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Notation of Years

Years stated in this TOTO CORPORATE REPORT Financial & ESG Section 2012 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	2007	2008	2009	2010	2011	2012	2012
			Million	s of yen			Thousands of U.S. dollars ^{*4}
Net sales	¥512,200	¥501,060	¥464,505	¥421,929	¥ 433,558	¥452,686	\$5,507,799
Cost of sales	337,735	330,782	311,765	275,639	273,259	286,803	3,489,512
Cost of sales ratio	65.9%	66.0%	67.1%	65.3%	63.0%	63.4%	_
Gross profit	174,465	170,278	152,740	146,290	160,299	165,883	2,018,287
Selling, general and administrative (SG&A) expenses	148,277	147,555	146,174	139,700	146,285	147,103	1,789,792
SG&A ratio	28.9%	29.4%	31.5%	33.1%	33.7%	32.5%	_
Operating income	26,188	22,723	6,566	6,590	14,014	18,780	228,495
Operating margin	5.1%	4.5%	1.4%	1.6%	3.2%	4.1%	_
Income before income taxes and minority interests	21,829	15,853	(14,470)	5,296	8,119	15,642	190,315
Net income (loss)	13,544	13,240	(26,261)	879	5,115	9,270	112,787
Capital investment	22,260	24,191	16,297	11,607	26,214	32,253	392,420
R&D costs	11,752	12,001	13,087	13,113	15,606	16,643	202,494
R&D costs ratio to net sales	2.3%	2.4%	2.8%	3.1%	3.6%	3.7%	_
Cash flow 1	(7,250)	2,490	(311)	6,698	(4,066)	(15,491)	(188,478)
Total assets	¥466,736	¥451,744	¥388,645	¥378,266	¥ 379,215	¥377,073	\$4,587,821
Return on assets ^{'2}	2.9%	2.9%	-6.2%	0.2%	1.3%	2.5%	_
Total current assets	217,780	210,126	187,690	180,150	184,204	181,555	2,208,967
Total noncurrent assets	248,956	241,618	200,955	198,116	195,011	195,518	2,378,854
Net property, plant and equipment	161,045	157,925	133,168	125,047	121,212	125,085	1,521,900
Total investments and other assets	87,911	83,693	67,787	73,069	73,799	70,433	856,954
Total liabilities	¥233,494	¥220,214	¥203,751	¥189,717	¥ 199,051	¥191,492	\$2,329,869
Total current liabilities	181,951	160,297	146,789	138,491	128,043	132,871	1,616,632
Total long-term liabilities	51,543	59,917	56,962	51,226	71,008	58,621	713,237
Net assets ^{'3}	233,242	231,530	184,894	188,549	180,164	185,581	2,257,952
Return on equity ^{*2}	6.0%	5.8%	-12.9%	0.5%	2.8%	5.0%	_
			Y	/en			U.S. dollars ^{*4}
Basic net income (loss) per share	¥ 39.07	¥ 38.21	¥(75.80)	¥ 2.54	¥ 14.86	¥ 27.10	\$ 0.33
Net assets per share ^{*3}	659.68	652.84	520.36	530.35	513.51	525.60	6.40

*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.

*4. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥82.19 = US\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2012.

Financial Data

Management's Discussion and Analysis of Operations

Market Environment

During the consolidated accounting period (April 1, 2011 to March 31, 2012) under review, although the Japanese economy showed signs of a moderate recovery from the slump caused by the Great East Japan Earthquake, conditions remained harsh due to such factors as the impact of a downturn in overseas economies and the strong yen.

An unclear outlook persisted for the domestic housing equipment industry due to the uncertain economic climate as well as business fluctuations and a tightening in the supplydemand balance of skilled construction workers. The latter is a result of the effects of the Japanese government's various home ownership support policies.

Amid this business environment, the TOTO Group continued to promote activities in the domestic and overseas housing equipment and new business domains segments based on "TOTO V-Plan 2017," our long-term management plan for 2017, when we will celebrate our 100th anniversary.

Business Results

Net Sales

Consolidated net sales for the year ended March 31, 2012 amounted to ¥452.6 billion, an increase of 4.4% from the previous term.

Looking at sales by business segment, the domestic housing equipment business experienced the adverse effects of the Great East Japan Earthquake at the beginning of the fiscal term, including damage to some of our plants as well as logistics and sales centers in addition to delays in obtaining materials and parts. However, owing to the subsequent restoration of these business centers and the supply chain, production and sales performance returned to their previous levels early on. As a result, segment sales stood at ¥385.9 billion, a year-on-year increase of 4.1%.

In the overseas housing equipment business, due to the European debt crisis and the U.S. recession, there continued to be a sense of uncertainty about the global economy, especially in developed countries. Against this background, we are pursuing effective growth strategies in this business segment based on TOTO V-Plan 2017, focusing our attention on the future economic outlook and price trends. Sales remained buoyant in China and Asia on the whole, resulting in segment sales of ¥81.6 billion, up 11.7% from the previous term.

In new business domains, sales stood at ¥15.5 billion, down 8.2% from the previous term due to a decline in sales in the ceramics business as the semiconductor market entered an adjustment phase globally.

By product, strong demand for new building construction led to a year-on-year increase of 2.0% in sales of restroom products to ¥146.1 billion and an increase of 5.0% in sales of bathroom, kitchen and washbasin products to ¥201.7 billion. Almost all product groups posted year-on-year sales gains.

Operating Income

Consolidated operating income amounted to ¥18.7 billion, up 34.0%, due primarily to company-wide cost reduction efforts and business restructuring based on TOTO V-Plan 2017. The operating income to sales ratio was up 0.9 percentage point to 4.1%.

Net Income

TOTO posted net income of ¥9.2 billion due to the recording of extraordinary losses that included impairment losses, business restructuring expenses and earthquake losses.

Financial Position

As of March 31, 2012, consolidated total assets amounted to

Sales Growth by Segment

Segment	Results (YoY)
Domestic housing equipment business	4.1%
Overseas housing equipment business	11.7%
New business domains	(8.2%)
Total	4.4%

Net Sales



¥377.0 billion, down ¥2.1 billion from the end of the previous fiscal year-end.

Current assets decreased ¥2.6 billion to ¥181.5 billion compared with ¥184.2 billion at the end of the previous fiscal year-end. This mainly reflected a decrease of ¥10.0 billion in marketable securities, a decrease of ¥4.2 billion in cash and deposits and an increase of ¥10.9 billion in notes and accounts receivable-trade.

Total noncurrent assets increased ¥500 million to ¥195.5 billion compared with ¥195.0 billion at the end of the previous fiscal year-end. Key factors were an increase of ¥4.0 billion in machinery and equipment, an increase of ¥1.4 billion in buildings and structures, a decrease of ¥2.2 billion in deferred tax assets and a decrease of ¥1.7 billion in land.

Consolidated total liabilities decreased ¥7.5 billion to ¥191.4 billion compared with ¥199.0 billion at the end of the previous fiscal year-end. This was mainly attributable to a decrease of ¥6.4 billion in short-term bank loans, a decrease of ¥2.3 billion in provision for retirement benefits for employees and an increase of ¥2.5 billion in accrued expenses.

Total net assets at March 31, 2012 amounted to ¥185.5 billion, up ¥5.4 billion from ¥180.1 billion at the end of the previous fiscal year-end. This was due primarily to an overall increase in retained earnings (minus the effects of cash dividends paid of ¥3.4 billion) owing to the recording of ¥9.2 billion in net income, an increase of ¥600 million in minority interests, an increase of ¥500 million in treasury stock and a decrease of ¥1.6 billion in translation adjustments.

The equity ratio (net assets minus minority interests, divided by total assets) increased 1.5 percentage points year-on-year to 47.7%. Net assets per share based on the weighted-average number of shares outstanding during the fiscal year under review was ¥525.60.

R&D Costs

The R&D Division conducts R&D into products suited to the characteristics of a particular region based on "Only One" technologies developed in Japan and a Five-Polar global structure with the aim of being a truly global company as stated in TOTO V-Plan 2017.

In order to meet diverse needs, we pursue R&D that promotes the efficient production of a wide array of products. At the same time, we are designing components that make assembly easier and creating platforms for parts and materials to reduce costs and shorten production lead-times.

As for aging societies, demand for comfortable and safe products and spaces that are easier to use is on the rise. The TOTO Group implements Universal Design (UD) with the objective of designing products that are comfortable and safe to use for everyone irrespective of differences in age, gender, physical condition, nationality, language, knowledge and experience. The TOTO Universal Design Research Center leads the way in developing comfortable and safe products that are easier to use through repeated dialogue between product developers and surveyed customers, observation and testing.

New ceramic power generation cells (solid oxide fuel cells (SOFCs)) are gaining attention as a form of next-generation energy that reduces energy consumption and contributes significantly to a reduction in carbon dioxide. Up until now, TOTO has been conducting 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 year under review totaled ¥16.6 billion. By business segment, R&D expenses totaled ¥12.0 billion in the domestic housing equipment business and ¥500 million in the overseas housing equipment business.

Operating Income/Operating Margin

Operating Income Operating Margin



Net Income (Loss)/Net Income (Loss) Margin





Total Assets/ROA



Financial Data

The ceramic business of the new business domains business spent ¥1.2 billion on R&D while the environmentally friendly construction material business spent ¥300 million. A total of ¥2.4 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 ¥32.2 billion. Capital investment by business segment was as follows.

In the domestic housing equipment business, capital investment totaled ¥15.4 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 investment mainly for the introduction and renewal of production equipment and molds for new products totaled ¥400 million in the United States, ¥7.4 million in China, ¥7.3 billion in Asia and Oceania and ¥65 million in Europe.

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

Other capital investment totaled ¥500 million overall, including outlays for the purchase of R&D equipment.

The major facilities completed in the fisccal year under review included the west building of the Shiga Plant. All necessary funds were provided internally.

Depreciation and amortization for the fiscal year under review amounted to ¥18.3 billion, down ¥1.3 billion.

Cash Flows

Cash flows in the year ended March 31, 2012 were as follows.

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to ¥19.6 billion. This was due to an increase in cash resulting from income before income taxes and minority interests of ¥15.6 billion and depreciation and amortization of ¥18.3 billion, as well as a decrease in cash resulting from an increase in notes and accounts receivable to ¥8.3 billion and an increase in inventories to ¥4.0 billion.

Net Cash Used in Investing Activities

Net cash used in investing activities decreased to ¥22.4 billion. This was due mainly to an outlay of ¥19.9 billion for purchases of property, plant and equipment and ¥3.7 billion for purchases of intangible fixed assets.

