



TOTO CORPORATE REPORT **2011**

TOTO

MESSAGE from the PRESIDENT

We aim to be a “truly global company” by promoting corporate activities underscored by ESG moving toward our centenary.

The global economy stagnated in fiscal 2010, and while there were signs of recovery in certain sectors from the sharp decline in new housing starts in Japan, the year was marred by continued uncertainty. Nonetheless, TOTO managed to exceed targets for the fiscal year largely due to the support of our stakeholders.

On March 11, 2011, however, the Great East Japan Earthquake with a record-breaking magnitude of 9.0 struck off the Sanriku coast of the Pacific Ocean. With over 20,000 dead or missing, the severity of the disaster is unparalleled. We extend our prayers for those who lost their lives and our deepest condolences to all those affected.

The business performance of the TOTO Group has been impacted in no small measure by the disaster due to damage to certain factories, sales sites and distribution centers as well as delays in production. We are working to stabilize production so that we can continue to deliver our products and services to our customers in perfect condition.

In fiscal 2010, the TOTO Group commenced in earnest “TOTO V-Plan 2017” and “TOTO GREEN CHALLENGE,” two commitments that we aim to fulfill moving toward our centenary in 2017.

Our vision is to become a “truly global company” by this time. 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 that contributes to better lifestyles by providing plumbing products suitable for particular local customs and culture.

To achieve this goal, we believe it is critical to address global environmental issues. The TOTO Group does not conduct business that is related to the environment, but rather our business activities themselves are connected to contributing to the environment. Up until our 100th anniversary and in the years beyond, I sincerely hope that we stay true to this philosophy.

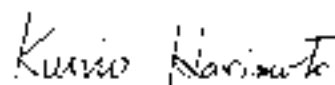
Based on this idea, we plan to begin a series of new endeavors. We will promote all TOTO Group corporate activities from an Environment, Social and Governance (ESG) perspective on a global level and aim to realize strategic integration of business and CSR activities. Specifically, all of our corporate activities will be based upon proper governance in respect of an international code of conduct. At the same time, we will seek to contribute to society by taking into account the culture and customs of each country and region as well as the interests of stakeholders. Business results are linked to contributing to the environment, and accordingly, TOTO will ensure that this cycle is running smoothly in tandem with advancing our corporate activities.

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.

Kunio Harimoto, President
TOTO LTD.





At Tokyo Center Showroom

THE TOTO WAY

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.



Sanitary ware undergoes firing for an entire day in a kiln with rigorously managed temperature control.

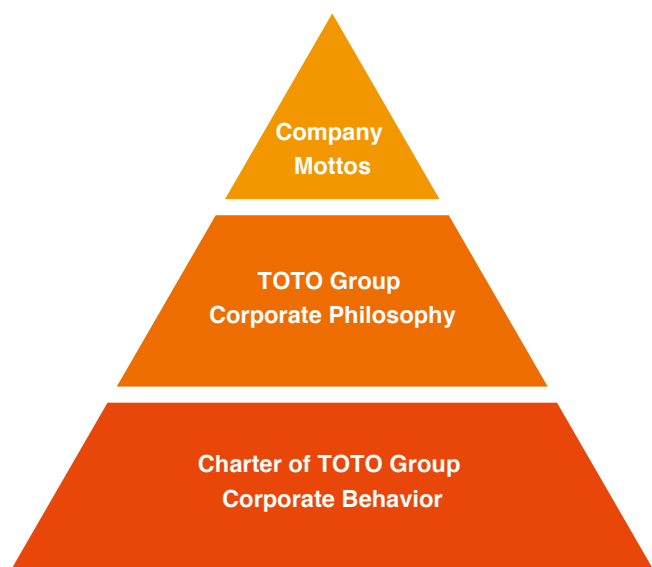
Philosophy System

Philosophy System for TOTO Group Management

The established ideas from our founding that are appropriate for this time and can be shared by the TOTO Group form the philosophy system for TOTO group management.

Common Group Philosophy—Future Vision and Ethics

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



Company Mottos

These are the words that transmit the ideas of the founders to the following generations, and these universal ideas run below the TOTO Group's activities.

TOTO Group Corporate Philosophy

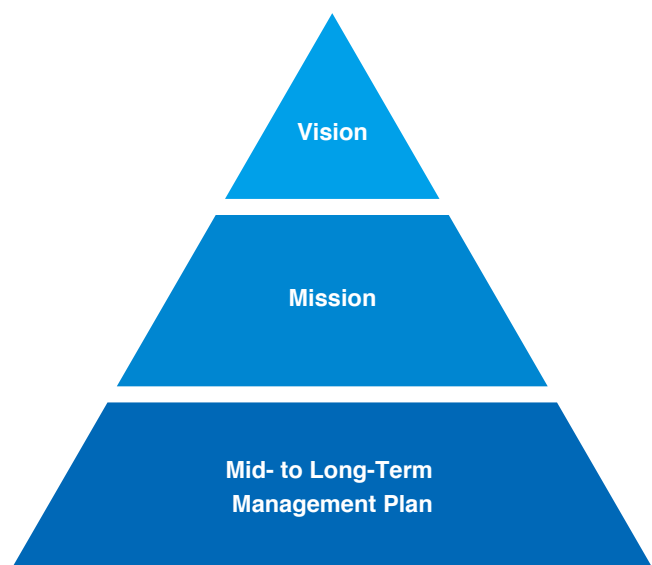
As the basis of what the company mottos strive to transmit, it denotes the purpose of the company's existence, our business fields and the desired image for all of our stakeholders.

Charter of TOTO Group Corporate Behavior

This is the basis for the activities of all TOTO employees who endeavor to satisfy all of its stakeholders.

Vision for Business Activities—Ability to Take Action

Our vision for business activities is positioned as the vision and mission of our business activities that change in accordance with the demands of the times.



Vision

A word, with the Company Mottos, the Corporate Philosophy, and the Charter of TOTO Group Corporate Behavior as its base, and considering the environment surrounding the enterprise at that time, that denotes what the top management thinks should be the desired future image of the TOTO Group.

Mission

A word that is the declaration of intent to implement in the mid-term the primary items for sustained growth of the TOTO Group.

Mid- to Long-Term Management Plan

Implement the TOTO V-Plan 2017 by 2017.

Company Mottos



Take pride in your work,
and strive to do your best.
“Quality and Uniformity,”
“Service and Trust,”
“Cooperation and Prosperity”

Created in 1962

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.

Charter of TOTO Group Corporate Behavior

The TOTO Group wants to contribute to socio-economic development by creating added value and jobs through fair competition in Japan and abroad, and be a helpful entity of broad, penetrating reach. To realize that, all people working for the TOTO Group strive to play an active role with a strong sense of duty to

concept expressed in our corporate motto and philosophy and the fulfillment of our social responsibilities.

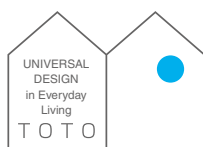
This Charter of TOTO Group Corporate Behavior stipulates the basic guidelines for behavior of all people working in the TOTO Group, and is intended to satisfy all stakeholders.

Revised on April 1, 2011

Vision

Toward a Dynamic, Vibrant and Excellent TOTO

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

Mid- to Long-Term Management Plan——TOTO V-Plan 2017

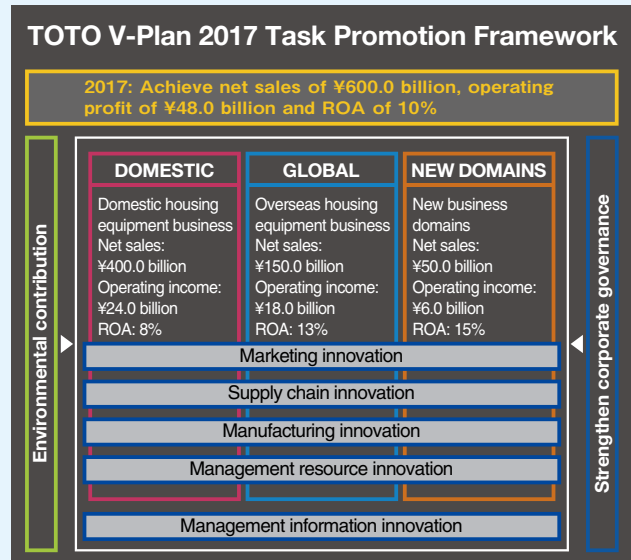
Aiming to be a truly global company by 2017 * Details are featured on pages 7-8.

