



TOTO
CORPORATE
REPORT2010

TOTO



The TOTO Way

Handing Down the TOTO Way and Pushing the Boundaries

Passing on Our Founding Spirit and Continuing to Promote Innovation

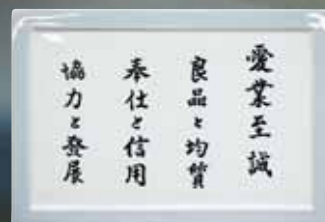
The history of TOTO production stretches back almost 100 years. In 1912, when the concept of public sewage systems was not yet widespread in Japan, Kazuchika Okura, then president of Nippon Toki Gomei Kaisha (currently Noritake Co., Ltd.), upon exposure to advanced lifestyles overseas, established a ceramic sanitary ware laboratory based on a desire to provide sanitary living spaces. Two years later in 1914, the laboratory successfully produced ceramic sanitary ware, a first for Japan. In 1917, Toyo Toki K.K. (currently TOTO LTD.) was founded to permeate the market with these products.

Since then, we have sought to contribute to the development of society based on a spirit of service that inspires the provision of high-quality products and ensures customer satisfaction. This determination is expressed in TOTO's company mottos formulated in 1962.

TOTO constantly aspires to produce the best products, with this unflagging commitment to quality receiving critical acclaim and ensuring a high level of trust from people worldwide.

TOTO's unyielding approach to develop products that meet society's needs and technology that can provide new value has given rise to various eco-friendly technologies in recent years, such as a water-saving toilet that uses only 4.8 liters per flush and Hydrotect air purification technology used in tiles and coating products.

TOTO Group personnel have a strong determination, akin to our founder Kazuchika Okura, to improve people's lives and believe that spreading the use of sanitary-related products will promote social development. These ideas continue to be the bedrock for corporate growth today.



Company mottos
Take pride in your work, and strive to do your best.
"Quality and Uniformity,"
"Service and Trust,"
"Cooperation and Prosperity"



Molding operations at the ceramic sanitary ware laboratory (1912)



Mold processing works in the 1930s.
Molding operations have evolved with the times.



Factory making fittings for water faucets signaling the start of in-house manufacturing after the Second World War (1950s)



MESSAGE from the PRESIDENT



Kunio Harimoto, President
TOTO LTD.

Kunio Harimoto



The TOTO Group Takes a New Step toward Its Centenary and the Realization of the “TOTO Way”

The severe business environment remained in fiscal 2009 due primarily to the global economic downturn, a sharp decline in the number of housing starts in Japan and a steep rise in certain raw material prices. The TOTO Group used the opportunity to return to our origins and focus on what we need to do to continue as a company that is indispensable to customers and society, as well as on what needs to be strengthened and changed. We conducted a review of all corporate activities and worked to rebuild business foundations to ensure closer adherence to the TOTO Way.

In 2010, we aim to make giant strides toward further evolution and advancement. To start off, we announced two commitments. The first is “TOTO V-Plan 2017,” a long-term management vision, and the second is “TOTO GREEN CHALLENGE,” our

environmental vision.

“TOTO V-Plan 2017” outlines the desired corporate image of the TOTO Group in 2017, the year of our centenary, including the aim of evolving to be a “truly global company.” This aim extends beyond high levels of sales and percentage of overseas business to being recognized by local people as a true company of their country. We will strive to meet the challenges set forth in business domains and cross-organizational tasks to ensure that we achieve our goals by 2017.

A priority challenge at TOTO is to respond to environmental problems that are becoming increasingly grave. Our unflagging determination to resolve these issues is reflected in the quantitative targets of our “TOTO GREEN CHALLENGE” vision. The

Desired Stance of TOTO Group in 2017

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

TOTO V-Plan 2017





products that TOTO provides are used daily by a diverse array of people. In addition to environmental consideration in each process, from product development to manufacture and sale, we believe it is our responsibility to supply value-added products and services that contribute to environmental preservation in the usage stage as well. Besides vigorously promoting environmental contribution activities in relation to society, we will work towards human advancement by boosting environmental awareness.

At the root of our corporate activities is a strong conviction to improve people's lives and provide a healthy and civilized way of life, concepts espoused by our founder. These beliefs have been passed down over the years as the company mottos and corporate philosophy. Achieving the goals of "TOTO V-Plan 2017" and "TOTO GREEN CHALLENGE" is

synonymous with realizing our company mottos and corporate philosophy. As president, I will take the lead in seeking to keep these ideals at the forefront of the TOTO Group.

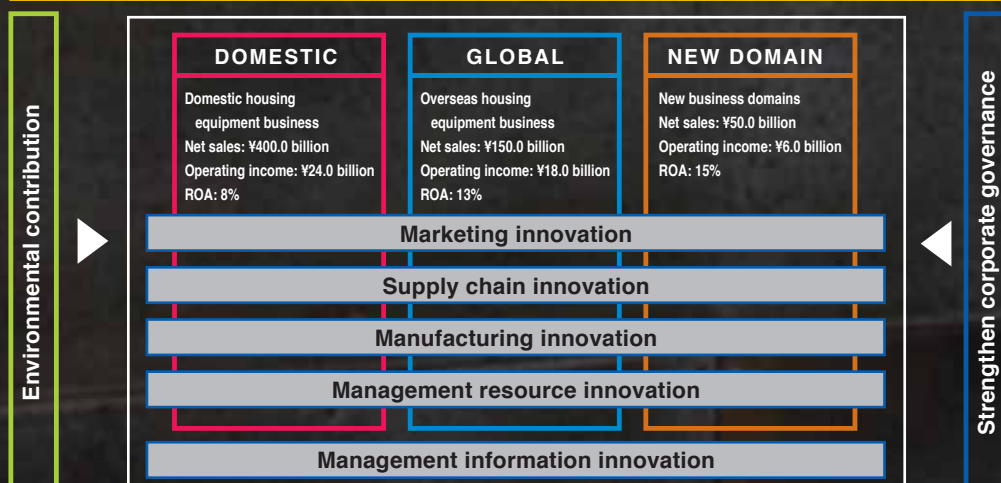
We aim to be at the vanguard of the movement to create a truly sustainable society as a company that coexists with the Earth.

As a company that creates and provides lifestyle value, we propose ideas for everyday living that add value to people's lives and exceed expectations for the future.

Challenging ideas for a new "every day." Everyone in the TOTO Group will work in unison to achieve the goals we have set forth. I ask for your continued support in our endeavors.

TOTO V-Plan 2017 Task Promotion Framework

2017: Achieve net sales of ¥600.0 billion, operating profit of ¥48.0 billion and ROA of 10%

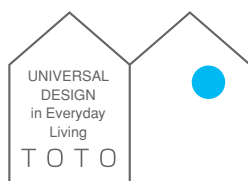


TOTO Group Corporate Philosophy

The TOTO Group strives to create 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.

Missions



TOTO's products are used daily by a diverse array of people.

That's why we've been contemplating easy-to-use design for over 30 years, delivering products and creating spaces that are safe, comfortable and fun for all ages and regardless of physical mobility. The specialized Universal Design Research Center promotes human research and pursues new heights in user-friendliness every day.

This is what TOTO refers to as universal design.

TOTO—Universal Design in Everyday Living

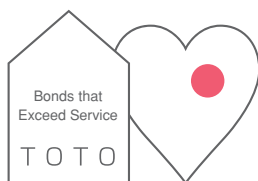


TOTO's products are used daily by a diverse array of people.

This inevitably has an impact on the environment, both positive and negative.

While ensuring a comfortable living environment, TOTO aims to protect the natural environment as well. For that reason, development focuses on water-conserving and energy-saving products, as well as environmental technologies, such as photocatalyst technology, that support healthy, green living. TOTO has set its own targets for reduction of environmental loads in all business activities from manufacturing to logistics and sales.

TOTO—For the Earth and Living in Harmony with the Environment



TOTO's products are used daily by a diverse array of people.

All of them are designed to be used for a long time.

That's why TOTO does more than just sell; we forge life-long bonds.

Apart from superior after-sales service, TOTO proposes new lifestyle value beyond expectations in accordance with each lifecycle.

Making full use of showrooms and a remodeling network has enabled strong relationships with customers.

Thus, it is these personal bonds that can make your future more comfortable.

TOTO—Bonds that Exceed Service

TOTO Group Corporate Report 2010 Contents

The TOTO Way	1
MESSAGE from the PRESIDENT	3
TOTO Group Corporate Philosophy and Missions	6
Editorial Policy/Overview of TOTO Group Communication Tools	7
TOTO NOW	
TOTO GREEN CHALLENGE Aims to Make New Strides in Environmental Management	9
Green Remodeling Realizes a Harmonious Relationship between People and the Earth	11
Aiming to Be a "Truly Global Company" and Provide Customers the World Over with a New "Every Day"	13
TOTO at a GLANCE: TOTO Group Business Expansion	15
TOTO in ACTION: Group Activity Report	
Bonds with Customers	18
TOTO's Concept of Manufacturing	19
Realizing TOTO Quality	21
Commitment to the Environment	23
TOTO Human Resources Development	25
Highly Objective and Transparent Management	27
Stakeholder Engagement	29
Coexistence with Society	31
History	33
Third-Party Comment on this Report/Questionnaire Results	34

Supplemental publication TOTO Group Corporate Report 2010 Financial & CSR Section (scheduled to be issued in August 2010) Contents

Financial Data

Trends in Key Financial Indicators
Financial Results & Analysis
Financial Statements & Notes

CSR Data

Corporate Governance
Risk Management
Environmental Data
Human Resources Related Data
GRI Guidelines Reference

Corporate Data

Global Network
Stock Information
Company Profile/Directors

Editorial Policy

The TOTO Group first released our *Social and Environmental Report* in fiscal 2004 and *CSR Report* the following year. From last year, we started issuing the *TOTO CORPORATE REPORT* as a comprehensive communications tool for all stakeholders.

Amid increasing importance of corporate social responsibility (CSR), the *TOTO CORPORATE REPORT* transcends the framework of the annual *CSR Report* to convey a broader view of the Company's business and desired stance based on the idea that CSR is an integral part of all corporate activities.

