

Each Risk and Countermeasure

Risk	Degree of Impact	Frequency	Risk Scenario (Timing of occurrence and impact on TOTO)	Measures against Risks
Large scale disaster	High	High	The Group has business sites in Japan and around the world. Therefore, it may experience chaotic conditions due to natural disasters, such as earthquakes, tsunamis, typhoons, and floods; disastrous situations caused by wars, terrorist acts and the like; fires and explosions in its buildings and facilities; and the suspension of electricity and other infrastructure. In the event of a disaster exceeding the expected scale, not only will the Group's buildings and facilities suffer damage, but its valuable human resources will also be seriously affected, which could result in significant disruption to some or all of the Group's business activities. Should such a situation occur, the Group would incur significant expenses for relocating business sites and repairing damaged buildings and facilities. This could have a significant impact on the Group's business, financial status, and operating performance.	The Group has established a Business Continuity Plan (BCP). In the event of a large scale disaster, it will immediately establish a disaster control headquarters to ensure business continuity and minimize damage. To improve its ability to respond to risks, the Group continuously conducts practical risk simulations in addition to evacuation drills and other on-site training exercises at all of the Group's business sites, including those overseas.
Product defects	High	Medium	If a product defect occurs, the Group may be liable for compensating direct and indirect damages caused by the defect that are not fully covered by product liability insurance. Additionally, the Group may incur significant costs for countermeasures. Media coverage of the defect could damage the Group's brand image and potentially result in a loss of customers. This could have an impact on the Group's business, financial status, and operating performance.	The Group pays careful attention to ensuring product quality in accordance with its strict and unique quality standards. In the unlikely event of an accident caused by its products, or if signs indicating the possibility of such an accident are discovered, the Group will promptly collect information from its customers and other relevant parties, collaborate with external distributors, etc. and disclose information appropriately.

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Difficulty in procuring raw materials due to geopolitical risks, etc.	Medium	High	For the Group's manufacturing business, it is essential to obtain raw materials, parts, etc. in a stable and timely manner. In the event of a supply interruption due to geopolitical risks, a major disaster, the bankruptcy of a supplier, or other reasons, or if there is a sudden change in the balance of supply and demand that makes it difficult to procure materials, the Group may not be able to change or add suppliers, or switch to new raw materials or parts, in a timely manner. This could have an impact on the Group's business, financial status, and operating performance.	In accordance with its procurement policy, the Group promotes the sustainable procurement of raw materials and parts on a global basis in collaboration with its suppliers. To improve its ability to respond to geopolitical risks and to severe natural disasters in recent years, the Group has identified all parts it uses and their production bases, enabled rapid confirmation of disaster conditions through external services, and conducted disaster response simulations. These efforts have established a system that enables the Group to swiftly grasp the impact of the risks as they arise and implement appropriate measures in collaboration with suppliers. Furthermore, the Group is working to establish a stable supply system by deepening the level of anticipated risk scenarios. This includes securing an inventory that satisfies the BCP and establishing duplicate procurement channels in accordance with the recovery plan developed for each part.
Occupational safety and health	High	Medium	In the event of a serious occupational accident, violations of labor laws and regulations, excessive working hours, etc. due to unforeseen situations, the Group may face administrative punishment or liability for compensation, which could disrupt its business activities. This could have an impact on the Group's business, financial status, and operating performance, as a result.	The Group has set goals of zero work-related accidents and zero work-related illnesses and is working to create a safe and comfortable work environment. The Safety and Health and Security Central Committee establishes the company-wide policies and basic measures and ensures their implementation at all business sites. At the same time, each business site holds monthly health and safety committee meetings to share health and safety issues and to formulate and promote countermeasures.
Spread of infectious diseases	High	Medium	A prolonged spread of infectious diseases poses risks of a global economic downturn and disruption in the procurement of raw materials and parts. This could have a significant impact on the Group's business, financial status, and operating performance.	In preparation for the spread of infectious diseases, the Group has established a system that enables employees to quickly transition to working from home or other work styles. In the event of delays in the supply of parts due to the suspension of operations at the supplier's factory or for any other reason, the Group will work to secure alternative procurement channels and minimize the impact on its business.

