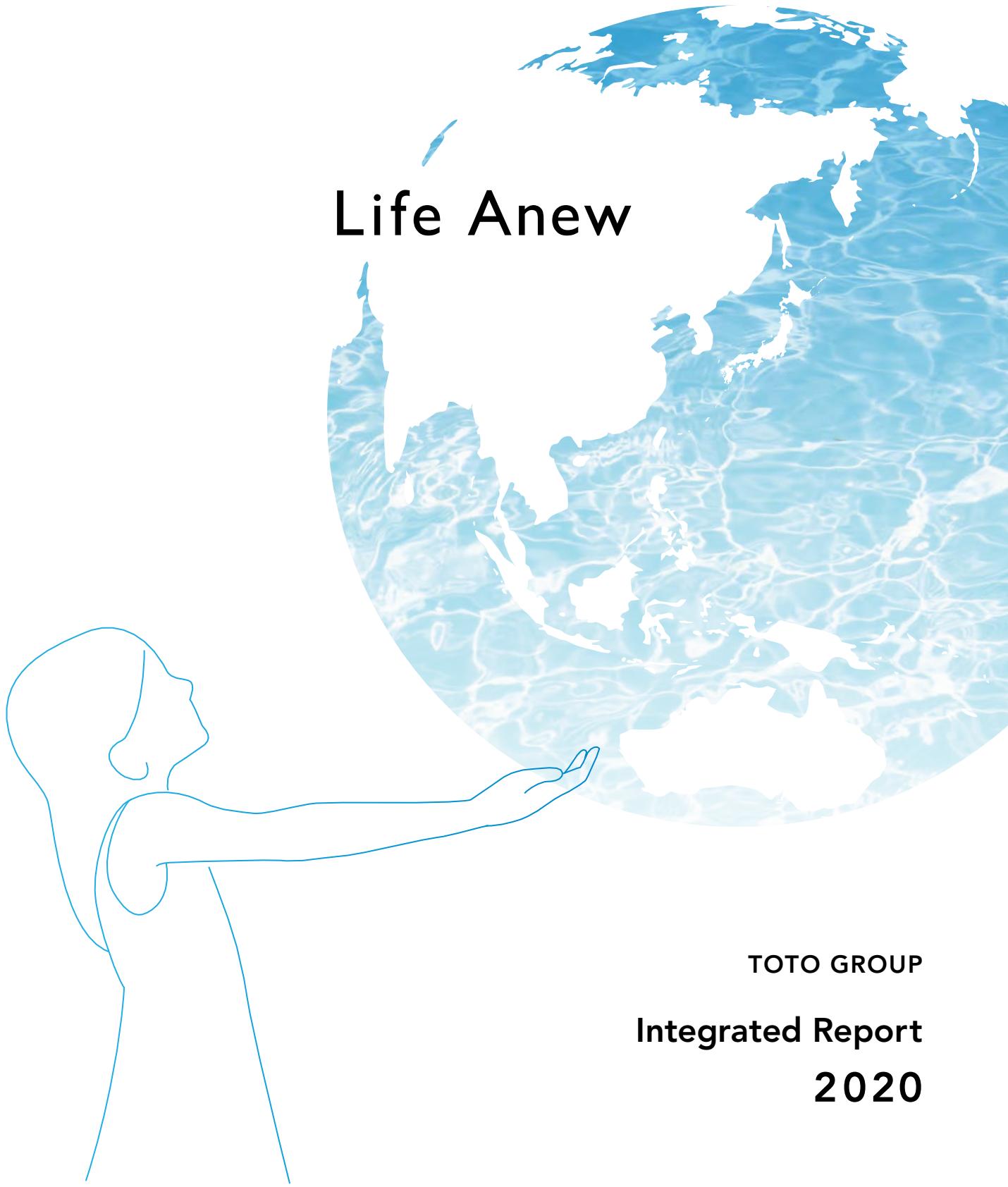


TOTO



Life Anew

TOTO GROUP

**Integrated Report
2020**

Philosophy System for TOTO Group Management

The Spirit of TOTO Unchanging for

Words of Our Founder

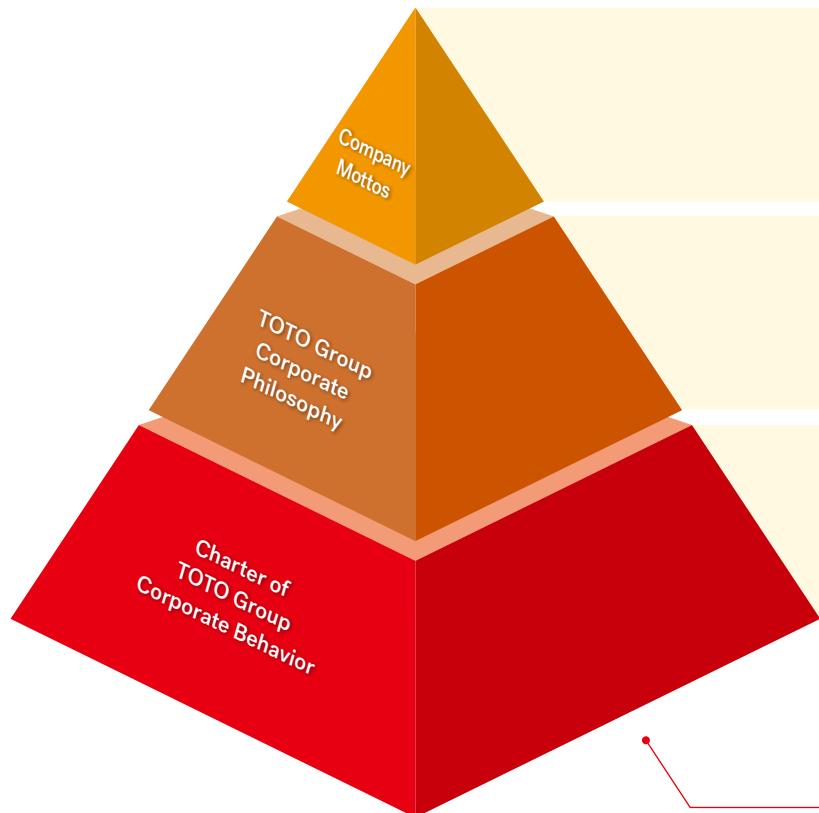
Kindness must always come first.
Bring the concept of service to your work.
Your goal should be to provide good products and satisfy the customer.
Accomplish that, and profit and compensation will follow.
Many in this world chase after the shadow of profit.
But, in the end, they never capture the real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

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

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

These ideas, which have been passed down since our founding, have been incorporated into the Philosophy System for TOTO Group Management so that they are appropriate for the times and can be shared within 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.

Vision

Toward a Dynamic, Vibrant and Excellent TOTO

Mission

TOTO

Life Anew



Mid- or Long-Term Management Plan

TOTO WILL2022 Mid-Term Management Plan

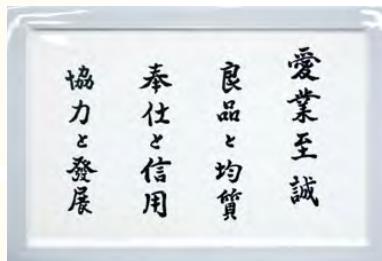
100 Years

Company Mottos

The Company Mottos represent the thoughts of the founder to be passed down through the generations.

Company Mottos

④ ③ ② ①



- 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

Our Corporate Philosophy, based on the thoughts of the founder to be passed down through the generations, communicates to all of our stakeholders the purpose for which our company exists, our business domains, and the type of company we aim to be.

Charter of TOTO Group Corporate Behavior

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



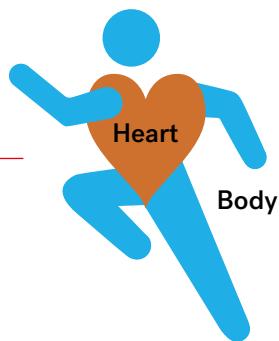
Details are published on the TOTO Group website.
<https://jp.toto.com/en/company/profile/philosophy/group>

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 Corporate 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.



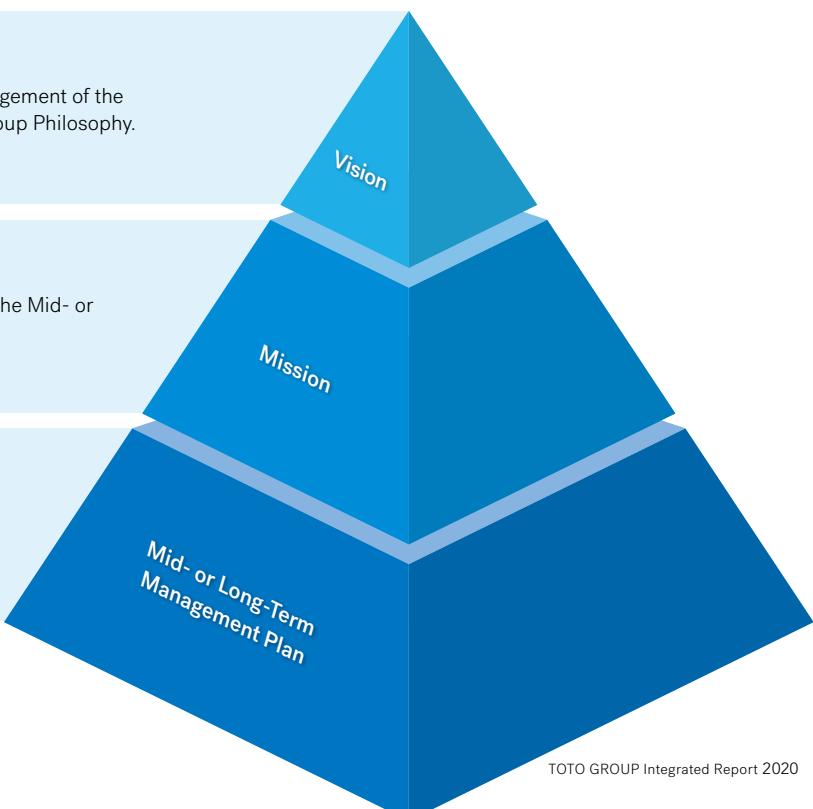
Vision for Business Activities

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

A statement that refers to the future image that the management of the TOTO Group seeks to achieve based on the Common Group Philosophy.

A statement of the most important plan to implement in the Mid- or Long-term for sustainable growth.

Lays out the ideal state of the TOTO Group and the system for implementing the plan. We will promote TOTO WILL2022 through the year 2022.





P. 5 -

For the Next 100 Years

This section describes the present state of the TOTO Group, a company with a history cultivated over the past 100 years, and introduces the future vision of the Group as well as its values as it looks toward the next 100 years.



P. 7 -

Message from the President

President, Representative Director Noriaki Kiyota explains the future vision of the TOTO Group and the efforts that will go into making it a reality.



P. 21 -

TOTO WILL2022

Mid-Term Management Plan

This section explains the details, aims, and major efforts related to our mid-term management plan.



P. 35 -

TOTO Global Environmental Vision

This section details the TOTO Global Environmental Vision, and describes how our specific corporate activities work toward realizing this greater vision.



P. 53 -

Corporate Governance

This section illustrates the TOTO Group's system of governance, which forms the basis for the sustainable enhancement of our corporate value, and features messages from Outside Directors.

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Editorial Policy

The TOTO GROUP Integrated Report 2020 has been published as an integrated communication tool for all our stakeholders. This report introduces information such as the origins of the TOTO Group and business activity topics in addition to financial and environmental, social, and governance (ESG) data. In addition, it communicates TOTO's corporate stance to remain committed to linking its past and present performance with its initiatives designed to further enhance corporate value for the future.

Period of Reporting

Fiscal 2019 (April 1, 2019 to March 31, 2020)

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

Scope of Reporting

TOTO LTD. and Group companies

Guidelines

- International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry
- Sustainability Reporting Standards, Global Reporting Initiative (GRI)



Reference guidelines are available on the TOTO Group website.
<https://jp.toto.com/en/company/csr/gri>

Financial and Non-Financial Data

Financial and non-financial data can be found on the TOTO Group website.



Financial and Non-Financial Data
<https://jp.toto.com/en/company/profile/library>

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Striving to Realize a Sustainable Society



As We Have Been, As We Will Be

“Providing a healthy and civilized way of life”—This was the vision of our founder, and it has been continuously passed on to each of our employees as the TOTO Group Corporate Philosophy.

This vision has lasted over a century and serves as the center of the TOTO Group’s management and the touchstone for our craftsmanship and sales activities.

We will work to ensure this vision gets passed along to future generations by delivering safe and reliable TOTO-brand products and services to customers around the world.

In doing so, we will “create an enriched and more comfortable lifestyle and culture built on our plumbing products.” This is a key facet of the TOTO Group Corporate Philosophy.





Further Integrating Our Management and CSR Activities and Contributing to the SDGs

The TOTO Group aims to achieve continuous business growth by providing products and services that offer value needed by society. At the same time, through its broad range of corporate social responsibility (CSR) activities, the Group will contribute to the realization of the United Nations (UN) Sustainable Development Goals (SDGs).



Message from the President

Global Network

Keep Gaining TOTO Fans Around the World

Noriaki Kiyota

President,
Representative Director

Leveraging the Vision of Our Founder as a Touchstone

TOTO's first president, Kazuchika Okura, wrote a letter to his successor, Saburo Momoki. The words contained in that letter have been treasured by the TOTO Group ever since as the Words of Our Founder. These words express the idea that "kindness must always come first" and state that our goal should be to provide good products and satisfy the customer and, by accomplishing that, profit and compensation will follow. The Words of Our Founder are positioned at the center of the Group's management and represent our unchanging vision. In April 2020, I became TOTO's 17th president, and my duty is to ensure that this vision, which has been cherished by each president before me, is passed down to the next generation.

The world is currently dealing with the unprecedented crisis that is the COVID-19 pandemic. However, even before the virus began to spread, we found ourselves in a period of dramatic change and uncertainty that has included frequent natural disasters, trade conflict between the United States and China, and the progression of artificial intelligence (AI), the Internet of Things (IoT), and other digital technologies. Under these extremely challenging circumstances, we are faced with the fundamental question of "what is the purpose of TOTO's existence as a company?" To answer this, we must once again consider various aspects, such as how are we useful to people as well as the world, what value do we offer our customers and society, and what exactly is our corporate mission.

As the TOTO Group heads into the future, the answer to how we can be useful to people and society at large lies in the Words of Our Founder. That is, that we must pursue our vision of delivering enriched and comfortable lifestyles to customers around the world. The world is always undergoing change. And, if during this change we ever find ourselves unsure about something, the Words of Our Founder and our corporate philosophy lay out everything that we need to continue to value as we go forward.

Areas We Should Change and Ones That We Must Not

Amid these increasingly more complex and uncertain times, there are past experiences that can serve as a

useful reference and ones that provide no use at all. To serve as our unchanging "will," we adopted "keep gaining TOTO fans around the world" as a medium-term target.

We are unable to predict every event that will occur in the world. However, by ensuring that our corporate philosophy is shared among the approximately 34,000 employees of the TOTO Group, we aim to be a company that can not only respond swiftly to change but also change itself in anticipation of changes around the world. Going forward, it is imperative that we become such a company, and to that end we must first change our actions more so than our awareness.

The keywords for doing so are "speed and challenge." We must promptly pursue bold challenges without fear of failure. This approach is extremely important if we wish to continue to be a corporate group that is needed by our customers and society in this day and age. Guided by this approach, we will become an organization where not only management but also employees of all Group companies have a sense of pride in the TOTO Group Corporate Philosophy and conduct themselves accordingly. We will also continue to be an organization where employees understand the contributions they made when such conduct serves a useful purpose to our customers and to society.

The Long-Cultivated Strengths of the TOTO Group

For over 100 years, the TOTO Group has worked to create an enriched and more comfortable lifestyle and culture. The Group began manufacturing seated flush toilets at a time in Japan when public sewage was not commonplace. In addition, approximately 50 years ago, we became the first company in Japan to manufacture a prefabricated bathroom module. Furthermore, we created new lifestyles and culture with the development of WASHLET. These efforts highlight how we have provided products focused on the future that help our customers realize vibrant and enriched lifestyles and culture. It is this kind of manufacturing insight possessed by our employees that represents the greatest strength of the TOTO Group. This strength is provided to us not simply by our technological capabilities but also by the fact that our technologies have helped support our constant reflections on the perspective of customers, including what we can do to make customers' lifestyles more comfortable and exciting.

Message from the President

Progress under TOTO WILL2022

Looking back on fiscal 2019, the second year of the TOTO WILL2022 Mid-Term Management Plan, net sales came to ¥596.5 billion and operating profit was ¥36.8 billion. This represented a year-on-year increase in sales but a decline in profit. In addition, return on assets (ROA) and return on equity (ROE), which we have adopted as important management indicators, stood at 6.3% and 7.0%, respectively.

In the Global Housing Equipment Business (Japan), despite the adverse impact from the COVID-19 pandemic, sales and profit increased for both remodeling and new construction. This was the result of the rush in demand before the consumption tax hike as well as the impacts of product price revisions. In the Global Housing Equipment Business (Overseas), sales were up due largely to our aggressive sales strategies in tier 2 and tier 3 cities in China, in addition to the solid sales of WASHLET in the United States. However, profits declined as a result of a worsening product mix in China and a rise in SG&A expenses. Sales were down and a loss was recorded in New Business Domains owing to weak demand for ceramic products resulting from worsening market conditions for leading-edge devices such as semiconductors and display devices.

Two years have passed since we commenced TOTO WILL2022. During that time, there have certainly been areas where our response to social changes has been delayed. However, TOTO WILL2022 is exactly that, our “will” as a company. As such, we will make no change to our strategy of continuing to gain TOTO fans around the world. Although we currently face a challenging situation in terms of performance, we will continue to push forward with a broad range of activities aimed at “keep gaining TOTO fans around the world.”

Meanwhile, we are aware of various other issues. To become a closer part of customers' lives across the globe, we must deliver products that fuse design and functionality with a greater sense of speed. By combining conventional analog communication with digital forms of communication, we aim to extend the value offered by our products to an even greater number of customers. There are still many aspects in this world that we can make even more clean, comfortable, and fun with our bathroom and kitchen plumbing products.

Key Strategies in Fiscal 2020

Giving consideration to the efforts we have been steadily pursuing thus far, as well as the issues that have arose, we have adopted the following five key strategies for fiscal 2020 and are undertaking initiatives in accordance with them.

1. Create Global Fans

The first strategy we have adopted is advancing efforts to create global fans. Since fiscal 2018 in Japan, we have been promoting the *Anshin* Remodeling Strategy. This strategy involves adding *Anshin*, the Japanese word for peace of mind, to remodeling as we make Companywide efforts to revitalize the renovation market. The starting point of *Anshin* Remodeling is establishing an environment in which we offer peace of mind to customers by addressing their concerns over remodeling, be it due to costs or lack of knowledge regarding the construction process. Rather than chasing profits and share increases over the short term, we aim to qualitatively improve and invigorate the renovation market under the *Anshin* Remodeling Strategy by taking time to build and accumulate trust with our customers. This strategy consists of straightforward activities, and we believe it is the perfect strategy for the TOTO Group to execute, as it has helped drive the renovation market for over more than 30 years. As such, we will continue to pursue and further evolve this strategy in fiscal 2020.

Due to the impact from the COVID-19 pandemic, the transition to a new way of living has become a necessity. To that end, the interest in pursuing remodeling that realizes a more comfortable living environment has been on the rise as people are spending more time at home. With this heightened interest, concerns over remodeling will likely start to emerge at a much greater level. Accordingly, we will offer our customers *Anshin* Remodeling that thoroughly resolves any of their concerns.

In addition, TOTO products are not something that end simply when sold, but rather are used over a long period of usually 10 to 20 years. We are therefore working to enhance our after-sales services. To do so, in addition to our products, we must form a close connection with our customers and provide meticulous customer support as a manufacturer. In Japan, we have already established a structure for enhanced after-sales services. Going forward, we will work to establish a similar structure overseas as we introduce products that meet the needs of people in each country and

Creating new lifestyle value through digital innovation



region. Through such a structure, we will provide services on a global basis that realize a high level of customer satisfaction.

2. Strengthen Sales and Marketing Activities on a Global Scale

In addition to creating an enriched lifestyle and culture in the countries and regions where we operate, contributing to the societies of these countries not as a Japanese company but as a local corporate citizen is essential to “keep gaining TOTO fans around the world.” For that reason, there is a need for us to thoroughly analyze and understand the characteristics of each local market.

In fiscal 2019, we launched a project aimed at exploring the spray seat market in China. Through this activity, we once again recognized that we must adopt an approach in China that differs greatly from our approach in Japan. To that end, we promoted activities to visualize various aspects of our operations in China, including how we can offer products and services that resonate with customers in China and how we can establish production, sales, and logistics structures for doing so. While these activities are still ongoing, we will tackle related issues one by one starting from fiscal 2020.

In fiscal 2020, we have started a similar project to visualize our operations in the U.S. market, which represents our second most important market after China. In the United States, demand for spray seats has been rising each year. To instill a mindset in the United States that “Spray seat = WASHLET™” we will strengthen activities to enhance brand recognition and disseminate information going forward.

Furthermore, we will continue to expand the sales

promotions that we started to undertake in fiscal 2019, centered on EWATER+ electrolyzed water (containing hypochlorous acid). To date, we have received high praise in each country for our activities to promote the concept of TOTO CLEANOVATION, which is a combination of the words “CLEAN” and “INNOVATION” and represents the synergistic effects of sanitary features realized through the combination of TOTO toilets and WASHLET. The term TOTO CLEANOVATION encapsulates our desire to enrich lifestyles through cleanliness and realize such lifestyles through our technologies and innovations. To ensure that our products can be used with peace of mind within new lifestyles going forward, bacterial reduction, cleanliness, touchless, and cleanability are needed to a greater extent than ever before. Leveraging the strengths of the long-cultivated technologies of the TOTO Group, we will deliver sanitary and comfortable products across the globe.

