

TOTO



Life Anew

TOTO GROUP

Integrated Report

2022

Philosophy System for TOTO Group Management

The Spirit of TOTO Unchanging for 100

Words of Our Founder

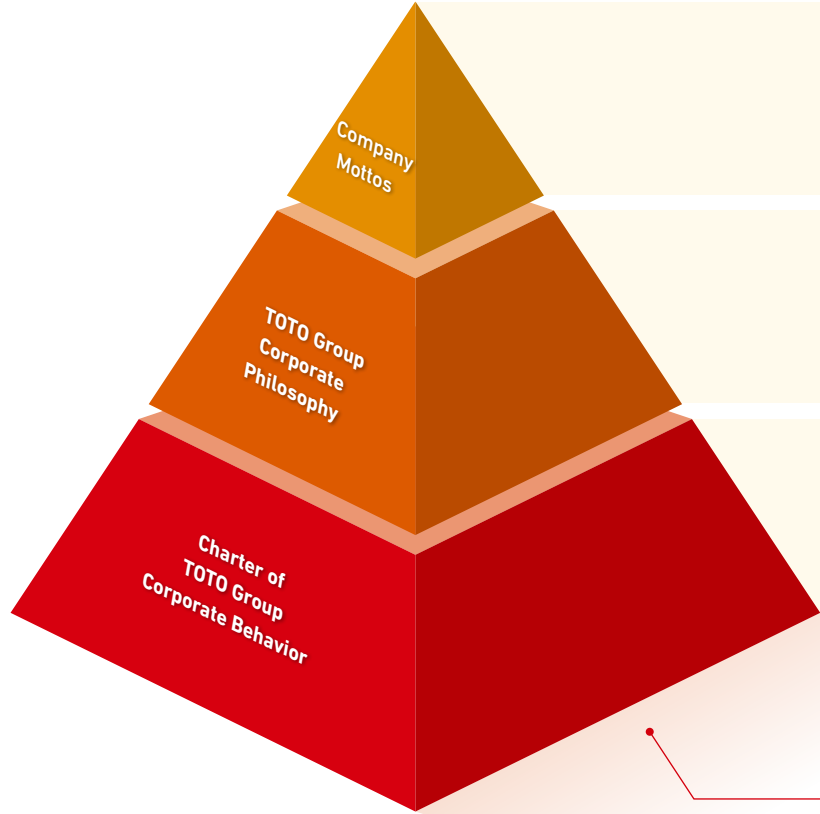
Kindness must always come first.
 Bring the concept of service to your work.
 Your goal should be to provide good products and satisfy the customer.
 Accomplish that, and profit and compensation will follow.
 Many in this world chase after the shadow of profit.
 But, in the end, they never capture the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

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

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

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

Philosophy System for TOTO Group Management



Common Group Philosophy

The Common Group Philosophy represents the inherited values of TOTO that are shared among employees and will be carried forward into the future.

Vision

Toward a Dynamic, Vibrant and Excellent TOTO

Mission

TOTO

Life Anew



Mid- or Long-Term Management Plan

New Shared Value Creation Strategy TOTO WILL2030

Years

Company Mottos

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

Company Mottos



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

TOTO Group Corporate Philosophy

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

Charter of TOTO Group Corporate Behavior

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



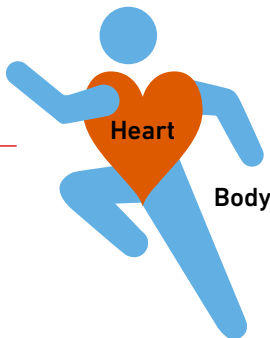
Details are published on the TOTO Group website.
<https://jp.toto.com/en/company/profile/philosophy/group/>

TOTO Group Corporate Philosophy

The TOTO Group strives to be a great company trusted by people all around the world, and contributing to the betterment of society.

To achieve our Corporate Philosophy, TOTO will:

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



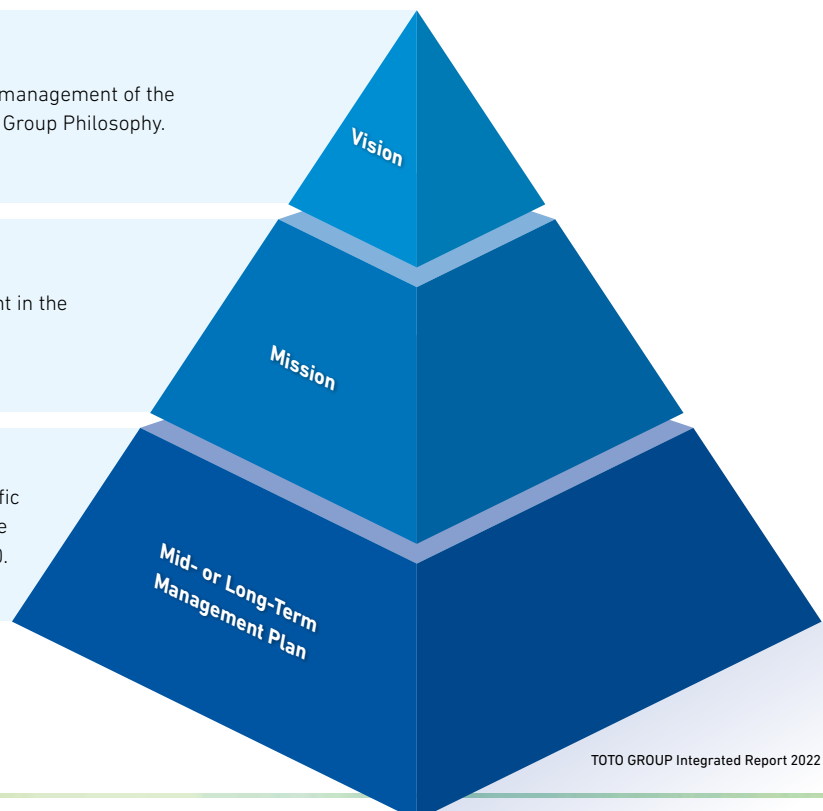
Vision for Business Activities

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

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

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

Lays out the ideal state of the TOTO Group and specific goals for implementing the plan. We will promote the New Shared Value Creation Strategy TOTO WILL2030.



About the TOTO Group

(Fiscal 2021)

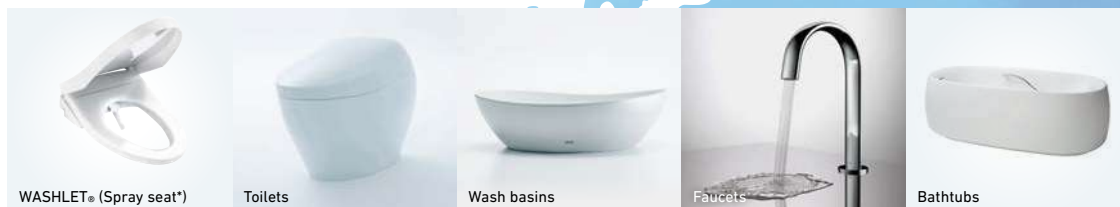
Business Segments

Global Housing Equipment Business (Japan and Overseas)

Main Products—Japan



Main Products—Overseas

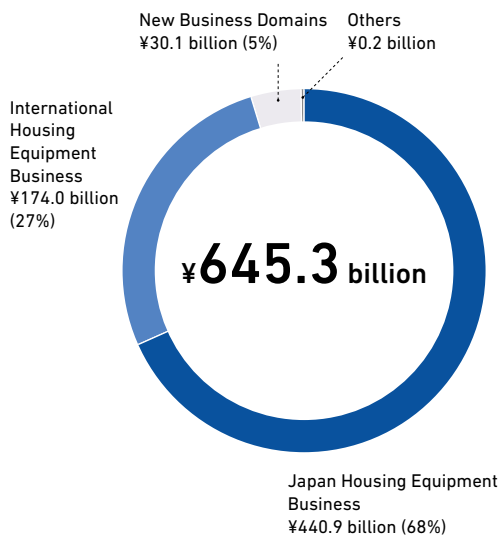


* "Spray seat" is a generic name for an ordinary toilet seat equipped with a warm water-washing function.
 * WASHLET and "WASHLET logo" are registered trademarks of TOTO LTD.

New Business Domains



Net sales (percentage)



Operating profit **¥52.2 billion**

Operating margin **8.1%**

Profit attributable to owners of parent **¥40.1 billion**

ROA (Operating profit base) **8.1%**

ROE (Net profit base) **10.4%**

Number of production sites
 (As of March 2022)

Japan

46 sites

Overseas

39 sites in **17** countries and regions

Number of showrooms
 (As of March 2022)

Japan

98

Overseas

12

(Directly managed showrooms and technical centers)

Number of consolidated employees*1
 (As of March 2022)

36,853

*1 Includes contract employees and temporary employees

Total CO₂ emissions from business sites

352 thousand tons

Percentage of female managers
 (Japan)

16%

Reduction in CO₂ emissions due to implemented measures

10 thousand tons

Employee satisfaction
 (Japan)

75 pt

Reduction in CO₂ emissions during product use*3

3.35 million tons

Employee turnover rate due to life events*2

1.4%

(Japan)

Reduction in water consumption during product use*3

1.0 billion m³

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

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

Editorial Policy

The TOTO Group Integrated Report 2022 has been published as an integrated communication tool for all our stakeholders. This report introduces information such as the origins of the TOTO Group and business activity topics in addition to financial and environmental, social, and governance (ESG) data. In addition, it communicates TOTO's corporate stance to remain committed to linking its past and present performance with its initiatives designed to further enhance corporate value for the future.

Period of Reporting

Fiscal 2021 (April 1, 2021 to March 31, 2022)

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

Scope of Reporting

TOTO LTD. and Group companies

Statement of Results

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

Guidelines

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



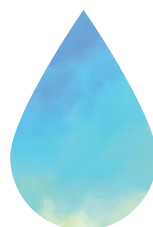
Reference guidelines are available on the TOTO Group website.
<https://jp.toto.com/en/company/csr/gri>

Financial and Non-Financial Data

Financial and non-financial data can be found at the end of this report and published as a separate document on the TOTO Group website.



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



PICK UP



For the Next 100 Years

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



Message from the President

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



New Shared Value Creation Strategy TOTO WILL2030

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



TOTO Global Environmental Vision

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



Corporate Governance

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

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Striving to Realize a Sustainable Society

As We Have Been, As We Will Be

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

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

We will work to ensure this vision gets passed along to future generations by delivering safe and reliable TOTO-brand products and services to customers around the world. In doing so, we will “create an enriched and more comfortable lifestyle and culture built on our plumbing products.”

This is a key facet of the TOTO Group Corporate Philosophy.





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

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



“Kindness Must Always Come First.”

Employees Will Unite in Their Efforts to Open the Way for a Bright Future for Our Customers and Society

TOTO Group’s Purpose Is to Put Our Corporate Philosophy into Practice

Two years have passed since I became president. At the time of my appointment, I experienced the unprecedented circumstances of the COVID-19 pandemic. I began during a period where we could not even predict results for the next month, let alone create a plan for the fiscal year. My thoughts at the time were that, even though sales and profit are falling in the short term, if TOTO employees and their families are safe and healthy then performance can definitely make a recovery. The key to growth in the medium to long term is TOTO’s human resources. Accordingly, I prioritized the safety of all Group employees.

Furthermore, there have been drastic changes to social values due to the spread of COVID-19. It was a significant year where, amid these changes, I was able to review what kind of lifestyle is necessary for our customers and society going forward and deeply consider the TOTO Group’s purpose.

As a result, I discovered that the answer was simple. The TOTO Group’s purpose is to put our Corporate Philosophy into practice. Despite the difficulty of my first year as president, all Group employees thought about our customers and their colleagues and aided one another in various ways. I realized that when issues arose, all employees worked in unison without instructions from the top. In other words, the TOTO Group is an organization that steadfastly shares our Corporate Philosophy and employees can act on their own initiative. The frontline capability of working with colleagues and taking the optimal action regarding various real-life issues on the front line has been further reinforced during the pandemic. We are currently in an era where the unimaginable can feasibly occur. I am confident that the Group is able to respond to any issue, no matter when it occurs, with all employees working together as one.



Noriaki Kiyota

President, Representative Director

The Words of Our Founder, Passed Down to Each President

TOTO's first president, Kazuchika Okura, wrote a letter to his successor, Saburo Momoki. The words contained in that letter have been treasured by the TOTO Group ever since as the Words of Our Founder. These words express the idea that "kindness must always come first" and state that our goal should be to provide good products and satisfy the customer and, by accomplishing that, profit and compensation will follow. The Words of Our Founder have been cherished by each president before me and passed down to the next generation. Every Group employee knows these words. I reflect on my actions as president with the awareness that Group employees are always watching to see whether they are based on this letter.

Based on the Words of Our Founder, we formulated the Company Mottos in 1962 as a foundation for our corporate activities in the future. To ensure that these words can be shared more easily throughout the TOTO Group and are appropriate for the times, we formulated the TOTO Group Corporate Philosophy and Charter of TOTO Group Corporate Behavior. Additionally, we established the Philosophy System for TOTO Group Management in 2004.

While I believe there are various methods for educating employees about the Corporate Philosophy, I learned by watching senior coworkers, whose actions were always based on the Philosophy. Obviously, education regarding the Philosophy, such as employee training, is important, but it also spreads among each employee through their experience during daily business activities and the actions of superiors, senior coworkers, and colleagues. This is not merely a concept of knowing the Philosophy, but rather a corporate culture where taking such actions has become the norm.

Record-High Results in Fiscal 2021

Fiscal 2021, the second year of my term as president, was not smooth sailing. Many of our costs increased following rising raw materials costs due to the continued impact of COVID-19. Additionally, we were forced to restrict orders of our products since the supply chain was partially interrupted and were unable to procure components due to the unexpected situation caused by a combination of restrictions to supply activities during the pandemic and many natural disasters.

However, this was not limited to negative factors. The pandemic also caused a significant shift in customer awareness. This shift has enabled us to place even more importance on the hygiene and cleanliness that the TOTO Group has continued to refine. One example of a tailwind for the Group was the development of Touchless Faucets, as they save water and have produced the new value of "contactless." Another boost for the Company was the growing number of people wishing to renovate their properties to make lifestyles more comfortable as the time they spend at home increases. This increase is due to such factors as the increased acceptance of remote working.

Amid this business environment, we achieved record-high results in fiscal 2021 due to the hard work of all Group employees. Naturally, there is a sense of fulfillment. However, more than this sense of fulfillment I feel that, as a manufacturer, we have caused inconvenience to our customers in terms of delivery times due to a shortage in supply. I believe that fiscal 2022 will also bring various changes. To achieve further growth, we must respond to these changes and resolve each medium- to long-term issue one by one.



Foresight and Preparation Necessary for Increasing Sense of Speed

What is most important in my third year as president is speed. Upon entering fiscal 2022, there have already been various changes to the social environment, including the COVID-19 pandemic, worsening global division, and global warming due to climate change. In 2030, we are aiming to thoroughly embody the Corporate Philosophy. Namely, provide products that can achieve clean, comfortable, and healthy lifestyles and contribute to society and the global environment. While we hope to close in on this goal, the reality is that the social environment is changing. In the past two years, I felt that our capacity to respond to these changes has increased. However, going forward, I believe that we must expand the area that we engage in and increase the speed of response to these changes to embody our Philosophy.

Accordingly, it is vital to make predictions and preparations for what will come in the future, even if only a little. The sense of speed will change completely even if we only make predictions on what kind of issue will occur, decide what kind of response we need to take if it does occur, and make preparations. My job is to steer the Company as a whole. I also believe it is important for each individual employee to put this into practice in their own regions, divisions, and workplaces. Since the capacity of the entire Company consists of each individual's capability, it is vital to refine these individual capabilities. If each individual employee just thinks a little further ahead, taking a step toward society and our customers, everything will change completely.

A Philosophy That Must Not Change—Kindness Must Always Come First

The Words of Our Founder, those written in the letter sent from TOTO's first president to his successor, begin with the phrase "kindness must always come first." Kindness and honesty are universal values. While we are happy that people think of our good quality products and superior technology when they hear the name TOTO, we are even happier when they think of TOTO as a kind and honest company that thinks of their customers. Furthermore, the Words of Our Founder asserts that "Many in this world chase after the shadow of profit. But, in the end, they never capture the real thing." In the spirit of this

letter, I decided when the pandemic began that our profit would somehow recover if TOTO employees and their families were safe and healthy. Carrying out business under the precedent of TOTO's uniqueness, kindness, honesty, and customer-oriented nature should enable us to resolve various issues. If we continue to face social issues with honesty and carefully engage in environmental issues, profit will definitely follow. This is something that must not change.

When encountering hard times or hitting a wall, colleagues are always there to help. They do so because everything is customer oriented and all employees engage in their work with kindness and honesty. Even if they are in different divisions, TOTO Group colleagues are connected through this focus on being customer oriented. It is therefore only natural that they help one another. The Words of Our Founder—provide good products and satisfy the customer—have naturally become ingrained in every employee.

Looking to the Long Term—New Shared Value Creation Strategy TOTO WILL2030

The Common Group Philosophy is something that, as the “heart” of TOTO, we must continue carrying forward into the future, forever. Meanwhile, we must change the way our “body” (business activities) moves regarding various changes. These are strategies, such as the mid-term management plan, that have been created to cover a three- to five-year period in an extremely in-depth manner. However, these strategies are undermined by a series of events. When this occurs, the in-depth plans lose their meaning. We are changing our approach to one of showing long-term targets instead of short-term ones and backcasting from there to resolve any issues that appear. Accordingly, we formulated the New Shared Value Creation Strategy TOTO WILL2030 (hereinafter, WILL2030) in April 2021.

The TOTO Group will achieve economic growth while helping resolve social and environmental issues by realizing a carbon-neutral and sustainable society by 2050 and aiming to provide comfortable and healthy lifestyles to all. For this reason, the key material issues (materiality) we must thoroughly address to embody our Corporate Philosophy are Cleanliness and Comfort, Environment, and Relationships. We will also contribute to the United Nations (UN) Sustainable Development Goals (SDGs) through these activities.

Shifting from “Issues We Must Address” to “Issues We Want to Address”

The material issues of Cleanliness and Comfort, Environment, and Relationships are ones that all TOTO Group employees must address. I believe it is my mission to shift these from “issues we must address” to “issues we want to address.” If all employees feel that these are issues that they want to address, the amount of motivation and energy each individual has will no doubt increase. If that occurs, the energy of our roughly 37,000 TOTO Group employees will be extremely high and the speed at which we can resolve social issues will further increase.



Acknowledgment is vital for human needs (motivation for actions). People feel a sense of fulfillment when receiving praise, such as being complimented or being thanked. Being thanked by customers, being complimented by colleagues, or receiving praise from society—this is what drives people. Since we are manufacturers with a close connection to people's everyday lives, we are in the position of having many opportunities for such situations. When something you have worked hard on is acknowledged, it generates the feeling of wanting to address another issue.

I hope to shift the Group's overall mindset from "must address" to "want to address."

Dialogue with Our Important Employees

From December 2020, we began to hold online dialogues with employees with the purpose of refining individual capabilities. Following this, we held dialogues 49 times with 289 employees on various topics (as of June 2022). During these dialogues, I frequently tell employees that it is pointless to just think about an action in their head, they must take action. There does not need to be a single solution to taking a step toward society and our customers. The diversification of customers means that there are various good solutions. There are successes and failures as a result, but both of these become experience and lead to future growth. Therefore, I tell them to take action without being afraid. It is my responsibility to create opportunities for employees to get off the ground.

As a result of holding these dialogues, I feel there were many cases where employees took action before I requested it of them. The actions taken in fiscal 2021 were definitely faster than those taken in fiscal 2020, my first year as president. I hope to create a group where it is a matter of course that each employee considers society and our customers and takes concrete action.

The Various Hidden Possibilities of Digitalization

The TOTO Group has become a closer part of customers' lives and created an enriched and more comfortable lifestyle and culture mainly built on our hardware-centered technologies. When this is connected to the digitalized world, it is now possible to control the bathtub from outside the house, automatically clean the bath, close the drain stopper, and have warm water in the bath by the time you arrive home. By combining digitalization with our products that have been refined for hygiene and cleanliness, new values are expanding and it will become possible to do many things unrestricted by time or place. I am proud of the comfortable lifestyle and culture we have created up to now that provide customers with new value. I hope we can increasingly expand value by utilizing digitalization.

We will do the same to business processes and promote the shift to smart factories. We can greatly reduce the number of prototypes in the area of development by using various simulation technologies to carry out fluid analysis of water and reflecting this in the design. This will overwhelmingly increase development speed and effectiveness. Additionally, by transferring this 3D data to production sites, it will be difficult for mistakes to occur. A large amount of data is also accumulated within sites. If we utilize artificial intelligence (AI) to effectively use and analyze this data, we can establish conditions for good quality products. Furthermore, by utilizing robots, operations carried out by humans will become easier. In these ways, I believe we can increase our efficiency.

What is most important when promoting digitalization are the people responsible. First, we will raise the IT and digital transformation (DX) literacy levels of all employees. Just by raising literacy levels and utilizing diverse tools, operational speed will increase significantly. We will also increase the number of specialized human resources that can handle this data. We will further reinforce initiatives to collect and analyze data from various workplaces, such as manufacturing, sales, and development, even more quickly and accurately by using the shortest methods possible and reflecting this data in manufacturing, sales, and development.

Reinforce Governance with an Awareness of “Defensive” and “Offensive” Aspects

For the purpose of change, TOTO became a Company with an Audit & Supervisory Committee as part of efforts to reinforce governance, with the goal of strengthening the supervisory and audit functions of the Board of Directors and improving the speed and efficiency of business execution. The ultimate role of governance is to maximize corporate value. While it is necessary to fortify defensive aspects, we must also further reinforce the offensive aspects. In this sense, I hope that TOTO's Outside Directors will support the executive branch with risk taking in addition to the obvious defensive aspects.

I have listened to the opinions of all TOTO's Outside Directors, who have a wealth of experience, and will reflect them in our management.



Showing Gratitude to All of TOTO's Stakeholders and Working Together to Enhance Value

The TOTO Group's business activities are made possible thanks to the support and cooperation of all our stakeholders. First, our starting point is that we ourselves must be sincere in our approach. To further improve our relationships, we must enhance the value of each of TOTO's stakeholders. Without that, we cannot develop our relationships with all them.

We aim to further increase customer satisfaction by continuing to provide them with an enriched and more comfortable lifestyle and culture. Further increasing opportunities for dialogues while ensuring returns, such as dividends, for all our shareholders and further deepening dialogues while providing not only financial information but also non-financial information will increase understanding and enhance our relationships of trust. For our business partners, I hope to create a more stable partnership, promote new collaborations, and coexist and prosper together, not to mention conducting appropriate business with them. Additionally, the understanding of people in local communities enables us to perform business activities in a stable manner and we will carry out various initiatives in each region to build even better relationships.

Above all else, employees are the most important. Our human resources are an asset in achieving sustainable growth of the TOTO Group. While creating an organization where employees can freely make mistakes, we will ensure the creation of a work environment where people of all generations can be active. We aim to be a company where all employees can safely take on challenges and work in a lively manner. I hope to develop a framework and increase the depth of our activities while being aware of how we can enhance the TOTO Group's corporate value.

My mission is to show gratitude to all our stakeholders, work together to enhance value, and develop a better relationship.

Our employees will unite in their efforts to open the way for a bright future for our customers and society.

Noriaki Kiyota

President,
Representative Director

TOTO Group Value Creation Model

The TOTO Group conducts corporate activities with the aim of continuing to provide greater contributions to society and the environment. To achieve this goal, we are taking steps toward integrating our management and CSR activities. We are also working to create value for our stakeholders while leveraging our strengths and, as we continue to create value through our value chain, we will spread this value throughout society at large by way of our social contribution activities.

Capital Input

(Results from fiscal 2021)

Financial capital

Optimal management resources

Net assets	¥413.4 billion
Total assets	¥641.0 billion
Equity ratio	63.2%

Intellectual capital

R&D toward TOTO "Only One" technologies

R&D costs	¥24.0 billion
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Manufactured capital

Global expansion of production sites

Japan: 20 sites Overseas: 27 sites

Human capital

Diverse human resources sharing our Corporate Philosophy

Number of consolidated employees	36,853
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Social / relationship capital

Relationships of trust with stakeholders cultivated through our rich history

Natural capital

Resources with care for a sustainable society

Quantity of energy consumption	1,350 GWh
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Amount of raw materials used	649 thousand tons
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- Global Housing Equipment Business
- New Business Domains



Strength 1 Advanced fusion of design and technology



Value Chain

R&D

Procurement to Production

Digital Innovation

Strength 2 Creating value through independently developed technologies



EWATER+

RIMLESS TORNADO FLUSH

CEFIONTECT

Strength 3 Advanced production technology and global supply system



Strength 5 Relationships with stakeholders

Corporate Governance

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

Outputs



Providing high-quality products and services



Communication



Showroom proposals



Products (sustainable products) sales channels



Quality in assembly



After-sales services



Logistics to Sales



TOTO Water Environment Fund



Volunteer activities



TOTO GALLERY-MA



TOTO Museum

Cleanliness and Comfort



Environment



Relationships



New Value Creation

(Results from fiscal 2021)

Social Value

Environmental Value

KPIs

Percentage of sustainable products **70%**
(Japan: 75%, Overseas: 59%)

Reduction in water consumption during product use **1.0 billion m³**

Total CO₂ emissions from business sites **352 thousand tons**

Stakeholder satisfaction
Employee satisfaction (Japan) **75 pt**
Showroom satisfaction (Japan) **75 pt**
Customer satisfaction in after-sales service **93 pt**

Value Provided to Stakeholders

Customers
Offer lifestyles that go beyond expectations
> Details on page 65

Employees
Work lively and utilize individuality
> Details on page 67

Business partners
Coexist and grow together while contributing to society and the environment
> Details on page 68

Society
Realize a sustainable society
> Details on page 69

Economic Value

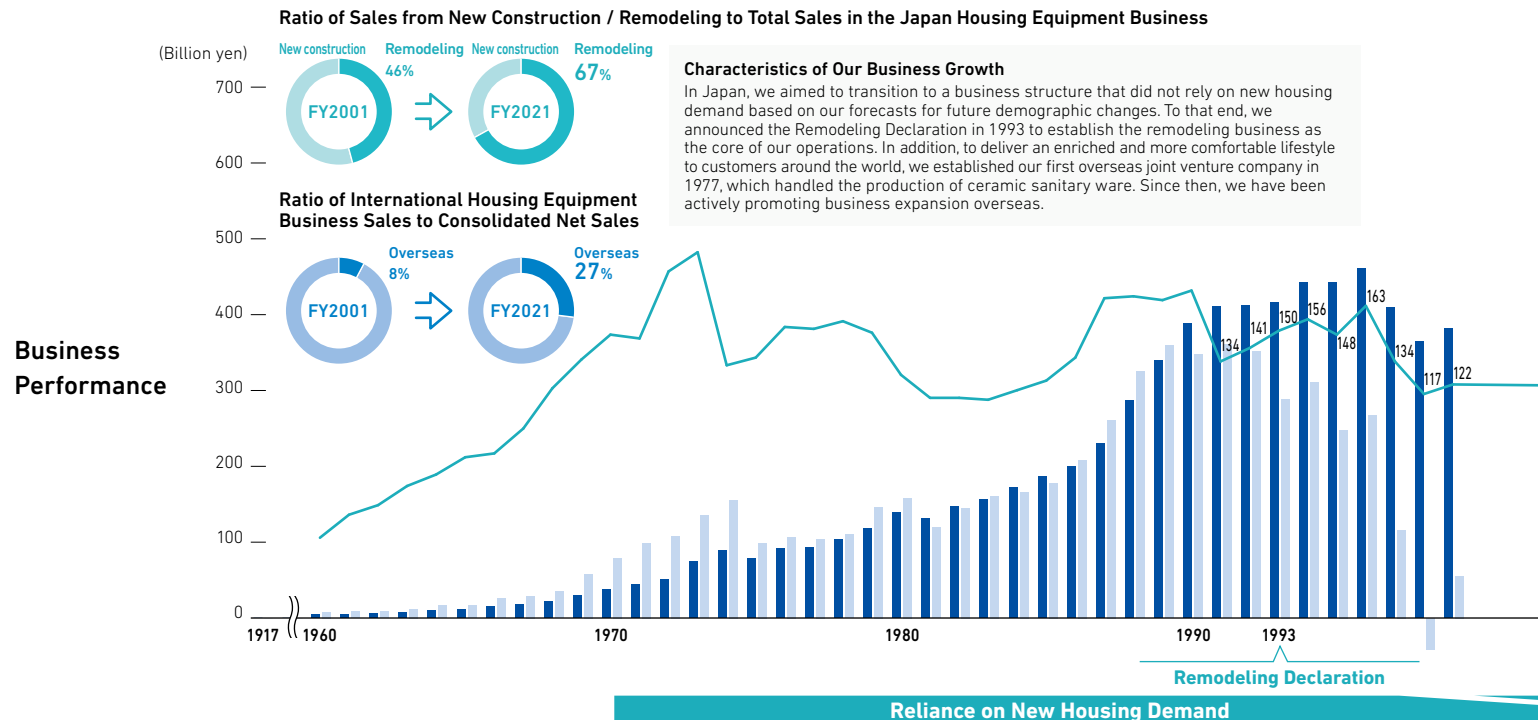
Net sales **¥645.3 billion**
Operating margin **8.1%**
International sales ratio (housing equipment business) **27%**

Shareholders
Earn trust and provide returns over the long term
Dividends per share **¥95.0**

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

TOTO Group Value Creation History

	1970s	1980s	1990s
Company History	1917 Established Toyo Toki Company, Limited 1962 Formulated Company Mottos	1970 Changed corporate name to TOTO KIKI LTD. 1977 Established TOTO's first overseas joint venture company for ceramic sanitary ware production, in Indonesia	1993 Remodeling Declaration
	1914 Successfully developed Japan's first seated flush toilet 1946 Began faucet production 1963 Developed Japan's first prefabricated bathroom module (based on JIS provisions) 1968 Launched bathroom vanity units	1976 Launched CS Series water-saving, noise-reducing toilet	1980 Launched WASHLET® 1981 Launched modular kitchen design 1985 Launched the Shampoo Dresser (bathroom vanity suited for washing hair) 1988 Started mass production of electrostatic chucks in the ceramics business



Business Promotion Resources

Cultural Support and Other Activities	1985	1989	Diversity	1993
	Opened GALLERY-MA	Founded TOTO Publishing		Established SUNAQUA TOTO LTD. to provide a comfortable work environment for people with disabilities

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

For the Next 100 Years

2000s

2002
Entered into operational agreement between TOTO, DAIKEN, and YKK AP

2003
New Remodeling Declaration

2004
Established the Philosophy System for TOTO Group Management

2001
Launched Furopia system bathroom with quick-drying KARARI floor

2002
Launched NEOREST EX Series with built-in TORNADO FLUSH



2010s

2006
Established TOTO Universal Design Research Center

2007
Changed corporate name to TOTO LTD.

2009
Announced TOTO V-Plan 2017

2010
Launched AIR-IN SHOWER showerhead

2011
Launched WASHLET[®] apricot with EWATER+ electrolyzed water (containing hypochlorous acid)



2010
Launched NEOREST NX globally

2011
Launched the Faucet 10 Series of water faucets, distinguished by their sophisticated designs, to the global market

2012
Launched Drake II 1G water-saving toilet in the United States

2013
Launched Bedside Flushable Toilet

2010
Announced TOTO Environmental Vision 2017

2014
Announced TOTO Global Environmental Vision

2017
Established new company mission

2018
Announced TOTO WILL2022 Mid-Term Management Plan

2018
Determined new materiality

2018
Remodeling "Anshin" Declaration

2017
Launched NEOREST NX globally

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

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

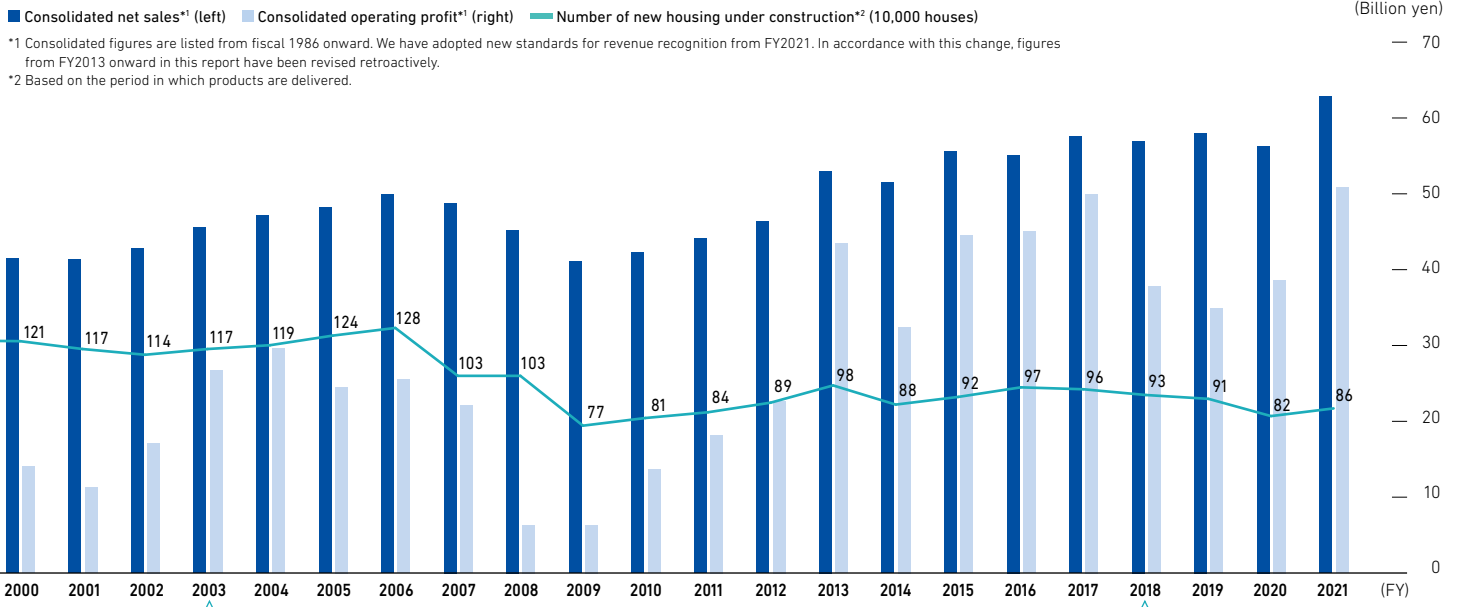
2020s

2021
Announced New Shared Value Creation Strategy TOTO WILL2030

2021
Launched Touchless Faucets globally unified model



2022
Launched NEOREST globally unified model (NX / LS / AS / RS)



*1 Consolidated figures are listed from fiscal 1986 onward. We have adopted new standards for revenue recognition from FY2021. In accordance with this change, figures from FY2013 onward in this report have been revised retroactively.
*2 Based on the period in which products are delivered.