TOTO V-Plan 2017

Initiatives Under TOTO V-Plan 2017

TOTO formulated "TOTO V-Plan 2017" as an outline of the desired direction for the Group up until 2017, the year of our centenary. It expresses the three business pillars that will play a key role in achieving the goals of the plan and a strategic framework for innovative action across all Group companies. Company directors are responsible for promoting tasks that span the organization both vertically and horizontally.

The domestic housing equipment business, one of our core business domains, is working to further increase the proportion of revenue from remodeling by further accelerating the remodeling strategy, an area of strength, amid major changes in the stock-based



TOTO at a GLANCE

TOTO Group Business Expansion



Company Data (as of March 2011)

Date of establishment: May 15, 1917

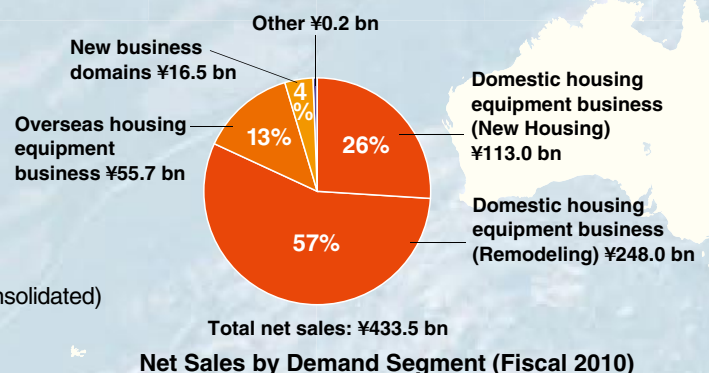
Capital: ¥35,579 million

Headquarters: 1-1, Nakashima 2-chome, Kōkurakita-ku, Kitakyūshū, Fukuoka, Japan

Number of employees: 24,159 (consolidated) 8,217 (non-consolidated)

Group companies: 70 companies

*62 consolidated subsidiaries and affiliates (domestic: 36, overseas: 26)



society. At the same time, we are executing cost structure reforms and working to strengthen the corporate structure. In fiscal 2010, in terms of efforts towards manufacturing innovation, we promoted the shift to platforms, which included the standardization of components, and the integration of production lines.

As for supply chain innovation, we reformed work practices at our distribution centers and shortened lead times. We also made further efforts to reduce costs and generated profit of ¥2.8 billion by advancing such innovative activities.

Our growth strategy revolves around the overseas housing equipment business and new business domains. In terms of marketing innovation, we are creating a structure to develop products suited to local characteristics based on core technologies amassed in Japan such as water-saving technology and air purification technology.

Aiming to be a truly global company, we set up subsidiaries in the new markets of Brazil and India in

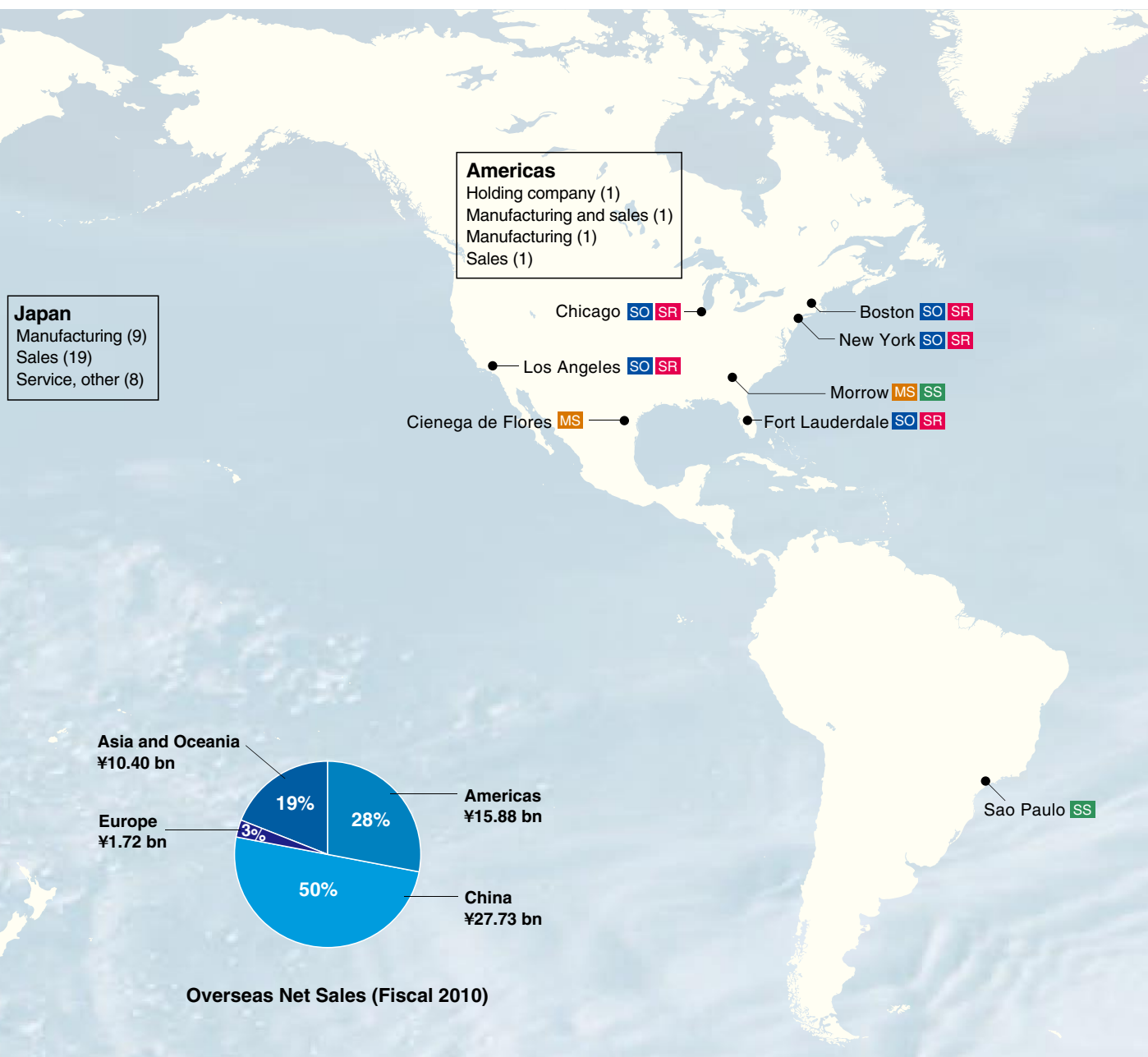
fiscal 2010 while strengthening sales in China and the United States, where we have established business foundations. In new business domains, we are promoting partnerships with European and U.S. companies and expanding the use of Hydrotec.



TOTO has shifted to automated assembly by simplifying parts for the Washlet.



TOTO introduced an automated system of assembly and inspection of core units of single-lever water faucets in conjunction with respective departments.