TOTO aims to ensure communication that meets the needs of a diverse array of stakeholders and that is easily accessible by way of four tools that include this report as well as *TOTO CORPORATE REPORT 2010 Financial &*

CSR Section, a booklet outlining annual financial and CSR information; *TOTO CORPORATE REPORT 2010 Digest*, providing a convenient summary; and the TOTO Group corporate website, which offers more detailed information.

Through these communication tools, TOTO hopes to increase interest in its corporate stance that links the present with its earliest days and its initiatives to further raise corporate value for the future.

Period of reporting: FY2009 (April 1, 2009 to March 31, 2010). This report includes some information pertaining to before or after this period.

Scope of reporting: TOTO LTD. and Group companies
Guidelines: *GRI Sustainability Reporting Guidelines* (Version 3) and *Environmental Reporting Guidelines* (2007 edition) issued by the Ministry of the Environment

Overview of TOTO Group Communication Tools



TOTO CORPORATE REPORT 2010

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

TOTO CORPORATE REPORT 2010 Digest

(Japanese/English/Chinese)
This pocket-size 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, factory tours and events.



Captures the
basic essence

Conveys
key messages

Details
specific data

TOTO CORPORATE REPORT 2010 Financial & CSR Section

(Japanese/English)
This annual data book includes financial data, as well as environmental and CSR data from the latest fiscal year, and is issued as a supplement to the *TOTO CORPORATE REPORT*.




Everything up-to-the-minute
on TOTO



TOTO Group Website

This section of the TOTO website covers detailed information on a wide variety of topics in addition to the contents introduced in booklet form such as corporate, environmental, CSR and investor relations (IR) related information.
<http://www.toto.co.jp/en/>
(IR information in English)

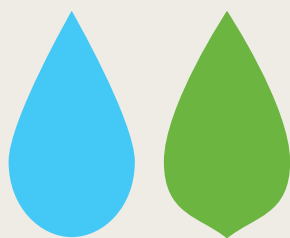


 **TOTO NOW 1**

TOTO GREEN CHALLENGE Aims to Make New Strides in Environmental Management

TOTO views environmental preservation as one of its three key missions.

What can we do as a company involved in the daily lives of people to protect the planet from increasingly serious environmental problems? TOTO pursues new initiatives in order to find the answers to this question.



TOTO GREEN CHALLENGE

The environment is changing at a rate beyond our expectations. Plumbing equipment, alongside household electrical appliances, accounts for the majority of CO₂ emitted from the home. As a leading manufacturer of plumbing-related products, TOTO commenced TOTO GREEN CHALLENGE to significantly accelerate conventional environmental activities. This involves a review of all corporate activities with a view toward achieving stringent quantitative targets by 2017. Product-related initiatives include a focus on “reducing CO₂ emissions from plumbing products” and “purifying the air with Hydrotect.” We have devised an easy-to-understand vision of the future and a roadmap outlining how to get there, aiming to expand activities encompassing the entire housing construction industry on a global scale.

Resolving Issues Beginning with Plumbing for an Expectant World

A total of 21% of overall CO₂ emissions in Japan come from the home. Approximately 23% of this figure is accounted for by plumbing equipment, which is equivalent to roughly 5% of the total domestic CO₂ emissions volume. Consequently, reducing CO₂ emissions via water conservation and energy saving in household plumbing in addition to the need to resolve water resource problems, have become critical global issues.

With this in mind, TOTO has adopted environmental protection as one of our missions since early on, and over the years, we have worked hard to be environmentally conscious during product development and to reduce environmental loads in production based on an environmental management system. In April 2010, to speed up efforts, we introduced TOTO GREEN CHALLENGE.

TOTO GREEN CHALLENGE sets forth a concrete action plan and quantitative targets to 2017, the year of our centenary. We thoroughly examined the impact of our corporate activities on the environment from three perspectives—products and services, manufacturing and



social contribution and human advancement—and set strict target figures in each of these areas.

In plumbing products, we expect to achieve a 30% reduction in CO₂ emissions from product usage in fiscal 2010 (versus fiscal 1990 level) through the launch of new products. For fiscal 2017, we aim for a significantly higher target of slashing CO₂ emissions by over 50% (versus fiscal 1990 level).

For restrooms, we will aim to reduce CO₂ emissions by 90% for our core products by fiscal 2017 (versus fiscal 1990 level) by continuously releasing environmental products such as GREEN MAX 4.8 water-saving toilets that realize only 4.8 liters per flush, the lowest of any toilet in the Japanese market. In bathrooms, kitchens and washbasins, we will proactively develop and introduce new technologies that enhance convenience and comfort as well as reduce environmental load. These include a new technology that interfuses air bubbles into water to give shower spray a larger particle size for greater comfort and water conservation and a water faucet in which the water heater is not used when the faucet handle is in the central position to avoid unnecessary water heating.



GG toilet realizes significant water-savings through extensive, ongoing research into toilet flushing

TOTO Environment Activities as Global Standard

TOTO also aims to help resolve the increasingly serious issue of air pollution caused by nitrogen oxide (NO_x). We were the first in the world to achieve the practical application of a super hydrophilic photocatalyst technology called Hydrotect, which is able to clean the

environment and living spaces through the power of sunlight and water. Going forward, we will build partnerships across various sectors and with overseas enterprises to broaden the global reach of Hydrotect. Our aim is to have this technology used on 680 million square meters of building surfaces around the world by fiscal 2017. If we achieve this goal, it will have the effect of eliminating NO_x emissions equivalent to the amount from 53 million new passenger cars produced domestically* (TOTO estimate).

In terms of manufacturing, we aim to reduce CO₂ emissions by 45% by fiscal 2017 (versus fiscal 1990 level) through activities to improve production facilities and reduce energy at sites, as well as other new initiatives. Overseas, we will systematically roll out new production technology amassed in Japan to promote a 2% reduction annually in CO₂ emissions per unit of output.

As for social contribution and human advancement, we promote the TOTO Water Environment Fund, the TOTO Acorn Reforestation Project and Eco Class for Parents and Children, which facilitate joint environmental efforts with society and boost awareness of the need for environmental preservation.

TOTO will continue to strengthen ties with industrial groups and partner companies in related industries as a leading company in plumbing products. At the same time, we will communicate the importance of reducing environmental loads to government and customers. Through company and individual efforts, we believe we can spread environment-conscious action across industries, society and the world.

Refers to low-emission vehicles that have reduced emissions by 75% in response to emissions regulations issued in 2005.

Green Remodeling Realizes a Harmonious Relationship between People and the Earth

The TOTO remodeling program was initiated to add new lifestyle value to existing homes. The concept has now evolved into “green remodeling” incorporating environmental aspects, in which we make various proposals aimed at creating a harmonious relationship between people and the Earth.

“Green Remodeling” Realizes New Lifestyles

Promising to propose and realize new lifestyles that exceed customer expectations by taking modifications, extensions and other types of home renovation a step forward. Also, creating earth-friendly and human-friendly homes. These are the concepts behind TOTO remodeling. We seek to turn problems into advantages and will continue proposing new lifestyles that not only satisfy customers but also inspire them.

“Green remodeling,” which adds new value to conventional remodeling from an environmental perspective, is being promoted by TOTO together with Daiken Corporation and YKK AP Inc. based on three concepts: “a sturdy home,” “CO₂ reduction” and “healthy living.” We strengthen the earthquake-resistant structure and consider the easy maintenance or replacement to create a sturdy home, which leads to a decrease in resource consumption and keeps waste to a minimum. We also aim to reduce CO₂ emissions through our eco-conscious products that conserve energy and water.



This contributes to savings on energy bills as well.

To ensure healthy living, we use materials and fittings that do not contaminate the air or water, thus supporting families' health every day. Through these initiatives, we aim to achieve more comfortable lifestyles that are friendly to both people and the Earth, while fulfilling the dreams of customers with their ideal home.

Close Ties Based on Trust Support Green Remodeling

Various elements support the realization of green remodeling: a diverse product range created from the customer's standpoint; showrooms at the forefront of TOTO's efforts to build relationships with customers; and TOTO Remodeling Club Stores, one of Japan's largest remodeling and construction networks supported by TOTO, Daiken and YKK AP.

TOTO's 104 showrooms nationwide serve as a space where customers can experience and see for themselves how remodeling can make daily living more comfortable. Showroom advisors with extensive knowledge and know-how communicate the value provided by green remodeling and propose more comfortable living suited to the lifestyle of each customer. Over 5,000 Remodeling



Club Stores in Japan provide comprehensive support to customers, from proposing remodeling plans to construction, equipment repair and after-sales service, acting as TOTO's partners for green remodeling.

These showrooms and Remodeling Club Stores work closely together in respective regions and take the initiative in holding fairs and events uniquely designed to appeal to local customers. By helping to realize more comfortable lifestyles that bring joy to customers and local communities, close ties based on trust are being built between "TOTO and customers" and "Remodeling Club Stores and customers."

Unique Diagnostic System Makes Proposals Easier to Visualize

Since November 2009, TOTO has been utilizing a tool so customers can more readily visualize the value of green remodeling proposals. The diagnostic system was developed independently based on the Ministry of Land, Infrastructure, Transport and Tourism's Comprehensive Assessment System for Built Environment Efficiency (CASBEE)* and makes professional diagnoses of customers' residences. The ensuing data is then analyzed via computer and a green remodeling diagnostic

results sheet is produced. Graphs and figures show the current status of a customer's home and the potential benefits of a green remodeling proposal, while also pinpointing areas requiring remodeling and the optimal timing for such remodeling, as well as cost reduction effects. In this way, Remodeling Club Stores and customers share the same knowledge about the value of green remodeling.

Through green remodeling, TOTO seeks to realize earth-friendly and human-friendly lifestyles. In order to create more comfortable living spaces in which customers can dwell with peace of mind, TOTO will continue to proactively propose the value of remodeling that incorporates the dreams of the entire family, as well as comfortable living and daily ease of use.



CASBEE is a comprehensive assessment system for environmental efficiency of buildings developed by a committee inside the Institute for Building Environment and Energy Conservation (IBEC) based on an initiative by the Ministry of Land, Infrastructure, Transport and Tourism.




Hiraku Kitagawa
President of Kitasetsu Co., Ltd

A Word from a Remodeling Club Store

For the past five years, Kitasetsu has been developing a concept of remodeling that keeps health and the environment to the fore when making proposals to customers. The green remodeling diagnostic system is an excellent tool that adds weight to proposals by making concepts easier to visualize. The fact that it is made up of two sections—a comprehensive assessment made up of 47 items and a simplified departmentalized assessment that focuses on different zones such as the toilet and bathroom—makes it even more convenient to use and easier to make proposals based on green remodeling.



