Notation of Years
Years stated in this TOTO Corporate Report Financial & ESG Section 2011 are the years ending March 31 of each year or are as of March 31.

Forward-Looking Statements
This report contains forward-looking statements, including information about business plans, earnings forecasts and strategies. Such statements reflect estimates and assumptions based on information available at the time of writing. The accuracy of such statements is inherently uncertain because it is affected by future macroeconomic trends and business environment developments, including consumption trends and competitive challenges.
### Financial Data

**Six-Year Summary of Selected Financial Data**

**TOTO LTD. and Consolidated Subsidiaries**

1. Cash flow = Net increase (decrease) in cash and cash equivalents.
2. ROA = Net income / Total assets (yearly average)  
   ROE = Net income / Net Assets (yearly average)
3. Effective the fiscal year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. Consequently, total shareholders’ equity for the fiscal year ended March 31, 2006 has been restated as net assets to conform to the new accounting standard. Net assets from the fiscal years ended March 31, 2002 to 2005 are equivalent to total shareholders’ equity based on the previous accounting standard.
4. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥83.15 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2011.

<table>
<thead>
<tr>
<th>Year ended March</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>¥494,785</td>
<td>$5,214,167</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>321,214</td>
<td>337,735</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales ratio</td>
<td>64.9%</td>
<td>65.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>173,571</td>
<td>174,465</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling, general and administrative (SG&amp;A) expenses</td>
<td>148,407</td>
<td>148,277</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SG&amp;A ratio</td>
<td>30.0%</td>
<td>28.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>25,164</td>
<td>26,188</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating margin</td>
<td>5.1%</td>
<td>5.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Income before income taxes and minority interests</td>
<td>21,972</td>
<td>21,829</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Net income</td>
<td>12,997</td>
<td>13,544</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital investment</td>
<td>22,397</td>
<td>22,260</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D costs</td>
<td>11,722</td>
<td>11,752</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D costs ratio to net sales</td>
<td>2.4%</td>
<td>2.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow¹</td>
<td>4,292</td>
<td>(7,250)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>¥474,824</td>
<td>¥466,736</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Return on assets²</td>
<td>2.8%</td>
<td>2.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>214,130</td>
<td>217,780</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>260,694</td>
<td>248,956</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Net property, plant and equipment</td>
<td>166,757</td>
<td>161,045</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total investments and other assets</td>
<td>93,937</td>
<td>87,911</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>¥241,272</td>
<td>¥233,494</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>154,249</td>
<td>181,961</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total long-term liabilities</td>
<td>87,023</td>
<td>51,543</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Net assets³</td>
<td>233,552</td>
<td>233,242</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on equity²</td>
<td>6.2%</td>
<td>6.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Basic net income per share</td>
<td>¥37.12</td>
<td>¥39.07</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets per share³</td>
<td>638.38</td>
<td>659.68</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends per share applicable to the year</td>
<td>12.00</td>
<td>13.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹. Cash flow = Net increase (decrease) in cash and cash equivalents.
². ROA = Net income / Total assets (yearly average)  
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⁴. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥83.15 = US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2011.
Financial Data

Management’s Discussion and Analysis of Operations

Market Environment

In the Japanese economy during the consolidated accounting period (April 1, 2010 to March 31, 2011) under review, corporate earnings showed a modest recovery as commercial production and capital spending regained momentum, supported by fast-growing emerging economies, mainly in Asia. Private consumption also continued to improve, albeit slowly, due to the effects of the Japanese government’s environmental policies.

The domestic housing equipment business benefitted from government measures to increase the number of house purchases and home remodeling*, including the following: preferential interest rates for mortgages, the extension of tax cuts and an increase in the gift tax exemption; subsidies aimed at the promotion of environmentally friendly houses; and the implementation of the eco-point system for housing. Consequently, there has been a steady improvement in the housing market as shown by year-on-year gains in new housing starts, driven mainly by home owners and houses built for sale.

However, as the strong yen and deflationary environment continue and the unemployment rate remains high in Japan, and economic recovery in the United States and Europe is sluggish, the economic outlook is uncertain.

Under the current business conditions, the TOTO Group has begun concerted efforts toward company-wide restructuring, while strengthening its marketing in the domestic and overseas housing equipment business and new domain business segments, based on the long-term vision in “TOTO V-Plan 2017” announced in July 2009. Under this plan, TOTO aims to become a truly global company by 2017, the year during which TOTO will celebrate its 100th anniversary. In order to step up efforts for existing environmental initiatives, TOTO has as an environment-friendly company started specific activities under its environmental vision for 2017, “TOTO GREEN CHALLENGE,” which was announced in April 2010. In its domestic business, TOTO seeks to utilize various points of contact with customers, such as manufacturing plants and after-sales services, in addition to its nationwide showroom network, and the Company as a whole is working together to stimulate and create demand for remodeling. Internationally, TOTO has continued to build its presence based on a Five-Polar global structure, which includes Japan, the United States, China, the Asia/Oceania region and Europe. The Company has taken a proactive approach to sales to build a distinguished global brand.

Meanwhile, a number of the TOTO Group’s plants and sales and distribution sites were damaged by the Great East Japan Earthquake, which hit Japan in March 2011. Furthermore, the sluggish provision of materials and components from suppliers who were also affected by the disaster caused delays in the production and shipping of TOTO’s products, which had a significant effect on its financial results.

* “Remodeling” refers to proposals offering a new lifestyle exceeding customer expectations and commitment to realizing such proposals through house renovations and improvements.

Business Results

Net Sales

Consolidated net sales for fiscal 2010 amounted to ¥433.6 billion yen, an increase of 2.8% from the previous term.

Looking at sales by business segment, sales in the domestic housing equipment business were ¥370.9 billion yen, up 2.4% from the previous year due to the acceleration of our remodeling strategy, a strength of the TOTO Group.

In the overseas housing equipment business, we promoted the functionality, high comfort levels and environmental friendliness of TOTO’s unique products such as our water-saving toilets and washlets. Segment sales stood at ¥73.0 billion, up 4.4% from the previous year due to favorable results in China and Asia overall.

In new domain business, sales amounted to ¥16.9 billion, up
10.2% from the previous year due to strong growth in precision ceramic components within the ceramics business owing to favorable demand in the semiconductor industry worldwide.

By product, strong performances by new products launched in the restroom, bathroom, kitchen and washbasin segments in August 2010 led to a year-on-year increase of 6.0% in sales of restroom products to ¥143.4 billion and an increase of 2.0% in bathroom, kitchen and washbasin products to ¥200.3 billion. Almost all product groups posted year-on-year sales gains.

**Operating Income**
Consolidated operating income amounted to ¥14.0 billion, up 12.7%. This was attributable to company-wide cost reduction efforts under “TOTO V-Plan 2017,” increases in remodeling and overseas sales, and reduced expenses, particularly selling, general and administrative expenses. The operating income to sales ratio was up 1.6 percentage points to 3.2%. Operating income was impacted by ¥1.0 billion due to the Great East Japan Earthquake, which forced temporary suspension in production at certain factories, a decline in operating rates and delays in the supply of components.

**Net Income**
TOTO posted net income of ¥5.1 billion. The Company recognized extraordinary losses of ¥1.2 billion as loss on natural disaster consisting of a decline in inventories and loss on valuation due to the disaster, cost of removing fixed assets and restoration costs, and fixed costs resulting from the suspension of operations during the period, in addition to business restructuring expenses and loss on devaluation of securities.

**Financial Position**
As of March 31, 2011, consolidated total assets amounted to ¥379.2 billion, up ¥1.0 billion from the previous fiscal year-end. Current assets increased ¥4.1 billion from ¥180.1 billion at the previous fiscal year-end to ¥184.2 billion. This mainly reflected an increase of ¥3.8 billion in notes and accounts receivable, an increase of ¥3.4 billion in finished goods and work in process, an increase of ¥1.2 billion in deferred tax assets and a decrease of ¥5.0 billion in marketable securities.

Total non-current assets declined ¥3.1 billion to ¥199.1 billion compared with ¥195.0 billion at the previous fiscal year-end. Key factors were a decrease of ¥4.4 billion in machinery, equipment and vehicles, a decrease of ¥4.1 billion in buildings and structures and an increase of ¥5.6 billion in construction in progress. Consolidated total liabilities increased ¥9.3 billion to ¥199.1 billion with ¥195.0 billion at the previous fiscal year-end. This was mainly attributable to an increase of ¥21.8 billion in long-term debt and finance lease obligations, an increase of ¥9.6 billion in notes and accounts payable-trade, a decrease of ¥19.6 billion in short-term bank loans and a decrease of ¥3.0 billion in commercial paper.

Total net assets at the end of the year totaled ¥180.2 billion, down ¥8.4 billion from ¥188.5 billion at the previous fiscal year-end. This was primarily due to an increase in retained earnings owing to the recording of ¥5.1 billion in net income, a decrease of ¥4.6 billion in translation adjustments, a decrease in retained earnings owing to the recording of ¥3.4 billion in cash dividends paid, an increase of ¥2.7 billion in treasury stock and a decrease of ¥2.3 billion in net unrealized holding losses on securities.

The equity ratio (net assets minus minority interests, divided by total assets) declined 2.4 percentage points year-on-year to 46.2%. Net assets per share based on the weighted-average number of shares outstanding during the fiscal year under review was ¥513.51.

**R&D Costs**
Based on its mission to develop core technologies for creating new lifestyles, as well as technologies that contribute to reducing
environmental loads in line with the environmental vision “TOTO GREEN CHALLENGE,” the R&D Division works to develop TOTO's proprietary “Only One” technologies to continue being a company needed by society.

TOTO conducts R&D related to manufacturing reforms as part of a company-wide reform program under “TOTO V-Plan 2017,” our long-term vision. We are shifting systems to product technology development toward optimization of the entire company and promote production based on new ideas through the development of next-generation manufacturing equipment, innovation in materials and platforming (standardization).

With regard to solid oxide fuel cells (SOFCs), which are gaining attention as a new eco-friendly energy source, TOTO is continuing with R&D that applies accumulated ceramic technology. We specialize in the development of power generation modules with exceptional power generating performance and durability, and are conducting ongoing verification testing toward swift commercialization.

Consolidated R&D costs for the fiscal year totaled ¥15.6 billion. By business segment, R&D expenses totaled ¥11.7 billion in the domestic housing equipment business. In the overseas housing equipment business, China accounted for ¥200 million, Asia and Oceania for ¥30 million and Europe for ¥100 million. The ceramic business of the new domain business spent ¥1.1 billion on R&D while the environmentally friendly construction material business spent ¥200 million. A total of ¥1.9 billion was unallocated to a specific business.

**Capital Investment and Depreciation**

A basic policy of the TOTO Group is to continue creating and providing an enriched and more comfortable lifestyle and culture built on plumbing products. In the fiscal year under review, the Group’s capital investment totaled ¥26.2 billion. Capital investment by business segment was as follows.

- **In the domestic housing equipment business**, capital expenditures totaled ¥21.1 billion, including outlays for the introduction and renewal of production equipment, molds for new products and rearrangement of showroom displays.

- **In the overseas housing equipment business**, capital expenditures totaled ¥400 million in the United States, ¥700 million in China, ¥2.2 billion in Asia and Oceania and ¥100 million in Europe, mainly for the introduction and renewal of production equipment and molds for new products.

- **In the new domain business**, capital expenditures totaled ¥400 million in the ceramic business and ¥100 million in the environmentally friendly construction material business, mainly for the introduction and renewal of production equipment.

- **Other capital expenditures totaled ¥804 million overall**, including outlays for the purchase of R&D equipment.

- **The major facilities completed in the fiscal year under review included the renovation of showrooms nationwide**. All necessary funds were provided internally.

- **Depreciation and amortization for the fiscal year under review amounted to ¥19.7 billion, down ¥900 million.**

### Cash Flows

Cash flows in the fiscal year ended March 31, 2011 were as follows.

**Net Cash Provided by Operating Activities**

Net cash provided by operating activities amounted to ¥28.1 billion. This was due to an increase in cash resulting from depreciation and amortization of ¥19.7 billion and notes and accounts payable of ¥10.0 billion.

**Net Cash Used in Investing Activities**

Net cash used in investing activities decreased to ¥22.8 billion. This was due mainly to an outlay of ¥15.9 billion for purchases

---

**Net Assets/ROE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Assets (¥ millions)</th>
<th>ROE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>20,000</td>
<td>50</td>
</tr>
<tr>
<td>2008</td>
<td>25,000</td>
<td>50</td>
</tr>
<tr>
<td>2009</td>
<td>30,000</td>
<td>50</td>
</tr>
<tr>
<td>2010</td>
<td>35,000</td>
<td>50</td>
</tr>
<tr>
<td>2011</td>
<td>40,000</td>
<td>50</td>
</tr>
</tbody>
</table>

**R&D Costs/R&D Cost Ratio to Net Sales**

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D Costs (¥ millions)</th>
<th>R&amp;D Cost Ratio to Net Sales (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>10,000</td>
<td>25</td>
</tr>
<tr>
<td>2008</td>
<td>15,000</td>
<td>30</td>
</tr>
<tr>
<td>2009</td>
<td>20,000</td>
<td>35</td>
</tr>
<tr>
<td>2010</td>
<td>25,000</td>
<td>40</td>
</tr>
<tr>
<td>2011</td>
<td>30,000</td>
<td>45</td>
</tr>
</tbody>
</table>
of property, plant and equipment, ¥3.8 billion for acquisition of marketable and investment securities and ¥2.9 billion due to the acquisition of intangible fixed assets.

Net Cash Used in Financing Activities
Net cash used in financing activities decreased to ¥7.3 billion. This was due primarily to a decrease in cash resulting from the repayment of long-term debt amounting to ¥5.0 billion and cash dividends paid of ¥3.5 billion.

Consolidated cash and cash equivalents at the end of the fiscal year decreased by ¥4.1 billion to ¥46.5 billion, compared with ¥50.6 billion at the end of the previous term.

Business Risk
The following is a list of some of the major risk factors that could potentially impact the TOTO Group’s business performance and financial position. The risks described below do not constitute the entire range of risks that should be considered when investing in the Company’s stock.

Forward-looking statements are based on assumptions made by the Group’s management from information available at the time of issuance of the annual securities report (June 30, 2010).

1. Risks Related to Operating Environment
   1) Changes in Economic Situation
      Demand for TOTO’s products and services may be affected by general economic trends in the countries or regions in which they are sold. Economic downturns and resulting declines in demand in TOTO’s markets worldwide may thus adversely affect the Group’s business, financial condition and operating results.
   2) Currency Exchange Rate Fluctuations
      Foreign exchange rate fluctuations may adversely affect the TOTO Group’s business, financial condition and operating results because the Group conducts international business transactions, while production, sales and other operating activities overseas are handled in foreign currencies. In addition, the assets and liabilities of overseas consolidated subsidiaries are translated into yen on the consolidated balance sheets.
   3) Decrease in Stock Value
      The TOTO Group holds stock as part of its investment securities. If the book value of such stocks drops significantly, this would cause the Company to record losses on the valuation of the stock, which may adversely affect the Group’s business, financial condition and operating results.
   4) Interest Rate Fluctuations
      TOTO is exposed to interest rate fluctuation risks, which may affect its operational costs, interest expenses, interest income and the value of financial assets and liabilities. Accordingly, interest rate fluctuations may adversely affect the Group’s business, financial condition and operating results.
   5) Changes in Market Environment
      Drastic fluctuations in demand in housing-related fields, in which the TOTO Group conducts its main business activities, may adversely affect the Group’s business, financial condition and operating results.

2. Risks Related to TOTO’s Business Activities
   1) Competition in the Industry
      The TOTO Group develops, produces and markets a broad range of products and services, and therefore faces many different types of competitors. Although the Group will implement various measures to maintain and strengthen competitiveness going forward, it may not be able to maintain a dominant position in the market in the future.
   2) Rapid Declines in Product Prices
      The TOTO Group works aggressively to develop high value-added products and reduce costs. However, the Group is
The TOTO Group’s manufacturing operations depend on suitable procurement activities after selecting suppliers that it can trust. In order to secure a competitive edge in business. However, if a supplier ceases supply, or there is a sudden increase in industry demand, or changes in the supply and demand situation, purchase prices may rise steeply. In such cases, it may be difficult for the TOTO Group to substitute one supplier for another, increase the number of suppliers or change one component or material for another in a timely manner, which may adversely affect the Group’s business, financial condition and operating results.

6) Procurement of Materials, etc.

The TOTO Group’s manufacturing operations depend on obtaining materials and parts of high quality and in a stable and timely manner. For that purpose, the Company promotes procurement activities after selecting suppliers that it can trust. However, if a supplier ceases supply, or there is a sudden increase in industry demand, or changes in the supply and demand situation, purchase prices may rise steeply. In such cases, it may be difficult for the TOTO Group to substitute one supplier for another, increase the number of suppliers or change one component or material for another in a timely manner, which may adversely affect the Group’s business, financial condition and operating results.

7) Financial Condition of Distributors, etc.

Distributors of the TOTO Group purchase their products and services on payment terms that may not provide for immediate payment. If distributors from whom the Group has substantial accounts receivable encounter financial difficulties and are unable to make payments on time, the Group’s business, financial condition and operating results may be adversely affected.
Group's operating results and financial condition. In addition, due to revisions to tax systems or if tax authorities have different opinions from the Company's tax declarations, the TOTO Group may need to make larger tax payments than estimated.

4) Environmental Laws and Regulations

The TOTO Group is subject to environmental laws and regulations such as those relating to air pollution, water pollution, soil and groundwater contamination, handling and elimination of harmful substances and waste management. Although the Group pays close attention to these laws and regulations in conducting its business activities, an increase in expenses related to environmental preservation or the payment of compensation for past, present or future business activities may adversely affect the TOTO Group's business, financial condition and operating results.

5) Regulations Related to Climate Change

Laws and other regulations are being strengthened in order to minimize climate change, including streamlining of energy consumption and measures to combat global warming worldwide. New tax burdens and increased expenses incurred in responding to changes to materials, fuel or facilities in business activities in line with tighter regulations may adversely affect the Group's business, financial condition and operating results.

6) Information Leaks

In the normal course of business, the TOTO Group possesses confidential information mainly about customers regarding credit worthiness and other information, as well as confidential information about companies and other third parties. Although the Group pays close attention to protecting this confidential information and works to the best of its ability to appropriately manage said information so that it is not leaked, such information may be leaked due to an unforeseen event. If such is the case, it may result in significant expense to compensate for the damage and adversely affect the TOTO Group's business activities and brand image. Moreover, there is a risk that the TOTO Group's trade secrets may be illegally leaked to a third party, which may adversely affect the Group's business, financial condition and operating results.