Net Cash Used in Financing Activities

Net cash used in financing activities decreased to ¥12.1 billion. This was due to a decrease in cash resulting mainly from the redemption of commercial paper in the amount of ¥32.0 billion and a decrease in bank loans to ¥8.5 billion, and to an increase in cash resulting mainly from proceeds from issuance of commercial paper in the amount of ¥30.0 billion.

Consolidated cash and cash equivalents at at the end of the fiscal year decreased by ¥13.2 billion to ¥33.2 billion compared with ¥46.4 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



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



2010

2011

-20

2012

0

2008

2009

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 on March 31, 2012.

Risks Related to Operating Environment 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 stocks 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

Capital Investment/Depreciation and Amortization

Capital Investment Depreciation and Amortization



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 Activities1) 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 valueadded products and reduce costs. However, the Group is 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.

Free Cash Flow



Financial Data

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 part or material for another in a timely manner, which may adversely affect the Group's business, financial condition and operating results.

7) Risks Related to Information Systems

The TOTO Group is supported by information and telecommunications systems in almost all of its operations. In addition, such systems are becoming increasingly complex and sophisticated each year. Although the TOTO Group undertakes various measures to improve the reliability of these systems as well as upgrades them to enable the ongoing execution of its operations, external factors such as a terrorist attack, natural disaster or computer hacking as well as human error or a computer virus could create problems in the systems or cause them to break down. A resulting temporary disruption to operations may adversely affect the Group's business, financial condition and operating results.

8) 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 of operations. 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 Litigation1) 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 in force duration 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

TOTO Group's business facilities are located in Japan and other parts of the world. If a natural disaster occurs such as an earthquake, tsunami, 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 Years ended March 31, 2011 and 2012

		Millions of yen	Thousands of U.S. dollars (Note 3)
Assets	2011	2012	2012
Current assets:			
Cash and cash equivalents (Note 16)	¥ 46,498	¥ 33,224	\$ 404,234
Short-term investments (Note 16)	1,672	697	8,480
Notes and accounts receivable:			
Trade (Note 16)	73,550	84,502	1,028,130
Allowance for doubtful receivables	(405)	(429)	(5,220)
	73,145	84,073	1,022,910
Inventories (Note 4)	47,093	50,713	617,022
Deferred tax assets (Note 9)	4,644	4,433	53,936
Other current assets	11,152	8,415	102,385
Total current assets	184,204	181,555	2,208,967

Property, plant and equipment:

Land	38,293	36,579	445,054
Buildings and structures	157,625	161,540	1,965,445
Machinery and equipment	130,079	134,205	1,632,863
Construction in progress	8,501	9,885	120,270
Other	68,453	68,391	832,109
	402,951	410,600	4,995,741
Accumulated depreciation	(281,739)	(285,515)	(3,473,841)
Property, plant and equipment, net	121,212	125,085	1,521,900

29,410	29,525	359,229
6,779	5,413	65,860
104	76	925
5,625	5,831	70,945
16,431	14,219	173,002
111	62	754
15,339	15,307	186,239
73,799	70,433	856,954
¥379,215	¥377,073	\$4,587,821
	6,779 104 5,625 16,431 111 15,339 73,799	6,779 5,413 104 76 5,625 5,831 16,431 14,219 111 62 15,339 15,307 73,799 70,433

		Millions of yen	Thousands of U.S. dollars (Note 3)
Liabilities and net assets	2011	2012	2012
Current liabilities:			
Notes and accounts payable:			
Trade (Note 16)	¥ 57,344	¥ 56,390	\$ 686,093
Property and equipment	2,724	4,665	56,758
	60,068	61,055	742,851
Short-term bank loans (Notes 5 and 16)	16,507	7,839	95,377
Current portion of long-term debt and finance lease obligations (Note 5)	642	12,882	156,734
Commercial paper (Note 5)	12,000	10,000	121,669
Other accounts payable	5,509	6,372	77,528
Accrued income taxes (Note 9)	2,055	1,221	14,856
Accrued expenses	18,081	20,639	251,113
Provision for directors' bonuses	32	82	998
Provision for loss on inspection and repair of products	148	99	1,205
Provision for loss on business restructuring	910	779	9,478
Provision for loss on natural disaster	262	_	-
Other current liabilities (Note 9)	11,829	11,903	144,823
Total current liabilities	128,043	132,871	1,616,632
Long-term liabilities:			
Long-term debt and finance lease obligations (Notes 5 and 16)	32,263	22,034	268,086
Provision for retirement benefits for employees (Note 10)	36,566	34,193	416,024
Other (Note 9)	2,179	2,394	29,127
Total long-term liabilities	71,008	58,621	713,237
Contingent liabilities (Note 15)			
Net assets:			
Shareholders' equity (Notes 7 and 20):			
Common stock without par value			
Authorized –1,400,000,000 shares			
Issued — 371,662,595 shares in 2011, and			
371,662,595 shares in 2012	35,579	35,579	432,887
Capital surplus	29,429	29,431	358,085
Retained earnings	143,356	149,169	1,814,929
Less treasury stock, at cost; 30,213,692 shares in 2011 and			
29,211,597 shares in 2012	(17,284)	(16,722)	(203,455
Total shareholders' equity	191,080	197,457	2,402,446
Accumulated other comprehensive loss:			
Net unrealized holding losses on securities	(2,614)	(2,666)	(32,437
Deferred gains (losses) on hedges	1	(47)	(572
Translation adjustments	(13,130)	(14,752)	(179,486
Total accumulated other comprehensive loss	(15,743)	(17,465)	(212,495
Share subscription rights (Note 8)	370	453	5,512
Minority interests	4,457	5,136	62,489
Total net assets (Note 13)	180,164	185,581	2,257,952
Total liabilities and net assets	¥379,215	¥377,073	\$4,587,821

Consolidated Statements of Income

TOTO LTD. and Consolidated Subsidiaries Years ended March 31, 2011 and 2012

Years ended March 31, 2011 and 2012			Thousands of
		Millions of yen	U.S. dollars (Note 3)
	2011	2012	2012
Net sales	¥433,558	¥452,686	\$5,507,799
Cost of sales	273,259	286,803	3,489,512
Gross profit	160,299	165,883	2,018,287
Selling, general and administrative expenses (Note 11)	146,285	147,103	1,789,792
Operating income	14,014	18,780	228,495
Other income (expenses):			
Interest and dividend income	1,167	1,428	17,374
Interest expense	(418)	(382)	(4,648)
Loss on sales and disposal of property, plant and equipment, net	(772)	(375)	(4,563)
Gain on sales of investment securities, net	18	48	584
Loss on sales of investment in affiliates, net	(83)	-	-
Loss on devaluation of securities	(627)	(12)	(146)
Foreign exchange loss, net	(960)	(401)	(4,878)
Sales discounts	(897)	(972)	(11,826)
Loss on impairment of fixed assets	(297)	(2,343)	(28,507)
Loss on devaluation of memberships	(7)	(5)	(61)
Equity in earnings of unconsolidated subsidiaries and affiliates	1,214	1,037	12,617
Loss on business restructuring	(2,598)	(908)	(11,048)
Effect of adoption of accounting standard for asset retirement obligations	(911)	_	-
Loss on natural disaster	(1,230)	(692)	(8,420)
Other, net	506	439	5,342
Income before income taxes and minority interests	8,119	15,642	190,315
Income taxes (Note 9):			
Current	3,663	2,706	32,924
Deferred	(1,543)	2,847	34,639
	2,120	5,553	67,563
Income before minority interests	5,999	10,089	122,752
Minority interests	(884)	(819)	(9,965)
Net income (Note 13)	¥ 5,115	¥ 9,270	\$ 112,787

Consolidated Statements of Comprehensive Income

TOTO LTD. and Consolidated Subsidiaries Years ended March 31, 2011 and 2012

		Millions of yen	Thousands of U.S. dollars (Note 3)
	2011	2012	2012
Income before minority interests	¥ 5,999	¥10,089	\$122,752
Other comprehensive income (loss)			
Net unrealized holding gains (losses) on securities	(2,360)	(52)	(633)
Deferred gains (losses) on hedges	(230)	(48)	(584)
Translation adjustments	(4,742)	(1,360)	(16,546)
Other comprehensive income (loss) on equity method companies	(275)	(334)	(4,064)
Total other comprehensive income (loss) (Note 12)	(7,607)	(1,794)	(21,827)
Comprehensive income (loss)	¥(1,608)	¥ 8,295	\$100,925
Total comprehensive income (loss) attributable to:			
Shareholders of TOTO LTD.	¥(2,099)	¥ 7,540	\$ 91,739
Minority interests	¥ 491	¥ 755	\$ 9,186

Consolidated Statements of Changes in Net Assets

TOTO LTD. and Consolidated Subsidiaries Years ended March 31, 2011 and 2012

reals ended March 31, 201	1 010 2012										М	lillions of yen
				Share	eholders' equity					Accumulat	ed other comp	orehensive loss
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding losses on securities		Translation adjustments	Total accumulated other compre- hensive loss	Share sub- scription rights	Minority interests	Total net assets
Balance at April 1, 2010	¥35,579	¥29,506	¥141,646	¥(14,530)	¥192,201	¥ (254)	¥231	¥ (8,506)	¥ (8,529)	¥299	¥4,578	¥188,549
Net income	_	_	5,115	_	5,115	_	-	_	_	_	_	5,115
Cash dividends paid	_	_	(3,463)	_	(3,463)	_	-	_	_	_	_	(3,463)
Purchases of treasury stock	< –	_	_	(2,859)	(2,859)	_	_	_	_	-	_	(2,859)
Disposition of treasury stoc	k –	1	_	105	106	_	-	_	_	_	_	106
Change of scope of consolidation	_	(78)	58	_	(20)	_	_	_	_	_	_	(20)
Net changes in items other than those in shareholders' equity	_	_	_	_	_	(2,360)	(230)	(4,624)	(7,214)	71	(121)	(7,264)
Balance at March 31, 2011	¥35,579	¥29,429	¥143,356	¥(17,284)	¥191,080	¥(2,614)	¥ 1	¥(13,130)	¥(15,743)	¥370	¥4,457	¥180,164
Balance at April 1, 2011	¥35,579	¥29,429	¥143,356	¥(17,284)	¥191,080	¥(2,614)	¥ 1	¥(13,130)	¥(15,743)	¥370	¥4,457	¥180,164
Net income	_	_	9,270	_	9,270	_	_	_	_	_	_	9,270
Cash dividends paid	_	-	(3,417)	-	(3,417)	-	-	-	-	-	-	(3,417)
Purchases of treasury stock	< _	-	-	(23)	(23)	-	-	-	-	-	-	(23)
Disposition of treasury stoc	k –	2	-	585	587	-	_	-	-	-	-	587
Change of scope of consolidation	_	_	(40)	_	(40)	_	_	_	_	_	_	(40)
Net changes in items other than those in shareholders' equity	_	_	_	_	_	(52)	(48)	(1,622)	(1,722)	83	679	(960)
Balance at March 31, 2012	¥35,579	¥29,431	¥149,169	¥(16,722)	¥197,457	¥(2,666)	¥(47)	¥(14,752)	¥(17,465)	¥453	¥5,136	¥185,581