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Litigation risks	Medium	High	The Group conducts a wide range of business activities on a global scale. Consequently, it may be subject to litigation related to its business activities, including product liability and labor issues. Depending on the outcome of the litigation, losses may be incurred, and credit may be impaired. This could have an impact on the Group's business, financial status, and operating performance.	The Group is working to minimize litigation risks by building relationships of trust with customers and ensuring quality control through enhanced risk management systems, compliance with laws and regulations or other means. In particular, regarding labor issues, it is working to strengthen compliance by conducting surveys on compliance with domestic and overseas labor laws as well as by raising awareness among its employees. Through these efforts, the Group aims to prevent litigation and other legal actions by employees and others.
Leakage of confidential and personal information	Medium	Medium	The Group may handle customers' personal information and other company's information. There is a possibility that such information is leaked to outside the Group due to unforeseen situations. In such cases, the Group may incur significant expenses for compensating damages and other costs. This could have an adverse impact on the Group's business activities and brand image. There is also a risk of unauthorized use of important confidential information by third parties. This could have an impact on the Group's business, financial status, and operating performance.	The Group pays careful attention to maintaining the confidentiality of the information it holds, including customer information, and makes every effort to prevent information leaks. This includes implementing security measures such as access control, restrictions on taking information out of the office and prevention of unauthorized access, in accordance with the TOTO Group Privacy Policy, the TOTO Group Security Policy, and internal information security-related regulations, as well as monitoring of information security threats. The Group continuously provides security education and training for all employees to ensure they fully understand how to appropriately manage and use assets.
Occurrence of information system failure	Medium	Medium	The Group uses computer systems and communication networks that connect computer systems for nearly all of its business operations. The environment surrounding the systems and networks is becoming increasingly complex and sophisticated year after year. There is a possibility that malfunctions or failures occur because of natural disasters, terrorist acts, hacking or computer viruses from the external environment, human error, and other factors. If such a malfunction or failure occurs, business operations may be temporarily suspended. This could have an impact on the Group's business, financial status, and operating performance.	To improve reliability, the Group has implemented a variety of different measures and established a system that enables us to continue business operations. The Group recognizes that the protection and appropriate security management of all business assets it owns, including information assets, is an extremely important social responsibility. Therefore, it continuously provides security education and training for all employees to ensure they fully understand how to appropriately manage and properly use assets. The Group regularly inspects and audits security levels and compliance, monitors information security threats and continuously works to improve the situation.

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Geopolitical disputes and security deterioration risks	High	Medium	The Group conducts business globally. There are various risks overseas, including political instability, economic uncertainty, religious and cultural differences, and barriers related to business practices. The Group may also suffer political, economic, or legal damage due to fluctuations in exchange and interest rates, as well as changes in regulations and tax systems related to investments, overseas remittances, imports/exports, and foreign exchange. In addition, the occurrence of terrorism, conflicts, etc. may affect the safety of employees and the operation of our sites, which could have an impact on the Group's business, financial status, and operating performance.	The Group has established an organization and system at each site to oversee crisis management and be responsible for practical operations. They quickly collect crisis information about the political, social and security conditions in their location and surrounding areas, and work to implement the necessary measures in an appropriate manner.
Intensified competition for talent acquisition	Medium	Medium	The Group believes that in order to achieve lasting success in the future, it is important for our human resources to enhance their abilities and continue contributing to the company. Failure to continuously secure and develop talented human resources could have an impact on the Group's business, financial status, and operating performance.	As a part of its management resource innovation activities, the Group is promoting initiatives to realize a company where diverse human resources come together and where employees feel secure and energized to take on challenges and are proud to continue working. In addition to recruiting new graduates, the Group is positively using various methods including direct recruitment and referral in order to strengthen its ability to recruit experienced personnel, including highly skilled professionals.
Environmental regulations	Low	High	The Group is subject to various environmental laws and regulations that control air and water pollution, soil and groundwater contamination, handling and removal of hazardous substances, wastes disposal, and more. As environmental regulations are becoming stricter each year, the Group may face the relocation or suspension of factory operations, increased facility investment and environment-related costs, liability for compensating damages, and others. This could have an impact on the Group's business, financial status, and operating performance.	In order to realize a safe and secure society, the Group continuously promotes activities designed to prevent environmental risks. The Group promotes an environmental management system to prevent pollution. In addition to complying with laws and regulations, it has established voluntary management standards to reduce its environmental load and prevent pollution.