7) Other Laws and Regulations, etc.

The TOTO Group is subject to governmental laws and regulations in Japan and other countries and regions in which it conducts its business. The business activities of the TOTO Group may be restricted as these laws and regulations tighten and licensing procedures become stricter, whereby expenses may increase in order to comply with stipulated laws and regulations. In addition, if the TOTO Group responds in an inappropriate manner or is in gross violation of a regulation, the Group's business and brand image may be adversely affected.

5. Risks Related to Disasters or Other Unpredictable Events

The impact of the Great East Japan Earthquake has been reported in “Business Results.” TOTO Group's business facilities are located in Japan and other parts of the world. In addition to the recent earthquake and tsunami, if a natural disaster occurs such as a typhoon or flood or there is any other calamity such as cyber attack, war or a terrorist attack, infrastructure may be suspended, including power supply, leading to general confusion. In addition, should a major industrial accident occur or a highly-pathogenic influenza strain become a pandemic, it could significantly impact valuable human resources in addition to damaging the TOTO Group's facilities, which may cause partial or substantial disruption to the Group's business operations.

As a result, the TOTO Group could incur significant expense to shift business locations and repair damaged facilities, which may adversely affect the Group's business, financial condition and operating results.

6. Risks Related to Rumors

The TOTO Group strives to respond swiftly and appropriately in case misconduct has been discovered such as legal violations. However, if a malicious rumor regarding the Group spreads through the media or via the Internet, trust from society will decline whether such rumors are based on fact or not, which may adversely affect the Group's business, financial condition and operating results.

7. Other Risks

1) Pension Plans

TOTO and certain Group companies have contributory, funded benefit pension plans. A decline in interest rates may cause a decrease in the discount rate on benefit obligations. A decrease in the value of stocks may also affect the return on plan assets. As a result, the actuarial loss may increase, leading to an increase in future net periodic benefit costs of these pension plans.

2) Impairment Loss on Fixed Assets

The TOTO Group periodically calculates future cash flows from the assets it holds, and recognizes and measures impairment losses in accordance with accounting standards related to the impairment of fixed assets. As a result, the Group may record impairment losses on fixed assets, which may adversely affect the Group's financial condition and operating results.

3) Deferred Tax Assets

The calculation of deferred tax assets is based on various forecasts and assumptions, including future taxable income. Actual results may differ from forecasts and assumptions due mainly to deterioration in business conditions or the results of tax inspections. Accordingly, in case it is deemed difficult to recover all or part of deferred tax assets based on forecasts and assumptions of future taxable income, the value of such deferred tax assets will be written down, which may adversely affect the Group's financial condition and operating results.
## Consolidated Balance Sheets

**TOTO LTD. and Consolidated Subsidiaries**

**March 31, 2010 and 2011**

<table>
<thead>
<tr>
<th>Assets</th>
<th>2010</th>
<th>2011</th>
<th><strong>Thousands of U.S. dollars (Note 3)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Note 16)</td>
<td>¥ 50,564</td>
<td>¥ 46,498</td>
<td>$ 559,206</td>
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<tr>
<td>Short-term investments (Note 16)</td>
<td>2,464</td>
<td>1,672</td>
<td>20,108</td>
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<tr>
<td>Notes and accounts receivable:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade (Note 16)</td>
<td>69,720</td>
<td>73,550</td>
<td>884,546</td>
</tr>
<tr>
<td>Allowance for doubtful receivables</td>
<td>(577)</td>
<td>(405)</td>
<td>(4,871)</td>
</tr>
<tr>
<td></td>
<td>69,143</td>
<td>73,145</td>
<td>879,675</td>
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<tr>
<td>Inventories (Note 4)</td>
<td>43,360</td>
<td>47,093</td>
<td>566,362</td>
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<tr>
<td>Deferred tax assets (Note 9)</td>
<td>3,371</td>
<td>4,644</td>
<td>55,851</td>
</tr>
<tr>
<td>Other current assets</td>
<td>11,248</td>
<td>11,152</td>
<td>134,119</td>
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<tr>
<td><strong>Total current assets</strong></td>
<td>180,150</td>
<td>184,204</td>
<td>2,215,321</td>
</tr>
<tr>
<td><strong>Property, plant and equipment:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>39,285</td>
<td>38,293</td>
<td>460,529</td>
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<tr>
<td>Buildings and structures</td>
<td>159,798</td>
<td>157,625</td>
<td>1,895,670</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>134,771</td>
<td>130,079</td>
<td>1,564,390</td>
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<tr>
<td>Construction in progress</td>
<td>2,847</td>
<td>8,501</td>
<td>102,237</td>
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<tr>
<td>Other</td>
<td>66,831</td>
<td>68,453</td>
<td>823,247</td>
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<tr>
<td><strong>Accumulated depreciation</strong></td>
<td>(278,485)</td>
<td>(281,739)</td>
<td>(3,388,322)</td>
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<tr>
<td><strong>Property, plant and equipment, net</strong></td>
<td>125,047</td>
<td>121,212</td>
<td>1,457,751</td>
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<td><strong>Investments and other assets:</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Investment securities (Notes 6, 16 and 17)</td>
<td>29,227</td>
<td>29,410</td>
<td>353,698</td>
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<tr>
<td>Investments in unconsolidated subsidiaries and affiliates (Note 16)</td>
<td>5,829</td>
<td>6,779</td>
<td>81,527</td>
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<tr>
<td>Long-term loans receivable</td>
<td>169</td>
<td>104</td>
<td>1,251</td>
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<td>Guaranty money deposited</td>
<td>5,840</td>
<td>5,625</td>
<td>67,649</td>
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<tr>
<td>Deferred tax assets (Note 9)</td>
<td>16,404</td>
<td>16,431</td>
<td>197,607</td>
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<tr>
<td>Goodwill</td>
<td>175</td>
<td>111</td>
<td>1,335</td>
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<tr>
<td>Other</td>
<td>15,425</td>
<td>15,339</td>
<td>184,474</td>
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<tr>
<td><strong>Total investments and other assets</strong></td>
<td>73,069</td>
<td>73,799</td>
<td>887,541</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>¥378,266</td>
<td>¥379,215</td>
<td>$4,560,613</td>
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See notes to consolidated financial statements.
### Liabilities and net assets

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<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade (Note 16)</td>
<td>¥ 47,714</td>
<td>¥ 57,344</td>
<td>$ 689,645</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>¥ 2,295</td>
<td>¥ 2,724</td>
<td>$ 32,761</td>
</tr>
<tr>
<td></td>
<td>¥ 50,009</td>
<td>¥ 60,068</td>
<td>¥ 722,406</td>
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<td>Short-term bank loans (Notes 5 and 16)</td>
<td>¥ 31,709</td>
<td>¥ 16,507</td>
<td>$ 198,521</td>
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<tr>
<td>Current portion of long-term debt and finance lease obligations (Note 5)</td>
<td>¥ 5,086</td>
<td>¥ 642</td>
<td>$ 7,721</td>
</tr>
<tr>
<td>Commercial paper (Note 5)</td>
<td>¥ 15,000</td>
<td>¥ 12,000</td>
<td>$ 144,317</td>
</tr>
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<td>Other accounts payable</td>
<td>¥ 5,916</td>
<td>¥ 5,509</td>
<td>$ 66,254</td>
</tr>
<tr>
<td>Accrued income taxes (Note 9)</td>
<td>¥ 1,668</td>
<td>¥ 2,055</td>
<td>$ 24,714</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>¥ 16,785</td>
<td>¥ 18,081</td>
<td>$ 217,450</td>
</tr>
<tr>
<td>Accrued directors’ bonuses</td>
<td>—</td>
<td>¥ 32</td>
<td>$ 385</td>
</tr>
<tr>
<td>Accrual for loss on inspection and repair of products</td>
<td>¥ 239</td>
<td>¥ 148</td>
<td>$ 1,780</td>
</tr>
<tr>
<td>Accrual for loss on business restructuring</td>
<td>¥ 614</td>
<td>¥ 910</td>
<td>$ 10,944</td>
</tr>
<tr>
<td>Accrual for loss on natural disaster</td>
<td>—</td>
<td>¥ 262</td>
<td>$ 3,151</td>
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<tr>
<td>Other current liabilities (Note 9)</td>
<td>¥ 11,465</td>
<td>¥ 11,829</td>
<td>$ 142,261</td>
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<tr>
<td><strong>Total current liabilities</strong></td>
<td>¥ 138,491</td>
<td>¥ 128,043</td>
<td>¥ 1,539,904</td>
</tr>
</tbody>
</table>

| **Long-term liabilities:**    |                |                |            |
| Long-term debt and finance lease obligations (Note 5) | ¥ 10,424    | ¥ 32,263       | $ 388,010  |
| Accrued retirement benefits for employees (Note 10) | ¥ 39,315    | ¥ 36,566       | $ 439,759  |
| Other (Note 9)                | ¥ 1,487       | ¥ 2,179        | $ 26,206   |
| **Total long-term liabilities** | ¥ 51,226      | ¥ 71,008       | ¥ 853,975  |

| **Contingent liabilities** (Note 15) |                |                |            |

| **Net assets:**               |                |                |            |
| **Shareholders’ equity (Notes 7 and 21):** |                |                |            |
| Common stock without par value |                |                |            |
| Authorized — 1,400,000,000 shares |                |                |            |
| Issued — 371,662,595 shares in 2010, and 371,662,595 shares in 2011 | ¥ 35,579 | ¥ 35,579 | ¥ 427,889 |
| Capital surplus                | ¥ 29,506       | ¥ 29,429       | $ 353,927  |
| Retained earnings              | ¥ 141,646      | ¥ 143,356      | $ 1,724,064|
| Less treasury stock, at cost; 25,341,868 shares in 2010 and 30,213,692 shares in 2011 | (¥ 14,530) | (¥ 17,284)  | (¥ 207,865) |
| **Total shareholders’ equity** | ¥ 192,201      | ¥ 191,080      | ¥ 2,298,015|

| **Accumulated other comprehensive loss:** |                |                |            |
| Net unrealized holding losses on securities | (¥ 254) | (¥ 2,614) | (¥ 31,437) |
| Deferred gains on hedges              | ¥ 231          | ¥ 1           | ¥ 12       |
| Translation adjustments              | (¥ 8,506)      | (¥ 13,130)    | (¥ 157,907)|
| **Total accumulated other comprehensive loss** | (¥ 8,529) | (¥ 15,743) | (¥ 189,332)|

| **Share subscription rights (Note 8)** | ¥ 299 | ¥ 370 | ¥ 4,450 |

| **Minority interests**               | ¥ 4,578        | ¥ 4,457        | $ 53,601   |
| **Total net assets**                | ¥378,266       | ¥379,215       | $4,560,613 |

| **Total liabilities and net assets** |                |                |            |
### Consolidated Statements of Income

**TOTO LTD. and Consolidated Subsidiaries**

**Years ended March 31, 2010 and 2011**

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>¥421,929</td>
<td>$5,214,167</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>¥275,639</td>
<td>3,286,338</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>146,290</td>
<td>1,927,829</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong> (Note 11)</td>
<td>139,700</td>
<td>1,759,290</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>6,590</td>
<td>168,539</td>
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</table>

**Other income (expenses):**

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2011</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividend income</td>
<td>955</td>
<td>1,167</td>
<td>14,035</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(705)</td>
<td>(418)</td>
<td>(5,027)</td>
</tr>
<tr>
<td>Loss on sales and disposal of property, plant and equipment, net</td>
<td>(553)</td>
<td>(772)</td>
<td>(9,284)</td>
</tr>
<tr>
<td>Gain on sales of investment securities, net</td>
<td>193</td>
<td>18</td>
<td>216</td>
</tr>
<tr>
<td>Gain (loss) on sales of investment in affiliates, net</td>
<td>11</td>
<td>(83)</td>
<td>(998)</td>
</tr>
<tr>
<td>Loss on devaluation of securities</td>
<td>(265)</td>
<td>(627)</td>
<td>(7,541)</td>
</tr>
<tr>
<td>Foreign exchange loss, net</td>
<td>(316)</td>
<td>(960)</td>
<td>(11,545)</td>
</tr>
<tr>
<td>Sales discounts</td>
<td>(875)</td>
<td>(897)</td>
<td>(10,788)</td>
</tr>
<tr>
<td>Loss on impairment of fixed assets</td>
<td>(367)</td>
<td>(297)</td>
<td>(3,572)</td>
</tr>
<tr>
<td>Loss on devaluation of memberships</td>
<td>(126)</td>
<td>(7)</td>
<td>(84)</td>
</tr>
<tr>
<td>Equity in earnings of unconsolidated subsidiaries and affiliates</td>
<td>1,298</td>
<td>1,214</td>
<td>14,600</td>
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<tr>
<td>Loss on business restructuring</td>
<td>(1,532)</td>
<td>(2,598)</td>
<td>(31,245)</td>
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<tr>
<td>Effect of adoption of accounting standard for asset retirement obligations</td>
<td>—</td>
<td>(911)</td>
<td>(10,956)</td>
</tr>
<tr>
<td>Loss on natural disaster</td>
<td>—</td>
<td>(1,230)</td>
<td>(14,793)</td>
</tr>
<tr>
<td>Other, net</td>
<td>988</td>
<td>506</td>
<td>6,085</td>
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<tr>
<td><strong>Income before income taxes and minority interests</strong></td>
<td>5,296</td>
<td>8,119</td>
<td>97,642</td>
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**Income taxes (Note 9):**

<table>
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<tr>
<th>Description</th>
<th>2010</th>
<th>2011</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>3,201</td>
<td>3,663</td>
<td>44,052</td>
</tr>
<tr>
<td>Deferred</td>
<td>508</td>
<td>(1,543)</td>
<td>(18,557)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,709</td>
<td>2,120</td>
<td>25,495</td>
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</table>

**Income before minority interests**

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>—</td>
<td>5,999</td>
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</tbody>
</table>

**Minority interests**

<table>
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<tr>
<th>Description</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(708)</td>
<td>(884)</td>
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</table>

**Net income (Note 13)**

<table>
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<th>2010</th>
<th>2011</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥ 879</td>
<td>¥ 5,115</td>
<td>$ 61,515</td>
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See notes to consolidated financial statements.
Consolidated Statements of Comprehensive Income
TOTO LTD. and Consolidated Subsidiaries
Years ended March 31, 2010 and 2011

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>Income before minority interests</td>
<td>¥—</td>
<td>¥ 5,999</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized holding gains (losses) on securities</td>
<td>—</td>
<td>(2,360)</td>
</tr>
<tr>
<td>Deferred gains (losses) on hedges</td>
<td>—</td>
<td>(230)</td>
</tr>
<tr>
<td>Translation adjustments</td>
<td>—</td>
<td>(4,742)</td>
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<tr>
<td>Other comprehensive income (loss) on equity method companies</td>
<td>—</td>
<td>(275)</td>
</tr>
<tr>
<td>Total other comprehensive income (loss)</td>
<td>—</td>
<td>(7,607)</td>
</tr>
<tr>
<td>Comprehensive income (loss) (Note 12)</td>
<td>¥—</td>
<td>¥(1,608)</td>
</tr>
</tbody>
</table>

Total comprehensive income (loss) attributable to:

|                                | Millions of yen | Thousands of U.S. dollars (Note 3) |
|                                | 2010            | 2011                              |
| Shareholders of TOTO LTD.      | ¥—              | $(2,099)                          |
| Minority interests             | ¥—              | ¥ 491                            |

See notes to consolidated financial statements.
### Consolidated Statements of Changes in Net Assets

**TOTO LTD. and Consolidated Subsidiaries**

**Years ended March 31, 2010 and 2011**

<table>
<thead>
<tr>
<th>Number of issued shares</th>
<th>Common stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Treasury stock, at cost</th>
<th>Net unrealized holding losses on securities</th>
<th>Deferred gains on hedges</th>
<th>Translation adjustments</th>
<th>Share subscription rights</th>
<th>Minority interests</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at March 31, 2009</strong></td>
<td>371,662,595</td>
<td>¥35,579</td>
<td>¥29,505</td>
<td>¥144,323</td>
<td>(14,456)</td>
<td>(5,006)</td>
<td>—</td>
<td>(9,701)</td>
<td>¥221</td>
<td>¥4,429</td>
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<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>879</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(3,465)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Purchases of treasury stock</td>
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<td>—</td>
<td>—</td>
<td>(117)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Disposition of treasury stock</td>
<td>—</td>
<td>—</td>
<td>1</td>
<td>20</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Change of scope of equity method</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(91)</td>
<td>23</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net changes in items other than shareholders’ equity</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,752</td>
<td>231</td>
<td>1,195</td>
<td>78</td>
<td>149</td>
<td>6,405</td>
</tr>
<tr>
<td><strong>Balance at March 31, 2010</strong></td>
<td>371,662,595</td>
<td>35,579</td>
<td>29,506</td>
<td>141,646</td>
<td>(14,530)</td>
<td>231</td>
<td>(8,506)</td>
<td>299</td>
<td>4,578</td>
<td>188,549</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5,115</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5,115</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(3,463)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(3,463)</td>
</tr>
<tr>
<td>Purchases of treasury stock</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2,859)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2,859)</td>
</tr>
<tr>
<td>Disposition of treasury stock</td>
<td>—</td>
<td>—</td>
<td>1</td>
<td>105</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>106</td>
</tr>
<tr>
<td>Change of scope of consolidation</td>
<td>—</td>
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<td>(78)</td>
<td>58</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(20)</td>
</tr>
<tr>
<td>Net changes in items other than shareholders’ equity</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2,360)</td>
<td>(230)</td>
<td>(4,624)</td>
<td>71</td>
<td>(121)</td>
<td>(7,284)</td>
</tr>
<tr>
<td><strong>Balance at March 31, 2011</strong></td>
<td>371,662,595</td>
<td>¥35,579</td>
<td>¥29,429</td>
<td>¥143,356</td>
<td>(17,284)</td>
<td>(2,614)</td>
<td>¥1</td>
<td>¥13,130</td>
<td>¥370</td>
<td>¥4,457</td>
</tr>
</tbody>
</table>

