

TOTO

Life Anew



TOTO GROUP

Integrated Report
2021

The Spirit of TOTO Unchanging for

Words of Our Founder

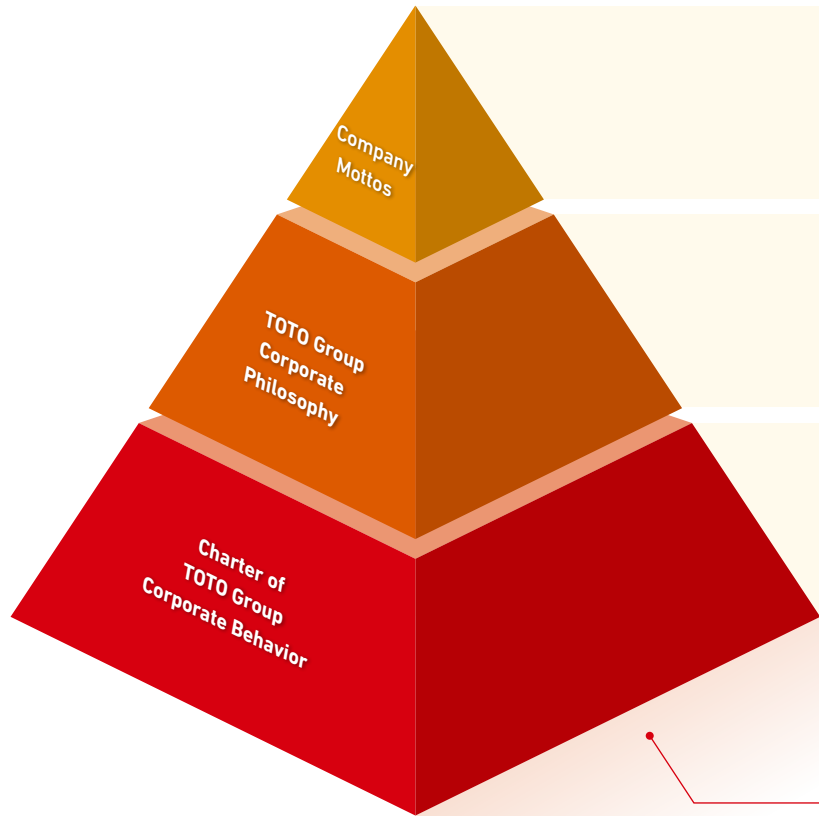
Kindness must always come first.
Bring the concept of service to your work.
Your goal should be to provide good products and satisfy the customer.
Accomplish that, and profit and compensation will follow.
Many in this world chase after the shadow of profit.
But, in the end, they never capture the real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

New Shared Value Creation Strategy TOTO WILL2030

100 Years

Company Mottos

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

TOTO Group Corporate Philosophy

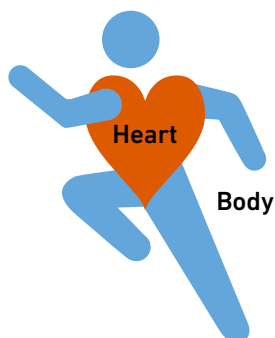
Our Corporate Philosophy, based on the thoughts of the founder to be passed down through the generations, communicates to all of our stakeholders the purpose for which our company exists, our business domains, and the type of company we aim to be.

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>



Vision for Business Activities

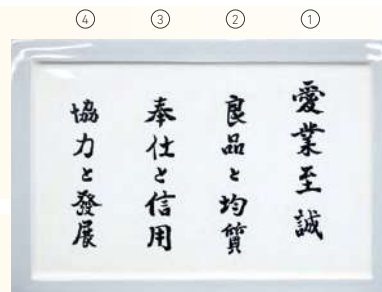
Our vision and mission are positioned as the course of our business activities that change in accordance with the demands of the times.

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 specific goals for implementing the plan. We will promote the New Shared Value Creation Strategy TOTO WILL2030.

Company Mottos



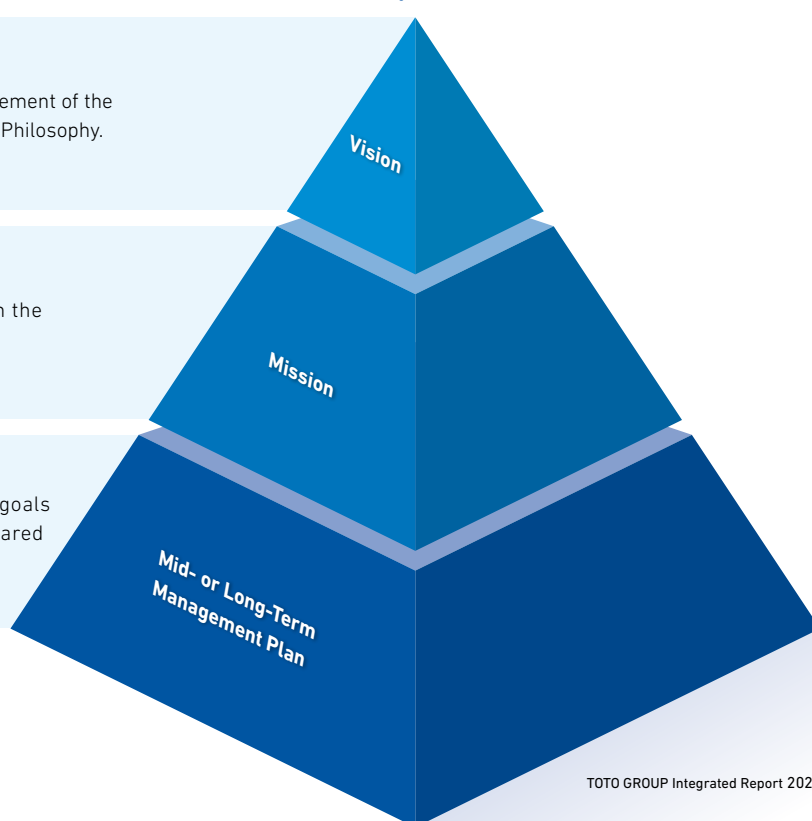
- ① Take pride in your work, and strive to do your best
- ② Quality and Uniformity
- ③ Service and Trust
- ④ Cooperation and Prosperity

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.





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. 9 –

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. 25 –

New Shared Value Creation Strategy TOTO WILL2030

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



P. 45 –

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.



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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 2021 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 2020 (April 1, 2020 to March 31, 2021)

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

Scope of Reporting

TOTO LTD. and Group companies

Statement of Results

Results and plans are based on the new accounting standard for revenue recognition.

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 2021
<https://jp.toto.com/en/company/profile/library>





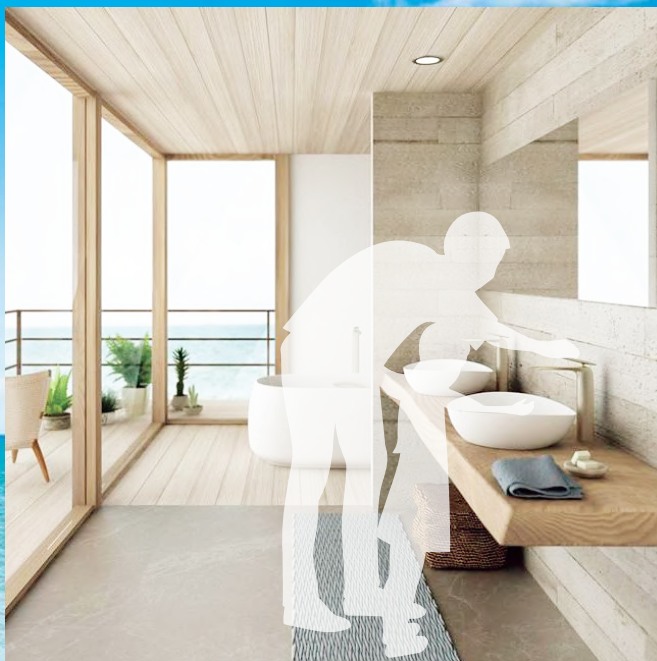
As We Have Been, As We Will Be

“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).



About the TOTO Group

(Fiscal 2020)

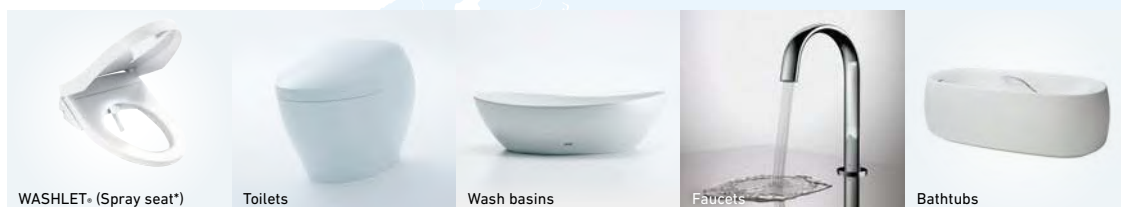
Business Segments

Global Housing Equipment Business (Japan / China & Asia / Americas & Europe)

Main Products—Japan



Main Products—Overseas

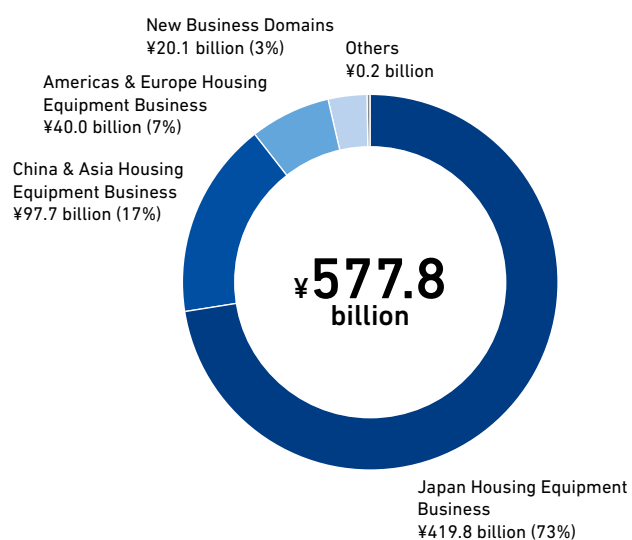


* "Spray seat" is a generic name for an ordinary toilet seat equipped with a warm water-washing function.
* WASHLET and "WASHLET logo" are registered trademark of TOTO LTD.

New Business Domains



Net sales (percentage)



Operating profit **¥39.7** billion

Operating margin **6.9%**

Profit attributable to owners of parent **¥27.0** billion

ROA (Operating profit base) **6.5%**

ROE (Net profit base) **7.7%**

Number of production sites

(As of April 2021)

Japan **44** sites

Overseas **32** sites in **18** countries and regions

Number of showrooms

(As of April 2021)

Japan **100**

Overseas **12**

(Directly managed showrooms and technical centers)

Number of consolidated employees

(As of March 2021)

33,800Total CO₂ emissions from business sites**307** thousand tons

Percentage of female managers

(Japan)

14%Reduction in CO₂ emissions due to implemented measures**38** thousand tons

Employee satisfaction

(Japan)

74 ptReduction in CO₂ emissions during product use*²**3.21** million tonsEmployee turnover rate due to life events*¹

(Japan)

2.1 %Reduction in water consumption during product use*²**0.9** billion m³*¹ Job turnover rate for employees raising children or providing nursing care but still wish to work.*² Reduction effect when compared with the case where products of 2005 continue to be used.



Noriaki Kiyota

President,
Representative Director



Message from the President

The TOTO Group is making a new start toward the creation of shared value that we want to achieve by 2030.

New Shared Value Creation Strategy

TOTO WILL2030

Looking Back on Fiscal 2020

When I became president and representative director in April 2020, the world was dealing with the unprecedented crisis that is the COVID-19 pandemic, and even formulating annual targets for the TOTO Group was challenging. However, if our employees and their families are safe and well, I believe it is possible for our performance to eventually recover. The TOTO Group has seen both fortunate times and hard times in the 100 years since its foundation and has continued to grow by overcoming various challenges. This was achievable because we flexibly responded to changes in the surrounding business environment of the time and because all of our employees firmly shared our philosophy and conducted themselves with purpose.

We faced various impacts as a result of the COVID-19 pandemic, including disruption to the delivery of some products due to delays in the supply of our components and the inability to carry out consultations, which are an essential part of the domestic reform business, owing to showroom closures resulting from the state of emergency declaration. I am proud of the way in which our employees have come together, regardless of country, region, or division, and acted of their own initiative to decide what they should do for our customers, for society, and for their colleagues under these circumstances. The basis of these actions is our shared Corporate Philosophy and this year I have felt reassured and reaffirmed that the TOTO Group's ability to act together as one during a crisis is one of our greatest assets.



Our aims for realizing our Corporate Philosophy

TOTO Group's Purpose

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. My duty is to ensure that this vision, which has been cherished by each president before me, is passed down to the next generation.

We have found ourselves in a period of dramatic change and uncertainty in recent years that has included the COVID-19 pandemic, frequent natural disasters, changes to the international situation, and the progression digital technologies. Under these circumstances, we are faced with the fundamental question of "what is the purpose of the TOTO Group's existence as a company?" As the TOTO Group heads into the future, the answer to how we can be useful to people and society comes back to the Words of Our Founder. Our purpose is to create enriched and comfortable lifestyles for 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.

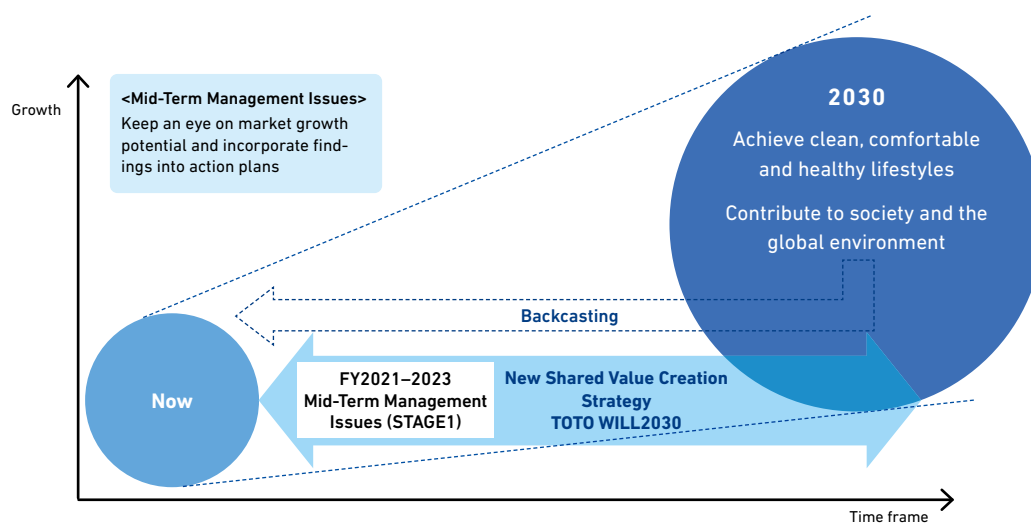
The Company Mottos, TOTO Group Corporate Philosophy, and Charter of TOTO Group Corporate Behavior represent the inherited values, in other words the "heart," of TOTO that are shared among employees and will be carried forward into the future. This remains unchanged. However, the way our "body" (business activities) moves will adapt in response to changes in the business environment. The TOTO Group's strength lies in the fact that the "heart" is firmly rooted as the precondition of each employee's actions.

New Shared Value Creation Strategy TOTO WILL2030

Starting in fiscal 2021, we launched our New Shared Value Creation Strategy TOTO WILL2030 (hereinafter, "WILL2030"), which clarifies the lifestyle, society, and environment we want to achieve from a long-term perspective.

Under WILL2030, with the aims of achieving clean, comfortable, and healthy lifestyles and contributing to society and the global environment, we will pursue sustainable growth by enhancing our organizational capabilities and increasing the speed of management with a structure that is resilient to environmental changes.

We promoted our TOTO WILL2022 Mid-Term Management Plan (hereinafter, "WILL2022" as a five-year plan for fiscal 2018 to fiscal 2022). We meticulously analyzed, constructed, and formulated a five-year plan that embodies our will. However, due to significant changes in the external environment, including frequent natural disasters and the COVID-19 pandemic, the premise collapsed. The pace of and scale of these changes will further increase in the future. Accordingly, our approach going forward will be to clearly define our long-term goals, and then backcast, ensuring that we address changes on a year-by-year basis to ensure that we solve our issues. Working on this basis, there are bound to be various changes, and even if we are unsure about what to do, we will share the long-term goals of "creating the kind of society we want to see in 2030," adapt the way we move our "body" to the changes, and make Companywide efforts to achieve our aim.



Aims for 2030

When promoting WILL2030, we must clearly indicate our aims for 2030. There was a lot of discussion, but we came to the conclusion that our aim is to realize our Corporate Philosophy that is instilled in the hearts and minds of our employees. In other words, embodying our Corporate Philosophy.

Our aims are to create an enriched and more comfortable lifestyle and culture, which is a part of our Corporate Philosophy, and to contribute to society and the environment to realize a sustainable society. Going forward, we will fully align our management and CSR activities to tackle social and environmental issues and, as a result, increase our economic value. Namely, tackling social and environmental issues and achieving economic growth have become necessary and sufficient conditions. This approach was shared by the entire TOTO Group as a model for growth over the next 10 years.

Under the TOTO Global Environmental Vision, which serves as the driving engine for WILL2022, we established Cleanliness and Comfort, Environment, and Relationships as CSR material issues. However, going forward, rather than separating management and CSR, we will integrate CSR into the center of our management. Under WILL2030, we will completely integrate management and CSR as concentric circles, and promote the management material issues of Cleanliness and Comfort, Environment, and Relationships as essential for embodying our Corporate Philosophy.

Since our foundation, the TOTO Group has been providing products that are either a half step or even one step ahead of the rest of the world from a consumer perspective, bringing cleanliness and comfort, while at the same time providing eco-friendly, including water-saving, products. The intersection of "cleanliness and comfort" and "environment" is what makes TOTO's products unique. We have therefore defined these as "sustainable products." We established a goal for sustainable products to make up 78% of our product composition by fiscal 2030 and have made it clear that we are committed to achieving growth.

Realizing cleanliness and comfort while tackling environmental issues is uniquely TOTO and the approach at the core of WILL2030.

Aiming for Carbon Neutrality in 2050

In October 2020, the Japanese government declared its aim to achieve carbon neutrality and a decarbonized society in 2050. The TOTO Group will also contribute to achieving carbon neutrality in 2050 and realize a sustainable society as an initiative to prevent global warming, which is caused by climate change. We have established milestones for the future, such as acquiring SBTs*¹, a certification system for CO₂ emission reduction targets with a scientific basis, and joining RE100*², a global initiative that aims to ensure 100% of the electricity we use is generated from renewable energy. We will also continue to actively working on technological innovation and expanding procurement of renewable electricity, in addition to our existing initiatives for reducing CO₂ emissions.

On average, our products are used over an approximately 10- to 20-year period. If we look at this from the perspective of the entire product life cycle this means the period of product use accounts for over 90% of our overall CO₂ emissions. In other words, by helping people around the world to use sustainable products that are clean, comfortable, and environmentally friendly, we are contributing to reducing their impact on the environment while improving their lifestyle value. The more we conduct appropriate business, and our products are widely used, the more we can create a clean, comfortable, and eco-friendly society.