 TOTO NOW 3

Aiming to Be a “Truly Global Company” and Provide Customers the World Over with a New “Every Day”

TOTO was established in 1917 as Toyo Toki K.K. The name embodies a strong determination with a view to the global market. More than 90 years have passed since our foundation, and TOTO is constantly striving to be a truly global company while proposing a new “every day” to customers around the world.

Global Business in Step with Local Communities

TOTO started concerted efforts for engaging in the overseas housing equipment business in 1977 with the establishment of a joint venture company as a manufacturing base in Indonesia. Since then, we have extended our network worldwide. At present, under a Five-Polar global structure that encompasses Japan, China, the Americas, Asia/Oceania and Europe, in addition to our domestic sites we have expanded into 15 countries and regions, with 24 overseas consolidated subsidiaries and affiliates.

In support of our overseas housing equipment business, we have made effective use of the competitive advantages amassed in Japan across products, sales and supply, together with focusing on establishing a high-end brand. In addition, we have created production and sales systems rooted in local customs that go beyond viewing countries and regions of the world as mere production sites and markets. In other words, we are promoting business based on the concept put forth in our corporate philosophy of contributing to the enrichment of other lifestyles and cultures. We are expanding business globally by

leveraging our know-how in production, sales and lifestyle proposals accumulated in Japan, while respecting the customs and values of each country and region, based on our company mottoes of “Quality and Uniformity,” “Service and Trust” and “Cooperation and Prosperity,” as well as our fundamental stance towards environmental contribution that is shared worldwide.

TOTO Brand Builds Confidence through Exceptional Quality and Sales Systems

At present, the Chinese market is driving TOTO’s overseas housing equipment business.

Since 1979, beginning with supplying sanitary ware for the renovation of Diaoyutai State Guesthouse in Beijing, TOTO has established roots as a member of the local community in China. We are actively addressing local needs including drought issues and demand for sanitary toilets while increasing our presence in the luxury toilet market, such as high-end hotels and office buildings, leveraging our strengths of high quality and functionality.

With regard to brand strategy, we always put our competitive advantages of excellent technological capability, product appeal and environmental friendliness to the fore and provide total coordination of plumbing



areas from ceramic ware to washbasins, baths and fittings for water faucets. As a result, TOTO has established a position as a sought-after brand. We have also set up production bases in China, including Beijing, Shanghai and Dalian, and ensured the ability to provide exceptional quality through localizing production technology via technology transfer and the introduction of manufacturing processes equal to those utilized in Japan.

With regard to sales activities, we have recognized China as a significant market from the moment we entered and built relationships with local sales distributors, using directly managed showrooms as the hub of our efforts. At present, we have an extensive sales network in respective areas of China and exceptional after-sales service including a call center operating 24 hours, 365 days a year. Such initiatives enable us to maintain a stable customer base and market share in China.

Establishment of TOTO as a Global Brand

As a result of this strategy, we established a position as a luxury brand and secured top share in the market for

luxury sanitary ware in China. TOTO products have been installed in numerous landmark buildings in China, beginning with the



Shanghai New International Expo Centre that played a key role at the Shanghai World Expo and the Beijing National Stadium (Bird's Nest) that served as the main stadium for the Beijing Olympics, along with various five star hotels and international airports.

To be a truly global company, TOTO has developed an international business model rooted in local traditions in each area of the world and will work to build brand awareness, permeate the brand and create an established brand in a step-wise manner from both global and local perspectives, while also striving to increase market share. We aim to establish business foundations early on in the countries we have recently entered, namely, Brazil, Russia and India, based on respective market conditions and with a view to setting up sales networks and local production.

TOTO's hope is to continue making its presence felt as the world becomes one, transcending national borders, cultures, languages and customs.

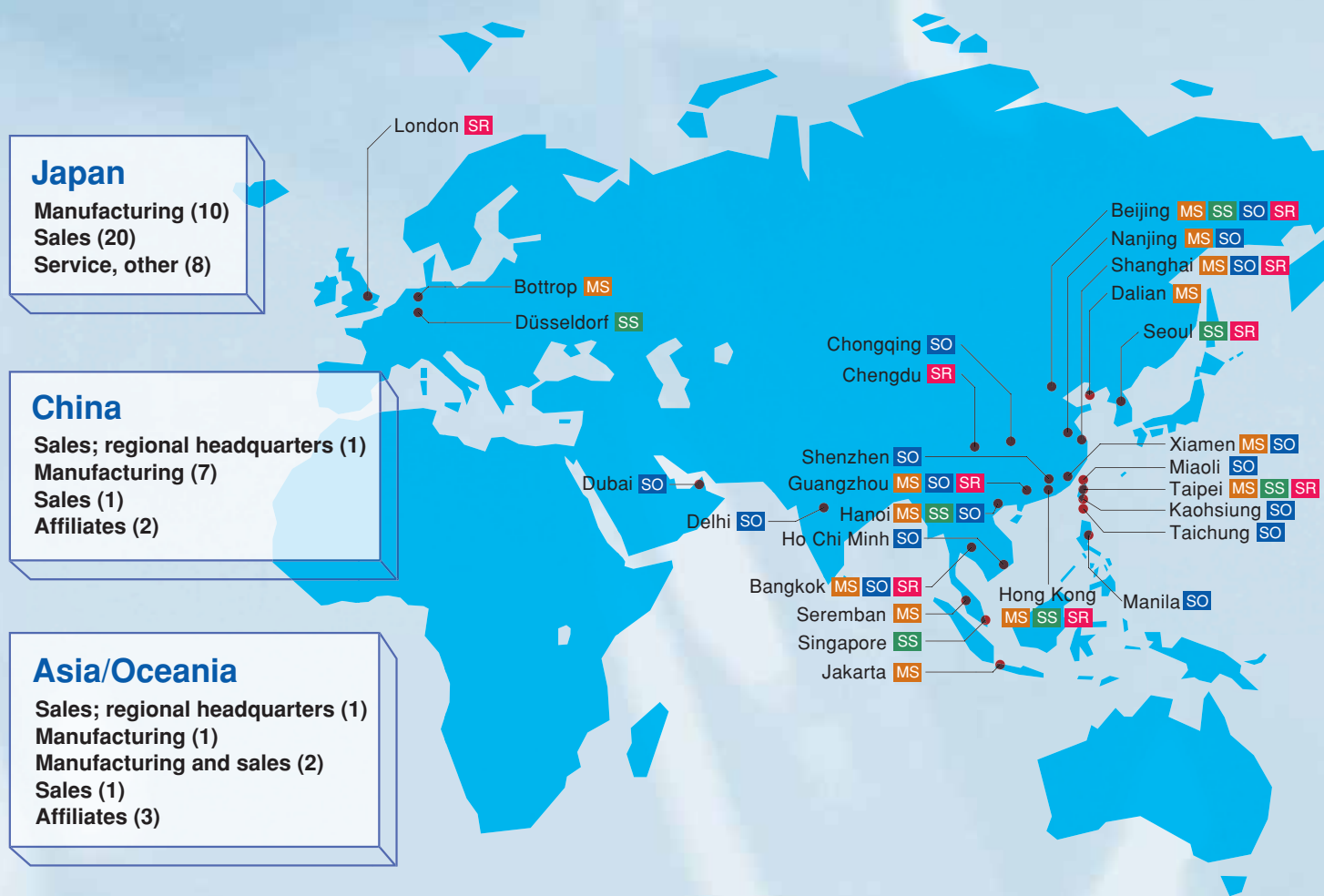


Hu Jin
General Manager of Business
Unit of TOTO (China) Co., Ltd.

A Word from the TOTO Group in China

TOTO (China) aims to completely integrate water and technology and has worked to develop, market and make eco-products widespread. As a result, TOTO is well known in the Chinese market for being highly technological and environmentally friendly, as well as a trailblazer in production technology for highly functional baths and toilets.

TOTO enjoys continued success as a market leader in China owing to our unique products, such as the Washlet, and outstanding cleansing and water-saving technologies. Another contributing factor is the close working relationships that respective divisions of TOTO (China) have maintained for more than a decade with well-established sales distributors possessing top-notch capabilities in the Chinese market.



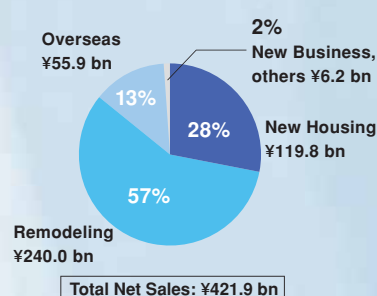
TOTO at a GLANCE

TOTO Group Business Expansion

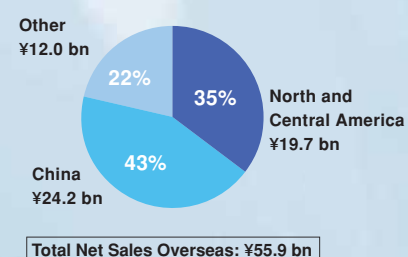
The TOTO Group aims to become and continue to be a truly global company that is indispensable to customers living in different parts of the world, and with this in mind, has formulated "TOTO V-Plan 2017," a long-term management vision for 2017, the year marking a century in business. In 2008, TOTO established headquarters in Europe and Asia/Oceania to create a Five-Polar global structure that also includes Japan, the Americas and China.

Water is a precious commodity used by every person in the world. Plumbing-related products are therefore closely connected to lifestyles in respective countries and regions. Through our various products and services, we continue to create fulfilling and comfortable lifestyles for people around the world.

Net Sales by Segment (Fiscal 2009)



Overseas Net Sales (Fiscal 2009)





■ Company Data (as of March 2010)

Date of establishment	May 15, 1917	Number of employees	23,143 (consolidated)
Capital	¥35,579 million		7,775 (non-consolidated)
Headquarters	1-1, Nakashima 2-chome, Kokurakita-ku, Kitakyushu, Fukuoka, Japan	Group companies	69 companies
			*62 consolidated subsidiaries and affiliates (domestic: 38, overseas: 24)

Restroom Products



These products make restroom spaces more comfortable and include the NEOREST Series and the Washlet. TOTO's range also covers KIDS' TOILET SPACE child-friendly plumbing fittings and remodeled public toilet spaces that do not require pipe laying as well as other products that meet remodeling requirements outside the residential sector.

