and mentally disabled people.

■ Globalization of Human Resource

TOTO has set a target at overseas Group companies of increasing the ratio of management positions (Division Managers) occupied by locally hired personnel to 50% by fiscal 2017 in order to make the companies part of local people's lives. For this purpose, we invite overseas executive candidates to exchange views regarding the management layer, management philosophy and management policy from a viewpoint of globalization to share our awareness.

In addition, we implement human resources exchange programs, not only for our executives, but also for our general employees, and an enhanced Award System, which help to create a corporate culture working with a sense of unity.



Overseas executive candidate training

Work-Life Balance

At the TOTO Group, we are committed to promoting a work-life balance and working time optimization under the notion that having our workforce to review their working hours to harmonize their work and home lives, which will lead to enhanced productivity and a sense of reward from work.

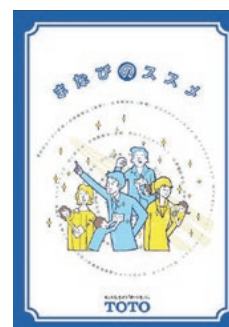
To promote the acquisition of paid leave, we have encourage acquiring 12 days or more annually. To facilitate diverse ways of working, we have put in systems to facilitate taking paid leave in hourly units to support both childcare, nursing care and work commitments, and flextime by which work times can be shortened or duty starting/finishing times can be shifted.

In addition, in June 2015, we introduced a new paid leave system “Papa-Mama Holiday System” for employees that have children to promote employee participation in family chores and raising their children.

Self-Motivated Human Resources

At the TOTO Group, we are implementing our TOTO Management School (Keiei-Juku) to foster next-generation leaders. We provide hierarchy-based training for our employees to be conscious of moving up to the next level, open training in which individuals can select the items they want to learn, and cross-occupational exchanges to grow knowledge from diverse types of work. By publishing, specialized information magazines, we are creating enhanced participation motivation of our entire workforce.

In addition, from here onwards we will be providing further presentation opportunities to penetrate a self-learning corporate culture for all generations. More specifically, through our activities to instill the importance of learning in both our superiors and subordinates, we are developing discussion workshops for discussing possibilities of creating new values “OJT,” and developing an organization that is able to recognize the joy of learning.



In-house magazine
“Recommended Learning”

Creating Healthy Minds and Bodies

In order to achieve that, we are developing health-conscious initiatives on the three pillars of health care, mental health measures and health promotion.

With regarding health care, we aim to maintain and improve health and prevent physical illness by implementing periodic health checks and subsequent measures. As one of our mental health measures, we follow up surveys given at the time new employees enter the company and implement mental health seminars for our employees in their third year. We also conduct management training for our managers and supervisors as part of our line-care. With regarding health promotion, TOTO implements various health promotion programs, such as walking events centered on our health care center and TOTO's Health Insurance Association. The results of improved participation rates are linked to the prevention of lifestyle-related diseases, health promotion and the fostering of health awareness.



健康経営銘柄
Health and Productivity



Scene at a walking event

Safety and Health

TOTO has been working to increase awareness of safety and stop unsafe work practices and conditions in order to eliminate work-related accidents. In recent years, we have been concentrating on raising the level of safety management activities through mandatory activities at workplaces where improvements were needed, putting in place activities appropriate for each workplace and the number of work-related accidents in Japan has declined for four consecutive years.

Work-related Accident Frequency in Japan

FY2014 actual

0.13



Together with Suppliers

[http://www.toto.co.jp/
company/csr_en/customers/](http://www.toto.co.jp/company/csr_en/customers/)

Compliance rate of requested standards of suppliers in Japan

FY2014 results

100%

Number of Business Divisions holding policy briefing sessions

FY2014 actual

11 Departments



Policy briefing sessions for suppliers

Compliance rate of requested standards of mines

FY2014 actual (for domestic production sites)

100%

Percentage of domestic legal/recycled timber

FY2014 results

90%

Promoting CSR Procurement Together with Suppliers

The TOTO Group endeavors to meet its corporate responsibilities in the areas of the environment, society and governance and to achieve the sustainable development of the Earth.

Together with our suppliers, we offer products and services of value to our customers.

