

TOTO



TOTO Corporate View 2016

The Spirit of TOTO Unchanging for 100 Years

Words of Our Founder

Kindness must always come first.
Bring the concept of service to your work.
Your goal should be to provide good products and satisfy the customer.
Accomplish that, and profit and compensation will follow.
Many in this world chase after the shadow of profit.
But, in the end, they never capture the real thing.

A letter written by the TOTO's first president, Kazuchika Okura, to his successor, Saburo Momoki, contains words that have been treasured as the "Words of Our Founder."

In 1962, we formulated the Company Mottos based on our corporate activities in the future while respecting the tradition of TOTO's founding.

These established ideas from our founding are formulated into philosophy system for TOTO group management so they are appropriate for this time and can be shared by the TOTO Group.

Philosophy System for TOTO Group Management



Contents

Corporate Section

Business Overview Section

Social, Environmental & Financial Section

▶ TOTO Group Corporate Philosophy

**The TOTO Group strives to be a great company, trusted by people all around the world,
and contributing to the betterment of society.**

To achieve our philosophy, TOTO will:

- Create an enriched and more comfortable lifestyle and culture built on our plumbing products.
- Pursue customer satisfaction by exceeding expectations with our products and services.
- Provide high-quality products and services through ongoing research and development.
- Protect the global environment by conserving finite natural resources and energy.
- Create an employee friendly work environment that respects the individuality of each employee.

▶ Charter of TOTO Group Corporate Behavior (Purpose)

The TOTO Group wants to contribute to socio-economic development and be a broadly helpful entity for society by creating added value through fair competition and encouraging job creation in the countries and regions in which its businesses are promoted. To realize that, all people working for the TOTO Group strive to play an active role with a strong sense of duty based on the concepts indicated in the corporate motto and philosophy, and to fulfill their social responsibilities.

The Charter of TOTO Group Corporate Behavior stipulates the basic stance of behavior of all people working for TOTO Group to realize all stakeholders' satisfaction.

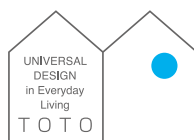
For details regarding the Charter of TOTO Corporate Behavior, please see the Common Group Philosophy section on our website at:
<http://www.toto.co.jp/en/company/profile/philosophy/group/>

▶ Vision

Toward a Dynamic, Vibrant and Excellent TOTO

▶ Mission

TOTO



Editorial policy:

TOTO Corporate View is published with more detailed information for all experts from investors to research organizations.

This publication aims to provide an even deeper understanding of the TOTO Group by including a variety of ESG data according to the business strategies in each segment and the financial data for the last ten years.

Period of reporting:

Years stated in this TOTO Corporate View 2016 indicate either a fiscal year ending March 31 or a point in time as of March 31.

Note about information contained in the report:

Information contained in this TOTO Corporate View 2016 is current as of September 30, 2016. The report also contains forward-looking statements including information about business plans, earnings forecasts and strategies that are current as of September 30, 2016. Such statements are based on forecasts available at the time of writing. Readers should be aware that actual business results will be affected by various factors in the business environment, including future economic conditions, movements in demand and trends in market competition.

● TOTO Group Communication Tools

● A Brief Introduction to the Essence of TOTO Group

TOTO Guide



● Overview and Details on TOTO Group Activities

TOTO Corporate Report 2016



● Containing the Activities and Technical Data of the TOTO Group

TOTO Corporate View 2016
<http://www.toto.co.jp/en/company/profile/library/>



● Latest TOTO Group Information

TOTO Group Website
<http://www.toto.com/>



Message from the President

We will progress toward the next generation with unchanging spirit of our predecessors close to our hearts.

Unchanging Spirit

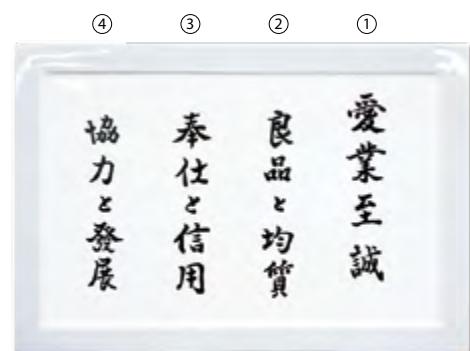
The TOTO Group conducts corporate activities with the aim of continuing to widely contribute to society and to the earth's environment. Underlying this is our founder's conviction to improve the lifestyle and culture of the people, and to provide a healthy and civilized way of life. This belief has been passed down unbroken to each and every employee as the Common Group Philosophy, and is collectively regarded as the starting point for customer satisfaction.

The TOTO Group's view on CSR management is that corporate activities should be promoted from a perspective of ESG (Environment, Society, and Governance). By doing so, we are working towards a strategic integration of our business and CSR activities.

The core of our business is deeply rooted in the way we think about CSR. This sentiment is clearly recorded in a letter entitled "Words of Our Founder" which was written by TOTO's first president to his successor, and in

our Corporate Mottos. The conviction inherited at our founding is the heart of our manufacturing and the core of management.

Company Mottos



- ① Take pride in your work, and strive to do your best
- ② Quality and Uniformity
- ③ Service and Trust
- ④ Cooperation and Prosperity

Together with all of our stakeholders

I believe our business is for all of our stakeholders from our customers and employees to our shareholders.

Continuing to provide products that have social value at the appropriate price is vital to bring satisfaction to our customers. An environment that is always able to bring out the fullest potential of employees is necessary to achieve this. Therefore, we respect the individuality of people with diverse backgrounds and seek to develop self-motivated human assets who can think and act on their own.

TOTO will contribute to society through our business, which makes practical use of fresh ideas that are borne from our will to challenge to create rich and comfortable lifestyles.

In addition, one important management priority is to see a return of profit to all our shareholders. We are striving to maintain a stable dividend with a target payout ratio of 30% and aim to bring returns on the profit generated from our business performance.

TOTO V-Plan 2017

In 2009, the TOTO Group developed our long-term management plan, TOTO V-Plan 2017, towards celebrating our 100th anniversary. In this plan, we are focused on becoming a company trusted by everyone in each of our global business regions.

In addition, our products aim to continue to realize lifestyles with a low environmental impact while supporting our customers to live comfortably. We are working to realize this objective as a Group with the TOTO Global Environmental Vision as the driving force behind these business activities.

As the issue of water resource becomes severe, TOTO will offer products that consider the environment to customers around the world as a company that has been closely tied to water since the founding to contribute in realizing a truly sustainable society.

Global expansion

We must strengthen our global expansion of our businesses even further to evolve by achieving the TOTO V-Plan 2017, and then track the sustainable growth.

Based on the idea that Japan is one part of the world, we integrated our independent Japan Housing Equipment Businesses from a global perspective in a new system composed of the Japan Housing Equipment Business, China & Asia Housing Equipment Business, and the Americas & Europe Housing Equipment Business. We will enhance the sustainability and speed of our businesses as well as improve our corporate value by accelerating decision making and reinforcing global links.

Official Partner (Plumbing Equipment) of the Tokyo 2020 Olympic and Paralympic Games

TOTO has entered into an official partnership (plumbing equipment) agreement for the Tokyo 2020 Olympic and Paralympic Games.

I hope to contribute to the specific vision of the games based on our corporate philosophy to create an enriched and more comfortable lifestyle and culture built on plumbing products by creating and continually providing plumbing spaces that can be used safely, securely, and comfortably by all of the athletes coming to Japan to compete in the games and all of the people who come to cheer for them.

For the next generation

Although TOTO V-Plan 2017 is our goal for the company's centenary, I see it only as a transit point on our way to the future beyond. We will heighten corporate value by sustaining and accelerating this momentum to exceed the expectations of today for a better tomorrow as a company able to create and provide lifestyle value.

Providing the World a New Every Day.

Everyone in the TOTO Group will work in unison to achieve the goals we have set forth.



Madoka Kitamura
President, Representative Director

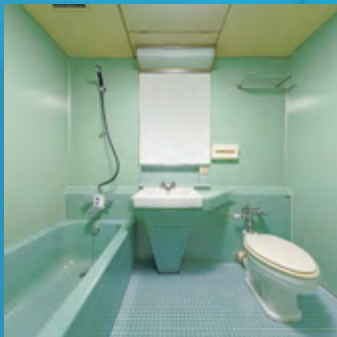
We walk a path of innovation with

1914 Japan's First Seated Flush Toilet

Prompted by exposure to advanced lifestyles overseas, TOTO founder Kazuchika Okura developed a strong desire to provide comfortable and sanitary living spaces. He subsequently established a ceramic sanitary ware laboratory, when the concept of public sewage systems was not yet widespread in Japan. And then in 1914, we completed Japan's first ceramic seated flush toilet.



1964 First Prefabricated Bathroom Module



Japan's first prefabricated bathroom modules (based on Japanese Industrial Standards) were delivered to the Hotel New Otani in 1964. The construction period was dramatically reduced and the aesthetic also improved.

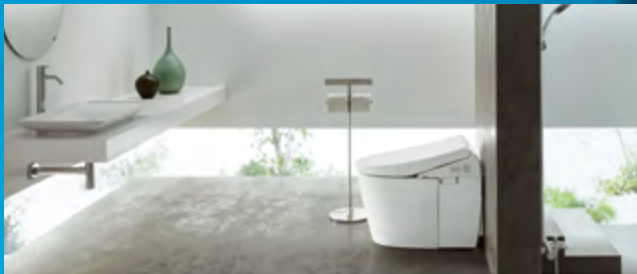
1980 WASHLET® Transformed the Japanese Lifestyle

The WASHLET®, a toilet seat featuring a warm water shower that transformed the Japanese lifestyle and environment of toilet equipment, was released in 1980.



the spirit passed down since the founding of TOTO.

Evolution of the Toilet



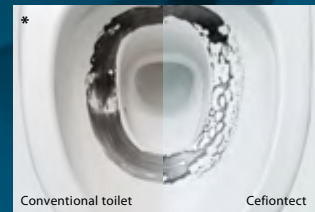
The NEOREST tankless toilet realizes water conservation and cleanliness like never before thanks to the Tornado Flush System and Cefiontect technology.

Technology to realize water conservation and cleanliness



Tornado Flush System

The swirling tornado stream uses a small amount of water effectively to efficiently clean even tough stains. This flushing system evenly and fully cleans the toilet bowl.



Cefiontect

The concave ceramic surface is smooth at a nano level of one to the one millionth millimeter. This unique TOTO technology repels dirt and makes cleaning easy.

Evolution of the Bathroom



SAZANA is a system bathroom that realizes great comfort and environmental performance thanks to the easy-to-clean warm, and quick drying floor, AIR-IN SHOWER showerhead, and thermal insulating bathtub.

Technology to realize comfort and environmental performance



Easy-to-Clean Warm, and quick drying Floor

More ease of cleaning of the Hokkarari Floor, with comfortable softness and keeping warmth by special hydrophilic treatment.



AIR-IN SHOWER showerhead

Technology to aerate the water enabled larger water droplets providing users with an enjoyable shower experience.

Evolution of the WASHLET®



WASHLET® Apricot provides ewater+ to guarantee a clean toilet bowl and nozzle as well as an instantaneous heated toilet seat.

Leading WASHLET® Technology



ewater+

TOTO's clean Antibacterial electrolyzed water technology cleans the source of dirt.



Instantaneous Heated Toilet Seat

A sensor detects the people's movements to only heat the toilet seat during use.

*: Illustrative images

Mid- or Long-Term Management Plan

The TOTO Group formulated the TOTO V-Plan 2017 as a long-term management plan in July 2009.

This strategic framework is to reinforce corporate governance and has three core businesses; domestic housing equipment, overseas housing equipment, and new business domains. This framework also promotes marketing innovation, demand chain innovation, and management resource innovation as three company-wide, cross-departmental innovation activities. The TOTO Global Environmental Vision will be the driving force behind these business activities and promoted in the entire Group.

Moreover, we have integrated our housing businesses from a global perspective in fiscal 2016 to further reinforce and promote our two core businesses; the Global Housing Equipment Business, which is made up of the Japan, China & Asia Housing Equipment Business, and Americas & Europe Housing Equipment Business, and our new business domains, which are made up of ceramics and green building materials.

The management plan goals*¹ for fiscal 2017 target net sales of 650 billion yen, an operating income of 61 billion yen, ROA of 10% or more (on a basis of operating income), and ROE of 10% or more (on a basis of net income).



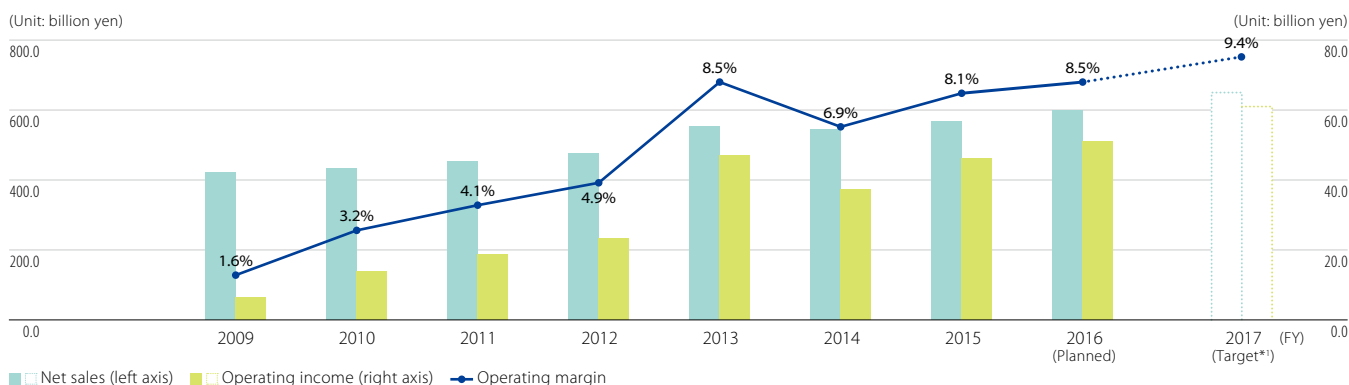
Actual Results since the Formulation of TOTO V-Plan 2017, Projected Results for Fiscal 2016, and Targets for Fiscal 2017

(Unit: Billion yen, rounded down)

	FY2009 actual	FY2010 actual	FY2011 actual	FY2012 actual	FY2013 actual	FY2014 actual	FY2015 actual	FY2016 planned	FY2017 target* ¹
Net sales	421.9	433.5	452.6	476.2	553.4	544.5	567.8	600.0	650.0
Operating income	6.5	14.0	18.7	23.3	47.1	37.4	46.1	51.0	61.0
Operating margin	1.6%	3.2%	4.1%	4.9%	8.5%	6.9%	8.1%	8.5%	9.4%
ROA (on a basis of operating income)	1.7%	3.7%	5.0%	6.0%	10.7%	7.5%	8.8%	9.4%	More than 10%
ROE (on a basis of net income)	0.5%	2.8%	5.2%	8.8%	19.4%	10.0%	13.1%	13.1%	More than 10%

*: TOTO Group focuses on the operating income margin, ROA (on a basis of operating income) and ROE (on a basis of net income) as management indicators to monitor improvements in the growth and profitability of our business and to ensure the efficient management of our assets.

*: ROA = Operating income / Total assets, ROE = Net income / Equity



*: This Medium-term Management Plan based on assumptions, estimates and plans as of May 23, 2014.

Actual performance may differ materially from these forward-looking statements, competition and foreign currency exchange rates.

TOTO V-Plan 2017 Overview

TOTO Global Environmental Vision

The TOTO Group established the TOTO Global Environmental Vision in 2014 for the purpose of taking its environmental contribution activities an evolutionary step further while facing up to the environmental problems of each country and region. Based on six themes of global environmental activities, the entire TOTO Group is committed to making contributions to the global environment through our business activities.

□ ▶▶ p.38

Core Businesses

Domestic housing equipment business

As Japan continues to transition to a stock-based society with a declining number of new housing starts, we will further accelerate our remodeling strategy, which is one of TOTO's strengths. TOTO is promoting the construction of a highly-profitable corporate constitution by also pushing ahead with cost structure reforms for sustainable growth.

□ ▶▶ p.15

Overseas housing equipment business

As a driver of growth, the foundations of the Overseas housing equipment business will be strengthened to withstand changing markets and environments in countries we operate. This business will develop new markets and lead to growth for the TOTO Group.

□ ▶▶ p.17

New business domains

This business is expanding globally, with TOTO "Only One" technologies for ceramic products built on our experience with ceramic sanitary ware, and with HYDROTECT technology, which uses photocatalytic technology to provide environmental cleaning through the power of light.

□ ▶▶ p.24

Cross-organizational Innovation Activities

Marketing Innovation

In charge of product strategy from an optimal company-wide perspective

Demand Chain Innovation

Early and efficient response to the demands of customers

Management Resource Innovation

Drives innovation through the efforts of diverse human assets

Strengthen corporate governance

For matters requiring management decisions, TOTO recognizes the importance of systematizing "who makes the decision, on what and where" as well as "what checks are implemented" in a fair and honest manner. TOTO has adopted the Audit & Supervising Board system and been promoting more efficient and effective decision-making, supervision, and business execution, with the aim of continuously increasing corporate value.

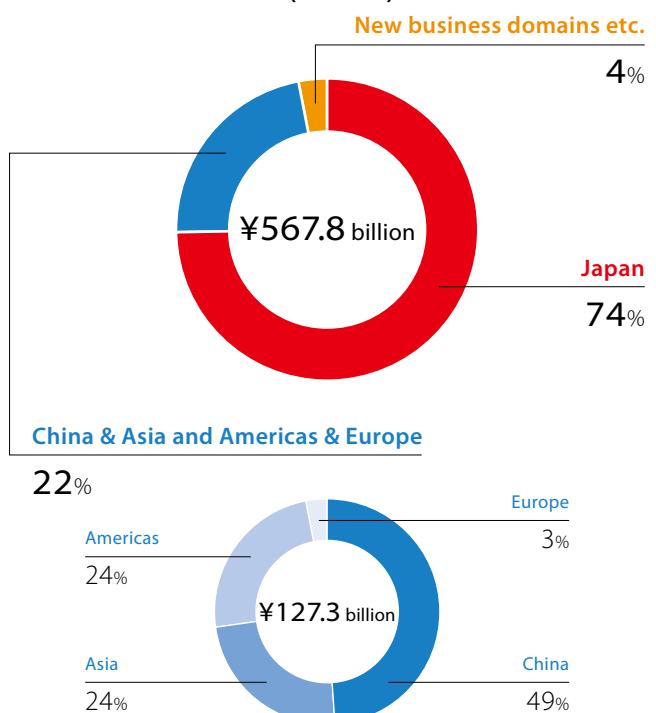
□ ▶▶ p.25

Based on the TOTO V-Plan 2017 formulated in 2009, two years in fiscal 2010 to 2011 was building the foundations and medium-term management plan for fiscal 2012 to 2014 was formulated in 2012.

In fiscal 2013, targets for fiscal 2014 were achieved ahead of time and new medium-term management plan for fiscal 2014 to 2017 was formulated.

Our performance in fiscal 2015, which was the second year of our medium-term management plan, saw a net sales of 567.8 billion yen (4.3% increase from previous year) and an operating income of 46.1 billion yen (23.3% increase from previous year).

Sales Breakdown Ratio (FY2015)

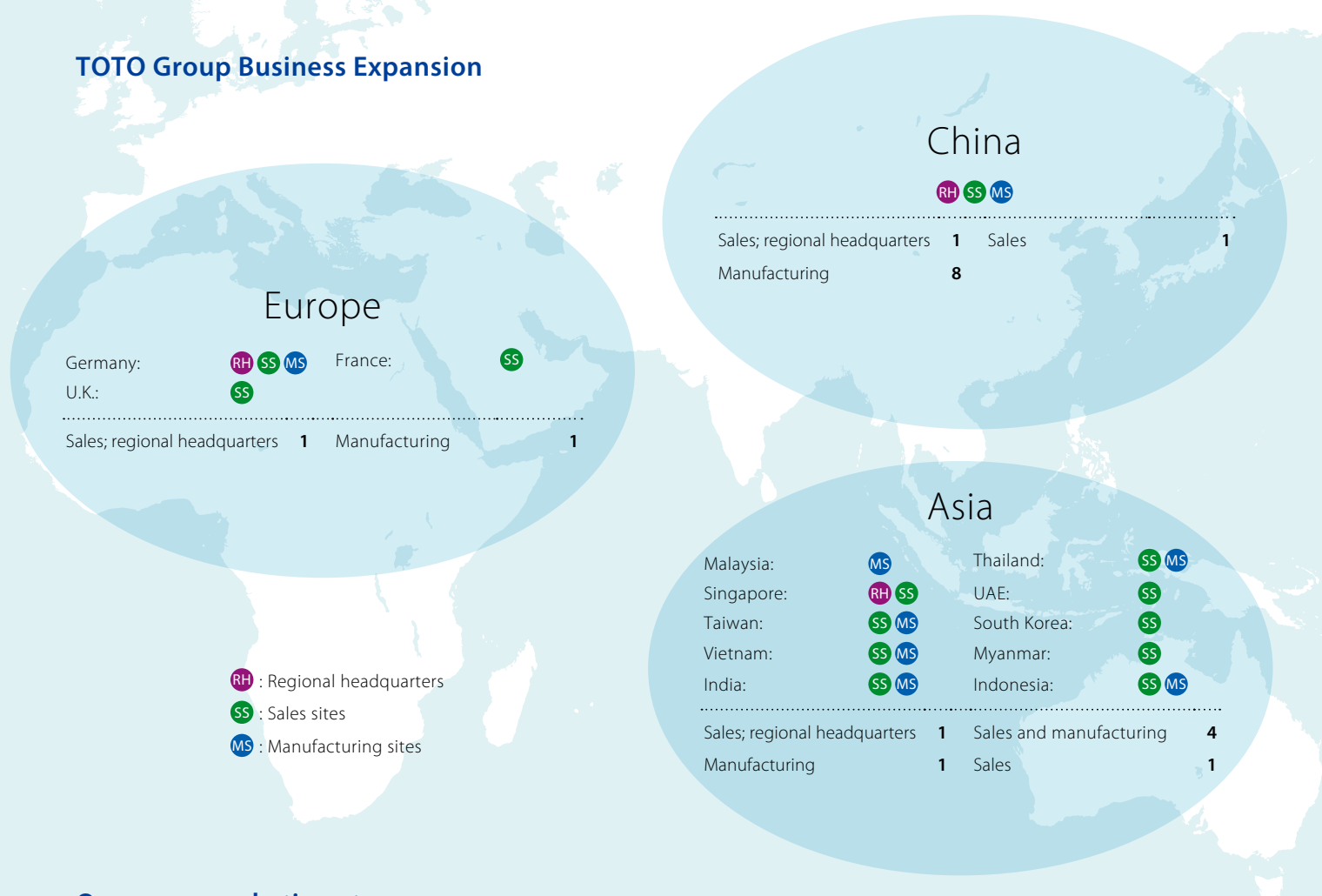


Global Network

The overseas housing equipment business will drive growth for the TOTO Group by promoting the growth of business in the Americas, China, Asia and Europe as well as cultivating new markets.