TOTO Group Corporate Report 2011

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Supplemental publication

TOTO Group Corporate Report 2011 Financial & ESG Section

(scheduled to be issued in August 2011)

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Editorial Policy

The TOTO Group first released our *Social and Environmental Report* in fiscal 2004 and *CSR Report* the following year. From fiscal 2009, 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 2011 Financial & ESG Section*, a booklet outlining annual financial and ESG information; *TOTO CORPORATE REPORT 2011*

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

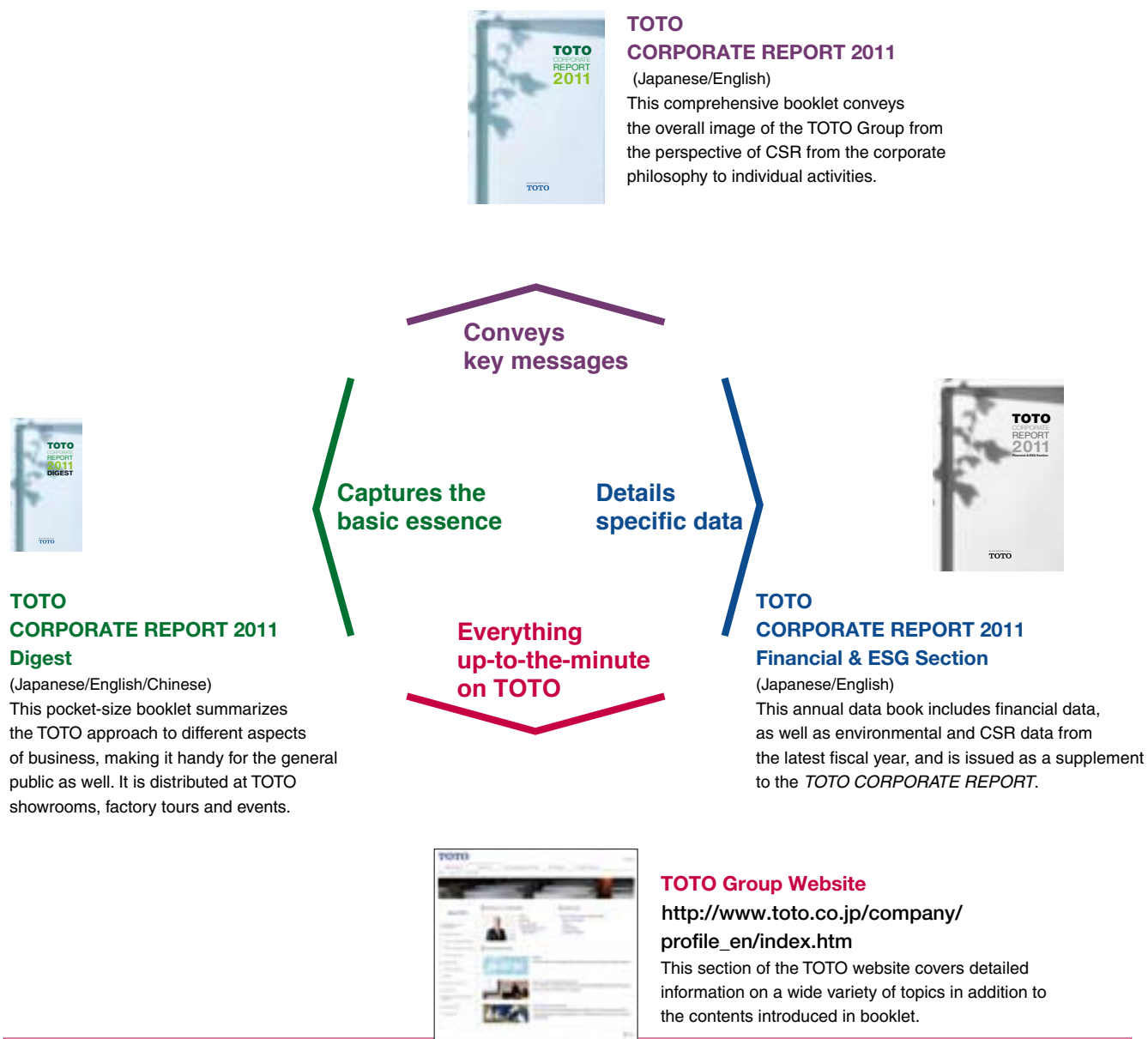
Period of reporting: FY2010 (April 1, 2010 to March 31, 2011).

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



Content posted on the TOTO website

About TOTO

In addition to corporate data and information on Group bases, this section introduces TOTO's basic corporate stance.

CSR Activities

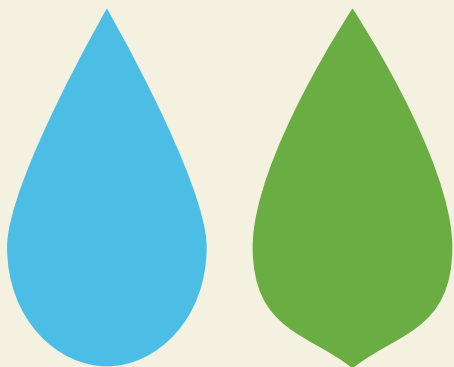
This section introduces our basic stance regarding CSR and efforts undertaken for all stakeholders.

Investor Relations

In addition to the latest disclosure of investor relations (IR) information, this section conveys our mid- to long-term management plan, shareholder return policy, IR policies and various stock information.

Our Environmental Initiatives

This section displays detailed environmental data from our business activities as well as environmental contribution through our products and services.



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.

TOTO

Taking on Full-Fledged Initiative of TOTO GREEN CHALLENGE

Now 1

TOTO GREEN CHALLENGE, which started in April 2010, provides a clear vision for future environmental activities and a roadmap for achieving our goals. Full-scale execution is proceeding based on three pillars of contribution, and we have begun expanding efforts for the whole of society encompassing the housing construction industry.

Three Pillars of Contribution × Four Domains + Human Advancement

As a leading company in plumbing products, TOTO has since our earliest days viewed environmental conservation as a vital issue and has been proactive in promoting environment-related initiatives. In April 2010, we initiated a new environmental vision called “TOTO GREEN CHALLENGE” with the objectives of dramatically accelerating these initiatives and expanding their scale globally.

TOTO GREEN CHALLENGE sets forth an action plan and quantitative targets to 2017, the year of our centenary. The strict targets were set upon thoroughly analyzing the relationship between corporate activities and the environment with regard to the following areas: (1) products and services, manufacturing and social contribution (three pillars of contribution); (2) prevention of global warming, placing importance

on resources, elimination of pollution and contribution to biodiversity (four domains); and (3) human resources development, which serves as the foundation of these actions.

Achieved Target with First Simultaneous Release of Products in Four Distinct Domains

TOTO is dedicated to the development of plumbing products (TOTO green products) that protect the environment without users realizing it in their daily lives. In August 2010, TOTO simultaneously launched four products from the respective restroom, bathroom, kitchen and washbasin segments for the first time, and achieved a 30% reduction (versus fiscal 1990 level) in CO₂ emissions from product usage ahead of the target date of fiscal 2012. We are currently aiming for more than a 50% reduction (versus fiscal 1990 level) in CO₂ emissions by fiscal 2017. By achieving this goal and further expanding “green remodeling” and other efforts, this will



enable a 25% reduction (versus fiscal 1990 level) in CO₂ emissions from plumbing products in Japan by fiscal 2020.

For restroom products, we will aim to reduce CO₂ emissions by 90% for our core products by fiscal 2017 (versus fiscal 1990 level) by releasing environmental products such as water-saving toilets that realize only 4.8 liters per flush.

In bathrooms, kitchens and washbasins, we will develop environmentally friendly technologies and products that enhance convenience and comfort as well as reduce environmental load. These include the Mahobinyokuso insulated thermal pot, which eliminates the problem of bathwater getting cold; Air in Shower technology for greater comfort and water conservation; and the Eco-Single water faucet, which curbs the consumption of waste energy.



Mahobinyokuso keeps the water in the bath warm for a long period through double-layered thermal insulation.



Aqua Auto water faucets are controlled by a hydropower generator that uses flow of water.

Further Contributing to Society by Raising Environmental Awareness

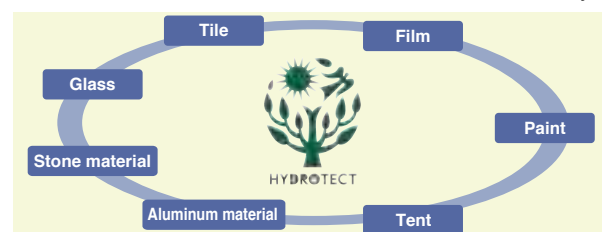
Along with global warming caused by CO₂ emissions, an increasingly serious global problem is the atmospheric pollution resulting from nitrogen oxide (NO_x). In this area, TOTO is contributing to the resolution of this environmental issue with Hydrotect, a photocatalyst technology developed and enhanced by the Company. An example of innovation includes successful development of superhydrophilic technology, a world first, starting with application for photocatalytic tiles, also a world first. Hydrotect is a groundbreaking environmental purification technology that can be used on the surface of building materials and buildings, for instance.