Shift toward Remodeling Business

	2005 Established the <i>Kirameki</i> Promotion Office to further women's careers	2015 Established GALLERY TOTO at Narita International Airport Opened TOTO Museum	2019 Established experience TOTO at Narita International Airport
CSR Activities	2004 Established the CSR Committee	2011 Participated in the UN Global Compact	2018 Obtained Platinum Kurumin accreditation from the Ministry of Health, Labour and Welfare as a company that supports child-rearing
Social Contribution	2005 Established the TOTO Water Environment Fund	2006 Embarked on the TOTO Acorn Reforestation Project	2019 Announced endorsement of the Task Force on Climate-related Financial Disclosures
		2008 Established the TOTO Water Environment Fund in China	2021 Joined RE100 Acquired SBT certification

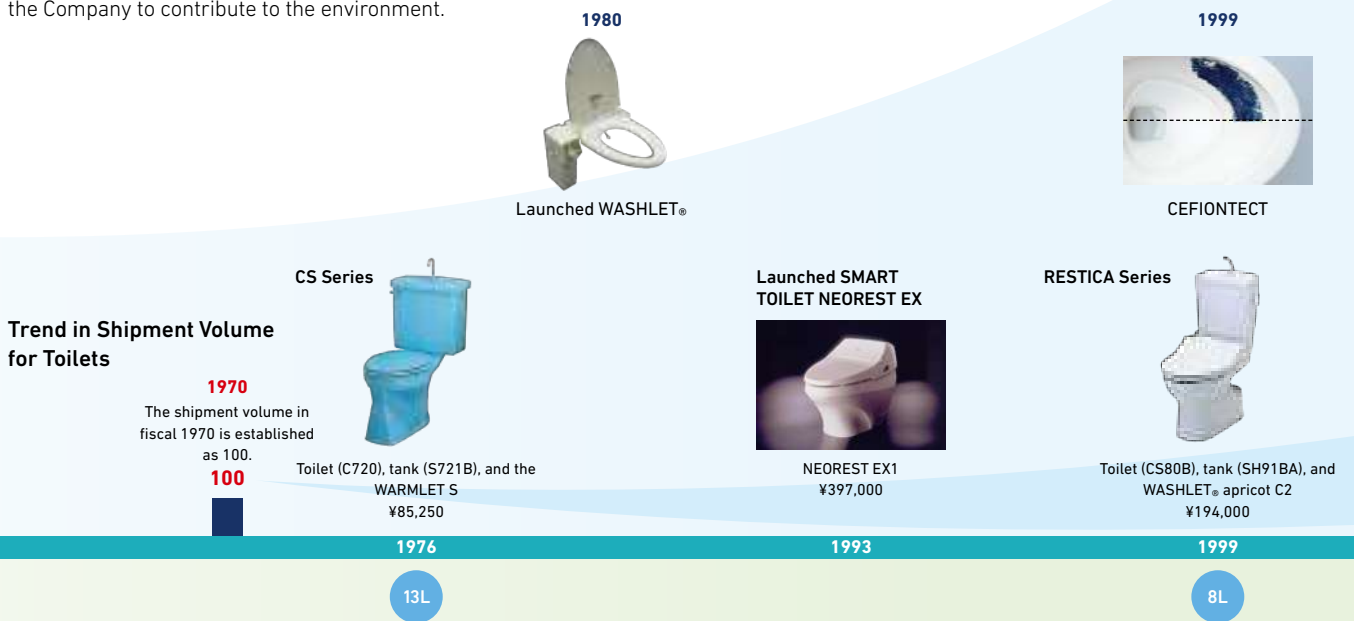
Initiatives and Business Opportunities for TOTO Group Value Creation

With the aim of creating enriched and comfortable lifestyles centered on bathroom and kitchen plumbing products, the TOTO Group creates value for its customers by improving the convenience of its products and enhancing their water-saving performance. Going forward, we will promote contributions to the environment by proposing products that are even more innovative and popularizing water-saving toilets.



Promotion of Proposals for Products and Remodeling That Are Clean, Comfortable, and Environmentally Friendly

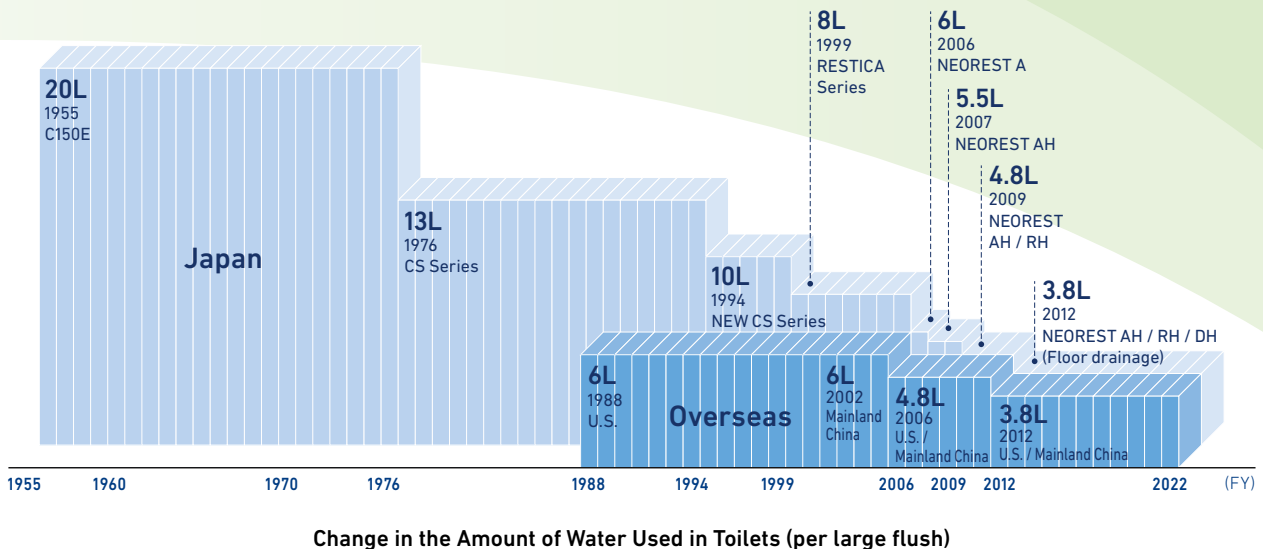
The 1970s were a time when the demand for squatting toilets was greater than that for seated toilets. In the over 50 years since, the shipment volume for seated toilets has grown significantly thanks to TOTO's efforts to propose toilets equipped with technologies to keep them clean and bring comfort while pursuing water savings that benefit the environment as well as WASHLET. However, since seated toilets that use a lot of water to flush have been around for a long time, they are still widely used. Therefore, promoting the remodeling of these older seated toilets to water-saving models is a business opportunity for TOTO and enables the Company to contribute to the environment.



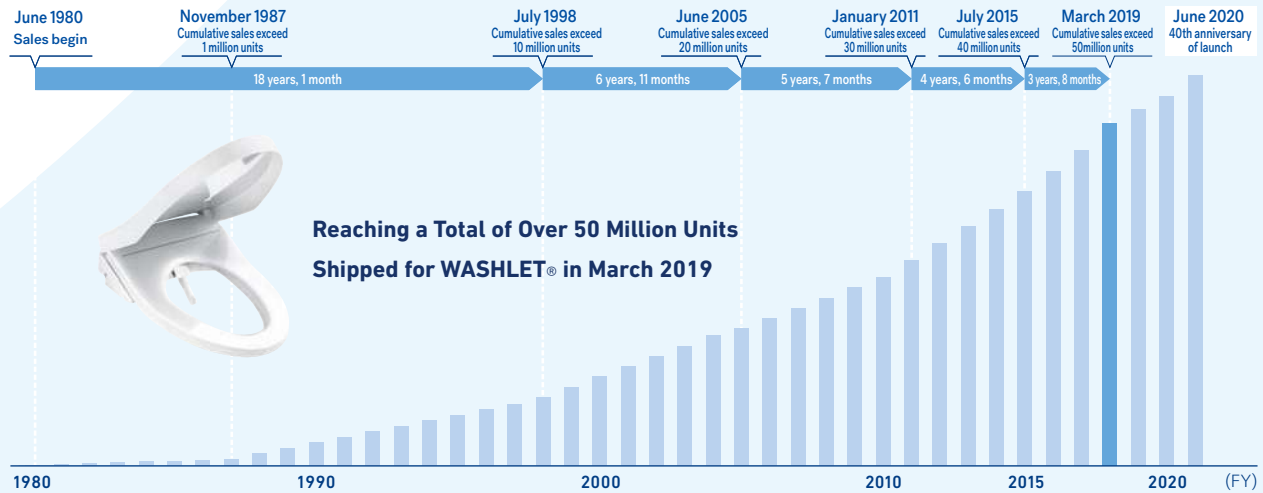
Pursuing Water-Saving Performance

Water-Saving Performance of Toilets

As a value provider for bathroom and kitchen plumbing products, we actively pursue water-saving performance. Today, we offer products that only require 3.8L of water per flush.



Trends in Cumulative WASHLET® Sales



RIMLESS model

TORNADO FLUSH



きれい除菌水

2020
Approx. 1,200

2011
EWATER+
clean nozzle

2012
EWATER+
clean toilet bowl

2015
EWATER+
odor removal

2022
EWATER+
clean toilet seat

Launched
NEOREST EX



NEOREST EX1
¥352,000

Launched
NEOREST Hybrid Series



NEOREST AH
¥335,000

Launched
NEOREST Hybrid Series AH / RH



NEOREST AH1
¥311,000



NEOREST RH1
¥311,000

Launched
NEOREST NX globally



NEOREST NX
¥570,000

2002

5.5L

4.8L

3.8L

Note: The prices shown are manufacturers' suggested retail prices (excluding tax) at the time of release.

Responding to Water-Saving Regulations on Toilets

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

Flush Water Volume Regulations in Each Country and Region*1

(As of April 2022)

EU: 6.0L or less

China: 5.0L or less*2

Saudi Arabia: 3.5L or less*2

Canada: 6.0L or less

United States: 6.0L or less
(Certain regions are 4.8L or less)

Mexico: 6.0L or less

Singapore: 4.0L or less

Brazil: 6.0L or less

Australia: 3.5L or less*2

*1 Regulation and standard values and representative values for water level

*2 Average values for large and small flushes based on calculation conditions for each country and region

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

Awareness of Opportunities and Risks

Opportunities and Risks

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

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

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

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

(1) Opportunities and Risks Related to Sustainability

We recognize climate change as an important issue facing society and are working from a long-term perspective to help achieve a carbon-neutral and sustainable society by 2050, based on the New Shared Value Creation Strategy TOTO WILL2030. At the same time, we are actively working to disclose information on these efforts.

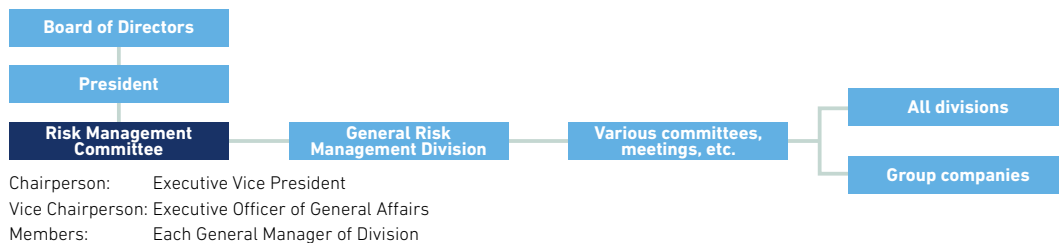
Also, the agenda for our CSR activities, which includes long-term efforts toward climate change, is deliberated and executed by the CSR Committee, chaired by the president. In addition, these activities are supervised by the Board of Directors.

(2) Opportunities and Risks Related to Business Continuity

As a risk management promotion system, the Risk Management Committee is chaired by the executive vice president, who serves under the supervision of the president. The committee comprises the executive officers overseeing major risks and division heads as its members. Every year, major risks that could have a significant impact on stakeholders are identified, and a general manager of the Risk Management Supervising Division is appointed for each risk in order to take preventive measures. Each major risk is mapped out on a matrix evaluating the degree of impact and frequency of occurrence from the viewpoints of damage to the brand, impact on personnel, and financial consequences in accordance with an assumption scenario. These risks are monitored by the Risk Management Committee, and risk mitigation activities are promoted throughout the entire Group.

Additionally, we view events occurring within the market environment and social climate that could support current or future business expansion as opportunities, and we work to capture these opportunities through promotion of the New Shared Value Creation Strategy TOTO WILL2030 as the Mid- or Long-Term Management Plan.

Risk Management Promotion System



Top Management Roles and Responsibilities

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

Risk Management Committee Roles and Responsibilities

Promotion of Risk Management

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

Major Opportunities and Risks

Factors for Major Opportunities and Risks		Details of Opportunities and Risks for the TOTO Group	The TOTO Group's Response	
Climate change and large-scale earthquakes	Risk	Risk to the continuity of business activities due to large-scale earthquakes, wind and water damage from abnormal weather, and fires	<ul style="list-style-type: none"> Implement risk examinations and risk simulations regarding large-scale earthquakes 	P.74
	Risk	Global risks such as climate change and water resource depletion, which have materialized	<ul style="list-style-type: none"> Respond to environmental issues by promoting the TOTO Global Environmental Vision Carry out long-term scenario analysis based on the TCFD and respond to risks and opportunities identified through the analysis accordingly 	P.63 P.33
	Opportunity	Increase in opportunities to contribute to the environment by offering water-saving products in regions with water shortages	<ul style="list-style-type: none"> Contribute to achieving a carbon-neutral and sustainable society by 2050 through the New Shared Value Creation Strategy TOTO WILL2030 	P.25
Raw material and component procurement	Risk	Inability to procure raw materials and components due to large-scale earthquakes and other natural disasters	<ul style="list-style-type: none"> Formulate business continuity plan (BCP) in consideration of the impact of large-scale disasters on the supply chain and bolster response capabilities Implement on-site inspections of major suppliers Strengthen global supply structure through Demand Chain Innovation Activities 	P.55
	Risk	Cost increases due to foreign exchange rate fluctuations, etc.		P.68, 99
	Risk	Accidents or bankruptcies occurring within the supply chain		P.55
	Opportunity	Expanded selection of suppliers due to the Group's global business expansion		
Tightening of laws, regulations, and systems	Risk	Relocation or stoppage of factory operations and additional capital investment due to the tightening of environmental and climate change regulations	<ul style="list-style-type: none"> Reinforce structure to respond to laws and regulations, including those overseas Develop and launch industry-leading products through Marketing Innovation Activities 	P.74
	Risk	Insufficient response to laws and regulations		P.53
	Opportunity	Tightening of regulations regarding water- and energy-saving features, growth in demand for highly functional products due to an increase in purchasing support systems, etc.		
	Opportunity	Increased purchasing motivation resulting from a heightened consumer awareness toward water and energy conservation		
Compliance	Risk	Occurrence of compliance violations, including within the supply chain, and subsequent loss of social trust	<ul style="list-style-type: none"> Reinforce operation of management systems centered on the Compliance Committee Implement compliance-related educational activities, including on human rights, to ensure strict adherence Carry out monitoring activities, including within the supply chain 	P.74
	Risk	Filing of lawsuits		P.72
	Risk	Risk of financial damage caused by rumors		P.68, 99
Human resources	Risk	Intensifying competition to recruit human resources	<ul style="list-style-type: none"> Reform human resource systems through Management Resource Innovation Activities 	P.57
	Opportunity	Expansion of human capital through the recruitment and development of outstanding personnel		
	Opportunity	Increased opportunity to provide peace of mind and fulfilling challenges through workstyle reform		
Occupational safety and health	Risk	Violation of labor laws	<ul style="list-style-type: none"> Share issues and draft and promote response measures via the Health, Safety and Security Committee 	P.99
	Risk	Workplace accidents and incidents		
Product quality	Risk	Occurrence of product recalls and major complaints	<ul style="list-style-type: none"> Improve customer satisfaction through the promotion of "Relationships," an important theme of the TOTO Global Environmental Vision Provide TOTO quality, including after-sales services Promote <i>Anshin</i> Remodeling 	P.35
	Opportunity	Sophisticated product development and high levels of quality cultivated through rigorous quality management		P.66 P.43
Information security and IT innovation	Risk	Occurrence of disruptions to information systems due to computer viruses, etc.	<ul style="list-style-type: none"> Draft and promote medium- to long-term IT strategies and strengthen information security via the IT Strategy Committee Offer plumbing solutions that utilize IoT technologies through Marketing Innovation Activities 	P.58
	Risk	Leakage of confidential and personal information		P.53
	Opportunity	Arrival of the 5G era and progress in the semiconductor and optical communication industries		
	Opportunity	Introduction of AI and the Internet of Things (IoT) in housing equipment		
Economy	Risk	Foreign exchange and interest rate fluctuations	<ul style="list-style-type: none"> Promote the New Shared Value Creation Strategy TOTO WILL2030 Roll our globally strategic products and fortify our financial structure 	P.25
	Risk	Intensifying competition from rival companies and rapid declines in product prices		P.53, 61
Society	Risk	Contraction in the market for new housing due to changing demographics in Japan	<ul style="list-style-type: none"> Promote business strategies under the New Shared Value Creation Strategy TOTO WILL2030 as well as cross-organizational innovation activities Improve risk prevention and response capabilities based on the structure of the Risk Management Committee as well as ensure the continuation of production and supply through an adaptive approach to risk response 	P.25
	Risk	Geopolitical risks within our global businesses		P.74
	Risk	Risks to business continuity following the spread of infectious diseases		
	Opportunity	Expansion in the remodeling market due to changing demographics and lifestyles in Japan		
	Opportunity	Increased demand for plumbing products following global economic progress and population increases		

New Shared Value Creation Strategy

TOTO WILL2030

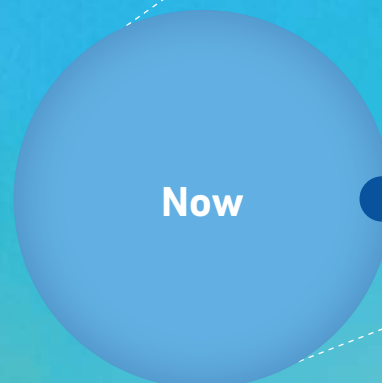
The TOTO Group formulated the New Shared Value Creation Strategy TOTO WILL2030 in April 2021 with a focus on achieving a carbon-neutral and sustainable society by 2050, and aims to realize a sustainable society and achieve clean, comfortable, and healthy lifestyles by 2030.

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

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

Economic Value ↑

	KPIs	FY2020	FY2030
Economic Value	Net sales	¥577.8 billion	Over ¥900.0 billion
	Operating margin	6.9%	Over 10%
	Ratio of international housing equipment business sales	25%	Over 50%



New Shared Value Creation Strategy TOTO WILL2030

2050

Achieve a carbon-neutral and sustainable society

Provide comfortable and healthy lifestyles to all

	KPIs	FY2020	FY2030
Social Value / Environmental Value	Percentage of sustainable products	69% (Japan) 74% (Overseas) 56%	78% (Japan) 85% (Overseas) 70%
	Reduction in water consumption during product use*1 (Alleviating water stress)	0.9 billion m ³	1.7 billion m ³
	Total CO ₂ emissions from business sites	307 thousand tons	250 thousand tons
	Stakeholder satisfaction	Employee satisfaction (Japan) 74 pt Showroom satisfaction (Japan) 73 pt Customer satisfaction in after-sales service*2 92 pt	Employee satisfaction (Japan) 80 pt Showroom satisfaction (Japan) 80 pt Customer satisfaction in after-sales service 95 pt

*1 Reduction effect when compared with the case where products of 2005 continue to be used.
*2 Scope: Japan, Americas, Europe, Mainland China, Taiwan Region, India, Thailand, Vietnam

Social Value / Environmental Value →

The TOTO Group's Materiality



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

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


TOTO's Materiality Issues toward Achieving the Corporate Philosophy

Cleanliness and Comfort


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


Realize cleanliness and comfort throughout the world




To create, is to think about people.
TOTO's Universal Design



Having fun keeping healthy (wellness)



Cleanliness through touchless technologies



Satisfying customers beyond expectations (remodeling)

Environment



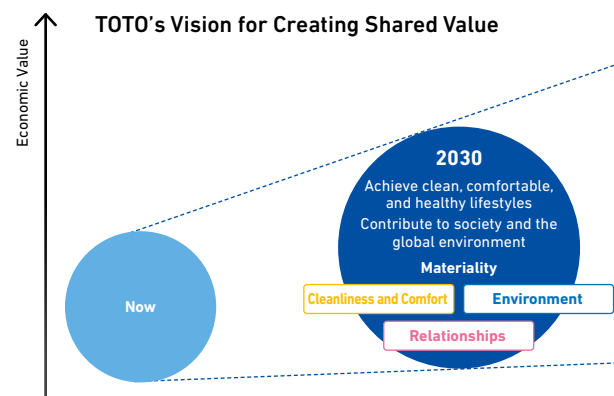

Carbon neutrality initiatives



Mitigating environmental risks

About Materiality Identification

While examining the TOTO Group's material issues (materiality), we are referencing the UN Global Compact, the SDGs, and other international standards in order to carry out an analysis of themes that lead to creation of social, environmental, and economic values.



The TOTO Group's Corporate Philosophy and Materiality

TOTO Group Corporate Philosophy

The TOTO Group strives to be a great company trusted by people all around the world, and contributing to the betterment of society.

To achieve our Corporate Philosophy, TOTO will:

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



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



Protect our limited water resources and connect with the future



Aim for sustainable development together with local communities



CSR procurement that also considers biodiversity

Relationships



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



Consideration of human rights



The success of diverse human resources (employment and retention)



Build deep, long-lasting relationships with customers



Engagement with shareholders and investors



Offer cultural support and contribute to society for the next generations

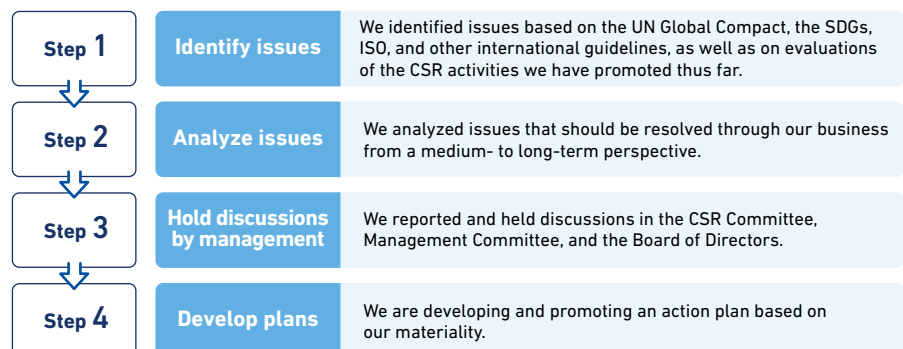
2050

Achieve a carbon-neutral and sustainable society

Provide comfortable and healthy lifestyles to all

Social Value / Environmental Value

Process for Identifying Materiality



Cleanliness and Comfort

The TOTO Group continuously offers products that relate to people's lifestyles, centering on bathroom and kitchen plumbing products. To realize the desire of the Group's founder to enrich people's lifestyles through our businesses, we have been focusing on enhancing cleanliness and comfort within our product development while thinking about the customer first. Going forward, we will deliver clean and healthy lifestyles to people around the world, so that anybody, from a child to the elderly, can have fun, keep healthy, and use our products even if life stages change.

Under one of our material issues, Cleanliness and Comfort, we will contribute to issues, including Goal 3 of the SDGs—Good health and well-being.

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



7

Realize Cleanliness and Comfort throughout the World

The TOTO Group has refined its manufacturing technology over the last 100 years. To create clean and comfortable toilet spaces for our customers, we have developed a unique range of clean technologies, such as EWATER+, CEFIONTECT, RIMLESS TORNADO FLUSH, and non-contact technology like TOUCHLESS. Based on TOTO CLEANOVATION, derived from the words "CLEAN" and "INNOVATION," we will communicate our three values for the continuation of clean innovation to customers around the world.



The continuation of clean innovation



WASHLET®

The clean lifestyle culture of "washing bottoms"



CLEAN SYNERGY

"Cleanliness and security" achieved with unique technologies and designs



TOUCHLESS

Peace of mind derived from "not touching"

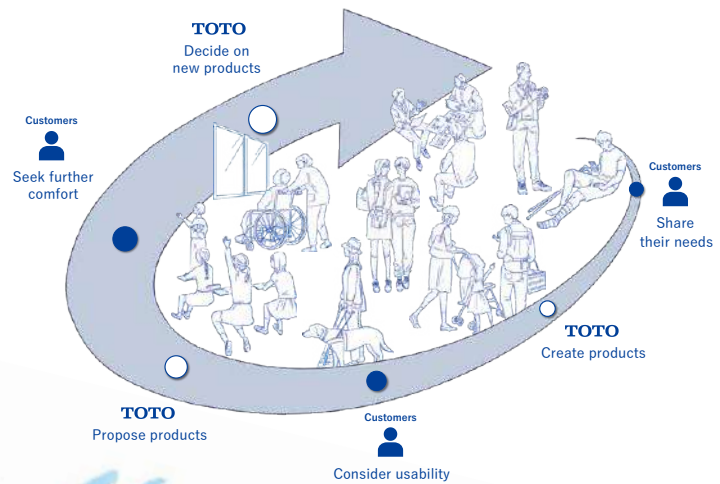
2

TOTO's Universal Design—To Create, Is To Think About People

Inheriting the Words of Our Founder, beginning with “Kindness Must Always Come First,” we believe that to create is to think about people. Accordingly, we propose and develop products by considering the livelihood of each and every one of our customers, including their age, physical condition, and lifestyle, in pursuit of craftsmanship that blends seamlessly into everyday life.

To that end, we have continued to evolve TOTO's Universal Design by closely observing the lifestyles of various people and turning a sympathetic ear to their concerns. In the 1960s, we began efforts that take into consideration people with disabilities. In addition to developing and selling products that make use of universal design, we issue reports that survey the questions and concerns that people in wheelchairs, people with infants, sexual minorities, and other groups have when using toilets outside of their homes. Further, we make proposals for toilet spaces that take into account various circumstances, and these proposals have been adopted in numerous locations. Furthermore, by leveraging the insight we have in this regard, we actively suggest recommendations for laws and regulations, thereby helping establish and popularize Japanese Industrial Standards (JIS) and International Organization for Standardization (ISO) standards pertaining to the design and layout of toilet operation equipment installed in public bathrooms.

