



TOTO

CORPORATE
REPORT
2011

Financial & ESG Section

TOTO

TOTO Corporate Report 2011

Financial & ESG Section

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Notation of Years

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

Forward-Looking Statements

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

Financial Data

Six-Year Summary of Selected Financial Data

TOTO LTD. and Consolidated Subsidiaries

Year ended March	2006	2007	2008	2009	2010	2011	2011
	Millions of yen						Thousands of U.S. dollars ⁴
Net sales	¥494,785	¥512,200	¥501,060	¥464,505	¥ 421,929	¥433,558	\$5,214,167
Cost of sales	321,214	337,735	330,782	311,765	275,639	273,259	3,286,338
Cost of sales ratio	64.9%	65.9%	66.0%	67.1%	65.3%	63.0%	—
Gross profit	173,571	174,465	170,278	152,740	146,290	160,299	1,927,829
Selling, general and administrative (SG&A) expenses	148,407	148,277	147,555	146,174	139,700	146,285	1,759,290
SG&A ratio	30.0%	28.9%	29.4%	31.5%	33.1%	33.7%	—
Operating income	25,164	26,188	22,723	6,566	6,590	14,014	168,539
Operating margin	5.1%	5.1%	4.5%	1.4%	1.6%	3.2%	—
Income before income taxes and minority interests	21,972	21,829	15,853	(14,470)	5,296	8,119	97,642
Net income	12,997	13,544	13,240	(26,261)	879	5,115	61,515
Capital investment	22,397	22,260	24,191	16,297	11,607	26,214	315,262
R&D costs	11,722	11,752	12,001	13,087	13,113	15,606	187,685
R&D costs ratio to net sales	2.4%	2.3%	2.4%	2.8%	3.1%	3.6%	—
Cash flow ^{*1}	4,292	(7,250)	2,490	(311)	6,698	(4,066)	(48,900)
Total assets	¥474,824	¥466,736	¥451,744	¥388,645	¥ 378,266	¥379,215	4,560,613
Return on assets ^{*2}	2.8%	2.9%	2.9%	-6.2%	0.2%	1.3%	—
Total current assets	214,130	217,780	210,126	187,690	180,150	184,204	2,215,321
Total noncurrent assets	260,694	248,956	241,618	200,955	198,116	195,011	2,345,292
Net property, plant and equipment	166,757	161,045	157,925	133,168	125,047	121,212	1,457,751
Total investments and other assets	93,937	87,911	83,693	67,787	73,069	73,799	887,541
Total liabilities	¥241,272	¥233,494	¥220,214	¥203,751	¥ 189,717	¥199,050	2,393,867
Total current liabilities	154,249	181,951	160,297	146,789	138,491	128,043	1,539,904
Total long-term liabilities	87,023	51,543	59,917	56,962	51,226	71,008	853,975
Net assets ^{*3}	233,552	233,242	231,530	184,894	188,549	180,164	2,166,735
Return on equity ^{*2}	6.2%	6.0%	5.8%	-12.9%	0.5%	2.8%	—
	Yen						U.S. dollars ⁴
Basic net income per share	¥ 37.12	¥ 39.07	¥ 38.21	¥(75.80)	¥ 2.54	¥ 14.86	\$ 0.18
Net assets per share ^{*3}	638.38	659.68	652.84	520.36	530.35	513.51	6.18
Cash dividends per share applicable to the year	12.00	13.00	14.00	10.00	10.00	10.00	0.12

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

Financial Data

Management’s Discussion and Analysis of Operations

Market Environment

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

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

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

Under the current business conditions, the TOTO Group has begun concerted efforts toward company-wide restructuring, while strengthening its marketing in the domestic and overseas housing equipment business and new domain business segments, based on the long-term vision in “TOTO V-Plan 2017” announced in July 2009. Under this plan, TOTO aims to become a truly global company by 2017, the year during which TOTO will celebrate its 100th anniversary. In order to step up efforts for existing environmental initiatives, TOTO has as an environment-friendly company started specific activities under its environmental vision for 2017, “TOTO GREEN CHALLENGE,” which was announced in April 2010. In its domestic business, TOTO seeks

to utilize various points of contact with customers, such as manufacturing plants and after-sales services, in addition to its nationwide showroom network, and the Company as a whole is working together to stimulate and create demand for remodeling. Internationally, TOTO has continued to build its presence based on a Five-Polar global structure, which includes Japan, the United States, China, the Asia/Oceania region and Europe. The Company has taken a proactive approach to sales to build a distinguished global brand.

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

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

Business Results

Net Sales

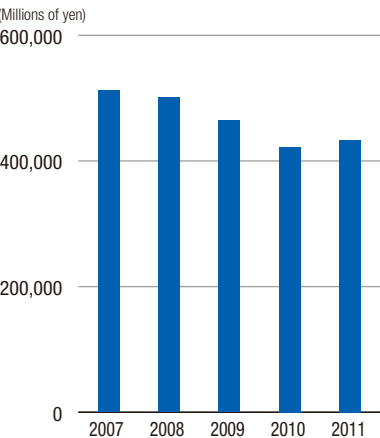
Consolidated net sales for fiscal 2010 amounted to ¥433.6 billion yen, an increase of 2.8% from the previous term.

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

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

In new domain business, sales amounted to ¥16.9 billion, up

Net Sales



Sales Growth by Segment

Segment	Results (YoY)
Domestic housing equipment business	2.4%
Overseas housing equipment business	4.4%
New business domains	10.2%
Total	2.8%

10.2% from the previous year due to strong growth in precision ceramic components within the ceramics business owing to favorable demand in the semiconductor industry worldwide.

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

Operating Income

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

Net Income

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

Financial Position

As of March 31, 2011, consolidated total assets amounted to ¥379.2 billion, up ¥1.0 billion from the previous fiscal year-end.

Current assets increased ¥4.1 billion from ¥180.1 billion at

the previous fiscal year-end to ¥184.2 billion. This mainly reflected an increase of ¥3.8 billion in notes and accounts receivable, an increase of ¥3.4 billion in finished goods and work in process, an increase of ¥1.2 billion in deferred tax assets and a decrease of ¥5.0 billion in marketable securities.

Total non-current assets declined ¥3.1 billion to ¥195.0 billion compared with ¥198.1 billion at the previous fiscal year-end. Key factors were a decrease of ¥4.4 billion in machinery, equipment and vehicles, a decrease of ¥4.1 billion in buildings and structures and an increase of ¥5.6 billion in construction in progress.

Consolidated total liabilities increased ¥9.3 billion to ¥199.1 billion compared with ¥189.7 billion at the previous fiscal year-end. This was mainly attributable to an increase of ¥21.8 billion in long-term debt and finance lease obligations, an increase of ¥9.6 billion in notes and accounts payable-trade, a decrease of ¥19.6 billion in short-term bank loans and a decrease of ¥3.0 billion in commercial paper.

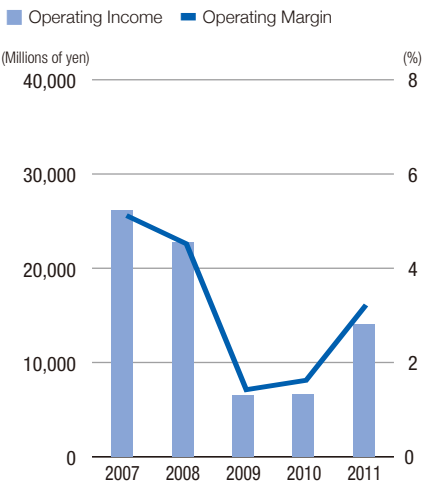
Total net assets at the end of the year totaled ¥180.2 billion, down ¥8.4 billion from ¥188.5 billion at the previous fiscal year-end. This was primarily due to an increase in retained earnings owing to the recording of ¥5.1 billion in net income, a decrease of ¥4.6 billion in translation adjustments,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

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

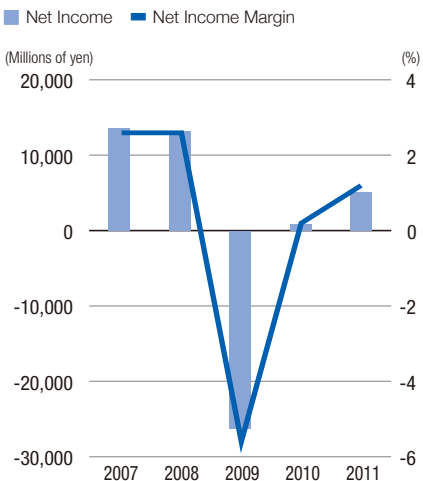
R&D Costs

Based on its mission to develop core technologies for creating new lifestyles, as well as technologies that contribute to reducing

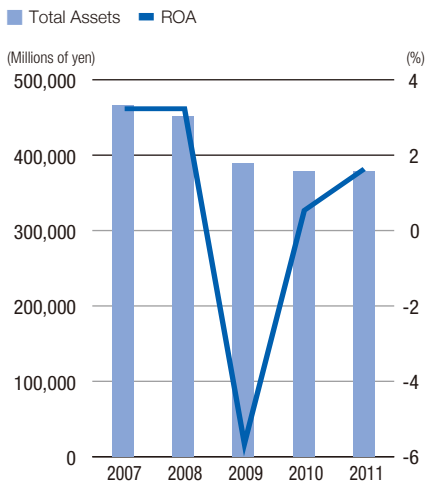
Operating Income/Operating Margin



Net Income/Net Income Margin



Total Assets/ROA



Financial Data

environmental loads in line with the environmental vision “TOTO GREEN CHALLENGE,” the R&D Division works to develop TOTO’s proprietary “Only One” technologies to continue being a company needed by society.

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

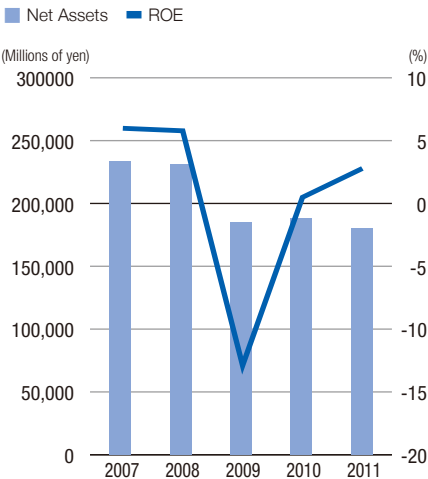
With regard to solid oxide fuel cells (SOFCs), which are gaining attention as a new eco-friendly energy source, TOTO is continuing with R&D that applies accumulated ceramic technology. We specialize in the development of power generation modules with exceptional power generating performance and durability,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

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

Capital Investment and Depreciation

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

Net Assets/ROE



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

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

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

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

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

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

Cash Flows

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

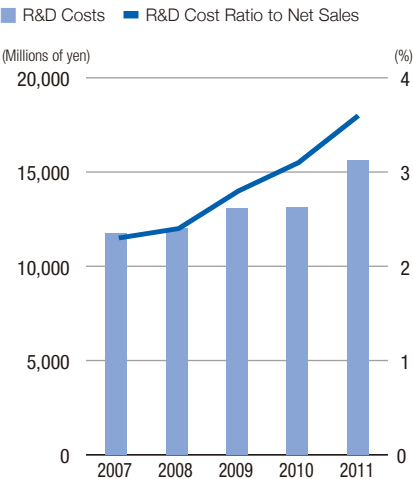
Net Cash Provided by Operating Activities

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

Net Cash Used in Investing Activities

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

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



of property, plant and equipment, ¥3.8 billion for acquisition of marketable and investment securities and ¥2.9 billion due to the acquisition of intangible fixed assets.

Net Cash Used in Financing Activities

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

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

Business Risk

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

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

1. Risks Related to Operating Environment

1) Changes in Economic Situation

Demand for TOTO's products and services may be affected by general economic trends in the countries or regions in which they are sold. Economic downturns and resulting declines in demand in TOTO's markets worldwide may thus adversely affect the Group's business, financial condition and operating results.

2) Currency Exchange Rate Fluctuations

Foreign exchange rate fluctuations may adversely affect the

TOTO Group's business, financial condition and operating results because the Group conducts international business transactions, while production, sales and other operating activities overseas are handled in foreign currencies. In addition, the assets and liabilities of overseas consolidated subsidiaries are translated into yen on the consolidated balance sheets.

3) Decrease in Stock Value

The TOTO Group holds stock as part of its investment securities. If the book value of such stocks drops significantly, this would cause the Company to record losses on the valuation of the stock, which may adversely affect the Group's business, financial condition and operating results.

4) Interest Rate Fluctuations

TOTO is exposed to interest rate fluctuation risks, which may affect its operational costs, interest expenses, interest income and the value of financial assets and liabilities. Accordingly, interest rate fluctuations may adversely affect the Group's business, financial condition and operating results.

5) Changes in Market Environment

Drastic fluctuations in demand in housing-related fields, in which the TOTO Group conducts its main business activities, may adversely affect the Group's business, financial condition and operating results.

2. Risks Related to TOTO's Business Activities

1) Competition in the Industry

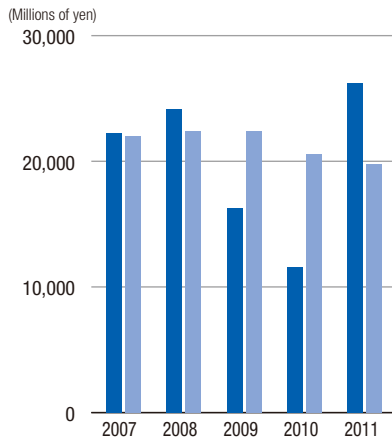
The TOTO Group develops, produces and markets a broad range of products and services, and therefore faces many different types of competitors. Although the Group will implement various measures to maintain and strengthen competitiveness going forward, it may not be able to maintain a dominant position in the market in the future.