**Thousands of U.S. dollars (Note 3)**

<table>
<thead>
<tr>
<th>Common stock</th>
<th>Capital surplus</th>
<th>Retained earnings</th>
<th>Treasury stock, at cost</th>
<th>Net unrealized holding losses on securities</th>
<th>Deferred gains on hedges</th>
<th>Translation adjustments</th>
<th>Share subscription rights</th>
<th>Minority interests</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at March 31, 2010</strong></td>
<td>$427,889</td>
<td>$354,853</td>
<td>$1,703,500</td>
<td>$(174,744)</td>
<td>$(3,055)</td>
<td>$2,778</td>
<td>$(102,297)</td>
<td>$3,596</td>
<td>$55,057</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>61,515</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>61,515</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>—</td>
<td>—</td>
<td>(41,648)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(41,648)</td>
</tr>
<tr>
<td>Purchases of treasury stock</td>
<td>—</td>
<td>—</td>
<td>(34,384)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(34,384)</td>
</tr>
<tr>
<td>Disposition of treasury stock</td>
<td>—</td>
<td>12</td>
<td>1,263</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,275</td>
</tr>
<tr>
<td>Change of scope of consolidation</td>
<td>—</td>
<td>(938)</td>
<td>697</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(241)</td>
</tr>
<tr>
<td>Net changes in items other than shareholders’ equity</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(28,382)</td>
<td>(2,766)</td>
<td>(55,610)</td>
<td>854</td>
<td>(1,456)</td>
<td>(87,360)</td>
</tr>
<tr>
<td><strong>Balance at March 31, 2011</strong></td>
<td>$427,889</td>
<td>$353,927</td>
<td>$1,724,064</td>
<td>$(207,865)</td>
<td>$(31,437)</td>
<td>$12</td>
<td>$(157,907)</td>
<td>$4,450</td>
<td>$53,601</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
## Consolidated Statements of Cash Flows

**TOTO LTD. and Consolidated Subsidiaries**  
Years ended March 31, 2010 and 2011

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes and minority interests</td>
<td>¥ 5,296</td>
<td>$ 97,643</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>20,576</td>
<td>237,486</td>
</tr>
<tr>
<td>Loss on impairment of fixed assets</td>
<td>367</td>
<td>3,572</td>
</tr>
<tr>
<td>Effect of adoption of accounting standard for asset retirement obligations</td>
<td>—</td>
<td>10,956</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>(955)</td>
<td>(14,035)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>705</td>
<td>5,027</td>
</tr>
<tr>
<td>Provision for directors’ bonuses</td>
<td>—</td>
<td>385</td>
</tr>
<tr>
<td>Provision for loss on inspection and repair of products</td>
<td>(850)</td>
<td>(1,106)</td>
</tr>
<tr>
<td>Provision for loss on business restructuring</td>
<td>614</td>
<td>3,560</td>
</tr>
<tr>
<td>Provision for loss on natural disaster</td>
<td>—</td>
<td>3,151</td>
</tr>
<tr>
<td>Employees’ retirement benefits paid, net of provision</td>
<td>(1,059)</td>
<td>(32,423)</td>
</tr>
<tr>
<td>Loss on sales and disposal of property, plant and equipment, net</td>
<td>553</td>
<td>9,284</td>
</tr>
<tr>
<td>Gain on sales of investment securities, net</td>
<td>(193)</td>
<td>(216)</td>
</tr>
<tr>
<td>Gain (loss) on sales of investment in affiliates, net</td>
<td>(11)</td>
<td>998</td>
</tr>
<tr>
<td>Loss on devaluation of securities</td>
<td>265</td>
<td>7,541</td>
</tr>
<tr>
<td>Loss on devaluation of memberships</td>
<td>126</td>
<td>84</td>
</tr>
<tr>
<td>Notes and accounts receivable</td>
<td>2,324</td>
<td>(65,244)</td>
</tr>
<tr>
<td>Inventories</td>
<td>12,859</td>
<td>(46,783)</td>
</tr>
<tr>
<td>Notes and accounts payable</td>
<td>(4,145)</td>
<td>119,820</td>
</tr>
<tr>
<td>Other</td>
<td>100</td>
<td>22,213</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>36,572</td>
<td>361,913</td>
</tr>
<tr>
<td>Interest and dividend income received</td>
<td>1,262</td>
<td>20,433</td>
</tr>
<tr>
<td>Interest expense paid</td>
<td>(751)</td>
<td>(5,268)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(3,455)</td>
<td>(38,930)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>33,628</td>
<td>338,148</td>
</tr>
</tbody>
</table>

| **Investing activities**       |                 |                                   |
| Purchases of property, plant and equipment | (10,045) | (191,678) |
| Proceeds from sales of property, plant and equipment | 314        | 2,898                            |
| Increase in marketable and investment securities | (533)      | (44,931)                         |
| Increase in time deposits       | (23)           | 6,747                             |
| Sale of subsidiary’s stock resulting in change of scope of consolidation | —         | (180)                            |
| Other                          | (4,542)        | (46,554)                          |
| **Net cash used in investing activities** | (14,829)      | (273,698)                         |

| **Financing activities**       |                 |                                   |
| Decrease (increase) in bank loans | (17,937) | 31,690                            |
| Proceeds from issuance of commercial paper | 20,000     | 300,661                           |
| Redemption of commercial paper  | (10,000)       | (336,741)                         |
| Cash dividends paid            | (3,465)        | (41,648)                          |
| Purchases of treasury stock    | (117)          | (34,384)                          |
| Other                          | (705)          | (6,903)                           |
| **Net cash used in financing activities** | (12,224)    | (87,325)                          |

| **Effect of exchange rate changes on cash and cash equivalents** |                  |                                   |
| 123                              | (2,164)         | (26,025)                          |

| **Net increase (decrease) in cash and cash equivalents** |                  |                                   |
| 6,698                             | (4,066)         | (48,900)                          |

| **Cash and cash equivalents at beginning of the year** |                  |                                   |
| 43,866                            | 50,564          | $559,206                          |

See notes to consolidated financial statements.
Notes to Consolidated Financial Statements
TOTO LTD. and Consolidated Subsidiaries
March 31, 2011

1. Basis of Preparation
TOTO LTD. (the “Company”) and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Law of Japan and, therefore, have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

2. Summary of Significant Accounting Policies
(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates
The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Significant companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are carried at cost.

Certain foreign subsidiaries are consolidated on the basis of their books of account in conformity with the financial accounting laws of their countries of domicile.

Goodwill, which represents the difference between the cost of acquisition, is being amortized principally over a period of five years.

(b) Cash equivalents
All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

(c) Securities
In general, securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Securities held by the Company and its consolidated subsidiaries are all classified as other securities. Marketable securities classified as other securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(d) Derivatives
Derivatives are stated based on a fair value method.

(e) Inventories
Finished products, semifinished products and work in process
Stated at cost, determined by the first-in, first-out method (In cases where the profitability has declined, the book value is reduced accordingly.)

Raw materials and supplies
Stated at cost, determined by the gross average cost method (In cases where the profitability has declined, the book value is reduced accordingly.)

Contracts in progress
Stated at cost, determined by the specific identification method (In cases where the profitability has declined, the book value is reduced accordingly.)

(f) Allowance for doubtful receivables
The allowance for doubtful receivables is provided for possible bad debt at the amount estimated based on the past bad debt experience for normal receivables plus uncollectible amounts determined by reference to the collectability of individual accounts for doubtful receivables.

(g) Accrued directors’ bonuses
Accrued directors’ bonuses are provided at an estimated amount of bonuses to be paid to directors and corporate auditors for the current year’s services subsequent to the balance sheet date.

(h) Accrual for loss on inspection and repair of products
Accrual for loss on inspection and repair of products is provided at an amount based on the cost estimated to be incurred for activities related to the inspection and repair of products subsequent to the balance sheet date.

(i) Accrual for loss on business restructuring
Accrual for loss on business restructuring is provided at an amount based on the cost estimated to be incurred for activities related to the business restructuring subsequent to the balance sheet date.

(j) Accrual for loss on natural disaster
Accrual for loss on natural disaster is provided at an amount based on the estimated future costs to be incurred for the restoration and repair of assets damaged by the Great East Japan Earthquake.

(k) Depreciation and amortization
Depreciation of property, plant and equipment (except for leased assets) of the Company and its domestic consolidated subsidiaries is mainly calculated by the declining-balance method at rates based on the estimated useful lives of the respective assets. Depreciation of foreign consolidated subsidiaries is mainly calculated by the straight-line method over the estimated useful lives of the respective assets. The useful lives of property, plant and equipment are summarized as follows:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>3 to 50 years</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>4 to 15 years</td>
</tr>
</tbody>
</table>
Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income.

Computer software capitalized is being amortized over a period of five years.

For lease transactions that do not transfer ownership, leased assets are depreciated over their useful lives using the straight-line method with a zero residual value.

(l) Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet date. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gains and losses are credited or charged to income.

The revenue and expense accounts of the foreign subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date. Except for the components of net assets excluding minority interests, the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding minority interests are translated at their historical exchange rates.

(m) Research and development costs
Research and development costs are charged to income as incurred.

(n) Income taxes
Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(o) Retirement benefits
Accrued retirement benefits for employees are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method principally over 16 years. Prior service cost is being amortized by the straight-line method principally over 16 years.

(Change of accounting policy)
Effective the year ended March 31, 2010, the Company has applied “Partial Amendments to Accounting Standard for Retirements Benefits (Part 3)” (Accounting Standard Board of Japan Statement No.19; July 31, 2008). The application does not have any influence on the earnings and retirement benefit obligations for the fiscal year under review.

(p) Hedge accounting
1) Hedge accounting
The Company has adopted deferral hedge accounting.
2) Hedging instruments and hedged items
Hedging instruments: Commodity swaps
Hedging items: Procurement dealings of raw materials
3) Policy of hedging
The Company enters into derivatives, including commodity swap transactions to hedge raw material price fluctuation risk.
4) Evaluation of hedge effectiveness
Hedge effectiveness is evaluated by comparing the cumulative changes in cash flows or fair values from the hedging instruments with those from the hedged items.

(q) Adoption of new accounting standards
[Recognizing Revenues and Costs of Construction Contracts]
Until the year ended March 31, 2009, revenues and costs of construction contracts were recognized by the completed-contract method. Effective April 1, 2009, the Company and its consolidated subsidiaries have applied new accounting standard and related implementation guidance for construction contracts. Under the new accounting standard and guidance, revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.

The effect of this change was immaterial.

[Application of Accounting Standards for Asset Retirement Obligations]
Effective April 1, 2010, the Company has applied “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan (ASBJ), Statement No.18; March 31, 2008) and “Implementation Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21; March 31, 2008).

As a result, in the year ended March 31, 2011, operating income decreased by ¥19 million ($229 thousand), and income before income taxes and minority interests decreased by ¥930 million ($11,185 thousand).

[Application of the Accounting Standards for Business Combinations]
of Accounting for Investments" (ASBJ Statement No. 16; Revised December 26, 2008), and "Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Diversitures" (ASBJ Guidance No. 10; December 26, 2008).

(i) Additional Information

[Accounting Standard for Presentation of Comprehensive Income]

Effective the year ended March 31, 2011, the Company has applied "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25; June 30, 2010). The amounts of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" for the year ended March 31, 2011 had been presented as "Valuation and translation adjustments" and "Total valuation and translation adjustments", respectively, in prior years.

[ESOP Trust Utilizing Employee Stock Ownership Association]

The Board of Directors, at the meeting held on October 29, 2010, approved a resolution to introduce an "ESOP Trust" utilizing employee stock ownership association as an incentive plan for Group employees. The purpose of introducing this plan is to enhance TOTO’s corporate value by fostering a greater awareness of TOTO’s financial results among its employees, motivating them to work harder, and further promoting performance of tasks necessary to achieve the long-term vision described in TOTO V-Plan 2017.

The Company established a trust for the participating employee members of the TOTO Stock Ownership Association who meet certain requirements as its beneficiaries, and during a predetermined period, the ESOP Trust will acquire the corresponding number of the Company’s shares that the Association would be expected to acquire over the next five years. Then, the ESOP Trust sells these shares incrementally to the Association on a specified day every month.

Taking a conservative view and in line with the economic substance of the plan, the Company accounts for the transactions involving the trust account as its own given that the Company guarantees the ESOP Trust’s liability. Therefore, the Company’s shares owned by the ESOP Trust as well as the assets, liabilities, income and expenses of the ESOP Trust are included in the consolidated balance sheets, consolidated statements of income, comprehensive income, changes in net assets and cash flows of the Company. The number of the Company’s shares owned by the ESOP Trust as of March 31, 2011 was 4,737,000.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥83.15 = US$1.00, the exchange rate prevailing on March 31, 2011. The translation should not be construed as a representation that yen have, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Inventories

Inventories at March 31, 2010 and 2011 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finished products and</td>
<td>¥25,529</td>
<td>$348,936</td>
</tr>
<tr>
<td>semifinished products</td>
<td>¥29,014</td>
<td></td>
</tr>
<tr>
<td>Work in process and</td>
<td>7,536</td>
<td>91,882</td>
</tr>
<tr>
<td>contracts in progress</td>
<td>7,640</td>
<td></td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>10,295</td>
<td>125,544</td>
</tr>
<tr>
<td></td>
<td>10,439</td>
<td></td>
</tr>
<tr>
<td></td>
<td>¥43,360</td>
<td>$566,362</td>
</tr>
</tbody>
</table>

5. Short-Term Bank Loans, Commercial Paper, Long-Term Debt and Finance Lease Obligations

Short-term bank loans generally represent overdrafts and notes. The weighted average annual interest rates applicable to such short-term loans outstanding at March 31, 2010 and 2011 were 0.6% and 0.4%, respectively. Commercial paper is due within one year with annual interests of 0.2% and 0.1% as of March 31, 2010 and 2011, respectively.

Long-term debt at March 31, 2010 and 2011 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.4% unsecured bonds</td>
<td>¥10,000</td>
<td>$120,265</td>
</tr>
<tr>
<td>due 2012</td>
<td>¥10,000</td>
<td></td>
</tr>
<tr>
<td>Bank loans maturing</td>
<td>22,686</td>
<td>272,832</td>
</tr>
<tr>
<td>through 2016</td>
<td>219</td>
<td>2,634</td>
</tr>
<tr>
<td>at interest rates ranging</td>
<td>5,305</td>
<td>642</td>
</tr>
<tr>
<td>from 0.53% to 3.00%</td>
<td>219</td>
<td>7,721</td>
</tr>
<tr>
<td>Secured</td>
<td>15,510</td>
<td>395,731</td>
</tr>
<tr>
<td>Unsecured</td>
<td>5,086</td>
<td>642</td>
</tr>
<tr>
<td>Finance lease obligations</td>
<td>32,263</td>
<td>388,010</td>
</tr>
<tr>
<td>Less current portion</td>
<td>10,424</td>
<td></td>
</tr>
</tbody>
</table>

The aggregate annual maturities of long-term debt subsequent to March 31, 2011 are summarized as follows:

<table>
<thead>
<tr>
<th>Year ending March 31,</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>¥ 558</td>
<td>$ 6,711</td>
</tr>
<tr>
<td>2013</td>
<td>12,221</td>
<td>146,975</td>
</tr>
<tr>
<td>2014</td>
<td>17,203</td>
<td>206,892</td>
</tr>
<tr>
<td>2015</td>
<td>4</td>
<td>48</td>
</tr>
<tr>
<td>2016</td>
<td>2,700</td>
<td>32,471</td>
</tr>
<tr>
<td>2017 and thereafter</td>
<td>32,686</td>
<td>393,097</td>
</tr>
</tbody>
</table>
The aggregate annual maturities of finance lease obligations subsequent to March 31, 2011 are summarized as follows:

<table>
<thead>
<tr>
<th>Year ending March 31,</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>¥ 84</td>
<td>$1,010</td>
</tr>
<tr>
<td>2013</td>
<td>70</td>
<td>842</td>
</tr>
<tr>
<td>2014</td>
<td>36</td>
<td>433</td>
</tr>
<tr>
<td>2015</td>
<td>20</td>
<td>241</td>
</tr>
<tr>
<td>2016</td>
<td>5</td>
<td>60</td>
</tr>
<tr>
<td>2017 and thereafter</td>
<td>4</td>
<td>48</td>
</tr>
</tbody>
</table>

| Total                   | ¥ 219           | $ 2,634                  |

6. Pledged Assets

Investment securities in the amount of ¥7 million and ¥7 million ($84 thousand) were utilized as security deposits at March 31, 2010 and 2011, respectively.

7. Capital Surplus and Retained Earnings

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as a distribution of earnings be appropriated to a legal reserve until the total of such reserve and the capital surplus account equals 25% of the common stock account. The legal reserve amounted to ¥8,291 million ($89,112 thousand) as of both March 31, 2010 and 2011.