CSR Procurement Activities

When implementing our activities, we positively advance them by taking into account the state of the industry by conducting policy briefing sessions and survey questionnaires for all our suppliers, and through visiting corporate auditors, as mainstays of our procurement activities.

In addition, through our CSR, we are continually ascertaining and evaluating the status of the activities of all our suppliers by utilizing our questionnaires. We set requirements and achievement standards in our survey questionnaires which must be attained as a prerequisite for conducting business with us. The requirements include “human rights and labor” and “enhancing the promotion of CSR procurement to their own suppliers.” Presently, all of our domestic suppliers have achieved our standards and we are currently reviewing our survey questionnaires with the aim of further enhancing our CSR Activities.

For overseas, we implement CSR survey questionnaires for important supplier companies to secure an understanding of the status.

Hosting of Policy Briefing Sessions for Suppliers

In order to deepen mutual understanding and maintain trustworthy relationships with our suppliers, we hold yearly policy briefing sessions to facilitate two-way communications. In fiscal 2014, by holding briefing sessions with all of our Business Divisions, we shared our production information and explained the importance of CSR while conveying TOTO's procurement policy.

In addition, during the year, we presented awards and certificates of appreciation to our suppliers who contributed to keeping costs down, maintaining delivery schedules and improving quality. Participants tell us that this event is conducive in the sense that they can learn about how the TOTO Group handles CSR, and share their peers' attitude toward it and cases that show how they work on it.

By building relationships with our suppliers with the aim of mutual development, we will continue to hold these sessions in future for the improvement of the entire TOTO Group supply chain.

Procurement Respecting Biodiversity

For earth and stone raw materials used for plants in Japan, we confirm the legality and sustainability at all mines through questionnaires or the results of informational interviews via trading companies, including whether TOTO-designated standards concerning reforestation or restoration of areas where mining has ended and measures to prevent pollution of rivers and lakes from mining or tailings are being met. As a result of these verifications, all mines achieved the standards required by TOTO.

In addition, we verified the legality, etc. of wood-based materials used in products made at production centers in Japan. The results showed that 90% of wood-based materials procured were legal or recycled materials, 61% were legal materials and 29% were recycled materials. Going forward, we will continue endeavoring to improve the ratio of legal wood-based materials and recycled resources.

Social Contributions and Community Involvement

The TOTO Group uses its management resources effectively in conducting social contribution and community coexistence activities aimed at the resolution of local and global social issues.

We carry out various activities in the three priority areas of preserving the water environment, creating a sanitary and comfortable living environment, and developing the next generation.

Preserving the Water Environment

In fiscal 2005, we established the TOTO Water Environment Fund to support environmental activities by NPOs and civic groups with the aim of solving issues of water in everyday life.

From 2013, we renewed our structures to increase the grant as involvement of the stakeholders in environmental contribution increase. We have expanded our sphere of activities through volunteer participation by many of our employees while calling for our customers to join in. In our TOTO Acorn Reforestation Project, which began in fiscal 2006, people from local communities are cultivating acorns by hand and returning these saplings to the forests. Participants also cut the grass regularly to encourage growth into fully formed trees. We will continue making environmental contributions through cooperation with society as a whole.

Creating a Sanitary and Comfortable Living Environment

In order to provide comfortable plumbing spaces that can be used by individual or numerous people we are advancing our construction of a universal-design plumbing infrastructure centered on our TOTO Universal Design Research Center. We also conduct surveys and research and make conferences presentations about plumbing equipment, such as through the School Toilet Research Group launched with an aim of developing toilets that can be used with confidence by children and local people, as well as through the Hospital Restroom Society of Healing, whose aim is to realize safe, secure and comfortable toilets in hospitals and welfare facilities.

Outside of Japan, through our Water Environment Fund, we are installing wells to supply safe drinking water in regions that are not equipped with sanitary environments, such as Cambodia and Mozambique. We will continue our efforts to construct sanitary and comfortable living environments by effectively using our management resources.

Development of the Next Generation

We are conducting TOTO GALLERY•MA and TOTO Publishing for the purpose of contributing to foster and nurture architectural culture. TOTO GALLERY•MA in Tokyo (Nogizaka) specializes in exhibitions on architecture and design. Since opening in 1985, the gallery conveys the ideas and creative works of architects and designers from around the world as a gallery specializing in architecture and design for 30 years. Many students aspiring to become architects visit the gallery. Furthermore, TOTO Publishing publishes books linked to exhibitions to present multifaceted concepts by different architects and designers.