3. Promote Digital Innovation

The purpose of digital innovation is to provide customers with unprecedented new value. To realize such innovation, we established the Digital Innovation Division in April 2020. With the aim of creating value that is unique to the TOTO Group, the division promotes marketing activities that utilize the digital technologies of external organizations. Furthermore, the division strives to refine our curiosity, sensitivity, and creativity to maximize the value we offer, focusing on business innovations that can accelerate internal reforms and external collaboration with universities, research institutes, and other organizations.

Digital technologies are an essential element in swiftly extending the value we provide to an even

Message from the President



Continuing to be a company that serves a useful purpose to people around the world

greater number of customers. In addition, we believe we must promote reforms to business processes and other areas by utilizing big data. In light of this, we adopted “Digital Innovation” as one of our key strategies primarily for the following two reasons.

The first is to enhance the speed at which we engage in our businesses. We have thus far made great effort to promote detailed business activities, and this has led to a strong tendency to prefer to do everything internally. The TOTO Group has traditionally achieved growth through the accumulation of analog technologies. However, by cooperating with external organizations through open innovation, I am confident we will be able to enhance the quality of our products and expand the value that we offer to our customers. To that extent, we will accelerate improvements to our customer value and business processes through external collaboration.

The second reason is to learn from external organizations. We can foster a sense of curiosity about various aspects by thinking beyond our internal operations and working together with external partners, and this curiosity can lead to new creativity. In turn, this new curiosity and creativity can help further develop our human resources.

4. Rebuild a Firm and Solid Supply Chain

To reinforce global supply bases that can respond to demand growth in each country and region of operation, we are working to expand our global production sites on an ongoing basis. Also, due to the COVID-19 pandemic, we have faced delays in our supply of components, which has inconvenienced our customers. Taking this into account, we have reaffirmed our awareness regarding the

importance of business continuity plans (BCPs). Seeking to learn from this experience, we are examining to a greater extent than ever before the frameworks for ensuring a stable supply, including platform design and the maintenance of inventories on a part-number basis. In doing so, we will work to rebuild a firm and solid supply chain that can adapt to unexpected circumstances.

The manufacturing of ceramic sanitary ware involves the kneading of clay. In terms of this manufacturing, we have traditionally boosted our productivity by relying on the experience of our skilled employees. However, we have recently been gathering a great deal of information regarding this manufacturing process by installing sensors in various locations at our production sites. With a wealth of data, we will be able to create various simulations that should help us prepare for the manufacturing process in advance. In this way, it is extremely important that we make active use of digital technologies in the manufacturing process.

Furthermore, in the “With COVID-19” and “Post COVID-19” world, we will be able to avoid the “three Cs” (closed spaces, crowded spaces, and close-contact settings) at our manufacturing sites by introducing technologies such as robots and automation. We will therefore accelerate efforts to automate areas of our operations that are particularly labor intensive.

5. Create Employee-Friendly Working Environments and Promote New Workstyles

To date, we have undertaken various workstyle reforms including teleworking programs that support employees who are raising children or providing nursing care. However, in response to the COVID-19 pandemic, we have greatly expanded the scope of such programs.

Through this experience, we have received feedback from employees stating that their productivity has improved by working from home. We have also received numerous comments on how if we changed certain aspects of our teleworking programs it would help employees to further improve their productivity when working from home. Drawing on this experience, we will further evolve these programs and step up efforts to create employee-friendly working environments that help create value and boost productivity. This in turn will help us establish a workstyle unique to TOTO that creates a virtuous cycle in which employees create greater value and enhance their productivity and, by doing so, achieve growth as an individual and feel empowered to take on challenges with their colleagues toward high-value-added work.

Further Integrating CSR into Management

Based on our mission, which highlights the most important matters to tackle in the medium to long term in order to realize sustainable growth, we established the material issues of "Cleanliness and Comfort," "Environment," and "Relationships." Moreover, in accordance with these material issues, we are moving forward with the TOTO Global Environmental Vision, which serves a specific plan for our CSR activities. This vision is positioned as the driving engine of the TOTO WILL2022 Mid-Term Management Plan. Through the promotion of this vision, we will strive to further integrate CSR into our management going forward.

The three material issues we have established encapsulate the essence of our business activities themselves. For example, our business involves the creation of products that offer cleanliness and comfort. In addition, our business relies on the effective use of limited water resources. Further, our business would not be possible without the relationships we have with people. In other words, if we wholeheartedly pursue our business activities, then we will surely be able to achieve our three material issues. By taking steps to refine various aspects of our business activities from our current position, I believe we can make genuine contributions to the SDGs.

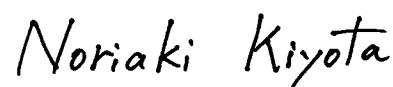
Together with Our Stakeholders

We aim to remain a company that is needed by our customers as well as society at large. To that end, we must become a company that provides use to people around the world. We must also raise our awareness regarding the importance of this issue within the "With COVID-19" and "Post COVID-19" world.

The world will continue to constantly undergo change. Amid such a world, we need to look closely at our customers and consider the next thing we can offer them to make their lives more enriched and comfortable. Value systems around the globe change over time, as do the ways that people live their lives. Focusing on the circumstances at hand, our most important mission is to consistently propose resolutions in anticipation of the concerns our customers will have in the near future. Going forward, we will maintain a thorough awareness that the pursuit of this mission will enable us to provide good products and satisfy the customer.

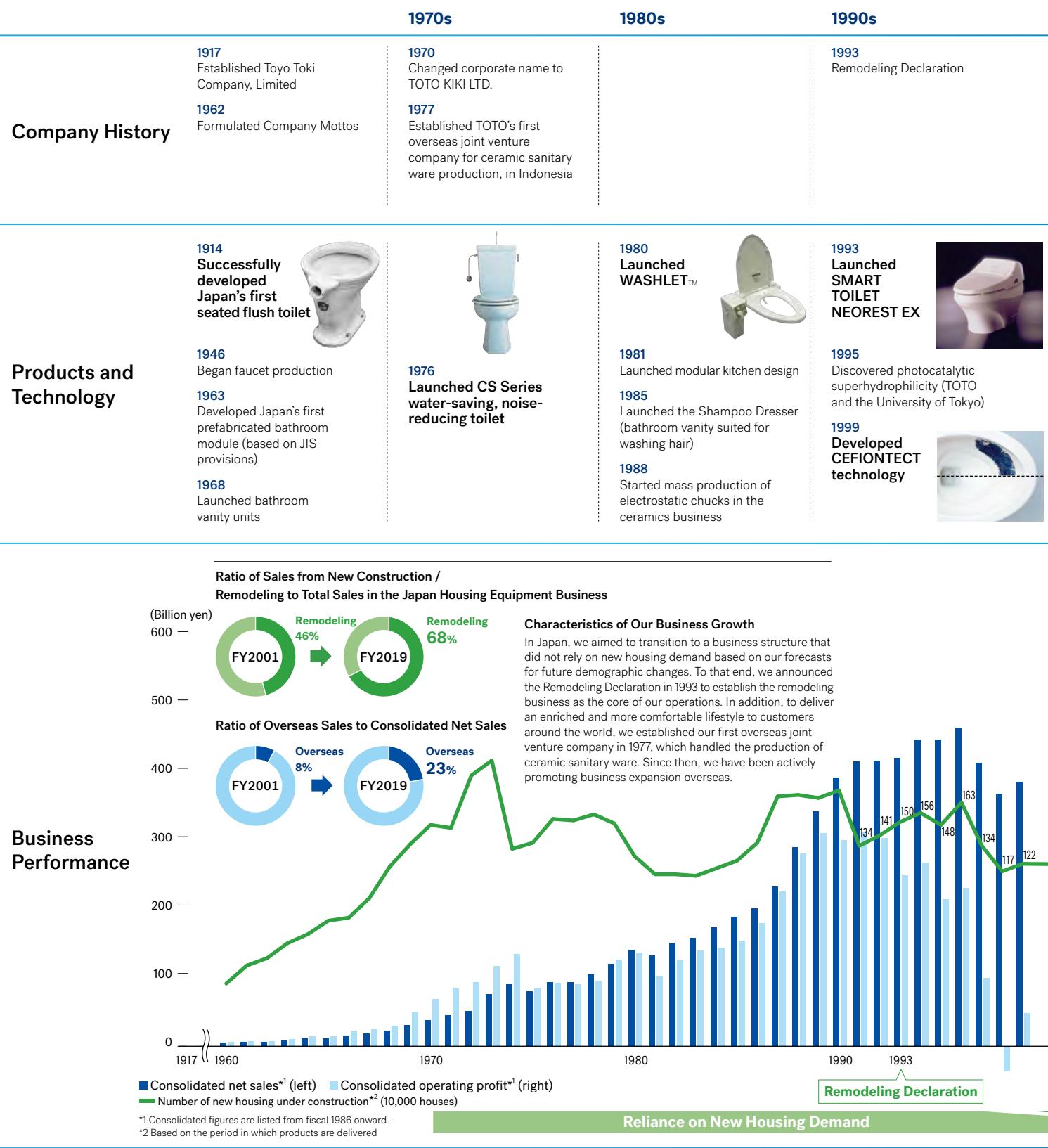
Our business activities are made possible thanks to the support and cooperation of our various stakeholders, including not only our customers and employees but also our shareholders, business partners, and local community members.

It is therefore essential that we remain a company that possess a high sense of ethics and can be relied upon. This means that we listen closely to the opinions and concerns of our customers and promote honest work in an honest manner. Going forward, we will always make sure to value our stakeholders as we strive to realize growth together with them.

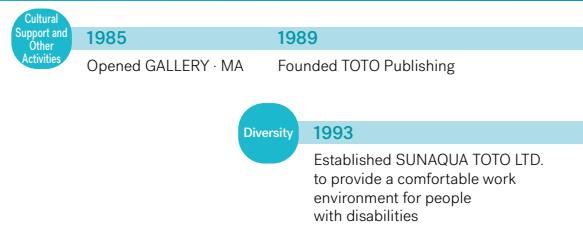


Noriaki Kiyota
President,
Representative Director

TOTO Group Value Creation History



Business Promotion Resources



Since its establishment, the TOTO Group has continuously passed on the vision of its founder with the ambition to create new lifestyles through challenges and innovations. In addition, since the announcement of the Remodeling Declaration in Japan in 1993, the Group has established a business structure that does not rely on new housing demand. At the same time, the Group has been actively expanding its businesses overseas.

2000s

2002	Entered into operational agreement between TOTO, DAIKEN, and YKK AP
2003	New Remodeling Declaration
2004	Established the Philosophy System for TOTO Group Management

2006	Established TOTO Universal Design Research Center
2007	Changed corporate name to TOTO LTD.
2009	Announced TOTO V-Plan 2017

2010s

2010	Announced TOTO Environmental Vision 2017
2014	Announced TOTO Global Environmental Vision

2017	Established new company mission Announced TOTO WILL2022 Mid-Term Management Plan Determined new materiality
2018	Remodeling "Anshin" Declaration

2001
Launched Europia system bathroom with quick-drying KARARI floor



2002
Launched NEOREST EX Series with built-in TORNADO FLUSH

2004	Launched Europia insulated thermal pot MAHOBIN bathtub Series
2008	Launched Restroom Item 01 (Universal Design of public toilets)
2009	Launched NEOREST Series/SE in Europe

2010	Launched AIR-IN SHOWER showerhead
2011	Launched WASHLET™ apricot with EWATER+ electrolyzed water (containing hypochlorous acid)
2012	Launched Drake II 1G water-saving toilet in the United States

2013
Launched Bedside Flushable Toilet

2017
Launched NEOREST NX globally



2017
Launched the Faucet 10 series of water faucets, distinguished by their sophisticated designs, to the global market

* WASHLET is a trademark or registered trademark of TOTO LTD.



CSR Activities

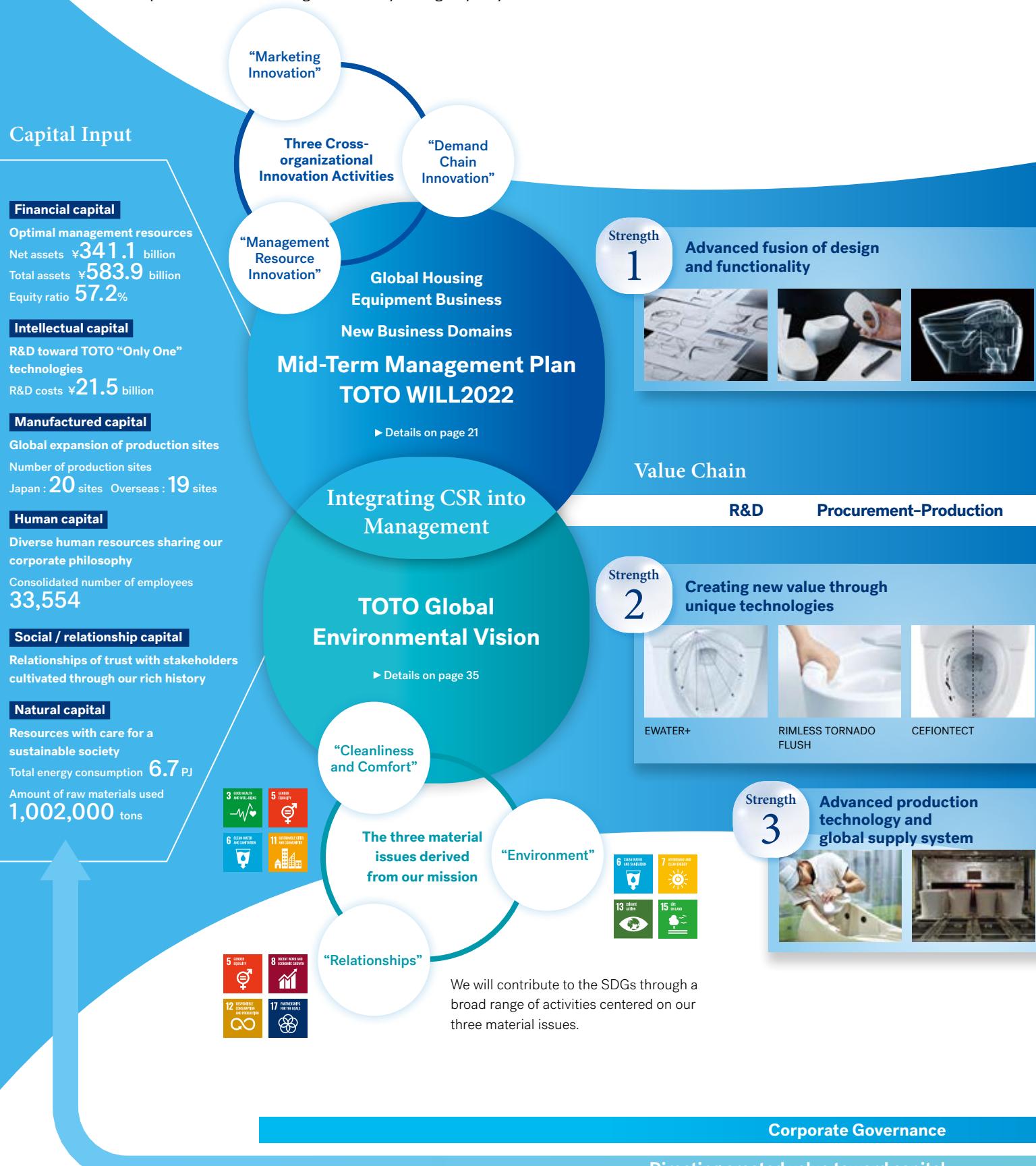
Social Contribution

CSR Activities

TOTO Group Value Creation Model

The TOTO Group conducts corporate activities with the aim of continuing to provide greater contributions to society and the environment.

To achieve this goal, we are taking steps toward integrating our management and CSR activities. We are also working to create value for our stakeholders while leveraging our strengths and, as we continue to create value through our value chain, we will spread this value throughout society at large by way of our social contribution activities.



Strength 4

Providing high-quality products and services



Major Initiatives	Indicators	Fiscal 2019 Results
Global expansion of clean and comfortable toilets	CEFIONTECT shipment ratio (overseas) TORNADO FLUSH shipment ratio (overseas) WASHLET shipment volume (overseas)	79% 44% 0.63 million units
Widespread adoption of water-saving products	Reduction of water consumption during product use ¹	940 million m ³
CO ₂ emission reductions	Total CO ₂ emissions from business sites Total CO ₂ emission reductions due to measures implemented Total CO ₂ emission reductions during product use ¹	344 thousand tons 24 thousand tons 3.46 million tons
Social contribution activities entrenched in local communities	Number of projects contributing to solve regional issues (total number since FY2018)	77 cases
Improved customer satisfaction	Customer satisfaction from after-sales services (Japan) Ratio of repairs completed within two days of reception (overseas)	91.3% 78.4%
Promotion of employee volunteer activities	Volunteer activity participation rate (total number of participants / number of consolidated employees = participation rate)	100% or more
Become a company that is pleasant to work at	Annual paid leave usage rate (Japan) Ratio of female managers (Japan) Employee turnover rate due to life events (Japan) ²	89.8% 12.3% 2.9%

¹ Reduction effect when compared with the case where products of 2005 continue to be used

² Job turnover rate for employees raising children or providing nursing care but still wish to work

Logistics-Sales

HYDROTECT



Relationships with stakeholders

Strength 5

Economic value

(Fiscal 2019)

Net sales	¥596.5 billion
Ordinary profit	¥36.8 billion
Ordinary profit	¥36.1 billion
Profit attributable to owners of parent	¥23.6 billion
ROA	6.3%
ROE	7.0%

Shareholders

Earn trust and provide returns over the long term

Dividend per share	¥90.00
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Value provided to stakeholders

(Fiscal 2019)

Customers

Offer lifestyles that go beyond expectations

► Details on page 43

Employees

Work lively and utilize individuality

► Details on page 45

Business partners

Coexist and grow together while contributing to society and the environment

► Details on page 46

Society

Realize a sustainable society

► Details on page 47

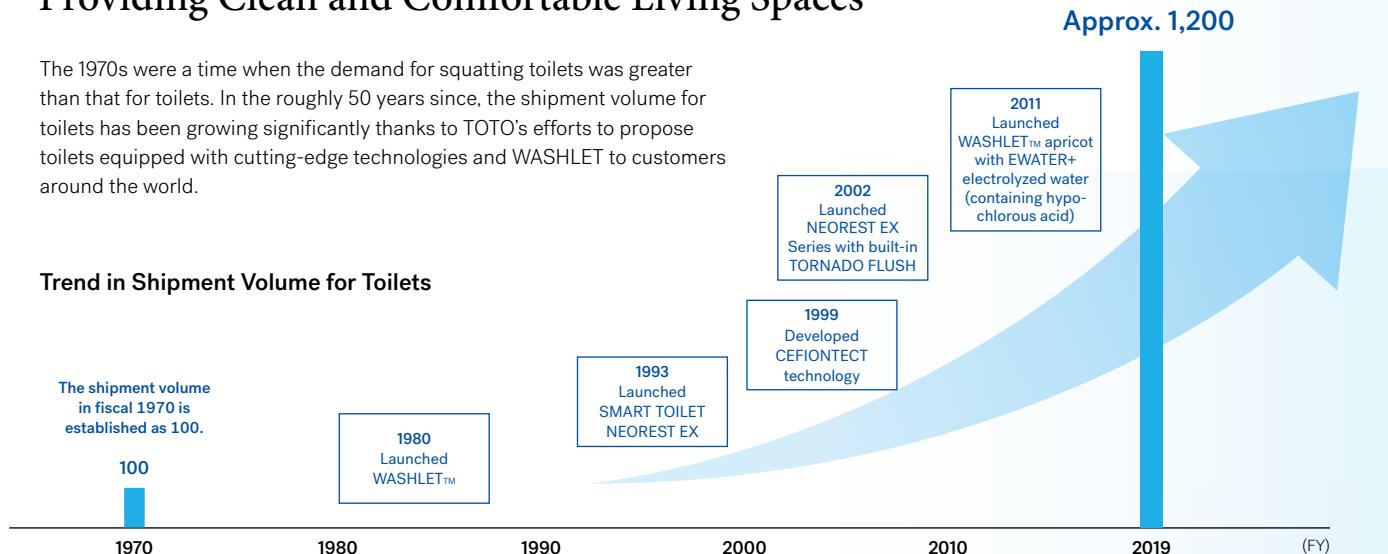
Initiatives to Create Value for Our Customers

With the aim of creating enriched and comfortable lifestyles centered on bathroom and kitchen plumbing products, the TOTO Group creates value for its customers by improving the convenience of its products and enhancing their water-saving performance. Going forward, the Group will continue to propose products that are even more innovative and attractive as it works to increase the number of TOTO fans around the world.

