Providing the World a New Every Day.

TOTO Group aims to continue being a company that is indispensable to our customers and to society. In doing so, as a company that creates and provides lifestyle value that look to “tomorrow” and; leading into the future, we offer an “every day” that exceeds expectations like never before.

Providing the World a New Every Day.
[ Period of reporting ]
Years stated in this TOTO Corporate View 2015 indicate either a fiscal year ending March 31 or a point in time as of March 31.

[ Note about information contained in the report ]
Information contained in this TOTO Corporate View 2015 is current as of October 30, 2015. The report also contains forward-looking statements including information about business plans, earnings forecasts and strategies that are current as of October 30, 2015. Such statements are based on forecasts available at the time of writing. Readers should be aware that actual business results will be affected by various factors in the business environment, including future economic conditions, movements in demand and trends in market competition.
Corporate Philosophy

Words of the Predecessor

A letter written by the TOTO's first president, Kazuchika Okura, to his successor, Saburo Momoki, contains words that have been treasured as the “Words of the Predecessor.” These established ideas from our founding are formulated into philosophy system for TOTO group management so they are appropriate for this time and can be shared by the TOTO Group.

The characteristic of TOTO Group’s philosophy system is that it consists from the Heart, which are inherited values (Common Group Philosophy) and Body, which set the course of our actions according to the time (Vision for Business Activities).

Company Mottos

The common group philosophy represents the inherited values of TOTO that are shared among employees and will be carried forward into the future.

TOTO Group Corporate Philosophy

As the basis of what the company mottos strive to transmit, it denotes the purpose of the company's existence, our business fields and the desired image for all of our stakeholders.

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

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

The TOTO Group wants to contribute to socio-economic development and be a broadly helpful entity for society by creating added value through fair competition and encouraging job creation in the countries and regions in which its businesses are promoted. To realize that, all people working for the TOTO Group strive to play an active role with a strong sense of duty based on the concepts indicated in the corporate motto and philosophy, and to fulfill their social responsibilities.

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

1. The TOTO Group shall pursue customer satisfaction and provide products and services that are environmentally friendly, safe and easy to use.
2. The TOTO Group shall develop sensible business activities in transparent, fair ways, and sustain sound normal relationships with political organizations and governmental administrations.
3. The TOTO Group shall proactively disclose appropriate corporate information as necessary to facilitate communications with society and, at the same time, thoroughly protect and control various types of information.
4. The TOTO Group shall strive to provide comfortable lifestyles by ensuring safe and pleasant working environments while respecting the diversity and individuality of all its employees.
5. The TOTO Group shall build awareness of global environment issues as common issues of all humankind and aggressively tackle these issues from a global point of view as essential for the existence and activities of the company.
6. As a good corporate citizen, the TOTO Group shall constructively contribute to communities and society overall.
7. The TOTO Group shall resolutely oppose antisocial powers and sever relationships with them.
8. The TOTO Group shall abide by the laws and regulations of individual countries and regions, respect international norms including those related to human rights, show further consideration to the cultures, customs and interests of stakeholders, and contribute to the socio-economic development of relevant countries and regions in managing the company.
9. TOTO's top management shall, as their role, thoroughly enforce corporate ethics not only within the TOTO Group but also across supply chains and with business partners.
10. TOTO's top management shall strive to resolve all issues that conflict with this charter as they arise.

● Visions for Business Activities

Information about the Mid-/Long-Term Management Plan (TOTO V-Plan 2017) on P11.

Vision

Toward a Dynamic, Vibrant and Excellent TOTO

Mission

“Providing the World a New Every Day” Through The Three Missions.

TOTO Museum Opened in August 2015

The facility introduces the founding spirit and thoughts towards manufacturing of TOTO along with the history and innovation in creating new lifestyles. It also introduces achievements of Ichizaemon Morimura, founder of Morimura Group, Kazuchika Okura, founder of TOTO, and Magoemon Ezoe, fifth president of TOTO, and strong will towards manufacturing that continue in TOTO.

TOTO Museum exterior (Kitakyushu, Fukuoka)
Starting with the manufacture of Japan’s first seated flush toilet, TOTO is continuing on the road to innovation.

TOTO products, which are mainly plumbing-related, are used by our customers every day. Therefore, we have continued striving to manufacture products that can be used comfortably by our customers. This desire stems from the conviction of our founder, Kazuchika Okura, to improve the living standards 100 years ago, at a time in Japan when public sewerage systems were undeveloped. This desire will continue to be unchanged.
Aqua Auto (Automatic self-sustaining powered faucet)

Stores the electricity generated using the flow of water to operate Aqua Auto. Flow of water is controlled by a sensor that detects hand.

The surfaces of toilet bowls are smoothed by special glazing to remove any unevenness, making them resistant to stains and achieving ideal self-cleaning ability.

Antibacterial electrolyzed water is water with antibacterial properties made by electrolyzing the chloride ion in tap water. It is safe and secure water as it returns to regular water after use.

Hokkarari floors' unique structure makes them soft like tatami mats so as to make them slip resistant and quick to dry.

Technology to aerate the water enabled larger water droplets providing users with an enjoyable shower experience.

Bathrooms

Hokkarari floors

Insulated thermal pot "Mahobin" bathtub

TOTO's Latest Technologies

TOTO inherits the spirit of our founder and continues to offer products needed by the world to this day.

Toilets

Antibacterial electrolyzed water

CeFiONtect

Conventional toilet bowl  CeFiONtect toilet bowl

The surfaces of toilet bowls are smoothed by special glazing to remove any unevenness, making them resistant to stains and achieving ideal self-cleaning ability.

Fittings

Aqua Auto (Automatic self-sustaining powered faucet)

Air-in-Shower

Stores the electricity generated using the flow of water to operate Aqua Auto. Flow of water is controlled by a sensor that detects hand.

Technology to aerate the water enabled larger water droplets providing users with an enjoyable shower experience.

Bathrooms

Hokkarari floors

Insulated thermal pot "Mahobin" bathtub

New Business Domains

AD film

HYDROTECT

The Aerosol deposition (AD) technique enables precision yttria coating of metal, glass, ceramic materials.

TOTO's environmental cleansing technology and technological brand that cleans earth and living through light and water using photocatalyst technology.

Launched "NEOREST" toilets featuring Washlet

Launched "NEOREST" toilets featuring Washlet

Tornado flushing

Tornado flushing

Launched "NEOREST" toilets featuring Washlet

Launched "NEOREST" toilets featuring Washlet

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Launched "NEOREST" toilets featuring Washlet

Tornado flushing

Tornado flushing
MESSAGE from the PRESIDENT

Continue to be Indispensable Company to Society

TOTO Group aims to continue being a company indispensable to the society. To achieve this, we formulated the TOTO V-Plan 2017: a long-term management plan in fiscal 2009. The strategic frameworks are three core businesses and three cross-organizational innovation activities. The TOTO Global Environmental Vision will be the driving force behind these business activities and promoted in the entire Group.

Madoka Kitamura
President, Representative Director

Fiscal 2014 Results and Fiscal 2015 Plan

The Japanese economy continued its modest recovery trend despite the effects of negative factors such as the rebound drop in demand following the surge in demand ahead of the consumption tax rate increase.

In this business environment, the fiscal 2014 performance results came to: ¥544.5 billion in consolidated net sales (-1.6% year on year), ¥37.4 billion in consolidated operating income (-20.7% year on year), and ¥39.6 billion in consolidated ordinary income (-21.3% year on year) producing lower revenues and profits. However, in the first fiscal year of the newly formulated medium-term management plan geared towards fiscal 2017, the plan progressed accordingly and, in comparison to fiscal 2012, sales and revenues increased.

In the Domestic housing equipment business, the effects of the recoil in rush demand and subsequent tail-off in the new housing starts and remodeling continued for longer than anticipated, which resulted in a decline in revenues and profits. On the other hand, transitions in the Overseas housing equipment business and New business domains were favorable. In particular, as a result of steady progress in strategic growth, sales in the Overseas housing equipment business increased. Due to productivity improvements and the effects of fluctuating exchange rates, operating income grew significantly with increased revenues in all expanded overseas regions. In addition, in the New business domains, product sales in the Advanced Ceramics Business, which utilizes our company’s “Only One” technologies, grew significantly to produce increased revenues and profits.

In the first half of fiscal 2015, consolidated net sales was ¥272.2 billion, nearly as planned, and consolidated operating income was ¥20 billion, greatly exceeding the plan, both achieving the highest recorded. Taking in these results, the forecast for revenues and profits was revised to ¥581.2 billion in consolidated net sales (+7% year on year) and ¥42.8 billion in consolidated operating income (+22% year on year). The Domestic housing equipment business will respond to the demand for remodeling and new-builds and again continue to track growth. The Overseas housing equipment business will increase revenues and profits and aim to achieve record net sales and operating income. In the New business domains, it aims for a surplus in operating income. All three businesses aim to achieve record sales and achieve record revenues and profits.
Medium-term Management Plan and Fiscal 2015 Initiatives

Based on the TOTO V-Plan 2017, two years in fiscal 2010 to 2011 was building the foundations and medium-term management plan for fiscal 2012 to 2014 was formulated. In fiscal 2013, targets for fiscal 2014 were achieved ahead of time and new medium-term management plan for fiscal 2014 to 2017 was formulated. Fiscal 2015 is the second year in our medium-term management plan and it is an important year for realizing our TOTO V-Plan 2017. Although originally planned during a difficult business environment, the decline in revenues and profits reverted once again to growth from fiscal 2014, in what was a restart year for securely achieving our set numerical targets.

Of these three businesses, the Overseas housing equipment business fulfilled a particularly important role as a “growth engine” in advancing cooperation beyond domestic and overseas boundaries. By exhibiting at major overseas exhibitions, activities in conventional countries to which TOTO’s products and technology appeal continued to strengthen. In the meantime, while Japan is aiming to receive some 20 million overseas tourists by 2020, we are promoting overseas demand stimulation activities with Japan as the launch pad. Overseas visitors coming to Japan in ever-increasing numbers should lead to an increase in demand once they return home to their own countries after experiencing the comfort by coming into contact with Japan’s toilet culture. To this end, we are strengthening our proposal activities geared towards public facilities within Japan.

To coordinate these activities, it is necessary to renovate our business structure from the viewpoint of customer satisfaction (CS) in all areas of our business from marketing, R&D, purchasing, manufacturing to logistics and sales. As one example of restructuring, from fiscal 2015, of the four innovative activities, we have integrated the Supply chain innovation and Manufacturing innovation into the Demand chain innovation centered on the viewpoint of our customers. In addition, we have set up a global revolution promotion office for the purpose of further strengthening our securely growing overseas markets, and installed a Global Strategy Office for developing markets that are expected to grow in the future. Focusing on these two new departments, we will be strengthening the long-term expansion of these overseas markets.
Shareholder Return

Return of profit to shareholders is an important part of our management policy. We make it a rule to retain enough earnings to secure funds for building a firm corporate structure and expanding our business while assuring a stable return of profit to shareholders.

Retained earnings will be spent to improve product strength, streamline and strengthen production and sales systems, and develop new and overseas businesses to establish long lasting and solid management basis. Our goal of dividend ratio is 30% of net consolidated income for the term, and we will always try to return an amount that corresponds to the performance. It will be given out in two payments a year, at mid-year and year end.

The acquisition of treasury stock is determined from a comprehensive standpoint, based on the need for a flexible capital policy and the impact on the financial position.

The dividend payout in fiscal 2014 is ¥26 per share (¥13 yen at medium-term, ¥13 at year end). In fiscal 2015, we have consolidated shares and changed share unit number to make the investment unit to appropriate standard for the shareholders to sustainably hold shares and taking mid-to long-term changes in the stock price in consideration.

Governance

The TOTO Group believes that it is important to build a system for pursuing and supervising fair and equitable management, and clearly define a philosophy that serves as the basis of such a system to continue improving corporate value.

We strive to be a great company, trusted by people all around the world, and contributing to the betterment of society and this thought is at the core of all our business activities.

While it is important to base our actions on unchanging philosophy, it is also important to improve the system to meet the trends of the time. In fiscal 2014, to further enhance the transparency and soundness, we have reduced the number of in-house director by one and revised the structure of the Nominating Advisory Committee to consist from half or more of the members are outside members. Outside directors and outside auditors are making inquiries and providing insights and even more discussions are made at Board of Director meetings, etc.

Corporate Governance Code can in effect from June 2015 but TOTO will continue to enhance and improve its governances.

Promoting Stronger Corporate Governance

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
</table>
| 2004 | Establishment of the Nominating Advisory Committee  
| | Establishment of the CSR Committee  
| | Establishment of the philosophy system for TOTO Group management |
| 2005 | Establishment of the Compensation Advisory Committee  
| | Establishment of the Risk Management Committee |
| 2006 | Appointment of the outside director  
| | Establishment of the Internal Audit Office  
| | Establishment of the Special Committee |
| 2007 | Introduction of the stock options system |
| 2010 | Establishment of the independent director requirements and appointment of independent directors |
| 2011 | Reduction of the maximum number of directors stipulated in Articles of Incorporation (from 20 to 14)  
| | Participation in the United Nations Global Compact |
| 2012 | Enhancement of the executive officer system (Creation of a new post of senior executive officer) |
| 2013 | Establishment of TOTO Group Business Conduct Guidelines |
| 2014 | Reduction of the number of directors appointed in Shareholder’s Meeting (13 to 12)  
| | The half or more of the Nominating Advisory Committee members shall be outside members |
Source of Corporate Value and Social Contribution

Ever since its foundation, TOTO has found solutions to a variety of social issues through its business activities. The development and wider use of flush toilets played an important role, changing lifestyles and solving a social issue at that time, sanitation. Now, in the 21st century, the TOTO Group has placed the common global challenge of environmental problems distinctly as an issue to be resolved through business.