*¹ Science Based Targets: Greenhouse gas reduction targets for companies that meet the level of the Paris Agreement.

*² Renewable Energy 100: A global initiative that aims to ensure 100% of the electricity we use in our business activities is generated from renewable energy sources.

Business That Contributes to the SDGs

For the TOTO Group, social, environmental, and economic values are extremely well correlated and I believe this is exactly what creating shared value is all about. We believe that tackling social and environmental issues will always lead to economic growth. Based on this approach, we are able to contribute to the United Nations (UN) Sustainable Development Goals (SDGs) through our business. For example, Goal 6, "ensure availability and sustainable management of water and sanitation for all," is the very definition of the TOTO Group's business. I believe that the TOTO Group is an extremely fortunate company in that if we conduct our business activities correctly, we can serve a useful purpose to the world, including society and the environment.

Mid-Term Management Issues WILL2030 STAGE1

To realize WILL2030, the first three years (fiscal 2021 to fiscal 2023) will be designated as Mid-Term Management Issues (WILL2030 STAGE1), during which we will consistently monitor the growth potential of the market, clarify management issues, and respond to changes in the business environment. Under WILL2030, we set out goals from a long-term perspective, and will take the approach of how close we can get to those goals in the next three years. The key points are to refine our sustainable products and quickly bring them to market, and further develop our services thereby increasing customer trust. In order to achieve this, we will visualize the market, create a system suited to each country and region, utilize digital technologies to create unique value that cannot be achieved by TOTO alone, and innovate business processes. We are changing faster than the rest of the world and will keep gaining TOTO fans around the world. In addition, we will promote cross-organizational innovation activities, namely Marketing Innovation Activities, Demand Chain Innovation Activities, and Management Resource Innovation Activities, tailored to the traits of each region.

Japan Housing Equipment Business

In Japan, we will continue to evolve the *Anshin* Remodeling Strategy. We have been promoting activities to distill concerns from customers over entering the remodeling process, however, we are now going to take further steps. In addition to the existing approach of visualizing and understanding, we will help customers to create their dreams by reinforcing our use of digital technologies to disseminate information and become an even closer part of their lives in order to realize the remodeling of their dreams.

Furthermore, in the public market, in addition to evolving cleanliness and comfort through TOTO's unique clean technologies, and adapting to touchless capabilities, we will accelerate the proposal of new customer value that suits their needs, including visualization of damage, cleaning schedules, and the availability of toilet stalls through digital technologies. By promoting these efforts, I believe that by turning each of our facilities into a showroom, we will be able to show the world the progression of Japan's toilet culture when the COVID-19 pandemic has subsided and inbound customers return to Japan.

China & Asia Housing Equipment Business

In our Mainland China business, the market has transitioned from a growth phase to a mature phase and we will further diversify our customer base. We are firmly committed to addressing new issues that became apparent in the reanalysis of the market conducted in fiscal 2019, and will work to further increase brand value by proposing products with high customer value and reinforcing value proposition accordingly. Additionally, we are promoting the creation of an optimal supply system at eco-friendly plants, including the TOTO (FUJIAN) Plant No.2 which manufactures sanitary ware and the New NANJING TOTO Plant which manufactures bathtubs, in order to meet increased demand due to long-term market growth.

In the Asia business, we will enhance our production structure in Vietnam and Thailand while being environmentally conscious as a global supply base. At the same time, we will work to improve sales of WASHLET and establish a structure for after-sales services by strengthening our sales network and actively rolling out promotions that adapt to meet the diverse cultures and lifestyles in each country and region.

Americas & Europe Housing Equipment Business

In our Americas business, the market environment surrounding spray seats is changing dramatically, including the move toward the threshold of widespread use as demand for WASHLET rapidly increases. Furthermore, touchless products, which emphasize hygiene, and SMART TOILET NEOREST, which is highly regarded by customers for its water-saving functions, comfort, and design, are also performing well. In the mid- to high-end market, we aim to differentiate ourselves from other companies by enhancing brand value through efforts to communicate the superior quality and value of our cleanliness and comfort products. In addition, we will promote the reinforcement of our contact points with customers and the creation of an efficient supply system, including expanding our showroom exhibits, enhancing our homepage, and increasing e-commerce, to ensure that we capture demand.

In our Europe business, we will continue to strengthen our value messaging of well-designed cleanliness and comfort products that meet the tastes of European customers. We are building sales channels and acquiring top-class facilities, particularly in Germany, France, and the United Kingdom, and will focus on improving the quality of showroom exhibits at sales agencies, as well as cultivating and expanding construction stores.

Advanced Ceramics Business

Social reform is accelerating around the world through digital transformation (DX). As digital technologies, including cloud service technology and artificial intelligence (AI), develop in the future, there is an increasing need to process a massive amount of data. In order to process this data in a stable manner, technological advancements in semiconductors, such as high-capacity storage, high-speed processing, and low power consumption, are essential, and the machinery and equipment used to manufacture these semiconductors must also evolve further. TOTO will support social reform through DX with advanced ceramic technologies and next-generation manufacturing.



We will refine the TOTO brand and keep gaining TOTO fans around the world.

Cross-Organizational Innovation Activities Tailored to the Traits of Each Region

Marketing Innovation Activities

Our marketing innovation activities involve efforts to communicate our value and planning products to meet changes around the world, as well as diversification of customer needs. We will continue to evolve the fusion of designs and technologies, and bring sustainable products to the market. In fiscal 2020, we received the internationally renowned iF Design Award for the eighth consecutive year and the Red Dot Design Award for the ninth. In these ways, our efforts to strengthen design have been producing solid results. Additionally, we will promote TOTO CLEANOVATION, which we have been developing, to our customers around the world with three values—WASHLET, CLEAN SYNERGY, and TOUCHLESS—in line with people's behavior and attitudes. Going forward, we will further advance market visualization to understand the value required by customers in each region and create new customer-oriented lifestyle value.

Demand Chain Innovation Activities

In the past, supply chains were based on the assumption that goods flowed continuously. Shortening lead times and reducing inventory have been established on the assumption that the entire global supply chain will not stop. However, due to frequent natural disasters around the world and the spread of the COVID-19 pandemic, parts of the supply chain were interrupted. These are significant changes. Going forward, we will need to reevaluate the supply chain itself, which region we sell in, and where to manufacture in order to achieve this, with a strong awareness of business continuity plans (BCPs). It is important to be able to prepare for situations where the continuity of supply chains is interrupted and we will make renewed efforts to visualize the supply chain, including the utilization of digital technologies, in order to meet delivery deadlines and optimize inventory.

In our manufacturing innovation, we will strengthen the swift commercialization of sustainable products by promoting cross-organizational seeds and elemental technology strategies in collaboration with marketing innovation activities. Additionally, in terms of production innovation, we will utilize digital technologies to maximize the production capabilities of our plants, including automation and remote operation, and utilize big plant data to establish good product conditions and increase production efficiency.

Management Resource Innovation Activities

Our management resource innovation activities continue to focus on the promotion of diversity. We will develop an environment in which diverse human resources can work with peace of mind and demonstrate their capabilities, by expanding working from home, realizing a retirement age of 65, and promoting female advancement and advancement of people with disabilities.

By expanding working from home, employees can be liberated from commuting time and improve their quality of life. Furthermore, I also believe that the different ways of spending this newfound time will give us insights that we may not have noticed before. I hope that we can discuss these insights, leading to the creation of new value. In other words, expansion of working from home not only improves work efficiency but can also be perceived as a growth strategy. The TOTO Group has a history of manufacturing products by looking at things from a consumer perspective, considering what they would like to happen, and being either a half step or even one step ahead. I believe that expanding new workstyles leads to the creation of new value.

Together with Our Stakeholders

The TOTO Group's business activities are made possible thanks to the support and cooperation of our various stakeholders. Accordingly, I believe we must continue to always be honest and sincere with our stakeholders. As set out in "Relationships," one of the material issues under WILL2030, we will reinforce measures to be a company that can be relied on by customers, employees, business partners, and local community members.

To realize WILL2030, the development of each employee is essential. We place special emphasis on employee engagement to realize strong organizational strength and human resource capabilities. From fiscal 2020, we began holding meetings with younger employees, but I believe that by holding discussions in person with the next generation of employees we can inspire one another and turn that energy into further growth.

Additionally, in terms of strengthening corporate governance, we have made steady progress in creating a system for managing and supervising operations, and will continue to reinforce corporate governance in the future. While managing and supervising operations is important, we must also carefully consider and implement what is necessary to enhance the TOTO Group's purpose and corporate value. We will continue to strengthen these issues while taking into account the objective standpoint of our Outside Directors.

We conduct our business activities under the long-cultivated TOTO brand, which has refined the concept that "good people make good products." The TOTO Group's approximately 34,000 employees conduct themselves in an appropriate manner. They wholeheartedly work for the benefit of our customers and society to create something different from mere industrial goods. When we communicate this to our customers through our products and services, I believe that the TOTO brand can shine even brighter. I am confident that as we continue to further refine the TOTO brand, we will keep gaining TOTO fans around the world.

Noriaki Kiyota

President,
Representative Director

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.

Capital Input

Financial capital

Optimal management resources

Net assets	¥373.2 billion
Total assets	¥646.0 billion
Equity ratio	56.7%

Intellectual capital

R&D toward TOTO "Only One" technologies

R&D costs	¥22.4 billion
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Manufactured capital

Global expansion of production sites

Number of production sites

Japan: 20 sites Overseas: 19 sites

Human capital

Diverse human resources sharing our Corporate Philosophy

Number of consolidated employees	33,800
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Social / relationship capital

Relationships of trust with stakeholders cultivated through our rich history

Natural capital

Resources with care for a sustainable society

Total energy consumption	6.4 PJ
Amount of raw materials used	564 thousand tons

- Global Housing Equipment Business
- New Business Domains

Growth Strategy
WILL2030

Integration of
management and CSR

TOTO Global
Environmental Vision

Strength
1

Advanced fusion of design
and functionality



Value Chain

R&D

Procurement–Production

Strength
2

Creating new value through
independently developed technologies



EWATER+



RIMLESS
TORNADO FLUSH



CEFIONTECT

Strength
3

Advanced production
technology and global
supply system



Strength
5

Relationships with stakeholders

Corporate Governance

Enhance value creation to strengthen the business foundation and return it to capital

Outputs



Providing high-quality products and services



Communication



Showroom proposals



Products (sustainable products) sales channels



Quality in assembly



After-sales services



HYDROTECT



TOTO Water Environment Fund



Volunteer activities



TOTO GALLERY-MA



TOTO Museum

Logistics-Sales

Cleanliness and Comfort



Environment



Relationships



New Value Creation

(Results from fiscal 2020)

Social Value

Environmental Value

KPIs

Percentage of sustainable products **69%**
(Japan: 74%, Overseas: 56%)

Reduction in water consumption during product use **0.9** billion m³

Total CO₂ emissions from business sites

307 thousand tons

Stakeholder satisfaction

Employee satisfaction (Japan) **74** pt

Showroom satisfaction (Japan) **73** pt

Customer satisfaction in after-sales service **92** pt

Value Provided to Stakeholders

Customers

Offer lifestyles that go beyond expectations

► Details on page 53

Employees

Work lively and utilize individuality

► Details on page 55

Business partners

Coexist and grow together while contributing to society and the environment

► Details on page 56

Society

Realize a sustainable society

► Details on page 57

Economic Value

Net sales **¥577.8** billion

Operating margin **6.9%**

Overseas sales ratio (housing equipment business)

25%

Shareholders

Earn trust and provide returns over the long term Dividends per share

¥70.0

<Provide comfortable and healthy lifestyles to all>
<Achieve a carbon-neutral and sustainable society>

TOTO Group Value Creation History

Company History

1917
Established Toyo Toki Company, Limited

1962
Formulated Company Mottos

1970s

1970
Changed corporate name to TOTO KIKI LTD.

1977
Established TOTO's first overseas joint venture company for ceramic sanitary ware production, in Indonesia

1980s

1980
Launched WASHLET®

1981
Launched modular kitchen design

1985
Launched the Shampoo Dresser (bathroom vanity suited for washing hair)

1988
Started mass production of electrostatic chucks in the ceramics business

1990s

1993
Remodeling Declaration

Products and Technology

1914
Successfully developed Japan's first seated flush toilet

1946
Began faucet production

1963
Developed Japan's first prefabricated bathroom module (based on JIS provisions)

1968
Launched bathroom vanity units

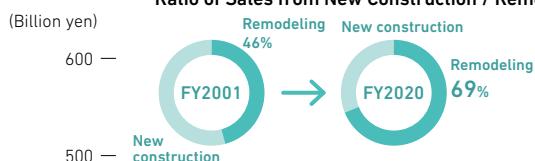
1976
Launched CS Series water-saving, noise-reducing toilet

1993
Launched SMART TOILET NEOREST EX

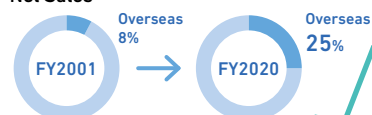
1995
Discovered photocatalytic superhydrophilicity (TOTO and the University of Tokyo)

1999
Developed CEFIONTECT technology

Ratio of Sales from New Construction / Remodeling to Total Sales in the Japan Housing Equipment Business



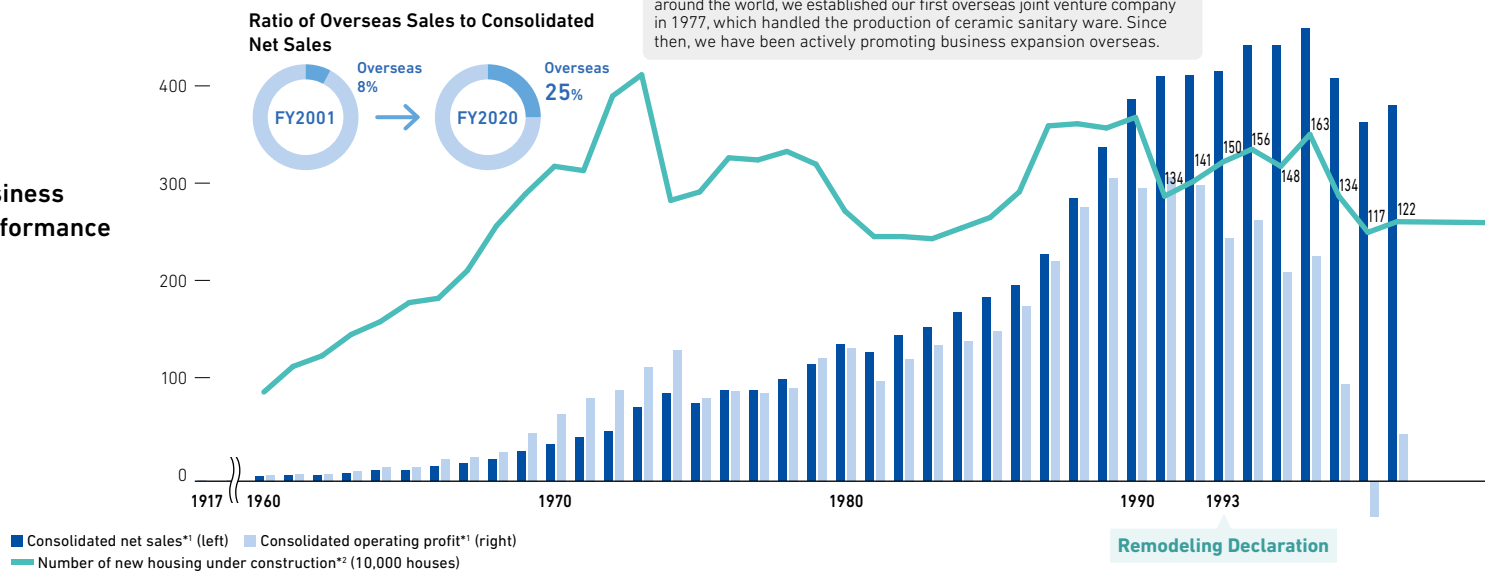
Ratio of Overseas Sales to Consolidated Net Sales



Characteristics of Our Business Growth

In Japan, we aimed to transition to a business structure that did not rely on new housing demand based on our forecasts for future demographic changes. To that end, we announced the Remodeling Declaration in 1993 to establish the remodeling business as the core of our operations. In addition, to deliver an enriched and more comfortable lifestyle to customers around the world, we established our first overseas joint venture company in 1977, which handled the production of ceramic sanitary ware. Since then, we have been actively promoting business expansion overseas.

Business Performance



*1 Consolidated figures are listed from fiscal 1986 onward.
*2 Based on the period in which products are delivered.

