

Compliance

TOTO Group Compliance Policy

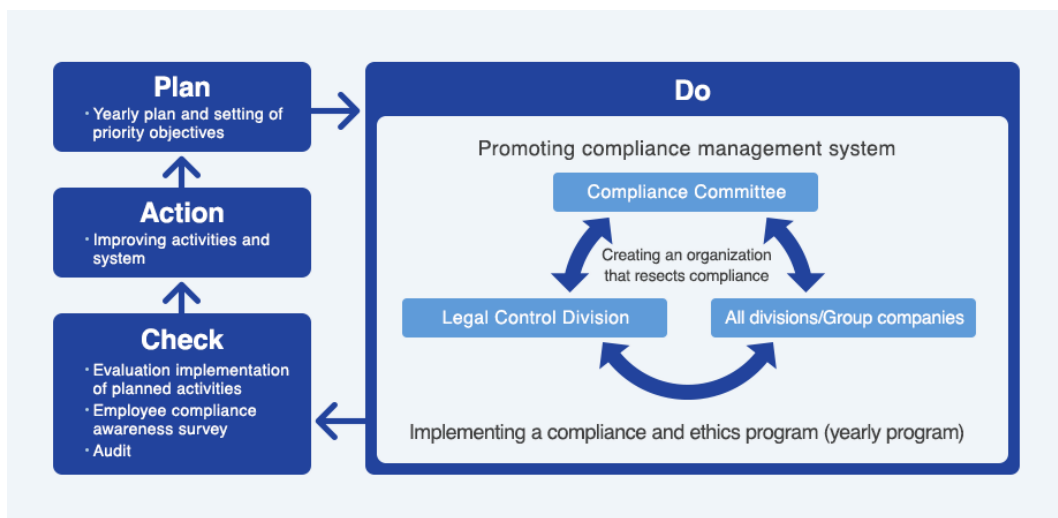
The TOTO Group complies with laws, regulations and social rules in all its corporate activities, and aims to achieve customer satisfaction through fair and transparent behavior.

[TOTO Group Compliance Policy](#)

Compliance Promotion System



PDCA Cycle for Promoting Compliance



Top Management Roles and Responsibilities

1. Creating and ensuring awareness of a compliance management system
2. Confirming and evaluating the validity of the compliance management system
3. Providing the needed management resources to achieve the above
4. Ensuring appropriateness of granting of authority

Compliance Committee Roles and Responsibilities

1. Establishing standards and procedures
2. Establishing a management system
3. Ensuring thorough training and information communication
4. Establishing a monitoring, auditing and reporting system
5. Enforcing appropriate penalties for violations
6. Dealing appropriately with legal violations and preventing repeat incidents

Strengthening the Compliance Management System

The TOTO Group has demonstrated its resolve to take a stronger approach toward compliance promotion activities in terms of making a global response to the demands of society regarding compliance and by reflecting the spirit of the United Nations Global Compact, which the Group joined in 2011. The Group has achieved this by expressly stating its opposition to corruption, bribery and monopolistic business practices in the TOTO Group Compliance Policy and it has also strengthened its compliance management system with reference to the approach taken towards sentencing guidelines in the United States. The roles and authority of the Compliance Committee and the Legal Control Division are clearly stipulated in order to establish a more robust compliance system, which ensures the activities are steadily implemented. Additionally, the Compliance Committee, which meets four times a year, is aiming to carry out more effective and transparent compliance promotion activities by adopting a process to confirm and approve annual plans and implementation results for global compliance education and monitoring as reported by the Legal Control Division.

TOTO Group Business Conduct Guidelines

The TOTO Group Business Conduct Guidelines, which outline the conduct expected of TOTO employees and include the TOTO Group Corporate Philosophy, top commitment, and various guidelines for conduct, were drawn up in FY2013 (translated into 13 languages) and distributed to all Overseas Group Companies so as to ensure awareness among TOTO Group employees in every country and region. We use these Business Conduct Guidelines to promote activities for cultivating a greater awareness of compliance.

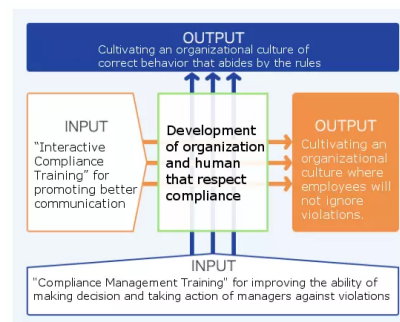


[TOTO Group Business Conduct Guidelines](#)



Developing an Organization and Employees That Respect Compliance

To prevent any violations, we have given training within the group based on an idea that we need to not only enhance management system but also develop as an organization that respects compliance. Interactive Compliance Training is being used to promote better workplace communication in individual workplaces. The training course focuses on one particular compliance-related theme through which employees, who are sometimes from different departments, can share and become more aware of diverse values and attitudes by conversing with each other. The training enabled promotion of an organizational culture where employees will not ignore violations. Compliance Management Training for improving the ability of department and section managers when making decisions and taking action against violations has been developed. Using case studies of possible workplace violations, managers talk together and think about the basics of how to respond and how to act during unexpected situations to acquire basic abilities and practical skills and aim to further cultivate an organizational culture of correct behavior that abides by the rules. We will continue to promote these training courses in order to



embed "the TOTO Way" and to establish conduct that shows respect for compliance in all workplaces.