The TOTO V-Plan 2017 lays out our goal of becoming a truly global company. Our aim of becoming a “truly global company” extends beyond high sales levels or percentage of overseas business. It is about the acceptance and recognition by customers of the country or region as being indispensable to the area, by delivering products tailored to local culture and customs and providing a new lifestyle.

In realizing this, it is important for us to have initiatives to deal with the global challenge of environmental problems, and in particular, those relating to water resources.

TOTO products are an integral part of everyday life, being used by customers throughout the world in their daily lives. This is why the cumulative conservation of water and energy during the use of these products has such an enormous impact on the global environment. By having customers worldwide use environmentally-friendly products, their everyday lives can generate contributions to the global environment such as water conservation, energy conservation and reduced CO₂ emissions. This means that the TOTO Group’s actual business activities are linked to environmental contributions.

The TOTO V-Plan 2017 includes TOTO Global Environmental Vision which sets environmental contribution targets for 2017 in the aim to support a comfortable living environment for customers through TOTO products while also continuing to realize lifestyles enabling a lower burden on the environment.

Themes of “Conserving Water” and “Preventing Global Warming” are two themes that we can contribute in through our business. As the issue of water resource becomes severe, TOTO will offer products that consider the environment to customers around the world as a company that have been closely tied to water since the founding to contribute in realizing a truly sustainable society.

To Our Stakeholders

The TOTO Group regards all of our stakeholders, including our customers, employees, shareholders, business partners and society.

TOTO products are used by customers for 20 or 30 years. To enhance customer satisfaction towards our business, looking ahead to the future, it is imperative that we continue to provide products that have social value at appropriate prices. Also to achieve this, there needs to be an environment in which employees serving the business can always make the best possible use of their strengths. The TOTO Group respects the individuality of its human resources, which differ in such respects as age, gender and nationality, and we seek to develop self-motivated human resources who can think and act on their own. TOTO will contribute to society through our business, which makes practical use of fresh ideas that are borne from our will to challenge to create rich and comfortable lifestyles.

From the very start, the CSR philosophy was present in the origin of TOTO’s business. It is clearly recorded in a letter entitled “Words of the Predecessor” which was written by TOTO’s first president to his successor. These wonderful words have since been handed down to all TOTO Group employees in the form of TOTO’s Company Mottos. Each and every employee at TOTO has taken this conviction for their own, and with a desire to help society and contribute to the global environment, they are maintaining this commitment to achieving our goals.

Although TOTO V-Plan 2017 is our goal for the company’s centenary, I see it only as a transit point on our way to the future beyond. By maintaining and accelerating this momentum, we will raise our corporate value even further. As the company to create and provide lifestyle value, we offer an “every day,” looking to “tomorrow” and moving toward the future.

Providing the World a New Every Day.

Everyone in the TOTO Group will work in unison to achieve the goals we have set forth.
Long-Term Management Plan

**TOTO V-Plan 2017**

*Provide customers over the world with a new “everyday” and continue to be indispensable to society.*

**FY2017**: Achieve net sales of ¥650 billion, operating income of ¥61 billion and ROA/ROE of 10% or more

**Realizing environmental contribution through “TOTO Global Environmental Vision”**

*From fiscal 2015, Supply chain and Manufacturing innovations will be promoting as Demand chain innovation.*

**Meaning of the Three Vs: Vital, Victory and V-shaped recovery**

*Remodeling: A promise to go beyond ordinary alterations and extensions, proposing and realizing a new lifestyle for customers which goes beyond their expectations*
Business Overview

Net Sales by Business Segment

Distribution of Net Sales by Business Segment (FY 2014)

Core Products by Business Segment

Domestic housing equipment business

Overseas housing equipment business

New business domains

Sanitary ware

Washlets

Prefabricated bathrooms

Modular kitchens

Bathroom vanity units

Fittings

Sanitary ware

Fittings

Sinks

Washlets

Bathtubs

Advanced ceramic products

Green building materials
Domestic Housing Equipment Business

TOTO has been aiming to transform its management model that does not rely on new housing needs since the burst of the bubble economy in 1993, promoting the business over 20 years since the announcing of the “Remodeling Declaration” within and outside the organization.

Currently, remodeling business takes up about 70% of the sales in domestic business and management model that does not rely on new housing needs has been established.

Business Performance

Domestic Housing Starts versus TOTO’s Business Performance

As Japan’s population ages and its birthrate declines, and as it continues to transition to a stock-based society with a declining number of new housing starts, we expect about 3% growth per year in remodeling needs despite the situation. We aim to maintain and increase the competitive lead that has been built over 20 years focusing on needs that can be expected to grow.

Growing needs

- Increase in suitable remodeling age
  
  With the aging of housings, we will propose living space that can be livable for long period with comfort and future security to generations that will face changes in their life style.

- Increase in circulation of used housing
  
  A stock-based housing market where housing is used in circulation is proposed as desired housing market by the Ministry of Land, Infrastructure, Transport and Tourism, increasing the trend of using housing market.
  
  We will strengthen initiatives for remodeling needs based on the circulation of used housing.

- Public model for public facilities
  
  Number of foreign nationals coming to Japan is on the rise every year. Consideration to elderly is also important in Japan as it has become an aging society. We will strengthen proposal for public toilets that are easy to use for everyone.
Remodeling Business

As remodeling has different on-site conditions and customer needs for each housing unlike new housings, it requires multiple abilities such as construction techniques, planning, communicating with customers.

TOTO has the necessary abilities required in remodeling and also has been cooperating with contractors to build the remodeling market in Japan for over 20 years.

We have built a network with our contractors ahead of others to establish “Remodel Club” system to provide “Showroom” as a place to propose remodeling throughout Japan.

Difference in remodeling and new housing: Housing

Many limits in budget and time. Difficult to concentrate on plumbing facilities.

Can focus on specific space. Budget and time can be allocated.

TDY Alliance

In 2002, TOTO began the TDY alliance with DAIKEN and YKK AP, leading manufacturer of materials required, to accelerate the growth of remodeling business.

We each contribute with our own high-quality products and sales network and open TDY Collaboration Showrooms cooperated by the three companies, organize Green Remodel Fairs that customers can enjoy, etc., making steady growth.
Key Technologies

Over the 100 years since 1914, we have engaged in continued research and successfully manufactured sanitary ware from our founder’s desire to help people lead healthy, enlightened lives. Since then, as a result of continuously creating customer value by pursuing greater comfort, greater dirt resistance and greater water efficiency, Restroom business have consistently supported TOTO’s business base. We will continue to engage in various R&D into the future so as to keep providing customers with new values.

The evolving water-saving performance of toilets in Japan

TOTO has been promoting the reduction of amount of water used to flush and transport feculence while comfortably using toilets since the release of water saving toilet CS Series in 1976 against the backdrop of changes in natural environment such as water shortage and droughts and social trends. We are currently expanding water conserving toilets through spreading the 4.8L flush toilets. In 2012, we have released 3.8L flush products, continuing to further advance the water conservation technology.
Core Products and Technology

Fifty years have passed since TOTO developed and supplied the industry’s first prefabricated bathrooms* in 1964. Since then, we have continued to lead the industry in developing various technologies and functions in pursuit of comfort for our customers. Our aim is to provide customers with products of choice time and again, by being the number one company in four areas: affordable price, beautiful design, and quality and function which will long satisfy customers as they continue to use the products for decades to come.

*Prefabricated bathroom: A prefabricated bathroom which bathtub and all other parts and components are manufactured and fabricated in the factory, allowing constructing the bathroom just by assembling the parts and components on-site.

Platforming Floor Structures

Since the SAZANA bathroom line, which was released in 2012, TOTO has promoted platforming (standardization/unification) to drastically change the conventional floor structure of its prefabricated bathrooms. By adopting a “functionally divided layered structure,” we have reduced the burden of development, and by standardizing components, we have boosted production efficiency and succeeded in achieving uniform quality. We have also applied this to new TOTO products, such as the “SYNLA” bathroom range released in 2013. Currently, about 80% of bathroom floor structures have been unified.

Design Based on Human Engineering

The Cradle Bathtub is designed to provide bathers with cradle-like comfort. It has been designed based on human engineering. For instance, the headrest is raised to pleasantly support the neck and shoulders, and the side profile dips lower to make getting into the bathtub easier, while the rim of the bathtub is shaped to support the user’s arms.
Overseas Housing Equipment Business

The overseas housing equipment business will drive growth for the TOTO Group, leading to the growth of business in the Americas, China, Asia/Oceania and Europe, as well as cultivating new markets. In addition to building a structure to locally develop, produce and sell the most suitable products for each region and which respects the local culture and lifestyles, we will strengthen our overall business foundation using a three-step marketing strategy of brand awareness, market penetration and establishment of a luxury brand.

TOTO Group Business Expansion

1st stage
Brand awareness
Delivery of products to prominent hotels, airports and other properties, creating opportunities for product and brand exposure.

2nd stage
Market penetration
Development of dealer network, dealer showrooms, (Dealer-led branding)

3rd stage
Establishment of a luxury brand
Product seminars and presentations, etc. via flagship showrooms, (TOTO-led branding)

Marketing Strategy for the Overseas Housing Equipment Business

17
China ¥64.72 billion

Overseas Sales Breakdown (Fiscal 2014)

52% Americas ¥30.26 billion
24% Asia and Oceania ¥25.69 billion
3% Europe ¥4.16 billion
52% Overseas housing equipment business ¥124.8 billion
73% Domestic housing equipment business ¥400.0 billion (Remodeling) ¥263.7 billion (New housing) ¥136.2 billion

Distribution of Net Sales of the TOTO Group (Fiscal 2014)

4% New business domains ¥19.4 billion
23% Overseas housing equipment business ¥124.8 billion
0% Other ¥0.2 billion
73% Net sales ¥544.5 billion

Business Performance


Operating income (Billion yen) 20 10

Net sales (Billion yen) 150 100 50

Net sales Operating income
China

History of Business Expansion

1979  Delivered first products  Supplied products to the Diaoyutai State Guesthouse in Beijing
1994  Constructed first plant  Established manufacturing company, BEIJING TOTO
       Since then, TOTO has established manufacturing companies in various districts
1995  Established area supervising company  Established TOTO (CHINA)
       Since then, TOTO has expanded showrooms and sales network
2014  Began operations at eighth plant  Began operations at manufacturing company, TOTO (FUJIAN)

Business Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (Unit: billion RMB)</th>
<th>Operating income (Unit: billion RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2009</td>
<td>1.0</td>
<td>0.0</td>
</tr>
<tr>
<td>FY2010</td>
<td>2.0</td>
<td>0.5</td>
</tr>
<tr>
<td>FY2011</td>
<td>3.0</td>
<td>0.75</td>
</tr>
<tr>
<td>FY2012</td>
<td>4.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Current Position of Marketing Strategy

1st stage  Brand awareness  Approach involving prominent facilities
2nd stage  Market penetration  Strengthening of sales network
3rd stage  Establishment of a luxury brand  Strengthening of points of contact

Shanghai Technical Center  Guangzhou Technical Center  Beijing Showroom  Hong Kong Showroom
The Shanghai Development Center was opened in April 2013 for the purpose of manufacturing tailored to local needs and accelerating product development.

"NEOREST GE" toilet featuring Washlet equipped with "Actilight," a new photocatalytic technology that prevent the growth of bacteria by decomposing dirt that can be seen on the surface of toilet bowls after flushing, offers luxurious feel to the washroom with its elegantly sloped cover and sharp design. The product received IF Product Design Award. Fittings for water faucets with high design values are also popular. CI CONTEMPORARY faucets feature simple designs emphasizing straight lines. They fit in well in the bathroom and create a calm atmosphere.

CII CLASSIC faucets feature modern functional beauty, elegant lines and gold colors. They would add flare to both traditional and modern bathrooms.

Fujian Plant, the eighth plant in China started operation in July 2014.
# History of Business Expansion

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>Established sales site, and begins business activities on the West Coast</td>
<td>Established sales site, TOTO KIKI U.S.A.</td>
</tr>
<tr>
<td>1991</td>
<td>Constructed plant in the United States</td>
<td>Established manufacturing company, TOTO Industries</td>
</tr>
<tr>
<td>1992</td>
<td>Increased attention focused on water conservation due to enactment of the Energy Policy Act</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>Established area supervising company</td>
<td>Established TOTO U.S.A., Inc. (current TOTO U.S.A. Holdings, Inc.)</td>
</tr>
<tr>
<td>2006</td>
<td>Strengthened the system of local consumption of locally produced goods</td>
<td>Established manufacturing company, TOTO MEXICO</td>
</tr>
<tr>
<td>2011</td>
<td>Began business activities in the fast-growing market of Central and South America</td>
<td>Established sales company, TOTO Do Brasil Distribuição e Comércio</td>
</tr>
</tbody>
</table>

# Current Position of Marketing Strategy

<table>
<thead>
<tr>
<th>Stage</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st stage</td>
<td>Brand awareness</td>
</tr>
<tr>
<td>2nd stage</td>
<td>Market penetration</td>
</tr>
<tr>
<td>3rd stage</td>
<td>Establishment of a luxury brand</td>
</tr>
</tbody>
</table>

![Los Angeles Gallery](image1.png) ![Chicago Gallery](image2.png) ![Boston Gallery](image3.png) ![New York Gallery](image4.png)
Enhancement of Water-saving Toilets

TOTO has always led the industry when it comes to water-saving toilets because of their cleaning performance (flushes properly) and transportation performance (delivers properly).

