

FY2018-2022 Mid-Term Management Plan

T O T O W I L L 2 0 2 2

October 30, 2017

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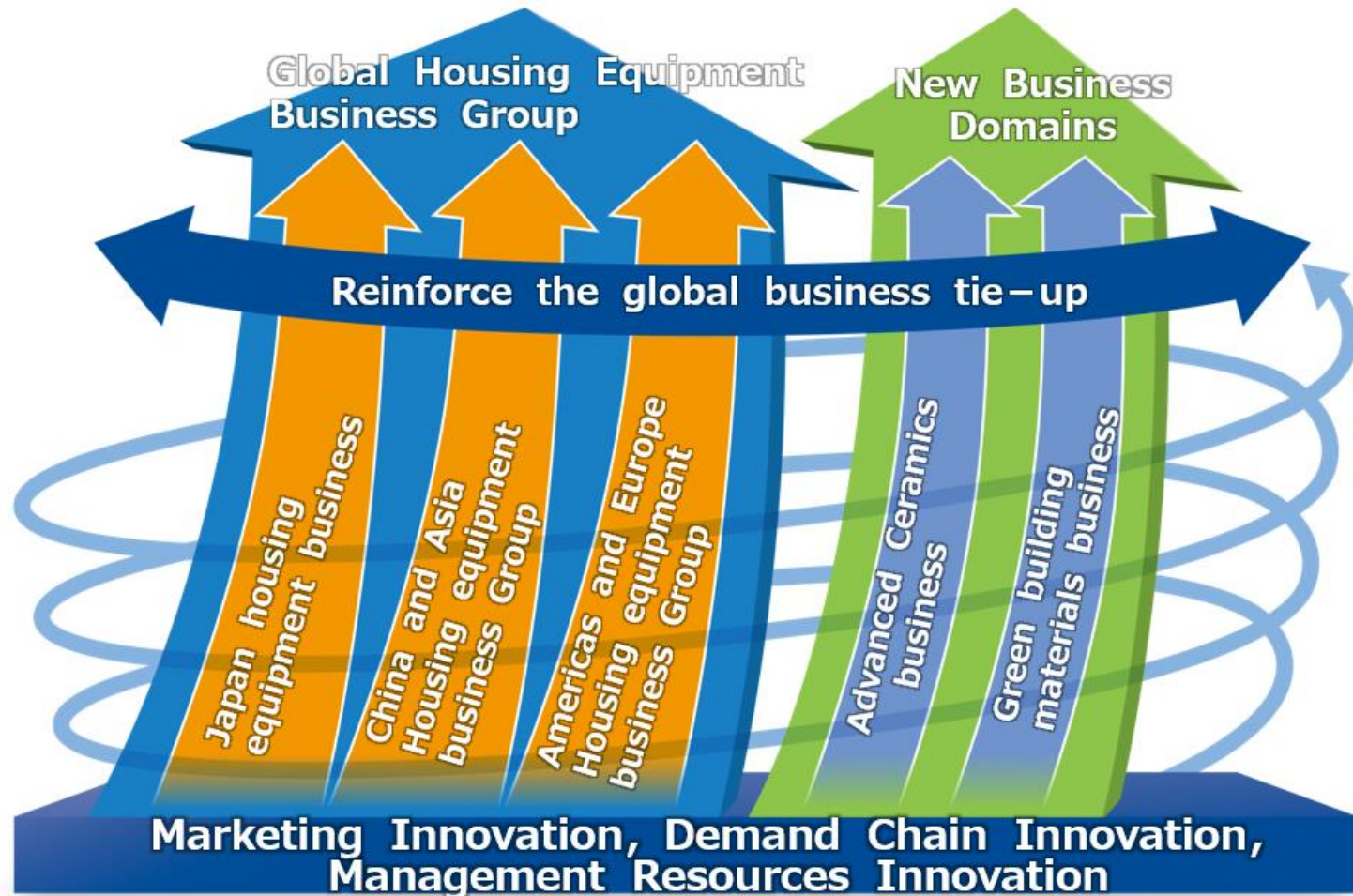
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1. Review of V-Plan

1. Review of V-Plan

V-Plan 2017 Current Promotion Framework



In FY2016, we began promoting the V-Plan under a framework consisting of two businesses - global housing equipment business and new business domains - and three innovation tasks underpinning these.