The technology displays the properties of air purification and self-cleaning solely through natural energy, including sunlight and rain. We are broadening the global reach of Hydrotect by building partnerships with enterprises toward greater environmental contribution, and have concluded licensing agreements already with over 100 companies in Japan and overseas.

In terms of manufacturing, we are aiming to reduce CO₂ emissions by 45% (versus fiscal 1990 level) by 2017, and to this end are deploying activities to lessen environmental loads from an all-encompassing perspective in all business processes from the procurement of materials to development, design, production and distribution.

As for social contribution, we are conducting environmental activities rooted in the local community through such campaigns as the TOTO Water Environment Fund, TOTO Acorn Reforestation Project and Eco School for Parents and Children based on the idea of creating a new culture of living with water.

It is people who are the driving force behind each of these environmental activities. By promoting initiatives in the three areas of products and services, manufacturing and social contribution, and realizing TOTO GREEN CHALLENGE, we can foster people with high environmental awareness. To help achieve this goal, we are making use of the intranet, in which all employees can access environmental information from the Company and beyond in addition to providing environmental education and via e-learning. We constantly communicate the importance of reducing environmental loads to customers through our products and services and work to strengthen relationships with partner companies, industrial groups, government and other parties. Our aim is to extend the reach of our activities from TOTO to the whole of society.



Hydrotect Application Fields Expand through Partnerships



TOTO

Green Remodeling for Comfortable Living and a Comfortable World

Now 2

From “remodeling” to realize new lifestyles to “green remodeling” that is kind to the Earth and improves everyday life. TOTO aims to further innovate our remodeling business on the back of initiatives under TOTO GREEN CHALLENGE.

A Commitment to New Lifestyles that Exceed Expectations

TOTO’s “green remodeling” initiative is a promise to provide customers with new lifestyles that exceed expectations by taking home improvement and reform one step further. This program aims to create earth-friendly and human-friendly homes. To this end, TOTO has joined forces with Daiken Corporation and YKK AP Inc. based on three concepts: “healthy living,” “a sturdy home” and “CO₂ reduction.” In addition to fixing problems in the home, the aim is to assist with the creation of an energy-efficient, healthy living environment from a long-term perspective rooted in the lifestyle and life stage of each family.

Efforts in TOTO’s products and services in accordance with TOTO GREEN CHALLENGE form the backbone of this new initiative. We will further expand our lineup of green products through the development of environmentally friendly items

and work to create comfortable living that is also kind to the environment by realizing new lifestyles and the aspirations of each customer. To achieve this, we will utilize TOTO’s 102 showrooms nationwide as well as TOTO Remodeling Club Stores, which form one of the largest remodeling and construction networks in Japan.

First Collaboration Showroom Opened in a Metropolitan Area

At TOTO showrooms, where customers are free to interact with staff, experienced and knowledgeable advisors propose comfortable ways of living suited to the lifestyle of each person. They communicate the value provided by green remodeling by showing firsthand an image of a more comfortable living style following remodeling. In July 2010, TOTO, Daiken and YKK AP opened the first collaboration showroom in a metropolitan area in Osaka (Umeda). As a unified showroom,



using each company's strengths and unique points, it proposes diverse living spaces and provides the latest information on green remodeling.



TOTO DAIKEN YKK AP Osaka Collaboration Showroom



In fiscal 2010, we held Green Remodeling Fairs in major cities in conjunction with Daiken and YKK AP. The fairs included a life-size home layout to propose comprehensive remodeling, different zones showing living spaces pre- and post-remodeling, and a section providing useful information on remodeling. These events also introduced in an easy-to-comprehend manner the value and functions of various products including a water-saving toilet and super insulated bath, which are included in the Japanese government's new eco-point system for housing.

Sharing the Value of Remodeling with Customers

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 community-based partners for green remodeling. Innovative fairs and events are held regularly at TOTO showrooms in collaboration with Remodeling Club Stores, helping to realize more comfortable lifestyles that bring joy to customers and local communities.

A diagnostic system is highly useful in making it easier to visualize the value of green remodeling. The system diagnoses the current living space prior to remodeling and evaluates how "green" the dwelling is. In light of results, TOTO provides a remodeling proposal for more comfortable, durable and environmentally friendly living that fits with the desires and lifestyle of the customer. Graphs and figures show the current status of a customer's home and the potential benefits of green remodeling, while also pinpointing areas requiring remodeling and the details for such remodeling, as well as the benefit of reduced costs. This enables customers to get a broad overview at a glance and examine the contents of the proposal with a sense of reassurance.

TOTO seeks to create better living spaces that enable people to dwell with peace of mind. We also aim to realize lifestyles that are both human-friendly and earth-friendly. TOTO will continue offering comfortable, eco-friendly products for our customers' daily lives.



Green Remodeling Fairs were jointly held by TOTO, Daiken and YKK AP in major cities in Japan.



International Sanitary and Heating 2011 in Germany

TOTO

TOTO's Strategy Takes Hold Locally and Expands Globally

Now 3

Everybody uses water, and plumbing products are closely related to people's lives. TOTO proposes enriched, comfortable and eco-friendly living to the world while rooting itself in the lifestyles and cultures of the local communities in which we operate.

Putting Roots Down Locally as a Corporate Citizen

TOTO has devised "TOTO V-Plan 2017," a long-term management vision which got underway in 2009. Within this framework, TOTO declared our aim to be a "truly global company" with the overseas housing equipment business as a key pillar of growth.

We do not merely view other countries and regions as production sites and markets. Instead, we seek to put down roots in the areas in which we operate as a corporate citizen and contribute to the enhancement of lifestyles and cultures. We always stay true to our company mottos of "Quality and Uniformity," "Service and Trust," and "Cooperation and Prosperity." Further, we will develop and expand products with exceptional environmental performance that meet the objectives of TOTO GREEN CHALLENGE. By doing so, we will become integral to each region as well as the customers of

those regions, and thus fulfill our aim of being a "truly global company."

Expanding Our Overseas Housing Equipment Business under a Five-Polar Global Structure

TOTO's overseas housing equipment business started with its entry into Indonesia in 1977, and over the years, we have expanded our network globally. In addition to domestic sites, the business currently boasts 26 consolidated subsidiaries and affiliates in 16 countries and regions. Under a Five-Polar global structure that encompasses Japan, China, the Americas, Asia/Oceania and Europe, we have established roots in respective regional markets by making effective use of the technologies and know-how amassed in Japan, as well as our strength as a high-end brand, while respecting other cultures and customs.



Kitchen & Bath Industry Show 2011 in U.S.



Kitchen & Bath Expo Brazil 2011



aceTECH 2010 (architecture construction engineering) in India



Kitchen & Bath China 2010

We first introduced sanitary ware into the Chinese market, the driving force behind our overseas housing equipment business in recent years, to the Diaoyutai State Guesthouse in 1979. Since then, we have addressed local needs, including drought issues and demand for sanitary toilets, while providing total coordination of plumbing areas with high technological expertise and environmental friendliness. As a result, TOTO has established a position as a sought-after luxury brand in China. In addition, we have localized production technology and are working to ensure high quality levels through such means as introducing the same production processes that we use in Japan. We have also created an extensive sales network and built close relationships with local distributors.

We entered the U.S. market in the 1990s. The cleansing capacity of TOTO's sanitary ware is highly regarded there, where many cities suffer from water shortages and the Energy Act restricts toilet flushing to less than 6 liters per flush (stricter regulations of less than 4.8 liters are enacted in some states). This has enabled TOTO to build a strong market presence.