Bathrooms, Kitchens and Wash Products



TOTO markets a variety of products in this category that satisfy diverse customer values with excellent space-saving design to realize fulfilling lifestyles, such as modular kitchens and system bathrooms, along with bathroom vanity units with significantly enhanced storage features and usability.

Other Products



TOTO proposes new value through diverse product lines that apply technologies accumulated over many years, including bathroom ventilation, heating and drying systems, Clean Dry hand dryers, Hydrotect coating material that applies photocatalyst technology and eco-friendly material for tiles.



TOTO in ACTION

TOTO Group Activity Report



The TOTO Group cherishes our relationships with customers and all other stakeholders, as well as aims to fulfill our social responsibility and contribute to future prosperity through all business activities, particularly R&D, manufacturing and sales.



TOTO products can be used for many years in daily life. For that reason, TOTO wants to preserve a lifelong relationship with our customers and constantly seeks to deepen bonds with them and make every day into a more comfortable tomorrow.

Showrooms Enable Direct Contact with Customers

TOTO showrooms are used every day not only to exhibit products but also to promote exchange with customers to deepen ties. Fairs and other events held in

collaboration with Remodeling Club Stores aim to make showrooms into community spaces where customers and the general public feel right at home.

Showroom Events in Fiscal 2009 Eco Class for Parents and Children (Summer holidays, August 2009)

This event has been greatly received, prompting nationwide expansion in fiscal 2009 from a few showrooms in the previous fiscal year. The classes feature lectures on the importance of water conservation. Parents and children have the opportunity to observe plumbing-related products and enjoy a quiz and a skit by employees portraying ways we can preserve the environment in daily life.



Okinawa Showroom



Takamatsu Showroom

Meet Customers and Deepen Bonds at Factories

A company-wide program concerning remodeling began in fiscal 2009 to enhance TOTO Group employees' understanding of remodeling so that they can always take a customer perspective at factories, in showrooms and for after-sales service, and pass on that value.

TOTO held its first Remodeling Fairs at factories throughout Japan where customers can view the manufacturing process at worksites and experience the latest products firsthand. Over 60,000 people had the chance to observe factory operations and unique manufacturing processes in the first fiscal year alone.

Remodeling Fairs at Factories in Fiscal 2009



TOTO Materia Ltd. Toki Plant/Mitake Plant and TOTO Washlet Techno Ltd. Toki Plant (June 2009)

The first remodeling fairs were held jointly by these three TOTO Group plants.



TOTO Sanitechno Ltd. Aichi Plant (July 2009)

Visitors were able to experience how toilet components are bonded together prior to calcination during tours of plants producing sanitary ware.



TOTO Sanitechno Ltd. Nakatsu Plant and TOTO Nakatsu No. 2 Plant (August 2009)

Children visiting these plants experienced product inspections and maintenance of fittings for water faucets.



TOTO's products are used daily by a diverse array of people. Because they are products used by customers throughout the world in their daily lives, TOTO's concept of manufacturing is to consider both end users and the environment.

Promoting Manufacturing Innovation in Aiming to be a "Truly Global Company"

In order to be a "truly global company," which is a desired image outlined under "TOTO V-Plan 2017," TOTO promotes manufacturing that responds to regional characteristics based on its "Only One" technologies developed in Japan under a Five-Polar global structure.

Overseas, lifestyles are diversified and differ from Japan in terms of cultures and customs in respective countries. To this end, products and services required in respective countries are also expected to possess regional characteristics. By designating technologies developed in Japan as core technologies, centering on environment-friendly technologies including water-saving, CO₂ reduction and air purification, TOTO will carry out product development by adhering to regulations and standards as well as promoting designs that are appropriate to respective countries while maintaining high functionality and quality.

At the same time, we promote various innovation activities in terms of production systems. In order to enhance efficiency for manufacturing various kinds of products to address diversifying demand in respective regions overseas and in Japan, TOTO conducts materials research and development with a high degree of processing flexibility. Additionally, a shift toward creating platforms for components and materials is also underway as a means of promoting the design of components that are easy to assemble, cost reductions and shorter lead times.

As part of such initiatives, we have taken measures to create platforms by designating technologies used in our water-saving toilet that uses only 4.8 liters per flush as a core technology, thereby aiming to introduce residential toilets worldwide, in which 80% will comprise 4.8-liter toilets by 2011.

Designing for Everyday Use

Universal Design (UD) refers to the design of products that are comfortable and safe to use for everyone, irrespective of differences in age, gender, physical condition, nationality, language, knowledge or experience. The concept of UD has been integral to our research and development program for over 40 years since a diverse range of people use TOTO products on a daily basis. Accordingly, we do our utmost to make these products easy-to-use, comfortable and safe.

The TOTO Universal Design Research Center established in 2006 conducts activities from three perspectives: to create, to nurture and to think. It develops new products and comes up with proposals to make spaces easier to use by sharing ideas on customer impressions and behavior with developers and designers.

TOTO has introduced a "UD Cycle" into its product development that aims to increase ease-of-use by

making use of repeated dialogue between customers and developers, as well as extensive observation and investigation. The cycle incorporates examination of life settings through customer monitoring and the results of research conducted at the homes of customers to ascertain exactly what modifications and improvements ought to be made to make products easier to use. The opinions arising from these real-life situations are then reflected in products.



Experiencing what it may be like as an elderly person using TOTO products at the TOTO Universal Design Research Center



Verifying the ease-of-use of a kitchen at the Universal Design Research Center

Making Every Day More Relaxing with Design-Conscious Products

TOTO believes that people should feel relaxed and comfortable in plumbing spaces. That's why we try to keep them as simple as possible without putting too much emphasis on them in daily life.

"RESTROOM ITEM 01," a public restroom introduced in 2008, is one of the products that realizes such a design philosophy. A project team spanning multiple divisions from design to sales worked in collaboration with numerous construction professionals to conceive the ideal public toilet space. The design eliminates waste and achieves a sense of unity, with a simplicity befitting any architectural space and functionality that would satisfy anyone. It received the Gold Award at the Good Design Awards (Minister of Economy, Trade and Industry Award) for fiscal 2009.

Overseas, in recognition of their aesthetic design and functionality, products that have received iF Awards

include Aqua Auto Eco, the NEOREST Hybrid Series, Crystal Bowl and the RENESSE Single-Lever Mixing Faucet, while products that have received Red Dot Design Awards include Luna Crystal, LUMINIST Bath and NEOREST SERIES/LE for European markets.



Top left: RENESSE
Bottom left: Luna Crystal

Top right: NEOREST SERIES/LE
Bottom right: LUMINIST Bath

"Only One" Technologies Drive Business in New Domains

TOTO executes various initiatives aimed at creating business in new domains by leveraging "Only One" technologies. One of these technologies is Hydrotec, an air purification technology that uses a photocatalyst to clean the environment and living spaces through the power of sunlight and water. TOTO was the first in the world to succeed in the practical application of this technology, where exposure to sunlight makes the photocatalytic layer resolvent and hydrophilic (non-water repellent), offering the benefits of air purification by eliminating pollutants such as nitrogen oxide (NOx) and a self-cleaning property to keep the external surfaces of buildings clean. TOTO has already applied the technology to coating materials and the outside of everyday products such as tiles and building materials, making a significant contribution to environmental preservation.

In next-generation energy-related technology, TOTO also has been in the spotlight with the development of a fuel cell stack for power generation that does not emit

pollutants and contributes to a reduction in CO₂ emissions. The power-generating stack module being developed by TOTO that lies at the heart of solid oxide fuel cells (SOFCs) achieves the world's top-class generating efficiency and durability. We are currently working to improve durability and reduce costs to facilitate use in co-generation systems for the home and portable power systems.



High-rise condominium buildings in China using Hydrotec tiles



Realizing TOTO Quality

TOTO quality is born from an ability to take a customer perspective along with a strong determination to ensure top reliability. We will continue to maintain quality throughout the product lifecycle, from design to manufacturing and after-sales service.

For Peace of Mind during Product Usage

TOTO products are used daily by a diverse array of people. Therefore, our mission is to provide products that can be used safely and with peace of mind.

The TOTO Group implements various quality assurance programs under an integrated quality management system based on ISO 9001 standards in order to supply products that customers can use with reassurance. Each TOTO Group employee undergoes training to increase awareness and knowledge of safety, including training on pertinent laws and ordinances in Japan and overseas, beginning with the Consumer Product Safety Law, and on related technical standards. Besides this, to enhance quality management in company-wide processes from the product planning stage to delivery, we have set voluntary action guidelines related to product safety and seek to enhance awareness of product safety in every corner of the TOTO Group.

We also work to reduce the risk of problems from the design stage. This includes design that focuses on fire

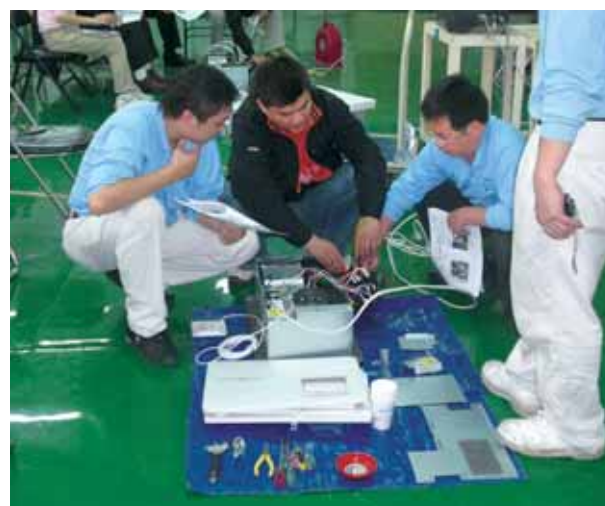
and leak prevention and internal structures that minimize the spread of damage beyond the product itself in case a fire or leak does arise due to an abnormality. In the design stage, the electronics center meticulously inspects electrical components that have a high potential to cause fire.



All items of sanitary ware undergo rigorous inspection.

Delivering High-Quality After-Sales Service

We consider "TOTO quality" to include not only product assembly but also maintenance in case a problem arises. To realize high-quality after-sales service, we conduct training sessions and improve maintenance techniques. Besides technical aspects, we educate staff on appropriate manners when visiting a customer's home to make repairs, which is another key component of "TOTO quality."