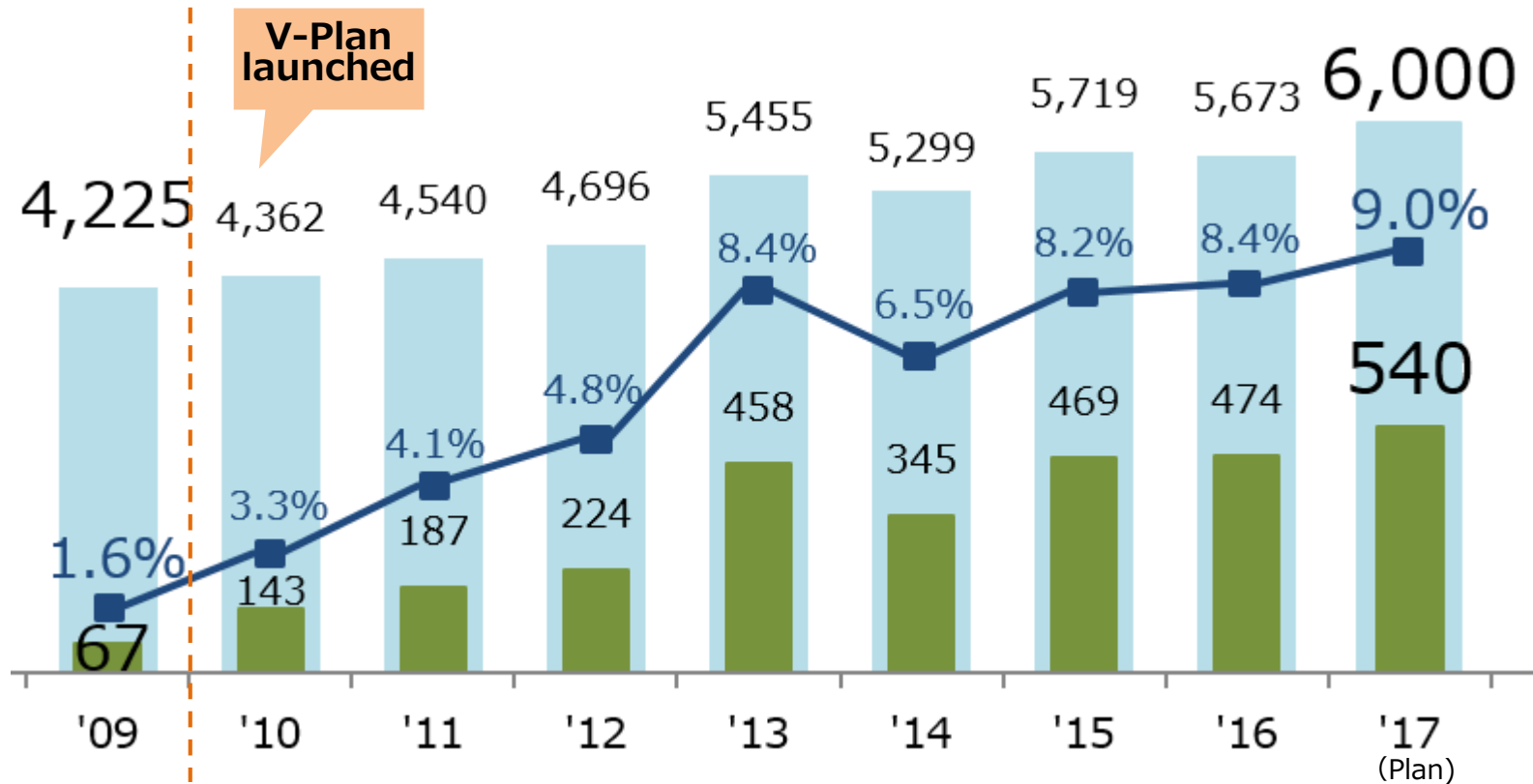
1. Review of V-Plan

Business Results

Net sales Operating Profit Operating margin

Unit: Y 100 million

After change using average during each term



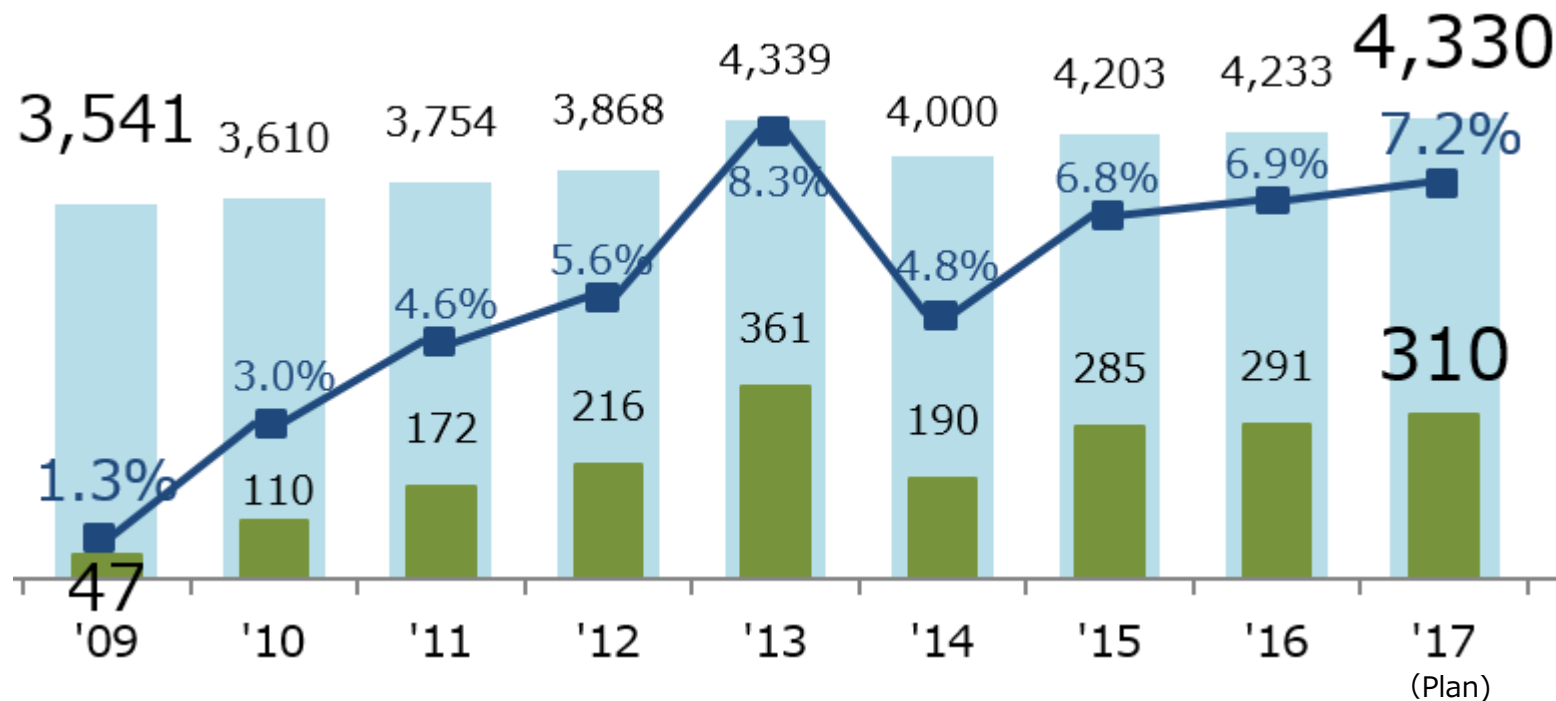
Since V-Plan was launched, both sales and operating profit have grown sharply.

1. Review of V-Plan

Business Results Housing Equipment Business (Japan)

Net sales Operating Profit Operating margin

Unit: Y 100 million



Remodeling ratio

67%

69%

66%

67%

68%

66%

68%

67%

68%

An increase in the remodeling ratio and the CR of innovation tasks led to a significant increase in profits