In the arts, TOTO has been a special supporter of the Kitakyushu International Music Festival since 1988, supporting the development a city of culture in Kitakyushu, where the TOTO headquarters are located. In the area of sports, we are nurturing a spirit of engaging in sport through track and field classes run by members of the TOTO Athletics Club and through the Healthy Kids Marathon Meet, which are specially co-sponsored by TOTO. In fiscal 2014, we decided to support the newly established the public and private study abroad support system "Tobitate! [Fly away!]" Study Abroad Program. Thinking about matters on a global scale, we are supporting the nurturing of young people who are capable of being active in the world.



Social Contribution Activities

http://www.toto.co.jp/company/csr_en/social/contribution/

TOTO Water Environment Fund

9th Grant assistance

25 Organizations
¥13.0 million

1st to 9th Grant assistance total

158 Organizations
¥170.41 million



Beach cleanup activities by employee volunteers



Installation of wells for supplying safe drinking water (Cambodia)



Toyo Ito Exhibition: Trajectory of the Taichung Metropolitan Opera House 2005-2014
©Nacása & Partners Inc.



Healthy Kids Marathon Meet



Stakeholder Engagement

http://www.toto.co.jp/company/csr_en/stakeholder/

Stakeholder Engagement

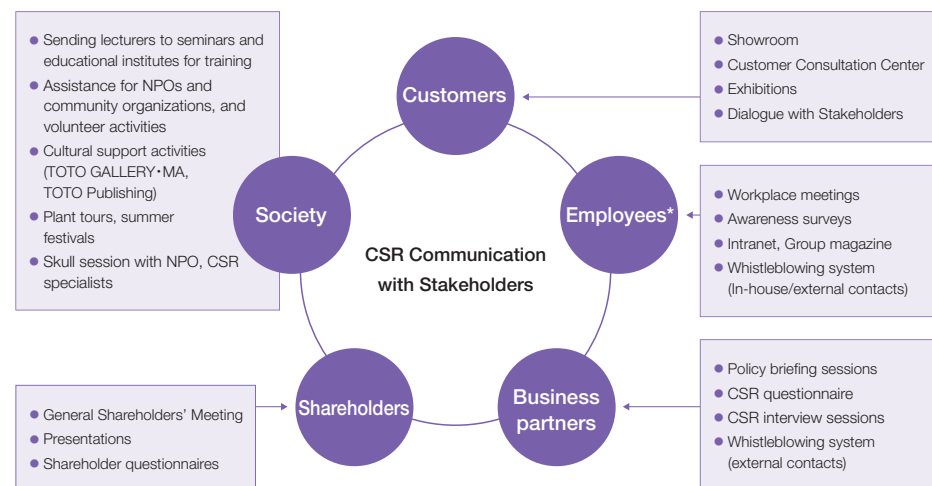
TOTO considers the concept of stakeholder engagement to be vital in building relationships of trust with stakeholders and to facilitate cooperation. By doing so, we aim to improve society for generations to come.

Promoting Two-Way Communication

The TOTO Group places importance on communication with all stakeholders, including customers, employees, shareholders, business partners and the society, and endeavors to develop closer relations with them.

We deepen interaction with our customers through various occasions, such as events at our showrooms, plant tours and summer festivals, and we engage in direct dialogue with our business partners through policy briefing sessions and CSR questionnaires. As for our shareholders, we disclose appropriate information in a timely manner, and we offer invitations to tour plants and showrooms so that they can appreciate the spirit of TOTO manufacturing. We will continue trying to improve stakeholder satisfaction through communication as a way of further advancing our corporate activities.

CSR Communication with Stakeholders



*At the TOTO Group, all persons working for the TOTO Group are referred to as "employees."



During Stakeholder Engagement Program

Dialogue with Stakeholders

Based on the belief that two-way communication with customers is paramount, TOTO has been holding annual stakeholder dialogues with customers since 2004. Since fiscal 2012, we have engage in dialogue with experts aimed at a strategic approach to the resolution of social issues.