Providing Clean and Comfortable Living Spaces

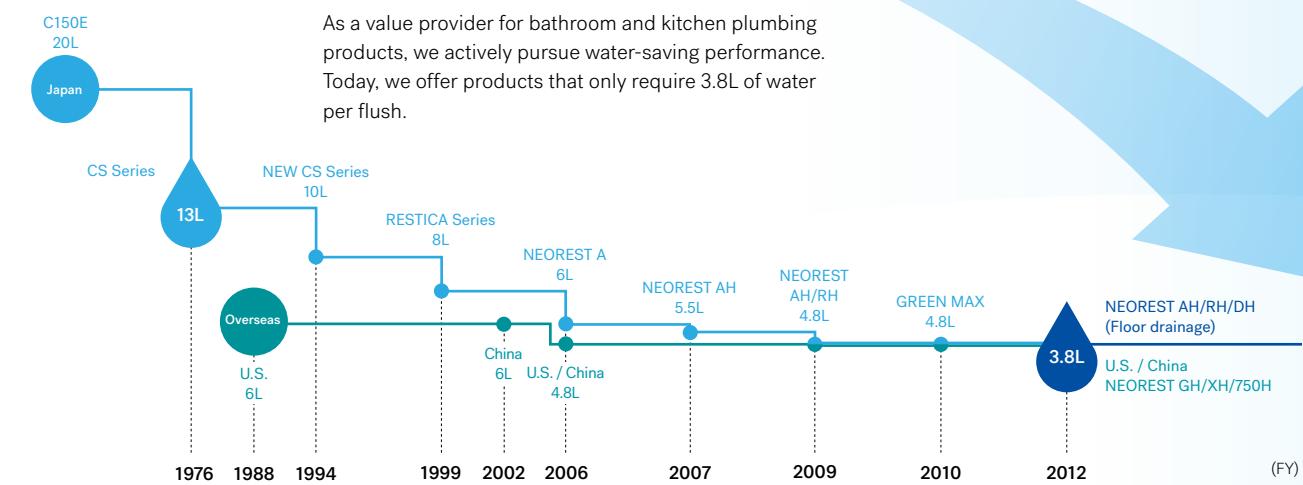
The 1970s were a time when the demand for squatting toilets was greater than that for toilets. In the roughly 50 years since, the shipment volume for toilets has been growing significantly thanks to TOTO's efforts to propose toilets equipped with cutting-edge technologies and WASHLET to customers around the world.

Trend in Shipment Volume for Toilets



Pursuing Water-Saving Performance

Water-Saving Performance of Toilets



* Water consumed per full flush

Trends in Cumulative WASHLET™ Sales



Reaching a Total of Over 50 Million Units Shipped for WASHLET™

Launched in 1980, WASHLET has gradually become commonplace in housing facilities in Japan. Overseas, sales of WASHLET have continued to grow, and by March 2019 we had shipped over 50 million units of WASHLET around the world.

Improving Design

We have been working to improve our design as part of the value we offer customers, and the results of such efforts have received high praise.

Awards Received for NEOREST NX

- iF Design Award (February 2018)
- Red Dot Design Award (April 2018)
- Gold Selection Award, JIDA Design Museum Selection (January 2019)



NEOREST Series

Lineup of NEOREST AH2W
(price at the time: ¥412,000)



Responding to Water-Saving Regulations on Toilets

To address the issue of depletion of water resources, various regulations on water use are being instituted around the world, and water-saving regulations that limit the amount of water toilets can use per flush are being enacted in a large number of countries and regions. Under the Energy Policy Act in the United States, which was formulated in 1992, the maximum limit for water used per flush was set at 6L, and even stricter regulations were put in place in California and other states, where water shortages have become an issue. Furthermore, water-saving regulations on toilets are being enacted in China, as the country faces deep concerns about water shortages due to rapid population increases in urban areas. To respond to these regulations, we are contributing to the environment through our business activities by popularizing water-saving toilets that use 4.8L of water or less per flush around the globe.

Flush Water Volume Regulations in Each Country and Region

(As of April 2020)



^{*1} (1 large flush + 2 small flushes) / 3

^{*2} (1 large flush + 5 small flushes) / 6

^{*3} (1 large flush + 4 small flushes) / 5

References for regulations in each country: American National Standards Institute (ANSI), American Society of Mechanical Engineers (ASME), Canadian Standards Association (CSA), Guobiao Standards (GB), European Standards (EN), Standards Australia (AS), etc.

Awareness of Opportunities and Risks

Opportunities and Risks

The vision of our founder, “providing a healthy and civilized way of life,” has been inherited by each employee through the “create an enriched and more comfortable lifestyle and culture built on our plumbing products” section of the TOTO Group Corporate Philosophy.

This vision is also encapsulated in “provide cleanliness and comfort for life,” which is adopted as part of our most important medium- to long-term plan, TOTO’s Mission.

To realize this cleanliness and comfort, we promote product development and business activities that effectively make use of water, which is an extremely valuable resource. In addition, the depletion of water resources has become a major global issue, and we are striving to help resolve this issue through the further development and popularization of water-saving products as well as the social contribution activities of the TOTO Water Environment Fund.

Based on this awareness, we are adopting the following response to (1) opportunities and risks related to sustainability and (2) opportunities and risks related to business continuity.

(1) Opportunities and Risks Related to Sustainability

We recognize climate change as an important issue facing society and are working from a long-term perspective to help realize a decarbonized society around the globe by 2050, based on the TOTO Global Environmental Vision. At the same time, we are actively working to disclose information on these efforts. Also, the agenda for our CSR activities, which includes long-term efforts toward climate change, is deliberated and executed by the CSR Committee, chaired by the president. In addition, these activities are monitored by the Board of Directors.

(2) Opportunities and Risks Related to Business Continuity

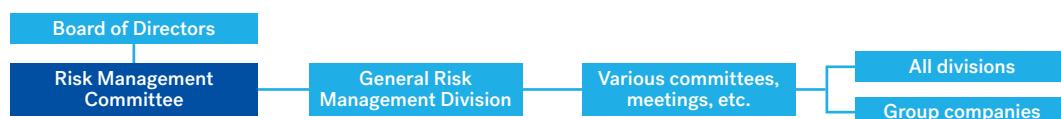
Every year, major risks that could have a significant impact on stakeholders are identified, and a general manager of the Risk Management Supervising Division is appointed for each risk in order to take preventive measures.

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, impact on personnel, and financial consequences in accordance with an assumption scenario. These risks are monitored by the Risk Management Committee, and risk mitigation activities are promoted throughout the entire Group.

Additionally, we view events occurring within the market environment and social climate that could support current or future business expansion as “opportunities,” and we work to capture these opportunities through promotion of the TOTO WILL2022 Mid-Term Management Plan as well as the TOTO Global Environmental Vision.

Risk Management Promotion System

The Risk Management Committee is chaired by the vice president, who serves under the president. The committee comprises the executive officers overseeing major risks and division heads as its members. In accordance with our risk management rules, the general manager of the Risk Management Supervising Division is appointed to oversee risk management and works with all divisions and Group companies through various committees and meetings to prevent risks and enhance the Group's risk management response capabilities.



Top Management Roles and Responsibilities

1. Building and penetration of the risk management system
2. Confirming and evaluating the validity of the risk management system
3. Providing the needed management resources to achieve the above

Risk Management Committee Roles and Responsibilities

- #### Promotion of Risk Management
1. Discussing and determining goals and direction of risk management
 2. Progress and follow-up on risk management
 3. Risk detection and evaluation, creating a risk map and prioritizing risk
 4. Improving risk awareness and knowledge
 5. Promoting monitoring and audits
 6. Risk Management Report to Board of Directors

Major Opportunities and Risks

Factors for major opportunities and risks		Details of opportunities and risks for the TOTO Group		The TOTO Group's response	
Climate change and large-scale earthquakes	Risk	Risks to the continuity of business activities due to large-scale earthquakes and wind and water damage from abnormal weather	<ul style="list-style-type: none"> Implement risk examinations and risk simulations regarding large-scale earthquakes Respond to environmental issues by promoting the TOTO Global Environmental Vision Carry out long-term scenario analysis based on the TCFD and respond to risks and opportunities identified through the analysis accordingly 	P.52	
	Risk	Global risks such as climate change and water resource depletion, which are starting to materialize		P.35	
	Opportunity	Increase in opportunities to contribute to the environment by offering water-saving products in regions with water shortages		P.40	
Raw material and component procurement	Risk	Inability to procure raw materials and components due to large-scale earthquakes and other natural disasters	<ul style="list-style-type: none"> Formulate BCPs in consideration of the impact of large-scale disasters on the supply chain and bolster response capabilities Implement on-site inspections of major suppliers Strengthen global supply structure through Demand Chain Innovation activities 	P.31	
	Risk	Cost increases due to foreign exchange rate fluctuations, etc.		P.46	
	Risk	Accidents or bankruptcies occurring within the supply chain		P.31	
	Opportunity	Expanded selection of suppliers due to the Group's global business expansion			
Tightening of laws, regulations, and systems	Risk	Relocation or stoppage of factory operations and additional capital investment due to the tightening of environmental regulations	<ul style="list-style-type: none"> Reinforce structure to respond to laws and regulations, including those overseas Develop and launch industry-leading products through Marketing Innovation activities 	P.52	
	Risk	Insufficiencies in response to overseas laws and regulations		P.29	
	Opportunity	Tightening of regulations regarding water- and energy-saving features, increase in demand for highly functional products due to an increase in purchasing support systems, etc.			
	Opportunity	Increased purchasing motivation resulting from a heightened consumer awareness toward water and energy conservation			
Human resources	Risk	Intensifying competition to recruit human resources	<ul style="list-style-type: none"> Reform human resource systems through Management Resource Innovation activities 	P.33	
	Opportunity	Expansion of human capital through the recruitment and development of outstanding personnel			
	Opportunity	Increased opportunity to provide peace of mind and fulfilling challenges through workstyle reform			
Occupational safety and health	Risk	Violations of labor laws	<ul style="list-style-type: none"> Share issues and draft and promote response measures via the Health and Safety Committee 	P.60	
	Risk	Workplace accidents			
Compliance	Risk	Occurrence of compliance violations, including within the supply chain, and subsequent loss of social trust	<ul style="list-style-type: none"> Operate management systems centered on the Compliance Committee Implement compliance-related educational activities, including on human rights, to ensure strict adherence Carry out monitoring activities, including within the supply chain 	P.52	
	Risk	Occurrence of product recalls and major complaints		P.52	
	Opportunity	Expanded application of product liability		P.46	
Product quality	Risk	Sophisticated product development and high levels of quality cultivated through rigorous quality management	<ul style="list-style-type: none"> Improve customer satisfaction through the promotion of "Relationships," an important theme of the TOTO Global Environmental Vision Implementation of compliance education, including human rights issues, and rigorous adherence to compliance Promote <i>Anshin Remodeling</i> to offer TOTO quality, including with after-sales services 	P.41	
	Risk	Occurrence of disruptions to information systems due to computer viruses, etc.		P.41	
	Opportunity	Arrival of the 5G era and progress in the semiconductor and optical communication industries		P.24	
Information security and IT innovation	Risk	Leakage of confidential and personal information	<ul style="list-style-type: none"> Draft and promote medium- to long-term IT strategies and strengthen information security via the IT Strategy Committee Offer plumbing solutions that utilize IoT technologies through Marketing Innovation activities 	P.33	
	Risk	Arrival of the 5G era and progress in the semiconductor and optical communication industries		P.29	
	Opportunity	Introduction of AI and the IoT in housing equipment			
	Opportunity	Introduction of AI and the IoT in housing equipment			
Economy	Risk	Foreign exchange and interest rate fluctuations	<ul style="list-style-type: none"> Promote the TOTO WILL2022 Mid-Term Management Plan Roll out globally strategic products through Market Innovation activities and fortify our financial structure 	P.21	
	Risk	Intensifying competition from rival companies and rapid declines in product prices		P.33	
Society	Risk	Contraction in the market for new housing due to changing demographics in Japan	<ul style="list-style-type: none"> Promote business strategies under the TOTO WILL2022 Mid-Term Management Plan as well as cross-organizational innovation activities Improve risk prevention and response capabilities based on the structure of the Risk Management Committee as well as ensure the continuation of production and supply through an adaptive approach to risk response 	P.21	
	Risk	Geopolitical risks within our global businesses			
	Risk	Risks to business continuity following the spread of viruses		P.52	
	Opportunity	Expansion in the remodeling market due to changing demographics in Japan			
	Opportunity	Increased demand for plumbing products following global economic progress and population increases			

TOTO WILL2022 Mid-Term Management Plan

In 2017, the TOTO Group celebrated its 100th anniversary. Looking at the next 100 years, the Group aims to increase the number of TOTO fans around the world. To this end, the Group commenced its five-year TOTO WILL2022 Mid-Term Management Plan in April 2018.

Under TOTO WILL2022, with corporate governance acting as our foundation, we will continue efforts to strengthen our global business promotion structure through our two business segments of Global Housing Equipment Business and New Business Domains; our three cross-organizational innovation activities of Marketing Innovation, Demand Chain Innovation, and Management Resource Innovation; and, starting in fiscal 2020, our new key strategy of "Digital Innovation," which aims to pursue changes at a faster rate than those occurring around the world.

Furthermore, we will actively carry out investments aimed at achieving sustainable growth while promoting well-balanced financial strategies that give consideration to shareholder returns.

Our Vision



Promotion Structure



Looking toward the next 100 years, we are promoting our five-year TOTO WILL2022 Mid-Term Management Plan in order to achieve our “will” of continuing to gain TOTO fans around the world. We aim to increase our corporate value through our two business segments of Global Housing Equipment Business and New Business Domains, as well as our three cross-organizational innovation activities, which are pursued on a Companywide, cross-departmental basis from the perspective of optimization.

Review of Fiscal 2019 and Forecasts for Fiscal 2020

In fiscal 2019, the second year of TOTO WILL2022, net sales came to ¥596.5 billion, an increase of ¥10.4 billion year on year, while operating profit totaled ¥36.8 billion, down ¥3.4 billion. In addition, ordinary profit stood at ¥36.1 billion, a decrease of ¥7.0 billion, and profit attributable to owners of parent was ¥23.6 billion, down ¥8.8 billion. Also, the Company has adopted return on assets (ROA) and return on equity (ROE) as important management indicators. In the fiscal year under review, ROA came to 6.3%, a decline of 0.8 percentage point, and ROE stood at 7.0%, a decrease of 2.6 percentage points.

In the Global Housing Equipment Business (Japan), despite the adverse impact from the COVID-19 pandemic, sales and profit increased for both remodeling and new construction, due to rush in demand before the consumption tax hike as well as the impacts of the introduction of new products and initiatives. In the Global Housing Equipment Business (Overseas), sales were up due mainly to our aggressive sales strategies in tier 2 and tier 3 cities in China as well as the solid performance of WASHLET in the United States. However, profits declined as a result of a worsening product mix in China and an increase in SG&A expenses. Sales were down and a loss was recorded in New Business Domains due to a decline in demand for ceramic products resulting from worsening market conditions for leading-edge devices such as semiconductors and display devices.

As for key measures in fiscal 2020, while taking into account the new commonsense that will emerge after the COVID-19 pandemic has been contained, in Japan we will strive to propose new ways of living and push forward with our *Anshin* Remodeling Strategy. Overseas, we will continue to pursue structural reforms to visualize the markets in each region and accelerate growth. Furthermore, we will move forward with our new Digital Innovation strategy, which aims to pursue changes at a faster rate than those occurring around the world.

Fiscal 2019 Results

(Billion yen)

	Fiscal 2018	Fiscal 2019
Net Sales	586.1	596.5
Operating Profit (Operating Margin)	40.2 (6.9%)	36.8 (6.2%)
Ordinary Profit	43.1	36.1
Profit Attributable to Owners of Parent	32.4	23.6
ROA	7.1%	6.3%
ROE	9.6%	7.0%

Global Housing Equipment Business

Japan Housing Equipment Business

We will further promote our remodeling strategy that does not rely on new housing demand. In addition, in the public market, we will work to communicate Japanese toilet culture, which the TOTO Group has helped create, with the aspiration of turning Japan into a showroom for the rest of the world.



TOTO Group Strategy

In Japan, the remodeling business currently accounts for 70% of total sales in the Japan Housing Equipment Business, and we have succeeded in establishing a management model that does not rely on new housing demand.

As each remodeling project entails different on-site conditions and customer needs, the remodeling business requires multiple abilities in areas such as construction expertise, planning, and customer communication. To this end, we have cultivated the product appeal and abilities required for performing remodeling work and have rolled out showrooms across Japan. At the same time, we have made swift efforts to establish a network with home improvement stores that have deep ties to local communities. In 2002, we formed the TDY alliance together with DAIKEN and YKK AP, both top-class manufacturers of key housing materials, in order to further accelerate the growth of our remodeling business. To make proposals for bathroom and kitchen spaces made possible through the high-quality products of each alliance member, all three companies in the TDY alliance made cooperative efforts to open TDY Collaboration Rooms, organize Remodeling Fairs, and undertake other activities with the aim of realizing sustainable growth.

Review of Fiscal 2019 and Forecasts for Fiscal 2020

Fiscal 2019 saw increases in both net sales and operating profit as net sales increased ¥11.0 billion from the previous fiscal year, to ¥436.1 billion, and operating profit rose ¥0.9 billion, to ¥25.3 billion. These gains were the result of increased sales and profits from remodeling and new construction owing in part to the rush in demand before the consumption tax hike and the impacts of the introduction of new products and initiatives, which offset the negative impact from the COVID-19 pandemic. In light of these results, we will promote the following key measures in fiscal 2020.

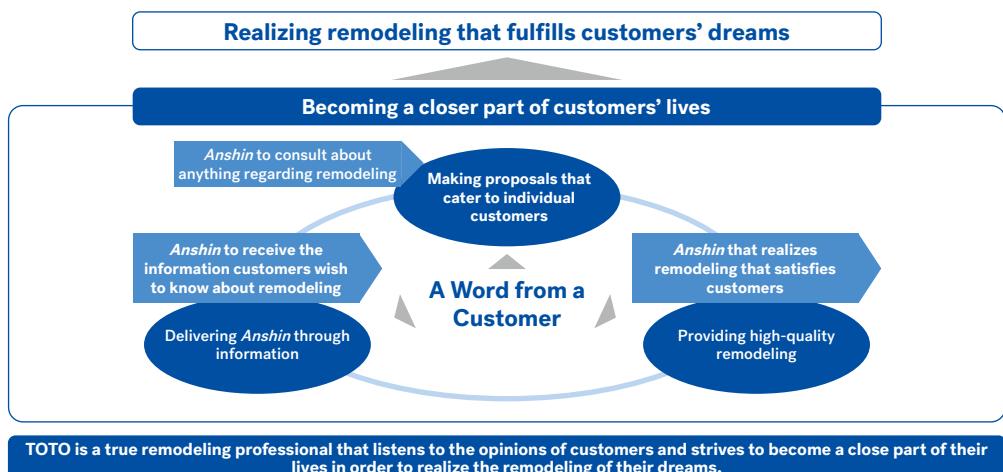
Housing Market

In the housing market, amid expectations for a decline in new home construction with the continuing transition toward a stock-based society, the remodeling business has become more important than ever. In light of such market changes, we will continue to build on our *Anshin* Remodeling Strategy in the remodeling business in an effort to revitalize the market. Under the *Anshin* Remodeling Strategy, we will work to spur remodeling demand by turning customers' concerns over remodeling projects into *Anshin*, the Japanese word for peace of mind. By earnestly addressing their needs and concerns, we will pursue efforts to enrich the lifestyles of our customers by becoming a closer part of their lives through superior remodeling in collaboration with our business partners. In these ways, we will aim for the revitalization and qualitative improvement of the renovation market by building up genuine trust with our customers over the next five to 10 years.

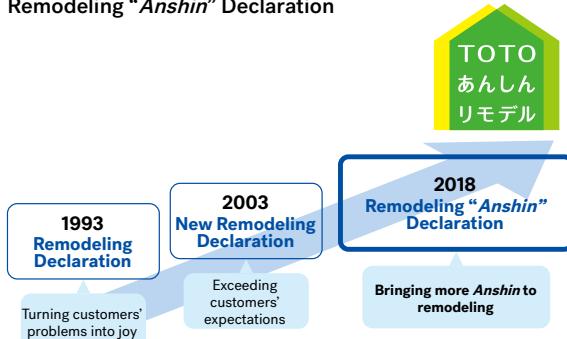
Since announcing the *Anshin* Remodeling Strategy in April 2018, we have been working to promote the spirit of this strategy across the Group. We believe that people's way of thinking about housing will change after the COVID-19 pandemic has been contained. Accordingly, we will continue to enhance our business activities by focusing on our three goals of "making proposals that cater to individual customers," "delivering *Anshin* through information," and "providing high-quality remodeling."

In the new housing market, drawing on the certain level of success we have had with ascertaining the needs of each of our business partners, we will continue to pursue efforts to ensure that our business partners choose our services by strengthening attractive products that meet their needs and by enhancing our proposal capabilities.

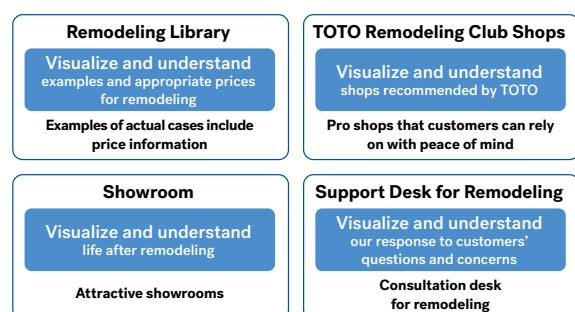
Overview of *Anshin* Remodeling



Remodeling "Anshin" Declaration



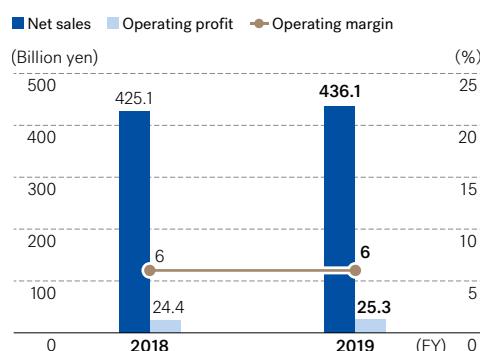
TOTO's Anshin Remodeling



Public Market

In the public market, we are promoting optimized proposal activities that cater to the way our products will be used in each building. By doing so, the number of our proposals that have been adopted is steadily increasing. Remodeling is an area in which we can create demand, and we will engage in activities to continue to expand demand, making use of remodeling as our growth engine. As a key initiative going forward, we will strengthen efforts to further create demand and enhance designated activities by capitalizing on opportunities to make proposals focused on the keyword "non-contact."

Japan



Global Housing Equipment Business

China & Asia Housing Equipment Business

In China, by responding to market changes and actively making proposals, we are aiming to become the most trusted brand that our customers continue to need and want. Our operations in the rest of Asia will help drive growth in the overall Global Housing Equipment Business, which in turn acts as an engine for the growth of the TOTO Group. In the high-end markets of each country and region, we aim to become the most trusted and beloved brand.