1. Review of V-Plan

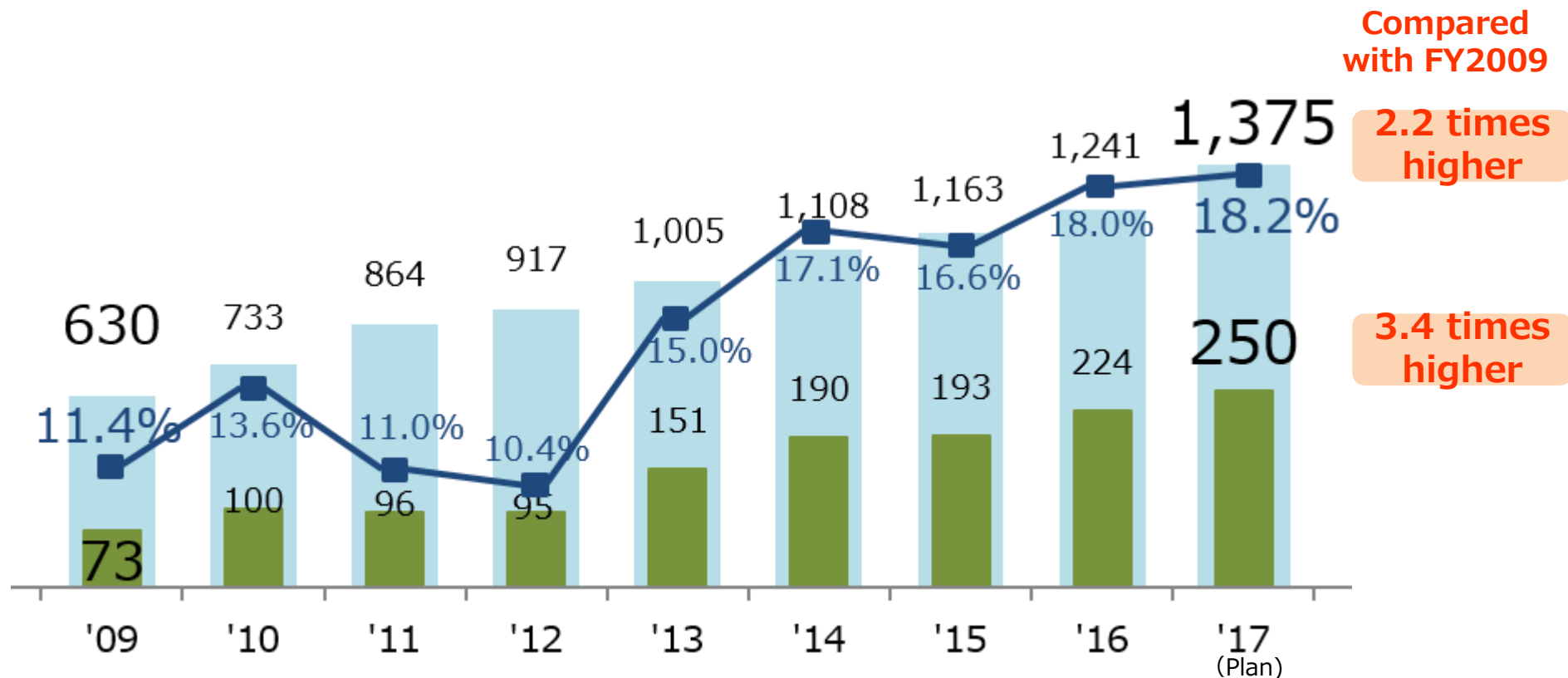
Business Results Housing Equipment Business (Overseas)

Net sales Operating Profit Operating margin

※ Convert at the same rate as the 2017 plan

Unit: Y 100 million

After change using average during each term



Both sales and operating profit increased, reflecting progress with market development in each country/region

1. Review of V-Plan

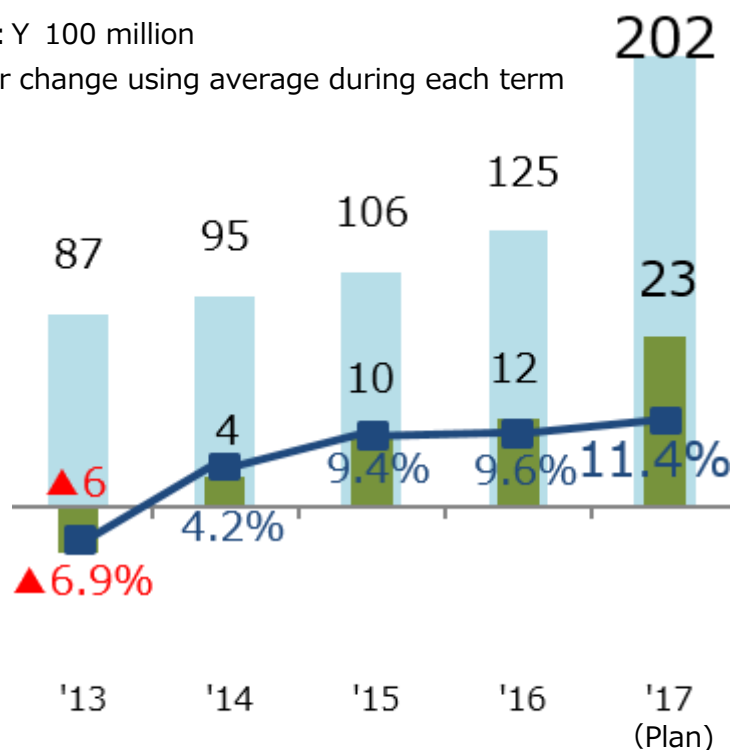
Business Results New Business Domains

Net sales Operating profit
Operating margin

Advanced Ceramics business

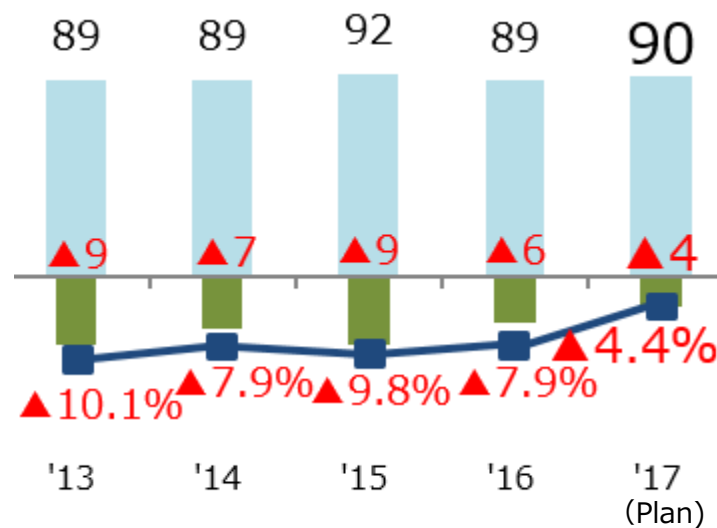
Unit: Y 100 million

After change using average during each term



Both sales and operating profit rose sharply, reflecting stronger actions to meet needs of growing markets such as next-generation memory market.

