

Progress in Shared Value Creation Strategy TOTO WILL2030 -STAGE2 Initiatives-

This notice has been translated from the original notice in Japanese.
In the event of any discrepancy, the original in Japanese shall prevail.

*TOTO WILL2030 was announced in April 2021.

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

Security Code: 5332

TOTO LTD.

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Table of Contents

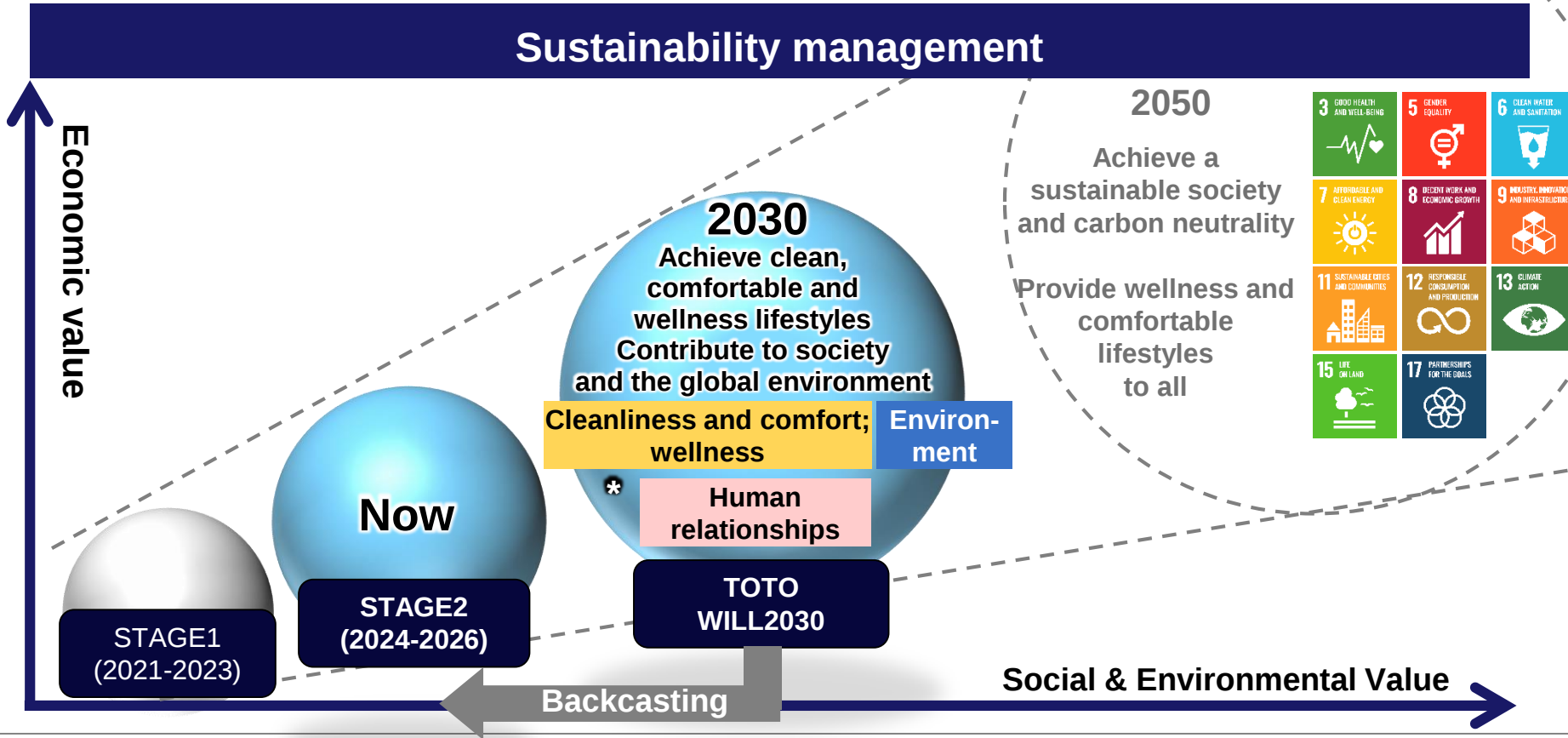
1	TOTO WILL2030	- Shared Value Creation Strategy TOTO WILL2030
2	STAGE1 Review	- Results major KPIs - Future direction
3	Toward 2030	- Value creation by leveraging strengths - Passion for growth toward 2030 - Goals for 2030
4	STAGE2 Initiatives (2024-2026)	- <Growth segments> Americas Housing Equipment Business, Asia Oceania Housing Equipment Business, Advanced Ceramic Business - <Base segments> Japan Housing Equipment Business, Mainland China Housing Equipment Business
5	Financial Strategy, Resource Allocation	- Toward realizing management with cost of capital and stock price awareness - Capital allocation rule
Appendix	References	- Value creation model - Major KPIs - By segment: net sales, operating margin - Investment plan