	Shareholders' equity				aboldore' oquity	Accumulated other comprehensive los						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding losses on securities	gains on	Translation adjustments	Total accumulated other compre- hensive loss	Share sub- scription rights	Minority	Total net assets
Balance at April 1, 2011	\$432,887	\$358,061	\$1,744,202	\$(210,293)	\$2,324,857	\$(31,804)	\$ 12	\$(159,752)	\$(191,544)	\$4,502	\$54,228	\$2,192,043
Net income	_	_	112,787	-	112,787	-	_	-	_	_	_	112,787
Cash dividends paid	_	_	(41,574)	-	(41,574)	-	_	-	-	_	_	(41,574)
Purchases of treasury stock	k —	-	-	(280)	(280)	-	_	-	-	-	_	(280)
Disposition of treasury stoc	- k	24	-	7,118	7,142	_	_	-	-	_	_	7,142
Change of scope of consolidation	_	_	(486)	_	(486)	_	_	_	_	_	_	(486)
Net changes in items other than those in shareholders' equity	_	_	_	_	_	(633)	(584)	(19,734)	(20,951)	1,010	8,261	(11,680)
Balance at March 31, 2012	\$432,887	\$358,085	\$1,814,929	\$(203,455)	\$2,402,446	\$(32,437)	\$(572)	\$(179,486)	\$(212,495)	\$5,512	\$62,489	\$2,257,952

Consolidated Statements of Cash Flows

TOTO LTD. and Consolidated Subsidiaries Years ended March 31, 2011 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2011	2012	2012
Operating activities			
Income before income taxes and minority interests	¥ 8,119	¥15,642	\$190,315
Depreciation and amortization	19,747	18,348	223,239
Loss on impairment of fixed assets	297	2,343	28,507
Effect of adoption of accounting standard for asset retirement obligations	911		
Interest and dividend income	(1,167)	(1,428)	(17,374)
Interest expense	418	382	4,648
Provision for directors' bonuses	32	51	621
Provision for loss on inspection and repair of products	(92)	(49)	(596
Provision for loss on business restructuring	296	(13)	(1,594
Provision for loss on natural disaster	262	(262)	(3,188
Employees' retirement benefits paid, net of provision	(2,696)	(2,362)	(28,738
Loss on sales and disposal of property, plant and equipment, net	(2,000)	375	4,563
Gain on sales of investment securities, net	(18)	(48)	(584
Loss on sales of investment in affiliates, net	83	(-10)	(004
Loss on devaluation of securities	627	12	146
Loss on devaluation of securities	7	5	61
Notes and accounts receivable	(3,890)	(8,331)	(101,363
Inventories	(5,425)	(4,036)	(49,106
Notes and accounts payable	9,963	(4,030)	(9,819
Other	1,847	2,124	25,842
Subtotal	30,093	21,828	265,580
Interest and dividend income received	1,699	2,055	205,580
Interest expense paid	(438)	(371)	(4,514
Income taxes paid Net cash provided by operating activities	(3,237) 28,117	(3,834)	(46,648
Investing activities	20,117	19,070	200,421
Purchases of property, plant and equipment	(15,938)	(19,962)	(242,876
Proceeds from sales of property, plant and equipment	(10,000)	788	9,588
Increase in marketable and investment securities	(3,736)	(135)	(1,643
Decrease in time deposits	561	977	11,887
Sale of subsidiary's stock resulting in change of scope of consolidation	(15)	_	
Other	(3,871)	(4,115)	(50,068
Net cash used in investing activities	(22,758)	(22,447)	(273,112
Financing activities	(22,700)	(22,447)	(270,112)
Increase (decrease) in bank loans	2,635	(6,518)	(79,304
Proceeds from issuance of commercial paper	25,000	30,000	365,008
Redemption of commercial paper	(28,000)	(32,000)	(389,342)
Cash dividends paid	(3,463)	(3,417)	(41,574
Purchases of treasury stock	(2,859)	(23)	(280)
Other	(2,000)	(206)	(2,506
Net cash used in financing activities	(7,261)	(12,164)	(147,998
Effect of exchange rate changes on cash and cash equivalents	(2,164)	(12,104)	(147,330)
Net decrease in cash and cash equivalents	(4,066)	(15,491)	(188,478
Cash and cash equivalents at beginning of the year	(4,000) 50,564	(15,491) 46,498	565,738
	00,004		
Increase due to inclusion of subsidiaries in consolidation		2,217	26,974
Cash and cash equivalents at end of the year	¥46,498	¥33,224	\$404,234

Notes to Consolidated Financial Statements

TOTO LTD. and Consolidated Subsidiaries March 31, 2012

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 any 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 by the equity method. 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 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) Provision for directors' bonuses

Provision for 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) Provision for loss on inspection and repair of products

Provision 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) Provision for loss on business restructuring

Provision 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) 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 for internal use is amortized over the useful lives (five years).

For lease transactions that do not transfer ownership and starts from April 1, 2008, leased assets are depreciated over their useful lives using the straight-line method with a zero residual value.

(k) 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.

(I) Research and development costs

Research and development costs are charged to income as incurred.

(m) 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.

(n) Provision for Retirement benefits

Provision for 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 amortized by the straight-line method principally over 16 years.

(o) 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.

(p) Adoption of the consolidated tax return system

Effective the year ended March 31, 2012, the Company and its wholly owned domestic subsidiaries have adopted the consolidated tax return system of Japan.

(q) Changes to accounting principles

Effective the year ended March 31, 2012, the Company has adopted the "Accounting Standard for Earnings Per Share" (Accounting Standards Board of Japan (ASBJ) statement, No.2; June 30, 2010), and the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guideline No.4, June 30, 2010).

Calculations for fully diluted net earnings per share have been changed to include the amount for fair value of stock options as payment for potential services offered by the employees when exercising the stock options rights, which secured after certain period of employment.

The effect of this change is immaterial.

(r) Additional Information

[Adoption of accounting standards for accounting changes and error corrections]

The Company has adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24 of December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 of December 4, 2009), for accounting changes and corrections of past errors made from the beginning of the fiscal year ended march 31, 2012.

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 ¥82.19 = US\$1.00, the exchange rate prevailing on March 31, 2012. 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, 2011 and 2012 consisted of the following:

	N	Thousands of U.S. dollars	
	2011	2012	2012
Finished products and semifinished products	¥29,014	¥31,215	\$379,791
Work in process and contracts in progress	7,640	9,002	109,527
Raw materials and supplies	10,439	10,496	127,704
	¥47,093	¥50,713	\$617,022

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, 2011 and 2012 were 0.4%. Commercial paper is due within one year with annual interests of 0.1% as of March 31, 2011 and 2012.

Long-term debt at March 31, 2011 and 2012 consisted of the following:

	N	U.S. dollars	
	2011	2012	2012
1.4% unsecured bonds due 2012	¥10,000	¥10,000	\$121,669
Bank loans maturing through 2020 at interest rates ranging from 0.53% to 3.00%:			
Secured	_	-	-
Unsecured	22,686	24,696	300,475
Finance lease obligations	¥ 219	¥ 220	\$ 2,676
	32,905	34,916	424,820
Less current portion	642	12,882	156,734
	¥32,263	¥22,034	\$268,086

The aggregate annual maturities of long-term debt subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥12,788	\$155,591
2014	17,788	216,425
2015	1,250	15,209
2016	1,298	15,793
2017	248	3,017
2018 and thereafter	1,324	16,109
	¥34,696	\$422,144

The aggregate annual maturities of finance lease obligations subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 94	\$1,144
2014	61	742
2015	37	450
2016	14	170
2017	6	73
2018 and thereafter	8	97
	¥220	\$2,676

6. Pledged Assets

Investment securities in the amount of ¥7 million was utilized as security deposits at March 31, 2011.

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, 2011 and 2012.

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	2011 Stock option
Number of individuals covered by the plan:					
Directors	14	14	14	13	12
Corporate auditors	2	2	2	2	_
Officers	16	16	15	18	_
Total	32	32	31	33	12
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	Common stock 178,000 shares
Grant date	August 17, 2007	July 18, 2008	July 17, 2009	July 20, 2010	July 20, 2011
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	July 21, 2011 ~ July 20, 2041
Non-vested stock options (Number of shares):				
Outstanding at March 31, 2011	_	_	_	_	_
Granted	_	_	—	_	178,000 shares
Forfeited	_	_	_	_	_
Vested	_	_	_	_	178,000 shares
Outstanding at March 31, 2012	_	_	_	_	_
Vested stock options (Number of shares):					
Outstanding at March 31, 2011	165,000 shares	162,000 shares	159,000 shares	166,000 shares	_
Vested	_	_	_	_	178,000 shares
Exercised	3,000	3,000	_	_	_
Forfeited	_	-	-	—	-
Outstanding at March 31, 2012	162,000 shares	159,000 shares	159,000 shares	166,000 shares	178,000 shares
Exercise price (yen)	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Weighted average exercise price (yen)	¥617	¥617	¥ —	¥ —	¥ —
Fair value per stock at the grant date (yen)	¥804	¥531	¥491	¥444	¥484

Stock option expenses included in selling, general and administrative expenses for the years ended March 31, 2011 and 2012 amounted to ¥74 million and ¥83 million (\$1,010 thousand), respectively. The fair value of options granted is estimated using the Black-scholes option pricing model with the following weighted average assumptions.

