

TOTO CORPORATE REPORT 2012

TOTO

MESSAGE from the PRESIDENT

We aim to be a truly global company by steadily implementing the Mid-Term Management Plan toward the realization of “TOTO V-Plan 2017.”

Fiscal 2011 began under harsh conditions as disaster recovery and reconstruction proceeded amid disruptions to supply chains and uncertainties regarding supplies of electricity following the Great East Japan Earthquake on March 11, 2011.

Several of the TOTO Group’s bases were also damaged by the Great East Japan Earthquake, leading to delays in production and shipments of products that inconvenienced and caused concern among our customers. Although business activities steadily returned to normal from April onward, fiscal 2011 was a year in which the business outlook was uncertain due to factors such as the implementation of power conservation measures in Japan, a slowdown of overseas economies and the ongoing sharp appreciation of the yen.

Under these challenging circumstances, our business results for fiscal 2011 surpassed our targets thanks to the support of our stakeholders.

Additionally, we steadily implemented the “TOTO V-Plan 2017” long-term management plan and “TOTO GREEN CHALLENGE” in the run-up to TOTO’s centenary in 2017.

The TOTO Group’s vision is to become a “truly global company” by this time. This aim extends beyond high sales levels and percentage of overseas business to being recognized by local people in the countries and regions where we do business as a true company of their country that contributes to better lifestyles by providing plumbing products suitable for particular local customs and culture. To achieve this goal, we believe it is critical to address global environmental issues. The TOTO Group’s business activities themselves are connected to contributing to the environment. Through customers’ use of the TOTO Group’s environmentally conscious products, we aim to reduce CO_2 emissions.

From fiscal 2011, we promote all TOTO Group corporate activities from an Environment, Social and Governance (ESG) perspective on a global level and are aiming to realize strategic integration of business and CSR activities. Specifically, all of our corporate activities will be based upon proper governance in respect of an international code of conduct that includes compliance with the laws of each country and region and human rights. At the same time, we will seek to contribute to society by taking into account the culture and customs of each country and region as well as the interests of stakeholders. Business results are linked to contributing to the environment, and accordingly, TOTO will ensure that this cycle is running smoothly in tandem with advancing our corporate activities.

In fiscal 2011, TOTO supported The Ten Principles of the UN Global Compact and became a participant in the Compact in November 2011. Concurrently, in accordance with The Ten Principles, we revised part of the Charter of TOTO Group Corporate Behavior in striving for an even more thoroughgoing corporate code of conduct.

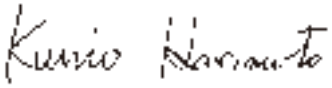
In this manner, we have implemented the “TOTO V-Plan 2017” long-term management plan over the two-year period from fiscal 2010 and have established a solid foundation in each business. Therefore, we once again formulated a new Mid-Term Management Plan spanning the three-year period from fiscal 2012 through fiscal 2014 and we will steadily implement this plan in working toward the attainment of our targets.

At the root of our corporate activities is a strong conviction to improve people’s lives and provide a healthy and civilized way of life, concepts espoused by our founder. These beliefs have been passed down over the years as the company mottos and corporate philosophy. Achieving the goals of “TOTO V-Plan 2017” and “TOTO GREEN CHALLENGE” is synonymous with realizing our company mottos and corporate philosophy. As president, I will take the lead in seeking to keep these ideals at the forefront of the TOTO Group.

We aim to be at the vanguard of the movement to create a truly sustainable society as a company that coexists with the earth. As a company that creates and provides lifestyle value, we propose ideas for everyday living that add value to people’s lives and exceed expectations for the future.

Challenging ideas for a new “every day.” Everyone in the TOTO Group will work in unison to achieve the goals we have set forth.

Kunio Harimoto, President
TOTO LTD.




TOTO

Overview of TOTO Group Communication Tools



TOTO CORPORATE REPORT 2012

(Japanese/English)

This comprehensive booklet conveys the overall image of the TOTO Group from CSR perspective extending from the corporate philosophy to individual activities.

Conveys key messages



Guide to TOTO

(Japanese/English/Chinese/Korean)

This booklet summarizes the TOTO approach to different aspects of business, making it handy for the general public as well. It is distributed at TOTO showrooms, factory tours and events.

Captures the basic essence

Details specific data



TOTO CORPORATE REPORT 2012 Financial & ESG Section

(Japanese/English)

This annual data book includes financial data, as well as environmental and CSR data from the latest fiscal year, and is issued as a supplement to the *TOTO CORPORATE REPORT*.

Everything up-to-the-minute on TOTO



TOTO Group Website

http://www.toto.co.jp/company/profile_en/

This section of the TOTO website covers detailed information on a wide variety of topics in addition to the contents introduced in the printed version.

Content posted on the TOTO website

About TOTO

In addition to corporate data and information on Group bases, this section introduces TOTO's basic corporate stance.

CSR Activities

This section introduces our basic stance regarding CSR and efforts undertaken for all stakeholders.

Investor Relations

In addition to the latest disclosure of investor relations (IR) information, this section conveys our mid- to long-term management plan, shareholder return policy, IR policies and various stock information.

Our Environmental Initiatives

This section displays detailed environmental data from our business activities as well as environmental contribution through our products and services.

TOTO CORPORATE REPORT 2012
Contents

MESSAGE from the PRESIDENT — 1

Overview of TOTO Group Communication Tools/Editorial Policy — 3

THE TOTO WAY — 5

History/Philosophy — 7

TOTO V-Plan 2017 — 9

TOTO at a GLANCE — 11

TOTO Now — 13

Contributing to the Environment through Water Conservation TOTO GREEN CHALLENGE — 13

New Developments in Green Remodeling Propose More Comfortable Relationships between People and the Earth — 15

Aiming to Be a Truly Global Company by Proposing New Lifestyles to Customers the World Over — 17

TOTO in ACTION Group Activity Report — 19

Drawing on Lessons from the Great East Japan Earthquake to Strengthen Disaster Preparedness and Business Continuity Capabilities — 20

Bonds with Customers — 20

TOTO's Concept of Manufacturing — 21

Realizing TOTO Quality — 23

Commitment to the Environment — 25

TOTO Human Resources Development — 27

Highly Objective and Transparent Management — 29

Stakeholder Engagement — 31

Coexistence with the Local Community — 33

Third-Party Comment on this Report/Questionnaire Results — 34

Supplemental publication
TOTO CORPORATE REPORT 2012 Financial & ESG Section
(scheduled to be issued in July 2012)

Contents

Financial Data
Trends in Key Financial Indicators
Financial Results & Analysis
Financial Statements & Notes
Environmental Data
Social Data
Governance Data
GRI Guidelines Reference
Corporate Data

Editorial Policy

The TOTO Group first released our *Social and Environmental Report* in fiscal 2004 and *CSR Report* the following year. From fiscal 2009, we started issuing the *TOTO CORPORATE REPORT* as a comprehensive communications tool for all stakeholders.

Amid increasing importance of corporate social responsibility (CSR), the *TOTO CORPORATE REPORT* transcends the framework of the annual *CSR Report* to convey a broader view of the Company's business and desired stance based on the idea that CSR is an integral part of all corporate activities.

TOTO aims to ensure communication that meets the needs of a diverse array of stakeholders and that is easily accessible by way of four tools that include this report as well as *TOTO CORPORATE REPORT 2012 Financial & ESG Section*, a booklet outlining annual financial and ESG information; *Guide to TOTO* providing a convenient summary; and the TOTO Group corporate website, which offers more detailed information.

Through these communication tools, TOTO hopes to increase interest in its corporate stance that links the present with its earliest days and its initiatives to further raise corporate value for the future

Period of reporting: Fiscal 2011 (April 1, 2011 to March 31, 2012).
This report includes some information pertaining to before or after this period.
Scope of reporting: TOTO LTD. and Group companies
Guidelines: *GRI Sustainability Reporting Guidelines* (Version 3) and *Environmental Reporting Guidelines* (2007 edition) issued by the Ministry of the Environment.

THE TOTO WAY

Passing on Our Founding Spirit and Continuing to Promote Innovation

The history of TOTO production stretches back almost 100 years. In 1912, when the concept of public sewage systems was not yet widespread in Japan, Kazuchika Okura, then president of Nippon Toki Gomei Kaisha (currently Noritake Co., Ltd.), upon exposure to advanced lifestyles overseas, established a ceramic sanitary ware laboratory based on a desire to provide sanitary living spaces. Two years later in 1914, the laboratory successfully produced ceramic sanitary ware, a first for Japan.
In 1917, Toyo Toki K.K. (currently TOTO LTD.) was founded to permeate the market with these products.

Since then, we have sought to contribute to the development of society based on a spirit of service that inspires the provision of high-quality products and ensures customer satisfaction. This determination is expressed in TOTO's company mottos formulated in 1962.

TOTO constantly aspires to produce the best products, with this unflagging commitment to quality receiving critical acclaim and ensuring a high level of trust from people worldwide. TOTO's unyielding approach to develop products that meet society's needs and technology that can provide new value has given rise to various eco-friendly technologies in recent years, such as a water-saving toilet and Hydrotect air purification technology used in tiles and coating products.

TOTO Group personnel have a strong determination, akin to our founder Kazuchika Okura, to improve people's lives and believe that spreading the use of sanitary-related products will promote social development. These ideas continue to be the bedrock for corporate growth today.

TOTO's History

Here we introduce some of the highlights in TOTO's manufacturing history of providing society with new value.



1912
Ceramic sanitary ware laboratory established and R&D of ceramic sanitary ware production began.



1914
Successfully produced Japan's first ceramic seated flush toilet.



1917
Established Toyo Toki Company, Limited in Kokura, Kitakyushu. Commenced production of ceramic sanitary ware.

Sanitary ware undergoes firing for an entire day in a kiln with rigorously managed temperature control.



1946
In-house production of fittings for water faucets commenced.



1963
Developed construction method for world's first prefabricated bathroom module, marking a new step as a comprehensive manufacturer of plumbing products.



1980
TOTO launched sales of the Washlet, a hit product that dramatically transformed Japanese lifestyles.



2012
TOTO launched Neorest toilets boasting 3.8L per flush in Japan.

History

1912
- Establishes ceramic sanitary ware laboratory inside Nippon Toki Gomei Kaisha and begins R&D into production of ceramic sanitary ware

1914
- Successfully produces Japan's first ceramic seated flush toilet (at Nippon Toki Gomei Kaisha, the predecessor to Toyo Toki)

1917
- Establishes Toyo Toki Company, Limited in Kokura, Kitakyushu
- Commences production of ceramic sanitary ware

1946
- Commences production of faucets

1963
- Develops construction method for world's first prefabricated bathroom module

1968
- Launches bathroom vanity unit

1970
- Changes name to TOTO Kiki Ltd.

1977
- Establishes P.T. SURYA TOTO INDONESIA, a joint venture company, in Indonesia

1980
- Launches Washlet (toilet seats with a warm-water washing feature)

1981
- Launches modular kitchen

1985
- Opens "GALLERY•MA"
- Launches Shampoo Dresser bathroom vanity suited for washing hair

1989
- Opens "TOTO Super Space" as core showroom

1990
- Establishes TOTO KIKI U.S.A., INC. as sales base in the United States

1993
- Announces "Remodeling Declaration" and strengthens remodeling as business pillar
- Launches Neorest toilets featuring Washlet

1995
- Establishes TOTO (CHINA) CO., LTD.

