

New Shared Value Creation Strategy TOTO WILL2030

April 28, 2021

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(WILL2030 Stage1)**

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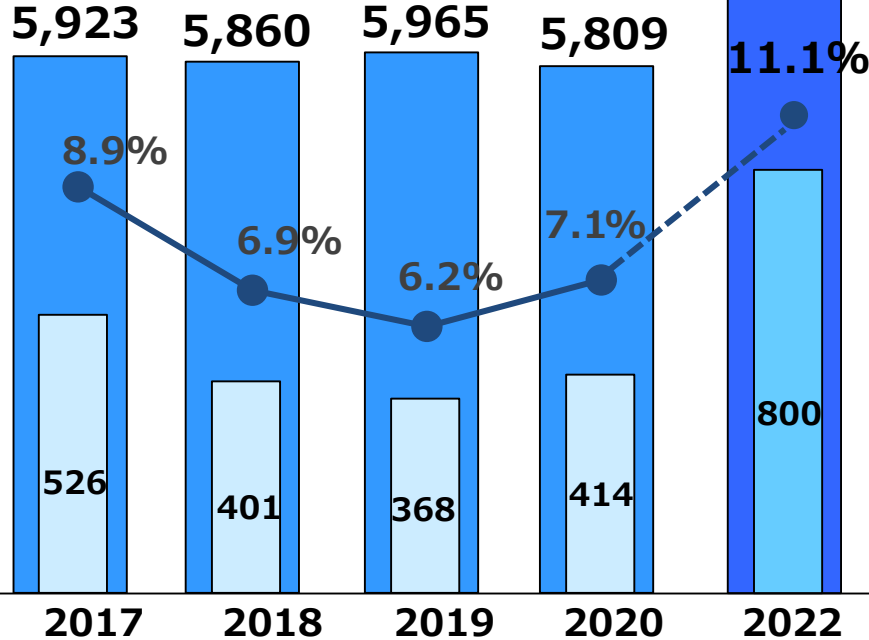
Review of TOTO WILL2022

1. Review of WILL2022

Financial Results Trends

Unit: JPY 100 million
(Target)
7,200

(Base Year)



Key Processes

Housing equipment business (Japan)

Promote "Anshin" remodeling strategy

Turn Japan into a showroom for the world

Housing equipment business (overseas)

Strengthen aftersales service network

Strengthen WASHLET sales network

Improve SR proposal capabilities

Boost production capabilities

New business domains

Boost production capabilities

Raise productivity

Common areas

Promote global environmental targets

Launch new products on the market

Enhance BCP initiatives

Invest in human resources and improve their treatment

Growth investment plan (production / IT)

ROA	9.4%	7.1%	6.3%	6.7%	12.0%
ROE	11.7%	9.6%	7.0%	7.8%	12.3%

Although there were some factors TOTO was responsible for, such as delays in responding to market changes, due to an uncertain business environment that could not be foreseen, business performance could not progress as planned. However, we were able to make steady progress on key processes.

TOTO's Raison D'être (Purpose)

While the world faced multiple disasters and the COVID-19 pandemic, we are faced with fundamental questions about the raison d'être of TOTO.

Questions facing TOTO:

- Is TOTO helpful to society and people?
- What value can TOTO offer society and customers?
- What is the mission of TOTO?
- Is TOTO really needed?

The answer to all these questions lies in the founder's will and the corporate philosophy