Stock option plan	2011 Stock option
Expected volatility	35.988%
Expected holding period	15 years
Expected dividend	¥10/per share
Risk-free rate	1.588%

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 2011 and 2012. 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, 2011 and 2012 differ from the statutory tax rate for the following reasons:

	2011	2012
Statutory tax rate	40.4%	40.4%
Effect of:		
Expenses not deductible for income tax purposes	2.6	1.2
Dividend income deductible for income tax purposes	(1.1)	(2.0)
Per capita taxes	2.7	1.4
Different tax rates applied to foreign subsidiaries	(21.5)	(14.1)
Other, net	3.0	(3.0)
Adjustments in deferred tax assets and liabilities due to the change in tax rate	_	11.6
Effective tax rate	26.1%	35.5%

The significant components of deferred tax assets and liabilities as of March 31, 2011 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Deferred tax assets:			
Accrued bonus	¥ 3,008	¥ 2,920	\$ 35,527
Retirement allowances	14,664	12,139	147,694
Net operating loss carry forward	s 17,495	12,095	147,159
Other	15,392	12,979	157,915
Total gross deferred tax assets	50,559	40,133	488,295
Valuation allowance	(27,094)	(20,969)	(255,128)
Total deferred tax assets	23,465	19,164	233,167
Deferred tax liabilities:			
Reserve under Special Taxation		(110)	(4, 44.4)
Measures Law	(1,844)	(116)	(1,411)
Other	(709)	(970)	(11,802)
Total deferred tax liabilities	(2,553)	(1,086)	(13,213)
Net deferred tax assets	¥20,912	¥18,078	\$219,954

[Adjustment of amounts of deferred tax assets and deferred tax liabilities due to changes in tax rate for income and other taxes]

The "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011) were promulgated on December 2, 2011 and the staged reduction of the national corporate tax rate and a special reconstruction corporate tax will apply to corporate taxes effective fiscal years beginning on or after April 1, 2012.

As a result, the effective corporate tax rate used to measure the Company's deferred tax assets and liabilities was changed from 40.38% to 37.71% for the temporary differences expected to be utilized in fiscal years beginning April 1, 2012 to April 1, 2014 and from 40.38% to 35.33% for temporary differences expected to be utilized from fiscal years beginning April 1, 2015.

The effect of this change was to decrease deferred tax assets (net of deferred tax liabilities) by ¥1,810 million (\$22,018 thousand) and increase deferred income taxes by ¥1,808 million (\$21,994 thousand), respectively.

10. Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have defined benefit plans, such as company pension fund plans (cash balance plan), 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, 2011 and 2012 for the Company's and the consolidated subsidiaries defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Retirement benefit obligation	¥(146,854)	¥(146,335)	\$(1,780,448)
Plan assets at fair value	83,200	85,832	1,044,312
Unfunded retirement benefit obligation	(63,654)	(60,503)	(736,136)
Unrecognized actuarial loss	29,435	28,422	345,808
Unrecognized prior service cos	st (1,788)	(1,525)	(18,554)
Net retirement benefit obligation	(36,007)	(33,606)	(408,882)
Prepaid pension cost	559	587	7,142
Accrued retirement benefits	¥ (36,566)	¥ (34,193)	\$ (416,024)

The components of retirement benefit expenses for the years ended March 31, 2011 and 2012 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Service cost	¥5,251	¥4,700	\$57,185
Interest cost	3,633	3,579	43,545
Expected return on plan assets	(2,887)	(2,862)	(34,822)
Amortization of actuarial loss	2,463	2,672	32,510
Amortization of prior service cost	(267)	(268)	(3,261)
Total	¥8,193	¥7,821	\$95,157

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

	2011	2012
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, 2011 and 2012 amounted to ¥15,606 million and ¥16,643 million (\$202,494 thousand), respectively.

12. Other Comprehensive Income

Other comprehensive income related to reclassification adjustment and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2012 is summarized as follows :

	Millions of yen	Thousands of U.S. dollars
Net unrealized holding gains (losses) on securities		
Amount arising during the year	¥ (5)	\$ (61)
Reclassification adjustment	(47)	(572)
Before tax effect	(52)	(633)
Tax effect	0	0
Net unrealized holding gains (losses) on securities	(52)	(633)
Deferred gains (losses) on hedges		
Amount arising during the year	(345)	(4,198)
Asset acquisition cost adjustment	268	3,261
Before tax effect	(77)	(937)
Tax effect	29	353
Deferred gains (losses) on hedges	(48)	(584)
Translation adjustments		
Amount arising during the year	(1,360)	(16,546)
Other comprehensive income (loss) on equity method companies		
Amount arising during the year	(334)	(4,064)
Total other comprehensive income (loss)	¥(1,794)	\$(21,827)

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
	2011	2012	2012
Net income:			
Basic	¥ 14.86	¥ 27.10	\$0.33
Diluted	14.83	27.05	0.33
Net assets	513.51	525.60	6.40
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, 2011 and 2012 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
	2011	2012	2012
Acquisition costs:			
Buildings and structures	¥ 958	¥ 783	\$ 9,527
Machinery and equipment	145	73	888
Other assets	2,033	1,775	21,596
	¥3,136	¥2,631	\$32,011
Accumulated depreciation:			
Buildings and structures	¥ 449	¥ 424	\$ 5,159
Machinery and equipment	132	69	840
Other assets	1,783	1,602	19,491
	¥2,364	¥2,095	\$25,490
Net book value:			
Buildings and structures	¥ 509	¥ 359	\$ 4,368
Machinery and equipment	13	4	48
Other assets	250	173	2,105
	¥ 772	¥ 536	\$ 6,521

Lease payments relating to finance leases accounted for as operating leases amounted to ¥308 million and ¥222 million (\$2,701 thousand) for the years ended March 31, 2011 and 2012, 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 ¥195 million and ¥154 million (\$1,874 thousand) for the years ended March 31, 2011 and 2012, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2012 for finance leases accounted for as operating leases are summarized as follows:

Millions of yen	Thousands of U.S. dollars
¥181	\$ 2,202
651	7,921
¥832	\$10,123
	¥181 651

(b) Operating leases

Future minimum operating lease payments subsequent to March 31, 2012 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 684	\$ 8,322
2014 and thereafter	2,533	30,819
Total	¥3,217	\$39,141

15. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2012:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
Repurchase obligation for notes receivable securitized	¥2,375	\$28,563
Trade notes receivable endorsed	3	36

16. Financial Instruments Overview

(1) Policy for financial instruments

The Company and its consolidated subsidiaries (collectively the "Group") manage temporary cash surpluses through shortterm 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 (o).

(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 at 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 18 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, 2011 and 2012 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).

		N	1illions 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	¥ —

	Millions of y				of yen	
As of March 31, 2012		Carrying value		Estimated fair value		alized (loss)
Assets						. ,
1) Cash and cash equivalents	3	¥ 33,224	¥	33,224	à	£
2) Short-term investments		697		697		_
3) Notes and accounts receivable	Э	84,502		84,502		_
4) Investment securities		28,603		28,603		_
Total Assets	3	¥147,026	¥	147,026	ł	£ —
Liabilities						
1) Notes and accounts payable	3	¥ 56,390	¥	56,390	à	£
2) Short-term bank loans		7,839		7,839		_
3) Long-term bank loans*1		24,696		24,722		(26)
Total Liabilities	3	¥ 88,925	¥	88,951	À	(26)
Derivatives*2	3	¥ (75)	¥	(75)	à	£ —
			Т	housands (of U.S. d	Iollars
As of March 31, 2012		Carrying value		Estimated fair value		alized (loss)
Assets						
1) Cash and cash equivalents	\$	404,234	\$	404,234	\$	_
2) Short-term investments		8,480		8,480		-
3) Notes and accounts receivable	e 1	,028,130	1,	028,130		-
4) Investment securities		348,011	;	348,011		-
Total Assets	\$1	,788,855	\$1,	788,855	\$	-
Liabilities						
1) Notes and accounts payable	\$	686,093	\$	686,093	\$	-
2) Short-term bank loans		95,377		95,377		-
3) Long-term bank loans*1		300,475		300,791	(316)
Total Liabilities	· ·	,081,945		082,261		316)
Derivatives*2	\$	(913)	\$	(913)	\$	_

*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

	ī	Millions of yen	Thousands of U.S. dollars
	2011	2012	2012
Unlisted stocks	¥953	¥922	\$11,218

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, 2011 and 2012

Millions of				
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	¥—	¥—
			Mill	ions of yen
As of March 31, 2012	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	¥ 33,056	¥ —	¥—	¥—
Short-term investments	697	-	_	-
Notes and accounts receivable	84,502	_	_	_
Investment securities				
Other securities				
Bonds(corporate bonds)	-	10	-	-
Bonds (other)	-	20	_	_
Total	¥118,255	¥30	¥—	¥–
		Tho	ousands of L	J.S. dollars
As of March 31, 2012	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 Short-term investments	\$ 402,190 8,480	\$ — —	¥— —	¥— —
Notes and accounts receivable Investment securities Other securities	1,028,130	-	-	-
Bonds(corporate bonds)	-	122	-	-
Bonds (other)	-	243		
Total	\$1,438,800	\$365	¥—	¥–

17. Securities

As of March 31, 2011

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

			Millions of yen
March 31, 2011	Carrying value	Acquisition cost	Gross unrealized holding gains (losses)
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)

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

2011	Millions of yen
Proceeds from sales	¥5
Gains on sales	2
Losses on sales	0

As of March 31, 2012

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

			Millions of yen		
March 31, 2012	Carrying value	Acquisition cost	Gross unrealized holding gains (losses)		
Securities whose carrying value exceeds their acquisition cost:					
Equity securities	¥ 4,917	¥ 3,691	¥ 1,226		
Subtotal	¥ 4,917	¥ 3,691	¥ 1,226		
Securities whose acquisition cos exceeds their carrying value:	t				
Equity securities	¥23,656	¥27,53 8	¥(3,882)		
Bonds (corporate bonds)	10	10	-		
Bonds (other)	20	20	-		
Subtotal	¥23,686	¥27,56 8	¥(3,882)		
Total	¥28,603	¥31,259	¥(2,656)		
		Thousands of U.S. dollar			
March 31, 2012	Carrying value	Acquisition cost	Gross unrealized holding gains (losses)		
Securities whose carrying value exceeds their acquisition cost:					
Equity securities	\$ 59,825	\$ 44,908	\$ 14,917		
Subtotal	\$ 59,825	\$ 44,908	\$ 14,917		
Securities whose acquisition cos exceeds their carrying value:	t				
Equity securities	\$287,821	\$335,053	\$(47,232)		
Bonds (corporate bonds)	122	122	_		
Bonds (other)	243	243	_		
Subtotal	\$288,186	\$335,418	\$(47,232)		
Total	\$348,011	\$380,326	\$(32,315)		

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

2012	Millions of yen	Thousands of U.S. dollars
Proceeds from sales	¥58	\$706
Gains on sales	48	584

18. Derivative Transactions

Summarized below are the notional amounts and the estimated fair value of the derivative instruments outstanding at March 31, 2011 and 2012, for which deferral hedged accounting has been applied.