2) Rapid Declines in Product Prices

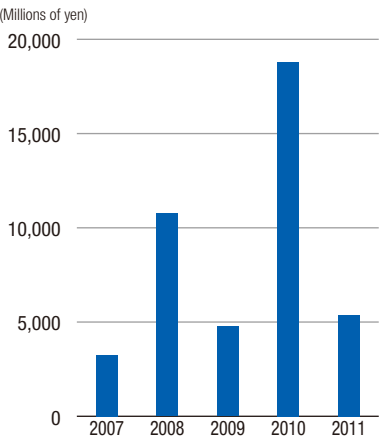
The TOTO Group works aggressively to develop high value-added products and reduce costs. However, the Group is

Capital Investment/Depreciation and Amortization

■ Capital Investment ■ Depreciation and Amortization



Free Cash Flow



Financial Data

also subject to fierce competition in markets worldwide, and if downward pressure on prices outweighs corporate efforts, this may seriously affect the ability of the Group to secure profits.

3) Barriers to International Business Operations

One of the TOTO Group's business strategies is business expansion in overseas markets. In these markets, TOTO may face various political, economic and legal barriers such as currency exchange risk, political instability, economic uncertainty, religious and cultural differences, barriers related to business practices, revisions to regulations regarding, for example, investment, international money transfer, import/export and foreign currency exchange, as well as changes in tax systems, which may affect the Group's business, financial condition and operating results.

4) Importance of Technological Innovation

Technological innovation driving development of new technologies and products is critical to enable sustained growth and enhance competitiveness of the TOTO Group. Inability to respond suitably to changing market needs in the future may affect the future growth and profitability of the Group.

5) Corporate Acquisition and Business Alliances with Other Companies

The TOTO Group develops its business by forming alliances and making investments in other companies that include corporate acquisition and capital participation in order to increase business efficiency and reinforce competitiveness. While such partnerships are crucial to the TOTO Group's goal of introducing new products and services, the Group may not be able to successfully collaborate or achieve expected synergies with its partners. In addition, if these partners change their business strategies, the TOTO Group may have difficulty maintaining these relationships or equity investments.

6) Procurement of Materials, etc.

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

7) Financial Condition of Distributors, etc.

Distributors of the TOTO Group purchase their products and services on payment terms that may not provide for immediate payment. If distributors from whom the Group has substantial accounts receivable encounter financial difficulties and are unable to make payments on time, the Group's business, financial condition and operating results may be adversely affected.

3. Risks Related to the TOTO Group's Mid- to Long-Term Management Plan

1) Achieving Objectives of Mid- to Long-Term Management Plan

The TOTO Group is implementing "TOTO V-Plan 2017" with the aim of becoming a truly global company by 2017, the year of its centenary. Despite executing various measures to achieve the goals of this plan, the Group may not be successful in achieving all targets or in realizing the expected benefits because of various factors including, among other conditions, further deterioration of the business environment.

2) Business Structural Reforms

In order to drive sustained growth and further enhance profitability, the TOTO Group promotes the selection and concentration of business and works towards more efficient management operation. Expenses may increase in the process of implementing business reorganization or business structural reforms, however, which may adversely affect the Group's business, financial condition and operating results.

4. Risks Related to Legal Restrictions and Litigation

1) Product Defects

The TOTO Group pays particular attention to ensuring product quality based on strict, independent quality standards. The occurrence of defects in TOTO products, however, could make the Group liable for damages, caused either directly or indirectly by the defect, which are not covered by product and liability insurance, whereby the Group could incur significant expense for undertaking countermeasures. Negative publicity concerning these problems could also lead to a decline in the TOTO Group's brand image and the loss of customers, which may adversely affect the Group's business, financial condition and operating results.

2) Protection of Intellectual Property Rights

The TOTO Group strives to protect its intellectual property rights concerning the products and technologies it develops in order to secure a competitive edge in business. However, patents may not be granted or may not be of sufficient scope or force to provide the TOTO Group with adequate protection. Third parties may also develop technologies that are protected by intellectual property rights, which make such technologies unavailable or available only on terms unfavorable to the Group. Litigation may also be necessary to enforce the Group's intellectual property rights or to defend against intellectual property infringement claims brought against the Group by third parties. In such cases, the TOTO Group may incur significant expenses for such lawsuits. Furthermore, the Group may be prohibited from using certain important technologies or be liable for significant damages in cases of where the Group is found to be in violation of intellectual property rights of other parties.

3) Changes in Accounting Standards and Tax Systems

Introduction of new accounting standards or tax systems, or changes thereof, may have an adverse effect on the TOTO

Group's operating results and financial condition. In addition, due to revisions to tax systems or if tax authorities have different opinions from the Company's tax declarations, the TOTO Group may need to make larger tax payments than estimated.

4) Environmental Laws and Regulations

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

5) Regulations Related to Climate Change

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

6) Information Leaks

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

7) Other Laws and Regulations, etc.

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

5. Risks Related to Disasters or Other Unpredictable Events

The impact of the Great East Japan Earthquake has been

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

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

6. Risks Related to Rumors

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

7. Other Risks

1) Pension Plans

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

2) Impairment Loss on Fixed Assets

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

3) Deferred Tax Assets

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

Consolidated Balance Sheets

TOTO LTD. and Consolidated Subsidiaries
March 31, 2010 and 2011

Assets	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2011	2011
Current assets:			
Cash and cash equivalents (Note 16)	¥ 50,564	¥ 46,498	\$ 559,206
Short-term investments (Note 16)	2,464	1,672	20,108
Notes and accounts receivable:			
Trade (Note 16)	69,720	73,550	884,546
Allowance for doubtful receivables	(577)	(405)	(4,871)
	69,143	73,145	879,675
Inventories (Note 4)	43,360	47,093	566,362
Deferred tax assets (Note 9)	3,371	4,644	55,851
Other current assets	11,248	11,152	134,119
Total current assets	180,150	184,204	2,215,321
Property, plant and equipment:			
Land	39,285	38,293	460,529
Buildings and structures	159,798	157,625	1,895,670
Machinery and equipment	134,771	130,079	1,564,390
Construction in progress	2,847	8,501	102,237
Other	66,831	68,453	823,247
	403,532	402,951	4,846,073
Accumulated depreciation	(278,485)	(281,739)	(3,388,322)
Property, plant and equipment, net	125,047	121,212	1,457,751
Investments and other assets:			
Investment securities (Notes 6, 16 and 17)	29,227	29,410	353,698
Investments in unconsolidated subsidiaries and affiliates (Note 16)	5,829	6,779	81,527
Long-term loans receivable	169	104	1,251
Guaranty money deposited	5,840	5,625	67,649
Deferred tax assets (Note 9)	16,404	16,431	197,607
Goodwill	175	111	1,335
Other	15,425	15,339	184,474
Total investments and other assets	73,069	73,799	887,541
Total assets	¥378,266	¥379,215	\$4,560,613

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2011	2011
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable:			
Trade (Note 16)	¥ 47,714	¥ 57,344	\$ 689,645
Property and equipment	2,295	2,724	32,761
	50,009	60,068	722,406
Short-term bank loans (Notes 5 and 16)	31,709	16,507	198,521
Current portion of long-term debt and finance lease obligations (Note 5)	5,086	642	7,721
Commercial paper (Note 5)	15,000	12,000	144,317
Other accounts payable	5,916	5,509	66,254
Accrued income taxes (Note 9)	1,668	2,055	24,714
Accrued expenses	16,785	18,081	217,450
Accrued directors' bonuses	—	32	385
Accrual for loss on inspection and repair of products	239	148	1,780
Accrual for loss on business restructuring	614	910	10,944
Accrual for loss on natural disaster	—	262	3,151
Other current liabilities (Note 9)	11,465	11,829	142,261
Total current liabilities	138,491	128,043	1,539,904
Long-term liabilities:			
Long-term debt and finance lease obligations (Note 5)	10,424	32,263	388,010
Accrued retirement benefits for employees (Note 10)	39,315	36,566	439,759
Other (Note 9)	1,487	2,179	26,206
Total long-term liabilities	51,226	71,008	853,975
Contingent liabilities (Note 15)			
Net assets:			
Shareholders' equity (Notes 7 and 21):			
Common stock without par value			
Authorized — 1,400,000,000 shares			
Issued — 371,662,595 shares in 2010, and 371,662,595 shares in 2011	35,579	35,579	427,889
Capital surplus	29,506	29,429	353,927
Retained earnings	141,646	143,356	1,724,064
Less treasury stock, at cost; 25,341,868 shares in 2010 and 30,213,692 shares in 2011	(14,530)	(17,284)	(207,865)
Total shareholders' equity	192,201	191,080	2,298,015
Accumulated other comprehensive loss:			
Net unrealized holding losses on securities	(254)	(2,614)	(31,437)
Deferred gains on hedges	231	1	12
Translation adjustments	(8,506)	(13,130)	(157,907)
Total accumulated other comprehensive loss	(8,529)	(15,743)	(189,332)
Share subscription rights (Note 8)	299	370	4,450
Minority interests	4,578	4,457	53,601
Total net assets	188,549	180,164	2,166,734
Total liabilities and net assets	¥378,266	¥379,215	\$4,560,613

Consolidated Statements of Income

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

		Millions of yen	Thousands of U.S. dollars (Note 3)
	2010	2011	2011
Net sales	¥421,929	¥433,558	\$5,214,167
Cost of sales	275,639	273,259	3,286,338
Gross profit	146,290	160,299	1,927,829
Selling, general and administrative expenses (Note 11)	139,700	146,285	1,759,290
Operating income	6,590	14,014	168,539
Other income (expenses):			
Interest and dividend income	955	1,167	14,035
Interest expense	(705)	(418)	(5,027)
Loss on sales and disposal of property, plant and equipment, net	(553)	(772)	(9,284)
Gain on sales of investment securities, net	193	18	216
Gain (loss) on sales of investment in affiliates, net	11	(83)	(998)
Loss on devaluation of securities	(265)	(627)	(7,541)
Foreign exchange loss, net	(316)	(960)	(11,545)
Sales discounts	(875)	(897)	(10,788)
Loss on impairment of fixed assets	(367)	(297)	(3,572)
Loss on devaluation of memberships	(126)	(7)	(84)
Equity in earnings of unconsolidated subsidiaries and affiliates	1,298	1,214	14,600
Loss on business restructuring	(1,532)	(2,598)	(31,245)
Effect of adoption of accounting standard for asset retirement obligations	—	(911)	(10,956)
Loss on natural disaster	—	(1,230)	(14,793)
Other, net	988	506	6,085
Income before income taxes and minority interests	5,296	8,119	97,642
Income taxes (Note 9):			
Current	3,201	3,663	44,052
Deferred	508	(1,543)	(18,557)
	3,709	2,120	25,495
Income before minority interests	—	5,999	72,147
Minority interests	(708)	(884)	(10,631)
Net income (Note 13)	¥ 879	¥ 5,115	\$ 61,515

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

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

		Millions of yen	Thousands of U.S. dollars (Note 3)
	2010	2011	2011
Income before minority interests	¥—	¥ 5,999	\$ 72,147
Other comprehensive income			
Net unrealized holding gains (losses) on securities	—	(2,360)	(28,382)
Deferred gains (losses) on hedges	—	(230)	(2,766)
Translation adjustments	—	(4,742)	(57,029)
Other comprehensive income (loss) on equity method companies	—	(275)	(3,308)
Total other comprehensive income (loss)	—	(7,607)	(91,485)
Comprehensive income (loss) (Note 12)	¥—	¥(1,608)	\$(19,338)
Total comprehensive income (loss) attributable to:			
Shareholders of TOTO LTD.	¥—	¥(2,099)	\$(25,243)
Minority interests	¥—	¥ 491	\$ 5,905

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

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

	Millions of yen										
	Number of issued shares	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding losses on securities	Deferred gains on hedges	Translation adjustments	Share sub- scription rights	Minority interests	Total net assets
Balance at March 31, 2009	371,662,595	¥35,579	¥29,505	¥144,323	¥(14,456)	¥(5,006)	¥—	¥(9,701)	¥221	¥4,429	¥184,894
Net income	—	—	—	879	—	—	—	—	—	—	879
Cash dividends paid	—	—	—	(3,465)	—	—	—	—	—	—	(3,465)
Purchases of treasury stock	—	—	—	—	(117)	—	—	—	—	—	(117)
Disposition of treasury stock	—	—	1	—	20	—	—	—	—	—	21
Change of scope of equity method	—	—	—	(91)	23	—	—	—	—	—	(68)
Net changes in items other than shareholders' equity	—	—	—	—	—	4,752	231	1,195	78	149	6,405
Balance at March 31, 2010	371,662,595	35,579	29,506	141,646	(14,530)	(254)	231	(8,506)	299	4,578	188,549
Net income	—	—	—	5,115	—	—	—	—	—	—	5,115
Cash dividends paid	—	—	—	(3,463)	—	—	—	—	—	—	(3,463)
Purchases of treasury stock	—	—	—	—	(2,859)	—	—	—	—	—	(2,859)
Disposition of treasury stock	—	—	1	—	105	—	—	—	—	—	106
Change of scope of consolidation	—	—	(78)	58	—	—	—	—	—	—	(20)
Net changes in items other than shareholders' equity	—	—	—	—	—	(2,360)	(230)	(4,624)	71	(121)	(7,264)
Balance at March 31, 2011	371,662,595	¥35,579	¥29,429	¥143,356	¥(17,284)	¥(2,614)	¥1	¥(13,130)	¥370	¥4,457	¥180,164

	Thousands of U.S. dollars (Note 3)										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding losses on securities	Deferred gains on hedges	Translation adjustments	Share sub- scription rights	Minority interests	Total net assets	
Balance at March 31, 2010	\$427,889	\$354,853	\$1,703,500	\$(174,744)	\$(3,055)	\$2,778	\$(102,297)	\$3,596	\$55,057	\$2,267,577	
Net income	—	—	61,515	—	—	—	—	—	—	61,515	
Cash dividends paid	—	—	(41,648)	—	—	—	—	—	—	(41,648)	
Purchases of treasury stock	—	—	—	(34,384)	—	—	—	—	—	(34,384)	
Disposition of treasury stock	—	12	—	1,263	—	—	—	—	—	1,275	
Change of scope of consolidation	—	(938)	697	—	—	—	—	—	—	(241)	
Net changes in items other than shareholders' equity	—	—	—	—	(28,382)	(2,766)	(55,610)	854	(1,456)	(87,360)	
Balance at March 31, 2011	\$427,889	\$353,927	\$1,724,064	\$(207,865)	\$(31,437)	\$12	\$(157,907)	\$4,450	\$53,601	\$2,166,734	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