1. TOTO WILL2030

Shared Value Creation Strategy TOTO WILL2030

WILL2030 is a management plan from a long-term perspective aimed at improving economic value and social & environmental value

Toward our 2030 vision, we are working to resolve issues to realize our three materialities*



2. STAGE1 Review

Results of major KPIs

<Evaluation Criteria>
Achieved initial plan: ○
Not achieved initial plan, Exceeded FY2020 results: △
Not achieved initial plan, Not exceeded FY2020 results: ×

WILL2030 (from 2021)

KPI			FY2020 Result	FY2023 Initial Plan	FY2023 Result	Evaluation
Economic Value	Net sales	Adjusted for new revenue recognition accounting standard	577.8 billion yen	690.0 billion yen	702.3 billion yen	○
	Operating margin		6.9%	8.7%	6.1%	×
	ROA	Operating profit/Total assets	6.5%	9.0%	5.6%	×
	ROE	Net income/Shareholders' equity	7.7%	10.2%	7.8%	△
	Overseas sales ratio (Housing equipment business)		25%	30%	29%	△
Social / Environmental Value	Percentage of sustainable products		69%	73%	75%	○
	Reduction in water consumption during product use *1		0.9 billion m³	1.1 billion m³	0.91 billion m³	△
	Total CO2 emissions from our business sites		357,000 t	294,000 t	254,000 t *2	○
	Stakeholders' Satisfaction	After-sales service satisfaction *3	92 pt	94 pt	94.2 pt	○
		Showroom satisfaction (Japan)	73 pt	75 pt	76.5 pt	○
		Employee satisfaction (Japan)	74 pt	76 pt	75.9 pt	△

*1 Reduction effect when compared with the case where products of 2005 continue to be used. *2 Schedule to obtain third party insurance. (Announcement will be made on June, 2024)

*3 Scope: Japan, Americas, Europe, Mainland China, Taiwan Region, India, Thailand, Vietnam

Unachieved profitability and efficiency in a difficult business environment

2. STAGE1 Review

Future direction

Outcomes

- Achieved strong results in the Americas with the start of widespread use of spray seats
=> New record sales in 2023
- Great progress in Advanced Ceramics business
(Established highly profitable structure)
=> Operating margin 30% in 2023



Accelerate based on outcomes
=> New medium- to long-term growth drivers

Main reasons for downturn

- Prolonged market slump in mainland China business, which had been an overseas growth driver
- A temporary increase in inventories in response to the delayed delivery of the COVID19 pandemic led to a deterioration in efficiency indicators affected by the sluggish market