In addition to building a structure to locally develop, produce and sell the most suitable products for each region and respecting the local culture and lifestyles, we will strengthen our overall business foundation using a three-stage marketing strategy of brand awareness, market penetration and establishment of a luxury brand.

TOTO Group Business Expansion



Overseas marketing stage

1st STAGE Brand awareness

Approach involving prominent facilities

Delivery of products to prominent hotels, airports and other sites, creating opportunities for product brand exposure.



India

Europe

Myanmar

2nd STAGE Market penetration

Strengthening of sales network

Development of dealers network, dealer showrooms.

Vietnam

Executing sales strategies in-line

Japan

RH SS MS

Manufacturing	9	Service, etc.	7
Sales	13	Showroom	101

Americas

U.S.:

RH SS MS

Brazil:

SS

Mexico:

SS MS

Holding company	1	Sales	1
Sales and manufacturing	2		

3rd STAGE Establishment of a luxury brand

Strengthening of points of contact

Product seminars and presentations, etc., via flagship showrooms.



Thailand

China

U.S.

Taiwan

with the stage of each country

TOTO Technological Capabilities

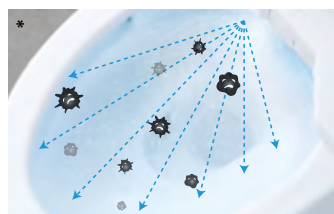
Since our founding, through the development of a diverse array of products and services, TOTO has cultivated numerous manufacturing technologies. We organically integrate these technologies to create value for our customers and bring magnificent products and technologies unique to TOTO into existence.

Water manipulation

Fluid control technology is required for the creation of value in plumbing products such as toilets and showers. The cleansing of toilets is analyzed by using the Tokyo Institute of Technology's "TSUBAME" supercomputer. From the standpoint of "water manipulation" techniques, which are based on fluid dynamics, analyzing water flow by computer simulation has streamlined the process.

Furthermore, the Tornado Flush System, which is one of our technologies to manage water, was realized through research in the flow of cleansing water to fully wash the interior surface of the toilet without fail. Technology able to cleanse with a smaller amount of water through the tornado flow of water which acts like a whirlpool can conserve water resources and contribute to the global environment.

In addition, ewater+ is water that is composed of sterilization components (hypochlorite) produced through the electrolysis of chloride ions found in tap water. Toilets stay clean longer by dispersing this antibacterial electrolyzed water onto the surface of the toilet bowl and cleansing both the inside and outside of the nozzle.

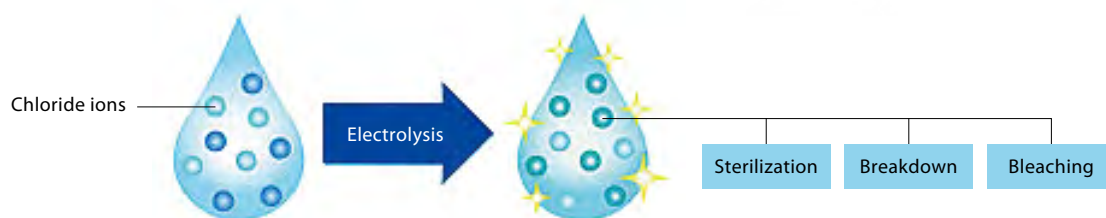


ewater+



Tornado Flush System

*: Illustrative images



ewater+

ewater+ is water with antibacterial properties (hypochlorite) made by electrolyzing the chloride ion in tap water. ewater+ is generated from tap water without any chemical agents, and safe and secure water is then returned to the regular water supply after use. Toilets stay clean longer by dispersing this ewater+ onto the surface of the toilet bowl and cleansing both the inside and outside of the nozzle.

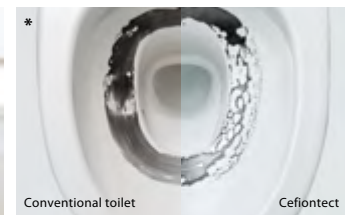
This feature is also adopted for modular kitchens and bathroom vanity units to maintain completely clean plumbing equipment with ewater+.

We Create New Value Through Manufacturing Technology

Material appreciation

Technology to appreciate materials is also contributing to the creation of even more sanitary toilets. We analyze mechanisms from the mechanism of bacteria that causes dirt to the mechanism allowing dirt to adhere to material surfaces. We will find an effective way to control dirt that is usually hard to remove.

Cefiontect is achieving the ideal self-cleaning capabilities by making the ceramic surface smoother to weaken the ability for dirt to adhere to surfaces. This unique TOTO technology has been recognized worldwide with the acquisition of patents in Japan, America, Europe as well as countries in Asia.



Cefiontect

*: Illustrative images

Observing People

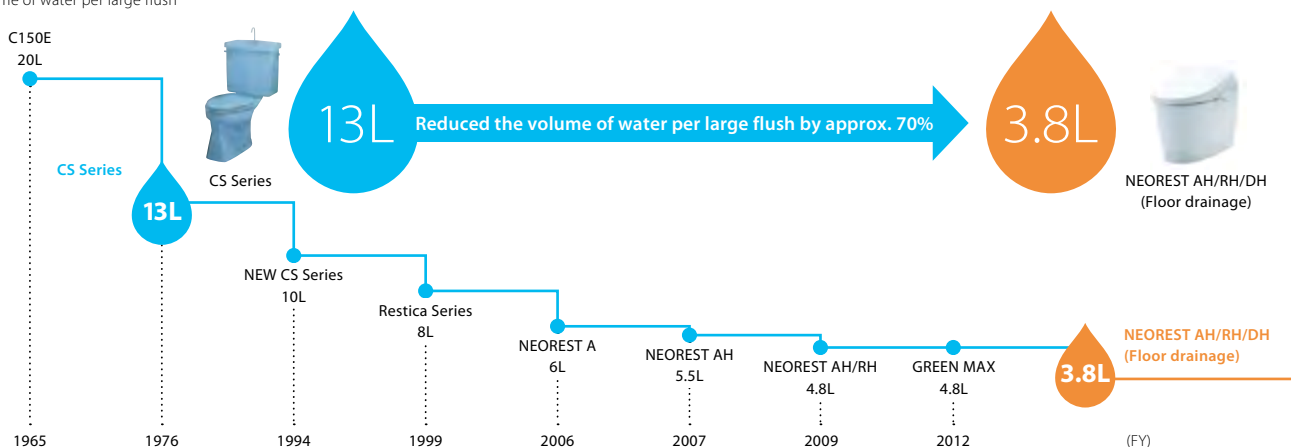
Technology to observe people is utilized in TOTO manufacturing by quantifying the movement and sensations of people via technology such as ergonomics and sensitivity engineering to logically realize comfort. Wonder-Wave Cleansing with a built-in WASHLET® removes dirt and grime through a fine water bead pump system which repeatedly cycles through a strong and weak water discharge while simultaneously realizing water savings that are approximately half of the conventional amount of water used. The sizes of the water beads that are discharged provide a plentiful feeling with larger water beads and strength with smaller water beads. This technology offers both ecological efficiency and usability.



Wonder-Wave Cleansing

The evolving water-saving performance of toilets in Japan

*: Volume of water per large flush



TOTO has been promoting the reduction of amount of water used to flush and transport bacteria, germs, and dirt while comfortably using toilets since the release of water saving toilet CS Series in 1976. Currently, we have released 3.8L flush products, continuing to further advance the water conservation technology.

Expansion of the WASHLETS® Globally

WASHLETS® dramatically changed the toilet culture in Japan after the 1980 sales. Moreover, WASHLETS® are showing steady growth worldwide.

Total number of WASHLETS® Sold Worldwide

(As of July 2015)

Over **40.01** Million Units

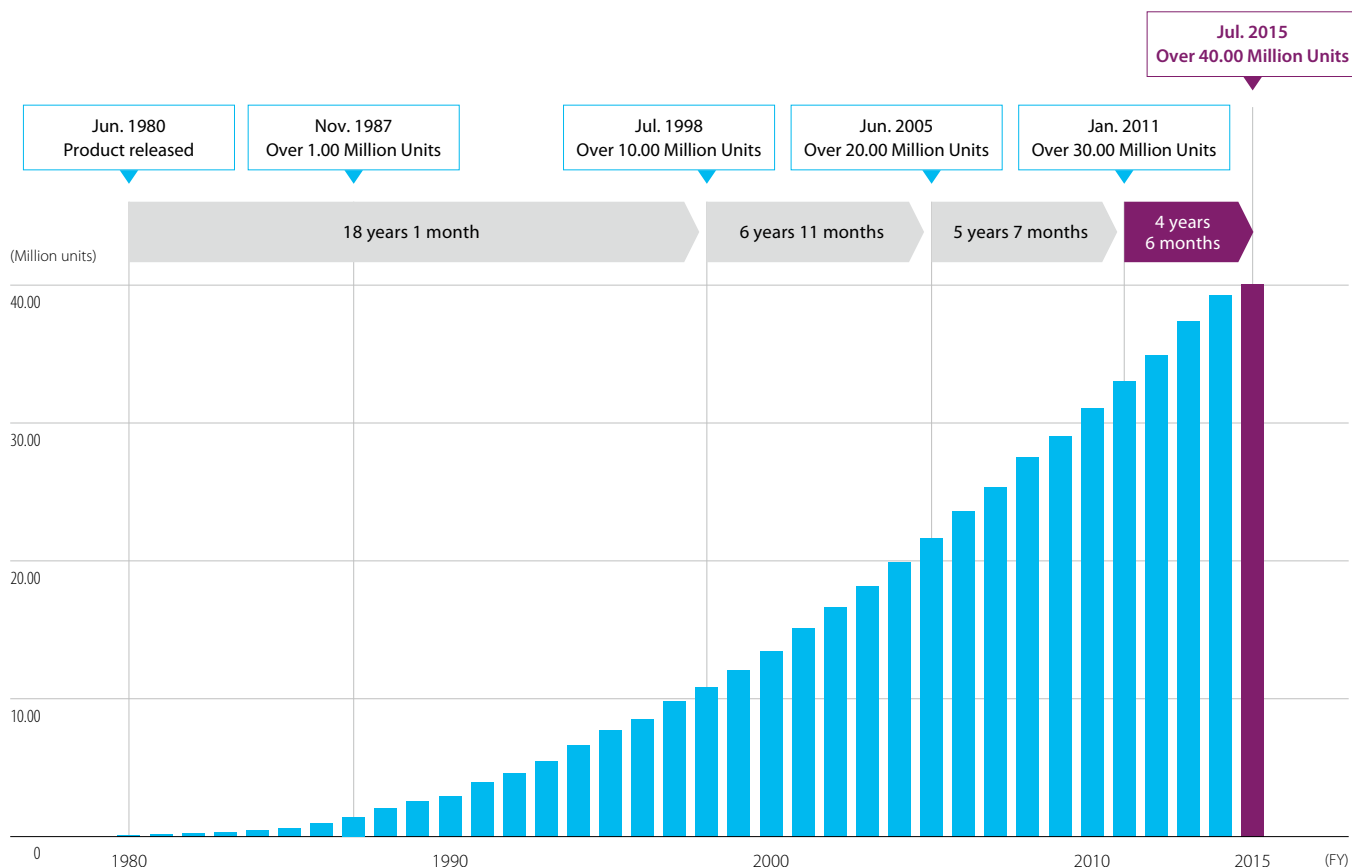


Increase in the Number of WASHLET® Unit Sales Globally

Toilet seats featuring warm water showers have a coverage ratio of 80% in Japan and steady growth continues worldwide.

WASHLETS® are showing steady growth by strongly appealing to local customer purchases overseas with Group-wide activities such as awareness, experience, and sales activities to the increasing number of people visiting Japan from abroad, including the promotion of installations at upscale hotels around the world.

Shift of total WASHLET® unit sales



Furthering Penetration in China

In the booming economic growth of China, more and more people desire an even greater level of comfort.

Following this trend, WASHLET® unit sales are showing explosive growth and takes up 20% of the sales in China in fiscal 2015.



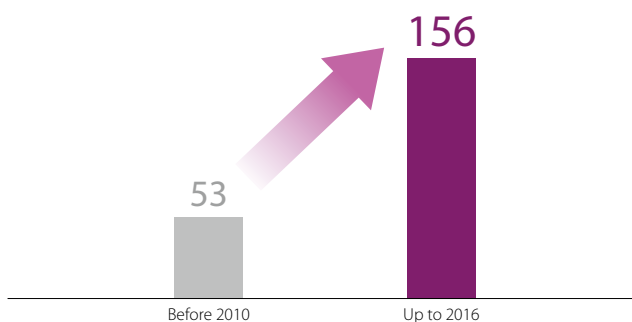
Event in China

Advancing Adoption at Prominent Hotels Around the World

We believe WASHLET® are products that need to be actually experienced to understand their true value.

Thus, being used in hotels is an important first step to increase their coverage. The number of WASHLET® adopted in all the rooms of renowned five star hotels throughout the world is increasing year after year.

- Shift in Total Number of Hotels that Adopted WASHLET® in All Rooms (Including Japan)



WASHLET® - A Necessity for Japanese

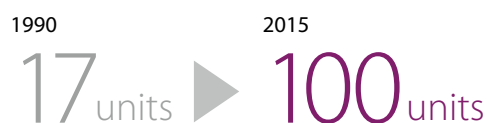
The coverage ratio of toilet seats featuring warm water showers was 81.2% as of March 2016. This estimates an almost full coverage in ordinary households that have cleansing toilets. Presently, WASHLET® have become a sanitary device synonymous as a necessity in the lifestyles of people in Japan.

Toilet seats featuring warm water showers

- Coverage rate of ordinary households



- Ownership per 100 households



Providing a Comfortable Space Even in the Clouds

In aircrafts such as the Boeing 787, WASHLET® for aircrafts are installed to provide people from various countries a comfortable toilet space even in the air.



Toilet Seats Featuring Warm Water Shower WASHLET® for Aircrafts (Photo by: JAL)

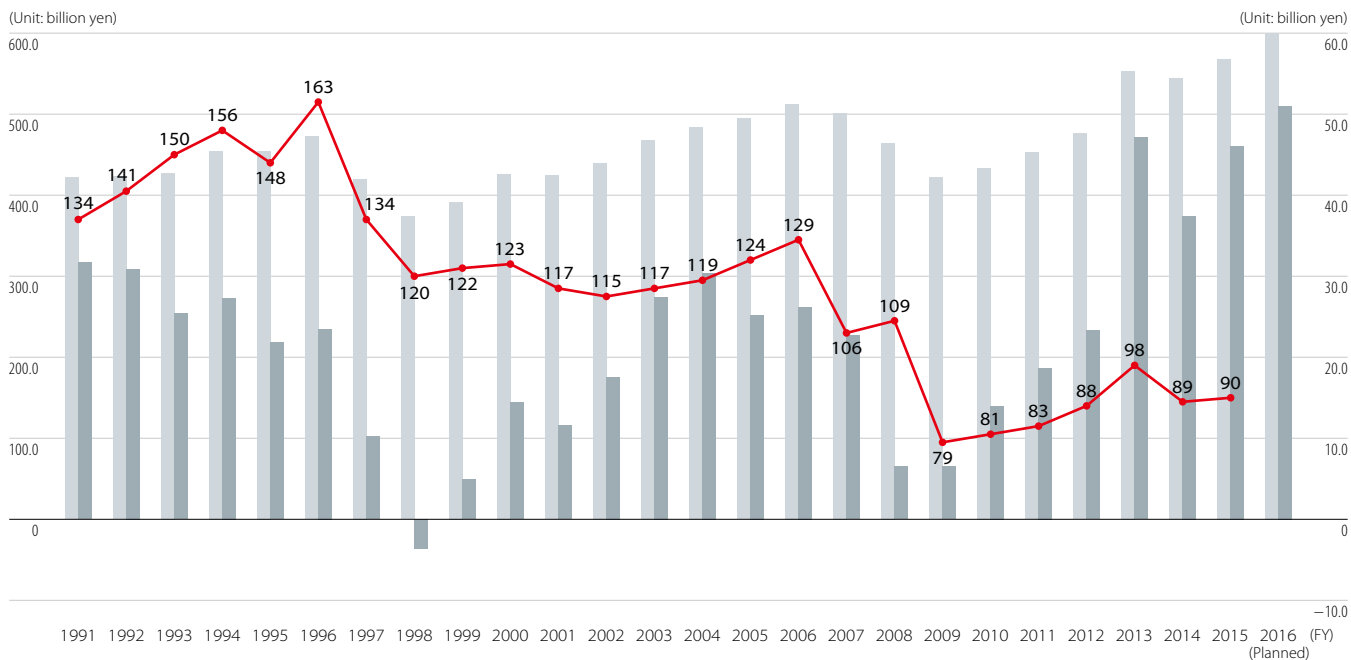
Global Housing Equipment Business Japan

TOTO has been aiming to transform its management model that does not rely on new housing needs since the burst of the bubble economy in 1993, promoting the business over 20 years since the announcing of the “Remodeling Declaration” within and outside the organization.

Currently, remodeling business takes up about 70% of the sales in domestic business and management model that does not rely on new housing needs has been established.

Domestic Housing Starts versus TOTO's Business Performance

■ Consolidated net sales (left axis) ■ Consolidated operating income (right axis) ◆ New housing starts (10,000 houses)



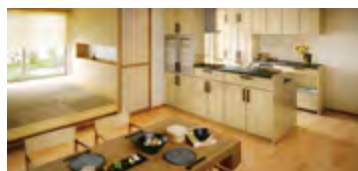
Environmental changes surrounding remodeling

Increase in suitable remodeling age



With the aging of housings, we will propose living space that can be livable for long period with comfort and future security to generations that will face changes in their lifestyle.

Increase in circulation of used housing



A stock-based housing market where housing is used in circulation is proposed as desired housing market by the Ministry of Land, Infrastructure, Transport and Tourism, increasing the trend of using housing market.

We will strengthen initiatives for remodeling needs based on the circulation of used housing.

Public model for public facilities



Number of foreign nationals coming to Japan is on the rise every year. Consideration to elderly is also important in Japan as it has become an aging society. We will strengthen proposal for public toilets that are easy to use for everyone.

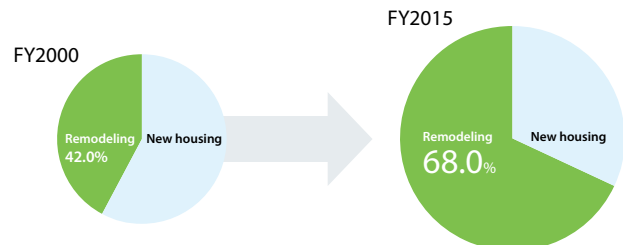
TOTO Remodeling Strategies

As remodeling has different on-site conditions and customer needs for each housing unlike new housings, it requires multiple abilities such as construction techniques, planning, communicating with customers. TOTO has the necessary abilities required in remodeling and also has been cooperating with contractors to build the remodeling market in Japan for over 20 years.

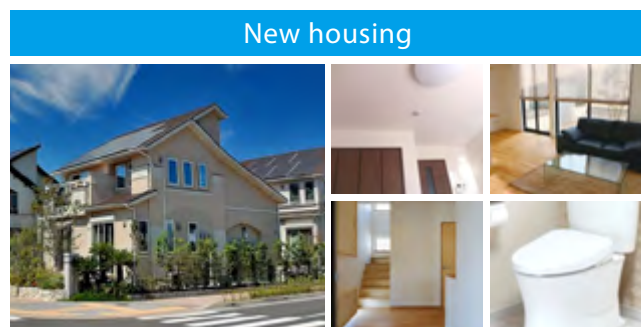
We have built a network with our contractors ahead of others to establish "Remodel Club" system to provide

"Showroom" as a place to propose remodeling throughout Japan.

