

TOTO



TOTO Corporate Report 2016

The Spirit of TOTO Unchanging for 100 Years

Words of Our Founder

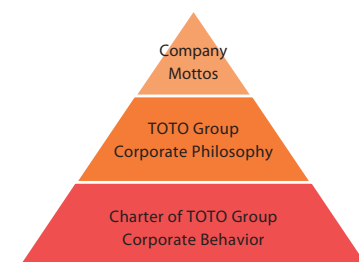
Kindness must always come first.
Bring the concept of service to your work.
Your goal should be to provide good products and satisfy the customer.
Accomplish that, and profit and compensation will follow.
Many in this world chase after the shadow of profit.
But, in the end, they never capture the real thing.

A letter written by the TOTO's first president, Kazuchika Okura, to his successor, Saburo Momoki, contains words that have been treasured as the "Words of the Predecessor."

In 1962, we formulated the Company Mottos based on our corporate activities in the future while respecting the tradition of TOTO's founding.

These established ideas from our founding are formulated into philosophy system for TOTO group management so they are appropriate for this time and can be shared by the TOTO Group.

Philosophy System for TOTO Group Management



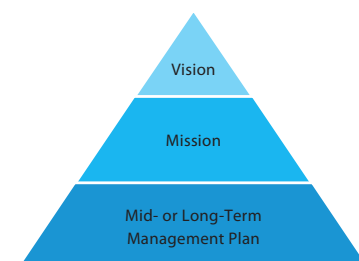
Common Group Philosophy

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.



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▶ 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 our 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 (Purpose)

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.

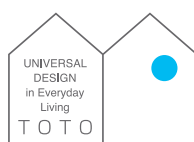
For details regarding the Charter of TOTO Corporate Behavior, please see the Common Group Philosophy section on our website at:
<http://www.toto.co.jp/en/company/profile/philosophy/group/>

▶ Vision

Toward a Dynamic, Vibrant and Excellent TOTO

▶ Mission

TOTO



TOTO CORPORATE REPORT 2016 Editorial Policy

This report has been published as an integrated communication tool for all of our stakeholders. This report introduces information such as the origins of the TOTO Group and business activity topics in addition to annual financial/ESG (Environmental, Social, and Governance) data. This corporate report communicates TOTO's corporate stance to be committed to linking its past and present performance with initiatives designed to further enhance corporate value for the future.

• Period of reporting:

FY2015 (April 1, 2015 to March 31, 2016)

*: This report includes some information pertaining to before or after the period.

• Scope of reporting:

TOTO LTD. and Group companies

• Guidelines:

Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines

Reference guidelines are available on the TOTO Group website.

<http://www.toto.co.jp/en/company/csr/stakeholder/gri/>

• TOTO Group Communication Tools

• A Brief Introduction to the Essence of TOTO Group

TOTO Guide



• Overview and Details on TOTO Group Activities

TOTO Corporate Report 2016



• Containing the Activities and Technical Data of the TOTO Group

TOTO Corporate View 2016

<http://www.toto.co.jp/en/company/profile/library/>



• Latest TOTO Group Information

TOTO Group Website
<http://www.toto.com/>



Message from the President

We will progress toward the next generation with unchanging spirit of our predecessors close to our hearts.

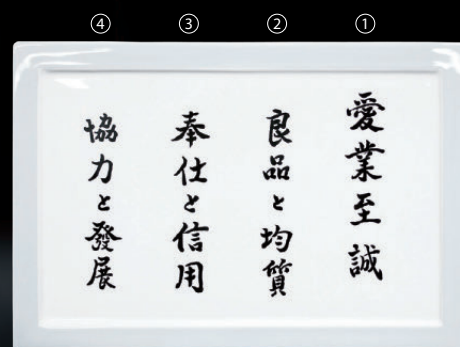
Unchanging Spirit

The TOTO Group conducts corporate activities with the aim of continuing to widely 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.

The TOTO Group's view on CSR management is that 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.

The core of our business is deeply rooted in the way we think about CSR. This sentiment is clearly recorded in a letter entitled "Words of the Predecessor" which was written by TOTO's first president to his successor, and in our Corporate Mottos. The conviction inherited at our founding is the heart of our manufacturing and the core of management.

Company Mottos



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

Together with all of our stakeholders

I believe our business is for all of our stakeholders from our customers and employees to our shareholders.

Continuing to provide products that have social value at the appropriate price is vital to bring satisfaction to our customers.

An environment that is always able to bring out the fullest potential of employees is necessary to achieve this. Therefore, we respect the individuality of people with diverse backgrounds and seek to develop self-motivated human assets 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, one important management priority is to see a return of profit to all our shareholders. We are striving to maintain a stable dividend while aiming to bring returns on the profit generated from our business performance.

TOTO V-Plan 2017

In 2009, The TOTO Group developed our long-term management plan, TOTO V-Plan 2017, towards celebrating our 100th anniversary. In this plan, we are focused on becoming a company trusted by everyone in each of our global business regions.

In addition, our products aim to continue to realize lifestyles with a low environmental impact while supporting our customers to live comfortably. We are working to realize this objective as a Group with the TOTO Global Environmental Vision as the driving force behind these business activities.

As the issue of water resource becomes severe, TOTO will offer products that consider the environment to customers around the world as a company that has been closely tied to water since the founding to contribute in realizing a truly sustainable society.

Global expansion

We must strengthen our global expansion of our businesses even further to evolve by achieving the TOTO V Plan 2017, and then track the sustainable growth.

Based on the idea that Japan is one part of the world, we integrated our independent Japan Housing Equipment Businesses from a global perspective in a new system composed of the Japan Housing Equipment Business, China & Asia Housing Equipment Business, and the Americas & Europe Housing Equipment Business. We will enhance the sustainability and speed of our businesses as well as improve our corporate value by accelerating decision making and reinforcing global links.

Official Partner (Plumbing Equipment) of the Tokyo 2020 Olympic and Paralympic Games

TOTO has entered into an official partnership (plumbing equipment) agreement for the Tokyo 2020 Olympic and Paralympic Games.

I hope to contribute to the specific vision of the games based on our corporate philosophy to create an enriched and more comfortable lifestyle and culture built on plumbing products by creating and continually providing plumbing spaces that can be used safely, securely, and comfortably by all of the athletes coming to Japan to compete in the games and all of the people who come to cheer for them.

For the next generation

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. We will heighten corporate value by sustaining and accelerating this momentum to exceed the expectations of today for a better tomorrow as a company able to create and provide lifestyle value.

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

TOTO's History

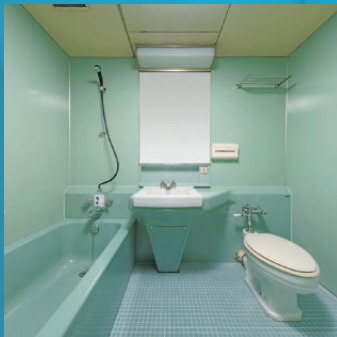
We walk a path of innovation with

1914 Japan's First Seated Flush Toilet

Prompted by exposure to advanced lifestyles overseas, TOTO founder Kazuchika Okura developed a strong desire to provide comfortable and sanitary living spaces. He subsequently established a ceramic sanitary ware laboratory, when the concept of public sewage systems was not yet widespread in Japan. And then in 1914, we completed Japan's first ceramic seated flush toilet.



1964 First Prefabricated Bathroom Module



Japan's first prefabricated bathroom modules (based on Japanese Industrial Standards) were delivered to the Hotel New Otani in 1964. The construction period was dramatically reduced and the aesthetic also improved.

1980 WASHLET® Transformed the Japanese Lifestyle

The WASHLET®, a toilet seat featuring a warm water shower that transformed the Japanese lifestyle and environment of toilet equipment, was released in 1980.



the spirit passed down since the founding of TOTO.

Evolution of the Toilet



The NEOREST tankless toilet realizes water conservation and cleanliness like never before thanks to the Tornado Flush System and Cefiontect technology.

Technology to realize water conservation and cleanliness



Tornado Flush System

The swirling tornado stream uses a small amount of water effectively to efficiently clean even tough stains. This flushing system evenly and fully cleans the toilet bowl.



Cefiontect

The concave ceramic surface is smooth at a nano level of one to the one millionth millimeter. This unique TOTO technology repels dirt and makes cleaning easy.

Evolution of the Bathroom



SAZANA is a system bathroom that realizes great comfort and environmental performance thanks to the easy-to-clean warm, and quick drying floor, AIR-IN SHOWER showerhead, and thermal insulating bathtub.

Technology to realize comfort and environmental performance



Easy-to-Clean Warm, and quick drying Floor

More ease of cleaning of the Hokkarari Floor, with comfortable softness and keeping warmth by special hydrophilic treatment.



AIR-IN SHOWER showerhead

Technology to aerate the water enabled larger water droplets providing users with an enjoyable shower experience.

Evolution of the WASHLET®



WASHLET® Apricot provides ewater+ to guarantee a clean toilet bowl and nozzle as well as an instantaneous heated toilet seat.

Leading WASHLET® Technology



ewater+

TOTO's clean Antibacterial electrolyzed water technology cleans the source of dirt.



Instantaneous Heated Toilet Seat

A sensor detects the people's movements to only heat the toilet seat during use.

*: Illustrative images

TOTO V-Plan 2017

The TOTO Group formulated the TOTO V-Plan 2017 as a long-term management plan in July 2009.