1998
- Develops Hydrotect products that incorporate super hydrophilic photocatalyst technology (world's first successful practical application)

1999
- Develops CeFiONtect semi-permanent antifouling technology for ceramic sanitary ware

2001
- Launches Japan's first system bathroom equipped with Karari floor for thorough drainage

2002
- Concludes business tie-up with Daiken Corp. and YKK AP Inc. in remodeling field

2003
- Proposes new lifestyles exceeding customer expectations in new Remodeling Declaration

2004
- Launches Japan's first system bathroom equipped with Mahobinyokuso insulated thermal pot

2005
- Sets up TOTO Water Environment Fund
- Washlet shipments top 20 million

2006
- Establishes TOTO Universal Design Research Center (Chigasaki) for R&D into universal design

2007
- Launches Neorest Hybrid Series

2008
- Establishes TOTO Europe GmbH as first European headquarters in Germany
- Establishes TOTO ASIA OCEANIA PTE. LTD. as Asian headquarters in Singapore

2009
- Exhibits products at ISH (International Sanitary and Heating) Trade Show in Frankfurt, Germany
- Announces "TOTO V-Plan 2017"
- Launches Octave washbasin/vanity
- Shipments of Neorest series reach 1 million units
- Launches Neorest Hybrid Series boasting 4.8L per flush

2010
- Announces "TOTO GREEN CHALLENGE" environmental vision
- Launches Basic Plus shower head incorporating new Air in Shower technology
- Launches 4.8L tank toilet with Twin Tornado Cleansing technology
- Launches Crasso new modular kitchen

2011
- Establishes TOTO India Industries Private Limited in India and TOTO Do Brasil Distribuição e Comércio, Ltda. in Brazil
- Washlet shipments reach 30 million units
- Shipments of toilets boasting 4.8L per flush reach 2 million worldwide

2012
- Launches Neorest Hybrid Series and Washlet Apricot, which are equipped with a bowl cleaning function
- Develops floor drain type toilet for the Neorest Hybrid Series that boasts 3.8L per flush in Japan

Company Mottos



Created in 1962

Common Group Philosophy
Vision for Business Activities

TOTO Group Corporate Philosophy

The TOTO Group strives to create a great company, trusted by people all around the world, and contributing to the betterment of society. To achieve our philosophy,

TOTO will:

- Create an enriched and more comfortable lifestyle and culture built on our plumbing products.
- Pursue customer satisfaction by exceeding expectations with our products and services.
- Provide high-quality products and services through ongoing research and development.
- Protect the global environment by conserving finite natural resources and energy.
- Create an employee friendly work environment that respects the individuality of each employee.

Charter of TOTO Group Corporate Behavior

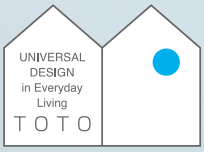
The TOTO Group wants to contribute to socio-economic development by creating added value and jobs through fair competition in each country and region, and be a helpful entity of broad, penetrating reach. To realize that, all people working for the TOTO Group strive to play an active role with a strong sense of duty to the concepts expressed in our corporate mottos and corporate philosophy and the fulfillment of our social responsibilities.

This Charter of TOTO Group Corporate Behavior stipulates the basic guidelines for behavior of all people working in the TOTO Group, and is intended to satisfy all stakeholders.

Revised on November 1, 2011

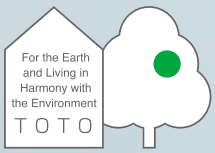
Vision　Toward a Dynamic, Vibrant and Excellent TOTO

Missions



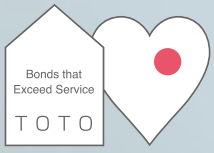
TOTO's products are used daily by a diverse array of people.
That's why we've been contemplating easy-to-use design for over 30 years, delivering products and creating spaces that are safe, comfortable and fun for all ages and regardless of physical mobility. The specialized Universal Design Research Center promotes human research and pursues new heights in user-friendliness every day. This is what TOTO refers to as universal design.

TOTO—Universal Design in Everyday Living



TOTO's products are used daily by a diverse array of people.
This inevitably has an impact on the environment, both positive and negative.
While ensuring a comfortable living environment, TOTO aims to protect the natural environment as well.
For that reason, development focuses on water-conserving and energy-saving products, as well as environmental technologies, such as photocatalyst technology, that support healthy, green living.
TOTO has set its own targets for reduction of environmental loads in all business activities from manufacturing to logistics and sales.

TOTO—For the Earth and Living in Harmony with the Environment



TOTO's products are used daily by a diverse array of people.
All of them are designed to be used for a long time.
That's why TOTO does more than just sell; we forge life-long bonds.
Apart from superior after-sales service, TOTO proposes new lifestyle value beyond expectations in accordance with each lifecycle. Making full use of showrooms and a remodeling network has enabled strong relationships with customers.Thus, it is these personal bonds that can make your future more comfortable.

TOTO—Bonds that Exceed Service

Mid- to Long-Term Management Plan——TOTO V-Plan 2017

Aiming to be a truly global company by 2017 * Details are featured on pages 9-10.

Mid- to Long-Term Management Plan—TOTO V-Plan 2017

Desired Stance of TOTO V-Plan 2017

Provide customers the world over with a new "every day" and continue to be indispensable to society.

Vital
Victory
V-shaped recovery



Promote TOTO GREEN CHALLENGE as an engine to achieve TOTO V-Plan 2017.

Initiatives under TOTO V-Plan 2017

As we move toward our centenary in 2017, the TOTO Group aims to be a "truly global company" that remains indispensable to customers around the world by providing a new "every day." To achieve this, we formulated TOTO V-Plan 2017, a long-term management plan in July 2009. Within this strategic framework, we will reinforce corporate governance, the basis of our corporate activities, and promote the three business pillars of the "domestic housing equipment business," "overseas housing equipment business" and "new business domains" as well as five company-wide innovation initiatives for all business areas, with the optimization of the entire company in mind. Our environmental vision, TOTO GREEN CHALLENGE, will be the driving force behind these initiatives undertaken throughout the TOTO Group. We aim to achieve net sales of ¥600.0 billion, operating income of ¥48.0 billion and ROA of 10% in fiscal 2017 (as of March 2018).

In the domestic housing equipment business, a change in spending habits of consumers from "mass-consumption" to "zero-waste" as indicated by dwindling housing starts has prompted us to accelerate our remodeling strategy, which is one of our strengths. This sector will also launch new products and implement cost structure reforms to augment the corporate structure.

The overseas housing equipment business will drive the growth of the TOTO Group by enhancing its existing value in emerging countries such as the booming China, Asia, India and Brazil markets.

In new business domains, we will globally expand ceramic products, which fully apply TOTO's "Only One" technologies, and Hydrotect, an air purification technology that uses a photocatalyst to clean the environment through the power of sunlight and water. Another aim is to swiftly commercialize our fuel cell business.

In terms of marketing innovation, we are promoting a strategy of selection and concentration within our research themes based on changes in the market environment and developing products that customers find attractive by leveraging our "Only One" technologies. Based on core technologies developed in Japan, we are developing and producing products suited to regional characteristics and executing a global product strategy.

In supply chain innovation, we are aiming to speed up the entire flow, from the procurement of raw materials through production and logistics to delivering products to customers, as well as enhance cost competitiveness. In fiscal 2011, we implemented the fundamental reform of work practices at our distribution centers and shortened lead times by half from the factory to customer delivery, and introduced a new traceability system. Such innovative initiatives contributed to improving profits by ¥2.2 billion in fiscal 2011.

As for manufacturing innovation, we promoted a new manufacturing concept through an optimal company-wide perspective. In fiscal 2011, we designed platforms (standardization/unification) for different processes and integrated production, development and purchasing. TOTO Washlet Techno Ltd. has succeeded in reducing production lead times by approximately 30% at domestic production lines since introducing a parallel production system for multiple products on a single line in January 2012. As a result of these measures, we realized an improvement in profits of ¥1.5 billion in fiscal 2011.

In management resource innovation, we increased efficiency in indirect operations, allocated human resources to more-focused

TOTO V-Plan 2017 Task Promotion Framework

Environmental contribution—Realizing TOTO GREEN CHALLENGE

DOMESTIC
Domestic housing equipment business
Net sales: ¥400.0 billion
Operating income: ¥24.0 billion
ROA: 8%

GLOBAL
Overseas housing equipment business
Net sales: ¥150.0 billion
Operating income: ¥18.0 billion
ROA: 13%

NEW DOMAINS
New business domains
Net sales: ¥50.0 billion
Operating income: ¥6.0 billion
ROA: 15%

Marketing innovation
Supply chain innovation
Manufacturing innovation
Management resource innovation
Management information innovation

Strengthen corporate governance

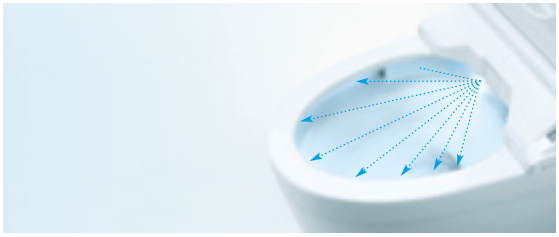
FY2017: Achieve net sales of ¥600.0 billion, operating income of ¥48.0 billion and ROA of 10%

business areas and shifted to a strong corporate structure that can achieve our growth strategy.

For management information innovation, we created an optimum business process for the entire company, reallocated IT resources in all business domains and recreated our management information foundations to enable appropriate response to various changes in the business environment.

For the past two years, we have been working on objectives under TOTO V-Plan 2017 and have managed to establish solid foundations. This has allowed us to formulate a new Mid-Term Management Plan that runs from fiscal 2012 to fiscal 2014. Under this plan, we will continue with reforms and strive to further accelerate implementation to put TOTO V-Plan 2017 on a stable growth track. To achieve this, we will invest aggressively and establish businesses in growth markets, as well as promote our environmental vision and TOTO GREEN CHALLENGE, so that our business activities contribute to the environment.

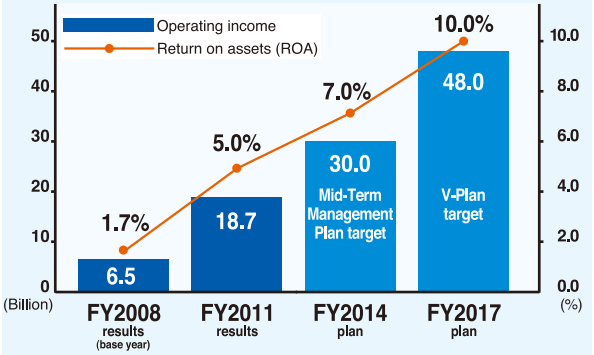
Washlet Apricot and Neorest Hybrid Series Launched in February 2012



"Clean, sterile water*" flushes onto the toilet bowl surface to keep it cleaner longer.

* · Testing agency: Kitasato Research Center for Environmental Science
· Testing method: Sterilization efficacy testing of electrolyzed water
· Sterilization method: Mix electrolyzed tap water and a bacterial solution and check sterilization efficacy
· Test results: Over 99%
· Although results show that the "clean, sterile water" reduces grime, that does not eliminate the need to actually clean the toilet as well. Results may differ depending on usage and environmental conditions (water quality, shape of toilet, etc.).

Target Figures for TOTO V-Plan 2017





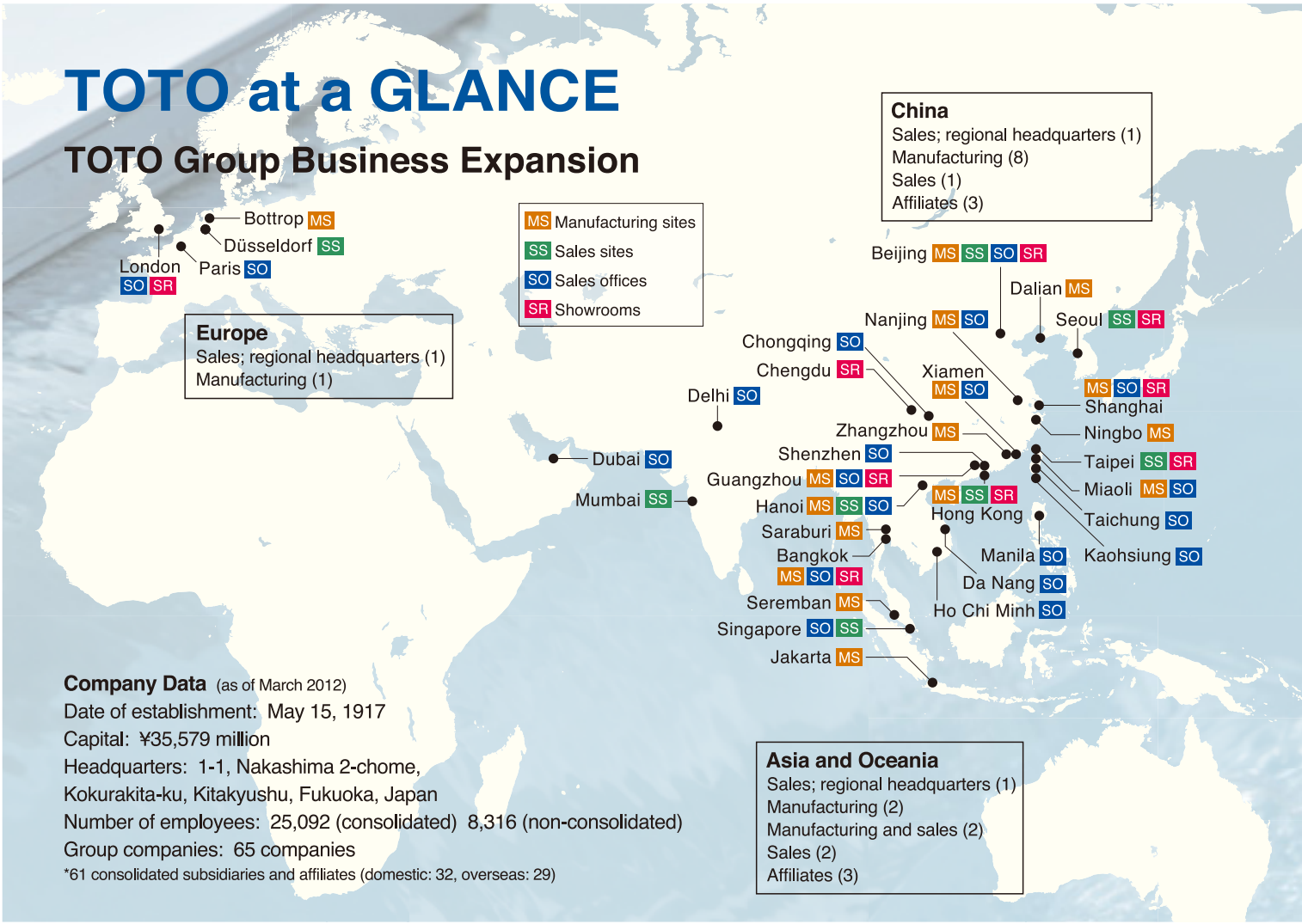
We promoted the shift to platforms and developed a new production line for the Washlet, thereby enabling the parallel production of multiple products on a single line.