Change the way to proceed and reinforce

Improve profitability and efficiency toward 2030

3. Toward 2030

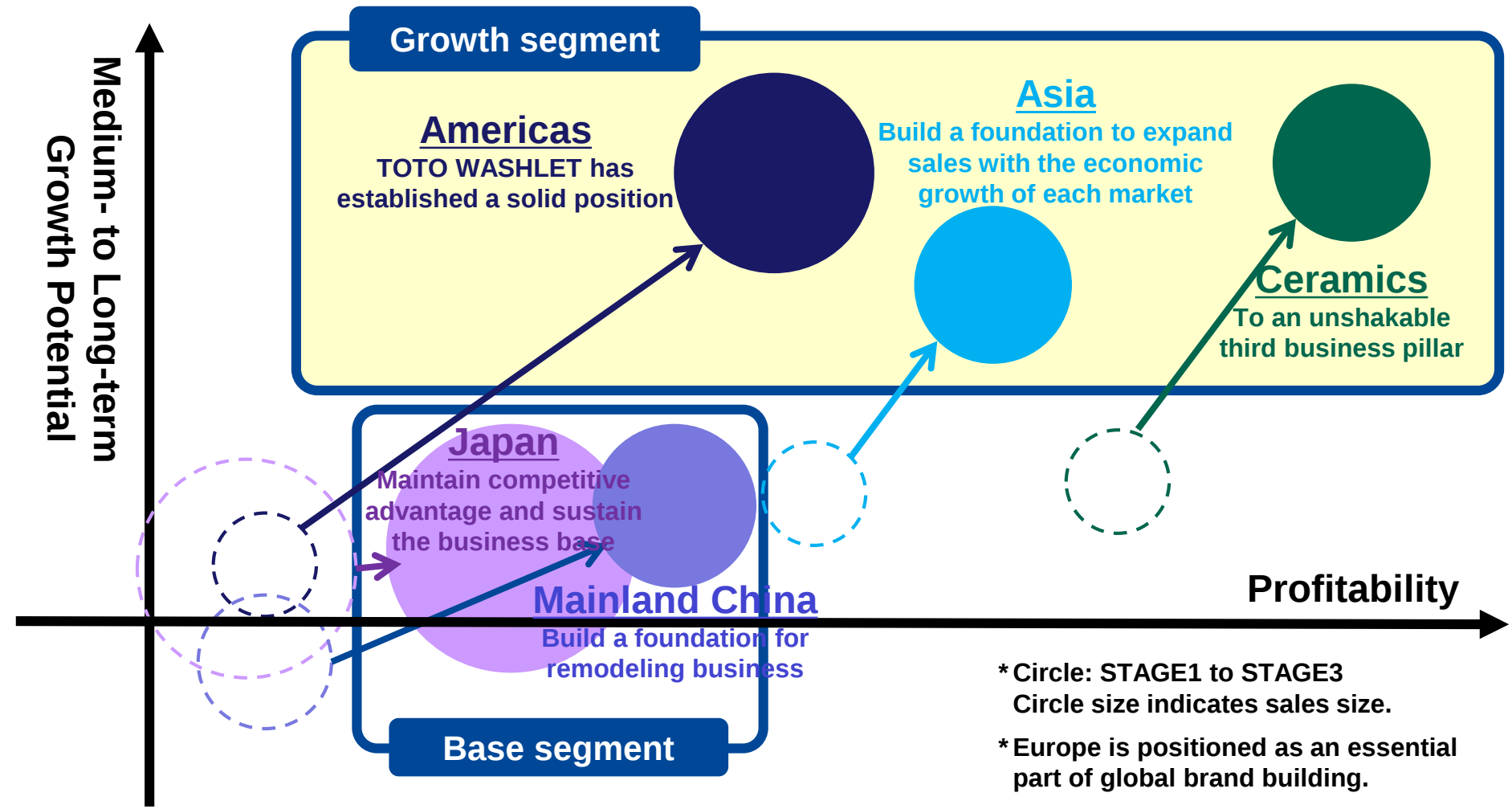
Value creation by leveraging strengths

Promote business in the global market with “Quality and Uniformity” as our company motto. Achieve numerous innovations and build competitive advantage and brand



3. Toward 2030

Passion for growth toward 2030



TOTO will review growth segments in light of changing business environment and drive growth in three growth segments, while Japan and mainland China sustain the overall group sales.

3. Toward 2030

Goals for 2030

Net sales

Over 1 trillion yen

*900 billion yen at the time of WILL2030 announcement

Operating margin

Over 12%

*Over 10% at the time of WILL2030 announcement

Overseas sales ratio

Over 40%

(in housing equipment business)

*Over 50% at the time of WILL2030 announcement

ROA, ROE, and ROIC TOTO version

Over 12%

(WACC: 8-9%)

*New disclosure

Percentage of sustainable products

83%

(Products that balance Cleanliness, Comfort, wellness, and the Environment)

*Over 78% at the time of WILL2030 announcement

SBT1.5°C certification initiatives

CO2 Emission Reduction Targets

At TOTO Business Sites -47.5%

During product use -25%

(Compared to 2021)

*Certified in March 2024

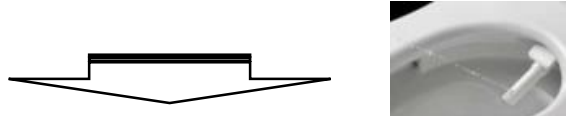
4. STAGE2 Initiatives (2024-2026)