This strategic framework is to reinforce corporate governance and has three core businesses; domestic housing equipment, overseas housing equipment, and new business domains. This framework also promotes marketing innovation, demand chain innovation, and management resource innovation as three company-wide, cross-departmental innovation activities. The TOTO Global Environmental Vision will be the driving force behind these business activities and promoted in the entire Group.

Moreover, we have integrated our housing businesses from a global perspective in fiscal 2016 to further reinforce and promote our two core businesses; the global Housing Equipment Business, which is made up of the Japan, China & Asia Housing Equipment Business, and Americas & Europe Housing Equipment Business, and our new business domains, which are made up of ceramics and green building materials.

The management plan goals*¹ for fiscal 2017 target net sales of 650 billion yen, an operating income of 61 billion yen, ROA of 10% or more (on a basis of operating income), and ROE of 10% or more (on a basis of net income).



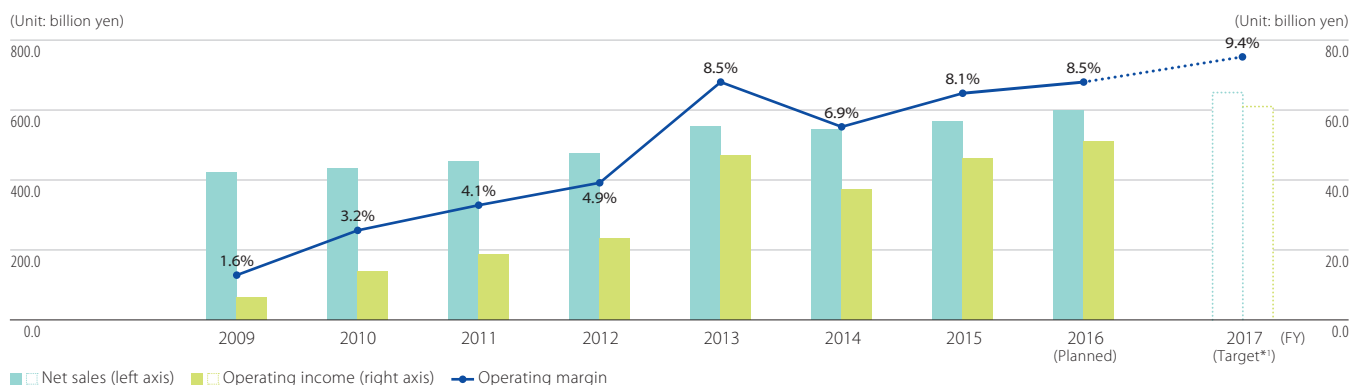
Actual Results since the Formulation of TOTO V-Plan 2017, Projected Results for Fiscal 2016, and Targets for Fiscal 2017

(Unit: Billion yen, rounded down)

	FY2009 actual	FY2010 actual	FY2011 actual	FY2012 actual	FY2013 actual	FY2014 actual	FY2015 actual	FY2016 planned	FY2017 target* ¹
Net sales	421.9	433.5	452.6	476.2	553.4	544.5	567.8	600.0	650.0
Operating income	6.5	14.0	18.7	23.3	47.1	37.4	46.1	51.0	61.0
Operating margin	1.6%	3.2%	4.1%	4.9%	8.5%	6.9%	8.1%	8.5%	9.4%
ROA (on a basis of operating income)	1.7%	3.7%	5.0%	6.0%	10.7%	7.5%	8.8%	9.4%	More than 10%
ROE (on a basis of net income)	0.5%	2.8%	5.2%	8.8%	19.4%	10.0%	13.1%	13.1%	More than 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



*: This Medium-term Management Plan based on assumptions, estimates and plans as of May 23, 2014.

Actual performance may differ materially from these forward-looking statements, competition and foreign currency exchange rates.

TOTO V-Plan 2017 Overview

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.

□ ▶▶ p.17

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.

□ ▶▶ p.9

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.

□ ▶▶ p.11

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.

□ ▶▶ p.13

Cross-organizational Innovation Activities

Marketing Innovation

In charge of product strategy from an optimal company-wide perspective

□ ▶▶ p.14

Demand Chain Innovation

Early and efficient response to the demands of customers

□ ▶▶ p.15

Management Resource Innovation

Drives innovation through the efforts of diverse human assets

□ ▶▶ p.15

Strengthen 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.

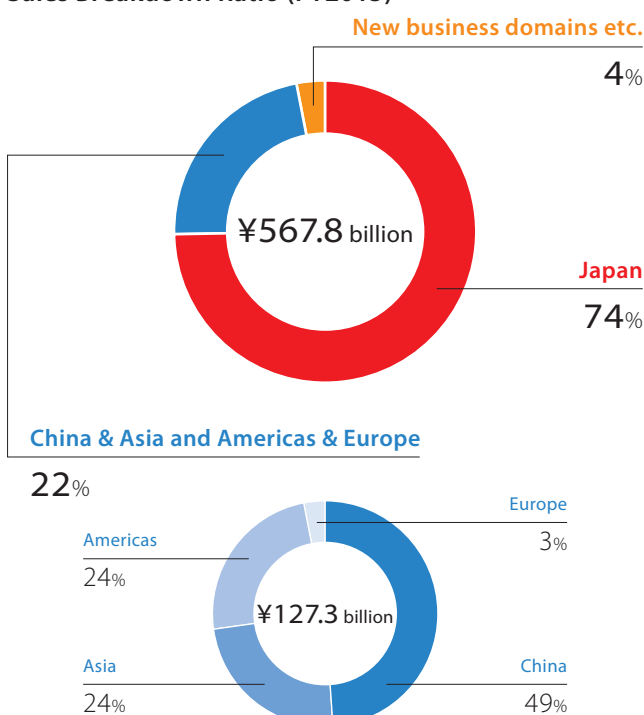
□ ▶▶ p.16

Based on the TOTO V-Plan 2017 formulated in 2009, two years in fiscal 2010 to 2011 was building the foundations and medium-term management plan for fiscal 2012 to 2014 was formulated in 2012.

In fiscal 2013, targets for fiscal 2014 were achieved ahead of time and new medium-term management plan for fiscal 2014 to 2017 was formulated.

Our performance in fiscal 2015, which was the second year of our medium-term management plan, saw a net profit of 567.8 billion yen (4.3% increase from previous year) and an operating income of 46.1 billion yen (23.3% increase from previous year).

Sales Breakdown Ratio (FY2015)



Global Housing Equipment Business

Japan Housing Equipment Business

*: The domestic Housing Equipment Business is now referred to as the Japan Housing Equipment Business from fiscal 2016 in the TOTO V-Plan 2017.

FY2015 actual

Net sales



¥420.3 billion

Year-on-year net sales

+5%

Operating income



¥28.5 billion

Difference from previous year

+¥9.5 billion

Growth in remodeling segment



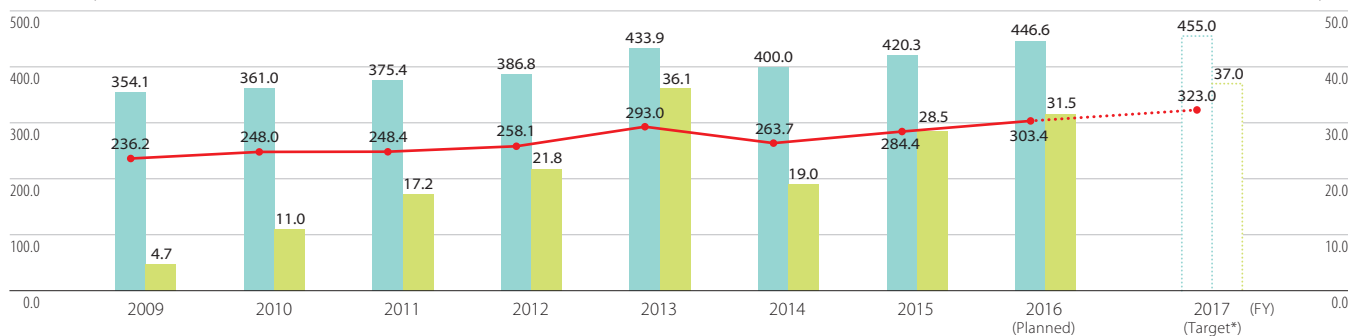
Year-on-year net sales

+8%

Business Performance

(Unit: billion yen)

(Unit: billion yen)



■ Net sales (left axis) ■ Operating income (right axis) — Remodeling net sales (left axis)

*: This Medium-term Management Plan based on assumptions, estimates and plans as of May 23, 2014.

Actual performance may differ materially from these forward-looking statements, competition and foreign currency exchange rates.

Fiscal 2015 Achievements

The housing market in Japan is recovering with the launch of support measures for housing by the government in addition to the ongoing and steady improvement of the employment and income environment which followed the economic recovery. The TOTO Group has gained overall traction, especially in house remodeling, with the growth of **the remodeling segment**. Detached homes are in an upward trend even in the new construction segment. Profits in hotels for **the public** are also steadily shifting. In terms of products, profits mainly in WASHLET®, **WASHLET® with integrated toilets**, and **system baths** are steadily shifting. The three companies of **TOTO**, **DAIKEN** and **YKK AP ("TDY")** continued to promote **Green Remodeling**.

Remodeling

Remodeling is a promise to go beyond ordinary alterations and extensions, proposing and realizing a new lifestyle for customers which surpass their expectations.

Green Remodeling is a collaborative concept between the TDY proposed in 2008. This system is proposing products and building spaces to realize health consciousness, long-term housing, and CO₂ reductions by cooperating and utilizing the technology of each company. The initiative realizes living spaces friendly to both people and the Earth while making the life and lifestyle dreams of each family come true.