		Millions of yen	Thousands of U.S. dollars (Note 3)
	2010	2011	2011
Operating activities			
Income before income taxes and minority interests	¥ 5,296	¥ 8,119	\$ 97,643
Depreciation and amortization	20,576	19,747	237,486
Loss on impairment of fixed assets	367	297	3,572
Effect of adoption of accounting standard for asset retirement obligations	—	911	10,956
Interest and dividend income	(955)	(1,167)	(14,035)
Interest expense	705	418	5,027
Provision for directors' bonuses	—	32	385
Provision for loss on inspection and repair of products	(850)	(92)	(1,106)
Provision for loss on business restructuring	614	296	3,560
Provision for loss on natural disaster	—	262	3,151
Employees' retirement benefits paid, net of provision	(1,059)	(2,696)	(32,423)
Loss on sales and disposal of property, plant and equipment, net	553	772	9,284
Gain on sales of investment securities, net	(193)	(18)	(216)
Gain (loss) on sales of investment in affiliates, net	(11)	83	998
Loss on devaluation of securities	265	627	7,541
Loss on devaluation of memberships	126	7	84
Notes and accounts receivable	2,324	(5,425)	(65,244)
Inventories	12,859	(3,890)	(46,783)
Notes and accounts payable	(4,145)	9,963	119,820
Other	100	1,847	22,213
Subtotal	36,572	30,093	361,913
Interest and dividend income received	1,262	1,699	20,433
Interest expense paid	(751)	(438)	(5,268)
Income taxes paid	(3,455)	(3,237)	(38,930)
Net cash provided by operating activities	33,628	28,117	338,148
Investing activities			
Purchases of property, plant and equipment	(10,045)	(15,938)	(191,678)
Proceeds from sales of property, plant and equipment	314	241	2,898
Increase in marketable and investment securities	(533)	(3,736)	(44,931)
Increase in time deposits	(23)	561	6,747
Sale of subsidiary's stock resulting in change of scope of consolidation	—	(15)	(180)
Other	(4,542)	(3,871)	(46,554)
Net cash used in investing activities	(14,829)	(22,758)	(273,698)
Financing activities			
Decrease (increase) in bank loans	(17,937)	2,635	31,690
Proceeds from issuance of commercial paper	20,000	25,000	300,661
Redemption of commercial paper	(10,000)	(28,000)	(336,741)
Cash dividends paid	(3,465)	(3,463)	(41,648)
Purchases of treasury stock	(117)	(2,859)	(34,384)
Other	(705)	(574)	(6,903)
Net cash used in financing activities	(12,224)	(7,261)	(87,325)
Effect of exchange rate changes on cash and cash equivalents	123	(2,164)	(26,025)
Net increase (decrease) in cash and cash equivalents	6,698	(4,066)	(48,900)
Cash and cash equivalents at beginning of the year	43,866	50,564	608,106
Cash and cash equivalents at end of the year	¥50,564	¥46,498	\$559,206

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TOTO LTD. and Consolidated Subsidiaries
March 31, 2011

1. Basis of Preparation

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

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

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

2. Summary of Significant Accounting Policies

(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company. Significant companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

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

Certain foreign subsidiaries are consolidated on the basis of fiscal periods ending December 31, which differ from that of the Company; however, the significant effect of the difference in fiscal periods has been properly adjusted in consolidation.

Goodwill, which represents the difference between the cost and the underlying equity in the net assets at fair value at the date of acquisition, is being amortized principally over a period of five years.

(b) Cash equivalents

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

(c) Securities

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

(d) Derivatives

Derivatives are stated based on a fair value method.

(e) Inventories

Finished products, semifinished products and work in process

Stated at cost, determined by the first-in, first-out method
(In cases where the profitability has declined, the book value is reduced accordingly.)

Raw materials and supplies

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

Contracts in progress

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

(f) Allowance for doubtful receivables

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

(g) Accrued directors’ bonuses

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

(h) Accrual for loss on inspection and repair of products

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

(i) Accrual for loss on business restructuring

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

(j) Accrual for loss on natural disaster

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

(k) Depreciation and amortization

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

Buildings and structures	3 to 50 years
Machinery and equipment	4 to 15 years

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to income.

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

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

(l) Foreign currency translation

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

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

(m) Research and development costs

Research and development costs are charged to income as incurred.

(n) Income taxes

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

(o) Retirement benefits

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

(Change of accounting policy)

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

(p) Hedge accounting

1) Hedge accounting

The Company has adopted deferral hedge accounting.

2) Hedging instruments and hedged items

Hedging instruments: Commodity swaps

Hedging items: Procurement dealings of raw materials

3) Policy of hedging

The Company enters into derivatives, including commodity swap transactions to hedge raw material price fluctuation risk.

4) Evaluation of hedge effectiveness

Hedge effectiveness is evaluated by comparing the cumulative changes in cash flows or fair values from the hedging instruments with those from the hedged items.

(q) Adoption of new accounting standards

[Recognizing Revenues and Costs of Construction Contracts]

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

The effect of this change was immaterial.

[Application of Accounting Standards for Asset Retirement Obligations]

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

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

[Application of the Accounting Standards for Business Combinations]

Effective the year ended March 31, 2011, the Company has applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21; December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22; December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23; December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7; December 26, 2008), "Accounting Standard for Equity Method

of Accounting for Investments” (ASBJ Statement No. 16; Revised December 26, 2008), and “Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures”(ASBJ Guidance No. 10; December 26, 2008).

(r) Additional Information
[Accounting Standard for Presentation of Comprehensive Income]

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

[ESOP Trust Utilizing Employee Stock Ownership Association]

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

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

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

3. U.S. Dollar Amounts

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

could in the future be, converted into U.S. dollars at the above or any other rate.

4. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Finished products and semifinished products	¥25,529	¥29,014	\$348,936
Work in process and contracts in progress	7,536	7,640	91,882
Raw materials and supplies	10,295	10,439	125,544
	¥43,360	¥47,093	\$ 566,362

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
1.4% unsecured bonds due 2012	¥10,000	¥10,000	\$120,265
Bank loans maturing through 2016 at interest rates ranging from 0.53% to 3.00%:			
Secured	—	—	—
Unsecured	5,305	22,686	272,832
Finance lease obligations	¥ 205	¥ 219	\$ 2,634
	15,510	32,905	395,731
Less current portion	5,086	642	7,721
	¥10,424	¥32,263	\$388,010

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

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 558	\$ 6,711
2013	12,221	146,975
2014	17,203	206,892
2015	4	48
2016	2,700	32,471
2017 and thereafter	—	—
	¥32,686	\$393,097

The aggregate annual maturities of finance lease obligations subsequent to March 31, 2011 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 84	\$1,010
2013	70	842
2014	36	433
2015	20	241
2016	5	60
2017 and thereafter	4	48
	¥ 219	\$ 2,634

6. Pledged Assets

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

7. Capital Surplus and Retained Earnings

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

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

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

8. Stock Options

Stock option plan	2007 Stock option	2008 Stock option	2009 Stock option	2010 Stock option
Number of individuals covered by the plan:				
Directors	14	14	14	13
Corporate auditors	2	2	2	2
Officers	16	16	15	18
Total	32	32	31	33
Type and numbers of shares to be issued upon exercise of stock subscription rights	Common stock 168,000 shares	Common stock 167,000 shares	Common stock 162,000 shares	Common stock 166,000 shares
Grant date	August 17, 2007	July 18, 2008	July 17, 2009	July 20, 2010
Exercise period	August 18, 2007~ August 17, 2037	July 19, 2008~ July 18, 2038	July 18, 2009~ July 17, 2039	July 21, 2010~ July 20, 2040
Non-vested stock options (Number of shares):				
Outstanding at March 31, 2010	—	—	—	—
Granted	—	—	—	166,000 shares
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding at March 31, 2011	—	—	—	166,000 shares
Vested stock options (Number of shares):				
Outstanding at March 31, 2010	168,000 shares	162,000 shares	159,000 shares	—
Vested	—	—	—	166,000 shares
Exercised	3,000	—	—	—
Forfeited	—	—	—	—
Outstanding at March 31, 2011	165,000 shares	162,000 shares	159,000 shares	166,000 shares
Exercise price (yen)	¥ 1	¥ 1	¥ 1	¥ 1
Weighted average exercise price (yen)	¥619	¥ —	¥ —	¥ —
Fair value per stock at the grant date (yen)	¥804	¥531	¥491	¥444

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

	2010 stock options
Expected volatility	35.508%
Expected holding period	15 years
Expected dividend	¥10/per share
Risk-free rate	1.549%

9. Income Taxes

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

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Deferred tax assets:			
Accrued bonus	¥ 2,699	¥ 3,008	\$ 36,176
Retirement allowances	15,564	14,664	176,356
Net operating loss carry forwards	16,701	17,495	210,403
Other	12,194	15,392	185,111
Total gross deferred tax assets	47,158	50,559	608,046
Valuation allowance	(25,293)	(27,094)	(325,845)
Total deferred tax assets	21,865	23,465	282,201
Deferred tax liabilities:			
Reserve under Special Taxation Measures Law	(1,882)	(1,844)	(22,177)
Other	(701)	(709)	(8,527)
Total deferred tax liabilities	(2,583)	(2,553)	(30,704)
Net deferred tax assets	¥19,282	¥20,912	\$251,497

10. Retirement Benefit Plans

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

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Retirement benefit obligation	¥(148,841)	¥(146,854)	\$(1,766,133)
Plan assets at fair value	83,865	83,200	1,000,601
Unfunded retirement benefit obligation	(64,976)	(63,654)	(765,532)
Unrecognized actuarial loss	28,260	29,435	353,999
Unrecognized prior service cost	(2,067)	(1,788)	(21,503)
Net retirement benefit obligation	(38,783)	(36,007)	(433,036)
Prepaid pension cost	532	559	6,723
Accrued retirement benefits	¥ (39,315)	¥ (36,566)	\$ (439,759)

The components of retirement benefit expenses for the years ended March 31, 2010 and 2011 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Service cost	¥4,733	¥5,251	\$63,151
Interest cost	3,649	3,633	43,692
Expected return on plan assets	(2,505)	(2,887)	(34,720)
Amortization of actuarial loss	2,926	2,463	29,621
Amortization of prior service cost	(267)	(267)	(3,211)
Total	¥8,536	¥8,193	\$98,533

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

	2010	2011
Discount rate	2.5%	2.5%
Expected return on plan assets	3.5%	3.5%

11. Research and Development Costs

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

12. Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended March 31, 2010:

	Millions of yen
	2010
Net unrealized holding gains (losses) on securities	¥4,752
Deferred gains (losses) on hedges	231
Translation adjustments	943
Other comprehensive income (loss) on equity method companies	334
Total other comprehensive income (loss)	¥6,260

Total comprehensive income (loss) attributable to:

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

13. Amounts Per Share

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

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

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

	Yen		U.S. dollars
	2010	2011	2011
Net income:			
Basic	¥ 2.54	¥ 14.86	\$0.18
Diluted	2.53	14.83	0.18
Net assets	530.35	513.51	6.18
Cash dividends applicable to the year	10.00	10.00	0.12

14. Leases

(a) Finance leases

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

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Acquisition costs:			
Buildings and structures	¥ 958	¥ 958	\$11,521
Machinery and equipment	248	145	1,744
Other assets	2,196	2,033	24,450
	¥3,402	¥3,136	\$37,715
Accumulated depreciation:			
Buildings and structures	¥ 387	¥ 449	\$ 5,400
Machinery and equipment	213	132	1,587
Other assets	1,830	1,783	21,443
	¥2,430	¥2,364	\$28,430
Net book value:			
Buildings and structures	¥ 571	¥ 509	\$ 6,121
Machinery and equipment	35	13	157
Other assets	366	250	3,007
	¥ 972	¥ 772	\$ 9,285

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

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

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 235	\$ 2,826
2013 and thereafter	932	11,209
Total	¥1,167	\$14,035

(b) Operating leases

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

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 916	\$11,016
2013 and thereafter	3,018	36,296
Total	¥3,934	\$47,312

15. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2011:

	Millions of yen	Thousands of U.S. dollars
Trade notes receivable endorsed	¥2	\$24

16. Financial Instruments

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

Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

Trade receivables—notes and accounts receivable—are exposed to credit risk in relation to customers.

Investment securities and investment in affiliates are exposed to market risk. These are composed of mainly the shares of common stock of other companies with which the Group has business relationships.

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

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

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

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

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

(b) Monitoring of market risks (the risks arising from fluctuations in stock prices and others)

For investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers.

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

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

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

Estimated Fair Value of Financial Instruments

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

As of March 31, 2010	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Assets			
1) Cash and cash equivalents	¥ 50,564	¥ 50,564	¥ —
2) Short-term investments	2,464	2,464	—
3) Notes and accounts receivable	69,720	69,720	—
4) Investment securities	28,280	28,280	—
5) Investment in affiliates	2,089	1,712	(377)
Total Assets	¥153,117	¥152,740	¥(377)
Liabilities			
1) Notes and accounts payable	¥47,714	¥47,714	¥ —
2) Short-term bank loans	31,709	31,709	—
Total Liabilities	¥79,423	¥79,423	¥ —
Derivatives*2	¥ 388	¥ 388	¥ —

Millions of yen

As of March 31, 2011

	Carrying value	Estimated fair value	Unrealized gain (loss)
Assets			
1) Cash and cash equivalents	¥ 46,498	¥ 46,498	¥ —
2) Short-term investments	1,672	1,672	—
3) Notes and accounts receivable	73,550	73,550	—
4) Investment securities	28,457	28,457	—
Total Assets	¥150,177	¥150,177	¥ —
Liabilities			
1) Notes and accounts payable	¥ 57,344	¥ 57,344	¥ —
2) Short-term bank loans	16,507	16,507	—
3) Long-term bank loans*1	22,686	22,700	(14)
Total Liabilities	¥ 96,537	¥ 96,551	¥(14)
Derivatives*2	¥ 1	¥ 1	¥ —

Thousands of U.S. dollars

As of March 31, 2011

	Carrying value	Estimated fair value	Unrealized gain (loss)
Assets			
1) Cash and cash equivalents	\$ 559,206	\$ 559,206	\$ —
2) Short-term investments	20,108	20,108	—
3) Notes and accounts receivable	884,546	884,546	—
4) Investment securities	342,237	342,237	—
Total Assets	\$1,806,097	\$1,806,097	\$ —
Liabilities			
1) Notes and accounts payable	\$ 689,645	\$ 689,645	\$ —
2) Short-term bank loans	198,521	198,521	—
3) Long-term bank loans*1	272,832	273,001	(169)
Total Liabilities	\$1,160,998	\$1,161,167	\$(169)
Derivatives*2	\$ 12	\$ 12	\$ —

*1 "Long-term bank loans" includes the current portion of long-term bank loans.