Training on after-sales service at Taiwan TOTO Co., Ltd.

Sharing Customer Feedback to Resolve Challenges

We aim to attain a level of satisfaction in our products and services that exceeds customer expectations. TOTO makes full use of customer feedback as the starting point in product development and quality management. The Customer Division promptly sorts opinions and requests from user questionnaires and the Customer Consultation Center and conveys them to the division in charge while posting such information on the intranet as a means to also share information with employees who generally do not deal directly with customers.

Since fiscal 2008, we hold meetings in various locations to hear customer opinions, which are attended by communicators from the Customer Consultation Center and managers in charge of business divisions related to product development and production. This has helped to encourage actively using customer feedback to

resolve challenges. Many of the ideas put forward have been reflected in new product development and product improvement.

We constantly seek to improve customer satisfaction by implementing across-the-board initiatives that take into account customers' perspectives, including company-wide meetings and presentations of cases from call centers.



A call center



Meeting to hear customer opinions

Ensuring Swift Information Disclosure

In case of an accident caused by a TOTO product, or indications that one may occur, we gather information quickly from relevant sources, including the customer, and cooperate with outside sales agents to promptly disclose key information and make the necessary

response. If a major incident occurs, we swiftly announce the information publicly and recall the product to minimize impact. The cause is then thoroughly investigated to prevent recurrence and make future improvements.

■ Important Announcements Released in Japan



In certain direct-pressure kerosene water heaters (TOTO sales brand name: High Acty Series) manufactured from May 2000 through August 2004, there have been instances of kerosene leaks and malfunctions due to a defective kerosene seal for the pipes. In September and November 2008, TOTO announced this information in newspapers and via our website. We offer inspections and component replacements for these models free of charge.



It has been discovered that for table top dishwasher-dryers manufactured from September 2000 through March 2005, there could be the rare occurrence of smoke-related accidents, possibly even damaging the lower covering of dishwasher-dryers, caused by heat generation from a electrical power connector mounted on a substrate. In February 2008, TOTO announced this information in newspapers and via our website. To prevent any accidents, we conduct inspections and repairs of the relevant part free of charge.



It has been learned that in one-piece toilets with integrated Washlet manufactured from March 1999 through December 2001, contact failure involving internal contacting components occurs that could possibly cause some plastic tanks to emit smoke or ignite. In April 2007, TOTO announced this information in newspapers and via our website. To prevent any accidents, we conduct inspections and repairs of the relevant part free of charge.

TOTO views environmental preservation as one of its corporate missions and undertakes activities to this end in three key areas: products and services, manufacturing and social contribution and human advancement.

Development of Environmentally Friendly Products

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

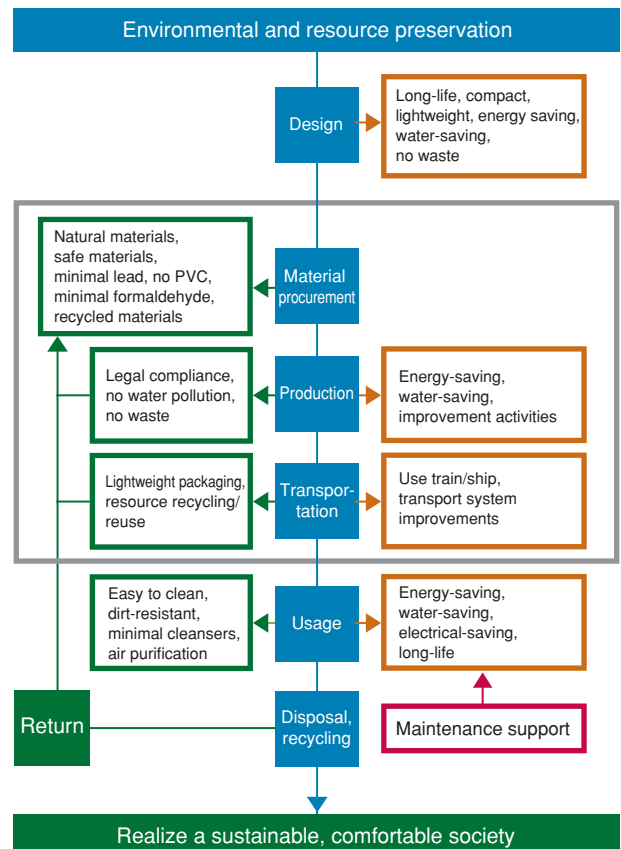
For that reason, TOTO actively promotes the development of products that protect the environment in daily life without people realizing it. We develop eco-friendly products, or “TOTO green products,” based on independent product and environmental assessment criteria, which includes calculating CO₂ emissions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

■ Product and Environmental Assessment

LCCO ₂ (Lifecycle CO ₂)	
Energy-saving	
Water-saving	
Pollution prevention	
Environmental purification	
3Rs	<ul style="list-style-type: none"> • Make products lighter • Extend product life • Use recycled materials • Consider recyclability • Use 3Rs in packaging
<div>Reduce Reuse Recycle</div>	

*A lifecycle assessment quantifies and objectively evaluates the impact of a product on the environment in every stage of its life from the gathering of materials to production, transportation, usage and disposal.

■ Lifecycle Assessment for TOTO Green Products



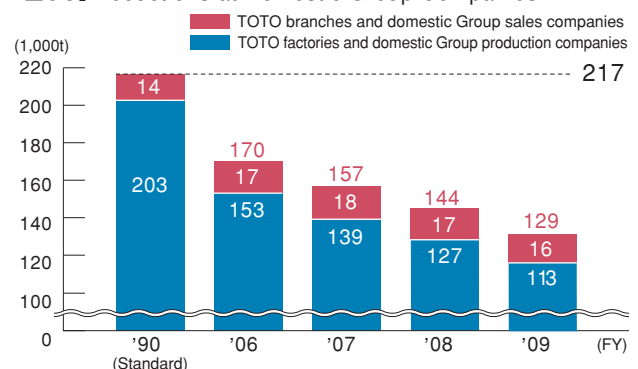
Efforts to Reduce Environmental Impact

Aiming to Further Reduce CO₂ Emissions

Domestic Group companies set a target of a 20% reduction in CO₂ emissions by 2010 (versus 1990 levels) and worked hard to achieve this by switching fuel in production and undertaking various energy conservation initiatives throughout the Group. These efforts resulted in achieving our target of a 20% reduction in fiscal 2005. TOTO realized a reduction of 40.6% in fiscal 2009 (versus 1990 levels).

We are continuing activities and have set a higher target of a 45% reduction in CO₂ emissions by 2017 (versus 1990 levels).

■CO₂ Reductions at Domestic Group Companies



The CO₂ conversion coefficient uses the coefficient from the Law Concerning the Promotion of Measures to Cope with Global Warming. The formula $0.378\text{kg-CO}_2/\text{kWh}$ is used for electric power. Estimates are utilized for certain past data.

Detailed data regarding TOTO's environmental protection activities are included in the *TOTO CORPORATE REPORT 2010 Financial & CSR Section*.

Environmental Contribution Activities

TOTO aims to encourage human advancement by increasing environmental awareness while promoting our own environmental contribution activities together with the community from the perspective of biodiversity.

TOTO Water Environment Fund

The TOTO Water Environment Fund was established in fiscal 2005 to help non-profit organizations (NPOs) and civic groups with their water-conservation efforts. Every year, we take a greater role in supporting these organizations not only by offering monetary assistance but also by sharing information and encouraging employees to participate in activities. These actions are creating new channels of interaction between TOTO and such groups, thereby helping to expand the range of activities every year.



The Asuka Scenery Volunteer Association, an NPO, engages in preserving nature and cultural heritage sites in Asuka Village. Volunteers from Taiwan and Korea in addition to Japan are participating in a project for cutting and maintaining degraded bamboo and other forest areas and restoring scenic areas along the Asuka River.

TOTO Acorn Reforestation Project

To celebrate 90 years in business, we started an Acorn Reforestation Project in fiscal 2006. TOTO Group employees pick up acorns, nurture them at the factory or their homes and return the saplings to the forest with help from people from local communities. The participants also keep the area clear after planting by cutting the grass. This activity is firmly being rooted as an occasion for bringing together the local community with TOTO employees such as through events that promote social interaction.



Environmentally Friendly Business Activities

The entire TOTO Group implements comprehensive eco-conscious activities that include efforts to reduce emissions, increase recycling, minimize packaging materials and reduce fuel consumption for transportation.

Waste generated in the manufacturing process for sanitary ware is recycled as ceramic aggregate for colored pavement. Efforts to improve packaging materials have resulted in awards in the Japan Packaging Contest sponsored by the Japan Packaging Institute for 10 consecutive years. NEOREST packaging for the

European market won the Japan Star award, the contest's highest honor, in recognition of its innovative configuration using minimal packaging strong enough for international shipment and for the easy removal of the product from the packaging.

We also promote green logistics by integrating freight services, increasing load ratio and conducting joint deliveries.



NEOREST packaging for Europe



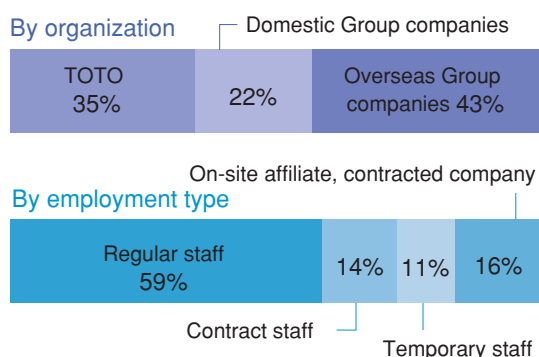
We promote diversity, nurture and effectively utilize human resources, and encourage a good work-life balance so that everyone in the TOTO Group can work to maximum potential.

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.

A department to promote diversity under the direct control of the Company President was set up in 2005. This included so-called *Kirameki* activities to maximize the capabilities of female employees and change attitudes. The department has been shifted to the Human Resources Development Division in 2010 and renamed the Diversity Promotion Group, which has initiated a wider range of activities to further promote diversity. Three key areas of focus are women, persons with disabilities and foreign national employees. The group has also set up a rehiring system for retired workers over the age of 60 as well as an “employment status step-up” system for temporary and contract workers with the main aim being to increase the skill level and know-how of our human resources.