TDY

TDY is an alliance that began as a partnership which is not founded in a capital relationship between TOTO, a manufacturer of plumbing equipment for housing, the Daiken Corporation, a construction material company, and YKK APP, a window and exterior company, in February 2002

to undertake efforts that include cultivating awareness of the Green Remodeling business as well as developing and collaboratively providing products with synergy.



TOTO DAIKEN YKK AP



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 public facilities such as offices, commercial facilities, and hotels. 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.

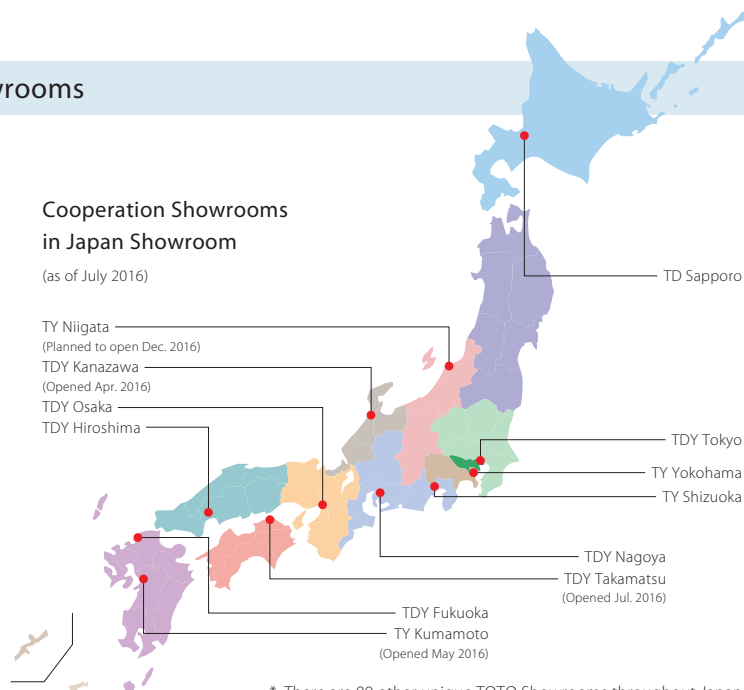
National Expansion of TDY Cooperation Showrooms

Cooperation Showrooms are expanding throughout Japan as sites to communicate information about remodeling by the three TDY companies. The TDY Nagoya Cooperation Showroom opened in March 2016.

The twelfth Cooperation Showroom in Japan is scheduled to open in Niigata in December 2016. We are advancing proposals of green remodeling to realize comfortable yet environmentally-friendly lifestyles through exhibition of interiors and consulting enhanced by this three company partnership.

Cooperation Showrooms in Japan Showroom

(as of July 2016)



*: There are 89 other unique TOTO Showrooms throughout Japan.

Green Remodeling Fair 2015

The Green Remodeling Fair 2015 was held in four Japanese cities (Tokyo, Nagoya, Osaka, and Fukuoka) through the TDY three company cooperative from April to July 2015. We have generated appeal for interiors that have been further improved, such as with energy-saving performance, durability, and ease of cleaning, by collaborating with housing-related manufacturers and energy companies that approve of the green remodeling concept proposed by TDY.



Green Remodeling Fair 2015

Global Housing Equipment Business

China & Asia Housing Equipment Business and Americas & Europe Housing Equipment Business

*: The Overseas Housing Equipment Business is now referred to as the China & Asia Housing Equipment Business and Americas & Europe Housing Equipment Business from fiscal 2016.

FY2015 actual

Net sales

> ¥127.3 billion Year-on-year +2%

Operating income

> ¥21.4 billion Difference from previous year
¥-0.6 billion
(Difference from previous year
excluding the effects of foreign
exchange + 100 million yen)

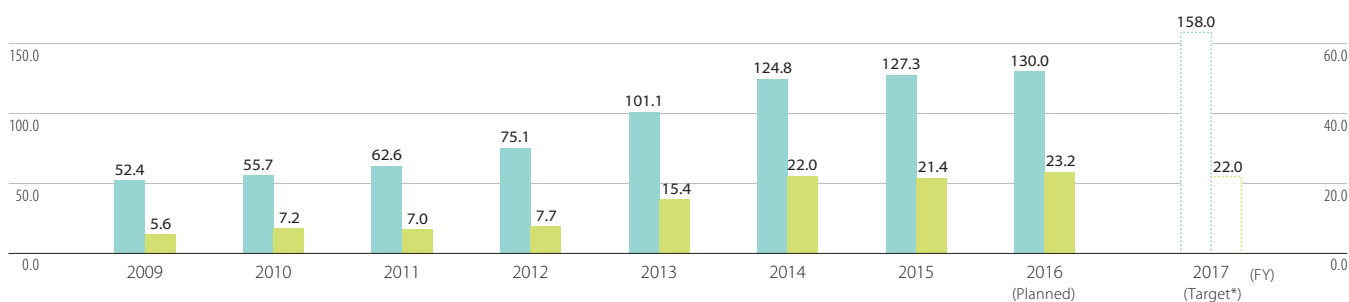
Dramatic increase in
WASHLET® unit sales

> 2012 ratio of WASHLET® unit sales
Approx. 1.9 times

Shift in Results

(Unit: billion yen)
200.0

(Unit: billion yen)
80.0



■ Net sales (left axis) ■ Operating income (right axis)

*: The fiscal 2017 targets are the same as those announced on May 23, 2014
These figures are subject to change in the future.

Fiscal 2015 Achievements

In the overseas housing equipment market, we have been promoting steady growth strategies while focusing on economic and social trends in each country and region.

WASHLET®, which are one of our primary products, are showing steady growth by strongly appealing to customers in each country with Group-wide activities such as **awareness, experience, and sales activities to the increasing number of people visiting Japan from abroad**, including the promotion of installations at upscale hotels around the world.

China > We are promoting business activities by utilizing our strength as a luxury brand while focusing on changes in the market environment and the purchasing of consumers centered upon metropolitan areas in leading cities.

Asia > **We are enhancing our production systems in Vietnam and Thailand** as the supply base of the world and strengthening our sales capabilities in the markets of developing countries.

Americas > We are increasing brand value and differentiating ourselves from the competition through product superiority and value transmission in intermediate and luxury markets.

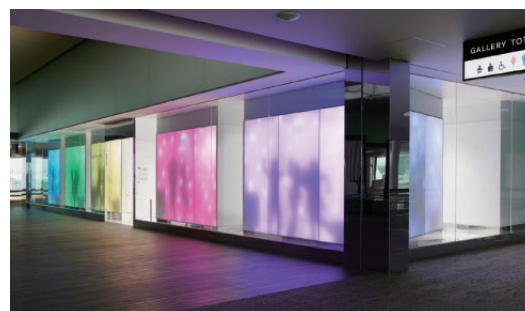
Europe > We are advancing the configuration of sales channels especially in Germany, France, and England, and furthering exhibitions of our products at distributor showrooms. We are also promoting the application of our products on high-class sites such as hotels by improving brand awareness.



TOTO is expanding products for the restroom and washroom, along with bathtubs and faucets, that feature unique technologies developed in Japan. TOTO proposes total solutions for plumbing spaces with low environmental impact as well as unified design.

Try Toilet Space Opens in the Aerial Gateway to Japan

GALLERY TOTO opened in April 2015 in the skyway inside the Terminal 2 building at Narita International Airport where visitors can “try out” the latest model. This toilet space of course has fixtures such as WASHLET® NEOREST installed, and integrates cultural sensitivities from both the east and west. This is represented by open, high-quality spaces existing in ten different booths to share Japanese toilet culture and technology with people visiting Japan from abroad.



“GALLERY TOTO” toilet showcase

©DAICI ANO

Constructing a Sanitary Ware Production Factory in Vietnam

TOTO is constructing a production factory for new sanitary ware in Vietnam.

We are aiming to begin full operations in 2018 to enhance our production system as a supply base in Asia for the world, including our production system for local consumption that we have had up until now.

We have brought together the latest technology and know-how in its construction based on the TOTO Global Vision formulated in 2014 to realize an environmentally-friendly green factory with measures such as the implementation of the newest and most energy efficient tunnel kilns.



Exterior image of the new TOTO Vietnam Factory (tentative)

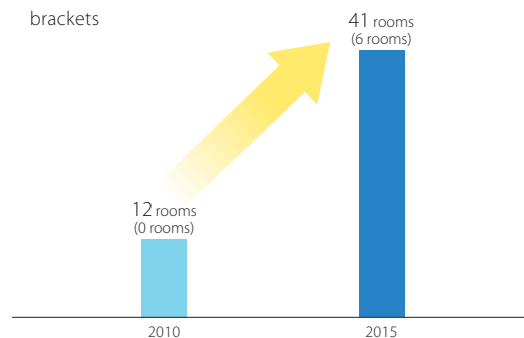
Increasing the Adoption of WASHLET® at European Hotels

We are increasing the adoption of WASHLET® in all rooms of European hotels by improving brand awareness.

We delivered plumbing equipment, including WASHLET®, such as the NEOREST, to Schloss Elmau, which is a renowned five star hotel and resort in Germany.