Universal Design (UD) Cycle



Participating in the Shibuya Ward Public Toilet Project—THE TOKYO TOILET

Toilets are a symbol of Japan's world-famous *omotenashi* (hospitality) culture. A collaboration between the Nippon Foundation and the Shibuya Ward of Tokyo, this project seeks to install public toilets in 17 locations within Shibuya that anyone, regardless of gender, age, or disability, can use safely and comfortably. Through the superior design and creative abilities of 16 creators active around the world, this project widely promotes and communicates a new, ideal society. Furthermore, by reinforcing the maintenance of toilets, including improvement of cleaning systems, we aim to make visitors feel good about using the facilities and foster the feeling of *omotenashi*, in which users themselves are considerate of the next user.

One project, the public toilet in Haru-no-Ogawa Community Park, was designed by the world-renowned architect Shigeru Ban. Visitors are able to confirm whether the interior is clean and if anyone is already inside before entering the facility through new technology that turns the exterior glass opaque when the door is locked. Additionally, the facility lights up the park like a beautiful lantern at night.



Public toilet in Haru-no-Ogawa Community Park
<https://tokyotoilet.jp/en/>

Environment

The TOTO Group is committed to contributing to the environment through plumbing products by continuing to implement such initiatives as water-saving and energy-saving measures. In addition to introducing energy conservation to manufacturing processes at business sites and using renewable energy, we are committed to being eco-friendly throughout the product life cycle, including during product use, by creating products with high environmental performance. We have also defined sustainable products as those that bring cleanliness and comfort and contribute to the environment. By popularizing these products around the world, we will contribute to realizing an enriched, comfortable, and environmentally friendly society. In tandem with these initiatives, the TOTO Water Environment Fund continues to support civilian groups that are working to alleviate domestic water shortages and improve environmental hygiene in order to resolve the issues of and sustainably develop local communities.

Under one of our material issues, Environment, we will contribute to issues, including those targeted by Goal 6 of the SDGs—Clean water and sanitation.

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



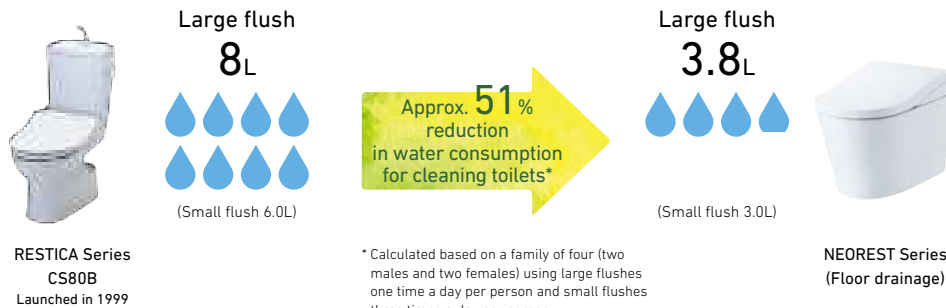
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Protect Our Limited Water Resources and Connect with the Future

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

* Source: Current State of Water Resources in Japan (2021), Ministry of Land, Infrastructure, Transport and Tourism

Water-Saving Performance of Toilets



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

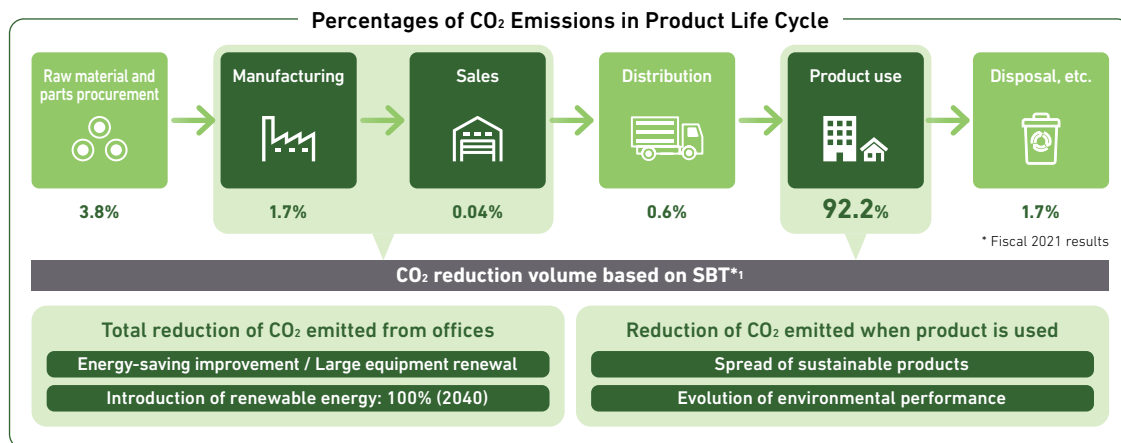
We have been working to reduce the amount of water needed to flush toilets and to expel and transport waste while ensuring toilets remain pleasant to use. As such, we are now able to provide customers with a toilet that uses only 3.8L of water per large flush. In addition, we are striving to improve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

2

Carbon Neutrality Initiatives

The TOTO Group recognizes the impact of climate change as a business risk and works to reduce greenhouse gas emissions based on the scientific grounds that are consistent with the Paris Agreement toward the realization of a carbon-neutral and sustainable society. On average, our products are used over a 20-year period. If analyzed from the perspective of the entire product life cycle, this means the period of product use accounts for over 90% of our overall CO₂ emissions. By actively working to reduce emissions at the use stage of the product life cycle, we aim to realize both comfortable and eco-friendly everyday lifestyles.

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



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

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



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



Joined the global initiative RE100 in April 2021



Acquired certification of the SBT initiative in June 2021

3

Aim for Sustainable Development Together with Local Communities

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

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



Installation of hand-washing station by TOTO Water Environment Fund grantee organization (Ethiopia)

Climate Change Action Plan

The TOTO Group discloses information regarding its response to climate change, a serious management issue, based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Governance

The TOTO Group recognizes that the impact of climate change is a serious business risk. The agenda for our CSR activities, which includes efforts toward climate change, is deliberated and executed by the CSR Committee, chaired by the president. In addition, these activities are supervised by the Board of Directors.

Strategy

The TOTO Group formulated the New Shared Value Creation Strategy TOTO WILL2030 with a focus on achieving a carbon-neutral and sustainable society by 2050. The aim is to create an enriched and comfortable future society that has no impact on the global environment and to achieve economic growth. With the important material issues of Cleanliness and Comfort, Environment, and Relationships, we are making efforts to integrate CSR into management, aiming to create an enriched and comfortable future society that has no impact on the global environment and to achieve economic growth. Additionally, we have been expanding the popularization of our sustainable products—bathroom and kitchen plumbing products unique to TOTO—that balance cleanliness, comfort, and the environment.

Analysis of Business Risks and Opportunities Caused by Climate Change

We specify the long-term business risks and opportunities caused by climate change based on the classifications as defined by the TCFD (transition risks, physical risks, and opportunities) and carry out scenario analysis.

<Summary of Scenario Analysis>

Analysis referred to projections by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) and calculated the impact of business risks and opportunities. This was based on the scenarios for global average temperature increases of less than 2°C or 4°C since before the industrial revolution and makes assumptions about social conditions in 2030. The results of this analysis confirmed that, under either scenario, there is a risk of increased costs and the impact of natural disasters but also an increase in opportunities to contribute to the environment through water-saving products.

To achieve a carbon-neutral and sustainable society, we will contribute to society and the environment by accelerating the promotion of energy-saving improvement and large equipment renewal and expansion of renewable energy introduction, in addition to enhancing environmental performance through the spread of sustainable products.

<Assumptions about Social Conditions in 2030>

■ Social conditions under the 2°C scenario

Environmental policies and regulations are widely reinforced, resulting in steep rises in carbon prices due to the introduction of carbon tax, which accelerates the introduction of renewable energy.

Scale and frequency of natural disasters remain largely unchanged as a result of controlling impact of temperature increases.

■ Social conditions under the 4°C scenario

Environmental regulations to reduce greenhouse gases experience no significant reinforcement.

Impacts from natural disasters increase and demand for water expands.

<Degree of Financial Impact and Response>

We analyzed the risks and opportunities that social conditions in 2030 present to TOTO and considered our response to these.

Business risks and opportunities for TOTO			Degree of financial impact		Response
			4°C scenario	2°C scenario	
Risks	Transition risks	Step rise in carbon prices	Small	Medium	<ul style="list-style-type: none"> • Energy-saving improvement / Large equipment renewal • Expansion of renewable energy introduction
		Increase in production costs and procurement costs for raw materials and electricity	Small	Medium	<ul style="list-style-type: none"> • Promotion of platform and modular design • Transition to smart factories
	Physical risks	Suspension of factory operations and increase in insurance costs due to the impact of natural disasters	Medium	Small	<ul style="list-style-type: none"> • Creation of business continuity plan (BCP) system • Strengthening of response to natural disaster risks
Opportunities	Increase in demand for water provides opportunities to contribute by offering water-saving products <ul style="list-style-type: none"> • Increase in demand for water- and energy-saving products due to purchase support systems and regulations • Increase in consumer awareness toward water and energy conservation 	Large	Large	<ul style="list-style-type: none"> • Spread of sustainable products • Evolution of environmental performance 	

Risk Management

The TOTO Group is engaged in risk management and has formulated the TOTO Group Risk Management Policy. Under the supervision of the president, the Risk Management Committee assesses business-related risks, including climate change, that may have a significant impact on our business and society. The committee identifies and manages serious risks, reporting them to the Board of Directors.

Furthermore, environment-related risks are managed at each business division and business site based on the environmental management system.

Indicators and Goals

The TOTO Group formulated indicators and goals based on Science Based Targets (SBT) with the aim of realizing a carbon-neutral and sustainable society by 2050.

<Goal for Reducing Total CO₂ Emissions from Business Sites>

We established the goal of reducing the total CO₂ emissions from business sites to 30% of the fiscal 2018 level by 2030 and have acquired SBT certification. We are promoting the reduction of CO₂ emissions by minimizing energy consumption in business activities through energy-saving improvement and large equipment renewal. Additionally, we are actively introducing renewable energy Groupwide by establishing and promoting plans to have a renewable energy introduction rate of 90% by 2030 and 100% by 2040.

<Goal for Reducing CO₂ Emitted When Product Is Used>

In terms of reducing CO₂ emitted when a product is used, the TOTO Group has formulated goals for reducing greenhouse gas emissions and has acquired SBT certification. To realize our goal of reducing by 15% compared with the fiscal 2018 level by 2030, we are developing products that are highly effective at saving both cold and hot water and working to reduce CO₂ emissions and water consumption when a product is used by rolling these products out globally.

Relationships

Through its business activities, the TOTO Group strives to be a company that contributes to the betterment of society and is trusted by people around the world. Guided by this aim, we continue to treasure the relationships we have with people. We place importance on communication with all stakeholders, including customers, employees, shareholders, business partners, and society at large, and endeavor to develop stronger relationships of mutual trust with them. TOTO also places importance on building relationships of trust with stakeholders and in facilitating cooperation with the aim of improving societies for generations to come.

Under one of our material issues, Relationships, we will contribute to resolving various issues, including those identified by Goal 17 of the SDGs—Partnerships for the goals.

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



7

Build Deep, Long-Lasting Relationships with Customers

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

Initiatives for Showrooms

To enable our customers to experience our products firsthand, we have established 98 showrooms in Japan and 12 directly managed showrooms overseas. Our Japanese locations include 13 showrooms that are operated in collaboration with DAIKEN and YKK AP, where we exhibit and propose living spaces featuring products from the three companies for our customers to immerse themselves in. Additionally, we have made proposals that align with the needs of the era, such as online showroom experiences where customers can check out products on their computers, and online showroom consultations where customers can take part in consultations from their homes.



Initiatives for After-Sales Services

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

Going forward, we will strive to increase the level of satisfaction in after-sales services, including overseas, to keep gaining TOTO fans around the world.





Relationships

2

Advancing the Careers of Diverse Human Resources

We aim to be a company where a variety of personnel can gather, work with peace of mind, prosper, and take on challenges, and we conduct activities to promote diversity and implement workstyle reforms in order to create a workplace where all employees can play an active role. In addition, we will work with our suppliers to undertake activities that address CSR issues in such areas as human rights and labor, safety and health, and the environment.

Promotion of Diversity

The TOTO Group respects the individuality inherent in a diverse workforce, including age, gender, and nationality. It is our belief that diversity gives rise to fresh, new ideas that lead to the creation of prosperous and comfortable lifestyles. TOTO is engaging in the career advancement of women and people with disabilities. At the same time, we will realize a retirement age of 65 in Japan by creating an environment where diverse human resources from any generation can work and continue to advance their careers in a safe and lively manner.

In addition, we will continuously disseminate information to ensure that each employee properly understands LGBTQ (sexual minorities) issues and acts with an awareness that they are part of a diverse workforce.



TOTO received a Gold Award in Pride Index 2021, a performance index for initiatives performed by sexual minorities, such as the LGBTQ community, in the workplace.

Promoting Diverse Workstyles

We have expanded the requirements for the use of the teleworking system, one of the “new workstyles” that allows flexible use of place and time, and are actively promoting the shift to remote working. We also promote efforts to improve work–life balance based on our belief that harmonizing the personal and professional commitments of employees will result in heightened productivity and a greater sense of accomplishment from work. In addition to encouraging employees to take paid leave, we have put in place various systems that facilitate the adoption of diverse workstyles and help employees balance work and childcare and nursing care responsibilities.

3

Offer Cultural Support and Contribute to Society for the Next Generation

To realize its Corporate Philosophy of striving to be a company that contributes to the betterment of society and is trusted by people around the world, the TOTO Group uses its management resources effectively in conducting social contribution and community coexistence activities aimed at the resolution of local and global social issues. As a good corporate citizen, we will carry out activities that contribute to the revitalization, maintenance, and development of local communities. We also actively support employee participation in volunteer activities across a broad range of fields, such as tree-planting and city-cleanup activities, activities to provide aid to disaster-affected regions, and support for sports.



Tree-planting activities carried out by employees of TOTO (Guangzhou)

New Shared Value Creation Strategy TOTO WILL2030

Sustainable Products That Balance Cleanliness, Comfort, and the Environment

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

Cleanliness and comfort / Health products

- Clean
- Comfort
- Universal Design
- Design
- Healthy

Housing Equipment

Toilets



Clean

Water saving

Bathrooms



Clean

Energy saving



Comfort

Design

Hot water saving

Toilets



Clean

Water saving

WASHLET®



Clean

Electricity saving

Auto Flush Valve



Clean

Water saving

Public

Fusion of Design and Technology

Understated Presence

TOTO has adopted the design philosophy of "understated presence." Our designs stay in our customers' lives forever. We will continue to pursue designs that are truly desired by customers around the world in order to deliver not only beautiful designs but also high quality and functionality. To this end, we will further enhance production technology. Thanks to such efforts, as of 2022 we have won the internationally renowned Red Dot Design Award for 10 consecutive years and the iF Design Award for nine consecutive years. Among the award-winning TOTO products, two have received particularly high third-party praise in the form of the Red Dot: Best of the Best Award and the iF Design Award Gold.

Restroom



NEOREST NX



NEOREST LS



WASHLET RW / SW



KPI		FY2020 (Results)	FY2021 (Results)	FY2023 (Targets)	FY2030 (Targets)
Percentage of sustainable products	Overall	69%	70%	73%	78%
	Japan housing equipment business	74%	75%	80%	85%
	International housing equipment business	56%	59%	61%	70%

WASHLET®



Clean

Electricity saving

Bathroom Vanity Units



Clean

Design

Hot water saving

Modular Kitchens



Clean

Design

Hot water saving

Water saving

Hot water saving

Electricity saving

Reducing CO₂ emissions

Energy saving

Products

Urinals



Clean

Water saving

Auto Faucets



Clean

Water saving

IoT Support



Comfort

Universal Design

Water saving

Environmental products

Faucets



GO Series



reddot award 2017
best of the best



TLE24 Series



reddot winner 2021
best of the best



GM Series



reddot award 2019
winner



Bathtubs / Wash Basins



TL Series



FLOTATION TUB



reddot winner 2020



TA Series



reddot winner 2020

Mid-Term Management Issues

WILL2030 STAGE1

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



Vision

Under WILL2030 STAGE1, we will rapidly roll out sustainable products that facilitate cleanliness, comfort, and health while being eco-friendly in order to contribute to a sustainable society and clean, comfortable, and healthy lifestyles. In terms of services, we will evolve to place importance on connections among people around the world and remain a trusted company. Furthermore, we will reanalyze the market, create a structure for each country and region of operation, create unique TOTO value using digital technologies, and realize business process innovation.

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

Contribute to a Sustainable Society and Clean, Comfortable, and Healthy Lifestyles			
			
Products Product lineup unique to TOTO that is considerate of "cleanliness, comfort, and health," "environment," and "design"		Services Place importance on connections among people around the world and remain a trusted company	
Marketing Visualize the market in each country Adapt our systems at all stages, from production to marketing, in each country		Supply Chain Create a system that reliably delivers products to customers even in times of emergency	
Digital Innovation			
Create unique TOTO value and innovate business processes using digital technologies			
Continue conducting corporate activities to provide greater contributions to society and the environment			



Review of Fiscal 2021 and Plans for Fiscal 2022

Fiscal 2021, the first year of WILL2030 STAGE1, saw TOTO face a significant impact from COVID-19 across the areas of production, sales, logistics, and services, in a continuation from fiscal 2020. Amid an unstable global economic environment and despite the rising price of raw materials and the attendant impact on the procurement of components and materials, sales increased across all segments in Japan, overseas, and in new business domains. TOTO achieved its best-ever performance with consolidated net sales of ¥645.3 billion (a ¥67.4 billion increase year on year) and operating profit of ¥52.2 billion (up ¥12.5 billion year on year).

While the business environment surrounding the TOTO Group is expected to remain challenging, the reasons for which include the ongoing COVID-19 pandemic, worsening natural disasters, rising geopolitical tensions, and disruptions in the supply chain, fiscal 2022 will be a year in which we further accelerate initiatives in anticipation of the long term. Accordingly, we are projecting net sales of ¥710.0 billion (a year-on-year expansion of ¥64.7 billion) and operating profit of ¥54.0 billion (a ¥1.8 billion increase year on year).

TOTO Consolidated Performance

	Results					Targets	STAGE1 Targets
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	591.0	584.7	595.7	577.8	645.3	710.0	690.0
Operating profit	51.3	38.8	35.8	39.7	52.2	54.0	60.0
Operating margin	8.7%	6.6%	6.0%	6.9%	8.1%	7.6%	8.7%
Percentage of sustainable products	—	—	—	69%	70%	—	73%
(Japan)	—	—	—	74%	75%	—	80%
(Overseas)	—	—	—	56%	59%	—	61%
ROA (Operating profit base)	9.2%	6.8%	6.2%	6.5%	8.1%	8.0%	9.0%
ROE (Net profit base)	11.7%	9.6%	7.1%	7.7%	10.4%	9.8%	10.2%

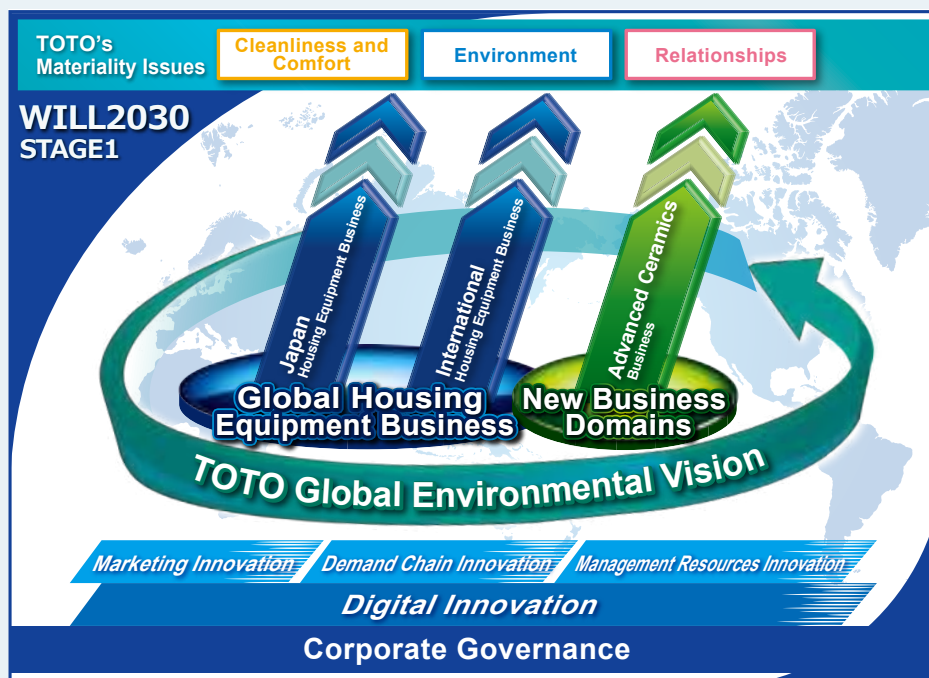
Notes:

1. We adopted new standards for revenue recognition from fiscal 2021. The figures shown above have thus been revised retroactively in accordance with these new standards.
2. The STAGE1 numerical targets for fiscal 2023 were formulated in April 2021.
3. Since fiscal 2020, we have published the percentage of sustainable products that make up our product composition.



WILL2030 STAGE1 Promotion System

In fiscal 2022, we integrated the China & Asia Housing Equipment Business and the Americas & Europe Housing Equipment Business to form the Global Housing Equipment Business. As an International Housing Equipment Business, we will accelerate the growth of our international business in order to realize a net sales ratio for the International Housing Equipment Business of over 50%, as set out in WILL2030.



Global Housing Equipment Business

Japan Housing Equipment Business

We have been creating demand for reform for almost 30 years, with the aim of transitioning to a business structure that does not rely on new housing demand. In addition, in the public market, we will further reinforce TOTO's strengths of touchless and labor-saving technologies.



Toshiya Kuga

Director,
Managing Executive Officer



Vision for Society and Key Strategies

In the Japan Housing Equipment Business, we will help realize a sustainable society through clean, comfortable, and healthy lifestyles and eco-friendly products. Accordingly, we will provide even more appealing remodeling in both the housing and public domains through the integration of digital and real technologies. In the housing remodeling domain, we support the realization of the ideal lives imagined by customers through remodeling. Since 2018, we have been engaging in "Anshin" Remodeling Strategy to support customer's doing remodeling and give them "peace of mind (Anshin in Japanese)". From this year, we advance that strategy to expand proposals that utilize digital technology and communication of information. Throughout all the processes of remodeling, we accelerate initiatives that respond to customers' worries and issues.

In the public remodeling domain, we will accelerate proposals for new value that meets the needs of customers through utilization of touchless products and digital technology and share Japan's toilet culture, which has evolved to become even more clean and comfortable, with the world. We will also innovate the sales structure that forms the foundation of this by utilizing digital technology to evolve the roles and functions of sales, showrooms, and business centers. Through these strategies, we will deliver products that are comfortable and eco-friendly and services that exceed customer expectations.



Review of Fiscal 2021 and Plans for Fiscal 2022

In fiscal 2021, net sales increased ¥21.1 billion year on year, to ¥440.9 billion, and operating profit remained largely unchanged at ¥22.9 billion. We are meeting customer needs from the perspective of preventing the spread of COVID-19 through measures such as complete utilization of an appointment system at all showrooms and online interaction with customers. Despite delays to the supply of some products and the continued harsh circumstances due to factors including the impact of the pandemic, there have been strong sales of touchless faucets because of increasing awareness of hygiene. Additionally, due to factors including more time spent at home, interest in the home has increased, sales of modular bathrooms and kitchens have greatly increased year on year, and net sales for both remodeling and new construction have exceeded those of the previous fiscal year.

In fiscal 2022, net sales are expected to increase ¥33.1 billion year on year, to ¥474.0 billion, while operating profit is projected to decrease ¥1.1 billion, to ¥24.0 billion. This is due to the estimated effects of new products launched in 2022 and to revisions of the manufacturer's suggested retail price, despite the impact on the procurement of components for some products and the continued rising cost of raw materials.

Japan Housing Equipment Business

(Billion yen)

	Results					Targets	STAGE1 Targets
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	432.7	431.8	442.8	419.8	440.9	474.0	465.0
Operating profit	28.8	24.7	26.0	22.8	22.9	24.0	28.5
Operating margin	6.7%	5.7%	5.9%	5.4%	5.2%	5.1%	6.1%
Percentage of sustainable products	—	—	—	74%	75%	—	80%
Remodeling							
Net sales	289.3	289.6	296.4	288.6	297.6	323.8	341.2
Operating profit	25.5	22.1	23.1	21.2	20.3	21.5	26.5
New Construction							
Net sales	143.4	142.3	146.5	131.2	143.3	150.2	123.8
Operating profit	3.3	2.6	2.9	1.6	2.5	2.5	2.0

Notes:

1. We adopted new standards for revenue recognition from fiscal 2021. The figures shown above have thus been revised retroactively in accordance with these new standards.
2. The STAGE1 numerical targets for fiscal 2023 were formulated in April 2021.
3. Since fiscal 2020, we have published the percentage of sustainable products that make up our product composition.

About the Japan Remodeling Business

TOTO's Remodeling Strategies

In Japan, housing remodeling is carried out in line with lifestyle changes while living in the same house. Remodeling is commonly done in different parts of the house at different times, rather than remodeling the whole house at once. The remodeling is characterized by taking the time and care to create a space that is personally comfortable, based on the assumption that they will continue to live there in the future.

Compared to new construction, remodeling requires contractors to have multiple abilities in areas such as construction expertise, planning, and customer communication, as on-site conditions differ from property to property. TOTO has created Japan's remodeling market over approximately 30 years together with contractors who have the technological capabilities required by remodeling, are closely related to local communities, and continue to maintain a lasting connection with customers.

We have also promptly engaged in building a network with contractors, launched the TOTO Remodeling Club system, and expanded showrooms across Japan as locations for making remodeling proposals. Furthermore, we have created a sales system and enhanced our remodeling products.

<Differences between New Construction and Remodeling>

New construction	Remodeling
	
<p>Many restrictions, including budget and time, and difficulties in focusing on plumbing equipment</p>	<p>Focus on specific spaces and budget and time are relatively available</p>

<Components of Remodeling>

<p>Products that appeal to customers</p>  <ul style="list-style-type: none"> Water-saving toilets that use a small amount of water WASHLET® that integrates water and electricity Pursuit of ease of use and visual appeal 	<p>Showrooms (Customer contact points and locations for making remodeling proposals)</p>  <ul style="list-style-type: none"> Launch of suburban showrooms across Japan (98 locations) Enhancement of proposal capabilities Improvement of display spaces
<p>TOTO Remodeling Club (Network of contractors)</p>  <ul style="list-style-type: none"> Contractors that are closely related to local communities Network of approximately 5,000 businesses Comprehensive remodeling support from proposals for plans to construction and after-sales service 	<p>TDY Alliance (Proposals for space and comprehensive strengths)</p>  <ul style="list-style-type: none"> Lifestyle proposals, exhibitions, and collaborative showroom displays that utilize the strengths of TOTO, DAIKEN, and YKK AP

Robust Business Structure That Is Not Influenced by the Number of New Homes Being Built

Approximately 30 years ago, TOTO launched its remodeling business at a time when remodeling was still predominant. Spurred by our Remodeling Declaration in 1993, we have reinforced points of contact with customers, namely showrooms and TOTO Remodeling Club shops and created a business structure that is not influenced by the number of new homes being built.





Key Strategy—Advancement of “Anshin” Remodeling Strategy



Since 2018, TOTO has been promoting its “Anshin” Remodeling Strategy to boost demand and realize the sustainable growth of remodeling.

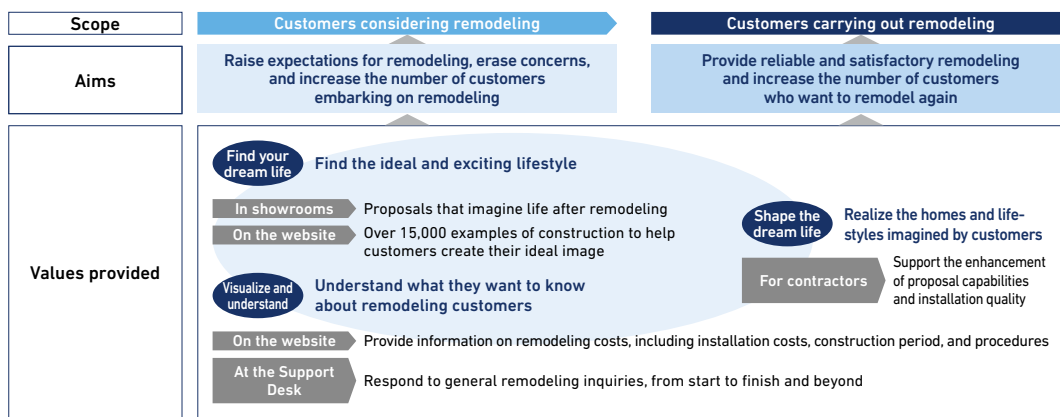
To continue to grow 10 to 20 years into the future, not just improving performance in the short term, it is important to ensure that TOTO becomes a top of mind company for plumbing remodeling. Accordingly, we must refine our products and services, as we have until now, and continuously revitalize the market.

Customers experience remodeling only a few times throughout their lives. As such, there are many things they do not know about remodeling, they have vague worries such as where to order remodeling in the first place as well as how much money and time is necessary, and many people are simply not ready for remodeling.

Therefore, we have published various information related to remodeling on our website, such as reference pricing for remodeling, including installation costs, and construction examples, in addition to the information about products that TOTO has previously disclosed. Furthermore, we have established the Support Desk for Remodeling, a hotline that operates 365 days a year to resolve the remodeling worries and issues of customers and accepts general inquiries on remodeling, regardless of whether it is for TOTO products. This has contributed to a large number of customers embarking on remodeling, with over 90% of customers answering in surveys taken after the call that they were now able to take the next step in remodeling.

Additionally, from 2022, customers can select remodeling products and consult on remodeling plans with showroom advisors casually online. We will support the realizing of customers’ ideal lives while utilizing digital technology.

Framework for “Anshin” Model Strategies



We will create a brand of choosing TOTO for plumbing remodeling and further drive revitalization in the remodeling market by increasing the value of products and services while collaborating with contractors.



Key Strategy—Acceleration of Public Remodeling

Commercial facilities and public facilities, such as airports and stations, are used by a diverse group of people, from small children to the elderly, people with disabilities, and people who are visiting Japan from overseas. Additionally, Japan suffers many natural disasters and schools play a significant role as evacuation centers in local communities. The toilets installed in these schools are required to be easy to use for all members of the community, not just students.

Recent years have seen the spread of COVID-19 and toilets have become a place where even more hygiene is required, such as touchless technology. In this area, TOTO has contributed to the realization of cutting-edge public toilets through products and proposals for spaces. Furthermore, as a new initiative for public toilets, we have begun provision of TOTO’s Public Restroom Support System to address the needs of both management and users, such as wanting to effectively maintain and manage toilets or avoid waiting in a line for toilets that utilizes IoT technology in addition to proposals for products and spaces.