Green building materials business

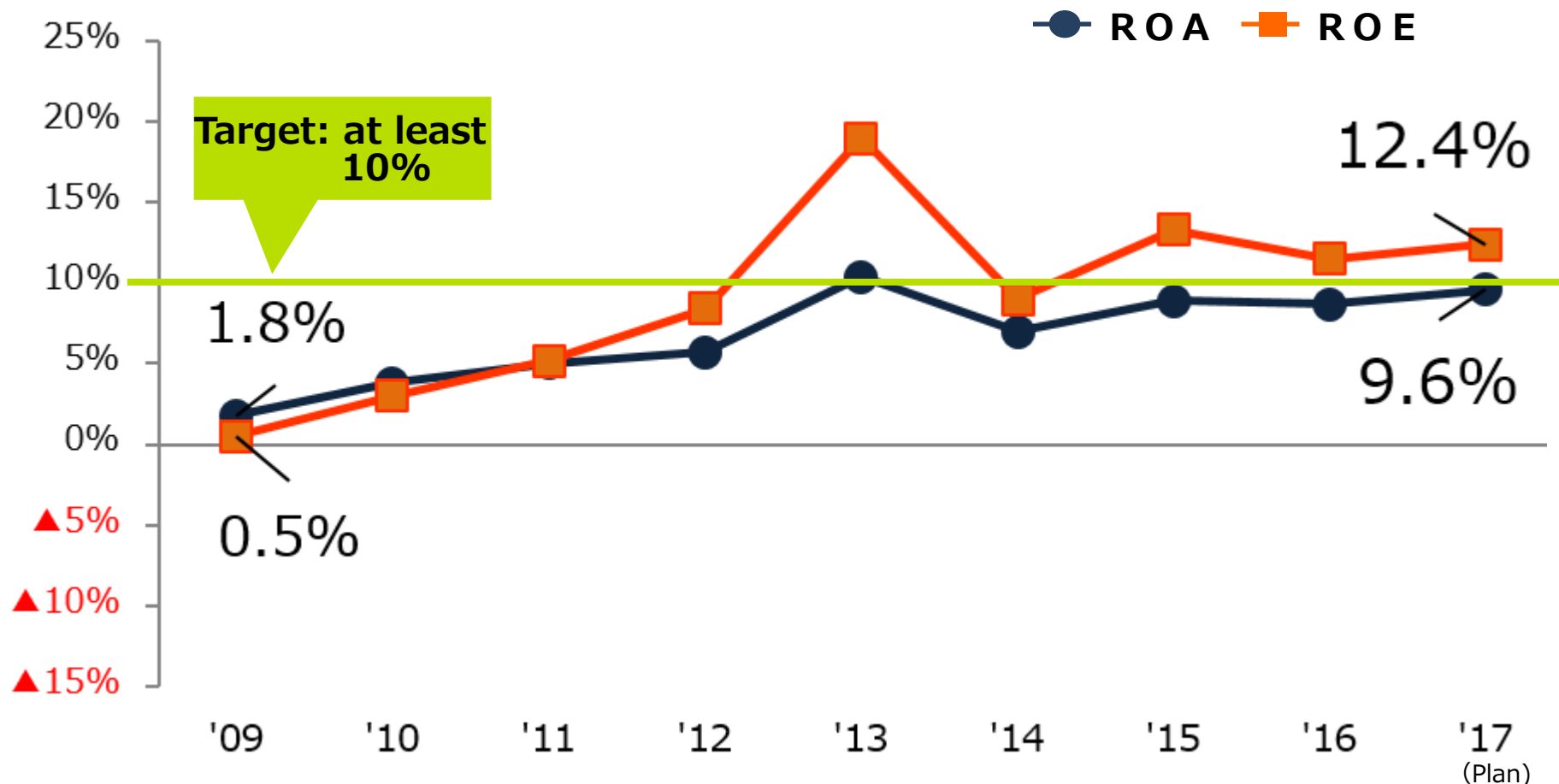


Sales were almost flat. The operating loss narrowed.

1. Review of V-Plan

Business Results ROA and ROE

After change using average during each term



In conjunction with expansion of profits and reinforcement of our business structure, we streamlined our assets, and ROA and ROE improved.

2. For the Next 100 Years

2. For the Next 100 Years

Our vision

Keep gaining TOTO fans around the world

**Make Japan the world's
showroom**



**Adapt our system from
production to marketing
in each country**



**Pursuit of customer
satisfaction**

Products

**Fuse design with functionality
and deliver a clean and
comfortable space**

Service

**Place importance on connections
between people around the world
and remain a trusted company**

2. For the Next 100 Years

To realize our vision

■ Communication of corporate message globally

あしたを、ちがう「まいにち」に。

We have created an English version of the corporate message.

Life Anew

To create a culture of comfortable, healthy living.

Since our founding, we have continuously pursued innovations that offer greater wellness and comfort to daily life.

Honoring the trust that our customers and society place in us, TOTO remains dedicated to delivering products that offer inclusive functionality and respect for the environment.

We embrace these values every day to create a future that surpasses all expectations.

We are positioning “Life Anew” as our global corporate message.

2. For the Next 100 Years

To realize our vision

■ New missions

Provide Cleanliness and Comfort for Life

Pleasant feeling for everyday use.

Our products are part of life, providing revolutionary cleanliness and comfort for a thriving future.

Respect the Environment

Respect for water, earth and living.

We are a socially conscious business committed to preserving the environment for our children.

Build Relationships That Enrich Life

Establishing relationships with customers to improve lives everyday.

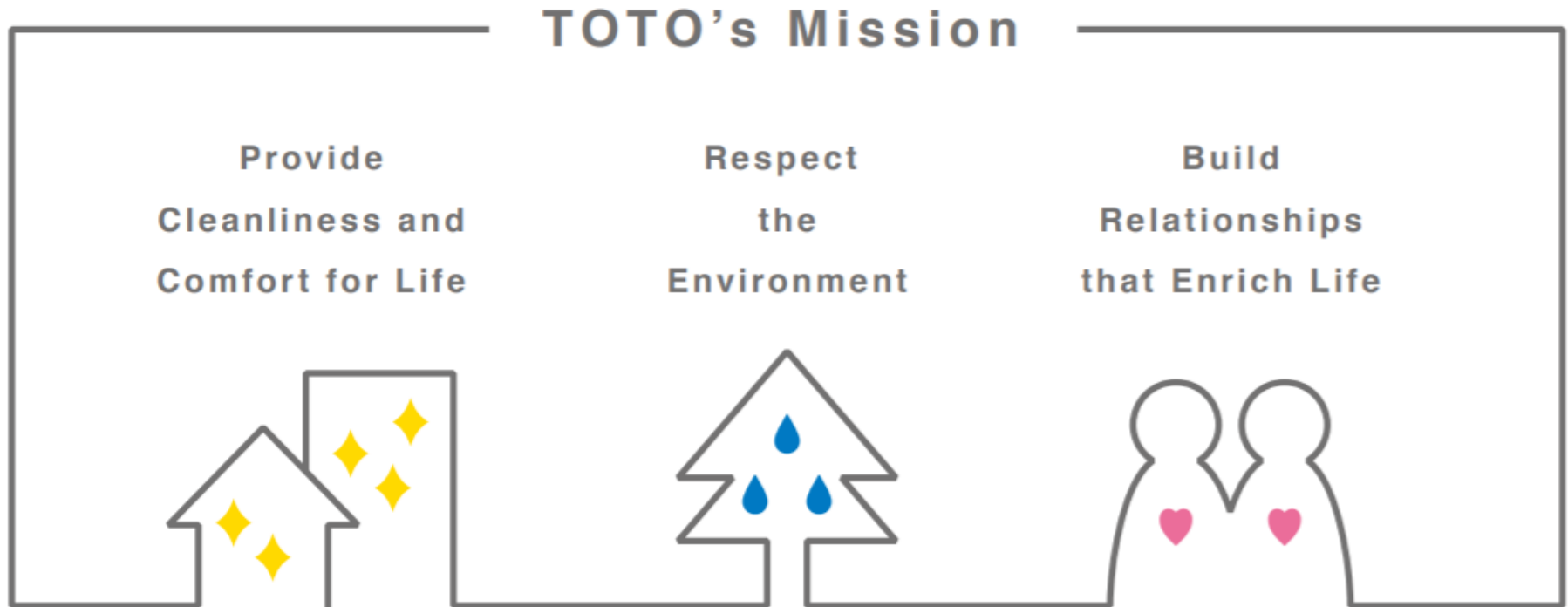
Every day we strive to improve the customer experience and build relationships that last generations.