Ratio of sales in new housing and remodeling in Japan housing equipment business



Difference in remodeling and new housing: Housing



Many limits in budget and time. Difficult to concentrate on plumbing facilities.



Can focus on specific space. Budget and time can be allocated.

TDY Alliance

In 2002, TOTO began the TDY alliance with DAIKEN and YKK AP, leading manufacturer of materials required, to accelerate the growth of remodeling business. We each contribute with our own high-quality products and sales network and open TDY Collaboration Showrooms cooperated by the three companies, organize Green Remodel Fairs that customers can enjoy, etc., making steady growth.

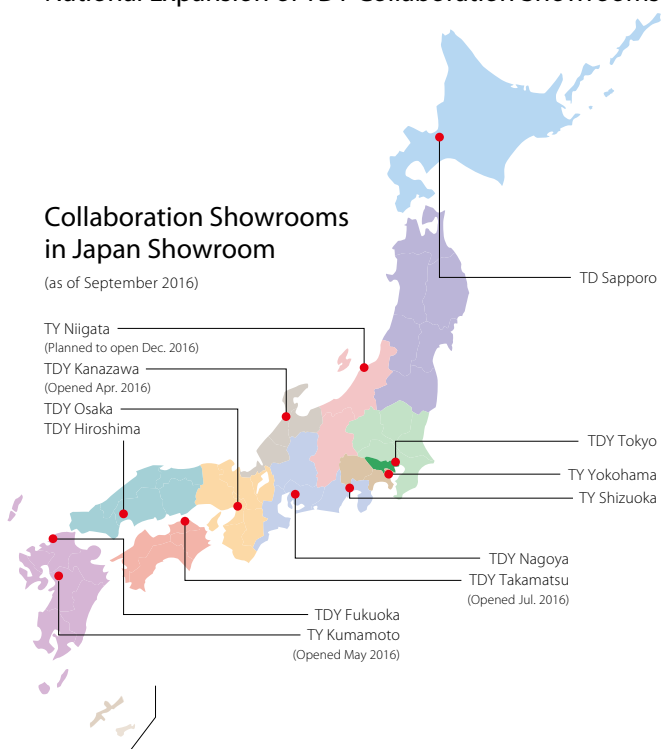


TDY Collaboration Showroom

National Expansion of TDY Collaboration Showrooms

Collaboration Showrooms in Japan Showroom

(as of September 2016)



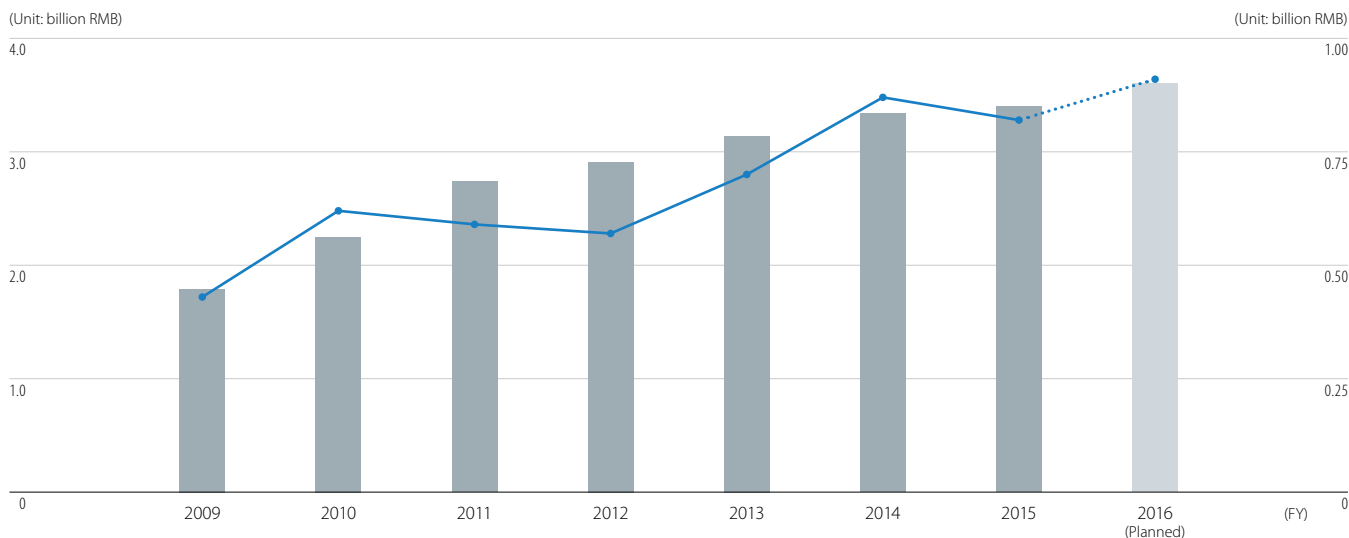
*There are 89 other unique TOTO Showrooms throughout Japan.

Since the first delivery in 1979, business has been conducted in the high-end market.

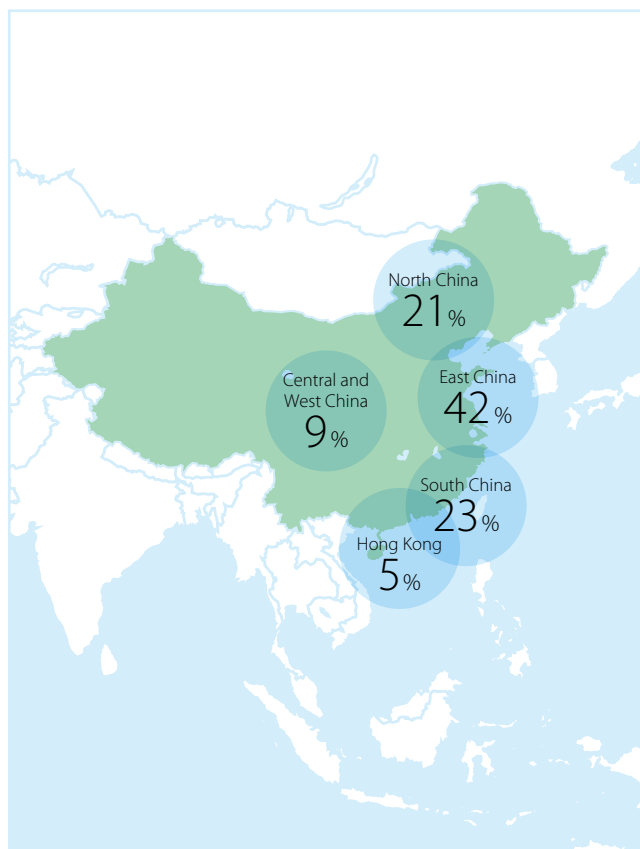
Sales activities are currently promoted utilizing its strength as a luxury brand in leading cities and other urban areas. We are also building systems for efficient manufacturing and optimal supply to respond to the increase in demand from long-term market growth within China.

Business Performance

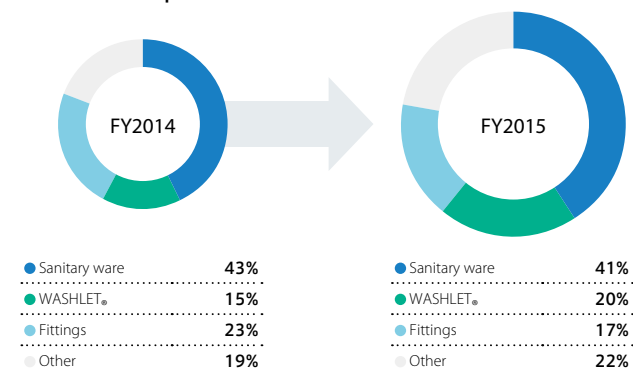
■ Net sales (left axis) — Operating income (right axis)



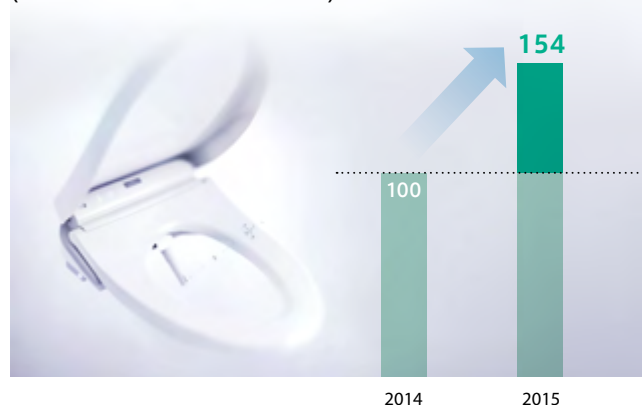
Distribution of Net Sales by Area in FY2015



Product Composition



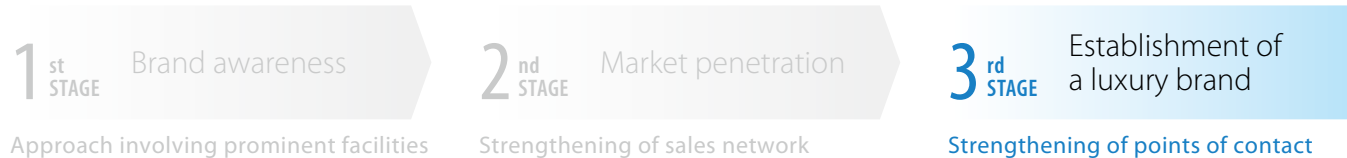
Increase in the Number of China WASHLET® Sales (Index of 100 units for 2014)



History of Business Expansion

1979	Delivered first products	Supplied products to the Diaoyutai State Guesthouse in Beijing
1994	Constructed first plant	Established manufacturing company, BEIJING TOTO. Since then, TOTO has established manufacturing companies in various districts
1995	Established area supervising company	Established TOTO (CHINA). Since then, TOTO has expanded showrooms and sales network
2014	Began operations at eighth plant	Began operations at manufacturing company, TOTO (FUJIAN)

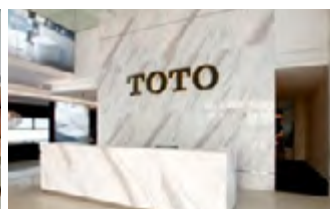
Current Position of Marketing Strategy



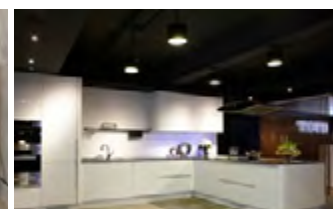
Shanghai Technical Center



Guangzhou Technical Center

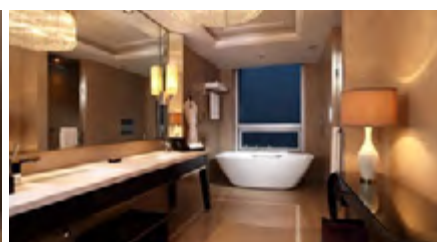


Beijing Showroom



Hong Kong Showroom

Project Reference



Kempinski Hotel, Yixing



BANYAN TREE HUANGSHAN

TOTO Quality Recognized in China

The Beijing Consumers' Association conducted a comparative study of toilet seats featuring warm water showers for 20 products from 19 companies. The results were announced in a ranking format which surveyed items such as safety, cleanliness, power consumption, self-cleaning, and antibacterial rate.

In this study, TOTO toilet seats featuring warm water showers were ranked first overall.



In the Asia and Oceania region, we are enhancing our production systems in Vietnam and Thailand as the supply base of the world and strengthening our sales capabilities in the markets of developing countries.

TOTO is clearly furthering awareness as a luxury brand in Taiwan and Vietnam, and advancing business activities that utilize this strength.

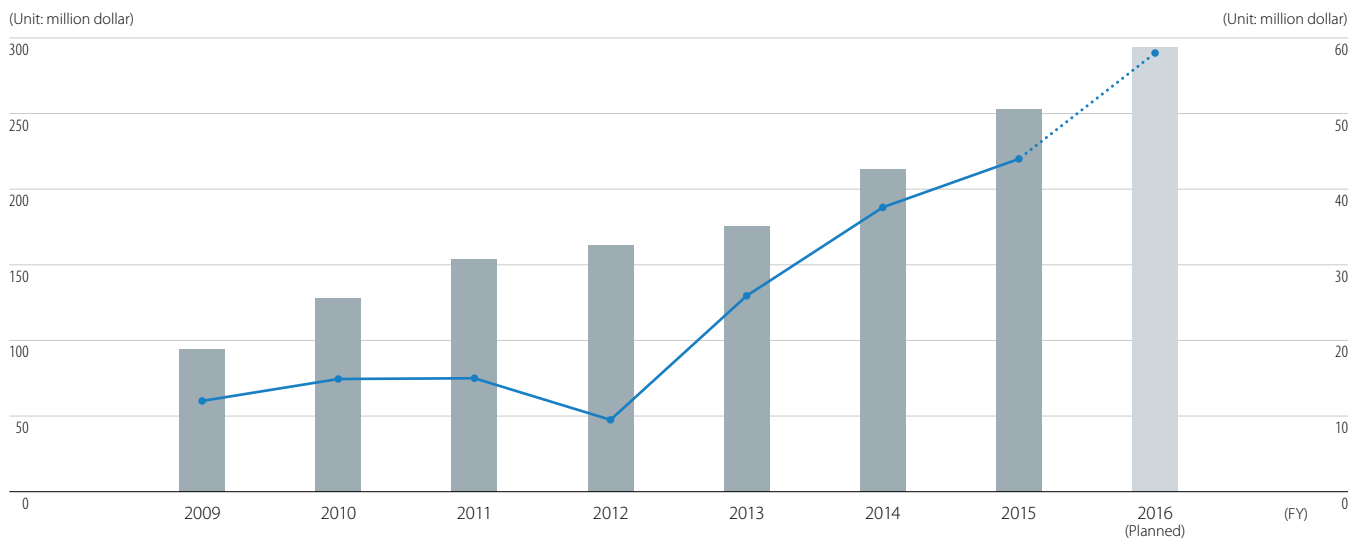
In Taiwan, shipments of WASHLETs® are growing with the active expansion of promotions.

In Vietnam, we are working to strengthen sales networks and streamline after-sales services to enhance orders from renowned five star hotels and condominiums as well as various other individual sites tailored to the growth of the market.

In Thailand, we are building a sales network around the proposal of high added-value products with new sales and production systems. We are penetrating the TOTO brand as a luxury brand by strengthening activities for the adoption of our products at prominent facilities.

Business Performance

■ Net sales (left axis) — Operating income (right axis)



FY2015 Net Sales Breakdown by Area



Detailed Taiwan Results

	FY2014	(Unit: million Taiwan dollars) FY2015	Year-on-year
Net sales	3,655	4,139	+13%
Operating income	928	1,077	+149
Operating margin	25%	26%	+1pt

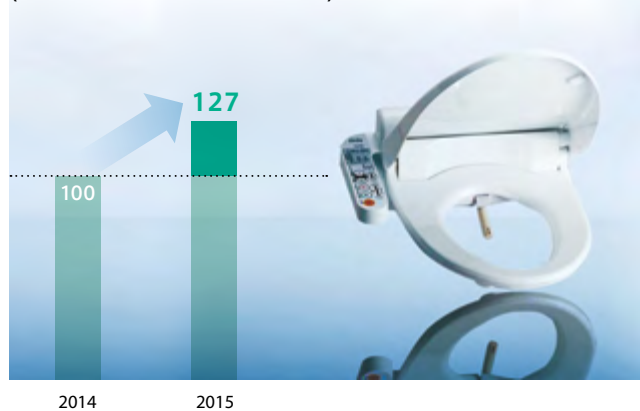
*Base does not include consolidated adjustment or allocation of common expenses

Detailed Vietnam Results

	FY2014	(Unit: million U.S. dollar) FY2015	Year-on-year
Net sales	97	107	+10%
Operating income	18	23	+5
Operating margin	18%	21%	+3pt

*Base does not include consolidated adjustment or allocation of common expenses

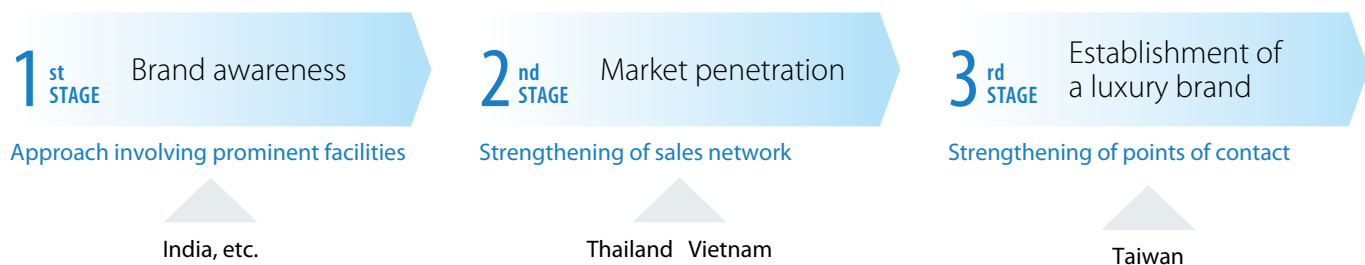
Increase in the Number of Taiwan WASHLET® Sales (Index of 100 units for 2014)



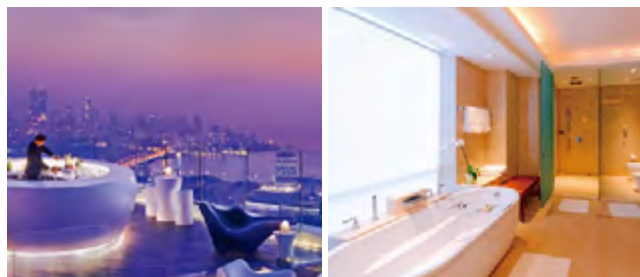
History of Business Expansion

1977	Established TOTO's first manufacturing site overseas	Established TOTO's first overseas manufacturing company (joint venture company) in Indonesia
1987		Established TAIWAN TOTO
1995		Established TOTO MALAYSIA
2001		Established TOTO KOREA
2002		Established TOTO VIETNAM
2007	Strengthened brand through expansion of showrooms	
2008	Established area supervising company to oversee strategic planning and business promotion	Established TOTO ASIA OCEANIA
2009		Established TOTO MANUFACTURING (THAILAND)
2011		Established TOTO INDIA
2014		India plant operations began

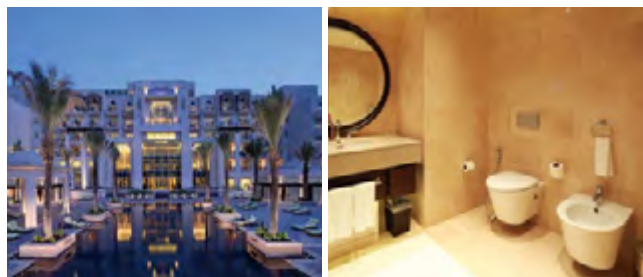
Current Position of Marketing Strategy



Project Reference



Four Seasons Hotel, Mumbai

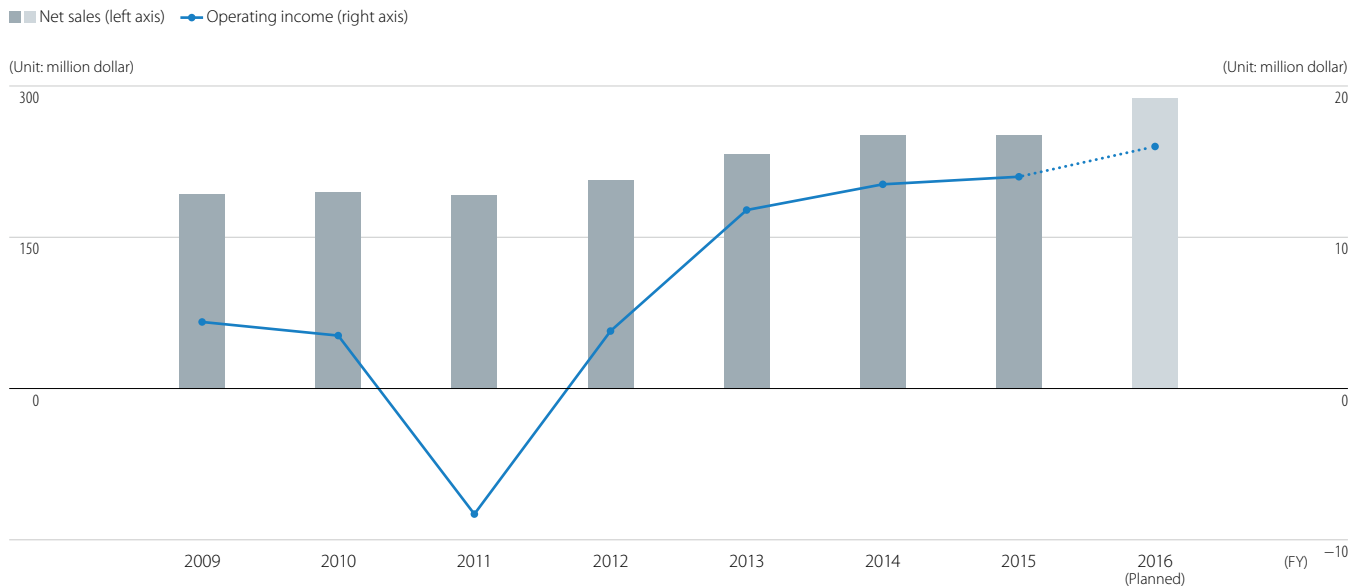


Eastern Mangroves Hotel & Spa by Anantara, Abu Dhabi

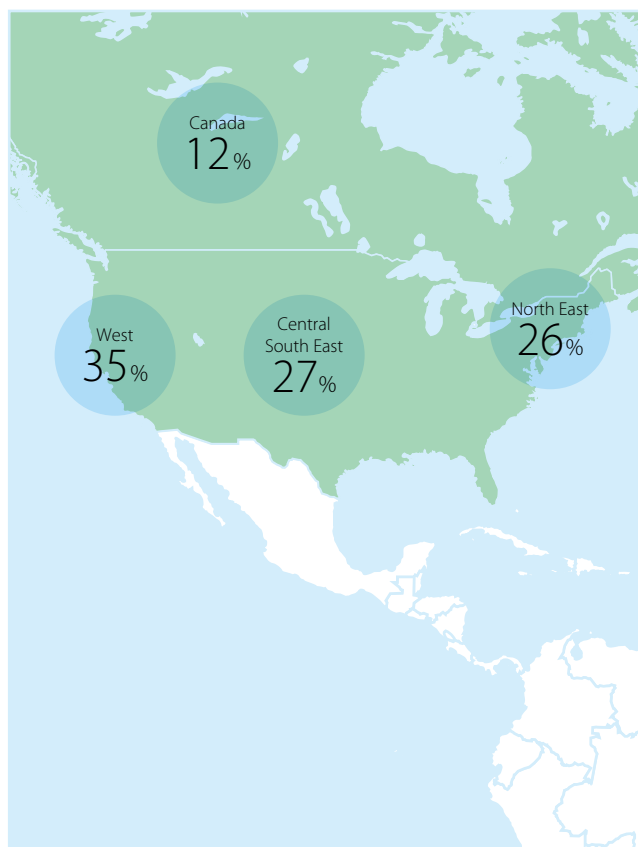
Global Housing Equipment Business Americas

We are differentiating ourselves from our competition with great product appeal, which includes water-saving toilets with high water conservation performance (3.8L or below) and WASHLET®. This should generate higher presence of the brand in plumbing spaces and promote our business.