	М	illions of yen	Thousands of U.S. dollars		
	2011	2012	2012		
Commodity swap transactions, accounted for as part of accounts payable					
Notional amount					
Maturing within one year	¥1,478	¥1,272	\$15,476		
Maturing after one year	—	-	_		
Fair value	1	(75)	(913)		

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

19. Segment Information

For the years ended March 31, 2011 and 2012:

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, Thailand, India, 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 2. 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	e segments		
	Domestic		Overseas	Housing Equipme	nt Business	
Year ended March 31, 2011	housing equipment business	Americas	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

Millions of ven

Millions of yen

								willions of yen
		Reportable	segments					
	Nev	w Domain Busine	SS				Adjustment	
Year ended March 31, 2011	Environmental Products		Total	Total	Others	Total	Adjustment and eliminations	Total
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

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

Year ended March 31, 2012	Reportable segments							
	Domestic	e e e e e e e e e e e e e e e e e e e						
	housing equipment business	Americas	China	Asia- Oceania	Europe	Tota		
Sales, income or loss and assets by reportable segments								
Net sales								
Sales to third parties	¥375,440	¥14,916	¥33,779	¥11,956	¥1,958	¥62,609		
Inter-segment sales and transfers	10,494	15	9,633	9,304	43	18,998		
Total	¥385,934	¥14,931	¥43,412	¥21,260	¥2,001	¥81,604		
Segment income (loss)	¥ 17,268	¥ (648)	¥ 7,291	¥ 1,168	¥ (783)	¥ 7,028		
Segment assets	¥226,538	¥14,556	¥43,543	¥25,176	¥2,087	¥85,362		
Other items								
Depreciation and amortization	¥ 14,386	¥ 492	¥ 1,387	¥ 618	¥ 135	¥ 2,632		
Investment in equity-method affiliate	¥ —	¥ —	¥ 572	¥ 4,730	¥ —	¥ 5,302		
Increase in tangible fixed assets and intangible fixed assets	¥ 17,483	¥ 557	¥ 2,277	¥ 4,016	¥ 73	¥ 6,923		

Reportable segments New Domain Business Adjustment and eliminations Environmental Products Ceramics Year ended March 31, 2012 Total Total Others Total Total Products Sales, income or loss and assets by reportable segments Net sales ¥ 5,333 Sales to third parties ¥ 9,134 ¥14,467 ¥452,516 ¥ 170 ¥452,686 ¥ ¥452,686 _ Inter-segment sales and transfers 996 56 1,052 30,541 601 31,142 (31,142) _ Total ¥10,130 ¥ 5,389 ¥15,519 ¥483,057 771 ¥483,828 ¥(31,142) ¥452,686 ¥ ¥(1,394) Segment income (loss) ¥ (1,560) ¥ (2,954) ¥ 21,342 ¥ 77 ¥ 21,419 ¥ (2,639) ¥ 18,780 ¥335,927 Segment assets ¥ 7,336 ¥ 8,626 ¥15,962 ¥327,862 ¥8,065 ¥ 41,146 ¥377,073 Other items Depreciation and amortization ¥ 219 ¥ 616 ¥ 835 ¥ 17,853 ¥ 166 ¥ 18,019 ¥ 329 ¥ 18,348 Investment in equity-method affiliate ¥ ¥ ¥ _ ¥ 5,302 ¥ _ ¥ 5,302 ¥ _ ¥ 5,302 _ Increase in tangible fixed assets and intangible fixed assets ¥ 142 ¥ 541 ¥ 683 ¥ 25,089 ¥ 2 ¥ 25,091 ¥ 454 ¥ 25,545 Thousands of U.S. dollars

	Reportable segments								
	Domestic	Overseas Housing Equipment Business							
Year ended March 31, 2012	housing equipment business	Americas	China	Asia- Oceania	Europe	Total			
Sales, income or loss and assets by reportable segments									
Net sales									
Sales to third parties	\$4,567,952	\$181,482	\$410,987	\$145,468	\$23,823	\$ 761,760			
Inter-segment sales and transfers	127,680	183	117,204	113,201	523	231,111			
Total	\$4,695,632	\$181,665	\$528,191	\$258,669	\$24,346	\$ 992,871			
Segment income (loss)	\$ 210,099	\$ (7,884)	\$ 88,709	\$ 14,211	\$ (9,527)	\$ 85,509			
Segment assets	\$2,756,272	\$177,102	\$529,785	\$306,315	\$25,392	\$1,038,594			
Other items									
Depreciation and amortization	\$ 175,033	\$ 5,986	\$ 16,876	\$ 7,519	\$ 1,643	\$ 32,024			
Investment in equity-method affiliate	\$ —	\$ -	\$ 6,959	\$ 57,550	\$ -	\$ 64,509			
Increase in tangible fixed assets and intangible fixed assets	\$ 212,714	\$ 6,777	\$ 27,704	\$ 48,862	\$ 889	\$ 84,232			

							Thousand	ls of U.S. dollars
		Reportable	e segments					
	Ne	v Domain Busine	ess				A ali: estas a at	
Year ended March 31, 2012	Environmental Products	Ceramics Products	Total	Total	Others	Total	Adjustment and eliminations	Total
Sales, income or loss and assets by reportable segments								
Net sales								
Sales to third parties	\$111,133	\$ 64,886	\$176,019	\$5,505,731	\$ 2,068	\$5,507,799	\$ -	\$5,507,799
Inter-segment sales and transfers	12,118	681	12,799	371,590	7,312	378,902	(378,902)	-
Total	\$123,251	\$ 65,567	\$188,818	\$5,877,321	\$ 9,380	\$5,886,701	\$(378,902)	\$5,507,799
Segment income (loss)	\$ (18,980	\$ (16,961)	\$ (35,941)	\$ 259,667	\$ 937	\$ 260,604	\$ (32,109)	\$ 228,495
Segment assets	\$ 89,257	\$104,952	\$194,209	\$3,989,075	\$98,126	\$4,087,201	\$ 500,620	\$4,587,821
Other items								
Depreciation and amortization	\$ 2,665	\$ 7,495	\$ 10,160	\$ 217,217	\$ 2,019	\$ 219,236	\$ 4,003	\$ 223,239
Investment in equity-method affiliate	\$ -	\$ —	\$ -	\$ 64,509	\$ -	\$ 64,509	\$ -	\$ 64,509
Increase in tangible fixed assets and intangible fixed assets	\$ 1,728	\$ 6,582	\$ 8,310	\$ 305,256	\$ 24	\$ 305,280	\$ 5,524	\$ 310,804

Millions of yen

Geographical information

Net sales to third parties by geographical countries or areas for the year ended March 31, 2011 and 2012 are summarized as follows:

		Millions of yen		
	2011	2012	2012	
Japan	¥372,718	¥386,628	\$4,704,076	
Americas	19,425	16,603	202,008	
China	27,940	34,316	417,520	
Other foreign countries	13,475	15,139	184,195	
Consolidated	¥433,558	¥452,686	\$5,507,799	

At March 31, 2011 and 2012, property, plant and equipment by geographical countries or areas are summarized as follows:

		Villions of yen	Thousands of U.S. dollars
	2011	2012	2012
Japan	¥101,141	¥101,317	\$1,232,717
Americas	3,825	3,671	44,665
China	11,457	11,786	143,399
Other foreign countries	4,789	8,311	101,119
Consolidated	¥121,212	¥125,085	\$1,521,900

Impairment loss on fixed assets by reportable segments for the year ended March 31, 2011 and 2012 are summarized as follows:

		M	llions o	f yen	Thousa U.S.	nds of dollars
	2	2011	:	2012		2012
Reportable segments						
Domestic Housing Equipment Business	¥	694	¥2,	895	\$35	5,223
Overseas Housing Equipment Business						
Americas		_		—		_
China		_		—		-
Asia-Oceania		_		_		_
Europe		_		_		_
Total	¥	_	¥	-	\$	_
New Domain Business						
Environmental Products		398		—		-
Ceramics Products		381		—		-
Total	¥	779	¥	-	\$	_
Reportable segments total	¥1,	473	¥2,	895	\$35	5,223
Others		216		_		_
Total	¥1,	689	¥2,	895	\$35	5,223
Adjustments and eliminations		23		_		_
Consolidated	¥1,	712	¥2,	895	\$35	5,223

20. 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, 2012, was approved at a meeting of the Board of Directors held on May 18, 2012 and became effective June 7, 2012:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥5.00 – \$0.061 per share)	¥1,730	\$21,049

Independent Auditor's Report



ERNST & YOUNG

Ernst & Young ShanNahon LLC

Independent Auditor's Report

The Hourd of Directors 10101110

We have addited the accompanying consolidated financial statements of TOTO 1.1D, and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 51, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese year.

Management's Responsibility for the Consolidated Emmedal Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in neoardance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to from or error

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit We conducted our audit 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 consolidated financial statements are free from material misstatement.

An aadii involves performing procedures to cluain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the anditer's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to frank or error. The purpose of an audat of the consolidated financial statements is not to express an opinion on the effectiveness of the entry's internal control, but in making these risk assessments the anditor considers internal controls relevant to the entry's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the encounstances. An audit also includes evaluating the appropriateness of accounting policies used and the masonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our and to provon

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOFO LTD, and consolidated subsidiaries as at March (1, 2012, and their consolidated financial performance and cash flows for the year their ended in conformity with accounting principles generally accepted in Japan.