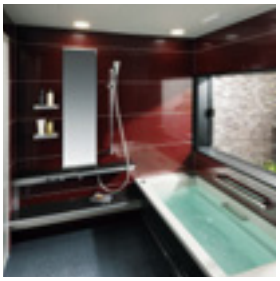
TOTO has introduced a production traceability system using a special barcode that is imprinted onto the sanitary ware in a kiln at a temperature of approximately 1,200°C.

TOTO at a GLANCE

TOTO Group Business Expansion



Company Data (as of March 2012)
Date of establishment: May 15, 1917
Capital: ¥35,579 million
Headquarters: 1-1, Nakashima 2-chome, Kokurakita-ku, Kitakyushu, Fukuoka, Japan
Number of employees: 25,092 (consolidated) 8,316 (non-consolidated)
Group companies: 65 companies
*61 consolidated subsidiaries and affiliates (domestic: 32, overseas: 29)



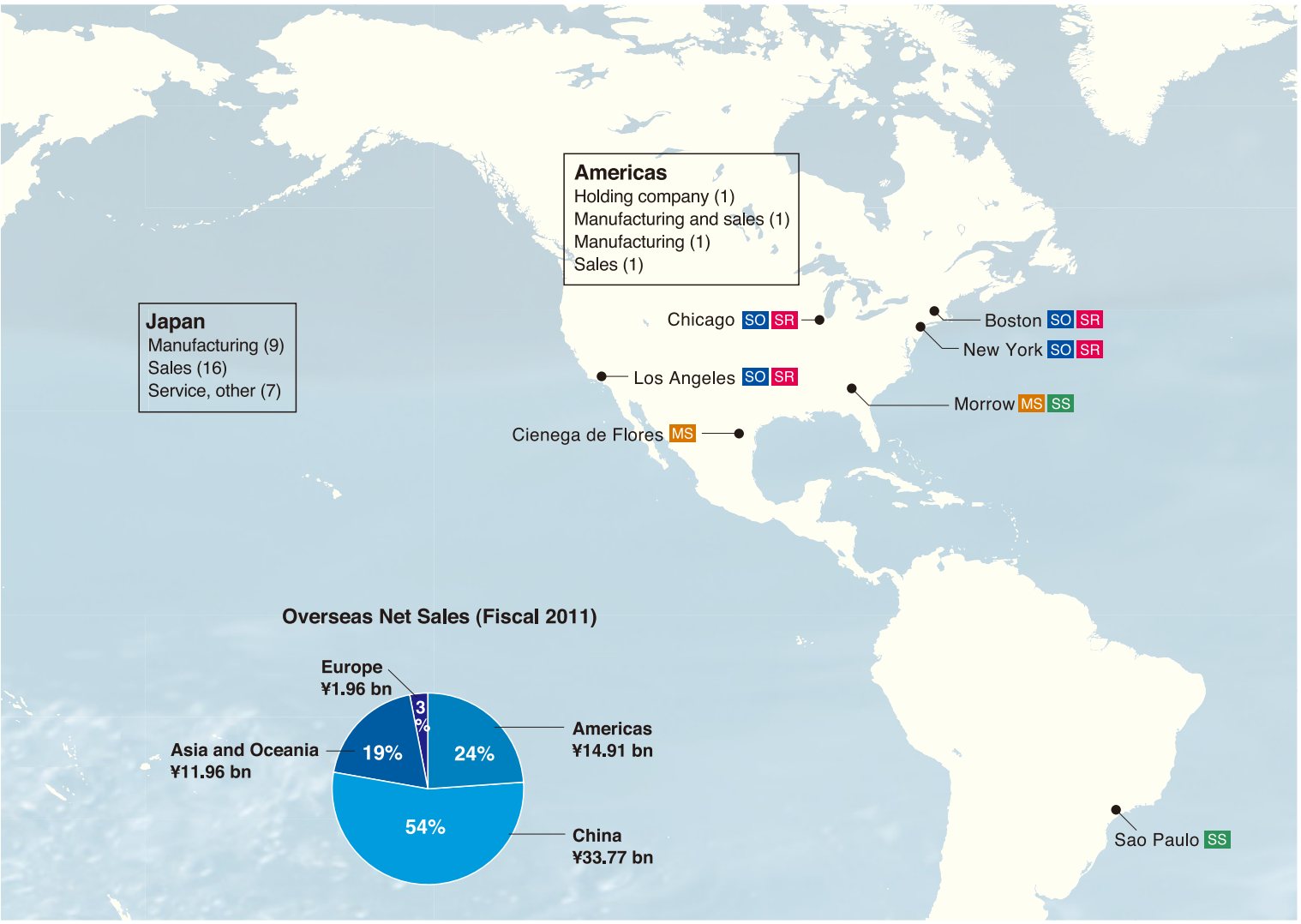
Residential equipment products

TOTO responds to demand for new construction and remodeling in Japan by offering restroom, bathroom, kitchen and washbasin products. For markets in the Americas, China, Asia and Oceania and Europe, we actively introduce functional products, beginning with the Washlet, offer restroom products and propose entire bathroom layouts.




New business domain products

We are developing paints and building materials that apply our Hydrotect environmental purification technology. We also produce and market high-quality, high-precision ceramic products such as air bearings, electrostatic chucks, bonding capillaries and optical transmission devices in the semiconductor and LCD fabrication field and the optical communication field.



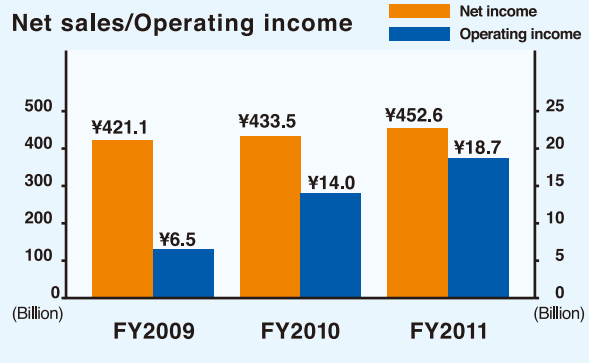
Overseas Net Sales (Fiscal 2011)

Summary of Selected Financial Data

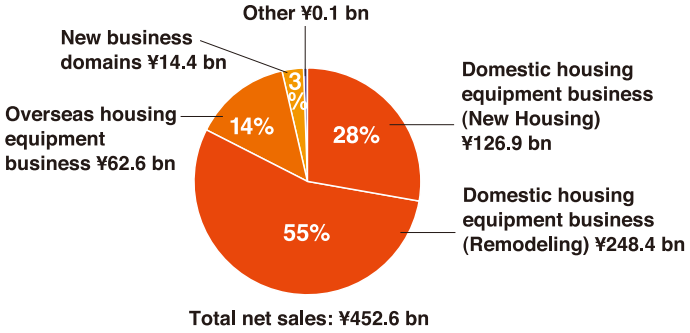
(Millions of yen)

Year ended March	2011	2012
Net sales	¥433,557	¥452,686
Operating income	14,014	18,779
Net income	5,115	9,270
Total assets	379,215	377,072
Net assets	180,164	185,580
Return of equity (ROE)	2.8%	5.2%

Net sales/Operating income



Net Sales by Demand Segment (Fiscal 2011)



TOTO Now 1

The environment is changing at a rate beyond our expectations. Plumbing equipment, alongside household electrical appliances, account for the majority of CO_2 emitted from the home. As a leading manufacturer of plumbing products, TOTO promotes its TOTO GREEN CHALLENGE to significantly accelerate conventional environmental activities. This involves a review of all corporate activities with a view toward achieving stringent quantitative targets by 2017. Product-related initiatives include a focus on "reducing CO_2 emissions from plumbing products" and "purifying the air with Hydrotect." We have devised an easy-to-understand vision of the future and a roadmap outlining how to get there, aiming to expand activities encompassing the entire housing construction industry on a global scale.

TOTO GREEN CHALLENGE

Contributing to the Environment through Water Conservation

TOTO GREEN CHALLENGE

TOTO announced "TOTO GREEN CHALLENGE," our environmental vision, in 2010, drawing on an image of being a major contributor to environmental preservation through future prediction studies. Through the development of "TOTO green products" and the creation of new systems, we are expanding our environmental contribution activities in society based on the concept of water conservation.

TOTO's Image of a Futuristic Society

TOTO actively promotes the development of plumbing products that protect the environment in daily life without people realizing it based on our environmental vision, "TOTO GREEN CHALLENGE."

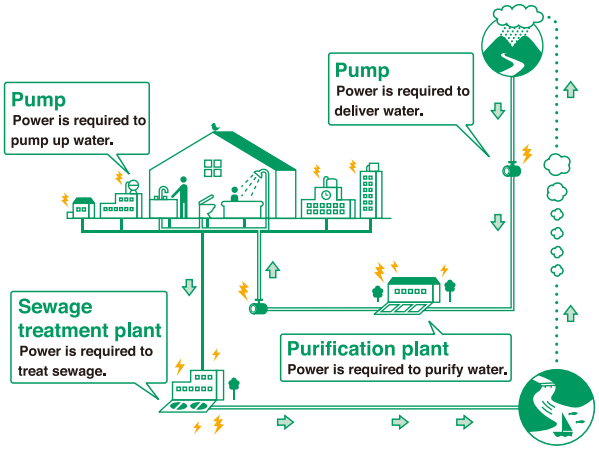
Saving water in the toilet and the shower leads to a reduction in CO_2 emissions since this helps to conserve energy such as power required to supply and treat water and sewage. Approximately 5% of Japan's entire CO_2 emissions comes from plumbing systems in the home[*1]. The question is to what extent this figure can be reduced. TOTO believes that we can cut the amount of CO_2 emitted from plumbing-related housing equipment by 25% by increasing awareness of the need to conserve water among consumers and spreading the use of TOTO green products. This equates to around a 1% reduction in Japan's overall CO_2 emissions[*2], which is by no means a trivial amount.

TOTO formulated a roadmap and is implementing initiatives aimed at achieving this goal. Besides a focus on developing TOTO green products that are more comfortable to use, we work to make water-saving lifestyles more widespread throughout society by communicating its importance to customers and the general public. Through these efforts, we contribute to creating a more sustainable society.

*1. Source: Greenhouse Gas Inventory Office of Japan: GHGs Emissions Data of Japan (fiscal 2009) http://www-gio.nies.go.jp/aboutghg/nir/nir-j.html
Within the "Power etc." category of "CO_2 emissions from household," toilet seats with warm water shower feature and dishwashers stated in "Power consumption per device in the home (2005 estimate)" are treated as plumbing equipment.