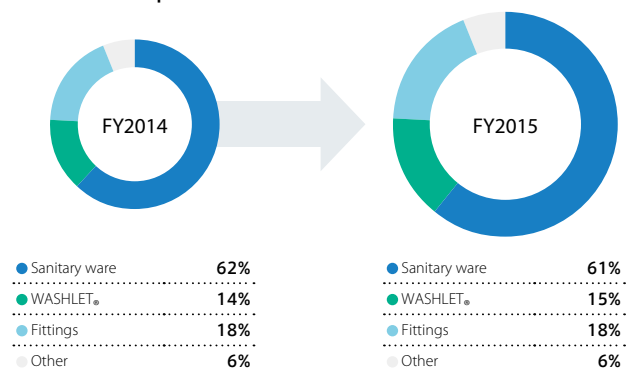
Business Performance



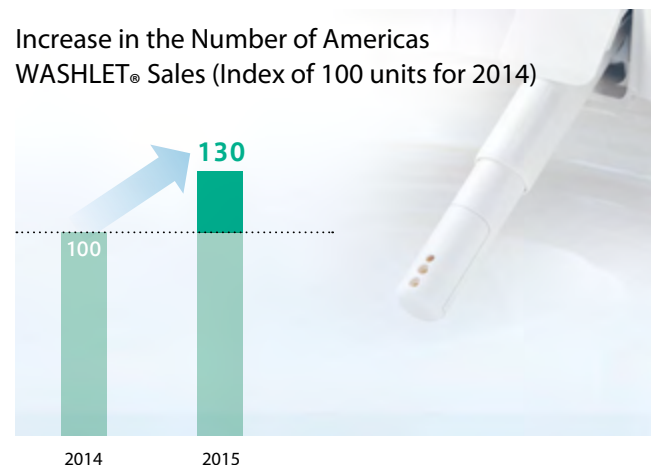
FY2015 Sales Breakdown Ratio by Area



Product Composition



Increase in the Number of Americas WASHLET® Sales (Index of 100 units for 2014)



History of Business Expansion

1989	Established sales site, and began business activities on the West Coast	Established sales site, TOTO KIKI U.S.A.
1991	Constructed plant in the United States	Established manufacturing company, TOTO Industries
1992	Increased attention focused on water conservation due to enactment of the Energy Policy Act	
1996	Established area supervising company	Established TOTO U.S.A., Inc. (current TOTO U.S.A. Holdings, Inc.)
2006	Strengthened the system of local consumption of locally produced goods	Established manufacturing company, TOTO MEXICO
2011	Began business activities in the fast-growing market of Central and South America	Established sales company, TOTO Do Brasil Distribuição e Comércio

Current Position of Marketing Strategy

1st
STAGE

Brand awareness

Approach involving prominent facilities



Los Angeles Gallery

2nd
STAGE

Market penetration

Strengthening of sales network

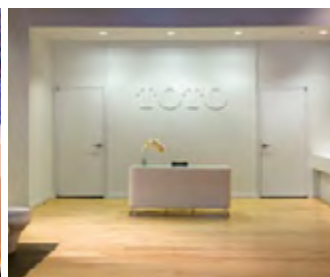


Chicago Gallery

3rd
STAGE

Establishment of
a luxury brand

Strengthening of points of contact



Boston Gallery

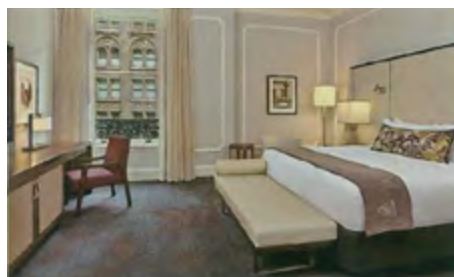


New York Gallery

Project Reference



PORSCHE DESIGN TOWER



Palace Hotel, a Luxury Collection Hotel, San Francisco

Global Housing Equipment Business Europe

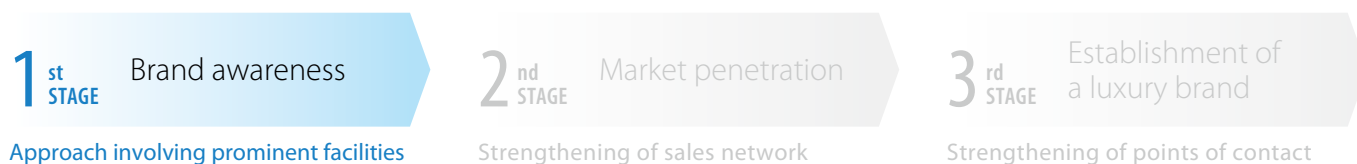
In Europe, we are expanding our businesses with focus on Germany, France, and England.

Products with high performance and excellent design such as NEOREST have been delivered to prominent facilities, including five star hotels, which are garnering great appeal toward the presence of the TOTO Group.

History of Business Expansion

2008	Entered the European market, the world's largest market for plumbing equipment	Established an area supervising company in Germany, TOTO EUROPE Established a manufacturing company, TOTO GERMANY
2009	Enhanced brand awareness by exhibiting for the first time at a global trade fair	Exhibited for the first time at the International Sanitary and Heating (ISH) trade fair
2010	Opened showroom to develop brand	Opened sales office and showroom in London Opened sales office in Paris

Current Position of Marketing Strategy



Project Reference



Hyatt Regency London - The Churchill

New Business Domains

New Business Domains

We are pushing ahead with growth for the next generation, leveraging TOTO's "Only One" technologies which have been cultivated in the manufacture of sanitary ware. In our Advanced Ceramics Business, we will further enhance our worth as a supplier of key components to customers who have expectations for greater product quality and performance. In the Green Building Materials Business, we will expand TOTO's HYDROTECT environmental cleaning technology into building materials and paints, and increase our contribution to the environment while furthering the dissemination of HYDROTECT in Japan and overseas.

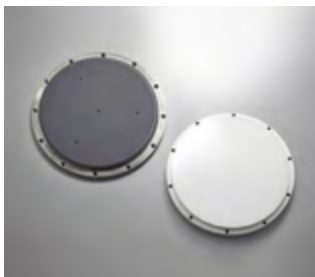
Advanced Ceramics Business

Areas of development

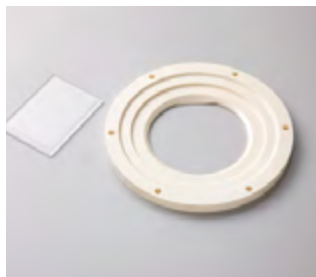
- Electrostatic chucks (structural elements used in equipment for manufacturing plasma displays and semiconductors)
- Receptacles supporting the optical communication infrastructure

Markets / strengths

- Accommodates the shift to higher definition images and increases in data telecommunications resulting from the popularization of smartphones and tablet PCs



Electrostatic chucks



Ytttria coated semiconductor manufacturing device part using the electrostatic chuck AD technique

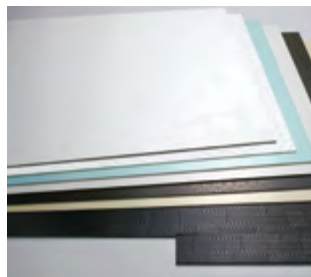
Green Building Materials Business

Areas of development

- Exterior building materials, large ceramic slabs, licensing business

Markets / strengths

- Technology that uses photocatalysts harnessing the power of light and water to create a clean environment for the Earth and for our lives
- Coating buildings or building materials with a layer of HYDROTECT shows organics decomposability and super hydrophilic properties, which are beneficial for the global environment, such as air purification



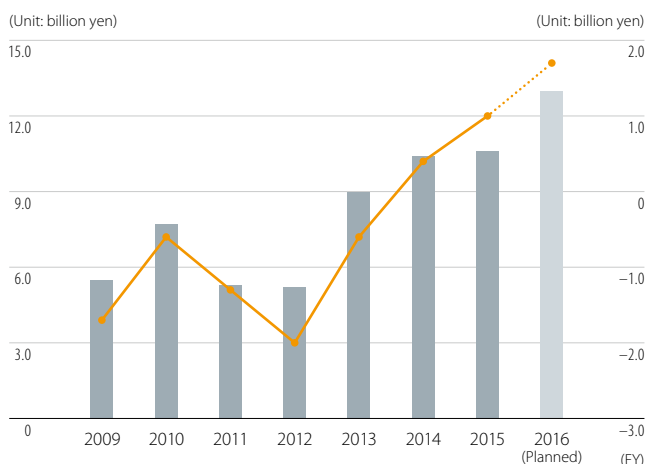
HydroCera



Business Performance

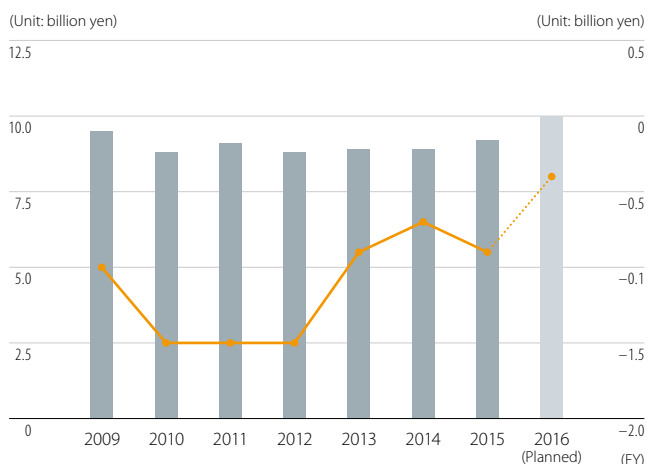
Advanced Ceramics Business

■ Net sales (left axis) — Operating income (right axis)



Green Building Materials Business

■ Net sales (left axis) — Operating income (right axis)



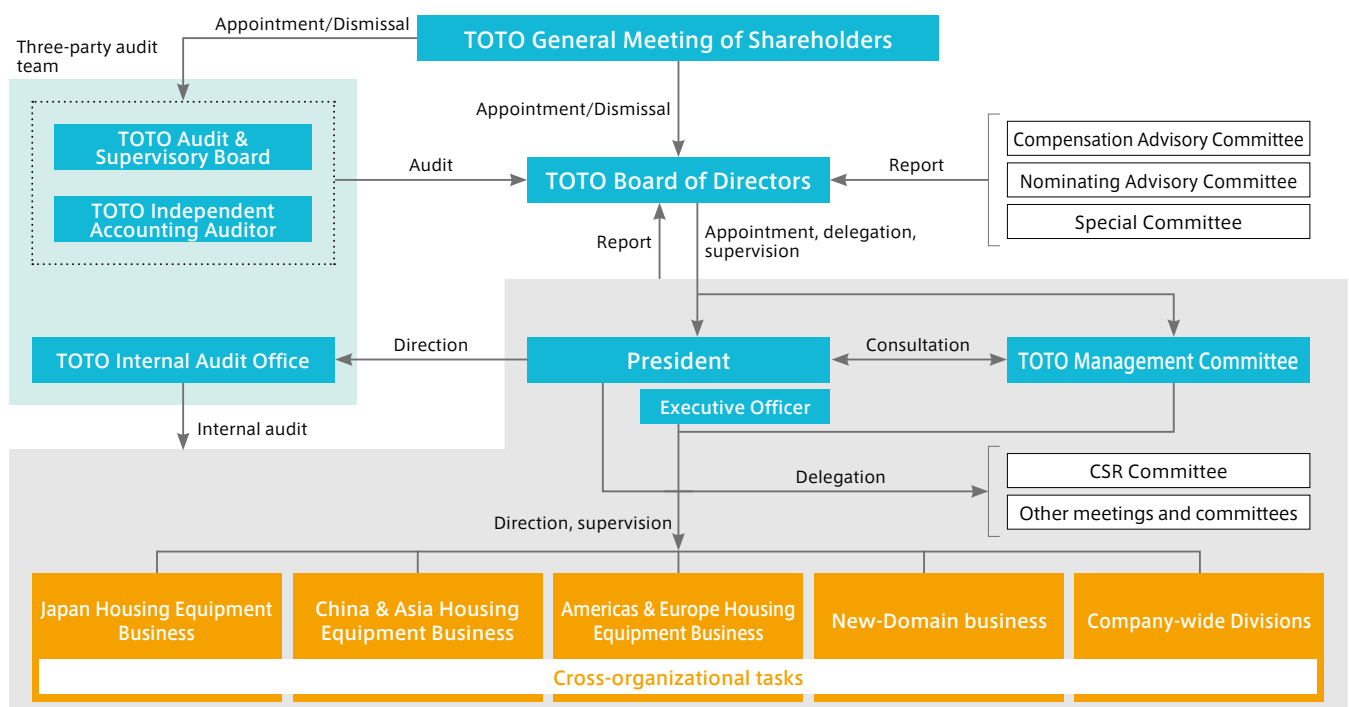
Corporate Governance

Basic Stance on Corporate Governance

The TOTO Group strives to be a great company, trusted by people all around the world, contributing to the betterment of society. In addition to being a corporate entity engaged in the pursuit of profit through fair competition, the Group conducts its business in such a way as to continue to benefit society broadly. In order to realize this target, we believe it is important to build a system for pursuing and supervising fair and equitable management, and clearly define a philosophy that serves as the basis of such a system.

- 1 The TOTO Group has developed a philosophy system for TOTO Group management. This includes a common Group philosophy, representing the inherited values of TOTO that will be carried forward into the future. This represents the “heart” of our philosophy. Also, our philosophy system includes visions for business activities representing the direction of our action to be reviewed in accordance with the demands of the times. This is positioned as the “body in action.” All of our business activities are based on this philosophy system.
- 2 To ensure operational decisions and business execution in compliance with relevant laws and regulations and TOTO’s Articles of Incorporation, TOTO has a Board of Directors and an Audit & Supervisory Board, and retains independent accounting auditors. The Board of Directors, emphasizing fairness, objectivity, and transparency, has appointed three Outside Directors who are independent of the TOTO Group. The Outside Directors give various advices and make proposals on our overall management. The Audit & Supervisory Board audits the business execution of directors and consists of four members, including two outside members. We have built a system to ensure their effective audits through their attendance of major meetings, including meetings of the Board of Directors, and the exchange of opinions with Directors on a regular basis.
- 3 To complement audits by Audit & Supervisory Board Members and independent accounting auditors and to build a stronger internal control system, we have established the Internal Audit Office in-house, which is independent of operational divisions. With the establishment of the Internal Audit Office, we have strengthened our internal audits under the direction of the President. Audit & Supervisory Board Members, independent accounting auditors and members of the Internal Audit Office carry out audits as a three-party audit team. In addition, we strive to enhance the quality and effectiveness of audits through close collaboration among the three parties, which involves reviewing audit results by Audit & Supervisory Board Members and exchanging information at meetings, among other activities.

Corporate Governance and Business Operations



• Directors and the Board of Directors

The Board of Directors, which consists of all Directors, makes decisions from the most appropriate company-wide, group-wide and stakeholder perspectives and conducts mutual supervision of the duties of Directors. Directors other than the Chairman of the Board or Outside Directors concurrently hold positions as Executive Officers in order to perform their own business duties as well (Directors and Executive Officers). TOTO invites Outside Directors, well versed in the management of leading companies respected for their management practices to which the TOTO Group aspires, to receive advice and suggestions on general management issues based on their in-depth knowledge as experienced managers. The term of office of Directors is one year, which is designed to clearly define their responsibilities.

• Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board, which consists of all Audit & Supervisory Board Members, oversees the Directors' execution of duties from the perspectives of legality and appropriateness. The Audit & Supervisory Board Members attend Meetings of the Board of Directors and other major meetings to state their opinions as required and visit each business site to conduct operating audits in line with the relevant auditing policies. In addition, the Audit & Supervisory Board Members regularly exchange opinions with Directors and streamline the system to ensure the effectiveness of audits. TOTO calls upon Outside Members of the Audit & Supervisory Board specializing in such matters as corporate finance and legal issues, or having deep insight and extensive experience in corporate management, to evaluate decisions made by the Board of Directors and monitor Directors' execution of their duties from an objective and fair perspective.

• Compensation Advisory Committee

The Compensation Advisory Committee has been set up to confirm that the process to determine base compensation, annual bonuses, and the stock compensation-type stock options for Directors, and their allocation balance are in line with the Articles of Incorporation, the resolutions of the General Meeting of Shareholders, and the Basic Policy for Directors' Compensation, in order to contribute to the ensuring of the appropriateness and objectivity of Directors' compensation through its activities. The majority of Committee members shall be outside members and the chairperson and members have been appointed by the Board of Directors. The Committee members consist of six outside members including five Independent Directors/Audit & Supervisory Board Members and one Director without the right of representation as an inside member, and the chairperson shall be elected from among the outside members.

• Nominating Advisory Committee

The Nominating Advisory Committee has been established to help ensure the objectivity and transparency of TOTO's management through activities such as deliberation and confirmation of the appointment of TOTO's Board of Directors and Audit & Supervisory Board Members. The Committee shall make reports to the Board of Directors on proposals to the General Meeting of Shareholders related to the appointment and dismissal of Directors and Audit & Supervisory Board Members, including Outside Directors and Outside Members of the Audit & Supervisory Board. Half or more of Committee members shall be outside members, and the chairperson and members have been appointed by the Board of Directors. The Committee members consist of five Independent Directors/Audit & Supervisory Board Members as outside members and Representative Directors as inside members, and the chairperson shall be the President and Representative Director of TOTO.

• Special Committee

The Special Committee has been established with the introduction of the Policy for Dealing with Large-Scale Acquisitions of TOTO Ltd. Shares (Takeover Defense Measures; the "Plan"). The purpose of the Special Committee is to make recommendations for the implementation or non-implementation of counter-measures 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 Outside Directors of TOTO and the Outside Members of the Audit & Supervisory Board of TOTO.

• Internal Audit

The Internal Audit Office, which is independent of the operational divisions, examines under the direction of the President whether TOTO and the Group companies are performing their operations appropriately and efficiently in compliance with laws and regulations, the Articles of Incorporation, the corporate philosophy and internal regulations.

• Executive Officer

To implement decisions made by the Board of Directors effectively and efficiently, TOTO has introduced an Executive Officer system.

• Management Committee

TOTO makes important decisions regarding its operations through deliberations at meetings of the Management Committee, which comprises Directors who are also Executive Officers. The meetings of the Committee are, in principle, held twice a month.

Status of Principles to Be Disclosed as Required in the Corporate Governance Code

TOTO has implemented all the principles in the Corporate Governance Code which require an explanation of reasons for not implementing, and TOTO will seek further improvement with regard to this issue.

Principle 1.4

Policy with Regard to Strategic Stockholdings and Criteria for Exercising Voting Rights with Regard to Strategic Stockholdings

Disclosure (Overview)

Comprehensively taking into account the maintenance and strengthening of business alliances and various business transactions, as well as relationships involving business activities, TOTO strategically holds listed stocks in which the strengthening of relationships would contribute to an increase in corporate value.

TOTO annually verifies the necessity and rationality of these stockholdings at Meetings of the Board of Directors to judge whether or not to continue holding

such stocks.

TOTO exercises voting rights with regard to strategic stockholdings after carefully examining the details of the proposals and judging whether to contribute to an increase in the corporate value of investees for the medium to long terms on the assumption of contributing to the interests of TOTO.

Additionally, TOTO converses with the investees on details of the proposals, if necessary.