<Growth segment> Americas Housing Equipment Business

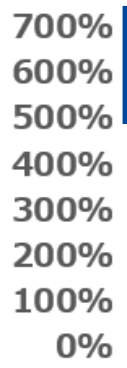
2030 **TOTO WASHLET will establish a solid position**

*CAGR: Compound Annual Growth Rate
STAGE2 Sales CAGR +19%

The market for spray seats has entered a widespread phase and is expanding

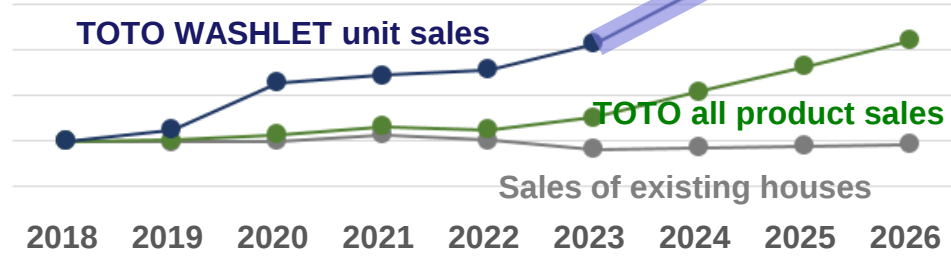


Accelerate building customer contact points and stimulating demand centered on WASHLET



WASHLET has been driving the business despite difficult market conditions

STAGE2 WL unit sales over 2x



■ WASHLET (WL) sales expansion initiatives

How to buy	Buy with professional advice		Buy easily on the Web	Buy in the path of daily life
Where to Buy	building material stores (Kitchen & Bath Shop) STAGE2 WL unit About 2.1x		e-commerce STAGE2 WL unit about 2.5x	Retail Chain Stores STAGE2 WL unit About 2.3x
	• Contact point maintenance in 63 major metropolitan areas => New showroom program applied		• Secure high market share	• Expand the number of stores displaying products • Expand product lineup
After-sales service	Expand onsite repair booths, improve service personnel skills, and reinforce support system			

TOTO will promote building customer contact points and stimulating demand centered on WASHLET.

4. STAGE2 Initiatives (2024-2026)

<Growth segment> Asia Oceania Housing Equipment Business

2030

Build a foundation to expand sales with the economic growth of each market

STAGE2 Sales CAGR

+16%

Customer targets are increasing as purchasing power improves



Increase proposals for high-quality water-saving toilets and WASHLET



Directly managed showroom in Vietnam



Product workshops in India

Initiatives in growing markets

STAGE2 Sales CAGR +24%

Expand agency network and promote acquisition of well-known sites

Vietnam

⇒ Strengthen the distribution channel from the base by discovering and nurturing leading dealers network

India

⇒ Target the top 28 most populous cities, where 70% of the wealthy live
Accelerate new agency openings

Thailand

⇒ Increase value appeal in large store distribution and expand distribution network area

Other area

Taiwan region

Underpin the entire Asia business.
Strengthen harvesting of remodeling demand.

Middle East

Strengthen the project sales activities.

TOTO will drive growth in three growth markets and underpin the entire Asia business by business in Taiwan region.

4. STAGE2 Initiatives (2024-2026)

<Growth segment> Advanced Ceramic Business

2030

To an unshakable third business pillar

STAGE2 Sales CAGR

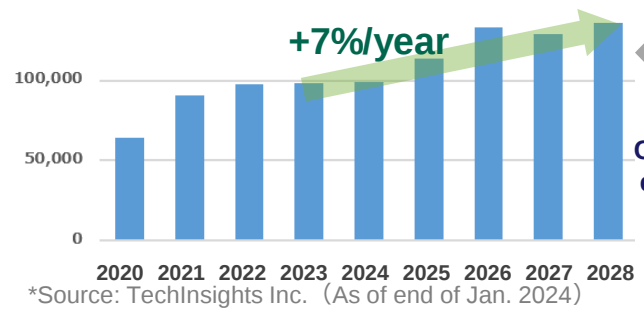
+20%

Semiconductor market is expanding again toward 2030.
Semiconductor sophistication continues.



Move more responsively to growing markets and boost technological development for evolving semiconductors.