Education and Training Programs to Enforce Compliance

To thoroughly ground each employee in compliance, education and e-training programs are being expanded to target new General Managers and Section Managers as well as new Group company presidents and new employees. Moreover, departments that control a variety of laws and ordinances including antitrust law, subcontracting law, labor contract law, personal information security law, copyright law, Pharmaceutical Affairs law, and patent law themselves are conducting compliance training for employees from departments undergoing training. Together with this training, Legal Control Departments visit each Department to conduct lecture-format seminars. Since fiscal year 2014, we have been conducting e-learning on insider trading for all our employees so that they can fully understand the nature of the problem.

Response to the New Antimonopoly Act

Regulations for management of competition law (available in Japanese-, English- and Chinese-language versions) are established to uphold Japanese antitrust laws as well as competition laws of all countries, and a management system is under construction to prevent illegal action before it takes place, check and detect such action early, as well as appropriately mitigate risk in the event of an illegal occurrence. These regulations clearly stipulate the strict disciplinary action that violators must undergo based on the regulations of the companies at which they hold positions. TOTO distributes a compliance guide at domestic Japanese sites, and key personnel have also been assigned in each division concerned to work in coordination with the Legal Affairs Department to prevent violations. Furthermore, those in management and sales positions at Sales Offices must take tests every year to increase their understanding of antitrust law. The Legal Department also visits each location to hold seminars. Overseas Group companies are making progress in organizing compliance programs to prevent violations of antitrust law and bribery.

Effort for anti-corruption

In order to comply with anticorruption laws in each country that include the Unfair Competition Prevention Act in Japan, and engage in fair and transparent business activities, the Risk Management Committee investigates any compliance violations as critical risks and promotes preventive activities against violations of anti-corruption laws. To be more specific, we included Improper Payment to Public Employees and Prohibition of Any Bribery into the TOTO Group Business Conduct Guidelines, distributed it across the group, including overseas group companies, and are engage in activities to raise awareness of anticorruption. As for sales activities by the Sales Division of overseas group companies, we have interviews to understand anticorruption laws in each country and to provide internal training. Also, we appoint a legal manager in all overseas group companies and establish networks with local law firms. In preparation for legal risks, we gather legal information on a regular basis and organize Emergency Response Manual that includes procedures and system to monitor the status of compliance with laws and regulations.

Thorough Export and Import Management

The Business Group has established an export management system for the purposes of international security and the prevention of the illegal export of goods and technology in accord with relevant laws and regulations. Import control systems are also being reorganized to ensure proper payment of import duties and consumption tax. The Export Management Committee meets to report on the status of commerce control list compliance judgments, catch-all controls and import valuation reports. This information is shared within the Business Group and the Committee Secretariat also holds seminars in each workplace. We will continue to maintain and improve export management.

Number of violations of laws and regulations

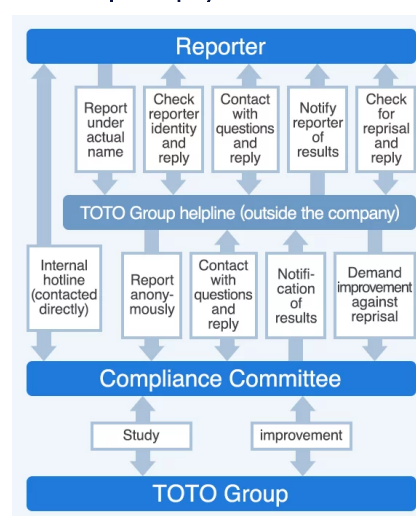
The number of violations of the Antimonopoly Law, anticorruption laws and export and import related laws and regulations was zero in the previous fiscal year.

	FY2017	FY2018	FY2019	FY2020	FY2021
Antimonopoly Act Violations	0	0	0	0	0
Anti-Corruption Act Violations	0	0	0	0	0
Export and import management violations	0	0	0	0	0

Establishment of Hotlines

In Japan, TOTO has a system of internal and external hotlines for receiving reports of actual or potential workplace compliance problems and resolving them. These hotlines are available when problems cannot be reported or resolved through the chain of authority. Information can be reported by e-mail or telephone etc, and the name of the informer and other information is kept confidential. When information is received, the division in question works together with other relevant divisions to decide on measures for preventing recurrence and to quickly put such measures in place. The hotline system is for all TOTO Group employees and those who within 1 year after retirement or resignation. TOTO Group suppliers can also use the hotlines. In overseas, the whistleblowing system was enlarged in FY 2015 and made accessible to the employees of all group companies in China, and such a system was also introduced in the area supervising company in Asia/Oceania in FY 2018, the U.S., Vietnam, Taiwan, and Thailand in FY 2019, and Malaysia, South Korea, Hong Kong, and Mexico in FY 2020, and reported matters have been adequately handled.

Overview of Speak-up System

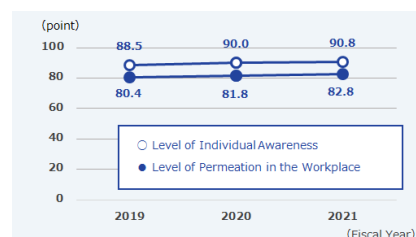


The numbers of whistle-blowing and consultations in FY 2021 were 44 in Japan and 3 abroad and the whistleblowing system has been effectively functioning.

Using the Result of Employee Awareness Survey

The TOTO Group conducts an annual employee awareness survey so that we continue to make improvements towards becoming the ideal company. We conduct multifaceted analyses of the survey results and identify problems throughout the Group by comparing the survey results with those of the previous year to facilitate Check and Action (C and A). Each division uses the feedback in the same way to carry out C and A on its own issues, which is incorporated into draft plans for the following financial year. The results of the survey combined with the use of the PDCA cycle are used to promote the establishment of compliance initiatives in the workplace.

Result of Compliance Awareness Survey



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