We will offer new value that meets customer needs for various applications, including those in offices, hospitals, and schools, and will accelerate the use of touchless and digital technologies to realize the cleanliness and comfort of Japan’s toilet culture, communicating it to the world.

Launch of New Products in the Four Key 2022 Bathroom and Kitchen Plumbing Domains

In 2022, TOTO launched new products able to meet new needs in all four of the key bathroom and kitchen plumbing domains—toilets, bathroom vanity units, kitchens, and bathrooms—based on changes to the external environment, such as the COVID-19 pandemic, and the accompanying changes in awareness of customer lifestyles.



TOTO renewed the NEOREST Series of toilets as a globally unified model with the addition of a new model. We also newly installed a clean toilet seat function that sprays the back of the toilet seat, in addition to EWATER+ in the nozzle and toilet bowl. We carried out a complete model change of the bathroom vanity unit OCTAVE and enabled operation without making direct contact with hands by installing a Raku-Raku touchless cleaning faucet and touchless LED light. We have produced an even more enriched kitchen space by adding two more colors to TOTO's unique and popular patterned crystal counter in THE CRASSO kitchens. Customers are able to enjoy a blissful bath time in our SYNLA bathrooms, to which we have added new functions, including a new meditative mode in the light dimming system and a stylish black color to the lineup. We are developing promotions across all four domains that earn the praise of customers and cultivating a sense of expectation for bathroom and kitchen plumbing products.



Presentation of new products in showrooms, at events, and online
First time releasing new products in all four domains simultaneously in 12 years (since 2010)

20 Years of the TDY Alliance

In 2002, we formed an alliance between the three companies of TOTO, DAIKEN, and YKK AP (hereinafter, "TDY") and created a system to support product design, development, and sales to reinforce proposals for remodeling spaces and provide comfortable living spaces that exceed the expectations of customers. The TDY alliance celebrated 20 years in February 2022.



"Smiles within our lives"
Plumbing, floors and walls, windows and doors—our products shape people's lives. What is important to us are the daily irreplaceable smiles that are created during people's lives.

New TDY alliance message

Press conference for 20 years of TDY alliance
TOTO President, Noriaki Kiyota; DAIKEN President, Masanori Okuda; and YKK AP President, Hidemitsu Hori

Under the new alliance message of "smiles within our lives," we will make remodeling proposals that bring us even close to our customers. Furthermore, through "Green remodeling," which has been advocated as the cornerstone of TDY remodeling proposals since 2008, we will advance our activities from the three perspectives of health and comfort, safety and security, and environmental awareness. These activities have evolved in line with growing social interest and changes to customer interest.

TDY Remodeling Exhibition, TDY's First Online Event

We held TDY's first online event, TDY Remodeling Exhibition—Fulfill Your Life (hereinafter, TDY Exhibition) to make remodeling proposals that fulfill the lifestyle desires imagined by customers and communicate information that is useful in their daily lives.



Global Housing Equipment Business

International Housing Equipment Business

By promoting business in Mainland China, Asia and Oceania, the Americas, and Europe, we will drive the growth of the TOTO Group. At the same time, we aim to respect the various cultures and lifestyle customs of each country and region of operation and become a necessary part of life therein.



Shinya Tamura

Director,
Managing Executive Officer



Vision for Society and Key Strategies

In the international housing equipment businesses, we are creating a system for developing, manufacturing, and selling products optimal for each region and reinforcing a comprehensive business foundation through three stages of marketing strategies—brand awareness, market penetration, and the establishment of high-end brands. In Mainland China, for example, by responding to market changes and actively making proposals, we are aiming to become the most trusted brand that our customers need and want. Our operations in the rest of Asia and Oceania will help drive growth in the overall Global Housing Equipment Business, which in turn acts as an engine for the growth of the TOTO Group. In the high-end markets of each country and region, meanwhile, we aim to become a beloved brand. In the Americas, we will accelerate the growth of the business and provide customers with lifestyles centered on products that are unique to TOTO, represented by WASHLET. In Europe, we will revolutionize the bathroom culture through Japan's clean and comfortable bathroom culture.

We will keep gaining TOTO fans around the world through long-term customer support, which encompasses the provision of TOTO quality and after-sales services.



Review of Fiscal 2021 and Plans for Fiscal 2022

Fiscal 2021 saw net sales increase ¥36.3 billion year on year, to ¥174.0 billion, and operating profit rise ¥5.2 billion, to ¥22.9 billion. Overall, we have ensured the growth of sales in Mainland China and the Americas with a focus on WASHLET, despite the impact of rising raw materials prices and logistics costs.

In fiscal 2022, there has been a delay in recovery from worsening real estate market conditions in Mainland China that has continued from the end of fiscal 2021 and a significant impact from rising logistics costs in the Americas, which offset the continued sales expansion of WASHLET. Amid such conditions, we expect net sales to increase ¥20.0 billion year on year, to ¥194.0 billion, but operating profit to decrease ¥4.2 billion, to ¥18.7 billion.

International Housing Equipment Business

(Billion yen)

	Results					Targets	STAGE1 Targets
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	138.0	130.5	135.9	137.7	174.0	194.0	200.0
Operating profit	24.7	16.7	13.4	17.7	22.9	18.7	28.0
Operating margin	18%	13%	10%	13%	13%	10%	14%
Sales volume of WASHLET (million units)	—	—	—	0.77	0.92	—	1.34
Percentage of sustainable products	—	—	—	56%	59%	—	61%

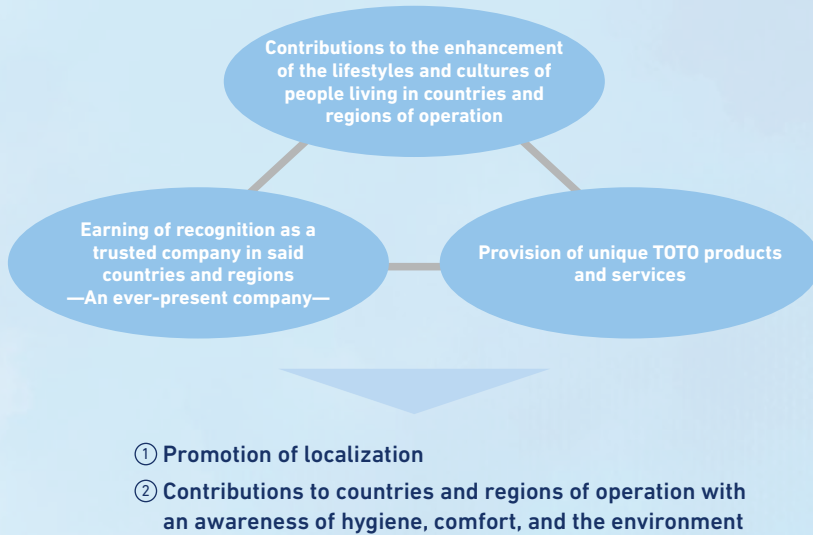
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Regarding International Businesses

Basic Approach to International Business Strategies

We are promoting international businesses in three ways—contributions to the enhancement of the lifestyles and cultures of people living in countries and regions of operation, the earning of recognition as a trusted company in said countries and regions, and the provision of unique TOTO products and services.



NEOREST display at an overseas showroom



Green volunteer activities carried out by employees and their families (Shanghai)

Marketing Stages at Each Overseas Production Site

In overseas markets, we are promoting business in three marketing stages—brand awareness, market penetration, and the establishment of high-end brands.

The first stage, brand awareness, aims to promote the supply of TOTO products to top-class facilities. Market penetration, the second stage, entails reinforcing the sales network through cooperation with local agencies. The third stage, which centers on the establishment of high-end brands, seeks to strengthen customer contact points, such as by establishing directly managed showrooms.

First Stage Brand awareness	Approach to top-class facilities		Create opportunities for exposure to TOTO brand products through supply of products to notable places, including hotels and airports	Australia The Philippines The Middle East
Second Stage Market penetration	Reinforcement of sales network (cooperation with local agencies)		Establishment of local agencies and showrooms	Europe India Thailand Malaysia Singapore South Korea
Third Stage Establishment of high-end brands	Strengthening of customer contact points (led by TOTO)		Implementation of product seminars and presentations through directly managed showrooms	Mainland China Taiwan Region The United States Indonesia Vietnam

Global Housing Equipment Business

International Housing Equipment Business

Mainland China Business



International trade fair, Kitchen & Bath China 2021, held in Shanghai



Vision for Society and Key Strategies

In Mainland China, the market has transitioned from a growth phase to a mature phase and the value required by customers has diversified accordingly. Under WILL2030 STAGE1, we will implement key strategies with a theme of further enhancing the value of the TOTO brand. As a brand strategy, we will exceed diverse needs and provide exceptional quality and services.

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

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

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



Review of Fiscal 2021 and Plans for Fiscal 2022

In fiscal 2021, there was a strong performance until the third quarter with net sales of ¥92.4 billion (a year-on-year increase of ¥22.9 billion) and operating profit of ¥15.8 billion (a year-on-year rise of ¥4.2 billion), despite the negative impact on the market due to China's policies for controlling real estate prices at the beginning of the fourth quarter.

In fiscal 2022, we estimate net sales will increase ¥2.1 billion year on year, to ¥94.5 billion, and operating profit will contract ¥4.3 billion, to ¥11.5 billion, as a result of a delay in recovery due to worsening real estate market conditions, the effect of COVID-19 lockdowns in some cities, and other significant impacts, including from the rising prices of raw materials.

Mainland China Business

(Billion yen)

	Results					Targets	STAGE1 Targets
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	72.0	63.5	67.0	69.5	92.4	94.5	100.0
Operating profit	17.3	11.6	9.5	11.6	15.8	11.5	17.0
Operating margin	24%	18%	14%	17%	17%	12%	17%
Number of WASHLET units sold (index)	—	—	—	100	125	—	176
Percentage of sustainable products	—	—	—	49%	53%	—	56%

Notes:

1. We adopted new standards for revenue recognition from fiscal 2021. The figures shown above have thus been revised retroactively in accordance with these new standards.
2. The STAGE1 numerical targets for fiscal 2023 were formulated in April 2021.
3. Since fiscal 2020, we have published the percentage of sustainable products that make up our product composition.
4. Since fiscal 2020, we have published the number of WASHLET units with an index of 100.

Global Housing Equipment Business

International Housing Equipment Business

Asia and Oceania Business



Construction of a new faucet plant in Vietnam (scheduled to begin operation in March 2024)



Vision for Society and Key Strategies

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

In Taiwan Resion, TOTO aims to become the most trusted provider of plumbing-related solutions. We will promote the expansion of sales for value-added products unique to TOTO by creating a business model based on remodeling as a fore-runner in the industry.

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

Additionally, we will continue to reinforce our production structure as a supply base that anticipates future growth in global demand. Furthermore, we will promote the balance between enhancing productivity and being environmentally conscious, such as at the Vietnam No. 4 Plant (sanitary ware manufacturing), which began full operations in July 2022, and at the eco-friendly Vietnam New Plant (faucet plant), which is scheduled to come into operation in fiscal 2024.



Review of Fiscal 2021 and Plans for Fiscal 2022

In fiscal 2021, net sales increased ¥4.3 billion year on year, to ¥32.5 billion, and operating profit grew ¥0.7 billion, to ¥5.3 billion. While there was a rise in sales but a fall in profit in Vietnam due to the impact of worsening domestic demand caused by the spread of COVID-19 and lockdowns in some regions, the impact of COVID-19 on Taiwan Resion was limited and sales remained strong, leading to an increase in sales and profit.

In fiscal 2022, net sales are expected to rise ¥8.0 billion year on year, to ¥40.5 billion, and operating profit is anticipated to remain unchanged at ¥5.3 billion. These forecasts reflect the impact of rising raw material prices, despite incorporating continued strong sales in Taiwan Resion and market recovery in Vietnam.

Asia and Oceania Business

	Results					Targets	STAGE1 Targets
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	31.7	31.8	32.6	28.2	32.5	40.5	42.0
Operating profit	6.3	5.1	4.6	4.6	5.3	5.3	6.5
Operating margin	20%	16%	14%	16%	16%	13%	16%
Percentage of sustainable products	—	—	—	50%	55%	—	54%

Notes:

1. We adopted new standards for revenue recognition from fiscal 2021. The figures shown above have thus been revised retroactively in accordance with these new standards.
2. The STAGE1 numerical targets for fiscal 2023 were formulated in April 2021.
3. Since fiscal 2020, we have published the percentage of sustainable products that make up our product composition.

Sales Growth Plans for Main Regions under WILL2030 STAGE1 (index)

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

Notes:

1. Plans for sales growth in fiscal 2023 were formulated in April 2021.
2. Figures are given as an index with fiscal 2020 as 100.

Global Housing Equipment Business

International Housing Equipment Business

Americas Business



Kitchen & Bath Industry Show (KBIS) 2022, the largest plumbing equipment exhibit in the United States



Vision for Society and Key Strategies

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

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

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



Review of Fiscal 2021 and Plans for Fiscal 2022

In fiscal 2021, the number of people aware of spray seats increased and sales of WASHLET continued their strong performance following on from fiscal 2020. Despite the large impact of rising logistics costs, particularly in the second half of the fiscal year, net sales increased ¥8.4 billion year on year, to ¥44.3 billion, and operating profit edged up ¥0.4 billion, to ¥2.9 billion.

In fiscal 2022, the significant impact from rising logistics costs persists, despite promoting the continued sales expansion of WASHLET. As a result, net sales are expected to increase ¥9.2 billion year on year, to ¥53.5 billion, and operating profit is forecast to grow ¥0.2 billion, to ¥3.1 billion.

Americas Business

	Results					Targets	STAGE1 Targets
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	30.8	31.3	32.5	36.0	44.3	53.5	52.0
Operating profit	2.1	1.2	0.5	2.5	2.9	3.1	5.0
Operating margin	7%	4%	2%	7%	7%	6%	10%
Number of WASHLET units sold (index)	—	—	—	100	107	—	227
Percentage of sustainable products	—	—	—	70%	71%	—	73%

Notes:

1. We adopted new standards for revenue recognition from fiscal 2021. The figures shown above have thus been revised retroactively in accordance with these new standards.
2. The STAGE1 numerical targets for fiscal 2023 were formulated in April 2021.
3. Since fiscal 2020, we have published the percentage of sustainable products that make up our product composition.
4. Since fiscal 2020, we have published the number of WASHLET units with an index of 100.

Global Housing Equipment Business

International Housing Equipment Business

Europe Business



Showroom exhibit in Germany



Vision for Society and Key Strategies

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

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

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

* The world's largest international trade fair for baths, toilets, buildings, heating, air-conditioning, and renewable energy.



Review of Fiscal 2021 and Plans for Fiscal 2022

In fiscal 2021, net sales increased ¥0.8 billion year on year, to ¥4.8 billion, and operating profit decreased ¥0.1 billion, to ¥1.1 billion, due to the expansion of sales networks and utilization of top-class facilities.

In fiscal 2022, net sales are expected to increase ¥0.7 billion year on year, to ¥5.5 billion, and operating profit is expected to decrease ¥0.1 billion, to ¥1.2 billion.

Europe Business

(Billion yen)

	Results					Targets	STAGE1 Targets
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	3.6	3.8	3.8	4.0	4.8	5.5	6.0
Operating loss	-1.1	-1.2	-1.2	-1.0	-1.1	-1.2	-0.5
Operating margin	—	—	—	—	—	—	—
Number of WASHLET units sold (index)	—	—	—	100	120	—	280
Percentage of sustainable products	—	—	—	83%	83%	—	84%

Notes:

1. We adopted new standards for revenue recognition from fiscal 2021. The figures shown above have thus been revised retroactively in accordance with these new standards.
2. The STAGE1 numerical targets for fiscal 2023 were formulated in April 2021.
3. Since fiscal 2020, we have published the percentage of sustainable products that make up our product composition.
4. Since fiscal 2020, we have published the number of WASHLET units with an index of 100.



New Business Domains

Advanced Ceramics Business

TOTO is rolling out its high-quality, high-precision advanced ceramics, including electrostatic chucks, ceramic film by aerosol deposition process (AD Film), and ceramic components, for semiconductor and flat-panel display (FPD) manufacturing. By further leveraging these unique technologies, we will create value together with our customers and suppliers.



Ryosuke Hayashi

Director,
Senior Managing Executive Officer



Vision for Society and Key Strategies

Social reform is accelerating around the world in various forms through digital transformation (DX), including the metaverse and automated driving. At the same time, global communication and accumulated data are increasing exponentially and demand specifications for semiconductors and the semiconductor manufacturing process continue to become more precise. In response to the ever-accelerating evolution of semiconductors, TOTO will concentrate the advanced technologies it has accumulated over the years on supporting the future of semiconductors and the global shift to an information society.

Four Strategies

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

Through our unique raw materials, design and assessment technology, manufacturing process, and knowledge, we will develop next-generation products that are unrivaled and provide value to the market, which will lead to the expansion of our business.

Speedy Product Development Synchronized with Customer Development Plans

By connecting digitally with our customers, we can release new products (new-generation products) to the market in a timely manner. We will incorporate quality and reliability into the manufacturing process and successfully launch vertical mass production that maintains quality.

Strengthen Operating Base by Developing Ceramics Smart Factory

We will create a business structure that can withstand intense shifts in demand through the automation of processes, manufacturing process reviews, and big data analysis and promote stable quality management through a reduction in the variation of products.

Creation of a Global Supply Chain Encompassing Everything from Suppliers to Customers

Amid significant changes in the supply chains of all semiconductor manufacturers owing to the rise in demand for semiconductors, we are working together with customers and suppliers to establish a stable structure for the supply of products by reviewing and rebuilding the supply chain.



Review of Fiscal 2021 and Plans for Fiscal 2022

In fiscal 2021, net sales increased ¥10.0 billion year on year, to ¥30.1 billion, and operating profit rose ¥7.5 billion, to ¥9.3 billion, due to increasing demand in the semiconductor market and the maintenance of a high level of productivity.

In fiscal 2022, net sales are expected to increase ¥11.7 billion year on year, to ¥41.8 billion, and operating profit is forecast to expand ¥4.7 billion, to ¥14.0 billion, as demand in the semiconductor market continues to rise.

Advanced Ceramics Business

(Billion yen)

	Results					Targets	STAGE1 Targets
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	20.0	22.2	16.7	20.1	30.1	41.8	24.5
Operating profit	1.5	1.0	0	1.8	9.3	14.0	6.0
Operating margin	8%	5%	0%	9%	31%	33%	25%

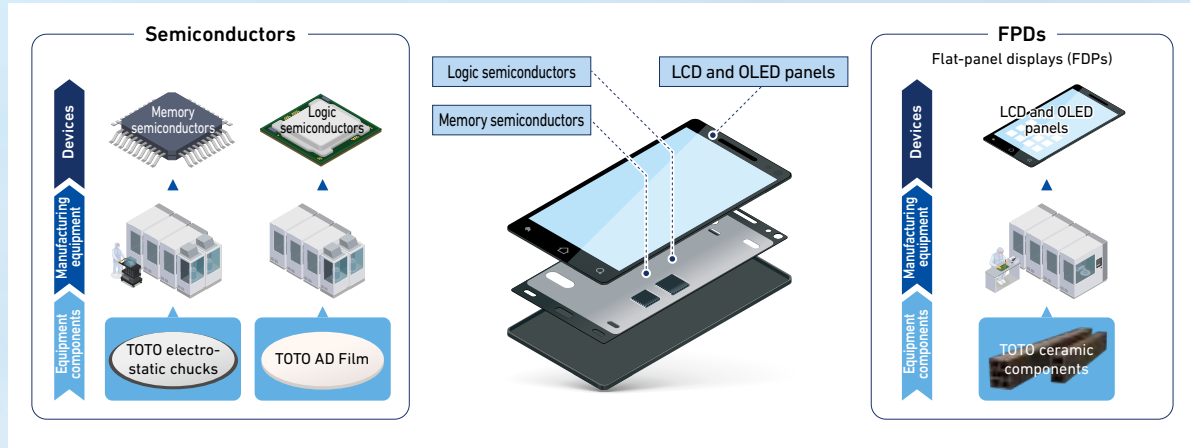
Notes:

1. We adopted new standards for revenue recognition from fiscal 2021. The figures shown above have thus been revised retroactively in accordance with these new standards.
2. The STAGE1 numerical targets for fiscal 2023 were formulated in April 2021.

About the Advanced Ceramics Business

Fields in Which TOTO Technologies Are Used

TOTO's advanced ceramics technologies play a vital role in the manufacturing processes for digital equipment that is used every day, such as smartphones, computers, and household electrical appliances.



Strengths of TOTO's Advanced Ceramics Technologies

TOTO has been earnestly participating in studies and the research of fine ceramics since 1976. The Advanced Ceramics Business utilizes the various forms of technology and knowledge that TOTO has built up over approximately 100 years in the plumbing domain with a focus on sanitary ware.

<Electrostatic Chucks>

TOTO's electrostatic chucks are used in semiconductor production equipment in extremely harsh environments. TOTO's strength is the ability to provide customers with high-quality, high-precision electrostatic chucks by promoting the shift to smart factories for ceramics, such as through the thorough automation of the semiconductor manufacturing process and automatic collection and management of data on quality from all manufacturing processes, from the mixing of raw materials to final shipment of products.



<AD Film >

Ceramic film formed via the aerosol deposition (AD) process, developed by TOTO as a global pioneer, is a technology for forming precise ceramic film at room temperature by turning fine ceramic particles into an aerosol and crashing them into a substrate at near-sonic speeds. The semiconductor manufacturing process inhibits corrosion caused by plasma and prevents the occurrence of minute particles at the nano level. This technology overturns the common sense of ceramics need to be sintered and is expected to satisfy various market needs.



<Ceramic Components>

Ceramic components are used in manufacturing equipment such as LED and OLED panels. Metals were previously used, but, following the size increase of screens, ceramics are now used, as they are more rigid, lighter, and have more wear resistance than metals. TOTO ceramic components are large-scale, precision components and can be made in one piece—something that other companies have been unable to achieve—by combining the firing technique of sanitary ware and the precision manufacturing technologies of faucets.



Expansion of Production Facilities

In anticipation of the medium- to long-term expansion of the semiconductor market, a new building within the Nakatsu Plant at the head office of TOTO Fine Ceramics LTD. began operations in October 2020 to create a system to increase production of electrostatic chucks.



Cross-Organizational Innovation Activities

Marketing Innovation Activities

We will pursue the products that global customers truly want and deliver new lifestyle value unique to TOTO through research and development, product design, and promotional activities.



Satoshi Shirakawa
Representative Director,
Executive Vice President



Our Aims for the New Shared Value Creation Strategy TOTO WILL2030

Our aim for marketing innovation activities in 2030 is to pursue the products that global customers truly want and deliver new value unique to TOTO. In other words, the aim is to keep gaining TOTO fans around the world to ensure that customers are impressed by TOTO's products and services and that they think of TOTO the next time they want to make a purchase. In order to achieve this, we must ensure that all aspects of our product strategies, ranging from research and development to product design and promotional activities, respond to changes in the market environment and evolve. Based on changes in the market environment during the with-COVID-19 era as well as the post-COVID-19 era, we are constantly considering what forms of new lifestyle value we should provide to customers. At the same time, we will promote the key issues of engaging in value messaging and product planning, further visualize the global market, and create new lifestyle value that will support the next 10 years.

An important task is to thoroughly popularize sustainable products, which achieve a balance of cleanliness, comfort, and consideration for the environment, as set out under WILL2030, through rapid production enabled by research, development, design, and promotional activities.



Engaging in Value Messaging and Product Planning

In fiscal 2021, we expanded our digital content under the three values of WASHLET, CLEAN SYNERGY, and TOUCHLESS and reinforced its appeal in various mediums, centered on TOTO CLEANOVATION, in response to the increasing global awareness of hygiene. Additionally, we have reinforced branding to communicate TOTO's universal purpose and value in an external environment where changes are severe and values are diversifying.

Responding to the increasing need for hygiene and cleanliness in our products, we have expanded the variety of touchless faucets and added a function to WASHLET that cleans after the toilet lid has closed. To cater to increasing demand for WASLET and SMART TOILETS overseas, we have understood the needs of each country and region in which we operate and expanded our range of products. As a result, TOTO's reputation for fusing design and functionality is gradually increasing and the Group has won consecutive internationally renowned design awards.

In fiscal 2022, we will launch global products, such as toilets and faucets, and new products in all four domains in Japan and propose new lifestyle value that is unique to TOTO. We will enhance the user experience each product offers to gradually earn the praise of customers and increase promotion for cultivating a desire to buy TOTO products among customers.

Additionally, we will revamp the pinnacle of toilets, the NEOREST Series, and appeal to customers globally through our new brand message of PURE LUXURY.





Visualizing the Global Market

In the bathroom and kitchen plumbing products market, the types of value that customers seek differ by country and region, so it is crucial that we align regional marketing activities that cater to local characteristics. Through the reinforcement of surveys investigating customer lifestyles and design trend surveys, we have continued to improve understanding of the various events taking place in each market (region, competition, logistics, etc.), recognize areas for improvement in each country and region, and visualize various issues and actions we must take. In addition to continuing to deepen understanding of markets and customers in each country and region, not only in the Marketing Division but also in collaboration with production sites around the world, we will predict changes to markets leading up to and in 2030 and backcast from there to identify new issues we must address, leading to the early launch of studies for achieving our aims for 2030.



Creating New Lifestyle Value

We place importance on a "customer-based" approach rather than a "customer-driven" one in our marketing innovation activities. "Based" implies that there is a base acting as a focal point. As such, we constantly reflect on whether our marketing innovation activities are "customer-based" and whether we should continue to act and grow with the customer always at the heart of everything we do. We have differentiated ourselves by reinforcing the technologies (value) and designs that TOTO has developed, such as EWATER+ electrolyzed water (containing hypochlorous acid) and CEFIONTECT. Going forward, we will promote TOTO's unique value creation, such as by adding digital value to the advanced fusion of the aforementioned technologies and designs. Conversely, changes in the market and customer preferences are becoming more and more severe. Other companies are also evolving in terms of functionality and design and are increasingly more active in proposing solutions that align with customer needs. We will thus further promote visualization of the global market while engaging in seed strategies and design strategies to promote the creation of new, customer-oriented lifestyle value.

// TOPICS //

TOTO Wins Internationally Renowned Red Dot Design Award 2022 and iF Design Award 2022 for Products Including SMART TOILET NEOREST Series and Z Selection Overhead Shower

TOTO received the internationally acclaimed Red Dot Design Award*¹ 2022 for a total of four products, including the new product, SMART TOILET NEOREST LS, marking the 10th year in a row that the Company won this award.

Furthermore, TOTO was awarded the internationally renowned iF Design Award*² 2022 for five products, including the NEOREST LS and Z Selection Overhead Shower (round and square models). NEOREST LS was a double winner, following on from the Red Dot Design Award. This marks the ninth year in a row that TOTO has won this award.

*¹The Red Dot Design Award is a design award that dates back to 1955. Organized by Design-Zentrum NordrheinWestfalen e.V., based in Essen, Germany, the award is given to products that design experts have positively evaluated based on strict criteria, including innovation, functionality, and quality.

*²The iF Design Award is a design competition started in 1953, sponsored by iF International Forum Design GmbH based in Hanover, Germany, and is given to products that have had their design rigorously judged by design professionals from the perspectives of beauty, functionality, and innovation.



NEOREST LS



Overhead Shower Round



Overhead Shower Square

Cross-Organizational Innovation Activities

Demand Chain Innovation Activities (Supply Chain Innovation)



Takayuki Shimizu

Director,
Managing Executive Officer

By strengthening our foundations and rebuilding our business continuity plan (BCP), we will build a robust supply chain that ensures stable global supply and reliably delivers products to customers, even when facing unexpected events.



Our Aims for the New Shared Value Creation Strategy TOTO WILL2030

TOTO has set "continue to achieve a stable supply globally through a high-speed supply chain" as an aim for supply chain innovation activities in 2030. We have steadily improved results by working on the three issues of delivering products to customers on the designated delivery date (minimizing deviation from delivery date), minimizing inventory on hand, and minimizing supply chain costs. However, customers were inconvenienced and risks that exceeded our forecasts arose due to protracted lockdowns in fiscal 2021 as a result of the pandemic, in a continuation from fiscal 2020, and a shortage in the supply of various components, including electronic components, and a shortage of containers that accompanied the rapid economic recovery following the pandemic. While the circumstances surrounding procurement of components remains harsh in fiscal 2022, we will reinforce the supply infrastructure and aim to normalize delivery dates with stable supply as a priority.



Key Strategies

To date, we had created a stable supply system that ensured the systematic procurement of components and raw materials in Japan. However, going forward, we will rebuild the supply system with the expectation that we will be unable to stably obtain components and raw materials due to frequent disruptions to the supply chain.

First, we will further reinforce visualization of the supply chain. In addition to visualizing the custom components that have already been built, we will reinforce visualization of suppliers of key general-purpose components.

Next, we will strengthen the supply chain. We will predict risks for each material and component, ensuring a BCP-compliant inventory in line with recovery plans, and select and verify substitute products in advance to reduce the start-up period and reinforce response capability when unexpected incidents occur.

In Mainland China, we are improving productivity and optimizing inventory operations by enhancing the accuracy of sales forecasts and understanding designated delivery dates. We are also promoting the creation of a system to provide more accurate shipping date responses to customers and distributors (creation of a mechanism for responding to shipping dates).

In the United States, our priorities are to normalize supply, improve productivity in domestic U.S. plants, increase the production capability of production sites in Asia, and expand procurement. At the same time, we will continue expanding global supply hubs in preparation for future demand.

In terms of logistics, we will strive to utilize numerous forwarders (freight forwarding companies) and improve loading ratios based on the disruption caused by the container shortage and other issues.

As CSR initiatives across the entire supply chain, we will accelerate cooperation with suppliers to reduce CO₂ emissions and aim to reinforce initiatives for establishing human rights protections in the supply chain, such as conducting human rights audits.

Cross-Organizational Innovation Activities

Demand Chain Innovation Activities (Manufacturing Innovation)

We will innovate manufacturing that utilizes digital technology to create sustainable products that are unique to TOTO.



Yojiro Taketomi

Director,
Managing Executive Officer



Our Aims for the New Shared Value Creation Strategy TOTO WILL2030

Under the 2030 vision for manufacturing innovation activities, we will integrate innovation activities with digital technology in the three areas of development innovation, production innovation, and manufacturing innovation; enhance development productivity and added value productivity; and create and deliver sustainable products that are unique to TOTO to customers around the world.



Key Strategies

We will implement the following three initiatives to enhance development productivity.

The first initiative is to accelerate the creation of even more sustainable products for customers around the world by strengthening activities for creating new seeds linked to marketing innovation, selecting elemental technologies, and verifying their application.