Principle 1.7

Framework for Confirmation of Transactions with Related Parties

Disclosure (Overview)

TOTO has established rules where competitive transactions and transactions involving a conflict-of-interest with Directors or companies that Directors substantially control shall be subject to an approval of the Board of Directors.

TOTO also investigates and specifies related parties that carry the possibility of having an impact on TOTO's

financial position and operating results based on the "Accounting Standard for Related Party Disclosures" and the "Guidance on Accounting Standard for Related Party Disclosures," confirms the existence of transactions with said related parties and the importance of said transactions, and, if there are transactions to be disclosed, carries out such disclosure accordingly.

Principle 3.1

Information Disclosure

- (i) Company Objectives (Such as Corporate Philosophy), Corporate Strategies and Management Plans
- (ii) Basic Views and Basic Policy on Corporate Governance
- (iii) Policies and Procedures in Determining the Compensation of Senior Management and Directors by the Board of Directors
- (iv) Policies and Procedures for Appointing Senior Management and Nominating Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors
- (v) Explanations for Each Individual Appointment and Nomination with Respect to the Appointments of Senior Management and the Nominations of Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors

Disclosure (Overview)

(1) Company Objectives (Such as Corporate Philosophy), Corporate Strategies and Management Plans

Our Corporate Philosophy as well as Medium- or Long-term Management Plan are published on our website, account settlement materials, and corporate reports.

● Overview of Common Group Philosophy

The Common Group Philosophy is released as a one-to two-page booklet.

● Overview of Medium- or Long-term Management Plans

The TOTO Group formulated the TOTO V-Plan 2017 as a long-term management plan in July 2009.

This strategic framework strengthens our corporate governance and promotes our global housing

equipment businesses, which are composed three regional businesses in Japan, China and Asia, as well as the Americas and Europe. This framework also promotes new business domains with the two axes of ceramics and green building materials in addition to the three cross-organizational innovation activities of marketing innovation, demand chain innovation, and management resource innovation. The TOTO Global Environmental Vision will be the driving force behind these business activities and promoted in the entire Group. The management plan goals for fiscal 2017 target consolidated net sales of 650 billion yen, a consolidated operating income of 61 billion yen, ROA of 10% or more (on a basis of operating income), and ROE of 10% or more (on a basis of net income).

(Philosophy System)

<http://www.TOTO.co.jp/en/company/profile/philosophy/index.htm>

(Mid- or Long-Term Management Plan)

<http://www.TOTO.co.jp/en/company/ir/vision/index.htm>

(2) Basic Views and Basic Policy on Corporate Governance

Our fundamental corporate governance policies are included in page 25 of this booklet.

Compensation for Directors and Audit & Supervisory Board Members

Compensation for Directors

Compensation for Directors of TOTO comprises fixed compensation in the form of base compensation, and performance-linked compensation, which varies with the business performance and stock price of the company. Performance-linked compensation comprises bonuses (short-term performance-linked compensation), which are tied to business performance and limited to 0.8% of consolidated operating income, and stock compensation type stock options (medium- to long-term performance-linked compensation), which are aimed at having Directors share the common interests of our shareholders and incentivizing contributions towards increasing the corporate value and stock price of the company, and is designed to motivate Directors to not only consider the current business year, but also take a medium to long term perspective in their management of the company. In addition, the Compensation Advisory Committee was set up to help ensure that the compensation for Directors is reasonable and objective. The Board of Directors decides the compensation after confirming through the Compensation Advisory Committee that the compensation system and allocation balance are in line with the Articles of Incorporation, the resolutions of the General Meeting of Shareholders, and the Basic Policy for Directors' Compensation. Note that Outside Directors, who are independent from the business operations, are entitled to only fixed compensation.

Schematic of Compensation for Directors (Excluding Outside Directors)

Fixed compensation	Performance-linked compensation	
	Linked to short-term performance	Linked to medium- to long-term performance
Base compensation	Bonus	Stock-compensation type stock options

The base compensation for individual Audit & Supervisory Board Members

The base compensation for individual Audit & Supervisory Board Members is determined depending on his/her duties and responsibilities upon consultation with Audit & Supervisory Board Members.

(4) Policies and Procedures for Appointing Senior Management and Nominating Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors

Basic views on the appointment of candidates for Directors and Audit & Supervisory Board Members of TOTO are stated in "[Directors]" under "1. Organizational Composition and Operation" and "2. Matters Relating to Functions of Business Execution, Auditing, Oversight, Nomination, and Compensation Decisions (Overview of Current Corporate Governance System)" of "Business Management Organization and Other Corporate Governance Systems Regarding Decision Making, Execution of Business, and Oversight in Management" in our Corporate Governance Report and in the business report of the "Convocation Notice of the Ordinary General Meeting of Shareholders."

(3) Policies and Procedures in Determining the Compensation of Senior Management and Directors by the Board of Directors

The Basic Views and Basic Policy on Corporate Governance of TOTO are stated in "1. Organizational Composition and Operation" of "Business Management Organization and Other Corporate Governance Systems Regarding Decision Making, Execution of Business, and Oversight in Management" in our Corporate Governance Report.

① Total amount of compensation by type for Directors and Audit & Supervisory Board Members

	Number of officers (person)	Base compensation (million yen)	Bonus (million yen)	Stock-compensation type stock options (million yen)	Total (million yen)
Directors	13	390	276	56	724
<Outside Directors included above>	(2)	(19)	—	—	(19)
Audit & Supervisory Board Member	4	55	—	—	55
<Outside members of Audit & Supervisory Board included above>	(2)	(19)	—	—	(19)
Total	17	446	276	56	779

(Note) The total amount of compensation approved at the General Meeting of Shareholders is shown below. (Approved at the 145th Ordinary General Meeting of Shareholders held on June 29, 2011)

	Fixed compensation	Performance-linked compensation	
		Linked to short-term performance	Linked to medium- to long-term performance
	Base compensation	Bonus	Stock-compensation type stock options
Directors	Up to 500 million yen per annum*1 (including an amount up to 30 million yen in total for Outside Directors)	Up to 0.8% of the previous fiscal year's consolidated operating income	Up to 200 million yen or 200 units per annum
Audit & Supervisory Board Member	Up to 150 million yen per annum	*2	

*1 The employee salaries of director-employees are not included.

*2 Bonuses and stock-compensation type stock options are not paid out to Audit & Supervisory Board Members.

② Amounts of compensation, etc., of Directors whose total amount of compensation, etc., exceeds 100 million yen, by type of payment

Directors of 100 million yen or more are as the following in fiscal 2015.

	Base compensation (million yen)	Bonus (million yen)	Stock-compensation type stock options (million yen)	Total (million yen)
Representative Director Kunio Harimoto	63	49	9	122
Representative Director Madoka Kitamura	62	49	9	121

(5) Explanations for Each Individual Appointment and Nomination with Respect to the Appointments of Senior Management and the Nominations of Candidates for Directors and Audit & Supervisory Board Members by the Board of Directors

Reasons for the nomination of candidates for Outside Directors and Outside Members of the Audit & Supervisory Board are stated in "[Directors]" and "[Audit & Supervisory Board Members]" under "1. Organizational Composition and Operation" of "Business Management Organization and Other Corporate Governance Systems Regarding Decision Making, Execution of Business, and Oversight in Management" in our Corporate Governance Report. The next page includes information about our reasons for selecting our directors, standing corporate auditors and outside corporate auditors.

Directors

Kunio Harimoto

Mr. Kunio Harimoto has served as Representative Director, President, and Chairman of the Board of TOTO and has abundant experience and achievements as a manager. TOTO believes that he is highly capable of enhancing the entire group's corporate governance and supervising the execution of Company business, and therefore proposed his reappointment as Director.

Kiyoshi Furube

Having served as the person responsible for the Sales Promotion Group and the Marketing Group, Mr. Kiyoshi Furube has served as Representative Director and Executive Vice President since 2014. He has abundant experience and achievements as a manager. TOTO believes that he is highly capable of promoting the Mid- or Long-Term Management Plan and of supervising the Sales Groups, and therefore proposed his reappointment as Director.

Nozomu Morimura

Having served as the person responsible for sales offices in Japan and the Sales Promotion Group, Mr. Nozomu Morimura has served as Representative Director and Senior Managing Executive Officer since 2016. He has abundant experience and achievements as a manager. TOTO believes that he is highly capable of promoting the Company's Japan Housing Equipment Business for the Mid- or Long-Term Management Plan, realizing management strategies, and supervising the Sales Division, and therefore proposed his reappointment as Director.

Yuichi Narukiyo

Having served as the person responsible for the Human Resource Development Division, the Corporate Administrative Group, and the Legal Affairs Division, Mr. Yuichi Narukiyo has served as Director and Managing Executive Officer since 2014. He has abundant experience and achievements as a manager. TOTO believes that he is highly capable of promoting management resource renovation for the Mid- or Long-Term Management Plan, realizing management strategies, and supervising the Administrative Division, and therefore proposed his reappointment as Director.

Kazuo Sako

Having been assigned to the U.S.A. and serving as the person responsible for Company's business in the U.S.A. and the Green Building Materials Division, Mr. Kazuo Sako has served as Executive Officer since 2011, promoting the establishment and development of strategies for the Company's Americas & Europe housing equipment business and the global development of the environment cleaning technology "Hydrotect." Based on the above, TOTO believes that he is highly capable of promoting the Company's Americas & Europe housing equipment business for the Mid- or Long-Term Management Plan, and therefore proposed his appointment as Director.

Outside Directors

Hiroki Ogawa

Mr. Hiroki Ogawa has been involved in the management of Saibu Gas Co., Ltd. for many years and has expertise in the housing industry. He provides valuable opinions at Meetings of the Board of Directors based on the expertise he has developed in his career as a professional corporate manager and displays outstanding supervision skills by reflecting his views unfettered by the conventional way of doing things in the Company's management. He has experience and knowledge of general management and corporate governance as well as of management closely tied to local communities, and therefore the Company proposed his reappointment as Outside Director.

Kazuhiko Masuda

Mr. Kazuhiko Masuda has been involved in the management of Sumitomo Light Metal Industries, Ltd. (currently, UACJ Corporation) for many years. He provides valuable opinions at Meetings of the Board of Directors based on the expertise he has developed in his career as a professional corporate manager and displays outstanding supervision skills by reflecting his views unfettered by the conventional way of doing things in the Company's management. He has experience and knowledge of general management and corporate governance as well as of the production technology of manufacturers, and therefore the Company proposed his reappointment as Outside Director.

Audit & Supervisory Board Member, Standing

Satoshi Miyazaki

Mr. Satoshi Miyazaki was the company's General Manager of planning in the Business Division, the General Manager of International Business Supervising Division, General Manager of the Restroom Product Coordinating Division, and the General Manager of the Management Planning Division. He has vast experience and achievements in business activities and internal control and actively provides opinions at the meetings of the Audit & Supervisory Board and the Board of Directors to display his role in supervising functions. He has experience and knowledge of general management and internal control, and therefore TOTO deemed him suitable to perform an audit of the execution of operations at the business division and proposed his appointment as Audit & Supervisory Board Member at the 148th Ordinary general meeting of shareholders.

Audit & Supervisory Board Member, Outside

Masamichi Takemoto

Mr. Masamichi Takemoto has been involved in the management of Nitto Denko Corporation for many years. He properly performs his duties as an outside member of Audit & Supervisory Board and provides valuable opinions at Meetings of the Audit & Supervisory Board and Board of Directors based on the expertise he has developed in his career as a professional corporate manager. He displays outstanding supervision skills unfettered by the conventional way of doing things in the Company's management. He has experience and knowledge of general management and corporate governance as well as operation of overseas projects, and therefore TOTO proposed his reappointment as Outside Member of Audit & Supervisory Board at the 149th Ordinary general meeting of shareholders. Regarding the appointment of Mr. Takemoto as an Independent Audit & Supervisory Board Member, we have confirmed that there was no conflict of interest according to independence standards set forth by securities exchanges, and that the requirements for the eligibility of Independent Audit & Supervisory Board Members set by TOTO were met. Therefore, Mr. Takemoto was appointed to the position of Independent Audit & Supervisory Board Member based on a resolution by the Board of Directors.

Madoka Kitamura

Having served as the person responsible for management planning and the Company's entire system product business, Mr. Madoka Kitamura has served as Representative Director and President since 2014. TOTO believes that he is highly capable of promoting the Mid- or Long-Term Management Plan, and therefore proposed his reappointment as Director.

Noriaki Kiyota

Having served as the person responsible for the Restroom Business Group and the System Product Group, Mr. Noriaki Kiyota has served as Representative Director and Executive Vice President since 2016. He has abundant experience and achievements as a manager. TOTO believes that he is highly capable of promoting marketing innovation for the Mid- or Long-Term Management Plan, realizing management strategies, and supervising the Business Division, and therefore proposed his reappointment as Director.

Soichi Abe

Having been assigned to China and serving as the person responsible for the China Division and the International Business Group, Mr. Soichi Abe has served as Director and Managing Executive Officer since 2014. He has abundant experience and achievements as a manager. TOTO believes that he is highly capable of promoting the Company's China & Asia housing equipment business for the Mid- or Long-Term Management Plan, realizing management strategies, and supervising the China & Asia Business Division, and therefore proposed his reappointment as Director.

Ryosuke Hayashi

Having served as the person responsible for restroom product development and the Company's WASHLET business, Mr. Ryosuke Hayashi has served as Director and Managing Executive Officer since 2015. He has abundant experience and achievements as a manager. TOTO believes that he is highly capable of promoting new-domain business and demand chain innovation for the Mid- or Long-Term Management Plan, realizing management strategies, and supervising the New-Domain Business Group, the Bathroom Division, and the Kitchen & Lavatory Vanity Division, and therefore proposed his reappointment as Director.

Taiichi Aso

Having served as the person responsible for the Sanitary Ware Division, Mr. Taiichi Aso has served as Executive Officer since 2009, working for the improvement of sanitary ware production technology and promoting the establishment of global production and supply systems. Based on the above, TOTO believes that he is highly capable of promoting the Company's restroom business and overall production technology, and therefore proposed his appointment as Director.

Masatsugu Shimono

Mr. Masatsugu Shimono has been involved in the management of IBM Japan, Ltd. for many years and has experience and knowledge of general management and corporate governance of a global company, which he has developed in his career, as well as experience and knowledge of general ICT and the promotion of diversity. TOTO believes that he is highly capable of providing valuable opinions at Meetings of the Board of Directors based on his expertise as a professional and global corporate manager and will display outstanding supervision skills by reflecting his views unfettered by the conventional way of doing things in the Company's management, and therefore TOTO proposed his appointment as Outside Director.

Motohiro Oniki

Mr. Motohiro Oniki was the group company's Deputy General Manager of Business Management Division in the company's Americas business, the Deputy General Manager for of the Accounting & Finance Division, and the General Manager of Internal Audit Office. He has vast experience and achievements in internal control, accounting, and finance, and he actively provides opinions at the meetings of the Audit & Supervisory Board and the Board of Directors to display his role in supervising functions. He has experience and knowledge of internal control from working in the accounting operations of the group company for many years. In addition to his experience and knowledge in internal control, as well as an appreciable extent of knowledge in finance and accounting, and therefore TOTO deemed him suitable to perform an audit of the execution of operations in the business division and proposed his reappointment as Audit & Supervisory Board Member at the 148th Ordinary general meeting of shareholders.

Akira Katayanagi

Mr. Akira Katayanagi has been involved in the management of financial institutions for many years. He properly performs his duties as an outside member of Audit & Supervisory Board and provides valuable opinions at Meetings of the Audit & Supervisory Board and Board of Directors based on the expertise he has developed in his career as a professional financial and management manager. He displays outstanding supervision skills unfettered by the conventional way of doing things in the Company's management. He has experience and knowledge of general management and corporate governance as well as in finances, and therefore TOTO proposed his appointment as Outside Member of Audit & Supervisory Board at the 147th Ordinary general meeting of shareholders. Regarding the appointment of Mr. Katayanagi as an Independent Audit & Supervisory Board Member, we have confirmed that there was no conflict of interest according to independence standards set forth by securities exchanges, and that the requirements for the eligibility of Independent Audit & Supervisory Board Members set by TOTO were met. Therefore, Mr. Katayanagi was appointed to the position of Independent Audit & Supervisory Board Member based on a resolution by the Board of Directors.

Supplementary Principle 4.1.1

Summary of Scope of Matters Delegated by the Board of Directors to the Management

Disclosure (Overview)

TOTO has stipulated matters to be determined by resolutions of the Board of Directors in the Rules for the Board of Directors. The matters mainly include those concerning the general meeting of shareholders, personnel and organizations, account settlement, stocks, corporate bonds and new share subscription rights, and corporate assets and management of the TOTO Group, as well as matters stipulated in laws and regulations, including the Companies Act and the Articles of Incorporation,

among other significant matters.

Among business operations not subject to a decision by the Board of Directors, certain significant matters are determined upon establishing the Rules for System for Formal Approval and discussions by the Management Committee (held twice a month in principle), consisting of Directors and Executive Officers. The Executive Officer system was introduced in 2000 to effectively execute the matters determined by the Board of Directors.

Principle 4.8

Appointment of Independent Directors

Disclosure (Overview)

TOTO has appointed three Outside Directors with a high level of independence. This makes it possible for the Board of Directors to engage in an open and objective discussion, sharing viewpoints from an independent and neutral perspective.

TOTO has appointed Outside Directors with expert knowledge in management-related issues and a truly global perspective, specializing in corporate governance, CSR, and risk management. The Outside Directors

provide our management with valuable insight and advice from an objective viewpoint. This process is facilitated by the receipt of reports on activities of the Internal Audit Office, independent accounting auditors and the internal control division, mainly by the Board of Directors, in its efforts to improve the oversight function for assessing management activities and to establish a more transparent management monitoring system.

Principle 4.9

Independence Standards Aimed at Securing Effective Independence of Persons Who Will Become Independent Directors

Disclosure (Overview)

TOTO's Independent Directors are appointed in accordance with the requirements for Outside Directors, as set forth in the Companies Act, and the independence standards set forth by the financial instruments exchanges, in addition to "Requirements for Independent Directors/Audit & Supervisory Board Members," as set forth by TOTO, which periodically assesses their status upon appointment.

The "Requirements for Independent Directors/Audit & Supervisory Board Members" are stated in "[Independent Directors/Audit & Supervisory Board Members]" under "1. Organizational Composition and Operation" of "Business Management Organization and Other Corporate Governance Systems Regarding Decision Making, Execution of Business, and Oversight in Management" in our Corporate Governance Report.

Supplementary Principle 4.11.1

View on the Appropriate Balance between Knowledge, Experience and Skills of the Board of Directors as a Whole, and Terms of Diversity and Size

Disclosure (Overview)

We believe that in order to supervise business operations and to make important decisions, TOTO's Board of Directors must be composed of members with diverse perspectives, experience and highly professional skills. Meanwhile, for the purpose of performing the double-check function of supervision by the Board of Directors and of audits by Audit & Supervisory Board Members, Outside Directors need to include not only auditors required by law, but also Directors with voting rights at Meetings of the Board of Directors; and both Audit & Supervisory Board

Members and Directors must have considerable independence.

More detailed in "2. Matters Relating to Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)" of "Business Management Organization and Other Corporate Governance Systems Regarding Decision Making, Execution of Business, and Oversight in Management" in our Corporate Governance Report.

Concurrent Posts Assumed by Directors and Audit & Supervisory Board Members

Disclosure (Overview)

Concurrent posts assumed by Outside Directors and Outside Members of the Audit & Supervisory Board are stated in “[Directors]” and “[Audit & Supervisory Board Members]” under “1. Organizational Composition and Operation” of “Business Management Organization and Other Corporate Governance Systems Regarding Decision Making, Execution of Business, and Oversight

in Management” in our Corporate Governance Report.

In addition, concurrent posts assumed by Directors and Audit & Supervisory Board Members, excluding Outside Directors and Outside Members of the Audit & Supervisory Board, are disclosed in the Reference Documents for the “Convocation Notice of the Ordinary General Meeting of Shareholders.”

Summary of Analysis and Evaluation Concerning the Effectiveness of the Board of Directors

Disclosure (Overview)

At Meetings of the Board of Directors, the Board of Directors confirms the status of corporate governance and engages in self-analysis and self-evaluation concerning its effectiveness and appropriateness.

In March 2016, the outside directors, outside members of Audit & Supervisory Board and the entire members attended the Board of Directors to evaluate the effectiveness of its activities from the perspective of related items of the Board of Directors in the context of its roles within the company based on the corporate governance code, including the operational status of internal control system, corporate strategy and other agendas of the Board of Directors to define general direction.

limits of the company. The directors make efforts to reflect the results in execution to ensure supervision based on objective feedback from Independent Directors/Audit & Supervisory Board Members.

(5) The President, Representative Director, and other representative directors actively implement IR activities, and the results are also shared at the Board of Directors. In addition, they implement constructive communication by asking and answering questions among the shareholders and directors at the General Meeting of Shareholders and by visiting investors. We will continue to implement the following ordinary discussions and activities to further increase effectiveness.