European Hotels: Total Number of WASHLET®

*: Number of WASHLET® installations in all rooms is indicated in brackets



New Business Domains

Advanced Ceramics Business/Green Building Materials Business

FY2015 actual

Net sales

¥19.8 billion

Year-on-year

+3%

Advanced Ceramics
Business Net Sales

¥10.6 billion

Year-on-year

+1%

Green Building Materials
Business Net Sales

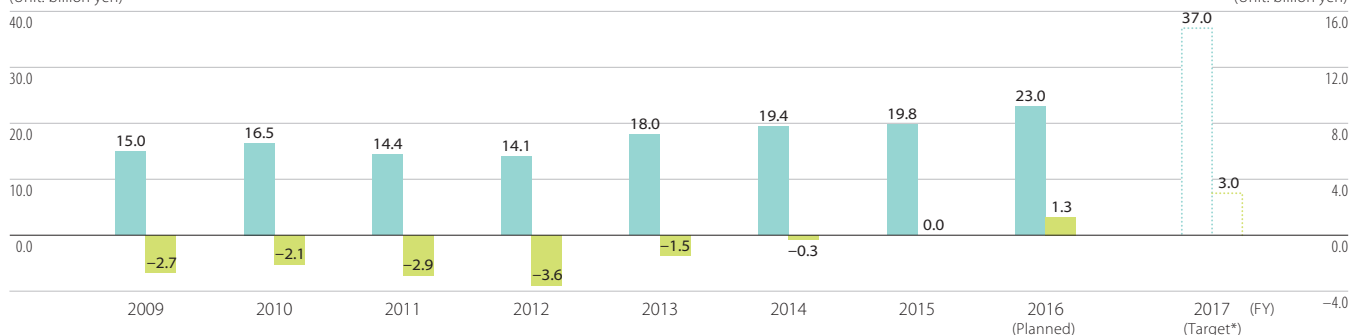
¥9.2 billion

Year-on-year

+4%

Shift in Results

(Unit: billion yen)



■ Net sales (left axis) ■ Operating income (right axis)

*: The fiscal 2017 targets are the same as those announced on May 23, 2014.
These figures are subject to change in the future.

Fiscal 2015 Achievements

All of our new domain businesses have become profitable with the growth of revenue in the advanced ceramics business.

Advanced Ceramics Business > Production adjustments of popular products in the optical communication market have continued and revenue has decreased. However, growth in the future is expected as the technical migration to the next generation of high-speed communications is clear. In **the semiconductor market**, the revenue increased from the previous year, especially with the growth of new product revenue of electrostatic chucks, by proposing solutions for state-of-the-art semiconductor devices in a timely manner. We are improving profitability while effectively enhancing quality around customers. We have also strengthened our profit infrastructure.

Green Building Materials Business > **HYDROTECT** is a TOTO environmental cleaning technology brand that uses photocatalysts to make the world and even lifestyles cleaner through the power of light and water. Many of our partnership companies are already using a wide range of green building material products on building exteriors as well as interior walls and floors. In addition, we are furthering our environmental contribution while popularizing HYDROTECT with business strategies that expand from the center of Japan overseas as well as with more global partnerships across business categories.

Advanced Ceramics Business

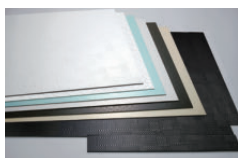
TOTO manufactures and sells a range of high-quality, high-precision ceramics for the semiconductor, plasma display manufacturing, and fiber optic communications industries, including air bearings, electrostatic chucks, bonding capillaries, and receptacles.



Advanced Ceramics

Green Building Materials Business

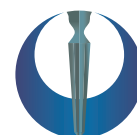
TOTO offers paints and building materials utilizing HYDROTECT, an environmental purification technology. TOTO also enters license agreements and technology introduction contracts with companies worldwide handling exterior building materials (including tile, paint, metal panels, glass, and architectural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



Green Building Materials

6th Monozukuri Nippon Grand Award
Prime Minister's Prize

This award was presented for the development of low dusting materials for manufacturing devices that support the next-generation of semiconductor devices.



ものづくり日本大賞
内閣総理大臣賞

Marketing Innovation

Marketing

We will comprehensively advance our development and production activities for creating attractive product designs and functions globally that will put a smile on our customers' faces.

Additionally, we are strengthening our product planning and development based on the markets and characteristics of each area while leveraging our core technologies created in Japan as global common-base technologies.

Technology

Core Technologies Created in Japan

Tornado Flush System

The Tornado Flush efficiently cleanses even the most stubborn grime and effectively uses a small amount of water.

ewater+

TOTO's clean technology ewater+ cleans from the roots.

Cefiontect

The roughness of the ceramic surface is minimized to a nano level of one to the one millionth millimeter. This unique TOTO technology repels dirt and makes cleaning easy.



Tornado Flush System

ewater+

Cefiontect

*: Illustrative images

Design

Expanding Together with Communities and the World

Products to sell overseas are commercialized through functions of core technologies developed in Japan that are tailored to each country and region with likable designs.

We also provide a product line-up with a variation of designs and functions that are not sold in Japan through the integration of Japanese technological capabilities, environmental performance, and overseas toilet culture by taking into account the difference of lifestyles in each country and region.



Japan

China

Asia

Americas

Europe

Technology + Design

Award

IF Product Design Award / Red Dot Design Award.



Neorest DH



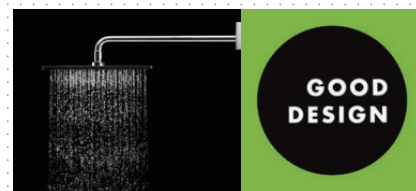
GREEN GOOD DESIGN AWARDS



Aqua Auto (Automatic self-sustaining powered faucet)



NEOREST



AIR-IN OVERHEAD SHOWER

Demand Chain Innovation

Demand Chain

We are striving toward demand chain innovation by integrating supply chain innovation and manufacturing innovation. Supply chain innovation builds a high-speed supply chain for the entire process from raw material procurement to the delivery of goods to customer construction sites. Manufacturing innovation furthers manufacturing with new ingenuity that surpasses existing conventions with company-wide production and technology development systems. This allows us to integrate product planning, research and development, production technology, purchasing, manufacturing, logistics, sales, and aftercare services to advance the configuration of a system able to more quickly respond to the demands of customers.

Main Progress in Fiscal 2015

Supply chain innovation establishes procurement and distribution networks through the restructuring of distribution sites and integrates production and sales departments based on the basic policies for action according to unified production, sales, distribution, purchasing, and information. This further minimizes delivery divergence, inventories, and supply chain costs.

Manufacturing innovation advances innovation activities with new perspectives on materials, global

platforms (more efficient design), next-generation production methods, and global production site optimization. We are also promoting a global platform to further cost reductions with more similarity of products and centralized purchasing of raw materials as well as shorter development periods and improved production. In addition, we are working to improve production through manufacturing that integrates development and manufacturing departments.

Management Resource Innovation

Management Resource

TOTO positions human assets as the most important of all management resources. By aiming to continue self-learning, securing distinctive human assets 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 streamline and enhance our financial standing.

Main Progress in Fiscal 2015

We are providing support to facilitate enthusiasm in the workplace by promoting the efforts of women in various fields, opening of management positions, furthering the employment of people with disabilities in conjunction with improving the working environment.

In terms of human asset development, we have enhanced programs such as training and internships for core management sites overseas by advancing surveys and research for global human resource management. We have reinforced our enlightenment activities in order to build a self-learning atmosphere while strengthening and enhancing stratified training to nurture a climate in Japan able to step up to the challenges in every generation.

Corporate Governance

Basic Stance on Corporate Governance

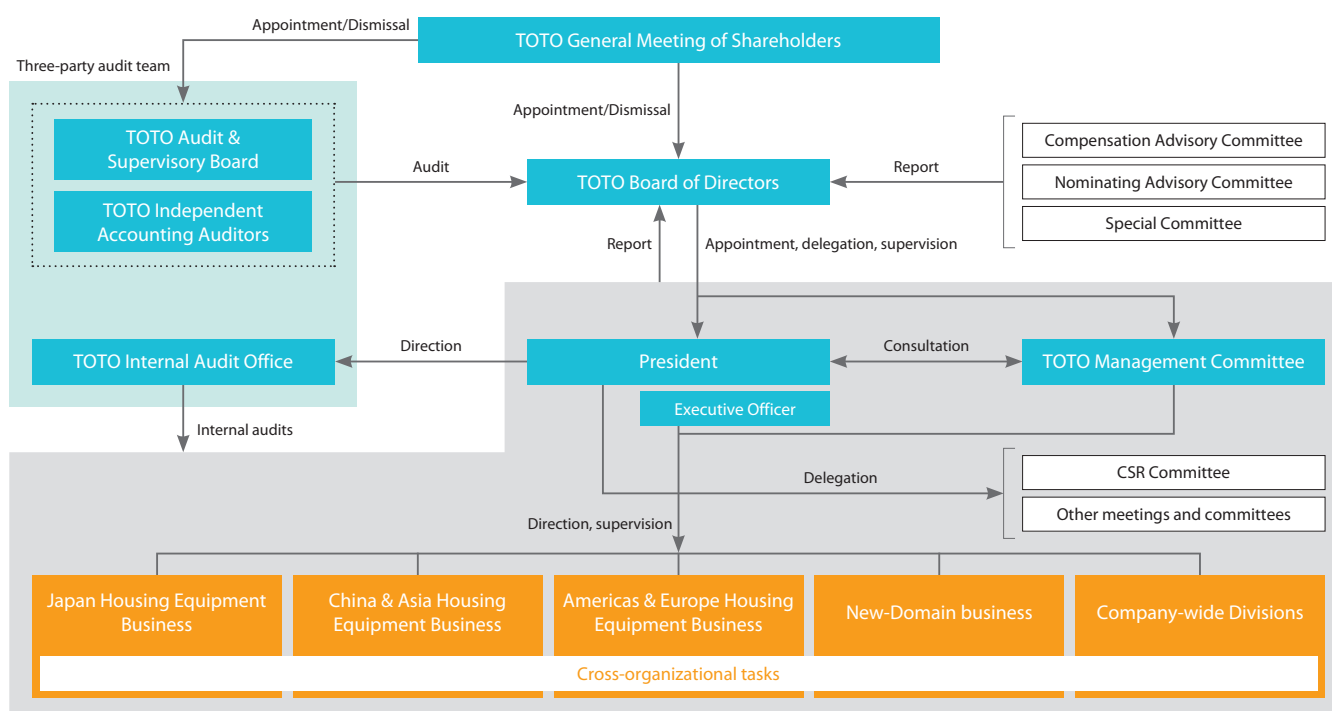
The TOTO Group strives to be a great company, trusted by people all around the world, contributing to the betterment of society. In addition to being a corporate entity engaged in the pursuit of profit through fair competition, the Group conducts its business in such a way as to continue to benefit society broadly. In order to realize this target, we believe it is important to build a system for pursuing and supervising fair and equitable management, and clearly define a philosophy that serves as the basis of such a system.