■ Breakdown of TOTO Group Employees (As of March 31, 2010)



Empowering Female Staff

TOTO has implemented *Kirameki* activities to maximize the capabilities of female staff with rich life experiences and a deep understanding of many customers who take care of the household. Over the

years we have worked in particular to change attitudes towards females and reform business processes. Going forward, we will get not just females but also all TOTO Group employees to recount their life experiences from a customer perspective so as to incorporate new ideas into products and services.

Recruitment and Fostering of Global Personnel

The TOTO Group has been hiring foreign national employees in Japan since fiscal 2007, aiming to bring on board three people per year. We intend to become a truly global company by securing the personnel required to meet expansion in overseas business and making the workplace more dynamic with new added value through the interchange of various experiences, cultures and values. The number of foreign national employees at domestic Group companies as of April 2010 stood at 18.

At overseas Group companies, TOTO is promoting localization of human resources. As of fiscal 2009, 21% of persons in management positions at overseas subsidiaries have been hired locally; we aim to increase this number to 50%, as well as the number of locally hired division managers to 70%, by fiscal 2017 directed toward becoming a company rooted in local communities.

Recruitment and Utilization of Persons with Disabilities

The TOTO Group aims to realize normalization in its workplaces to ensure that persons with disabilities are treated in exactly the same manner as able-bodied persons. To this end, the Group continues to recruit those with physical challenges. We believe the perspectives of persons with disabilities are important in many ways at TOTO through its plumbing-related products. At the end of fiscal 2009, the percentage of persons with disabilities working within the TOTO Group was 2%.

Fostering Human Resources

In fiscal 2010, we clarified our aspirations for human resources from a long-term and group-wide perspective. We will work throughout the Group to create a workplace environment in which each employee strives to develop his or her capabilities based on desired career goals for the future.

Specifically, we provide the opportunity to develop various skills that meet individual requirements through

such avenues as three-year nurturing programs for new recruits, rank-specific training, e-learning and correspondence learning. At the same time, we encourage individual growth and personal challenges by promoting communication between management and lower tiers during daily operations in order to continually and systematically foster independent human resources.

Striking a Good Work-Life Balance

The TOTO Group believes that striking a balance between work and home life by enabling every employee to adjust work hours will lead to an increase in productivity and motivation, and as such, is working to promote a good work-life balance. In fiscal 2009, we encouraged people to take paid holidays and promoted days with no overtime while also expanding our system of reducing work hours for childcare (raised the age of children who can be cared for and introduced a flexible work hour system), thus demonstrating how we can adapt to the differing lifestyles of employees. Every year,

both male and female employees make use of our childcare leave and reduced work hour systems.

In fiscal 2010, we will work to develop an even more flexible system as well as extend the period employees can reduce their work hours to care for their parents, for instance, and plan to introduce a registration system outlining employment opportunities for applicants in case they need to quit TOTO due to marriage, child-birth, a spouse's work transfer or nursing care. We will continue to make efforts to realize a good balance between work and home life.

Supporting Physical and Mental Well-Being

In fiscal 2009, we continued to give secondary medical exams and comprehensive health-related advice. We also held classes for management and supervisory levels aimed at early identification and response to mental illness, as well as commenced trials of a questionnaire survey to ascertain health and wellness during periodic

health check-ups and an online stress survey.



Guidance on preventing lifestyle-related diseases

Activities to Eliminate Accidents

TOTO has been working to increase awareness in terms of work operations and stop unsafe work practices and conditions in order to eliminate work-related accidents since fiscal 2003. To halt unsafe work practices, the main cause of accidents, TOTO educated each Group employee on health and safety in fiscal 2008 and 2009, including implementation of rules and regulations and

training. The Company focused in particular on increasing safety awareness throughout the Group.

In fiscal 2009, we focused on safety inspections in research and development in addition to manufacturing divisions. We will continue striving to increase awareness of the need for zero accidents and thorough implementation of safety measures.



TOTO considers that an essential aspect of corporate management is ensuring the satisfaction of stakeholders and ongoing expansion of corporate value by improving objectivity and transparency in management and clarifying management responsibility.

Corporate Governance

For matters requiring management decisions, TOTO recognizes the importance of systematizing “who makes the decision, on what and where” as well as “what checks are implemented” in a fair and honest manner. TOTO has adopted a Board of Statutory Auditors system that promotes more efficient and effective decision-making, supervision and business execution.

The Board of Directors supervises management decision-making and business execution from the most appropriate company-wide, group-wide and stakeholder perspectives.

Two external directors well versed in management of leading companies respected for their management practices to which the TOTO Group aspires provide advice and suggestions on general management issues based on knowledge gained during their wealth of experience as members of management. These external directors have no affiliation with the Company.

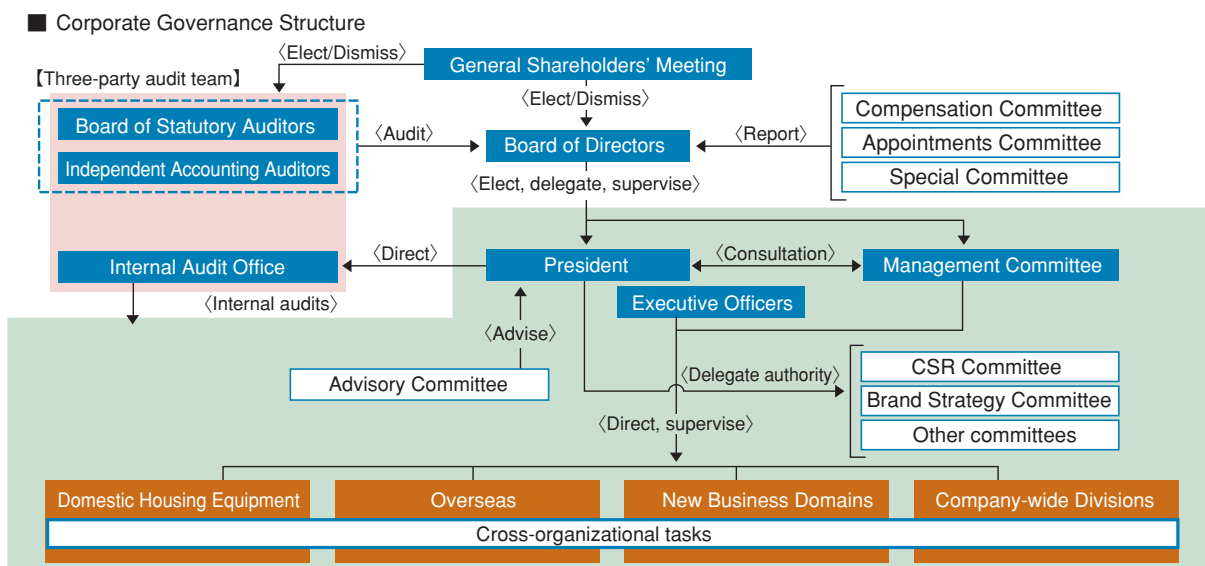
The Board of Statutory Auditors, which oversees the duties of the directors from the perspectives of legality and appropriateness, is comprised of four people, including two external statutory auditors, who attend meetings of the Board of Directors and other important meetings, and regularly exchange opinions with representative directors to

ensure the effectiveness of audits. The external statutory auditors have no affiliation with the Company.

We also have a Compensation Committee and an Appointments Committee that serve as advisory bodies to the Board of Directors to maintain transparency, objectivity and fairness in determining directors’ remuneration and in appointing and dismissing directors.

We have introduced an executive officer system to increase the speed and efficiency of business execution, accelerate decision-making on management policies and clarify management responsibilities. An Advisory Committee set up as an advisory body to the President, provides multi-faceted and objective advice on general management through outside experts. Various company-wide committees and councils have been established and given the authority to delegate when quick decisions are required to assure the most appropriate results for the Group.

The Internal Audit Office reports directly to the President and evaluates and verifies that TOTO Group operations are being performed efficiently and in compliance with the TOTO corporate philosophy, policies and regulations. The audits are fair and objective and support corrective action and improvements in operations.

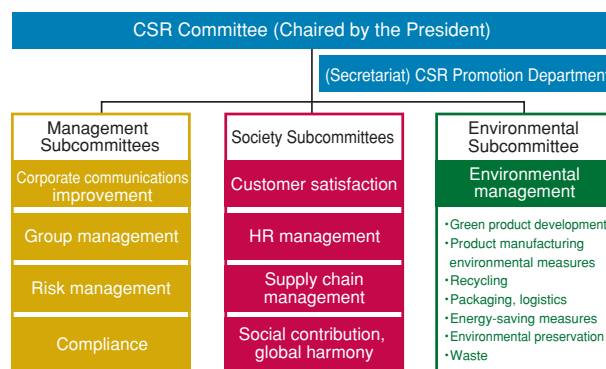


Promoting the Next Stage of CSR Management

The TOTO Group is promoting CSR management through the CSR Committee inaugurated in fiscal 2004 and chaired by the Company's President. This committee is comprised of three different domains covering management, society and the environment. The environment subcommittee has been reconfigured to strengthen environmental related themes in line with "TOTO GREEN CHALLENGE," our environmental vision aimed at accelerating traditional eco activities. Each of the subcommittees formulates company-wide plans in respective CSR areas, with certain activities undertaken across subcommittees. Under the oversight of the CSR Committee, each Group company in Japan and overseas formulates and promotes its own CSR

action plan. The CSR Committee convenes biannually to deliberate on the CSR activities of each subcommittee and Group company, advocating CSR management from a comprehensive group-wide standpoint.

Organizational Structure of CSR Committee



Permeating Compliance Awareness among All Employees

We work to increase awareness of the need for compliance by disseminating information via on-site training, e-learning and the Group magazine. We also make sure employees know about incidents that occur inside and outside the Company to ensure that they learn from these and do not make the same mistakes. Every year, TOTO Group employees complete a survey that verifies the level of permeation of

compliance and identifies problem areas so that ongoing improvements can be made in terms of implementing concrete initiatives to overcome compliance and human rights violations. In addition, personnel from the legal department visit the different departments and hold seminars regarding basic legal issues aimed at increasing understanding of laws and ordinances pertinent to the Company's operations.