- (1) The roles of the TOTO's Board of Directors include decision-making in favor of stakeholders, mutual supervision of the execution of duties for directors, the formulation of execution and supervision system for more equal and fair management, as well as the determination of basic management policy, such as the common philosophy of the TOTO Group, Mid- or Long-Term Management Plan, and annual policy that becomes a foothold.
 - (2) In accordance with the Basic Policy for Development of Internal Control System, the system ensures that the execution of directors' duties complies with the laws and regulations and the articles of incorporation, and all other items are operated positively.
 - (3) At Meetings of the Board of Directors at the end of the fiscal year, management policies and plans are discussed and approved for the next fiscal year according to the approved Mid- or Long-Term Management Plans. Subsequently, policies on execution and significant matters in the Mid- or Long-Term Management Plans are shared among all Directors, and the general direction of such issues is appropriately linked to recent activities.
 - (4) The members engage in detailed inspections of all items of the corporate governance codes, especially the related items of the Board of Directors, to correspond properly. The members of the Board of Directors participate in active discussions beyond the
- In principle, the Board of Directors holds a meeting once a month to discuss and approve significant deals in a timely matter.
 - Significant deals and related issues are discussed and prioritized at Management Committee meetings, prior to discussion at Meetings of the Board of Directors. Materials are distributed in advance and explanations concerning such matters are provided. This allows enough time for the Board of Directors to engage in active discussion at Meetings of the Board of Directors. The Board of Directors also strives to improve its function through proposals from the Directors themselves.
 - The status of achievement of Mid- or Long-Term Management Plans and annual plans are confirmed at the Board of Directors every month.
 - Under the strategic framework of the Mid- or Long-Term Management Plans, Directors in charge of each core business and cross-organizational innovation activities, which are aimed to optimize the operations of the entire company, are appointed based on the expertise and skills to increase the effectiveness of the management plans.
 - The Board of Directors appropriately discusses issues to be approved to make more strategic discussions.
 - The Board of Directors maintains reports on the status and results of proposals, and oversees the execution of duties.

Supplementary Principle 4.14.2

Training Policy for Directors and Audit & Supervisory Board Members

Disclosure (Overview)

TOTO provides opportunities for training necessary for Directors and Audit & Supervisory Board Members to fulfill their respective roles and duties. We bear the expenses of the training at the request of Directors and Audit & Supervisory Board Members.

To satisfy the expectations of shareholders and investors, Directors and Audit & Supervisory Board Members strive to collect information by accepting reports on IR activities and various SRI (social responsible investment) research results at Meetings of the Board of Directors in order to further understanding of the company.

In addition to the aforementioned, Directors and Audit & Supervisory Board Members hold internal training sessions for new Directors and Audit & Supervisory Board

Members (education on various laws and regulations, including the Companies Act) to further understand their required roles and duties, and participate in external seminars at the time of new appointments. Upon appointment, Directors and Audit & Supervisory Board Members strive to obtain the necessary skills and knowledge, mainly through attending seminars, as necessary.

To further understand the conditions facing the TOTO Group, Outside Directors accept invitations to visit domestic and overseas business sites to learn about such business conditions. Outside Members of the Audit & Supervisory Board attend important meetings concerning the operations of the TOTO Group and visit and audit domestic and overseas business sites.

Principle 5.1

Policies Concerning the Measures and Organizational Structures Aimed at Promoting Constructive Dialogue with Shareholders

Disclosure (Overview)

TOTO designates the President as an Executive Officer in charge of engaging in dialogue with shareholders, based on the view that the Company should hold constructive discussions with shareholders and investors. The President, Executive Vice President, and Executive Officer in charge of IR mainly deal with this matter. Evaluations and requests from shareholders and investors are shared across the Company and are used as a source of information to ensure improvements in management.

TOTO discloses the purpose of its communications and policy on responses to investors in the TOTO Group Communication Policy. For domestic and overseas shareholders and investors, IR Policy is also established to ensure transparency and fairness. Additionally, please see “2. IR Activities” of “Implementation of Measures for Shareholders and Other Stakeholders” in the Corporate Governance Report.

Directors and Audit & Supervisory Board Members

Directors



Representative Director,
Chairman of the Board

Kunio Harimoto

Born March 19, 1951



Representative Director,
President

Madoka Kitamura

Born May 24, 1957

In charge of Global Business
Promotion Division, Management
Planning Division, and Secretary's
Office of the Company



Representative Director,
Executive Vice President

Kiyoshi Furube

Born November 3, 1954

In charge of Sales Groups, Cultural
Promotion Department



Representative Director,
Executive Vice President

Noriaki Kiyota

Born October 8, 1961

In charge of Business Division,
Faucets & Appliances Division,
Internal Audit Office, and V-Plan
Marketing Innovation of the
Company



Director,
Senior Managing
Executive Officer

Nozomu Morimura

Born July 10, 1957

In charge of Sales Promotion
Group, Customer Service, Design
Division, and V-Plan Japan
Housing Equipment Business



Director,
Managing Executive
Officer

Soichi Abe

Born August 22, 1961

In charge of China & Asia Housing
Equipment Business Group and
V-Plan China & Asia Housing
Equipment Business



Director,
Managing Executive Officer

Yuichi Narukiyo

Born March 18, 1962

In charge of Legal Affairs Division,
Human Resource Division,
Accounting & Finance Division,
Information System Planning
Division, General Affairs Division,
Logistics Division, Purchasing
Division, Engineering Works Division,
and V-Plan Management Resource
Innovation



Director,
Managing Executive
Officer

Ryosuke Hayashi

Born September 4, 1963

In charge of New-Domain
Business Group, Bathroom
Division, Kitchen & Lavatory Vanity
Division, V-Plan New-Domain
Business, and V-Plan Demand
Chain Innovation



Director,
Managing Executive
Officer

Kazuo Sako

Born August 25, 1959
In charge of Americas & Europe
Housing Equipment Business
Group and General Manager of
Americas Housing Equipment
Business Division of the Company,
and officer in charge of V-Plan
Americas & Europe Housing
Equipment Business



Director,
Managing Executive
Officer

Taiichi Aso

Born March 5, 1960
In charge of Restroom Business
Group and Production Technology
Business Group

Directors (Outside)



Outside Director

Hiroki Ogawa

Born September 21, 1941



Outside Director

Kazuhiko Masuda

Born April 24, 1942



Outside Director

Masatsugu Shimono

Born December 11, 1953

Audit & Supervisory Board Member



Audit & Supervisory
Board Member, Standing

Satoshi Miyazaki

Born November 10, 1955



Audit & Supervisory
Board Member, Standing

Motohiro Oniki

Born January 1, 1958

Corporate Auditors (Outside)



Audit & Supervisory
Board Member, Outside

Masamichi Takemoto

Born December 16, 1944



Audit & Supervisory
Board Member, Outside

Akira Katayanagi

Born February 4, 1946

Shareholder and Investor Engagement

IR Activity Transparently and Fairly Communicates the Most Recent Information

TOTO undertakes to engage in communication with institutional investors and shareholders as well as with individual shareholders and investors in Japan and other countries on the basis of IR policy in order to treat

them with transparency and fairness. In addition to disclosing information in a timely manner through its dedicated website, TOTO also holds separate meetings as well as briefings to explain its financial results.

What We Do for Domestic Institutional Investors

For domestic investors, we hold meetings to explain our strategies and invite them to our plants from time to time, not to mention announcing financial results twice a year and entertaining media daily.

Visiting Foreign Institutional Investors

With economy becoming more global every day, our top management does IR activities every year for foreign investors to have them understand our corporate strate-

gies enough before they buy our shares. We visit the investors in Europe, and United States. As they see the presence of our products growing in each country, their interest in TOTO is also growing.

Explanatory Meetings for Private Investors

We host explanatory meetings for private investors because we want them to be more interested in our business. We offer various opportunities to provide information for the private investors.



During plant tour



Meeting with overseas investors



Explanatory Meetings for Private Investors

IR Activity Communicating the Most Recent Information

"Investor Relations" on our website introduces latest IR information including Message from the President, Long-Term Management Plan (V-Plan 2017), Medium-term Management Plan, Corporate Governance, Business Risk and Topics.

<http://www.toto.co.jp/en/company/ir/index.htm>



IR Policy

1. Fundamental policy

The TOTO Group discloses information related to the settlement of accounts according to the rules determined by the Tokyo Stock Exchange (TSE), the Financial Instruments and Exchange Act, and other laws and ordinances. Even when not obligated to do so, we proactively disclose information for which disclosure is regarded as useful to all investors and shareholders.

2. Disclosure methods

- Brief Notes on the Settlement of Accounts and information disclosed according to the timely disclosure rules is made publicly available on the TSE Timely Disclosure Network (TDnet). Afterwards, it shall be published on the TOTO website. Information for which the timely disclosure rules do not apply shall be promptly disclosed via mediums including the TOTO website.
- In order to prevent the leakage of information related to the settlement of accounts and ensure fairness, the period from the day after the end of the fiscal period for each quarter until the announcement of the settlement of accounts is regarded as a "quiet period" in which no comments shall be made on the settlement of accounts and no questions shall be answered. However, the disclosure of information shall be carried out during this quiet period in the case that major changes are expected to occur regarding projections of business results.

3. Cautionary statement concerning forward-looking statements

Forward-looking statements released by TOTO on future business results are based on available data at the time of announcement. Actual business results may differ from projections due to various factors.

CSR Philosophy and System of Promotion

CSR Philosophy

TOTO Group considers CSR management to be management by the use of CSR initiatives for the purpose of bringing TOTO Group Corporate Philosophy to life. The TOTO Corporate Philosophy outlines

the purpose of the company's existence, our business fields and the desired image for all of our stakeholders as the basis of what the company motto strive to communicate.

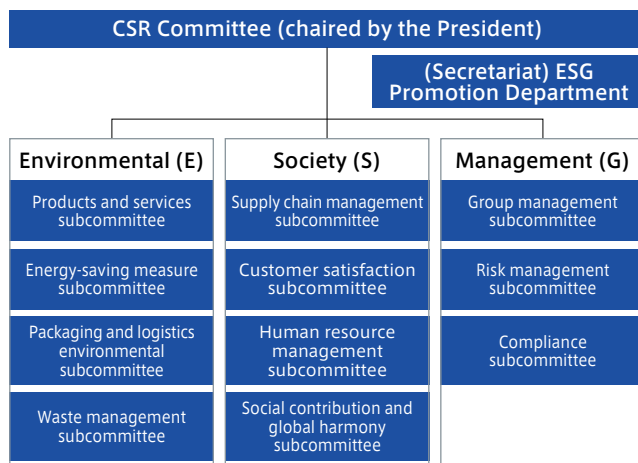
CSR Promotion System

We started CSR activities by setting up a CSR Committee and a full-time CSR department in 2004. The CSR Committee is held once a year and chaired by the President, and it is working to strategically integrate our businesses and CSR activities by taking a bird's eye view of the Environmental, Social, and

Governance fields.

In addition, subcommittees that make up each field of the CSR Committee formulate promotion plans, and then expand those plans to relevant departments and Group companies in Japan and overseas to facilitate cross-departmental activities.

Promotional System of CSR Committee



TOTO announced its participation in the "Global Compact," which is put forward by the United Nations, and registered as a participant company on November 8, 2011.

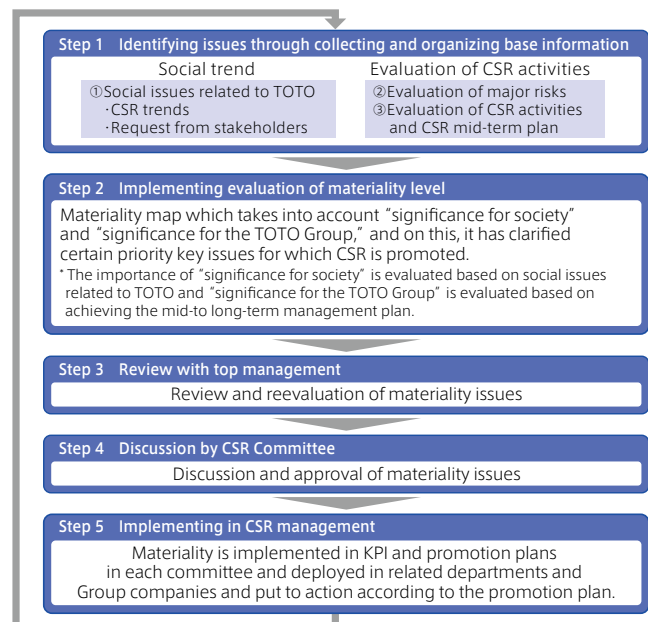
Identifying Materiality (material issues)

For the purpose of tackling global social issues strategically, the TOTO Group has prepared a Materiality Map which takes into account "significance for society" and "significance for the TOTO Group," and on this, it has clarified certain priority key issues for which CSR is promoted.

Materiality Map



Process of Identifying Materiality



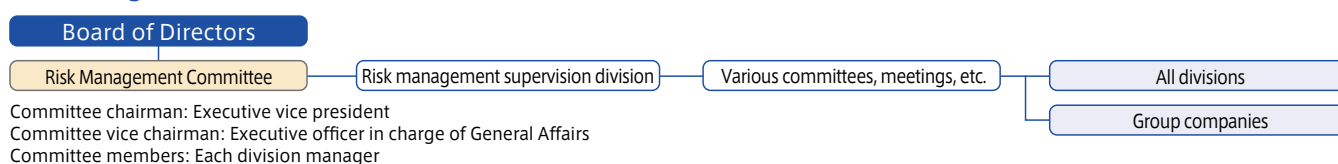
Risk Management

Risk Management Promotion Framework

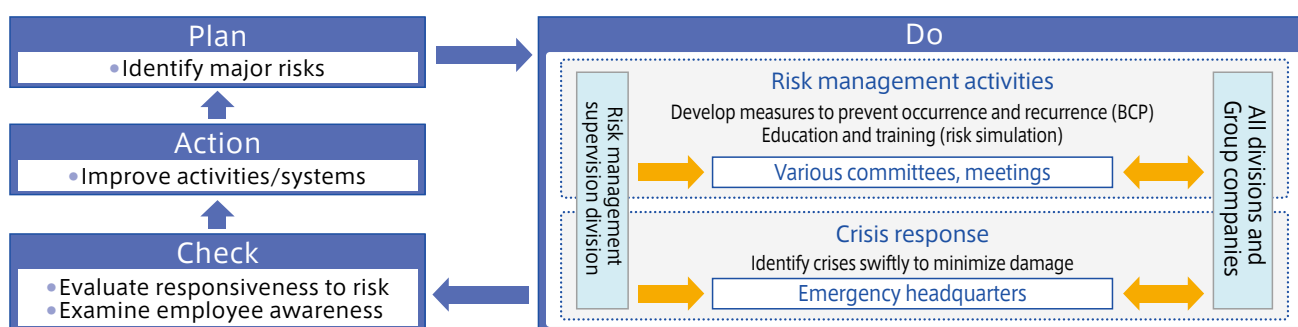
The TOTO Group strives without limit to eliminate all causes of hindrances to the implementation of management policies in order to maintain the confidence of society through the fulfillment of its corporate social responsibilities. In cases of unexpected problems, maximum efforts will be made to minimize various effects on stakeholders and to restore confidence of related parties by developing appropriate preventive measures.

Our Risk Management Committee, chaired by the vice president, has as its members the executive officers overseeing major risks and division heads as members. In accordance with risk management rules, the Risk Management Supervision Division General Manager appointed to oversee risk management works with all divisions and Group companies through various committees and meetings to prevent risks and enhance the Group's risk management response capabilities.

Risk Management Promotion Framework



Risk Management Action Cycle



Major Risks in Fiscal 2016

Every year, major risks that could have a significant impact on stakeholders are identified and a general manager of the risk management supervision division is appointed for each risk in order to take preventive measures.

Each major risk is mapped out on a matrix evaluating

degree of impact and frequency of occurrence from the viewpoints of damage to the brand, impact on personnel and financial consequences. Risks scoring high in risk points are flagged as priority risks and monitored by the Risk Management Committee, and risk mitigation activities are promoted throughout the entire Group.

Principal Major Risks



TOTO Global Environmental Vision

The TOTO Group established the TOTO Global Environmental Vision in 2014 for the purpose of taking its environmental contribution activities an evolutionary step further while facing up to the environmental problems of each country and region. Based on six themes of global environmental activities, the entire TOTO Group is committed to making contributions to the global environment through our business activities. With a view to realizing the TOTO Global Environmental Vision, the TOTO Group established Global Environment Goals to be pursued until the end of fiscal 2017 as we approach our 100-year anniversary. As a company that is largely involved

with water, we are committed to setting clear targets for each of the six themes centered around conserving water. We are aiming to realize the TOTO V-Plan 2017 by promoting the Global Environmental Vision.



Global Environment Goals

TOTO Global Environment Goals until FY2017

Conserving Water <ul style="list-style-type: none"> • Reduce the amount of water consumed during product use by 700 million m³ (due to improved performance compared to 2005) • Shipment rate of water-saving toilets (4.8L or less per flush) Japan: 70% Overseas: 80% 	Preventing Global Warming <ul style="list-style-type: none"> • Reduce CO₂ emissions during product use by 3.30 million tons^{*1} (due to improved performance compared to 2005) • Total CO₂ emissions from business sites: 352,000 tons Using policies, reduce CO₂ emissions by 29,000 tons (compared to FY2013)
Conserving Natural Resources <ul style="list-style-type: none"> • Promote zero emissions Recycling rate in manufacturing plants Japan: 99%, Overseas: 90% 	Keeping the Earth Clean <ul style="list-style-type: none"> • Control the release of hazardous chemical substances (Japan) Violation of environmental laws 0
Conservation of Biodiversity <ul style="list-style-type: none"> • Using raw materials with consideration to biodiversity (Japan) Goods using legal materials/ utilization of recycled wood materials: 100% 	Contribution to Local Communities <ul style="list-style-type: none"> • Resolve social and regional issues that originate in the environment, in collaboration with stakeholders in each country/region Participation Rate of All Volunteer Activities 100% (Total participation/number of consolidated employees = participation ratio)^{*2}

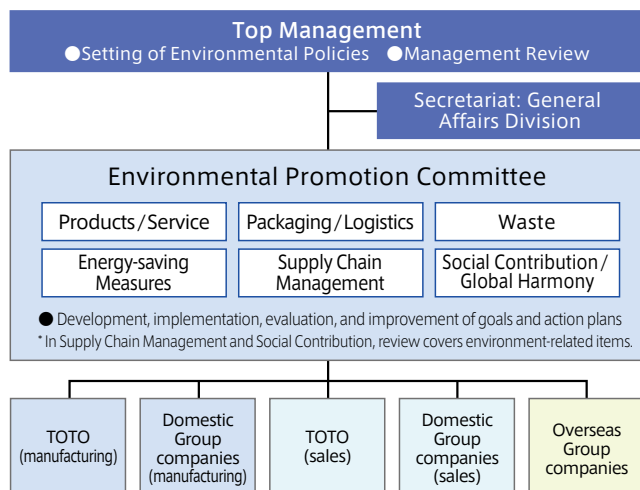
*1: Targets take into account the usage period of general products and the year of reference changed from 1990 to 2005 in 2016.

*2: The management indicator changed to the participation rate of all volunteer activities in 2016 in conjunction with the expansion of the range of volunteers.

Environmental Management System

The TOTO Group has adopted the following management system for advancing environmental conservation activities. Company-wide environmental management reviews led by management are conducted twice a year within the Management Committee. Here, discussion is held on TOTO's progress toward achieving company-wide environmental goals, as well as on important matters relating to the continual improvement of the management system. As for technical matters, technical subcommittees have been established to lead the entire TOTO Group, including domestic and overseas Group companies, with respect to objectives and measures.

The TOTO Group has gained unified ISO 14001 certification, with a focus on our manufacturing divisions (including domestic manufacturing Group companies) and plant management divisions. Continual improvements are made to our environmental management system in order for the PDCA cycle to function effectively across the entire TOTO Group.



Performance against the Global Environmental Action Plan

Environmental Action Plan and results

In conjunction with the implementation of 2014's "TOTO Global Environmental Vision", the 9th Global Environmental Action Plan has also been implemented.

We will accelerate our efforts as one TOTO Group to resolve global social issues such as water shortages and global warming.

9th Global Environmental Action Plan FY2015 Results

	Evaluation index (KPI)	Scope	Standard year and value	FY2017 target	FY2015 target	FY2015 result	Evaluation
Conserving Water	Contribution to the improvement in water efficiency of products Contribution to water-saving (Amount of contribution from performance improvement from standard year) ^{*1}	Japan/ overseas	—	700 million m ³ (Based on 2005)	1.66 billion m ³ (Based on 1990)	1.68 billion m ³ ^{*2} (Based on 1990)	○
	Shipment ratio of water-saving toilets (Water per flush of 4.8L or less)	Japan	—	70%	70%	78%	◎
		Overseas		80%	60%	59%	△
Preventing Global Warming	Contribution to global reduction in CO ₂ emissions from improvement in water and energy efficiency of products (Amount of contribution from performance improvement from standard year) ^{*1}	Japan/ overseas	—	3.3 million tons (Based on 2005)	6.60 million tons (Based on 1990)	6.63 million tons ^{*3} (Based on 1990)	○
	CO ₂ emissions from offices	Japan/ overseas	FY2013 emissions 313 thousand tons	352 thousand tons or less	348 thousand tons or less	321 thousand tons	○
	Amount of CO ₂ reduction from initiatives in offices	Japan/ overseas	FY2013 reduction 0 tons	29 thousand tons	13.9 thousand tons	16.1 thousand tons	◎
	Reduction of fuel used for transportation per unit	Japan	FY2009 0%	12.0%	9.0%	9.4%	○
Conserving Natural Resources	Recycling rate in production sites	Japan	FY2013 99% or more	99% or more	99% or more	100%	○
	Recycling rate in production sites * Recycling target with provisions	Overseas	FY2013 70%	90% or more	80% or more	87.5%	○
Keeping the Earth Clean	Violations of related environmental regulations	Japan	—	—	0	0	○
Conservation of Biodiversity	Percentage of "legal + recycled materials" used * Legal materials include material from certified forests	Japan	—	100%	90%	99%	◎
Contribution to Local Communities	Number of Green Volunteer participants ^{*4}	Japan/ overseas	—	—	46,000	42,200	△
	Participation rate of all volunteer activities ^{*4} (Participation rate = ratio of total number of participants to number of all consolidated employees)	Japan/ overseas	—	100%	—	—	—

*1: Targets take into account the usage period of general products and the year of reference changed from 1990 to 2005 in 2016.