In 2012, TOTO released the industry’s first 1-gallon gravity flush toilet, and in 2013, we released the Neorest550H and Neorest700H integrated toilets featuring a 1-gallon large flush and 0.8-gallon small flush.

Characteristic Products in the Region

In the United States, where water consumption is becoming increasingly regulated, toilets that use only 3.8L (1 gallon) per flush such as the Drake II 1G, which was released for sale in 2012, have been favorably received.

Popularity has not only been about functionality, Washlets and fittings that have a classic design attuned to bathrooms are also popular.

Project Reference

Grand Hyatt Kauai Resort and Spa, Hawaii

Complying with Environmental Standards

Apart from some nonresidential products, almost all of TOTO’s core products meet the WaterSense standards of the United States Environmental Protection Agency (EPA). TOTO is the first major manufacturer of plumbing equipment to become a member of the U.S. Green Building Council (USGBC), which aims for sustainable construction, and has promoted compliance with the Leadership in Energy & Environmental Design (LEED) certification system for environmentally-friendly construction.
Asia and Oceania

History of Business Expansion

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>Established TOTO’s first manufacturing site overseas</td>
<td>Established TOTO’s first overseas manufacturing company (joint venture company) in Indonesia</td>
</tr>
<tr>
<td>1987</td>
<td></td>
<td>Established TAIWAN TOTO</td>
</tr>
<tr>
<td>1995</td>
<td></td>
<td>Established TOTO MALAYSIA</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td>Established TOTO KOREA</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td>Established TOTO VIETNAM</td>
</tr>
<tr>
<td>2007</td>
<td>Strengthened brand through expansion of showrooms</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>Established area supervising company to oversee strategic planning and business promotion</td>
<td>Established TOTO ASIA OCEANIA</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td>Established TOTO MANUFACTURING (THAILAND)</td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td>Established TOTO INDIA</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>India plant operations began</td>
</tr>
</tbody>
</table>

Business Performance

![Net sales and Operating income graph]

Current Position of Marketing Strategy

<table>
<thead>
<tr>
<th>Stage</th>
<th>Brand awareness</th>
<th>Market penetration</th>
<th>Establishment of a luxury brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>Approach involving prominent facilities</td>
<td>Strengthening of sales network</td>
<td>Strengthening of points of contact</td>
</tr>
<tr>
<td>Ex.</td>
<td>Middle East, India and Emerging countries</td>
<td>Vietnam</td>
<td>Taiwan</td>
</tr>
</tbody>
</table>
In May 2013, TOTO opened the TOTO Asia Oceania Technical Center in Singapore. This center is a place for promoting TOTO technology to dealers to educate them about TOTO products. It is also used for presentations to be chosen for use in prominent facilities.

Having established a local subsidiary in 2011, TOTO has been building a sales network in India. In order to accommodate increased demand in the future, we constructed a sanitary ware plant in Gujarat State, starting full operation in 2014.
Europe

History of Business Expansion

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Entered the European market, the world’s largest market for plumbing equipment</td>
</tr>
<tr>
<td>2009</td>
<td>Established an area supervising company in Germany, TOTO EUROPE</td>
</tr>
<tr>
<td>2009</td>
<td>Established a manufacturing company, TOTO GERMANY</td>
</tr>
<tr>
<td>2009</td>
<td>Enhanced brand awareness by exhibiting for the first time at a global trade fair</td>
</tr>
<tr>
<td>2010</td>
<td>Exhibited for the first time at the International Sanitary and Heating (ISH) trade fair</td>
</tr>
<tr>
<td>2010</td>
<td>Opened showroom to develop brand</td>
</tr>
<tr>
<td>2010</td>
<td>Opened sales office and showroom in London</td>
</tr>
<tr>
<td>2010</td>
<td>Opened sales office in Paris</td>
</tr>
</tbody>
</table>

Current Position of Marketing Strategy

1st stage
Brand awareness
Approach involving prominent facilities

2nd stage
Market penetration
Strengthening of sales network

3rd stage
Establishment of a luxury brand
Strengthening of points of contact

Project Reference

- Colette Boutique, Paris
- The Connaught, London

Characteristic Products in the Region

In this market, that places heavy emphasis on design, TOTO is differentiating itself from other companies with its design and functionality, with technology such as Tornado Flush. The SG Series is a new series that combines function with a uniformity of spatial design. It boasts a full complement of products, including toilets, sinks, cabinets and showers.

Business Strategy

The European market is a starting point for trends in plumbing equipment that spread throughout the world. We have participated in “ISH2015 (International Sanitary and Heating 2015)”, one of the world’s largest international specialized exhibition on bath, toilet, building, cooling and heating, air conditioner, and renewable energy, held once in two years in Germany to showcase TOTO’s technologies and new products.
New Business Domains

**Overview**

We are pushing ahead with growth for the next generation, leveraging TOTO’s “Only One” technologies which have been cultivated in the manufacture of sanitary ware.

In our Advanced Ceramics Business, we will further enhance our worth as a supplier of key components to customers who have expectations for greater product quality and performance.

In the Green Building Materials Business, we will expand TOTO’s HYDROTECT environmental cleaning technology into building materials and paints, and increase our contribution to the environment while furthering the dissemination of HYDROTECT in Japan and overseas.

**Description of Businesses**

**Advanced Ceramics Business**

**Areas of development**

- Electrostatic chucks (structural elements used in equipment for manufacturing plasma displays and semiconductors)
- Receptacles supporting the optical communication infrastructure

**Markets / strengths**

- Accommodates the shift to higher definition images and increases in data telecommunications resulting from the popularization of smartphones and tablet PCs
- Yttria coated semiconductor manufacturing device part using AD technique

**Green Building Materials Business**

**Areas of development**

- Exterior building materials, large ceramic slabs, licensing business

**Strengths**

- Technology that uses photocatalysts harnessing the power of light and water to create a clean environment for the Earth and for our lives
- Coating buildings or building materials with a layer of HYDROTTECT shows organics decomposability and super hydrophilic properties, which are beneficial for the global environment, such as air purification

**TOTO’s Unique Technologies**

**What is AD technique?**

AD process uses an aerosol by mixing submicron level ceramic powders and carrier gas at room temperature that will be accelerated through the nozzle and crashed onto the substrate at a sonic velocity of 150 to 400 m/s. The crash deposits highly dense ceramic film with excellent adhesion thanks to the compound dense nano crystallites and the anchor layer against the substrate. This technology overturns the common sense of ceramics need to be sintered and is expected to satisfy various market needs.

**What is organics decomposability and super hydrophilic?**

When light hits the HYDROTTECT’s photocatalytic (titanium oxide) layer, it reduces dirt and dust from sticking and decomposes oil dirt from exhaust gas and smoke from automobiles and factories and then washed away by rain. It keeps buildings clean and reduces maintenance load and use of washing agents or water, contributing to environmental preservation.

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**Net Sales and Operating Income**

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**Detailed webpage**

**Research and Development**
Corporate Governance

Basic Stance on Corporate Governance

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

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

2. To ensure operational decisions and business execution in compliance with relevant laws and regulations and TOTO’s Articles of Incorporation, TOTO has a Board of Directors and an Audit & Supervisory Board, and retains independent accounting auditors. The Board of Directors, emphasizing fairness, objectivity, and transparency, has appointed two Outside Directors who are independent of the TOTO Group. The Outside Directors give various advice and make proposals on our overall management. The Audit & Supervisory Board audits the business execution of directors consists of four members, including two outside members. We have build a system to ensure their effective audits through their attendance of major meetings, including meetings of the Board of Directors, and the exchange of opinions with Directors on a regular basis.

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

Corporate Governance and Business Operations

System Diagram of Corporate Governance and Business Operations

Directors and the Board of Directors

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

Directors other than the Chairman of the Board or Outside Directors concurrently hold positions as Executive Officers in order to perform their own business duties as well (Directors and Executive Officers).

TOTO invites Outside Directors, well versed in the management of leading companies respected for their management practices to which the TOTO Group aspires, to receive advice and suggestions on general management issues based on their in-depth knowledge as experienced managers.

The term of office of Directors is one year, which is designed to clearly define their responsibilities.

Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board, which consists of all Audit & Supervisory Board Members, oversees the Directors’ execution of duties from the perspectives of legality and appropriateness. The Audit & Supervisory Board Members attend Meetings of the Board of Directors and other major meetings to state their opinions as required and visit each business site to conduct operating audits in line with the relevant auditing policies.

In addition, the Audit & Supervisory Board Members regularly exchange opinions with Directors and streamline the system.
to ensure the effectiveness of audits. TOTO calls upon Outside Members of the Audit & Supervisory Board specializing in such matters as corporate finance and legal issues, or having deep insight and extensive experience in corporate management, to evaluate decisions made by the Board of Directors and monitor Directors’ execution of their duties from an objective and fair perspective.

**Compensation Advisory Committee**

The Compensation Advisory Committee has been set up to confirm that the process to determine base compensation, annual bonuses, and the stock compensation-type stock options for Directors, and their allocation balance are in line with the Articles of Incorporation, the resolutions of the General Meeting of Shareholders, and the Basic Policy for Directors’ Compensation, in order to contribute to the ensuring of the appropriateness and objectivity of Directors’ compensation through its activities.

The majority of Committee members shall be outside members, and the chairperson and members have been appointed by the Board of Directors.

The Committee members consist of five outside members including four Independent Directors/Audit & Supervisory Board Members and one Director without the right of representation as an inside member, and the chairperson shall be elected from among the outside members.

**Nominating Advisory Committee**

The Nominating Advisory Committee has been established to help ensure the objectivity and transparency of TOTO’s management through activities such as deliberation on and confirmation of the appointment of TOTO’s Board of Directors and Audit & Supervisory Board Members. The Committee shall make reports to the Board of Directors on proposals to the General Meeting of Shareholders, and the Committee shall make reports to the General Meeting of Shareholders in accordance with the Articles of Incorporation, the resolutions of the General Meeting of Shareholders, and the Basic Policy for Directors’ Compensation, in order to contribute to the ensuring of the appropriateness and objectivity of Directors’ compensation through its activities.

Half or more of Committee members shall be outside members, and the chairperson and members have been appointed by the Board of Directors. The Committee members consist of four Independent Directors/Audit & Supervisory Board Members as outside members and Representative Directors as inside members, and the chairperson shall be the President and Representative Director of TOTO.

**Special Committee**

The Special Committee has been established with the introduction of the Policy for Dealing with Large-Scale Acquisitions of TOTO Ltd. Shares (Takeover Defense Measures; the “Plan”). The purpose of the Special Committee is to make recommendations for the implementation or non-implementation of countermeasures under the Plan in response to the Board of Directors’ inquiries. In order to ensure the fairness and neutrality of the Board of Directors’ decisions, the Committee consists of the Outside Directors of TOTO and the Outside Members of the Audit & Supervisory Board of TOTO, and may include external experts (such as lawyers, certified public accountants and academic experts).

**Internal Audits**

The Internal Audit Office, which is independent of the operational divisions, examines under the direction of the President whether TOTO and the Group companies are performing their operations appropriately and efficiently in compliance with laws and regulations, the Articles of Incorporation, the corporate philosophy and internal regulations.

**Executive Officers**

To implement decisions made by the Board of Directors effectively and efficiently, TOTO has introduced an Executive Officer system.

**Management Committee**

TOTO makes important decisions regarding its operations through deliberations at meetings of the Management Committee, which comprises Directors who are also Executive Officers. The meetings of the committee are, in principle, held twice a month.

### Composition of the Board of Directors and Audit & Supervisory Board in Fiscal 2015

We believe that in order to supervise business operations and to make important decisions, TOTO’s Board of Directors must be composed of members with diverse perspectives, experience and highly professional skills. Meanwhile, for the purpose of performing the double-check function of supervision by the Board of Directors and of audits by Audit & Supervisory Board Members, Outside Directors need to include not only auditors required by law, but also Directors with voting rights at Meetings of the Board of Directors; and both Audit & Supervisory Board Members and Directors must have considerable independence.

As of the end of June 2015, we have 12 Directors with voting rights at Meetings of the Board of Directors, of whom 10 are Inside Directors with careers in the TOTO Group and two are highly independent Outside Directors.