*2. Source: Yasutoshi Shimizu, Kanako Toyosada, Kiyoshi Nakajima: Prediction of CO_2 Emissions Associated with Residential Plumbing Equipment (*The Society of Heating, Air-Conditioning Sanitary Engineers of Japan*, No.163, pp.11-18, 2010.10).

Power is required in various places when we use water









Spreading the Idea of Environmental Contribution via Water Conservation throughout Society

TOTO achieved a 40% reduction in CO_2 emissions during the product usage phase (versus fiscal 1990 level) through TOTO green products launched in fiscal 2011. Sales of our water-saving toilets that realize only 4.8 liters per flush, the lowest of any toilet in the Japanese market, have topped the one million mark on a domestic shipment basis. The same achievement has been realized in the overseas market, and these toilets are now setting a new global standard. In bathrooms, kitchens and washbasins, we worked in Japan to expand Air in Shower technology, which enables water-saving performance while maintaining a pleasant bathing experience, and the Eco-Single water faucet, which curbs wasteful consumption of energy. Going forward, we will focus on the development and proliferation of TOTO green products with the aim of reducing CO_2 emissions by 45% during the product usage stage by fiscal 2014.

It is necessary to change people's way of thinking in order for water-saving lifestyles to take hold in society. That's why we demonstrate on our website and in our showrooms how conserving water can help save electricity in our communities, which in turn can contribute to a reduction in CO_2 emissions.

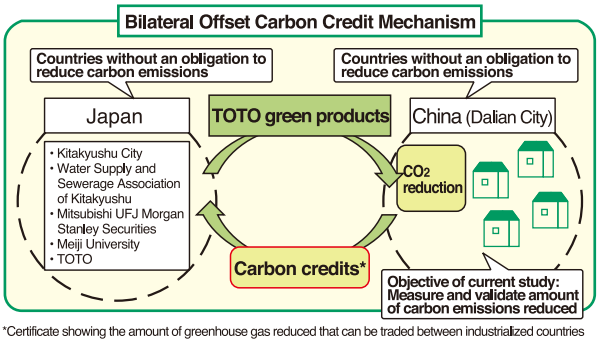
TOTO received approval from the Domestic Credit Certification Committee*3 for the first time in Japan for our method of generating credits for the amount of CO_2 reduced by introducing water-saving devices. As the first stage in presenting our image of contributing to a reduction in global CO_2 emissions, we conducted a feasibility study on new mechanisms in order to create a bilateral offset carbon credit mechanism in Dalian City, China, from July 2011 to March 2012. This was the first initiative the world has seen related to the establishment of a mechanism to generate carbon credits through the effects of conserving water. Such activities confirm the effectiveness of CO_2 reduction by saving water and play an important role in spreading water conservation lifestyles around the world.

Helping to Solve the Problem of Air Pollution

In addition to global warming caused by CO_2 emissions, the world is faced with the worsening problem of air pollution from NOx (nitrogen oxides). Building materials that apply TOTO's unique Hydrotect photocatalyst technology not only display self-cleaning effects but also contribute to solving the problem of air pollution through the effects of air purification, in which NOx are eliminated. We have already concluded license agreements with over 100 companies around the world for this product and are looking to extend the global reach of Hydrotect and further contribute to environmental preservation in order to spread these positive effects throughout society.

Although TOTO promotes the development of products and systems that promote the shift to a sustainable society, it is people who are the key to supporting this effort. Beginning with environmental education and e-learning programs, TOTO uses the intranet to share environmental information from inside and outside the organization with all Group personnel. We believe it is essential for our human resources to have a deep awareness of the environment. In addition, we always look to strengthen ties with partner companies, industrial groups and government as well as convey relevant information to customers through our products and services in order to contribute to the creation of a sustainable society.

*3. This committee was formed with academic experts designated by the Ministries of Economy, Trade and Industry, the Environment and Agriculture, Forestry and Fisheries in order to manage a domestic carbon credit system. It endorses methodologies and businesses aimed at reducing carbon emissions as well as certifies and manages emission reduction amounts.



*Certificate showing the amount of greenhouse gas reduced that can be traded between industrialized countries

TOTO Now 2



New Developments in Green Remodeling Propose More Comfortable Relationships between People and the Earth

The TOTO remodeling program was initiated to add new lifestyle value to existing homes. Through an alliance with Daiken Corporation and YKK AP Inc., TOTO has brought further innovation to this program through proposals that cover all aspects of living as well as "green remodeling," which incorporates the idea of eco-conscious lifestyles. These concepts aim to add more value to the lives of our customers.

Proposing New Lifestyles with "Green Remodeling"

TOTO refers to "remodeling" as proposals offering new lifestyles exceeding customer expectations by taking home improvement and reform one step further.

TOTO, Daiken and YKK AP ("TDY") commenced a business alliance in 2002 that has been proposing optimum living spaces through ties with manufacturers of facilities and equipment for the home. In 2008, a new concept called "green remodeling" was introduced, which incorporates the idea of eco-friendly living into remodeling. Based on the three concepts of "healthy living," "a sturdy home" and "CO_2 reduction," green remodeling aims not only to fix problems in the home but also propose the creation of a low-energy, healthy living environment from a long-term perspective for families with different lifestyles and at different life stages.

At TOTO, we help to create comfortable living that is also kind to the environment by realizing new lifestyles and the aspirations of each customer. We achieve this in a number of ways. First, we work to expand TOTO green products that protect the environment in daily life without people realizing it. Second, we propose different ways of living through our showrooms, which offer a point of contact with customers, and Remodeling Club Stores, a reliable and trusted housing reform network of remodeling and construction companies that is supported by TDY.

10th Anniversary of TDY Alliance

The TDY alliance formed by the three companies marked its 10th anniversary in February 2012. Over the years, issuing a joint remodeling catalog, setting up a joint website (re-model.jp), holding fairs and establishing collaboration showrooms have been carried out in conjunction with Daiken and YKK AP as a means to convey the value that green remodeling can generate for customers. The TDY alliance is now broadening its sights into new areas taking full advantage of the results of initiatives undertaken during this 10-year period.

Collaboration showrooms have been set up in Hiroshima, Takamatsu, Sapporo and Osaka with another four locations scheduled for completion before the end of fiscal 2017. Eight showrooms will provide remodeling information to the



public. In August 2012, TOTO's Fukuoka showroom will be redesigned into the TY Fukuoka Collaboration Showroom. Thereafter, in November 2012 the TDY Tokyo Collaboration Showroom will be opened in Tokyo's Shinjuku district as the flagship showroom of the three companies.

These collaboration showrooms incorporate "TDY green remodeling space displays" that reproduce a house that has undergone green remodeling in its entirety. This makes it possible to make recommendations to customers while they observe an example of a home that has been remodeled. Initiatives aimed at enticing more customers to the collaboration showrooms include fairs held jointly by the three companies and events held by Remodeling Club Stores.

Showrooms were also established in Ishinomaki City, Miyagi Prefecture, in November 2011 and in Iwaki City, Fukushima Prefecture, in February 2012 as a means for TDY to offer living-related consultation services to people in areas affected by the Great East Japan Earthquake.



Press conference for 10th anniversary of TDY alliance



Ishinomaki Collaboration Showroom

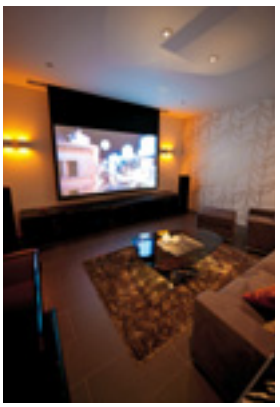
Elsewhere, efforts are being made to provide products generated from synergies between the three companies by making use of respective technologies and conducting joint testing. These include a measure to soundproof toilets by combining TOTO's silent toilet with Daiken's soundproof door as well as a proposal for a warmer bathroom environment that combines TOTO's system bathroom and YKK AP's insulated windows.

Impressing the Value of Remodeling on Customers Nationwide

Remodeling Club Stores provide comprehensive support to customers, from proposing remodeling plans to construction, equipment repair and after-sales service, acting as partners for green remodeling within each community.

To realize green remodeling, Remodeling Club Stores implement a diagnostic system so that customers can more readily visualize proposals. This service involves assessing a customer's home from three perspectives – "healthy living," "a sturdy home" and "CO_2 reduction" – and proposing remodeling to enhance comfort, peace of mind and environmental friendliness that is suited to a customer's desires and life.

As of the end of fiscal 2011, a total of 1,343 Remodeling Club Stores were using the green remodeling diagnostic system. We aim to increase this number to 2,500 stores during fiscal 2012.





"Home with a theater room" by Sozo Kosha K.K. (Kashihara City, Nara Prefecture) won the Outstanding Performance Award for Green Remodeling in the Remodeling Smile Contest 2011.



Salone del Mobile Milan 2012 in Italy

Aiming to Be a Truly Global Company by Proposing New Lifestyles to Customers the World Over

The TOTO Group aims to continue as a company that is indispensable to customers living in different countries and regions of the world by being a "truly global company." In fiscal 2011, we actively promoted business in emerging markets such as Brazil and India in addition to expanding business in China, one of our key markets.

Growth Strategy Based on TOTO V-Plan 2017

"TOTO V-Plan 2017," our long-term management vision that takes us up to our centenary in 2017, states that the desired stance of the TOTO Group is to be a "truly global company." To achieve this, we are actively expanding business by positioning the overseas housing equipment business as a key pillar of growth.

To this end, we set down roots in local areas and contribute to the enhancement of lifestyles and culture as members of the community rather than perceive foreign countries and regions as mere production sites and markets. This means putting into practice the company mottos of "Quality and Uniformity," "Service and Trust," and "Cooperation and Prosperity." Further, we seek to expand the use of products with exceptional environmental performance in line with the objectives of our environmental vision, "TOTO GREEN CHALLENGE," in order to help find solutions to global water shortage problems and improve the environment. Through these activities, we aim to continue being a company that is indispensable to each region and the customers living there.

Promoting Business Rooted in the Community Based on a Five-Polar Global Structure

The TOTO Group has an extended global network with 61 consolidated companies in 18 countries and regions. Based on a Five-Polar global structure that encompasses Japan, China, the Americas, Asia and Oceania and Europe, we have created a system for the development, production and sale of products in each region while respecting the culture and lifestyle habits of that region.

In China, which represents the largest market for the overseas housing equipment business, we command top share in the high-end sanitary ware market. TOTO's products are being used in numerous famous facilities in China such as luxury hotels and international airports as well as at the Shanghai EXPO Center and the Beijing National Stadium (Bird's Nest), the main stadium for the Beijing Olympics. TOTO is conducting its business operations in China by taking advantage of our position and foundations as a luxury brand there. In doing so, we are implementing various measures in response to market changes, including expanding business into inland areas and moving the focus of business from metropolitan areas to



Kitchen & Bath China 2011 in Shanghai



aceTECH 2011 (architecture construction engineering) in India

growing markets in neighboring cities. In order to keep pace with steadily growing business in China, we expanded the factory for sanitary ware in Shanghai in May 2011 among other initiatives.

In the United States, a market we entered in the 1990s, we are pursuing business activities aimed at establishing our position as the leading manufacturer in the middle and high-end market by making full use of our brand image, product advantages and effective sales channels in the market. We are also actively developing business in Brazil, a new market with high expectations in the Americas, through such measures as establishing sales sites.

In the Asia and Oceania region, TOTO is working to boost our marketing capabilities in countries and regions with fast-growing emerging economies while enhancing our production and sales systems in Thailand and Indonesia, from which products are supplied to diverse markets worldwide. Beginning with our first venture into business overseas in Indonesia in 1977, TOTO has been building its position as a high-end brand throughout Asia, including in Taiwan and Vietnam. In the fast-growing India market, we are steadily establishing a sales network based around a local corporation established in January 2011 along with commencing construction of a factory for sanitary ware in March 2012.

In Europe, TOTO is developing its business mainly in Germany, France and the United Kingdom. TOTO has been promoting sales there through exhibitions of our products, including at our showrooms. By chiefly featuring products with superior design that are equipped with TOTO's unique cleaning and water-saving technologies, including Neorest, and that are also environmentally friendly, we will seek to strengthen our brand appeal and accelerate our business development in Europe.

Expanding as a Brand Rooted in the Local Community

The TOTO Group aims to build brand awareness, permeate the brand and create an established brand in a stepwise manner by developing a business model that is rooted in the local communities of the different countries and regions of the world in which we operate as a means to become a "truly global company."