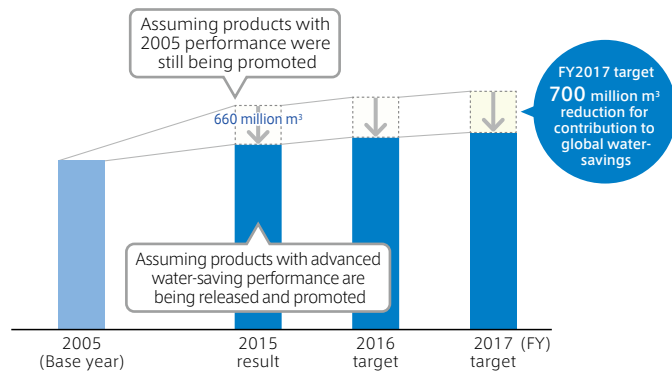
*2: 660 million m³ based on 2005

*3: 2.87 million m³ based on 2005

*4: The management indicator changed with the expansion of the range for volunteers in 2016.

Changes in Major Indexes

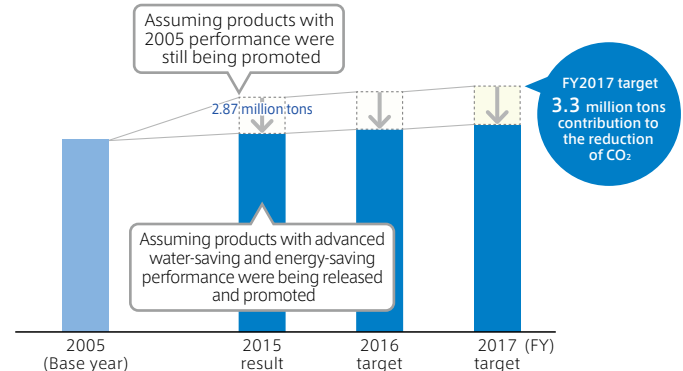
Contribution to global water-saving from improvement of water efficiency of products (Group wide) (Compared to FY2005)



* The year of reference changed from 1990 to 2005.

* Total water consumption during product use is calculated using the water consumption during the period of product use for all products shipped during a particular year. (Excluding water consumption of some products which their use is unknown)

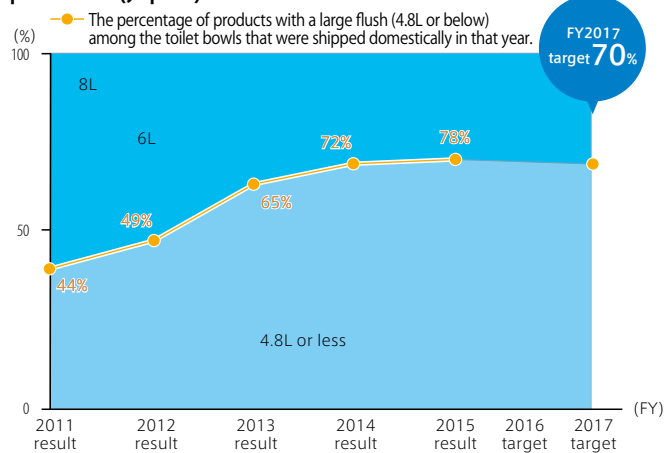
Contribution to global reduction in CO₂ emissions from improvement in water and energy efficiency of products (Group wide) (Compared to FY2005)



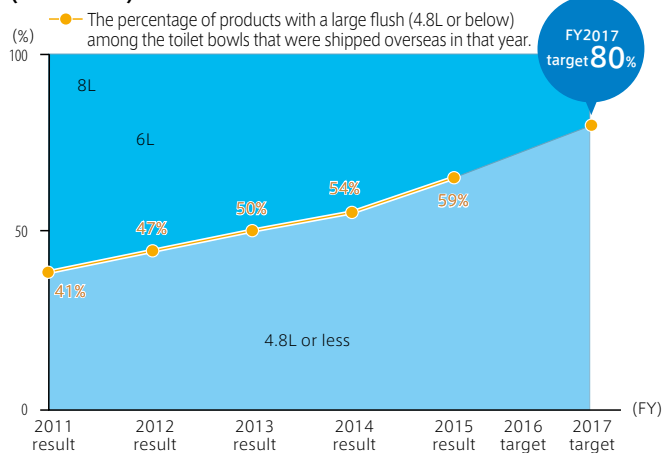
* The year of reference changed from 1990 to 2005.

* Total CO₂ emissions during product use is calculated using the amount of energy (electricity and gas) and water used during the period of product use for all products shipped during a particular year. (Excluding CO₂ emission of some products which their use is unknown)

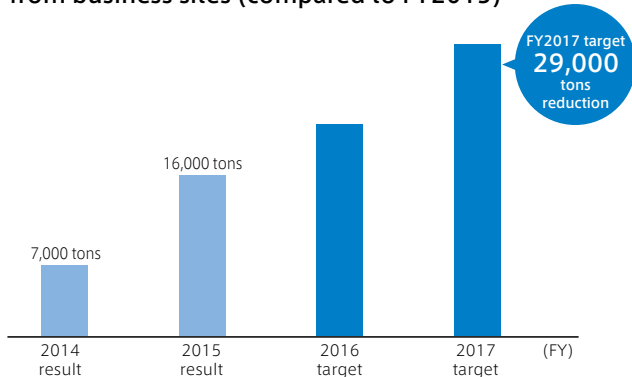
Shift of shipment rate by quantity of water per flush (Japan)



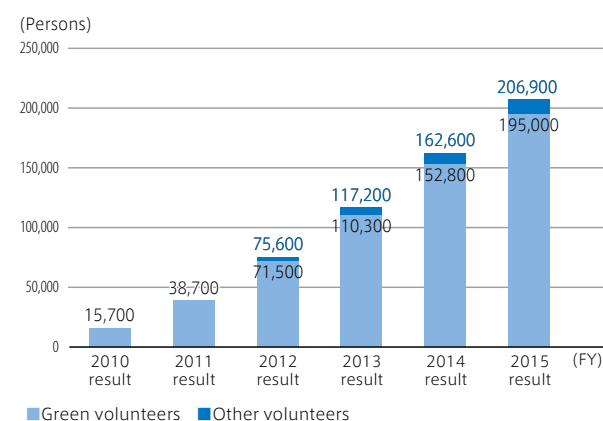
Shift of shipment rate by quantity of water per flush (Overseas)



Contribution to global reduction in CO₂ emissions from business sites (compared to FY2013)



Number of volunteer activity participants



* Total number of participating employees and stakeholders from FY2010
Other volunteers are also added from FY2012.

Enhancing Value of Human Resources

In a spirit of respect for human life and dignity, the TOTO Group continuously cultivates its employees, prizing qualities such as enthusiasm, fertile imagination and autonomy, and contributes to the enhancement of employee satisfaction, as well as to the creation of customer lifestyles.

Promoting Diversity

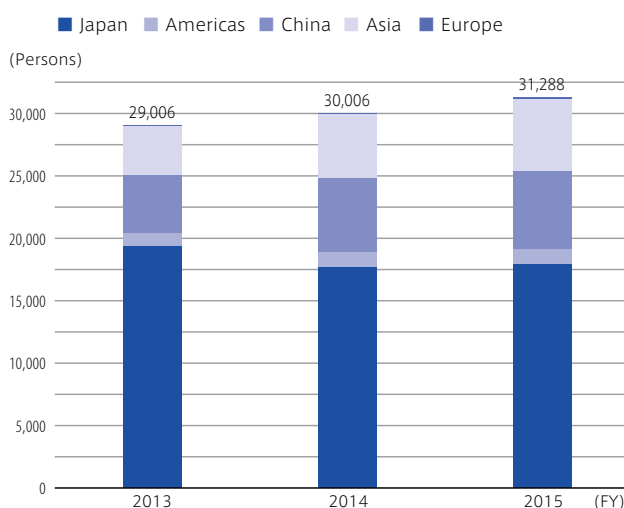
The TOTO Group respects the individuality of its workforce, which differs in such respects as age, gender and nationality. We believe we can create prosperous and comfortable lifestyles by leveraging the fresh new ideas born from these differences. Led by the Diversity Promotion Section within our Human Resource Division,

we are currently promoting a wide range of activities, including the career advancement of women and the hiring of persons with disabilities. We also introduce various role models on in-house diversity website and offer information on diversity working methods and promote understanding in the group.

Employee Composition

At the TOTO Group, all persons working for the TOTO Group are referred to as "employees."

Employee Composition by Region



* TOTO Group (regular, contract, temporary employees)

Age and Length of Service

	Mar13		Mar14		Mar15	
	Male	Female	Male	Female	Male	Female
Average age	43.8	39.7	43.9	40.2	43.1	39.9
Average length of service (years)	19.3	13.3	19.0	13.6	20.5	14.0

* Data for regular/contract employees of TOTO LTD.

Number of New Graduate Recruits

	FY2014		FY2015		FY2016	
	Male	Female	Male	Female	Male	Female
TOTO LTD.	93	31	99	25	99	29
Domestic Group companies	95	28	110	45	114	52
Total	188	59	209	70	213	81

* Data for TOTO Group (Japan)

Employee Turnover Rate

	Mar13	Mar14	Mar15
Employee Turnover Rate	1.1%	0.8%	0.8%

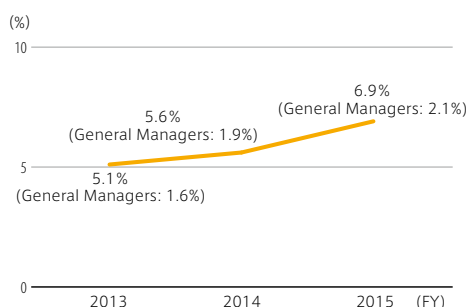
* Data for regular employees

Career Advancement of Women

Having set a target of increasing the percentage of female managers at TOTO to 10% by fiscal 2017, the centenary of our foundation, we have promoted a number of initiatives. In particular, we are creating stronger management skills by introducing training for supervisors in the training for female employees. As a

result of these efforts, in 2013, we were the chosen company of the "Diversity Management Selection 100" and, in March 2016, we were selected as the "Nadeshiko Brand" at the Tokyo Stock Exchange for the second consecutive year.

Ratio of female managers



* Data for regular employees



Training for female management position candidates

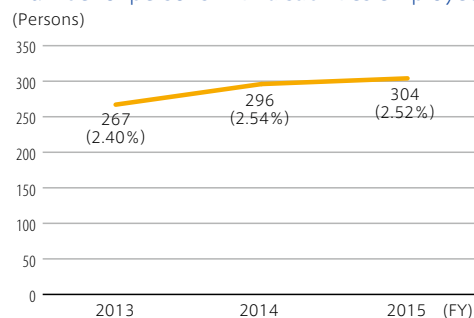


Promoting Employment of Persons with Disabilities

The TOTO Group aims to achieve normalization in its workplaces, and to this end, we continue to recruit individuals with disabilities.

We achieved our 2.5% employment rate of persons with disabilities set for fiscal 2017 in fiscal 2014. We are presently working to expand occupational fields for persons with disabilities, such as promoting more employment of persons with intellectual and mental disabilities, throughout the entire Group.

Number of persons with disabilities employed



* Data for TOTO Group (Japan)

* Number in brackets is employment rate of persons with disabilities

Common Global Corporate Philosophy

Overseas core management is invited to Japan to debate and share what they feel TOTO represents while sharing their own ideas with other management.

Moreover, we are inviting employees who contributed to our businesses to Japan to increase motivation and provide an exchange between our human assets and the relevant business departments by presenting direct commendations from management. In the future, we will also further the understanding and prevalence of our Corporate Philosophy.



Exchange between Local Overseas Employees

Work-Life Balance

We are committed to promoting a work-life balance under the notion of having our workforce to review their working hours to harmonize their work and home lives, which will lead to enhanced productivity and a sense of reward from work.

We have been praised for our efforts and have also obtained the Japanese Ministry of Health, Labour and Welfare's "Kurumin" certification in recognition of our activities in support of child rearing.



We have also obtained the Japanese Ministry of Health, Labour and Welfare's "Kurumin" certification in recognition of its activities in support of child rearing.

Work Hours

	March 2013	March 2014	March 2015
Standard working hours per year	1,894.86 hours per person	1,894.86 hours per person	1,894.86 hours per person
Hours actually worked per year	1,989.11 hours per person	1,992.0 hours per person	1,964.36 hours per person
Average overtime hours per month	20.1 hours per person	20.3 hours per person	19.6 hours per person
Number of paid holidays taken per year	13.5 days per person	14.2 days per person	14.3 days per person

* Data for regular employees

Percentage of Paid Holidays Taken

	FY2013	FY2014	FY2015
Percentage of Paid Holidays Taken	74.2%	74.0%	76.1%

* Data for regular/contract employees of TOTO LTD.

Safety and Health

TOTO has been working to increase awareness of safety and stop unsafe work practices and conditions in order to eliminate work-related accidents.

Work-related Accident Frequency/Severity Rate in Japan

		2013	2014	2015
Frequency rate	All industries	1.58	1.66	1.61
	All manufacturing sectors	0.94	1.06	1.06
	TOTO Group	0.21	0.13	0.17
Severity rate	All industries	0.10	0.09	0.07
	All manufacturing sectors	0.10	0.09	0.06
	TOTO Group	0.008	0.002	0.006

* Annual (January to December) data

* For manufacturing and research & development sectors

Number of People Using Reduced Work Hour and Leave Systems

	March 2013		March 2014		March 2015	
	Male	Female	Male	Female	Male	Female
Childcare leave	6	186	1	165	3	199
Reduced work hours for childcare	0	262	0	256	4	304
Nursing care leave	0	4	1	2	0	3
Reduced work hours for nursing care	0	4	0	4	0	1
Volunteer leave	24	8	30	11	18	6

* Data for regular/contract employees of TOTO LTD.

Work-related Accident Frequency Rate for Overseas Business Group

	2013	2014	2015
Frequency rate	0.12	0.41	0.21

* Annual (January to December) data

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

* Severity rate: number of lost days per 1,000 working hours

* For manufacturing and research & development sectors

Ten-Year Summary of Selected Financial Data

(Unit: Million yen)

	FY2006 (March 31, 2007)	FY2007 (March 31, 2008)	FY2008 (March 31, 2009)	FY2009 (March 31, 2010)	FY2010 (March 31, 2011)
Net sales	512,200	501,060	464,505	421,929	433,557
Cost of sales	337,734	330,782	311,765	275,639	273,259
Cost of sales ratio	65.9%	66.0%	67.1%	65.3%	63.0%
Selling, general and administrative (SG&A) expenses	148,277	147,555	146,174	139,699	146,284
SG&A ratio	28.9%	29.4%	31.5%	33.1%	33.7%
Operating income	26,187	22,722	6,566	6,589	14,014
Operating margin	5.1%	4.5%	1.4%	1.6%	3.2%
Net income/loss	13,544	13,239	(26,261)	878	5,115
Net income margin/net loss margin	2.6%	2.6%	(5.7%)	0.2%	1.2%
Capital investment	22,260	24,191	16,297	11,607	26,214
Depreciation and amortization	22,039	22,389	22,425	20,575	19,746
Research and development (R&D) costs	11,752	12,001	13,087	13,113	15,606
R&D cost ratio	2.3%	2.4%	2.8%	3.1%	3.6%
Total assets	466,736	451,744	388,645	378,266	379,215
Current assets	217,780	210,126	187,689	180,149	184,203
Non-current assets	248,955	241,618	200,955	198,116	195,011
Total liabilities	233,494	220,213	203,751	189,717	199,050
Net assets ^{*1}	233,242	231,530	184,893	188,549	180,164
Operating CF	28,575	32,884	23,403	33,627	28,117
Investment CF	(25,310)	(22,121)	(18,629)	(14,828)	(22,758)
Financial CF	(10,834)	(7,246)	(2,215)	(12,223)	(7,260)
Free cash flow ^{*2}	3,265	10,763	4,774	18,799	5,359
Dividend per share ^{*3}	13.00 yen	14.00 yen	10.00 yen	10.00 yen	10.00 yen
ROE	5.8%	5.8%	(12.9%)	0.5%	2.8%
ROA	5.6%	4.9%	1.6%	1.7%	3.7%
EPS ^{*3}	39.1 yen	38.2 yen	(75.8 yen)	2.5 yen	14.9 yen
BPS ^{*3}	659.7 yen	652.8 yen	520.4 yen	530.4 yen	513.5 yen
Total asset turnover	1.09	1.09	1.11	1.10	1.14
Equity ratio	49.0%	50.1%	46.4%	48.6%	46.2%
Number of shares outstanding (excluding treasury stock/period average) ^{*3}	346,638,825	346,542,137	346,437,170	346,391,504	344,259,297

*1: 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.

*2: Free cash flow = Operating cash flow + Investment cash flow

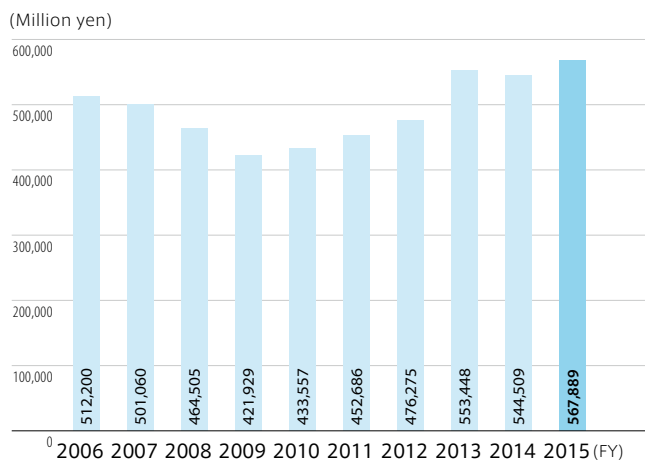
*3: We have changed the number of shares constituting one unit to 100 shares from 1,000 shares and also consolidated its shares (consolidate two shares to one share) on October 1, 2015. The amount for the total annual dividends per share in FY2015 is omitted and shown as a dash (–) as the 2nd quarter-end dividends per share and the fiscal year-end dividends per share cannot be simply added. In addition, the amount for the dividends per share are 15.00 yen (before share consolidation) for 2nd quarter-end dividends and 34.00 (after share consolidation) for fiscal year-end dividends.