We are setting ourselves new missions in response to the changing times and social trends.

2. For the Next 100 Years

To realize our vision

■ New missions (Logo)



We are creating a global logo combining our new missions.

2. For the Next 100 Years

To realize our vision

■ Establishment of new Global Environmental Vision in line with new missions

Now



New missions

Provide Cleanliness and Comfort for Life

Respect the Environment

Build Relationships That Enrich Life

Material issue

Cleanliness and Comfort

Environment

Relationships

After revision
(April 2018 ~)



Besides the "Environment," which is already considered a material issue, we will consider "social themes" closely related to our businesses as material issues, and seek further integration of CSR into corporate management.

3. Mid-Term Management Plan

3. Mid-Term Management Plan

Positioning of new Mid-Term Management Plan



We will aim to further enhance our corporate value by seeking to integrate CSR into corporate management.

3. Mid-Term Management Plan

Promotion System



3. Mid-Term Management Plan

Name

Mid-Term Management Plan “TOTO WILL 2022”

<Meaning of WILL>

**We Innovates
Leading Lifestyles**

→We propose (innovate) optimal lifestyles.

Inherit our forerunners' wishes and
Keep gaining TOTO fans around the world.
Pursue a better future with a strong **will**.

3. Mid-Term Management Plan

Management Indicators

Unit:Y 100 million

	FY2017		FY2022
Net Sales	6,000	➡	7,200
Operating profit	540	➡	800
ROA	9.6%	➡	12.0%
ROE	12.4%	➡	13.0%

3. Mid-Term Management Plan

Plan for total/segment sales

Unit: ¥ 100 million

	FY2017	FY2022	Aggregate growth rate	Annual average growth rate	Focus Points
Domestic H.E.	4,330	4,500	+4%	(+1%)	Establish and maintain strong business structure by promoting "Anshin" remodelling strategy and strengthening public strategy.
Remodeling	2,925	3,200	+9%	(+2%)	
New Housing	1,405	1,300	▲8%	(▲2%)	
Overseas H.E.	1,375	2,200	+60%	(+10%)	Provide high-performance, high-quality products, with focus on WASHLET.
China	715	1,060	+48%	(+8%)	
Asia & Oceanian Region	317	560	+77%	(+12%)	
Americas	307	510	+66%	(+11%)	
Europe	36	70	+94%	(+14%)	
New Domain	292	500	+71%	(+11%)	Enhance customer value by further developing "Only One" technologies.
Advanced Ceramic business	202	370	+83%	(+13%)	
Green Building Materials business	90	130	+44%	(+8%)	
Total	6,000	7,200	+20%	(+4%)	

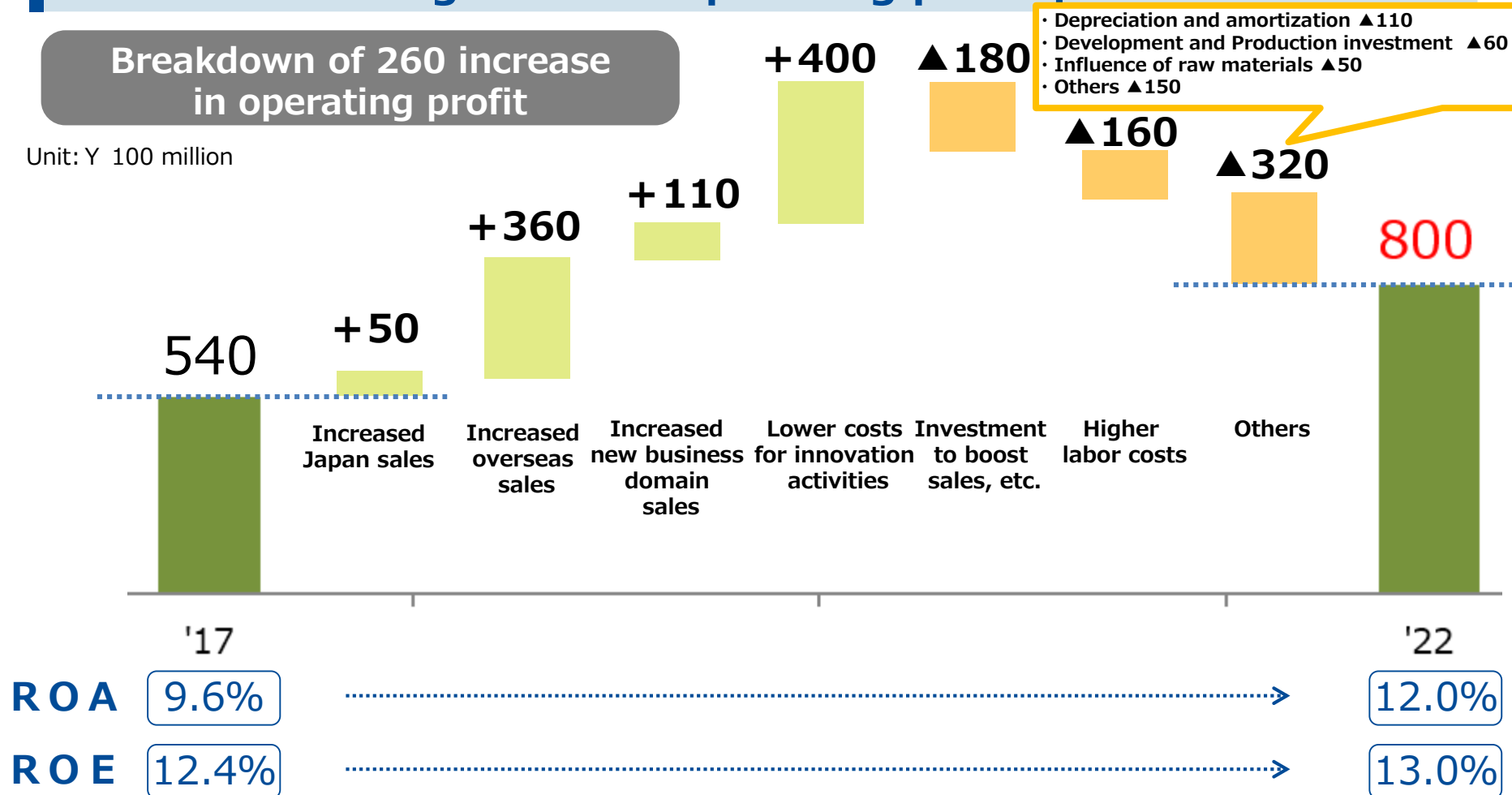
※Exchange rates
 1 CNY = ¥17.0
 1 \$ = ¥110.0
 1 € = ¥130.0