- 1 The TOTO Group has developed a philosophy system for TOTO Group management. This includes a common Group philosophy, representing the inherited values of TOTO that will be carried forward into the future. This represents the “heart” of our philosophy. Also, our philosophy system includes visions for business activities representing the direction of our action to be reviewed in accordance with the demands of the times. This is positioned as the “body in action.” All of our business activities are based on this philosophy system.
- 2 To ensure operational decisions and business execution in compliance with relevant laws and regulations and TOTO’s Articles of Incorporation, TOTO has a Board of Directors and an Audit & Supervisory Board, and retains independent accounting auditors. The Board of Directors, emphasizing fairness, objectivity, and transparency, has appointed three Outside Directors who are independent of the TOTO Group. The Outside Directors give various advices and make proposals on our overall management. The Audit & Supervisory Board audits the business execution of directors and consists

of four members, including two outside members. We have built a system to ensure their effective audits through their attendance of major meetings, including meetings of the Board of Directors, and the exchange of opinions with Directors on a regular basis.

- 3 To complement audits by Audit & Supervisory Board Members and independent accounting auditors and to build a stronger internal control system, we have established the Internal Audit Office in-house, which is independent of operational divisions. With the establishment of the Internal Audit Office, we have strengthened our internal audits under the direction of the President. Audit & Supervisory Board Members, independent accounting auditors and members of the Internal Audit Office carry out audits as a three-party audit team. In addition, we strive to enhance the quality and effectiveness of audits through close collaboration among the three parties, which involves reviewing audit results by Audit & Supervisory Board Members and exchanging information at meetings, among other activities.

Corporate Governance and Business Operations



TOTO Global Environmental Vision

The TOTO Group Environmental Vision is promoted together with our business activities.

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 until the end of fiscal 2017, the century of our foundation. 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. We are aiming to realize the TOTO V-Plan by promoting the Global Environmental Vision.

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.



Global Environment Goals until FY2017



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 700 million m³ by fiscal 2017 compared to the amount of water consumed by products with 2005's performance that are still in use.

Fiscal 2015 saw a reduction of 660 million m³. In addition, shipping ratios of water-saving toilets (less than 4.8 liters) progressed favorably with 78% domestic and 59% overseas. From here onwards also, we will be contributing to conserving water resources through our business by popularizing water-saving products around the world.

Water-saving Toilets in Each Country



Japan



Americas



China



Asia

Reduction of water consumption during product use*

FY2015 actual

660 million m³

FY2017 target

700 million m³

*: Targets take into account the usage period of general products and the year of reference changed from 1990 to 2005 in 2016.



Preventing Global Warming

We are striving to prevent global warming through our business activities. We are promoting efforts to improve productivity and save energy by setting a target to reduce CO₂ emissions by 29,000 t compared to levels in 2013 by 2017 through measures at each business facility in Japan and overseas. Fiscal 2015 saw a reduction of 16,100 t.

We are working at setting targets for water- and energy-saving products, with the aim of reducing CO₂ emissions during product use by 3.3 million tons by fiscal 2017 compared to levels from products with 2005's performance that are still in use. Fiscal 2015 saw a reduction of 2.87 million tons.



Shiga Factory Exterior

Amount of CO₂ Emissions Reduction at Business Sites Through These Measures
FY2015 actual

16.1 thousand tons

FY2017 target

29 thousand tons



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 in Japan and overseas, such as regenerating and conserving water resources and woodlands as sources of water. In addition, we are promoting participation in social contribution activities such as tree planting and local cleanup activities, which we call Green Volunteers. There were also 42,200 Green Volunteer participants around the world as a result of the various activities planned at each site in fiscal 2015.



Green Volunteers in China

Number of Green Volunteer participants
FY2015 actual

42,200

Participation Rate of All Volunteer Activities*
FY2017 target

100%

*: The management indicator changed to the participation rate of all volunteer activities in 2016 in conjunction with the expansion of the range of volunteers



Conserving Natural Resources

We are actively advancing our efforts in waste reduction and recycling activities with a 3R (Reduce, Reuse, Recycle) perspective by setting targets for recycling ratios at manufacturing business sites to effectively use limited resources. The recycling ratio at manufacturing business sites was 100% in Japan and 87.5% overseas in fiscal 2015 for the fiscal 2017 targets of 99% in Japan and 90% overseas.



Keeping the Earth Clean

We work to reduce our environmental impact and prevent pollution before it happens by defining independent management reference values that are even stricter than legal and regulatory compliance through the promotion of an environmental management system. There were no legal violations in fiscal 2015 for our fiscal 2017 target of zero violations against environmental laws and regulations in Japan.



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.

The usage rates of legal and recycled wood materials among the wood materials used for products in Japan came to 99% in fiscal 2015 for our fiscal 2017 target of 100%.

Research and Technology Supporting Manufacturing

Since our founding, through the development of a diverse array of products and services, TOTO has cultivated numerous manufacturing technologies. We organically integrate these technologies to create value for our customers and bring magnificent products and technologies into existence.



Manufacturing Technology to Support TOTO Products

Since our founding, through the development of a diverse array of products and services, TOTO has cultivated numerous manufacturing technologies. Technology to observe people logically realizes ease-of-use and comfort by quantifying the movements and sensations of people. 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. This has continually generated attractive products by organically integrating these technologies.

Technology to Observe People

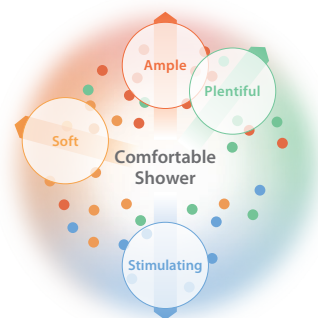
Technology to observe people is utilized in TOTO manufacturing by quantifying the movement and sensations of people via technology such as ergonomics and sensitivity engineering to logically realize comfort.

The AIR-IN SHOWER showerhead technology, which allows for a comfortably delightful shower even with a small amount of water, has been made even smaller. We meticulously quantified the state of water to bring a comfortable amount of water to people in the stage of development. This led to a numerical value that realized both water savings and comfort after repeated analyses. The AIR-IN SHOWER showerhead has

been highly praised in Japan and overseas for a delightful shower with dramatic water savings brought about by our unique technology.

Technology to Manage Water

Technology to manage water is functionally used to always keep the toilet clean. TOTO’s clean technology ewater+ cleans from the roots. Toilets stay clean longer by dispersing this ewater+ onto



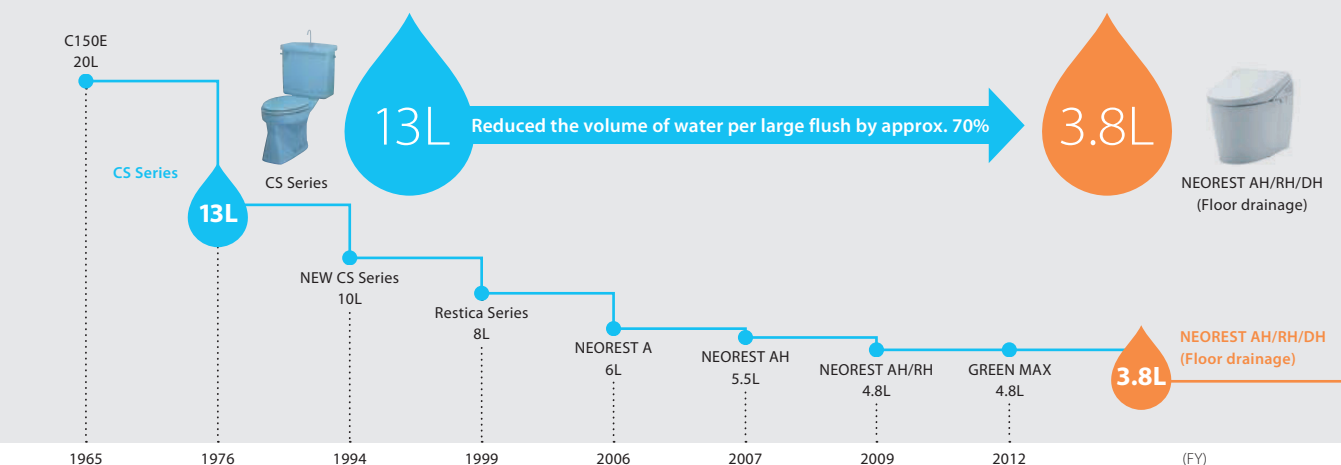
AIR-IN SHOWER

To Observe People: Sensation Model for Comfortable Showers with the AIR-IN SHOWER Showerhead

We quantified feedback from many people about the various sensations for the feel of a shower from the sensation for a plentiful amount of water from the shower, a plentiful amount of water on the body, and the softness as well as stimulation of water on the skin.