Reliance on New Housing Demand

Business Promotion Resources

Cultural Support and Other Activities

1985
Opened GALLERY-MA

1989
Founded TOTO Publishing

Diversity

1993
Established SUNAQUA TOTO LTD. to provide a comfortable work environment for people with disabilities

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

- 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



2010s

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

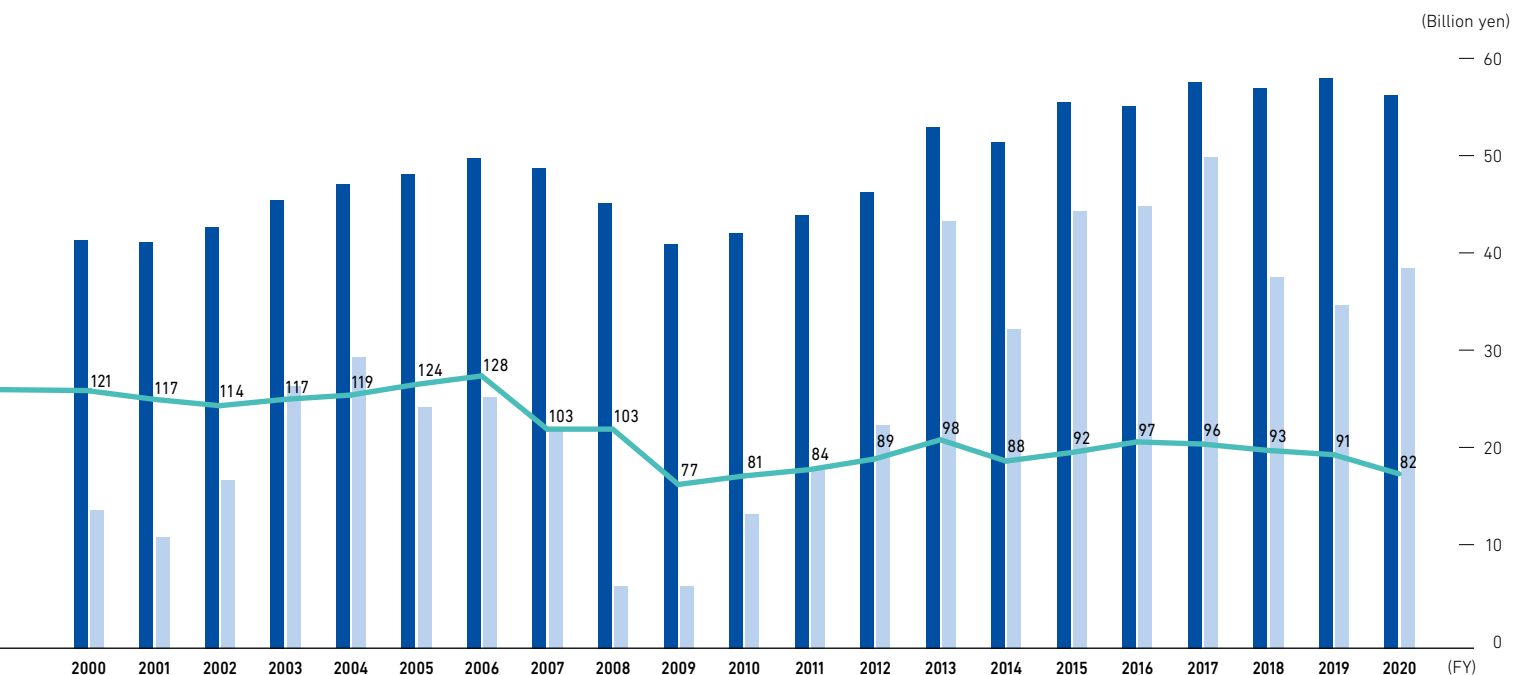


- 2017**
Established new company mission
- 2017**
Announced TOTO WILL2022 Mid-Term Management Plan
- 2017**
Determined new materiality
- 2018**
Remodeling "Anshin" Declaration
- 2017**
Launched NEOREST NX globally
- 2017**
Launched the Faucet 10 series of water faucets, distinguished by their sophisticated designs, to the global market



2020s

- 2021**
Announced New Shared Value Creation Strategy TOTO WILL2030
- 2021**
Launched Touchless Faucets Announced Globally Unified Model



New Remodeling Declaration

Remodeling "Anshin" Declaration

Shift toward Remodeling Business



Initiatives to Create Value for Our Customers

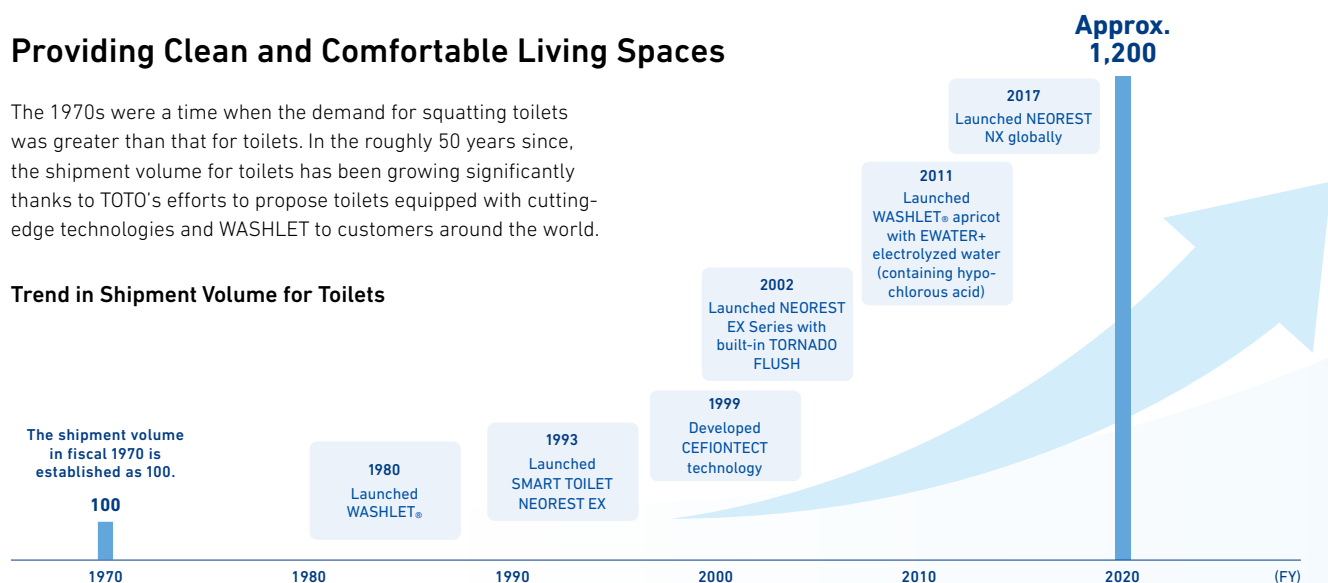
With the aim of creating enriched and comfortable lifestyles centered on bathroom and kitchen plumbing products, the TOTO Group creates value for its customers by improving the convenience of its products and enhancing their water-saving performance. Going forward, the Group will continue to propose 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



CS Series

Toilet (C720), tank (S721B), and the WARMLET S
¥85,250



RESTICA Series

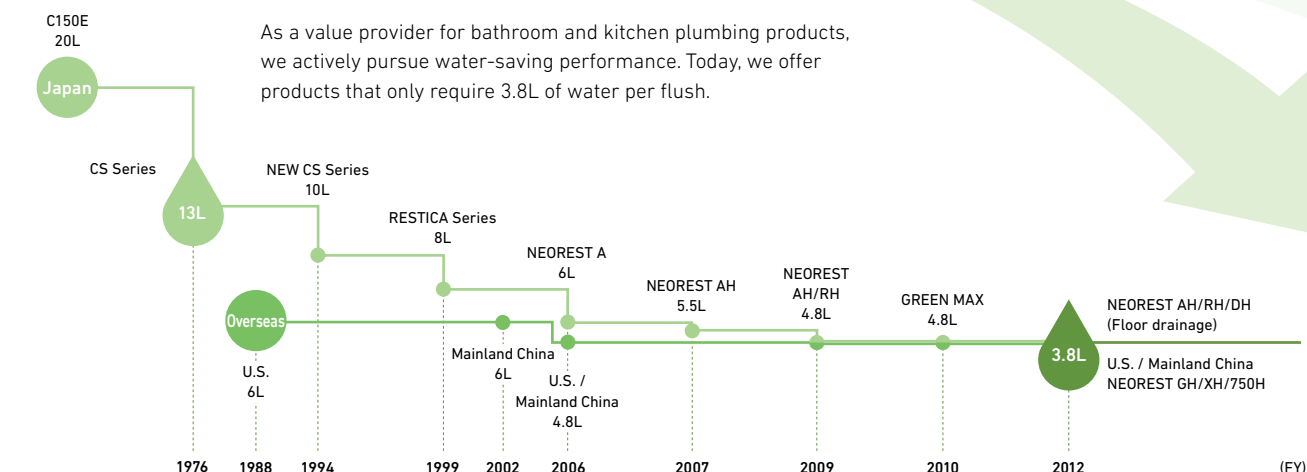
Toilet (CS80B), tank (SH91BA), and WASHLET® apricot C2
¥194,000

Note: Prices shown are manufacturer's suggested retail prices (excluding tax) at the time of release.



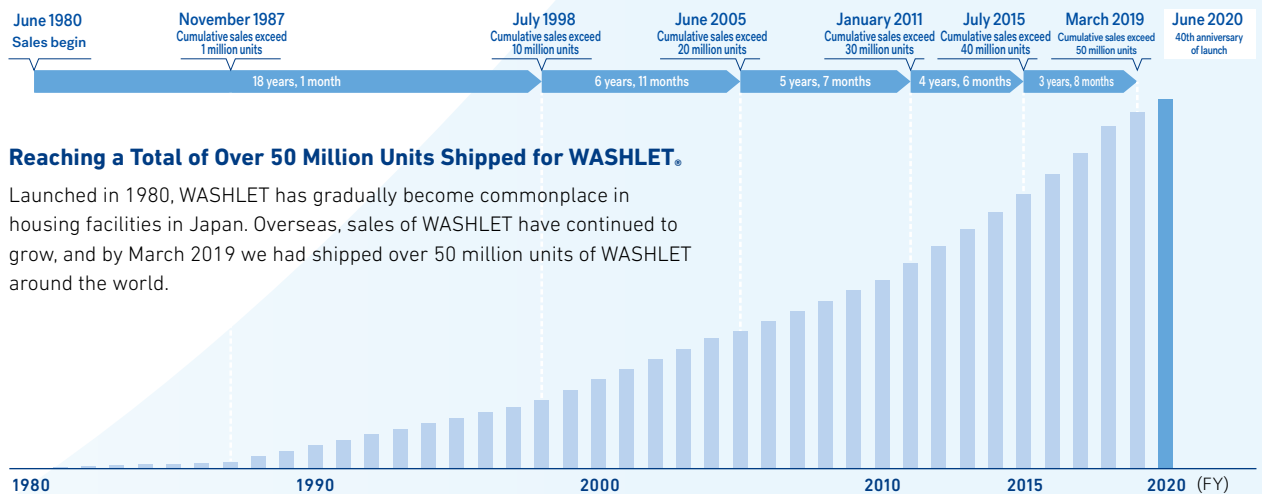
Pursuing Water-Saving Performance

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

NEOREST NX



WASHLET G5 (for the overseas market)



CLEAN INNOVATION

Guided by the concept of TOTO CLEANOVATION, which comes from the combination of the words "CLEAN" and "INNOVATION," we will continue to innovate technologies toward achieving "cleanliness and comfort in everyday lives."



1. WASHLET®

The clean lifestyle culture of "washing bottoms"

2. CLEAN SYNERGY

"Cleanliness and security" achieved with unique technologies and designs

3. TOUCHLESS

Peace of mind derived from "not touching"

NEOREST Series

Lineup of NEOREST AH2W
¥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 Mainland 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 2021)

EU: 6.0L or less

China: 5.0L or less*1

Saudi Arabia: 3.5L or less*2

United States: 6.0L or less

Mexico: 6.0L or less

Singapore: 4.0L or less

Brazil: 6.0L or less

Australia: 4.0L or less*3

Certain regions of the United States
4.8L or less

*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 achieve a carbon-neutral and sustainable society by 2050. At the same time, we are actively working to disclose information on these efforts.

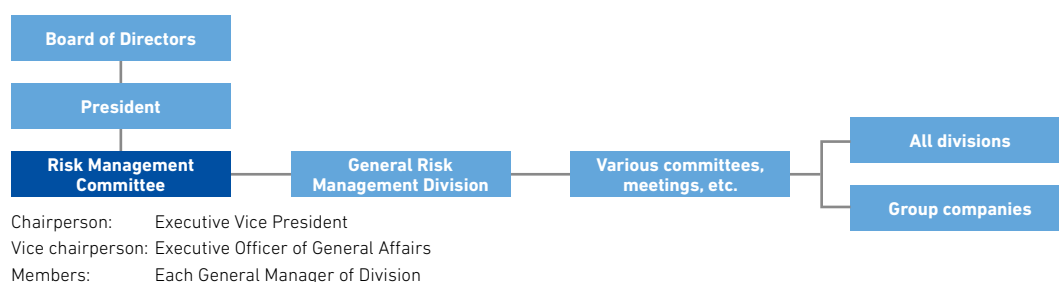
Also, the agenda for our CSR activities, which includes long-term efforts toward climate change, is deliberated and executed by the CSR Committee, chaired by the president and representative director. In addition, these activities are monitored by the Board of Directors.

(2) Opportunities and Risks Related to Business Continuity

As a risk management promotion system, the Risk Management Committee is chaired by the executive vice president and representative director, who serves under the president and representative director. The committee comprises the executive officers overseeing major risks and division heads as its members. 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 New Shared Value Creation Strategy TOTO WILL2030 as the Mid- or Long-Term Management Plan.

Risk Management Promotion System



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 the 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	Risk to the continuity of business activities due to large-scale earthquakes, wind and water damage from abnormal weather, and fires	• Implement risk examinations and risk simulations regarding large-scale earthquakes	P.62
	Risk	Global risks such as climate change and water resource depletion, which have materialized	• Respond to environmental issues by promoting the TOTO Global Environmental Vision	P.45
			• Carry out long-term scenario analysis based on the TCFD and respond to risks and opportunities identified through the analysis accordingly	P.50
	Opportunity	Increase in opportunities to contribute to the environment by offering water-saving products in regions with water shortages	• Contribute to achieving a carbon-neutral and sustainable society by 2050 through the New Shared Value Creation Strategy TOTO WILL2030	P.25
Raw material and component procurement	Risk	Inability to procure raw materials and components due to large-scale earthquakes and other natural disasters	• Formulate BCPs in consideration of the impact of large-scale disasters on the supply chain and bolster response capabilities	P.41
	Risk	Cost increases due to foreign exchange rate fluctuations, etc.		
	Risk	Accidents or bankruptcies occurring within the supply chain	• Implement on-site inspections of major suppliers	P.56
	Opportunity	Expanded selection of suppliers due to the Group's global business expansion	• Strengthen global supply structure through Demand Chain Innovation Activities	P.41
Tightening of laws, regulations, and systems	Risk	Relocation or stoppage of factory operations and additional capital investment due to the tightening of environmental and climate change regulations		
	Risk	Insufficient response to laws and regulations	• Reinforce structure to respond to laws and regulations, including those overseas	P.62
	Opportunity	Tightening of regulations regarding water- and energy-saving features, growth in demand for highly functional products due to an increase in purchasing support systems, etc.	• Develop and launch industry-leading products through Marketing Innovation Activities	P.38
	Opportunity	Increased purchasing motivation resulting from a heightened consumer awareness toward water and energy conservation		
Compliance	Risk	Occurrence of compliance violations, including within the supply chain, and subsequent loss of social trust	• Reinforce operation of management systems centered on the Compliance Committee	P.62
	Risk	Filing of lawsuits	• Implement compliance-related educational activities, including on human rights, to ensure strict adherence	P.62
	Risk	Risk of financial damage caused by rumors	• Carry out monitoring activities, including within the supply chain	P.56
Human resources	Risk	Intensifying competition to recruit human resources		
	Opportunity	Expansion of human capital through the recruitment and development of outstanding personnel	• Reform human resource systems through Management Resource Innovation Activities	P.43
	Opportunity	Increased opportunity to provide peace of mind and fulfilling challenges through workstyle reform		
Occupational safety and health	Risk	Violation of labor laws	• Share issues and draft and promote response measures via the Health, Safety and Security Committee	
	Risk	Workplace accidents	Note: Please see page 10 of Financial and Non-Financial Data 2021.	
Product quality	Risk	Occurrence of product recalls and major complaints	• Improve customer satisfaction through the promotion of "Relationships," an important theme of the TOTO Global Environmental Vision	P.51
	Opportunity	Sophisticated product development and high levels of quality cultivated through rigorous quality management	• Provide TOTO quality, including after-sales services • Promote <i>Anshin</i> Remodeling	P.51 P.31
Information security and IT innovation	Risk	Occurrence of disruptions to information systems due to computer viruses, etc.	• Draft and promote medium- to long-term IT strategies and strengthen information security via the IT Strategy Committee	P.43
	Risk	Leakage of confidential and personal information		
	Opportunity	Arrival of the 5G era and progress in the semiconductor and optical communication industries	• Offer plumbing solutions that utilize IoT technologies through Marketing Innovation Activities	P.38
	Opportunity	Introduction of AI and the Internet of Things (IoT) in housing equipment		
Economy	Risk	Foreign exchange and interest rate fluctuations	• Promote the New Shared Value Creation Strategy TOTO WILL2030	P.25
	Risk	Intensifying competition from rival companies and rapid declines in product prices	• Roll our globally strategic products and fortify our financial structure	P.30
Society	Risk	Contraction in the market for new housing due to changing demographics in Japan	• Promote business strategies under the New Shared Value Creation Strategy TOTO WILL2030 as well as cross-organizational innovation activities	P.25
	Risk	Geopolitical risks within our global businesses		
	Risk	Risks to business continuity following the spread of infectious diseases	• 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.62
	Opportunity	Expansion in the remodeling market due to changing demographics and lifestyles in Japan		
	Opportunity	Increased demand for plumbing products following global economic progress and population increases		

New Shared Value Creation Strategy TOTO WILL2030

↑
Economic Value

The TOTO Group formulated the New Shared Value Creation Strategy TOTO WILL2030 with a focus on achieving a carbon-neutral and sustainable society by 2050, and aims to realize a sustainable society and achieve clean, comfortable, and healthy lifestyles by 2030.

With the important material issues of Cleanliness and Comfort, Environment, and Relationships, we are making efforts to integrate CSR into management, aiming to create an enriched and comfortable future society that has no impact on the global environment and to achieve economic growth.

As a result of these efforts, we will contribute to the SDGs through WILL2030.

	KPIs	FY2020	FY2030
Economic Value	Net sales	¥577.8 billion	Over ¥900.0 billion
	Operating margin	6.9%	Over 10%
	Overseas sales ratio (housing equipment business)	25%	Over 50%



New Shared Value Creation Strategy TOTO WILL2030

2050

Achieve a carbon-neutral and sustainable society

Provide comfortable and healthy lifestyles to all

	KPIs	FY2020	FY2030
Social Value / Environmental Value	Percentage of sustainable products	69% (Japan) 74% (Overseas) 56%	78% (Japan) 85% (Overseas) 70%
	Reduction in water consumption during product use (Alleviating water stress)	0.9 billion m ³	1.7 billion m ³
	Total CO ₂ emissions from business sites	357 thousand tons Note: Fiscal 2018 results	250 thousand tons
	Stakeholder satisfaction	Employee satisfaction (Japan) 74 pt Showroom satisfaction (Japan) 73 pt Customer satisfaction in after-sales service 92 pt	Employee satisfaction (Japan) 80 pt Showroom satisfaction (Japan) 80 pt Customer satisfaction in after-sales service 95 pt

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

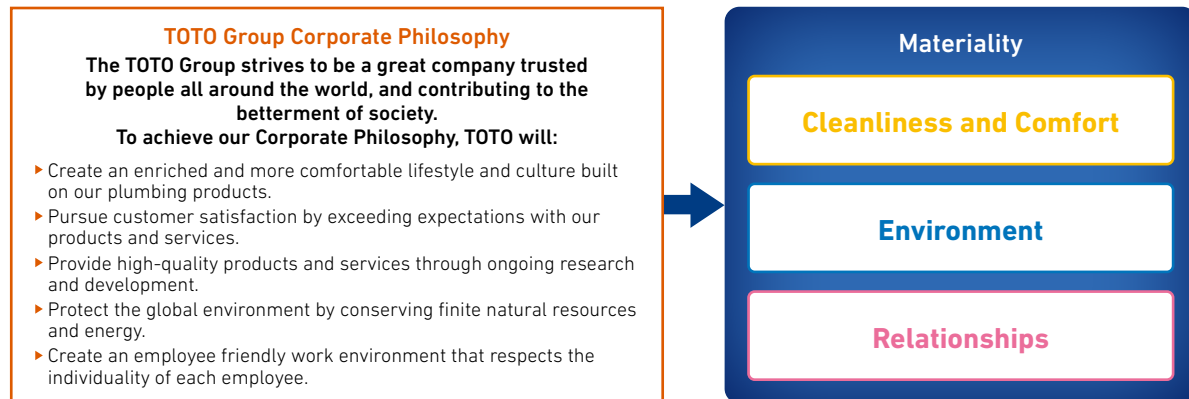
15 LIFE ON LAND

17 PARTNERSHIPS FOR THE GOALS

Social Value / Environmental Value

Corporate Philosophy and Materiality

The will of our predecessors has been handed down over generations through the TOTO Group Corporate Philosophy, and will continue to guide the vision our united Group pursues in the future. Materiality reflects the key issues we must address to achieve this.