TOTO Group Strategy

In China, we have continued to achieve steady growth due to the rising average income of Chinese citizens. Meanwhile, greater emphasis is being placed on appropriate marketing strategies that address the changing market conditions such as intensifying competition and diversifying customer needs. In the China Housing Equipment Business, we are working to ascertain changes in the market environment and consumer purchasing behavior as we leverage the strengths of TOTO as a high-end brand to promote our business activities focused not only on tier 1 cities but also tier 2 and tier 3 cities.

In various other countries and regions in Asia, including Taiwan, Vietnam, India, and Thailand, the TOTO brand continues to gain recognition as a result of rising income levels and the proliferation of sewage systems. In accordance with the market growth in each country and region, we will strive to increase orders received for projects at high-end facilities such as five-star hotels and luxury condominiums. To that end, we are working to popularize WASHLET by strengthening our sales network and actively rolling out promotions. We are also taking steps to establish a structure for after-sales services. At the same time, we are building production plants to establish them as a global supply base that can respond to increased demand in the future.

Review of Fiscal 2019 and Forecasts for Fiscal 2020

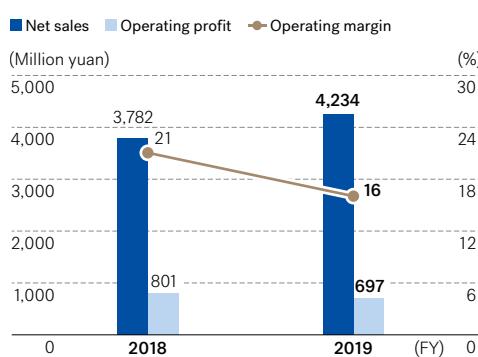
China

In fiscal 2019, net sales in the China & Asia Housing Equipment Business increased ¥3.5 billion year on year, to ¥67.0 billion, while operating profit declined ¥2.2 billion, to ¥10.2 billion. While we realized a recovery in net sales by stepping up efforts toward tier 2 and tier 3 cities, operating profit was down due to the impact of such factors as stagnating market condition in tier 1 cities, the worsening of our product mix, and fluctuations in exchange rates. Also, in fiscal 2019 we comprehensively reviewed our overall business operations and launched a new project aimed at going beyond our conventional activities to identify issues from new perspectives.

We will position fiscal 2020 as a year in which we establish a base for realizing further growth. To that extent, we will push forward with activities geared toward innovation. Throughout all of our business activities, we will organically integrate customer perspectives in an effort to fortify our overall business foundation in China. We will also make efforts toward product planning and promotions. In addition, for logistics, we will draw on our robust customer relationships cultivated through our BtoB operations, to promote activities focused on customer satisfaction.

Furthermore, in terms of the supply chain, we will adopt a fundamental approach of local production for local consumption but also regularly review this approach to ensure we will be able to respond flexibly to changing market conditions and various risks. Through such efforts, we will integrate our manufacturing and sales operations and strive to restore profits as we work to increase the number of TOTO fans going forward.

China



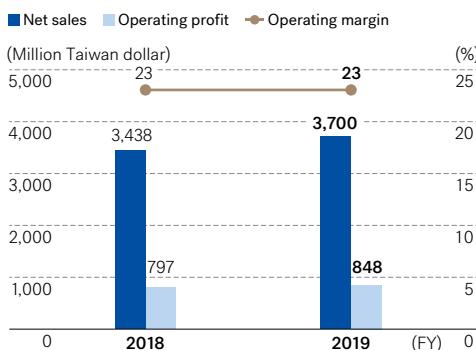
Asia

For Asia, fiscal 2019 saw net sales increase ¥0.8 billion year on year, to ¥32.6 billion, and operating profit decrease ¥0.1 billion, to ¥5.4 billion. In Taiwan, both net sales and operating profit increased as the result of a recovery in new housing demand and steady sales of WASHLET. In Vietnam as well, both net sales and operating profit rose due to the positive impact from the introduction of new products and an increase in exports. Based on these results, we will implement the following key measures in fiscal 2020.

In the Asia Housing Equipment Business, in order to fulfill our role as TOTO's growth engine, we will aim to solidify our position as a high-end brand. Accordingly, we will strive to strengthen contact points with customers and thoroughly promote the attractiveness of our products, centered on WASHLET.

In Taiwan, we will step up our approach based on WASHLET with the aim of capturing latent demand. In Vietnam, we will further establish showrooms as robust customer contact points and seek to improve sales of WASHLET in the retail market in order to spur demand for WASHLET and promote its added value. Additionally, throughout the entire Asian market, we will continue to promote the construction of new plants to cater to the anticipated growth in global demand going forward.

Taiwan



Vietnam



Americas & Europe Housing Equipment Business

The bathroom culture of Europe has a significant impact on the rest of the world, and we will therefore further promote the Americas & Europe Housing Equipment Business. In addition, we aim to become a company that can bring about change to the bathroom culture in the Americas and Europe, thereby increasing the number of TOTO fans around the world.



TOTO Group Strategy

In the Americas and Europe, our unique technologies have received high praise from customers. These technologies include water-saving toilets, which use only one gallon (3.8L) per flush, as well as CEFIONTECT, RIMLESS, and TORNADO FLUSH, which enhance these toilets. In the Americas & Europe Housing Equipment Business, we are enhancing our brand value and working to achieve differentiation through efforts to communicate the superior quality and value of our products. Also, for WASHLET, we are enhancing our showroom exhibits and stepping up efforts to establish new sales routes through e-commerce.

Global Housing Equipment Business

The Americas

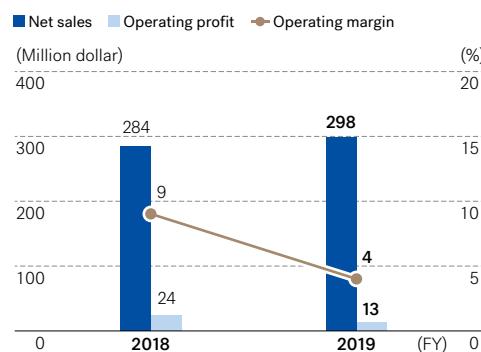
Review of Fiscal 2019 and Forecasts for Fiscal 2020

In the Americas in fiscal 2019, net sales were up ¥1.2 billion year on year, to ¥32.5 billion, while operating profit decreased ¥1.0 billion, to ¥0.6 billion. Although sales increased due to the sales growth of WASHLET, productivity worsened and SG&A expenses rose, leading to a decline in profits. In light of these results, we will implement the following key measures in fiscal 2020.

For the Americas Housing Equipment Business, we will look to achieve greater recognition of the TOTO brand and WASHLET by expanding our contact points with customers. In fiscal 2019, sales of WASHLET significantly increased thanks to the contributions from efforts to cultivate new sales channels through e-commerce and other means. In fiscal 2020, we will further enhance our product displays at stores and other locations and draw on WASHLET as a catalyst for implementing business activities on a full scale. We will also continue to disseminate information that strongly communicates the concept that “Spray seat* = WASHLET™” Also, in light of the major sales growth for WASHLET, establishing and enhancing a structure for after-sales services has become an urgent issue. To that end, we will strive for these services under which we will prepare a structure to shorten the time required for repair work and offer services that realize a high level of customer satisfaction. In our manufacturing departments, we will promote stable production and build a more effective supply structure as we aim to achieve business activities that integrate production and sales operations.

* “Spray seat” is a generic name for an ordinary toilet seat equipped with a warm water-washing function.

The Americas



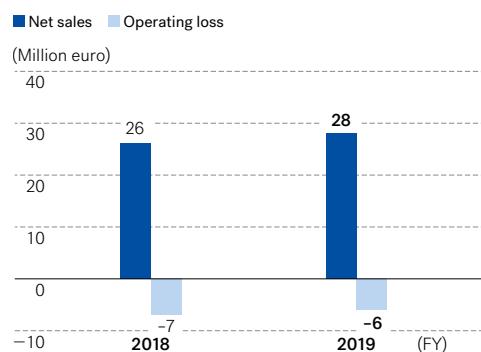
Europe

In Europe, fiscal 2019 saw net sales of ¥3.8 billion, a decrease of ¥0.1 billion year on year, and operating loss of ¥1.0 billion, an improvement of ¥0.2 billion. Given these results, we will take the following key measures for fiscal 2020.

In Germany, we will strengthen our partnership with plumbers, who propose our products to customers, and draw on our showrooms at stores and other locations to heighten awareness of the cleanliness and comfort of WASHLET in order to solidify the presence of the TOTO brand in the country. Up to fiscal 2019, we successfully implemented work training seminars for plumbers at approximately 600 stores across Germany. While our efforts to strengthen partnerships in fiscal 2019 were centered on the southern region of Germany, we will expand on this in fiscal 2020 by focusing on the entire country. Going forward, we will have these plumbers conduct remodeling events for customers at our showrooms and engage in activities that aim to enhance the sales potential of WASHLET at each of our stores.

In the United Kingdom and France, we will continue to promote the adoption of our products at high-end hotels and other top-class facilities toward our goal of establishing TOTO as a high-end brand. We will also strengthen our distribution of information on previous adoption examples and customer opinions to provide more opportunities to experience our products in pursuit of our next adoption.

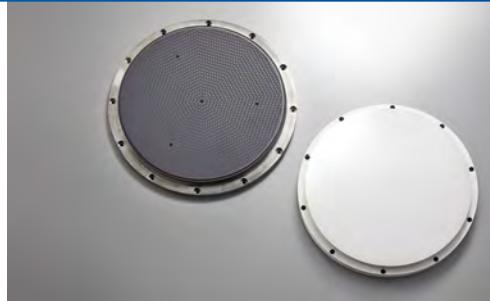
Europe



New Business Domains

Advanced Ceramics Business

TOTO will roll out its high-quality, high-precision advanced ceramics, including air bearings, electrostatic chucks, bonding capillaries, and receptacles, for the semiconductor, FPD manufacturing, and optical communication industries. By further leveraging these unique technologies, we will create value together with our customers and suppliers.



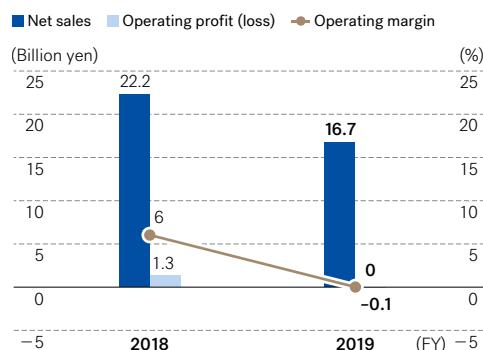
Electrostatic chucks

Review of Fiscal 2019 and Forecasts for Fiscal 2020

In fiscal 2019, the Advanced Ceramics Business recorded net sales of ¥16.7 billion, a decrease of ¥5.5 billion year on year, and operating loss of ¥0.1 billion, a turnaround of ¥1.4 billion compared with operating profit of ¥1.3 billion in the previous fiscal year. Demand for leading-edge devices such as semiconductors and display devices declined, and sales of our advanced ceramic products, which are adopted in these devices, decreased in turn. However, expansion in the advanced ceramic products market is expected to continue over the medium to long term due to the increase in teleworking and online service use as well as the widespread adoption of 5G.

In the Advanced Ceramics Business, we are focusing on responding to increased production and reinforcing our development structure to meet the robust demand for semiconductors. To that extent, we have established a production facility on the premises of TOTO Fine Ceramics LTD.'s Nakatsu Plant, which is slated to begin operations in October 2020. We will turn this facility into a next-generation smart factory that adds cutting-edge IoT and AI technologies to our long-cultivated production technologies and know-how. In addition, we will further accelerate measures to shorten lead times and enhance quality, thereby establishing a solid manufacturing foundation. The evolution of semiconductors has been remarkable, and our customers now have much higher expectations toward the quality and performance of our advanced ceramic products. Drawing on our unique advanced ceramic technologies and advanced development capabilities, we will continue to create new products that answer the needs of our customers.

Advanced Ceramics Business



Green Building Materials Business

TOTO will offer building materials utilizing its HYDROTECT environmental cleaning technology. TOTO will also enter into license agreements with companies worldwide handling exterior building materials, including tile, paint, metal panels, glass, and architectural stone.



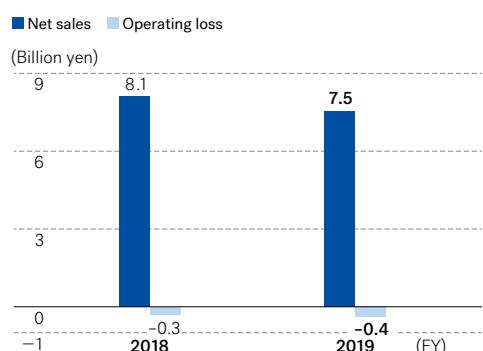
Ceramic tiles that utilize HYDROTECT—Hydrocera Wall

Review of Fiscal 2019 and Forecasts for Fiscal 2020

Fiscal 2019 saw net sales of ¥7.5 billion, a decrease of ¥0.5 billion from the previous fiscal year, and operating loss of ¥0.4 billion, a worsening of ¥0.1 billion.

In the Green Building Materials Business, we aim to contribute to the global environment by continuing to provide products that help create more comfortable lifestyles and cultures. To that end, we will enhance the efficiency of our operations by bolstering the selection and concentration of products. We will continue to focus on providing and proposing value for products that leverage the strengths of our HYDROTECT technology.

Green Building Materials Business



Cross-organizational Innovation Activities

Marketing Innovation

Accurately Grasping Global Customer Needs to Pursue the Products They Truly Want and Deliver New Lifestyle Value



Satoshi Shirakawa
Representative Director,
Executive Vice President

Strengthening Regional Marketing Activities

The global market environment is constantly changing. As well, viewpoints and ways of thinking about various matters differ by country and region, and so it is crucial that we strengthen regional marketing activities that cater to local characteristics. In fiscal 2019, we launched a project to investigate the actual conditions in the Chinese market and worked to ascertain changes in customer needs and the competitive environment. By doing so, we were able to visualize various aspects pertaining to our regional operations. In fiscal 2020, we will strive to resolve the issues discovered through these efforts.

Furthermore, in fiscal 2020 we will commence a project to help visualize conditions in the U.S. market. We will also further reinforce activities to boost recognition of the TOTO brand to establish a mindset that “Spray seat = WASHLET™” in the United States, where demand for spray sets is rising each year. As we move forward, we will strive to accurately grasp information on each market to swiftly promote the introduction of products that meet the needs of our target customer groups.

Evolving Design and Functionality

We will further accelerate the enhancement of design options and the advancement of our technologies. I believe we have enjoyed steady progress in terms of evolving our design. We have garnered high praise for our design at exhibitions around the globe and have received the internationally renowned iF Design Award for the seventh consecutive year and the Red Dot Design Award for the eighth. In these ways, our efforts to evolve design have been producing solid results.

We will promote three key strategies to continue to evolve our design and functionality going forward. The first is further melding the advanced functionality with the beauty of the overall sculpted shape of our NEOREST Series toilets and WASHLET. Realizing the kind of design and

functionality that customers need is crucial to this strategy's success. The second is to evolve our water faucet products. Water faucet parts are a major market in which we still have room to grow overseas. We work to enhance our water faucet product lineup each year, and the number of water faucet products adopted at famous overseas hotels has been growing, as has sales of these products in China. In particular, we aim to promote product strategies for bathroom and shower faucets going forward. The third is to enhance the appeal of comfortable spaces realized by our products. Overseas, there is an emphasis on the idea of the “bathroom,” which includes bathtubs, sinks, and toilets all together. In light of this, we will step up proposals so that our products are adopted not on an individual basis but rather as a living space.

Promoting Digital Innovation

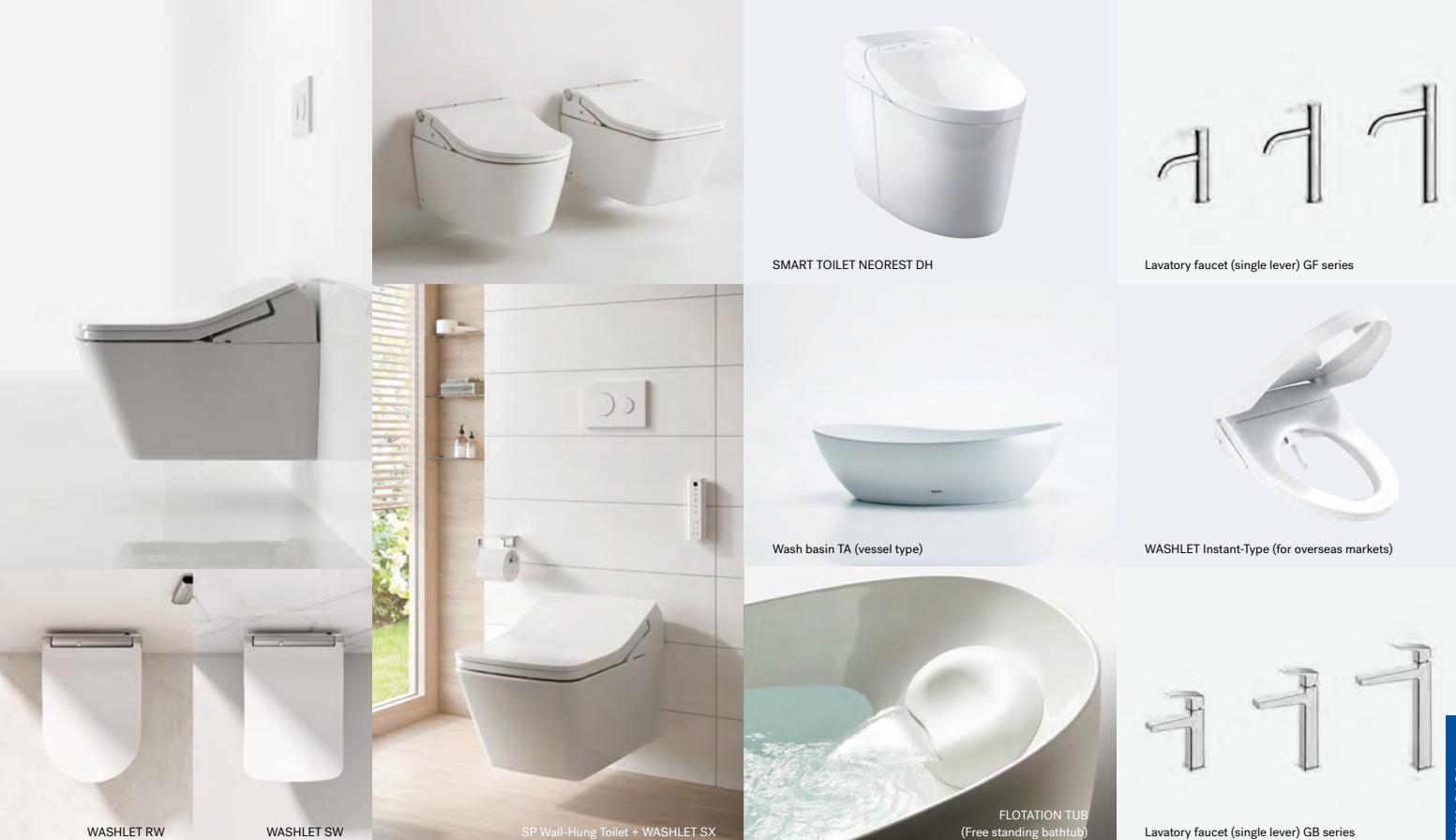
We will actively utilize external insight and digital technologies through open innovation to not only innovate our business processes but also create new value.

Specifically, we will first promote the digitalization of our existing products. By leveraging AI and IoT and arranging these technologies to fit our existing products (smart link), we will deliver new value to our customers. Furthermore, in the public market, there are various digital innovations that are already in progress. Taking into account such innovations, we will propose a new vision for our products and services within the public market.

Enhancing Efforts to Communicate Our Value

As global awareness toward sanitation rises due to the COVID-19 pandemic, we will continue to enhance efforts to promote the outstanding qualities of TOTO's unique clean technologies. Adopting the slogan of TOTO CLEANOVATION, which combines the words “clean” and “innovation,” we have been engaging in promotional activities centered on EWATER+ electrolyzed water (containing hypochlorous acid) since fiscal 2019. Going forward, we will enhance efforts to once again communicate the value of not only EWATER+ but also our many other clean technologies that offer touchless and cleanability features and adopt a clean design.

The needs of our customers are diverse and constantly changing. Gaining a firm grasp on these needs is a stated goal of the Words of Our Founder, “capture the real thing.” Without losing sight of this goal, we will always consider the people who use our products with the aim of realizing ease of use for everyone and roll out appropriate marketing promotions. I believe this represents the No. 1 task of our Marketing Innovation activities.



PICK UP 2019

In its product development, TOTO has consistently pursued the evolution of design and functionality.

We have made particularly steady progress with the evolution of our design, which has received extremely high praise at exhibitions and other events around the world. In fiscal 2019, we continued to produce solid results through our efforts toward the evolution of design and functionality, winning the internationally renowned iF Design Award for the seventh year in a row and the Red Dot Design Award for the eighth.

Received iF Design Award 2020 for the WASHLET RW/SW and the SP Wall-Hung Toilet + WASHLET SX for Overseas Markets



TOTO received the internationally renowned iF Design Award 2020 for the WASHLET RW/SW and the SP Wall-Hung Toilet + WASHLET SX, marking the seventh consecutive year that the Company has won this award. The iF Design Award is a design competition that started in 1953. The iF Design Award is sponsored by iF International Forum Design GmbH, which is based in Hanover, Germany, and is given to products that have had their design rigorously judged by design professionals from the perspectives of beauty, functionality, and innovation. At the 2020 awards, a panel of judges comprising well-known experts evaluated over 7,298 submissions from 56 countries and regions around the world. Among these submissions, TOTO's WASHLET RW/SW and the SP Wall-Hung Toilet + WASHLET SX received a high level of praise. The WASHLET RW/SW models, which received this year's award, are equipped with a broad range of features while realizing a thin, smooth, and elegant design. To realize such a design, TOTO tailored the internal structure of the two WASHLET models down to the 0.1mm level. The SP Wall-Hung Toilet is a highly sanitary product equipped with the WASHLET SX, yet hides any hoses and cords in the rear of its structure, making for a simple design that minimizes rims and spaces between the toilet and the seat and blends naturally into a bathroom space.