Convenience Traoslation

We have reviewed the translation of these consolidated linaucial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Erst & Yourg Shimuihon LLe

June 28, 2002

hikiaoka, Japan

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 (by Fiscal 2017)

		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 CO₂ emitted from plumbing equipment in the home by over 50% (compared to March 1991 levels) 	 Reduce CO₂ 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 		
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	Promote environmental contribution activities that involve society as we work	
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 Hydrotect's air purification capability (remove NOx)	 Maintain zero violations of environmental laws and regulations at business sites worldwide 	for biodiversity.	
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.			
	Huma	an 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



*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

Global Environmental Action Plan

Aside from three items, TOTO achieved all objectives in the year ended March 2012 for our 7th Global Environmental Action Plan. Of these results, we already achieved our final targets for this Action Plan in four areas including the reduction rate of CO₂ during product usage. The areas we fell short of targets included the reduction rate of domestic CO₂ emissions in manufacturing and the number of trees planted and reforested area in social contribution. We missed our goal for the reduction rate of domestic CO₂ emissions because of an

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
	Prevent global warming	Reduction rate of CO ₂ during product usage*1	Reduce by 30% (versus March 1991 levels)
Products and services	Respect the value of resources	Rate of progress in 3R design plan for new products $\ensuremath{^{\circ}2}$	100%
	Provide safety and security without hazard to the earth	Number of cases of legal violations related to chemical substances contained in products	0 cases
	Prevent global warming	Reduction rate of domestic CO ₂ emissions	Reduce by 40% (versus March 1991 levels)
		Reduction rate of overseas CO ₂ emissions basic unit ^{*3}	Reduce by 6% (versus March 2010 levels)
		Reduction rate of domestic transportation fuel per basic unit of amounts transferred	Reduce by 3% (versus March 2010 levels)
Manufacturing		Rate of progress in reduction plan of overseas transportation fuel ²	Completion of assessment
J. J	Respect the value of resources	Reduction rate of 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	Number of cases of violations of environmental laws	0 cases
	Contribute to biodiversity	Rate of progress in green procurement plan*2	100%
Coolel contribution	 Prevent global warming Respect the value of resources 	Number of employees and stakeholders to be involved in TOTO Water Environment Fund, TOTO Acorn Reforestation Project and local cleanup activities	30,000
Social contribution	 Provide safety and security without hazard to the earth 	Number of trees planted (cumulative)	20,000
	Contribute to biodiversity	Reforested area (cumulative)	4.5ha

*1 Reduction rate of CO₂ during product usage: CO₂ reduction rate of major products each 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: rate of progress of plan that assumes 100% as the benchmark for achieving the TOTO Group plan by March 2013

*3 The definition of CO₂ emissions basic unit has been readjusted to the following at certain sites in order to ensure more appropriate management.

TOTO GREEN CHALLENGE aims to dramatically accelerate conventional environmental activities in the areas of "Products and services," "Manufacturing" and "Social contribution" based on "Human resource development."

The 8th Global Environmental Action Plan (April 2012-March 2015) has been formulated one year ahead of schedule and linked to the Mid-Term Management Plan. Lofty goals have been set and new initiatives are already underway to ensure they are achieved.

8th Global Environmental Action Plan (April 2012-March 2015)

Key perspectives	Domains	Control items		
	Prevent global warming	CO ₂ emissions during product usage ^{*1}		
Products and services	Respect the value of resources	Rate of progress in 3R design plan for new products'4		
	Provide safety and security without hazard to the earth	Cases of legal violations related to chemical substances contained in products		
	Prevent global warming	Reduction rate of domestic CO ₂ emissions		
		Reduction rate of overseas CO ₂ emissions basic unit		
		Reduction rate of transport fuel basic unit at domestic sites		
Manufacturing		Rate of progress in reduction plan of overseas transport fuel ⁴		
J	Respect the value of resources	Reduction rate of waste per basic unit of production at domestic production sites		
		Rate of progress in recycling plan ^{*4}		
	Provide safety and security without hazard to the earth	Cases of violations of environmental laws		
	Contribute to biodiversity	Rate of progress in green procurement plan*4		
	Prevent global warming Respect the value of resources	Number of employees and stakeholders to be involved in TOTO Water Environment Fund, TOTO Acorn Reforestation Project and local cleanup activities		
Social contribution	 Provide safety and security without hazard to the earth Contribute to biodiversity 	Number of trees planted (accumulated total)		

*1 Reduction rate of CO₂ during product usage: CO₂ reduction rate of major products each 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. *4 Rate of progress: rate of progress of plan that assumes 100% as the benchmark for achieving the TOTO Group plan by March 2015 increase in emissions from fuel, as we operated multiple generators to cover a shortage of power supplied by electric power companies. In order to further strengthen promotion of TOTO GREEN CHALLENGE, we decided to formulate the 8th Global Environmental Action Plan one year ahead of schedule and link it to our Mid-Term Management Plan. We will implement initiatives throughout the TOTO Group toward the accomplishment of targets that we have yet to achieve, which will include introducing new measures.

(An overview of activities for each control item can be found on page 31.)

Results for the year ended March 2011	March 2012 targets	Results for the year ended March 2012	Evaluation
Reduce by 30%	Reduce by 35% (versus March 1991 levels)	Reduce by 40%	0
33%	67%	67%	0
0 cases	0 cases	0 cases	0
Reduce by 37.3%	Reduce by 40% (versus March 1991 levels)	Reduce by 39.1%	×
Reduce by 12.2%	Reduce by 4% (versus March 2010 levels)	Reduce by 16.1%	0
Reduce by 1.9%	Reduce by 2% (versus March 2010 levels)	Reduce by 6.2%	0
33%	67% completion of assessment	67%	0
Reduce by 9.2%	Reduce by 2% (versus March 2010 levels)	Reduce by 11.1%	0
33%	67%	67%	0
0 cases	0 cases	0 cases	0
33%	67%	67%	0
15,700	23,000	23,000	0
12,600	17,600	15,100	×
3.1ha	4ha	3.7ha	×

Evaluation: $\hfill \bigcirc$ Achieved mid-term targets (March 2013 targets)

Achieved March 2012 targets

 \times Did not achieve March 2012 targets

March 2015 targets Final year targets of 8th Global Environmental Action Plan
Reduce by 45% (versus March 1991 levels)
100%
0 cases
Reduce by 42% (versus March 1991 levels)
Improve by 6% (versus March 2012 levels)
Improve by 5% (versus March 2010 levels)
100%
Reduce by 3% (versus March 2012 levels)
100%
0 cases
100%
40,000
25,000

CO₂ Reduction at TOTO Group Companies



* TOTO aims to reduce CO₂ emissions in Japan by 45% (versus March 1991 level) by March 2018.
* TOTO uses a coefficient under the Law Concerning the Promotion of Measures to Cope with Global Warming for the CO₂ conversion factor for domestic business operations (note: electric power uses the coefficient 0.378kg-CO₂/kWh) and the coefficient from the 2005 GHG Protocol for overseas business. Estimates are utilized for certain past data.

Environmental Data

Overview of Fiscal 2011 (April 2010-March 2011) Activities

Initiatives to Reduce CO₂ Emissions during Use of Domestic Core Products

We are promoting an overall reduction in CO₂ emissions for the four water-circulating areas of the home. We have expanded use of the Air in Shower in bathroom spaces and the Eco-Single water faucet in kitchen and washroom spaces. Also, we have provided a full range of 3.8L toilet bowls for use in toilet spaces. Through these and similar means, in fiscal 2011 (from April 2011 to March 2012) we achieved a 40% reduction (over fiscal 1990) in CO₂ emissions during use in these four areas.

Initiatives for 3Rs Design in New Products

We are promoting the development of products with an awareness of the 3Rs in order to facilitate resource recycling and reduce the environmental load. We are pursuing 3Rs-aware design with a priority on (1) reducing weight, (2) using recycled resources, (3) easing disassembly, and (4) labeling materials. To that end, we have revised our green product development manual and standardized the operations involved in new product development.

Initiatives Related to Chemical Substances Contained in Products

We are working to strengthen our governance regarding chemical substances contained in products. In fiscal 2011, we established a number of regulations, including chemical substance control standards (product version) for the Japan area. We rigorously applied green procurement guidelines and verified the non-use of substances subject to reduced use in products of our suppliers. By promoting company-wide activities such as these, we have maintained our zero infraction rate. With regard to the four volatile organic compounds (VOCs), we have largely completed compliance with Japanese industry voluntary standards on building materials.

Initiatives to Reduce Domestic CO₂ Emissions

We are taking measures to reduce CO_2 emissions across all of our business activities. In fiscal 2011, we responded to the major change in energy supply and demand following the Great East Japan Earthquake with concerted company-wide measures to limit electric power usage. As a result, we were able to achieve electric power reductions that exceeded those requested by the electric power companies. However, our operation of multiple electric power generators increased our CO_2 emissions from fuel, so that our overall CO_2 emissions fell somewhat short of the target.

Initiatives to Reduce Overseas CO₂ Emissions

We are engaged in measures to reduce CO_2 emissions across all of our business activities in other countries the same as in Japan. Production at TOTO East China Co., Ltd. increased when the East China No. 2 Plant went into full-scale operation, resulting in an increase in total CO_2 emissions. However, increased production efficiency, a changeover to more efficient air conditioning and lighting equipment, and other such measures yielded a significant improvement in CO_2 emissions per basic unit of production.

Initiatives to Reduce Domestic Use of Fuel for Transport

We are promoting reduction in the domestic use of fuel for transport as one measure to lower CO₂ emissions. In fiscal 2011, we expanded the consolidated shipping pattern on trunk routes (multipoint loading, multipoint unloading). We also improved loading efficiency and reorganized area distribution to expand joint distribution with other companies, achieving more efficient dispatch of delivery vehicles. These efforts yielded results that significantly exceeded our target reduction rate for transport fuel per basic unit of production.

Initiatives to Reduce Overseas Use of Fuel for Transport

We are promoting the reduction of fuel used for transport in other countries just as we are in Japan. In 2011, we began studying the expansion of buyer consolidation (reducing import containers by consolidating shipments from multiple suppliers), while conducting a performance survey. This facilitated the expansion of direct delivery from overseas bases to distribution centers (DC).

Initiatives to Reduce Waste Discharged from Domestic Production Sites

We are promoting activities to curb the amount of waste discharged in order to reduce our environmental load. Continuing from the preceding year, we have again assigned priority to crushed ceramic sanitary ware and sludge (clay), which account for approximately 40% of waste. We are also pursuing reduction in the volume of waste paper (used paper and cardboard), scrap wood, and waste plastic, which account for approximately 35% of waste, at all of our business sites, and have achieved our targets. We are checking the status of progress and exchanging information through waste reduction conferences and other such events held with the aim of gearing up these activities.

Initiatives Related to Recycling

We are engaging in measures to develop new recycling applications for plant waste in order to promote recycling of resources and reduction of our environmental load. We are also proceeding with a study of the arrangements for recovering and processing used products. With regard to ceramic sanitary ware, we have pursued studies on the possibility of using ceramic waste from factories (Scherben) for unshaped refractories and as aggregates for use in subbase course material and as aggregates with heatreducing properties. With the goal of recycling the materials from used Washlet products, we have conducted studies on treatment processes, assurance of hygiene and other relevant aspects.

Initiatives Regarding Environmental Laws and Regulations

We are engaged in measures to reduce our environmental load and proactively prevent pollution. Our environmental management system is based not only on compliance with laws and regulations but also on setting values for voluntary control standards and promoting preventive efforts. We have maintained a zero infraction record promoting horizontal sharing of emergency cases that could lead to statutory infractions, strengthening environmental audits, making environmental risk management status visible and other such measures.