The Law provides that neither capital surplus nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Law also provides that if the total amount of capital surplus and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

Under the Law, however, such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

8. Stock Options

<table>
<thead>
<tr>
<th>Stock option plan</th>
<th>2007 Stock option</th>
<th>2008 Stock option</th>
<th>2009 Stock option</th>
<th>2010 Stock option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Corporate auditors</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Officers</td>
<td>16</td>
<td>16</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>32</td>
<td>31</td>
<td>33</td>
</tr>
<tr>
<td>Type and numbers of shares to be issued</td>
<td>Common stock</td>
<td>Common stock</td>
<td>Common stock</td>
<td>Common stock</td>
</tr>
<tr>
<td>upon exercise of stock subscription rights</td>
<td>168,000 shares</td>
<td>167,000 shares</td>
<td>162,000 shares</td>
<td>166,000 shares</td>
</tr>
<tr>
<td>Grant date</td>
<td>August 17, 2007</td>
<td>July 18, 2008</td>
<td>July 17, 2009</td>
<td>July 20, 2010</td>
</tr>
<tr>
<td></td>
<td>August 17, 2037</td>
<td>July 18, 2038</td>
<td>July 17, 2039</td>
<td>July 20, 2040</td>
</tr>
<tr>
<td>Non-vested stock options (Number of shares):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding at March 31, 2010</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>166,000 shares</td>
</tr>
<tr>
<td>Forfeited</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Vested</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>166,000 shares</td>
</tr>
<tr>
<td>Outstanding at March 31, 2011</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>166,000 shares</td>
</tr>
<tr>
<td>Vested stock options (Number of shares):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding at March 31, 2010</td>
<td>168,000 shares</td>
<td>162,000 shares</td>
<td>159,000 shares</td>
<td>—</td>
</tr>
<tr>
<td>Vested</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>166,000 shares</td>
</tr>
<tr>
<td>Exercised</td>
<td>3,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Forfeited</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding at March 31, 2011</td>
<td>165,000 shares</td>
<td>162,000 shares</td>
<td>159,000 shares</td>
<td>166,000 shares</td>
</tr>
<tr>
<td>Exercise price (yen)</td>
<td>¥ 1</td>
<td>¥ 1</td>
<td>¥ 1</td>
<td>¥ 1</td>
</tr>
<tr>
<td>Weighted average exercise price (yen)</td>
<td>¥619</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
</tr>
<tr>
<td>Fair value per stock at the grant date (yen)</td>
<td>¥804</td>
<td>¥531</td>
<td>¥491</td>
<td>¥444</td>
</tr>
</tbody>
</table>
9. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, enterprise tax and inhabitants’ taxes which, in the aggregate, resulted in a statutory tax rate of 40.4% for 2010 and 2011. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statement of income for the year ended March 31, 2010 and 2011 differ from the statutory tax rate for the following reasons:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory tax rate</td>
<td>40.4%</td>
<td>40.4%</td>
</tr>
<tr>
<td>Effect of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses not deductible for income tax purposes</td>
<td>3.4</td>
<td>2.6</td>
</tr>
<tr>
<td>Dividend income deductible for income tax purposes</td>
<td>(1.7)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Per capita taxes</td>
<td>4.3</td>
<td>2.7</td>
</tr>
<tr>
<td>Change in valuation allowance</td>
<td>22.1</td>
<td>—</td>
</tr>
<tr>
<td>Different tax rates applied to foreign subsidiaries</td>
<td>—</td>
<td>(21.5)</td>
</tr>
<tr>
<td>Other, net</td>
<td>1.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>70.0%</td>
<td>26.1%</td>
</tr>
</tbody>
</table>

The components of deferred tax assets and liabilities as of March 31, 2010 and 2011 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued bonus</td>
<td>¥ 2,699</td>
<td>¥ 3,008</td>
</tr>
<tr>
<td>Retirement allowances</td>
<td>15,564</td>
<td>176,356</td>
</tr>
<tr>
<td>Net operating loss carry forwards</td>
<td>16,701</td>
<td>210,403</td>
</tr>
<tr>
<td>Other</td>
<td>12,194</td>
<td>185,111</td>
</tr>
<tr>
<td>Total gross deferred tax assets</td>
<td>47,158</td>
<td>608,046</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(25,293)</td>
<td>(325,845)</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>21,865</td>
<td>282,201</td>
</tr>
</tbody>
</table>

Deferred tax liabilities:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve under Special Taxation Measures Law</td>
<td>(1,882)</td>
<td>(22,177)</td>
</tr>
<tr>
<td>Other</td>
<td>(701)</td>
<td>(8,527)</td>
</tr>
<tr>
<td>Total deferred tax liabilities</td>
<td>(2,583)</td>
<td>(30,704)</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>¥10,282</td>
<td>¥20,912</td>
</tr>
</tbody>
</table>

10. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, such as company pension fund plans (cash balance plan), tax-qualified pension plans, lump-sum payment plans, and other types of defined benefit plans covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2010 and 2011 for the Company’s and the consolidated subsidiaries defined benefit plans:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement benefit obligation</td>
<td>¥(148,841)</td>
<td>$(1,766,133)</td>
</tr>
<tr>
<td>Plan assets at fair value</td>
<td>83,865</td>
<td>1,000,601</td>
</tr>
<tr>
<td>Unfunded retirement benefit obligation</td>
<td>(64,976)</td>
<td>(765,532)</td>
</tr>
<tr>
<td>Unrecognized actuarial loss</td>
<td>28,260</td>
<td>353,999</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>(2,067)</td>
<td>(21,503)</td>
</tr>
<tr>
<td>Net retirement benefit obligation</td>
<td>(38,783)</td>
<td>(433,036)</td>
</tr>
<tr>
<td>Prepaid pension cost</td>
<td>532</td>
<td>6,723</td>
</tr>
<tr>
<td>Accrued retirement benefits</td>
<td>¥ (39,315)</td>
<td>$(439,759)</td>
</tr>
</tbody>
</table>

The assumptions used in the accounting for the above plans are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>¥4,733</td>
<td>¥5,251</td>
</tr>
<tr>
<td>Interest cost</td>
<td>3,649</td>
<td>3,633</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(2,505)</td>
<td>(34,720)</td>
</tr>
<tr>
<td>Amortization of actuarial loss</td>
<td>2,926</td>
<td>29,621</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>(267)</td>
<td>(3,211)</td>
</tr>
<tr>
<td>Total</td>
<td>¥8,536</td>
<td>¥98,533</td>
</tr>
</tbody>
</table>

Stock option expenses included in selling, general and administrative expenses for the years ended March 31, 2010 and 2011 amounted to ¥79 million and ¥74 million ($890 thousand), respectively. The fair value of options granted is estimated using the Black-scholes option pricing model with the following weighted average assumptions.

<table>
<thead>
<tr>
<th></th>
<th>2010 stock options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected volatility</td>
<td>35.508%</td>
</tr>
<tr>
<td>Expected holding period</td>
<td>15 years</td>
</tr>
<tr>
<td>Expected dividend</td>
<td>¥10/per share</td>
</tr>
<tr>
<td>Risk-free rate</td>
<td>1.549%</td>
</tr>
</tbody>
</table>

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11. Research and Development Costs
Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2010 and 2011 amounted to ¥13,113 million and ¥15,606 million ($187,685 thousand), respectively.

12. Other Comprehensive Income
The following table presents components of other comprehensive income for the year ended March 31, 2010:

<table>
<thead>
<tr>
<th>Components</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net unrealized holding gains (losses) on securities</td>
<td>¥4,752</td>
<td></td>
</tr>
<tr>
<td>Deferred gains (losses) on hedges</td>
<td>231</td>
<td></td>
</tr>
<tr>
<td>Translation adjustments</td>
<td>943</td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income (loss) on equity method companies</td>
<td>334</td>
<td></td>
</tr>
<tr>
<td>Total other comprehensive income (loss)</td>
<td>¥6,260</td>
<td></td>
</tr>
</tbody>
</table>

Total other comprehensive income (loss) attributable to:

- Shareholders of TOTO LTD.: ¥7,057
- Minority interests: ¥790

13. Amounts Per Share
Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.

Amounts per share of net assets is computed based on net assets excluding minority interests and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends declared as applicable to the respective years, together with the interim cash dividends paid.

<table>
<thead>
<tr>
<th>Years</th>
<th>Yen</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>Net income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>¥2.54</td>
<td>¥14.86</td>
</tr>
<tr>
<td>Diluted</td>
<td>2.53</td>
<td>14.83</td>
</tr>
<tr>
<td>Net assets</td>
<td>530.35</td>
<td>513.51</td>
</tr>
<tr>
<td>Cash dividends applicable to the year</td>
<td>10.00</td>
<td>10.00</td>
</tr>
</tbody>
</table>

14. Leases
(a) Finance leases
Finance leases commencing on or before March 31, 2008 continue to be accounted for in the same manner as operating leases.

The following pro forma amounts represent the acquisition costs (including the interest portion), accumulated depreciation and net book value of the leased property as of March 31, 2010 and 2011 which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

### Acquisition costs:

<table>
<thead>
<tr>
<th>Components</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥958</td>
<td>$11,521</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>248</td>
<td>1,744</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,196</td>
<td>24,450</td>
</tr>
<tr>
<td>Total</td>
<td>¥3,402</td>
<td>$37,715</td>
</tr>
</tbody>
</table>

### Accumulated depreciation:

<table>
<thead>
<tr>
<th>Components</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥387</td>
<td>$5,400</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>213</td>
<td>1,587</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,830</td>
<td>21,443</td>
</tr>
<tr>
<td>Total</td>
<td>¥2,430</td>
<td>$28,430</td>
</tr>
</tbody>
</table>

### Net book value:

<table>
<thead>
<tr>
<th>Components</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥571</td>
<td>$6,121</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>35</td>
<td>157</td>
</tr>
<tr>
<td>Other assets</td>
<td>366</td>
<td>3,007</td>
</tr>
<tr>
<td>Total</td>
<td>¥972</td>
<td>$9,285</td>
</tr>
</tbody>
</table>

Lease payments relating to finance leases accounted for as operating leases amounted to ¥498 million and ¥308 million ($3,704 thousand) for the years ended March 31, 2010 and 2011, respectively. The depreciation expense of the leased assets computed by the declining-balance method (except buildings, which are depreciated by the straight-line method) over the respective lease terms amounted to ¥311 million and ¥195 million ($2,345 thousand) for the years ended March 31, 2010 and 2011, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2011 for finance leases accounted for as operating leases are summarized as follows:

<table>
<thead>
<tr>
<th>Year ending March 31,</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>¥235</td>
<td>$2,826</td>
</tr>
<tr>
<td>2013 and thereafter</td>
<td>932</td>
<td>11,209</td>
</tr>
<tr>
<td>Total</td>
<td>¥1,167</td>
<td>$14,035</td>
</tr>
</tbody>
</table>

(b) Operating leases
Future minimum operating lease payments subsequent to March 31, 2011 for non-cancelable operating leases are summarized as follows:

<table>
<thead>
<tr>
<th>Year ending March 31,</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>¥916</td>
<td>$11,016</td>
</tr>
<tr>
<td>2013 and thereafter</td>
<td>3,018</td>
<td>36,296</td>
</tr>
<tr>
<td>Total</td>
<td>¥3,934</td>
<td>$47,312</td>
</tr>
</tbody>
</table>
15. Contingent Liabilities
The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2011:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade notes receivable endorsed</td>
<td>¥2</td>
<td>$24</td>
</tr>
</tbody>
</table>

16. Financial Instruments
Effective the year ended March 31, 2010, a new accounting standard for financial instruments and related implementation guidance have been applied.

Overview
(1) Policy for financial instruments
The Company and its consolidated subsidiaries (collectively, the “Group”) manage temporary cash surpluses through short-term deposits, mainly. Further, the Group raises funds through bank loans. It is the Group’s policy to use derivatives only for the purpose of reducing risks associated with fluctuations in raw materials prices. The Group does not enter into derivative transactions for speculative or trading purposes.

(2) Types of financial instruments and related risk
Trade receivables—notes and accounts receivable—are exposed to credit risk in relation to customers.
Investment securities and investment in affiliates are exposed to market risk. These are composed of mainly the shares of common stock of other companies with which the Group has business relationships.

Substantially all trade payables—notes and accounts payable—have payment due dates within one year. Short-term loans are raised mainly in connection with business activities, while long-term loans are used primarily to capital investment. These are exposed to liquidity risk.

Regarding derivatives, the Company enters into commodity swap transactions to hedge raw material price fluctuations risk.

Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities is explained in Note 2 (p).

(3) Risk management for financial instruments
(a) Monitoring of credit risk (the risk that customers or counterparties may default)
In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

The Group also believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a high credit rating.

(b) Monitoring of market risks (the risks arising from fluctuations in stock prices and others)
For investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies and carries out the derivative transactions with internal authority’s approvals.

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)
Based on the report from each division, the Group prepares and updates its cash flow plans on an timely basis to manage liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments
The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 17 Derivative Transactions are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments
Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2010 and 2011 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below).

<table>
<thead>
<tr>
<th></th>
<th>Carrying value</th>
<th>Estimated fair value</th>
<th>Unrealized gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Cash and cash equivalents</td>
<td>¥ 50,564</td>
<td>¥ 50,564</td>
<td>¥ —</td>
</tr>
<tr>
<td>2) Short-term investments</td>
<td>2,464</td>
<td>2,464</td>
<td>—</td>
</tr>
<tr>
<td>3) Notes and accounts receivable</td>
<td>69,720</td>
<td>69,720</td>
<td>—</td>
</tr>
<tr>
<td>4) Investment securities</td>
<td>28,280</td>
<td>28,280</td>
<td>—</td>
</tr>
<tr>
<td>5) Investment in affiliates</td>
<td>2,089</td>
<td>1,712</td>
<td>(377)</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>¥153,117</td>
<td>¥152,740</td>
<td>(377)</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Notes and accounts payable</td>
<td>¥47,714</td>
<td>¥47,714</td>
<td>¥ —</td>
</tr>
<tr>
<td>2) Short-term bank loans</td>
<td>31,709</td>
<td>31,709</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>¥79,423</td>
<td>¥79,423</td>
<td>¥ —</td>
</tr>
<tr>
<td><strong>Derivatives</strong></td>
<td>¥ 388</td>
<td>¥ 388</td>
<td>¥ —</td>
</tr>
</tbody>
</table>
### Assets

<table>
<thead>
<tr>
<th></th>
<th>Carrying value</th>
<th>Estimated fair value</th>
<th>Unrealized gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Cash and cash equivalents</td>
<td>¥46,498</td>
<td>¥46,498</td>
<td>—</td>
</tr>
<tr>
<td>2) Short-term investments</td>
<td>1,672</td>
<td>1,672</td>
<td>—</td>
</tr>
<tr>
<td>3) Notes and accounts receivable</td>
<td>73,550</td>
<td>73,550</td>
<td>—</td>
</tr>
<tr>
<td>4) Investment securities</td>
<td>28,457</td>
<td>28,457</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>¥150,177</td>
<td>¥150,177</td>
<td>—</td>
</tr>
</tbody>
</table>

### Liabilities

<table>
<thead>
<tr>
<th></th>
<th>Carrying value</th>
<th>Estimated fair value</th>
<th>Unrealized gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Notes and accounts payable</td>
<td>¥57,344</td>
<td>¥57,344</td>
<td>—</td>
</tr>
<tr>
<td>2) Short-term bank loans</td>
<td>16,507</td>
<td>16,507</td>
<td>—</td>
</tr>
<tr>
<td>3) Long-term bank loans*1</td>
<td>22,686</td>
<td>22,700</td>
<td>(14)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>¥96,537</td>
<td>¥96,551</td>
<td>(14)</td>
</tr>
</tbody>
</table>

### Derivatives*2

<table>
<thead>
<tr>
<th></th>
<th>Carrying value</th>
<th>Estimated fair value</th>
<th>Unrealized gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>¥1</td>
<td>¥1</td>
<td>—</td>
</tr>
</tbody>
</table>

### As of March 31, 2011

#### Derivatives*2

<table>
<thead>
<tr>
<th></th>
<th>Carrying value</th>
<th>Estimated fair value</th>
<th>Unrealized gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>$12</td>
<td>$12</td>
<td>—</td>
</tr>
</tbody>
</table>

---

1. "Long-term bank loans" includes the current portion of long-term bank loans.
2. The value of assets and liabilities arising from derivatives is shown at net value with the amount in parentheses representing net liability position.

### Notes

1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions
   - Cash and cash equivalents, Short-term investments and Notes and accounts receivable
     - Short-term investments include time deposits with maturities of over three months. Since these items are settled in a short period of time, their carrying value approximates fair value.
   - Investment securities and Investment in affiliates
     - The fair value of stocks is based on quoted market prices. For information on securities classified by holding purpose, please refer to Note 17 Securities of the notes to the consolidated financial statements.
   - Notes and accounts payable and Short-term bank loans
     - Since these items are settled in a short period of time, their carrying value approximates fair value.
   - Long-term bank loans
     - The fair value of long-term bank loans is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. The fair value of long-term bank loans with floating interest rates is nearly equal to the carrying value as the market rate is reflected in a short period of time.
   - Derivative transactions
     - Please refer to Note 18 Derivative Transactions of the notes consolidated financial statements.

2. Financial instruments for which it is extremely difficult to determine the fair value

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted stocks</td>
<td>¥4,688</td>
<td>$953</td>
</tr>
</tbody>
</table>

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.


<table>
<thead>
<tr>
<th></th>
<th>Due after one year</th>
<th>Due after five years</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2010</td>
<td>Due in one year</td>
<td>Through five years</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥50,395</td>
<td>—</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>2,464</td>
<td>—</td>
</tr>
<tr>
<td>Notes and accounts receivable</td>
<td>69,720</td>
<td>—</td>
</tr>
<tr>
<td>Investment securities</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other securities</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Bonds (other)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥122,579</td>
<td>¥20</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Due after one year</th>
<th>Due after five years</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2011</td>
<td>Due in one year</td>
<td>Through five years</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥46,300</td>
<td>—</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>1,672</td>
<td>—</td>
</tr>
<tr>
<td>Notes and accounts receivable</td>
<td>73,550</td>
<td>—</td>
</tr>
<tr>
<td>Investment securities</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other securities</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Bonds (other)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥121,522</td>
<td>¥20</td>
</tr>
</tbody>
</table>

---

TOTO CORPORATE REPORT 2011 Financial & ESG Section 22
17. Securities

As of March 31, 2010

a) Information regarding securities classified as other securities is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross unrealized holding gains (losses)</td>
</tr>
<tr>
<td>Securities whose carrying value exceeds their acquisition cost:</td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>¥16,415</td>
</tr>
<tr>
<td>Subtotal</td>
<td>¥16,415</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Securities whose acquisition cost exceeds their carrying value:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
</tr>
<tr>
<td>¥11,845</td>
</tr>
<tr>
<td>¥14,955</td>
</tr>
<tr>
<td>¥(3,110)</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td>¥11,865</td>
</tr>
<tr>
<td>¥14,975</td>
</tr>
<tr>
<td>¥(3,110)</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>¥28,280</td>
</tr>
<tr>
<td>¥28,523</td>
</tr>
<tr>
<td>¥(243)</td>
</tr>
</tbody>
</table>

Note: Unlisted stocks are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine the fair value.

b) Information regarding sales of securities classified as other securities is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sales</td>
<td>¥635</td>
<td>¥60</td>
</tr>
<tr>
<td>Gains on sales</td>
<td>198</td>
<td>24</td>
</tr>
<tr>
<td>Losses on sales</td>
<td>5</td>
<td>0</td>
</tr>
</tbody>
</table>

As of March 31, 2011

a) Information regarding securities classified as other securities is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross unrealized holding gains (losses)</td>
</tr>
<tr>
<td>Securities whose carrying value exceeds their acquisition cost:</td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>¥10,266</td>
</tr>
<tr>
<td>Subtotal</td>
<td>¥10,266</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Securities whose acquisition cost exceeds their carrying value:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
</tr>
<tr>
<td>¥18,170</td>
</tr>
<tr>
<td>¥22,593</td>
</tr>
<tr>
<td>¥(4,423)</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td>¥18,190</td>
</tr>
<tr>
<td>¥22,613</td>
</tr>
<tr>
<td>¥(4,423)</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>¥28,456</td>
</tr>
<tr>
<td>¥31,059</td>
</tr>
<tr>
<td>¥(2,603)</td>
</tr>
</tbody>
</table>

Note: Calculation of fair value is based on the discounted cash flows and others.