*2 The value of assets and liabilities arising from derivatives is shown at net value with the amount in parentheses representing net liability position.

Notes: 1. Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Cash and cash equivalents, Short-term investments and Notes and accounts receivable

Short-term investments include time deposits with maturities of over three months. Since these items are settled in a short period of time, their carrying value approximates fair value.

Investment securities and Investment in affiliates

The fair value of stocks is based on quoted market prices. For information on securities classified by holding purpose, please refer to Note 17 Securities of the notes to the consolidated financial statements.

Notes and accounts payable and Short-term bank loans

Since these items are settled in a short period of time, their carrying value approximates fair value.

Long-term bank loans

The fair value of long-term bank loans is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into. The fair value of long-term bank loans with floating interest rates is nearly equal to the carrying value as the market rate is reflected in a short period of time.

Derivative transactions

Please refer to Note 18 Derivative Transactions of the notes to the consolidated financial statements.

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Unlisted stocks	¥4,688	¥953	\$11,461

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

3. Redemption schedule for receivables and securities with maturities at March 31, 2010 and 2011.

Millions of yen

As of March 31, 2010	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 50,395	¥—	¥—	¥—
Short-term investments	2,464	—	—	—
Notes and accounts receivable	69,720	—	—	—
Investment securities				
Other securities				
Bonds (other)	—	20	—	—
Total	¥122,579	¥20	¥—	¥—

Millions of yen

As of March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 46,300	¥—	¥—	¥—
Short-term investments	1,672	—	—	—
Notes and accounts receivable	73,550	—	—	—
Investment securities				
Other securities				
Bonds (other)	—	20	—	—
Total	¥121,522	¥20	¥—	¥—

Thousands of U.S. dollars

As of March 31, 2011	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	\$ 556,825	\$ —	\$ —	\$ —
Short-term investments	20,108	—	—	—
Notes and accounts receivable	884,546	—	—	—
Investment securities				
Other securities				
Bonds (other)	—	241	—	—
Total	\$1,461,479	\$241	\$—	\$—

17. Securities

As of March 31, 2010

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

	Millions of yen		
	Carrying value	Acquisition cost	Gross unrealized holding gains (losses)
March 31, 2010			
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥16,415	¥13,548	¥2,867
Subtotal	¥16,415	¥13,548	¥2,867
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	¥11,845	¥14,955	¥(3,110)
Bonds (other)	20	20	—
Subtotal	¥11,865	¥14,975	¥(3,110)
Total	¥28,280	¥28,523	¥ (243)

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

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

	Millions of yen
2010	
Proceeds from sales	¥635
Gains on sales	198
Losses on sales	5

As of March 31, 2011

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

	Millions of yen		
	Carrying value	Acquisition cost	Gross unrealized holding gains (losses)
March 31, 2011			
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	¥10,266	¥8,446	¥1,820
Subtotal	¥10,266	¥8,446	¥1,820
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	¥18,170	¥22,593	¥(4,423)
Bonds (other)	20	20	—
Subtotal	¥18,190	¥22,613	¥(4,423)
Total	¥28,456	¥31,059	¥ (2,603)

Thousands of U.S. dollars

	Carrying value	Acquisition cost	Gross unrealized holding gains (losses)
March 31, 2011			
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$123,463	\$101,575	\$ 21,888
Subtotal	\$123,463	\$101,575	\$ 21,888
Securities whose acquisition cost exceeds their carrying value:			
Equity securities	\$218,521	\$271,714	\$(53,193)
Bonds (other)	240	240	—
Subtotal	\$218,761	\$271,954	\$(53,193)
Total	\$342,224	\$373,529	\$(31,305)

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

	Millions of yen	Thousands of U.S. dollars
2011		
Proceeds from sales	¥5	\$60
Gains on sales	2	24
Losses on sales	0	0

18. Derivative Transactions

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Commodity swap transactions, accounted for as part of accounts payable			
Notional amount			
Maturing within one year	¥2,319	¥1,478	\$17,775
Maturing after one year	—	—	—
Fair value	388	1	12

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

19. Business Combination

(Transaction under common control)

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

(a) Overview of the transaction

- 1) Business and nature of business subject to transaction
- Business:
- The sanitary ceramics manufacturing business, the plant management division and the distribution division at the Nakatsu Plant of the Company
- Nature of business:
- Manufacturing of the sanitary ceramics

- 2) Date of the business combination
April 1, 2010
3) Legal form of the business combination
The business combination is a spin-off with the Company as the transferor and TOTO Sanitechno Ltd. as the transferee
4) Company name after transaction
TOTO Sanitechno Ltd. (A consolidated subsidiary of the Company)
5) Other
The Company will improve product quality and bolster cost competitiveness by raising the technical level of TOTO Sanitechno Ltd. through the exchange of human resources

and technologies and by transferring the sanitary ceramics manufacturing business, the plant management division and the distribution division at the Nakatsu Plant of the Company to TOTO Sanitechno Ltd.
- (b) Basis of accounting treatment
This transaction was accounted for as transaction under common control in accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No. 21; December 26, 2008) and “Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10; December 26, 2008).

20. Segment Information

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

Segment information for the year ended March 31, 2010 under the previous accounting standard is as follows:

As net sales and operating income of the equipment for construction business constituted more than 90% of the consolidated totals, the disclosure of business segment information has been omitted for the years ended March 31, 2010.

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

	Millions of yen						
Year ended March 31, 2010	Japan	North and Central America	China	Other	Total	Eliminations or corporate	Consolidated
I. Sales and operating income:							
Sales to third parties	¥367,597	¥19,798	¥24,097	¥10,437	¥421,929	¥ —	¥421,929
Intra-group sales and transfers	9,912	6	8,809	8,648	27,375	(27,375)	—
Total sales	377,509	19,804	32,906	19,085	449,304	(27,375)	421,929
Operating expenses	365,239	18,841	26,049	19,213	429,342	(14,003)	415,339
Operating income (loss)	¥ 12,270	¥ 963	¥ 6,857	¥ (128)	¥ 19,962	¥(13,372)	¥ 6,590
II. Assets	¥241,499	¥17,892	¥33,474	¥17,344	¥310,209	¥ 68,057	¥378,266

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

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

	Millions of yen			
Year ended March 31, 2010	North and Central America	China	Other	Total
Overseas sales	¥19,668	¥24,263	¥11,977	¥ 55,908
Consolidated net sales	—	—	—	421,929

For the years ended March 31, 2010 and 2011:

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The Group produces and sells housing equipment and conducts a new domain business, which mainly includes environmental products (tiles, etc) and ceramics products.

The Company has classified the housing equipment business geographically into “Domestic” and “Overseas” areas. The “Overseas” area is composed of the geographical segments in accordance with the organizational make-up of production and sales, and divided into four reportable segments; “Americas” (U.S.A., Mexico, others), “China”, “Asia-Oceania” (Singapore, Vietnam, Malaysia, Taiwan, others), and “Europe” (Germany, others).

The housing equipment business mainly produces sanitary ware, toilet seats with bidet functions, unit bathrooms, metal faucet fittings, system kitchens and lavatories.

The new domain business is divided into two reportable segments: “Environmental Products” and “Ceramics Products”.

“Environmental Products” mainly produces photocatalysts (Hydrotect) and tiles.

“Ceramics Products” mainly produces electrostatic chucks, components for optical communications and large precision ceramic products.

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 1. The segment performance is evaluated based on operating income or loss.

Intersegment sales are recorded at the same prices used in transactions with third parties.

	Millions of yen					
	Reportable segments					
	Domestic housing equipment business	Overseas housing equipment business				Total
		America	China	Asia-Oceania	Europe	
Year ended March 31, 2010						
Sales, income or loss and assets by reportable segments						
Net sales						
Sales to third parties	¥354,113	¥17,767	¥24,234	¥ 8,685	¥ 1,804	¥52,490
Inter-segment sales and transfers	8,115	6	8,809	8,624	24	17,463
Total	¥362,228	¥17,773	¥33,043	¥17,309	¥ 1,828	¥69,953
Segment income (loss)	¥ 4,722	¥ 409	¥ 5,795	¥ 1,107	¥(1,646)	¥ 5,665
Segment assets	¥217,798	¥17,994	¥34,678	¥19,841	¥ 2,529	¥75,042
Other items						
Depreciation and amortization	¥ 16,176	¥ 774	¥ 1,405	¥ 625	¥ 69	¥ 2,873
Investment in equity-method affiliate	¥ —	¥ —	¥ 559	¥ 4,260	¥ —	¥ 4,819
Increase in tangible fixed assets and intangible fixed assets	¥ 10,118	¥ 348	¥ 1,767	¥ 201	¥ 246	¥ 2,562

	Reportable segments							Millions of yen
	New domain business						Adjustments and eliminations	
Year ended March 31, 2010	Environmental products	Ceramics products	Total	Total	Others	Total		Consolidated
Sales, income or loss and assets by reportable segments								
Net sales								
Sales to third parties	¥ 9,527	¥ 5,526	¥15,053	¥421,656	¥ 273	¥421,929	¥ —	¥421,929
Inter-segment sales and transfers	288	4	292	25,870	793	26,663	(26,663)	—
Total	¥ 9,815	¥ 5,530	¥15,345	¥447,526	¥1,066	¥448,592	¥(26,663)	¥421,929
Segment income (loss)	¥(1,004)	¥(1,705)	¥(2,709)	¥ 7,678	¥ 379	¥ 8,057	¥ (1,467)	¥ 6,590
Segment assets	¥ 6,388	¥ 9,673	¥16,061	¥308,901	¥8,440	¥317,341	¥ 60,925	¥378,266
Other items								
Depreciation and amortization	¥ 311	¥ 779	¥ 1,090	¥ 20,139	¥ 195	¥ 20,334	¥ 242	¥ 20,576
Investment in equity-method affiliate	¥ —	¥ —	¥ —	¥ 4,819	¥ —	¥ 4,819	¥ —	¥ 4,819
Increase in tangible fixed assets and intangible fixed assets	¥ 258	¥ 435	¥ 693	¥ 13,373	¥ 1	¥ 13,374	¥ 247	¥ 13,621

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

	Reportable segments				
Domestic housing equipment business	Overseas housing equipment business				
	America	China	Asia-Oceania	Europe	Total

Sales, income or loss and assets by reportable segments

Net sales						
Sales to third parties	¥361,028	¥15,881	¥27,727	¥10,400	¥ 1,725	¥55,733
Inter-segment sales and transfers	9,823	21	8,384	8,643	244	17,292
Total	¥370,851	¥15,902	¥36,111	¥19,043	¥ 1,969	¥73,025
Segment income (loss)	¥ 11,047	¥ 286	¥ 7,616	¥ 1,217	¥ (1,833)	¥ 7,286
Segment assets	¥219,884	¥16,670	¥38,209	¥20,840	¥ 2,709	¥78,428
Other items						
Depreciation and amortization	¥ 15,669	¥ 683	¥ 1,237	¥ 681	¥ 91	¥ 2,692
Investment in equity-method affiliate	¥ —	¥ —	¥ 609	¥ 4,590	¥ —	¥ 5,199
Increase in tangible fixed assets and intangible fixed assets	¥ 14,562	¥ 571	¥ 2,865	¥ 579	¥ 193	¥ 4,208

Reportable segments							
New domain business							
Environmental products	Ceramics products	Total	Total	Others	Total	Adjustments and eliminations	Consolidated

Sales, income or loss and assets
by reportable segments

Net sales								
Sales to third parties	¥ 8,872	¥7,717	¥16,589	¥433,350	¥ 208	¥433,558	¥ —	¥433,558
Inter-segment sales and transfers	319	—	319	27,434	668	28,102	(28,102)	—
Total	¥ 9,191	¥7,717	¥16,908	¥460,784	¥ 876	¥461,660	¥(28,102)	¥433,558
Segment income (loss)	¥(1,525)	¥ (649)	¥ (2,174)	¥ 16,159	¥ 183	¥ 16,342	¥ (2,328)	¥ 14,014
Segment assets	¥ 5,790	¥8,752	¥14,542	¥312,854	¥8,234	¥321,088	¥ 58,127	¥379,215
Other items								
Depreciation and amortization	¥ 274	¥ 670	¥ 944	¥ 19,305	¥ 179	¥ 19,484	¥ 262	¥ 19,746
Investment in equity-method affiliate	¥ —	¥ —	¥ —	¥ 5,199	¥ —	¥ 5,199	¥ —	¥ 5,199
Increase in tangible fixed assets and intangible fixed assets	¥ 68	¥ 292	¥ 360	¥ 19,130	¥ —	¥ 19,130	¥ 477	¥ 19,607

Reportable segments	
Domestic housing equipment business	Overseas housing equipment business
	America China Asia-Oceania Europe Total

Sales, income or loss and assets by reportable segments

Net sales						
Sales to third parties	\$4,341,888	\$190,992	\$333,458	\$125,075	\$ 20,746	\$670,271
Inter-segment sales and transfers	118,136	253	100,830	103,945	2,934	207,962
Total	\$4,460,024	\$191,245	\$434,288	\$229,020	\$ 23,680	\$878,233
Segment income (loss)	\$ 132,856	\$ 3,439	\$ 91,594	\$ 14,636	\$(22,044)	\$ 87,625
Segment assets	\$2,644,426	\$200,481	\$459,519	\$250,631	\$ 32,580	\$943,211
Other items						
Depreciation and amortization	\$ 188,443	\$ 8,214	\$ 14,877	\$ 8,190	\$ 1,094	\$ 32,375
Investment in equity-method affiliate	\$ —	\$ —	\$ 7,324	\$ 55,201	\$ —	\$ 62,525
Increase in tangible fixed assets and intangible fixed assets	\$ 175,129	\$ 6,867	\$ 34,456	\$ 6,963	\$ 2,321	\$ 50,607