The second is to significantly shorten development lead times by utilizing 3D data in the development stage to create virtual prototypes through advancement and acceleration of analysis technology and implementing automation to reduce the number of prototypes through digital verification of designs.

The third is to increase the number of products that qualify for modular platform-based designs and expand speedy and efficient product development across the entire development process.

In addition to the shift to smart factories to maximize the production capabilities of plants in the enhancement of added-value productivity that we have promoted up to now, we will engage in automation, including component storage and distribution and assembly of products.

Furthermore, we will promote the enhancement of productivity and quality by introducing AI to automatic verification technology and big data analysis. We will create the infrastructure for visualizing, analyzing, and optimizing the production front line through remote operation that promotes the digitalization of frontline information, keeping in mind that safety is the top priority on-site.

In our CSR activities for manufacturing innovation, we aim to reduce CO₂ emissions from business sites by 30% by fiscal 2030 (compared to fiscal 2018) by promoting the introduction of renewable energy, such as the introduction of highly efficient equipment, fuel conversion, and installation of solar panels to realize a carbon-neutral and sustainable society, thereby contributing to the realization of an enriched and comfortable society that is environmentally friendly.

TOPICS

TOTO Vietnam No. 4 Plant Begins Operations in July 2022

In July 2022, the TOTO Vietnam No. 4 Plant commenced operations.

The newly constructed No. 4 Plant, which is on the same site as the No. 3 Plant, will supply to regions around the world, such as Asia (including Japan) and the Americas, as a production site that meets the growing global demand for sanitary ware. The No. 4 Plant has the capacity to produce one million pieces annually, which is approximately 1.4 times the sanitary ware production capacity of the entire TOTO Vietnam. Furthermore, we will contribute to realizing a carbon-neutral and sustainable society by reducing CO₂ emissions through the introduction of energy-efficient, cutting-edge kilns and other initiatives. We will also enhance quality and production efficiency by introducing labor-saving measures and automation throughout the entire production process and an individual identification system that utilizes 2D barcodes that can withstand high temperatures of approximately 1,200°C during the firing process.



Cross-Organizational Innovation Activities

Management Resource Innovation Activities



Tomoyuki Taguchi

Director,
Managing Executive Officer

We will create an employee-friendly work environment that respects the individuality of each employee



Our Aims for the New Shared Value Creation Strategy TOTO WILL2030

Our 2030 aim for management resource innovation activities is to create a company that attracts a diverse group of human resources and offers a vibrant, challenging working environment where employees can work with peace of mind as well as a company where employees can take pride in their work.

The concept of being a company where employees can take pride in their work was added based on our desire to not simply become a “good” company but rather evolve ourselves into a company that employees can take pride in. Since fiscal 2020, we have been promoting activities that engage in this concept. All the people working at the TOTO Group mutually recognize each other’s diversity and are able to work with peace of mind and satisfaction. Based on this premise, the core of our approach to our management resource innovation activities is to create an environment where employees can take on various challenges and, as a result of their actions, are proud to work for the TOTO Group.

We have set employee satisfaction as a key performance indicator (KPI) of the progress of initiatives and results of WILL2030. Every year, we have all TOTO Group employees do an awareness survey and then analyze and quantify the results, reflecting them in new initiatives. Naturally, high or low scores are not the only way to measure peace of mind or satisfaction but are important for determining whether the Company is heading in the right direction.

Going forward, we will understand the thoughts of all TOTO Group employees and promote the evolution of diversity, realization of diverse workstyles, and the development of a robust business foundation, which supports the Group’s growth.



Promoting Diversity

We will engage in the creation of a working environment where our diverse human resources can take on challenges and advance diversity.

From fiscal 2022, we will institute working with peace of mind until the mandatory retirement age, 65 years old, and conduct a review of the compensation of management roles to assess career advancement of employees of all generations in a timely manner at all TOTO Group companies in Japan. We will repeat a cycle of study, growth, and action to realize a structure that enables employees of any age to keep taking on challenges. We will also strive to continue giving support that enables female employees to continuously advance their careers while creating an environment where all employees, including LGBTQ (sexual minorities) people and people with disabilities, can work with vitality.

Additionally, to develop DX human resources who are able to realize new customer value and reform business processes, we will enhance training opportunities, from the endowment of IT knowledge and skills to the application thereof, and create an environment that enables learning at any time and in any place, so that many Group employees can understand the importance of DX and apply it to their work.

We have also adopted the further expansion of international businesses under WILL2030. It is vital that all Group employees at each production site take an active role in the realization of such expansion. Moreover, we will systematically promote human resource development for overseas Group employees.



Realizing Diverse Workstyles

We will strive to promote and realize diverse workstyles unique to TOTO that allow flexibility in terms of time and location as well as the creation of a workplace conducive to the taking on of challenges by employees.

While the implementation of teleworking has led to increased utilization of said workstyles, new issues have emerged.

One aim of teleworking is to create and propose new value to customers by internal sharing and communication, as well as learning about consumer perspectives and self-development gained from teleworking. Accordingly, we will enhance diverse workstyles, such as by improving communication with and among employees when they work from home, and workstyles for flexibly utilizing time and location, which are challenging for telecommuters. Furthermore, the Manufacturing Division and Customer Contact Point Division will cooperate with all other divisions to enhance peace of mind and friendliness among Group employees.



Development of Robust Foundation Reinforcement

We will reinforce the business foundation in anticipation of operating environment changes and changes to the Company to continue supporting the growth of the TOTO Group.

In terms of human resources, we will consistently maintain a normal state of compliance with labor laws and regulations at all TOTO Group companies. In terms of IT, we will realize an IT environment that supports remote working, reinforce cybersecurity infrastructure in response to infiltration by computer viruses, and build and maintain an environment that enables safe and secure work.

In terms of finance and taxation, we will support our financial foundation from the perspective of investment capital efficiency through the optimization of both our balance sheet and management resources by reinforcing tax governance.

To maximize the corporate value of the TOTO Group, we are committed to the effective utilization and optimization of our human, IT, finance, and taxation resources, not only via an iron-clad defense but also through an offensive stance.

TOPICS

Special-Purpose Subsidiary SUNAQUA TOTO Wins Silver at the 41st National Abilympics

SUNAQUA TOTO is a special-purpose subsidiary*¹ founded as a joint investment between Fukuoka Prefecture, Kitakyushu City, and the TOTO Group.

SUNAQUA TOTO primarily engages in the assembly of water faucets and conducts operations as a Group company that meets TOTO's safety and quality standards. In March 2020, the Company acquired JIS B2061 Faucets certification. Over 60% of SUNAQUA employees are people with disabilities, and the company supports the advancement of such employees through various initiatives. As part of these initiatives, four employees from SUNAQUA TOTO participated in the 41st National Abilympics (National Vocational Skills Competition for Persons with Disabilities)*² held in December 2021 at Tokyo Big Sight (Tokyo International Exhibition Center) in Tokyo. They entered into four categories of product packing, computer data entry, computer operation, and desktop publishing (DTP). Hidekazu Yoshii was awarded a silver medal in the product packing category and Syota Fujii was awarded an outstanding performance award in the DTP category.

*¹ Special-purpose subsidiaries are subsidiary companies that fulfill the conditions determined by the Ministry of Health, Labour and Welfare for giving special consideration to the employment of people with disabilities. They are deemed to be employed by the parent company under special exceptions and can be calculated in the actual employment rate of parent companies.

*² The Abilympics are competitions for people with disabilities to showcase the skills that they have cultivated at their workplace. In addition to improving the skills that they have cultivated, the competition aims to promote their employment by raising the understanding and awareness of companies and the general public with regard to the employment of people with disabilities.



Hidekazu Yoshii received a silver medal in the product packing category (Image of competition)

Digital Innovation

Under WILL2030, we have adopted the utilization and fusion of digital technologies as an essential component in creating new corporate value and made it the cornerstone of all our business activities.



Digitalization of Products and Services

Since the foundation of the TOTO Group, we have continued to refine our technology (hardware). When connecting this to digital technology, it becomes possible to provide new customer value that could not be achieved with hardware alone.

Tsunagaru Kaiteki Set for Modular Bathrooms

Tsunagaru Kaiteki Set is one function of a user-friendly smartphone app that enables people to carry out steps for taking a bath, such as the cleaning, heating, and filling of a bathtub, when at home or outside. This function allows users to have a comfortable (*kaiteki*) connection (*tsunagaru*) with the bath anytime, anywhere in their daily lives.

How and When to Use the App



* This is an image of the app.
The TOTO app, Ofuro, enables users to connect with their smartphone or smart speaker.

Before taking a bath

Remote operation of filling and heating the bathtub



Before taking a bath, users can fill or heat the bathtub using their smartphone when not at home, reducing the burden of preparing a bath.
Additionally, users can clean the bath via voice command through a smart speaker after taking a bath, enabling them to enjoy an even more comfortable bath life.

After taking a bath

Remote operation of cleaning



Note: Voice commands may differ depending on the smart speaker used.

TOTO's Public Restroom Support System

TOTO's Public Restroom Support System consists of services for displaying stall availability and supporting facility management.

The service for displaying stall availability enables users to confirm the degree of congestion through signage or their smartphone. The service for supporting facility management connects equipment to the internet, enabling real-time alerts on damage and efficient maintenance and management support using stored data.





Digitalization of Manufacturing Processes

Due to the characteristics of the raw materials and manufacturing processes used, TOTO products are prone to numerous variations, including irregular deformations. As such, we have safeguarded product quality and uniformity based on the technological capabilities and accumulated experience of TOTO employees during each manufacturing process.

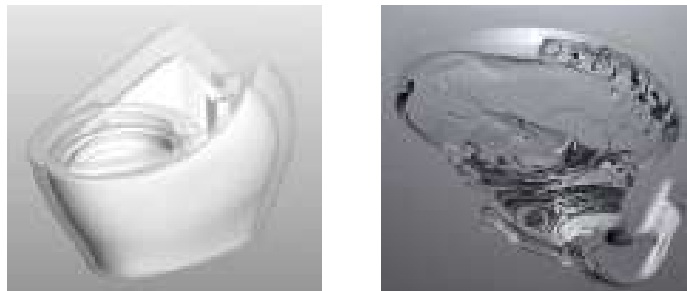
By carrying out fluid analyses through various technological simulations in these processes as well as analyses combining AI with data stored on-site, we can further ensure the quality and uniformity of our products.

Technological Simulations in Sanitary Ware

Since we must minimize the amount of water used when flushing water-saving toilets, it is important to design a toilet bowl shape that can realize optimal water flow.

Previously, we created the optimal toilet bowl shape by building a clay model,* making a 2D diagram, and repeatedly creating ceramic prototypes. However, we are now able to deliver various new products to customers even faster by rapidly enhancing the accuracy of design phases and accelerating development through precise fluid analysis technology developed by TOTO and the utilization of 3D printed models.

* A model that uses the special properties of clay to create a 3D image

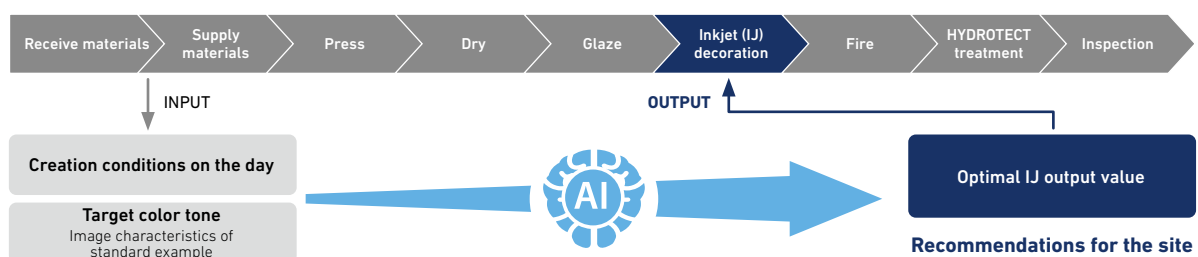


AI Color Tone Prediction (Green Building Materials)

The creation of ceramic tiles is the world of craftspeople.

To create a ceramic tile, these artisans press sand, the raw material, into a flat shape, dry it out, paint over the tile with glaze, and finish by firing it in a kiln. While various factors—including weather and atmospheric temperature, the amount of moisture in the raw material, the temperature of the kiln, and the strength of the ink—affect each other in the creation process, we create high-quality products thanks to the experience and perception of our craftspeople.

For example, we have been able to eliminate the variations in color tone that appeared after firing tiles by combining AI with big data related to the daily conditions of the ceramic tile creation process, which is accumulated through trial and error on-site. Furthermore, we have increased the efficiency of ceramic tile production by no longer having to perform color tone adjustment tests.



Financial Strategies



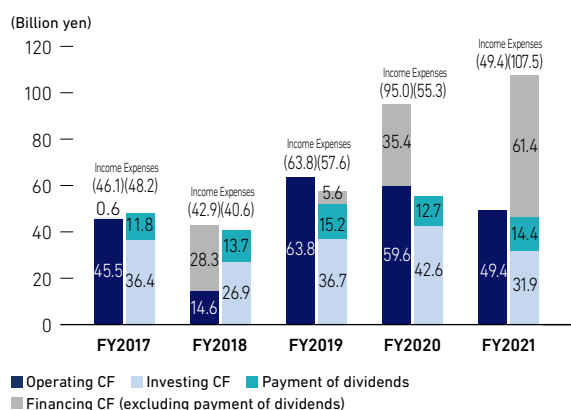
Financial Policy

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

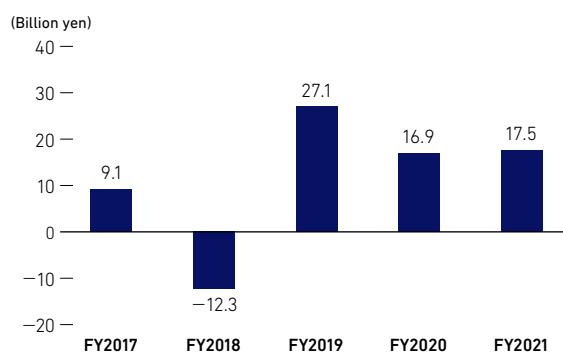
Regarding raising funds, in order to maintain financial soundness, the Group's basic policy is to use cash on hand to fund necessary capital investment and other capital requirements.

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

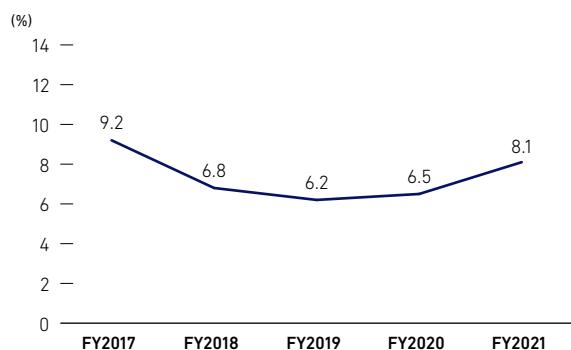
Cash Flows (CF)



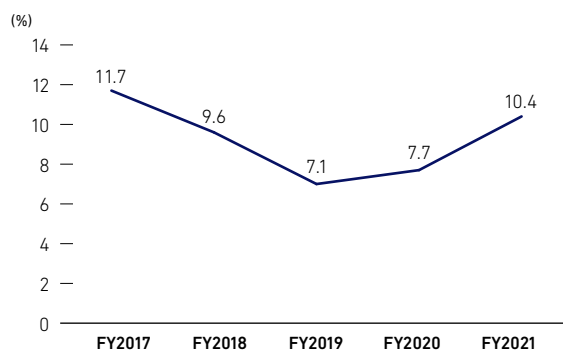
Free Cash Flow



ROA (Operating Profit Base)



ROE (Net Profit Base)



1 About Investment Plan

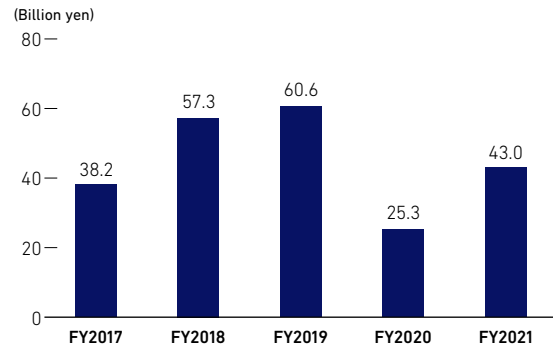
In WILL2030 STAGE1, we planned to make investments worth ¥165.0 billion over a period of three years. As a major capital investment in the International Housing Equipment Business, we are planning to increase investments in projects, including a sanitary ware plant and a faucet plant, as an aim for creating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

The TOTO Group is engaging in creating value for stakeholders through investment decisions that are made with an awareness of investment capital efficiency when making investments and verification of the efficiency of each business to ensure that they earn profit effectively.

Japan Housing Equipment Business	<ul style="list-style-type: none"> Investment in production reorganization Investment in showrooms 	▶ ¥30.0 billion
International Housing Equipment Business	<ul style="list-style-type: none"> Investment in augmenting sanitary ware plants Investment in augmenting faucet plants 	▶ ¥56.0 billion
New Domains	<ul style="list-style-type: none"> Investment in augmenting Advanced Ceramics Business 	▶ ¥2.0 billion
Companywide Investments	<ul style="list-style-type: none"> IT-related investment 	▶ ¥32.0 billion
	<ul style="list-style-type: none"> Environment-related investment 	▶ ¥12.0 billion
	<ul style="list-style-type: none"> Global product development investment 	▶ ¥3.0 billion
	<ul style="list-style-type: none"> Constant investment 	▶ ¥30.0 billion
Total		▶ ¥165.0 billion

Plan of making investments worth ¥165.0 billion over the three years of WILL2030 STAGE1

Capital Investment

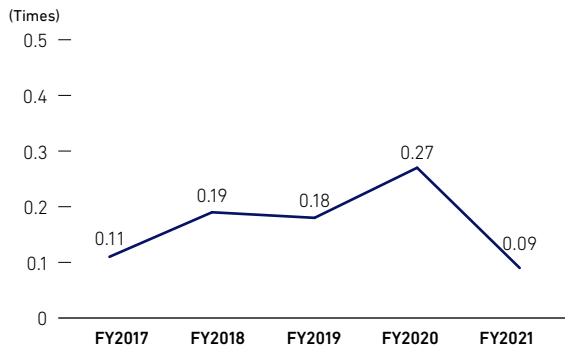


2 About Raising Funds

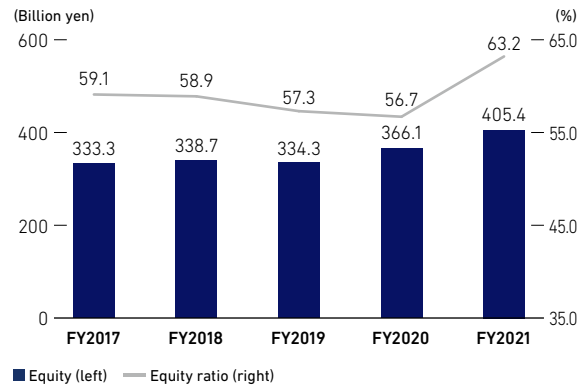
We carry out fundraising when it is necessary for a business through the most appropriate method based on various conditions, including the monetary amount.

When raising funds through debt, such as borrowed funds, we focus on the debt-to-equity (D/E) ratio and take into account the overall capital structure while being aware of financial soundness.

D/E Ratio



Equity / Equity Ratio

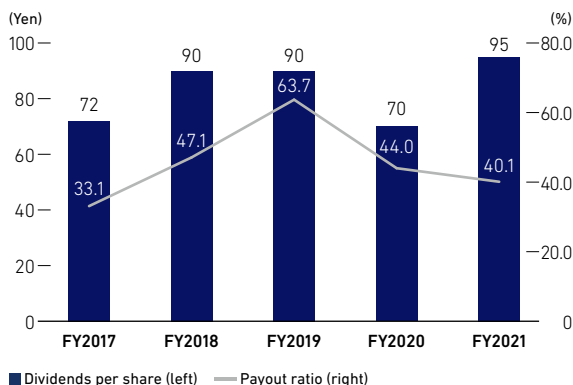


Shareholder Return Policy

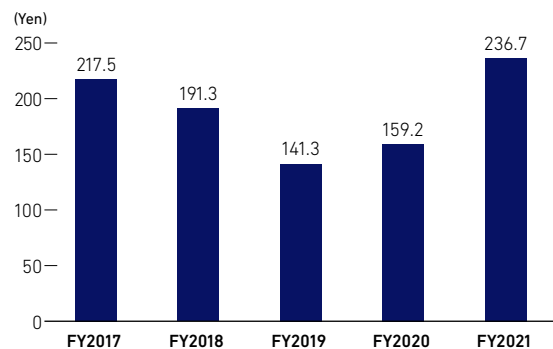
We make it a rule to proactively invest in the future to secure funds for building a firm corporate structure and expanding our business while assuring a stable return of profit to shareholders.

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

Dividends per Share / Payout Ratio



Earnings per Share (EPS)



TOTO Global Environmental

Water, Earth & a better Tomorrow

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



Global Environmental Goals

Goals	Main Initiatives
Cleanliness, comfort and the environment	Rolling out clean, comfortable and eco-friendly products
Cleanliness and Comfort <ul style="list-style-type: none"> • Realize cleanliness and comfort throughout the world • Pursue ease of use for everyone 	Global expansion of clean and comfortable toilets
Environment <ul style="list-style-type: none"> • Protect our limited water resources and connect with the future • Undertake initiatives to fight global warming and coexist with the earth • Aim for sustainable development together with local communities 	Alleviating water stress through the widespread adoption of water-saving products Achieving carbon neutrality Social contribution activities entrenched in local communities
Relationships <ul style="list-style-type: none"> • Build deep, long-lasting relationships with customers • Offer cultural support and contribute to society for the next generation • Create and share joy in work together 	Improved customer satisfaction Promotion of employee volunteer activities Realizing employee-friendly working environments

*1 Reduction effect when compared with the case where products of 2005 continue to be used.
 *2 Scope: Japan, Americas, Europe, Mainland China, Taiwan Region, India, Thailand, Vietnam
 *3 Job turnover rate for employees raising children or providing nursing care but still wish to work.
















Vision

In the TOTO Global Environmental Vision, we focus on the three themes of Cleanliness and Comfort, Environment, and Relationships, and are committed to promoting these themes on a global scale. We carry out manufacturing that is friendly to the environment and provide cleanliness and comfort while carefully working to build relationships.

We have established and are promoting specific indicators and goals for each theme as a vision for our Global Environmental Goals.

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

SUSTAINABLE DEVELOPMENT GOALS

Indicators	Cat.	FY2021 (Results)	FY2023 (Targets)	SDGs
Percentage of sustainable products	◆	70% (Japan) 75% (Overseas) 59%	73% (Japan) 80% (Overseas) 61%	
Percentage of TORNADO FLUSH units shipped (overseas)		53%	56%	 
Number of WASHLET units shipped (overseas)		0.92 million units	1.34 million units	 
EWATER+ WASHLET rollout percentage (overseas)		50%	62%	 
Reduction in water consumption during product use* ¹	◆	1.0 billion m ³	1.1 billion m³	 
Total CO ₂ emissions from business sites	◆	352 thousand tons	294 thousand tons	 
Reduction in CO ₂ emissions due to implemented measures		10 thousand tons	42 thousand tons	
Reduction in CO ₂ emissions during product use* ¹		3.35 million tons	3.6 million tons	
Number of projects that help solve local issues (cumulative number from FY2018)		116 cases	150 cases	
Customer satisfaction in after-sales service* ²	◆	93 pt	94 pt	 
Showroom satisfaction (Japan)	◆	75 pt	75 pt	
Percentage of employees taking part in volunteer activities (total number of participants / number of consolidated employees = participation rate)		84%	100% or more	 
Employee satisfaction (Japan)	◆	75 pt	76 pt	
Percentage of female managers (Japan)		16%	21%	
Employee turnover rate due to life events (Japan)* ³		1.4%	0%	

◆: WILL2030 long-term goals

Offering Satisfaction That Goes Above and Beyond **Customer** Expectations

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

A Word from a Customer



A Word from a Customer



A Living, Dining, and Kitchen Area That Starts from the Entryway and Makes Returning Home Enjoyable

A Living, Dining, and Kitchen Area That Starts from the Entryway and Makes Returning Home Enjoyable I am completely satisfied with the workmanship, as it far exceeded my expectations. After coming home, I can enjoy an evening drink in my remodeled living, dining, and kitchen area. The comfortable entryway and living, dining, and kitchen area feel like a bar and make me want to invite friends over. The airflow is also so great that you don't need an air conditioner in the summer. In the morning, I can enjoy an elegant breakfast on the veranda that faces the park.

Remodeling Requests

- I want to do something about my house, which is hot, cold, and has no room for my family of three.
- My living room is quite uncomfortable because of the neon lights of the station and I want to be able to relax.
- I am worried about the afternoon sun in the summer, as well as condensation and mold in the winter.
- While I want to enjoy an evening drink, I can't go out because of COVID-19. I would like my house to feel like a stylish bar that I can invite friends over to in the future.

Build deep, long-lasting

Celebrating 20 Years of the TDY Alliance and Its Future Evolution

In 2002, we formed an alliance between the three companies of TOTO, DAIKEN, and YKK AP (hereinafter, "TDY") and created a system to support product design, development, and sales to provide comfortable living spaces that exceed the expectations of customers. The TDY alliance celebrated 20 years in 2022.

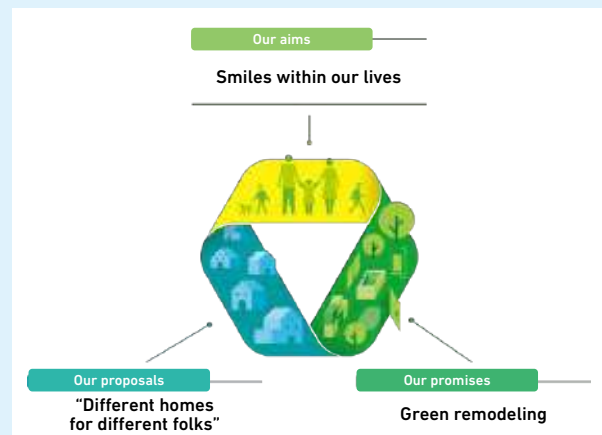
From 2022, we adopted a new alliance message of "smiles within our lives" and will make remodeling proposals that bring us even closer to customers. Furthermore, green remodeling, which is advocated as the cornerstone of TDY remodeling proposals, will be connected to product development and other activities from the three perspectives of health and comfort, safety and security, and environmental awareness. This is in response to growing social interest in sustainability and increased customer interest in such areas as disaster prevention, hygiene, and relaxation. Additionally, we have developed "different homes for different folks" plans. These are lifestyle proposals that fulfill the expectations of customers through TDY products, aiming for remodeling that embodies "smiles within our lives." We will expand the current 20 plans to 50 plans by 2025.

We make proposals regarding recommended products from the three companies by holding showroom fairs at 13

TDY collaboration showrooms and also held the first online TDY exhibition.

TDY will continue to propose functional, safe, and secure living that aligns with new ways of life and individual lifestyles, and provide customers with information on how to realize the lifestyle of their dreams in a way that is easy to understand and sympathize with.

Reference: <https://re-model.jp/> (in Japanese only)



TOTO Initiatives



A Word from a TOTO Remodeling Club Shop

Proposing a Space That Utilizes the Verdant Park Scenery

Since the customer expressed worry over the neon lights from the station on the west side, we proposed utilizing the verdant park scenery on the east side.

The time spent at home has increased due to the pandemic. However, by adding a sunken entryway to the same space as the living, dining, and kitchen area with a wooden bar that begins at the front door, the customer is now able to come back to a spacious home and relax.

We have also enabled the customer to welcome guests with a living, dining, and kitchen area that is connected to the entryway but that doesn't pass through any private areas.

Additionally, by making adjustments to the steps and direction of seats, there is space in the living, dining, and kitchen area for three adults to be in while maintaining a comfortable distance.

We greatly increased the insulation performance by utilizing double glazed windows, insulation on five sides (walls and ceiling), and an insulated door. We also utilized a whole house air-conditioning system that sends air under the floor and behind the walls.

We installed picture windows in the bathroom so that the living room illuminates the bathroom in the evening.

The private spaces can be easily changed by utilizing furniture to divide the space that can be used for future use.



N residence (25-year-old condominium)
Remodeling conducted by Toivo, Ltd.
Received Grand Prize at the national TDY REMODEL SMILE CONTEST 2021



relationships with customers

Engaging in Customer Satisfaction Initiatives

Customer satisfaction is at the center of the TOTO Group's management. The customer information collected through business activities in Japan and overseas is appropriately managed in databases in each country, analyzed and verified to ensure customer satisfaction, and used to improve and propose products and services.

We are working to reinforce our sales structure and enhancing the skills of repair staff with the aim of popularizing WASHLET overseas.

Sharing Examples of Activities Emphasizing the Customer's Perspective

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

In fiscal 2021, at our online convention, 25 teams from a wide selection of divisions (including overseas locations) were selected from a possible 87 and shared examples of their customer satisfaction-oriented activities. Through this convention, we are striving to carry out activities to further enhance the satisfaction of our customers around the world.

Customer Satisfaction in After-Sales Service

FY2021 result

93 pt

Showroom Satisfaction (Japan)

FY2021 result

75 pt

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



Fiscal 2021 TOTO Group Customer Satisfaction Convention



Together with Our Employees

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

TOTO (SHANGHAI) CO., LTD.
Deputy General Manager, Operational
Management Headquarters

Jiang Haiying

**Importance of Training
Opportunities That Enable
the Creation of True Friends
Who Share Values**

I previously participated in Overseas Group Companies training, which develops management personnel from each region overseas. Among the opinions the participants exchanged at the training session regarding the issues that affect the entire TOTO Group, we were able to share the passionate idea of wanting customers to use high-quality TOTO products more. In an era where there have been significant changes to the environment surrounding work, it is necessary to involve numerous colleagues in resolving issues that transcend the borders across divisions and Group companies. I truly feel that these training opportunities are important for creating friends that share the same values. Additionally, assessments during the training enable participants to verify their own strengths and weaknesses, which leads to widening of the scope of their work.

To enable TOTO to continue being chosen by customers, it is vital to continue protecting "quality and uniformity" as laid out in TOTO's Company Mottos. The role of TOTO (SHANGHAI), a manufacturing company, is to fulfill this responsibility and keep gaining TOTO fans around the world. Strict quarantine measures have been implemented in Shanghai as COVID-19 countermeasures. Even TOTO was forced into a situation where operations were suspended. During this time, we were able to respond with all employees as one and restart operations quickly based on the strong sense of responsibility felt by each employee to fulfill our duty as a manufacturing company and deliver TOTO products to customers.

Experiencing the training and the state of emergency has reaffirmed the importance of continuous employee development. At TOTO (SHANGHAI), we have been promoting human resource development in collaboration with TOTO Headquarters personnel. Meanwhile, I engage in formulating and implementing plans and am endeavoring to provide opportunities for many employees to create true friends through training. Although my role is becoming more expansive, I will continue to collaborate across the entire TOTO Group to achieve the targets laid out in WILL2030.