In the European market, where the trend toward integration of design and functionality is taking hold, we are promoting both environmental friendliness and comfort that leverages TOTO's technological expertise while incorporating the authentic plumbing culture and design concepts of our sanitary ware. We will proactively release functional products such as the Washlet along with other restroom products, and make proposals for the entire bathroom area in Europe. Through these efforts, we are creating new demand in a mature market.

We enter new markets with a view to establishing a sales network and local production based on the market conditions

in each country. In January 2011, we set up subsidiaries in Brazil and India, where strong internal demand is forecast. We aim to establish business foundations early on in each of these countries.

Think Global, Act Local

Each regional strategy has one thing in common: Our stance of placing importance on interaction with local people and understanding respective lifestyles and cultures and needs. We promote the use of local personnel in overseas group companies so that we can survive as a corporation in the country. At present, non-Japanese make up 18% of top management. We aim to increase this figure to 50% by 2017 and become even more firmly entrenched in each region. TOTO actively participates in major exhibitions in each region, including China, the United States, India, Vietnam, Taiwan and Brazil, beginning with ISH (International Sanitary and Heating), the world's largest trade show held in Frankfurt, Germany. We also work to build long-term bonds with local customers and specialists, which includes setting up showrooms in different parts of the world.

To be a truly global company, TOTO deploys a business model rooted in local traditions in each country and region of the world in which we operate. We work to build brand awareness, permeate the brand and create an established brand in a stepwise manner in respective markets. We also aim to make core technologies, mainly environment-conscious technologies, into the global standard and realize design that fits the characteristics of each region. Further, we will continue striving to contribute to the water environment and lifestyles of people around the world.



Guangzhou showroom



London Showroom



TOTO Acorn Reforestation Project in China



Employees in Malaysia

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 DAIKEN YKK AP Osaka Collaboration Showroom

The Great East Japan Earthquake: Initiatives and Recovery Efforts

The TOTO Group suffered damage to some factories as well as logistics and sales offices due to the Great East Japan Earthquake. There have also been delays in the supply of materials and components while power supply shortages are hampering production operations. Accordingly, the Group worked to overcome these issues.

We are still unable to enter TOTO Fine Ceramics Ltd. due to its location near the Fukushima nuclear power plants and have halted operations there. Accordingly, we will build new facilities within the Ibaraki Plant of TOTO Washlet Techno Ltd. to cover production of certain products and consign other areas of production to affiliate companies. Despite immense damage to buildings and equipment, we have already resumed operations and business at the Ibaraki Plant, the Chiba Distribution Center and at TOTO Tohoku Sales Ltd. and its showroom.

The TOTO Group, including overseas companies, has donated ¥100 million to the areas affected by the disaster and hopes for the swift recovery of all those affected. An additional ¥18 million has been donated voluntarily by current and retired employees through the Central Community Chest of Japan, Japan Red Cross Society and other organizations.

We have also offered support to areas in which our Group companies operate, donating ¥1 million to Sakuragawa, where the Ibaraki Plant of TOTO Washlet Techno Ltd. is located, and ¥1 million each to Naraha-machi and Tomioka-machi, where TOTO Fine Ceramics Ltd. has facilities.

Remaining challenges include power supply shortages in summer, whereby the TOTO Group is trying to lessen the burden of the power shortages in the Kanto and Tohoku regions, which affect people's daily lives. We are switching to energy-saving lighting and air conditioning and working to reduce power consumption for the entire company. At plants that require a large amount of power, we will install self-powered generators and reorganize production systems by shifting operating hours. To cover shortfalls in the Kanto region, we took measures at our plants in western Japan including resuming operation of inactive lines and setting up new production lines.

We offer our sincerest apologies for any disruptions and worry caused due to delays in the supply of components and materials and the suspension of orders for certain products. We will do whatever we can throughout the TOTO Group to bring about the swift restoration of areas affected by the disaster as well as to meet the requirements of all of our customers.

Bonds with Customers

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.

Aiming To Strengthen Bonds with Customers

TOTO showrooms, where customers can view products at their own leisure, are used as places to promote exchange with customers to deepen ties through various events and fairs held in conjunction with Remodeling Club Stores.



Remodeling Fairs held at factories throughout Japan

Since June 2009, Remodeling Fairs have been held at 22 TOTO Group factories nationwide. A total of 110,000 people have visited 62 fairs in the past two years.



Cooking class trying out a TOTO kitchen (Chiba Showroom)

TOTO's Concept of Manufacturing

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.

Innovative Activities for “TOTO V-Plan 2017”

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. As such, 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 that address global issues including water-savings, 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.

Also, 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.

In fiscal 2010, we deployed on a global scale technologies used in our water-saving toilet that uses only 4.8 liters per flush as a core technology and introduced a standardized platform for the valve unit of the Washlet.

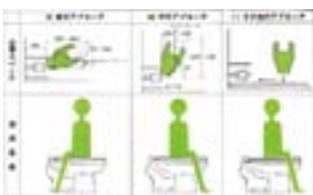
Universal Design—Designing for Everyday Use

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. As an example, in our product catalogs issued in the 1970s we introduced different ways of using our toilets suited to individual needs via illustrations, developed through observation of various monitors used on wheelchairs at the research and development stage.

The TOTO Universal Design Research Center established in 2006 aims to create products that are safe, comfortable and easier to use through repeated dialogue between product developers and customers as well as observation and examination. The

Crasso modular kitchen and Sazana system bathroom launched in 2010 were created from this method.

An aging society is becoming a serious issue in many countries, and products and spaces are required to be easier to use, safer and more comfortable. TOTO will continue using the design concepts of our predecessors with the aim of being the company chosen by customers.



Illustrations used in a catalog issued in the 1970s on facilities and equipment for the physically challenged



Customer monitoring and observation used in the development of the Sazana modular bathroom enabled us to enhance ease-of-use by studying unconscious movements.

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.

TOTO received the Social Kids Products Award (Minister of State for Measures for Declining Birthrate, and Gender Equality Award) at the 2010 Fourth Kids Design Awards held by the Kids Design Association for our Baby Sheet, Fitting Board and Baby Chair. These products were developed for public restrooms based on the aforementioned design concept. All three items were recognized as products considering parents with children for

their simple, compact design as well as their safety, hygiene and ease of maintenance.

Also, the Nympheas washroom water faucet received the Red Dot Design Award, a German design award recognized worldwide, for the second year running. In the United States, TOTO exhibited products at the Kitchen & Bath Industry Show, which showcases the world's best plumbing products, and our Aimes EcoPower LED rain showerhead garnered the Gold Award in the Best of Bath Category within the Best of KBIS competition. This product received critical acclaim worldwide for its functionality and design.



TOTO design website
<http://www.toto.co.jp/design/en/>



Aimes EcoPower LED rain showerhead



Nympheas washroom water faucet

“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 Hydrotect, 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 contributes broadly to environmental preservation worldwide through the application of this technology in our products, including paints, tiles and building materials, and together with partner companies aims to expand the use of Hydrotect in diverse settings.

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 hardly emits 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.



Hydrotect website
<http://www.toto.co.jp/hydrotect/top01.html>



A shopping center in the Netherlands using Hydrotect 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.

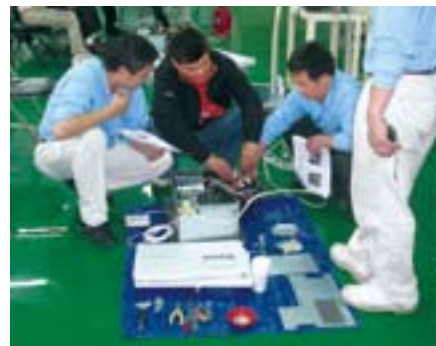
We also work to reduce the risk of problems from the design stage. This includes design that focuses on fire and leak prevention and internal structures that minimize the spread of damage beyond the product itself in case a fire or leak does arise due to an abnormality. In the design stage, specialist departments meticulously inspect 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

managers 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 an 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.

Commitment to the Environment

Our traditional environmental activities were provided further impetus with the introduction of TOTO GREEN CHALLENGE, which focuses on the three core areas of products and services, manufacturing and social contribution, all of which are underpinned by human resources development. As a milestone in the promotion of these three areas, we formulated the 7th Global Environmental Action Plan that runs from fiscal 2010 to 2012. We have commenced concrete initiatives based on this plan.