Initiatives for Green Procurement

We promote procurement of environmentally friendly parts and other materials in order to contribute to the achievement of a recyclingbased society that is safe and secure. We are developing guidelines for green procurement that includes concern for biodiversity, and we have formulated targets and plans that are presently underway for addressing the priority issues of wood and ceramic material procurement.

Initiatives for Social Contribution

We renamed our volunteer activities for contributing to the global environment in fiscal 2011 and have since then been pursuing them as "Green Volunteers" activities. In fiscal 2011, company employees and stakeholders together largely achieved the target number of 23,000 participants. We will increase the number of occasions and means for employees and local community members to engage in activities that enable us to deepen exchanges. The number of acom trees planted did not reach the target level, but we will take steps to further reinforce this activity under the 8th Global Environmental Action Plan.

Overview of Environmental Loads

(Scope of Reporting for the Year Ended March 2012: TOTO and Domestic Group Companies)



Environmental Accounting (Scope of Reporting for the Year Ended March 2012: TOTO and Domestic Group Companies)

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: ¥32.25 billion Total R&D costs: ¥16.64 billion

						(¥ millio
	Environmental conservation costs				Economic	Environmental conservation benefits
Category	Major initiatives	Investment	Cost	Total	benefits	
1 Costs by business area						
Pollution prevention costs	Prevention of air, water and soil contamination, etc.	18.3	373.4	391.7	0	_
Environmental conservation costs	Prevention of global warming, energy conservation, etc.	243.9	13.2	257.1	75.7	Energy Reduction (CO ₂ conversion) 2,706 t
Resource recycling costs	Efficient use of resources, reduction of waste, recycling, etc.	0	535.9	535.9	141.8	Quantity of recycling water 587,000 m
(2) Upstream and downstream costs	Green procurement	0	0.5	0.5	7.2	14,000 uniforms were made from recycled fibe made out of 36,000 plastic bottles.
	Product transport, etc.	1.1	149.5	150.6	150.1	Reduced packaging materials 607 t
			149.0	100.0	150.1	Reduced transport fuel 599 k
③ Management costs	Environmental management system, environmental education, afforestation, etc.	0	255.3	255.3	0	_
④ R&D costs	R&D of environmentally friendly products, etc.	10.8	70.1	80.9	0	_
(5) Social activity costs	Nature conservation, afforestation, donation to organizations, etc.	0	42.2	42.2	0	_
(6) Environmental damage costs	Reserve for environmental damage, etc.	0	0.5	0.5	0	_
	Total	274.1	1,440.6	1,714.7	374.8	

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 TOTO green products were excluded from the scope of reporting in order to avoid overestimation.

Social Data

Human Resources/Safety Related Data



Regular staff	56%	16 %	7 %	21%	
	Contract st	taff		Temporary st	aff

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

Employee Composition by Region (March 2012)

Japan	67.4%
Asia and Oceania	11.5%
China	17.5%
The Americas	3.3%
Europe	0.3%

*Data for TOTO Group

Age and Length of Service

	March 2010 Male Female		March	n 2011	March 2012		
			Male	Female	Male	Female	
Average age	44.1	38.2	44.0	38.1	44.0	38.6	
Average length of service (years)	19.4	11.6	18.9	12.3	18.5	12.3	

*Data for regular/contract employees of TOTO LTD.

Number of New Graduate Recruits

	Year ended March 2011 Male Female		Year end 20		Year ending March 2013	
			Male	Female	Male	Female
TOTO LTD.	130	28	84	36	98	32
Domestic Group companies	49	26	62	24	48	27
Total	179	54	146	60	146	59

*Data for regular employees of TOTO LTD.

Employee Turnover Rate

	March 2010	March 2011	March 2012
Employee turnover rate	2.9%	2.8%	2.9%

*Data for regular/contract employees of TOTO LTD.

Promoting Diversity in the Workplace

	March 2010	March 2011	March 2012	
Re-employed ^{*1}	72	73	73	
Number of persons with disabilities employed (rate) ^{*2}	th disabilities		227 (1.90%)	
Number of foreign nationals employed ^{*1}	9	11	11	
	March 2011	March 2012	Year ending March 2013	
Percentage of female managers ^{*3}	3.70%	3.73%	3.89%	

*1 Data for regular/contract employees of TOTO LTD. *2 Data for TOTO Group (6 applicable companies to a special subsidiary system) *3 Data for regular employees of TOTO LTD.

Promoting a Good Work-Life Balance

Work Hours (year ended March 2012)

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	13.5 hours per person			
Number of paid holidays taken per year	13.6 days per person			
*Data for regular employees of TOTO LTD				

ata for regular employees of TOTO LTD.

Percentage of Paid Holidays Taken

	Year ended March 2010	Year ended March 2011	Year ended March 2012
Percentage of paid holidays taken	65.1%	67.8%	69.2%
*B + ((TOTO TD		

*Data for regular employees of TOTO LTD.

Number of People Using Reduced Work Hour and Leave Systems

	Year ended March 2010		Year end 20		Year ended March 2012	
	Male	Female	Male	Female	Male	Female
Childcare leave	0	113	2	152	1	167
Reduced work hours for childcare	1	136	2	167	2	200
Nursing care leave	0	2	0	3	1	1
Reduced work hours for nursing care	0	0	1	2	1	4
Volunteer leave	62	1	50	6	127	12

*Data for regular/contract employees of TOTO LTD.

Promoting Safety and Health

Domestic Accident Frequency/Severity Rate

		March 2008	March 2009	March 2010	March 2011	March 2012
	All industries	1.83	1.75	1.62	1.61	1.62
Accident frequency	All manufacturing sectors	1.09	1.12	0.99	0.98	1.05
rate*1	TOTO Group	0.49	0.51	0.25	0.16	0.16
Accident severity	All industries	0.11	0.1	0.09	0.09	0.11
	All manufacturing sectors	0.1	0.1	0.08	0.09	0.08
rate*2	TOTO Group	0.588	0.012	0.002	0.011	0.003

*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 2003	March 2004	March 2005	March 2006	March 2007	March 2008	March 2009	March 2010	March 2011	March 2012
Lost time injury frequency	2.4	1.7	0.9	0.7	0.5	0.4	0.5	0.1	0.3	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 Corporate 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 companywide, 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 invites external directors, well versed in management of leading companies respected for their management practices to which the TOTO Group aspires, to join the Board in order to provide advice and suggestions on general management issues based on their in-depth knowledge.

Corporate Auditors and Board of Corporate Auditors

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

Corporate 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 the relevant auditing policies.

TOTO calls upon outside corporate auditors specializing in such matters as corporate finance and legal issues, or having deep insight and extensive experience in relation to corporate management to evaluate decisions made by the Board of Directors and monitor directors' execution of their duties from an objective and fair perspective.

Independent Directors

Since all external directors and outside corporate auditors are invited to join the Board as personnel who can effectively make decisions independent of the management of the Company and all other specific stakeholders, we report all external directors and outside corporate auditors as independent directors.

Outside Directors

Kazumoto Yamamoto (attended Board of Directors' meetings from April 2011 to March 2012: All 12 times) Takuma Otoshi (attended Board of Directors' meetings from April 2011 to March 2012: Eight of 12 times)

Outside Corporate Auditors

Junichi Minegishi (attended Board of Directors' meetings from April 2011 to March 2012: All 12 times, Board of Corporate Auditors' meetings: All 17 times)

Masamichi Takemoto (attended Board of Directors' meetings after appointment as Outside Corporate Auditor on June 29, 2011 to March 2012: All 10 times, Board of Corporate Auditors' meetings: All 13 times)

Compensation Advisory Committee

The Compensation Advisory Committee was set up to make reports to the Board of Directors on fundamental policies pertaining to remuneration, 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.

Nominating Advisory 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.

Special Committee

The Special Committee was established with the introduction of the Policy for Dealing with Large-Scale Acquisition of the Company's Shares (Takeover Defense Measures; the "Plan"). The purpose of the Special Committee is to make recommendations for the implementation or non-implementation of countermeasures under the Plan in response to the Board of Directors' inquiries. In order to ensure the fairness and neutrality of the Board of Directors' decisions, the Committee consists of the external directors of the Company, the outside corporate auditors of the Company, and may include external experts (such as lawyers, certified public accountants and academic experts).



Risk Management

System of Promotion

Since the year ended March 2006, TOTO has established a Risk Management Committee, 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 Management Promotion System

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 Action Cycle



Major Risks in Year Ended March 2012

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



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 2012 FE: TOTO CORPORATE REPORT 2012 Financial & ESG Section

Section	Indicator	Publications	Website (Japanese only)
1. Strate	l egy 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, P35	CSR
2. Orgai	nizational Profile		
2.1	Name of the organization	CR: P11-12 FE: P42	About TOTO
2.2	Primary brands, products, and/or services	CR: P11-12 FE: P42	About TOTO
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	CR: P11-12 FE: P40	About TOTO
2.4	Location of organization's headquarters	CR: P11-12 FE: P42	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: P11-12 FE: P40	About TOTO
2.6	Nature of ownership and legal form	CR: P11-12 FE: P42	About TOTO
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries	CR: P11-12 FE: P9-28, P40	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: P11-12 FE: P9-26, P42	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, P9-26	IR
2.10	Awards received in the reporting period		CSR
3. Repo	rt Parameters	1	
Report I	Profile		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	CR: P3-4 FE: P1	
3.2	Date of most recent previous report (if any)	June 2011	June 2011
3.3	Reporting cycle (annual, biennial, etc.)	CR: P3-4	
	1		

3.3	Reporting cycle (annual, biennial, etc.)	CR: P3-4				
3.4	Contact point for questions regarding the report or its contents	CR & FC: back cover	Public Relations Office			
Repo	Report Scope and Boundary					
3.5	Process for defining report content, including: • Determining materiality • Prioritizing topics within the report • Identifying stakeholders the organization expects	CR: P3-4				

	 Prioritizing topics within the report Identifying stakeholders the organization expects to use the report 		
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	CR: P3-4	
3.7	State any specific limitations on the scope or boundary of the report	CR: P3-4	

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			
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			
М	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

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: P29-30 FE: P34	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: P42	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: P29-30 FE: P34	CSR
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	CR: P29-30 FE: P34	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: P29-30 FE: P34	CSR
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	CR: P29-30 FE: P34	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: P29-30 FE: P34	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: P8	About TOTO