A Word from an Employee

Create and share joy in work together

Establishing Diverse Workstyles

We greatly expanded the scope of people using the work-from-home system to continue stable business activities despite the spread of COVID-19. Additionally, in order to eliminate lack of communication while employees were working from home, we have established remote work through initiatives including introducing IT tools and ensuring meetings are held online. Continuing to expand the applicable scope for working from home, encourage TOTO's unique and diverse workstyles to take root, and enhance the employee-friendliness of the workplace will lead to maintaining and improving productivity and the creation of new value.

Additionally, the retirement age for employees in Japan is being gradually raised from 60 to 65 from fiscal 2022. We are integrating managerial qualifications and reviewing compensation to ensure that the roles and accomplishments of each employee are rewarded in a more timely manner.

Dialogues between the President and the Next Generation of Employees

Since 2020, we have been holding online exchanges as a platform for dialogues between President Kiyota and the next generation of employees. We hold these exchanges as an opportunity to share values, foster trust, and improve the perspective of the employees who will be responsible for the future of the TOTO Group through direct communication with the president. In addition, we also aim to instill pride and self-confidence in the people who work for the TOTO Group.

At the end of June 2022, we held our 49th exchange and over 289 younger and middle-ranking employees from various divisions, including overseas, took part in a lively exchange of opinions on the theme of the future vision for TOTO. Many participants commented on the confidence they gained from sharing their feelings on TOTO WILL2030 and by receiving positive feedback to improve their work.



Dialogue with employees

TOTO Initiatives

Together with Our Suppliers



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

TAKAHATA PRECISION Co., LTD.
CEO

Yasuo Yamamoto

Capable Human Assets Are Vital for Developing the Manufacturing Required by Society around the World



TAKAHATA PRECISION, which was established in 1929 and began by manufacturing water meters, deals with high-accuracy, complex, precision components. The company has been doing business with TOTO since 1980, over 40 years, and its overseas production sites in Malaysia and Thailand supply WASHLET components and other parts.

Additionally, TAKAHATA PRECISION highly values its corporate philosophy of “Contribute to society through creating products based on technology, quality, and human assets.” Our superior technology and quality are all created by people and capable human assets are vital for developing the manufacturing required by society around the world. Accordingly, we identified development and education of human assets as a material issue, which focuses on promoting diversity that values capable human assets regardless of factors including gender, race, and age. We are dealing with social issues by actively promoting technology development with the goal of participating in the fields of the environment, energy, and infrastructure and developing products that utilize innovative technology. We are reinforcing CSR initiatives in line with the globalization of business and have signed the United Nations Global Compact.

While working with TOTO, we thoroughly insist on manufacturing that has the feel of “Never give up! Always go for it!” I feel that we share the same sincere attitude regarding social issues and customers. TOTO’s sustainable products utilize a lot of our technology and I hope that we can contribute together to the resolution of social issues through the popularization and expansion of these products.

Coexist and grow together while contributing to society and the environment

Declaration of Partnership Building

We endorsed the goals of the Council on Promoting Partnership Building for Cultivating the Future, which is being promoted by the Japanese Cabinet Office and the Ministry of Economy, Trade and Industry. Accordingly, we formulated and announced our Declaration of Partnership Building.

The goal of this declaration is to build new partnerships by promoting collaboration, coexistence, and co-prosperity with all our business partners in the supply chain and value-creating businesses.

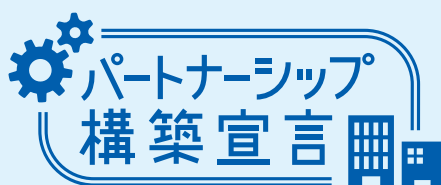
The TOTO Group is promoting CSR procurement initiatives and, going forward, will ensure fair purchasing practices and provide valuable products and services to customers.

CSR Procurement That Considers Biodiversity

The TOTO Group has placed global environmental conservation as one of its most important issues. We established Sustainable Raw Material Procurement Standards in 2010 and regard the procurement of earth and stone raw materials and recycled wood materials, from which our staple products are made, as a critical issue to consider.

For earth and stone raw materials, we conduct a questionnaire survey or an interview at all mines at least once every three years and all surveyed mines have met TOTO’s standards.

For recycled wood materials, the usage rate of legal and recycled materials for products is used as an indicator and we verify the actual values. Since 2017, we have maintained the ratio of legal and recycled lumber at 100%.



Achievement Rate of Compliance Item Standards of Mines

Fiscal 2021 result

100%

Usage Rate of Legal and Recycled Wood Materials Used in Products

Fiscal 2021 result

100%



For Society

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

OISCA JAPAN
President

Etsuko Nakano

We have been able to improve the environment in terms of education and hygiene, allowing children to learn in a safe environment.



Recently, the severity of social issues on a global scale has been increasing and natural disasters of a level that nobody has experienced before have been frequently occurring around the world. Many of OISCA's areas of activity, particularly in the Asia-Pacific region, are vulnerable to climate change and disasters due to environmental destruction, delays to infrastructure development, and other factors. Accordingly, OISCA is developing its activities with an emphasis on promoting environmental conservation and protecting the basis for life. OISCA is also developing the next generation of human resources who will willingly engage in environmental conservation.

The TOTO Water Environment Fund has improved school facilities in Indonesia that have suffered from flood damage due to coastal erosion and supported environmental education, including tree-planting activities. Parents and guardians took turns to carry out maintenance work and, by sweating and talking together, they had the opportunity to consider regional issues together and deepen understanding of and cooperation with the project. We have been able to improve the environment in terms of education and hygiene, allowing children to learn in a safe environment. Through initiatives including seminars for teachers, we have also been able to promote the development of a system to ensure that activities are rooted in the community and sustainability.

As a result of the project, we have created an awareness of protecting their hometown within the community, even in unseen areas, and widened the sphere of action.



New toilet facility at Timbulsloko First Elementary School, which had suffered from flood damage (Demak Regency, Indonesia)

Offer cultural support and contribute to society for the next generations

Preserving the Water Environment

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

We established the TOTO Water Environment Fund in 2005. Through this fund, we are supporting the activities of citizens and organizations that work to secure water sources and water quality, create ecosystems, and plant trees. At the same time, our employees participate voluntarily in such activities.

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

TOTO Water Environment Fund Grant Assistance

<17th grant assistance> (Fiscal 2022 to fiscal 2024)	
Grant assistance	¥24.78 million
Number of organizations	11
<Cumulative total>	
Grant assistance	¥416.56 million
Number of organizations	292

Supporting the Development of Architectural Culture

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



TOTO GALLERY-MA
KAZUYO SEJIMA + RYUE NISHIZAWA / SANAA
Architecture & Environment
©Nacása & Partners Inc.

Dialogue with Shareholders and Other Investors



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

Working to Ensure Transparency and Fairness in Our IR Activities

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



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

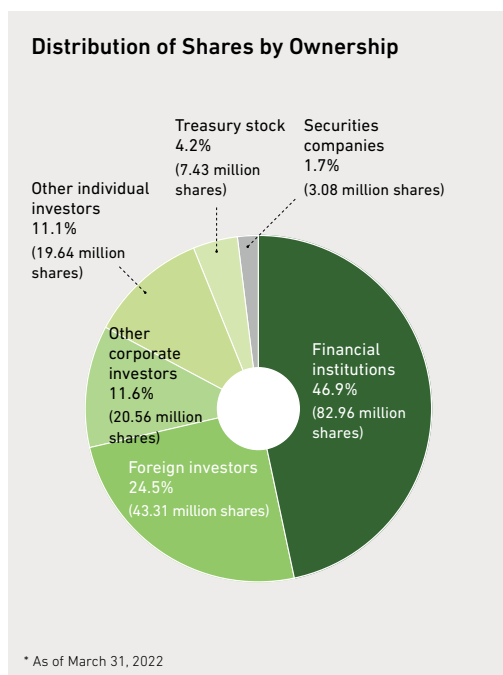
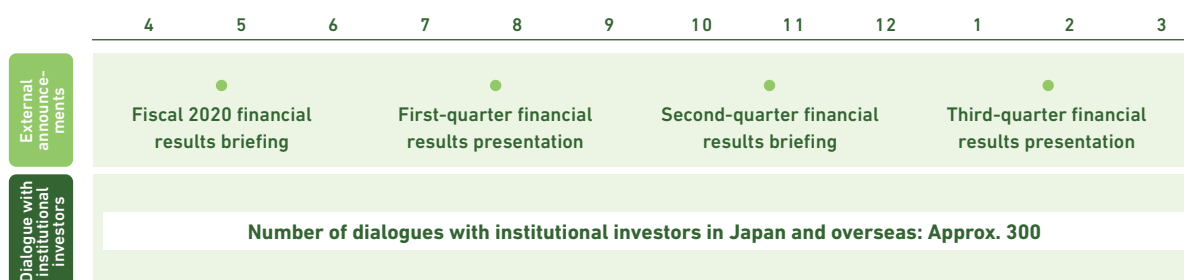
Relationships with Institutional Investors

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



Meeting with overseas investors

IR Activities in Fiscal 2021



Shareholder Return Policy

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

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

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

TOTO Global Environmental Vision

Stakeholder Engagement

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

CSR Communication with Stakeholders

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

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

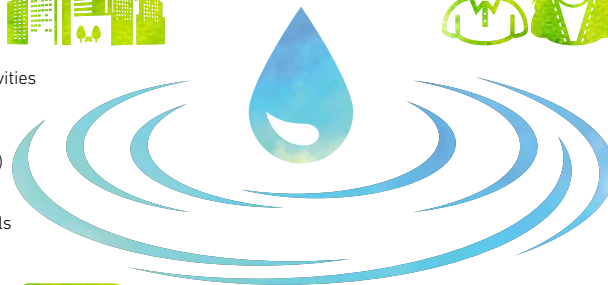
Society

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



Customers

- Showrooms
- Customer Consultation Center
- Support desk for remodeling
- Factory remodeling fairs
- Various exhibitions
- Online showroom and consultation



Shareholders

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



Business partners

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



Employees

- Online meetings by the president and visits to production sites by the Board of Directors
- Various workplace meetings
- Employee awareness surveys
- Intranet and Group magazine
- Whistleblowing system (in-house / external contacts)

Evaluation by External Parties

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



2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)



Respecting Human Rights

In accordance with the Charter of TOTO Group Corporate Behavior, the TOTO Group supports the Universal Declaration of Human Rights, which sets international standards for human rights, and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.

Basic Approach

Under the Charter of TOTO Group Corporate Behavior, which defines the basic stance of everyone involved in Group activities, we have adopted the policy of respecting the human rights of every person in all countries and regions in our business activities and contribute to their development. The policy specifies officially announcing the policy of executing its responsibility to respect human rights in our business activities, respecting international norms of human rights, and not being involved in any forced labor nor child labor as a member of the international society.

Furthermore, as stipulated in the TOTO Group Purchasing Policy, the TOTO Group fulfills its corporate responsibility in human rights and will provide valuable products and services to customers together with all its suppliers through fair purchasing practices.

Promotion System and Main Initiatives

The agenda for our CSR activities, which includes human rights, is deliberated and executed by the CSR Committee, chaired by the president. In addition, these activities are supervised by the Board of Directors. Additionally, to develop business activities that respect human rights, we reference policies including the United Nations Guiding Principles on Business and Human Rights and World Governance Indicators that have been researched and published by the World Bank, strive to understand the human rights risks in the regions the TOTO Group operates in, and are engaged in human rights due diligence, which includes the evaluation, prevention, and correction of human rights risks.

As one of these initiatives, we participate in the Human Rights Due Diligence Workshop, a stakeholder engagement program sponsored by Caux Round Table Japan. This enables us to deepen our understanding of the circumstances in which human rights issues occur, the connection between business activities and human rights, important human rights issues, and the importance of business activities that are conscious of human rights. Multiple stakeholders, including companies, NGOs / NPOs, and various experts, participate in this workshop and identify human rights issues by sector.

We evaluate potential risks, such as human rights and labor, through questionnaire surveys and audits of suppliers. We strive continuously to enhance the level of engagement in CSR procurement through prevention and improvement. In fiscal 2021, we reviewed the Supplier Code of Conduct and reinforced our code of conduct on human rights and labor.

We implement the TOTO Group Employee Awareness Survey once a year to verify potential human rights risks, including harassment, forced labor, and discrimination.



Discussion on human rights issues by sector
©2022 Caux Round Table Japan

Establishment of Whistleblowing and Consultation Hotline

As a grievance mechanism, the TOTO Group has established hotlines to receive reports from suppliers and employees in Japan and overseas on compliance and human rights issues, such as discrimination or harassment. Anonymous reports are accepted, and the name of the person making the report is kept strictly confidential. We adequately confirm the facts about the issues reported and determine and implement preventative measures.

CSR Management

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

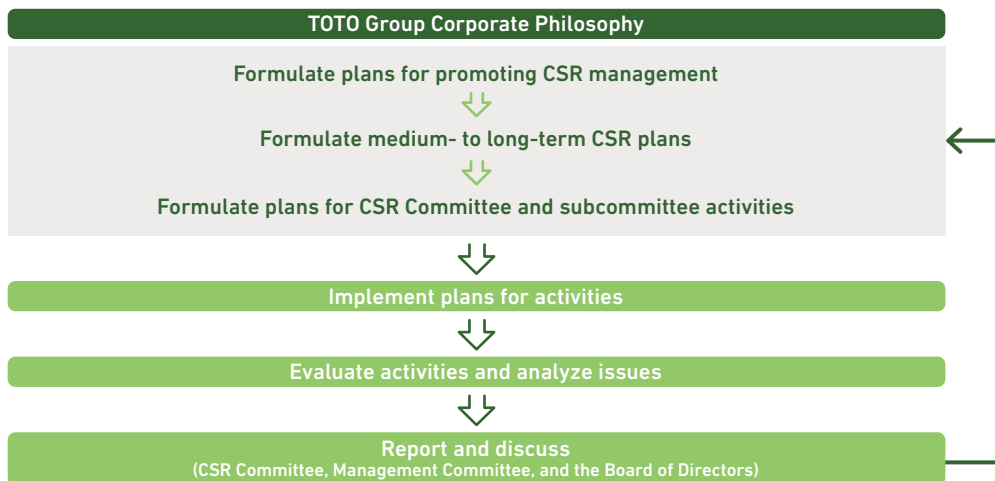
CSR Promotion System

We began our corporate social responsibility (CSR) activities in 2004 with the establishment of the CSR Committee and a full-time CSR department. The CSR Committee holds meetings twice a year and is chaired by the president. The committee integrates management and CSR by supervising and commanding a bird's-eye view of the three fields—environmental, social, and governance (ESG). The committee holds discussions on CSR issues and material issues (materiality) including climate change and human rights, and formulates plans for CSR activities. Each subcommittee of the CSR Committee formulates CSR promotion plans, which are implemented in relevant divisions and at Group companies in Japan and overseas.

Promotion System of the CSR Committee



Process for Promoting CSR Management



Participation in the UN Global Compact

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



Risk Management

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

Under the supervision of the president, we have established the Risk Management Committee, which is chaired by the executive vice president. (Please see page 23.) In accordance with the TOTO Group Rules for Risk Management, the committee assesses any risks that may have a significant impact on our business and society and identifies major risks that the Company must work to address. The identified serious risks are addressed through collaboration between the risk management divisions designated for each field and all Company divisions and Group companies by striving to prevent such risks and enhancing the Group's risk management response.

Continued Response to the COVID-19 Pandemic

The COVID-19 Countermeasures Headquarters was established in January 2020, for which the president serves as the chief and responses have been continuously made. In making responses, we give the highest priority to the safety of all stakeholders including our customers, business partners, and employees. Reflecting government policy, we have been trying to reduce infection risks, such as gradually implementing cancellations, postponements, or reductions in the size of events and restriction measures on business trips and promoting telework, staggered commuting, and flextime work.

Additionally, we are striving to minimize the impact on business when the supply of components is delayed due to suspension of factory operations in the supply chain by securing alternative procurement methods.

Compliance

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

Compliance Activity Cycle



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

We formulated the TOTO Group Business Conduct Guidelines, which we have rolled out on a Groupwide basis, including in our international businesses. These guidelines include compliance guides on respect for human rights and fair business activities as key compliance issues in the promotion of corporate activities.

In addition, since fiscal 2015 this hotline has been deployed to and is currently operating key production sites including those in Mainland China, the United States, Mexico, Thailand, Vietnam, and India.

TOTO Group Business Conduct Guidelines



Corporate Governance

In June 2022, the TOTO Group adopted the organizational structure of a company with an Audit & Supervisory Committee. We will continue striving to reinforce corporate governance to support the realization of WILL2030 and enhance sustainable growth and medium- to long-term corporate value.



Basic Stance on Corporate Governance

The TOTO Group strives to be a great company, trusted by people all around the world, contributing to the betterment of society. In addition to being a corporate entity engaged in the pursuit of profit through fair competition, the Group conducts its business in such a way as to continue to benefit society broadly. In order to realize this target, we believe it is important to build a system for pursuing and supervising fair and equitable management, and clearly define a philosophy that serves as the basis of such a system.

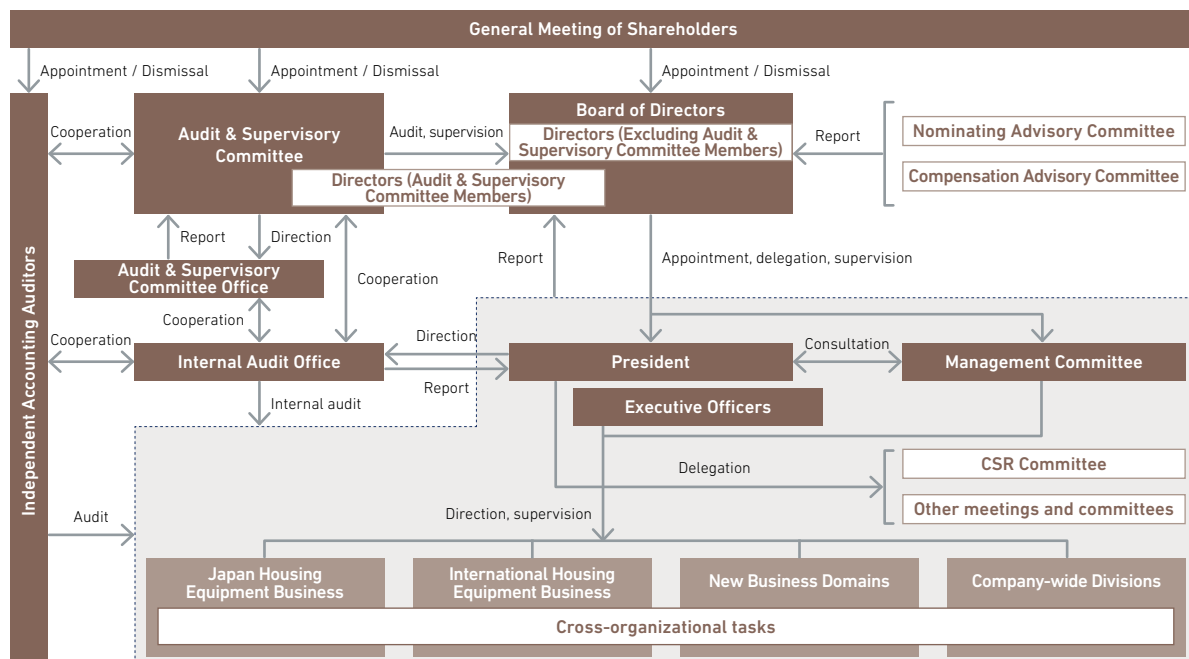
1. The TOTO Group has developed a philosophy system for TOTO Group management. This includes a common Group philosophy, representing the inherited values of TOTO that will be carried forward into the future. This represents the "heart" of our philosophy. Also, our philosophy system includes visions for business activities representing the direction of our action to be reviewed in accordance with the demands of the times. This is positioned as the "body in action." All of our business activities are based on this philosophy system.
2. To ensure operational decisions and business execution in compliance with relevant laws and regulations and TOTO's Articles of Incorporation, TOTO has a Board of Directors and an Audit & Supervisory Committee, and retains independent accounting auditors.

The Board of Directors, emphasizing fairness, objectivity, and transparency, has appointed three Outside Directors who are independent of the TOTO Group. The Outside Directors give various advice and make proposals on our overall management.

The Audit & Supervisory Committee audits the business execution of Directors and consists of four members, including three outside members. We have built a system to ensure their effective audits through their attendance of major meetings, including Management Committee, and the exchange of opinions with Directors who are not Audit & Supervisory Committee Members on a regular basis.
3. To complement audits by Audit & Supervisory Committee and independent accounting auditors and to build a stronger internal control system, we have established the Internal Audit Office in-house, which is independent of operational divisions. With the establishment of the Internal Audit Office, we have strengthened our internal audits under the direction of the President.

Audit & Supervisory Committee, independent accounting auditors and members of the Internal Audit Office carry out audits as a three-party audit team. In addition, we strive to enhance the quality and effectiveness of audits through close collaboration among the three parties, which involves reviewing audit results by Audit & Supervisory Committee Members and exchanging information at meetings, among other activities.

Corporate Governance System





Composition of the Board of Directors and Audit & Supervisory Board in Fiscal 2022

We believe that in order to supervise business operations and to make important decisions, TOTO's Board of Directors must be composed of members with diverse perspectives, experience and highly professional skills. TOTO invites Outside Directors well versed in the management of leading companies respected for their management practices to which the TOTO Group aspires or specializing in such matters as corporate finance and legal issues. TOTO also ensures the balance of knowledge, experience, abilities, and diversity on the Board of Directors by appointing those who understand our corporate philosophy and who are familiar with our business as Inside Directors.

As of June 27, 2022, we have 15 Directors with voting rights at Meetings of the Board of Directors, of whom ten are Inside Directors with careers in the TOTO Group and five are highly independent Outside Directors.

These members use their respective skills in discussions to make legal and business management decisions and supervise business operations.

The Audit & Supervisory Committee consists of one standing members with careers in the TOTO Group and three outside members with a high level of independence, and conducts audits from the perspectives of legality and appropriateness.

Composition of the Board of Directors

Title	Name	Outside	Audit & Supervisory Committee	Nominating Advisory Committee	Compensation Advisory Committee	Board of Directors Attendance for fiscal 2021
Representative Director	Madoka Kitamura	—	—	●	—	12/12
Representative Director	Noriaki Kiyota	—	—	●	—	12/12
Representative Director	Satoshi Shirakawa	—	—	—	—	12/12
Director	Ryosuke Hayashi	—	—	—	—	12/12
Director	Tomoyuki Taguchi	—	—	—	●	12/12
Director	Shinya Tamura	—	—	—	—	12/12
Director	Toshiya Kuga	—	—	—	—	12/12
Director	Takayuki Shimizu	—	—	—	—	12/12
Director	Yojiro Taketomi	—	—	—	—	10/10
Director	Junji Tsuda	●	—	●	●	12/12
Director	Shigenori Yamauchi	●	—	●	●	12/12
Director, Audit & Supervisory Committee Member	Shigeki Inoue	—	●	—	—	12/12
Director, Audit & Supervisory Committee Member	Shuichi Sarasawa	●	●	●	●	11/12
Director, Audit & Supervisory Committee Member	Yasushi Marumori	●	●	●	●	11/12
Director, Audit & Supervisory Committee Member	Yukari Ienaga	●	●	●	●	—

Note: Compensation Advisory Committee members include an external expert who is appointed as an outside member.

Director Skills Matrix

Name	Position	Expertise and History								
		Corporate Management	International Business	ESG	Sales and Marketing	Manufacturing, Technology, and R&D	Finance and Accounting	Legal and Risk Management	Human Resources and Human Resource Development	IT and Digital
Madoka Kitamura	Representative Director, Chairman of the Board	●	●	●		●	●	●		
Noriaki Kiyota	Representative Director, President	●	●	●		●	●	●	●	
Satoshi Shirakawa	Representative Director, Executive Vice President	●		●	●		●	●		
Ryosuke Hayashi	Director, Senior Managing Executive Officer	●	●			●				●
Tomoyuki Taguchi	Director, Managing Executive Officer	●	●				●	●	●	●
Shinya Tamura	Director, Managing Executive Officer	●	●		●	●				
Toshiya Kuga	Director, Managing Executive Officer	●			●					
Takayuki Shimizu	Director, Managing Executive Officer	●				●				●
Yojiro Taketomi	Director, Managing Executive Officer	●	●			●				●
Junji Tsuda	Outside Director	●	●	●	●	●		●	●	
Shigenori Yamauchi	Outside Director	●	●	●		●		●		
Shigeki Inoue	Director, Audit & Supervisory Committee Member	●			●	●			●	
Shuichi Sarasawa	Outside Director, Audit & Supervisory Committee Member	●	●	●		●		●		
Yasushi Marumori	Outside Director, Audit & Supervisory Committee Member	●	●	●	●		●	●		
Yukari Inaga	Outside Director, Audit & Supervisory Committee Member	●		●				●		

Note: The above chart does not cover the full range of expertise and history of each director.



Reasons for Adoption of Current Corporate Governance System

The TOTO Group considers that an essential aspect of corporate management is ensuring the satisfaction of stakeholders and constantly expanding corporate value by improving objectivity and transparency in management and by clarifying management responsibilities. To achieve this, for matters requiring management decisions, TOTO recognizes the importance of systematizing “who makes decisions about what and where” as well as “what checks are implemented” in a fair and honest manner.

TOTO is building a structure of decision-making, supervision, and more efficient and effective business execution, with the aim of continuously increasing corporate value.

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

In June 2022, TOTO became a Company with an Audit & Supervisory Committee, in order to further enhance the supervisory and auditing functions of the Board of Directors, while improving the speed and efficiency of decision-making on business executions by granting Directors who are Audit & Supervisory Committee members voting rights at meetings of the Board of Directors. TOTO has adopted the framework of a company with an Audit & Supervisory Committee system as its base while integrating the superior functions of a company with Nomination Committee.



Summary of Analysis and Evaluation Concerning the Effectiveness of the Board of Directors

The roles of the TOTO's Board of Directors include decision-making in favor of stakeholders, mutual supervision of the execution of the duties of the Directors, the formulation of an execution and supervision system for more equal and fair management, as well as the determination of basic management policy, such as the common philosophy of the TOTO Group, mid- or long-term management plan, and the annual policy that becomes a foothold.

With these roles, at meetings of the Board of Directors, the Board annually confirms the status of corporate governance and analyzes and evaluates its effectiveness and appropriateness, as well as the effectiveness and appropriateness of the Company's corporate governance system.

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

In March 2022, all board members evaluated its activities, along with the issues recognized through the questionnaire results conducted in the FY 2019 effectiveness evaluation for all Directors and Audit & Supervisory Board Members, as well as the progress of efforts to solve them in the context of its roles within the company. They also evaluated the effectiveness of the Board of Directors from the perspective of the operational status of the internal control system, the agendas of the Board of Directors to define the general direction including corporate strategy, and related items of the Board of Directors based on the corporate governance code.

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

- (1) In accordance with the Basic Policy for Development of Internal Control System, the system ensures that the execution of Directors' duties complies with the laws and regulations and the articles of incorporation, and all other items are operated positively.
- (2) Matters to be resolved at Meetings of the Board of Directors are submitted in accordance with the relevant rules, and the system is so operated that the status of the execution of significant deals, such as matters to be resolved at Management Committee meetings, is reported to the Board of Directors.
- (3) The members engage in all items of the corporate governance codes revised in June 2021 to correspond properly, including the creation and disclosure of a skill matrix that lists the expertise and experience of TOTO's Directors, as well as the appointment of at least one-third proportion of the director candidates as Outside Directors to be proposed to the Ordinary general meeting of shareholders held in June 2022.
- (4) As for the diversity of the Board of Directors, the members are currently undertaking improvement efforts on all the issues recognized through the questionnaire results by appointing not only those with experience in corporate management but also lawyers as Outside Director candidates.

From the above, we have confirmed that the operation of the Board of Directors is functioning properly and its effectiveness is ensured.

We will continue to implement activities to allow for active discussions and continue conducting questionnaire surveys on a regular basis for the purpose of ensuring that candid opinions are gathered from all board members and improving the issues found from the questionnaire results to ensure the effectiveness of the Board of Directors and further increase its functions.





Policy for Determining Compensation for Directors

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

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

Basic Policy for Directors' Compensation

The Basic Policy for Directors' Compensation is as follows:

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

Based on this Basic Policy on Directors' Compensation and the proposals of the Compensation Advisory Committee, the 156th Ordinary General Meeting of Shareholders held on June 24, 2022, approved the upper limit of compensation for Directors as follows:

Resolutions at General Meetings of Shareholders on Compensation for Directors

		Base compensation (Fixed compensation)	Bonus (Performance-based compensation)	Restricted stock compensation
Directors (Excluding Directors who are Audit & Supervisory Committee Members)	Internal Directors	Up to 500 million yen per annum* (including an amount of up to 50 million yen in total for Outside Directors)	Up to 0.8% of the previous fiscal year's consolidated operating income*	Up to 300 million yen per annum and up to 100,000 stocks*
	Outside Directors		—	—
Directors who are Audit & Supervisory Committee Members		Up to 150 million yen per annum	—	—

* Resolutions in the 156th Ordinary General Meeting of Shareholders on June 24, 2022 (The number of Directors participated in the resolutions: 15, of which 4 are Audit & Supervisory Committee Members).

Compensation Determination Processes

■ Compensation Determination Processes for Directors

(Excluding Directors who are Audit & Supervisory Committee Members)

TOTO resolved a policy determining the compensation for Directors at the board meeting held on June 24, 2022. As for the resolutions, we consulted with the Compensation Advisory Committee on the contents and received a report in advance.

We confirmed that the compensation for Directors (Excluding Directors who are Audit & Supervisory Committee Members) and their determination processes are in accordance with the Basic Policy on Directors' Compensation after reviewing the compensations for individual Directors (Excluding Directors who are Audit & Supervisory Committee Members) in this fiscal year from diversified perspectives at the Compensation Advisory Committee meeting. The Board of Directors respects the report from the Compensation Advisory Committee and believes that the compensation is in line with the basic policy.

The Board of Directors has delegated its authority to determine the following for Directors (Excluding Directors who are Audit & Supervisory Committee Members)' compensation to the President, Representative Director Noriaki Kiyota.

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

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

■ Compensation Determination Processes for Directors who are Audit & Supervisory Committee Members

As for Compensation for Directors who are Audit & Supervisory Committee Members, only base compensation shall be paid. The base compensation for individual Directors who are Audit & Supervisory Committee Members is determined depending on his/her duties and responsibilities upon consultation with Directors who are Audit & Supervisory Committee Members.