Thousands of U.S. dollars

	Reportable segments							
	New domain business							
Year ended March 31, 2011	Environmental products	Ceramics products	Total	Total	Others	Total	Adjustments and eliminations	Consolidated
Sales, income or loss and assets by reportable segments								
Net sales								
Sales to third parties	\$106,699	\$ 92,808	\$199,507	\$5,211,666	\$ 2,501	\$5,214,167	\$ —	\$5,214,167
Inter-segment sales and transfers	3,836	—	3,836	329,934	8,034	337,968	(337,968)	—
Total	\$110,535	\$ 92,808	\$203,343	\$5,541,600	\$10,535	\$5,552,135	\$(337,968)	\$5,214,167
Segment income (loss)	\$ (18,340)	\$ (7,805)	\$ (26,145)	\$ 194,336	\$ 2,201	\$ 196,537	\$ (27,998)	\$ 168,539
Segment assets	\$ 69,633	\$105,256	\$174,889	\$3,762,526	\$99,025	\$3,861,551	\$ 699,062	\$4,560,613
Other items								
Depreciation and amortization	\$ 3,295	\$ 8,058	\$ 11,353	\$ 232,171	\$ 2,153	\$ 234,324	\$ 3,151	\$ 237,475
Investment in equity-method affiliate	\$ —	\$ —	\$ —	\$ 62,525	\$ —	\$ 62,525	\$ —	\$ 62,525
Increase in tangible fixed assets and intangible fixed assets	\$ 818	\$ 3,512	\$ 4,330	\$ 230,066	\$ —	\$ 230,066	\$ 5,737	\$ 235,803

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

Geographical information

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

	Millions of yen	Thousands of U.S. dollars
Japan	¥372,718	\$4,482,477
Americas	19,425	233,614
China	27,940	336,019
Other foreign countries	13,475	162,057
Consolidated	¥433,558	\$5,214,167

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

	Millions of yen	Thousands of U.S. dollars
Japan	¥101,141	\$1,216,368
Americas	3,825	46,001
China	11,457	137,787
Other foreign countries	4,789	57,595
Consolidated	¥121,212	\$1,457,751

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

	Millions of yen	Thousands of U.S. dollars
Reportable segments		
Domestic Housing Equipment Business	¥ 694	\$ 8,346
Overseas Housing Equipment Business		
Americas	—	—
China	—	—
Asia-Oceania	—	—
Europe	—	—
Total	¥ —	\$ —
New Domain Business		
Environmental Products	398	4,787
Ceramics Products	381	4,582
Total	¥ 779	\$ 9,369
Reportable segments total	¥1,473	\$17,715
Others	216	2,598
Total	¥1,689	\$20,313
Adjustments and eliminations	23	277
Consolidated	¥1,712	\$20,590

21. Subsequent Events

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

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥5.00 – \$0.060 per share)	¥ 1,730	\$ 20,806

Report of Independent Auditors



Ernst & Young ShinNihon LLC

Report of Independent Auditors

The Board of Directors
TOTO LTD.

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

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

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

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

Ernst & Young ShinNihon LLC

Fukuoka, Japan
June 29, 2011

Environmental Data

Aiming to Realize “TOTO GREEN CHALLENGE”

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

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

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

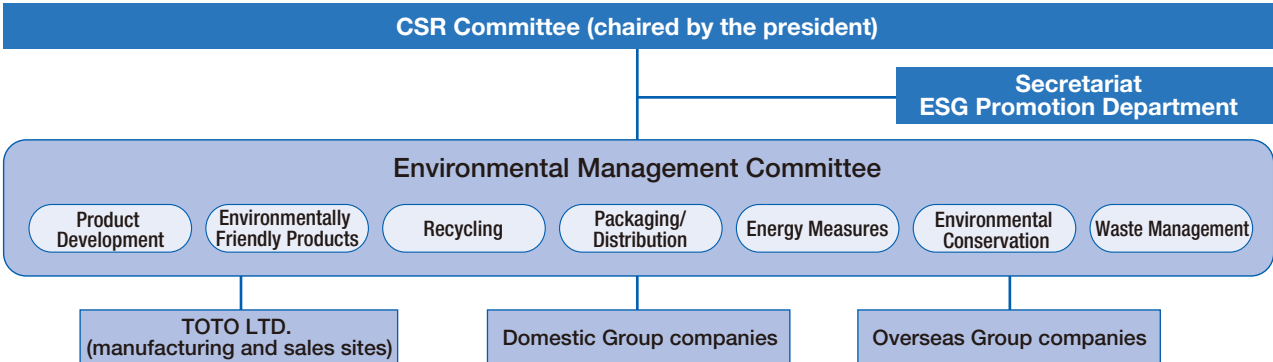
TOTO GREEN CHALLENGE			
Three key perspectives Four domains	Products and services	Manufacturing	Social contribution
Prevent global warming	· Develop the world's top water- and energy-saving technologies and aim to provide products that can reduce CO ₂ emitted from plumbing equipment in the home by over 50% (compared to March 1991 levels)	· Reduce CO ₂ emissions globally in production, logistics and sales promotion activities 【Domestic】 Reduce by 45% (compared to March 1991 levels) 【Overseas】 Reduce by 2% per basic unit of output a year 【Domestic logistics】 Reduce by 1% per basic unit of output a year	Promote environmental contribution activities that involve society as we work for biodiversity.
Respect the value of resources	· Aim for products and services with global standard recycling-oriented design	· Aim for zero emissions at business sites worldwide · Aim to establish recycling technologies for core products and a system for recycling	
Provide safety and security without hazard to the earth	· Aim to provide safe and secure products that satisfy global standards for chemical substances in products · Promote global use of Hydrotec's air purification capability (remove NO _x)	· Maintain zero violations of environmental laws and regulations at business sites worldwide	
Contribute to biodiversity	· We realize sustainable resource use through CSR procurement of materials in each country with consideration to the preservation of biodiversity. These activities, inclusive of our supply chain, are highly acclaimed by our stakeholders, and help us fulfill our responsibility as a global enterprise.		
Human resource development			
TOTO promotes to have more awareness for each employee through realization of “TOTO GREEN CHALLENGE” based on activities in the three key perspectives of “Products and services”, “Manufacturing” and “Social contribution”.			

Environmental Management System

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

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

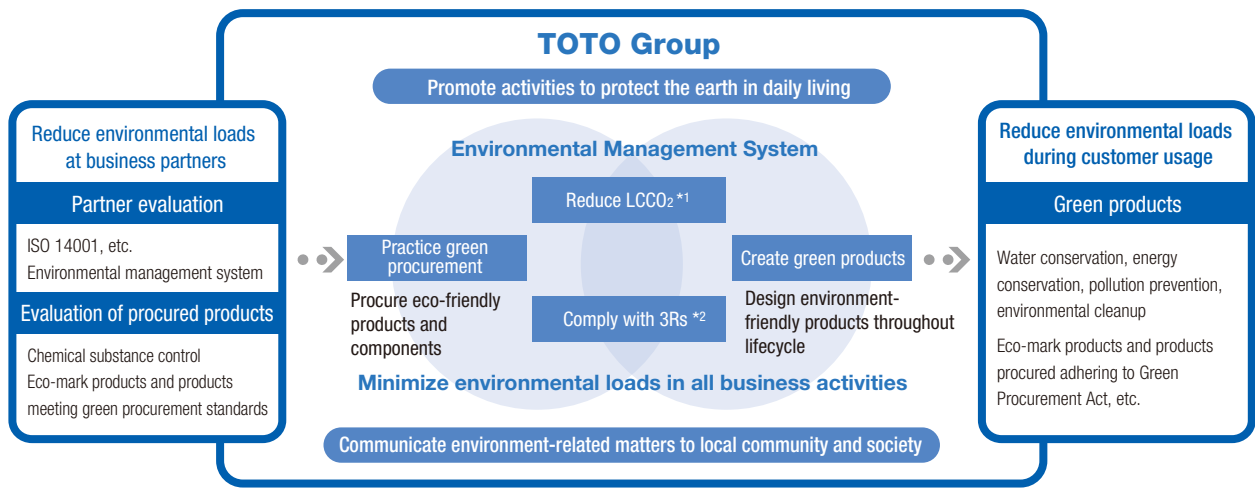
TOTO is dedicated to implementing ISO 14001 environmental management standards and is constantly striving to enhance its environmental management system through the PDCA (Plan, Do, Check, Act) cycle. Ongoing improvements at each business site and voluntary environmental activities are also implemented.



The entire TOTO Group implements and makes continuous improvements to the PDCA cycle for its environmental management system.

TOTO's Environmental Conservation Activities

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



*1: LCCO₂ (lifecycle CO₂): Amount of CO₂ emitted throughout entire lifecycle
*2: Reduce, Reuse, Recycle

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.

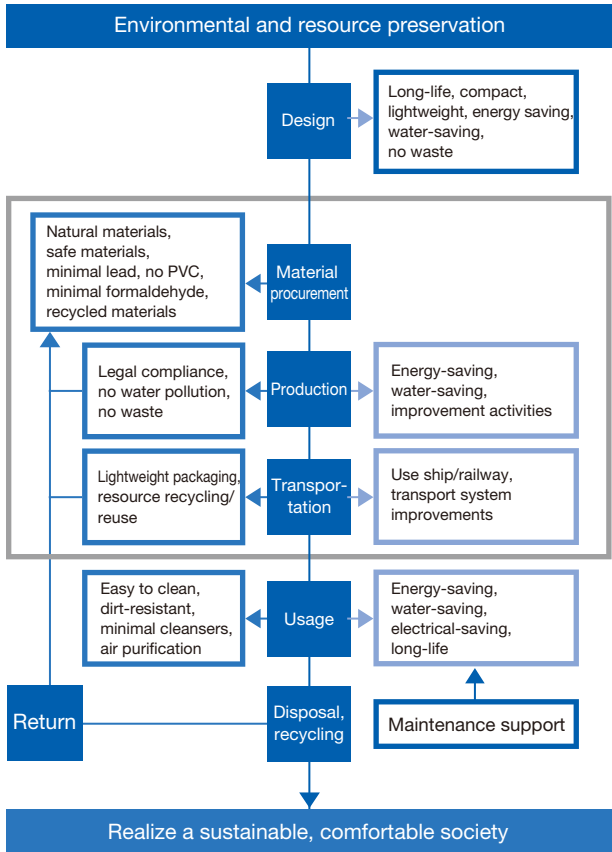
For that reason, TOTO actively promotes the development of products that protect the environment in daily life without people realizing it. We develop eco-friendly products, or “TOTO green products,” based on independent product and environmental assessment criteria, which includes calculating CO₂ emissions 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
Reduce	
Reuse	
Recycle	

*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



Environmental Data

Results of Global Environmental Action Plan

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

Key perspectives	Domains	Control items	March 2013 targets Final year targets of 7th Global Environmental Action Plan
Products and services	Prevent global warming	Reduction rate for CO ₂ during product usage ^{*1}	Reduce by 30% (versus March 1991 levels)
	Respect the value of resources	Rate of progress in 3R design plan for new products ^{*2}	100%
	Provide safety and security without hazard to the earth	Cases of legal violations related to chemical substances contained in products	0 case
Manufacturing	Prevent global warming	Reduction rate for domestic CO ₂ emissions ^{*3}	Reduce by 40% (versus March 1991 levels)
		Reduction rate for overseas CO ₂ emissions per basic unit of production	Reduce by 6% (versus March 2010 levels)
		Reduction rate for domestic transport fuel per basic unit of amounts transferred	Reduce by 3% (versus March 2010 levels)
		Rate of progress in reduction plan of overseas transport fuel ^{*2}	Completed investigation
	Respect the value of resources	Reduction rate for waste per basic unit of production at domestic production sites	Reduce by 3% (versus March 2010 levels)
		Rate of progress in recycling plan ^{*2}	100%
	Provide safety and security without hazard to the earth	Cases of violations of environmental laws	0 case
Social contribution	Contribute to biodiversity	Rate of progress in green procurement plan ^{*2}	100%
	· Prevent global warming · Respect the value of resources · Provide safety and security without hazard to the earth · Contribute to biodiversity	Number of employees and stakeholders to be involved in TOTO Water Environment Fund, TOTO Acorn Reforestation Project and local cleanup activities	30,000
		Number of trees planted (accumulated total)	20,000
		Area of trees planted (accumulated total)	4.5ha

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

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

Reduction of CO₂ Emissions during Product Usage of Domestic Main Products

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

3R Design Plan of New Products

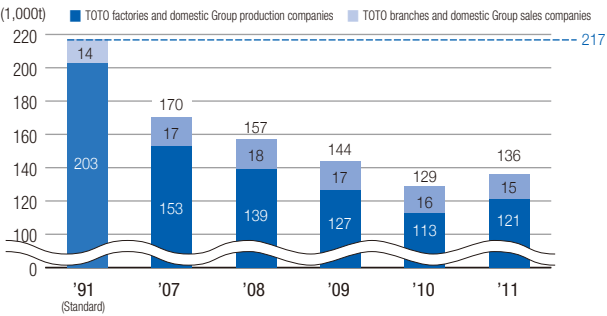
To promote resource recycling and reduce environmental loads, TOTO promotes the design of products that are easy to reduce, reuse and recycle (3R). We establish 3R design guidelines in terms of (1) weight saving, (2) using recycling materials, (3) easy separation and (4) material labeling.

Chemical Substances Contained in Products

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

Reduction of CO₂ Emissions at Domestic Group Companies

TOTO works to reduce CO₂ emissions through all business activities. Key initiatives have included enhancing combustion efficiency of the kiln for sanitary ware, employing high-efficiency lighting and upgrading air conditioning units. However, the amount of CO₂ emissions was up from the previous year due to a recovery in production of core products such as sanitary ware.