(Unit: Million yen)

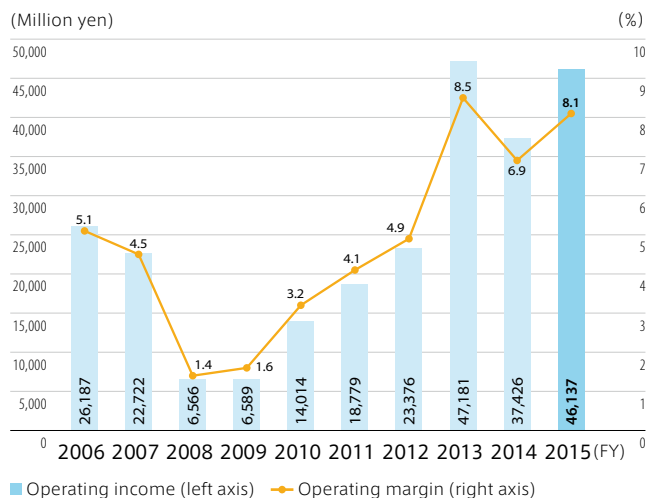
	FY2011 (March 31, 2012)	FY2012 (March 31, 2013)	FY2013 (March 31, 2014)	FY2014 (March 31, 2015)	FY2015 (March 31, 2016)
Net sales	452,686	476,275	553,448	544,509	567,889
Cost of sales	286,803	303,231	341,780	337,285	351,599
Cost of sales ratio	63.4%	63.7%	61.8%	61.9%	61.9%
Selling, general and administrative (SG&A) expenses	147,102	149,667	164,485	169,796	170,152
SG&A ratio	32.5%	31.4%	29.7%	31.2%	30.0%
Operating income	18,779	23,376	47,181	37,426	46,137
Operating margin	4.1%	4.9%	8.5%	6.9%	8.1%
Net income/loss	9,270	16,956	44,122	24,813	35,723
Net income margin/net loss margin	2.0%	3.6%	8.0%	4.6%	6.3%
Capital investment	32,253	19,934	34,575	40,264	40,674
Depreciation and amortization	18,348	19,508	14,922	17,227	18,397
Research and development (R&D) costs	16,643	15,983	17,428	18,466	19,098
R&D cost ratio	3.7%	3.4%	3.1%	3.4%	3.4%
Total assets	377,072	408,454	476,387	516,995	536,265
Current assets	181,554	205,485	258,800	266,637	279,383
Non-current assets	195,518	202,969	217,586	250,357	256,882
Total liabilities	191,491	195,043	219,790	236,412	250,743
Net assets* ¹	185,580	213,410	256,596	280,582	285,522
Operating CF	19,678	44,498	48,015	34,713	58,695
Investment CF	(22,446)	(22,971)	(4,033)	(30,040)	(29,952)
Financial CF	(12,164)	(2,178)	(23,328)	(11,393)	(15,053)
Free cash flow* ²	(2,768)	21,527	43,982	4,673	28,742
Dividend per share* ³	10.00 yen	14.00 yen	23.00 yen	26.00 yen	— yen
ROE	5.2%	8.8%	19.4%	10.0%	13.1%
ROA	5.0%	6.0%	10.7%	7.5%	8.8%
EPS* ³	27.1 yen	49.5 yen	130.2 yen	73.8 yen	212.0 yen
BPS* ³	525.6 yen	602.2 yen	737.7 yen	802.8 yen	1,631.9 yen
Total asset turnover	1.20	1.21	1.25	1.09	1.08
Equity ratio	47.7%	50.6%	52.0%	52.3%	51.5%
Number of shares outstanding (excluding treasury stock/period average)* ³	342,013,603	342,892,129	338,911,922	336,233,556	168,480,574

Financial Highlights

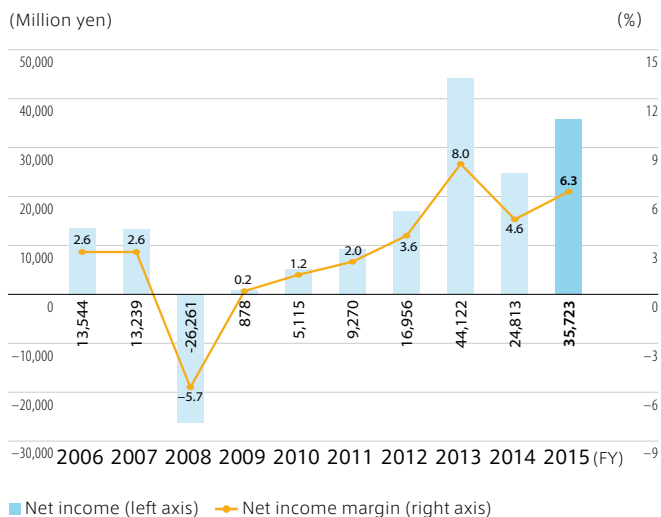
Net Sales



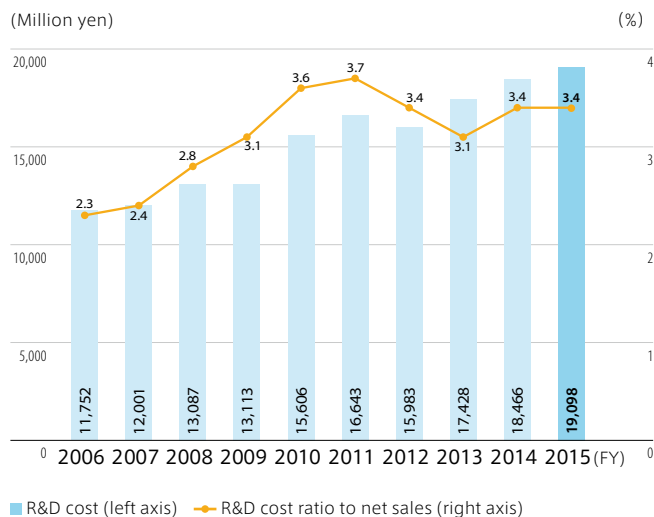
Operating Income / Operating Margin



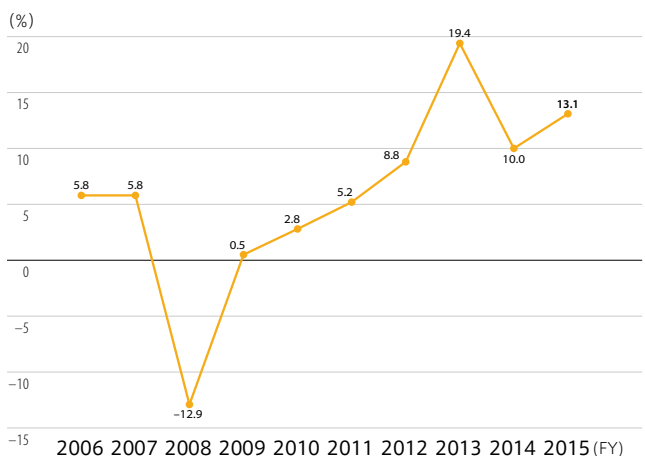
Net Income / Net Income Margin



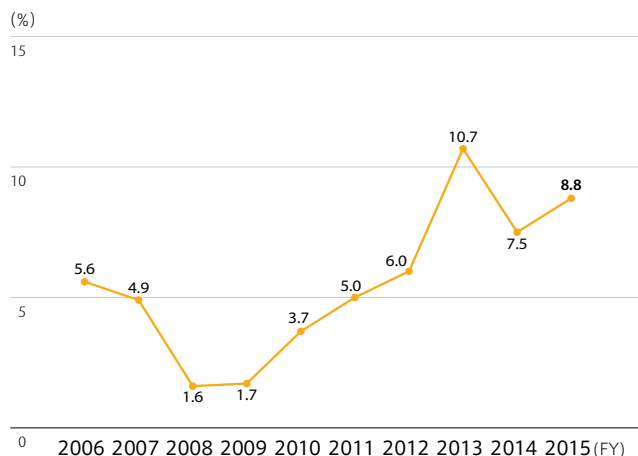
R&D Costs / R&D Cost Ratio to Net Sales



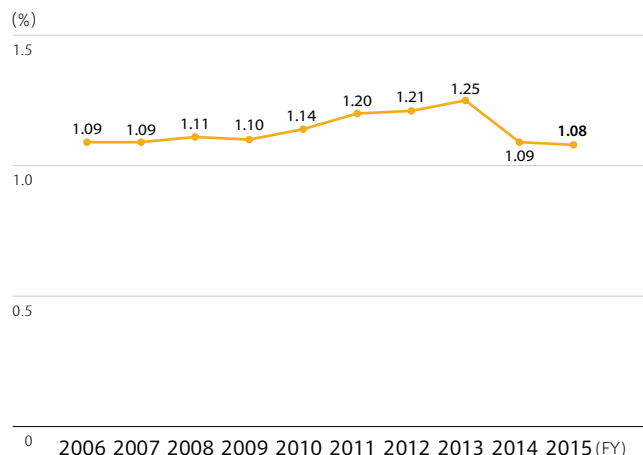
Return on Equity (ROE)



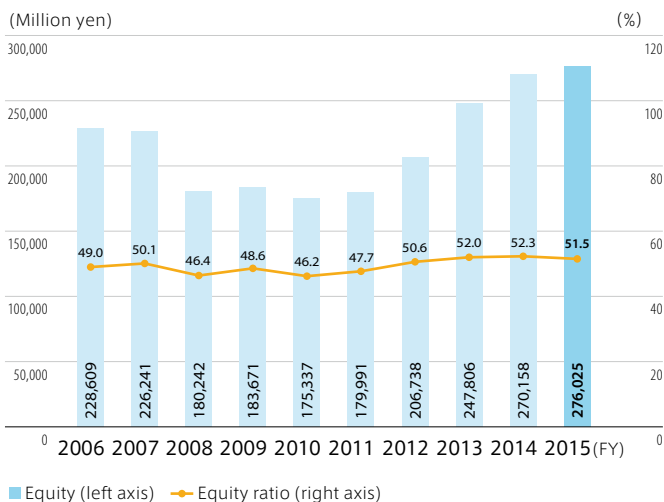
Return on Assets (ROA)



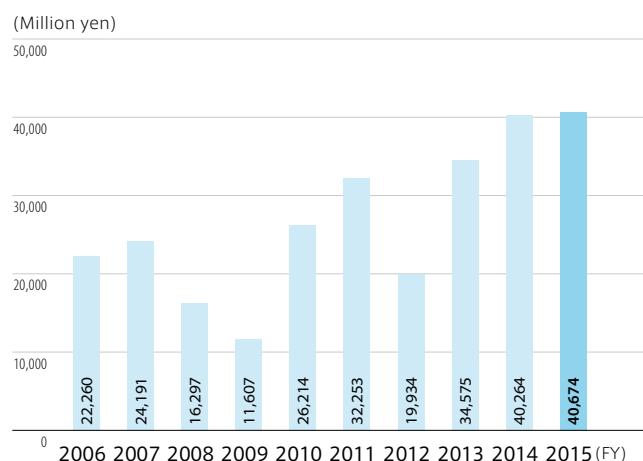
Total Asset Turnover



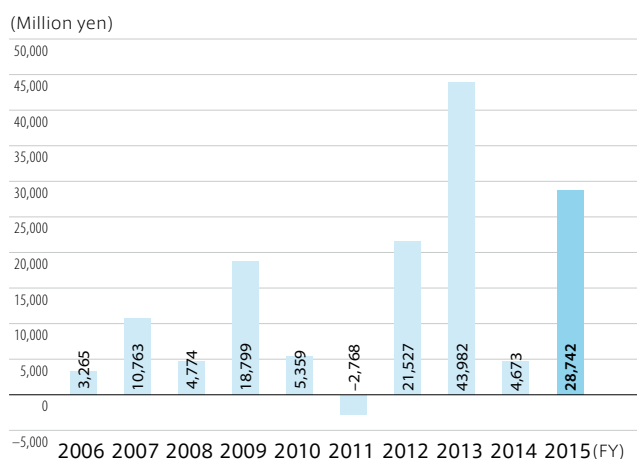
Equity/Equity Ratio



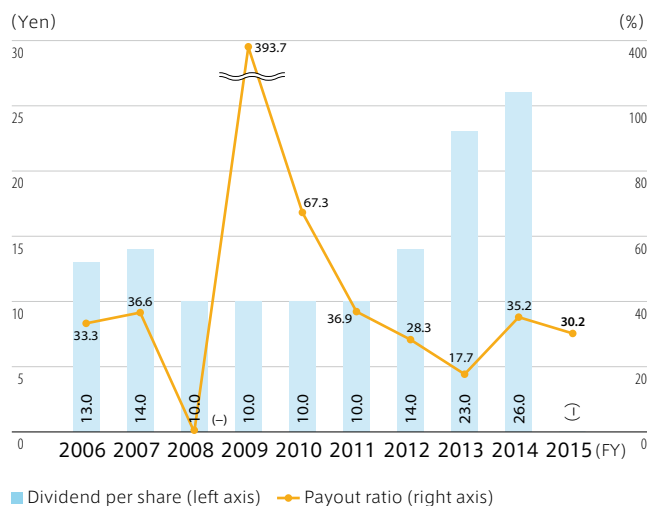
Amount of Capital Investment



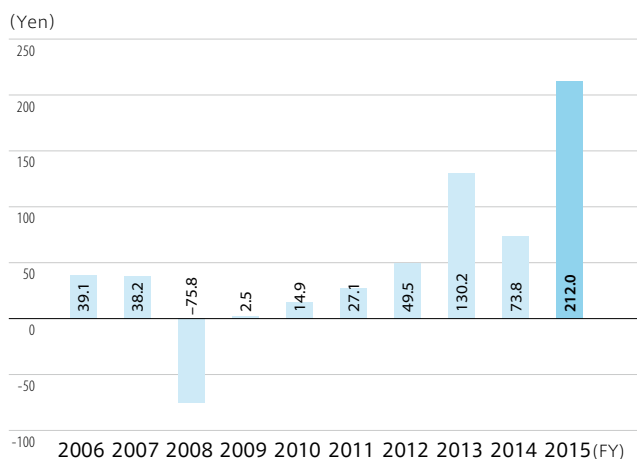
Free Cash Flow



Dividend per Share/Payout Ratio



EPS



*1 The payout ratio for FY2008 cannot be calculated due to a negative net income.

*2 We have changed the number of shares constituting one unit to 100 shares from 1,000 shares and also consolidated its shares (consolidate two shares to one share) on October 1, 2015. The amount for the total annual dividends per share in FY2015 is omitted and shown as a dash (-) as the 2nd quarter-end dividends per share and the fiscal year-end dividends per share cannot be simply added. In addition, the amount for the dividends per share are 15.00 yen (before share consolidation) for 2nd quarter-end dividends and 34.00 (after share consolidation) for fiscal year-end dividends.

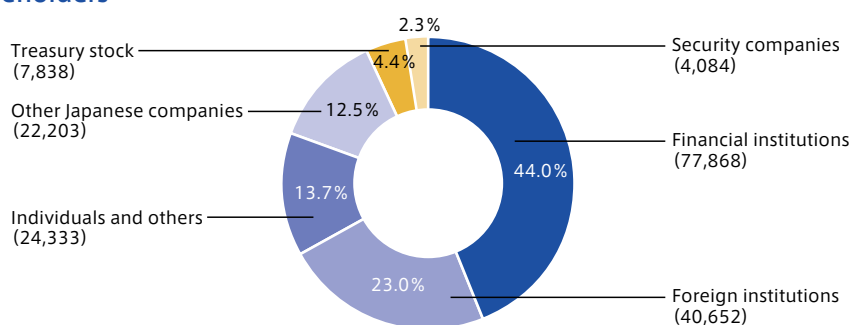
Stock Information (as of Thursday, March 31, 2016)

Stock Exchange Listings	Tokyo, Nagoya, Fukuoka
Securities Code	5332
Number of Shares	Authorized: 700,000,000 Issued: 176,981,297
Number of Shareholders	26,292
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Major Shareholders	

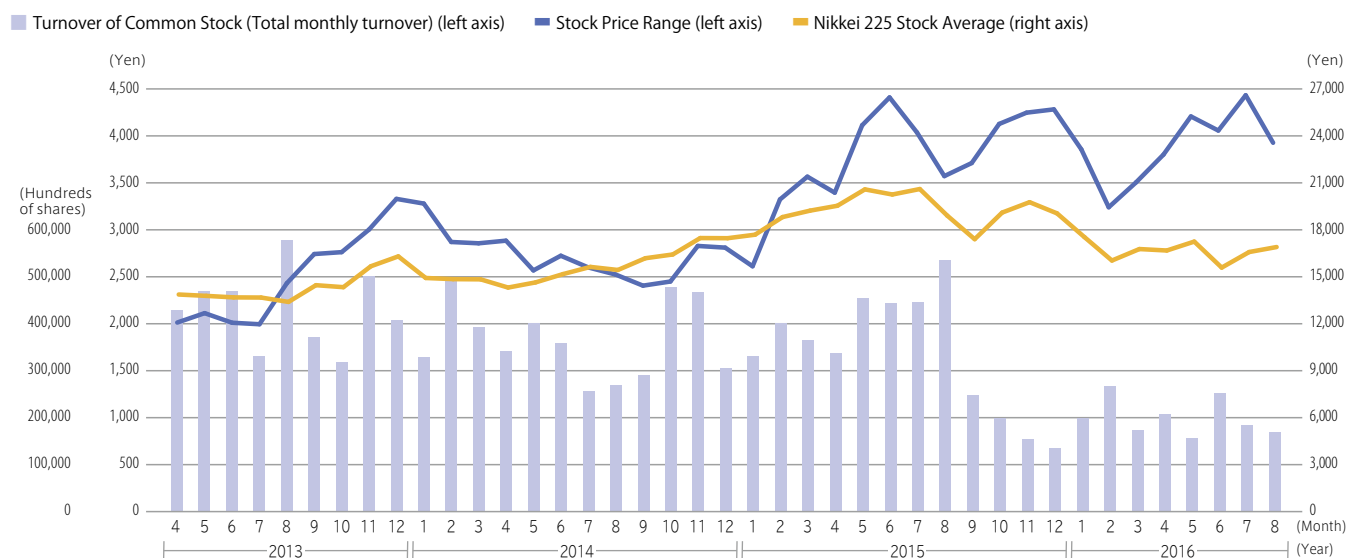
	Number of Shares Owned (thousands)	Percentage
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,612	8.26%
Japan Trustee Services Bank, Ltd. (Trust Account)	10,600	5.99%
Meiji Yasuda Life Insurance Company	10,358	5.85%
TOTO Ltd.	7,838	4.43%
Nippon Life Insurance Company	5,393	3.05%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,087	1.74%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	2,974	1.68%
Sekisui House, Ltd.	2,671	1.51%
NGK SPARK PLUG CO., LTD.	2,547	1.44%
Employees Shareholding Association	2,467	1.39%

Composition of Shareholders

(thousand shares)



Changes in Stock Price and Trading Volume



* We have changed the number of shares constituting one unit to 100 shares from 1,000 shares and also consolidated its shares (consolidate two shares to one share) on October 1, 2015. The above Changes in Stock Price and Trading Volume are calculated as if the share consolidation was made at the start of fiscal 2013.

Dividend Policy and Dividends

Dividend Policy

Return of profit to shareholders is an important part of our management policy. We make it a rule to retain enough earnings to secure funds for building a firm corporate structure and expanding our business while assuring a stable return of profit to shareholders. Retained earnings will be spent to improve product strength, streamline and strengthen production and sales systems, and develop new and overseas businesses to establish long lasting and solid manage-

ment basis. Our goal of dividend ratio is 30% of net consolidated income for the term, and we will always try to return an amount that corresponds to the performance. It will be given out in two payments a year, at mid-year and year-end.

The acquisition of treasury stock is determined from a comprehensive standpoint, based on the need for a flexible capital policy and the impact on the financial position.

Dividend record dates

Interim dividend September 30

Year-end dividend March 31

Dividend per share

(Unit: Yen)

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 (forecast)
Interim	5	5	5	6	10	13	15	34
Year-end	5	5	5	8	13	13	34	34
Total	10	10	10	14	23	26	—	68

* We have changed the number of shares constituting one unit to 100 shares from 1,000 shares and also consolidated its shares (consolidate two shares to one share) on October 1, 2015. The amount for the total annual dividends per share in FY2015 is omitted and shown as a dash (-) as the 2nd quarter-end dividends per share and the fiscal year-end dividends per share cannot be simply added. In addition, the amount for the dividends per share are 15.00 yen (before share consolidation) for 2nd quarter-end dividends and 34.00 (after share consolidation) for fiscal year-end dividends.

External Evaluation & Rating Information

Following is a description of the main awards, recognition and ratings received from external organizations for the TOTO Group's product technology (manufacturing) and business activities.

Recognition for Product Technology

[Technology and the environment]

- New West building of the Shiga Plant received top award, Minister of Economy, Trade and Industry Prize, in the energy-saving activities category of the FY2013 Energy Conservation Grand Prize [FY2013]
- AIR-IN SHOWER received Steering Committee Chairperson's Award in the eco-products category at the 9th Eco Products Awards, and the Chairman Prize of ECCJ in the product and business model category at the FY2012 Energy Conservation Grand Prize [FY2012]
- WASHLET® G, the first-generation WASHLET®, was certified as Mechanical Engineering Heritage from the Japan Society of Mechanical Engineers [FY2012]
- Received 6th Prime Minister's Prize, Monozukuri Nippon Grand Award for "development of 'low-dust emitting material for manufacturing equipment' as the basis for the next-generation semiconductor equipment" [FY2015]



First-generation WASHLET® G



ものづくり日本大賞
内閣総理大臣賞

[Product design]

- Presented iF Product Design Award Neorest DH toilet featuring WASHLET® sold globally and the green dry Hand Dryer [FY2015]
- Presented Reddot Design Award Neorest DH toilet featuring WASHLET® sold globally [FY2015]



reddot award 2016
winner

Recognition and Ratings for Business Activities

[CSR activities]

- Designated with a Silver Class CSR rating by RobecoSAM [FY2015]



[SRI evaluation]

- Included as a FTSE Russel FTSE4 Good Index Series brand [FY2016]
- Included in the Dow Jones Sustainability World Index, DJSI World [Fifth consecutive year since FY2011]
- Selected as a PIONEER in the Ethibel Investment Register [FY2015]
- Included in the Morningstar Socially Responsible Investment Index [ongoing since 2006]



[Environmental management]

- Included on the CDP Climate Disclosure Leadership Index (CDLI) [fourth consecutive year since 2012]



[Logistics]

- Efforts for logistics innovation received Logistics Grand Prize from the Japan Institute of Logistics Systems [FY2012]



[Employment of people with disabilities]

- SUNAQUA TOTO Co., Ltd. received the 2013 Award from the Minister of Health, Labour and Welfare as a business displaying excellence in the employment of disabled persons [FY2013]



[Markets]

- Selected as a Nadeshiko Brand chosen by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange [FY2015]
- Selected as the Health & Productivity Stock Selection hosted by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange [FY2015]



Corporate Data (as of March 2016)

Company Name

TOTO LTD.

Headquarters

1-1, Nakashima 2-chome, Kokurakita-ku, Kitakyushu,
Fukuoka, Japan

Establishment

May 15, 1917

Capital

¥35,579 million

Number of Employees

Consolidated: 28,148

Non-consolidated: 7,283

Fiscal Year-End

March 31

Stock Exchange Listings

Tokyo, Nagoya, Fukuoka

Securities Code

5332

Transfer Agent

1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Mitsubishi UFJ Trust and Banking Corporation



Public & Investors Relations Dept.
TOTO LTD.

1-1, Nakashima 2-chome, Kokurakita-ku, Kitakyushu, Fukuoka, 802-8601, Japan
URL: <http://www.toto.com/>