The evolving water-saving performance of toilets in Japan

*: Volume of water per large flush



TOTO has been promoting the reduction of amount of water used to flush and transport bacteria, germs, and dirt while comfortably using toilets since the release of water saving toilet CS Series in 1976. Currently, we have released 3.8L flush products, continuing to further advance the water conservation technology.

the surface of the toilet bowl and cleansing both the inside and outside of the nozzle.

Furthermore, the Tornado Flush System, which is one of our technologies to manage water, was realized through research in the flow of cleansing water to fully wash the interior surface of the toilet without fail. Technology able to cleanse with a smaller amount of water through the tornado flow of water which acts like a whirlpool can conserve water resources and contribute to the global environment.

Material Appreciation Technology

Technology to appreciate materials is also contributing to the development of even more sanitary toilets. Cefiontect is achieving the ideal self-cleaning capabilities by making the ceramic surface smoother to weaken the ability for dirt to adhere to surfaces. This unique TOTO technology has been recognized worldwide with the acquisition of patents in Japan, America, Europe as well as countries in Asia.

Image of the Future

Products that are attractive to customers are products that are able to satisfy all of the qualities from functionality to design and price. The foundation able to create these kinds of products is manufacturing technology.

By providing revolutionary products to the world with the technological capabilities cultivated in Japan, the TOTO Group will continue to be an indispensable company. We will continue to create attractive products in the future.



Water manipulation: Analyzing Toilet Cleansing with Super Computers

Fluid control technology is required for the creation of value in plumbing products such as toilets and showers. The cleansing of toilets is analyzed by using the Tokyo Institute of Technology's "TSUBAME" supercomputer. From the standpoint of "water manipulation" techniques, which are based on fluid dynamics, analyzing water flow by computer simulation has streamlined the process.



*: Illustrative images

Material appreciation: Revealing the Mechanism Causing Dirt in Plumbing Products

We analyze mechanisms from the mechanism of bacteria that causes dirt to the mechanism allowing dirt to adhere to material surfaces. We will find an effective way to control dirt that is usually hard to remove.



TOTO Global Expansion

To become a company that is rooted at home and overseas and to continue to be indispensable to our customers in the locations where they live. We established our brand in each country and region around the world to promote further global expansion.



WELCOME TO JAPAN

<http://www.toto.com/en/wtjapan/>



©DAICI ANO

Creating Opportunities to Try TOTO

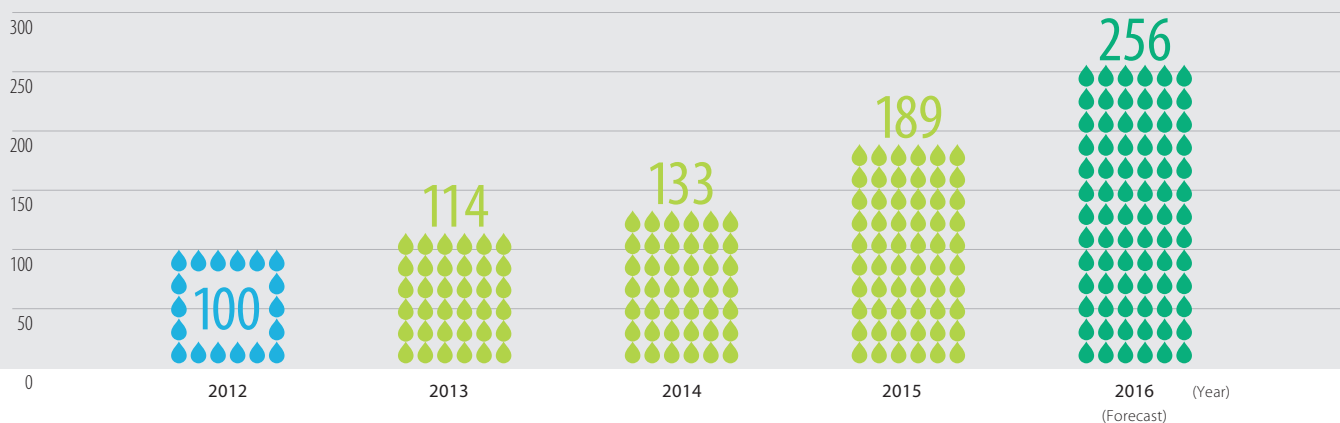
We believe it is important to provide more opportunities for customers overseas to touch and try our products in order to expand TOTO products worldwide. As a first step, GALLERY TOTO digital gallery of

toilets opened at Narita International Airport in April 2015. This space aims to nurture a desire in customers who visit from overseas to own a toilet like the one they used in Japan after they return to their country by offering a chance to experience the comfort of TOTO

products and engage in the clean toilet culture of Japan. In the future, we will continue to communicate relevant information to the world through media such as our website in a timely manner while we expand opportunities like these to experience TOTO in Japan.

Performance and Forecast for the Number of WASHLET® Sold Overseas

(Index of 100 units for 2012)



Overseas Sales Expansion of WASHLET®

Since the WASHLET® was first released in America in 1986, the TOTO Group has expanded sales worldwide to China, Asia and Oceania, and Europe. Currently, we are steadily increasing the demand in each country with greater awareness about WASHLET® worldwide as a key item that represents the comfortable toilet culture of Japan. The number of overseas WASHLET® sales in 2015 increased roughly 1.9 times that of 2012. We can expect a further increase in sales in the future with further growth in each country, including

a 30% increase from the previous year in the Americas (North America/Canada) and a 50% increase in China.

TOTO Businesses Rooted in Local Communities

We are advancing a system for the smooth purchase and installation of TOTO products such as the WASHLET® by customers in each country around the world. In addition, we are increasing communication opportunities with local customers and are exhibiting products at various exhibitions in each country to generate fans of TOTO products.

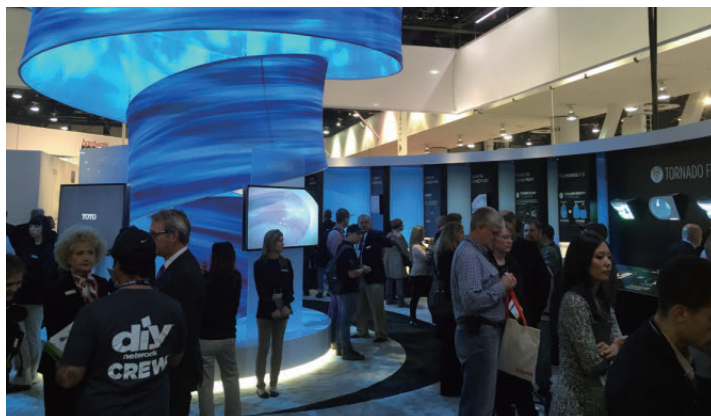
We exhibited at International

Sanitary and Heating 2015, which is the largest specialized international trade fair for residential equipment held in Germany, in March 2015, at the American Kitchen & Bath Industry Show 2016 in January 2016, and at Kitchen & Bath China 2016, which is the largest international trade fair of plumbing equipment in Asia held in Shanghai, in June.

We are aiming to reach out more globally unified as the TOTO Group by strengthening links to each site and building business models rooted in local communities in the future.



International Sanitary and Heating (ISH) 2015 held in Frankfurt



Kitchen & Bath Industry Show (KBIS) 2016 held in Las Vegas

CSR Management



TOTO Group CSR
<http://www.toto.co.jp/en/company/csr/management/>

*: CSR: Corporate Social Responsibility



TOTO Group considers CSR management to be management by the use of CSR initiatives for the purpose of bringing TOTO Group Corporate Philosophy to life.

CSR Philosophy

TOTO Group considers CSR management to be management by the use of CSR initiatives for the purpose of bringing TOTO Group Corporate Philosophy to life. The TOTO Corporate Philosophy outlines the purpose of the company's existence, our business fields and the desired image for all of our stakeholders as the basis of what the company motto strive to communicate.

We are promoting CSR activities by using a materiality (critical issues) map and by clarifying the critical issues that we should prioritize to strategically endeavor toward solving global social issues.

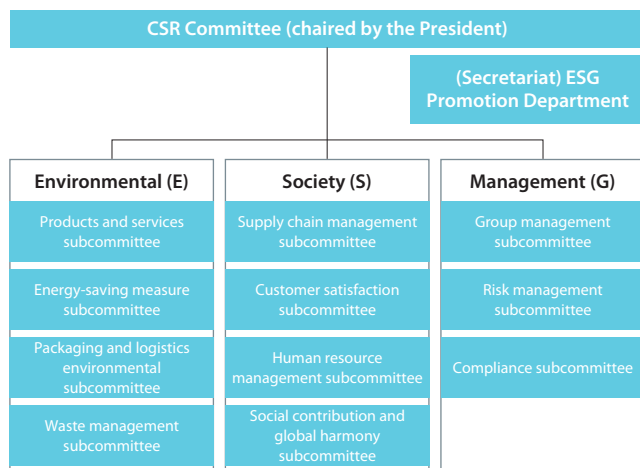
Materiality Map



CSR Promotion System

We started CSR activities by setting up a CSR Committee and a full-time CSR department in 2004. The CSR Committee is held once a year and chaired by the President, and it is working to strategically integrate our businesses and CSR activities by taking a bird's eye view of the Environmental, Social, and Governance fields.