Note: Data of March at TOTO Fine Ceramics Ltd. has not been included as this company ceased operations during this period due to the Great East Japan Earthquake.

Reduction of Overseas CO₂ Emissions

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

	March 2011 targets	Results for the year ended March 2011	Evaluation
	Reduce by 30% (versus March 1991 levels)	Reduce by 30%	○
	33%	33%	○
	0 case	0 case	○
	Reduce by 40% (versus March 1991 levels)	Reduce by 37.3%	×
	Reduce by 2% (versus March 2010 levels)	Reduce by 13.0%	○
	Reduce by 1% (versus March 2010 levels)	Reduce by 1.9%	○
	50% completed investigation	33%	○
	Reduce by 3% (versus March 2010 levels)	Reduce by 9.2%	○
	33%	33%	○
	0 case	0 case	○
	33%	33%	○
	18,000	15,700	×
	11,000	12,600	○
	2.6ha	3.1ha	○

*3 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.

Waste Recycling at Plants

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

Environmental Laws

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

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

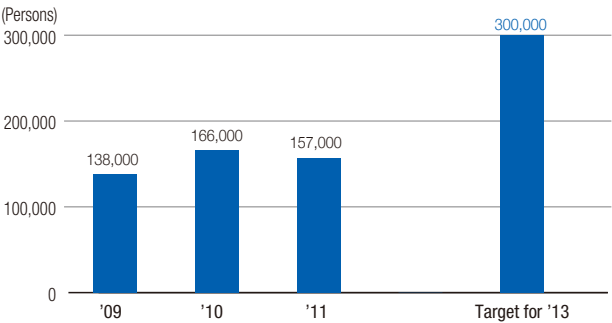
Green Procurement

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

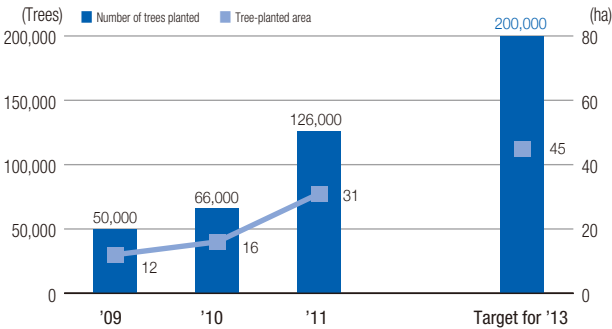
Initiatives for Social Contribution

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

Number of employees and stakeholders to be involved in TOTO Water Environment Fund, TOTO Acorn Reforestation Project and local cleanup activities



Number of trees planted and area (accumulated total)



Reduction of Domestic Transport Fuel

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

Reduction of Overseas Transport Fuel

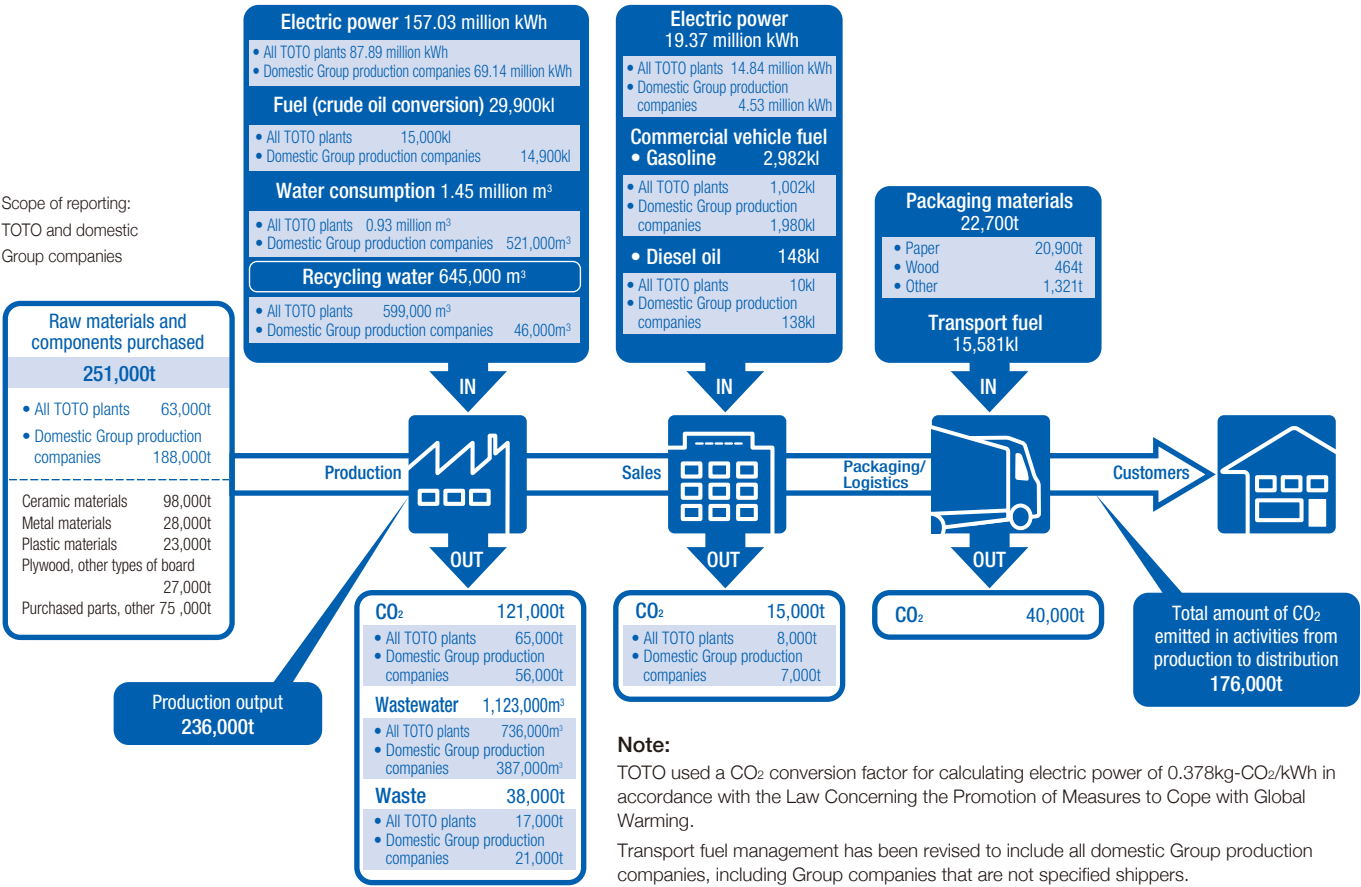
TOTO also promotes efforts to reduce overseas transport fuel. In fiscal 2010, we examined the routes between destinations and the amounts transferred from each overseas site. During fiscal 2011, we will clarify challenges and set countermeasures, with priority given to more serious issues.

Reduction of Waste at Domestic Production Sites

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

Environmental Data

Overview of Environmental Loads in the Fiscal Year Ended March 2011



Environmental Accounting

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

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

Environmental conservation costs					Economic benefits	Environmental conservation benefits	
Category	Major initiatives	Investment	Cost	Total			
① Costs by business area							
Pollution prevention costs	Prevention of air, water and soil contamination, etc.	15.4	393.6	409.0	0.4	—	
Environmental conservation costs	Prevention of global warming, energy conservation, etc.	193.8	23.5	217.3	106.3	Energy Reduction (CO ₂ conversion)	3,543 t
Resource recycling costs	Efficient use of resources, reduction of waste, recycling, etc.	0	538.4	538.4	185.2	Quantity of recycling water	645,000 m³
	Green procurement	0	0.4	0.4	7.2	—	
② Upstream and downstream costs							
	Product transport, etc.	4.6	144.3	148.9	172.5	Reduced packaging materials	515 t
						Reduced transport fuel	294 t
③ Management costs	Environmental management system, environmental education, afforestation, etc.	0	246.5	246.5	0.1	—	
④ R&D costs	R&D of environmentally friendly products, etc.	5.2	106.6	111.8	0	—	
⑤ Social activity costs	Nature conservation, afforestation, donation to organizations, etc.	0	47.9	47.9	0	—	
⑥ Environmental damage costs	Reserve for environmental damage, etc.	0	0.6	0.6	0	—	
Total		219.0	1,501.8	1,720.8	471.7		

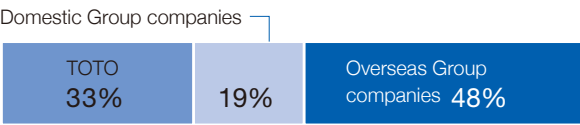
- Concerning calculation of environmental conservation costs and effects
1. Results are recorded monthly in conjunction with the monthly accounting system.
 2. Economic benefits with minimal basis for calculation, including assumed profits, have been excluded.
 3. Depreciation expenses are included in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

Social Data

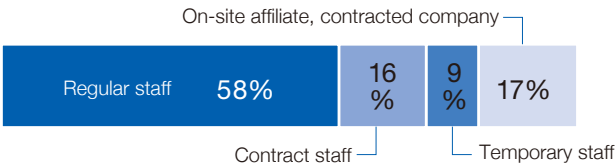
Human Resources/Safety Related Data

Employee Composition

By Organization (as of March 2011)



By Employment Type (as of March 2011)



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

Employee Composition by Region (March 2011)

Japan	52.1%
Asia and Oceania	29.5%
China	15.6%
The Americas	2.5%
Europe	0.3%

*Data for TOTO Group

Age and Length of Service

	March 2009		March 2010		March 2011	
	Male	Female	Male	Female	Male	Female
Average age	44.0	37.1	44.1	38.2	44.0	38.1
Average length of service (years)	20.0	11.1	19.4	11.6	18.9	12.3

*Data for regular employees of TOTO LTD.

Number of New Graduate Recruits

	Year ended March 2010		Year ended March 2011		Year ending March 2012	
	Male	Female	Male	Female	Male	Female
TOTO LTD.	107	56	130	28	84	36
Domestic Group companies	54	57	49	26	62	24
Total	161	113	179	54	146	60

*Data for regular employees

Employee Turnover Rate

	March 2009	March 2010	March 2011
Employee turnover rate	2.2%	2.9%	2.8%

*Data for regular/contract employees of TOTO LTD.

Promoting Diversity in the Workplace

	March 2009	March 2010	March 2011
Re-employed ^{*1}	89	72	73
Number of persons with disabilities employed (rate) ^{*2}	218 (2.05%)	224 (1.94%)	225 (1.89%)
Number of foreign nationals employed ^{*1}	5	9	11
	March 2010	March 2011	Year ending March 2012
Percentage of female managers ^{*1}	3.53%	3.70%	3.73%

*1 Data for regular/contract employees of TOTO LTD.

*2 Data for TOTO Group (6 applicable companies to a special subsidiary system)

Promoting a Good Work-Life Balance

Work Hours (year ended March 2011)

Standard working hours per year	1,894.86 hours per person
Hours actually worked per year	1,915.47 hours per person
Average overtime hours per month	14.1 hours per person
Number of paid holidays taken per year	13.4 days per person

*Data for regular employees of TOTO LTD.

Percentage of Paid Holidays Taken

	Year ended March 2009	Year ended March 2010	Year ended March 2011
Percentage of paid holidays taken	69.4%	65.1%	67.8%

*Data for regular employees of TOTO LTD.

Number of People Using Reduced Work Hour and Leave Systems

	Year ended March 2009		Year ended March 2010		Year ended March 2011	
	Male	Female	Male	Female	Male	Female
Childcare leave	0	92	0	113	2	152
Reduced work hours for childcare	0	109	1	136	2	167
Nursing care leave	1	4	0	2	0	3
Reduced work hours for nursing care	0	0	0	0	1	2
Volunteer leave	131	10	62	1	50	6

*Data for regular/contract employees of TOTO LTD.

Promoting Safety and Health

Domestic Accident Frequency/Severity Rate

		March 2007	March 2008	March 2009	March 2010	March 2011
Accident frequency rate ^{*1}	All industries	1.9	1.83	1.75	1.62	1.61
	All manufacturing sectors	1.02	1.09	1.12	0.99	0.98
	TOTO Group	0.27	0.49	0.51	0.25	0.16
Accident severity rate ^{*2}	All industries	0.12	0.11	0.1	0.09	0.09
	All manufacturing sectors	0.11	0.1	0.1	0.08	0.09
	TOTO Group	0.011	0.588	0.012	0.002	0.011

*1 Accident frequency rate: number of persons affected by accidents per 1 million working hours

*2 Accident severity rate: number of lost days per 1,000 working hours

Lost Time Injury Frequency for Overseas Business Group

	March 2002	March 2003	March 2004	March 2005	March 2006	March 2007	March 2008	March 2009	March 2010	March 2011
Lost time injury frequency	2.6	2.4	1.7	0.9	0.7	0.5	0.4	0.5	0.1	0.3

Corporate Governance

System of Promotion

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

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

Directors and Board of Directors

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

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

TOTO calls upon external directors, well versed in management of leading companies respected for their management practices to which the TOTO Group aspires, to provide advice and suggestions on general management issues based on their in-depth knowledge.

Statutory Auditors and Board of Statutory Auditors

The Board of Statutory Auditors oversees the duties of directors from the perspectives of legality and appropriateness.

Statutory auditors attend Board of Directors meetings and other important meetings to state their opinions and provide

advice, and also visit each business site to conduct operating audits in line with auditing policies.