We took part in the three biggest housing equipment related exhibitions in the world in 2011, specifically ISH (International Sanitary and Heating) in Germany, the Kitchen & Bath Industry Show in the United States and Kitchen & Bath China 2011 in Shanghai. In addition to introducing TOTO's environmental initiatives, these events provide an ideal platform to promote the excellent design and technological capabilities of our products. We are also working to build long-term bonds with local customers and specialists by continuing to expand our showrooms around the world.

At overseas group companies, we promote the utilization of local personnel so that we can exist as a true company of the region. Currently, 17% of top management consists of non-Japanese personnel. We intend to raise this figure to 50% by 2017 so that we are truly rooted in the local community.

We also aim to make core technologies, mainly environment-conscious technologies, into the global standard and promote business activities that fit the characteristics of each region. Further, we will continue striving to contribute to the water environment and lifestyles of people around the world.



East China No.2 Plant (Shanghai)



Donation of TOTO products under an activity of the Water Environment Fund in China

TOTO in ACTION

TOTO Group Activity Report

The TOTO Group cherishes our relationships with customers and all other stakeholders, as well as aims to fulfill our social responsibility and contribute to future prosperity through all business activities, particularly R&D, manufacturing and sales.



TOTO Europe GmbH London Sales Office

Drawing on Lessons from the Great East Japan Earthquake to Strengthen Disaster Preparedness and Business Continuity Capabilities

The Great East Japan Earthquake that struck on March 11, 2011 affected the TOTO Group's overall business activities. The plant of TOTO Fine Ceramics Ltd., which is situated within a 20-kilometer radius of the Fukushima No.1 Nuclear Power Plant, is still idle and its products are currently being manufactured at the Ibaraki Plant of TOTO Washlet Techno Ltd. and the TOTO Fine Ceramics' Nakatsu Plant in Oita, Kyushu.

TOTO will accelerate earthquake-proofing measures for buildings and facilities following the Great East Japan Earthquake. Initial plans have been largely overhauled since TOTO was able to procure funds at a low interest rate from the Development Bank of Japan Inc. (hereafter DBJ) through the DBJ Disaster Preparedness Rating (presently DBJ Business Continuity Management (BCM) Rating) system, which evaluates disaster preparation activities and BCM measures at companies. The measures will be completed by the end of fiscal 2013.

To ensure that we can fulfill our responsibilities to provide products even in times of natural disasters, we are strengthening measures such as establishing product platforms, decentralizing production and taking steps for reducing risk regarding the procurement of essential parts, and are reviewing our Business Continuity Plan (BCP) in being prepared in the event of a disaster. We are also gearing up for electric power shortages by establishing a system that can continuously meet requests for conserving power. Specific measures include switching to LED lighting at all nationwide showrooms, implementing power-saving measures at workplaces, and utilizing cogeneration systems and the Company's own power generators at our plants.

We have learned that swift decision-making and execution by persons in charge at each site in response to ever-changing conditions are of the utmost importance. Accordingly, in addition to holding 60 risk management simulations since 2004, we have introduced "real time-based risk simulation" to cultivate human resources who are highly capable of crisis response.

Since the Great East Japan Earthquake, numerous customers of remodeling and new construction have been visiting our showrooms in the Tohoku region. To respond to this increase, four companies that include TOTO, Daiken Corporation, YKK AP Inc. and Noritz Corporation recently established joint collaboration showrooms in Ishinomaki in November 2011 and in Iwaki in February 2012. Besides providing support through our own businesses, we also strived to be as helpful as possible to residents of the disaster-struck regions by implementing volunteer activities on six occasions since the previous fiscal year in collaboration with volunteer centers and nonprofit organizations (NPOs) that have been active locally in these regions.

Additionally, we are participating in activities for regenerating the natural environment in the disaster-struck regions. Utilizing the lessons learned from the Great East Japan Earthquake, we will work to build a strong corporate structure for supporting recovery and restoration and provide customers with even more comfortable living environments.

Bonds with Customers

TOTO products can be used for many years in daily life. For that reason, TOTO wants to preserve a lifelong relationship with our customers and constantly seeks to deepen bonds with them and make every day into a more comfortable tomorrow.

Aiming to Strengthen Bonds with Customers

TOTO showrooms, where customers can view products at their own leisure, are used as places to promote interaction with customers to deepen ties through various events and fairs held in conjunction with Remodeling Club Stores.

Since June 2009, Remodeling Fairs have been held at TOTO Group factories nationwide. A total of 23,000 people visited 18 fairs in fiscal 2011.



Autumn festival at the Kanazawa showroom


Remodeling Fairs held at factories throughout Japan

TOTO's Concept of Manufacturing

TOTO's products are used daily by a diverse array of people. Because they are products used by customers throughout the world in their daily lives, TOTO's concept of manufacturing is to consider both end users and the environment.

Globally Expanding Technologies Developed in Japan



West building of TOTO SANITECHNO's Shiga Plant for realizing a green factory that reduces CO_2 emissions

In order to be a "truly global company," which is a desired image outlined under "TOTO V-Plan 2017," TOTO promotes manufacturing that responds to regional characteristics based on its "Only One" technologies developed in Japan under a Five-Polar global structure.

Overseas, lifestyles are diversified and differ from Japan in terms of cultures and customs in respective countries. As such, products and services required in respective countries are also expected to possess regional characteristics. TOTO designates technologies developed in Japan as core technologies based on environment-friendly technologies that address global issues including water-savings, CO_2 reduction and air purification. By doing so, TOTO will carry out product development by maintaining high functionality and quality while adhering to regulations and standards as well as promoting designs that are appropriate to respective countries.

Also, we promote various innovation activities in terms of production systems. In order to enhance efficiency for manufacturing various kinds of products to address diversifying demand in respective regions overseas and in Japan, TOTO conducts materials research and development with a high degree of processing flexibility. Additionally, a shift toward creating platforms (standardization/unification) is also underway as a means of promoting the design of components that are easy to assemble, cost reductions and shorter lead times.

As for new overseas production bases, in fiscal 2011 a new sanitary ware plant started operations in Thailand, and we began construction on new plants for sanitary ware in Fujian Province in China and in the state of Gujarat in India. We will introduce cutting-edge technologies at each of these overseas production bases, while passing down technologies cultivated in Japan, as we promote the development of technical personnel including engineers.

In Japan, the Shiga Plant's west building of TOTO SANITECHNO LTD. began operating in February 2012. We introduced ceramic fiber kilns, which have higher combustion efficiency than traditional brick kilns, and automated production lines through the deployment of industrial robots. By doing so, we have improved productivity by 25% compared with previous plants.

Universal Design—Designing for Everyday Use

Universal Design (UD) refers to the design of products that are comfortable and safe to use for everyone, irrespective of differences in age, gender, physical condition, nationality, language, knowledge or experience. The concept of UD has been integral to our research and development program for over 40 years since a diverse range of people use TOTO products on a daily basis.

In February 2012, we performed repeated verifications and developed a new hand wash basin that enhances the ease of hand washing. The development of this hand wash basin is aimed at reducing the lower back burden of staff (nurses) working at hospitals and other facilities that results from hand washing numerous times each day.

An aging society is becoming a serious issue in many countries, and products and spaces are required to be easier to use, safer and more comfortable. TOTO will continue using the design concepts of our predecessors with the aim of being the company chosen by customers.



Verifications for measuring burdens during hand washing



The "staff-use wash basin" reflects the opinions of hospital personnel and emphasizes ease of hand washing.

Making Every Day More Relaxing with Design-Conscious Products

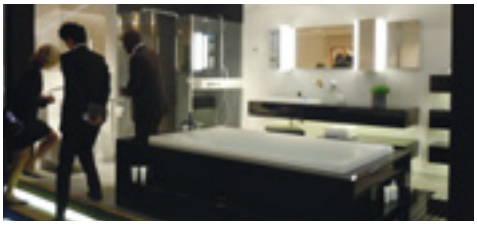
TOTO believes that people should feel relaxed and comfortable in plumbing spaces. That's why we try to keep them as simple as possible without putting too much emphasis on them in daily life.

The new Washlet Apricot realizes a significantly thinner design through a new design for its functional portion. This thin design matches a variety of spaces and is also being deployed overseas.

In Italy, we exhibited the Washlet Apricot at Salone del Mobile Milan 2012, the world's largest international furniture exhibition. This year marks the sixth year that we have participated in Salone del Mobile Milan since first exhibiting our products there in 2005.



Washlet Apricot



Salone del Mobile Milan 2012 in Italy

"Only One" Technologies Drive Business in New Domains

TOTO executes various initiatives aimed at creating business in new domains by leveraging "Only One" technologies. One of these technologies is Hydrotect, an air purification technology that uses a photocatalyst to clean through the power of sunlight and water, offering the benefits of air purification and a self-cleaning property to keep the external surfaces of buildings clean. TOTO was the first in the world to succeed in the practical application of this technology. Through the application of this technology in our products including paints and building materials, TOTO aims to expand the use of Hydrotect in diverse settings together with partner companies.

In next-generation energy-related technology, TOTO also has been in the spotlight with the development of a fuel cell stack for power generation. The power-generating stack module being developed by TOTO that lies at the heart of solid oxide fuel cells (SOFCs) achieves the world's top-class generating efficiency and durability. We are currently working to improve durability and reduce costs to facilitate use in fuel cell systems for the home.

Another one of TOTO's new business domains is precision ceramics. Our Ceramics Business Division combines firing technologies from our sanitary ware business with precision process knowledge from our faucet division. These ceramic products play an underpinning role in information and telecommunications networks. The Ceramics Business Division supplies major semiconductor equipment manufacturers with critical components for semiconductors embedded in mobile/smart-phones, PCs and other electronic devices. Rising demand for compactness and high functionality in recent end products such as smartphones entails the miniaturization of semiconductors. Ceramics components that utilize TOTO's advanced technology and unique manufacturing capabilities have become essential for responding to and meeting these needs. TOTO also manufactures arc tubes used in ceramic metal-halide lamps (HID). Ceramic metal-halide lamps represent the next generation of lighting for illuminating large areas such as commercial facilities, parks, gymnasiums and other facilities. Our arc tubes are being installed in lighting fixtures throughout the world. TOTO's integrated ceramic arc tubes, utilizing slip-casting techniques from our sanitary ware business and achieving high efficiency and long life, are making a significant contribution to energy conservation.



Pigeon Corporation's Changzhou plant used Hydrotect coat paint.

HYDROTECT

Hydrotect is an air purification technology using a photocatalyst.

Hydrotect website
http://www.toto.co.jp/hydrotect/lang.html

TOTO's ceramic business website
http://www.toto.co.jp/E_Cera/index.html

Fuel cells
A fuel cell is a device that creates electricity using a chemical reaction between oxygen and fuels such as hydrogen. While curbing fuel consumption, fuel cells contribute significantly to reducing CO_2 and emit almost no air pollutants.

Realizing TOTO Quality

TOTO quality is born from an ability to take a customer perspective along with a strong determination to ensure top reliability. We will continue to maintain quality throughout the product lifecycle, from design to manufacturing and after-sales service.

For Peace of Mind during Product Usage

TOTO products are used daily by a diverse array of people. Therefore, our mission is to provide products that can be used safely and with peace of mind.

The TOTO Group implements various quality assurance programs under an integrated quality management system based on ISO 9001 standards in order to supply products that customers can use with reassurance. Each TOTO Group employee undergoes training to increase awareness and knowledge of safety, including training on pertinent laws and ordinances in Japan and overseas, beginning with the Consumer Product Safety Law, and on related technical standards. Besides this, to enhance quality management in company-wide processes from the product planning stage to delivery, we have set voluntary action guidelines related to product safety and seek to enhance awareness of product safety in every corner of the TOTO Group.

We also work to reduce the risk of problems from the design stage. This includes design that focuses on fire and leak prevention and internal structures that minimize the spread of damage beyond the product itself in case a fire or leak does arise due to an abnormality. In the design stage, specialist departments meticulously inspect electrical components that have a high potential to cause fire. In recognition of these types of initiatives focused on safety, TOTO received the Director-General for Commerce and Distribution Policy Award from The Ministry of Economy, Trade and Industry as Best Contributors to Product Safety in fiscal 2011.