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Compliance violations including those in supply chains	Low	High	If there are insufficiencies in its governance or deficiencies in the internal management of the Group companies' business operations in some regions, it could have an impact on the Group's business, financial status, and operating performance.	The Group works to foster an organizational culture in which all involved parties, including suppliers, respect human rights, attach importance to compliance with laws, regulations, and social rules, and promote fair and transparent conduct. The Group has incorporated a process to confirm and approve annual plans and implementation results of global-scale compliance education and monitoring into the quarterly Compliance Committee. This enables us to identify compliance violation risks at an early stage and implement the appropriate measures.
Reputational damage	Low	High	Regardless of whether they are based on accurate facts, if malicious rumors about the Group arise and spread through media reports or internet posts, the Group's social credibility could be damaged, which could have an impact on the Group's business, financial status, and operating performance.	The Group detects suspicious information using various methods. If any inappropriate conduct, such as violation of laws and regulations, is detected in its business activities, the Group will promptly implement the appropriate measures.
Intellectual property infringement	Low	High	In order to enhance its brand value and provide products that are reliable and valuable for its customers, the Group appropriately creates, capitalizes (establishes rights and keeps their secrecy) and utilizes its intellectual property rights. However, in some regions and countries, intellectual property rights may not be fully protected. In these cases, there is a risk that the Group's intellectual property rights may be infringed on, or that the rights owned by third parties may be affected. This could have an impact on the Group's business, financial status, and operating performance as a result.	The Group demonstrates a strong stance against infringement by exercising its rights and implementing measures against imitation, thereby preventing the risk of infringement of the Group's intellectual property rights. When developing business strategies, the Group prevents the risk of infringing on the intellectual property rights owned by third parties, by investigating and analyzing intellectual property information and promoting development activities that respect these rights.
Climate change (carbon pricing, etc.)	Medium	Medium	In order to mitigate climate change, regulations aimed at reducing greenhouse gas emissions have been strengthened, including the Act on Promotion of Global Warming Countermeasures. The new tax burdens and increased procurement costs of raw materials and energy associated with these changes could have an impact on the Group's business, financial status, and operating performance.	Based on the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD), the Group conducts scenario analyses and evaluations of its initiatives aimed at achieving carbon neutrality and discloses the results. For the initiatives to address climate change risks, please refer to 2. "Attitude and Initiatives for Sustainability" in the Annual Securities Report.

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Changes in market environment	The degree of impact and frequency vary greatly depending on which event is assumed.		The Group primarily conducts business activities in the housing sector and the fine ceramics sector. Therefore, a significant change in demand, such as a shrinking new housing market due to changes in Japan's population structure, heightened geopolitical risks, global economic slowdown, and fluctuations in the semiconductor market, could have an impact on the Group's business, financial status, and operating performance.	In the domestic housing-related sector, in order to further enhance its competitive advantage in the renovation sector, the Group will continue to stimulate latent demand in the abundant existing houses and promote transition to a business structure that is not affected by demand trends. This includes developing and providing high value-added products, and making a proposal tailored to each individual customer using digital technologies and AI. In the overseas housing-related sector, the Group will strive to minimize the impact of sudden environmental changes by closely monitoring demand fluctuations in each region caused by heightened geopolitical risks and global economic slowdown, and by promoting multi-faceted sales operations. In the fine ceramics sector, while closely monitoring fluctuations in the semiconductor market, the Group will continue studying to develop new applications and fields utilizing its existing technological base, aiming to build a management base capable of flexibly responding to changes in the market environment
Rapid decline in product prices due to intensified competition with competitors	Due to the wide range of products developed, manufactured, sold and serviced by the Group, the degree of impact and frequency vary greatly depending on which event is assumed.		The Group develops, manufactures, sells, and provides services for a wide range of products and competes with various competitors. There is a possibility that the Group will not be able to maintain its competitive advantage in the future. If the competition intensifies, product prices will decline, which could have an impact on the Group's business, financial status, and operating performance.	The Group is actively engaged in the development of high value-added products, activities to further enhance its brand value, cost reduction, and other initiatives to maintain and strengthen its competitiveness.
Rapid technological innovation	The degree of impact and frequency vary greatly depending on which event is assumed.		Rapid technological innovation in the Group's business fields may allow competitors to improve their productivity or competitiveness or develop new business models ahead of us. In such cases, the Group's relative decline in competitive advantage could have an impact on the Group's business, financial status, and operating performance.	Since its foundation, the Group has been actively worked on creating attractive products by organically combining technologies cultivated through various research and development activities, strengthening its product development capabilities by fusing elemental and digital technologies, and improving productivity through production and manufacturing innovations, with the aim of creating new customer value.