3. Mid-Term Management Plan

Factors for change in total operating profit plan

Breakdown of 260 increase
in operating profit

Unit: Y 100 million



We will aim for operating profit of 800 through sales growth driven by overseas sales and cost reductions.

3. Mid-Term Management Plan

<Japan housing equipment business>

■ Japan housing equipment business

Sales and operating profit plans under Mid-Term Management Plan

Unit: Y 100 million

FY2017

FY2022

Net Sales

4,330

4,500

Remodeling

2,925

3,200

New
Housing

1,405

1,300

**Operating
Profit**

310

360

Remodeling

260

320

New
Housing

50

40



<Aims>

Remodeling

Provide remodeling plus “Anshin”

**New
housing**

**Strengthen attractive products that meet customer
needs and our ability to propose solutions**

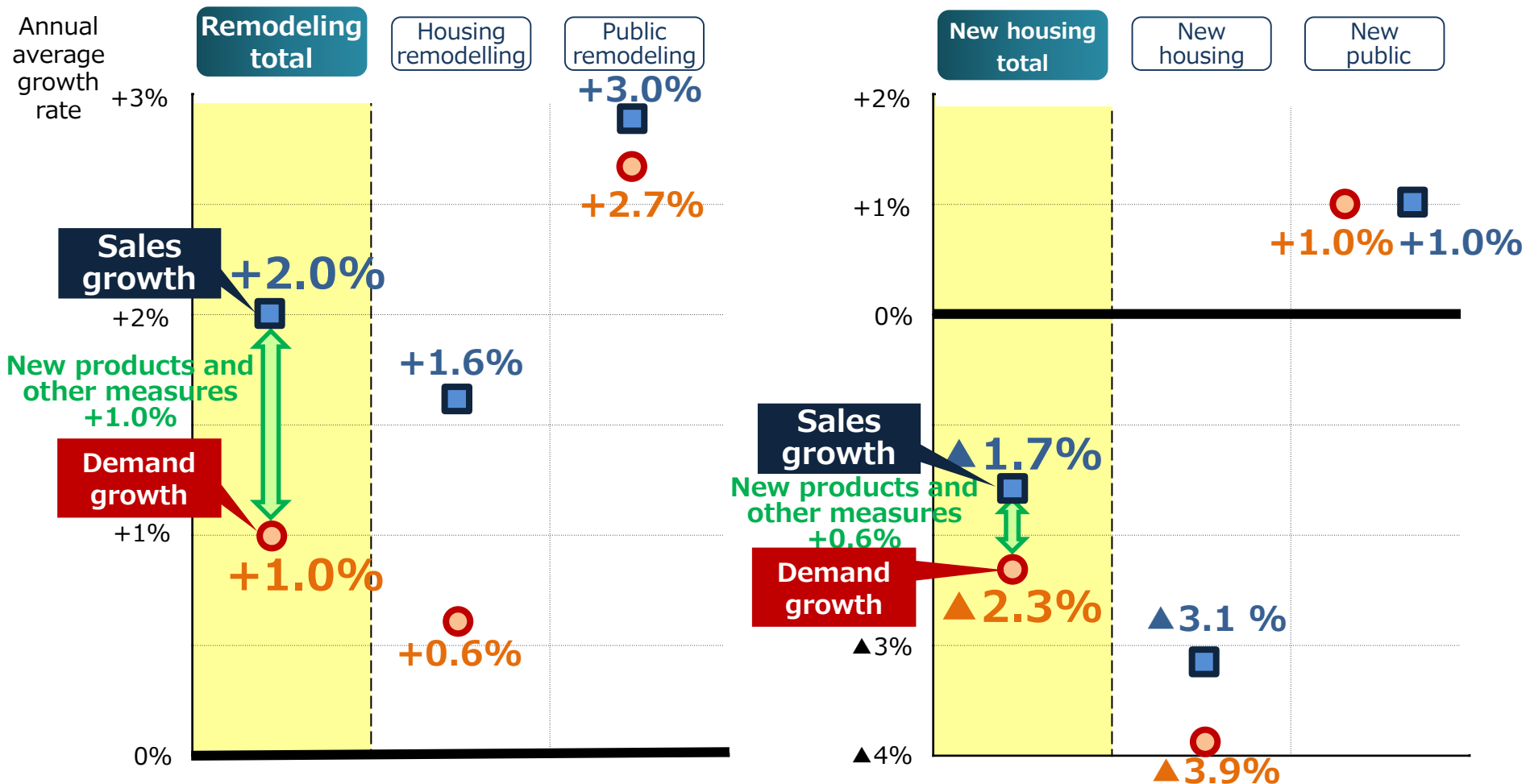
Public

**Tell the world about Japan’s toilet culture as created by
TOTO ~ Turn Japan into a showroom for the world~**

3. Mid-Term Management Plan

<Japan housing equipment business>

<For reference> Comparison of annualized growth rates of demand and sales by use



Remodeling sales are projected to rise 2.0% against forecast annualized demand growth of 1.0%.
New housing sales are projected to fall 1.7% against forecast annualized decline in demand of 2.3%.

3. Mid-Term Management Plan <Japan housing equipment business>

“Anshin” remodelling strategy

1993
Remodeling
Declaration

Turning customers’
problems into joy

2003
New Remodeling
Declaration

Exceeding customers’
expectations

2018
Remodeling “Anshin”
Declaration

TOTO has always proposed new lifestyles to its customers. While staying true to this tradition, TOTO will further develop the concept of “remodeling”. The latest declaration encapsulates TOTO’s desire to help customers so that they can embark on remodeling with peace of mind.

TOTO is making a new declaration on remodeling

3. Mid-Term Management Plan <Japan housing equipment business>

“Anshin” remodelling strategy

Remodeling “Anshin” Declaration

Concerns

Customers remodeling for the first time or for the first time in a long time...