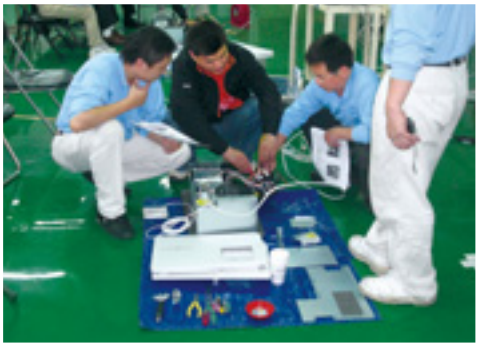


All items of sanitary ware undergo rigorous inspection.

Best Contributors to Product Safety in Fiscal 2011
The Best Contributors to Product Safety Award does not evaluate the safety of the actual products manufactured, imported or sold by each company. Rather, it evaluates initiatives for product safety undertaken by the entire company and recognizes these companies as Best Contributors to Product Safety.

Delivering High-Quality After-Sales Service

We consider “TOTO quality” to include not only product assembly but also maintenance in case a problem arises. To realize high-quality after-sales service, we conduct training sessions and improve maintenance techniques. Besides technical aspects, we educate staff on appropriate behavior when visiting a customer’s home to make repairs, which is another key component of “TOTO quality.”



Training on after-sales service at Taiwan TOTO Co., Ltd.

Sharing Customer Feedback to Resolve Issues

We aim to attain a level of satisfaction in our products and services that exceeds customer expectations. TOTO makes full use of customer feedback as the starting point in product development and quality management. The Customer Division promptly sorts opinions and requests from user questionnaires and the Customer Consultation Center and conveys them to the division in charge while posting such information on the intranet as a means to also share information with employees who generally do not deal directly with customers.

Since fiscal 2008, we hold meetings in various locations to hear customer opinions, which are attended by managers from the Customer Consultation Center and managers in charge of business divisions related to product development and production. This has helped to encourage actively using customer feedback to resolve issues. Many of the ideas put forward have been reflected in new product development and product improvement.

We constantly seek to improve customer satisfaction by implementing across-the-board initiatives that take into account customers' perspectives, including company-wide meetings and presentations of cases from call centers.



A call center



Meeting to hear customer opinions

Ensuring Swift Information Disclosure

In case of an accident caused by a TOTO product, or indications that one may occur, we gather information quickly from relevant sources, including the customer, and cooperate with outside sales agents to promptly disclose key information and make the necessary response. If a major incident occurs, we swiftly announce the information publicly and recall the product to minimize impact. The cause is then thoroughly investigated to prevent recurrence and make future improvements.

Important Announcements Released in Japan



In certain direct-pressure kerosene water heaters (TOTO sales brand name: High Acty Series) manufactured from May 2000 through August 2004, there have been instances of kerosene leaks and malfunctions due to a defective kerosene seal for the pipes. In September and November 2008, TOTO announced this information in newspapers and via our website. We offer inspections and component replacements for these models free of charge.



It has been discovered that for table top dishwasher-dryers manufactured from September 2000 through March 2005, there could be the rare occurrence of smoke-related accidents, possibly even damaging the lower covering of dishwasher-dryers, caused by heat generation from an electrical power connector mounted on a substrate. In February 2008, TOTO announced this information in newspapers and via our website. To prevent any accidents, we conduct inspections and repairs of the relevant part free of charge.



It has been learned that in one piece toilets with integrated Washlet manufactured from March 1999 through December 2001, contact failure involving internal contacting components occurs that could possibly cause some plastic tanks to emit smoke or ignite. In April 2007, TOTO announced this information in newspapers and via our website. To prevent any accidents, we conduct inspections and repairs of the relevant part free of charge.

Commitment to the Environment

Our traditional environmental activities were provided further impetus with the introduction of "TOTO GREEN CHALLENGE," which focuses on the three core areas of products and services, manufacturing and social contribution, all of which are underpinned by human resources development. As a milestone in the promotion of these three areas, a year ahead of schedule, we formulated the 8th Global Environmental Action Plan that runs from fiscal 2012 to 2014. We have commenced concrete initiatives based on this plan.

"Products and Services" Initiatives

In fiscal 2011 we promoted the greater use of a series of "TOTO green products" in Japan that included the GREEN MAX water-saving toilet that uses less than or equal to 4.8 liters per flush, Air in Shower and Eco-Single water faucet. This enabled TOTO to achieve a 40% reduction in CO_2 emissions when using TOTO green products in fiscal 2011 (versus fiscal 1990 level), which was an improvement on a 30% reduction in fiscal 2010. Sales of "TOTO green products" accounted for 66% of total sales.



The ultra-water-saving and power-saving Neorest Hybrid Series is also environmentally friendly.



TOTO's Air in Shower realizes both comfort and water-savings by combining air with water.

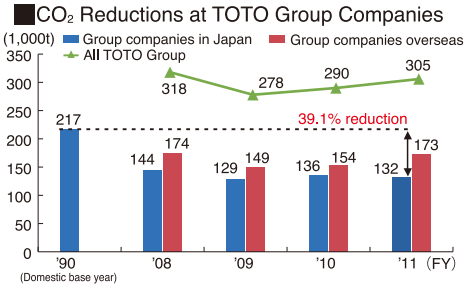
"Manufacturing" Initiatives

Along with conventional energy-saving activities, for electric power saving measures for responding to the impact of the Great East Japan Earthquake, we implemented a variety of environmentally conscious measures that included introducing high-efficiency air-conditioning equipment and high-efficiency lighting ahead of schedule. In Japan, we set a fiscal 2011 target of reducing CO_2 emissions by 40% (versus fiscal 1990 level) for the TOTO Group. However, we achieved a 39.1% reduction due to large emissions of CO_2 from fuels used in the operation of electric power generators to support electricity-conservation measures at electric power companies. Had we not operated these special electric power generators, we would have achieved a reduction of 40.6% and attained our target. A new production line went into operation at the Shiga Plant in February 2012. This new production line has introduced a state-of-the-art fiber kiln with high-efficiency combustion that reduces CO_2 emissions by around 70% compared with traditional brick kilns. Overseas, our CO_2 emissions rose due to increased production. However, by making improvements to production facilities, the reduction rate for basic unit (CO_2 emissions per production volume) improved. Total TOTO Group CO_2 emissions increased by 5.2% compared with the previous fiscal year. We aim to improve the reduction rate for basic unit by reducing emissions through ongoing CO_2 reduction measures.



State-of-the-art fiber kiln with high combustion efficiency.

■CO_2 Reductions at TOTO Group Companies



*TOTO aims to reduce CO_2 emissions in Japan by 45% (versus fiscal 1990 level) by fiscal 2017.
*TOTO uses a coefficient under the Law Concerning the Promotion of Measures to Cope with Global Warming for the CO_2 conversion factor for domestic business operations (note: electric power uses the coefficient 0.378kg-CO_2/kWh) and the coefficient from the 2005 GHG Protocol for overseas business. Estimates are utilized for certain past data.

Detailed data regarding TOTO's environmental preservation activities based on TOTO GREEN CHALLENGE are included in the *TOTO CORPORATE REPORT 2012 Financial & ESG Section*.

Our website also introduces TOTO's stance regarding the environment.
http://www.toto.co.jp/company/environment_en/





TOTO built the Toilet Bike Neo, which operates on eco-friendly biogas fuel, for the second phase of our TOTO TALK series of corporate PR activities to publicize our environmental initiatives. The bike participated in a caravan tour that visited TOTO showrooms and factories to coincide with TV commercial broadcasts. People who rode the motorbike toilet were introduced on our website and elsewhere every day to show the location and rider.

TOTO TALK website
http://tototalk.jp/top (Japanese)

“Social Contribution” Initiatives

TOTO promotes environmental contribution activities that involve local communities from the perspective of biodiversity.

Established in 2005, the TOTO Water Environment Fund supports efforts related to the water environment by NPOs, citizen groups and others in each region. Numerous TOTO Group employees also participate in various activities. We are also implementing the TOTO Acorn Reforestation Project, a project in which Group employees collect and nurture acorns. With the cooperation of local residents, these acorns are then planted each year and the area is kept clear by cutting the grass after planting.

We also actively participate in community cleanup and greening activities, and some business sites regularly undertake cleanup activities in the surrounding neighborhoods. TOTO Group employees not only participate in these activities as volunteers but also encourage participation by their families and business partners and thus widen the circle of participants in environmental activities.

Overseas as well, in 2008 we established the TOTO China Water Environment Fund under the China Environmental Protection Foundation, with the aim of developing and supporting projects to preserve water environments in China. During the past five year period, the Fund has donated 5 million yuan and carried out such activities as disseminating information regarding water conservation.

TOTO’s social contribution initiatives website
http://www.toto.co.jp/company/environment_en/social/





Cleanup activities carried out by Shirako Riverhead Waterside Council, which is the promotion organization for the TOTO Water Environment Fund (Nerima Ward, Tokyo).



Numerous TOTO Group employees participate in tree planting activities across Japan (Murakami City, Niigata prefecture).



Volunteers clear away mud accumulated in a moat (moat drying). (Okawa City, Fukuoka Prefecture).



Distributing booklets on water conservation at an elementary school through the TOTO China Water Environment Fund (Zhengzhou City, China).

Main Awards for Eco-Friendly Business Activities

TOTO was recognized for its environmental activities in each of the three areas.

In products and services, the Eco-Single water faucet (product number: TKHG31PE) for kitchens won the Minister’s Prize, the Ministry of Environment (Eco-Products Category) in The 8th Eco-Products Awards sponsored by the Eco-Products Awards Steering Committee. This faucet was recognized for being an outstanding product that reduces the environmental burden.

In manufacturing, TOTO’s packaging for the sit-down toilet and seat-warming toilet for the Japanese market won an award in the Japan Packaging Contest sponsored by the Japan Packaging Institute, marking the 12th consecutive year that TOTO has earned an award in this contest, a remarkable feat that only TOTO has accomplished. This packaging also garnered the AsiaStar Award in the AsiaStar 2011, an international competition sponsored by the Asian Packaging Federation. This is the first time that two TOTO packages have simultaneously earned an AsiaStar Award.





Eco-Single water faucet won the Minister’s Prize, the Ministry of Environment at the 8th Eco-Products Awards (Eco-Products Category)

TOTO Human Resources Development

We promote diversity, nurture and effectively utilize human resources, and encourage a good work-life balance so that everyone in the TOTO Group can work to maximum potential.

Promoting Diversity

Detailed data regarding human resources and safety are included in the *TOTO CORPORATE REPORT 2012 Financial & ESG Section*.

Diversity
We recognize that external and internal differences represent each person's respective personality and we create environments that allow all people to fully exert their capabilities and contribute to the organization.

The TOTO Group respects the individuality of each member of our diverse workforce, which differs in such respects as age, gender and nationality. We believe that we can create prosperous and comfortable lifestyles by leveraging the fresh new ideas born from these differences.

A department to promote diversity under the direct control of the Company President was set up in 2005. This included so-called Kirameki activities to maximize the capabilities of female employees and change attitudes. The department has been shifted to the Human Resources Development Division in 2010 and renamed the Diversity Promotion Group, which has initiated a wider range of activities to further promote diversity. Three key areas of focus are women, persons with disabilities and foreign national employees. The group has also set up a rehiring system for retired workers over the age of 60 as well as an "employment status step-up" system for temporary and contract workers with the main aim being to increase the skill level and know-how of our human resources.

Empowering Female Staff

The percentage of females in managerial positions at TOTO was 3.9% at the end of fiscal 2011. We are aiming to raise this figure to 10% by fiscal 2017, our 100th anniversary. Toward this goal, we promote the continuous employment of females engaged in general work and hold mentoring sessions for generations set to experience such life events as marriage and childbirth.

We also provide training for females in their 30s aimed at self-improvement, which includes honing problem-solving and presentation skills. To broaden the scope of potential jobs for female employees, we encourage office workers to transfer to sales.

In fiscal 2011, we implemented training as an opportunity for females in managerial positions and female manager candidates to consider the next step up in their careers and hear explanations of what the Company expects from them.

Mentoring sessions
Mentoring sessions provide the opportunity for general female employees to think about their career and to gain information about different types of work styles so that they can effectively manage work with other life events.