18. Derivative Transactions

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2010 and 2011, for which deferral hedged accounting has been applied.

<table>
<thead>
<tr>
<th></th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Commodity swap transactions, accounted for as part of accounts payable</td>
<td></td>
</tr>
<tr>
<td>Maturing within one year</td>
<td>¥2,319</td>
</tr>
<tr>
<td>Maturing after one year</td>
<td>—</td>
</tr>
<tr>
<td>Fair value</td>
<td>388</td>
</tr>
<tr>
<td>Note: Calculation of fair value is based on the discounted cash flows and others.</td>
<td></td>
</tr>
</tbody>
</table>

19. Business Combination

(Transaction under common control)

Transaction under common control in the year ended March 31, 2011 was as follows:

(a) Overview of the transaction

1) Business and nature of business subject to transaction

Business:
The sanitary ceramics manufacturing business, the plant management division and the distribution division at the Nakatsu Plant of the Company

Nature of business:
Manufacturing of the sanitary ceramics
2) Date of the business combination
April 1, 2010

3) Legal form of the business combination
The business combination is a spin-off with the Company as
the transferor and TOTO Sanitechno Ltd. as the transferee

4) Company name after transaction
TOTO Sanitechno Ltd. (A consolidated subsidiary of the
Company)

5) Other
The Company will improve product quality and bolster cost
competitiveness by raising the technical level of TOTO
Sanitechno Ltd. through the exchange of human resources
and technologies and by transferring the sanitary ceramics
manufacturing business, the plant management division and
and the distribution division at the Nakatsu Plant of the Company
to TOTO Sanitechno Ltd.

(b) Basis of accounting treatment
This transaction was accounted for as transaction under com-
mon control in accordance with “Accounting Standard for
Business Combinations” (ASBJ Statement No. 21; December
26, 2008) and “Guidance on the Accounting Standard for
Business Combinations and Accounting Standard for Business
Divestitures” (ASBJ Guidance No. 10; December 26, 2008).

20. Segment Information
Effective the fiscal year ended March 31, 2011, the Company has adopted new accounting standards for disclosures about segments
of an enterprise and related information. Segment information for the year ended March 31, 2010 has been restated in accordance with
such accounting standards for comparative purposes.

Segment information for the year ended March 31, 2010 under the previous accounting standard is as follows:
As net sales and operating income of the equipment for construction business constituted more than 90% of the consolidated totals,
the disclosure of business segment information has been omitted for the years ended March 31, 2010.

The geographical segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2010 is as follows:

<table>
<thead>
<tr>
<th>Year ended March 31, 2010</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Japan</td>
</tr>
<tr>
<td>I. Sales and operating income:</td>
<td></td>
</tr>
<tr>
<td>Sales to third parties</td>
<td>¥367,597</td>
</tr>
<tr>
<td>Intra-group sales and transfers</td>
<td>9,912</td>
</tr>
<tr>
<td>Total sales</td>
<td>¥377,509</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>365,239</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>¥ 12,270</td>
</tr>
<tr>
<td>II. Assets</td>
<td>¥241,499</td>
</tr>
</tbody>
</table>

Notes: 1 Geographical segments are divided into categories based on their geographical proximity.
2 Major nations or regions included in each geographical area are as follows:
North and Central America: U.S.A., Mexico, others
Other: Taiwan, Malaysia, Korea, Vietnam, Singapore, Europe, others

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to
Japan) of its foreign consolidated subsidiaries, for the year ended March 31, 2010 are summarized as follows:

<table>
<thead>
<tr>
<th>Year ended March 31, 2010</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>North and Central America</td>
</tr>
<tr>
<td>Overseas sales</td>
<td>¥19,668</td>
</tr>
<tr>
<td>Consolidated net sales</td>
<td>—</td>
</tr>
</tbody>
</table>

For the years ended March 31, 2010 and 2011:
The reportable segments of the Group are components for which discrete financial information is available and whose operating results
are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.
The Group produces and sells housing equipment and conducts a new domain business, which mainly includes environmental prod-
ucts (tiles, etc) and ceramics products.
The Company has classified the housing equipment business geographically into “Domestic” and “Overseas” areas. The “Overseas”
area is composed of the geographical segments in accordance with the organizational make-up of production and sales, and divided into
two reportable segments; “Americas” (U.S.A., Mexico, others), “China”, “Asia-Oceania” (Singapore, Vietnam, Malaysia, Taiwan, others),
and “Europe” (Germany, others).
The housing equipment business mainly produces sanitary ware, toilet seats with bidet functions, unit bathrooms, metal faucet fittings, system kitchens and lavatories.

The new domain business is divided into two reportable segments: “Environmental Products” and “Ceramics Products”. “Environmental Products” mainly produces photocatalysts (Hydrotect) and tiles. “Ceramics Products” mainly produces electrostatic chucks, components for optical communications and large precision ceramic products.

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 1. The segment performance is evaluated based on operating income or loss. Intersegment sales are recorded at the same prices used in transactions with third parties.

<table>
<thead>
<tr>
<th>Year ended March 31, 2010</th>
<th>Domestic housing equipment business</th>
<th>Overseas housing equipment business</th>
<th>Total</th>
<th>Adjustments and eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>¥354,113</td>
<td>¥17,767</td>
<td>¥24,234</td>
<td>¥ 8,685</td>
<td>¥ 1,804</td>
</tr>
<tr>
<td>Inter-segment sales and transfers</td>
<td>8,115</td>
<td>6</td>
<td>8,809</td>
<td>8,624</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>¥362,228</td>
<td>¥17,773</td>
<td>¥33,043</td>
<td>¥17,309</td>
<td>¥1,828</td>
</tr>
<tr>
<td>Segment income (loss)</td>
<td>¥ 4,722</td>
<td>¥ 409</td>
<td>¥ 5,795</td>
<td>¥ 1,107</td>
<td>¥(1,646)</td>
</tr>
<tr>
<td>Segment assets</td>
<td>¥217,798</td>
<td>¥17,994</td>
<td>¥34,678</td>
<td>¥19,841</td>
<td>¥ 2,529</td>
</tr>
<tr>
<td>Other items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>¥ 16,176</td>
<td>¥ 774</td>
<td>¥ 1,405</td>
<td>¥ 625</td>
<td>¥ 69</td>
</tr>
<tr>
<td>Investment in equity-method affiliate</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ 559</td>
<td>¥ 4,260</td>
<td>¥ —</td>
</tr>
<tr>
<td>Increase in tangible fixed assets and intangible fixed assets</td>
<td>¥ 10,118</td>
<td>¥ 348</td>
<td>¥ 1,767</td>
<td>¥ 201</td>
<td>¥ 246</td>
</tr>
</tbody>
</table>

Note: “Others” include businesses not included in the reportable segments, which mainly include the real estate business.

<table>
<thead>
<tr>
<th>Year ended March 31, 2010</th>
<th>Environmental products</th>
<th>Ceramics products</th>
<th>Total</th>
<th>Others</th>
<th>Total</th>
<th>Adjustments and eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales to third parties</td>
<td>¥ 9,527</td>
<td>¥ 5,526</td>
<td>¥15,053</td>
<td>¥421,656</td>
<td>¥ 273</td>
<td>¥421,929</td>
<td>¥ —</td>
</tr>
<tr>
<td>Inter-segment sales and transfers</td>
<td>288</td>
<td>4</td>
<td>292</td>
<td>25,870</td>
<td>793</td>
<td>26,663</td>
<td>(26,663)</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 9,815</td>
<td>¥ 5,530</td>
<td>¥15,345</td>
<td>¥447,526</td>
<td>¥1,066</td>
<td>¥448,592</td>
<td>¥(26,663)</td>
</tr>
<tr>
<td>Segment income (loss)</td>
<td>¥(1,004)</td>
<td>¥(1,705)</td>
<td>¥(2,709)</td>
<td>¥ 7,678</td>
<td>¥ 379</td>
<td>¥ 8,057</td>
<td>¥(1,467)</td>
</tr>
<tr>
<td>Segment assets</td>
<td>¥ 6,388</td>
<td>¥ 9,673</td>
<td>¥16,061</td>
<td>¥308,901</td>
<td>¥ 8,440</td>
<td>¥317,341</td>
<td>¥60,925</td>
</tr>
<tr>
<td>Other items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>¥ 311</td>
<td>¥ 779</td>
<td>¥ 1,090</td>
<td>¥ 20,139</td>
<td>¥ 195</td>
<td>¥ 20,334</td>
<td>¥ 242</td>
</tr>
<tr>
<td>Investment in equity-method affiliate</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ 4,819</td>
<td>¥ —</td>
<td>¥ 4,819</td>
<td>¥ —</td>
</tr>
<tr>
<td>Increase in tangible fixed assets and intangible fixed assets</td>
<td>¥ 258</td>
<td>¥ 435</td>
<td>¥ 693</td>
<td>¥ 13,373</td>
<td>¥ 1</td>
<td>¥ 13,374</td>
<td>¥ 247</td>
</tr>
</tbody>
</table>
## Year ended March 31, 2011

### Sales, income or loss and assets by reportable segments

**Domestic housing equipment business**

<table>
<thead>
<tr>
<th>Segment income (loss)</th>
<th>America</th>
<th>China</th>
<th>Asia-Oceania</th>
<th>Europe</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales to third parties</td>
<td>¥361,028</td>
<td>¥15,881</td>
<td>¥27,727</td>
<td>¥10,400</td>
<td>¥1,725</td>
</tr>
<tr>
<td>Inter-segment sales and transfers</td>
<td>9,823</td>
<td>21</td>
<td>8,384</td>
<td>8,643</td>
<td>244</td>
</tr>
<tr>
<td>Total</td>
<td>¥370,851</td>
<td>¥16,102</td>
<td>¥36,111</td>
<td>¥19,043</td>
<td>¥1,969</td>
</tr>
</tbody>
</table>

### Segment assets

- **Depreciation and amortization**: ¥15,669 ¥683 ¥1,237 ¥681 ¥91 ¥2,692
- **Investment in equity-method affiliate**: ¥— ¥— ¥609 ¥4,590 ¥— ¥5,199
- **Increase in tangible fixed assets and intangible fixed assets**: ¥14,562 ¥571 ¥2,865 ¥579 ¥193 ¥4,208

### Other items

**New domain business**

<table>
<thead>
<tr>
<th>Segment income (loss)</th>
<th>Environmental products</th>
<th>Ceramics products</th>
<th>Total</th>
<th>Total</th>
<th>Others</th>
<th>Total</th>
<th>Adjustments and eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales to third parties</td>
<td>¥8,872</td>
<td>¥7,717</td>
<td>¥16,589</td>
<td>¥433,350</td>
<td>¥208</td>
<td>¥433,558</td>
<td>¥—</td>
<td>¥433,558</td>
</tr>
<tr>
<td>Inter-segment sales and transfers</td>
<td>319</td>
<td>—</td>
<td>319</td>
<td>27,434</td>
<td>668</td>
<td>28,102</td>
<td>(28,102)</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>¥9,191</td>
<td>¥7,717</td>
<td>¥16,908</td>
<td>¥460,784</td>
<td>¥876</td>
<td>¥461,660</td>
<td>(28,102)</td>
<td>¥433,558</td>
</tr>
</tbody>
</table>

### Segment assets

- **Depreciation and amortization**: ¥274 ¥670 ¥944 ¥19,305 ¥179 ¥19,484 ¥262 ¥19,746
- **Investment in equity-method affiliate**: ¥— ¥— ¥— ¥5,199 ¥— ¥5,199 ¥— ¥5,199
- **Increase in tangible fixed assets and intangible fixed assets**: ¥68 ¥292 ¥360 ¥19,130 ¥— ¥19,130 ¥477 ¥19,607

### Other items

- **Depreciation and amortization**: $188,443 $8,214 $14,877 $8,190 $1,094 $32,375
- **Investment in equity-method affiliate**: $— $— $7,324 $55,201 $— $62,525
- **Increase in tangible fixed assets and intangible fixed assets**: $175,129 $6,867 $34,456 $6,963 $2,321 $50,607

---

**Overseas housing equipment business**

<table>
<thead>
<tr>
<th>Segment income (loss)</th>
<th>America</th>
<th>China</th>
<th>Asia-Oceania</th>
<th>Europe</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales to third parties</td>
<td>$4,341,888</td>
<td>$190,992</td>
<td>$333,458</td>
<td>$125,075</td>
<td>$20,746</td>
</tr>
<tr>
<td>Inter-segment sales and transfers</td>
<td>118,136</td>
<td>253</td>
<td>100,830</td>
<td>103,945</td>
<td>2,934</td>
</tr>
<tr>
<td>Total</td>
<td>$4,460,024</td>
<td>$191,245</td>
<td>$434,288</td>
<td>$229,020</td>
<td>$23,680</td>
</tr>
</tbody>
</table>

### Segment assets

<table>
<thead>
<tr>
<th>Segment income (loss)</th>
<th>Environmental products</th>
<th>Ceramics products</th>
<th>Total</th>
<th>Total</th>
<th>Others</th>
<th>Total</th>
<th>Adjustments and eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales to third parties</td>
<td>$132,856</td>
<td>$3,439</td>
<td>$91,594</td>
<td>$14,636</td>
<td>$22,044</td>
<td>$87,625</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inter-segment sales and transfers</td>
<td>$2,644,426</td>
<td>$200,481</td>
<td>$459,519</td>
<td>$250,631</td>
<td>$32,580</td>
<td>$943,211</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Millions of yen**

**Thousands of U.S. dollars**
Sales, income or loss and assets by reportable segments

Net sales
Sales to third parties
$106,699 $92,808 $199,507 $5,211,666 $2,501 $5,214,167 $— $5,214,167
Inter-segment sales and transfers
3,836 — 3,836 329,934 8,034 337,968 (337,968) —
Total
$110,535 $92,808 $203,343 $5,541,600 $10,535 $5,552,135 $(337,968) $5,214,167
Segment income (loss)
$ (18,340) $ (7,805) $ (26,145) $ 194,336 $ 2,201 $ 196,537 $(27,998) $ 168,539
Segment assets
$ 69,633 $105,256 $174,889 $3,762,526 $99,025 $3,861,551 $699,062 $4,560,613
Other items
Depreciation and amortization
$ 3,295 $ 8,058 $ 11,353 $ 232,171 $ 2,153 $ 234,324 $ 3,151 $ 237,475
Investment in equity-method affiliate
— — — $ 62,525 — $ 62,525 — $ 62,525
Increase in tangible fixed assets and intangible fixed assets
818 3,512 4,330 230,066 — 230,066 5,737 235,803

Segment income (loss) and assets, by reportable segments, for the year ended March 31, 2011 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Environmental products</th>
<th>Ceramics products</th>
<th>Total</th>
<th>Total</th>
<th>Others</th>
<th>Total eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales, income or loss and assets by reportable segments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>$106,699</td>
<td>$92,808</td>
<td>$199,507</td>
<td>$5,211,666</td>
<td>$2,501</td>
<td>$5,214,167</td>
<td>$—</td>
</tr>
<tr>
<td>Inter-segment sales and transfers</td>
<td>3,836</td>
<td>—</td>
<td>3,836</td>
<td>329,934</td>
<td>8,034</td>
<td>337,968</td>
<td>(337,968)</td>
</tr>
<tr>
<td>Total</td>
<td>$110,535</td>
<td>$92,808</td>
<td>$203,343</td>
<td>$5,541,600</td>
<td>$10,535</td>
<td>$5,552,135</td>
<td>$(337,968)</td>
</tr>
<tr>
<td>Segment income (loss)</td>
<td>$(18,340)</td>
<td>$(7,805)</td>
<td>$(26,145)</td>
<td>$194,336</td>
<td>$2,201</td>
<td>$196,537</td>
<td>$(27,998)</td>
</tr>
<tr>
<td>Segment assets</td>
<td>$ 69,633</td>
<td>$105,256</td>
<td>$174,889</td>
<td>$3,762,526</td>
<td>$99,025</td>
<td>$3,861,551</td>
<td>$699,062</td>
</tr>
<tr>
<td>Other items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$ 3,295</td>
<td>$ 8,058</td>
<td>$11,353</td>
<td>$232,171</td>
<td>$ 2,153</td>
<td>$234,324</td>
<td>$ 3,151</td>
</tr>
<tr>
<td>Investment in equity-method affiliate</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$ 62,525</td>
<td>—</td>
<td>$ 62,525</td>
<td>—</td>
</tr>
<tr>
<td>Increase in tangible fixed assets and intangible fixed assets</td>
<td>818</td>
<td>3,512</td>
<td>4,330</td>
<td>230,066</td>
<td>—</td>
<td>230,066</td>
<td>5,737</td>
</tr>
</tbody>
</table>

Note: “Others” include businesses not included in the reportable segments, which mainly include the real estate business.

Geographical information

Net sales to third parties by geographical countries or areas for the year ended March 31, 2011 is summarized as follows:

<table>
<thead>
<tr>
<th>Geographical Area</th>
<th>Japanese Yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥372,718</td>
<td>$4,482,477</td>
</tr>
<tr>
<td>Americas</td>
<td>19,425</td>
<td>233,614</td>
</tr>
<tr>
<td>China</td>
<td>27,940</td>
<td>336,019</td>
</tr>
<tr>
<td>Other foreign countries</td>
<td>13,475</td>
<td>162,057</td>
</tr>
<tr>
<td>Consolidated</td>
<td>¥433,558</td>
<td>$5,214,167</td>
</tr>
</tbody>
</table>

At March 31, 2011, property, plant and equipment by geographical countries or areas is summarized as follows:

<table>
<thead>
<tr>
<th>Geographical Area</th>
<th>Japanese Yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥101,141</td>
<td>$1,216,368</td>
</tr>
<tr>
<td>Americas</td>
<td>3,825</td>
<td>46,001</td>
</tr>
<tr>
<td>China</td>
<td>11,457</td>
<td>137,787</td>
</tr>
<tr>
<td>Other foreign countries</td>
<td>4,789</td>
<td>57,595</td>
</tr>
<tr>
<td>Consolidated</td>
<td>¥121,212</td>
<td>$1,457,751</td>
</tr>
</tbody>
</table>

Impairment loss on fixed assets by reportable segments for the year ended March 31, 2011 is summarized as follows:

<table>
<thead>
<tr>
<th>Reportable segments</th>
<th>Japanese Yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Housing Equipment Business</td>
<td>¥ 694</td>
<td>$ 8,346</td>
</tr>
<tr>
<td>Overseas Housing Equipment Business</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Americas</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>China</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Asia-Oceania</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Europe</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 694</td>
<td>$ 8,346</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New Domain Business</th>
<th>Japanese Yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Products</td>
<td>398</td>
<td>4,787</td>
</tr>
<tr>
<td>Ceramics Products</td>
<td>381</td>
<td>4,582</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 779</td>
<td>$ 9,369</td>
</tr>
</tbody>
</table>

Reportable segments total
¥1,473 | $17,715
Others
216 | 2,598
Total
¥1,689 | $20,313
Adjustments and eliminations
23 | 277
Consolidated
¥1,712 | $20,590

21. Subsequent Events

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011, was approved at a meeting of the Board of Directors held on May 19, 2011 and became effective June 8, 2011:

Cash dividends (¥5.00 – $0.060 per share) ¥ 1,730 | $ 20,806
Report of Independent Auditors

The Board of Directors
TOTO LTD.