WFE (Wafer Fab Equipment) market forecast



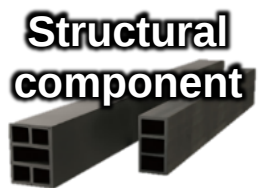
+
Capture demand for electrostatic chuck replacement

Products and Sales

Application expansion through new technology challenges



Proposal for next-generation semiconductor manufacturing equipment



Proposal for semiconductor exposure systems



Production

Visualization and immediate judgment through use of DX and AI

Data linkage throughout the value chain

Realization of on-demand production



Nakatsu factory

Strengthen initiatives to improve productivity (smart factory)

TOTO will respond to the competitive and rapidly changing semiconductor market by improving the provided value to customers.

4. STAGE2 Initiatives (2024-2026)

<Base segment>
Japan Housing Equipment Business

2030

Maintain competitive advantage and sustain the business base

Japan market maintains volume of 20+ years old stock homes and households in remodel-eligible age groups.

STAGE2
Operating profit margin
+1.3 pt

TOTO is evolving quality and quantity in our sales activities through the utilization of digital technology.



Expand sales of sustainable, high value-added products

Reinforce proposal capabilities at customer contact points

Improved productivity in sales and production

Promote profitability improvement

<Base segment>
Mainland China Housing Equipment Business

2030

Build a foundation for remodeling business

China market shows prolonged sluggishness in new construction demand. On the other hand, housing stock is abundant (over approximately 100 million housing units in Tier1 and New Tier1 cities).

STAGE2
Sales CAGR
+5%

TOTO is gearing up from new construction to remodeling. (Leveraging the remodeling business know-how cultivated in Japan over the past 30 years)



Increase value communication in distributor showrooms

Acquire prime construction contractors and build a cooperative framework

Reinforce promotions for remodeling

Full-fledged efforts to stimulate demand for remodeling

5. Financial Strategy and Resource Allocation

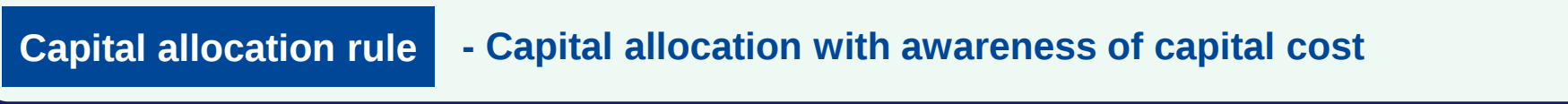
Toward realizing management with cost of capital and stock price awareness



Quality of Profit (ROIC TOTO version)