Step-up training session for women

Recruitment and Fostering of Global Personnel

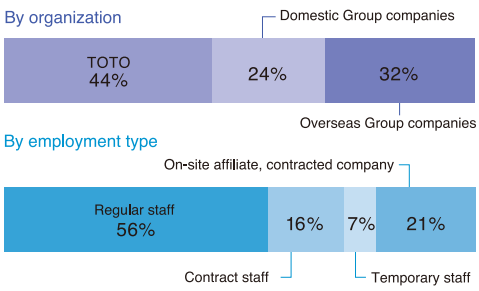
The TOTO Group has been hiring foreign national employees in Japan since fiscal 2007, aiming to bring on board three people per year. We intend to become a truly global company by securing the personnel required to meet expansion in overseas business and making the workplace more dynamic with new added value through the interchange of various experiences, cultures and values. The number of foreign national employees at TOTO as of March 2012 stood at 11.

At overseas Group companies, TOTO is promoting localization of human resources. As of fiscal 2011, 17% of persons in management positions at overseas subsidiaries have been hired locally; we aim to increase this number to 50%, as well as the number of locally hired division managers to 70%, by fiscal 2017 directed toward becoming a company rooted in local communities.

Recruitment and Utilization of Persons with Disabilities

The TOTO Group aims to realize normalization in its workplaces to ensure that persons with disabilities are treated in exactly the same manner as able-bodied persons. To this end, the Group continues to recruit those with physical challenges. We believe the perspectives of persons with disabilities are important in many ways at TOTO through our plumbing-related products. At the end of fiscal 2011, the percentage of persons with disabilities working within the TOTO Group was 1.9%. We aim to raise this to 2.5% by fiscal 2017. To do so, we will work to further expand job categories for persons with disabilities across the entire TOTO Group.

■ Breakdown of TOTO Group Employees (As of March 31, 2012)



Fostering Human Resources

The TOTO Group aims to foster independent human resources who can think and act on their own. For that purpose, we clarify the human resources and the knowledge and skills required for a specific qualification and provide employees with the opportunity to reach their full potential by their own initiative based on a particular career path.

Specifically, there are three-year nurturing programs for new recruits to strengthen basic business skills, rank-specific training to increase awareness of roles the next level up and individually selected training and cross-industry interchange that encourage taking on further challenges.

By offering the chance to develop one's potential while at the same time promoting communication between upper and lower tiers, we are able to develop independent human resources in a planned and consistent manner.

Striking a Good Work-Life Balance

The TOTO Group believes that striking a balance between work and home life by enabling every employee to adjust work hours will lead to an increase in productivity and motivation, and as such, is working to promote a good work-life balance. We encouraged people to take paid holidays and promoted days with no overtime. We also developed an even more flexible system and extended the period employees can reduce their work hours to care for their parents, for instance, and introduced a registration system outlining employment opportunities for applicants in case they need to quit TOTO due to marriage, childbirth, a spouse's work transfer or nursing care. Every year, both male and female employees make use of our childcare leave and reduced work hour systems.

We are increasing the amount of information on childcare and nursing care via the intranet, promote use of both support systems and create a corporate culture that makes it easier to make use of these systems. We will continue to make efforts to realize a good balance between work and home life.

Work-life balance
Ensuring a good balance between work and private life

Support Measures for Physical and Mental Health

A variety of health promotion programs have been implemented at the TOTO Group.

For workers, education on being aware of and ways of coping with stress has been widely provided as a "self-care program." Managers and supervisors are working hard to find programs to identify early and respond properly to employees with mental health issues. Conferences for HR professionals are held regularly. They address workplace rules and systems regarding taking leave, discussions dealing with managers and collaborating with occupational health staff at each workplace. We also have consultation desks specializing in mental health in every workplace which are available for employees to express their problems and concerns.

Regarding the promotion of physical health, follow-up medical exams are recommended as necessary based on annual regular health check-ups, and comprehensive health related advice is provided by occupational health staff.



Training for managers and supervisors indentifying mental health issues

Activities to Eliminate Accidents

TOTO has been working to increase awareness of safety and stop unsafe work practices and conditions in order to eliminate work-related accidents. Especially to halt unsafe work practices, the main cause of accidents, TOTO has been educating each Group employee on health and safety, including implementation of rules and regulations. The Company focuses in particular on increasing safety awareness throughout the Group.

In fiscal 2011, we concentrated on raising the level of safety management mainly at manufacturing departments in order to avoid major accidents.

Highly Objective and Transparent Management

TOTO considers that an essential aspect of corporate management is ensuring the satisfaction of stakeholders and ongoing expansion of corporate value by improving objectivity and transparency in management and clarifying management responsibility.

Corporate Governance

Detailed data regarding corporate governance and risk management promotion framework are included in the *TOTO CORPORATE REPORT 2012 Financial & ESG Section.*

Report on corporate governance is available on our website.
http://www.toto.co.jp/company/ir_en/reference/governance/index.htm

For matters requiring management decisions, TOTO recognizes the importance of systematizing "who makes the decision, on what and where" as well as "what checks are implemented" in a fair and honest manner. TOTO has adopted a Board of Statutory Auditors system that promotes more efficient and effective decision-making, supervision and business execution.

The Board of Directors supervises management decision-making and business execution from the most appropriate company-wide, group-wide and stakeholder perspectives.

Two external directors, who are well versed in management of leading companies respected for their management practices to which the TOTO Group aspires, provide advice and suggestions on general management issues based on knowledge gained during their wealth of experience as members of management. These external directors have no affiliation with the Company.

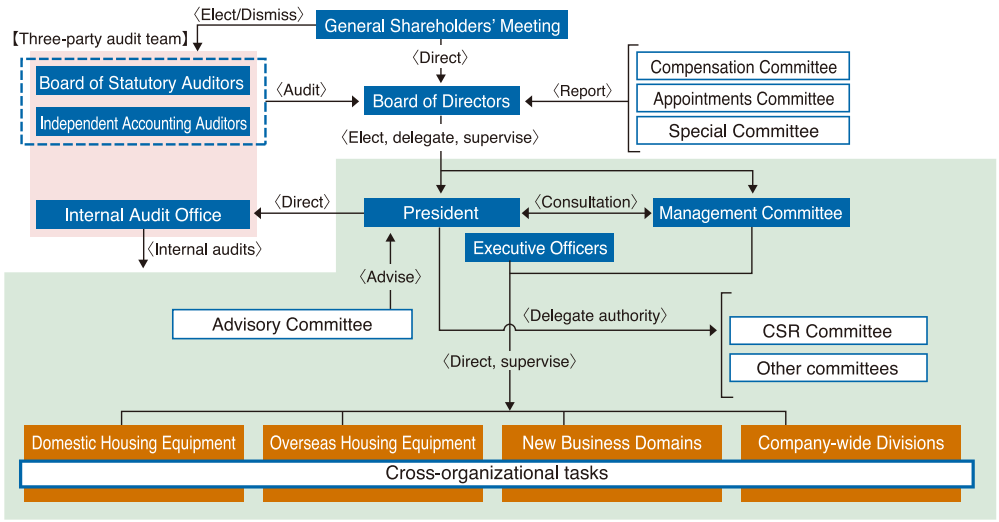
The Board of Statutory Auditors, which oversees the duties of the directors from the perspectives of legality and appropriateness, is comprised of four people, including two external statutory auditors, who attend meetings of the Board of Directors and other important meetings, and regularly exchange opinions with representative directors to ensure the effectiveness of audits. The external statutory auditors have no affiliation with the Company.

We also have a Compensation Committee and an Appointments Committee that serve as advisory bodies to the Board of Directors to maintain transparency, objectivity and fairness in determining directors' remuneration and in appointing and dismissing directors.

We have introduced an executive officer system to increase the speed and efficiency of business execution, accelerate decision-making on management policies and clarify management responsibilities. An Advisory Committee, set up as an advisory body to the President, provides multi-faceted and objective advice on general management through outside experts. Various company-wide committees and councils have been established and given the authority to delegate when quick decisions are required to assure the most appropriate results for the Group.

The Internal Audit Office reports directly to the President and evaluates and verifies that TOTO Group operations are being performed efficiently and in compliance with the TOTO corporate philosophy, policies and regulations. The audits are fair and objective and support corrective action and improvements in operations.

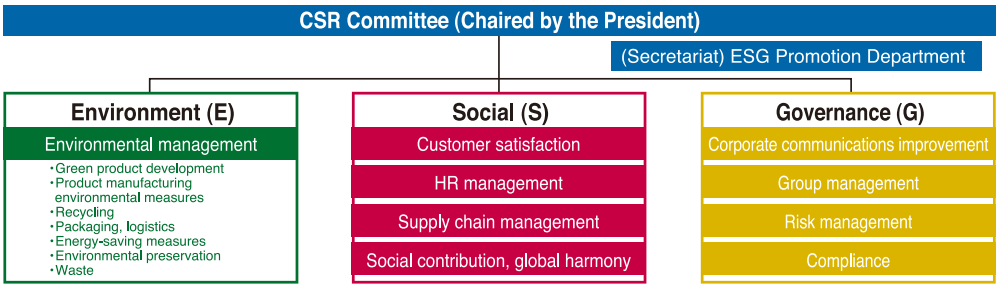
■ Corporate Governance Structure



Strategic Integration of Business and CSR Management from an ESG Perspective

The TOTO Group is promoting CSR management through the CSR Committee inaugurated in fiscal 2004. This committee is composed of three different domains covering the Environment, Social and Governance (ESG). Subcommittees that constitute each field formulate plans in respective CSR areas, and then activities are carried out on a company-wide basis. Under the oversight of the CSR Committee, each Group company in Japan and overseas formulates and promotes its own CSR action plan. The CSR Committee convenes biannually to deliberate on the CSR activities of each subcommittee and Group company and promote global CSR management while strategically integrating business activities and CSR activities.

■ Organizational Structure of CSR Committee





We also introduce TOTO's initiatives for CSR management on our website.
http://www.toto.co.jp/company/csr_en/management/

Permeating Compliance Awareness among All Group Employees

We work to increase awareness of the need for compliance by disseminating information via on-site training, e-learning and the Group magazine. We also make sure employees know about incidents that occur inside and outside the Company to ensure that they learn from these and do not make the same mistakes. Every year, TOTO Group employees complete a survey that verifies the level of permeation of compliance and identifies problem areas so that ongoing improvements can be made in terms of implementing concrete initiatives to overcome compliance and human rights violations. In addition, personnel from the legal department visit the different departments and hold seminars regarding basic legal issues aimed at increasing understanding of laws and ordinances pertinent to the Company's operations.



Compliance Handbook
This handbook prescribes the basic course of conduct that each individual employee must adhere to in carrying out Company and social activities.

TOTO Group Information Security Policy

In accordance with the TOTO Group Information Security Policy, the TOTO Group formulates basic items concerning the Information Management Security System. With initiatives handled mainly by divisions in charge, risk assessment-related to information security is implemented, information security targets are established, promotion plans are formulated and implementation carried out in cooperation with divisions in charge of internal audits. TOTO also implements information security education through e-learning for all TOTO Group employees, including those of cooperating companies. In fiscal 2011, 96% of all Group employees completed this education course.

Risk Management Activities

We established a Risk Management Committee in fiscal 2005 for the integrated management of risk on a group-wide scale. The committee identifies every year the major risks that could have the largest impact on stakeholders and, under the head of the division in charge of each risk-related area, works to prevent these risks.

In light of the lessons learned from the Great East Japan Earthquake that struck on March 11, 2011, we have newly added "important parts procurement risk" and "electric power restriction risk" to our major risks as we further strengthened our risk management systems. Additionally, to nurture flexible judgment and decision execution capabilities for responding to ever-changing on-site crisis situations, we introduced real time risk simulations and all business site managers and other key personnel participated in these simulations during fiscal 2011.

Stakeholder Engagement

TOTO considers the concept of stakeholder engagement to be vital in building relationships of trust with stakeholders and to facilitate cooperation. By doing so, we aim to improve society for generations to come.