We have audited the accompanying consolidated balance sheets of TOTO LTD. and consolidated subsidiaries as of March 31, 2010 and 2011, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOTO LTD. and consolidated subsidiaries at March 31, 2010 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Fukuoka, Japan
June 29, 2011
Aiming to Realize “TOTO GREEN CHALLENGE”

TOTO promotes comprehensive environmental conservation activities through all of its corporate activities in the three key perspectives of “Products and services,” “Manufacturing” and “Social contribution” and four domains.

As the foundation of these activities, TOTO also strives to stimulate “human resource development” which promotes to have more interests and sensitivities towards the environment for each employee.

Aims of TOTO GREEN CHALLENGE (April 2017-March 2018)

<table>
<thead>
<tr>
<th>Human resource development</th>
<th>TOTO GREEN CHALLENGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevent global warming</td>
<td>Products and services: Develop the world’s top water- and energy-saving technologies and aim to provide products that can reduce CO₂ emissions globally in production, logistics and sales promotion activities. (Domestic: Reduce by 45% (compared to March 1991 levels) Overseas: Reduce by 2% per basic unit of output a year) Social contribution: Promote environmental contribution activities that involve society as we work for biodiversity.</td>
</tr>
<tr>
<td>Respect the value of resources</td>
<td>Products and services with global standard recycling-oriented design; Aim for zero emissions at business sites worldwide. Social contribution: Maintain zero violations of environmental laws and regulations at business sites worldwide.</td>
</tr>
<tr>
<td>Provide safety and security without hazard to the earth</td>
<td>Products and services: Aim to provide safe and secure products that satisfy global standards for chemical substances in products; Promote global use of Hydropect ́s air purification capability (remove NOx). Social contribution: We realize sustainable resource use through CSR procurement of materials in each country with consideration to the preservation of biodiversity. These activities, inclusive of our supply chain, are highly acclaimed by our stakeholders, and help us fulfill our responsibility as a global enterprise.</td>
</tr>
<tr>
<td>Contribute to biodiversity</td>
<td>Products and services: We realize sustainable resource use through CSR procurement of materials in each country with consideration to the preservation of biodiversity. These activities, inclusive of our supply chain, are highly acclaimed by our stakeholders, and help us fulfill our responsibility as a global enterprise.</td>
</tr>
</tbody>
</table>

Environmental Management System

The TOTO Group has adopted the following system to advance environmental conservation activities.

The CSR Committee, chaired by the Company’s president, meets twice a year to formulate basic policies for environmental conservation activities and deliberate on key environmental challenges. Subcommittees are formed based on the results of these discussions to develop policies regarding specific CSR items. Each subcommittee is effectively linked to help advance activities. Domestic and overseas companies work together to formulate and promote concrete action plans.

TOTO is dedicated to implementing ISO 14001 environmental management standards and is constantly striving to enhance its environmental management system through the PDCA (Plan, Do, Check, Act) cycle. Ongoing improvements at each business site and voluntary environmental activities are also implemented.
TOTO's Environmental Conservation Activities

The TOTO Group promotes activities to reduce environmental impact in all business processes.

Development of Environmentally Friendly Products

Plumbing-related products are used daily by a diverse array of people. That means even minimal usage daily is cumulative in nature and can have a major impact on the environment.

For that reason, TOTO actively promotes the development of products that protect the environment in daily life without people realizing it. We develop eco-friendly products, or "TOTO green products," based on independent product and environmental assessment criteria, which includes calculating CO2 emissions using lifecycle assessments from the product planning and design stages.

Product and Environmental Assessment

- LCCO2 (Lifecycle CO2)
- Energy-saving
- Water-saving
- Pollution prevention

3Rs (Reduce, Reuse, Recycle)

- Make products lighter
- Extend product life
- Use recycled materials
- Consider recyclability
- Use 3Rs in packaging

LCCO2 (Lifecycle CO2): Amount of CO2 emitted throughout entire lifecycle
3Rs: Reduce, Reuse, Recycle

Lifecycle Assessment for TOTO Green Products

Environmental and resource preservation

Design

- Natural materials, safe materials, minimal lead, no PVC, minimal formaldehyde, recycled materials
- Legal compliance, no water pollution, no waste
- Lightweight packaging, resource recycling/reuse

Material procurement

Production

- Energy-saving, water-saving, improvement activities
- Use ship/railway, transport system improvements

Transportation

Usage

- Energy-saving, water-saving, electrical-saving, long-life

Return

Disposal, recycling

Maintenance support

Realize a sustainable, comfortable society
Results of Global Environmental Action Plan

7th Global Environmental Action Plan (April 2010-March 2013) Results

<table>
<thead>
<tr>
<th>Key perspectives</th>
<th>Domains</th>
<th>Control Items</th>
<th>March 2013 targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Products and services</strong></td>
<td>Prevent global warming</td>
<td>Reduction rate for CO₂ during product usage</td>
<td>Reduce by 30% (versus March 1991 levels)</td>
</tr>
<tr>
<td></td>
<td>Respect the value of resources</td>
<td>Rate of progress in 3R design plan for new products</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Provide safety and security without hazard to the earth</td>
<td>Cases of illegal violations related to chemical substances contained in products</td>
<td>0 case</td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td>Prevent global warming</td>
<td>Reduction rate for domestic CO₂ emissions</td>
<td>Reduce by 40% (versus March 1991 levels)</td>
</tr>
<tr>
<td></td>
<td>Respect the value of resources</td>
<td>Reduction rate for domestic transport fuel per basic unit of production</td>
<td>Reduce by 6% (versus March 2010 levels)</td>
</tr>
<tr>
<td></td>
<td>Provide safety and security without hazard to the earth</td>
<td>Reduction rate for waste per basic unit of production at domestic production sites</td>
<td>Reduce by 3% (versus March 2010 levels)</td>
</tr>
<tr>
<td></td>
<td>Contribute to biodiversity</td>
<td>Rate of progress in recycling plan</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Social contribution</strong></td>
<td>- Prevent global warming</td>
<td>Number of employees and stakeholders to be involved in TOTO Water Environment Fund, TOTO Acorn Reforestation Project and local cleanup activities</td>
<td>30,000</td>
</tr>
<tr>
<td></td>
<td>- Respect the value of resources</td>
<td>Number of trees planted (accumulated total)</td>
<td>20,000</td>
</tr>
<tr>
<td></td>
<td>- Provide safety and security without hazard to the earth</td>
<td>Area of trees planted (accumulated total)</td>
<td>4.5ha</td>
</tr>
<tr>
<td></td>
<td>- Contribute to biodiversity</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*1 CO₂ reduction rate for major products each fiscal year versus emissions during product usage of major products for the four plumbing spaces announced in 1990; TOTO used a CO₂ conversion factor for calculating electric power of 0.378kg-CO₂/kWh in accordance with the Law Concerning the Promotion of Measures to Cope with Global Warming.

*2 Rate of progress of plan that assumes 100% as the benchmark for achieving the TOTO Group plan by fiscal 2012.

Reduction of CO₂ Emissions during Product Usage of Domestic Main Products

TOTO promotes efforts to reduce CO₂ emissions during product usage for all four plumbing spaces (toilets, bathrooms, washrooms and kitchens). We simultaneously launched four key products for respective plumbing spaces in August 2010 and achieved a 30% reduction (versus fiscal 1990 level) in total CO₂ emissions during the usage phase for these plumbing spaces.

3R Design Plan of New Products

To promote resource recycling and reduce environmental loads, TOTO promotes the design of products that are easy to reduce, reuse and recycle (3R). We establish 3R design guidelines in terms of (1) weight saving, (2) using recycling materials, (3) easy separation and (4) material labeling.

Chemical Substances Contained in Products

TOTO promotes efforts to strengthen governance related to chemical substances in products. There are no cases of legal violations as a result of company-wide efforts to establish various regulations, create a global information gathering system, ensure thorough adherence to green procurement guidelines and review rules concerning the acquisition of evidence.

Reduction of Overseas CO₂ Emissions

TOTO also promotes efforts to reduce overseas CO₂ emissions through business activities. We surpassed our target via measures that included modifying the pulse firing control system in the kilns for sanitary ware and installing 170kW photovoltaic facilities.
Results of Global Environmental Action Plan

Years ending at March 31.

---

<table>
<thead>
<tr>
<th>Control items</th>
<th>March 2011 targets</th>
<th>Results for the year ended March 2011</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of trees planted and area (accumulated total)</td>
<td>Reduce by 30% (versus March 1991 levels)</td>
<td>Reduce by 30%</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>33%</td>
<td>33%</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>0 case</td>
<td>0 case</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Reduce by 40% (versus March 1991 levels)</td>
<td>Reduce by 37.3%</td>
<td>×</td>
</tr>
<tr>
<td></td>
<td>Reduce by 2% (versus March 2010 levels)</td>
<td>Reduce by 13.0%</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Reduce by 1% (versus March 2010 levels)</td>
<td>Reduce by 1.9%</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>50% completed investigation</td>
<td>33%</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>Reduce by 3% (versus March 2010 levels)</td>
<td>Reduce by 9.2%</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>33%</td>
<td>33%</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>0 case</td>
<td>0 case</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>33%</td>
<td>33%</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>18,000</td>
<td>15,700</td>
<td>×</td>
</tr>
<tr>
<td></td>
<td>11,000</td>
<td>12,600</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>2.6ha</td>
<td>3.1ha</td>
<td>○</td>
</tr>
</tbody>
</table>

Note: Data of March at TOTO Fine Ceramics Ltd. has not been included as this company was not under the TOTO Group at the time.

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Waste Recycling at Plants

To promote resource recycling and reduce environmental loads, we work to develop materials by recycling waste from our plants. We developed unshaped refractories materials for use as recycled materials in sanitary ware and also started recycling Washlet materials for use in pallets.

Environmental Laws

TOTO works to reduce environmental loads and undertakes pollution prevention measures.

Based on our Environmental Management System, we set voluntary management targets besides ensuring compliance with laws and regulations. There are no cases of violations of environmental laws as a result of presenting cases of crises that can lead to legal violations to all affiliated business sites, strengthening environmental audits and making environmental risk management more transparent.

Green Procurement

TOTO promotes procurement of environmentally friendly components to contribute to realizing a safe, comfortable and recycling-oriented society. We established and distributed green procurement guidelines that cover biodiversity. As a key challenge, we set targets and plans for the procurement of wooden items and sanitary ware.

Initiatives for Social Contribution

Under the TOTO Water Environment Fund, we support activities including those of non-profit organizations (NPOs) and citizen groups. TOTO Group employees also participate in these activities. Regarding the TOTO Acorn Reforestation Project, employees from throughout the Group pick up acorns, nurture them and plant them with the help of local citizens.

Reduction of Domestic Transport Fuel

TOTO promotes efforts to reduce domestic transport fuel as one measure for reducing CO2 emissions. We surpassed our target by shortening transport routes and eliminating intermediary terminals.

Reduction of Overseas Transport Fuel

TOTO also promotes efforts to reduce overseas transport fuel. In fiscal 2010, we examined the routes between destinations and the amounts transferred from each overseas site. During fiscal 2011, we will clarify challenges and set countermeasures, with priority given to more serious issues.

Reduction of Waste at Domestic Production Sites

TOTO promotes efforts to reduce waste to lessen environmental loads. For scraps from earthenware and sludge, which make up around 40% of total waste, we surpassed targets via activities that included improving the reuse rate of sludge and reducing water contained in sludge.

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Chemical Substances Contained in Products

3R Design Plan of New Products

Reduction of CO2 Emissions during Product Usage

Reduction of Overseas CO2 Emissions

Reduction of Waste at Domestic Production Sites

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TOTO CORPORATE REPORT 2011 Financial & ESG Section 32
Environmental Data

Overview of Environmental Loads in the Fiscal Year Ended March 2011

Environmental Accounting

TOTO practices environmental accounting that utilizes a corporate operating manual created based on the Japanese Ministry of the Environment guidelines.

- **Investment for the applicable period:** ¥26.21 billion
- **Total R&D costs:** ¥15.53 billion

<table>
<thead>
<tr>
<th>Environmental conservation costs</th>
<th>Economic benefits</th>
<th>Environmental conservation benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category</strong></td>
<td><strong>Major initiatives</strong></td>
<td><strong>Investment</strong></td>
</tr>
<tr>
<td>Pollution prevention costs</td>
<td>Prevention of air, water and soil contamination, etc.</td>
<td>15.4</td>
</tr>
<tr>
<td>Environmental conservation costs</td>
<td>Prevention of global warming, energy conservation, etc.</td>
<td>193.8</td>
</tr>
<tr>
<td>Resource recycling costs</td>
<td>Efficient use of resources, reduction of waste, recycling, etc.</td>
<td>0</td>
</tr>
<tr>
<td>Upstream and downstream costs</td>
<td>Green procurement</td>
<td>0</td>
</tr>
<tr>
<td>Product transport, etc.</td>
<td>4.6</td>
<td>144.3</td>
</tr>
<tr>
<td>Environmental management system, environmental education, afforestation, etc.</td>
<td>0</td>
<td>246.5</td>
</tr>
<tr>
<td>R&amp;D costs</td>
<td>R&amp;D of environmentally friendly products, etc.</td>
<td>5.2</td>
</tr>
<tr>
<td>Social activity costs</td>
<td>Nature conservation, afforestation, donation to organizations, etc.</td>
<td>0</td>
</tr>
<tr>
<td>Environmental damage costs</td>
<td>Reserve for environmental damage, etc.</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>219.9</td>
<td>1,501.8</td>
</tr>
</tbody>
</table>

- **Concerning calculation of environmental conservation costs and effects**
  1. Results are recorded monthly in conjunction with the monthly accounting system.
  2. Economic benefits with minimal basis for calculation, including assumed profits, have been excluded.
  3. Depreciation expenses are included in investment amounts and have therefore been omitted from environmental conservation costs to avoid duplication.
  4. Development costs within R&D expenditures for eco-products were excluded from the scope of reporting in order to avoid overestimation.

Note:
TOTO used a CO2 conversion factor for calculating electric power of 0.378kg-CO2/kWh in accordance with the Law Concerning the Promotion of Measures to Cope with Global Warming.
Transport fuel management has been revised to include all domestic Group production companies, including Group companies that are not specified shippers.

<table>
<thead>
<tr>
<th>Raw materials and components purchased</th>
<th>251,000t</th>
</tr>
</thead>
<tbody>
<tr>
<td>• All TOTO plants</td>
<td>63,000t</td>
</tr>
<tr>
<td>• Domestic Group production companies</td>
<td>188,000t</td>
</tr>
<tr>
<td>Ceramic materials</td>
<td>98,000t</td>
</tr>
<tr>
<td>Metal materials</td>
<td>28,000t</td>
</tr>
<tr>
<td>Plastic materials</td>
<td>23,000t</td>
</tr>
<tr>
<td>Plywood, other types of beam</td>
<td>27,000t</td>
</tr>
<tr>
<td>Purchased parts, other</td>
<td>75,000t</td>
</tr>
<tr>
<td>Production output</td>
<td>236,000t</td>
</tr>
<tr>
<td>Electric power</td>
<td>157.03 million kWh</td>
</tr>
<tr>
<td>• All TOTO plants</td>
<td>69.14 million kWh</td>
</tr>
<tr>
<td>• Domestic Group production companies</td>
<td>69.14 million kWh</td>
</tr>
<tr>
<td>Fuel (crude oil conversion)</td>
<td>29.9000kWh</td>
</tr>
<tr>
<td>• All TOTO plants</td>
<td>15.0000kWh</td>
</tr>
<tr>
<td>• Domestic Group production companies</td>
<td>14.9000kWh</td>
</tr>
<tr>
<td>Water consumption</td>
<td>1.45 million m³</td>
</tr>
<tr>
<td>• All TOTO plants</td>
<td>0.95 million m³</td>
</tr>
<tr>
<td>• Domestic Group production companies</td>
<td>0.50 million m³</td>
</tr>
<tr>
<td>Recycling water</td>
<td>645,000 m³</td>
</tr>
<tr>
<td>• All TOTO plants</td>
<td>599,000 m³</td>
</tr>
<tr>
<td>• Domestic Group production companies</td>
<td>46,000 m³</td>
</tr>
<tr>
<td>Packaging materials</td>
<td>22,700t</td>
</tr>
<tr>
<td>• Paper</td>
<td>20,900t</td>
</tr>
<tr>
<td>• Wood</td>
<td>666t</td>
</tr>
<tr>
<td>• Other</td>
<td>1,124t</td>
</tr>
<tr>
<td>Transport fuel</td>
<td>15,581t</td>
</tr>
<tr>
<td>CO2</td>
<td>521,000t</td>
</tr>
<tr>
<td>• Domestic Group production companies</td>
<td>113,000t</td>
</tr>
<tr>
<td>• All TOTO plants</td>
<td>113,000t</td>
</tr>
<tr>
<td>Water consumption</td>
<td>3,543 m³</td>
</tr>
<tr>
<td>• Domestic Group production companies</td>
<td>1,002m³</td>
</tr>
<tr>
<td>• All TOTO plants</td>
<td>1,002m³</td>
</tr>
<tr>
<td>Consumption of crude oil</td>
<td>246.5 m³</td>
</tr>
<tr>
<td>• Domestic Group production companies</td>
<td>1,980m³</td>
</tr>
<tr>
<td>• All TOTO plants</td>
<td>1,980m³</td>
</tr>
<tr>
<td>Fuel (crude oil conversion)</td>
<td>521,000m³</td>
</tr>
<tr>
<td>• Domestic Group production companies</td>
<td>1,002m³</td>
</tr>
<tr>
<td>• All TOTO plants</td>
<td>1,002m³</td>
</tr>
</tbody>
</table>
Human Resources/Safety Related Data

Employee Composition

By Organization (as of March 2011)

<table>
<thead>
<tr>
<th>Organization Type</th>
<th>Domestic Group companies</th>
<th>Overseas Group companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTO</td>
<td>33%</td>
<td>19%</td>
</tr>
<tr>
<td>Overseas Group</td>
<td>48%</td>
<td></td>
</tr>
</tbody>
</table>

By Employment Type (as of March 2011)

<table>
<thead>
<tr>
<th>Employment Type</th>
<th>Regular</th>
<th>Contract</th>
<th>Temporary</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-site affiliate, contracted company</td>
<td>58%</td>
<td>9%</td>
<td>17%</td>
</tr>
</tbody>
</table>

*Data for “by employment type” refers to domestic TOTO Group companies.