- don't understand the remodeling procedure
- can't imagine how it will look after remodeling
- aren't familiar with construction firms
- don't understand constructions costs



TOTO will seriously consider customers' concerns.

Giving “Anshin” to remodeling customers

Ensuring they can

Visualize!

and

understand!

We will offer remodeling that promises a new lifestyle beyond expectations plus “Anshin”.

3. Mid-Term Management Plan

<China and Asia housing equipment business>

China housing equipment business

■ China housing equipment business

Sales and operating profit plans under Mid-Term Management Plan

Unit: Y 100 million

FY2017

FY2022

Net Sales

715

1,060

Operating Profit

181

250



Sales plan by product

	FY2017	FY2022	Growth rate
Sanitary ware	268	320	+19%
WASHLET	195	380	+95%
Faucet Fixtures	167	260	+56%
Others	84	100	+18%
Total	715	1,060	+48%

3. Mid-Term Management Plan

<China and Asia housing equipment business>

China housing equipment business

Aim

To become the “most trusted brand” that Chinese customers feel they want to have and need

Seek further expansion in sales of high quality warm water washing toilet seats= WASHLET

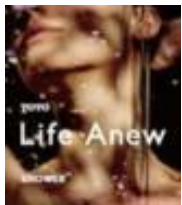


Build strong sales network to meet changing market and customer needs

Harness strength of existing building materials route in rapidly growing e-commerce route



Enhance product line-up to create new faucet brand image



Strengthen aftersales service network

3. Mid-Term Management Plan

<China and Asia housing equipment business>

Asia housing equipment business

■ Asia equipment business

Sales and operating profit plans under Mid-Term Management Plan

Unit: Y 100 million

FY2017

FY2022

Net Sales

317

560

Operating Profit

62

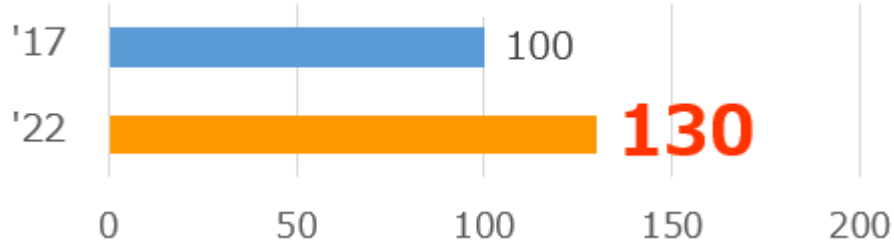
100



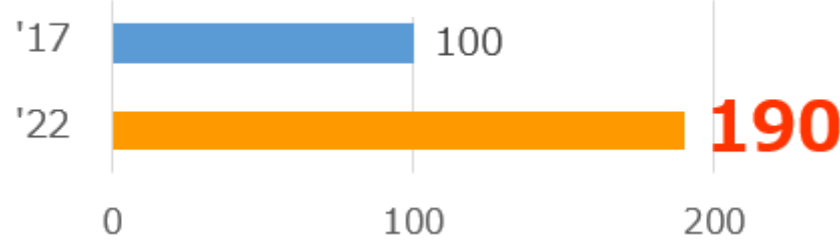
Sales plan by country/region

*FY2017 = 100

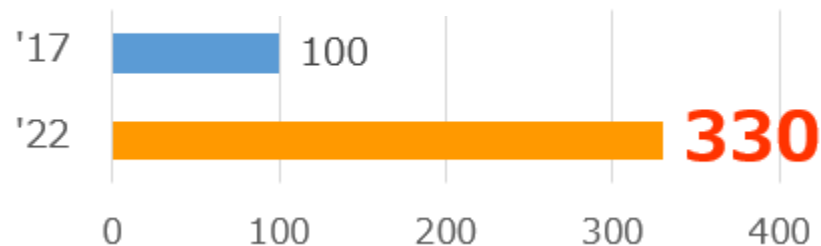
Taiwan



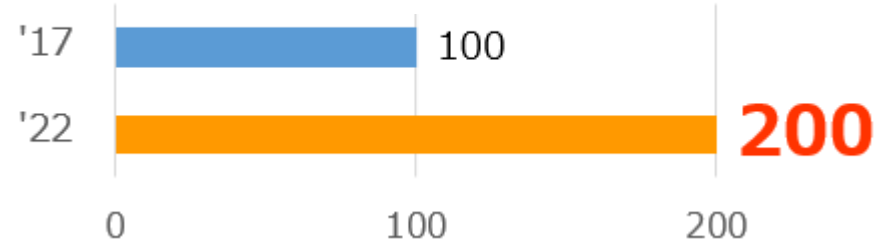
Vietnam



India



Thailand



3. Mid-Term Management Plan

<China and Asia housing equipment business>

Asia housing equipment business

Aims

Key initiatives

Taiwan

Help make comfortable living spaces more widespread by proactively creating demand for remodeling

Accelerate spread of WASHLET in Taiwan

Vietnam

Consolidate position as “most trusted brand”

Establish network of high-end sales outlets covering major cities in preparation for next growth stage

India

Develop huge next-generation market and establish position as “trusted brand”

Establish TOTO specialty sales outlets in every major city and **roll out TOTO showrooms** (technical centers)

Thailand

Become “most trusted brand” by stressing state-of-the art technology

Leverage technology to **acquire high-end properties** and **promote brand** to the retail market

Emerging countries /regions

Actively develop market to establish position as trusted brand

Continue acquiring prominent properties and **establish sales network**

***Trusted brand: brand combining high performance, high quality and customer satisfaction**

3. Mid-Term Management Plan

<Americas and Europe housing equipment business>

Aim

Be a company that innovates plumbing culture in the Americas and Europe and increase TOTO fans around the world

Americas housing equipment business

Americas housing equipment business

Sales and operating profit plans under Mid-Term Management Plan

Unit: Y 100 million

FY2017

FY2022

Net Sales

307

510

Operating Profit

20

65



Sales plan by product

	FY2017	FY2022	Growth rate
Sanitary ware	168	210	+25%
WASHLET	64	200	+212%
Faucet Fixtures	58	80	+38%
Others	16	20	+25%
Total	307	510	+66%

3. Mid-Term Management Plan

<Americas and Europe housing equipment business>

Americas housing equipment business

Products

Priority product : WASHLET

■ Showrooms

⇒ Develop consultants to spread the word about value

Link

■ e-commerce

⇒ Introduce products that facilitate replacement of parts



Water-saving toilets

Further stress value by giving demonstrations and allowing customers to experience products themselves



1 gallon per flush Tornado toilet

Strengthen marketing activities

⇒ Strengthen investment to increase recognition
(WEB advertising, SNS, etc.)