TOTO's Materiality Issues toward Achieving the Corporate Philosophy



Sustainable Products That Balance Cleanliness, Comfort, and the Environment

Over the last 100 years, TOTO has provided products that bring cleanliness and comfort, as well as eco-friendly products. Under WILL2030, we defined products that realize both of these requirements as sustainable products. By popularizing sustainable products around the world, we will contribute to realizing an enriched and comfortable society that is environmentally friendly.



Examples of Applicable Products (Main Functions in Brackets)

Housing Equipment			Public		
Toilets <ul style="list-style-type: none"> Clean (RIMLESS, TORNADO FLUSH, CEFIONTECT) Water saving (4.8L and lower) 	Bathrooms <ul style="list-style-type: none"> Clean (EWATER+) Energy saving (MAHOBIN heat-retaining bathtubs) 	<ul style="list-style-type: none"> Comfort Design Hot water saving 	Toilets <ul style="list-style-type: none"> Clean Water saving (6L and lower) 	WASHLET® <ul style="list-style-type: none"> Clean Electricity saving 	Auto Flush Valve <ul style="list-style-type: none"> Clean (TOUCHLESS) Water saving
WASHLET® <ul style="list-style-type: none"> Clean (EWATER+) Electricity saving 	Bathroom vanity units <ul style="list-style-type: none"> Clean (EWATER+) Design Hot water saving (Eco Single) 	Modular kitchens <ul style="list-style-type: none"> Clean (EWATER+) Design Hot water saving (Eco Single) 	Urinals <ul style="list-style-type: none"> Clean (EWATER+, TOUCHLESS) Water saving 	Auto Faucets <ul style="list-style-type: none"> Clean (EWATER+, TOUCHLESS) Water saving 	IoT Support <ul style="list-style-type: none"> Comfort Universal Design Water saving



We aim for sustainable products to make up 78% of our product composition.

In fiscal 2020, sustainable products made up 69% of our product composition (Japan: 74%, Overseas: 56%). We aim to achieve 78% (Japan: 85%, Overseas: 70%) by fiscal 2030.

KPI	FY2020	FY2030
Percentage of sustainable products	69% (Japan) 74% (Overseas) 56%	78% (Japan) 85% (Overseas) 70%

Mid-Term Management Issues WILL2030 STAGE1

In the first three years (fiscal 2021 to fiscal 2023) of the New Shared Value Creation Strategy TOTO WILL2030, we will keep a constant eye on market growth potential while formulating specific aims and respond to changes in the environment as Mid-Term Management Issues WILL2030 STAGE1.



Review of TOTO WILL2022 Mid-Term Management Plan

The TOTO Group promoted TOTO WILL2022 as a five-year plan for fiscal 2018 to fiscal 2022. Although there were some factors TOTO was responsible for, such as delays in responding to market changes due to an uncertain business environment such as the COVID-19 pandemic, business performances could not progress as planned. Despite this, we were able to make steady progress on key processes, including reinforcement of BCP initiatives, and growth investment plans.

In order to keep up with the ever-accelerating pace of change in the world, we have set a long-term vision of TOTO WILL2030, from which we will backcast to resolve issues on a year-by-year basis.

	FY2018	FY2019	FY2020
Net sales	¥584.7 billion	¥595.7 billion	¥577.8 billion
Operating profit	¥38.8 billion	¥35.8 billion	¥39.7 billion
Operating margin	6.6%	6.0%	6.9%



Forecasts for TOTO WILL2030 and Basic Policy

We have positioned the first three-year period from fiscal 2021 to fiscal 2023 as Mid-Term Management Issues WILL2030 STAGE1. In terms of products, we will rapidly roll out sustainable products that facilitate cleanliness, comfort, and health while being eco-friendly in order to contribute to a sustainable society and clean, comfortable, and healthy lifestyles. In terms of services, we will evolve to place importance on connections between people around the world and remain a trusted company. Furthermore, we will reanalyze the market, create a structure for each country and region, create unique TOTO value using digital technologies, and implement business process innovation.

With Cleanliness and Comfort, Environment, and Relationships as material issues, we will promote our two business segments of Global Housing Equipment Business and New Business Domains while reinforcing corporate governance as a foundation for our business activities. In addition to the three cross-organizational innovation activities of Marketing Innovation Activities, Demand Chain Innovation Activities, and Management Resource Innovation Activities, TOTO has also set digital innovation as a key strategy to stay ahead of the changing times and keep gaining TOTO fans around the world.

	FY2020	FY2023
Net sales	¥577.8 billion	¥690.0 billion
Operating profit	¥39.7 billion	¥60.0 billion
Operating margin	6.9%	8.7%
Percentage of sustainable products	69%	73%
	(Japan) 74%	(Japan) 80%
	(Overseas) 56%	(Overseas) 61%
ROA (Operating profit base)	6.5%	9.0%
ROE (Net profit base)	7.7%	10.2%

Promotion Structure



Investment Plan

In WILL2030 STAGE1, we plan to make investments worth ¥165.0 billion over the next three years. As a major capital investment in the Global Housing Equipment Business (overseas), we are planning to increase investments in projects, including a sanitary ware plant and a faucet plant, as an aim for creating an optimal supply structure.

Housing Equipment Business (Japan)	<ul style="list-style-type: none"> Investment in production reorganization Investment in showrooms 	▶ ¥30.0 billion
Housing Equipment Business (Overseas)	<ul style="list-style-type: none"> Investment in augmenting sanitary ware plants Investment in augmenting faucet plants 	▶ ¥56.0 billion
Advanced Ceramics Business	<ul style="list-style-type: none"> Investment in augmenting Advanced Ceramics Business 	▶ ¥2.0 billion
Companywide Investments	<ul style="list-style-type: none"> IT-related investment 	▶ ¥32.0 billion
	<ul style="list-style-type: none"> Environment-related investment 	▶ ¥12.0 billion
	<ul style="list-style-type: none"> Global product development investment 	▶ ¥3.0 billion
	<ul style="list-style-type: none"> Constant investment 	▶ ¥30.0 billion
Total		▶ ¥165.0 billion
Over the next three years, we plan to make investments worth ¥165.0 billion.		

Financial Strategies

Financial Policy

The TOTO Group is allocating funds to actively carry out growth investment aimed at sustainable growth while promoting well-balanced financial strategies that give consideration to shareholder returns as a basic policy.

Regarding raising funds, in order to maintain financial soundness, the Group's basic policy is to use cash on hand to fund necessary capital investment and other capital requirements.

In addition, we will realize the effective utilization of internal funds by actively promoting our cash management system. We will promote investment strategies, financial soundness, and financial strategies that give consideration to shareholder returns, and aim to exceed ROA of 9.0% and ROE of 10.2%.

Shareholder Return Policy

We make it a rule to proactively invest in the future to secure funds for building a firm corporate structure and expanding our business while assuring a stable return of profit to shareholders. Each fiscal year, we aim for a dividend ratio of 40% of our consolidated net profit for the term. In addition, we will consider 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.

Japan Housing Equipment Business



In the Japan housing equipment business, we will help realize a sustainable society through clean, comfortable, and healthy lifestyles and eco-friendly products. As key strategies aimed at our vision for society, we will implement advancement of *Anshin* Remodeling, acceleration of public remodeling, and innovation of sales. Regarding the advancement of *Anshin* Remodeling, we have been carrying out activities to distill concerns from customers over remodeling, and are going to take further steps. We will reinforce information dissemination by utilizing digital technologies aimed at customers who wish to remodel and, in addition to the existing concept of “visualize and understand,” we will assist customers in “finding their dream.” Regarding the acceleration of public remodeling, we will accelerate the use of touchless and digital technologies to offer new value that meets customer needs and further evolve the cleanliness and comfort of Japan’s toilet culture, communicating it to the world.

Regarding the innovation of sales, we will utilize digital technologies to evolve the roles and functions of sales, showrooms, and business centers, and accelerate the provision of *Anshin* Remodeling and the expansion of sales of high-value-added products.

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. We believe that people's way of thinking about housing will change after COVID-19 has been contained. In addition to the existing concept of "visualize and understand" through the provision of *Anshin* Remodeling information, by assisting customers with "finding their dream," including the space they aspire to live in and a comfortable life, we aim to increase the number of customers who wish to remodel. At the same time, we will enhance the value we provide to customers, together with our business partners, by proposing, designing, and executing plans that "shape the dream" of lifestyles imagined by customers.