Employee Composition by Region (March 2011)

<table>
<thead>
<tr>
<th>Region</th>
<th>Male %</th>
<th>Female %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>52.1%</td>
<td></td>
</tr>
<tr>
<td>Asia and Oceania</td>
<td>29.5%</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>15.6%</td>
<td></td>
</tr>
<tr>
<td>The Americas</td>
<td>2.5%</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>0.3%</td>
<td></td>
</tr>
</tbody>
</table>

*Data for TOTO Group.

Age and Length of Service

<table>
<thead>
<tr>
<th>Year</th>
<th>Average age</th>
<th>Average length of service (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td></td>
<td>44.0</td>
<td>37.1</td>
</tr>
<tr>
<td></td>
<td>44.1</td>
<td>38.2</td>
</tr>
<tr>
<td></td>
<td>20.0</td>
<td>11.1</td>
</tr>
<tr>
<td></td>
<td>19.4</td>
<td>11.6</td>
</tr>
<tr>
<td></td>
<td>18.9</td>
<td>12.3</td>
</tr>
</tbody>
</table>

*Data for regular employees of TOTO LTD.

Number of New Graduate Recruits

<table>
<thead>
<tr>
<th>Year ended March</th>
<th>Year ended March</th>
<th>Year ended March</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>Male</td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>------</td>
<td>--------</td>
<td>------</td>
</tr>
<tr>
<td>TOTO LTD.</td>
<td>107</td>
<td>56</td>
</tr>
<tr>
<td>Domestic Group companies</td>
<td>54</td>
<td>57</td>
</tr>
<tr>
<td>Total</td>
<td>161</td>
<td>113</td>
</tr>
</tbody>
</table>

*Data for regular employees of TOTO LTD.

Employee Turnover Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Employee turnover rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2009</td>
<td>2.2%</td>
</tr>
<tr>
<td>March 2010</td>
<td>2.9%</td>
</tr>
<tr>
<td>March 2011</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

*Data for regular/contract employees of TOTO LTD.

Promoting Diversity in the Workplace

<table>
<thead>
<tr>
<th>Year</th>
<th>Re-employed</th>
<th>Number of persons with disabilities employed</th>
<th>Number of foreign nationals employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2009</td>
<td>89</td>
<td>218 (2.05%)</td>
<td>5</td>
</tr>
<tr>
<td>March 2010</td>
<td>72</td>
<td>224 (1.94%)</td>
<td>9</td>
</tr>
<tr>
<td>March 2011</td>
<td>73</td>
<td>225 (1.89%)</td>
<td>11</td>
</tr>
</tbody>
</table>

*1 Data for regular/contract employees of TOTO LTD.
*2 Data for TOTO Group (6 applicable companies to a special subsidiary system)

Promoting a Good Work-Life Balance

Work Hours (year ended March 2011)

<table>
<thead>
<tr>
<th>Year ended March 2011</th>
<th>Standard working hours per year</th>
<th>1,894.86 hours per person</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average working hours per year</td>
<td>1,915.47 hours per person</td>
</tr>
<tr>
<td></td>
<td>Number of paid holidays taken</td>
<td>13.4 days per person</td>
</tr>
</tbody>
</table>

*Data for regular employees of TOTO LTD.

Percentage of Paid Holidays Taken

<table>
<thead>
<tr>
<th>Year ended March 2009</th>
<th>Year ended March 2010</th>
<th>Year ended March 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percentage of paid holidays taken</td>
<td>69.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>65.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>67.8%</td>
</tr>
</tbody>
</table>

*Data for regular employees of TOTO LTD.

Number of People Using Reduced Work Hour and Leave Systems

<table>
<thead>
<tr>
<th>Year ended March 2009</th>
<th>Year ended March 2010</th>
<th>Year ended March 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Childcare leave</td>
<td>Reduced work hours for childcare</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>131</td>
<td>10</td>
</tr>
</tbody>
</table>

*Data for regular/contract employees of TOTO LTD.

Promoting Safety and Health

Domestic Accident Frequency/Severity Rate

<table>
<thead>
<tr>
<th>Year ended March 2009</th>
<th>Year ended March 2010</th>
<th>Year ended March 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accident frequency rate 1</td>
<td>Accident severity rate 1</td>
</tr>
<tr>
<td></td>
<td>All industries 1.9</td>
<td>All manufacturing sectors 1.02</td>
</tr>
<tr>
<td></td>
<td>TOTO Group 0.27</td>
<td>TOTO Group 0.27</td>
</tr>
<tr>
<td></td>
<td>All industries 0.12</td>
<td>All manufacturing sectors 0.11</td>
</tr>
<tr>
<td></td>
<td>TOTO Group 0.011</td>
<td>TOTO Group 0.011</td>
</tr>
</tbody>
</table>

*1 Accident frequency rate: number of persons affected by accidents per 1 million working hours
*2 Accident severity rate: number of lost days per 1,000 working hours

Lost Time Injury Frequency for Overseas Business Group

<table>
<thead>
<tr>
<th>Year ended March 2009</th>
<th>Year ended March 2010</th>
<th>Year ended March 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lost time injury frequency 2.6</td>
<td>2.4</td>
</tr>
</tbody>
</table>

*Data for regular/contract employees of TOTO LTD.
Corporate Governance

System of Promotion

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

TOTO has adopted a Board of Statutory Auditors system that promotes more efficient and effective decision-making, supervision and business execution, with the aim of continuously increasing corporate value.

Directors and Board of Directors

The Board of Directors makes decisions from the most appropriate company-wide, group-wide and stakeholder perspectives and conducts mutual supervision of the duties of directors.

So as to avoid bias toward solely what is best for respective divisions, directors are careful to take the most appropriate company-wide, group-wide and stakeholder perspectives into account when making decisions. The chairman of the Board of Directors and directors other than external directors concurrently hold positions as executive officers to enable them to perform their own business duties as well.

TOTO calls upon external directors, well versed in management from the perspectives of legality and appropriateness. This enables them to make decisions that are, in effect, independent of TOTO management and all specified stakeholders.

Statutory Auditors and Board of Statutory Auditors

The Board of Statutory Auditors oversees the duties of directors from the perspectives of legality and appropriateness. Statutory auditors attend Board of Directors meetings and other important meetings to state their opinions and provide advice, and also visit each business site to conduct operating audits in line with auditing policies.

In addition, TOTO calls upon external statutory auditors specializing in such matters as corporate finance and legal issues to evaluate decisions made by the Board of Directors and monitor the execution of duties of directors.

Independence of External Directors and Auditors

All external directors and external statutory auditors have no affiliation with the Company. This enables them to make decisions that are, in effect, independent of TOTO management and all specified stakeholders.

- **External directors**
  - Kazumoto Yamamoto  
  - Takuma Otoshia

- **External statutory auditors**
  - Junichi Minegishi  
  - Masamichi Takemoto

Compensation Committee

The Compensation Committee was set up to make reports to the Board of Directors on fundamental policies pertaining to remuneration and bonuses and stock options for TOTO LTD., directors, as well as on the system of allocation. To help ensure objectivity and transparency in terms of remuneration policy, the system of allocation and execution, the committee is comprised of at least three members, over half of whom are outside experts.

Appointments Committee

The Appointments Committee was established to make reports to the Board of Directors on proposals that are presented at the General Shareholders’ Meeting related to the appointment and dismissal of directors, including external directors.

Corporate Governance Structure

- **General Shareholders’ Meeting**
  - (Elect/Dismiss)
  - (Report)

- **Board of Directors**
  - (Elect, delegate, supervise)

- **Board of Statutory Auditors**
  - (Audit)
  - (Elect/Dismiss)

- **Independent Accounting Auditors**
  - (Audit)

- **Internal Audit Office**
  - (Internal audits)

- **President**
  - (Consultation)

- **Executive Officers**
  - (Delegated authority)

- **Advisory Committee**
  - (Advise)

- **Management Committee**
  - (Direct, supervise)

- **Compensation Committee**
  - (Report)

- **Appointments Committee**
  - (Elect/Dismiss)

- **Special Committee**
  - (Report)

- **CSR Committee**
  - (Consultation)

- **Brand Strategy Committee**
  - (Elect/Dismiss)

- **Other committees**

- **Domestic Housing Equipment**

- **Overseas**

- **New Business Domains**

- **Company-wide Divisions**

- **Cross-organizational tasks**

- **Major Risks in Year Ended March 2011**
  - Management risk
    - Credit exposure management
    - Workforce management
    - Breach of compliance
    - Product recalls
    - Environmental contamination
    - Violation of intellectual property rights

  - Management risk
    - Management risk
      - IT-related risk
    - Management risk
      - Production risk
        - Fire and explosion
        - Natural disasters (floods, earthquakes)
    - Management risk
      - Customer response
        - Spread of infectious disease
        - Rumors
    - Management risk
      - Political, social risk
        - Government policies
        - Unforeseen changes
    - Management risk
      - Financial risk
        - Credit exposure management
        - Workforce management
        - Stock market risk
        - Tax risk
        - Exchange rate risk

- **General Risk Management Division**
  - Various committees, meetings
  - System of promotion
  - System of allocation
  - Appointments Committee

- **Risk Management Committee**
  - General Risk Management Division
  - Risk management activities
  - Emergency headquarters
  - Crisis response
  - Resolve crises swiftly and minimize damage

- **Other committees**

- **Three-party audit team**
  - (Report)

- **Internal audits**

- **Cross-organizational tasks**

- **Domestic Housing Equipment**

- **Overseas**

- **New Business Domains**

- **Company-wide Divisions**

- **Cross-organizational tasks**
Risk Management

System of Promotion

Since the year ended March 2006, TOTO has established a Risk Management Committee, headed by the TOTO President and comprised of executive officers and division heads in charge of major risk-related areas, to facilitate the integrated management of risk on a group-wide scale. The committee identifies every year the major risks that could have the largest impact on stakeholders and has appointed a general risk manager for each type of risk. General risk managers implement activities to mitigate these risks and work to enhance risk responsiveness based on risk management regulations in collaboration with all divisions and Group companies through various committees and meetings.

In the year ended March 2009, we introduced an emergency communication channel. We handed out a card to everyone working in the Group detailing the person to contact in case of a crisis anywhere in the Group, day or night and even on holidays. This enables an integrated approach to crisis response.

Risk Management Promotion System

- **Board of Directors**
  - Risk Management Committee
  - General Risk Management Division
  - Various committees, meetings, etc.
  - All divisions
  - Group companies

Committee chairman: Company president
Deputy chairman: Vice president and executive officer in charge of administration department
Committee members: General risk managers

Risk Management Action Cycle

- **Plan**
  - Identify major risks

- **Action**
  - Improve activities/systems

- **Check**
  - Evaluate responsiveness to risk
  - Examine employee awareness

Risk management activities
- Prevent occurrence and recurrence
- Various committees, meetings

Crisis response
- Resolve crises swiftly and minimize damage
- Emergency headquarters

Major Risks in Year Ended March 2011

Key risks identified are evaluated using a matrix in terms of degree of impact and frequency from the perspectives of damage to the brand as well as the human and financial affects, based on assumed risk scenarios. Items ranked in the upper level are deemed priority risks. The Risk Management Committee monitors these risks as a priority task and promotes activities to minimize risk throughout the Group.

Principle Major Risks

- **Natural disasters (floods, earthquakes)**
- **Fires, explosions**
- **Industrial accidents**
- **Unauthorized access**
- **Breakdown, stoppage**
- **Information leaks**
- **Personal information leaks**

- **Violation of intellectual property rights**
- **Environmental contamination**
- **Waste disposal**
- **Product liability**
- **Product recalls**
- **Breach of compliance**
- **Workforce management**
- **Credit exposure management**

- **Customer response**
- **Incidents involving business partners, or bankruptcy thereof**
- **Terrorist attacks, war**
- **Changes in rules and regulations, systems**
- **Exchange rate and interest rate fluctuations**
- **Changes in tax system, accounting standards**
- **Rumors**
- **Spread of infectious disease**
GRI Guidelines Reference

GRI Sustainability Reporting Guidelines (Version 3) was used as a reference in creating this report and the TOTO Group website. The following list shows the page numbers containing information related to these guidelines. The following abbreviations are used for the main and supplemental publications:

CR: TOTO CORPORATE REPORT 2011
FE: TOTO CORPORATE REPORT 2011 Financial & ESG Section

Section | Indicator | Publications | Website | Description
---|---|---|---|---
1. Strategy and Analysis | 1.1 | CR: P1-2 | CSR | Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy
| 1.2 | FE: P3-8 | CSR | Description of key impacts, risks, and opportunities

2. Organizational Profile
| 2.1 | CR: P7-8 | FE: P9-8 | About TOTO | Name of the organization
| 2.2 | CR: P7-8 | FE: P9-8 | About TOTO | Primary brands, products, and/or services
| 2.3 | CR: P7-8 | FE: P9-8 | About TOTO | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures
| 2.4 | CR: P7-8 | FE: P9-8 | About TOTO | Location of organization’s headquarters
| 2.5 | CR: P7-8 | FE: P9-8 | About TOTO | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report
| 2.6 | CR: P7-8 | FE: P9-8 | About TOTO | Nature of ownership and legal form
| 2.7 | CR: P7-8 | FE: P9-24, P36 | About TOTO | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries
| 2.8 | CR: P7-8 | FE: P9-24, P36 | About TOTO | Scale of the reporting organization, including:
| 2.9 | FE: P3-8, P9-24 | CSR | Significant changes during the reporting period regarding size, structure, or ownership including:
| 2.10 | | | CSR | Awards received in the reporting period

3. Report Parameters
| 3.1 | CR: P9-10 | FC: P1 | | Reporting period (e.g., fiscal/calendar year) for information provided
| 3.2 | June 2010 | June 2010 | | Date of most recent previous report (if any)
| 3.3 | CR: P9-10 | | | Reporting cycle (annual, biennial, etc.)
| 3.4 | CR & FC: back cover | Public Relations Office | | Contact point for questions regarding the report or its contents

Report Scope and Boundary
| 3.5 | CR: P9-10 | | | Process for defining report content, including:
| 3.6 | CR: P9-10 | | | Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)
| 3.7 | CR: P9-10 | | | State any specific limitations on the scope or boundary of the report
| 3.8 | CR: P9-10 | | | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations
| 3.9 | CR: P9-10 | | | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report
| 3.10 | CR: P9-10 | | | Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such re-statement (e.g., mergers, acquisitions, change of base years/periods, nature of business, measurement methods)

4. Governance, Commitments, and Engagement
| 4.1 | CR: P27-28 | FE: P31 | CSR | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight
| 4.2 | FE: P38 | About TOTO | | Indicate whether the Chair of the highest governance body is also an executive officer and, if so, their function within the organization’s management and the reasons for this arrangement
| 4.3 | CR: P27-28 | FE: P31 | CSR | For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members
| 4.4 | CR: P27-28 | FE: P31 | CSR | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body
| 4.5 | CR: P27-28 | FE: P31 | CSR | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization’s performance (including social and environmental performance)
| 4.6 | CR: P27-28 | FE: P31 | CSR | Process for the highest governance body to ensure conflicts of interest are avoided
| 4.7 | CR: P27-28 | FE: P31 | CSR | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization’s strategy on economic, environmental, and social topics
| 4.8 | CR: P5-6 | About TOTO | | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation
| 4.9 | CR: P27-28 | FE: P31-32 | CSR | Procedures for overseeing the organization’s identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles
| 4.10 | CR: P27-28 | FE: P31 | CSR | Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental, and social performance

Commitments to External Initiatives
| 4.11 | CR: P27-28 | FE: P31, P32 | CSR | Explanation of whether and how the precautionary approach or principle is addressed by the organization
| 4.12 | CR: P27-28 | FE: P31, P32 | CSR | Internally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses
| 4.13 | CR: P27-28 | FE: P31, P32 | CSR | Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization has positions in governance bodies

Stakeholder Engagement
| 4.14 | CR: P28-30 | CSR | | List of stakeholder groups engaged by the organization

37 TOTO CORPORATE REPORT 2011 Financial & ESG Section
5. Management Approach and Performance Indicators

**Economic**

*Disclosure on Management Approach*

- **Goals and Performance**
  - FE: P3-8
  - P

- **Policy**
  - CR: P3-9
  - P

- **Additional Contextual Information**
  - FE: P3-8
  - P

**Aspect: Economic Performance**

- **EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments**
  - FE: P2-24
  - IR

- **EC2 Financial implications and other risks and opportunities for the organization’s activities due to climate change**
  - CR: P11-12, P25-26
  - FE: P3-8, P25-29
  - Environment

- **EC3 Coverage of the organization’s defined benefit plan obligations**
  - FE: P18
  - IR

**Aspect: Market Presence**

- **EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation**
  - CR: P30
  - CSR

- **EC6 Policy, practices, and proportion of spending on locally-sourced suppliers at significant locations of operation**
  - CR: P25
  - CSR

- **EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation**
  - CR: P25
  - CSR

**Aspect: Indirect Economic Impacts**

- **EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement**
  - CR: P23-24, P31-32
  - CSR

- **EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts**
  - FE: P29
  - Environment

**Environmental**

*Disclosure on Management Approach*

- **Goals and performance**
  - FE: P25-29
  - Environment

- **Policy**
  - FE: P25-28
  - About TOTO Environment

- **Organizational responsibility**
  - CR: P27-28
  - FE: P25, P31
  - Environment CSR