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

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

### Composition of the Board of Directors

<table>
<thead>
<tr>
<th>Title</th>
<th>Name</th>
<th>Outside</th>
<th>Compensation Advisory Committee</th>
<th>Nominating Advisory Committee</th>
<th>Special Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Representative Director</td>
<td>Kinjo Harimoto</td>
<td>-</td>
<td>-</td>
<td>×</td>
<td>-</td>
</tr>
<tr>
<td>Representative Director</td>
<td>Madoka Kitamura</td>
<td>-</td>
<td>-</td>
<td>×</td>
<td>-</td>
</tr>
<tr>
<td>Representative Director</td>
<td>Tatsuhiko Sawai</td>
<td>-</td>
<td>-</td>
<td>×</td>
<td>-</td>
</tr>
<tr>
<td>Representative Director</td>
<td>Kyosuke Furube</td>
<td>-</td>
<td>-</td>
<td>×</td>
<td>-</td>
</tr>
<tr>
<td>Director</td>
<td>Shunji Yamada</td>
<td>-</td>
<td>×</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Director</td>
<td>Noriaki Kiyota</td>
<td>-</td>
<td>×</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Director</td>
<td>Kazunori Mihara</td>
<td>-</td>
<td>×</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Director</td>
<td>Soichi Abe</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Director</td>
<td>Yuichi Narukyo</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Director</td>
<td>Ryosuke Hayashi</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Director</td>
<td>Hiroki Ogawa</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>Director</td>
<td>Kazuhiko Masuda</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
</tr>
</tbody>
</table>

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

### Composition of the Audit & Supervisory Board

<table>
<thead>
<tr>
<th>Title</th>
<th>Name</th>
<th>Outside</th>
<th>Compensation Advisory Committee</th>
<th>Nominating Advisory Committee</th>
<th>Special Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit &amp; Supervisory Board Member, Standing</td>
<td>Satoshi Miyazaki</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Member, Standing</td>
<td>Motoki Oniki</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Member</td>
<td>Masanori Takemoto</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Member</td>
<td>Akira Kalayanagi</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(Note) Compensation Advisory Committee members include an external expert who is appointed as an outside member.
Reasons for Adoption of Current Corporate Governance System

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

TOTO has adopted the Audit & Supervisory Board system and is building a structure of decision-making, supervision, and more efficient and effective business execution, with the aim of continuously increasing corporate value.

Clarifying the allocation of management responsibility (introduction of the Executive Officer system and the like)

Enhancing management transparency and soundness (establishment of the Compensation Advisory Committee and the Nominating Advisory Committee)

Reinforcing supervisory and auditing functions (nomination of highly independent Outside Directors and Outside Members of the Audit & Supervisory Board)

Strengthening decision-making functions (establishment of the Management Committee and the like)

In order to strengthen these functions, TOTO has adopted the framework of a company with an Audit & Supervisory Board system as its base while integrating the superior functions of a company with Nomination Committee, etc.

Compensation for Directors and Audit & Supervisory Board Members

(1) Policy for determining compensation, etc. for Directors and Audit & Supervisory Board Members

The maximum amount of compensation for Directors and Audit & Supervisory Board Members is determined respectively for Directors, Outside Directors, and Audit & Supervisory Board Members by resolutions of General Meetings of Shareholders.

Compensation for Directors

Compensation for Directors of TOTO comprises fixed compensation in the form of base compensation, and performance-linked compensation, which varies with the business performance and stock price of the company. Performance-linked compensation comprises bonuses (short-term performance-linked compensation), which are tied to business performance and limited to 0.8% of consolidated operating income, and stock compensation type stock options (medium- to long-term performance-linked compensation), which are aimed at having Directors share the common interests of our shareholders and incentivizing contributions towards increasing the corporate value and stock price of the company, and is designed to motivate Directors to not only consider the current business year, but also take a medium to long term perspective in their management of the company. In addition, the Compensation Advisory Committee was set up to help ensure that the compensation for Directors is reasonable and objective. The Board of Directors decides the compensation after confirming through the Compensation Advisory Committee that the compensation system and allocation balance are in line with the Articles of incorporation, the resolutions of the General Meeting of Shareholders, and the Basic Policy for Directors’ Compensation.

Note that Outside Directors, who are independent from the business operations, are entitled to only fixed compensation.

Schematic of Compensation for Directors (Excluding Outside Directors)

The base compensation for individual Audit & Supervisory Board Members

The base compensation for individual Audit & Supervisory Board Members is determined depending on his/her duties and responsibilities upon consultation with Audit & Supervisory Board Members.

(2) Total amount of compensation by type for Directors and Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Number of officers (person)</th>
<th>Base compensation (million yen)</th>
<th>Bonus (million yen)</th>
<th>Stock-compensation type stock options (million yen)</th>
<th>Total (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>16</td>
<td>407</td>
<td>224</td>
<td>73</td>
</tr>
<tr>
<td>(Outside Directors included above)</td>
<td>(3)</td>
<td>(18)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Members</td>
<td>5</td>
<td>54</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>(Outside members of Audit &amp; Supervisory Board included above)</td>
<td>(2)</td>
<td>(18)</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>462</td>
<td>224</td>
<td>73</td>
</tr>
</tbody>
</table>

(Note) The total amount of compensation approved at the General Meeting of Shareholders is shown below. (Approved at the 145th Ordinary General Meeting of Shareholders held on June 29, 2011)

(3) Amounts of compensation, etc. of Directors whose total amount of compensation, etc. exceeds 100 million yen, by type of payment

<table>
<thead>
<tr>
<th>Directors whose total amount of compensation, etc. exceeds 100 million yen</th>
<th>Base compensation (million yen)</th>
<th>Bonus (million yen)</th>
<th>Stock-compensation type stock options (million yen)</th>
<th>Total (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Representative Director Kunio Harimoto</td>
<td>62</td>
<td>40</td>
<td>11</td>
<td>114</td>
</tr>
<tr>
<td>Representative Director Madoka Kitamura</td>
<td>61</td>
<td>40</td>
<td>9</td>
<td>110</td>
</tr>
</tbody>
</table>

(1*) The employee salaries of director-employees are not included. (2*) Bonuses and stock-compensation type stock options are not paid out to Audit & Supervisory Board Members.
### Outside Directors and Outside Members of the Audit & Supervisory Board

Since all Outside Directors and Outside Members of the Audit & Supervisory Board are invited to join their respective boards as members who can make decisions materially independent of the management of TOTO and all other specific stakeholders, we designate all Outside Directors and Outside Members of the Audit & Supervisory Board as Independent Directors/Audit & Supervisory Board Members.

We nominate candidates for Outside Directors and Outside Members of the Audit & Supervisory Board who fully satisfy the Nominating Advisory Committee’s Requirements for Independent Directors/Audit & Supervisory Board Members [see (Note) below], the satisfaction of which is set forth by TOTO as a mandatory requirement.

### (Note) Requirements for Independent Directors/Audit & Supervisory Board Members

- A person who has experience in business management above a certain level, or a professional or an external expert in business management (a company owner with significant past achievements, a specialist in the investment banking business, a lawyer, a certified public accountant, a researcher who mainly studies the Companies Act or other acts, or any similar person);
- A person who is not or has not been a Director (except for an Outside Director; the same is applied hereinafter), an Audit & Supervisory Board Member (except for an Audit & Supervisory Board Member, Outside; the same is applied hereinafter), an accounting advisor, an Executive Officer, a manager or any other employee (collectively, the “Director”) of the Company, its Subsidiary or Affiliate Companies (collectively, the “Company Group”);
- A person who is not a relative within the third degree of relationship of a current or former Director of the Company Group (except for a person who is not a principal of the Company);
- A person who, during the most recent five years, has not served as a Director in a financial institution that is a major loan provider for the Company Group;
- A person who, during the most recent five years, has not served as a Director in a business associate that has business with the Company Group of 2% or more of the consolidated sales of either such business associate or the Company Group in any fiscal year during the recent five fiscal years;
- A person who is not a lawyer, a certified public accountant or other professional service provider (if such service provider is a corporation, association or other entity, a person who belongs to such entity and a person who belonged to such entity during the most recent five years) who received from the Company Group a compensation totaling 10 million yen or more in any fiscal year during the most recent five fiscal years; or
- A person who is not a Director of a company which is the Company's major shareholder or whose major shareholder is the Company, or who is not a Director of a parent company, subsidiary or affiliate of such company.

### Current Independent Directors/Audit & Supervisory Board Members

#### [Outside Director]

<table>
<thead>
<tr>
<th>Name and Current Positions</th>
<th>Reason for appointment as Independent Director</th>
<th>Attendance of the Meetings of the Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hiroki Ogawa (Advisor of Saibugas Co., Ltd.)</td>
<td>Hiroki Ogawa has been involved in the management of Saibugas Co., Ltd. for many years and has expertise in the housing industry. In consideration of the fact that he provides valuable advice at Meetings of the Board of Directors based on the expertise he has accrued during his career as a management expert, we believe that he is capable of overseeing and guiding management from an objective and independent perspective. His career including his history leads us to believe that he has the following experience, knowledge, or expertise: Experience and knowledge regarding business management in general, Experience and knowledge regarding corporate governance, Experience and knowledge regarding manufacturing at manufacturers</td>
<td>Attended 12 of the 12 meetings</td>
</tr>
<tr>
<td>Kazuhiro Masuda (Advisor of UAC Corporation, Outside Director of Sekisui Jushi Corporation, Outside Director of CK San-Etsu Co., Ltd., Outside Director of San-Etsu Metals Co., Ltd.)</td>
<td>Kazuhiro Masuda has been involved in the management of Sumitomo Light Metal Industries, Ltd. (currently, UAC Corporation) for many years. In consideration of the fact that he provides valuable advice at Meetings of the Board of Directors based on the expertise he has accrued during his career as a management expert, we believe that he is capable of overseeing and guiding management from an objective and independent perspective. His career including his history leads us to believe that he has the following experience, knowledge, or expertise: Experience and knowledge regarding business management in general, Experience and knowledge regarding corporate governance, Experience and knowledge regarding manufacturing at manufacturers</td>
<td>Attended 9 of the 10 meetings (Note: Since Mr. Kazuhiro Masuda was appointed at the 149th Ordinary General Meeting of Shareholders on June 27, 2014, the number of the Meetings of the Board of Directors he should have attended is different from that of the other Outside Director)</td>
</tr>
</tbody>
</table>

#### [Audit & Supervisory Board Member, Outside]

<table>
<thead>
<tr>
<th>Name and Current Positions</th>
<th>Reason for appointment as Independent Audit &amp; Supervisory Board Member</th>
<th>Attendance of the Meetings of the Board of Directors</th>
<th>Attendance of the Meetings of the Audit &amp; Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masami Takemoto (Advisor of Nitto Denko Corporation)</td>
<td>Masami Takemoto has been involved in the management of Nitto Denko Corporation for many years. In consideration of the fact that he performs his duties appropriately as an Outside Director of Nitto Denko Corporation and provides valuable opinions at Meetings of the Audit &amp; Supervisory Board and Meetings of the Board of Directors based on the expertise he has developed in his career as a professional corporate manager, we believe that he is capable of conducting supervision from an objective and independent perspective. His career including his history leads us to believe that he has the following experience, knowledge, or expertise: Experience and knowledge regarding business management in general, Experience and knowledge regarding corporate governance, Experience and knowledge regarding manufacturing at manufacturers</td>
<td>Attended 12 of the 12 meetings</td>
<td>Attended 17 of the 17 meetings</td>
</tr>
</tbody>
</table>
| Akira Katayanagi (Special Advisor of Mitsubishi UFJ NICOS Co., Ltd., Audit & Supervisory Board Member of Wacoal Holdings Corp.) | Akira Katayanagi has been involved in the management of financial institutions (Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mitsubishi UFJ NICOS Co., Ltd., etc.) for many years. In consideration of the fact that he performs his duties appropriately as an Outside Director of Audit & Supervisory Board and provides valuable opinions at Meetings of the Audit & Supervisory Board and Meetings of the Board of Directors based on the expertise he has developed in his career as a banking and professional corporate manager, we believe that he is capable of conducting supervision from an objective and independent perspective. His career including his history leads us to believe that he has the following experience, knowledge, or expertise: Experience and knowledge regarding business management in general, Experience and knowledge regarding corporate governance, Experience and knowledge regarding manufacturing at manufacturers | Attended 13 of the 17 meetings | }
TOTO has implemented all the principles in the Corporate Governance Code which require an explanation of reasons for not implementing, and TOTO will seek further improvement with regard to this issue.

**Items that require disclosure**

**Content of disclosure (overview)**

1. **Principle 1.** Policy with Regard to Strategic Stockholdings and Criteria for Exercising Voting Rights with Regard to Strategic Stockholdings

   Comprehensively taking into account the maintenance and strengthening of business alliances and various business transactions, TOTO strategically holds listed stocks in which the strengthening of relationships would contribute to an increase in corporate value. TOTO annually verifies the necessity and rationality of these stockholdings at Meetings of the Board of Directors to determine whether to continue holding such stocks. TOTO exercises voting rights with regard to strategic stockholdings after carefully examining the details of the proposals and judging whether to contribute to an increase in the corporate value of investments for the medium to long term on the assumption of contributing to the interests of TOTO. Additionally, TOTO converses with the investors on details of the proposals, if necessary.