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graph TD
    A([Find your dream]) --> B([Create dream proposals])
    B --> C([Shape the dream])
    C --> D([Visualize and understand])
    D --> A
    C --- E[Provide high-quality remodeling]
    D --- F[Deliver Anshin Remodeling information]
    G[Continue to be a closer part of customers' lives]
  
```

Find your dream

Create dream proposals

Shape the dream

Visualize and understand

Provide high-quality remodeling

Deliver *Anshin* Remodeling information

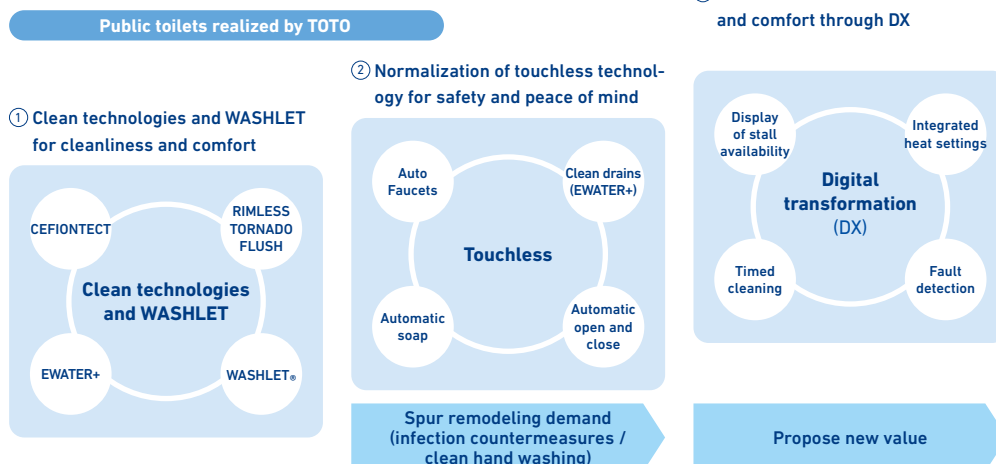
Continue to be a closer part of customers' lives

31

Acceleration of Public Remodeling

In the public market, we will use digital technologies to accelerate the development of new value proposals that meet customer needs and to communicate the cleanliness and comfort of Japan's toilet culture to the world. We are accelerating the development of new value proposals that meet customer needs, such as the advancement of clean and comfortable technology and support for touchless technologies through TOTO's unique clean technologies, timed cleaning and repairs by utilizing digital technologies, and visualization of toilet stall availability.

Provide New Value for Public Remodeling



Innovation of Sales

In order to reinforce the sales system with a view to the future, we will implement the evolution of sales activities and reinforcement of the functions of showrooms and business centers using digital technologies. Regarding the evolution of sales activities, in order to increase the speed of sales activities, we will promote the visualization of customer needs and business activities to increase the value we provide. Regarding the reinforcement of the functions of showrooms, we will increase our opportunities to have direct contact with our customers by integrating digital and real technologies, including online consultations and online showrooms. Regarding the reinforcement of the functions of business centers, we will continue to support the activities of our sales and showroom teams through the implementation of BCP and more stable operations.



Mid-Term Sales and Operating Profit Plan

		FY2020	(Operating margin)	FY2023	(Operating margin)	Growth rate
Net sales		¥419.8 billion		¥465.0 billion		+11%
Operating profit		¥22.8 billion	(5.4%)	¥28.5 billion	(6.1%)	+21%
Percentage of sustainable products		74%		80%		+6 pt
Demand-Specific Plans	Remodeling	Net sales	¥288.6 billion	¥341.2 billion		+18%
		Operating profit	¥21.1 billion (7%)	¥26.5 billion (8%)		+25%
	New construction	Net sales	¥131.3 billion	¥123.8 billion		-5%
		Operating profit	¥1.7 billion (1%)	¥2.0 billion (2%)		+18%

Global Housing Equipment Business

China & Asia Housing Equipment Business

In Mainland 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 a beloved brand.

Mainland China Business



Vision for Society and Key Strategies

In the Mainland China business, the market has transitioned from a growth period to a period of maturation, and TOTO's target customer base is further expanding and diversifying. Under TOTO WILL2030 Stage 1, we will implement key strategies with a theme of further enhancing the value of the TOTO brand.

As a brand strategy, we will exceed diverse customer needs and provide exceptional quality and services. As a sales strategy, we are establishing a firm position for WASHLET, which is entering a phase of widespread adoption, and enhancing the ability of distributor showrooms to make proposals. Furthermore, we are promoting the provision of TOTO's unique and careful installation and repair services.

To support these initiatives, we are working to enhance our business foundations by improving marketing capabilities, building an optimum supply chain, and improving production efficiency.

Additionally, we have been developing sites that supply products to customers in a timely manner by operating the latest eco-friendly plants—the TOTO (FUJIAN) Plant No. 2 (sanitary ware manufacturing) and New NANJING TOTO Plant (bathtub manufacturing).



Mid-Term Sales and Operating Profit Plan

	FY2020	(Operating margin)		FY2023	(Operating margin)	Growth rate
Net sales	¥69.5 billion			¥100.0 billion		+44%
Operating profit	¥11.6 billion	(17%)		¥17.0 billion	(17%)	+47%
	Local-currency basis (20%)			Local-currency basis (20%)		
	* Includes factors such as preferential policy on social security contributions					
WASHLET®	Sales volume growth rate			+76% (compared with fiscal 2020)		
Percentage of sustainable products	49%			56%		+7 pt



Asia Business



Vision for Society and Key Strategies

In the Asia business, we will strive to become the most beloved and trusted brand that continues to create clean and comfortable living spaces by reinforcing sales networks that are aligned with the diverse culture and lifestyles of each country and region, expanding sales of WASHLET by actively rolling out promotions, launching global products, and taking steps to establish a structure for after-sales services.

In Taiwan, TOTO aims to become the most trusted provider of plumbing-related solutions. We will create a remodeling market by proposing spaces unique to TOTO by creating a business model based on remodeling as a forerunner in the industry.

In Vietnam, we aim to be the most trusted brand loved by the Vietnamese people. By further reinforcing our sales networks, we will continue to expand sales of uniquely TOTO value-added products.

Additionally, we will continue to reinforce our production structure as a supply base that anticipates future growth in global demand. We will promote the balance between enhancing productivity and being environmentally conscious, such as at the Vietnam No. 4 Plant (sanitary ware manufacturing), which is scheduled to begin full operations in July 2022, and the eco-friendly Vietnam New Plant (faucet manufacturing), which is scheduled to begin operation in fiscal 2023.



Mid-Term Sales and Operating Profit Plan

	FY2020	(Operating margin)	FY2023	(Operating margin)	Growth rate
Net sales	¥28.2 billion		¥42.0 billion		+49%
Operating profit	¥4.6 billion	(16%)	¥6.5 billion	(16%)	+42%
Percentage of sustainable products	50%		54%		+4 pt

Sales Growth Plans for Main Regions

Taiwan	Vietnam	Thailand	India
FY2020 100	FY2020 100	FY2020 100	FY2020 100
FY2023 115	FY2023 160	FY2023 250	FY2023 240

* With 100 as an indicator for fiscal 2020

Global Housing Equipment Business

Americas & Europe Housing Equipment Business

In the Americas, we will accelerate the growth of the business and provide customers with lifestyles centered on products that are unique to TOTO, represented by WASHLET.

In Europe, we will revolutionize the bathroom culture there through the clean and comfortable Japanese bathroom culture.

Americas Business



Vision for Society and Key Strategies

In the Americas business, there have been significant changes to the environment surrounding the spray seat market, such as the sudden increase in demand for WASHLET. Additionally, sales of touchless products, which place importance on hygiene, have been strong in the wake of the impact of the COVID-19 outbreak and we are moving into the next phase of growth by strengthening communication of the value of WASHLET, centered on the sanitary features in the medium- to high-end market. In this way, we are differentiating ourselves from our competitors.

As a sales strategy, we will continue to strengthen customer contact by sales channel and reorganize our sales networks, including showrooms, stores, and e-commerce. We aim to create a showroom where customers can see, touch, and understand our products through an abundance of displays and the continued enhancement of our support systems. At our stores, we will swiftly launch products unique to TOTO and create an environment that is selected by plumbers. On our e-commerce sites, we will create a structure in which it is easy to find new products and enhance the appeal of their superior quality.

As a production strategy, we aim to establish a stable supply system that is capable of supplying products to customers in a timely manner. We will improve our sanitary ware production management system and promote initiatives to shorten logistics lead times and improve yields in order to create a stable and efficient supply system.



Mid-Term Sales and Operating Profit Plan

	FY2020	(Operating margin)	FY2023	(Operating margin)	Growth rate
Net sales	¥36.0 billion		¥52.0 billion		+45%
Operating profit	¥2.5 billion	(7%)	¥5.0 billion	(10%)	+2 times
		Local-currency basis (10%)		Local-currency basis (13%)	
WASHLET®	Sales volume growth rate		2.3 times that of fiscal 2020		
Percentage of sustainable products	70%		73%		+3 pt



Europe Business



Vision for Society and Key Strategies

In the Europe business, we are working to establish the clean and comfortable bathroom culture of Japan, with a focus on WASHLET, and expand this to the rest of the world. We will continue to sell products with advanced designs that align with the preferences of our European customers and enhance the value proposition to customers through our showroom displays and other such efforts.

As a sales strategy in Germany, we will enhance our proposal capabilities by supporting plumbers in holding events. In addition, we will enhance the quality of and expand the number of members in our high-class network of plumbers by appealing with contents and new products disseminated at the International Sanitary and Heating trade fair. In the United Kingdom and France, we will strengthen dissemination capabilities by continuing to obtain top-class facilities and will enhance the contents and opportunities that meet the needs of our target customers, leading to future demand.

As a service strategy, in Germany we will continue to stabilize basic quality, for which we completed development of a system in fiscal 2020, and will gain trust through our superior services by expanding this to the United Kingdom and France.



Mid-Term Sales and Operating Profit Plan

	FY2020	(Operating margin)	FY2023	(Operating margin)	Growth rate
Net sales	¥4.0 billion		¥6.0 billion		+50%
Operating profit	¥-1.0 billion		¥-5.0 billion		-
WASHLET®	Sales volume growth rate		2.8 times that of fiscal 2020		
Percentage of sustainable products	83%		84%		+1 pt

New Business Domains

Advanced Ceramics Business

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



Electrostatic chucks



Vision for Society and Key Strategies

We will support the DX-driven social change with TOTO's advanced ceramic technologies. Those changes have accelerated around the world, with an impact from the COVID-19 outbreak. The issue of further development of digital technologies, such as cloud services and AI technology, in the future is how to process the massive amounts of data. In order to stably process this data, technological advancements in semiconductors, such as high-capacity storage, high-speed processing, and low power consumption, are essential. In response to the ever-accelerating evolution of semiconductors, we will support the DX-driven social change with the following key strategies.

Four Key Strategies

Propose Value by Providing One-of-a-Kind Ceramic Products

By developing next-generation products that are uniquely TOTO and providing value to the target market, we will expand our business.

Speedy Product Development Synchronized with Customer Development Plans

Amid the shift toward semiconductors suitable for processing and managing even larger volumes and faster data, we will continue to anticipate the needs of the market and work in collaboration with our customers to promote speedy product development.

Strengthen Operating Base by Developing Ceramics Smart Factory

The automation of processes, the use of AI for conducting inspections, the automatic measurement of in-process quality data, and the analysis of big data enables us to create preventative products.

Create a Global Supply Chain Encompassing Everything from Suppliers to Customers

The digital connection of customer information, including product specifications, from the engineering chain to the supply chain enables shorter development and product lead times, higher yield mass production, and immediate correction of quality variations.



Mid-Term Sales and Operating Profit Plan

	FY2020	(Operating margin)	FY2023	(Operating margin)	Growth rate
Net sales	¥20.1 billion		¥24.5 billion		+22%
Operating profit	¥1.8 billion	(9%)	¥6.0 billion	(25%)	+3.3 times

Cross-Organizational Innovation Activities

Marketing Innovation Activities

Pursuing the products that global customers truly want and delivering new lifestyle value unique to TOTO.

Satoshi Shirakawa

Representative Director,
Executive Vice President



Our Aims for the New Shared Value Creation Strategy TOTO WILL2030

From fiscal 2018 to fiscal 2022, we promoted our TOTO WILL2022 Mid-Term Management Plan. We constructed a five-year plan through extensive discussions and meticulous analysis, however, the result was that the premise of the plan collapsed due to significant changes in the external environment, including frequent natural disasters, trade conflict between the United States and China, and the COVID-19 pandemic. Accordingly, going forward, we have come to the conclusion that we need to set out clear long-term goals, and then backcast from those goals to ensure that we solve issues on a year-by-year basis, and have formulated the New Shared Value Creation Strategy TOTO WILL2030.

Our aim for marketing innovation activities in 2030, is to pursue the products that global customers truly want and deliver new lifestyle value unique to TOTO. In order to achieve this, we must ensure that all aspects of our product strategies, ranging from research and development to product planning and promotion innovation activities, respond to changes in the market environment and evolve. To realize the aims of WILL2030, we are constantly considering what kind of valuable products we should create based on changes to the environment during the with-COVID-19 era as well as the post-COVID-19 era, and what form of new lifestyle value we should provide to customers. At the same time, we will move forward with three years of Mid-Term Management Issues WILL2030 STAGE1, with the following key strategies: Engage in value messaging and product planning, visualize the global market, create new lifestyle value, and promote digital innovation.

Engaging in Value Messaging and Product Planning

In terms of value messaging, we will further develop TOTO CLEANOVATION, a promotion activity launched in fiscal 2019 to promote the value of TOTO's products to our customers around the world. To date, we have carried out promotion activities centered around CLEAN SYNERGY, which is focused on EWATER+ electrolyzed water (containing hypochlorous acid). Furthermore, we have redefined TOTO CLEANOVATION based on values including WASHLET—the clean lifestyle culture of “washing bottoms;” and TOUCHLESS—peace of mind derived from “not touching,” and will promote this to our customers around the world. In addition, TOTO has been making steady progress in its efforts to fuse designs and technologies, and those efforts have been producing solid results in the fact that TOTO's products continue to receive high praise, such as consecutive internationally renowned awards.

In terms of product planning, in fiscal 2021 we will reinforce our touchless products in response to the with-COVID-19 era. In fiscal 2022, we will create new value that responds to changes in people's actions and awareness in the post-COVID-19 era by promoting digital innovation.

Cross-Organizational Innovation Activities

Visualizing the Global Market

In the bathroom and kitchen plumbing products market, values that customers seek differ by country and region, and so it is crucial that we align regional marketing activities that cater to local characteristics. Following a project to explore the actual condition of the Mainland China market in fiscal 2019, we are pursuing a similar project in the Americas market to strengthen our visualization of the global market. As a result, we have a better understanding of the various events taking place in each market (region, competition, logistics, etc.), which helps us to plan and release products that are appropriate for each. Going forward, we will continue these activities and must expand the scope of the regions they cover. In the future, we will turn our attention to countries and regions in Asia, gaining a good understanding of the markets in Vietnam, Thailand, and India, and create sales strategies that align with each. In Asia, we are carrying out activities that balance creating a globally unified model, product lines that can be developed on a global basis, and aligning products with the culture and preferences of various countries and regions.

As for Europe, it is a center for designs and trends of not just housing equipment but various other aspects. Increasing information dissemination and establishing our position as a manufacturer in Europe is also important for our businesses in Mainland China, the United States, and Asia. The International Sanitary and Heating trade fair, which is held in Frankfurt once every two years, is an extremely important event not only in Germany but also from the perspective of global brand messaging. One major task in our marketing innovation activities is to develop products for this event that realize new lifestyle value.

Creating New Lifestyle Value

To date, we have created various unique products (value), such as EWATER+ electrolyzed water (containing hypochlorous acid) and CEFIONTECT, and have worked to achieve differentiation. However, other companies are following suit in terms of functionality, so it is necessary to create new unique products (value) to keep gaining TOTO fans around the world. We will reinforce visualization of the global market and thoroughly link it with our research topics to promote the creation of customer-oriented new lifestyle value.

Sustainable products that satisfy the material issues of Cleanliness and Comfort and Environment as set out in WILL2030 are products that are unique to TOTO, which implement the concept of integrating CSR into the center of our management. Thoroughly popularizing these products is evidence of our ability as a manufacturer to contribute to the realization of a sustainable society.

TOTO will continue to provide even more products that are clean, comfortable, and eco-friendly, and is a company whose business itself is directly linked to environmental awareness. The more we expand the range of products with advanced water-saving and electricity-saving functions, the more we reduce our impact on the global environment. In other words, contributing to the realization of a sustainable society is connected to enhancing corporate value, as well as the SDGs. The percentage of sustainable products is an indicator of the TOTO Group's contribution, and further redefines what we have done so far. A key role of marketing innovation activities is to ensure the rapid creation of these sustainable products through research and development, product planning, and promotion innovation activities.

Promoting Digital Innovation

We aim to use the term "customer based" rather than "customer driven" in our marketing innovation activities.

"Driven" implies that there is a start point, and as such there will always be an end point. In contrast, "based" implies that there is a base that is the central focus point. As such, "customer based" means the customer is always at the heart of everything we do, and we will continue to act and expand with the customer at the center.

If we don't provide product value according to the benefits it brings to the customer, we are not "customer based." It is important to develop projects from the perspective of how useful they will be for the customer and how much they will enrich their lives.

Digital innovation is more than just connecting products. We will focus on IoT products that clearly demonstrate what kind of benefits they will create for the customer and how connecting the products will change customers' lives. We hope that TOTO products create new value through this "customer-based" approach. In the public market, there are various digital innovations that are already in progress. We predict that this innovation will continue to develop rapidly. The TOTO Group has launched various initiatives, such as a service that supports the management aspects of public toilets using the IoT. Going forward, we will continue to create products that truly hold value for customers.

Realizing Our Aims

Received iF Design Award 2021 for the TOUCHLESS FAUCET and the SMART TOILET for the Overseas Market

TOTO received the internationally renowned iF Design Award 2021 for six products, including the TOUCHLESS FAUCET, the SMART TOILET for the overseas market, the Wall Hung Urinal with Built-In Sensor, and the FLOTATION TUB and Vessel CE Series. This marks the eighth consecutive year that the Company has won this award. The iF Design Award is a design competition started in 1953, sponsored by iF International Forum Design GmbH 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 2021 awards, a panel of judges comprising well-known experts evaluated over 9,509 submissions from 52 countries and regions around the world. Among these submissions, six of TOTO's products received a high level of praise.



SMART TOILET WASHLET® G5
(for the overseas market)

Received Red Dot Design Award: Best of the Best 2021 for TOUCHLESS FAUCET TLE24 Series, a TOUCHLESS FAUCET for the Overseas Market

TOTO received the internationally acclaimed Red Dot Design Award 2021 for a total of six products, marking the ninth year in a row that the Company won this award. Among these products, the TOUCHLESS FAUCET TLE24 series, a TOUCHLESS FAUCET for the overseas market, was selected for the Best of the Best Award, which is won by less than 2% of products that are submitted each year. This is the second time TOTO has been awarded Best of the Best, the first being in 2017. The Red Dot Design Award is a design award that dates back to 1955. Organized by Design-Zentrum NordrheinWestfalen 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.



TOUCHLESS FAUCET TLE24 series
(for the overseas market)

Demand Chain Innovation Activities

Developing uniquely TOTO products, high-speed automated production, and a firm, high-speed supply chain to reliably deliver products to our customers around the world.

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 a stable and efficient manner to customers around the world. Demand chain innovation focuses on two main activities: Supply chain innovation and manufacturing innovation.

Supply Chain Innovation

TOTO has set “continue to achieve a stable supply globally through a high-speed supply chain” as a supply chain innovation aim for 2030, and we are promoting various initiatives to achieve this goal.

In Japan, we have steadily improved results by working on the three issues of delivering products to customers on the designated delivery date (minimizing deviation from delivery date), minimizing inventory on hand as a trade-off, and minimizing supply chain costs.

These initiatives have been carried out under the premise that we are able to stably procure items (raw materials and products). However, this premise began to collapse in recent years, owing to factors including frequent natural disasters, and completely collapsed due to suspension of production activities as a result of global lockdowns during the outbreak of COVID-19 in 2020. On top of continuing to address these three issues, we first need to prioritize the rebuilding of a BCP system in response to new risks, promote the acceleration of collaboration between divisions related to the supply chain and early deployment of information to stakeholders, and continue to reinforce a stable supply system.

We are also addressing these three issues overseas, however, we are placing the most importance on delivering products to customers on the designated delivery date (inventory shortage rate). We believe that local production for local consumption is an effective plan for optimizing our inventory on hand while continuing to stably supply products and reduce supply chain costs. In Mainland China, we are responding to this by expanding our new production sites, such as the TOTO (FUJIAN) Plant No. 2 (please see page 42). In other countries and regions, we will continue to develop our supply chain based on what is optimal for the supply chain, in terms of when, where, and what kind of production plants we should build to meet demand growth in the future.