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

Independence of External Directors and Auditors

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

● External directors

Kazumoto Yamamoto Takuma Otoshi

● External statutory auditors

Junichi Minegishi Masamichi Takemoto

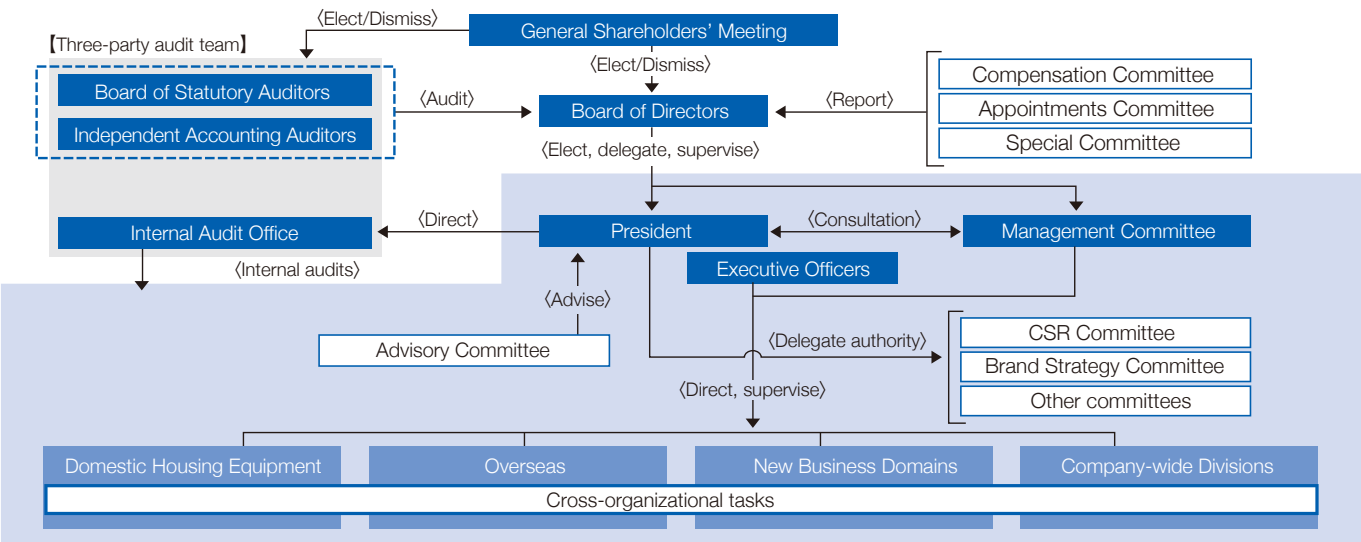
Compensation Committee

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

Appointments Committee

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

Corporate Governance Structure



Risk Management

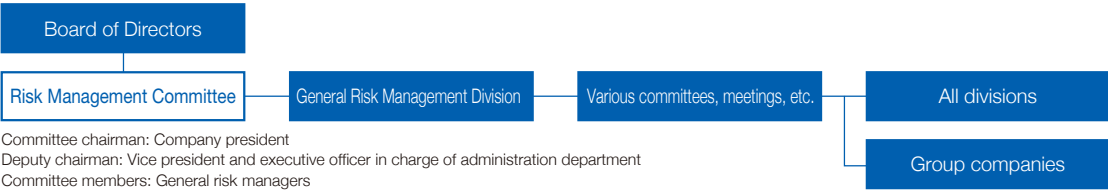
System of Promotion

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

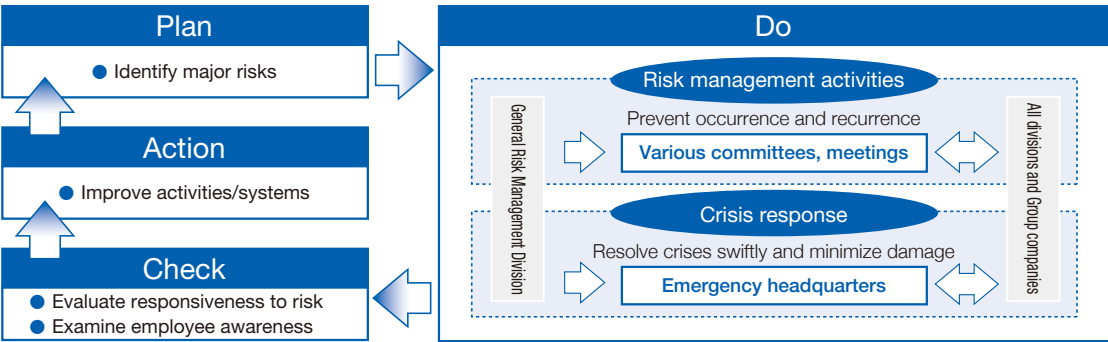
work to enhance risk responsiveness based on risk management regulations in collaboration with all divisions and Group companies through various committees and meetings.

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

Risk Management Promotion System



Risk Management Action Cycle



Major Risks in Year Ended March 2011

Key risks identified are evaluated using a matrix in terms of degree of impact and frequency from the perspectives of damage to the brand as well as the human and financial affects, based on assumed risk scenarios. Items ranked in the

upper level are deemed priority risks. The Risk Management Committee monitors these risks as a priority task and promotes activities to minimize risk throughout the Group.

Principle Major Risks

Risk of disaster or accident	Natural disasters (floods, earthquakes)	Management risk	Violation of intellectual property rights	Management	Customer response
	Fires, explosions		Environmental contamination		Incidents involving business partners, or bankruptcy thereof
	Traffic accidents		Waste disposal		Terrorist attacks, war
	Industrial accidents		Product liability		Changes in rules and regulations, systems
IT-related risk	Unauthorized access		Product recalls	Political, economic, social risk	Exchange rate and interest rate fluctuations
	Breakdown, stoppage		Breach of compliance		Changes in tax system, accounting standards
	Information leaks		Workforce management		Rumors
	Personal information leaks		Credit exposure management		Spread of infectious disease

GRI Guidelines Reference

GRI Sustainability Reporting Guidelines (Version 3) was used as a reference in creating this report and the TOTO Group website.

*The following list shows the page numbers containing information related to these guidelines. The following abbreviations are used for the main and supplemental publications:
CR: TOTO CORPORATE REPORT 2011
FE: TOTO CORPORATE REPORT 2011 Financial & ESG Section

Section	Indicator	Publications	Website (Japanese only)
1. Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	CR: P1-2	CSR
1.2	Description of key impacts, risks, and opportunities	FE: P3-8	CSR
2. Organizational Profile			
2.1	Name of the organization	CR: P7-8 FE: P38	About TOTO
2.2	Primary brands, products, and/or services	CR: P7-8 FE: P38	About TOTO
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	CR: P7-8 FE: P36	About TOTO
2.4	Location of organization's headquarters	CR: P7-8 FE: P38	About TOTO
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	CR: P7-8 FE: P36	About TOTO
2.6	Nature of ownership and legal form	CR: P7-8 FE: P38	About TOTO
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	CR: P7-8 FE: P9-24, P36	About TOTO
2.8	Scale of the reporting organization, including: ·Number of employees ·Net sales (for private sector organizations) or net revenues (for public sector organizations) ·Total capitalization broken down in terms of debt and equity (for private sector organizations) ·Quantity of products or services provided	CR: P7-8 FE: P2-8, P9-24, P38	About TOTO IR
2.9	Significant changes during the reporting period regarding size, structure, or ownership including: ·The location of, or changes in operations, including facility openings, closings, and expansions ·Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations)	FE: P3-8, P9-24	IR
2.10	Awards received in the reporting period		CSR
3. Report Parameters			
Report Profile			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	CR: P9-10 FE: P1	
3.2	Date of most recent previous report (if any)	June 2010	June 2010
3.3	Reporting cycle (annual, biennial, etc.)	CR: P9-10	
3.4	Contact point for questions regarding the report or its contents	CR & FC: back cover	Public Relations Office
Report Scope and Boundary			
3.5	Process for defining report content, including: ·Determining materiality ·Prioritizing topics within the report ·Identifying stakeholders the organization expects to use the report	CR: P9-10	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	CR: P9-10	
3.7	State any specific limitations on the scope or boundary of the report	CR: P9-10	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations		
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	CR: P9-10	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)		

3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report		IR
GRI Content Index			
3.12	Table identifying the location of the Standard Disclosures in the report	This page	CSR
Assurance			
M	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s)	CR: P34	CSR
4. Governance, Commitments, and Engagement			
Governance			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	CR: P27-28 FE: P31	CSR
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)	FE: P38	About TOTO
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	CR: P27-28 FE: P31	CSR
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	CR: P27-28 FE: P31	CSR
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	CR: P27-28 FE: P31	CSR
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	CR: P27-28 FE: P31	CSR
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	CR: P27-28 FE: P31	CSR
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	CR: P5-6	About TOTO
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	CR: P27-28 FE: P31-32	CSR
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	CR: P27-28 FE: P31	CSR
Commitments to External Initiatives			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	CR: P27-28 FE: P3-8, P32	CSR
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses		CSR
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: ·Has positions in governance bodies ·Participates in projects or committees ·Provides substantive funding beyond routine membership dues ·Views membership as strategic		
Stakeholder Engagement			
4.14	List of stakeholder groups engaged by the organization	CR: P29-30	CSR

4.15	Basis for identification and selection of stakeholders with whom to engage	CR: P29-30	About TOTO
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	CR: P29-30	CSR
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	CR: P29-30	CSR

5. Management Approach and Performance Indicators

Economic			
Disclosure on Management Approach			
	Goals and Performance	FE: P3-8	IR
	Policy	FE: P3-8	IR
	Additional Contextual Information	FE: P3-8	IR

Aspect: Economic Performance			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	FE: P2-24	IR
EC2	Financial implications and other risks and opportunities for the organization’s activities due to climate change	CR: P11-12, P23-24 FE: P3-8, P25-29	Environment
EC3	Coverage of the organization’s defined benefit plan obligations	FE: P18	IR
EC4	Significant financial assistance received from government		

Aspect: Market Presence			
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	CR: P30	CSR
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	CR: P25	CSR

Aspect: Indirect Economic Impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	CR: P23-24, P31-32	CSR
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	FE: P29	Environment

Environmental			
Disclosure on Management Approach			
	Goals and performance	FE: P25-29	Environment
	Policy	FE: P25-28	About TOTO Environment
	Organizational responsibility	CR: P27-P28 FE: P25, P31	Environment CSR
	Training and awareness	CR: P25-26	Environment CSR
	Monitoring and follow-up	CR: P27-28 FE: P25, P31	Environment CSR
	Additional contextual information		

Aspect: Materials			
EN1	Materials used by weight or volume	FE: P29	Environment
EN2	Percentage of materials used that are recycled input materials		

Aspect: Energy			
EN3	Direct energy consumption by primary energy source	CR: P23 FE: P27-29	Environment
EN4	Indirect energy consumption by primary source	CR: P23 FE: P27-29	Environment
EN5	Energy saved due to conservation and efficiency improvements	FE: P29	Environment
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	FE: P25-29	Environment
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	FE: P25-29	Environment

Aspect: Water			
EN8	Total water withdrawal by source	FE: P29	Environment
EN9	Water sources significantly affected by withdrawal of water		
EN10	Percentage and total volume of water recycled and reused	FE: P29	Environment

Aspect: Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	CR: P24	Environment
EN13	Habitats protected or restored	CR: P16	CSR
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	CR: P11-12, P23-24 FE: P25, P27-28	Environment
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		

Aspect: Emissions, Effluents, and Waste			
EN16	Total direct and indirect greenhouse gas emissions by weight	CR: P23 FE: P27-29	Environment
EN17	Other relevant indirect greenhouse gas emissions by weight	FE: P27-29	Environment
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	FE: P27-29	Environment
EN19	Emissions of ozone-depleting substances by weight	No emission	
EN20	NO, SO, and other significant air emissions by type and weight		Environment
EN21	Total water discharge by quality and destination		Environment
EN22	Total weight of waste by type and disposal method	FE: P27-29	Environment
EN23	Total number and volume of significant spills	FE: P27-28	Environment
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	No transported waste shipped internationally	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization’s discharges of water and runoff		

Aspect: Products and Services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	CR: P11-12, P23	Environment
EN27	Percentage of products sold and their packaging materials that are reclaimed by category		

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

Aspect: Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and transporting members of the workforce	FE: P29	Environment

Aspect: Overall			
EN30	Total environmental protection expenditures and investments by type	FE: P29	Environment

Labor Practices and Decent Work			
Disclosure on Management Approach			
	Goals and performance	CR: P25-26 FE: P30	CSR
	Policy	CR: P25-26	CSR
	Organizational responsibility	CR: P28	About TOTO
	Training and awareness	CR: P25-26	CSR
	Monitoring and follow-up	CR: P25-26, P29-30	CSR
	Additional contextual information	CR: P25-26	CSR

Aspect: Employment			
LA1	Total workforce by employment type, employment contract, and region	CR: P25-26 FE: P30	CSR
LA2	Total number and rate of employee turnover by age group, gender, and region	FE: P30	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		CSR

Aspect: Labor/Management Relations			
LA4	Percentage of employees covered by collective bargaining agreements		IR
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements		

GRI Guidelines Reference

Aspect: Occupational Health and Safety			
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs		CSR
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region		CSR
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	CR: P25-26	CSR
LA9	Health and safety topics covered in formal agreements with trade unions	CR: P25-26	CSR
Aspect: Training and Education			
LA10	Average hours of training per year per employee by employee category		
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		
LA12	Percentage of employees receiving regular performance and career development reviews		
Aspect: Diversity and Equal Opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	FE: P32	CSR
LA14	Ratio of basic salary of men to women by employee category		
Human Rights			
Disclosure on Management Approach			
	Goals and performance	CR: P27-28	CSR
	Policy	CR: P27-28	CSR
	Organizational responsibility	CR: P27-28	About TOTO
	Training and awareness	CR: P27-28	CSR
	Monitoring and follow-up	CR: P27-28, P29-30	CSR
	Additional contextual information		
Aspect: Investment and Procurement Practices			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	CR: P30	CSR
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		CSR
Aspect: Non-Discrimination			
HR4	Total number of incidents of discrimination and actions taken		
Aspect: Freedom of Association and Collective Bargaining			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	CR: P30	CSR
Aspect: Child Labor			
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	CR: P30	CSR
Aspect: Forced and Compulsory Labor			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	CR: P30	CSR
Aspect: Security Practices			
HR8	Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to operations		CSR
Aspect: Indigenous Rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken		
Society			
Disclosure on Management Approach			
	Goals and performance	CR: P11-16	CSR
	Policy	CR: P1-2	CSR
	Organizational responsibility	CR: P28	About TOTO

	Training and awareness	CR: P27-28	CSR
	Monitoring and follow-up	CR: P27-28	CSR
	Additional contextual information		
Aspect: Community			
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting		
Aspect: Corruption			
SO2	Percentage and total number of business units analyzed for risks related to corruption	CR: P28 FE: P32	CSR
SO3	Percentage of employees trained in organization’s anti-corruption policies and procedures	CR: P28	CSR
SO4	Actions taken in response to incidents of corruption		
Aspect: Public Policy			
SO5	Public policy positions and participation in public policy development and lobbying		
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country		
Aspect: Anti-Competitive Behavior			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		
Aspect: Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		Environment
Product Responsibility			
Disclosure on Management Approach			
	Goals and performance	CR: P21-22	CSR
	Policy	CR: P21-22	About TOTO, CSR
	Organizational responsibility	CR: P28	About TOTO
	Training and awareness	CR: P21-22	CSR
	Monitoring and follow-up	CR: P21-22	CSR
	Additional contextual information		
Aspect: Customer Health and Safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	CR: P21-22	CSR
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	CR: P22	Front Page
Aspect: Product and Service Labeling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	CR: P21-22	CSR
Aspect: Marketing Communications			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes		
Aspect: Customer Privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		
Aspect: Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		

TOTO Group Global Network (as of July 2011)

Domestic

Domestic Plants (7 plants)

Kokura No. 1 Plant	(Fukuoka Prefecture)
Kokura No. 2 Plant	(Fukuoka Prefecture)
Nakatsu No. 2 Plant	(Oita Prefecture)
Oita Plant	(Oita Prefecture)
Shiga Plant	(Shiga Prefecture)
Shiga No. 2 Plant	(Shiga Prefecture)
Chigasaki Plant	(Kanagawa Prefecture)

Domestic Sales Branches (14 branches)

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

Domestic Group Companies

● Manufacturing

TOTO WASHLET TECHNO LTD.