2. **Principle 2.** Network for Confirmation of Transactions with Related Parties

   TOTO has established rules with competitive transactions and transactions involving a conflict-of-interest with Directors or companies that TOTO has substantially controlled or be subject to the approval of the Board of Directors. TOTO also investigates and specifies related parties that carry the possibility of having an impact on TOTO’s financial position and operating results based on the “Accounting Standard for Related Party Disclosures”. This confirms the existence of transactions with said related parties and the importance of said transactions, and if there are transactions to be disclosed, carries out such disclosure accordingly.

3. **Principle 3.** Information Disclosure

   (i) Company objectives (such as corporate philosophy), corporate strategies and management plans

   (ii) Basic Views and Basic Policy on Corporate Governance

   (iii) Policies and Procedures in Determining the Compensation of Senior Management and Directors by the Board of Directors

   (iv) Policies and Procedures for Appointing Senior Management and Nominating Candidates for the Board of Directors and Supervisory Board Members by the Board of Directors

   (v) Explanations for Each Individual Appointment and Nomination with Respect to the Appointments of Directors and Supervisory Board Members

   (vi) Basic Views and Basic Policy on Corporate Data

   TOTO has appointed two Outside Directors with a high level of independence. This makes it possible for the Board of Directors to engage in an open and objective discussion, sharing viewpoints from outside management. The Outside Directors provide their professional insight and advice from an objective viewpoint. This process is facilitated by the receipt of reports on activities of the Internal Audit Office, independent accounting auditors, and the internal control division, mainly by the Board of Directors, in its efforts to impelate Party Disclosures, confirms the existence of transactions with said related parties and the importance of said transactions, and, if there are transactions to be disclosed, carries out such disclosure accordingly.

4. **Supplementary Principle 4.1.3**

   Summary of Scope of Matters Delegated by the Board of Directors to the Management

   TOTO has established matters to be determined by resolution in the Rules for Boards of Directors. The matters mainly include those concerning the general meeting of shareholders, personnel and organizations, acquisition, settlement, stocks, corporate bonds and new share subscription rights, and corporate data. TOTO has established rules where competitive transactions and transactions involving a conflict-of-interest with Directors or companies that TOTO has substantially controlled or be subject to the approval of the Board of Directors. TOTO also investigates and specifies related parties that carry the possibility of having an impact on TOTO’s financial position and operating results based on the “Accounting Standard for Related Party Disclosures”. This confirms the existence of transactions with said related parties and the importance of said transactions, and if there are transactions to be disclosed, carries out such disclosure accordingly.

5. **Principle 4.** Appointment of Independent Directors

   TOTO has appointed two Outside Directors with a high level of independence. This makes it possible for the Board of Directors to engage in an open and objective discussion, sharing viewpoints from outside management. The Outside Directors provide their professional insight and advice from an objective viewpoint. This process is facilitated by the receipt of reports on activities of the Internal Audit Office, independent accounting auditors, and the internal control division, mainly by the Board of Directors, in its efforts to impelate Party Disclosures, confirms the existence of transactions with said related parties and the importance of said transactions, and, if there are transactions to be disclosed, carries out such disclosure accordingly.

6. **Principle 5.** Independence Standards Aimed at Securing Effective Individuality of Persons Who Will Become Directors

   TOTO’s Independent Directors are appointed in accordance with the requirements for Outside Directors, as set forth in the Companies Act, to the independence standards set forth by the financial instruments exchanges, in addition to “Requirements for Independent Directors/Audit & Supervisory Board Members”, as set forth by TOTO, which periodically assesses their status upon appointment.

   - The independence requirements for Independent Directors/Audit & Supervisory Board Members are stated earlier in this report.

    Stated earlier in “Composition of the Board of Directors and Audit & Supervisory Board in Fiscal 2015” in this report.

   - The Board of Directors maintains reports on the status and results of proposals, and oversees the execution of duties.

   - The Board of Directors appropriately discusses issues to be approved to make more strategic discussions.

   - The Board of Directors also strives to improve its function through proposals from the Directors themselves.

   - At Meetings of the Board of Directors at the end of the fiscal year, management policies and plans are discussed and approved by Meetings of the Board of Directors. Materials are distributed in advance and explanations concerning such matters are provided. This allows significant time for the Board of Directors to engage in active discussion at Meetings of the Board of Directors. The Board of Directors also strives to improve its function through proposals from the Directors themselves.

   - At Meetings of the Board of Directors, the Board of Directors in the fiscal year according to the approved mid-term management plans. Subsequently, policies on execution and significant matters in the mid-term plans are shared among all Directors and the general public. TOTO’s Board of Directors reviews and makes approval of the financial instruments exchanges, in addition to “Requirements for Independent Directors/Audit & Supervisory Board Members”, as set forth by TOTO, which periodically assesses their status upon appointment.

   - Under the strategic framework of the long-term management plan TOTO V-Plan 2017, Directors in charge of the three core businesses of “domestic housing equipment”, “overseas housing equipment”, and “new business domains”, as well as three cross-organizational innovation activities, which are aimed to optimize the operations of the entire company, are appointed based on their expertise and skills to increase the effectiveness of the management plans.

   - The Board of Directors appropriately discusses issues to be approved to make more strategic discussions.

   - The Board of Directors maintains reports on the status and results of proposals, and oversees the execution of duties.

7. **Supplementary Principle 4.1.4**

   Summary of Compliance with the Principles Concerning the Effectiveness of the Board of Directors

   At Meetings of the Board of Directors, the Board of Directors engages in self-analysis and self-evaluation concerning its effectiveness and appropriateness as well as the effectiveness of the corporate governance system through deliberation and reports on TOTO’s corporate governance. The Board of Directors appropriately makes decisions based on open and active discussions and performs an effective role in improving corporate value over the medium to long terms. Going forward, the Board will strive to further increase its effectiveness.

   - In principle, the Board of Directors holds a meeting once a month to discuss and approve significant matters in a timely manner.

   - Significant and related issues are discussed and prioritized at Management Committee meetings, prior to discussion at Meetings of the Board of Directors. Materials are distributed in advance and explanations concerning such matters are provided. This allows significant time for the Board of Directors to engage in active discussion at Meetings of the Board of Directors. The Board of Directors also strives to improve its function through proposals from the Directors themselves.

   - TOTO’s Board of Directors in the fiscal year according to the approved mid-term management plans. Subsequently, policies on execution and significant matters in the mid-term plans are shared among all Directors and the general public. TOTO’s Board of Directors reviews and makes approval of the financial instruments exchanges, in addition to “Requirements for Independent Directors/Audit & Supervisory Board Members”, as set forth by TOTO, which periodically assesses their status upon appointment.

   - Under the strategic framework of the long-term management plan TOTO V-Plan 2017, Directors in charge of the three core businesses of “domestic housing equipment”, “overseas housing equipment”, and “new business domains”, as well as three cross-organizational innovation activities, which are aimed to optimize the operations of the entire company, are appointed based on their expertise and skills to increase the effectiveness of the management plans.

   - The Board of Directors appropriately discusses issues to be approved to make more strategic discussions.

   - The Board of Directors maintains reports on the status and results of proposals, and oversees the execution of duties.

8. **Supplementary Principle 4.1.5**

   Summary of Actions Aimed at Promoting Constructive Dialogue with Shareholders

   TOTO provides opportunities for training necessary for Directors and Audit & Supervisory Board Members to fulfill their required roles and duties, and participate in external seminars at the time of new appointments. Upon appointment, Directors and Audit & Supervisory Board Members are to obtain the necessary skills and knowledge, mainly through attending seminars, as necessary.

   - To further understand the conditions facing the TOTO Group, Outside Directors accept invitations to visit domestic and overseas business sites to learn about such business conditions. Outside Directors and the Audit & Supervisory Board attend important meetings concerning the operations of the TOTO Group, its long-term strategy, and its financial statements.

   - TOTO designates the President as the Executive President in charge of engaging in dialogue with shareholders, based on the view that the Company should hold constructive discussions with shareholders and investors. The President, Executive Vice President, and Executive Officer have the charge of IR mainly on detailed strategy, evaluation, and management and company image, and are used as a source of information to ensure improvements in management.

   - TOTO discloses the purpose of its communications and policy on responses to investors in the TOTO Group Communication Policy. For domestic and overseas shareholders and investors, IR Policy is also established to ensure transparency and fairness. Additionally, please see “Shareholder and Investor Engagement” later in this report.
## Directors and Audit & Supervisory Board Members

### Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position and Affiliation</th>
<th>Birth Date</th>
<th>Role Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kunio Harimoto</td>
<td>Representative Director, Chairman of the Board</td>
<td>March 19, 1951</td>
<td></td>
</tr>
<tr>
<td>Madoka Kitamura</td>
<td>Representative Director, President</td>
<td>May 24, 1957</td>
<td>In charge of New Domain Business Group, Management Planning Division, Global</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Strategy Office, Secretary’s Office, and V-Plan new business domains</td>
</tr>
<tr>
<td>Tatsuhiko Saruwatari</td>
<td>Representative Director, Executive Vice President</td>
<td>March 1, 1953</td>
<td>In charge of Business Division and Internal Audit Office</td>
</tr>
<tr>
<td>Kiyoshi Fūrube</td>
<td>Representative Director, Executive Vice President</td>
<td>November 3, 1954</td>
<td>In charge of Sales Groups, Cultural Promotion Department, and V-Plan</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>domestic housing business</td>
</tr>
<tr>
<td>Shunji Yamada</td>
<td>Director, Senior Managing Executive Officer</td>
<td>July 1, 1956</td>
<td>In charge of Business Promotion Group, Customer Service Division, and Information System Planning Division</td>
</tr>
<tr>
<td>Noriaki Kiyota</td>
<td>Director, Senior Managing Executive Officer</td>
<td>October 8, 1961</td>
<td>In charge of System Product Group and Faucets &amp; Appliances Division</td>
</tr>
<tr>
<td>Nozomu Morimura</td>
<td>Director, Managing Executive Officer</td>
<td>July 10, 1957</td>
<td>In charge of Marketing Group, Sales Promotion Group, and V-Plan marketing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>innovation</td>
</tr>
<tr>
<td>Soichi Abe</td>
<td>Director, Managing Executive Officer</td>
<td>August 22, 1961</td>
<td>In charge of International Business Division and V-Plan overseas housing</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>equipment business</td>
</tr>
<tr>
<td>Yuichi Narukyio</td>
<td>Director, Managing Executive Officer</td>
<td>March 18, 1962</td>
<td>In charge of Corporate Administrative Group, Legal Affairs Division, and V-Plan management resource innovation</td>
</tr>
<tr>
<td>Ryosuke Hayashi</td>
<td>Director, Managing Executive Officer</td>
<td>September 4, 1963</td>
<td>In charge of Restroom Business Group and Production Technology Business Group, General Manager of Restroom Business Group, and in charge of V-Plan demand chain innovation</td>
</tr>
<tr>
<td>Hiroki Ogawa</td>
<td>Outside Director</td>
<td>September 21, 1941</td>
<td></td>
</tr>
<tr>
<td>Kazuhiko Masuda</td>
<td>Outside Director</td>
<td>April 24, 1942</td>
<td></td>
</tr>
</tbody>
</table>

### Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Position and Affiliation</th>
<th>Birth Date</th>
<th>Role Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satoshi Miyazaki</td>
<td>Audit &amp; Supervisory Board Member, Standing</td>
<td>November 10, 1955</td>
<td></td>
</tr>
<tr>
<td>Motohiro Oniki</td>
<td>Audit &amp; Supervisory Board Member, Standing</td>
<td>January 1, 1958</td>
<td></td>
</tr>
<tr>
<td>Masamichi Takemoto</td>
<td>Audit &amp; Supervisory Board Member, Outside</td>
<td>December 16, 1944</td>
<td></td>
</tr>
<tr>
<td>Akira Katayanagi</td>
<td>Audit &amp; Supervisory Board Member, Outside</td>
<td>February 4, 1946</td>
<td></td>
</tr>
</tbody>
</table>
Shareholder and Investor Engagement

IR Activity Transparently and Fairly Communicates the Most Recent Information
TOTO undertakes to engage in communication with institutional investors and shareholders as well as with individual shareholders and investors in Japan and other countries on the basis of IR policy in order to treat them with transparency and fairness. In addition to disclosing information in a timely manner through its dedicated website, TOTO also holds separate meetings as well as briefings to explain its financial results.

Explanatory Meetings for Private Investors
We host explanatory meetings for private investors because we want them to be more interested in our business. We offer various opportunities to provide information for the private investors.

Visiting Foreign Institutional Investors
With economy becoming more global every day, our top management does IR activities every year for foreign investors to have them understand our corporate strategies enough before they buy our shares. We visit the investors in Europe, United States, and Asian countries. As they see the presence of our products growing in each country, their interest in TOTO is also growing.

What We Do for Domestic Institutional Investors
For domestic investors, we hold meetings to explain our strategies and invite them to our plants from time to time, not to mention announcing financial results twice a year and entertaining media daily.

IR Activity Communicating the Most Recent Information
“Investor Relations” on our website introduces latest IR information including Message from the President, Long-Term Management Plan (V-Plan 2017) · Medium-term Management Plan, Corporate Governance, Business Risk and Topics.

http://www.toto.co.jp/company/ir_en/index.htm

IR Policy
1. Fundamental policy
The TOTO Group discloses information related to the settlement of accounts according to the rules determined by the Tokyo Stock Exchange (TSE), the Financial Instruments and Exchange Act, and other laws and ordinances. Even when not obligated to do so, we proactively disclose information for which disclosure is regarded as useful to all investors and shareholders.