In fiscal 2014, we participated in the most recent global discussions, such as Exercising Human Rights Due Diligence, and Stakeholder Engagement Program* (Human Rights Due Diligence Workshop) with the aim of deepening our understanding of future directional movement.

*Stakeholder Engagement Program:

We are participating in multi-stakeholder, corporate, NGO/NPO, and expert planning with the aim of practicing UN Guiding Principles on Business and Human Rights in corporations by sponsoring specific NGO/NPO Business CEO Round Table Conference Japan Committee.



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Third-Party Opinion



Mizue Unno

Managing Director So-Tech Consulting Inc.

So-Tech Consulting Inc. provides comprehensive consulting services on management in the fields of the environment and CSR. The company uses its unique analytical capabilities to provide practical guidance on CSR-related management based on the fundamental idea that a company's set of values forms the foundation of CSR and raises corporate value.

The last fiscal year was a challenging year in which the medium-term business plan was carried forward towards achieving the TOTO V-Plan 2017. In the short-term, without getting caught up in the transitions of the performance results, CSR activities progressed towards improving the long-term corporate value.

Clarification of Social and Environmental Vision

• Sustainable trends to crystallize conceptual hierarchies

In addition to environmental management, companies are being expected to show sustainable trends, which include social sectors. "Universal Design (UD)," the "Environment," and "Bonding" are already positioned as business missions so these three sectors that form the basis of environmental and social triggers must be linked into the business plan. It will become necessary to take this point in mind when deciding business plans and tie it into the system for practicing Corporate Philosophy in future.

• Deployment of even more water-conscious frameworks

The criteria for being a "truly global company" is not just about business internationalization, it is about collaborating with local entities and gaining the trust of the communities on a global level. TOTO's approach to their business plan, in which their "Water Business" is the mainstay, is to strengthen the strategic positioning of their social contribution activities. Presently, the TOTO Water Environment Fund is being put to further practical use in expanding improvements in sanitation around the world. It is also worth explaining not only about TOTO's activities, but also the activities conducted through collaboration with various stakeholders, such as private organizations and public institutions.

Core Businesses and Innovation Activities

• Domestic housing equipment business

The key to solid expansion is not merely about expanding material aspects such as making attractive products and shoring up markets, it is about embedding customer collaboration activities or, to put it simply, "Bonding." Therefore, I would like to see TOTO develop their trusted corporate brand and take it further.

• Overseas housing equipment business

This is the cornerstone of future business, therefore, it is necessary to explain the strategies for each region. In the emerging markets in particular, TOTO needs to be creative in how it takes part in offering sanitary and cultural toilets in places

that lack social infrastructures and how to market them. It is vital to look at the regional idiosyncrasies and develop and roll out new business models that will fit in.

• Demand chain innovation

This is an improvement by fusing previous Supply chain innovation and Manufacturing innovation together. It has been developed to take into consideration not only the customers but also the CSR of TOTO's suppliers, which could be said as a comprehensive value chain innovation. I would like to ask TOTO to practice their procurements, not only from the efficiency aspects, but also to extend it further to long-term trusted relationships.

• Management resource innovation

Strengthening human resources is an important cornerstone of business. I would like TOTO to consider that diversity is not simply about institutional development, but it is also a strategic advantage for making a business stronger. And also, because the success of the Overseas offices depends on local human resources, I would like to see TOTO increase their human resource training on a global level even further.

Key Performance Indicators (KPI)

Although disclosing the Environmental, Social and Governance (ESG) key performance indicators in conjunction with financial indicators has made the report easier to understand, the explanation of those results could be taken further. I would like to ask to not just consider design aspects, but also systematically arrange and report ESG activities based on these indicators.

Because TOTO is working on developing indicators for measuring their social contribution activities, I would like to see them publish these overall evaluations to in and outside the company.

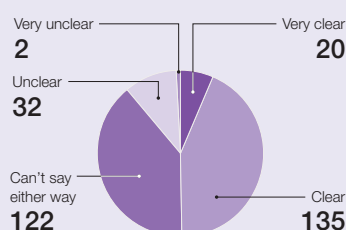
System of Reporting

Point of future improvement is to provide more valid messages and content depending on the target of each tool from the present systematized tools and reports. While investors are interested in the disclosure of non-financial information that effect performance, an explanation of how ESG factors tie into creating corporate value is also needed. The Corporate View needs to select information that it reports in respond to that. Therefore, I would like to ask TOTO to systematically examine the KPI, make them the internal management indicators and a focal point for explaining to outside of the company.