In addition, we are reinforcing two initiatives to optimize inventory on hand. The first initiative is the promotion of platform and modular design. We will reduce inventory through the interchangeability of units and the common use of parts. This is an activity in conjunction with manufacturing innovation. The second initiative is the promotion of dramatically organizing item numbers (consolidation of item numbers, discontinuation of numbers, and production to order). From the development and planning stage, we will promote activities with a view to consolidation.

Manufacturing Innovation

Regarding manufacturing innovation, we will create sustainable products that are unique to TOTO and accelerate the transition to smart factories.

In conjunction with our marketing innovation activities, we are promoting cross-organizational seed and technology strategies and moving forward with the rapid commercialization of sustainable products. Before now, seed technology was shared across all business for horizontal development, but going forward elemental technology that should be evolved from a Companywide perspective will be selected for downsizing, performance enhancement, and cost improvement. This will lead to more efficient seed technology development.

In terms of development, we will carry out integrated product development based on a Companywide product launch plan, which will be rolled out simultaneously on a global basis. We will promote the previously mentioned platform and modular designs, and use digital tools to shorten development lead times and common use of parts to achieve a vertical start-up after mass production.

In terms of production, we will accelerate the transition to smart factories to maximize their production capabilities, including establishing good product conditions through the transition to automation and remote operation of plants, as well as the utilization of big plant data, and enhanced production efficiency.

Realizing Our Aims

Constructed a Second Plant at TOTO (FUJIAN) to Meet Mainland China Growth in Demand

Group company TOTO (FUJIAN) CO., LTD. constructed a second plant as a new sanitary ware production site, which began operation in 2021.

The new plant was constructed with the aim of responding to demand for sanitary ware in the Mainland China market, which is expected to grow going forward. The plant strives 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 environmental impact 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 Fujian Plant No. 2 will become an eco-friendly and employee-friendly plant.



TOTO (FUJIAN) Plant No. 2
(exterior rendering)

Reinforced Supply System in Anticipation of Expansion of the Semiconductor Market; Nakatsu Plant Building No. 4 at TOTO Fine Ceramics Head Office's Begins Operation

Group company TOTO Fine Ceramics LTD. constructed a new ceramic products production site on the grounds of the Nakatsu Plant.

Construction began in January 2019 and the plant began full operation from October 2020. Nakatsu Plant Building No. 4 will bring together our long-cultivated cutting-edge ceramic technology and know-how, and introduce IoT and AI technologies to achieve the transition to a smart factory that aims to enhance the productivity of our mainstay electrostatic chucks for semiconductor manufacturing equipment, which are increasing.

Furthermore, we aim to use energy efficiently in the clean room in Building No. 4 by integrating the air conditioning and heat source, and introducing the latest equipment capable of optimally controlling operations in response to the conditions inside the room.



TOTO Fine Ceramics Head Office
Nakatsu Plant Building No. 4

Management Resource Innovation Activities

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



Our Aims for the New Shared Value Creation Strategy TOTO WILL2030

Our 2030 aim for management resource innovation activities is to create 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. From fiscal 2020, we have been promoting activities that add the new concept of being a company where employees can take pride in their work.

To become a company where employees can take pride in their work, TOTO must be a place where people from all walks of life mutually recognize each others' diversity and are able to work with peace of mind and satisfaction. Thus, we have created an environment in which employees take on various challenges with even more courage, and as a result of these actions, I believe that employees will be able to take pride in the fact that they are happy working for the TOTO Group. This is the core of our approach to management resource innovation.

We set employee satisfaction as a key performance indicator (KPI) of the progress of initiatives and results of TOTO WILL2030. Every year we conduct employee awareness surveys for all TOTO Group employees. We analyze the score quantitatively as an indicator of whether the Company will truly become a place where employees can work in a lively manner and take pride in their work, and connect this to new initiatives. Although it is difficult to measure some factors, such as peace of mind and satisfaction, in concrete numerical terms using only the current awareness survey, I believe that we can understand the thoughts of all TOTO Group employees by adding new questions and other such improvements. What is important is not whether a score is high or low but whether an aspect is moving in the right direction year on year. Accordingly, we aim to thoroughly reflect this in our management resource innovation activity initiatives.

Realizing New Workstyles

We will realize new workstyles by promoting diverse workstyles that allow flexible use of time and place and the creation of a workplace that allows employees to take on challenges. First, we will expand the requirements for the use of teleworking and promote its use while taking into account the characteristics of business. We will connect awareness from the consumer's perspective and the learning through self-development we gained through teleworking to the creation of new value and the proposal of value to customers. Additionally, we are continuously promoting the abolition and improvement of efficiency through the inventory of operations in all divisions. To eliminate waste, we have to decide whether to keep an operation or not, and if we do keep it we must do so after changing the method of preceding with work to be more effective. This is a universal initiative that we must continue to promote going forward. We want to use the time we create to develop ourselves and create new value.

Currently, I am promoting initiatives as the director in charge of management resource innovation activities, but I also wonder whether it is right for our generation to decide workstyles for those who will be at the heart of the TOTO Group 10 or 20 years in the future, when we will not be around. We will make decisions as those in a position of responsibility, but will exchange ideas with the young people who will be at the heart of the TOTO Group at the time, as well as various employees of the TOTO Group who work in different places and in different occupations. We hope to incorporate as many opinions as possible about how we would like to work in 2030 into the system. Online meetings between the president and younger employees and the use of internal social media networking sites, which is one of the channels through which we hear the opinions of the next generation of employees, have enabled us to come into contact with a wide range of voices.

Promoting Diversity

We will promote the creation of a working environment where our diverse human resources can take on challenges and advance our diversity. First, we will set the retirement age for all employees of the TOTO Group at 65 years old, and create a workplace where each employee can continue to work in a lively manner and continue to demonstrate their accumulated abilities and skills for a long time. In addition, the promotion of career advancement of female employees is an essential component of sustainable growth for the TOTO Group. Among our diversity initiatives, we are continuously making efforts to create an environment where women can actively work. In particular, we are supporting the advancement of female employees. Furthermore, we will advance initiatives from a global perspective to ensure that all of our diverse employees, including LGBTQ (sexual minorities) and those with disabilities, play an active role within the TOTO Group.

Developing 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. In terms of human resources, 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 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.

Realizing Our Aims

Direct Talks Held between the President and the Next Generation of Employees

From December 2012, we have been holding online exchanges as a platform for direct talks between President Kiyota and the next generation of employees. We hold these exchanges as an opportunity to share values, foster trust, and improve the perspective of the employees who will be responsible for the future of the TOTO Group through direct communication with the president. In addition, we also aim to instill pride and self-confidence in the people who work for the TOTO Group. At the end of June 2021, we held our 23rd exchange and 158 younger and middle-ranking employees took part in a lively exchange of opinions.



Special-Purpose Subsidiary SUNAQUA TOTO Won at the National Abilympics

SUNAQUA TOTO LTD. is a special-purpose subsidiary founded as a joint investment between Fukuoka Prefecture, Kitakyushu City, and the TOTO Group. SUNAQUA TOTO primarily engages in the assembly of water faucets and conducts operations as a Group company that meets TOTO's safety and quality standards. In March 2020, the Company acquired JIS B2061 Faucets certification. Over 60% of SUNAQUA employees are people with disabilities, and the company supports the advancement of such employees through various initiatives. As part of these initiatives, Mr. Yoshii of the SUNAQUA TOTO Assembly Department participated in the 40th National Abilympics (Work Skill Competition for People with Disabilities), which was held in November 2020 in Tokoname City (Aichi Prefecture), and excelled by winning a bronze medal.



Going forward, the TOTO Group will continue initiatives aimed at creating an environment where employees with disabilities can play an active role.

* The Abilympics are competitions for people with disabilities to showcase the skills that they have cultivated at their workplace. In addition to improving the skills that they have cultivated, the competition also aims to promote their employment by raising the understanding and awareness of companies and the general public with regard to the employment of people with disabilities.

Water, Earth & a better Tomorrow

At TOTO, we're committed to improving life and the environment for a thriving future. Our production processes and products save water and energy, while reducing impact on the environment. We provide cleanliness and comfort while building relationships that enrich life. Water, Earth & a better Tomorrow. All our group companies are dedicated to building a healthier and more sustainable tomorrow.



Global Environmental Goals

Goals		Main Initiatives
Cleanliness, comfort and the environment		Rolling out clean, comfortable and eco-friendly products
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
	<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 	Alleviating water stress through the wide-spread adoption of water-saving products Achieving carbon neutrality Social contribution activities entrenched in local communities
	<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
Relationships		

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

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

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



TOTO Global Environmental Vision

The TOTO Group works to integrate the TOTO Global Environmental Vision with its various business activities, and aims to achieve the New Shared Value Creation Strategy TOTO WILL2030. 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 and development that is friendly to the Environment, and promoting business activities that value the Relationships we have with people.

We will realize social, environmental, and economic values through these initiatives and contribute to the SDGs.

SUSTAINABLE DEVELOPMENT GOALS

Indicators	Cat.	FY2020 (Results)	FY2023 (Targets)	SDGs Themes
Percentage of sustainable products	◆	69% (Japan) 74% (Overseas) 56%	73% (Japan) 80% (Overseas) 61%	
Percentage of TORNADO FLUSH units shipped (overseas)		46%	56%	
Number of WASHLET units shipped (overseas)		0.77 million units	1.34 million units	
EWATER+ WASHLET rollout percentage (overseas)		35%	62%	
Reduction in water consumption during product use*1	◆	0.9 billion m ³	1.1 billion m ³	
Total CO ₂ emissions from business sites	◆	307 thousand tons	294 thousand tons	
Reduction in CO ₂ emissions due to implemented measures		38 thousand tons	42 thousand tons	
Reduction in CO ₂ emissions during product use*1		3.21 million tons	3.6 million tons	
Number of projects that help solve local issues (cumulative number from FY2018)		96 cases	150 cases	
Customer satisfaction in after-sales service*2	◆	92 pt	94 pt	
Showroom satisfaction (Japan)	◆	73 pt	75 pt	
Percentage of employees taking part in volunteer activities (total number of participants / number of consolidated employees = participation rate)		67%	100% or more	
Employee satisfaction (Japan)	◆	74 pt	76 pt	
Percentage of female managers (Japan)		14%	21%	
Employee turnover rate due to life events (Japan)*3		2.1%	0%	

◆ WILL2030 long-term goals

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 deliver clean and healthy lifestyles to people around the world, so that anybody, from a child to the elderly, can have fun, keep energy, and use our products even if life stages change.

Cleanliness and Comfort is one of the 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.



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 TORNADO FLUSH, and non-contact technology like TOUCHLESS. Based on TOTO CLEANOVATION, derived from the words "CLEAN" and "INNOVATION," we will communicate our three values for the continuation of clean innovation to customers around the world.



The continuation of clean innovation



WASHLET®

The clean lifestyle culture of
"washing bottoms"



CLEAN SYNERGY

"Cleanliness and security" achieved
with unique technologies and designs



TOUCHLESS

Peace of mind derived from
"not touching"



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.

Inheriting the Words of Our Founder, beginning with “Kindness must always come first,” we believe that to create is to think about 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. In the 1960s, we began efforts that take into consideration those with disabilities. 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 in 2019 through collaboration with public and private institutions based on a partnership between Hatsukaichi City and TOTO

TOTO Exhibits at CES 2021—The Most Influential Tech Event in the World

TOTO exhibited at CES 2021, the Consumer Technology Association’s showcase for advanced technologies and innovators (held online in January 2021). As a manufacturer of plumbing equipment, we aim to spread our innovative technologies that contribute to a hygienic, clean, and comfortable everyday life around the world, as we have continued to do over our 100-year history, by promoting the concept of TOTO CLEANOVATION. We also made the first announcement of our WELLNESS TOILET initiative, aimed at creating new lifestyle value in health.



From CES 2021 presentation video

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 environmentally conscious designs within our product development and to 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 “alleviate water stress through the widespread adoption of water-saving products,” “achieve carbon neutrality,” and “conduct social contribution activities entrenched in local communities.”

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



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 (2020), Ministry of Land, Infrastructure, Transport and Tourism

Water-Saving Performance of Toilets



RESTICA Series
CS80B
Launched in 1999

Large flush **8L**



(Small flush 6L)

Approx. **49%** reduction
in water consumption
for cleaning toilets*

Large flush **3.8L**



(Small flush 3.3L /
eco flush 3.0L)



NEOREST AH/RH
(Floor drainage)

* 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

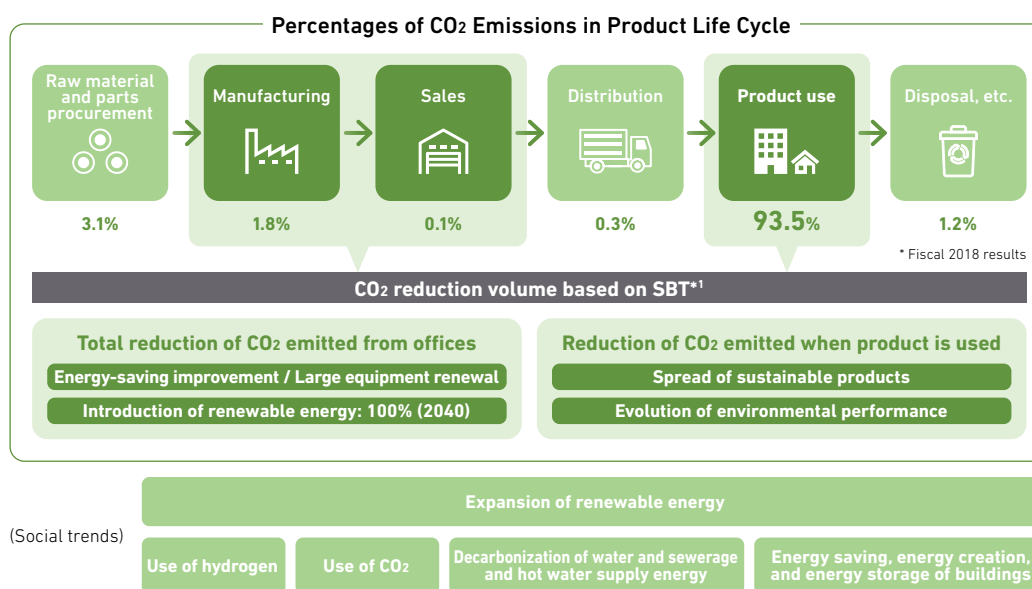
We have been working to reduce the amount of water needed to flush toilets and to expel and transport waste while ensuring toilets remain pleasant to use. In the current NEOREST Series, we created a toilet that uses only 3.8L of water per flush. In addition, we are striving to improve the water-conservation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



Undertake Initiatives to Fight Global Warming and Coexist With the Earth

The TOTO Group recognizes the impact of climate change as a business risk, and works to reduce the emission of greenhouse gas based on the scientific grounds that are consistent with the Paris Agreement toward the realization of a carbon-neutral and sustainable 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.



*1 Science Based Targets. Greenhouse gas reduction target for the companies that meet the level of the Paris Agreement.

We agree with the international initiatives toward the realization of a carbon-neutral society and, in June 2021, we acquired certification of the Science Based Targets (SBT) initiative.



Agreed with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in May 2019



Joined the global initiative RE100 in April 2021



Acquired certification of the SBT initiative in June 2021



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 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.

Children pleasantly cleaning a toilet installed by OISCA, an organization supported by the TOTO Water Environment Fund (Indonesia)

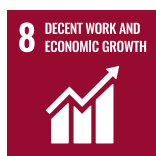


Relationships

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.**



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 after-sales services that focus 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 experience our products firsthand, we have established 100 showrooms in Japan and 12 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. Additionally, we have made proposals that align with the needs of the era, such as online showroom experiences where customers can check out products on their computers, and online showroom consultations where customers can take part in consultations from their homes.



Initiatives for After-Sales Services

“TOTO quality” refers to the quality of the products themselves in combination with their assembly and maintenance if a problem were to arise. To help improve the quality of these services, we send a postcard questionnaire to or call customers who have applied for after-sales service in order to gather information on customer satisfaction.

Furthermore, we are prioritizing the safety and peace of mind of our customers during the COVID-19 pandemic by ensuring we stop the spread of infection through hand washing and disinfection, in addition to implementing remote fault diagnosis.





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 activity participation 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.



Create and Share Joy in Work Together

We aim to be a company where a variety of personnel can gather, work with peace of mind, prosper, and take on challenges, and we conduct activities to promote diversity and implement workstyle reforms in order to create a workplace where all employees can play an active role. In addition, we will 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.

Furthermore, we are carrying out initiatives to improve the working environment so that people with disabilities can play an even more active role, and by continuing to recruit, we have exceeded the government's mandatory employment level. In addition, we properly understand that there are LGBTQ employees in the TOTO Group and continuously disseminate that we act with an awareness that they are part of a diverse workforce. We have also established a dedicated consultation desk for LGBTQ employees. Furthermore, in January 2021 we internally approved the same sex partners' common-law marriage, in addition to conventional civil marriage, as the definition of marriage/spouses in the personnel system and applied the benefit program that is similar to the one for opposite-sex marriage.

Realizing New Workstyles

While the COVID-19 pandemic spreads, we expanded the requirements for the use of the teleworking system, one of the "new workstyles" that allows flexible use of place and time, as a means of continuing stable business activities even in situations such as those under the state of emergency declaration, and implemented remote working. We also 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.

From fiscal 2021, we will add "employee satisfaction" to our WILL2030 KPIs, with the aim of creating and promoting a workplace where diverse human resources can feel peace of mind and take on challenges.

Offering Satisfaction That Goes Above and Beyond Customer Expectations

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



A Word from a Customer

Fulfilling Our Desire to Live in Harmony with the Ocean

Opinion after Remodeling Was Completed

We are delighted that we could fulfill our desire to live in harmony with the ocean, as this is something we have always aspired to do. From the window that spreads across one wall, we now have an unbroken view of the fantastic scenery that is the Genkai Sea. By combining the kitchen, Japanese-style tatami room, and living room into one room, the area has become a bright, open space and our communication as a couple has increased. We are both able to enjoy working remotely in this space.

Remodeling Requests

- This is a property that looks out over the Genkai Sea but the kitchen is closed off and dark, and we can't see the ocean. We would like to be able to see the ocean when we are in the kitchen.
- We would like to change the floor plan from one that feels closed off to a more open space.
- We would like to create a space to work.
- We would like to change the interior, old fixtures, and storage areas according to our preferences, and remodel them in a way that is easy to use.

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, 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, which is on the TOTO website, 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, as well as the information that matches their own remodeling steps. Additionally, at our Support Desk for Remodeling, staff with expert knowledge and actual remodeling experience are always available to customers to cover all aspects of remodeling, including the process for selecting a contractor and consultations on remodeling the entire interior space.



Remodeling Library (Website)



Support Desk for Remodeling

TOTO Initiatives



A Word from a TOTO Remodeling Club Shop

Proposing a Space Where You Can Always Feel the Ocean

The wife of the client is from Nagano Prefecture, which has no ocean. As such, we proposed a space where you can always feel the ocean.

By getting rid of the walls and integrating the living room, it has become a bright, open space with no pillars or beams between the kitchen and the Japanese-style room. By choosing an open-plan kitchen, the customer can feel the ocean even when they are cooking or eating. The Japanese-style room utilizes a small, raised tatami-floored seating area, and we installed a sunken *kotatsu*-style counter on the border of the kitchen. This has helped us to create a dining area with a good line of flow.