Conditions for Payment of Compensation

■ Basic compensation

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

■ Bonuses

The purpose of bonuses for The Eligible Directors is to increase their motivation and morale towards performance improvement and share values with stakeholders. The total amount of bonuses is calculated and divided into **Bonus Based on Single-Year Performance and Bonus Based on Multi-Year Performance** based on consolidated operating income.

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

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

- **Bonus Based on Single-Year Performance** : The amount of payment shall be up to 0.6% of the consolidated operating income for the previous fiscal year.
- **Bonus Based on Multi-Year Performance** : The maximum amount of bonuses up to 0.15% of the immediately preceding fiscal year's consolidated operating income multiplying the following payment factor related to the ESG index shall be paid if both of the following Criteria ① and ② are achieved.

Criteria ① : The average consolidated operating income over the past three consecutive fiscal years with the immediately preceding fiscal year as the final year shall exceed the average consolidated operating income over the past three consecutive fiscal years with the fiscal year immediately before the immediately preceding fiscal year as the final year.

Criteria ② : ROE for the immediately preceding fiscal year shall be 5.0% or higher.

Payment factor related to the ESG index =

(Actual value of the proportion of sustainable products in the previous fiscal year (hereinafter, called "SP proportion")) / (Target value of the SP proportion in the previous fiscal year)

* The maximum payment factor shall be 1.0.

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

■ **Restricted Stock Compensation**

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

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

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

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

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

Overview of the Contract regarding the Grant of Restricted Stock

① Transfer Restriction Period	For 30 years from the allotment date
② Type of stocks to be issued or disposed of	Common stock
③ Grantees	Eligible Directors
④ Allotment method for stocks to be issued or disposed of	By the method to allot restricted stocks
⑤ Conditions for cancellation of the transfer restrictions	Under the condition that an Eligible Director has been a Director during the transfer restriction period, the transfer restriction shall be lifted at the following points in time. <ul style="list-style-type: none"> • When the transfer restriction period expires • Immediately after the Eligible Director retires from the position of a Director (Only in the case of completion of the term of office or death or if there is another justifiable reason.)
⑥ Free acquisition by the Company	Under the condition that an Eligible Director has been a Director during the transfer restriction period, the transfer restriction shall be lifted at the following points in time. <ul style="list-style-type: none"> • When the transfer restriction period expires • Immediately after the Eligible Director retires from the position of a Director (Only in the case of completion of the term of office or death or if there is another justifiable reason.)

Determination Policy for Compensation Proportion

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

From the above, the determination policy for the proportion of compensation for Eligible Directors in FY 2022 is as follows:

Base compensation (Fixed compensation)	Bonus (Performance-based compensation)	Restricted stock compensation
35%	50%*1,2	15%

*1 Consolidated operating income: 54 billion yen (Figure disclosed in the earnings briefing on April 28, 2022)

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

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

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

	Number of personnel	Base compensation (Million yen)	Bonus (Million yen)	Restricted stock compensation (Million yen)	Total (Million yen)
Directors	13	349	390	140	880
(Outside Directors among Directors)	(3)	(36)	—	—	(36)
Audit & Supervisory Board members	4	97	—	—	97
(Outside members of the Audit & Supervisory Board among the Audit & Supervisory Board members)	(2)	(24)	—	—	(24)
Total	17	447	390	140	978

TOPICS

Production Site Visits by Outside Directors

To ensure that Outside Directors understand TOTO's businesses and further strengthen their supervisory and auditory functions, we have implemented systematic visits of all our domestic and overseas production sites.



Message from Outside Directors

Junji Tsuda

Outside Director

Fiscal 2021—Numerous Results despite the COVID-19 Pandemic

Looking back on fiscal 2021, three points come to mind.

The first point is the achievement of record-breaking results, despite the continuing impact of the pandemic and the harsh conditions of a disrupted supply chain.

The second is how, amid delays in production due to the disrupted supply chain, the entire Group worked together to minimize the impact on customers. Putting customers first is embodied in the TOTO Group Corporate Philosophy and its instillation and implementation across the entire Group is worthy of praise. When delays occur in delivery, we put customers first over cost and promoted the best initiatives at the time. I think it is wonderful that putting established business operations in the medium to long term over short-term profit will lead to further enhancement of the TOTO brand when customers see our approach.

The third is the growth of the advanced ceramics business. In fiscal 2021, we increased productivity and quality to an extremely high level by renewing our production structure to be incredibly fast. It is commendable that the business has been able to quickly grow into a large profitable business during an increase in demand in the semiconductor market.

How We Should Respond to Medium- to Long-Term Opportunities and Risks

TOTO's products are essential in people's lives, and the Company is overall a highly stable business. Meanwhile, amid improvement in the level of people's lives and growth in the market within the International Housing Equipment Business, the most important issue going forward is how to advance the growth of the secondary market, especially businesses in Mainland China and Asia, which can be both an opportunity and a risk. The largest risk is that companies currently operating in the popular markets will gain strength and expand into the mid- to high-end market. How to counter these issues is an important point that could also be both an opportunity and a risk.

While it is important to completely gain the competitive advantage over other companies currently operating in the same high-end market, going forward, we must always look 5 to 10 years ahead and implement measures against the threat of companies in popular markets enhancing their brands. We must implement measures, such as new functions and designs, and country-specific, distinctive products and services, that outperform the measures put in place by other companies.

Under these circumstances, sustainable products are a vital weapon in this battle. Creating products that bring cleanliness and comfort while greatly reducing the volume of water used has been cultivated as TOTO's basic approach for a long time. Our sustainable products, which have a much longer history than any other company, are currently gaining significant attention and their necessity has become a huge boost for TOTO.

Acceleration of Offensive Governance

The goal of strengthening governance is to enhance long-term corporate value. This corporate value is valuable to all of our stakeholders. TOTO carries out business activities in consideration of many stakeholders, including customers, employees, suppliers, shareholders, investors, and local communities. Accordingly, I feel that we are gradually progressing toward the enhancement of corporate value for all stakeholders.

Meanwhile, we must advance offensive governance a little more. While current operations, particularly overseas, are going extremely well, management by locals is important for further progressing business. It is vital that local people that have roots in the country or region strive to deal with local customers and handle the business in an optimal manner. This aspect should be accelerated.

TOTO's Strength Is the Instillation of Its Philosophy

TOTO is a company that places importance on its employees and they respond well to this. Our biggest strength is instilling each employee with the TOTO Group Corporate Philosophy, including the Words of Our Founder, enabling the Group to take action as one in the appropriate way at the appropriate time.

This has also been evident in the last few years during the pandemic. Amid this disruption, awareness of what currently needs to be done for customers has spread to the outer reaches of the Group. Employees take action based on this understanding and this fills the Company with confidence. I believe this is an overwhelmingly strong aspect.

I hope that TOTO continues providing high value to all stakeholders and becomes indispensable. I also hope that we can achieve steady growth by taking a medium- to long-term perspective over a short-term one, placing importance on customers, and moving forward with businesses in the direction of further improving our brand.

Shigenori Yamauchi

Outside Director

WILL2030's Direct Connection with the TOTO Group Corporate Philosophy

Although fiscal 2021 was a year of continuing instability due to the pandemic, especially for procurement of components, TOTO was able to achieve record-high results.

Under WILL2030, TOTO aims to achieve clean, comfortable, and healthy lifestyles and to contribute to society and the global environment by 2030, and will move toward realizing a carbon-neutral and sustainable society by 2050. Additionally, backcasting over the last three years as Mid-Term Management Issues WILL2030 STAGE1 will resolve current issues and this approach has been proceeding smoothly. TOTO has always had a superb medium- to long-term approach rather than a short-term one, promoting the increase of TOTO fans around the world.

The most surprising aspect is that the ideals of WILL2030 have been so thoroughly instilled in employees across all divisions. The reason for this is their direct connection with the TOTO Group Corporate Philosophy. I believe TOTO's greatest strength is that, when considering what they should do, each employee adheres to the approach of bringing joy to customers and taking action as one.

Creation of a Structure Capable of Responding to Various Changes and Risks

Conversely, it is difficult to predict what may happen in the future and it is vital to strengthen a structure capable of responding to various changes and risks. I believe that there are three long-term risks for TOTO.

The first risk is the creation of a suitable supply structure around the world. TOTO is promoting local production for local consumption. However, assuming that unforeseen supply disruptions to components and other products may occur in the future, we must verify and discuss local production for local consumption from even more angles, including costs aspects, and strengthen the supply structure.

The second is the business in Mainland China, which has an extremely large presence in TOTO's business. While the Mainland China business itself is a significant opportunity with an expanding target customer base, it is also a huge risk. We must move forward after a thorough assessment.

The third is the realization of a carbon-neutral and sustainable society by 2050, as expressed under WILL2030. While this does not quite qualify as a risk, TOTO is in a situation where the overwhelming majority of CO₂ emissions in the product life cycle occur during product use. I believe that we must further discuss how we should proceed with achieving carbon neutrality, including countermeasures for CO₂ absorption in addition to countermeasures for reducing the CO₂ emissions from business sites.

Reinforcement of Governance through the Vital Aspects of Form and Operation

I continue to believe that form and operation are particularly vital for governance. It is important to see whether we have a successful form and successful operation. As such, I believe that TOTO's governance is extremely successful in terms of form and operation.

However, under these circumstances, I have been making recommendations since I was appointed on some areas that could be improved and on the three topics of revitalization of the Board of Directors, creation of a system for selecting and developing successors of representative directors, and clarification of methods for making investment decisions. While we have promoted the discussion of these issues and seen steady results, I will continue making and focusing on recommendations to make TOTO an even more successful company.

Becoming a Company That Provides Value to All of Our Stakeholders

I sincerely hope to turn TOTO into an even more successful company. A successful company is one that provides value to all of its stakeholders. Accordingly, my role is to identify any sections of TOTO's governance that are inadequate or insufficient. Even if opinions clash, this should be continued and I will follow through completely.

Additionally, I hope that to develop a standard that Outside Directors exist not only for the benefit of the shareholders but for the benefit of every stakeholder. I want TOTO to become a company that continues to provide value to all stakeholders.

I believe there are some people among our institutional investors who are only looking at growth in the short term with a focus on making a profit. However, if there happen to be any investors who are not aware of TOTO yet, I implore them to take another look at TOTO's approach—to continue gaining TOTO fans around the world in the long rather than short term, and to steadily grow.



Board of Directors

Directors (Excluding Audit & Supervisory Committee Members)



Representative Director,
Chairman of the Board
Madoka Kitamura

Date of birth: May 24, 1957



President,
Representative Director
Noriaki Kiyota

Date of birth: October 8, 1961

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



Representative Director,
Executive Vice President
Satoshi Shirakawa

Date of birth: August 12, 1962

In charge of Customer Service, Cultural
Promotion, Design, and Legal Affairs, and
in charge of WILL2030 Marketing
Innovation



Director,
Senior Managing Executive
Officer
Ryosuke Hayashi

Date of birth: September 4, 1963

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



Director,
Managing Executive Officer
Tomoyuki Taguchi

Date of birth: September 24, 1965

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



Director,
Managing Executive Officer
Shinya Tamura

Date of birth: March 13, 1967

In charge of WILL2030 International Housing
Equipment Business



Director,
Managing Executive Officer
Toshiya Kuga

Date of birth: March 3, 1962

In charge of Sales Promotion Group and
Logistics, and in charge of WILL2030
Japan Housing Equipment Business



Director,
Managing Executive Officer
Takayuki Shimizu

Date of birth: June 5, 1962

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



Director,
Managing Executive Officer
Yojiro Taketomi

Date of birth: September 8, 1965

In charge of Faucets & Appliances,
Production Technology Business Group
and Engineering Works, and in charge of
WILL2030 Demand Chain Innovation
(Manufacturing)



Outside Director

Outside

Junji Tsuda

Date of birth: March 15, 1951

Mr. Junji Tsuda has been involved in the management of YASKAWA Electric Corporation for many years. He provides valuable opinions at meetings of the Board of Directors based on his expertise he has developed in his career as a professional corporate manager.

The Company expects that he will provide valuable opinions at meetings of the Board of Directors based on his experience and knowledge of general management and corporate governance as well as of the management of a global company and of human resource strategies, and he will display outstanding supervision skills by reflecting his views, which are unfettered by the conventional way of doing things, in the Company's management, and therefore selected and appointed him as an Outside Director



Outside Director

Outside

Shigenori Yamauchi

Date of birth: February 24, 1949

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

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

Directors, Audit & Supervisory Committee Members



Director,
Audit & Supervisory
Committee Member

Shigeaki Inoue

Date of birth: March 10, 1962

Mr. Shigeaki Inoue has been involved in the management of YASKAWA Electric Corporation for many years. He provides valuable opinions at meetings of the Board of Directors based on his expertise he has developed in his career as a professional corporate manager.

The Company expects that he will provide valuable opinions at meetings of the Board of Directors based on his experience and knowledge of general management, corporate governance, and management of a global company, and as a professional of craftsmanship, and he will display outstanding auditing and supervision skills in the Company's management, and therefore the Company selected and appointed him as a Director who is a member of the Audit & Supervisory Committee.



Outside Director,
Audit & Supervisory
Committee Member

Outside

Shuichi Sarasawa

Date of birth: October 12, 1948

Mr. Shuichi Sarasawa has been involved in the management of Central Glass Co., Ltd. for many years. He provides valuable opinions at meetings of the Audit & Supervisory Board and meetings of the Board of Directors based on the expertise he has developed in his career as a professional corporate manager.

The Company expects that he will provide valuable opinions at Meetings of the Audit & Supervisory Board and Meetings of the Board of Directors based on his knowledge of general management, corporate governance, and management of a global company, and as a professional of craftsmanship, and he will display outstanding auditing and supervision skills in the Company's management, and therefore the Company selected and appointed him as a Director who is a member of the Audit & Supervisory Committee.



Outside Director,
Audit & Supervisory
Committee Member

Outside

Yasushi Marumori

Date of birth: September 19, 1957

Mr. Yasushi Marumori has been involved in the management of financial institutions (including MUFG Bank, Ltd. and Mitsubishi UFJ Research and Consulting Co., Ltd.) for many years. He provides valuable opinions at meetings of the Audit & Supervisory Board and meetings of the Board of Directors based on his expertise he has developed in his career as a professional corporate manager.

The Company expects that he will provide valuable opinions at meetings of the Audit & Supervisory Board and meetings of the Board of Directors based on his experience and knowledge of general management, corporate governance, and as an Audit & Supervisory Board Member of listed companies. He will display outstanding auditing and supervision skills in the Company's management, and therefore the Company selected and appointed him as a Director who is a member of the Audit & Supervisory Committee.



Outside Director,
Audit & Supervisory
Committee Member

Outside

Yukari Ienaga

Date of birth: October 26, 1974

Ms. Yukari Ienaga has not been involved in the management of a company other than being an Outside Director but has been involved as a lawyer in a law firm (Tokunaga, Matsuzaki, & Saito Law Office) for many years. She also has abundant experience and knowledge as an Audit & Supervisory Board Member of listed companies.

The Company expects that she will provide valuable opinions at meetings of the Audit & Supervisory Board and meetings of the Board of Directors based on her experience and knowledge of general management, corporate governance, and as an Audit & Supervisory Board Member of listed companies. She will display outstanding auditing and supervision skills in the Company's management, and therefore the Company selected and appointed her as a Director who is a member of the Audit & Supervisory Committee.

Corporate Information

Corporate Profile (As of March 31, 2022)

Company Name	TOTO LTD.	Fiscal Year-End	March 31
Headquarters	1-1, Nakashima 2-chome, Kokurakita-ku, Kitakyushu, Fukuoka, Japan	Exchange Listings	Tokyo, Nagoya, Fukuoka
Establishment	May 15, 1917	Securities Code	5332
Capital	¥35,579 million	Shareholder Registry Administrator	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
Number of Employees	36,853		

* Includes contract employees and temporary employees

Group Companies and Main Affiliates (As of April 1, 2022)

Domestic Group Companies

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

Overseas Group Companies

Americas

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







Europe

TOTO Europe GmbH
TOTO Germany GmbH

Asia

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

Notable Awards

Category	Award Description	
Design	Received Red Dot Design Award 2021 for the TOUCHLESS FAUCET TLE24 Series,* TOUCHLESS FAUCET TLE23 Series,* TOUCHLESS FAUCET TLE25 Series, TOUCHLESS FAUCET TLE26 Series, TOUCHLESS FAUCET GM Series,* and SMART TOILET WASHLET G5*	   
	TOUCHLESS FAUCET TLE24 Series	SMART TOILET WASHLET G5
Design	Received iF Product Design Award 2021 for the AQUA AUTO TOUCHLESS FAUCET (B type) Series, AQUA AUTO TOUCHLESS FAUCET Series,* SMART TOILET WASHLET G5,* Wall-Hung Urinal with Built-in Sensor, FLOTATION TUB and Lavatory CE Series (Round),* and FLOTATION TUB and Lavatory CE Series (Square)*	  
	AQUA AUTO TOUCHLESS FAUCET (B type) Series	* For the overseas market Wall-Hung Urinal with Built-in Sensor
Design	Received Red Dot Design Award 2022 for NEOREST LS, NEOREST RS, Stick Remote Control, and Matte Black Surface Finish (Faucets)*	  
	NEOREST LS	Matte Black Surface Finish (Faucets)
Design	Received iF Product Design Award 2022 for NEOREST LS, NEOREST AS, Z Selection Thermostat Shower Column with Shelf,* and Z Selection Overhead Shower (round and square models)*	   
	NEOREST LS	Overhead Shower Round Overhead Shower Square
Environment	Received GREEN GOOD DESIGN AWARDS 2021 for TOUCHLESS FAUCET	  
	TOUCHLESS FAUCET for the overseas market	TOUCHLESS FAUCET TLE23 Series for the Japanese market
Technology	Received Japan Ceramics Award 2022 for "Development and Implementation of Water Saving Sanitary Ware That Utilizes Antifouling Design Technology"	
Technology	Received World Star Award 2022 for "Reasonable Compact Packaging not to Forget to Take Accessories" in the Global Packaging Awards	

Independent Assurance



The TOTO Group provides financial and non-financial data in a Financial and Non-Financial Data report, separate from TOTO Group Integrated Report 2022. To ensure the reliability of information contained in this report, TOTO has received independent assurance for environmental and social data indicated within TOTO GROUP Integrated Report 2022 Financial and Non-Financial Data report on its website.



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

FINANCIAL DATA

10-Year Summary of Selected Financial Data

(Unit: Million yen)

	FY2012 (March 31, 2013)	FY2013* ³ (March 31, 2014)	FY2014* ³ (March 31, 2015)	FY2015* ³ (March 31, 2016)	FY2016* ³ (March 31, 2017)
Net sales* ⁴	476,275	544,309	528,771	570,716	566,009
Cost of sales	303,231	336,574	328,046	354,187	348,407
Cost of sales ratio* ⁴	63.7%	61.8%	62.0%	62.1%	61.6%
Selling, general and administrative (SG&A) expenses	149,667	163,122	167,377	170,829	171,451
SG&A ratio* ⁴	31.4%	30.0%	31.7%	29.9%	30.3%
Operating profit* ⁴	23,376	44,611	33,346	45,699	46,150
Operating margin* ⁴	4.9%	8.2%	6.3%	8.0%	8.2%
Profit attributable to owners of parent* ⁴	16,956	43,097	22,486	36,360	32,960
Profit attributable to owners of parent ratio* ⁴	3.6%	7.9%	4.3%	6.4%	5.8%
Capital investment	19,934	34,575	40,264	40,674	26,776
Depreciation and amortization	19,508	14,922	17,227	18,397	18,994
Research and development (R&D) costs	15,983	17,428	18,466	19,098	19,388
R&D cost ratio* ⁴	3.4%	3.2%	3.5%	3.3%	3.4%
Total assets	408,454	476,387	516,995	536,265	553,996
Current assets	205,485	258,800	266,637	279,383	282,076
Non-current assets	202,969	217,586	250,357	256,882	271,920
Total liabilities	195,043	219,790	236,412	250,743	247,942
Net assets	213,410	256,596	280,582	285,522	306,053
Operating cash flow	44,498	48,015	34,713	58,695	62,604
Investing cash flow	(22,971)	(4,033)	(30,040)	(29,952)	(35,257)
Financing cash flow	(2,178)	(23,328)	(11,393)	(15,053)	(18,905)
Free cash flow* ¹	21,527	43,982	4,673	28,742	27,347
Dividends per share* ² (Yen)	14.00	23.00	26.00	—	68.00
ROE (Net profit base)* ⁴	8.8%	19.0%	8.7%	13.3%	11.5%
ROA (Operating profit base)* ⁴	6.0%	10.1%	6.7%	8.7%	8.5%
EPS* ^{2,4} (Yen)	49.5	127.2	66.9	215.8	194.9
BPS* ² (Yen)	602.2	737.7	802.8	1,631.9	1,756.0
Total asset turnover* ⁴ (Times)	1.21	1.23	1.06	1.08	1.04
Equity ratio	50.6%	52.0%	52.3%	51.5%	53.6%
Number of shares outstanding (excluding treasury stock / period average)* ²	342,892,129	338,911,922	336,233,556	168,480,574	169,146,109

*1 Free cash flow = Operating cash flow + Investing cash flow

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

(Unit: Million yen)

	FY2017* ³ (March 31, 2018)	FY2018* ³ (March 31, 2019)	FY2019* ³ (March 31, 2020)	FY2020* ³ (March 31, 2021)	FY2021* ³ (March 31, 2022)
Net sales* ⁴	590,959	584,733	595,709	577,840	645,273
Cost of sales	368,148	371,565	383,562	367,242	408,382
Cost of sales ratio* ⁴	62.3%	63.5%	64.4%	63.6%	63.3%
Selling, general and administrative (SG&A) expenses	171,550	174,354	176,331	170,940	184,710
SG&A ratio* ⁴	29.0%	29.8%	29.6%	29.6%	28.6%
Operating profit* ⁴	51,260	38,814	35,816	39,656	52,180
Operating margin* ⁴	8.7%	6.6%	6.0%	6.9%	8.1%
Profit attributable to owners of parent* ⁴	36,798	32,380	23,921	26,978	40,131
Profit attributable to owners of parent ratio* ⁴	6.2%	5.5%	4.0%	4.7%	6.2%
Capital investment	38,180	57,329	60,556	25,301	43,014
Depreciation and amortization	21,357	23,347	25,343	25,231	26,939
Research and development (R&D) costs	20,594	21,528	21,467	22,395	24,024
R&D cost ratio* ⁴	3.5%	3.7%	3.6%	3.9%	3.7%
Total assets	564,319	574,960	582,482	646,011	641,025
Current assets	277,845	287,630	289,535	326,383	307,623
Non-current assets	286,473	287,329	292,946	319,628	333,401
Total liabilities	222,099	228,301	241,653	272,838	227,652
Net assets	342,219	346,658	340,829	373,173	413,372
Operating cash flow	45,489	14,593	63,843	59,551	49,356
Investing cash flow	(36,374)	(26,928)	(36,705)	(42,622)	(31,893)
Financing cash flow	(11,244)	14,562	(20,878)	22,702	(75,772)
Free cash flow* ¹	9,115	(12,335)	27,138	16,929	17,463
Dividends per share* ² (Yen)	72.00	90.00	90.00	70.00	95.00
ROE (Net profit base)* ⁴	11.7%	9.6%	7.1%	7.7%	10.4%
ROA (Operating profit base)* ⁴	9.2%	6.8%	6.2%	6.5%	8.1%
EPS* ^{2,4} (Yen)	217.5	191.3	141.3	159.2	236.7
BPS* ² (Yen)	1,968.6	2,000.4	1,971.6	2,160.7	2,391.4
Total asset turnover* ⁴ (Times)	1.06	1.03	1.03	0.94	1.00
Equity ratio	59.1%	58.9%	57.3%	56.7%	63.2%
Number of shares outstanding (excluding treasury stock / period average)* ²	169,187,042	169,300,355	169,349,269	169,418,598	169,514,672

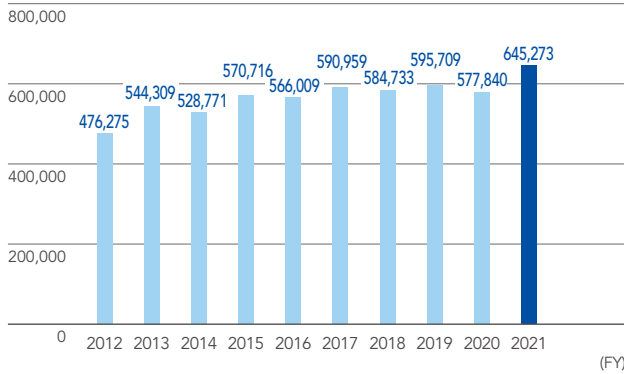
*3 Starting from FY2017, the currency conversion method for overseas Group companies' profit and loss was changed from the method using rates on the last day of each term to the method using average rates during each term. In accordance with this change, the figures for FY2013 onward in this report have been revised retroactively.

*4 We have adopted new standards for revenue recognition from FY2021. In accordance with this change, figures from FY2013 onward in this report have been revised retroactively.

Financial Highlights

Net Sales

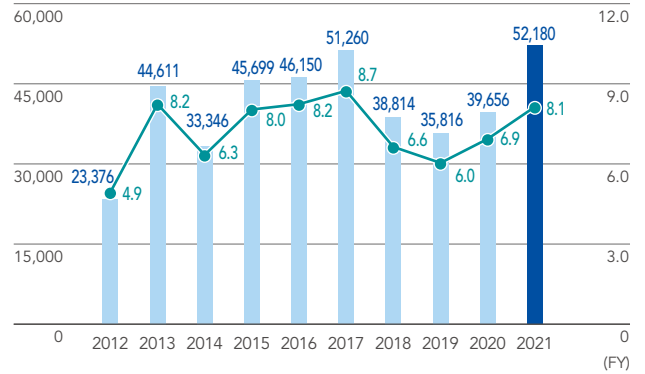
(Million yen)



Operating Profit / Operating Margin

(Million yen)

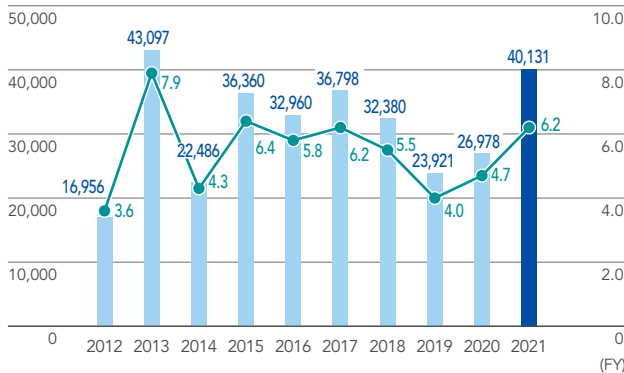
(%)



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

(Million yen)

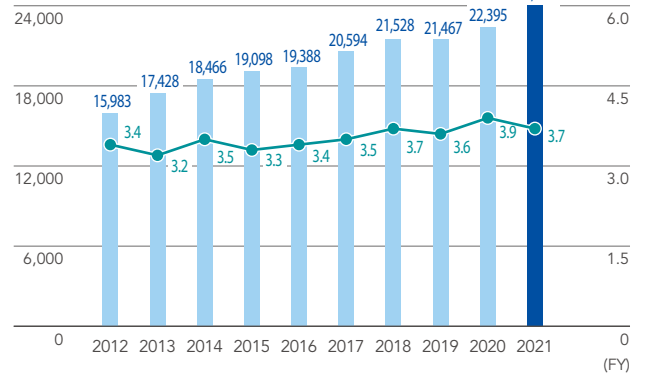
(%)



R&D Costs / R&D Cost Ratio

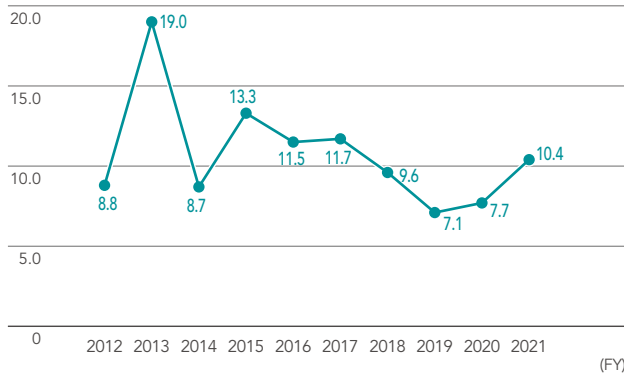
(Million yen)

(%)



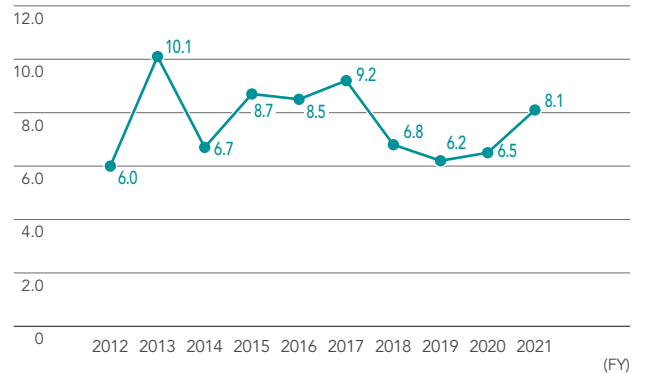
ROE (Net profit base)

(%)

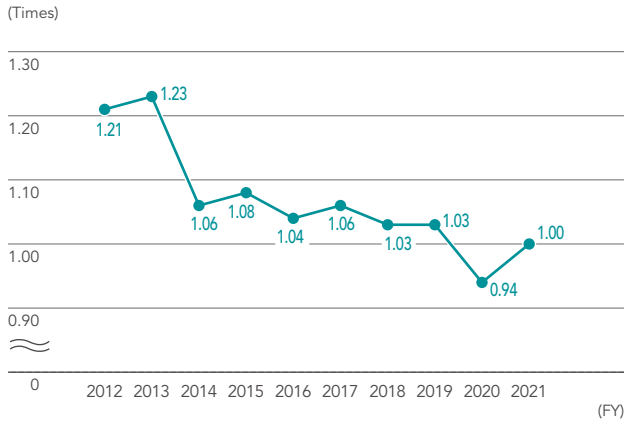


ROA (Operating profit base)

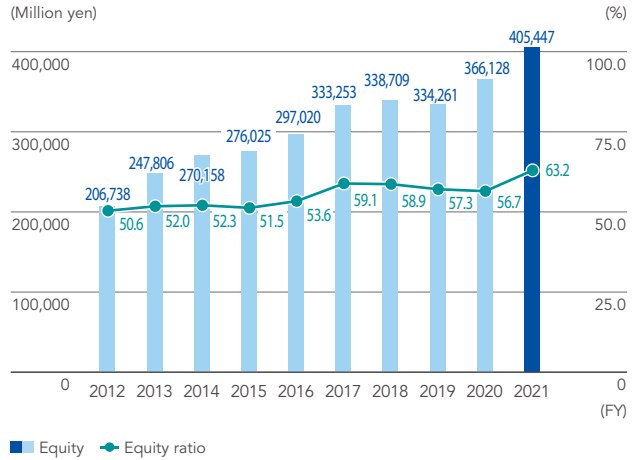
(%)