Handling and Management of Personal Information

In response to the Personal Information Protection Act enforced in April 2005, we formulated guidelines related to the protection of every individual's information. Employees are familiarized with these guidelines through e-learning. We are

regularly reviewing data containing personal information from each business division and Group company, as well as conducting voluntary audits to enhance management of such information and provide an important reminder of the need for vigilance.

Risk Management Activities

We established a Risk Management Committee headed by the President in fiscal 2005 for the integrated management of risk on a group-wide scale. The committee identifies every year the major risks that could have the largest impact on stakeholders and, under the head of the division in charge of each risk-related area, works to mitigate these risks before any damage occurs. In fiscal 2008, we introduced an emergency communication

channel. We handed out a card to everyone working in the Group detailing the person to contact in case of a crisis anywhere in the Group, day or night and even on holidays. This enables an integrated approach to emergency response. In fiscal 2009, we made ongoing efforts to improve our risk response capabilities, including formulating a business continuity plan (BCP) that covers risk associated with the spread of new types of influenza.



Stakeholder Engagement

TOTO considers the concept of stakeholder engagement to be vital in building relationships of trust with stakeholders and to facilitate cooperation. By doing so, we aim to improve society for generations to come.

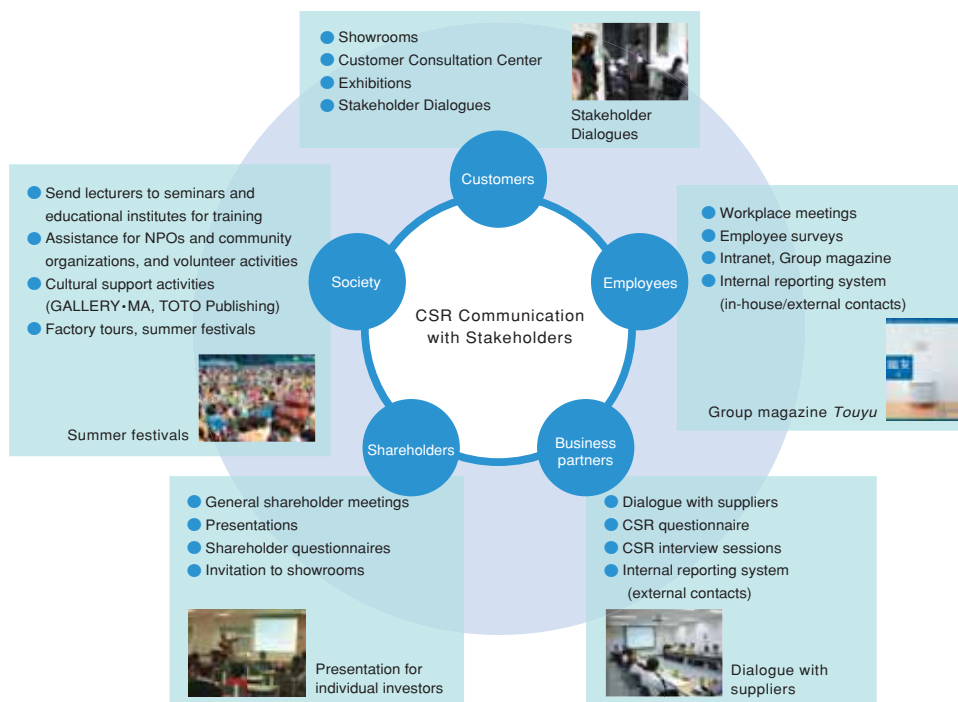
Promoting Two-Way Communication

The TOTO Group views communication with all stakeholders, including customers, employees, shareholders, business partners and society, as extremely important and constantly endeavors to strengthen relations.

To deepen interaction with customers, we communicate with customers through various occasions, such as events at our showrooms, factory tours and summer festivals. We always attempt to have open and frank discussions with our

business partners through dialogue with suppliers and CSR forums. The Company also seeks to disclose appropriate information in a timely manner to shareholders, as well as offers invitations to tour factories and showrooms to gain an understanding of TOTO *monozukuri* (spirit of manufacturing).

We will continue aiming to increase stakeholder satisfaction through communication as a means to enhance corporate activities.



Recognized for Socially Responsible Investment (SRI)

TOTO was selected for the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific) (2009/2010). The DJSI was developed by U.S.-based Dow Jones & Company and Switzerland-based SAM (Sustainable Asset Management) Group, a research expert on Socially Responsible Investment

*SRI describes an investment strategy that emphasizes corporate social responsibility and contribution based on social, environmental and corporate governance in addition to conventional investment criteria based on financial analysis.

(SRI)*, and analyzes and selects companies with an exceptional track record in three areas: economic, environmental and social. The Asia Pacific index was created in March 2009 for companies in the Asia-Pacific region.



Promoting CSR Procurement Together with Suppliers

The TOTO Group is dedicated to CSR procurement (procurement activities from a CSR perspective) in tandem with working together with suppliers of raw materials and components. Besides providing training for purchasing managers internally, we also strive to enlighten suppliers on the importance of CSR and support

them in their endeavors through workshops, dialogue and monitoring via company visits. In particular, TOTO has strengthened initiatives at overseas sites in recent years and stepped up observation and monitoring of overseas suppliers. Constant efforts are made to raise the level of CSR throughout the TOTO Group supply chain.

Initiated Stakeholder Dialogues

Since fiscal 2004, TOTO has been holding Stakeholder Dialogues in various areas as a means to connect with stakeholders. In fiscal 2009, we invited customers, NPO representatives and persons in charge of CSR from respective companies to TOTO showrooms in

Tokyo and Osaka to get their opinions. This provided a valuable opportunity for the local community to deepen their understanding of TOTO's efforts, as well as identify issues that still need to be addressed.

Customer opinions

- Please consistently work to reduce CO₂ emissions in daily operations regardless of your business performance.
- A toilet has significant environmental impact during the usage stage of its lifecycle. Please do your utmost to develop a toilet that uses less water.
- Please be more proactive in disclosing your environmental activities, including incorporating such information in the *CORPORATE REPORT*.
- It is not easy to ascertain strategies and challenges to realize your corporate mission from this report. Please make your targets and progress more readily understandable.
- Please provide education on CSR and examine the level of awareness overseas in order to become more global.



Stakeholder Dialogues

IR Activities Conscious of the Need for Direct Communication

TOTO works hard to promote communication with institutional and individual shareholders and investors in Japan and overseas based on our investor relations (IR) policy geared toward transparency and fairness. We explain business activities and strategies through direct communication, while also trying to ensure that we provide sufficient information on our website for investors.



Meeting with overseas investors



As a member of society, TOTO seeks to contribute to lifestyles and the culture of architecture and design through plumbing while undertaking various social contribution activities reflecting the value we place on harmonious coexistence with local communities.

Enlightening People on Restroom Culture and Improving Living Environments

Research Group on School Toilets

Seven companies including TOTO that are engaged in the restroom domain formed a research group to study school toilets in 1996 aimed at creating a restroom space that children and local people can use with reassurance. The research group conducts on-site investigations, issues a research journal and holds various lectures, and is well respected by local education boards. In 2009, the group once again conducted a survey for education boards in 1,872 municipalities and at 1,000 public elementary and junior high schools, and released the results via its website.

Research Group on Medical Facilities Toilets for Patients' Rest and Relaxation

In 2000, TOTO started reviewing restrooms in medical and welfare facilities such as hospitals from the perspective of rest and relaxation, aimed at realizing a more hygienic, comfortable and easy-to-use toilet space for patients. Four companies involved in the restroom business have been working together to conduct investigative research, hold lectures and issue a research journal. In 2007, joint research undertaken with Saitama Social Insurance Hospital was critically acclaimed and garnered an award from the Japanese Society for Quality and Safety in Healthcare.

Haiku on Toilets

Applicants transformed humorous toilet anecdotes into a haiku poem. The top 20 haikus were printed on toilet paper for a special series. A total of 16,101 poems were received for the fifth such contest in 2009.



Communication with Local Communities

Local Interaction at TOTO Factories

TOTO considers people in the local community as important stakeholders and is highly committed to interaction with local residents at Group production sites.

The TOTO summer festivals held every year to express our thanks to the community for their understanding and support help to deepen communication with local people with fun and exciting outdoor stalls and events. The festival was held at 14 production sites in fiscal 2009.

TOTO also conducts regular factory tours for people to become more familiar with our production activities. In addition, we started remodeling fairs at factories in fiscal 2009 as a company-wide initiative to promote the distinctive nature of TOTO products (see page 18).



Factory tours



Summer festivals

Local Cleanup Activities

As part of our efforts to contribute to local areas, TOTO frequently cleans up around respective sites. In fiscal 2009, employees from TOTO Chugoku Sales Co., Ltd. helped to remove weeds at the Tottori sand dunes, while employees from TOTO Hokkaido Sales Ltd. participated in a cleanup of the local riverbed, and employees from Nanjing TOTO Co., Ltd. in China cleaned the local park. TOTO conducts such social contribution and environmental conservation activities at respective sites and locations.



Removing weeds at the Tottori sand dunes

To Advance Culture and Foster Youth

GALLERY・MA



Kengo Kuma exhibition
©Nacása & Partners Inc.

Alberto Campo Baeza exhibition
©Nacása & Partners Inc.

GALLERY・MA in Minami-Aoyama, Tokyo, specializes in exhibitions on architecture and design. Since opening in 1985, the gallery has sought to transmit information of the highest quality, conveying the ideas and philosophies of architects and designers from around the world. Many people visit the gallery, not only architects and students training to be architects, but the general public as well. In this manner, we are proud to contribute to broadening the horizons of architecture and design culture.

<http://www.toto.co.jp/gallerma/>

TOTO Publishing

TOTO Publishing publishes books made from a unique perspective and covering diverse topics such as architecture, design and lifestyle culture. Over the past two decades since its establishment in 1989, more than 300 books have been published with over 2 million copies printed in total as of fiscal 2009. These books have been highly praised internationally as well.



TOTO Cup International Junior Go Championship

Aiming to spread the game of *go* and promote the sound development of children, TOTO has been a special sponsor of this championship since 2004. In 2009, winners of preliminary sessions in China (Beijing, Shanghai, Guangzhou and Dalian), Chinese Taipei, throughout Kyushu and in Yamaguchi Prefecture competed in the TOTO Cup in categories ranging from 3- to 18-year-olds. TOTO sees *go* as a great way to promote interchange between children.