In the living room, we installed a space for remote work where the customer can enjoy the ocean view while they work. Since the counter is where the customers eat, the living room has become a free space for the couple to relax. The furniture and appliances are all black to match the feel of the living, dining, and kitchen area. The kitchen also has a pantry included. In addition, we proposed a toilet where the clean design of the hand wash basin makes the toilet look larger, simpler, and more stylish.



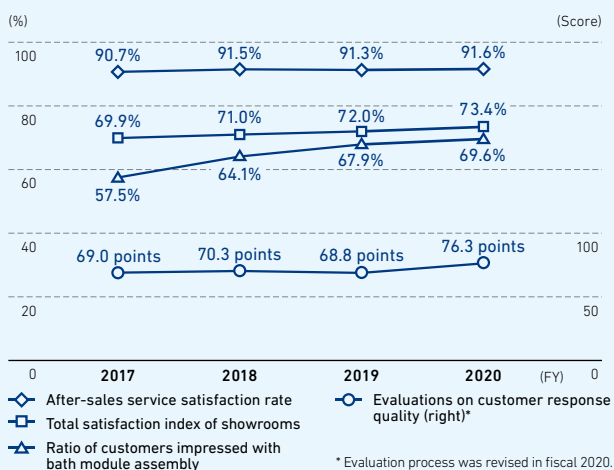
I residence, Fukuoka Prefecture
Remodeling conducted by Housing Plaza Co., Ltd.
Received Grand Prize at the national TDY REMODEL SMILE CONTEST 2020

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.

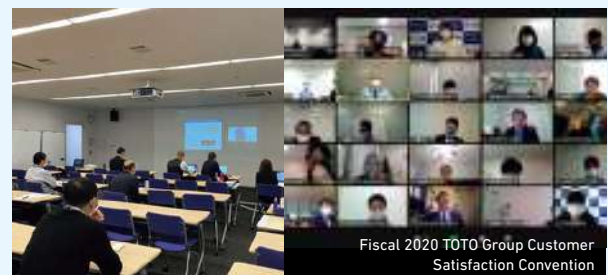
Results of Customer Satisfaction Surveys



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 2020, at our first online convention, 25 teams from a wide selection of divisions (including overseas locations) were selected from a possible 93 and shared examples of their customer satisfaction-oriented activities. Through this convention, we are striving to carry out activities to further enhance the satisfaction of our customers around the world.



Fiscal 2020 TOTO Group Customer Satisfaction Convention



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 resource 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.



Shotaro Wada

Electronic Devices Development Dept. No. 2

Reevaluating the Importance and Difficulty of Keeping the Everyday Life That We Take for Granted Together

During my everyday life since becoming a father of twins, my desire to secure more time to spend with my children grew stronger with each passing day. Therefore, just before my children's first birthday, I made the decision to take approximately two months of paternity leave.

I was worried that I would cause trouble for my workplace by taking this leave, but they were able to progress with work without any delays. I cannot thank my boss and coworkers enough for their understanding and cooperation, not only while I was on paternity leave but even from before my twins were born.

During my paternity leave, I tried to act on something as soon as I was aware of it and took the initiative to take care of the house and children as much as possible. When I took parental leave this time, I reevaluated the importance and difficulty connected to the everyday life that we take for granted. In life, work is important, but it is because of my wife, who takes care of the house and children during the day, that this everyday life that we take for granted is kept together.

While I can say that my leave has ended, this everyday life has not. I would like to continue taking the initiative as much as possible with looking after the house and children, to further consider the balance between work and family, and to keep this everyday life that we take for granted together as a member of society and as a father.

Work lively and utilize individuality

Enhancing the Work-from-Home System as a New Workstyle

With the goal of preventing employees from leaving their position due to life events, in addition to policies supporting work-life balance, such as the reduced work hours and leave systems, we introduced the work-from-home system in fiscal 2018 due to reasons such as child-rearing and nursing care. In fiscal 2020, we faced the unprecedented crises that is the COVID-19 pandemic and the scope of people using the work-from-home system greatly expanded. Additionally, in order to eliminate lack of communication while employees were working from home, we promoted remote work through initiatives including introducing IT tools and ensuring meetings are held online. In fiscal 2021, we will extend the scope for the work-from-home system to include long-term medical treatment due to illness, with the aim of creating a workplace where our diverse human resources can take on challenges.

Developing Future Craftspeople through Skills and Communication

The TOTO Group is committed to passing on and further refining master craftsmanship that underpins the fusion of designs and technologies in our products. It is said that it could take several years for someone to fully master the skill of hand-grinding faucets. However, in fiscal 2010 experienced technicians launched the Craftsmanship Traditions Center Program, which has rapidly increased the speed of developing human resources and is developing future craftspeople capable of producing faucets with an advanced design. By fiscal 2020, a total of 11 generations of craftspeople have graduated the program.



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.

A Word from a Supplier



Shibahara Seiji

CEO
Ohmi Bussan Inc.

Providing a Valuable Recycled Material from the Important Resource of Plastic

Ohmi Bussan has been engaged in the plastic recycling business for over 40 years since 1977, setting the product standard for recycled plastic materials, blending the necessary materials, and supplying them to the necessary markets with quality assurance, mainly as pellet materials. As a company that contributes to the recycling-oriented society, we believe that it is our responsibility to preserve the global environment forever. We are striving to realize such a society by providing a valuable recycled material from the important resource of plastic. Through our business, we wish to contribute to the SDGs, such as Goal 12, "ensure sustainable consumption and production patterns."

At the same time, we put safety first as a manufacturing company. We are striving to enhance employee awareness of quality with initiatives such as standardizing processes and introducing quality inspections.

I feel that TOTO is a company that takes everything seriously. In order to realize quality for the long term, we proposed a new recycled material, which we have been able to create together after a two-year development period. During this time, we came to understand TOTO's approach to manufacturing, which has become a motivation for us and also led to growth.

While the recycling of waste plastic as a recyclable material, which used to be discarded, has garnered attention, society's awareness of the environment has been changed through manufacturers who are close to consumers taking a more proactive approach. I believe that the creation of a recycling-oriented society will be further advanced by the active use of recycled materials by manufacturers such as TOTO, who handle products that are deeply rooted in our daily lives.

Coexist and grow together while contributing to society and the environment

CSR Procurement Activities

Due to the COVID-19 pandemic in fiscal 2020, we had many difficulties including conducting policy briefings in the traditional assembly format and conducting onsite CSR audits. As an alternative, we are testing new dialogue methods, including conducting policy briefings in webinar format and carrying out CSR audits remotely, and have continued to communicate with suppliers. Despite disruption to sections of the supply chain around the world, TOTO was able to continue manufacturing due to its strong relationship of mutual trust with its suppliers. Going forward, we aim to deepen mutual understanding and coexistence with our suppliers through activities that address CSR concerns in such areas as human rights and labor, safety and health, and the environment.



Policy briefing for suppliers

Achievement Rate of Compliance with the TOTO Standards

Fiscal 2020 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.



Mining of earth and stone materials

Achievement Rate of Compliance Item Standards of Mines

Fiscal 2020 result

100%

TOTO Initiatives

TOTO Global Environmental Vision



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.



Kaoru Takahashi

Executive Director
WaterAid Japan

Clean Water, Toilets, and Hygiene Practices Change People's Lives

Hygiene practices, such as clean water, toilets, and hand washing, are essential for people to live with dignity and without threats to their lives. Meanwhile, 785 million people don't have access to clean water and 2 billion don't have access to adequate toilets in the world today. WaterAid is an NGO specializing in water and hygiene, and carries out activities to help enable people in developing countries to use clean water and toilets and implement correct hygiene practices.

We have received support from the TOTO Water Environment Fund for water and hygiene projects in Nepal and East Timor. In 2020 and 2021, the fund also provided support to India, which is facing a severe water crisis due to climate change and delays to infrastructure improvement.

What is important to us is not simply building facilities, instead it is creating a framework, led by local government and citizens, to resolve water and hygiene issues. Due to the support of the TOTO Water Environment Fund, local governments have acknowledged the importance of water and hygiene and citizens understand how to install a water supply system. Even today, we are working hard to improve water and hygiene around the world.



Citizens discuss water issues
(Madhya Pradesh, India)

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. Additionally, overseas in countries such as Vietnam and India, we are subsidizing initiatives to create an environment that encourages hygienic lifestyles, such as installing water supply systems and toilets to respond to issues in local communities and educating children about hygiene.

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 16th Grant Assistance (Fiscal 2021 to fiscal 2023)

<16th grant assistance> (Fiscal 2021 to fiscal 2023)	
Grant assistance	¥27.47 million
Number of organizations	12
<Cumulative total>	
Grant assistance	¥391.78 million
Number of organizations	281



TOTO GALLERY:MA "Erika Nakagawa: JOY in Architecture"



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>

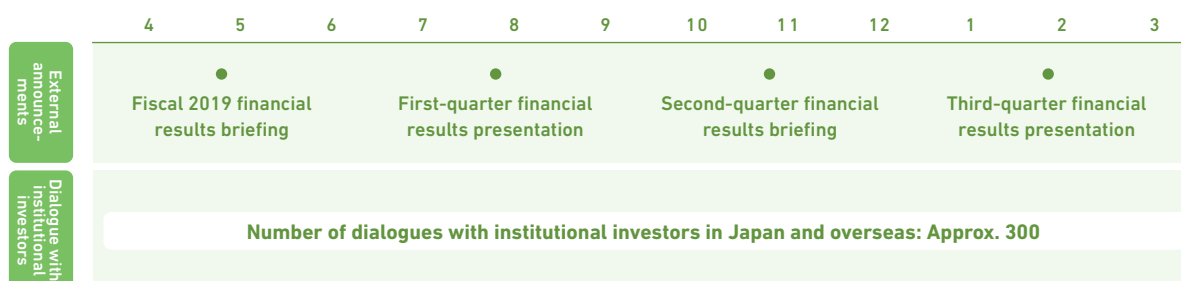
Relations with Institutional Investors

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.



Meeting with overseas investors

IR Activities in Fiscal 2020



Shareholder Return Policy

We consider the return of profit to shareholders an important part of our management policy. We therefore make it a rule to proactively invest in the future 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 consolidated net profit for the term. In addition, we will consider 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 stronger relationships of mutual trust 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.

Society

- Sending lecturers to seminars and educational institutions for training
- Assistance for NPOs and community organizations; various volunteer activities (TOTO Water Environment Fund, etc.)
- Cultural activities (TOTO GALLERY-MA, TOTO Publishing)
- TOTO Museum
- Factory tours, TOTO Summer Festivals
- Skull sessions with NPOs and CSR specialists



Customers

- Showrooms
- Customer Consultation Center
- Factory remodeling fairs
- Various exhibitions



Employees

- Various workplace meetings
- Employee awareness surveys
- Intranet and Group magazine
- Whistleblowing system (in-house / external contacts)

Shareholders

- General Meeting of Shareholders
- Various briefings
- Shareholder questionnaires
- Dialogue with institutional investors



Business partners

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

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 2020, the workshop was conducted in a hybrid online and face-to-face format. Together with companies that participated in the workshop, we revised human rights issues by sector, and deepened our understanding of the importance of business activities that are considerate of human rights. Additionally, we shared and discussed the impact of the COVID-19 pandemic on human rights issues and our response.

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 on human rights issues by sector
©2020CRT-Japan

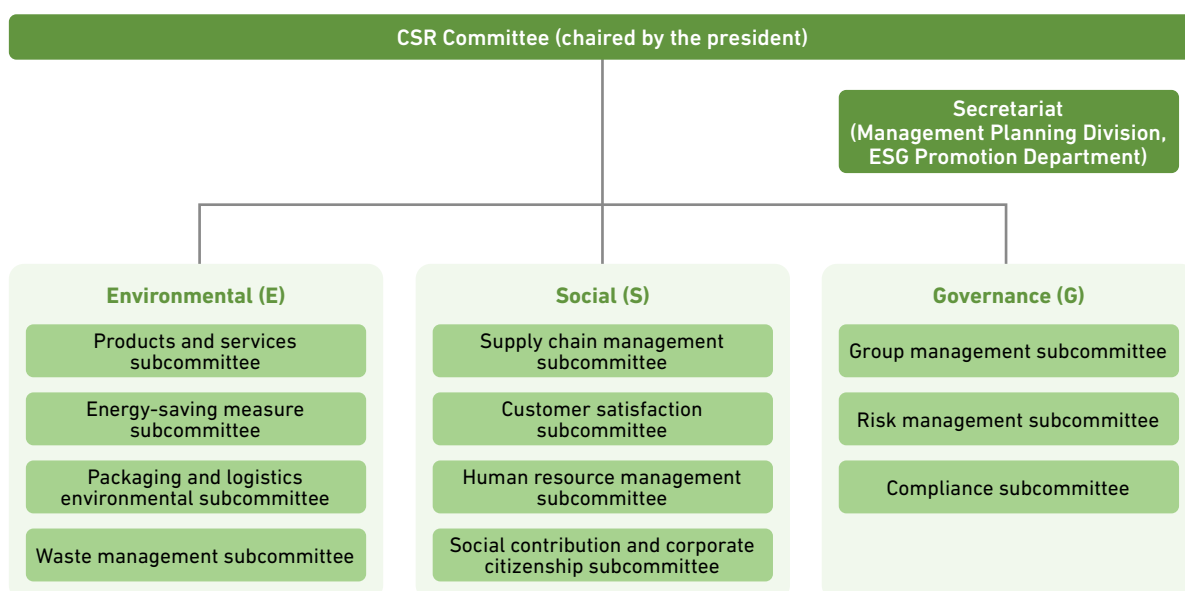
CSR Management

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.

CSR Promotion System

We began our corporate social responsibility (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 and representative director. The committee integrates management and CSR by supervising and commanding a bird's-eye view of the three fields—environmental, social, and governance (ESG). The committee holds discussions on CSR issues and material issues (materiality) including climate change, and formulates plans for CSR activities. 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

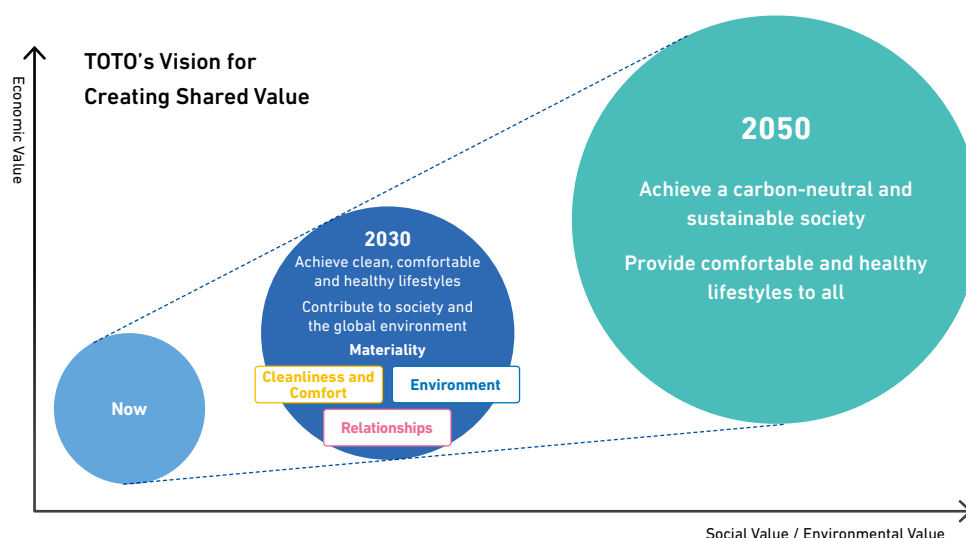
TOTO announced its participation in the UN Global Compact, and registered as a participating company on November 8, 2011. In order to announce to the international community the Company's intent to further strengthen its CSR activities, which TOTO has long been promoting, behave as a responsible corporate 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 UN Global Compact and put them into practice through all its business activities.



The TOTO Group's Materiality

The TOTO Group's material issues (materiality) represent areas of activity and themes that have an impact on social, environmental, and economic values. As part of the process for examining our materiality, we are referencing the UN Global Compact, the SDGs, and other international standards in order to carry out an analysis of themes that lead to creation of social, environmental, and economic values.

In the New Shared Value Creation Strategy TOTO WILL2030, we position materiality as an important issue that needs to be addressed in realizing our Corporate Philosophy and work to integrate management and CSR.



Process for Identifying Materiality

Step 1	Identify issues	We identified issues based on the UN 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 reported and held discussions in the CSR Committee, Management Committee, and the Board of Directors.
Step 4	Develop plans	We are developing and promoting an action plan based on our materiality.

Evaluation by External Parties

We received high evaluations from environmental, social, and governance perspectives from global ESG evaluation institutions.

<p>Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA</p>		<p>2021 MSCI ESG Leaders Indexes Constituent</p> <p><small>THE INCLUSION OF TOTO LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF TOTO LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.</small></p>
<p>FTSE4Good</p>	<p>2021 健康経営銘柄 Health and Productivity</p>	<p>S&P/JPX Carbon Efficient Index</p>
<p>FTSE Blossom Japan</p>	<p>2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX</p>	<p>2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)</p>

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 and representative director, we have established the Risk Management Committee, which is chaired by the representative director and executive vice president. (Please see page 23.) 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 serious 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.

Response to the COVID-19 Pandemic

In the wake of the COVID-19 pandemic in Mainland China, the COVID-19 Countermeasures Headquarters was established in January 2020, for which the president serves as the chief and responses have been continuously made. In making responses, we give the highest priority to the safety of all stakeholders including our customers, business partners, and employees and have been gradually implementing the thorough taking of infection prevention measures at each site, the cancellation or postponement of events and meetings, and the ban on business trips to areas with high infection rates. In addition, by promoting telework and staggered commuting, we have been trying to reduce infection risks caused by gathering or traveling.

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 representative director and executive vice president, under the guidance of the president and representative director. 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.

Compliance Activity Cycle



Reinforcing Compliance on a Groupwide Basis, Including in Our Overseas Businesses

We formulated the TOTO Group Business Conduct Guidelines, which we have rolled out on a Groupwide basis, including in our overseas businesses. In addition, since fiscal 2015 this hotline has been deployed to and is currently operating in countries including Mainland China and the United States.

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.

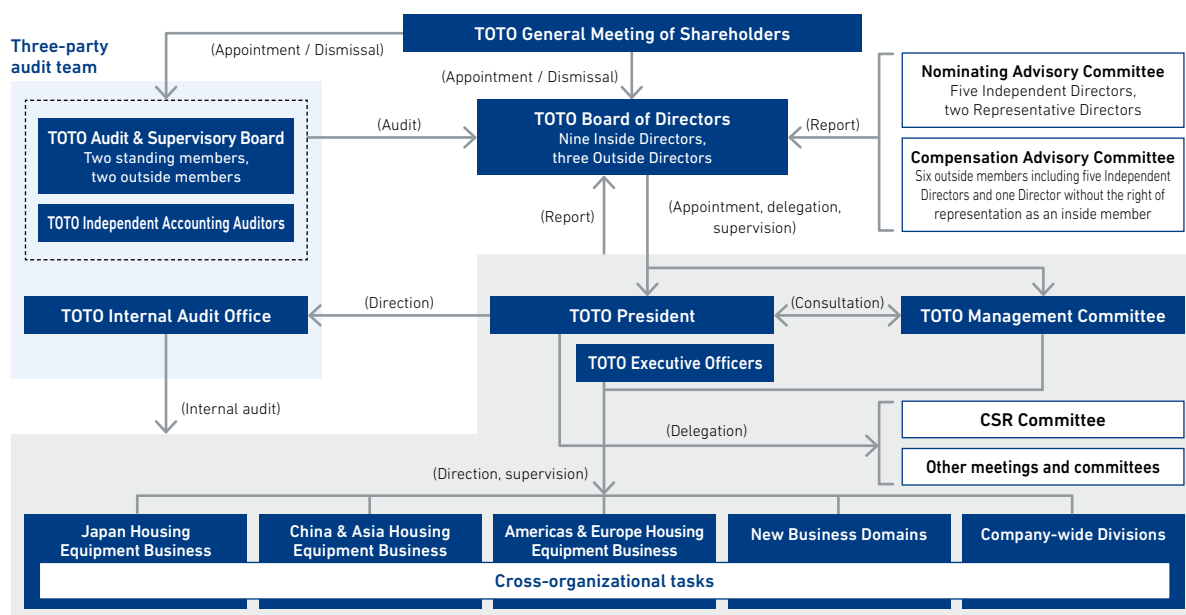
1. The TOTO Group has developed a philosophy system for TOTO Group management. This includes a common Group philosophy, representing the inherited values of TOTO that will be carried forward into the future. This represents the “heart” of our philosophy. Also, our philosophy system includes visions for business activities representing the direction of our action to be reviewed in accordance with the demands of the times. This is positioned as the “body in action.” All of our business activities are based on this philosophy system.

2. To ensure operational decisions and business execution in compliance with relevant laws and regulations and TOTO’s Articles of Incorporation, TOTO has a Board of Directors and an Audit & Supervisory Board, and retains independent accounting auditors. The Board of Directors, emphasizing fairness, objectivity, and transparency, has appointed three Outside Directors who are independent of the TOTO Group. The Outside Directors give various advice and make proposals on our overall management.

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

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

Corporate Governance System





Please see the TOTO Group website for more details.
<https://jp.toto.com/en/company/profile/governance>



Composition of the Board of Directors and Audit & Supervisory Board in Fiscal 2021

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 28, 2021, 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.

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

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 March 2021, all members, including Outside Directors and Outside Members of the Audit & Supervisory Board, who attended the meeting of the Board of Directors evaluated its activities, issues recognized through the questionnaire results conducted in the fiscal 2019 effectiveness evaluation for all Directors and Audit & Supervisory Board Members, and the progress of efforts to solve them in the context of its roles within the company. They also evaluated the effectiveness of the Board of Directors from the perspective of the operational status of the internal control system, the

agendas of the Board of Directors to define the general direction including corporate strategy, and related items of the Board of Directors based on the Corporate Governance Code.

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 Code, especially the related items of the Board of Directors, to correspond properly.
- (4) As for the diversity of the Board of Directors, the members are currently undertaking improvement efforts on the issues recognized through the questionnaire results and making efforts while checking competitors' status and evaluation from proxy advisory firms.

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 activities to allow for active discussions and continue improving the issues found from the questionnaire results to ensure the effectiveness of the Board of Directors and further increase its functions.

Compensation for Directors and Audit & Supervisory Board Members

1. Policy for determining compensation for individual Directors (Basic Policy for Directors' Compensation)

Compensation for Directors of TOTO comprises the base compensation, bonus, and restricted stock compensation, and the Compensation Advisory Committee and the Board of Directors confirm the following:

- Payment is to be made in accordance with the contents and to the extent approved at the General Meeting of Shareholders.
- The decision process and allocation balance of Directors' compensation are reasonable and objective.
- Directors' compensation is in line with the Articles of Incorporation, resolutions at the General Meetings of Shareholders, and the Basic Policy for Directors' Compensation.

The Basic Policy for Directors' Compensation is as follows:

<Basic Policy for Directors' Compensation>

1. The compensation system shall motivate Directors to manage the Company in such a way as to share common interests with the shareholders, answer their expectations from a medium- to long-term perspective, realize the corporate philosophy of the TOTO Group, and continuously increase corporate value.
2. The compensation system shall be appealing and attract excellent and diverse human resources to lead the TOTO Group in the future.
3. The Compensation Advisory Committee and the Board of Directors shall confirm that its decision process and allocation balance of Directors' compensation are reasonable.

Based on this Basic Policy for Directors' Compensation and the report of the Compensation Advisory Committee, the 145th Ordinary General Meeting of Shareholders held on June 29, 2011, the 152nd Ordinary General Meeting of Shareholders held on June 26, 2018, and the 155th Ordinary General Meeting of Shareholders held on June 25, 2021, approved the upper limit of compensation for Directors as follows:

<Resolutions at General Meetings of Shareholders on Compensation for Directors>

Base compensation (Fixed compensation)	Bonus (Performance-based compensation)	Restricted stock compensation
Up to 500 million yen per annum* ¹ (including an amount of up to 50 million yen in total for Outside Directors* ²)	Up to 0.8% of the previous fiscal year's consolidated operating income* ¹	Up to 300 million yen per annum and up to 100,000 stocks* ³

*1 Resolutions at the 145th Ordinary General Meeting of Shareholders on June 29, 2011 (Number of Directors participating in the resolutions: 14)

*2 Resolutions at the 152nd Ordinary General Meeting of Shareholders on June 26, 2018 (Number of Directors participating in the resolutions: 13)

*3 Resolutions at the 155th Ordinary General Meeting of Shareholders on June 25, 2021 (Number of Directors participating in the resolutions: 12)

<Compensation Determination Processes>

TOTO resolved a policy determining compensation for Directors at the board meeting held on February 26, 2021. As for the resolutions, we consulted the Compensation Advisory Committee on the contents and received a report in advance.

We have confirmed that compensation for Directors and the determination processes are in accordance with the Basic Policy for Directors' Compensation, after reviewing the compensation for individual Directors this fiscal year from diversified perspectives at the Compensation Advisory Committee. The Board of Directors respects the report from the Compensation Advisory Committee and believes that the compensation is in line with the basic policy.

The Board of Directors has delegated its authority to determine the following for Directors' compensation to the President and Representative Director Noriaki Kiyota.

- Monthly basic compensation for each position
- Bonus (in aggregated amount) allocation reference points for each position
- Whether or not to make individual bonus reduction assessments and the details if made
- Allocation criteria for each position for stock compensation

The reason for the delegation is that we decided that the chief executive officer, the representative director, is suitable to appropriately evaluate the performances of Directors, who direct and supervise the operations of their departments, in a comprehensive manner while considering corporate-wide performance. As for the execution of delegated authority, determination by the President and Representative Director Noriaki Kiyota on Directors' compensation must be discussed with the Compensation Advisory Committee, which then must ensure and report that the decision process and allocation balance are reasonable and objective and are in line with the Articles of Incorporation, resolutions at the General Meetings of Shareholders, and the Basic Policy for Directors' Compensation.

<Conditions for Payment of Compensation>

(Basic compensation)

Basic compensation for Directors is fixed compensation and paid to Directors after monthly compensation is set based on their titles and duties.

(Bonuses)