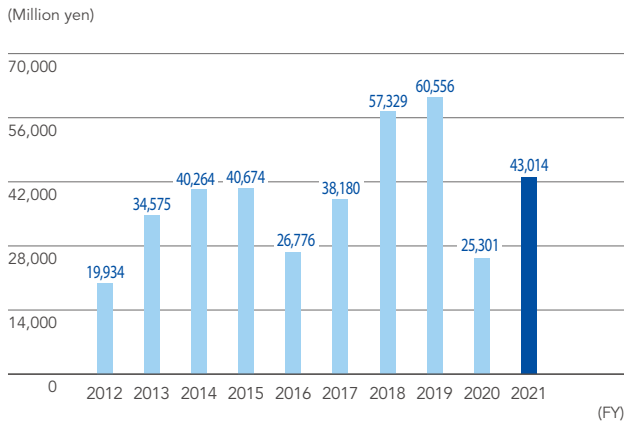
Total Asset Turnover



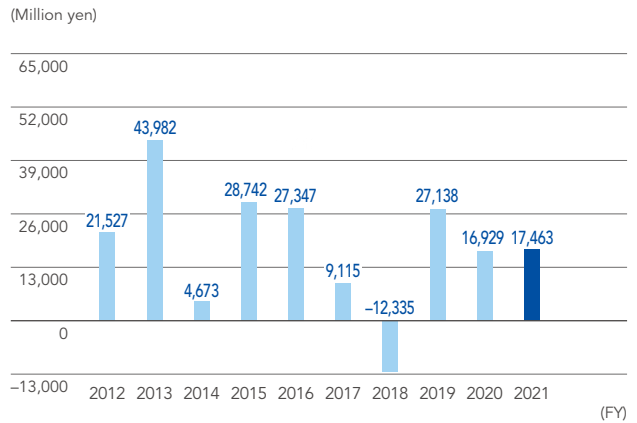
Equity / Equity Ratio



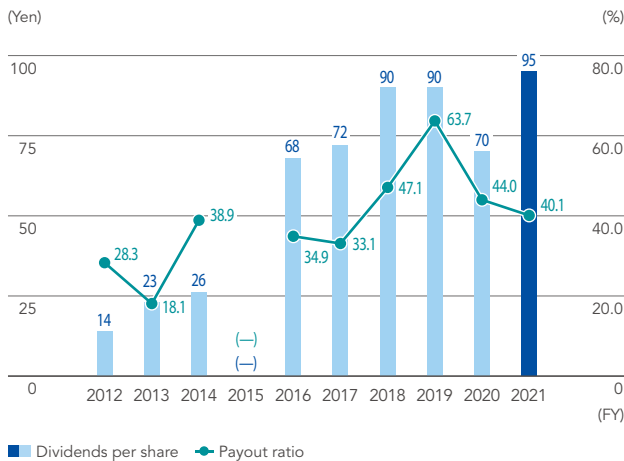
Capital Investment



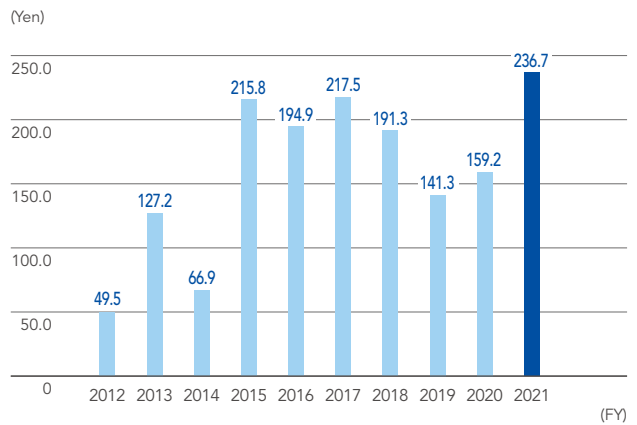
Free Cash Flow



Dividends per Share* / Payout Ratio*



EPS



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

Non-FINANCIAL DATA

Report Policy

Boundary	TOTO LTD. and all 48 of consolidated subsidiary companies in Japan and overseas. However, with respect to data for which the boundary of calculation is different, notes are described individually.
Period covered by this report	FY2021 (Japan: April 1, 2021 to March 31, 2022 / Overseas: January 1, 2021 to December 31, 2021)
Per unit of sales	Net sales figures have been retroactively revised due to the adoption of the new standards for revenue recognition. However, as the impact on figures per unit of sales of each environmental performance is insignificant, the figures per unit of sales have not been retroactively revised.

TOTO Global Environmental Targets

Goals		Main Initiatives	Indicators	Cat.	FY2020 (Results)	FY2021 (Results)	FY2023 (Targets)
Cleanliness, comfort and the environment		Rolling out clean, comfortable and eco-friendly products	Percentage of sustainable products	◆	69% (Japan) 74% (Overseas) 56%	70% (Japan) 75% (Overseas) 59%	73% (Japan) 80% (Overseas) 61%
Cleanliness and Comfort	<ul style="list-style-type: none"> Realize cleanliness and comfort throughout the world Pursue ease of use for everyone 	Global expansion of clean and comfortable toilets	Percentage of TORNADO FLUSH units shipped (overseas)		46%	53%	56%
			Number of WASHLET units shipped (overseas)		0.77 million units	0.92 million units	1.34 million units
			EWATER+ WASHLET rollout percentage (overseas)		35%	50%	62%
Environment	<ul style="list-style-type: none"> Protect our limited water resources and connect with the future Undertake initiatives to fight global warming and coexist with the earth Aim for sustainable development together with local communities 	Alleviating water stress through the widespread adoption of water-saving products	Reduction in water consumption during product use* ¹	◆	0.9 billion m ³	1.0 billion m ³	1.1 billion m ³
		Achieving carbon neutrality	Total CO ₂ emissions from business sites	◆	307 thousand tons	352 thousand tons	294 thousand tons
			Reduction in CO ₂ emissions due to implemented measures		38 thousand tons	10 thousand tons	42 thousand tons
			Reduction in CO ₂ emissions during product use* ¹		3.21 million tons	3.35 million tons	3.6 million tons
Social contribution activities entrenched in local communities	Number of projects that help solve local issues (cumulative number from FY2018)		96 cases	116 cases	150 cases		
Relationships	<ul style="list-style-type: none"> Build deep, long-lasting relationships with customers Offer cultural support and contribute to society for the next generation Create and share joy in work together 	Improved customer satisfaction	Customer satisfaction in after-sales service* ²	◆	92 pt	93 pt	94 pt
			Showroom satisfaction (Japan)	◆	73 pt	75 pt	75 pt
		Promotion of employee volunteer activities	Percentage of employees taking part in volunteer activities (total number of participants / number of consolidated employees = participation rate)		67%	84%	100% or more
			Employee satisfaction (Japan)	◆	74 pt	75 pt	76 pt
		Become a company that is pleasant to work at	Percentage of female managers (Japan)		14%	16%	21%
			Employee turnover rate due to life events (Japan)* ³		2.1%	1.4%	0%

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

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

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

◆ : WILL2030 long-term goals

11th Global Environmental Action Plan

Evaluation Index (KPI)	Scope	Base Year	FY2021(Results)	FY2023 (Targets)
Reduction in water consumption during product use*	Japan / Overseas	—	1.0 billion m ³	1.1 billion m³
Reduction in CO ₂ emissions during product use*	Japan / Overseas	—	3.35 million tons	3.6 million tons
Total CO ₂ emissions from business sites	Japan / Overseas	—	352 thousand tons	294 thousand tons
Reduction in CO ₂ emissions due to implemented measures	Japan / Overseas	FY2020	10 thousand tons	42 thousand tons
Renewable energy introduction rate	Japan / Overseas	—	15%	70%
Quantity of water consumption	Japan / Overseas	—	2.67million m ³	3.29 million m³
Reduction in water use per unit	Japan / Overseas	FY2018	16.8%	5.0%
Reduction of fuel used for transportation per unit	Japan	FY2013	9.5%	10.0%
Reduction rate of the use of packaging materials	Japan	FY2013	9.6%	10.0%
Reduction rate of waste at the production sites (reduction of production output intensity)	Japan	FY2017	12.5%	3.0%
Recycling rate at the production sites	Japan	—	99.9%	99% or more
	Overseas	—	99.3%	98% or more
Usage rate of legal and recycled materials for wood-based materials used in products	Japan	—	100%	100%
	Overseas	—	100%	
	Total	—	100%	
Violations of related environmental laws	Japan	—	0 cases	0 cases
	Overseas	—	0 cases	
	Total	—	0 cases	

* Reduction effects compared to if 2005-era products continued to be distributed.

Environmental Performance Data

GHG Emissions

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Scope 1 + 2 + 3	thousand tons CO ₂	21,213	19,573	20,957	19,839	19,990
Scope 1 + 2	thousand tons CO ₂	363	357	350	307	352
Scope 1	thousand tons CO ₂	181	179	182	167	188
Direct GHG emissions from non-energy processes	thousand tons CO ₂	4	5	5	4	5
(per unit of sales)	tons CO ₂ /million yen	0.30	0.30	0.30	0.29	0.29
Scope 2	thousand tons CO ₂	182	176	168	140	164
(per unit of sales)	tons CO ₂ /million yen	0.30	0.30	0.28	0.24	0.25
Scope 3 total	thousand tons CO ₂	20,850	19,216	20,608	19,532	19,638
Category 11*	thousand tons CO ₂	19,925	18,293	19,650	18,562	18,426
Other categories	thousand tons CO ₂	925	923	958	970	1,212

* From FY2021, we changed the method of applying CO₂ emission factors for electricity, water, and gas (For details, refer to "Calculation Method of Environmental Performance Data"). Based on the calculation method before the change, scope 3 category 11 2021, 20,315 thousand tons CO₂, scope 3 total, 21,527 thousand tons CO₂.

Energy Consumption

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Quantity of energy consumption*	MWh	1,261,671	1,274,732	1,282,770	1,198,805	1,350,455
(per unit of sales)	MWh/million yen	2.14	2.18	2.15	2.07	2.09
Quantity of non-renewable energy consumption	MWh	1,261,489	1,259,844	1,249,313	1,151,624	1,291,489
Quantity of fuel consumption	MWh	930,311	930,511	928,797	851,679	963,366
(per unit of sales)	MWh/million yen	1.57	1.59	1.56	1.47	1.49
Quantity of electric power consumption	MWh	322,186	320,632	312,166	291,868	315,155
(per unit of sales)	MWh/million yen	0.54	0.55	0.52	0.50	0.49
Quantity of other types of energy consumption	MWh	8,992	8,701	8,351	8,077	12,969
(per unit of sales)	KWh/million yen	15.18	14.85	14.00	13.98	20.10
Quantity of renewable energy consumption	MWh	182	14,888	33,457	47,181	58,966
(per unit of sales)	KWh/million yen	0.30	25.40	56.09	81.22	91.38
Energy cost	million yen	8,449	8,928	8,852	7,774	10,093

* Until FY2020, the unit of quantity of energy consumption was PJ. The unit of quantity of energy consumption was changed to MWh from PJ from FY2021. With this change in the unit, the quantity of energy consumption from FY2017 to FY2020 was recalculated in MWh.

Water Consumption and Wastewater

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Quantity of water consumption	thousand m ³	2,855	2,968	2,899	2,631	2,675
(per unit of sales)	m ³ /million yen	4.82	5.06	4.86	4.53	4.15
Groundwater consumption	thousand m ³	476	474	438	387	463
Wastewater	thousand m ³	1,796	1,714	1,592	1,904	1,860
(per unit of sales)	m ³ /million yen	3.03	2.92	2.67	3.28	2.88
Reused water	thousand m ³	1,711	1,773	2,028	1,844	2,163

Waste

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Waste generated	thousand tons	123.2	130.8	134.3	128.1	142.5
(per unit of sales)	kg/million yen	208.0	223.3	225.1	220.5	220.8
Hazardous waste generated	thousand tons	0.3	0.3	0.2	0.1	0.2
(per unit of sales)	kg/million yen	0.47	0.51	0.34	0.17	0.31
Final disposal	thousand tons	24.3	22.0	28.3	24.8	22.3
(per unit of sales)	kg/million yen	41.1	37.5	47.4	42.7	34.6
Recycling amount	thousand tons	98.9	108.8	106.0	103.3	120.2
(per unit of sales)	kg/million yen	167.0	185.7	177.7	177.8	186.3
Recycling rate*	%	99.2	98.6	96.2	99.5	99.5
(Japan)	%	100.0	99.9	99.9	99.7	99.9
(Overseas)	%	98.9	98.1	94.7	99.5	99.3

* To calculate the recycling rate, does not include quantity of waste for which disposal by sanitary landfill is required by laws and regulations in areas where TOTO factories are located. Also does not include waste that cannot be recycled due to lack of disposal technology and equipment by waste treatment vendors in the areas where business sites are established.

Atmospheric Emissions

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Chemical substance emissions	t	30.7	32.5	26.6	22.0	26.8
(per unit of sales)	kg/million yen	0.05	0.05	0.04	0.04	0.04
SOx emissions*	t	67.9	91.7	101.3	65.4	81.7
(per unit of sales)	kg/million yen	0.11	0.16	0.17	0.11	0.13
NOx emissions*	t	220.0	254.6	187.2	163.6	150.4
(per unit of sales)	kg/million yen	0.37	0.44	0.32	0.28	0.23
Dust emissions*	t	59.8	98.4	58.8	48.7	43.6
(per unit of sales)	kg/million yen	0.10	0.17	0.10	0.08	0.07
VOC emissions	t	28.4	29.4	26.5	21.9	26.7
(per unit of sales)	kg/million yen	0.04	0.05	0.04	0.04	0.04

* Until FY2020, one consolidated subsidiary calculated its atmospheric emissions based on theoretical calculations for the amount of exhaust gas from its facilities. Since FY2021, however, the calculation has been revised to reflect the actual emissions based on the actual volume of exhaust gas in order to appropriately represent actual conditions. Accordingly, we have retroactively revised results up to FY2017.

Raw Materials Used

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Amount of raw materials used	thousand tons	604	685	589	564	649

Percentage of Legally-Obtained and Recycled Wood Materials

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Legally-obtained wood materials	%	25	5	7	6	15
Recycled wood materials	%	75	95	93	94	85
Others	%	0	0	0	0	0
Total	%	100	100	100	100	100

ISO 14001 Certification Acquisition

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Percentage of ISO 14001 certification acquisition*	%	73.2	71.4	75.4	75.9	73.9

* Percentage of employees at ISO 14001 certificated locations among all employees.

Social Performance Data

Customers

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Customer satisfaction in after-sales service (Japan / Overseas)	points	—	—	—	—	93.2
Customer satisfaction surveys (Japan)						
After-sales service satisfaction rate	points	90.7	91.5	91.3	91.6	92.8
Total satisfaction index of the showrooms	points	69.9	71.0	72.0	73.4	74.7
Ratio of customers impressed with bath module assembly	%	57.5	64.1	67.9	69.6	70.7
Evaluations on customer response quality*	points	(69.0)	(70.3)	(68.8)	(76.3)	78.8

* Evaluations on customer response quality: Evaluation method was changed from FY2020. (FY2017 to FY2019 are listed as reference values because they are evaluation points under the previous evaluation method.)

ISO 9001 Certification Acquisition

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Percentage of ISO 9001 certification acquisition*	%	74.9	71.8	76.3	76.4	74.5

* Percentage of employees at ISO 9001 certificated locations among all employees.

Status of Employment

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Group total number of employees	(no. of personnel)	34,208	35,498	35,329	35,613	36,853
Full-time employees	(no. of personnel)	28,669	29,995	30,254	30,839	31,777
Contract employees	(no. of personnel)	3,483	3,448	3,237	2,927	2,779
Temporary employees	(no. of personnel)	2,056	2,055	1,838	1,847	2,297
Number of graduate recruits (Japan)	(no. of personnel)	305	317	252	214	232
Average number of years of continuous service* ¹	years	(Male) 19.9 (Female) 12.1	(Male) 16.2 (Female) 11.0	(Male) 16.5 (Female) 11.4	(Male) 16.9 (Female) 11.9	(Male) 17.2 (Female) 12.4
Voluntary employee turnover rate (Japan)	%	2.0	2.3	2.3	1.8	2.1
Employee turnover rate due to life events (Japan)* ²	%	6.1	3.4	2.9	2.1	1.4

*¹ Covers full-time employees / contract employees of TOTO LTD. in FY2017. From FY2018, covers full-time employees / contract employees of the TOTO Group (Japan).

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

Diversity

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Percentage of female managers*	%	13.8	14.4	15.6	17.0	18.6
(Japan)	%	9.2	10.9	12.3	14.0	15.5
(Overseas)	%	28.1	26.5	26.6	26.6	27.5
Ratio of employees with disabilities (Japan)	%	2.60	2.61	2.58	2.63	2.53

* In FY2017, the number of managers seconded from domestic group companies to overseas group companies was totaled under the category of "Japan." From FY2018, the method was changed to totaling it under the category of "overseas" in order to calculate according to the work location of the management staff.

Work-Life Balance

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Work hours (Japan)						
Average hours actually worked per year	hours per person	1,991.1	1,969.8	1,936.6	1,910.4	1,924.6
Average hours of overtime per month	hours per person	16.0	15.1	14.2	11.7	13.4
Percentage of paid holidays taken (Japan)	%	74.6	80.8	89.8	89.1	91.2
Number of people using reduced work hour and leave systems (Japan)						
Childcare leave	(no. of personnel)	150	130	137	160	200
Reduced work hours for childcare	(no. of personnel)	318	354	328	315	318
Nursing care leave	(no. of personnel)	3	4	7	3	12
Reduced work hours for nursing care	(no. of personnel)	4	4	10	11	9

Occupational Safety and Health

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Lost time injury frequency rate						
TOTO Group employees*		0.29	0.19	0.19	0.16	0.22
TOTO Group contractors (in-plant cooperative firm)		0.00	0.15	0.15	0.00	0.32
Occupational illness frequency rate						
TOTO Group employees		0.00	0.00	0.03	0.00	0.00
Number of work-related fatalities						
TOTO Group employees	(no. of personnel)	0	0	0	0	0
TOTO Group contractors (in-plant cooperative firm)	(no. of personnel)	0	0	0	0	0

* Accidents that occurred during FY2020 were reviewed for certification during the fiscal year and were certified as lost time injuries in FY2021. Accordingly, we have added these cases to the FY2020 occupational injury count and revised the frequency rate of lost time injuries.

Human Resource Development

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Average training time per employee (Japan)	hours per person	14.9	14.8	15.3	16.7	17.2

Employee Satisfaction

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Employee satisfaction (Japan)	pt	73.3	72.3	73.0	74.4	75.2

Supply Chain Management

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Number of suppliers who have participated in the assessment survey	no. of suppliers	336	422	335	722	498
Achievement rate of compliance with the TOTO standards	%	100	100	100	100	100

Social Contribution

(FY)

Indicators	Unit	2017	2018	2019	2020	2021
Amount spent on social contribution	billion yen	1.38	1.39	1.30	1.27	1.27
Percentage of employees taking part in volunteer activities	%	100% or more	100% or more	100% or more	67	84

TOTO Water Environment Fund

Indicators	Unit	12th (2017–2019)	13th (2018–2020)	14th (2019–2021)	15th (2020–2022)	16th (2021–2023)
Organizations	no. of organizations	35	10	10	10	12
Grant assistance	million yen	95.3	17.5	24.7	26.6	27.5

Calculation Method of Environmental Performance Data

Indicators	Calculation Method
Scope 1	CO ₂ emissions from the use of fuel + Non-CO ₂ and Non-energy CO ₂ sources. [CO ₂ emission coefficients] "Guidelines for Calculation of Greenhouse Gas Emissions (Version 4.7)" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan.
Scope 2	CO ₂ emissions from purchased electricity and heat. [CO ₂ emission coefficients from electricity] CO ₂ emission coefficients from electricity purchased based on TOTO Group contracts. [CO ₂ emission coefficients from steam] "Guidelines for Calculation of Greenhouse Gas Emissions (Version 4.7)" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan.
Scope 3 Category 11 (Use of Sold Products)	Lifetime* ¹ CO ₂ emissions* ² per unit from major products* ³ × Sales quantity. *1 Duration of use by product classification (defined by TOTO). *2 CO ₂ emissions from consumption of water and energy based on specifications and usage models (based on reports from the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan, the information published by industry associations and research articles, etc.) by sales areas. *3 Toilets, WASHLET, faucets, urinals (only in Japan) and bathtubs (only in Japan). [CO ₂ emission coefficients from electricity (Japan)] The FY2020 CO ₂ Emissions Report (reported values) from the Electric Power Council for a Low Carbon Society (ELCS). Until FY2020, we used the same (adjust basis) five-year average (from FY2009 to FY2013). [CO ₂ emission coefficients from electricity (overseas)] IEA (International Energy Agency), "CO ₂ Emissions from Fuel Combustion 2020." Used IEA (International Energy Agency), "CO ₂ Emissions from Fuel Combustion 2017" until FY2020. [CO ₂ emission coefficients from water (Japan)] Japan Sanitary Equipment Industry Association, "CO ₂ Conversion Coefficients from Water." [CO ₂ emission coefficients from water (overseas)] CO ₂ emission coefficients from water in sales areas (figures published in reports and other materials by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan. Some of the figures are based on their neighboring or similar countries. Reflects changes to electricity coefficients in each area for [CO ₂ emission coefficients from electricity (overseas)]. Until FY2020, changes to electricity coefficients were not reflected. [CO ₂ emission coefficients from gas] "Guidelines for Calculation of Greenhouse Gas Emissions (Version 4.7)" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan.
Scope 3 Other categories	Total from categories 1, 2, 3, 4, 5, 6, 7, 9, 12 and 14, excluding either the Company's business activities or the totals from categories 8, 10, 13 and 15. Calculated based on the "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Version 2.4)" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan.
Quantity of energy consumption	Total quantity of energy consumption of electricity, fuel and heat consumption at offices and factories. [Heating value per unit] "Guidelines for Calculation of Greenhouse Gas Emissions (Version 4.7)" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan.
Quantity of non-renewable fuel consumption	Total quantity of non-renewable fuel (city gas, natural gas, diesel gas, etc.) consumed within the quantity of energy consumption.
Quantity of non-renewable electric power consumption	Total quantity of non-renewable electric power consumed within the quantity of energy consumption.
Quantity of other types of non-renewable energy consumption	Total quantity of non-renewable steam and other types of energy consumed within the quantity of energy consumption.
Quantity of renewable energy consumption	Total quantity of renewable energy consumed that was generated at business sites and renewable energy that was purchased from outside the TOTO Group. Until FY2017, quantity of renewable energy consumption included only renewable energy which was generated at business sites.
Energy cost	Total amount of energy purchased that was used at business sites.
Quantity of water consumption	Total quantity of water intake (municipal water, groundwater and industrial water) into offices and factories.
Groundwater consumption	Total quantity of groundwater intake into offices and factories.
Wastewater	Total quantity of wastewater from business sites to sewage and public waters.

Reused water	Total quantity of reused water in offices and factories.
Waste generated	Total quantity of waste generated in offices and factories (including valuable resources). However, general waste other than waste paper and corrugated cardboard generated at non-manufacturing sites is not included because the amount is small. Furthermore, based on a wide-ranging certification system, waste, such as packaging material, collected from customers and other sources is also not included.
Hazardous waste generated	Total quantity of specially controlled industrial waste generated at business sites in Japan.
Final disposal	Total quantity of final disposal without recycling in offices and factories.
Recycling amount	Total quantity of recycled waste within the overall waste generated at business sites.
Recycling rate	$(\text{Quantity of waste recycled} / \text{Quantity of waste generated}) \times 100$. Does not include quantity of waste for which disposal by sanitary landfill is required by laws and regulations in areas where TOTO factories are located. Also does not include waste that cannot be recycled due to lack of disposal technology and equipment by waste treatment vendors in the areas where business sites are established.
Chemical substance emissions	Amount of chemical substance emission based on the PRTR Law at business sites in Japan.
SOx emissions	Total amount of each emission from facilities in each country subject to regulations regarding soot and smoke emissions.
NOx emissions	It was calculated by multiplying the amount of exhaust gas (actual measured value) by the concentration in exhaust gas (actual measured value).
Dust emissions	
VOC emissions	Total air emissions related to the use of volatile organic compounds (VOCs) at business sites in Japan.
Amount of raw materials used	Total amount of raw materials used in business activities. Calculated based on weight composition in major products.
Usage rate of legal and recycled materials for wood-based materials	Percentage of legal and recycled materials in wood materials and wood products (volume) procured in each fiscal year.
Percentage of ISO 14001 certification acquisition	Percentage of employees at ISO 14001 certificated locations among all employees.

* Information on "Substances Subject to the Total Effluent Control System" and "Substances Subject to the PRTR Law" by business site in Japan can be viewed on our website.
https://jp.toto.com/en/company/csr/environment/clean/risk_attempt/

Calculation Method of Social Performance Data

Indicators	Calculation Method
After-sales service satisfaction rate	Proportion of customers rating services of the TOTO Group (Japan) as "satisfactory" or better.
Total satisfaction index of the showrooms	Measure of overall satisfaction with recommendations received from the TOTO Group (Japan).
Ratio of customers impressed with bath module assembly	Proportion of customers rating service representative behavior and workmanship of the TOTO Group (Japan) as "excellent."
Evaluations on customer response quality	Results of scores given by in-house evaluation specialists regarding the response quality of call center services of the TOTO Group (Japan), with 100 being a perfect score. Evaluation method was changed from FY2020. (FY2017 to FY2019 are listed as reference values because they are evaluation points under the previous evaluation method.)
Ratio of repairs completed within two days of reception (overseas)	Ratio of requests for repairs from overseas customers in major countries where TOTO products are sold that were completed within two days among all requests from overseas customers in major countries.
Percentage of ISO 9001 certification acquisition	Percentage of employees at ISO 9001 certificated locations among all employees.
Group total number of employees	Number of full-time / contract / temporary employees in companies of which the parent company is a TOTO Group company. Includes employees seconded to positions outside the Group; does not include employees seconded from outside the Group. Japanese companies calculate data based on March 31, and overseas companies calculate data based on data as of December 31 every fiscal year. Therefore, the number of employees in the Integrated Report, in which overseas data were calculated based on data as of the end of March, does not match this data.
Number of graduate recruits	Data for full-time employees of the TOTO Group (Japan).
Average number of years of continuous service	Data for full-time / contract employees of the TOTO Group (Japan). Data for full-time / contract employees of TOTO LTD. in FY2017.
Voluntary employee turnover rate	Data for full-time employees of the TOTO Group (Japan).
Employee turnover rate due to life events	Rate of employees who left their position due to giving birth, raising children, getting married and providing nursing care, among total number of employees who left for personal reasons. Data for full-time employees of the TOTO Group (Japan).
Percentage of female managers	Percentage of women among all managers in the TOTO Group. Positions calculated as managerial posts indicate the level of section chief and above, among full-time and contract employees. Calculated based on data as of April 1 of the following year (of each fiscal year) for Japan and the end of December for overseas companies. In FY2017, the number of managers seconded from group companies in Japan to these outside Japan was totaled under the category of "Japan." Since FY2018, the method was changed to totaling it under the category of "overseas" in order to calculate according to the work location of the management staff.
Ratio of employees with disabilities	Data for the TOTO Group (Japan). Calculated based on the calculation standard for the mandatory proportion of jobs for people with disabilities established in Japan.
Average hours actually worked per year	Data for full-time / contract employees of the TOTO Group (Japan).
Average hours of overtime per month	Data for full-time / contract employees of the TOTO Group (Japan).
Percentage of paid holidays taken	Percentage of paid holidays actually taken by employees among paid holidays newly granted to them every year (excluding carry-over ones). Data for full-time / contract employees of the TOTO Group (Japan). Since FY2018 to realize a percentage of paid holidays taken that better reflects actual conditions, the Company carried out such measures as changing the scope of calculation for full-time employees (e.g. employees seconded to positions overseas have been excluded). In addition, since FY2021, the Company has changed the scope of calculation to exclude employees seconded to companies outside the TOTO Group.
Number of people using reduced work hour and leave systems	Data for full-time / contract employees of TOTO LTD. From FY2021, calculations were revised for reduced work hours for childcare and reduced work hours for nursing care as of April 1 of each fiscal year. A retroactive revision was made to the figures from FY2017 for the improvement of accuracy.

Lost time injury frequency rate	<p>Number of lost time injuries per 1 million hours worked.</p> <p>The data covers manufacturing and research & development sectors.</p> <p>Two equity-method affiliated companies (Voreto (Xiamen) Plumbing Technology Co., Ltd. and PT. SURYA TOTO INDONESIA Tbk.) that are subject to the TOTO Group's management for safety and health, are included.</p> <p>"TOTO Group contractors" cover the TOTO Group's overall contractors. Considering the Japanese way of thinking about the Industrial Safety and Health Act, contractors in the areas of company cafeteria, cleaning and security have been excluded.</p>
Occupational illness frequency rate	<p>Number of incidences of illness in the course of employment per 1 million hours worked. (It was calculated based on the number of employees applicable to work-related accidents.)</p> <p>Covers illnesses determined by Article 35 of the Ordinance for Enforcement of the Labor Standards Act.</p> <p>*Exception: Heat stroke, burns, back pain, and other sudden illnesses are included in work-related injuries, not occupational illnesses.</p> <p>It covered employees of the manufacturing and research & development sectors of the whole TOTO Group (Japan and other countries).</p>
Number of work-related fatalities	Data for the whole TOTO Group (Japan and other countries).
Average training time per employee	From FY2021, changes were made to the calculation method for the TOTO Group (Japan). A retroactive revision was made to the figures from FY2017 for the improvement of accuracy.
Employee satisfaction	Data for full-time / contract / temporary employees of the TOTO Group (Japan). Calculated based on the overall score (average value of comparable items for 3 years) from TOTO Group Awareness Survey of employees.
Achievement rate of compliance with the TOTO standards	Rate of suppliers who have cleared standards for compliance items determined by the TOTO Group among all suppliers surveyed each year (includes completion of corrective actions).
Amount spent on social contribution	Includes cash donations, donated products and services, and management and administrative fees for independent programs, etc.
Percentage of employees taking part in volunteer activities	Ratio of the number of employees who participated in volunteer activities to the total number of employees on a consolidated basis.
Organizations	Number of organizations selected based on Company standards.
Grant assistance	Determined based on matching contribution from TOTO, which is the same amount as the contribution based on relations between each stakeholder (customer, shareholder and employee). In FY2017, as the commemorative event of the 100th anniversary, the amount was increased.

TOTO

Life Anew

TOTO LTD.

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

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