In addition, subcommittees that make up each field of the CSR Committee formulate promotion plans, and then expand those plans to relevant departments and Group companies in Japan and overseas to facilitate cross-departmental activities.



TOTO announced its participation in the "Global Compact," which is put forward by the United Nations, and registered as a participant company on November 8, 2011.

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.

Strengthening of Compliance

In order to prevent violations, we believe that we must strengthen our management system and create an organization that respects compliance. For this reason, we developed two training courses throughout the Business Group, namely, Interactive Compliance Training and Compliance Management Training.

For Customer Satisfaction



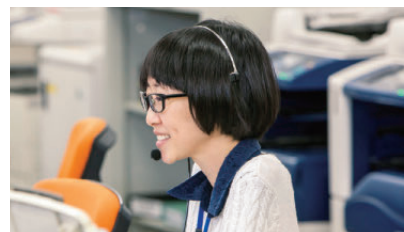
For Customer Satisfaction
http://www.toto.co.jp/en/company/csr/cs/



The TOTO Group will continue to provide products and services to offer even greater satisfaction to all of our customers.

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.



Customer Consultation Center

Sharing and Implementation of Model Activities from the Customer Perspective

Under the slogan of Implementation! Cooperation! For the smiles of customers whenever, everywhere!, all the divisions in the TOTO Group (manufacturing, indirect and sales and services divisions) engage in activities that aim to improve customer satisfaction. For fiscal 2015, we held the TOTO Group Customer Satisfaction Convention and a meeting in which presentations on divisional activities were given. This made it possible to share practical activities among all the participants, and expand the ring of collaboration with other colleagues. In addition, this convention has also helped us to better approach activities from the customer's perspective.



FY2015 TOTO Group Meeting of Customer Satisfaction

Quality and Aftercare Service

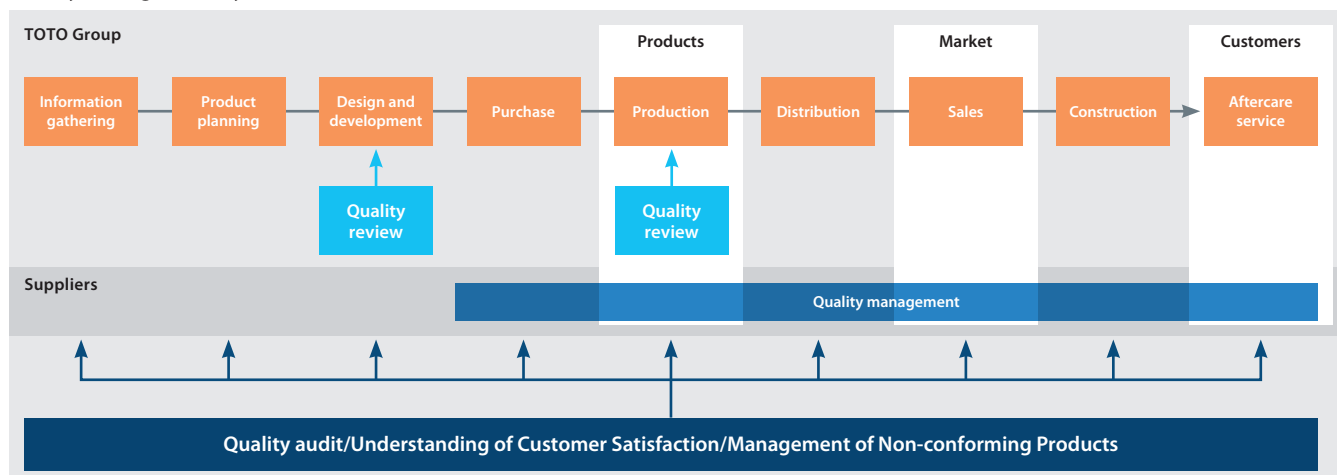
TOTO Group products are used daily by a diverse array of people. Therefore, our mission is to provide products capable of safe use with confidence. The TOTO Group implements quality management system based on ISO 9001 standards and is working on continual improvement of the quality.

In addition, "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.



Aftercare Service

Quality Management System



All Employees Together



All Employees Together

<http://www.toto.co.jp/en/company/csr/employees/>


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

FY2015 actual*1

6.9%

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. In particular, we are creating stronger management skills by introducing training for supervisors in the training for female employees. As a result of these efforts, in 2013, we were the chosen company of the "Diversity Management Selection 100" and, in March 2016, we were selected as the "Nadeshiko Brand" at the Tokyo Stock Exchange for the second consecutive year.



Selected as Nadeshiko Brand

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. We achieved our 2.5% employment rate of persons with disabilities set for fiscal 2017 in fiscal 2014. We are presently working to expand occupational fields for persons with disabilities, such as promoting more employment of persons with intellectual and mental disabilities, throughout the entire Group.

Employment rate of persons with disabilities

FY2015 actual*2

2.52%

Common Global Corporate Philosophy

Overseas core management is invited to Japan to debate and share what they feel TOTO represents while sharing their own ideas with other management.

Moreover, we are inviting employees who contributed to our businesses to Japan to increase motivation and provide an exchange between our human assets and the relevant business departments by presenting direct commendations from management. In the future, we will also further the understanding and prevalence of our Corporate Philosophy.



Exchange between Local Overseas Employees

*1: Regular employees of TOTO Ltd. (Japan)

*2: TOTO Group (Japan)

Work-Life Balance

We are committed to promoting a work-life balance 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.

We promote employees to take more than 12 paid days of leave a year. In fiscal 2015, over 70% of our employees took more than 12 days of paid leave. We also have various systems that include paid leave that can be taken in hourly units in order to support diverse ways of working and systems to allow employees to choose a shortened work day or shift in their start or end times as well as flextime as support for both childcare and nursing care and work commitments.

We introduced a new paid leave system "Papa-Mama Holiday System" for employees that have children in 2015 for the purpose of employee participation in family chores and raising of their children. This has furthered support to allow employees to make an even greater commitment to chores and raising of their children.



We have also obtained the Japanese Ministry of Health, Labour and Welfare's "Kurumin" certification in recognition of its activities in support of child rearing.

Cultivating a Self-Learning Climate

We are implementing training that includes stratified training, Open Training in which individuals can select the items they want to learn, distance-learning courses with a wide-variety of content, Level Up training for employees to grow by learning skills in different business categories, the TOTO Management School (Keiei-Juku) that fosters next-generation leaders, and Middle Power-up Training for veteran employees.

In the future, we will continue to create a chain of inspiration as a desire to learn and develop in order to nurture a climate of self-learning for all generations.



Middle Power-up Training

Promoting Physical and Mental Health

In order to achieve that, we are developing health-conscious initiatives on the three pillars of health care, mental health measures and health promotion. We have put in place comprehensive periodic physical examinations and measures thereafter for health management.

In addition, we have introduced internal walking and blood pressure measurement events to enhance the prevention of physical disorders and sustain health. As one of our mental health measures, we conduct surveys and communication training at the time new employees enter the company and implement mental health seminars for our employees in their third year. As a result of these activities, we were selected for the Health & Productivity Stock Selection for the second consecutive year in January 2016.



Internal blood pressure measurement event



Work-related Accident Frequency in Japan
FY2015 actual^{1*2}

0.17

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 five consecutive years.

Together with Suppliers



Together with Suppliers

<http://www.toto.co.jp/en/company/csr/customers/>


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

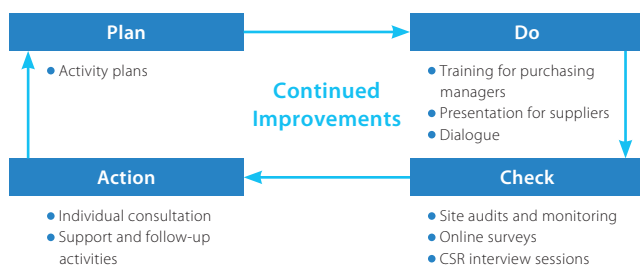
The TOTO Group implements CSR activities together with all our suppliers and with the contractors that assemble our products.

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.

For our overseas business sites in particular, with the aim of deeper mutual understanding and mutual growth with suppliers, we promote CSR activities that are in line with the conditions of each country while complying with its relevant local laws, regulations and practices. In addition, we actively hold briefing sessions and also monitor suppliers through company visits, while also striving to enlighten them on the necessity of CSR initiatives and support their endeavors.

In this way, constant efforts are made to raise the level of CSR initiatives throughout the entire TOTO Group supply chain.

PDCA Cycle for Supply Chain Management



Suppliers include

- 1 Raw materials and components suppliers in Japan
- 2 Raw materials and components suppliers overseas
- 3 Contractors in Japan that assemble TOTO products

Procurement Respecting Biodiversity

For earth and stone raw materials used for factories 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, we were able to verify that all of the mines achieved the standards required by TOTO.