Quality of capital allocation

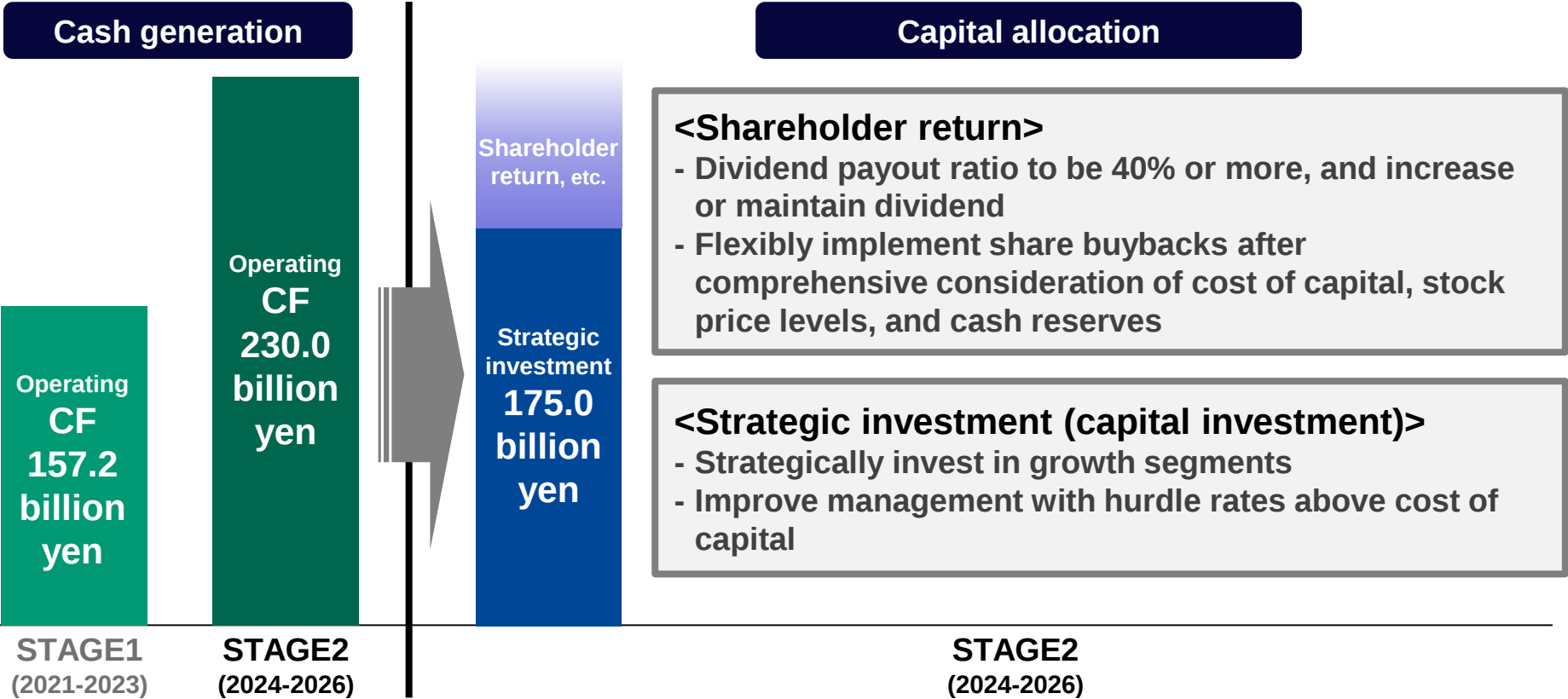


5. Financial Strategy and Resource Allocation

Capital allocation rule

- Proactively allocate cash to strategic investments for sustainable growth
- Deliver shareholder returns with a target payout ratio of 40% or more

Financial rule	Equity Ratio: Over 50% D/E Ratio: Below 0.5 times	Cash on hand: 1.5 months of monthly sales
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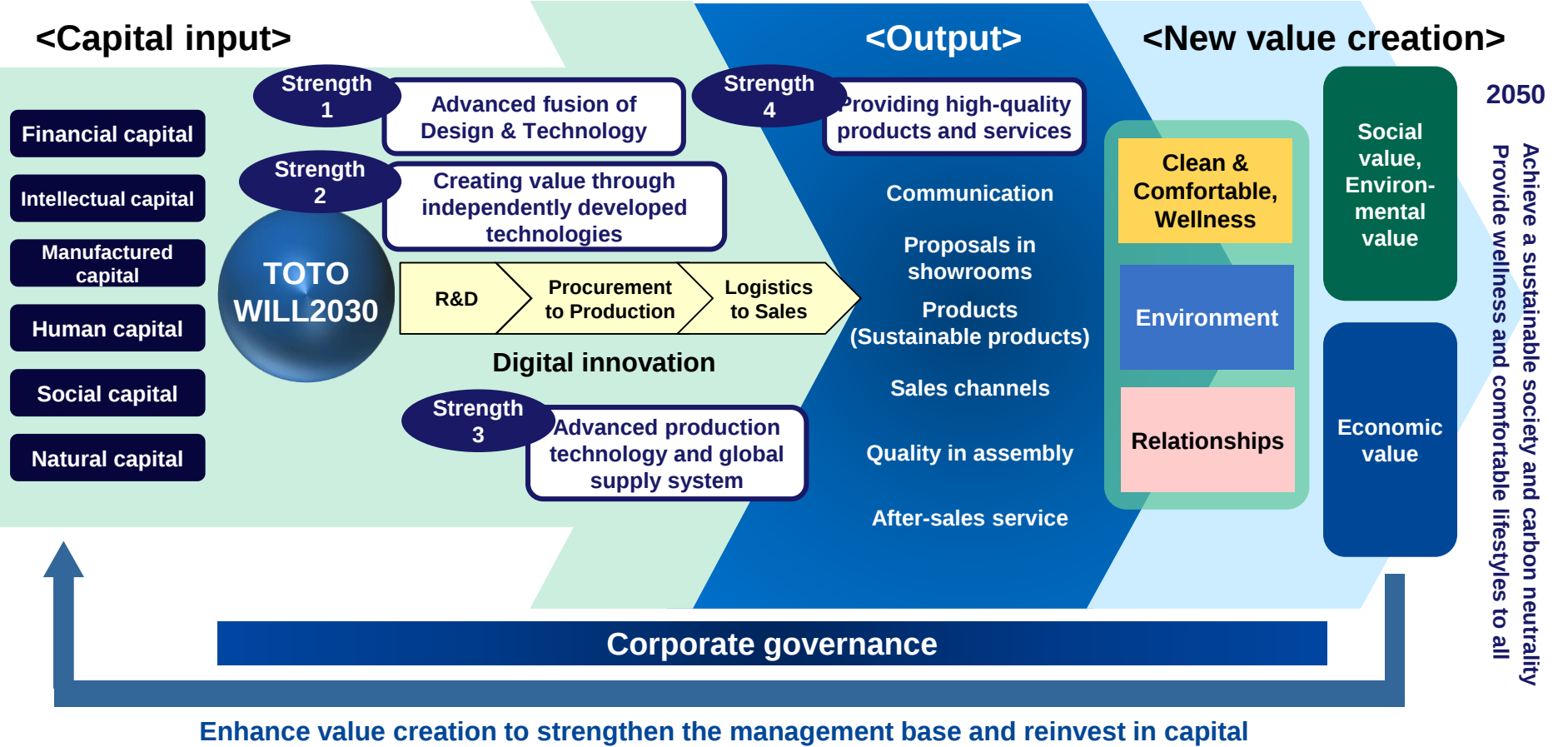
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TOTO