TOTO History Museum



The TOTO History Museum within the Company's headquarters premises displays sanitary ware from the Taisho to Showa eras, products used in the national parliament building, as well as the original Washlet and eating utensils. More than 30,000 people from around the world, including many specialists, have visited the museum as at the end of fiscal 2009. Sanitary ware and eating utensils belonging to the museum were approved as part of the Heritage of Industrial Modernization stipulated by the Ministry of Economy, Trade and Industry in February 2009 due to their importance to the history of the modernization and development of Kyushu's ceramics industry.

<http://www.toto.co.jp/company/profile/museum/index.htm>
(Japanese only)

TOTO Kitakyushu International Music Festival

TOTO sponsors this music festival aimed at creating a city filled with culture in Kitakyushu, the home of TOTO headquarters. TOTO has provided special support for this festival since the inaugural event in 1988. Through the festival, which attracts top artists from Japan and internationally, TOTO aims to contribute to cultural advancement in the region.










TOTO Athletics Club

Inaugurated in 1986, the TOTO Athletics Club seeks to be a "strong, bright, beautiful and beloved athletics club." Members take part in various local sports events and provide coaching to children at neighboring schools, while aiming toward competing in the All-Japan Women's Corporate *Ekiden* Championships and other major mid- to long-distance track-and-field races.





History

Business Development		Product Development	
<ul style="list-style-type: none"> Establishes ceramic sanitary ware laboratory inside Nippon Toki Gomei Kaisha and begins R&D into production of ceramic sanitary ware 	1912		
	1914	<ul style="list-style-type: none"> Successfully produces Japan's first ceramic seated flush toilet (at Nippon Toki Gomei Kaisha, the predecessor to Toyo Toki) 	
	1917	<ul style="list-style-type: none"> Establishes Toyo Toki Company, Limited in Kokura, Kitakyushu 	
	1946	<ul style="list-style-type: none"> Commences production of faucets 	
	1963	<ul style="list-style-type: none"> Develops construction method for world's first prefabricated bathroom module 	
	1968	<ul style="list-style-type: none"> Launches bathroom vanity unit 	
<ul style="list-style-type: none"> Changes name to TOTO Kiki Ltd. 	1970		
<ul style="list-style-type: none"> Establishes P.T. SURYA TOTO INDONESIA, a joint venture company, in Indonesia 	1977		
	1980	<ul style="list-style-type: none"> Launches "Washlet" (toilet seats with a warm-water washing feature) 	
	1981	<ul style="list-style-type: none"> Launches modular kitchen 	
<ul style="list-style-type: none"> Opens "GALLERY • MA" 	1985	<ul style="list-style-type: none"> Launches "Shampoo Dresser" bathroom vanity suited for washing hair 	
<ul style="list-style-type: none"> Opens "TOTO Super Space" as core showroom 	1989		
<ul style="list-style-type: none"> Establishes TOTO KIKI U.S.A., INC. as sales base in the United States 	1990		
<ul style="list-style-type: none"> Announces "Remodeling Declaration" and strengthens remodeling as business pillar 	1993	<ul style="list-style-type: none"> Launches "NEOREST" toilets featuring Washlet 	
<ul style="list-style-type: none"> Establishes TOTO (CHINA) CO., LTD. 	1995		
	1998	<ul style="list-style-type: none"> Develops Hydrotect products that incorporate super hydrophilic photocatalyst technology (world's first successful practical application) 	
	1999	<ul style="list-style-type: none"> Develops CeFiONtect semi-permanent antifouling technology for ceramic sanitary ware 	
	2001	<ul style="list-style-type: none"> Launches Japan's first system bathroom equipped with Karari floor for thorough drainage 	
	2002		
<ul style="list-style-type: none"> Concludes business tie-up with Daiken Corp. and YKK AP Inc. in remodeling field 	2003		
<ul style="list-style-type: none"> Proposes new lifestyles exceeding customer expectations in new Remodeling Declaration 	2004	<ul style="list-style-type: none"> Launches Japan's first system bathroom equipped with insulated thermal pot "Mahobin" bathtub 	
	2005	<ul style="list-style-type: none"> Washlet shipments top 20 million 	
	2006		
<ul style="list-style-type: none"> Sets up TOTO Water Environment Fund 	2007	<ul style="list-style-type: none"> Launches NEOREST Hybrid Series 	
<ul style="list-style-type: none"> Establishes TOTO Universal Design Research Center (Chigasaki) for R&D into universal design 	2008		
<ul style="list-style-type: none"> Establishes TOTO Europe GmbH as first European headquarters in Germany 			
<ul style="list-style-type: none"> Establishes TOTO ASIA OCEANIA PTE. LTD. as Asian headquarters in Singapore 			
<ul style="list-style-type: none"> Exhibits products at ISH (International Sanitary and Heating) Trade Show in Frankfurt, Germany 	2009	<ul style="list-style-type: none"> Launches "Octave" washbasin/vanity Shipments of NEOREST series reach 1 million units Launches "NEOREST Hybrid Series" boasting 4.8L per flush, the lowest water consumption of any toilet in the Japanese market 	
<ul style="list-style-type: none"> Announces a commitment to introduce toilets that use only 4.8L per flush, which will comprise 80% of TOTO's toilets for the housing market worldwide, in aiming to establish a global standard 			
<ul style="list-style-type: none"> Announces "TOTO V-Plan 2017" 			
<ul style="list-style-type: none"> Announces "TOTO GREEN CHALLENGE" environmental vision 	2010		

Third-Party Comment on this Report

The keywords in business nowadays are “the environment” and “emerging markets” amid radical changes in the world economy. These are contributing factors to sustainability and have become pillars of business.

TOTO formulated “TOTO V-Plan 2017” as a long-term vision that clarifies its growth strategy going forward. The CSR component makes up an integral part of this plan, and strategic CSR has been realized as the identity of the corporate brand.

The main thrust of the Company’s CSR is the environment, and all three business strategies in the vision incorporate “TOTO GREEN CHALLENGE,” which puts the environment at its center. Growth strategies for new business domains also encompass a stakeholder perspective, aiming to respond to societal interest in environmental issues through TOTO’s core technologies. The TOTO image doesn’t stop at plumbing, but has been expanded to even include such aspects as air purification. Accordingly, TOTO can be given high marks for its efforts to be a comprehensive environmental company.

In making further inroads into emerging markets besides China, TOTO will be required to take a look at not just the high-end, high-quality segment but middle-end volume zone as well. Business innovation that stems from consideration of the benefit to respective areas will be critical when shifting to local operations, from material procurement to logistics and product development, in those regions.

One way is to effectively execute corporate activities

together with business strategies. TOTO should devise a model that is distinctive from social contribution programs in developed countries. For example, the problem of hygiene is a critical one in developing nations.

TOTO’s strategic social contribution can be recognized as supporting hygiene in regions that are lacking in sewage infrastructure, which will in turn lead to trust from stakeholders and future brand recognition.

Additionally, a high degree of transparency and global diversity is called for in terms of corporate governance. To be a “truly global company,” it is vital that the Company headquarters lead the way as an organization that pays close attention to the interests of shareholders and stakeholders around the world.

Because investors are focusing on ESG (Environment, Social, Governance) factors, I recommend structuring the supplemental data publication as the “Financial and ESG Section.” For that purpose, it is important to examine social sectors that have not yet been developed, such as key indices and performance management of global human resources.



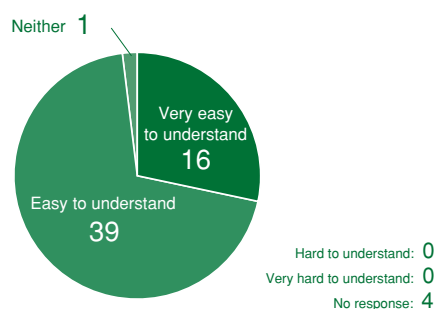
Mizue Unno
Managing Director
So-Tech Consulting Inc.

So-Tech Consulting Inc. provides comprehensive consulting services on management in the fields of the environment and CSR. The company uses its unique analytical capabilities to provide practical guidance on CSR-related management based on the fundamental idea that a company’s set of values forms the foundation of CSR and raises corporate value.

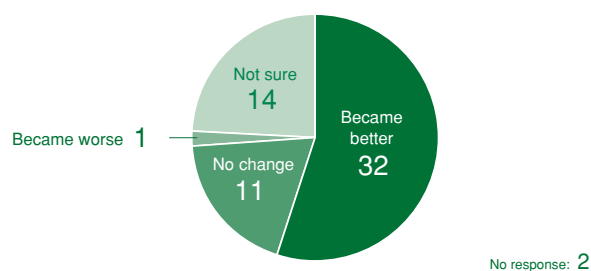
Opinions and Comments from Questionnaire of TOTO CORPORATE REPORT 2009

60 responses as of April 2010

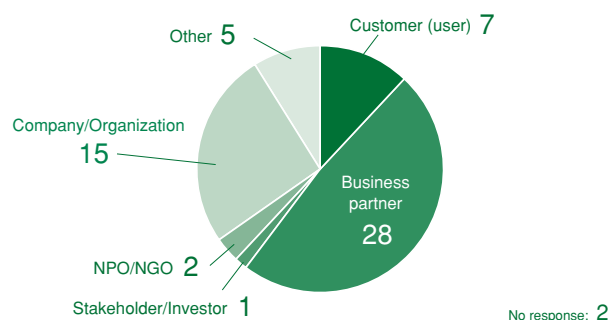
● Overall comment about the report



● Impression of the shift from CSR Report to CORPORATE REPORT



● From what standpoint did you read this report



● Topics of interest (Top ranking, multiple answers allowed)





TOTO LTD.

1-1, Nakashima 2-chome, Kokurakita-ku, Kitakyushu, Fukuoka, Japan
<http://www.toto.co.jp/en/>

Cover photo: Aqua Auto Eco (self-sustaining faucet)

The Aqua Auto Eco faucet is equipped with a hydropower generator using water pressure from the water supply and automatically starts and stops water flow using a motion sensor. The faucet is hygienic and helps to conserve water, making it very environmentally friendly.

In 2009, the Aqua Auto Eco faucet won both the Product Design Award and the Universal Design Award at the iF Awards, one of the most prestigious international design awards. The product embodies true TOTO style and was recognized for its eco-conscious features, innovative design and excellent usability.