Detailed data regarding TOTO's environmental preservation activities based on TOTO GREEN CHALLENGE are included in the *TOTO CORPORATE REPORT 2011 Financial & ESG Section*.



The following environmental portal site includes information on TOTO's eco-products as well as the environment. TOTO GREEN Channel
<http://www.toto.co.jp/kankyo/channel/> (Japanese)

“Products and Services” Initiatives

Over the years, TOTO has worked to develop technologies that enhance the environmental performance of our products and services in order to place greater importance on limited resources and energy while ensuring the enrichment of customers' lives. Through promotion of TOTO GREEN CHALLENGE, in fiscal 2010 we launched a series of “TOTO

green products” in Japan that included the Green Max 4.8 water-saving toilet, Air in Shower and Eco-Single water faucet. This enabled TOTO to achieve a 30% reduction in CO₂ emissions when using TOTO green products in fiscal 2010 (versus fiscal 1990 level), which was an improvement on a 22% reduction in fiscal 2009.



TOTO's Air in Shower realizes both comfort and water-savings by combining air with water.



The Eco-Single water faucet prevents the waste of hot water without the user realizing it.

“Manufacturing” Initiatives

Although CO₂ emissions rose in fiscal 2010 year-on-year due to increased production as the economy rebounded, we implemented a variety of environment-based measures that resulted in an improvement in reduction rate for CO₂ emissions per basic unit of production. These included conventional activities to enhance production equipment and conserve energy at company sites, and the

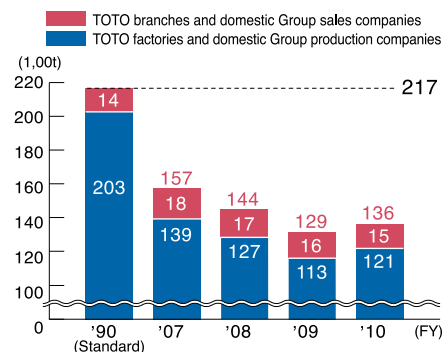
introduction of high-efficiency lighting that will greatly reduce CO₂ when reforming showrooms nationwide. We also achieved our target for CO₂ reductions at overseas production facilities.

We will continue with environment-related initiatives going forward with the aim of achieving the final targets of the 7th Global Environmental Action Plan and TOTO GREEN CHALLENGE.



A showroom in Osaka using high-efficiency lighting

CO₂ Reductions at Domestic Group Companies



TOTO used a CO₂ conversion factor for calculating electric power of 0.378kg-CO₂/kWh in accordance with the Law Concerning the Promotion of Measures to Cope with Global Warming. Estimates are utilized for certain past data.

“Social Contribution” Initiatives

TOTO promotes environmental contribution activities that involve local communities from the perspective of biodiversity. The TOTO Water Environment Fund started in fiscal 2005 supports efforts related to the water environment by non-profit organizations (NPOs), citizen groups and others. TOTO Group employees also participate in various activities.

In addition, employees from throughout the TOTO Group participate in the TOTO Acorn Reforestation Project, which commenced in fiscal 2006, by picking up acorns, nurturing them and planting them with the help of local citizens.

Eco School for Parents and Children

are held at TOTO showrooms nationwide to heighten awareness of environmental issues. Also, we distribute various environmental communication tools such as the “Green Life Game” board game with which people can learn about environment in a fun way, and the *TOTO Environment Book*, which includes enlightening information on the environment for the public.

From fiscal 2011, TOTO changed the name of volunteer activities that contribute to the environment to “Green Volunteer” initiatives. We also promote participation of employees and strive to deepen interaction with local citizens.



TOTO's social contribution initiatives website
http://www.toto.co.jp/company/environment_en/social/



Shoin High School Blue Earth Project in fiscal 2010



Eco Class for Parents and Children at Miyakonojo Showroom



Activities for the TOTO Acorn Reforestation Project (Miyanooka kindergarten, Sapporo)



“Green Life Game” (Honjominami elementary school, Saitama Prefecture)

Main Awards for Eco-Friendly Business Activities

TOTO was recognized for its environmental activities in each of the three areas.

In products and services, Hydrotect photocatalyst technology won the Minister of Economy, Trade and Industry Award, one of the highest accolades, for 2010 at the 12th Green Purchasing Awards sponsored by the Green Purchasing Network.

In manufacturing, efforts to reduce packaging garnered TOTO an award for the 11th straight year (only company among all recipients) in the Japan Packaging Contest sponsored by the Japan Packaging Institute. Following on our success in 2009, a wall-hung toilet designed for Europe won the Japan Star Prize, the pinnacle of awards for packaging in Japan, and top awards at the Asia Star Contest sponsored by the Asian Packaging Federation and WorldStar Competition 2010 sponsored by the World Packaging Organisation. Only two companies in Japan won these three awards in 2010.



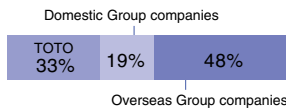
Packaging for a wall-hung toilet designed for Europe garnered three prizes. The protective box can be used as a tray during installment work and later taken off easily.

TOTO Human Resources Development

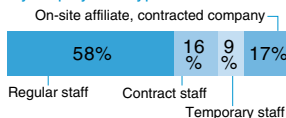
We promote diversity, nurture and effectively utilize human resources, and encourage a good work-life balance so that everyone in the TOTO Group can work to maximum potential.

■ Breakdown of TOTO Group Employees (As of March 31, 2011)

By organization



By employment type



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.

Empowering Female Staff

The percentage of females in managerial positions at TOTO was 3.7% in fiscal 2010. We are aiming to raise this figure to 10% by fiscal 2017, our 100th anniversary.

Toward this goal, we promote the continuous employment of females engaged in general work and hold mentoring sessions* for generations set to experience such life events as marriage and childbirth.

We also provide training for females in their 30s aimed at self-improvement, which includes honing problem-solving and presentation skills. To broaden the scope of potential jobs for female

employees, we encourage office workers to transfer to sales.

*Mentoring sessions provide the opportunity for general female employees to think about their career and to gain information about different types of work styles so that they can effectively manage work with other life events.

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 TOTO as of April 2011 stood at 11.

At overseas Group companies, TOTO is promoting localization of human resources. As of fiscal 2010, 18% 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 our plumbing-related products. At the end of fiscal 2010, the percentage of persons with disabilities working within the TOTO Group was 1.89%.



Step-up training session for women

Fostering Human Resources

The TOTO Group aims to foster independent human resources who can think and act on their own. For that purpose, we clarify the human resources and the knowledge and skills required for a specific qualification and provide employees with the opportunity to reach their full potential by their own initiative based on a particular career path.

Specifically, there are three-year nurturing programs for new recruits to strengthen basic business skills,

rank-specific training to increase awareness of roles the next level up and individually selected training and cross-industry interchange that encourage taking on further challenges.

By offering the chance to develop one's potential while at the same time promoting communication between upper and lower tiers, we are able to develop independent human resources in a planned and consistent manner.

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 2010, we encouraged people to take paid holidays and promoted days with no overtime. We also developed an even more flexible system and extended the period employees can reduce their work hours to care for their parents, for instance, and introduced a registration system outlining employment opportunities for applicants in case they

need to quit TOTO due to marriage, childbirth, a spouse's work transfer or nursing care. Every year, both male and female employees make use of our childcare leave and reduced work hour systems.

In fiscal 2011, we plan to increase the amount of information on childcare and nursing care via the intranet, promote use of both support systems and create a corporate culture that makes it easier to make use of these systems. We will continue to make efforts to realize a good balance between work and home life.

Supporting Mental and Physical Well-Being

In fiscal 2010, we continued to recommend secondary medical exams and comprehensive health-related advice to employees throughout the TOTO Group. We also provided education on self-care so that young employees know

how to take care of their mental health properly, and held classes for management and supervisory levels so that these persons can identify and respond to mental illness swiftly.



Training for managers and supervisors identifying mental health issues

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 has been educating each Group employee on health and safety since fiscal 2008,

including implementation of rules and regulations. The Company focuses in particular on increasing safety awareness throughout the Group.