Received Red Dot Design Award 2020 for Six Products, Including the SMART TOILET NEOREST DH and the Wash Basin TA (Vessel Type)



TOTO received the internationally proclaimed Red Dot Design Award 2020 for a total of six products, including the SMART TOILET NEOREST DH and the Wash basin TA (vessel type). This marked the eighth year in a row that the Company won this award. The Red Dot Design Award is a design award that dates back to 1955. Organized by Design-Zentrum Nordrhein-Westfalen e.V., based in Essen, Germany, the award is given to products that design experts have positively evaluated based on a strict criteria, including innovation, functionality, and quality. The award consists of three prize categories: Product design, brand & communication design, and design concept. TOTO won awards in the product design category for six of its products.

Cross-organizational Innovation Activities

Demand Chain Innovation

Aiming to enhance our value-added productivity by rebuilding a firm and solid supply chain, strengthening our BCP response, and transitioning to smart factories.



Takayuki Shimizu
Director,
Managing Executive Officer

Demand Chain Innovation involves activities aimed at optimizing the flow of products, services, and information and establishing a structure that delivers attractive products in an efficient manner to customers around the world. Demand Chain Innovation focuses on two main activities: Supply chain innovation and manufacturing innovation.

Supply Chain Innovation

The role of supply chain innovation is to ensure we can efficiently deliver the products customers need, when and where they need it.

In fiscal 2019, raw material procurement at our production sites and from suppliers was disrupted due to the COVID-19 pandemic. This led to the stoppage of orders received and delays in deliveries, among other issues that greatly inconvenienced our customers. Reflecting on this, we realized that our BCP efforts toward supply chain risks such as the COVID-19 pandemic, which is occurring simultaneously around the world, have been insufficient, and issues pertaining to our global production and supply structure have become apparent. While we obviously have been taking steps to strengthen our BCP response, these steps have not been enough. To strengthen this response, we need to primarily focus on purchasing from multiple suppliers, extending production activities to multiple locations, and securing inventories. We also need to build a structure that can respond to situations such as government-ordered shutdowns, which have occurred recently in countries and regions across the globe. We now realize we should have been pursuing such efforts with a greater sense of speed, and will therefore work to accelerate these efforts in fiscal 2020. Also, we now understand there are certain areas where we are lacking in terms of our

information provision to sales divisions. To address these insufficiencies, we will create an information website that allows our sales divisions to gain an understanding on how our production divisions are being impacted by pandemics and natural disasters. In this manner, we will work to rebuild our global supply structure. Furthermore, our most important task in fiscal 2020 is to build a structure that will thoroughly ensure our business continuity not only in response to the COVID-19 pandemic but even in the event that any other unexpected emergency occurs.

Manufacturing Innovation

In manufacturing innovation, we are promoting the shift to smart factories. This shift involves the promotion of automation using AI, IoT, and remote operation, as well as the thorough reduction of waste, with the aim of ensuring continuous factory operation even under various constraints and restrictions. We believe the shift to smart factories will lead to “value-added productivity,” an indicator that divides value-added production output by labor costs. We will increase the value of this indicator by promoting this shift to smart factories and by resolving the individual issues facing each business. Furthermore, as a new effort, we will strive to improve quality and stabilize production through the use of big data analysis. Reaching our targets for value-added productivity and quality enhancement is a key issue for us to tackle in fiscal 2020.

Going forward, we will pursue Demand Chain Innovation through an approach that balances supply chain innovation and manufacturing innovation activities. By coming together on a Groupwide basis, we will rebuild a firm and solid supply chain that meets customer expectations and realize a shift to smart factories that also ensures our business continuity.



PICK UP 2019

To establish a production structure focused on future demand increases, we are building new, cutting-edge factories and closing certain production sites with the aim of improving productivity. Going forward, we will create a new global production structure by taking steps to transfer the operations at production sites in Japan, which have served as our mother factories, to production sites overseas.

Terminating Sanitary Ware Production at BEIJING TOTO to Optimize Our Supply Structure in China and Greater Asia

On September 30, 2019, BEIJING TOTO CO., LTD. terminated the production of sanitary ware at its plant located in Beijing. Established in 1994, this plant was the TOTO Group's first sanitary ware production plant in China. After establishing this plant, the Group founded BEIJING TOTO CO., LTD. in 1995, TOTO EASTCHINA CO., LTD. in 2001, and TOTO (FUJIAN) CO., LTD. in 2011, thereby gradually expanding its production capacity for sanitary ware in China.

After being impacted by various changing circumstances, we examined approaches to optimize our global supply structure at production plants in China other than BEIJING TOTO's plant as well as in countries bordering China, such as Vietnam and Thailand. As a result of these examinations, we confirmed that we can sufficiently ensure a steady supply of sanitary ware in the vigorous Chinese market going forward without engaging in production at the Beijing Plant, and therefore came to the decision to terminate its operations.

Building the No. 2 Plant of TOTO (FUJIAN) to Respond to Future Demand Growth in the Chinese Market

TOTO (FUJIAN) CO., LTD. is currently building its No. 2 Plant (provisional name), which will serve as a new sanitary ware production site.

This new plant is being constructed with the aim of responding to demand for sanitary ware in the Chinese market, which is expected to grow going forward. The plant will strive to achieve a high level of productivity through the introduction of highly efficient furnaces and the latest automated production equipment, among other technologies. Furthermore, in accordance with the TOTO Global Environmental Vision, the plant will utilize environmetal (impacts reduction) equipment such as exhaust gas treatment facilities. At the same time, the plant will give consideration to the working environment for employees, including in terms of dust, temperature, noise, and transportation. In these ways, the No. 2 Plant will become an eco-friendly and employee-friendly plant. Positioning the No. 2 Plant as a site for the mass production of sanitary ware, we aim to commence full-scale operations at the plant in April 2021.

Building the No. 4 Plant to TOTO VIETNAM to Serve as a Global Supply Base That Responds to Demand Around the World

TOTO VIETNAM CO., LTD. commenced the construction of its No. 4 Plant (provisional name) in February 2020, which will serve as a new production site for sanitary ware. TOTO VIETNAM aims to begin full-scale operations at this plant in July 2022.

The TOTO Group has thus far adopted the approach of local production for local consumption. In addition to this approach, the Group is now working to reinforce its production operations by establishing Asia as its global supply base with a view to optimizing its overall global supply structure. To date, TOTO VIETNAM has been operating the No. 1 and No. 2 plants in Hanoi and the No. 3 Plant in Hùng Yên Province, east of Hanoi. These plants have supplied sanitary ware not only in the Vietnamese market but also in the markets of other Asian countries and the United States. With the addition of the new plant, TOTO VIETNAM will supply sanitary ware products around the world as a global supply base that meets demand in each region.

For the construction of this plant, TOTO VIETNAM will introduce the latest tunnel furnaces that boast high energy efficiency, in accordance with the TOTO Global Environmental Vision. Through such efforts, the plant will centralize the latest TOTO Group technologies and know-how to become an environmetal consious designed and cutting-edge plant.

Cross-organizational Innovation Activities

Management Resource Innovation

Creating a Company That Attracts a Diverse Group of Human Resources and Offers a Vibrant, Challenging Working Environment Where Employees Can Work with Peace of Mind as Well as a Company Where Employees Can Take Pride in Their Work



Tomoyuki Taguchi
Director,
Managing Executive Officer

Realizing New Workstyles

Our human resources are the most important resource in achieving sustainable growth of the TOTO Group. For Management Resource Innovation, we have been promoting activities under the slogan “creating a company that attracts a diverse group of human resources and offers a vibrant, challenging working environment where employees can work with peace of mind.” From fiscal 2020, we have added “creating a company where employees can take pride in their work” as a new concept for these activities. This concept was added based on our desire to not simply create a “good” company but rather evolve ourselves into a company that employees can take pride in.

Since fiscal 2018, we have been pursuing a broad range of efforts toward workstyle reforms. As a result of the COVID-19 pandemic, we are now implementing flexible workstyles, such as teleworking, staggered working hours, and shorter working hours, as an emergency response to the situation. In doing so, we have come to realize the areas where our workstyle reform initiatives have been effective as well as those areas in need of improvement. Based on this realization, in fiscal 2020 we will move forward with initiatives with five specific goals. These five goals are “becoming an employee-friendly company,” “becoming a company where people want to work,” “improving value creation and productivity,” “ensuring business continuity,” and “enhancing work-life balance.” In the “With COVID-19” and “Post COVID-19” world, we will continue to pursue reforms to our business processes and introduce new workstyles not constrained by time nor location. Through such efforts, we will accelerate our workstyle reforms.

Additionally, due to the COVID-19 pandemic, we understand that there have been significant changes to the value systems of our employees. Therefore, we conducted an employee survey to ascertain such changes, through

which we recognized that our employees hold a broad range of opinions toward workstyle reform. Accordingly, we aim to thoroughly reflect these opinions into our Management Resource Innovation activities. We will also swiftly move forward with bold activities aimed at understanding the systems, rules, and frameworks we should maintain and those that we should change without hesitation. Also, we will actively gather the opinions of young and mid-career employees regarding how TOTO can be a company where employees can work with peace of mind and take pride in their work over the next five, 10, and 20 years. We will then work to reflect those opinions in our activities.

Going forward, we will promote Management Resource Innovation activities in order to realize workstyles that are uniquely TOTO.

Supporting the Group’s Growth with a Robust Business Foundation

The base underpinning our Management Resource Innovation is our mission to support the Group’s growth with a robust business foundation. With these activities, we are working to steadily control management resources such as people, products and services, cash, and information on a global basis. We are also working to strengthen efforts overseas to ensure that our labor contracts adhere to local laws and regulations.

In terms of general accounting and tax accounting, we will take steps to optimize our balance sheet and incorporate the perspective of return on invested capital (ROIC) in the performance management of each business and product. Regarding information, we will establish a safe and secure information-sharing foundation that does not rely on manpower. All of these efforts are part of our activities to support our business foundation and aim to fortify and protect our management resources. However, we will not devote all of our attention to protection. Naturally, protecting our management resources is my most important duty and greatest responsibility. However, to maximize the Group’s corporate value, we must also place emphasis on aggressive activities that consider how we can evolve such management resources as our people, products and services, cash, and information.

The TOTO Group is a corporate group that values people, and I understand that instilling this idea on a Groupwide basis is what enables us to receive the support of the markets in each country and region of operation. Valuing people is a true strength of the Group and is ingrained in our DNA. To ensure that we always maintain this DNA, we will ambitiously push forward with Management Resource Innovation activities in a fun and exciting manner going forward.



PICK UP 2019

The aim of the TOTO Group's workstyle reforms is to realize happiness and growth for both individuals and society as a whole. Guided by this, we will foster a corporate culture and various frameworks for attracting a diverse group of human resources and offering a vibrant, challenging working environment where employees can work with peace of mind.

Acquiring JIS Certification at Our Special-Purpose Subsidiary SUNAQUA TOTO

SUNAQUA TOTO LTD. was founded through a joint investment by Fukuoka Prefecture, Kitakyushu City, and TOTO. In March 2020, SUNAQUA TOTO acquired the JIS^{*1} B2061 Faucets certification.

SUNAQUA TOTO is a special-purpose subsidiary^{*2} that primarily engages in the assembly of water faucets, and over 60% of its employees are people with disabilities (as of April 2020). SUNAQUA TOTO conducts its operations as a Group company that meets TOTO's safety and quality standards. Going forward, the company intends to continue the employment of those with disabilities and increase its number of overall employees. As such, SUNAQUA TOTO acquired the JIS B2061 Faucets certification, after previously acquiring the ISO 9001 (acquired March 2014) international standard for quality, to ensure that working for the company offers an even greater number of employees a sense of fulfillment. By acquiring the JIS certification, from April 2020 SUNAQUA TOTO is able to manufacture and ship products with the JIS mark, which verifies quality. Moving forward, this verification will help SUNAQUA TOTO further create employment opportunities.

*1 JIS stands for Japan Industrial Standards and has been determined by the Ministry of Economy, Trade and Industry. JIS represents a set of domestic standards that stipulate regulations and measurement methods for industrial products in Japan. JIS has a total of 15 categories, and SUNAQUA TOTO received the JIS B2061 Faucets certification, which is under the "B: General Machinery" category.

*2 As determined by the Ministry of Health, Labour and Welfare, a special-purpose subsidiary is a subsidiary that fulfills the condition of giving special consideration to the employment of people with disabilities. As a special case, employees at a special-purpose subsidiary are considered to be hired by the parent company and can be calculated into the employment rate of the parent company.

Participating in The Valuable 500 International Initiative

TOTO fully endorses the efforts of The Valuable 500, an international initiative for promoting the inclusion of people with disabilities, and began to participate in the initiative in December 2019.

The Valuable 500 was created at the World Economic Forum Annual Meeting (Davos Conference) based on the belief that "inclusive businesses create an inclusive society." Officially launched in January 2019, The Valuable 500 aims to have business leaders spur innovation to unlock the value that people with disabilities can bring to business, society, and the economy.

The goals of The Valuable 500 relate closely to the TOTO Group's efforts toward TOTO Universal Design, which gives consideration to diversity and aims to realize a society of coexistence. Furthermore, the TOTO Group strives to realize normalization to ensure that people with and without disabilities can reach their full potential at any place of work. In addition to employing people with disabilities on an ongoing basis, the Group also engages in actions within its manufacturing and workplace environments that give consideration to a diverse group of people. By participating in this initiative, the Group believes that it can further strengthen these efforts.



The Valuable 500 website
<https://www.thevaluable500.com/>

TOTO Global Environmental Vision

TOTO GLOBAL ENVIRONMENTAL VISION



In light of the changing times and social trends, the TOTO Group revised its mission in October 2017, which declares its intent to implement in the medium to long term the primary items for the sustainable growth of the TOTO Group. Based on this new mission, we identified Cleanliness and Comfort, Environment, and Relationships, themes that impact both our business and society, as material issues.

Global Environmental Goals

	Aims	Major Initiatives
Cleanliness and Comfort	<ul style="list-style-type: none"> • Realize cleanliness and comfort throughout the world • Pursue ease of use for everyone 	Global expansion of clean and comfortable toilets
Environment	<ul style="list-style-type: none"> • Protect our limited water resources and connect with the future • Undertake initiatives to fight global warming and coexist with the earth • Aim for sustainable development together with local communities 	Widespread adoption of water-saving products CO ₂ emission reductions Social contribution activities entrenched in local communities
Relationships	<ul style="list-style-type: none"> • Build deep, long-lasting relationships with customers • Offer cultural support and contribute to society for the next generation • Create and share joy in work together 	Improved customer satisfaction Promotion of employee volunteer activities Become a company that is pleasant to work at

The TOTO Global Environmental Vision acts as a driving force for the TOTO WILL2022 Mid-Term Management Plan. Within this vision, we have identified three themes to serve as the Group's material issues. Based on these themes, we have determined important indicators and are pursuing various activities in order to realize our aims.

TOTO Global Environmental Vision



We are promoting the TOTO Global Environmental Vision as a plan for CSR activities in accordance with our material issues. This vision adopts the three themes of Cleanliness and Comfort, Environment, and Relationships, toward which we promote efforts on a global scale. To that end, we are delivering Cleanliness and Comfort to the world, engaging in manufacturing that is friendly to the Environment, and promoting business activities that value the Relationships we have with people.

Additionally, by establishing this vision as a driving force for the TOTO WILL2022 Mid-Term Management Plan, we will work to integrate our management and CSR activities. At the same time, through such activities we will contribute to the realization of the SDGs set forth by the United Nations.

SUSTAINABLE GOALS

Indicators	Fiscal 2019 Results	Fiscal 2022 Targets	SDGs
CEFIONTECT shipment ratio (overseas)	79%	79%	
TORNADO FLUSH shipment ratio (overseas)	44%	53%	
WASHLET shipment volume (overseas)	0.63 million units	2 million units	
Reduction of water consumption during product use* ¹	940 million m ³	1,100 million m ³	
Total CO ₂ emissions from business sites	344 thousand tons	450 thousand tons	
Total CO ₂ emission reductions due to measures implemented	24 thousand tons	22 thousand tons	
Total CO ₂ emission reductions during product use* ¹	3.46 million tons	3.70 million tons	
Number of projects contributing to solve regional issues (total number since FY2018)	77 cases	100 cases	
Customer satisfaction from after-sales services (Japan)	91.3%	90%	
Ratio of repairs completed within two days of reception (overseas)	78.4%	80%	
Volunteer activity participation rate (total number of participants / number of consolidated employees = participation rate)	100% or more	100% or more	
Annual paid leave usage rate (Japan)	89.8%	100%	
Ratio of female managers (Japan)	12.3%	20%	
Employee turnover rate due to life events (Japan)* ²	2.9%	0%	

*1 Reduction effect when compared with the case where products of 2005 continue to be used

*2 Job turnover rate for employees raising children or providing nursing care but still wish to work

Cleanliness and Comfort

The TOTO Group continuously offers products that relate to people's lifestyles, centering on bathroom and kitchen plumbing products. To realize the desire of the Group's founder to enrich people's lifestyles through our businesses, we have focused on enhancing cleanliness and comfort within our product development, while thinking about the customer first.

Going forward, we will strive to deliver clean and comfortable lifestyles to people around the world at every stage of their life, from childhood to old age.

"Cleanliness and comfort" is one of three global themes of the TOTO Global Environmental Vision. To help us achieve this theme, we have established the goals of "realize cleanliness and comfort throughout the world" and "pursue ease of use for everyone" and are working to deliver clean and comfortable toilets on a global basis.

By realizing cleanliness and comfort through our business activities,
we will contribute to the SDGs.



1

Realize Cleanliness and Comfort throughout the World

The TOTO Group has refined its manufacturing technology over the last 100 years. To create clean and comfortable toilet spaces for our customers, we have developed a range of clean technologies unique to TOTO, such as EWATER+, CEFIONTECT, RIMLESS, and TORNADO FLUSH. Based on TOTO CLEANOVATION, derived from the words "CLEAN" and "INNOVATION," in fiscal 2019 we will continue to innovate technologies toward achieving "cleanliness and comfort to everyday lives" around the world.



EWATER+
EWATER+ keeps clean by splashing hypochlorous acid water to waste everytime to use



CEFIONTECT
A special glaze applied to the enamel to ensures all waste matter flushes away



RIMLESS / TORNADO FLUSH
Rimless toilet bowls and a whirlpool-like flush mean toilets are thoroughly cleaned every time

2

Pursue Ease of Use for Everyone

We propose and develop products by considering the livelihood of each and every one of our customers, including their age, physical condition, and lifestyle, in pursuit of craftsmanship that blends seamlessly into everyday life.

Various Initiatives to Pursue Ease of Use for Everyone

The TOTO Group contributes to the creation of an affluent and comfortable society through its bathroom and kitchen plumbing products. In the 1960s, we began efforts that take into consideration those with disabilities, and are now making strides toward universal design as we pursue ease of use for everyone. In addition to developing and selling products that make use of universal design, we also issue reports that survey the questions and concerns that people in wheelchairs, people with infants, sexual minorities, and other groups have when using toilets outside of their homes. In addition, we make proposals for toilet spaces that take into account various circumstances, and these proposals have been adopted in numerous locations. Furthermore, by leveraging the insight we have in this regard, we actively suggest recommendations for laws and regulations, thereby helping to establish JIS and ISO standards pertaining to the design and layout of toilet operation equipment installed in public bathrooms.

In recent years, we have been collaborating with public and private institutions to accelerate efforts toward establishing comfortable, easy-to-use toilet facilities geared toward travelers at sightseeing destinations. In doing so, we have been promoting proposals for “toilet hospitality” that pursues ease of use for everyone.



TOTO Miyajima Omotenashi Toilet (Hatsukaichi City, Hiroshima Prefecture; Designer: AI SEKKEI Corporation): Established through collaboration with public and private institutions based on a partnership between Hatsukaichi City and TOTO that was formed in 2017

TOTO's Universal Design

Inheriting the Words of Our Founder, beginning with “Kindness must always come first,” we believe craftsmanship is the act of considering people. To that end, we have continued to evolve TOTO’s Universal Design by closely observing the lifestyles of various people and turning a sympathetic ear to their concerns. To pursue the ease of use of our products for an even greater number of people going forward, we will listen to a broad range of opinions and develop and promote products of even higher quality.

To Create, Is To Think About People

The answer is in the questions.

Who will use our products?

What is difficult for them?

What makes them comfortable?

It's always about the person.

At TOTO, when we design products or spaces, we keep people in mind throughout the process.

It's about making life better for all, because when it comes to caring for people, meticulousness is key.

Kindness. Wisdom. Technology. Effort.

Universal Design Is Our History

Environment

TOTO products are used in the daily lives of our customers over a long period of time. Accordingly, taking into account the perspective of the product life cycle (from raw material procurement and manufacturing to sale, distribution, use, and eventually disposal), reducing water and energy use in the stage of product use helps contribute significantly to conserving the global environment. For that reason, in addition to introducing energy-saving technologies and renewable energy sources at our manufacturing plants, we are striving to realize environmental conscious designs within our product development and popularize products that are based on these designs.

“Environment” is another of the three global themes of the vision. For this theme, we have established the goals of “protect our limited water resources and connect with the future,” “undertake initiatives to fight global warming and coexist with the earth,” and “aim for sustainable development together with local communities,” and are engaging in various efforts to realize these goals. Based on these goals, we are working to “popularize water-saving products,” “reduce CO₂ emissions,” and “engage in social contribution activities deeply rooted in local communities.”