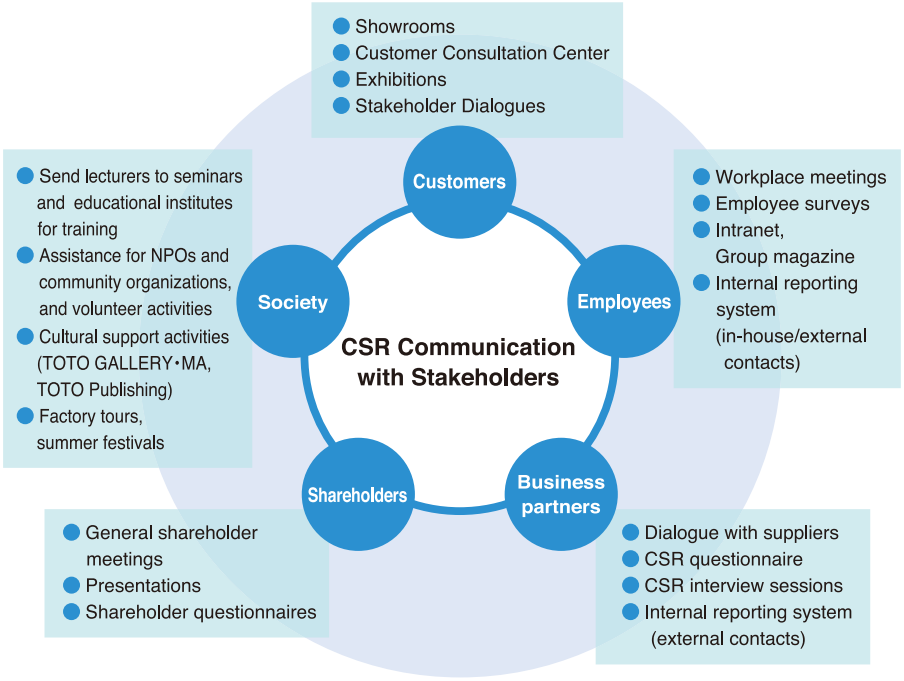
Promoting Two-Way Communication

The TOTO Group views communication with all stakeholders, including customers, employees, shareholders, business partners and society, as extremely important and constantly endeavors to strengthen relations.

To deepen interaction with customers, we communicate with customers through various occasions, such as events at our showrooms, factory tours and summer festivals. We always attempt to have open and frank discussions with our business partners through dialogue with suppliers and CSR forums. The Company also seeks to disclose appropriate information in a timely manner to shareholders, as well as offers invitations to tour factories and showrooms to gain an understanding of TOTO *monozukuri* (spirit of manufacturing).

We will continue aiming to increase stakeholder satisfaction through communication as a means to enhance corporate activities.

■ CSR Communication with Stakeholders



Recognized for Socially Responsible Investment (SRI)

TOTO was selected for the Dow Jones Sustainability World Index (DJSI). The DJSI was developed by U.S.-based Dow Jones & Company and Switzerland-based SAM (Sustainable Asset Management) Group, a research expert on Socially Responsible Investment (SRI)*, and analyzes and selects companies with an exceptional track record in three areas: economic, environmental and social. For the current fiscal year, 342 companies were selected for the Index from among 2,500 companies around the world.

*SRI describes an investment strategy that emphasizes corporate social responsibility and contribution based on social, environmental and corporate governance in addition to conventional investment criteria based on financial analysis.

Promoting CSR Procurement Together with Suppliers

The TOTO Group carries out CSR procurement together with the suppliers from which we procure raw materials and components. Through activities such as monitoring via company visits to suppliers for explanation briefings, we are providing enlightenment and support to ensure that our suppliers understand the importance of CSR initiatives. It is particularly noteworthy that we are strengthening initiatives at overseas business sites while also focusing on inspecting and monitoring overseas suppliers. To raise the level of CSR activities in the TOTO Group's overall supply chain we are implementing measures within the following eight categories.

Request for Suppliers

1. Human rights/Labor
(1) Prohibit inhumane work, prohibit discrimination
(2) Wages and working hours
(3) Create good management-labor relations

2. Health and safety
(1) Health and safety measures for workplaces and facilities
(2) Health management of the company's employees
(3) Proper responses to emergencies and occupational accidents

3. Environment
(1) Environment protection
(2) Chemical substance management

4. Fair trade and ethics
(1) Compliance with laws and prevention and early discovery of misconduct
(2) Prohibit the abuse of superior bargaining positions

5. Quality
(1) Quality management
(2) Quality claims

6. Information security
(1) Defense against threats to computer networks
(2) Authentication

7. Social contributions
(1) Contributions to the community and society

8. Supplier management
(1) Expand deployment to the company's suppliers

Initiating Stakeholder Dialogues

Stakeholder Dialogues have been conducted since 2004. In fiscal 2011, discussions were held specifically on social contribution, one of the three key perspectives of a new environmental vision, "TOTO GREEN CHALLENGE." People from diverse backgrounds, including general customers, NPOs and corporate environmental departments attended the talks to exchange ideas at group discussions. The most valuable ideas and proposals will be reflected in future activities as a means to realize the goals of "TOTO GREEN CHALLENGE."



Stakeholder Dialogue

IR Activities Providing the Latest Information Based on Transparency and Fairness

TOTO works hard to promote communication with institutional and individual shareholders and investors in Japan and overseas based on our investor relations (IR) policy geared toward transparency and fairness. One section of the TOTO website is dedicated to introducing business sites in Japan and overseas, beginning with the timely disclosure of information.



Meeting with overseas investors



IR section of the TOTO Group website
http://www.toto.co.jp/company/ir_en/

Coexistence with the Local Community

The TOTO Group carries out a variety of social contribution activities with the aims of helping to build a better society and coexisting harmoniously with society.

With the Local Community

The TOTO Group holds summer festivals at its factories throughout Japan every year to express its gratitude to local citizens for their patronage. Employees plan and run events and outdoor stalls, which helps to communicate with the community. In addition, we started Remodeling Fairs at factories in 2009 to promote the distinctive nature of TOTO manufacturing to local people.



TOTO summer festival

For Life and Culture

TOTO GALLERY·MA

TOTO GALLERY·MA, which is located in Minami Aoyama in Tokyo, specializes in exhibitions mainly on architecture and design. Since opening in 1985, the gallery has sought to consistently transmit information of the highest quality, conveying the ideas and philosophies of architects and designers from around the world. Seeking to help broaden the circle of support and activities for recovery from the Great East Japan Earthquake, the gallery held an exhibition entitled "311: LOST HOMES" and a related symposium.


"311: LOST HOMES" exhibition ©Nacása & Partners Inc.

TOTO Publishing

Since its inception in 1989, TOTO Publishing has been publishing books made from a unique perspective and covering diverse topics such as architecture, design and lifestyle culture. In 2011, TOTO Publishing published the *TOTO Kenchiku Sosho* (TOTO Architecture Library) series, which archives diverse ideas and knowledge shared in the basic aspects of architecture. More than 320 internationally acclaimed books have been published with over 2.45 million copies printed.



Main publications in fiscal 2011

TOTO History Museum

The TOTO History Museum within the Company's headquarters premises displays sanitary ware from the Taisho to Showa eras, products used in the national parliament building, as well as the original Washlet and eating utensils. To date, a total of 50,000 people from around the world have visited the museum. Sanitary ware and eating utensils belonging to the museum were approved as part of the Heritage of Industrial Modernization stipulated by the Ministry of Economy, Trade and Industry in 2009.



Arts and Sports Promotion

TOTO Kitakyushu International Music Festival

TOTO sponsors this music festival aimed at creating a city filled with culture in Kitakyushu, the home of TOTO headquarters. TOTO has provided special support for this festival since the inaugural event in 1988. The festival, which again attracted top artists from Japan and internationally, provides the opportunity for many people to enjoy music.



TOTO Athletics Club

The Club was inaugurated in 1986 and its members have taken part in various championships while continuing everyday training. They also provide coaching to children at nearby schools and teach the children about the joy of running.



Social Welfare

Volunteer and Fundraising Activities

Employees utilize a volunteer leave system to participate in activities such as supporting people with disabilities and mentoring youth. To support reconstruction in the areas devastated by the Great East Japan Earthquake, in 2011 TOTO Group employees and management cooperated in volunteer and fundraising activities.



Third-Party Comment on this Report

Last fiscal year, TOTO steadily implemented activities under "TOTO V-Plan 2017" and took a step closer to realizing this long-term vision despite being impacted by the Great East Japan Earthquake.

General awareness regarding environmental and social factors continues to rise, and companies are required to devise forward-looking strategies that incorporate social contribution programs. That means including ideas on how to create social value in addition to corporate value at the strategy level in each company.

TOTO's business is closely related to the environment and the current "TOTO GREEN CHALLENGE" represents the desired future stance of the Company. TOTO's three business domains under TOTO V-Plan 2017 are working to achieve the objectives of this challenge. However, the connection between TOTO GREEN CHALLENGE and TOTO V-Plan 2017 remains unclear and needs to be clarified. In addition, TOTO's three missions embody the future vision of the Company. I recommend integrating these missions into a sustainability strategy, which should be positioned as the fundamental management policy that the TOTO V-Plan 2017 long-term management plan is striving to achieve. For instance, it would be easier to grasp if you think of these three definitive domains as pillars within TOTO's business, namely "water," "hygienic and comfortable lifestyles" and "bonds with stakeholders."

In order to realize a more sustainability-oriented stance, each of the three business domains under TOTO V-Plan 2017 should report on operational developments and results. This will provide shareholders with a deeper insight into TOTO's efforts toward sustainability. Rather than merely disclosing the results of business activities in a general manner, shareholder interest will increase with proactive reporting that focuses on key businesses and projects and conveys a clear message. Although that means less space for Environment, Society, Governance (ESG) activities, this information can be disclosed on TOTO's website or through other mediums. In this report, it would be better to narrow down what TOTO wants to say in order to clarify its message and intent.

Also, since TOTO is aiming to be a "truly global company," concerted efforts should be made to report on target regions based on a global awareness and the results of businesses being undertaken in each of these regions. Water conservation is a serious issue facing not only Japan but the entire world, and this represents one pillar of TOTO's business. On the other hand, TOTO must also take into account inherent risks in fast-growing emerging economies. Recently, there have been concerns over adequate response to social issues in the supply chain. TOTO should emphasize external communications while ensuring a proper response throughout the supply chain.

In terms of addressing global issues, TOTO's newly initiated project of "converting water-saving effects into carbon credits" has been critically acclaimed. By actively taking part in an international mechanism, TOTO also receives high points for stakeholder engagement. I expect TOTO to take a lead role in discussions related to water conservation going forward and to communicate ideas on a global level.



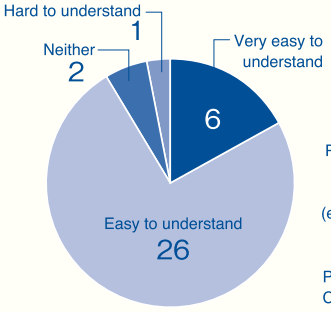
Mizue Unno
Managing Director
So-Tech Consulting Inc.

So-Tech Consulting Inc. provides comprehensive consulting services on management in the fields of the environment and CSR. The company uses its unique analytical capabilities to provide practical guidance on CSR-related management based on the fundamental idea that a company's set of values forms the foundation of CSR and raises corporate value.

Opinions and Comments from Questionnaire of *TOTO CORPORATE REPORT 2011*

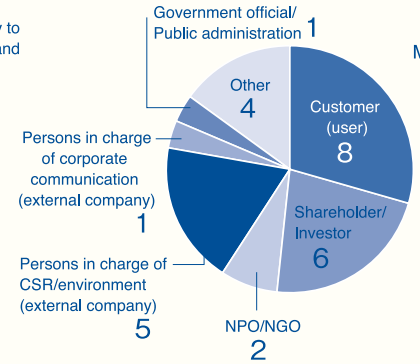
35 responses as of April 2012

●Overall comments about the report



●From what standpoint did you read this report

(multiple answers allowed)



●Topics of interest

(Top ranking, multiple answers allowed)





Restrooms are the facilities that use the most water in schools, houses and offices. The latest Neorest Hybrid Series model incorporating the Washlet* that was launched in Japan in February 2012 uses less than or equal to 4.8 liters per flush, the lowest water consumption of any toilets in the industry. The use by more people of the Neorest Hybrid Series incorporating the Washlet will lead to increased water savings as well as reduced CO_2 emissions in society because large amounts of energy are required for treating water at filtration plants and sewage treatment plants. TOTO is contributing to the creation of a sustainable society by providing products that combine comfort and environmental friendliness for such areas as restrooms, washbasins, bathrooms and kitchens.

* Washlet is a TOTO registered trademark.

TOTO LTD.
1-1, Nakashima 2-chome, Kokurakita-ku,
Kitakyushu, Fukuoka, Japan
http://www.toto.co.jp/en/

Published in June 2012 (next publication: June 2013) No. 1190