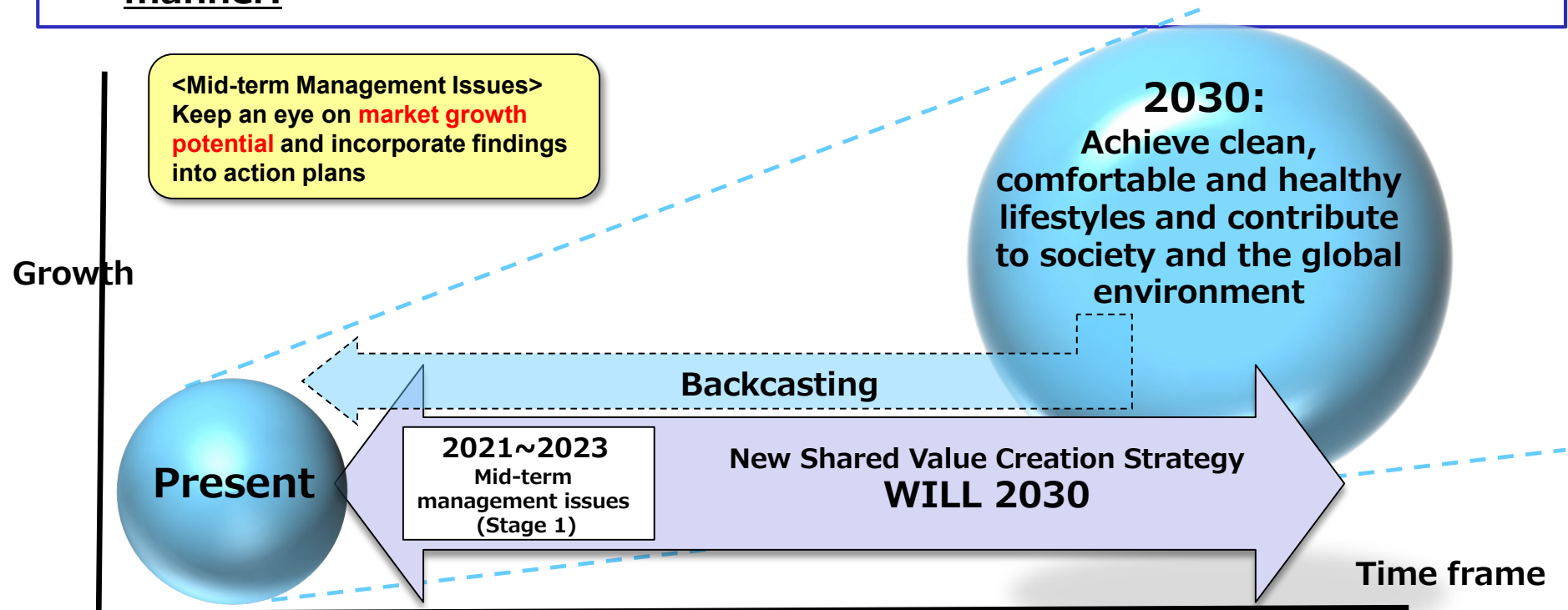
TOTO's Raison D'être (Purpose)

Contribute to the betterment of society for our customers and society as a whole, and create an enriched and more comfortable lifestyle

Make a concerted Group-wide effort to pursue the lifestyle, society and environment we want to achieve from a long-term perspective.

1. Review of WILL2022 - Future Approach

- (1) Under a rapidly changing and uncertain economic environment, instead of developing elaborate five-year plans, we will **define and backcast the lifestyle, society and environment we want to achieve from a long-term perspective.**
- (2) We will respond to environmental changes by **shortening management cycles, enhancing our organizational capabilities and boosting speed in a flexible manner.**



Our vision is to realize “clean, comfortable and healthy lifestyles” and “contribute to society and the global environment” in keeping with our philosophy. We will enhance our organizational capabilities and increase the speed of management with a structure that is resilient to environmental changes.

New Shared Value Creation Strategy

TOTO WILL2030

2. TOTO WILL2030

New Shared Value Creation Strategy : TOTO WILL2030

What WILL stands for

We Innovate

Leading Lifestyles

→ We offer (innovate) the ideal lifestyle.

In a time of new ways of living and changing values, we will keep gaining TOTO fans around the world with the strong **will** to achieve a sustainable society and realize clean, comfortable and healthy lifestyles.

2. TOTO WILL2030 – The Founder’s Will

1917: Providing a healthy and civilized way of life

“Popularizing sanitary ceramic toilets will surely contribute to the betterment of society”

Predecessor’s remarks

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.








Kazuchika Okura,

These words that appeared in a letter sent from TOTO’s first president Kazuchika Okura to its second president Saburo Momoki are cherished even today as the “Predecessor’s Remarks.”



The firm WILL and unwavering spirit of our founding, which have been passed down for a century, are the foundation of TOTO’s management and serve as the starting point for our manufacturing and sales activities.

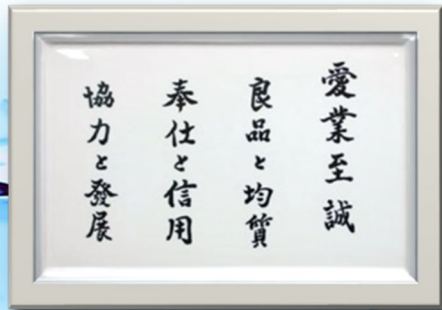
2. TOTO WILL2030 – Our Journey Creating Lifestyles and Culture