2. Disclosure methods
- Brief Notes on the Settlement of Accounts and information disclosed according to the timely disclosure rules is made publicly available on the TSE Timely Disclosure Network (TDnet). Afterwards, it shall be published on the TOTO website. Information for which the timely disclosure rules do not apply shall be promptly disclosed via mediums including the TOTO website.
- In order to prevent the leakage of information related to the settlement of accounts and ensure fairness, the period from the day after the end of the fiscal period for each quarter until the announcement of the settlement of accounts is regarded as a “quiet period” in which no comments shall be made on the settlement of accounts and no questions shall be answered. However, the disclosure of information shall be carried out during this quiet period in the case that major changes are expected to occur regarding projections of business results.

3. Cautionary statement concerning forward-looking statements
Forward-looking statements released by TOTO on future business results are based on available data at the time of announcement. Actual business results may differ from projections due to various factors.
CSR Philosophy and System of Promotion

**CSR Philosophy**

TOTO Group considers CSR management to be management by the use of CSR initiatives for the purpose of bringing TOTO Group Corporate Philosophy to life. The TOTO Corporate Philosophy outlines the purpose of the company’s existence, our business fields and the desired image for all of our stakeholders as the basis of what the company motto strive to communicate.

**CSR Promotion System**

In fiscal 2004, the TOTO Group launched a Corporate Social Responsibility (CSR) Committee chaired by the President, and since then, the Committee has been promoting CSR management. The CSR Committee, which holds meetings once a year, is comprised of three fields: Environment, Social and Governance. Subcommittees that make up each field establish company-wide plans for their areas of responsibility, and engage in activities that cross over different departments and are expanded to related departments and Group companies. For the purpose of accelerating these efforts, a new executive officer in charge of overseeing CSR promotion at TOTO’s domestic and overseas companies has been established since fiscal 2014. Cooperation between each subcommittee and the supervising division is being bolstered with the aim of speeding up CSR management through the delegation of authority.

Promotion System of CSR Committee

<table>
<thead>
<tr>
<th>CSR Committee (chaired by the President)</th>
<th>(Secretariat) ESG Promotion Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental (E)</td>
<td></td>
</tr>
<tr>
<td>Products and services subcommittee</td>
<td></td>
</tr>
<tr>
<td>Energy-saving measure subcommittee</td>
<td></td>
</tr>
<tr>
<td>Packaging and logistics environmental subcommittee</td>
<td></td>
</tr>
<tr>
<td>Waste management subcommittee</td>
<td></td>
</tr>
<tr>
<td>Society (S)</td>
<td></td>
</tr>
<tr>
<td>Supply chain management subcommittee</td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction subcommittee</td>
<td></td>
</tr>
<tr>
<td>Management (G)</td>
<td></td>
</tr>
<tr>
<td>Group management subcommittee</td>
<td></td>
</tr>
<tr>
<td>Risk management subcommittee</td>
<td></td>
</tr>
<tr>
<td>Compliance subcommittee</td>
<td></td>
</tr>
</tbody>
</table>

**Identifying Materiality (material issues)**

For the purpose of tackling global social issues strategically, the TOTO Group has prepared a Materiality Map which takes into account “significance for society” and “significance for the TOTO Group,” and on this, it has clarified certain priority key issues for which CSR is promoted.

**Materiality Map (FY2014)**

- Water resource conservation
- Preventing global warming
- Promoting supply chain management

**Process of Identifying Materiality**

1. **Step 1 Identifying issues through collecting and organizing base information**
   - Social trend
   - Evaluation of CSR activities
     1. Social issues related to TOTO
     2. Evaluation of major risks
     3. Evaluation of CSR activities and CSR mid-term plan

2. **Step 2 Implementing evaluation of materiality level**
   - Materiality map which takes into account “significance for society” and “significance for the TOTO Group,” and on this, it has clarified certain priority key issues for which CSR is promoted.

3. **Step 3 Review with top management**
   - Review and reevaluation of materiality issues

4. **Step 4 Discussion by CSR Committee**
   - Discussion and approval of materiality issues

5. **Step 5 Implementing in CSR management**
   - Materiality is implemented in KPI and promotion plans in each committee and deployed in related departments and Group companies and put to action according to the promotion plan.
Risk Management

Risk Management Promotion Framework

The TOTO Group strives without limit to eliminate all causes of hindrances to the implementation of management policies in order to maintain the confidence of society through the fulfillment of its corporate social responsibilities. In cases of unexpected problems, maximum efforts will be made to minimize various effects on stakeholders and to restore confidence of related parties by developing appropriate recurrence prevention measures.

Our Risk Management Committee, chaired by the vice president, has as its members the executive officers overseeing major risks and division managers as members. In accordance with risk management rules, the Risk Management Supervising Division General Manager appointed to oversee risk management works with all divisions and Group companies through various committees and meetings to prevent risks and enhance the Group’s risk management response capabilities.

Risk Management Promotion System

Our Risk Management Committee, chaired by the vice president, has as its members the executive officers overseeing major risks and division managers as members. In accordance with risk management rules, the Risk Management Supervising Division General Manager appointed to oversee risk management works with all divisions and Group companies through various committees and meetings to prevent risks and enhance the Group’s risk management response capabilities.

Risk Management Action Cycle

Plan
- Identify major risks

Action
- Improve activities/systems

Check
- Evaluate responsiveness to risk
- Examine employee awareness

Major Risks in Fiscal 2015

Every year, major risks that could have a significant impact on stakeholders are identified and a general manager of the risk management supervision division is appointed for each risk in order to take preventive measures.

Each major risk is mapped out on a matrix evaluating degree of impact and frequency of occurrence from the viewpoints of damage to the brand, impact on personnel and financial consequences. Risks scoring high in risk points are flagged as priority risks and monitored by the Risk Management Committee, and risk mitigation activities are promoted throughout the entire Group.

Principle Major Risks
TOTO Global Environmental Vision

The TOTO Group established the TOTO Global Environmental Vision in 2014 for the purpose of taking its environmental contribution activities an evolutionary step further while facing up to the environmental problems of each country and region. Based on six themes of global environmental activities, the entire TOTO Group is committed to making contributions to the global environment through our business activities.

With a view to realizing the TOTO Global Environmental Vision, the TOTO Group established Global Environment Goals to be pursued on a common global basis until the end of fiscal 2017. As a company that is largely involved with water, we are committed to setting clear targets for each of the six themes centered around conserving water.

Global Environment Goals

FY2017 TOTO Group Global Environment Goals

<table>
<thead>
<tr>
<th>Conserving Water</th>
<th>Preventing Global Warming</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the amount of water consumed during product use by 1.3 billion m³ (due to improved performance compared to 1990)</td>
<td>Reduce CO₂ emissions during product use by 5.63 million t (due to improved performance compared to 1990)</td>
</tr>
<tr>
<td>Shipment rate of water-saving toilets (4.8L or less per flush) Japan: 70%, Overseas: 80%</td>
<td>Total CO₂ emissions from business sites: 352,000 t Using policies, reduce CO₂ emissions by 29,000 t (compared to FY2013)</td>
</tr>
</tbody>
</table>

Conserving Natural Resources

Promote zero emissions
Recycling rate in manufacturing plants Japan 99%, Overseas 90%

Conservation of Biodiversity

Using raw materials with consideration to biodiversity
(Japan) Usage rate of 100% legal and recycled materials for wood-based materials used in products

Environmental Management System

The TOTO Group has adopted the following management system for advancing environmental conservation activities. Company-wide environmental management reviews led by management are conducted twice a year within the Management Committee. Here, discussion is held on TOTO’s progress toward achieving company-wide environmental goals, as well as on important matters relating to the continual improvement of the management system. As for technical matters, technical subcommittees have been established to lead the entire TOTO Group, including domestic and overseas Group companies, with respect to objectives and measures.

The TOTO Group has gained unified ISO 14001 certification, with a focus on our manufacturing divisions (including domestic manufacturing Group companies) and plant management divisions. Continual improvements are made to our environmental management system in order for the PDCA cycle to function effectively across the entire TOTO Group.
Environmental Action Plan and results

In conjunction with the implementation 2014's "TOTO Global Environmental Vision", the 9th Global Environmental Action Plan has also been implemented.

We will accelerate our efforts as one TOTO Group to resolve global social issues such as water shortages and global warming.

9th Global Environmental Action Plan FY 2014 Results

<table>
<thead>
<tr>
<th>Evaluation index (KPI)</th>
<th>Scope</th>
<th>Standard year and value</th>
<th>FY2017 target</th>
<th>FY2014 target</th>
<th>FY2104 actual</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respect the value of water</td>
<td>Contribution of improvement in water efficiency of products</td>
<td>Japan/overseas</td>
<td>—</td>
<td>1.30 billion m³</td>
<td>1.08 billion m³</td>
<td>1.10 billion m³</td>
</tr>
<tr>
<td></td>
<td>Contribution to water-saving (Amount of contribution from performance improvement from 1990)</td>
<td>Japan/overseas</td>
<td>—</td>
<td>1.30 billion m³</td>
<td>1.08 billion m³</td>
<td>1.10 billion m³</td>
</tr>
<tr>
<td></td>
<td>Shipment ratio of water-saving toilets (Water per flush of 4.8L or less)</td>
<td>Japan</td>
<td>—</td>
<td>70%</td>
<td>58%</td>
<td>72%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Overseas</td>
<td>—</td>
<td>80%</td>
<td>53%</td>
<td>54%</td>
</tr>
<tr>
<td>Prevent global warming</td>
<td>Contribution to global reduction in CO₂ emissions from improvement in water and energy efficiency of products (Amount of contribution from performance improvement from 1990)</td>
<td>Japan/overseas</td>
<td>—</td>
<td>5,630 thousand t</td>
<td>4,970 thousand t</td>
<td>4,750 thousand t</td>
</tr>
<tr>
<td></td>
<td>CO₂ emission from offices</td>
<td>Japan/overseas</td>
<td>FY2013 emission 313 thousand t or less</td>
<td>352 thousand t</td>
<td>337 thousand t</td>
<td>324 thousand t</td>
</tr>
<tr>
<td></td>
<td>Amount of CO₂ reduction from initiatives in offices</td>
<td>Japan/overseas</td>
<td>FY2013 reduction 0t</td>
<td>29 thousand t</td>
<td>6.6 thousand t</td>
<td>7.1 thousand t</td>
</tr>
<tr>
<td></td>
<td>Reduction of fuel used for transportation per unit</td>
<td>Japan</td>
<td>FY2009</td>
<td>9%</td>
<td>5.2%</td>
<td>8.3%</td>
</tr>
<tr>
<td></td>
<td>Rate of progress in reduction plan of transportation fuel per unit</td>
<td>Overseas</td>
<td>—</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Respect the value of resources</td>
<td>Recycling rate in production sites</td>
<td>Japan</td>
<td>FY2013 99% or more</td>
<td>99% or more</td>
<td>99% or more</td>
<td>99.9%</td>
</tr>
<tr>
<td></td>
<td>Recycling rate in production sites *Recycling target with provisions</td>
<td>Overseas</td>
<td>FY2013 70%</td>
<td>90% or more</td>
<td>75%</td>
<td>74.4%</td>
</tr>
<tr>
<td>Do not pollute the earth</td>
<td>Violations of related environmental regulations</td>
<td>Japan</td>
<td>—</td>
<td>—</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Percentage of &quot;legal + recycled materials&quot; used *Legal materials include material from certified forests</td>
<td>Japan</td>
<td>—</td>
<td>100%</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>Social contribution</td>
<td>Number of Green Volunteers participants</td>
<td>Japan/overseas</td>
<td>—</td>
<td>55,000</td>
<td>42,000</td>
<td>42,500</td>
</tr>
</tbody>
</table>

Evaluation:
○...Achieved March 2014 targets
×...Not attained March 2014 targets
## Changes in Major Indexes

### Contribution to global water-saving from improvement of water efficiency of products (compared to FY1990)

*The CO2 emission equivalent for Japan is the coefficient in the Act of Promotion of Global Warming Countermeasures (however, electricity is 0.378 Kg-CO2/kWh), and for overseas, it is the coefficient in the GHG Protocol 2005. Some of the past data is based on estimated figures.*

### Contribution to global reduction in CO2 emissions from improvement in water and energy efficiency of products (compared to FY1990)

*Total CO2 emissions during product use is calculated using the amount of energy (electricity and gas) and water used during the period of product use for all products shipped during a particular year. (Excluding CO2 emission of some products which their use is unknown)*

### Shipment rate by quantity of water per flush (Japan)

- The percentage of products with a large flush (4.8L or below) among the toilet bowls that were shipped domestically in that year.

### Shipment rate by quantity of water per flush (Overseas)

- The percentage of products with a large flush (4.8L or below) among the toilet bowls that were shipped overseas in that year.