<References> Value Creation Model

Value creation model

Sustainability management



TOTO will create shared value that simultaneously realizes social, environmental, and economic values.

<References> STAGE2 Planned Value

Major KPIs

WILL2030 (from 2021)

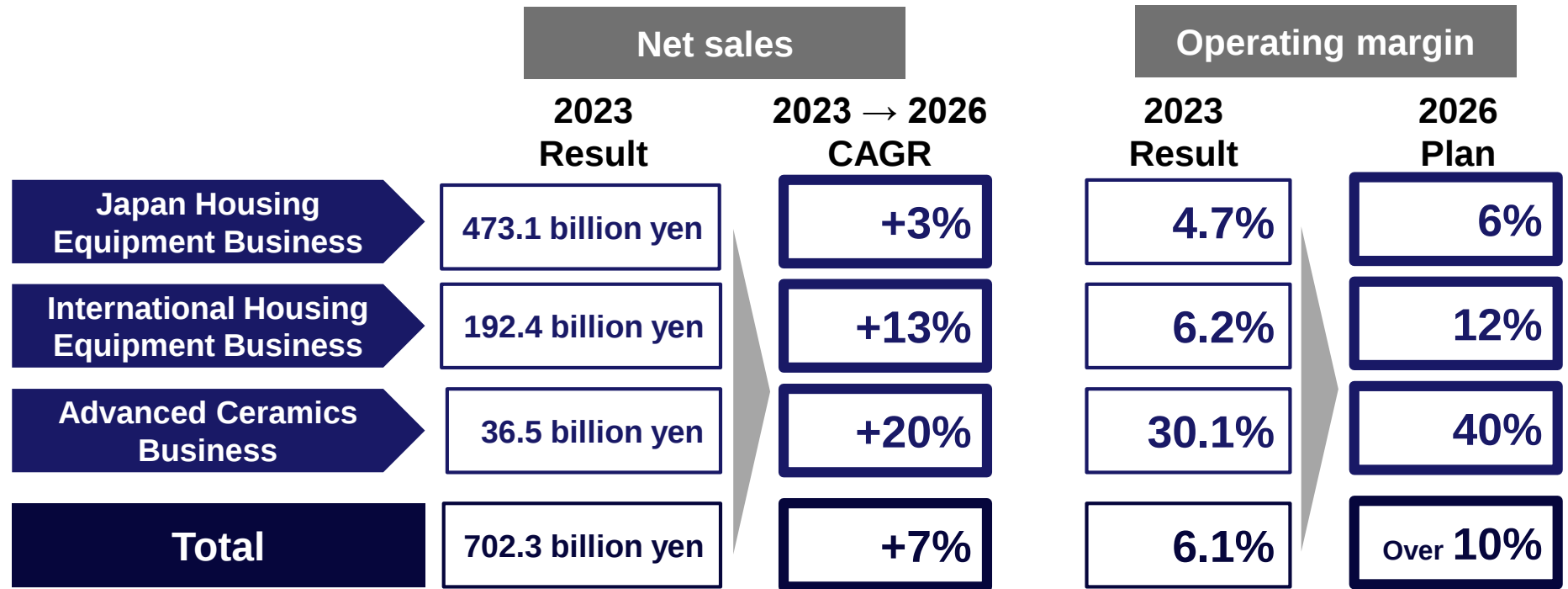
KPI			FY2020 Result	FY2023 Result	FY2026 Plan	FY2030 Plan
Economic Value	Net sales	Adjusted for new revenue recognition accounting standard	577.8 billion yen	702.3 billion yen	850 billion yen	Over 1 trillion yen
	Operating margin		6.9%	6.1%	Over 10%	Over 12%
	ROA	Operating profit/Total assets	6.5%	5.6%	Over 10%	Over 12%
	ROE	Net income/Shareholders' equity	7.7%	7.8%	Over 10%	Over 12%
	ROIC TOTO version	Operating profit after tax Working capital + Fixed assets	-	5.9%	Over 10%	Over 12%
	Overseas sales ratio (Housing equipment business)		25%	29%	35%	Over 40%
Social / Environmental Value	Percentage of sustainable products		69%	75%	80%	83%
	Reduction in water consumption during product use ^{*1}		1 billion m ³ ^{*2}	1 billion m ³ ^{*2}	1.14 billion m ³	1.3 billion m ³
	Total CO2 emissions from our business sites	Scope 1, 2	357,000 t	254,000 t ^{*3}	229,000 t	185,000 t
	Stakeholders' Satisfaction	After-sales service ^{*4} customer satisfaction	92 pt	94.2 pt	94.8 pt	95 pt
		Showroom satisfaction (Japan)	73 pt	76.5 pt	78.2 pt	80 pt
		Employee satisfaction (Japan)	74 pt	75.9 pt	77.4 pt	80 pt