- **Training and awareness**
  - CR: P25-26
  - Environment CSR

- **Monitoring and follow-up**
  - CR: P27-28
  - FE: P25, P31
  - Environment CSR

- **Additional contextual information**
  - CR: P25-26
  - CSR

**Aspect: Materials**

- **EN1 Materials used by weight or volume**
  - FE: P29
  - Environment

- **EN2 Percentage of materials used that are recycled input materials**
  - CR: P26-27
  - FE: P25-29
  - Environment CSR

**Aspect: Energy**

- **EN3 Direct energy consumption by primary energy source**
  - CR: P23
  - FE: P27-29
  - Environment

- **EN4 Indirect energy consumption by primary source**
  - CR: P23
  - FE: P27-29
  - Environment

- **EN5 Energy saved due to conservation and efficiency improvements**
  - FE: P25-29
  - Environment

- **EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives**
  - CR: P27-29
  - FE: P25-29
  - Environment

- **EN7 Initiatives to reduce indirect energy consumption and reductions achieved**
  - CR: P27-29
  - FE: P25-29
  - Environment

**Aspect: Water**

- **EN8 Total water withdrawal by source**
  - FE: P29
  - Environment

- **EN9 Water sources significantly affected by withdrawal of water**
  - CR: P29-30
  - FE: P25-29
  - Environment

- **EN10 Percentage and total volume of water recycled and reused**
  - FE: P29
  - Environment

**Aspect: Biodiversity**

- **EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas**
  - CR: P24
  - Environment

- **EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas**
  - CR: P24
  - Environment

- **EN13 Habitats protected or restored**
  - CR: P16
  - CSR

- **EN14 Strategies, current actions, and future plans for managing impacts on biodiversity**
  - CR: P11-12, P23-26
  - FE: P25, P27-29
  - Environment

**Aspect: Emissions, Effluents, and Waste**

- **EN15 Number of IUCN Red List species and national conservation list species at habitats in areas affected by operations, by level of extinction risk**
  - CR: P24
  - Environment

- **EN16 Direct and indirect greenhouse gas emissions by weight**
  - CR: P23
  - FE: P27-29
  - Environment

- **EN17 Other relevant indirect greenhouse gas emissions by weight**
  - CR: P23
  - FE: P27-29
  - Environment

- **EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved**
  - CR: P27-29
  - Environment

- **EN19 Emissions of ozone-depleting substances by weight**
  - No emission

- **EN20 NOx, SOx, and other significant air emissions by type and weight**
  - Environment

- **EN21 Total water discharge by quality and destination**
  - CR: P27-29
  - Environment

- **EN22 Total weight of waste by type and disposal method**
  - CR: P27-29
  - Environment

- **EN23 Total number and volume of significant spills**
  - CR: P27-29
  - Environment

- **EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VII, and percentage of transported waste shipped internationally**
  - No transported waste shipped internationally

**Aspects: Products and Services**

- **EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization’s discharges of water and runoff**
  - CR: P11-12, P23
  - Environment

- **EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation**
  - CR: P11-12, P23
  - Environment

- **EN27 Percentage of products sold and their packaging materials that are reclaimed by category**
  - CR: P11-12, P23
  - Environment

**Aspect: Compliance**

- **EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations**
  - CR: P27-28
  - Environment

**Aspect: Transport**

- **EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and transportation members of the workforce**
  - CR: P29
  - Environment

**Aspect: Overall**

- **EN30 Total environmental protection expenditures and reductions achieved by type**
  - FE: P29
  - Environment

**Labor Practices and Decent Work**

*Disclosure on Management Approach*

- **Goals and performance**
  - CR: P25-26
  - FE: P30
  - CSR

- **Policy**
  - CR: P25-26
  - CSR

- **Organizational responsibility**
  - CR: P38
  - About TOTO

- **Training and awareness**
  - CR: P25-26
  - CSR

- **Monitoring and follow-up**
  - CR: P25-26
  - CSR

- **Additional contextual information**
  - CR: P25-26
  - CSR

**Aspect: Employment**

- **LA1 Total workforce by employment type, employment contract, and region**
  - CR: P25-26
  - FE: P30
  - CSR

- **LA2 Total number and rate of employee turnover by age group, gender, and region**
  - FE: P30
  - CSR

- **LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations**
  - CR: P25-26
  - CSR

**Aspect: Labor/Management Relations**

- **LA4 Percentage of employees covered by collective bargaining agreements**
  - CR: P25-26
  - CSR

- **LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements**
  - CR: P25-26
  - CSR

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TOTO CORPORATE REPORT 2011 Financial & ESG Section
<table>
<thead>
<tr>
<th>Aspect: Occupational Health and Safety</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LA6 Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs</td>
<td>CSR</td>
</tr>
<tr>
<td>LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region</td>
<td>CSR</td>
</tr>
<tr>
<td>LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases</td>
<td>CR: P25-26 CSR</td>
</tr>
<tr>
<td>LA9 Health and safety topics covered in formal agreements with trade unions</td>
<td>CR: P25-26 CSR</td>
</tr>
<tr>
<td><strong>Aspect: Training and Education</strong></td>
<td></td>
</tr>
<tr>
<td>LA10 Average hours of training per year per employee by employee category</td>
<td></td>
</tr>
<tr>
<td>LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings</td>
<td></td>
</tr>
<tr>
<td>LA12 Percentage of employees receiving regular performance and career development reviews</td>
<td></td>
</tr>
<tr>
<td><strong>Aspect: Diversity and Inequal Opportunity</strong></td>
<td></td>
</tr>
<tr>
<td>LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity</td>
<td>FE: P32 CSR</td>
</tr>
<tr>
<td>LA14 Ratio of basic salary of men to women by employee category</td>
<td></td>
</tr>
<tr>
<td><strong>Human Rights</strong></td>
<td></td>
</tr>
<tr>
<td>Discourse on Management Approach</td>
<td></td>
</tr>
<tr>
<td>Goals and performance</td>
<td>CR: P27-28 CSR</td>
</tr>
<tr>
<td>Policy</td>
<td>CR: P27-28 CSR</td>
</tr>
<tr>
<td>Organizational responsibility</td>
<td>CR: P27-28 About TOTO</td>
</tr>
<tr>
<td>Monitoring and follow-up</td>
<td>CR: P27-28, P29-30 CSR</td>
</tr>
<tr>
<td>Additional contextual information</td>
<td></td>
</tr>
<tr>
<td><strong>Aspect: Investment and Procurement Practices</strong></td>
<td></td>
</tr>
<tr>
<td>HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening</td>
<td>CR: P27-28 CSR</td>
</tr>
<tr>
<td>HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken</td>
<td>CR: P30 CSR</td>
</tr>
<tr>
<td>HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained</td>
<td>CR: P27-28 CSR</td>
</tr>
<tr>
<td><strong>Aspect: Non-Discrimination</strong></td>
<td></td>
</tr>
<tr>
<td>HR4 Total number of incidents of discrimination and actions taken</td>
<td></td>
</tr>
<tr>
<td><strong>Aspect: Freedom of Association and Collective Bargaining</strong></td>
<td></td>
</tr>
<tr>
<td>HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights</td>
<td>CR: P30 CSR</td>
</tr>
<tr>
<td><strong>Aspect: Child Labor</strong></td>
<td></td>
</tr>
<tr>
<td>HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor</td>
<td>CR: P30 CSR</td>
</tr>
<tr>
<td><strong>Aspect: Forced and Compulsory Labor</strong></td>
<td></td>
</tr>
<tr>
<td>HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor</td>
<td>CR: P30 CSR</td>
</tr>
<tr>
<td><strong>Aspect: Security Practices</strong></td>
<td></td>
</tr>
<tr>
<td>HP8 Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to operations</td>
<td>CSR</td>
</tr>
<tr>
<td><strong>Aspect: Indigenous Rights</strong></td>
<td></td>
</tr>
<tr>
<td>HR9 Total number of incidents of violations involving rights of indigenous people and actions taken</td>
<td></td>
</tr>
<tr>
<td><strong>Society</strong></td>
<td></td>
</tr>
<tr>
<td>Discourse on Management Approach</td>
<td></td>
</tr>
<tr>
<td>Goals and performance</td>
<td>CR: P11-16 CSR</td>
</tr>
<tr>
<td>Policy</td>
<td>CR: P1-2 CSR</td>
</tr>
<tr>
<td>Organizational responsibility</td>
<td>CR: P28 About TOTO</td>
</tr>
</tbody>
</table>
**Domestic**

**Domestic Plants (7 plants)**
- Kokura No. 1 Plant (Fukuoka Prefecture)
- Kokura No. 2 Plant (Fukuoka Prefecture)
- Nakatsu No. 2 Plant (Oita Prefecture)
- Oita Plant (Oita Prefecture)
- Shiga Plant (Shiga Prefecture)
- Shiga No. 2 Plant (Shiga Prefecture)
- Chigasaki Plant (Kanagawa Prefecture)

**Domestic Sales Branches (14 branches)**
- Headquarters (Fukuoka Prefecture)
- Sapporo Branch (Hokkaido Prefecture)
- Tohoku Branch (Miyagi Prefecture)
- Shinetsu Branch (Niigata Prefecture)
- Kita-Kanto Branch (Saitama Prefecture)
- Chiba-Kanto Branch (Chiba Prefecture)
- Tokyo Branch (Tokyo)
- Yokohama Branch (Kanagawa Prefecture)
- Nagoya Branch (Aichi Prefecture)
- Hokuriku Branch ( Ishikawa Prefecture)
- Kansai Branch (Osaka Prefecture)
- Chugoku Branch (Hiroshima Prefecture)
- Shikoku Branch (Kagawa Prefecture)
- Kyushu Branch (Fukuoka Prefecture)

**Domestic Group Companies**

- **Manufacturing**
  - TOTO WASHLET TECHNO LTD.
  - TOTO ENPLA LTD.
  - TOTO OKITSUMO Coatings LTD.
  - TOTO SANITECHNO LTD.
  - TOTO High Living LTD.
  - TOTO Fine Ceramics LTD.
  - TOTO PLATEC LTD.
  - TOTO MATERIA LTD.
  - SUNA QUA LTD.

- **Sales**
  - TOTO AQUAIR LTD.
  - TOTO EXCERA LTD.
  - TOTO MTEC LTD.
  - TOTO Engineering LTD.
  - TOTO Hokkaido Sales LTD.
  - TOTO Tohoku Sales LTD.

**Overseas**

- **U.S.A.**
  - TOTO AMERICAS HOLDINGS, INC.
    - Holding company
  - TOTO U.S.A., INC.
    - Manufacturing and sales of sanitary ware
      - Sales offices: New York, Boston, West Hollywood (Los Angeles), Fort Lauderdale, Chicago
  - TOTO MEXICO, S.A. DE C.V.
    - Manufacturing and sales of sanitary ware
  - Brazil
    - TOTO Do Brasil Distribuição e Comércio, Ltda.
      - Sales of TOTO products
  - China
    - TOTO (CHINA) CO., LTD.
      - Holding company and sales of TOTO products
      - Sales offices: Beijing, Nanjing, Shanghai, Chongqing, Guangzhou, Xiamen, Shenzhen
    - BEIJING TOTO CO., LTD.
      - Manufacturing of sanitary ware
  - TOTO (BEIJING) CO., LTD.
    - Manufacturing of sanitary ware
  - TOTO DALIAN CO., LTD.
    - Manufacturing of faucets
  - NANJING TOTO CO., LTD.
    - Manufacturing of enameled cast-iron and acrylic bathtubs

- **Singapore**
  - TOTO ASIA OCEANIA PTE. LTD.
    - Regional headquarters and sales of TOTO products
  - **United Arab Emirates**
    - TOTO ASIA OCEANIA DUBAI SALES BRANCH
      - Sales of TOTO products
  - **Thailand**
    - TOTO Manufacturing (Thailand) Co., Ltd.
      - Manufacturing of sanitary ware and assembling of faucets
    - TOTO ASIA OCEANIA BANGKOK SALES BRANCH
      - Sales of TOTO products
  - **The Siam Sanitary Fittings Co., Ltd.**
    - Manufacturing and sales of faucets

- **Vietnam**
  - TOTO VIETNAM Co., Ltd.
    - Manufacturing and sales of sanitary ware, etc.
    - Sales offices: Hanoi, Ho Chi Minh, Da Nang
  - **Malaysia**
    - TOTO MALAYSIA SDN. BHD.
      - Manufacturing of Wastefabs
  - **Indonesia**
    - P.T. SURYA TOTO INDONESIA
      - Manufacturing and sales of sanitary ware, faucets, etc.
  - **Germany**
    - TOTO Europe GmbH
      - Regional headquarters and sales of TOTO products
  - **U.K.**
    - TOTO Europe GmbH London Office
      - Sales of TOTO products
  - **Taiwan**
    - TAIWAN TOTO CO., LTD.
      - Manufacturing and sales of sanitary ware, etc.
      - Sales offices: Taichung, Maok, Kaohsiung
  - **Korea**
    - TOTO KOREA LTD.
      - Sales of TOTO products
Stock Information  (as of March 31, 2011)

Stock Listings
Tokyo, Nagoya and Fukuoka

Number of Shares
Authorized: 1,400,000,000
Issued: 371,662,595

Number of Shareholders
31,269

Transfer Agent
Mitsubishi UFJ Trust and Banking Corporation

Major Shareholders

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Shares held (thousands)</th>
<th>Percentage of shares held</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTO LTD.</td>
<td>25,476</td>
<td>6.9%</td>
</tr>
<tr>
<td>Meiji Yasuda Life Insurance Company</td>
<td>20,716</td>
<td>5.6%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>19,071</td>
<td>5.1%</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>18,799</td>
<td>5.1%</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>13,483</td>
<td>3.6%</td>
</tr>
<tr>
<td>Tokio Marine &amp; Nichido Fire Insurance Co., Ltd.</td>
<td>7,712</td>
<td>2.1%</td>
</tr>
<tr>
<td>NCT Trust and Banking Corporation (Trust Account)</td>
<td>7,324</td>
<td>2.0%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 9)</td>
<td>7,059</td>
<td>1.9%</td>
</tr>
<tr>
<td>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td>
<td>6,775</td>
<td>1.7%</td>
</tr>
<tr>
<td>AXA Life Insurance Co., Ltd.</td>
<td>6,000</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

Composition of Shareholders

- 44.0% Financial institutions (162,359)
- 19.0% Individuals and others (71,296)
- 16.0% Other Japanese companies (45,597)
- 12.0% Securities companies (9,057)
- 7.0% Treasury stock (25,476)
- 2.0% Foreign institutions (57,875)

Stock Price Range/Turnover of Common Stock

![Graph showing stock price range and turnover]

- Nikkei 225 Stock Average (Yen) (Yen)
- Turnover of Common Stock (Total monthly turnover)
- Stock Price Range
- Number of shares (Thousands)

Company Data

- Board of Directors
  - Representative Director and Chairman of the Board: Teruo Kise
  - Representative Director and President: Kunio Harimoto
  - Representative Director and Executive Vice President: Kenji Ito
  - Representative Director and Executive Vice President: Akio Hasunuma
  - Director and Senior Executive Officer: Tatsuhiko Saruwatari
  - Director and Senior Executive Officer: Hiromichi Tabata
  - Director and Executive Officer: Toshifumi Shigematsu
  - Director and Executive Officer: Shinichiro Nakazato
  - Director and Executive Officer: Nobuyasu Kariu
  - Director and Executive Officer: Kiyoshi Furube
  - Director and Executive Officer: Shunji Yamada
  - Independent External Director: Kazumoto Yamamoto
  - Independent External Director: Takuma Otoshi

- Statutory Auditor: Youzou Hirota
- Statutory Auditor: Motohiro Oniki
- External Corporate Auditor: Junichi Minegishi
- External Corporate Auditor: Masamichi Takemoto

TOTO CORPORATE REPORT 2011 Financial & ESG Section
### Corporate Data

<table>
<thead>
<tr>
<th><strong>Company Name</strong></th>
<th>TOTO LTD.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Establishment</strong></td>
<td>May 15, 1917</td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>¥35,579 million (US$382,405 thousand)</td>
</tr>
<tr>
<td><strong>Headquarters</strong></td>
<td>1-1, Nakashima 2-chome, Kokurakita-ku, Kitakyushu, Fukuoka, Japan</td>
</tr>
<tr>
<td><strong>Number of Employees</strong></td>
<td>24,159 (consolidated) 8,217 (non-consolidated)</td>
</tr>
<tr>
<td><strong>TOTO Group and Affiliates</strong></td>
<td>70 companies (including 62 consolidated subsidiaries)</td>
</tr>
<tr>
<td></td>
<td>Japan: 36 companies Overseas: 26 companies</td>
</tr>
</tbody>
</table>

**Main Businesses**
- **Housing Equipment**
  - Sanitary ware (toilet basins, urinals, sinks, washbasins, etc.), system toilets, toilet seats (e.g., Washlet), plumbing accessories, etc.
  - Bathrooms, System bathrooms, fittings (various faucets, drain fittings, etc.)
  - Modular kitchens, vanity units, Marbright artificial marble counters, etc.
  - Bathroom ventilation, heating and drying systems, welfare equipment, etc.

  - **New Business Domain Products**
    - Eco-friendly materials (tiles, Hydrotect coating materials, etc.), ceramics (precision ceramics, optical communication components, etc.)

### Board of Directors (as of June 29, 2011)

- **Representative Director and Chairman of the Board**
  - Teruo Kise

- **Representative Director and President**
  - Kunio Harimoto

- **Representative Director and Executive Vice President**
  - Kenji Ito

- **Representative Director and Executive Vice President**
  - Akio Hasunuma

- **Director and Senior Executive Officer**
  - Tatsuhiko Saruwatari

- **Director and Senior Executive Officer**
  - Hiromichi Tabata

- **Director and Executive Officer**
  - Toshifumi Shigematsu

- **Director and Executive Officer**
  - Shinichiro Nakazato

- **Director and Executive Officer**
  - Nobuyasu Kariu

- **Director and Executive Officer**
  - Kiyoshi Furube

- **Director and Executive Officer**
  - Shunji Yamada

- **Director and Executive Officer**
  - Madoka Kitamura

- **Independent External Director**
  - Kazumoto Yamamoto

- **Independent External Director**
  - Takuma Otoshi

- **Statutory Auditor**
  - Youzou Hirota

- **Statutory Auditor**
  - Motohiro Oniki

- **External Corporate Auditor**
  - Junichi Minegishi

- **External Corporate Auditor**
  - Masamichi Takemoto