In fiscal 2010, we concentrated on raising the level of safety management at the sites of large-scale projects in order to create a system and structure that helps avoid major accidents.

Highly Objective and Transparent Management

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, who are 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

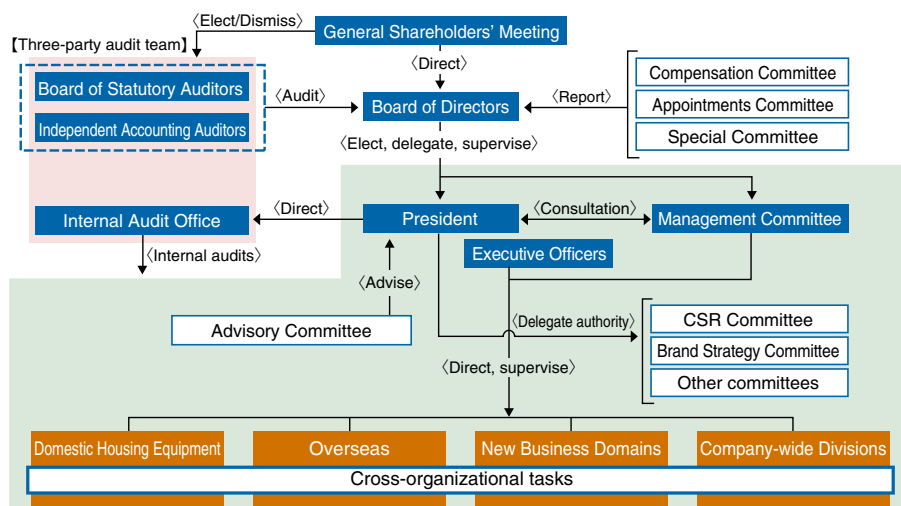
external statutory auditors have no affiliation with the Company.

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.

■ Corporate Governance Structure

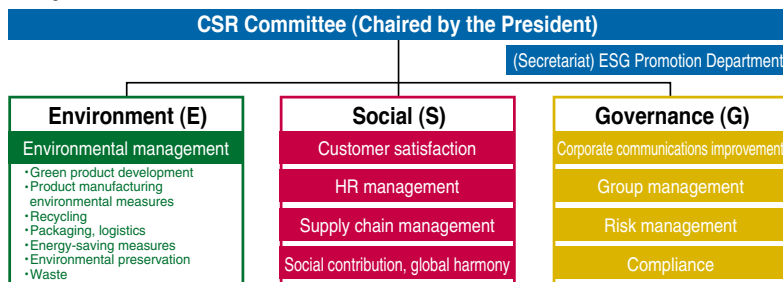


Strategic Integration of Business and CSR Management from an ESG Perspective

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 the Environment, Social and Governance (ESG). The CSR Promotion Department, the secretariat for the committee, was renamed the ESG Promotion Department, and progress is being made toward the strategic integration of business and CSR activities. Subcommittees in each area formulate 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. In fiscal 2010, persons entrusted with managing such information completed self-evaluations to ensure appropriate work methods are being employed.

We also regularly review the system of individual information management and data containing personal information at each business division and Group company, while managers perform voluntary audits (98% completion rate) 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 2010, we formulated a business continuity plan (BCP) in preparation for a major disaster

in Tokyo in light of the risks posed by climate change. All departments underwent training on safety confirmation and simulations were performed regarding the financial impact of a major disruption to business. Measures were formulated to minimize damage, enable swift restoration and reduce financial losses. The advance measures and training proved invaluable in the Great East Japan Earthquake, whereby the safety of Group employees was confirmed quickly.

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.

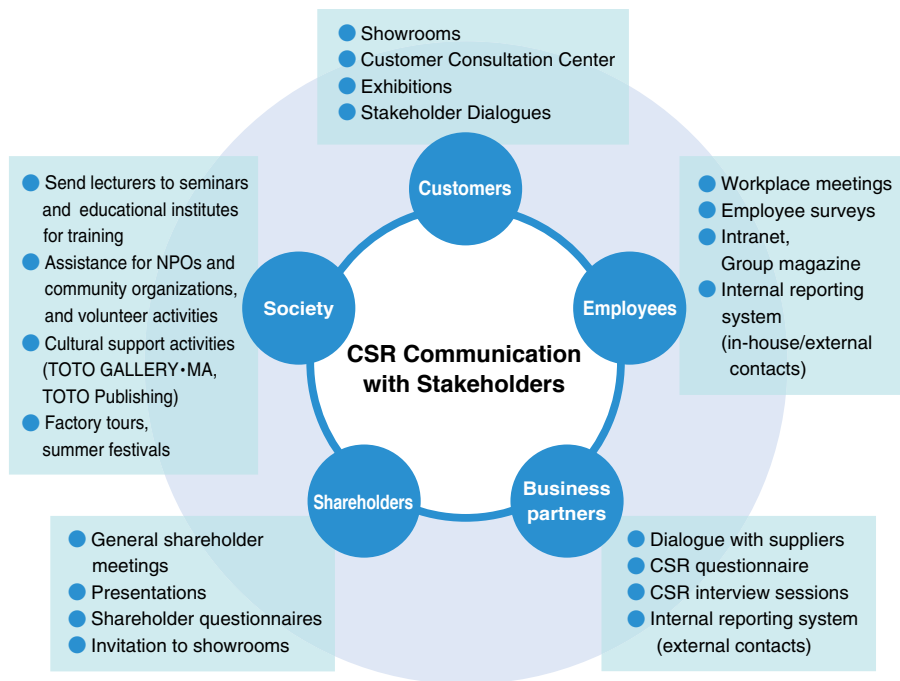
Promoting Two-Way Communication

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) (2010/2011) for the second consecutive year. 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)*, 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.



*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.

Promoting CSR Procurement Together with Suppliers

The TOTO Group works hard to ensure local procurement and that procurement activities are undertaken with CSR in mind. Overseas Group companies practice procurement activities rooted in the local community. This includes purchasing raw materials and

components from around 1,100 local suppliers. In addition, purchasing managers from Japan and overseas are given training while suppliers are requested to be aware of the importance of CSR through workshops and dialogue and to adhere to the following guidelines.

● Concerning labor

- We shall not illegally engage in child labor.
- We shall not force employees to work against their will.
- We shall ensure a safe and clean work environment and keep in mind employees' well-being.
- We shall not obstruct the establishment of a union by employees.

● Concerning discrimination

- We shall not discriminate based on race, sex or any other factor under any circumstances.

● Concerning environmental protection

- We shall not illegally dispose of waste.
- We shall minimize environmental burden to the extent possible.
- We shall practice environmental preservation activities such as energy-saving activities.
- We shall prioritize the procurement of components and raw materials that have minimal environmental impact (green procurement).

● Concerning business transactions

- We shall not violate the trading customs or laws of a region.
- We shall not act in a way that hinders fair and free competition such as cartels or bid-rigging.

Initiating Stakeholder Dialogues

Stakeholder Dialogues have been conducted since 2004. In fiscal 2010, discussions related to the environment were held in Tokyo and Osaka specifically on TOTO GREEN CHALLENGE, the new environmental vision announced in April. People from diverse backgrounds, including general customers, NPOs and corporate environmental departments attended the talks to exchange ideas about environmental issues. The most valuable ideas and proposals will be reflected in future activities as a means to realize the goals of TOTO GREEN CHALLENGE.



Stakeholder Dialogue

IR Activities Providing the Latest Information Based on Transparency and Fairness

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. One section of the TOTO website is dedicated to topics concerning business activities, including an introduction to factories and work sites in Japan and overseas. We proactively seek to provide the latest information on TOTO.



Meeting with overseas investors



IR section of the TOTO Group website
http://www.toto.co.jp/company/ir_en/

Coexistence with the Local Community

The TOTO Group believes in the importance of coexistence with the local community and conducts activities that contribute to the local environment, social welfare, and life and culture. We also release and exchange information on architecture, design, plumbing and lifestyle.