Services

Pre-sales services

Strengthen customer support



After-sales services

Expand home repair structure
(gradually expand service areas and services)



3. Mid-Term Management Plan

<Americas and Europe housing equipment business>

Europe housing equipment business

Europe housing equipment business

Sales and operating profit plans under Mid-Term Management Plan

Unit: Y 100 million

FY2017

FY2022

Net Sales

36

70

Operating Profit

▲13

5



- Establish position as luxury brand through delivery of products to hotels and prominent properties in the UK, France and Germany



- Establish sales routes and develop after-sales structure
- Strengthen ability to communicate brand globally at ISH in 2019 and 2021



3. Mid-Term Management Plan

<New Business Domains>

New business domains

Sales and operating profit plans under Mid-Term Management Plan

Unit: Y 100 million

FY2017

FY2022

Net Sales

292

500

Operating Profit

19

90



Advanced Ceramics business

Aim

Develop “Only One” technologies and provide customers with value unique to TOTO



Green building materials business

Aim

Continue to provide worthwhile products that contribute to the global environment and help improve lifestyle and culture

3. Mid-Term Management Plan <New Business Domains>

Advanced Ceramics business

Unit: Y 100 million

FY2017

FY2022

Net Sales

202

370

Operating Profit

25

80



- Create value through collaboration with customers and suppliers

- High-performance semiconductor manufacturing technology
- Next-generation high-speed optical communication devices

- Build a production structure that meets new demand and replacement demand

Actively expand investment in next-generation R&D

Green building materials business

FY2017

FY2022

Net Sales

90

130

Operating Profit

▲4

10

- Concentrate on three strategic businesses

Ceramic tiles

Mirrors
(High-performance)

HYDROTECT



3. Mid-Term Management Plan

<Marketing Innovation>

Marketing Innovation:

R & D, product planning, promotion innovation activities related to "product strategy"

Aims

- Successively launch world-leading, beautiful, comfortable products around the world
- Communicate evolution of design and function to the world through unified promotions

On overseas markets

Increase shipments of water-saving toilets to at least

3.5 mn units

(almost 2 times higher than 2017)

Increase shipments of washlets to at least

2 mn units

(almost 3 times higher than 2017)

Increase shipments of global (model) faucets to at least

2.5 mn units

(almost 7 times higher than 2017)

Evolution of design

combined with

Evolution of function



3. Mid-Term Management Plan

<Demand Chain Innovation>

Aim

Develop global supply chain and take on challenge of creating a new style of manufacturing

Develop global supply chain~Strengthen structure~

Minimization of Inventories

Strengthen ability to adapt to fluctuations in demand through linkage with manufacturing

■ Inventory days **Down 10% Japan** **Down 30% Overseas**

*Japan: Already reduced by 18% under V-Plan(2009-2016)

Optimization of logistic network

Establish global logistics network that takes production and sales into consideration

■ Logistics costs **Down 10%**

Take on challenge of creating new style of manufacturing and pursue cost reductions

Simultaneous global development

Promotion of platform design × module design

Smart factory

Utilize IoT and AI to achieve ultimate waste elimination and quality improvement

Achieve savings of **at least ¥8.0 bn a year** through constant cost reductions

3. Mid-Term Management Plan

<Management Resource Innovation>

Aim

Create a company that attracts diverse human resources and allows them to work with peace of mind and to take on challenges with vitality

Promote workstyle reform

Human resources

Give diverse human resources peace of mind and support to take on challenges

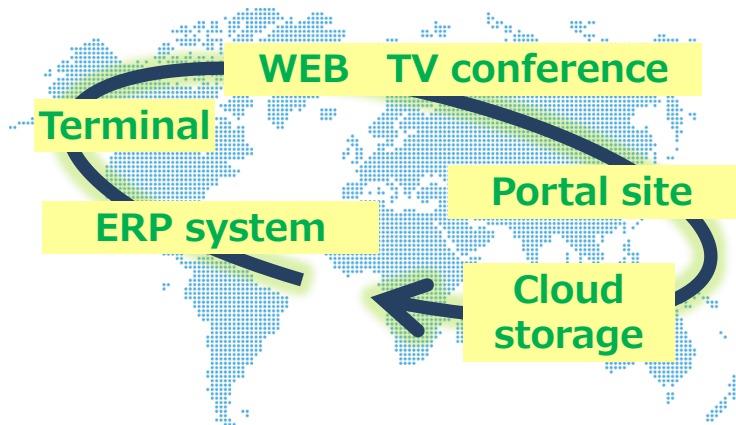
In Japan

- Ratio of female managers **20%**
- Rate of annual paid holidays taken **100%**
- Rate of turnover related to a life event **0%**
(Rate of turnover of employees who are raising children or carers and want to continue working)



Information

Fostering collaboration by connecting people and organizations through easily accessible IT



Finance& Accounting

Contribute to management PDCA from the viewpoint of efficiency of invested capital and optimize management resources.

3. Mid-Term Management Plan

Investment Plan

■ Plan by segment

Unit: Y 100 million

Investment from
FY2018 to FY2022

Housing equipment business (Japan)	<ul style="list-style-type: none">Investment in reorganization of productionInvestment in showrooms	900
Housing equipment business (overseas)	<ul style="list-style-type: none">Investment to expand sanitary ware plantsInvestment to expand WASHLET plants	700
New business domains	<ul style="list-style-type: none">Investment to expand ceramics business	300
Companywide common	<ul style="list-style-type: none">IT-related investment, etc.	600
Total		2,500

We plan to invest 2,500 over the five years of the Mid-Term Management Plan

3. Mid-Term Management Plan

Financial strategy

Financial policy

- We will actively allocate cash flows for growth investments aimed at sustainable growth.
- We will pursue a well-balanced financial policy that considers strategic investment and financial soundness as well as shareholder returns.
- ROA aims at a level higher than 12.0% and ROE 13.0%.

Shareholder return policy

- Our first priority is to use any profits we earn and other funds to invest in growth and then to use any surplus funds to deliver appropriate returns to shareholders.
- Annual dividends are determined in light of the prevailing circumstances, aiming for a dividend payout ratio of 40%.

※Applicable from the fiscal year ending March 2019
(interim dividend planned to be paid in December 2018)

4. Finally

4. Finally

The philosophy of the TOTO Group's founder that "Supplying quality products and satisfying users are the real goals of business" has been passed down for 100 years since the Group's foundation.

We will further enhance the TOTO identity that has been handed down to us for the next 100 years as well, and [we will increase TOTO fans around the world.](#)

The TOTO Group is united in its commitment to ensuring that it is trusted more than ever before by its customers all around the world and society.

This presentation material contains forward-looking statements based on assumptions, estimates and plans as of October 30, 2017.

Actual performance may differ materially from these forward-looking statements due to risks and undermined factors arising from changes in the world economy, competition and foreign currency exchange rates.

あしたを、ちがう「まいにち」に。

TOTO