GRI Guidelines Reference

Section	Indicator	Publications	Website (Japanese only)
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: P29-30 FE: P34-35	CSR
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	CR: P29-30 FE: P34	CSR
Commit	ments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	CR: P29-30 FE: P3-8, P35	CSR
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	CR: P1-2	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		
Stakeho	older Engagement		
4.14	List of stakeholder groups engaged by the organization	CR: P31-32	CSR
4.15	15 Basis for identification and selection of stakeholders with whom to engage CR: P31-32		About TOTO
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	CR: P31-32	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: P31-32	CSR
5. Mana	agement Approach and Performance Indicators		
Econor	nic Ire 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	12.100	
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: P2-26	IR
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	CR: P13-14, P25-26 FE: P3-8, P27-32	Environment
EC3	Coverage of the organization's defined benefit plan obligations		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: P32	CSR

investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement Understanding and describing significant indirect economic impacts, including the extent of impacts EC9 FE: P32 Environment Environmental Disclosure on Management Approach FE: P27-32 Goals and performance Environment Policy FE: P27-30 About TOTO Environment CR: P29-30 FE: P27, P34 Organizational responsibility Environment CSR Training and awareness CR: P27-28 Environment CSR Monitoring and follow-up CR: P29-30 FE: P27, P34 Environment CSR Additional contextual information Aspect: Materials FN1 Materials used by weight or volume FF: P32 Environment Percentage of materials used that are recycled EN2 input materials Aspect: Energy EN3 Direct energy consumption by primary energy CR: P25 FE: P29-32 Environment source CR: P25 FE: P29-32 EN4 Indirect energy consumption by primary source Environment Energy saved due to conservation and efficiency improvements EN5 FE: P32 Environment EN6 FE: P27-32 Initiatives to provide energy-efficient or renewable Environment energy based products and services, and reductions in energy requirements as a result of these initiatives

CR: P25-26, P33 CSR

Aspect: Indirect Economic Impacts

Development and impact of infrastructure

EC8

FN7 Initiatives to reduce indirect energy consumption and reductions achieved FE: P27-32 Environment Aspect: Water EN8 Total water withdrawal by source FE: P32 Environment FN9 Water sources significantly affected by withdrawal of water EN10 Percentage and total volume of water recycled FE: P32 Environment and reused Aspect: Biodiversity FN11 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, CR: P26 Environment products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas EN13 CR: P26 CSR Habitats protected or restored CR: P25-26 FE: P27, P29-31 EN14 Strategies, current actions, and future plans for Environment managing impacts on biodiversity 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 CR: P23 FE: P29-32 Environment emissions by weight Other relevant indirect greenhouse gas emissions FE: P29-32 FN17 Environment

by weight

Section	Indicator	Publications	Website (Japanese only)	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	FE: P29-32	Environment	
EN19	N19 Emissions of ozone-depleting substances by No emission		ssion	
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: P29-32	Environment	
EN23	Total number and volume of significant spills	FE: P29-32	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 trainsported 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		1	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	CR: P13-14, P22, P25	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: P29-31	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: P32	Environment	
Aspect:	Overall	1	1	
EN30	Total environmental protection expenditures and investments by type	FE: P32	Environment	
Labor P	ractices and Decent Work			
Disclosu	re on Management Approach			
	Goals and performance	CR: P27-28 FE: P33	CSR	
	Policy	CR: P27-28	CSR	
	Organizational responsibility	CR: P28	About TOTO	
	Training and awareness	CR: P27-28	CSR	
	Monitoring and follow-up	CR: P27-28, P31-32	CSR	
	Additional contextual information	CR: P27-28	CSR	
Aspect:	Employment			
LA1	Total workforce by employment type, employment contract, and region	CR: P27-28 FE: P33	CSR	
LA2	Total number and rate of employee turnover by age group, gender, and region	FE: P33		
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			

Aspect: Occupational Health and Safety CSR 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 LA7 Rates of injury, occupational diseases, lost days, CSR and absenteeism, and number of work-related fatalities by region LA8 Education, training, counseling, prevention, and CR: P27-28 CSR risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases Health and safety topics covered in formal agreements with trade unions I A9 CR: P27-28 CSR Aspect: Training and Education Average hours of training per year per employee by employee category LA10 I A11 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 FE: P33 CSR breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity LA14 Ratio of basic salary of men to women by employee category Human Rights Disclosure on Management Approach Goals and performance CR: P29-30 CSR Policy CR: P29-30 CSR Organizational responsibility CB· P29-30 About TOTO CR: P29-30 CSR Training and awareness CR: P29-30, CSR Monitoring and follow-up P31-32 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 CSR HR2 Percentage of significant suppliers and CR: P32 contractors that have undergone screening on human rights and actions taken HR3 CSR 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 Aspect: Non-Discrimination HR4 Total number of incidents of discrimination and actions taken Aspect: Freedom of Association and Collective Bargaining CSR HR5 Operations identified in which the right to exercise CR: P32 freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights

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: P32
CSR

GRI Guidelines Reference

Section	Indicator	Publications	Website (Japanese only
Aspect:	Forced and Compulsory Labor		(Dapanese oni
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: P32	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			
Disclosu	ire on Management Approach		
	Goals and performance	CR: P13-18	CSR
	Policy	CR: P1-2	CSR
	Organizational responsibility	CR: P30	About TOTO
	Training and awareness	CR: P29-30	CSR
	Monitoring and follow-up	CR: P29-30	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: P30 FE: P35	CSR
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	CR: P30	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		
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		
Aspect:	Compliance	I	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non- compliance with laws and regulations		Environment
Produc	t Responsibility	I	1
Disclosı	ire on Management Approach		
	Goals and performance	CR: P23-24	CSR
	Policy	CR: P23-24	About TOTO CSR
	Organizational responsibility	CR: P30	About TOTO
	Organizational responsibility Training and awareness	CR: P30 CR: P23-24	About TOTO CSR

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: P23-24	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: P24	Front Page
Aspect	: Product and Service Labeling	1	
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: P23-24	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	1	
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		

Additional contextual information

TOTO Group Global Network (as of June 2012)

Domestic

Domestic Plants (6 plants)

Kokura No. 1 Plant Kokura No. 2 Plant Oita Plant Shiga Plant Shiga No. 2 Plant Chigasaki Plant

(Fukuoka Prefecture) (Fukuoka Prefecture) (Oita Prefecture) (Shiga Prefecture) (Shiga Prefecture) (Kanagawa Prefecture)

Domestic Sales Branches (14 branches)

Headquarters Hokkaido Branch Tohoku Branch Shinetsu Branch Kita-Kanto Branch Higashi-Kanto Branch (Chiba Prefecture) **Tokvo Branch** Yokohama Branch Nagova Branch Hokuriku Branch Kansai Branch Chugoku Branch Shikoku Branch Kvushu Branch

(Fukuoka Prefecture) (Hokkaido Prefecture) (Miyagi Prefecture) (Niigata Prefecture) (Saitama Prefecture) (Tokvo) (Kanagawa Prefecture) (Aichi Prefecture) (Ishikawa Prefecture) (Osaka Prefecture) (Hiroshima Prefecture) (Kagawa Prefecture) (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 I TD. Sales of residential equipment

TOTO Kansai Sales I TD. Sales of residential equipment

TOTO Chugoku Sales LTD. Sales of residential equipment

TOTO Shikoku Sales LTD. Sales of residential equipment

TOTO Kyusyu Sales LTD. Sales of residential equipment

CERA TRADING I TD 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), 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 sales 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 EASTCHINA 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 (XIAMEN) 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

TOTO ASIA OCEANIA SINGAPORE BRANCH Sales of TOTO products

 United Arab Emirates TOTO ASIA OCEANIA DUBAI BRANCH Sales of TOTO products

 India TOTO INDIA INDUSTRIES PVT. LTD. Sales of TOTO products Sales offices: Delhi

 Philippines TOTO ASIA OCEANIA MANILA BRANCH Sales of TOTO products

 Thailand TOTO Manufacturing (Thailand) Co., Ltd. Manufacturing of sanitary ware and assembling of faucets

TOTO ASIA OCEANIA BANGKOK 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

 Malavsia TOTO MALAYSIA SDN. BHD. Manufacturing of Washlet

 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 BRANCH 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

 France TOTO Europe GmbH PARIS BRANCH Sales of TOTO products

Stock Information (as of March 31, 2012)

Stock Exchange Listings

Tokyo, Nagoya and Fukuoka

Number of Shareholders

32,067

Number of Shares

Issued: 371,662,595

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

Major Shareholders

Authorized: 1,400,000,000

	Shares held (thousands)	Percentage of shares held
TOTO LTD.	25,483	6.9%
The Master Trust Bank of Japan, Ltd. (Trust Account)	21,422	5.8%
Meiji Yasuda Life Insurance Company	20,716	5.6%
Japan Trustee Services Bank, Ltd. (Trust Account)	18,864	5.1%
Nippon Life Insurance Company	13,483	3.6%
NCT Trust and Banking Corporation (Trust Account)	7,000	1.9%
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	6,255	1.7%
TOTO employee stock ownership	6,176	1.7%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,175	1.7%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	5,772	1.6%





Stock Price Range/Turnover of Common Stock



Corporate Data (as of March 31, 2012)

Corporate Data

Company Name	TOTO LTD.
Establishment	May 15, 1917
Capital	¥35,579 million
Headquarters	1-1, Nakashima 2-chome, Kokurakita-ku, Kitakyushu, Fukuoka, Japan
Number of Employees	25,092 (consolidated) 8,316 (non-consolidated)
TOTO Group and Affiliates	65 companies (including 61 consolidated subsidiaries) Japan: 32 companies Overseas: 29 companies
Main Businesses	 Residential Equipment Sanitary ware (toilet basins, urinals, sinks, washbasins, etc.), system toilets, toilet seats (e.g., Washlet, etc.), plumbing accessories, etc. Bathtubs, Unit bathrooms, fittings (various faucets, drain fittings, etc.) Modular kitchens, bathroom vanity units, Marbright artificial marble counters, 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 components, etc.)

Board of Directors (as of June 28, 2012)

Teruo Kise
Kunio Harimoto
Kenji Ito
Akio Hasunuma
Tatsuhiko Saruwatari
Hiromichi Tabata
Kiyoshi Furube
Shinichiro Nakazato
Nobuyasu Kariu
Shunji Yamada
Madoka Kitamura
Noriaki Kiyota
Kazumoto Yamamoto
Takuma Otoshi
Youzou Hirota
Motohiro Oniki
Junichi Minegishi
Masamichi Takemoto



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