TOTO Group Purchasing Policy

- 1 Partnership in mind
- 2 Fair and equitable transactions
- 3 Priority given to business with superior suppliers
- 4 Compliance with laws, regulations, and ethics
- 5 Consideration for the environment



Japanese supplier policy briefing (top); exchange of opinions with overseas suppliers (bottom)

Standard achievement rate of Japanese supplier compliance items
FY2015 actual

100%

Compliance rate of requested standards of mines
FY2015 actual
(for domestic production sites)

100%



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.

Concepts for Social Contribution and Community Coexistence Activities

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

The TOTO Group is popularizing water conservation products around the globe as a company providing plumbing products. Moreover, we established the TOTO Water Environment Fund in 2005 to contribute to the preservation of water catchment forests, water quality conservation, and the conservation of biodiversity through conservation activities for water environments. It is not only citizen groups and people from the local community but also our group employees who actively participate in these activities. We have donated a total of 14.3 million yen to 22 organizations as of fiscal 2015. We have also decided to provide our first grant to a local overseas organization (an Indian organization) in fiscal 2016.

TOTO Water Environment Fund
 10th Grant assistance

22 Organizations
 ¥14.3 million

1st to 10th Grant assistance total

180 Organizations
 Approx. ¥180 million

Creating a Sanitary and Comfortable Living Environment

The TOTO Group is promoting the development and standardization of sanitary devices and universal design products through its business activities according to the strong founding spirit to improve the lifestyle and culture of the people, and to provide a healthy and civilized way of life. We are promoting lifestyles in a clean and comfortable living environmental for people worldwide even in our social contribution and community coexistence activities. We are surveying and researching plumbing equipment through efforts such as The Research Group on School Toilets in Japan and installing wells able to provide safe drinking water overseas through the TOTO Water Environment Fund.



NPO Water Aid Japan's well installation in Nepal, sponsored by the TOTO Water Environment Fund Grant

Development of the Next Generation

The TOTO Group is promoting the globalization of its businesses, but our business activities in each country and region are made possible with the cooperation of the people in the community and the local environment. We are building an infrastructure for permanent growth of our business activities by educating the youth who will lead the next generation and by contributing to the rejuvenation, sustainability, and growth of local communities.

The TOTO Museum opened in August 2015 as a site to communicate the culture of plumbing. This museum was established as a business to commemorate our 100th anniversary in 2017 to introduce the footsteps taken to create comfortable lifestyles and share the ideals for manufacturing that have been passed down to today.

In addition, we are running the TOTO GALLERY MA in Nogizaka, Tokyo as a gallery dedicated to architecture and design. The ideas and philosophy of architects and designers in Japan and overseas have been shared since the gallery opened in 1985.



TOTO Museum



TOTO GALLERY MA (Sou Fujimoto: FUTURES OF THE FUTURE)

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Stakeholder Engagement



Stakeholder Engagement

<http://www.toto.co.jp/en/company/csr/stakeholder/>


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, and shareholders, and endeavors to develop closer relations with them.

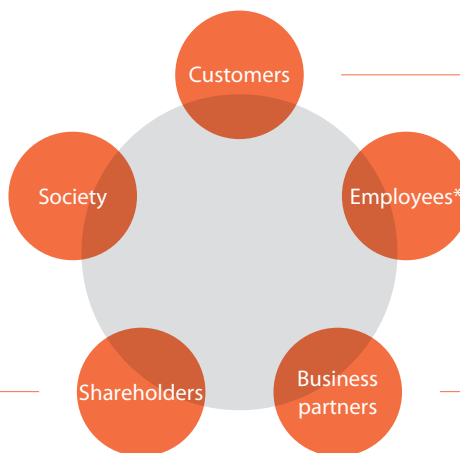
We deepen interaction with our customers through various occasions, such as events at our showrooms, factory tours and summer festivals, and we engage in direct dialogue with our business partners through policy briefing sessions and CSR questionnaires. As for our shareholders, we disclose appropriate information in a timely manner, and we offer invitations to tour factories 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

- Sending lecturers to seminars and educational institutes for training
- Assistance for NPOs and community organizations, and volunteer activities
- Cultural support activities (TOTO GALLERY・MA, TOTO Publishing)
- Factory tours, summer festivals
- Skull session with NPO, CSR specialists

- General Shareholders' Meeting
- Presentations
- Shareholder questionnaires

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



- Showroom
- Customer Consultation Center
- Exhibitions
- Dialogue with Stakeholders

- Workplace meetings
- Employee awareness surveys
- Intranet, Group magazine
- Whistleblowing system (in-house/external contacts)

- Policy briefing sessions
- CSR questionnaire
- CSR interview sessions
- Whistleblowing system (external contacts)

Shareholder and Investor Engagement

IR Activity Transparently and Fairly Communicates the Most Recent Information

TOTO undertakes to engage in communication with institutional investors and shareholders as well as with individual shareholders and investors in Japan and other countries on the basis of IR policy in order to treat them with transparency and fairness. In addition to disclosing information in a timely manner through its dedicated website, TOTO also holds separate meetings as well as briefings to explain its financial results.



Meeting with overseas investors

Recognition of Our CSR Management in Japan and Overseas

MEMBER OF

Dow Jones Sustainability Indices

In Collaboration with RobecoSAM



FTSE4Good



ROBECOSAM
Sustainability Award
Silver Class 2016



Morningstar Socially Responsible Investment Index

The initiatives of TOTO have received recognition in Japan and overseas, and we have incorporated the SRI* Index. SRI Index is a group of corporations that are selected for being excellent in not only profitability, but also CSR activities such as compliance with laws, good practice in employment, respecting human rights, good consumer relations, and contribution to society and to local communities.

*: SRI: Socially Responsible Investment

Third-Party Opinion



So-Tech Consulting Inc.
Managing Director
Mizue Unno

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.

TOTO is steadily expanding its business activities that began in technological innovation based on the TOTO V-Plan 2017 at the TOTO Group. In the future, ESG (Environment, Society, and Governance) factors will become the key to the markets of developing countries which are expected to grow.

Global expansion

In emerging countries, the upcoming challenges will not only be high-end markets centered upon WASHLET® but also the expansion to insufficient markets building social infrastructure. TOTO cannot simply introduce Japanese products and technology in places with differing penetration of sewage systems and toilet habits.

Therefore, the key word is "sanitation". Directly confronting sanitation issues is important as a global social issue, and it has also been included even from the standpoint of Sustainable Development Goals (SDGs) of the United Nations. Positioning sanitation at the same level as saving water and preventing global warming is necessary in the Global Environmental Vision.

Supply Chain

The requirements for CSR procurement that includes not only biodiversity but also social aspects are becoming stricter in the supply chain of natural resources. The problem of deforestation is of particular interest overseas and even closer attention is paid to the procurement of timber. TOTO has been conducting surveys at its procurement partners in regards to the raw materials of stone and timber up until now, but more in depth initiatives such as surveys and monitoring of the realities in procurement regions are required.

Community and Social Activities

TOTO has enhanced practical examples overseas that utilize the TOTO Water Environment Fund. Activities focusing on water resource conservation in Japan differs with the focus on conducting activities that are related to solving sanitation and health issues of community residents in developing countries. I expect strategic growth connected to product development and marketing by creating contact points with communities through social contribution activities while utilizing the trust earned with these efforts to build the brand.

Improving Key Performance Indicators (KPI)

The results of CSR activities are visually understood by organizing and systemizing ESG factors. The next challenge is to re-examine the target values and what to work toward for items that have already been mostly achieved. Please also consider both substantial target settings in addition to numerical targets.

Employees

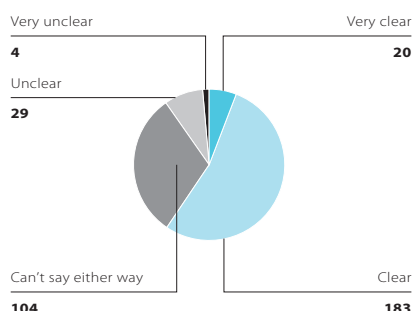
TOTO is sufficiently expanding the configuration of a human resource platform such as a framework for the workplace and labor management. Next, recognizing strategic strengths for measures to reinforce human assets such as diversity and globalization as well as an emphasis from the perspective of creating added value in TOTO's businesses are important.

Stakeholder Engagement

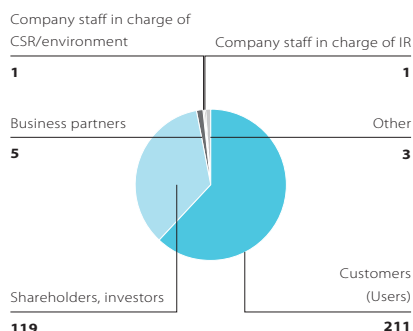
TOTO should expand engagement with stakeholders in overseas business regions suitable to further global growth. Actively creating links by utilizing the contact points of social activities in each region is necessary. Moreover, the company needs to execute the element of communication by have dialogue with the various representatives who want contact points such as in the supply chain and overseas natural conservation fields following the growth in business expansion regions.

Comments and feedback from the questionnaire on the TOTO Group Corporate Report 2015 (340 items received as of April 2016)

Opinion of the report as a whole



Standpoint of the report readers



Content that attracted interest

(multiple answers) (top 10)

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Corporate Data (as of March 2016)

Company Name	TOTO LTD.
Establishment:	May 15, 1917
Capital	¥35,579 million

Headquarters	1-1, Nakashima 2-chome, Kokurakita-ku, Kitakyushu, Fukuoka, Japan
Number of Employees	Consolidated: 28,148 Non-consolidated: 7,283



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