By protecting the environment through our business activities,
we will contribute to the SDGs.



1

Protect Our Limited Water Resources and Connect with the Future

The surface of the earth is mostly covered in water, but in actuality only 0.01% of that water can be used for the livelihood of people.* As a supplier of bathroom and kitchen plumbing products, we believe we have the duty to respond to the issue of depletion of water resources, as it significantly affects the daily lives of everyone. Accordingly, we continue to promote the reduction of water consumption during product use by developing water-efficient and comfortable products and distributing them on a global scale.

* Source: *Current State of Water Resources in Japan (2019)*, Ministry of Land, Infrastructure, Transport and Tourism

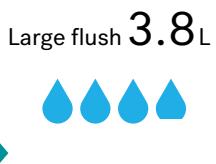
Water-Saving Performance of Toilets



Launched in 1999



* Calculated based on a family of four (two males and two females) using large flushes one time a day per person and small flushes three times a day per person



NEOREST
AH/RH
(Floor drainage)
Launched in 2012

We have been working to reduce the amount of water needed to flush toilets and to expel and transport waste while ensuring toilets remain pleasant to use. In the NEOREST series, we created a toilet that uses only 3.8L of water per flush. In addition, we are striving to improve the water-conservation performance of our showers and other water faucets.

2

Undertake Initiatives to Fight Global Warming and Coexist with the Earth

The TOTO Group recognizes the possible impact of global warming on its businesses and society as one of its business risks, and is therefore working to reduce its CO₂ emissions from a long-term perspective with a view to realizing a decarbonized society. On average, our products are used over a 20-year period, and if we look at this from the perspective of the entire life cycle this means the period of product use accounts for over 90% of our overall CO₂ emissions. By actively working to reduce emissions in this stage of the life cycle, we aim to realize both comfortable and eco-friendly everyday lifestyles.

In regard to CO₂ emissions from our business activities, we are promoting CO₂ reduction plans that take into account analyses of climate change by 2050 and our long-term business growth by 2030. Under these plans, we are actively introducing renewable energy sources on a Groupwide basis.

In addition, we have announced our support for the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD) and are disclosing climate-related financial information on our corporate website.

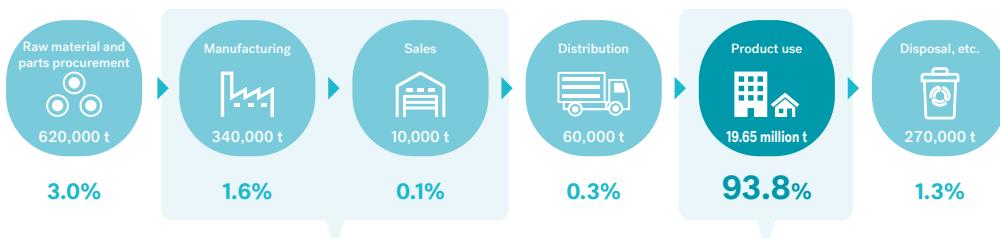


Please refer to the following section for details on our initiatives related to climate change.

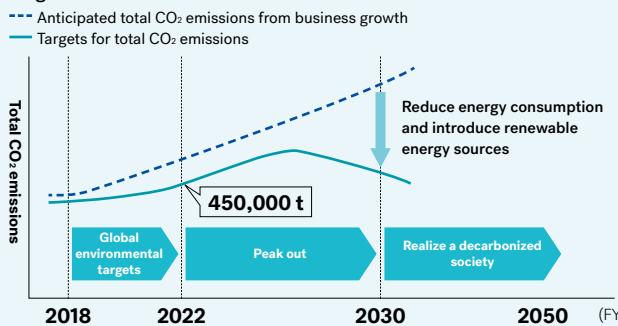
<https://jp.toto.com/en/company/csr/environment/warming/tcfid.htm>



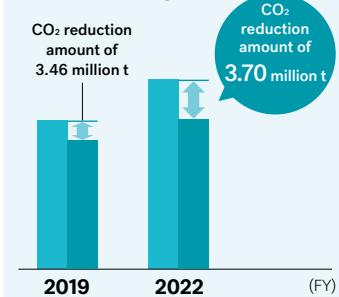
Ratio of CO₂ Emissions at Each Stage of Product Life Cycle



Targets for Total CO₂ Emissions at Our Offices



CO₂ Reduction Targets for the Product Use Stage



3

Aim for Sustainable Development Together with Local Communities

To develop sustainable local communities and a society that uses water effectively into the future, not only are the business activities of corporations important but the role of civic activities is also essential.

To that end, we established the TOTO Water Environment Fund to support the activities of organizations that are working to preserve the global environment and create sanitary and comfortable living environments. Through this fund and other measures, we are contributing to the resolution of issues in local communities as well as their sustainable development.



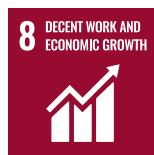
A location for drawing water constructed through the activities of an organization supported by the TOTO Water Environment Fund (Pakistan)

Relationships

Through its business activities, the TOTO Group strives to be a company that contributes to the betterment of society and is trusted by people around the world. Guided by this aim, we continue to treasure the relationships we have with people.

“Relationships” is another of the three global themes of the vision. For this theme, we established the goals of “build deep, long-lasting relationships with customers,” “offer cultural support and contribute to society for the next generation,” and “create and share joy in work together,” and are working to improve customer satisfaction, encourage employee participation in volunteer activities, and realize employee-friendly working environments.

By building relationships through our business activities,
we will contribute to the SDGs.



1

Build Deep, Long-Lasting Relationships with Customers

We make proposals at showrooms to ensure that customers can purchase our products with peace of mind. We also make various efforts through our call centers to respond to any questions or concerns our customers may have when using our products. In addition, we provide an after-sales service that focuses on being fast, reliable, and courteous. In these ways, we will continue to develop strong, long-lasting relationships of trust with our customers.

Initiatives for Showrooms

To enable our customers to feel and experience our products firsthand and thereby provide them with peace of mind when remodeling, we have established 100 showrooms in Japan and 13 directly managed showrooms overseas. Our Japanese locations include 14 showrooms that are operated in collaboration with DAIKEN and YKK AP, where we exhibit and propose living spaces featuring products from the three companies for our customers to immerse themselves in.



Initiatives for After-Sales Services

“TOTO quality” refers not just to the quality of the products themselves but also their assembly and maintenance if a problem were to arise. We aim to reduce the amount of time between the receipt of a service request and the completion of necessary repairs by setting goals in our major countries and regions of operation and enhancing our after-sales services.

In Japan, to help improve the quality of these services, we send a postcard questionnaire to customers in order to gather information on their satisfaction with our service.



2

Offer Cultural Support and Contribute to Society for the Next Generation

The TOTO Group contributes to the revitalization and development of local communities through the support of activities in architecture, art, and sports, in addition to encouraging its employees to participate in volunteer activities. In doing so, the TOTO Group strives to become a company that contributes to the development of a better society through its business activities.



Promotion of Employee Volunteer Activities

The promotion of employee volunteer activities stands as one of our Global Environmental Goals. We actively support employee participation in volunteer activities across a broad range of fields, starting with social contribution activities such as tree-planting and city cleanups, as well as activities to provide aid to disaster-affected regions and assist with sports.

**Total Number of Volunteers
in Fiscal 2019**

43,400
volunteers

3

Create and Share Joy in Work Together

We conduct activities to promote diversity and implement workstyle reforms in order to be a company where a variety of personnel can gather, prosper, and be inspired to take on new challenges. Going forward, we will strive to realize new workstyles in response to the COVID-19 pandemic. In addition, we will continue to work with our suppliers to undertake activities that address CSR issues in such areas as human rights and labor, safety and health, and the environment.

Promotion of Diversity

The TOTO Group respects the individuality inherent in a diverse workforce, including age, gender, and nationality. It is our belief that diversity gives rise to fresh, new ideas that lead to the creation of prosperous and comfortable lifestyles. In particular, one of the flagship goals we are strongly pursuing is increasing the percentage of women in managerial positions in Japan. To this end, we are supporting the continuous success of women in the workplace through various efforts for our female employees, such as step-up training and training for management position candidates.



Promotion of Work-Life Balance

We promote efforts to improve work-life balance because we believe that harmonizing the work and home life of employees will result in greater productivity and a greater sense of accomplishment from work. In addition to encouraging employees to take paid leave, we have also put in place various systems that facilitate the adoption of diverse workstyles and help employees balance work and childcare and nursing care responsibilities.

Further, the TOTO Group has introduced its “work-from-home system” from April 2018 in order to establish an environment that allows its employees in Japan to keep working while balancing their childcare and nursing care responsibilities. Through this work-from-home system, employees will be able to work from home for a few hours per day or even the entire day while managing their childcare and nursing care duties.





Offering Satisfaction That Goes Above and Beyond

Through the provision of highly attractive products and services, the TOTO Group strives to offer lifestyles that go above and beyond customer expectations. To that end, we work to ensure that the true quality of TOTO is evident during the process from making proposals at our showrooms to providing after-sales services, and are promoting a broad range of efforts to improve customer satisfaction throughout this process.



A Word from a Customer

Realizing a Design for Our Lifestyle that Goes Far Beyond Our Imagination

We recently remodeled the house where my husband grew up, and I therefore had hoped to draw on the fact that this house is filled with memories for him. The contractor helped us create an attractive living space that can only be achieved through the remodeling of an old Japanese-style house, and when the remodeling process was finished we were so moved we almost cried. The contractor was able to give form to the various memories in this house that cannot be expressed in words, realizing a design for our lifestyle that goes far beyond our imagination.

The contractor remade old fixtures and repainted the pillars and beams of the house's structure that had faded in color. My husband was so happy, stating "It feels like I am reliving some of my oldest and fondest memories." The contractor also restored storage spaces in the earthen floor leading to the backyard, which is extremely convenient. The once old house has now been reborn into a lovely home, and we also have more time now to spend as a family. We are also enjoying adding things that brighten our lives, thinking about what kinds of decorations we want to hang up around the house. In these ways, our everyday life is now full of excitement.

Offer lifestyles that go

Promoting the *Anshin* Remodeling Declaration to Relate Closely with Our Customers

Based on the desire to offer remodeling services that satisfy all customers and provide peace of mind even to customers who are remodeling their home for the first time, TOTO's *Anshin* Remodeling delivers *Anshin* to customers by visualizing the information they wish to know and in turn facilitating an understanding of that information.

Our Remodeling Library provides easy-to-understand explanations on the flow of the remodeling process and information related to remodeling prices, as well as actual examples that help customers visualize their homes after the remodeling process is complete. With this library, we are working to further enhance the actual examples of remodeling that we show to customers. Additionally, at our Support Desk for Remodeling, staff with expert knowledge and actual remodeling experience provide support to customers that covers all aspects of remodeling, including the flow of simply replacing facilities within the home, the flow of remodeling the entire interior space, and the process for selecting a contractor. This desk receives numerous consultations from customers.



Remodeling Library (Website)



Support Desk for Remodeling

Customer Expectations



K residence, Nara Prefecture

Remodeling conducted by Sozokosha Co., Ltd., Furamamigaoka Store
Received Grand Prize at the national TDY REMODEL SMILE CONTEST 2019

beyond expectations

Implementing Customer Satisfaction Surveys

To find out if we have satisfied customers through our daily service activities, we implement customer satisfaction surveys that evaluate customer satisfaction using four indices.

Results of Customer Satisfaction Surveys



Remodeling a 66-Year-Old House to Make It More Comfortable for Today's Lifestyle

The parents of the client for this project lived in this 66-year-old Japanese-style house, and we remodeled it to make it more comfortable for today's lifestyle. It is a very spacious house, so we established an order of priority as we examined plans for the remodeling.

The tatami room on the south side of the house is the best place for sunlight. We therefore turned that area into a living room, dining room, and a kitchen where the whole family can gather. We opted for an open kitchen so that the husband can entertain guests with a delicious fish dinner from fish he caught himself, as fishing is a hobby of his.

We made use of the house's beams and lintels and painted the ceilings a faded color to give them an antique look. We also installed black concrete floors to create an atmosphere that finds harmony between old and new. Furthermore, we put in a stylish chest of draws that has been used for generations in the earthen floor leading to the backyard. In addition, we remade old fixtures that had been put away in a storehouse and used them for parts to connect to the plumbing.

Sharing Examples of Activities Emphasizing the Customer's Perspective

With the aim of sharing examples of activities for improving customer satisfaction, we hold the TOTO Group Customer Satisfaction Convention every year. At this convention, we select and present outstanding examples of activities conducted by each division.

In fiscal 2019, 30 teams, which included participants from China, Thailand, India, the United States, and the United Kingdom, gave presentations. By sharing examples of the outstanding initiatives being carried out at our locations in each country and region, we are promoting activities to improve customer satisfaction on a Groupwide level.





Together with Our Employees

To realize the sustainable growth of the TOTO Group, we are promoting various efforts with the aim of creating a workplace that utilizes the individuality of all employees and allows them to work in a lively manner. To realize this aim, we are pursuing human resources management that embraces diversity and work-life balance. At the same time, we are also working to develop human resources in order to pass on our technologies, which represent our strengths as a corporation, to the next generation.



Yusuke Sato

Section Manager
Group 1
Business Innovation
Department

Keiko Sato

Senior Planner
Universal Design &
Presentation Department

Realizing a Balance between Child-Rearing and Work by Adjusting Our Schedules as Working Parents

In the past, I balanced my schedule with my wife by making use of the flextime system while my wife utilized the work-from-home system. However, as we both became very busy in fiscal 2019, I also started to use the work-from-home system so that we can continue to raise our children without it affecting our work. By doing so, we can adjust our schedules by balancing times when we focus on work and times when we take care of our children. This system has given us a higher level of freedom in terms of working times and location, and has led to a more fulfilling home and work life. (Yusuke)

Through the utilization of the work-from-home system, I can secure time for work even when I have to drop off and pick up our kids, which has enabled me to execute my duties without any decline in performance. Establishing an order of priority of work is something that happened naturally under this system, and I am even able to participate in office meetings remotely without issue. Our five-year-old daughter has noticed that I pick her up earlier, saying "You are early today, Mom. Look, the sky is still bright." Being at home has also given our eight-year-old son a great sense of relief. (Keiko)

Work lively and utilize individuality

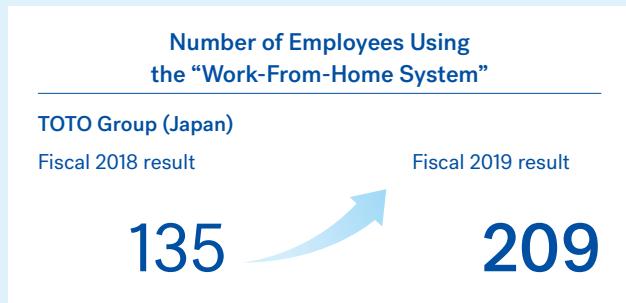
Realizing Workstyles That Make Flexible Use of Time and Location

To prevent employees from leaving their position due to life events, we are promoting policies to support work-life balance, such as the reduced work hours and leave systems. Additionally, we have introduced the "work-from-home system" as an initiative to support the balance between work and child-rearing or nursing care by allowing employees' time to be used more efficiently. As part of our efforts to reform workstyles, we have established a dedicated website on the in-house intranet where we introduce systems related to workstyle reform as well as role models for other employees.

Hosting the Ceramic Sanitary Ware Technical Skills Competition

We hold the Ceramic Sanitary Ware Technical Skills Competition every year with the aim of sharing and passing on our know-how on the spirit of craftsmanship cultivated in Japan, in addition to further improving our technological capabilities.

In fiscal 2019, preliminary competitions were held at 15 locations in nine countries and regions around the world, including Japan. There were 30 representatives from these locations who competed in the glazing division, and 27 representatives who competed in the molding division. As for the results, representatives from TOTO VIETNAM CO., LTD. were the winners in both the glazing division and the molding division.





Together with Our Suppliers

The TOTO Group considers its suppliers to be its partner in contributing to society and the global environment and realizing co-creation and growth. Together with its suppliers, the Group is providing valuable products and services to its customers through fair purchasing practices while giving ample consideration to the environment and social issues such as human rights.



Takashi Yoshimura

Vice President and Representative Director
ECHO Co., Ltd.

Offering Quality That Leads to Customer Satisfaction and Helping Fulfill Supply Responsibility

Starting with our involvement in the development stage of WASHLET, we have been doing business with TOTO for approximately 40 years, centered on the molding and assembly process for toilet seat components. Through the strengths we possess in terms of injection molding technologies and welding technologies, we have been working together with TOTO in the ultrasonic welding and oscillation welding of toilet seats with warming functions so as to thoroughly prevent water leakages, thereby improving product quality.

At our company, we adhere to the idea of not accepting, creating, or offering defective products within our quality control standards. In following these standards, we have established targets for reducing the rate of product defects and thoroughly enforcing quality control. We are extremely impressed with TOTO's approach of strictly managing its product specifications to ensure that its customers can use even better products for longer periods of time. As a supplier, we are expected to adhere to quality control in a similar manner, and while exchanging opinions with TOTO as a partner of equal footing, we are working together to enhance quality control procedures in order to satisfy customers who use TOTO products.

Also, considering the impact of recent natural disasters and other events on the supply chain, we have commenced the operation of our Shiga Factory as part of TOTO's response to strengthening its BCP. Under a three-location structure comprising our Atsugi Head Office, the Fukuoka Factory, and the Shiga Factory, we will strive to secure a steady supply and help TOTO fulfill its responsibility to supply products that are used by a large number of customers on a daily basis.

Coexist and grow together while contributing to society and the environment

CSR Procurement Activities

We work with our suppliers to undertake activities that address CSR concerns in such areas as human rights and labor, safety and health, and the environment. In addition to holding policy briefings for our suppliers, we carry out survey research and conduct interviews and investigations through on-site visits. In fiscal 2019, we held policy briefings, in which 624 of our suppliers in Japan participated. Overseas, we conduct CSR procurement activities that cater to the circumstances of each country and region, giving the utmost respect for laws and customs as we strive to deepen mutual understanding and achieve mutually beneficial relationships.



Achievement Rate of Compliance with the TOTO Standards

Fiscal 2019 result

100%

Biodiversity-Conscious Procurement Activities

We have established specific standards for our raw materials, such as earth and stone materials, and are conducting questionnaires and interviews with all supplier mines. Through these questionnaires and interviews, we verify whether or not suppliers are working to restore forests and other natural surroundings after mining has been completed. We also confirm the status of supplier efforts to ensure that rivers, lakes, and marshes do not become polluted with mining drainage or pulverized waste. As a result of such efforts, we were able to confirm that all of our supplier mines are fully complying with the Standards for Sustainable Procurement of Raw Materials. Going forward, we will continue to conduct biodiversity-conscious procurement while working to bolster our efforts across the entire supply chain.



Achievement Rate of Compliance Item Standards of Mines

Fiscal 2019 result

100%



For Society

The corporate activities of the TOTO Group are only made possible through the sound and sustainable development of society. To that end, the Group uses its management resources effectively in conducting social contribution and community coexistence activities aimed at the resolution of local and global social issues. Through the establishment of “preserving the water environment,” “creating a sanitary and comfortable living environment,” and “developing the next generation” as core issues, we are promoting a broad range of activities.



Shizuyo Sato

Executive Director
The Institute of Cultural Affairs (ICA) Japan

Supporting Activities That Provide Fulfillment and Joy to Local Community Members

We are providing support for business activities aimed at restoring the wells needed to secure drinking water in regions of India that are experiencing droughts. To make local communities better places, we need to work closely with community members as one team, rather than thinking about what Japan can do on its own or what India can do on its own. Furthermore, we cannot address water issues on a global scale without collaboration between corporations, private institutions, NGOs, NPOs, and government agencies.

Based on the awareness that members of a local community are the experts on that community, we are conducting support activities geared toward regional development led by local people, regional revitalization, and the elimination of poverty. The strengths of the Institute of Cultural Affairs (ICA) lie in our extremely robust grassroots connections with local community members.

The philosophy of the TOTO Water Environment Fund is to support local activities on an ongoing basis. Also, with the support we receive from local communities, we are able to enter into these communities and engage in activities together with their inhabitants. In that sense, the Fund is an organization that provides fulfillment and joy to local community members.



Women participating in a training session on hygiene

Realize a sustainable society

Preserving the Water Environment

As a company that offers bathroom and kitchen plumbing products, TOTO strives to preserve water environments such as rivers and oceans.

We established the TOTO Water Environment Fund in 2005. Through this fund, we are supporting the activities of citizens and organizations that work to protect water environments. At the same time, our employees participate voluntarily in such activities. Also, we established the TOTO Water Environment Fund in China in 2008. With this fund, we have contributed CNY10 million thus far and have been conducting educational activities on water conservation and establishing water supply facilities.

Supporting the Development of Architectural Culture

Through the activities of TOTO GALLERY-MA and TOTO Publishing, we have been supporting the development of architectural culture, with which our businesses have a deep connection. By holding exhibitions and lectures featuring architects who are active on a global scale, we are introducing the latest developments in the architecture industry to students and others who will oversee the future. Furthermore, we publish books that offer more detailed information on the ideas and works of architects. Our architecture-oriented activities have been highly praised by members of the architectural community around the world.

TOTO Water Environment Fund

15th grant assistance (Fiscal 2020 to fiscal 2022)	Grant assistance	¥26.56 million
	Number of organizations	10
Cumulative total	Grant assistance	¥364.31 million
	Number of organizations	269



TOTO GALLERY-MA “architecten de vylder vinck taillieu: VARIETE / ARCHITECTURE / DESIRE” (2019) © Nacasa & Partners Inc.



Dialogue with Shareholders and Other Investors

TOTO conducts investor relations (IR) activities that reflect the high priority we place on communication with our shareholders and other investors in Japan and overseas. Through the timely and appropriate disclosure of information pertaining to our corporate philosophy, management policies, business strategies, and financial and non-financial data, we aim to establish long-term, trust-based relationships with our shareholders and other investors by deepening their understanding of the Company and engaging in repeated dialogues with them.