### Contribution to global reduction in CO2 emission from business sites (compared to FY2013)

*Number of participating employees and stakeholders (single year cumulative)*

### Number of Green Volunteer participants globally

*Number of participating employees and stakeholders (single year cumulative)*
Enhancing Value of Human Resources

In a spirit of respect for human life and dignity, the TOTO Group continuously cultivates its employees, prizing qualities such as enthusiasm, fertile imagination and autonomy, and contributes to the enhancement of employee satisfaction, as well as to the creation of customer lifestyles.

Promoting Diversity
The TOTO Group respects the individuality of each member of our diverse workforce, which differs in such respects as age, gender and nationality. We believe that we can create prosperous and comfortable lifestyles by leveraging the fresh new ideas born from these differences. Led by the Diversity Promotion Section within our Human Resource Division, we are currently promoting a wide range of activities, including the career advancement of women and the hiring of persons with disabilities and the Group has also set up an “employment status step-up” system for temporary and contract workers. We also introduce various role models on in-house diversity website and offer information on diversity working methods and promote understanding in the group.

Employee Composition
At the TOTO Group, all persons working for the TOTO Group are referred to as “employees.”

Employee ratio by region

<table>
<thead>
<tr>
<th>Region</th>
<th>March 2013</th>
<th>March 2014</th>
<th>March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>27,736</td>
<td>29,006</td>
<td>30,006</td>
</tr>
<tr>
<td>The Americas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia and Oceania</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Data for TOTO Group (regular, contract, temporary employees)

Age and Length of Service

<table>
<thead>
<tr>
<th>March 2013</th>
<th>March 2014</th>
<th>March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average age</td>
<td>44.3</td>
<td>39.0</td>
</tr>
<tr>
<td></td>
<td>43.8</td>
<td>39.7</td>
</tr>
<tr>
<td></td>
<td>43.9</td>
<td>40.2</td>
</tr>
<tr>
<td>Average length of service (years)</td>
<td>18.7</td>
<td>12.7</td>
</tr>
<tr>
<td></td>
<td>13.3</td>
<td>19.0</td>
</tr>
<tr>
<td></td>
<td>13.6</td>
<td></td>
</tr>
</tbody>
</table>

*Data for regular/contract employees of TOTO LTD.

Number of New Graduate Recruits

<table>
<thead>
<tr>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTO LTD.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>89</td>
<td>33</td>
<td>93</td>
</tr>
<tr>
<td>Domestic Group companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>58</td>
<td>25</td>
<td>95</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>147</td>
<td>58</td>
<td>188</td>
</tr>
</tbody>
</table>

*Data for TOTO Group (Japan)

Employee Turnover Rate

<table>
<thead>
<tr>
<th>March 2013</th>
<th>March 2014</th>
<th>March 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Turnover Rate</td>
<td>1.2%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

*Data for regular employees of TOTO LTD.

Career Support for Female Employees
Having set a target of increasing the percentage of female managers at TOTO to 10% by fiscal 2017, the centenary of our foundation, we have promoted a number of initiatives. Particularly in the hierarchy-based training sessions targeted at female employees, we concurrently run the training for their supervisors, and we are also putting a great deal of effort into enhancing the management skills of supervisors aimed at promoting the career advancement of women.

Percentage of women in management

<table>
<thead>
<tr>
<th>(%)</th>
<th>6</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Data for regular employees of TOTO LTD.

Through these initiatives, the Company has gained a good reputation for activities that have a female perspective in all aspects of TOTO operations, for building up the workplace environment, and for creating new value for customers through product development. TOTO was included in the first list of the “Top 100 Companies Encouraging Diversity in Management,” compiled by the Ministry of Economy, Trade and Industry. In addition, we are also selected as a Nadeshiko Brand in March 2015.
Promoting Employment of Persons with Disabilities
The TOTO Group aims to achieve normalization in its workplaces, and to this end, we continue to recruit individuals with disabilities. In fiscal 2014, we achieved a disabled person employment rate of 2.5% prior to the target year of fiscal 2017. From here onwards, we will be focusing on promoting the further occupational expansion of Group-wide disabled persons, such as promoting the recruitment of intellectually and mentally disabled people.

Globalization of Human Resource
TOTO has set a target at overseas Group companies of increasing the ratio of management positions (Division Managers) occupied by locally hired personnel to 50% by fiscal 2017 in order to make the companies part of local people’s lives. For this purpose, we invite overseas executive candidates to exchange views regarding the management layer, management philosophy and management policy from a viewpoint of globalization to share our awareness.

In addition, we implement human resources exchange programs, not only for our executives, but also for our general employees, and an enhanced Award System, which help to create a corporate culture working with a sense of unity.

Work-Life Balance
At the TOTO Group, we are committed to promoting a work-life balance and working time optimization under the notion that having our workforce to review their working hours to harmonize their work and home lives, which will lead to enhanced productivity and a sense of reward from work.

In recognition of these efforts to improve work-life balance, TOTO received the 6th Annual Grand Prize for Work-Life Balance, sponsored by the Japan Productivity Center, and has also obtained the Japanese Ministry of Health, Labour and Welfare’s “Kurumin” certification in recognition of its activities in support of child rearing.

Safety and Health
TOTO has been working to increase awareness of safety and stop unsafe work practices and conditions in order to eliminate work-related accidents.

Work-related Accident Frequency/Severity Rate in Japan

<table>
<thead>
<tr>
<th>Reference</th>
<th>Japan</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate</td>
<td>Closure</td>
<td>All industries</td>
<td>1.59</td>
<td>1.58</td>
</tr>
<tr>
<td></td>
<td>All manufacturing sectors</td>
<td>1.00</td>
<td>0.94</td>
<td>1.06</td>
</tr>
<tr>
<td></td>
<td>TOTO Group</td>
<td>0.12</td>
<td>0.21</td>
<td>0.13</td>
</tr>
<tr>
<td>Severity rate</td>
<td>All industries</td>
<td>0.10</td>
<td>0.10</td>
<td>0.09</td>
</tr>
<tr>
<td></td>
<td>All manufacturing sectors</td>
<td>0.10</td>
<td>0.10</td>
<td>0.09</td>
</tr>
<tr>
<td></td>
<td>TOTO Group</td>
<td>0.004</td>
<td>0.008</td>
<td>0.002</td>
</tr>
</tbody>
</table>

*Annual (January to December) data

<table>
<thead>
<tr>
<th>Reference</th>
<th>Japan</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency rate</td>
<td>Overseas</td>
<td>0.15</td>
<td>0.12</td>
<td>0.41</td>
</tr>
</tbody>
</table>

*Annual (January to December) data

Number of persons with disabilities employed

<table>
<thead>
<tr>
<th>FY</th>
<th>Persons (Rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>242 (2.12%)</td>
</tr>
<tr>
<td>2013</td>
<td>267 (2.40%)</td>
</tr>
<tr>
<td>2014</td>
<td>296 (2.54%)</td>
</tr>
</tbody>
</table>

*Data for TOTO Group (Japan)
*Number in brackets is employment rate of persons with disabilities

Overseas executive candidate training
## Ten-Year Summary of Selected Financial Data

(Unit: Million yen)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>494,784</td>
<td>512,200</td>
<td>501,060</td>
<td>464,505</td>
<td>421,929</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>321,213</td>
<td>337,734</td>
<td>330,782</td>
<td>311,765</td>
<td>275,639</td>
</tr>
<tr>
<td>Cost of sales ratio</td>
<td>64.9%</td>
<td>65.9%</td>
<td>66.0%</td>
<td>67.1%</td>
<td>65.3%</td>
</tr>
<tr>
<td>Selling, general and administrative (SG&amp;A) expenses</td>
<td>148,406</td>
<td>148,277</td>
<td>147,555</td>
<td>146,174</td>
<td>139,699</td>
</tr>
<tr>
<td>SG&amp;A ratio</td>
<td>30.0%</td>
<td>28.9%</td>
<td>29.4%</td>
<td>31.5%</td>
<td>33.1%</td>
</tr>
<tr>
<td>Operating income</td>
<td>25,164</td>
<td>26,187</td>
<td>22,722</td>
<td>6,566</td>
<td>6,589</td>
</tr>
<tr>
<td>Operating margin</td>
<td>5.1%</td>
<td>5.1%</td>
<td>4.5%</td>
<td>1.4%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Net income /loss</td>
<td>12,996</td>
<td>13,544</td>
<td>13,239</td>
<td>(26,261)</td>
<td>878</td>
</tr>
<tr>
<td>Net income margin/net loss margin</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>(5.7%)</td>
<td>0.2%</td>
</tr>
<tr>
<td>Capital investment</td>
<td>22,397</td>
<td>22,260</td>
<td>24,191</td>
<td>16,297</td>
<td>11,607</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>20,970</td>
<td>22,039</td>
<td>22,389</td>
<td>22,425</td>
<td>20,575</td>
</tr>
<tr>
<td>Research and development (R&amp;D) costs</td>
<td>11,722</td>
<td>11,752</td>
<td>12,001</td>
<td>13,087</td>
<td>13,113</td>
</tr>
<tr>
<td>R&amp;D cost ratio</td>
<td>2.4%</td>
<td>2.3%</td>
<td>2.4%</td>
<td>2.8%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Total assets</td>
<td>474,823</td>
<td>466,736</td>
<td>451,744</td>
<td>388,645</td>
<td>378,266</td>
</tr>
<tr>
<td>Current assets</td>
<td>214,130</td>
<td>217,780</td>
<td>210,126</td>
<td>187,689</td>
<td>180,149</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>260,693</td>
<td>248,955</td>
<td>241,618</td>
<td>200,955</td>
<td>198,116</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>241,271</td>
<td>233,494</td>
<td>220,213</td>
<td>203,751</td>
<td>189,717</td>
</tr>
<tr>
<td>Net assets*1</td>
<td>233,550</td>
<td>233,242</td>
<td>231,530</td>
<td>184,893</td>
<td>188,549</td>
</tr>
<tr>
<td>Operating CF</td>
<td>26,872</td>
<td>28,575</td>
<td>32,884</td>
<td>23,403</td>
<td>33,627</td>
</tr>
<tr>
<td>Investment CF</td>
<td>(7,260)</td>
<td>(25,310)</td>
<td>(22,121)</td>
<td>(18,629)</td>
<td>(14,828)</td>
</tr>
<tr>
<td>Financial CF</td>
<td>(16,501)</td>
<td>(10,834)</td>
<td>(7,246)</td>
<td>(2,215)</td>
<td>(12,233)</td>
</tr>
<tr>
<td>Free cash flow*2</td>
<td>19,612</td>
<td>3,265</td>
<td>10,763</td>
<td>4,774</td>
<td>18,799</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>12.00yen</td>
<td>13.00yen</td>
<td>14.00yen</td>
<td>10.00yen</td>
<td>10.00yen</td>
</tr>
<tr>
<td>ROE*3</td>
<td>5.9%</td>
<td>5.8%</td>
<td>5.8%</td>
<td>(12.9%)</td>
<td>0.5%</td>
</tr>
<tr>
<td>ROA*4</td>
<td>5.4%</td>
<td>5.6%</td>
<td>4.9%</td>
<td>1.6%</td>
<td>1.7%</td>
</tr>
<tr>
<td>EPS</td>
<td>37.1yen</td>
<td>39.1yen</td>
<td>38.2yen</td>
<td>(75.8yen)</td>
<td>2.5yen</td>
</tr>
<tr>
<td>BPS</td>
<td>638.4yen</td>
<td>659.7yen</td>
<td>652.8yen</td>
<td>520.4yen</td>
<td>530.4yen</td>
</tr>
<tr>
<td>Total asset turnover</td>
<td>1.06</td>
<td>1.09</td>
<td>1.09</td>
<td>1.11</td>
<td>1.10</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>46.6%</td>
<td>49.0%</td>
<td>50.1%</td>
<td>46.4%</td>
<td>48.6%</td>
</tr>
<tr>
<td>Number of shares outstanding (excluding treasury stock/period average)</td>
<td>346,796,611</td>
<td>346,638,825</td>
<td>346,542,137</td>
<td>346,437,170</td>
<td>346,391,504</td>
</tr>
</tbody>
</table>

*1. 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.