The purpose of bonuses for Directors (excluding Outside Directors and hereinafter called "Eligible Directors") is to increase their motivation and morale towards performance improvement and share value with stakeholders and employees. The total amount of bonuses is calculated, divided into the Bonus Based on Single-Year Performance, and the Bonus Based on Multi-Year Performance, and based on consolidated operating income.

The reason consolidated operating income is selected as a performance indicator is that income is directly related to businesses, and we determined that incentives would be appropriately distributed based on performance improvement.

Bonuses are paid to Eligible Directors after prorating the calculated total amount according to the defined bonus (in aggregated amount) allocation reference points and completing individual bonus reduction assessments. Payments shall be made once a year, and the details are as follows.

- Bonus Based on Single-Year Performance: The amount of payment shall be up to 0.6% of the consolidated operating income for the previous fiscal year.
- Bonus Based on Multi-Year Performance: The maximum amount of bonuses up to 0.15% of the immediately preceding fiscal year's consolidated operating income shall be paid if the following two criteria are achieved.
 - ① The average consolidated operating income over the past three consecutive fiscal years with the immediately preceding fiscal year as the final year shall exceed the average consolidated operating income over the past three consecutive fiscal years with the fiscal year immediately before the immediately preceding fiscal year as the final year.
 - ② ROE for the immediately preceding fiscal year shall be 5.0% or higher.

In the event that net profit for the previous fiscal year in the consolidated business attributable to the parent company's shareholders is a deficit, no annual bonus shall be paid.

(Restricted stock compensation)

The purpose of restricted stock compensation granted to Eligible Directors is to encourage them to consistently improve corporate value and further share value with shareholders and employees, and this compensation is designed to motivate Eligible Directors to achieve management targets from not only a single-year but also a medium- to long-term viewpoint.

The Eligible Directors shall pay in all the monetary compensation claim as property contributed in kind based on resolutions of the Board of Directors and receive the issuance or disposal of the common stock of the Company.

TOTO has allocation criteria for each position in place. The amount to be paid per share shall be determined by the Board of Directors based on the closing price of the shares of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors (or, if there is no closing price on such business day, the closing price on the trading day immediately prior thereto), and within the scope that will not be particularly favorable to Eligible Directors who subscribe to the common stock of the Company.

In the case of the resulting issuance or disposal of the common stock of the Company, a contract regarding the grant of the restricted stock has been concluded between the Company and the respective Eligible Directors.

In the event the Company conducted a stock split (including gratis allocation of the Company's common stock) or a reverse stock split, or any reasons for adjusting the total number of the common stock of the Company to be issued or disposed of as restricted stock, the total number shall be adjusted to the extent reasonable.

• Overview of the Contract regarding the Grant of Restricted Stock

① Transfer Restriction Period	For 30 years from the allotment date
② Type of stocks to be issued or disposed of	Common stock
③ Grantees	Eligible Directors
④ Allotment method for stocks to be issued or disposed of	By the method to allot restricted stocks
⑤ Conditions for cancellation of the transfer restrictions	<p>Under the condition that an Eligible Director has been a Director and Audit & Supervisory Board member during the transfer restriction period, the transfer restriction shall be lifted at the following points in time.</p> <ul style="list-style-type: none"> • When the transfer restriction period expires • Immediately after the Eligible Director retires as a Director and Audit & Supervisory Board member (Only in the case of completion of the term of office or death, or if there is another justifiable reason)
⑥ Free acquisition by the Company	<p>Any restricted stocks falling under any of the following shall be rightfully acquired free of charge by the Company.</p> <ul style="list-style-type: none"> • Stocks whose transfer restrictions are not lifted at the time of expiration of the transfer restriction period or cancellation of the transfer restrictions as specified in the above item ⑤ • All or part of the restricted stock allotted to a director in the case that the person has engaged in misconduct, such as a violation of laws and internal regulations, or the person has been deemed so by the Board of Directors

<Determination Policy for Compensation Proportion>

Among the compensation for Eligible Directors, because of the nature of the bonus being distributed based on the consolidated operating income as a performance indicator, the proportion of compensation largely varies depending on the figure. Therefore, the proportion is calculated based on the consolidated operating income that is first disclosed in the earnings briefing and included in the consolidated earnings forecast (full year) in the fiscal year.

From the above, the determination policy for the proportion of compensation for Eligible Directors in fiscal 2021 is as follows.

Base compensation (Fixed compensation)	Bonus (Performance-based compensation)	Restricted stock compensation
40%	40% *1, *2	20%

*1 Consolidated operating income: 44 billion yen (figure disclosed in the earnings briefing on April 28, 2021)

*2 Bonus Based on Multi-Year Performance is estimated to be granted.

As for Outside Directors, who are independent in position from the execution of business, only base compensation shall be paid.

2. Policy for determining compensation for individual Audit & Supervisory Board members

As for Compensation for Audit & Supervisory Board members, only base compensation shall be paid. The 145th Ordinary General Meeting of Shareholders held on June 29, 2011, approved that the limit of compensation for Audit & Supervisory Board members shall not exceed 150 million yen per annum. The base compensation for individual Audit & Supervisory Board members is determined depending on assigned duties and responsibilities upon consultation with Audit & Supervisory Board members.

<Resolutions of General Meetings of Shareholders on Compensation for Audit & Supervisory Board Members>

Base compensation (Fixed compensation)	Bonus (Performance-based compensation)	Restricted stock compensation
Up to 150 million yen per annum*	—	—

* Resolutions at the 145th Ordinary General Meeting of Shareholders on June 29, 2011 (Number of Audit & Supervisory Board members participating in the resolutions: 4)

Totals and breakdown of compensation for Directors and Audit & Supervisory Board members

	Number of personnel	Base compensation (million yen)	Bonus (million yen)	Restricted stock compensation (million yen)	Total (million yen)
Directors	16	387	247	107	742
(Outside Directors among Directors)	(4)	(36)	—	—	(36)
Audit & Supervisory Board members	5	95	—	—	95
(Outside members of the Audit & Supervisory Board among the Audit & Supervisory Board members)	(2)	(24)	—	—	(24)
Total	21	483	247	107	838

Amounts of compensation by compensation type for Directors whose total amount of compensation is 100 million yen or more.

Directors whose total amount of compensation is 100 million yen or more in this term.

	Base compensation (million yen)	Bonus (million yen)	Restricted stock compensation (million yen)	Total (million yen)
Representative Director Madoka Kitamura	63	50	17	131
Representative Director Noriaki Kiyota	63	50	16	129

Messages from Outside Directors

Fiscal 2020 was a tough year for the entire global economy, as it felt the impact of the COVID-19 pandemic. Yet despite the uncertainty, TOTO was able to thoroughly address what needed to be done in order to keep the impact relatively low.

The three crucial factors for corporate management going forward are digitalization, diversity, and the environment. Digitalization at TOTO involves upgrading the core system that supports sales, logistics, and manufacturing, and upgrading the products we provide from a tangible goods to intangible goods approach, rather than just housing equipment. TOTO is making steady progress with both measures. Furthermore, regarding diversity, it's necessary for TOTO to realize the development of human resources who will be at the heart of the business in each region, not just Japanese managers, in order to become a truly global company. Under WILL2030, we set extremely high figures for the ratio of overseas sales. The development of global human resources is an important factor in achieving these figures. Regarding the environment, as a company that creates bathroom and kitchen plumbing products, there is a large amount of overlap with our core business and our business activities themselves are deeply connected to our contributions to the SDGs and other initiatives. TOTO is taking these issues seriously, and I believe that we have a strong determination to contribute to the global issues we are facing, such as working toward the realization of a carbon-neutral society by 2050. WILL2030 is a management policy that incorporates these factors, which are of great importance to me, and is a great fit for the current era.

If we look at the business environment surrounding TOTO from a medium- to long-term perspective, toilets are a natural part of Japanese life. However, from a global perspective, there are many regions where the popularization of toilets is still slow and the market for TOTO's high-quality products is sure to expand when it extends beyond the boundary of Japan. There are very few companies that manufacture products that are clean, comfortable, and eco-friendly, as well as having a high level of technology, and I believe the market that TOTO participates in has huge potential.

TOTO's corporate governance system has steadily evolved in terms of design and implementation, and is a mature management system with a strong sense of stability. Meanwhile, it's occasionally necessary to include dynamic initiatives. For example, advancement of female employees and strengthening of global diversity are issues that we should address a little more quickly. In many cases, decisions regarding the purchase of TOTO's products falls to women and it is important to incorporate a female perspective into management. Going forward, we must co-exist with the instability of the with-COVID-19 and post-COVID-19 society, and this will bring new lifestyle value that is necessary to live such a life. I hope that TOTO can become a company with high social value that creates new lifestyle value, not just a company that creates sanitary ware.

Masatsugu Shimono

Outside Director

Fiscal 2020 was a tough year due to the impact of the COVID-19 outbreak. However, I was impressed by how well TOTO managed its production and supply operations despite these circumstances. It's great to see that divisions and local branches worked together organically to minimize the impact of the global pandemic.

While we weren't able to achieve the performance targets planned under TOTO WILL2022, the balance between expanding our overseas operations and pursuing new ideas in Japan is working extremely well, and the business processes are steadily evolving. Despite changes in the social landscape, TOTO adheres to solid management based on our Corporate Philosophy and is making steady step-by-step progress.

The concept of formulating the long-term aims of TOTO WILL2030 and then backcasting from there is the easiest, most straightforward approach. I believe that TOTO's unique management stance is clearly demonstrated and that we will make steady progress. "Sustainable" is a keyword that is naturally important for TOTO due to social trends, but it is not an original concept, rather an extension of what TOTO has been doing for decades. TOTO WILL2030 also incorporates the key term "sustainable products," and the added value of plumbing products is being promoted in the form of DX, which I feel will further expand possibilities. The future TOTO is working toward will see the creation of numerous product lines that have new lifestyle value. Meanwhile, other companies may follow suit but TOTO must remain at the forefront.

TOTO's Board of Directors works extremely well and I don't think there are any major issues with defensive governance. However, what we are aiming for now is growth overseas. I have the impression that we are a little behind on our

preparations for how we will build up our operations overseas in the future, and we need to proceed with more speed. My role as an outside director is to propose offensive governance. I feel that the current TOTO is lacking slightly in the area of trying new ideas without fear of failure. I disagree with the idea of moving away from our core area of plumbing products, but it's good to foster a culture where employees can protect our core business while taking on new challenges. We don't have to do anything that doesn't fit TOTO's culture, but I do expect offensive governance, with a strong culture and a willingness to take risks. Going forward, I hope to actively consult with management over how we should create additional sound growth.

Junji Tsuda
Outside Director

Looking back on fiscal 2020, TOTO performed extremely well despite the tough circumstances of the COVID-19 pandemic, and achieved an increase in profits. Furthermore, looking at TOTO during this year, I felt that the structure of business operations was extremely sound and we made improvements as appropriate. At the same time, I was surprised at how quickly Companywide policies are disseminated and implemented across each site. All of our employees are truly working hard.

TOTO WILL2030, which we have recently developed, shows a clear connection to our Company Philosophy. Additionally, the points that state that TOTO will move toward realizing a carbon-neutral society in 2050 under TOTO WILL2030 are also good. WILL2030 STAGE1, which demonstrates the value we aim to realize by 2030, takes the form of calculating backward to resolve current issues and is straightforward. Since TOTO's materiality and KPIs also connect to our Corporate Philosophy, and the concepts of Cleanliness and Comfort, Environment, and Relationships have always been important to TOTO, TOTO WILL 2030 is a uniquely TOTO way of organization and I anticipate its progress.

Looking at TOTO's businesses from a long-term perspective, I believe that demand will continue to grow, especially overseas. Furthermore, our reputation for technology and design is increasing. While Mainland China is entering a period of maturation, demand in the Americas is just beginning to grow. Our products are already popular in Europe and Asia, and should eventually be accepted in South America and Africa. Amid this, TOTO's strength lies in the fact that we will not just pursue growth through M&A or other rapid expansion. We will instead move forward with management through a sound approach to keep gaining TOTO fans around the world. We look forward to further enhancing this strength and developing as a company.

TOTO is also a company with a good financial structure and profit structure. In addition, I feel that the Company has a sound structure, including its governance.

Form and operation are particularly important for governance. Form refers to the creation of a firm structure through institutions and meetings. Operation refers to effective operation while improving structure.

Looking at TOTO's governance, we can see that in terms of form, the Company has a well-developed system of institutional design, meetings, and projects, and that these are well operated. Additionally, we are continuously improving the form and operation methods in response to changes in the business environment.

However, in order to further reinforce governance, I will continue to make recommendations on some areas that could be improved, including revitalization of the Board of Directors, creation of a system for selecting and developing successors of representative directors, and methods for making investment decisions.

The role of an outside director is to give direction and advice for the benefit of all our stakeholders, not just shareholders. Sometimes it is necessary to make harsh statements, which are also connected to TOTO's goal of integrating management and CSR. At the meeting of the Board of Directors, opinions from outside TOTO are actively accepted, and we are moving forward with specific improvements. Going forward, I will continue to fulfill this role.

Shigenori Yamauchi
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 Digital Innovation,
Global Business Promotion,
Management Planning, Internal
Audit Office, 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, Legal Affairs and
in charge of WILL2030 Marketing
Innovation



Director,
Senior Managing Executive
Officer

Ryosuke Hayashi

Date of birth: September 4, 1963

In charge of Restroom Business
Group, Green Building Materials,
Advanced Ceramics, and in charge
of WILL2030 New business domains



Director,
Managing Executive Officer

Tomoyuki Taguchi

Date of birth: September 24, 1965

In charge of Human Resource, Finance
and Accounting, Information System
Planning, General Affairs, (Chigasaki/
Shiga & Shiga No. 2/Kokura No. 1) Plants,
Tokyo General Affairs, and in charge of
WILL2030 Management Resource
Innovation



Director,
Managing Executive Officer

Shinya Tamura

Date of birth: March 13, 1967

In charge of China & Asia Housing Equipment
Business, Americas & Europe Housing
Equipment Business, and in charge of
WILL2030 China & Asia Housing Equipment
Business, and in charge of WILL2030
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 WILL2030
Japan Housing Equipment Business



Director,
Managing Executive Officer

Takayuki Shimizu

Date of birth: June 5, 1962

In charge of Bathroom, Kitchen & Lavatory
Vanity, Supply Chain Promotion, and in
charge of WILL2030 Demand Chain
Innovation



Director,
Managing Executive Officer

Yojiro Taketomi

Date of birth: September 8, 1965

In charge of Faucets & Appliances,
Production Technology Business Group,
Engineering Works, and General
Manager of Faucets & Appliances
Division, and President, Representative
Director of TOTO AQUATECHNO LTD.

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.

The Company expects that he will provide valuable opinions at Meetings of the Board of Directors based on his experience and knowledge of general management and corporate governance as well as of the management of a global company and of IT, 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 selected and appointed him as an Outside Director.



Outside Director

Junji Tsuda

Date of birth: March 15, 1951

Mr. Junji Tsuda has been involved in the management of YASKAWA 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.

The Company expects that he will provide valuable opinions at Meetings of the Board of Directors based on his experience and knowledge of general management and corporate governance as well as of the management of a global company and of human resource strategies, 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 selected and appointed him as an Outside Director.



Outside Director

Shigenori Yamauchi

Date of birth: February 24, 1949

Mr. Shigenori Yamauchi has been involved in the management of UACJ Corporation for many years. He provides valuable opinions at Meetings of the Board of Directors based on the expertise he has developed in his career as a professional corporate manager.

The Company expects that he will provide valuable opinions at Meetings of the Board of Directors based on his experience and knowledge of general management, corporate governance, and management of a global company, and as a professional of 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 selected and appointed him as an 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

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 an Outside Member of the Audit & Supervisory Board.



Audit & Supervisory Board Member, Outside

Yasushi Marumori

Date of birth: September 19, 1957

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 an Outside Member of the Audit & Supervisory Board.

Corporate Information

Corporate Profile (As of March 31, 2021)

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 Administrator	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Number of Employees	Consolidated: 33,800 Non-consolidated: 8,158		

Group Companies and Main Affiliates (As of April 1, 2021)

Domestic Group Companies

TOTO SANITECHNO LTD.
 TOTO WASHLET TECHNO LTD.
 TOTO Bath Create LTD.
 TOTO High Living LTD.
 TOTO AQUATECHNO LTD.
 SUNAQUA TOTO LTD.
 TOTO PLATECHNO LTD.
 TOTO Maintenance LTD.
 TOTO AQUAENG LTD.
 TOTO MTEC LTD.
 TOTO Kansai Sales LTD.
 TOTO Hokkaido Sales LTD.
 TOTO Tohoku Sales LTD.
 TOTO Chubu Sales LTD.
 TOTO Chugoku Sales LTD.
 TOTO Shikoku Sales LTD.
 TOTO Kyushu Sales LTD.
 CERA TRADING LTD.
 TOTO Remodel Service LTD.
 TOTO Finance LTD.
 TOTO INFOM LTD.
 TOTO BUSINETZ LTD.
 TOTO LOGICOM LTD.
 TOTO Fine Ceramics LTD.
 TOTO MATERIA LTD.
 TOTO OKITSUMO Coatings LTD.

Overseas Group Companies

Americas

TOTO AMERICAS HOLDINGS, INC.
 TOTO U.S.A., Inc.
 TOTO MEXICO, S.A. DE C.V.











Europe

TOTO Europe GmbH
 TOTO Germany GmbH

Asia

TOTO (CHINA) CO., LTD.
 TOTO (BEIJING) Co., Ltd.
 NANJING TOTO CO., LTD.
 TOTO DALIAN CO., LTD.
 TOTO (SHANGHAI) CO., LTD.
 TOTO EASTCHINA CO., LTD.
 TOTO (FUJIAN) CO., LTD.
 TOTO (GUANGZHOU) CO., LTD.
 TOTO (H.K.) LTD.
 VORETO (XIAMEN) PLUMBING TECHNOLOGY CO., LTD.
 (Affiliate Company)
 TAIWAN TOTO CO., LTD.
 TOTO Asia Oceania Pte. Ltd.
 TOTO VIETNAM CO., LTD.
 TOTO (THAILAND) CO., LTD.
 TOTO INDIA INDUSTRIES PVT. LTD.
 TOTO MALAYSIA SDN. BHD.
 TOTO KOREA LTD.
 P.T.SURYA TOTO INDONESIA Tbk. (Affiliate Company)

Notable Awards

Category	Award Description			
Design	Received iF Product Design Award 2020 for the WASHLET RW/SW* and SP Wall-Hung Toilet + WASHLET SX			
		WASHLET RW/SW	SP Wall-Hung Toilet + WASHLET SX	
Design	Received Red Dot Design Award 2020 for the SMART TOILET NEOREST DH, WASHLET Instant-Type (for the overseas market), Wash basin TA (vessel type), Lavatory faucet (single lever) GB series, GF series, and FLOTATION TUB (Free standing bathtub)			
		Lavatory faucet (single lever) GB Series	Wash basin TA (vessel type)	
Design	Received Red Dot Design Award 2021 for the TOUCHLESS FAUCET TLE24 series,* TOUCHLESS FAUCET TLE23 series,* TOUCHLESS FAUCET TLE25 series, TOUCHLESS FAUCET TLE26 series, TOUCHLESS FAUCET GM series,* and SMART TOILET WASHLET G5*			 
		TOUCHLESS FAUCET TLE24 series	SMART TOILET WASHLET G5	
Design	Received iF Product Design Award 2021 for the TOUCHLESS FAUCET TLE27 series, TOUCHLESS FAUCET TLE29 series,* SMART TOILET WASHLET G5, Wall-Hung Urinal with Built-in Sensor, FLOTATION TUB and Lavatory CE Series (Round),* and FLOTATION TUB and Lavatory CE Series (Square)*			
		TOUCHLESS FAUCET TLE27 series	* For the overseas market Tall urinal Wall-Hung Urinal with Built-in Sensor	
Environment	Received GREEN GOOD DESIGN AWARDS 2020 for the wall-hung auto-flush urinal			
		Wall-hung auto-flush urinal	Microwave sensor wall-hung urinal set (with target market)	
Environment	Received GREEN GOOD DESIGN AWARDS 2021 for TOUCHLESS FAUCET			
		TOUCHLESS FAUCET for the overseas market	TOUCHLESS FAUCET TLE23 series for the Japanese market	
Product	Received recognition as FY2020 architectural facility technology heritage for the SMART TOILET NEOREST EX (TOTO Museum) from the Japanese Association of Building Mechanical and Electrical Engineers			SMART TOILET NEOREST EX
Product	Received JAPAN NAMING AWARD 2020 Excellence Award for the WASHLET®			
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 2021 Financial and Non-Financial Data on its website.



Financial and Non-Financial Data

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





TOTO

Life Anew

TOTO LTD.

1-1, Nakashima 2-chome, Kokurakita-ku, Kitakyushu,
Fukuoka, 802-8601, Japan

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