Working to Ensure Transparency and Fairness in Our IR Activities

Based on our IR Policy, we make timely disclosures through a dedicated webpage, hold individual meetings and financial results briefings, and conduct other activities to ensure transparency and fairness in our communication with individual and institutional investors.



IR Policy

<https://jp.toto.com/en/company/ir/disclosure>

Relations with Institutional Investors

For domestic investors, we announce financial results twice a year, hold meetings to explain our strategies, and conduct showroom and plant tours. In addition, our top management engages in overseas activities aimed at institutional investors outside of Japan. Recently, investor interest in TOTO has been increasing year after year in tandem with the heightened awareness of our products overseas.



Financial results briefing



Meeting with overseas investors

IR Activities in Fiscal 2019



Dividend Policy

We consider the return of profit to shareholders as an important part of our management policy. We therefore make it a rule to retain sufficient earnings to secure funds for building a firm corporate structure and expanding our business while assuring a stable return of profit to shareholders.

We will place priority on utilizing our acquired profit and cash to conduct growth investments in order to establish a long-lasting and solid management foundation. These investments include improving product appeal, streamlining and strengthening production and sales systems, and developing new and overseas businesses. Any funds remaining after conducting such investments will be returned appropriately to our shareholders.

Each fiscal year, we aim for a dividend ratio of 40% of our net consolidated profit for the term. In addition, we will determine the acquisition of treasury stock from a comprehensive standpoint, based on the need for flexibility in capital policies and the impact on our financial position.

Stakeholder Engagement

TOTO considers the concept of stakeholder engagement to be vital in building relationships of trust with stakeholders and in facilitating cooperation. By doing so, TOTO aims to improve societies for generations to come.

CSR Communication with Stakeholders

We place importance on communication with all stakeholders, including customers, employees, shareholders, business partners, and society at large, and endeavor to develop closer relationships with them.

We deepen interaction with our customers through various settings, such as events at our showrooms and factories, and we engage in direct dialogue with our business partners through policy briefing sessions and CSR questionnaires. In addition, for our shareholders, we disclose appropriate information in a timely manner and promote understanding of the spirit of TOTO manufacturing through such means as factory tours. Going forward, we will continue to make concerted efforts toward stakeholder engagement through two-way communication.



Participating in a Stakeholder Engagement Program

We participate in the Human Rights Due Diligence Workshop, a stakeholder engagement program sponsored by Caux Round Table Japan.

This workshop aims for the corporate application of the UN Guiding Principles on Business and Human Rights. Under this aim, the workshop has identified human rights issues by sector based on the input of multiple stakeholders, including companies, NGOs / NPOs, and various experts.

In fiscal 2019, we worked to revise these human rights issues by sector together with other companies who participated in the workshop. In doing so, we deepened our understanding of the importance of valuing human rights in our business activities.

Furthermore, we shared the content of this workshop internally and have established and implemented the TOTO Group Supplier Code of Conduct in order to ensure the protection of human rights within our supply chain. This code of conduct states the expectations we have of our suppliers in terms of human rights, labor, the environment, and the prevention of corruption.



Discussion about "Human Rights Issues by Sector"
©2019CRT-Japan

CSR Management

The TOTO Group considers CSR management to be management by the use of CSR initiatives for the purpose of bringing the TOTO Group Corporate Philosophy to life. Our corporate philosophy, based on the thoughts of the founder to be passed down through the generations, communicates to all of our stakeholders the purpose for which our company exists, our business domains, and the type of company we aim to be.

The TOTO Group's Materiality



The TOTO Group's material issues (materiality) represent areas of activity and themes within our CSR management promotion that impact both value creation for society and value creation at TOTO.

As part of the process for examining our materiality, we are referencing the SDGs and other international standards in order to carry out an analysis of themes that lead to value creation for society and themes that lead to value creation at TOTO.

Through this process, we have established the three themes of Cleanliness and Comfort, Environment, and Relationships as our materiality based on TOTO's Mission, which serves as a statement of the most important plan to implement in the medium to long term for sustainable growth.

Process for Identifying Materiality

The CSR Committee, chaired by the president, took the following steps to deliberate on and identify our materiality.

Step 1	Identify issues	We identified issues based on the United Nations Global Compact, the SDGs, ISO, and other international guidelines, as well as on evaluations of the CSR activities we have promoted thus far.
Step 2	Analyze issues	We analyzed issues that should be resolved through our business from a medium- to long-term perspective.
Step 3	Hold discussions by management	We held discussions at meetings of the CSR Committee, which is chaired by the president and attended by all Company directors.
Step 4	Develop plans	We established and are promoting a CSR Action Plan based on our materiality.

Initiatives Based on Our Materiality

We have established and are promoting the TOTO Global Environmental Vision, which serves as a specific plan for our CSR activities based on our materiality.

TOTO Global Environmental Vision

Cleanliness and Comfort	Environment	Relationships
• Realize cleanliness and comfort throughout the world • Pursue ease of use for everyone	• Protect our limited water resources and connect with the future • Undertake initiatives to fight global warming and coexist with the earth • Aim for sustainable development together with local communities	• Build deep, long-lasting relationships with customers • Offer cultural support and contribute to society for the next generation • Create and share joy in work together
Clean technologies 	Water-saving products 	Showrooms
WASHLET™ 	Energy-saving factories 	Volunteer activities
Universal design 	TOTO Water Environment Fund 	Workstyle reforms
3 SMART TOILET SEAT 	6 SMART HOME 	5 SMART TRAVEL
5 SMART SECURITY 	7 SMART CAMPING 	8 SMART WORK ENVIRONMENT
11 SMART CITY 	13 SMART AGRICULTURE 	12 INNOVATIVE CONSTRUCTION
15 DAY ON LAND 	17 PARTNERSHIP FOR THE GOALS 	17 PARTNERSHIP FOR THE GOALS

CSR Management

CSR Promotion System

We started our CSR activities in 2004 with the establishment of the CSR Committee and a full-time CSR department. The CSR Committee holds meetings once a year and is chaired by the Company's president. The committee works to strategically integrate our business and CSR activities by taking a comprehensive approach to ESG fields. The committee holds discussions on the identification of materiality, the formulation of plans for CSR activities, and the response to CSR issues, including climate change and other issues. Each subcommittee of the CSR Committee formulates CSR promotion plans, which are implemented in relevant divisions and at domestic and overseas Group companies.

Promotion System of the CSR Committee



Participation in the UN Global Compact

TOTO announced its participation in the "Global Compact," which is put forward by the United Nations, and registered as a participating company on November 8, 2011. In order to announce to the international community the company's intent to further strengthen its CSR (Corporate Social Responsibility) management, which TOTO has long been promoting, behave as a responsible corporate citizen on a global scale, and constructively carry out its social responsibilities, TOTO will uphold the 10 principles on "Human Rights, Labor, Environment, and Anti-Corruption" that are cited by the "Global Compact" and put them into practice through all its business activities.



Evaluations of Our CSR Management Practices by External Parties

In addition to evaluations from a financial perspective, we receive high evaluations from environmental and social perspectives from global ESG evaluation institutions.



Risk Management

Basic Approach and Promotion System

The TOTO Group makes relentless efforts to eliminate all factors that could hinder the implementation of management policies in order to maintain the confidence of society and fulfill its corporate social responsibilities. In cases of unexpected problems, maximum efforts will be made to minimize various effects on stakeholders and restore the confidence of related parties by developing appropriate preventive measures.

Under the guidance of the president, we have established the Risk Management Committee, which is chaired by the executive vice president. In accordance with the TOTO Group Rules for Risk Management, the committee assesses any risks that may have a significant impact on our business and society, and identifies major risks that the Company must work to address. The identified risks are addressed through collaboration between the risk management divisions designated for each field and all Company divisions and Group companies by striving to prevent such risks and enhancing the Group's risk management response.

Risk Simulations

To improve our prevention and response capabilities to major risks, we have been continuously carrying out practical risk simulations at all locations in Japan and overseas. The risks simulated include natural disasters and product-related accidents. In addition, as part of our efforts to establish a robust risk management structure, we conduct level-specific risk management training targeted at employees newly appointed to positions, from department head to the managerial ranks.

We are also moving forward with a broad range of other efforts, including unified simulation training that uses a safety confirmation system in anticipation of earthquakes and other large-scale disasters.



Risk simulation training

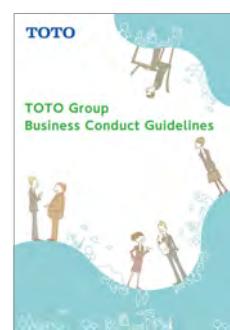
Compliance

Basic Approach and Promotion Structure

The TOTO Group adheres to laws, regulations, and social norms within its corporate activities and strives to foster an organizational culture that promotes fair and transparent action. To create a firm structure for promoting compliance, we established the Compliance Committee, chaired by the executive vice president, under the guidance of the president. We have also clearly stipulated the roles and authority of the Legal Control Division, which conducts activities accordingly. The Compliance Committee meets four times a year and works to incorporate processes in the Company's structure to verify the progress of compliance education, monitoring, and other compliance-related activities. In these ways, we are promoting compliance activities that are highly effective and transparent.

In addition, we formulated the TOTO Group Business Conduct Guidelines, which we have rolled out on a Groupwide basis, including in our overseas businesses. Under these guidelines, we are striving to build ethical standards and enhance awareness of compliance. Furthermore, in Japan we have a system of internal and external hotlines for receiving reports of actual or potential workplace compliance issues and resolving them. These systems have also been fully deployed overseas since fiscal 2015, operating in six countries and regions of operation, including China and the United States.

Compliance Activity Cycle



TOTO Group Business Conduct Guidelines

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.

Composition of the Board of Directors and Audit & Supervisory Board in Fiscal 2020

We believe that in order to supervise business operations and to make important decisions, TOTO's Board of Directors must be composed of members with diverse perspectives, experience, and highly professional skills. Meanwhile, for the purpose of performing the double-check function of supervision by the Board of Directors and of audits by Audit & Supervisory Board Members, Outside Directors need to include not only auditors required by law, but also Directors with voting rights at Meetings of the Board of Directors; and both Audit & Supervisory Board Members and Directors must have considerable independence.

As of June 25, 2020, we have 12 Directors with voting rights at Meetings of the Board of Directors, of whom 9 are Inside Directors with careers in the TOTO Group and three are highly independent Outside Directors. These members use their respective skills in discussions to make legal and business management decisions and supervise business operations. The Audit & Supervisory Board consists of two standing members with careers in the TOTO Group and two outside members with a high level of independence, and conducts audits from the perspectives of legality and appropriateness.

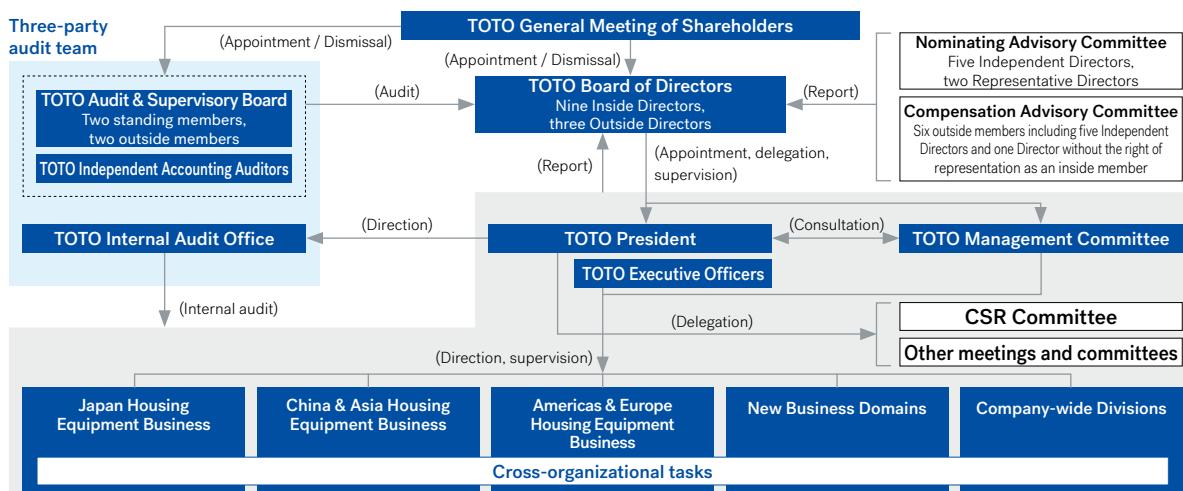
Reasons for Adoption of Current Corporate Governance System

The TOTO Group considers that an essential aspect of corporate management is ensuring the satisfaction of stakeholders and constantly expanding corporate value by improving objectivity and transparency in management and by clarifying management responsibilities. To achieve this, for matters requiring management decisions, TOTO recognizes the importance of systematizing "who makes decisions about what and where" as well as "what checks are implemented" in a fair and honest manner. TOTO has adopted the Audit & Supervisory Board system and is building a structure of decision-making, supervision, and more efficient and effective business execution, with the aim of continuously increasing corporate value.

1. Clarifying the allocation of management responsibility (introduction of the Executive Officer system and the like)
2. Enhancing management transparency and soundness (establishment of the Nominating Advisory Committee and the Compensation Advisory Committee)
3. Reinforcing supervisory and auditing functions (nomination of highly independent Outside Directors and Outside Members of the Audit & Supervisory Board)
4. Strengthening decision-making functions (establishment of the Management Committee and the like)

In order to strengthen these functions, TOTO has adopted the framework of a company with an Audit & Supervisory Board system as its base while integrating the superior functions of a company with Nomination Committee, etc.

Corporate Governance System





Please see the TOTO Group website for more details.

<https://jp.toto.com/en/company/profile/governance>



Compensation for Directors and Audit & Supervisory Board Members

The maximum amount of compensation for Directors and Audit & Supervisory Board Members is determined respectively for Directors, Outside Directors, and Audit & Supervisory Board Members by resolutions of General Meetings of Shareholders.

Compensation for Directors of TOTO comprises fixed compensation in the form of base compensation, and performance-linked compensation. The performance-based payment consists of a bonus and the share-based payment. The upper limit to the bonus is 0.8% of the consolidated sales revenue of the previous fiscal year. The payment is synchronized with business performance. In the 152nd annual shareholders' meeting on June 26, 2018, we decided to adopt share-based payments because it would motivate board members to continuously improve corporate value. In addition, we decided to incorporate share-based payments with restricted transfer rights, in addition to the stock options with share-based payments, to further promote the sense of value-sharing with shareholders. As seen in these decisions, we are designing the payment systems to motivate the board of directors to engage in business administrations from the mid-to-long-term perspectives rather than individual years.

In addition, the Compensation Advisory Committee was set up to help ensure that the compensation for Directors is reasonable and objective. The Board of Directors determines the compensation after confirming with the Compensation Advisory Committee that the compensation system and allocation balance are in line with the Articles of Incorporation, the resolutions of the General Meeting of Shareholders, and the Basic Policy for Directors' Compensation. Note that Outside Directors, who are independent from the business operations, are entitled to only fixed compensation.

The base compensation for individual Audit & Supervisory Board Members is determined depending on his / her duties and responsibilities upon consultation with Audit & Supervisory Board Members. In order to preserve the functionality of their role as supervisors of management, Audit & Supervisory Board Members are entitled to only fixed compensation.

Total Amount of Compensation by Type for Directors and Audit & Supervisory Board Members

	Number of officers (person)	Base compensation (million yen)	Bonus (million yen)	Share-based payments with restricted transfer rights (million yen)	Total (million yen)
Directors	14	402	220	109	732
(Outside Directors included above)	(3)	(36)	—	—	(36)
Audit & Supervisory Board Members	6	85	—	—	85
(Outside members of Audit & Supervisory Board included above)	(4)	(24)	—	—	(24)
Total	20	488	220	109	818

* The total amount of compensation approved at the shareholders' meeting is as follows. (Decision in the 145th Regular Shareholders' Meeting on June 29, 2011, and decision in the 152nd Regular Shareholders' Meeting on June 26, 2018)

	Fixed compensation		Performance-linked compensation	
	Base compensation		Bonus	Share-based payments with restricted transfer rights
Director	Up to 500 million yen per annum (including an amount up to 50 million yen in total for Outside Directors)		Up to 0.8% of the previous fiscal year's consolidated operating income	Up to 200 million yen And within 100,000 shares
Audit & Supervisory Board Member	Up to 150 million yen per annum		—	—

Amounts of Compensation, etc., of Directors Whose Total Amount of Compensation, etc., Exceeds 100 million yen, by Type of Payment

Directors of 100 million yen or more are as the following in fiscal 2019.

	Base compensation (million yen)	Bonus (million yen)	Share-based payments with restricted transfer rights (million yen)	Total (million yen)
Representative Director Kunio Harimoto	63	40	16	120
Representative Director Madoka Kitamura	63	40	16	120

Corporate Governance

Outside Directors and Outside Members of the Audit & Supervisory Board

Since all Outside Directors and Outside Members of the Audit & Supervisory Board are invited to join their respective boards as members who can make decisions materially independent of the management of TOTO and all other specific stakeholders, we designate all Outside Directors and Outside Members of the Audit & Supervisory Board as Independent Directors/Audit & Supervisory Board Members. We nominate candidates for Outside Directors and Outside Members of the Audit & Supervisory Board who fully satisfy the Nominating Advisory Committee's Requirements for Independent Directors/Audit & Supervisory Board Members, the satisfaction of which is set forth by TOTO as a mandatory requirement.

* Please refer to "Requirements for Independent Directors/Audit & Supervisory Board Members" in the Corporate Governance section of our website.

Evaluation of Effectiveness of the Board of Directors

The roles of the TOTO's Board of Directors include decision-making in favor of stakeholders, mutual supervision of the execution of the duties of the Directors, the formulation of an execution and supervision system for more equal and fair management, as well as the determination of basic management policy, such as the common philosophy of the TOTO Group, mid-/long-term management plan, and the annual policy that becomes a foothold. With these roles, at meetings of the Board of Directors, the Board annually confirms the status of corporate governance and analyzes and evaluates its effectiveness and appropriateness, as well as the effectiveness and appropriateness of the Company's corporate governance system.

To ensure that candid opinions are gathered from all Directors and Audit & Supervisory Board Members and objective analyses are made in the analysis and evaluation process, a questionnaire survey has been regularly conducted and its collection and analysis of the result are outsourced to an external organization.

In December 2019, an anonymous questionnaire survey was delegated to and conducted by an external organization for all Directors and Audit & Supervisory Board Members on the structure and operation of the Board of Directors, nomination and compensation structure for Directors, and support system for external directors.

In March 2020, all members, including Outside Directors and outside members of the Audit & Supervisory Board, who attended the meeting of the Board of Directors evaluated the effectiveness of its activities from the perspective of related items of the Board of Directors in the context of its roles within the company based on the corporate governance code, including the operational status of the internal control system, corporate strategy, and other agendas of the Board of Directors to define general direction, as well as the questionnaire results.

The results of these analyses and evaluations concerning the effectiveness of the Board of Directors as a whole are as follows:

- (1) In accordance with the Basic Policy for Development of Internal Control System, the system ensures that the execution of Directors' duties complies with the laws and regulations and the articles of incorporation, and all other items are operated positively.
- (2) Matters to be resolved at Meetings of the Board of Directors are submitted in accordance with the relevant rules, and the system is so operated that the status of the execution of significant deals, such as matters to be resolved at Management Committee meetings, is reported to the Board of Directors.
- (3) The members engage in detailed inspections of all items of the corporate governance codes, especially the related items of the Board of Directors, to correspond properly.
- (4) From the results and analysis of the questionnaire, we recognized the following points:
 - i Based on the evaluation by the external organization that the survey was delegated to, TOTO's Board of Directors has the following strengths.
 - All board members actively participate in discussion with a strong awareness
 - The Board of Directors extracts valuable opinions by exchanging information with external directors and actively accepts them.
 - ii Some issues are found in promoting diversity related initiatives in the Board of Directors and will be addressed for improvement.

From the above, we have confirmed that the operation of the Board of Directors is functioning properly and its effectiveness is ensured. We will continue to implement the following activities to allow for active discussions and improve the issues found from the questionnaire results to ensure the effectiveness of the Board of Directors and further increase its functions:

- Prioritizing issues at Management Committee meetings to engage in active discussions at Meetings of the Board of Directors;
- Ensuring enough time for discussions by distributing materials for the meetings of the Board of Directors and providing explanations concerning such materials in advance;
- Improving the function of the Board of Directors through proposals from the Directors themselves;
- Considering issues to be resolved at the Board of Directors for more strategic discussions; and
- Actively implementing IR activities by Representative Directors and providing feedback to the Board of Directors.

Messages from Outside Directors

In fiscal 2019, the biggest issue for TOTO was to establish a path to recovery in the Chinese and U.S. markets while being supported by the relatively stable market in Japan. At the start of 2020, efforts to address this issue were disrupted by the COVID-19 pandemic. Throughout fiscal 2020, uncertainty regarding the future will likely continue, and without a doubt this will be an extremely challenging year in which not only TOTO but the global economy as a whole will suffer major adverse impacts.

Moreover, the differences in strengths between companies will become strikingly obvious as companies must continue business operations amid these highly uncertain circumstances, where it is difficult to even define risks. TOTO boasts numerous strengths, such as its product and human resources capabilities, business processes, and brand power. Over its history, TOTO has continued to deliver products and services to the world that offer new value in accordance with the times. In the highly unpredictable "With COVID-19" and "Post COVID-19" world, I believe that TOTO will be able to differentiate itself from other companies by creating new products and services that draw on bacterial reduction, cleanliness, touchless, cleanability.

TOTO has raised the standards for toilets in Japan. I feel that the Company can further enhance its potential by communicating and promoting a culture of clean toilets to an even greater extent. Having standards for clean and sanitary is something that has yet to be adopted in many parts of the world. TOTO can establish itself as an indispensable company by striving to deliver clean and comfortable lifestyles to those living in these countries and regions.