With the Local Community

■ Local Interaction at TOTO Factories

The TOTO Group holds summer festivals at its factories throughout Japan every year to express its gratitude to local citizens for their patronage. Each factory plans elaborate events and employees run outdoor stalls, which helps to deepen communication with the community.

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 to promote the distinctive nature of TOTO manufacturing to local people.



TOTO summer festival



Factory tour at a remodeling fair

■ Local Cleanup Activities

As part of our efforts to contribute to local areas, TOTO frequently cleans up around respective sites. In Nagasaki and Akita, we took the lead in city cleanup activities. Every month, TOTO MTEC Ltd. cleans the surrounding area of cigarette butts. Around 30 employees and their families from TOTO Chugoku Sales Ltd. participated in the traditional year-end cleanup activity at Matsue Castle and together with local citizens wiped the columns and roof to get rid of dust.



Cleaning activity by TOTO MTEC Ltd.

For Social Welfare

■ 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, students and local people can use with reassurance. The research group conducts on-site investigations, issues a research journal and holds various lectures. In fiscal 2010, the group conducted its first survey on high school toilets and received responses from 621 public high schools throughout Japan. The survey highlighted the importance of upgrading high school toilet facilities. The results have been released on our 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. A website was set up in 2010 and provides examples of toilet facilities in medical and welfare institutions and releases information on key points regarding the creation of restrooms.

■ Volunteer and Fundraising Activities

TOTO has set up a volunteer leave system to support employees' volunteer activities. Employees participate in various volunteer activities from cultural and sports events to mentoring youths and providing disaster assistance. TOTO Group workers and employers joined forces when the Great East Japan Earthquake struck in March 2011 to support the afflicted areas through fundraising activities and donations.

For Life and Culture

■ TOTO GALLERY·MA

TOTO GALLERY·MA specializes in exhibitions on architecture and design. Since opening in 1985, the gallery has sought to consistently transmit information of the highest quality, conveying the ideas and philosophies of architects and designers from around the world. To mark its 25th anniversary, in October 2010 the gallery held an event entitled “GLOBAL ENDS” featuring seven architects 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.



Event marking the 25th anniversary of the gallery entitled “GLOBAL ENDS”

■ TOTO Publishing

Since its inception in 1989, TOTO Publishing has been publishing books made from a unique perspective and covering diverse topics such as architecture, design and lifestyle culture. More than 300 books have been published with over 2.4 million copies printed in total. These books have been highly praised internationally as well.



Publication in fiscal 2010

■ 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. 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.



■ 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 2010, 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 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. In fiscal 2010, the festival, which again attracted top artists from Japan and internationally, provided the opportunity for many people to enjoy music.



■ TOTO Athletics Club

Inaugurated in 1986, members have taken part in the All-Japan Women's Corporate *Ekiden* Championships seven times and were in the top ranking twice. They practice continuously so that they always do their best. They also provide coaching to children at nearby schools and teach the children about the joy of running.



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  <ul style="list-style-type: none"> Establishes Toyo Toki Company, Limited in Kokura, Kitakyushu Changes name to TOTO Kiki Ltd. Establishes P.T. SURYA TOTO INDONESIA, a joint venture company, in Indonesia Opens "GALLERY•MA" Opens "TOTO Super Space" as core showroom Establishes TOTO KIKI U.S.A., INC. as sales base in the United States Announces "Remodeling Declaration" and strengthens remodeling as business pillar Establishes TOTO (CHINA) CO., LTD. Concludes business tie-up with Daiken Corp. and YKK AP Inc. in remodeling field Proposes new lifestyles exceeding customer expectations in new Remodeling Declaration Sets up TOTO Water Environment Fund Establishes TOTO Universal Design Research Center (Chigasaki) for R&D into universal design Establishes TOTO Europe GmbH as first European headquarters in Germany Establishes TOTO ASIA OCEANIA PTE. LTD. as Asian headquarters in Singapore Exhibits products at ISH (International Sanitary and Heating) Trade Show in Frankfurt, Germany Announces "TOTO V-Plan 2017" Announces "TOTO GREEN CHALLENGE" environmental vision Establishes TOTO India Industries Private Limited and TOTO Do Brasil Distribuição e Comércio, Ltda. 	<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) Commences production of ceramic sanitary ware Commences production of faucets Develops construction method for world's first prefabricated bathroom module Launches bathroom vanity unit Launches Washlet (toilet seats with a warm-water washing feature) Launches modular kitchen Launches Shampoo Dresser bathroom vanity suited for washing hair Launches Neorest toilets featuring Washlet Develops Hydrotect products that incorporate super hydrophilic photocatalyst technology (world's first successful practical application) Develops CeFIONtect semi-permanent antifouling technology for ceramic sanitary ware Launches Japan's first system bathroom equipped with Karari floor for thorough drainage Launches Japan's first system bathroom equipped with Mahobinyokuso insulated thermal pot Washlet shipments top 20 million Launches Neorest Hybrid Series 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 Launches Basic Plus shower head incorporating new Air in Shower technology Launches 4.8L tank toilet with Twin Tornado Cleansing technology Launches Crasso new modular kitchen Washlet shipments reach 30 million units    

Third-Party Comment on this Report

Last year, activities based on the newly formulated “TOTO V-Plan 2017” began. By changing the CSR Promotion Department to the ESG Promotion Department, TOTO clarified its dedication to environmental and social issues as part of its business activities.

TOTO needs to report clearly to investors and stakeholders its initiatives toward achieving the goals of “TOTO V-Plan 2017”. This plan is comprised of Domestic, Global and New Domains areas, with environmental preservation serving as the key to realize specific goals. It is vital that TOTO discloses annual results that portray progress toward reaching goals. Moreover, I recommend explaining the connection between the Company’s three missions and “TOTO V-Plan 2017”.

Under the plan, TOTO states its aim to be a “truly global company.” TOTO should provide more details on operations in key regions as part of the Global area. ESG will be vital in cultivating new businesses in emerging markets since improving people’s lives and society will lead to successful business.

Forging bonds is one vital aspect of the Domestic area, and the remodeling business concretely supports this objective. I recommend providing a clearer picture of progress in this area.

The environmental vision, TOTO GREEN CHALLENGE, is a strategic pillar and the driving force behind the creation of the New Domains area. Currently,

water resources along with global warming are critical environmental issues. Water conservation is an area that TOTO excels in, so I suggest promoting the Company’s environmental strategy with a focus on water. Regarding the environment, it would be easier for readers to understand if basic activities were divided between (a) regional contribution and (b) management, with an emphasis on strategy.

In social areas, priority is placed on contribution to and management of human resources, quality and local community relations. In the section on ESG performance, TOTO needs to increase the volume of data disclosed regarding social areas, beginning with an examination of key indicators. Keep in mind the need for community-based activities in emerging nations and incorporate specific local issues that differ from those of industrialized nations into TOTO’s business. Resolution of hygiene problems is an example of such an issue.



Mizue Unno

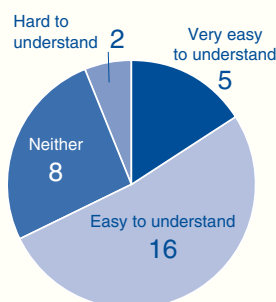
Managing Director
So-Tech Consulting Inc.

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.

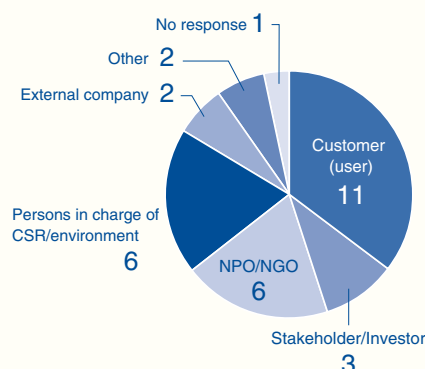
Opinions and Comments from Questionnaire of TOTO CORPORATE REPORT 2010

31 responses as of April 2011

Overall comment about the report



From what standpoint did you read this report (multiple answers allowed)



Topics of interest

(Top ranking, multiple answers allowed)





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