Manufacturing of Washlet and other products

TOTO ENPLA LTD.

Manufacturing and sales of toilet seats, plastic and rubber forming parts

TOTO OKITSUMO Coatings LTD.

Manufacturing and sales of coating materials and coatings for organic, inorganic and metal materials; coating works

TOTO SANITECHNO LTD.

Manufacturing and sales of sanitary ware

TOTO High Living LTD.

Manufacturing and sales of modular kitchens and bathroom vanity units

TOTO Bath Create LTD.

Manufacturing and sales of unit bathrooms

TOTO Fine Ceramics LTD.

Manufacturing of optical transmission materials, etc.

TOTO PLATEC LTD.

Manufacturing and sales of Marbright artificial marble counters and plastic enameled bathtubs

TOTO MATERIA LTD.

Manufacturing and sales of tile materials

SUNAQUA TOTO LTD.

Manufacturing and sales of fittings for water faucets, etc.

● Sales

TOTO AQUAIR LTD.

Remodeling consultation, design, construction and sales of nonresidential equipment

TOTO EXCERA LTD.

Sales of tile products

TOTO MTEC LTD.

Sales of residential equipment

TOTO Engineering LTD.

Construction, sales, design and contracting of residential equipment

TOTO Hokkaido Sales LTD.

Sales of residential equipment

TOTO Tohoku Sales LTD.

Sales of residential equipment

TOTO Niigata Sales LTD.

Sales of residential equipment

TOTO Shinsyu Sales LTD.

Sales of residential equipment

TOTO Chubu Sales LTD.

Sales of residential equipment

TOTO Kansai Sales LTD.

Sales of residential equipment

TOTO Chugoku Sales LTD.

Sales of residential equipment

TOTO Shikoku Sales LTD.

Sales of residential equipment

TOTO Kochi Sales LTD.

Sales of residential equipment

TOTO Kyusyu Sales LTD.

Sales of residential equipment

CERA TRADING LTD.

Import and sales of overseas plumbing equipment

TOTO REMODEL SERVICE LTD.

Design and construction of remodeling for houses and shops

● Services, Support, Others

TOTO INFOM LTD.

Management of information system and network

TOTO EXPERT LTD.

Temporary personnel service

TOTO BUSINETZ LTD.

Temporary personnel service, personnel affairs, benefits package, operation of pharmacies, leasing of real estate

TOTO Finance LTD.

Financing and accounting services for group companies

TOTO Maintenance LTD.

After service and maintenance of TOTO products

TOTO LOGICOM LTD.

Freight transportation service

Overseas

● U.S.A.

TOTO AMERICAS HOLDINGS, INC.

Holding company

TOTO U.S.A., INC.

Manufacturing and sales of sanitary ware

Sales offices: New York, Boston, West Hollywood (Los Angeles), Fort Lauderdale, Chicago

● Mexico

TOTO MEXICO, S.A. DE C.V.

Manufacturing and sales of sanitary ware

● Brazil

TOTO Do Brasil Distribuição e Comércio, Ltda.

Sales of TOTO products

● China

TOTO (CHINA) CO., LTD.

Holding company and sale of TOTO products

Sales offices: Beijing, Nanjing, Shanghai, Chongqing, Guangzhou, Xiamen, Shenzhen

BEIJING TOTO CO., LTD.

Manufacturing of sanitary ware

TOTO (BEIJING) CO., LTD.

Manufacturing of sanitary ware

TOTO DALIAN CO., LTD.

Manufacturing of faucets

NANJING TOTO CO., LTD.

Manufacturing of enameled cast-iron and acrylic bathtubs

TOTO (SHANGHAI) CO., LTD.

Manufacturing of sanitary equipment-related products

TOTO EAST CHINA CO., LTD.

Manufacturing of sanitary ware

TOTO (GUANGZHOU) CO., LTD.

Manufacturing of sanitary equipment-related products

TOTO (FUJIAN) CO., LTD.

Manufacturing, processing and assembling of sanitary ware, bathtubs and faucets

TOTO (H.K.) LTD.

Sales of TOTO products

VORETO PLUMBING TECHNOLOGY CO., LTD.

Manufacturing of plastic products

NITTAI NINGBO CERAMICS CO., LTD.

Manufacturing tiles

ICOT HONG KONG LTD.

Manufacturing and sales of tile materials and other products

● Singapore

TOTO ASIA OCEANIA PTE. LTD.

Regional headquarters and sales of TOTO products

● United Arab Emirates

TOTO ASIA OCEANIA DUBAI SALES BRANCH

Sales of TOTO products

● India

TOTO INDIA INDUSTRIES PVT. LTD.

Sales of TOTO products

Sales offices: Delhi, Mumbai

● Philippines

TOTO ASIA OCEANIA MANILA SALES BRANCH

Sales of TOTO products

● Thailand

TOTO Manufacturing (Thailand) Co., Ltd.

Manufacturing of sanitary ware and assembling of faucets

TOTO ASIA OCEANIA BANGKOK SALES BRANCH

Sales of TOTO products

THE SIAM SANITARY FITTINGS CO., LTD.

Manufacturing and sales of faucets

Siam Sanitary Ware Co., Ltd.

Manufacturing and sales of sanitary ware

● Vietnam

TOTO VIETNAM CO., LTD.

Manufacturing and sales of sanitary ware, etc.

Sales offices: Hanoi, Ho Chi Minh, Da Nang

● Malaysia

TOTO MALAYSIA SDN. BHD.

Manufacturing of Washlets

● Indonesia

P.T. SURYA TOTO INDONESIA

Manufacturing and sales of sanitary ware, faucets, etc.

● Germany

TOTO Europe GmbH

Regional headquarters and sales of TOTO products

TOTO Germany GmbH

Manufacturing of toilet seats

● U.K.

TOTO Europe GmbH London Sales Office

Sales of TOTO products

● Taiwan

TAIWAN TOTO CO., LTD.

Manufacturing and sales of sanitary ware, etc.

Sales offices: Taichung, Miaoli, Kaohsiung

● Korea

TOTO KOREA LTD.

Sales of TOTO products

Stock Information (as of March 31, 2011)

Stock Listings

Tokyo, Nagoya and Fukuoka

Number of Shares

Authorized: 1,400,000,000
Issued: 371,662,595

Number of Shareholders

31,269

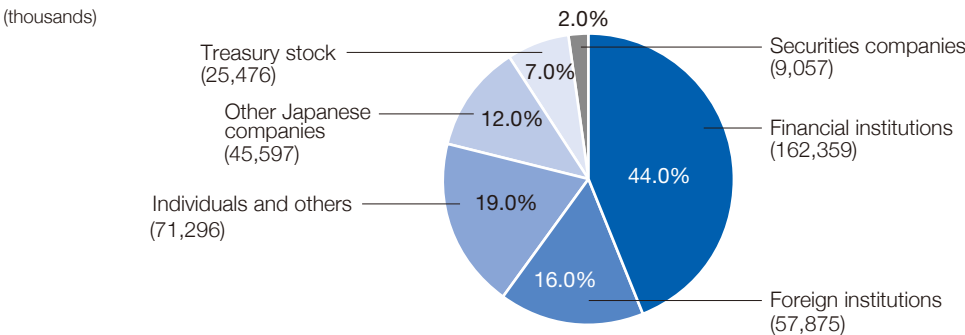
Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

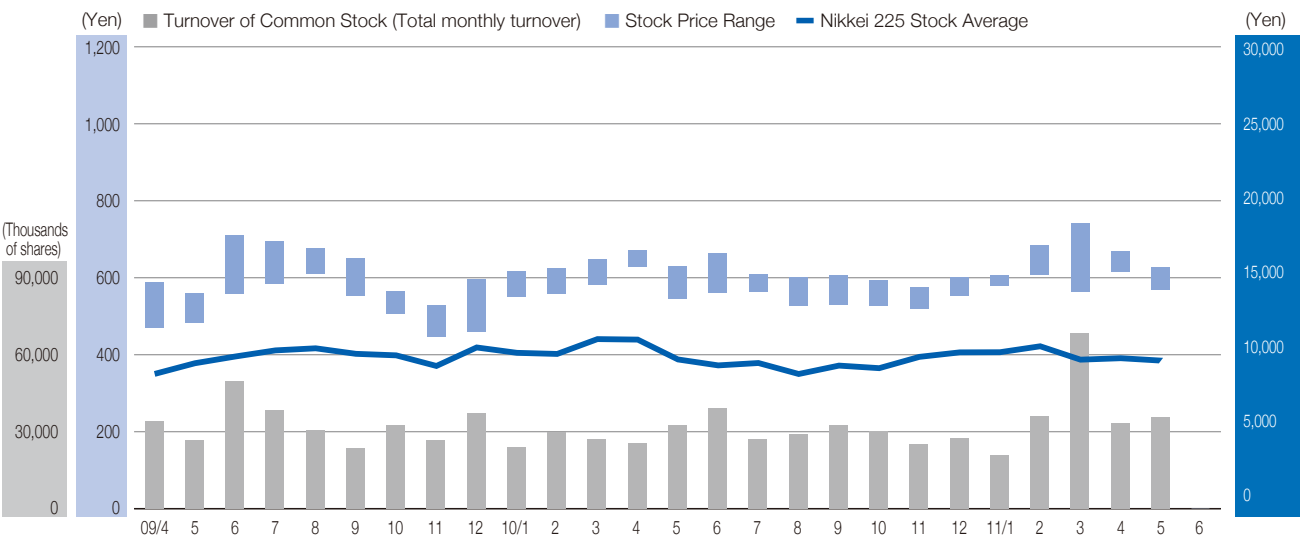
Major Shareholders

	Shares held (thousands)	Percentage of shares held
TOTO LTD.	25,476	6.9%
Meiji Yasuda Life Insurance Company	20,716	5.6%
Japan Trustee Services Bank, Ltd. (Trust Account)	19,071	5.1%
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,799	5.1%
Nippon Life Insurance Company	13,483	3.6%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	7,712	2.1%
NCT Trust and Banking Corporation (Trust Account)	7,324	2.0%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	7,059	1.9%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,175	1.7%
AXA Life Insurance Co., Ltd.	6,000	1.6%

Composition of Shareholders



Stock Price Range/Turnover of Common Stock



Corporate Data (as of March 31, 2011)

■ Corporate Data	
■ Company Name	TOTO LTD.
■ Establishment	May 15, 1917
■ Capital	¥35,579 million (US\$382,405 thousand)
■ Headquarters	1-1, Nakashima 2-chome, Kokurakita-ku, Kitakyushu, Fukuoka, Japan
■ Number of Employees	24,159 (consolidated) 8,217 (non-consolidated)
■ TOTO Group and Affiliates	70 companies (including 62 consolidated subsidiaries) Japan: 36 companies Overseas: 26 companies
■ Main Businesses	<ul style="list-style-type: none">● Housing Equipment Sanitary ware (toilet basins, urinals, sinks, washbasins, etc.), system toilets, toilet seats (e.g., Washlet), plumbing accessories, etc. Bathrooms, System bathrooms, fittings (various faucets, drain fittings, etc.) Modular kitchens, vanity units, Marbright artificial marble counters, etc. Bathroom ventilation, heating and drying systems, welfare equipment, etc.● New Business Domain Products Eco-friendly materials (tiles, Hydrotect coating materials, etc.), ceramics (precision ceramics, optical communication components, etc.)

■ Board of Directors (as of June 29, 2011)	
Representative Director and Chairman of the Board	Teruo Kise
Representative Director and President	Kunio Harimoto
Representative Director and Executive Vice President	Kenji Ito
Representative Director and Executive Vice President	Akio Hasunuma
Director and Senior Executive Officer	Tatsuhiko Saruwatari
Director and Senior Executive Officer	Hiromichi Tabata
Director and Executive Officer	Toshifumi Shigematsu
Director and Executive Officer	Shinichiro Nakazato
Director and Executive Officer	Nobuyasu Kariu
Director and Executive Officer	Kiyoshi Furube
Director and Executive Officer	Shunji Yamada
Director and Executive Officer	Madoka Kitamura
Independent External Director	Kazumoto Yamamoto
Independent External Director	Takuma Otoshi
Statutory Auditor	Youzou Hirota
Statutory Auditor	Motohiro Oniki
External Corporate Auditor	Junichi Minegishi
External Corporate Auditor	Masamichi Takemoto



TOTO LTD.

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Kitakyushu, Fukuoka, Japan
<http://www.toto.co.jp/en/>