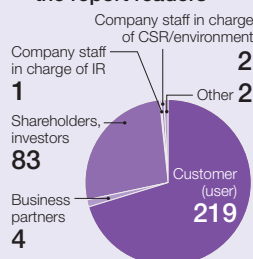
Comments and feedback from the questionnaire on the TOTO Group Corporate Report 2014

311 items received
as of April 2015

■ Opinion of the report as a whole



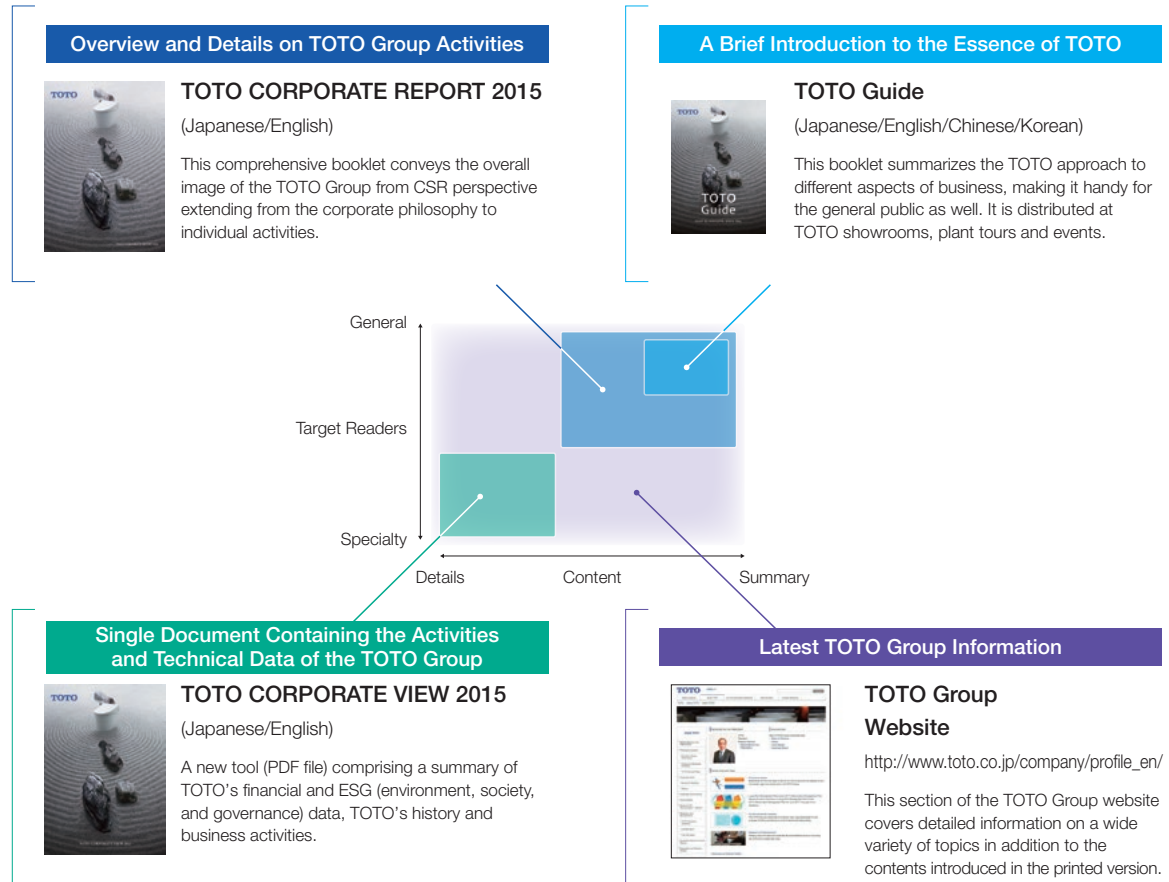
■ Standpoint of the report readers



■ Content that attracted interest (multiple answers) (top 10)



Overview of TOTO Group Communication Tools



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