In terms of governance, TOTO has steadily made advancements from both a design perspective and a practical perspective. As such, I am confident that in fiscal 2020 TOTO will be able to overcome these hardships by leveraging the strengths it has steadily accumulated thus far, thereby contributing to society and staying ahead of the competition. Going forward, I will continue to draw on my experience to support TOTO's new management structure, which centers on President Kiyota.

Masatsugu Shimono
Outside Director

Looking back on fiscal 2019, I feel that the activities that TOTO pursued were in line with the vision it aims to achieve as a company. Based on its continuous goal of "keep gaining TOTO fans around the world," the Company made steady progress with its overseas businesses while also cultivating latent strengths.

Meanwhile, the Company still faces issues pertaining to the further advancement of its overseas businesses. One of these issues is localization. Almost all of TOTO's overseas businesses are led by Japanese nationals. Local employees have yet to reach a position where they can drive local businesses on their own. TOTO promotes businesses that value connections between people and society (local communities), and as such it is imperative that people raised under the culture of a certain country and region lead the Company's businesses in that country and region. The first step in accomplishing this is to transition to a structure in which local employees participate in business management and where the direction of a local business is determined on-site, not from Japan.

Also, with the COVID-19 pandemic, the awareness of sanitation around the world is changing. Under these circumstances, it is extremely important for TOTO to consider what it can do as a company and how it can impact people's awareness of sanitation on a global basis.

It is also crucial for the Company to consider how best to advance its businesses while enhancing the social value it has to offer. In the "With COVID-19" and "Post COVID-19" world, TOTO needs to once again communicate to the world its ideas for sanitary living and clean and comfortable lifestyles.

Also, the role of governance is to maximize corporate value. The first step in that process is considering the kind of value TOTO can offer society and then establishing frameworks that aim to achieve that value by enhancing the value the Company offers its various stakeholders, including customers, employees, business partners, local community members, and shareholders and other investors. In that sense, TOTO has excelled in clearly determining the kind of value it aims to offer society, which is the first step in this very important process.

The Company has adopted the goal of "keep gaining TOTO fans around the world," and is steadily promoting efforts to reach this goal. Going forward, I will work to help the Company accomplish this task by drawing on my experience and insight and engaging in invigorating discussions at meeting of the Board of Directors.

Junji Tsuda
Outside Director

Board of Directors

Directors



Representative Director,
Chairman of the Board

Madoka Kitamura

Date of Birth: May 24, 1957



President,
Representative Director

Noriaki Kiyota

Date of Birth: October 8, 1961

In charge of Global Business Promotion,
Digital Innovation, Management
Planning, and Secretary's Office



Representative Director,
Executive Vice President

Satoshi Shirakawa

Date of Birth: August 12, 1962

In charge of Customer Service, Cultural
Promotion, Design, and in charge of
TOTO WILL2022 Marketing Innovation



Director,
Senior Managing Executive Officer

Soichi Abe

Date of Birth: August 22, 1961

In charge of China & Asia Housing
Equipment Business, Internal Audit
Office, and in charge of TOTO WILL2022
China & Asia Housing Equipment
Business



Director,
Senior Managing Executive Officer

Ryosuke Hayashi

Date of Birth: September 4, 1963

In charge of Restroom Business Group
and New Domain Business Group,
Production Technology Business Group,
and in charge of TOTO WILL2022 New
Business Domains



Director,
Managing Executive Officer

Tomoyuki Taguchi

Date of Birth: September 24, 1965

In charge of Human Resource,
Accounting & Finance, Legal Affairs,
Information System Planning, General
Affairs, Purchasing, Engineering Works,
and in charge of TOTO WILL2022
Management Resource Innovation



Director,
Managing Executive Officer

Shinya Tamura

Date of Birth: March 13, 1967

In charge of Americas & Europe Housing
Equipment Business, and in charge of
TOTO WILL2022 Americas & Europe
Housing Equipment Business



Director,
Managing Executive Officer

Toshiya Kuga

Date of Birth: March 3, 1962

In charge of Sales Promotion Group,
Logistics, and in charge of TOTO
WILL2022 Japan Housing Equipment
Business



Director,
Managing Executive Officer

Takayuki Shimizu

Date of Birth: June 5, 1962

In charge of Bathroom, Kitchen & Lavatory
Vanity, Faucets & Appliances, and General
Manager of Kitchen & Lavatory Vanity Division,
and President, Representative Director of
TOTO High Living LTD., and in charge of
TOTO WILL2022 Demand Chain Innovation

Outside Directors



Outside Director

Masatsugu Shimono

Date of Birth: December 11, 1953

Mr. Masatsugu Shimono has been involved in the management of IBM Japan, Ltd. for many years. He provides valuable opinions at Meetings of the Board of Directors based on his expertise he has developed in his career as a professional corporate manager and displays outstanding supervision skills by reflecting his views unfettered by the conventional way of doing things in the Company's management.

TOTO believes that he has experience and knowledge of general management and corporate governance as well as of the management of a global company, and therefore the Company selected and appointed him as Outside Director.



Outside Director

Junji Tsuda

Date of Birth: March 15, 1951

Mr. Junji Tsuda has been involved in the management of Yasukawa Electric Corporation for many years. He provides valuable opinions at Meetings of the Board of Directors based on his expertise he has developed in his career as a professional corporate manager and displays outstanding supervision skills by reflecting his views unfettered by the conventional way of doing things in the Company's management.

TOTO believes that he has experience and knowledge of general management and corporate governance as well as of the management of a global company, and therefore the Company selected and appointed him as Outside Director.



Outside Director

Shigenori Yamauchi

Date of Birth: February 24, 1949

Mr. Shigenori Yamauchi has been involved in the management of Sumitomo Light Metal Industries, Ltd. (currently, UACJ Corporation) for many years. He has earned the experience and knowledge of the general management of the manufacturer, and craftsmanship, throughout his career.

TOTO expects that he will provide valuable opinions at meetings of the Board of Directors based on his expertise as a professional of the manufacturer management and craftsmanship, and he will display outstanding supervision skills by reflecting his views, which are unfettered by the conventional way of doing things, in the Company's management, and therefore the Company selected and appointed him as Outside Director.

Audit & Supervisory Board Members



Audit & Supervisory Board Member, Standing

Yuichi Narukiyo

Date of Birth: March 18, 1962



Audit & Supervisory Board Member, Standing

Shigeki Inoue

Date of Birth: March 10, 1962

Outside Members of the Audit & Supervisory Board



Audit & Supervisory Board Member, Outside

Shuichi Sarasawa

Date of Birth: October 12, 1948



Audit & Supervisory Board Member, Outside

Yasushi Marumori

Date of Birth: September 19, 1957

Mr. Shuichi Sarasawa has been involved in the management of Central Glass Co., Ltd. for many years. He has experience and knowledge of the general management of a global corporation and of corporate governance developed during his career, as well as of a broad range of businesses from chemicals to semiconductors.

Based on the above, TOTO believes he is highly capable of auditing the business execution of general management, and therefore TOTO selected and appointed him as Outside Audit & Supervisory Board.

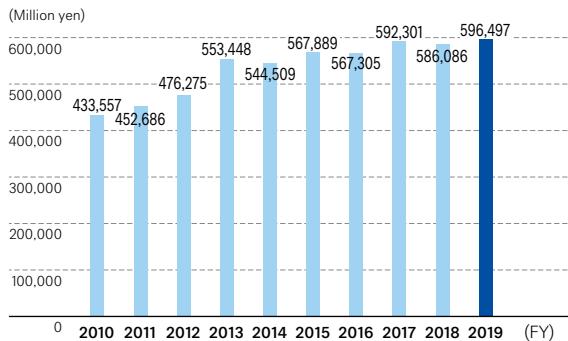
Mr. Yasushi Marumori was involved in the management of financial institutions for many years. He has experience and knowledge of finance and corporate governance developed during his career, as well as abundant experience and knowledge as an Audit & Supervisory Board Member of listed companies.

Based on the above, TOTO believes that, based on his considerable knowledge of financing and accounting, he is highly capable of auditing the business execution of general management, and therefore TOTO selected and appointed him as Outside Audit & Supervisory Board.

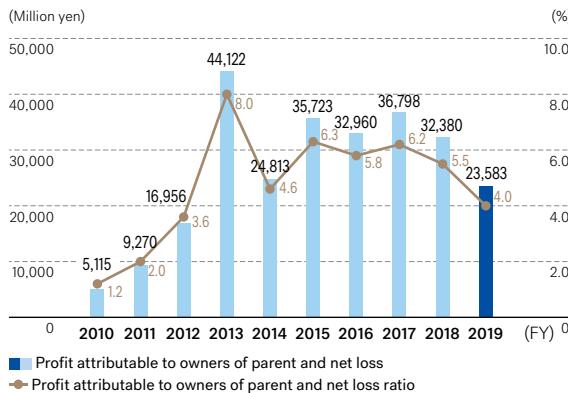
Financial and Non-Financial Highlights

Financial Highlights

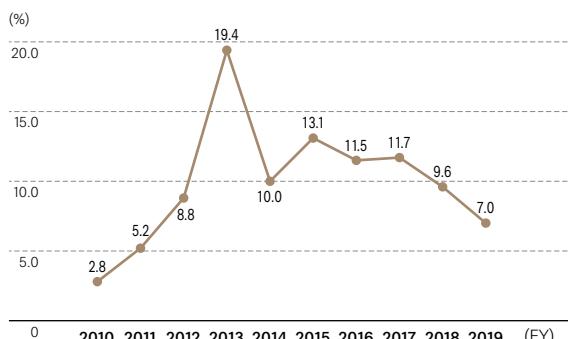
Net Sales



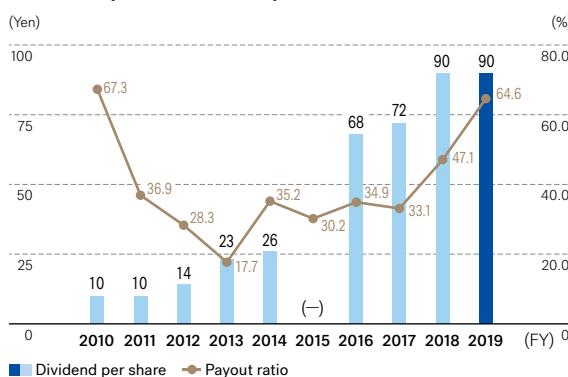
Profit Attributable to Owners of Parent / Profit Attributable to Owners of Parent Ratio



ROE (Net profit base)



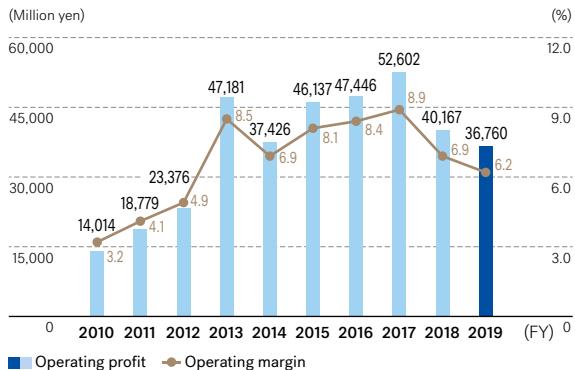
Dividend per Share* / Payout Ratio*



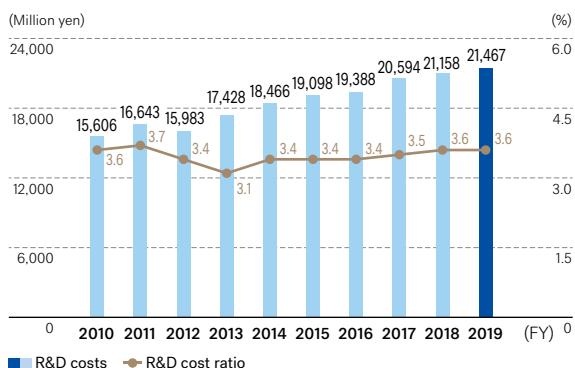
* Dividend per share

We have changed the number of shares constituting one unit to 100 shares from 1,000 shares and also consolidated its shares (consolidate two shares to one share) on October 1, 2015. The amount for the total annual dividends per share in FY2015 is omitted and shown as a dash (-) as the 2nd quarter-end dividends per share and the fiscal year-end dividends per share cannot be simply added. In addition, the amount for the dividends per share are 15.00 yen (before share consolidation) for the 2nd quarter-end dividends and 34.00 yen (after share consolidation) for the fiscal year-end dividends.

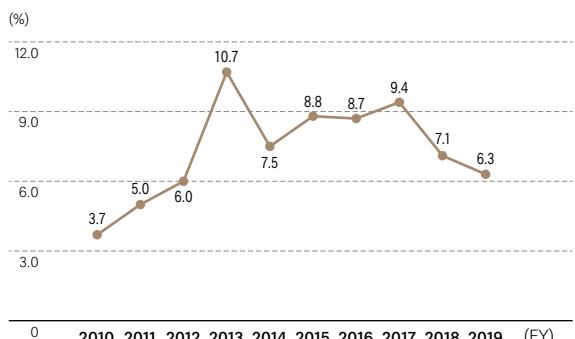
Operating Profit / Operating Margin



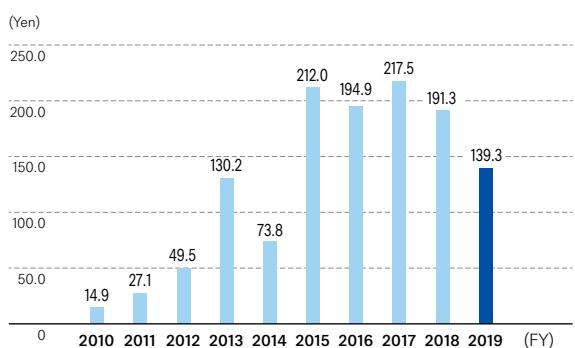
R&D Costs / R&D Cost Ratio



ROA (Operating profit base)



EPS



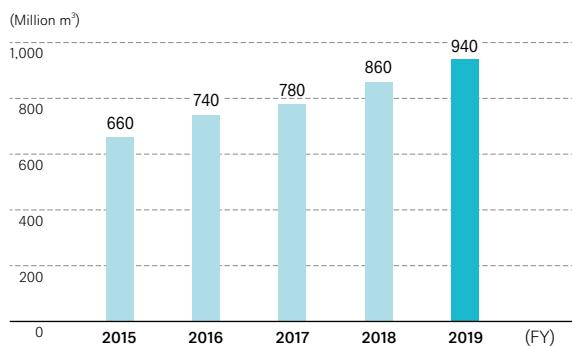
Non-Financial Highlights

Number of Employees*



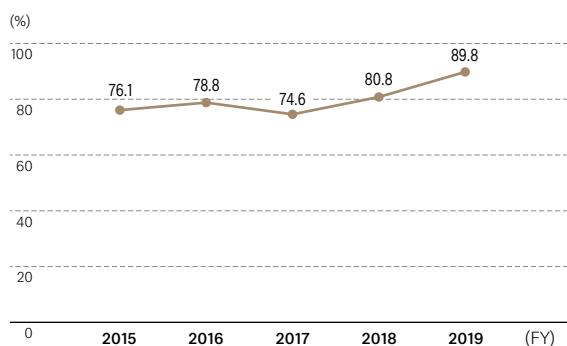
* Number of employees represents the number of full-time employees.

Reduction of Water Consumption during Product use*



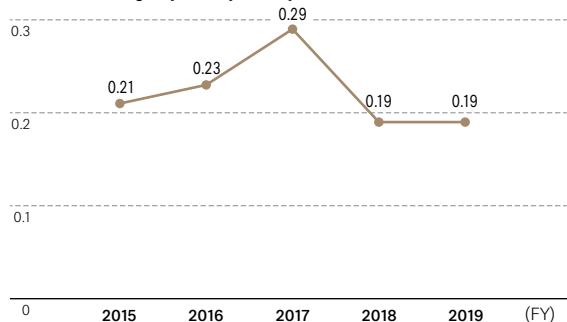
* Reduction effect when compared with the case where products of 2005 continue to be used.

Percentage of Paid Holidays Taken*



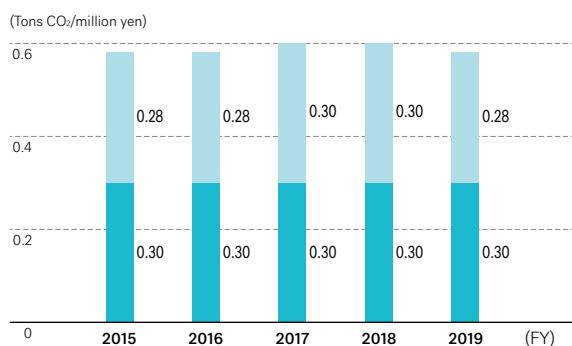
* Actual results for full-time / contract employees of TOTO LTD. for the period from FY2015 to FY2016. Actual results for full-time / contract employees of the entire TOTO Group (Japan) for FY2017.

Lost Time Injury Frequency Rate*



* Number of injuries per million working hours. The data covers manufacturing and research & development sectors. Two equity-method affiliated companies that are subject to TOTO Group's management for safety and health are included.

GHG Emissions*



■ Scope 1 (per unit of sales) ■ Scope 2 (per unit of sales)

* From fiscal 2018, the conversion coefficient has been changed.

TOTO Water Environment Fund

No. of Organizations (Cumulative Total)*



* Number of organizations for each fiscal year is the cumulative total from fiscal 2005.

Please see the TOTO Group website for more details.



Financial and Non-Financial Data

<https://jp.toto.com/en/company/profile/library>



Corporate Information

Corporate Profile (As of March 31, 2020)

Company Name	TOTO LTD.	Fiscal Year End	March 31
Headquarters	1-1, Nakashima 2-chome, Kokurakita-ku, Kitakyushu, Fukuoka, Japan	Exchange Listings	Tokyo, Nagoya, Fukuoka
Establishment	May 15, 1917	Securities Code	5332
Capital	¥35,579 million	Shareholder Registry	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Number of Employees	Consolidated: 33,554 Non-consolidated: 8,169	Administrator	

Group Companies and Main Affiliates (As of April 1, 2020)

Domestic Group Companies	Overseas Group Companies
TOTO SANITECHNO LTD.	The Americas
TOTO WASHLET TECHNO LTD.	TOTO AMERICAS HOLDINGS, INC.
TOTO Bath Create LTD.	TOTO U.S.A., Inc.
TOTO High Living LTD.	TOTO MEXICO, S.A. DE C.V.
TOTO AQUATECHNO LTD.	Europe
SUNAQUA TOTO LTD.	TOTO Europe GmbH
TOTO PLATECHNO LTD.	TOTO Germany GmbH
TOTO Maintenance LTD.	Asia
TOTO AQUAENG LTD.	TOTO (CHINA) CO., LTD.
TOTO MTEC LTD.	TOTO (BEIJING) Co., Ltd.
TOTO Kansai Sales LTD.	NANJING TOTO CO., LTD.
TOTO Hokkaido Sales LTD.	TOTO DALIAN CO., LTD.
TOTO Tohoku Sales LTD.	TOTO (SHANGHAI) CO., LTD.
TOTO Chubu Sales LTD.	TOTO EASTCHINA CO., LTD.
TOTO Chugoku Sales LTD.	TOTO (FUJIAN) CO., LTD.
TOTO Shikoku Sales LTD.	TOTO (GUANGZHOU) CO., LTD.
TOTO Kyushu Sales LTD.	TOTO (H.K.) LTD.
CERA TRADING LTD.	VORETO (XIAMEN) PLUMBING TECHNOLOGY CO., LTD. (Affiliate Company)
TOTO Remodel Service LTD.	TAIWAN TOTO CO., LTD.
TOTO Finance LTD.	TOTO ASIA OCEANIA PTE. LTD.
TOTO INFOM LTD.	TOTO VIETNAM CO., LTD.
TOTO BUSINETZ LTD.	TOTO (THAILAND) CO., LTD.
TOTO LOGICOM LTD.	TOTO India Industries Private Limited
TOTO Fine Ceramics LTD.	TOTO MALAYSIA SDN. BHD.
TOTO MATERIA LTD.	TOTO KOREA LTD.
TOTO OKITSUMO Coatings LTD.	PT.SURYA TOTO INDONESIA Tbk. (Affiliate Company)

Notable Awards from 2019 Onward

Category	Award Description		
Design	Received the iF Design Award 2019 for the SMART TOILET NEOREST AH/RH, wall-hung RP toilet + WASHLET RX, and Lavatory faucet (single lever) GM series		
Design	Received the Red Dot Design Award 2019 for the Lavatory faucet (single lever) GM series, ZA series, GE series, and GC series		
Design	Received the iF Design Award 2020 for the WASHLET RW/SW and the SP Wall-Hung Toilet + WASHLET SX, which are geared toward overseas markets		
Design	Received the Red Dot Design Award 2020 for the SMART TOILET NEOREST DH, WASHLET Instant-Type (for overseas), Wash basin TA (vessel type), Lavatory faucet (single lever) GB series, GF series, and FLOTATION TUB (Free standing bathtub)		
Environment	Received the GREEN GOOD DESIGN AWARDS 2020 for the wall-hung auto-flush urinal		
Product	Received recognition as FY2020 architectural facility technology heritage for the SMART TOILET NEOREST EX (TOTO History Museum) from the Japanese Association of Building Mechanical and Electrical Engineers		
Management	Received FY2020 Intellectual Property Achievement Award at the Ministry of Economy, Trade and Industry Awards (Design-Based Management)		

Independent Assurance

To ensure the reliability of information contained in this report, TOTO has received independent assurance for environmental and social data indicated within the TOTO GROUP Integrated Report 2020 Financial and Non-Financial Data on its website.



Financial and Non-Financial Data

<https://ip.toto.com/en/company/profile/library>



TOTO

Life Anew

TOTO LTD.

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

URL: <https://www.toto.com>