*2. Free cash flow = Operating cash flow + Investment cash flow

*3. ROE: Return on equity calculated using net income

*4. ROA: Return on assets calculated using operating income
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>433,557</td>
<td>452,686</td>
<td>476,275</td>
<td>553,448</td>
<td>544,509</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>273,259</td>
<td>286,803</td>
<td>303,231</td>
<td>341,780</td>
<td>337,285</td>
</tr>
<tr>
<td>Cost of sales ratio</td>
<td>63.0%</td>
<td>63.4%</td>
<td>63.7%</td>
<td>61.8%</td>
<td>61.9%</td>
</tr>
<tr>
<td>Selling, general and administrative (SG&amp;A) expenses</td>
<td>146,284</td>
<td>147,102</td>
<td>149,667</td>
<td>164,485</td>
<td>169,796</td>
</tr>
<tr>
<td>SG&amp;A ratio</td>
<td>33.7%</td>
<td>32.5%</td>
<td>31.4%</td>
<td>29.7%</td>
<td>31.2%</td>
</tr>
<tr>
<td>Operating income</td>
<td>14,014</td>
<td>18,779</td>
<td>23,376</td>
<td>47,181</td>
<td>37,426</td>
</tr>
<tr>
<td>Operating margin</td>
<td>3.2%</td>
<td>4.1%</td>
<td>4.9%</td>
<td>8.5%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Net income /loss</td>
<td>5,115</td>
<td>9,270</td>
<td>16,956</td>
<td>44,122</td>
<td>24,813</td>
</tr>
<tr>
<td>Net income margin/net loss margin</td>
<td>1.2%</td>
<td>2.0%</td>
<td>3.6%</td>
<td>8.0%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Capital investment</td>
<td>26,214</td>
<td>32,253</td>
<td>19,934</td>
<td>34,575</td>
<td>40,264</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>19,746</td>
<td>18,348</td>
<td>19,508</td>
<td>14,922</td>
<td>17,227</td>
</tr>
<tr>
<td>Research and development (R&amp;D) costs</td>
<td>15,606</td>
<td>16,643</td>
<td>15,983</td>
<td>17,428</td>
<td>18,466</td>
</tr>
<tr>
<td>R&amp;D cost ratio</td>
<td>3.6%</td>
<td>3.7%</td>
<td>3.4%</td>
<td>3.1%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Total assets</td>
<td>379,215</td>
<td>377,072</td>
<td>408,454</td>
<td>476,387</td>
<td>516,995</td>
</tr>
<tr>
<td>Current assets</td>
<td>184,203</td>
<td>181,554</td>
<td>205,485</td>
<td>258,800</td>
<td>266,637</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>195,011</td>
<td>195,518</td>
<td>202,969</td>
<td>217,586</td>
<td>250,357</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>199,050</td>
<td>191,491</td>
<td>195,043</td>
<td>219,790</td>
<td>236,412</td>
</tr>
<tr>
<td>Net assets*1</td>
<td>180,164</td>
<td>185,580</td>
<td>213,410</td>
<td>256,596</td>
<td>280,582</td>
</tr>
<tr>
<td>Operating CF</td>
<td>28,117</td>
<td>19,678</td>
<td>44,498</td>
<td>48,015</td>
<td>34,713</td>
</tr>
<tr>
<td>Investment CF</td>
<td>(22,758)</td>
<td>(22,446)</td>
<td>(22,971)</td>
<td>(4,033)</td>
<td>(30,040)</td>
</tr>
<tr>
<td>Financial CF</td>
<td>(7,260)</td>
<td>(12,164)</td>
<td>(2,178)</td>
<td>(23,328)</td>
<td>(11,393)</td>
</tr>
<tr>
<td>Free cash flow*2</td>
<td>(5,359)</td>
<td>(2,768)</td>
<td>21,527</td>
<td>43,982</td>
<td>4,673</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>10.00yen</td>
<td>10.00yen</td>
<td>14.00yen</td>
<td>23.00yen</td>
<td>26.00yen</td>
</tr>
<tr>
<td>ROE*3</td>
<td>2.8%</td>
<td>5.2%</td>
<td>8.8%</td>
<td>19.4%</td>
<td>10.0%</td>
</tr>
<tr>
<td>ROA**</td>
<td>3.7%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>10.7%</td>
<td>7.5%</td>
</tr>
<tr>
<td>EPS</td>
<td>14.9yen</td>
<td>27.1yen</td>
<td>49.5yen</td>
<td>130.2yen</td>
<td>73.8yen</td>
</tr>
<tr>
<td>BPS</td>
<td>513.5yen</td>
<td>525.6yen</td>
<td>602.2yen</td>
<td>737.7yen</td>
<td>802.8yen</td>
</tr>
<tr>
<td>Total asset turnover</td>
<td>1.14</td>
<td>1.20</td>
<td>1.21</td>
<td>1.25</td>
<td>1.09</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>46.2%</td>
<td>47.7%</td>
<td>50.6%</td>
<td>52.0%</td>
<td>52.3%</td>
</tr>
<tr>
<td>Number of shares outstanding (excluding treasury stock/period average)</td>
<td>344,259,297</td>
<td>342,013,603</td>
<td>342,892,129</td>
<td>338,911,922</td>
<td>336,233,556</td>
</tr>
</tbody>
</table>
Financial Highlights

**Net Sales**

Since formulating the TOTO V-Plan 2017, net sales have steadily grown, primarily buoyed by the remodeling strategy in our domestic housing equipment business and the luxury brand strategy in our overseas housing equipment business.

**Operating Income / Operating Margin**

Both operating income and operating margin have increased significantly on the back of growth in net sales and the effects of company-wide innovation activities under TOTO V-Plan 2017.

**Net Income / Net Income Margin**

TOTO experienced a deficit dip in fiscal 2008 (recording a net loss of 26.261 billion yen), but returned to profit the following year. Since then, both net income and net income margin have grown steadily.

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

We are proactively investing in research and development to achieve sustained growth. The rate of R&D costs to net sales is being maintained at above 2.0%.
Return on Equity (ROE)

Return on equity (ROE) has been growing steadily since net income returned to profit. In fiscal 2013, ROE increased considerably due to extraordinary income from the sale of assets and securities and to the acquisition and retirement of treasury stock.

Free Cash Flow

As a result of TOTO’s innovation activities and other efforts under TOTO V-Plan 2017, a virtuous cycle has transpired of generated cash flows being allocated to investment for sustained growth.

Return on Assets (ROA)

Having set a final target for return on assets (ROA) of 10% under TOTO V-Plan 2017, we have been promoting an improvement in business results together with better asset efficiency. As a result, ROA has been increasing steadily, and in fiscal 2013, surpassed 10%.

Dividend per Share / EPS (Net Income per Share)

TOTO aims to maintain stable dividend payments with a target payout ratio of 30%. Even in fiscal 2008 when EPS was negative, we continued to pay a dividend, albeit the deficit. More recently, there has been a steady underlying tone of increased dividends.
## Stock Information (as of September 30, 2015)

### Stock Exchange Listings
Tokyo, Nagoya and Fukuoka

### Securities code
5332

### Number of Shares
Authorized: 1,400,000,000
Issued: 353,962,595

### Number of Shareholders
23,297

### Transfer Agent
Mitsubishi UFJ Trust and Banking Corporation

### Major Shareholders

<table>
<thead>
<tr>
<th>Company/Group</th>
<th>Number of Shares Owned (thousands)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>27,779</td>
<td>7.85%</td>
</tr>
<tr>
<td>Meiji Yasuda Life Insurance Company</td>
<td>20,716</td>
<td>5.85%</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>19,763</td>
<td>5.58%</td>
</tr>
<tr>
<td>TOTO Ltd.</td>
<td>15,745</td>
<td>4.45%</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>10,787</td>
<td>3.05%</td>
</tr>
<tr>
<td>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td>
<td>6,175</td>
<td>1.74%</td>
</tr>
<tr>
<td>BBH BOSTON FOR FIDELITY CONTRAFUND:ADVISOR NEW INSIGHTS FUND</td>
<td>6,114</td>
<td>1.73%</td>
</tr>
<tr>
<td>The Nomura Trust and Banking Co.,Ltd.(Investment Trust Account)</td>
<td>6,060</td>
<td>1.71%</td>
</tr>
<tr>
<td>Sekisui House, Ltd.</td>
<td>5,343</td>
<td>1.51%</td>
</tr>
<tr>
<td>THE BANK OF NEW YORK MELLON SA/NV 10</td>
<td>5,211</td>
<td>1.47%</td>
</tr>
</tbody>
</table>

### Composition of Shareholders (thousand shares)
- Treasury stock (15,745)
- Security companies (7,444)
- Other Japanese companies (44,737)
- Financial institutions (153,946)
- Individuals and others (49,662)
- Foreign institutions (82,425)

### Changes in Stock Price and Trading Volume

*We have change the number of shares constituting one unit to 100 shares from 1,000 shares and also consolidated its shares (consolidate two shares to one share) on October 1, 2015. The above Changes in Stock Price and Trading Volume are calculated as if the share consolidation was made at the start of fiscal 2013.*

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45
Dividend Policy and Dividends

Dividend Policy

Return of profit to shareholders is an important part of our management policy. We make it a rule to retain enough earnings to secure funds for building a firm corporate structure and expanding our business while assuring a stable return of profit to shareholders. Retained earnings will be spent to improve product strength, streamline and strengthen production and sales systems, and develop new and overseas businesses to establish long lasting and solid management basis.

The acquisition of treasury stock is determined from a comprehensive standpoint, based on the need for a flexible capital policy and the impact on the financial position.

Dividend record dates

Interim dividend September 30
Year-end dividend March 31

Dividend per share

(Unit: Yen)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>10</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Year-end</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>8</td>
<td>13</td>
<td>13</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>14</td>
<td>23</td>
<td>26</td>
<td>—</td>
</tr>
</tbody>
</table>

* TOTO conducted a share consolidation in which every two common shares was consolidated into one share with October 1, 2015, as the effective date.

As a result, forecast for fiscal 2015 year-end dividends per share is estimated as 30 yen, twice the amount of year-end dividends per share based on the ratio of consolidation.

The amount for the total annual dividends per share for the year is omitted and shown as a dash (−) as the 2nd quarter-end dividends per share and the fiscal year-end dividends per share cannot be simply added.

Share consolidation and change in share unit (from October 1, 2015)

We have change the number of shares constituting one unit to 100 shares from 1,000 shares and also consolidated its shares (consolidate two shares to one share) on October 1, 2015.

<table>
<thead>
<tr>
<th>Total number of shares issued and total number of shares authorized after share consolidation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before share consolidation</td>
</tr>
<tr>
<td>Total number of shares issued</td>
</tr>
<tr>
<td>Total number of shares authorized</td>
</tr>
</tbody>
</table>
External Evaluation & Rating Information

Following is a description of the main awards, recognition and ratings received from external organizations for the TOTO Group’s product technology (manufacturing) and business activities.

### Recognition for Product Technology

**[Technology and the environment]**
- New West building of the Shiga Plant received top award, Minister of Economy, Trade and Industry Prize, in the energy-saving activities category of the FY2013 Energy Conservation Grand Prize [FY2013]
- Air-in-Shower received Steering Committee Chairperson’s Award in the eco-products category at the 9th Eco Products Awards, and the Chairman Prize of ECCJ in the product and business model category at the FY2012 Energy Conservation Grand Prize [FY2012]
- Washlet G, the first-generation Washlet, was certified as Mechanical Engineering Heritage from the Japan Society of Mechanical Engineers [FY2012]
- Received 6th Prime Minister’s Prize, Monozukuri Nippon Grand Award for “development of ‘low-dust emitting material for manufacturing equipment’ as the basis for the next-generation semiconductor equipment.” [FY2015]

**[Product design]**
- Received iF Product Design Award Toilets featuring Washlet Neorest AC, Washlet SG and Standalone WC and Washlet for overseas markets. [FY2014]
- Received Red Dot Design Award Neorest RH toilets featuring Washlet for domestic market and Neorest Washbasin and CI Series Bathroom Furniture lavatories for overseas markets. [FY2014]

### Recognition and Ratings for Business Activities

**[CSR activities]**
- Designated with a Bronze Class CSR rating by RobecoSAM [FY2014]

**[SRI evaluation]**
- Included in the Dow Jones Sustainability World Index, DJSI World [Fifth consecutive year since FY2011]
- Selected as a PIONEER in the Ethibel Investment Register [FY2015]

**[Environmental management]**
- Selected in the Carbon Disclosure Leadership Index of the CDP Japan 500 Climate Change Report. [Fourth consecutive year since FY2012] and Climate Performance Leadership Index [FY2015].

**[Logistics]**
- Efforts for logistics innovation received Logistics Grand Prize from the Japan Institute of Logistics Systems [FY2012]

**[Employment of people with disabilities]**
- SUNAQUA TOTO Co., Ltd. received the 2013 Award from the Minister of Health, Labour and Welfare as a business displaying excellence in the employment of disabled persons [FY2013]

**[Markets]**
- Selected as the fiscal 2015 “Nadeshiko Brand” of Ministry of Economy, Trade and Industry. [FY2014]
- Selected as the Health & Productivity Stock Selection hosted by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange. [FY2014]
Corporate Data

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

Establishment
May 15, 1917

Capital
¥35,579 million

Number of Employees
Consolidated: 26,842
Non-consolidated: 6,783

Fiscal Year-End
March 31

Stock Listings
Tokyo, Nagoya, Fukuoka stock exchanges

Securities Code
5332

Transfer Agent
Mitsubishi UFJ Trust and Banking
1-4-5 Marunouchi, Chiyodaku, Tokyo 100-8212

Overview of TOTO Group Communication Tools

TOTO CORPORATE REPORT 2015
(Japanese/English)
This comprehensive booklet conveys the overall image of the TOTO Group from CSR perspective extending from the corporate philosophy to individual activities.

TOTO CORPORATE VIEW 2015
(Japanese/English)
A new tool (PDF file) comprising a summary of TOTO’s financial and ESG (environment, society, and governance) data, TOTO’s history and business activities.

TOTO Guide
(Japanese/English/Chinese/Korean)
This booklet summarizes the TOTO approach to different aspects of business, making it handy for the general public as well. It is distributed at TOTO showrooms, plant tours and events.

TOTO CORPORATE VIEW 2015
Website
http://www.toto.co.jp/company/profile/en/
This section of the TOTO Group website covers detailed information on a wide variety of topics in addition to the contents introduced in the printed version.