^{*1} Reduction effect when compared with the case where products of 2005 continue to be used. 2005 ^{*2}: Estimated results under the same calculation conditions as in STAGE2

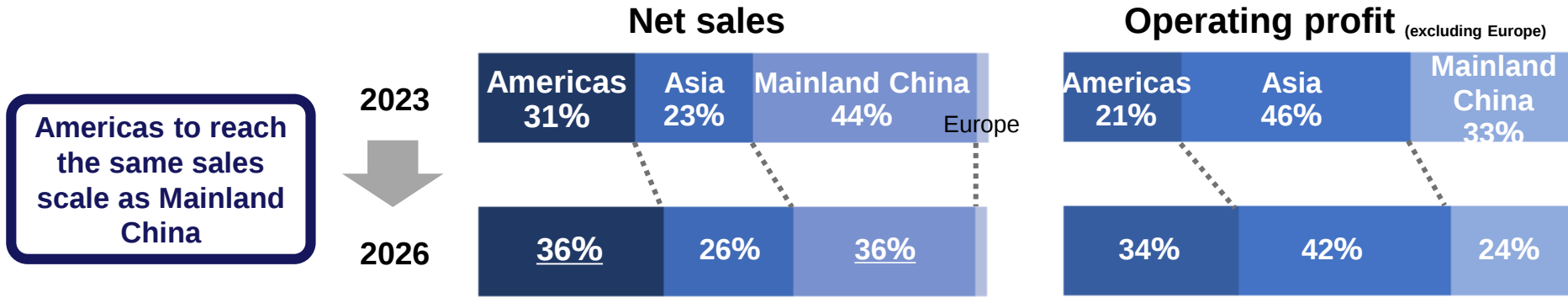
^{*3} Schedule to obtain third party insurance. (Announcement will be made on June, 2024) ^{*4} Scope: Japan, Americas, Europe, Mainland China, Taiwan Region, India, Thailand, Vietnam

<References> STAGE2 Planned Value

By segments: net sales, operating margin



*Composition within overseas business



<References> STAGE2 Investment Plan

Capital investment plan

Global strategic investment	■ Product development & sales investments ■ Environment & production efficiency related	72 billion yen
Advanced Ceramics strategic investment	■ Product development & Production expansion	29 billion yen
Japan strategic investment	■ Product development & sales investments ■ Showroom related	32 billion yen
Infrastructure enhancement investment	■ IT-related ■ Other business infrastructure related	42 billion yen
Total		175 billion yen

TOTO plans to do capital investment of 175 billion yen over three years during STAGE2, focusing on growth areas.