	Modernization of Japan	High Growth Period	Stable Growth Period ~ Bubble Economy	Bursting of Economic Bubble, Lost Decade
		1970s	1980s	1990s
Business Activities	<p>1917 Toyo Toki Company, Limited established</p> <p>1962 Established company motto</p>	<p>1970 Corporate name changed to TOTO KIKI LTD.</p> <p>1977 Established first overseas joint venture company for ceramic sanitary ware in Indonesia</p>		<p>1993 Remodeling Declaration</p>
Products and Technologies	<p>1914 Successfully developed Japan's first seated flush toilet</p> <p>1964 Launched Japan's first prefabricated bathroom module</p> 	<p>1976 Launched CS series of water-saving noise-reducing toilets</p> 	<p>1980 Launched WASHLET (toilet seats with warm-water washing feature)</p> <p>1981 Launched modular kitchens</p>	<p>1985 Launched Shampoo Dresser (vanity suitable for washing hair) driven by the "Asa Shan" fad of morning hair washing</p> <p>1985 Ceramics business began mass production of electrostatic chucks</p> <p>1993 Launched NEOREST tankless toilet</p> <p>1995 Discovered "photocatalytic super-hydrophilicity" (TOTO and the University of Tokyo)</p> 
	Stagnation Period	Economic Globalization		New Normal
	2000s	2006	2010s	2020s
Business Activities	<p>2002 Business alliance between TOTO, DAIKEN and YKK AP</p> <p>2003 New Remodeling Declaration</p> <p>2004 Established the philosophy system for TOTO Group management</p>	<p>2006 Established Universal Design Research Center</p> <p>2007 Changed corporate name to TOTO LTD.</p> <p>2009 Announced TOTO V-Plan 2017</p>	<p>2010 Announced TOTO Environmental Vision 2017</p> <p>2014 Announced TOTO Global Environmental Vision</p> <p>2017 Established new mission Established new materiality issues Announced TOTO WILL 2022 mid-term management plan</p>	<p>2020 Launched initiatives aimed at new working styles</p> <p>2017 Anshin Remodeling Declaration</p>
Products and Technologies	<p>2001 Launched system bathroom with quick-drying KARARI floor</p> <p>2002 Launched NEOREST EX series with built-in TORNADO FLUSH</p> 	<p>2004 Launched Fupopia MAHOBIN series of bathtubs that achieve excellent heat retention</p> <p>2008 Launched RESTROOM ITEM 01 universal design series of public toilets</p>	<p>2010 Launched AIR-IN-SHOWER showerhead</p> <p>2011 Launched WASHLET apricot equipped with EWATER+ antibacterial electrolyzed water</p>	<p>2010 Launched 3.8L water-saving toilet in the US</p> <p>2017 Launched NEOREST NX globally</p> <p>2020 Cumulative sales of the NEOREST series exceeded three million units</p> 

Going forward, we will continue to create the lifestyle and culture needed by people around the world.

2. TOTO WILL2030 – Corporate Philosophy (Purpose)

“Contribute to the betterment of society and create an enriched and more comfortable lifestyle and culture built on our plumbing products.”



Company mottos

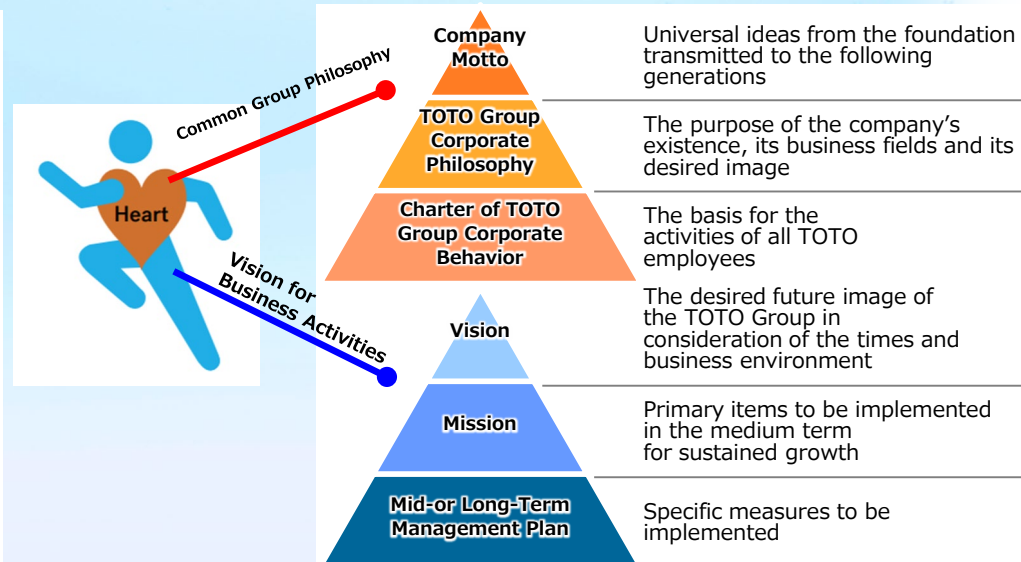
TOTO Group Corporate Philosophy

TOTO Group strives to create a great company, trusted by people 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.

Philosophy System for TOTO Group Management



The will of our predecessors has been handed down over generations through the TOTO Group Corporate Philosophy, and will continue to guide the vision our united Group pursues in the future.

2. TOTO WILL2030 – TOTO’s Materiality Issues

TOTO Group Corporate Philosophy

Materiality <Key issues to be addressed>

TOTO Group strives to create **a great company, trusted by people around the world, and contributing to the betterment of society.**
To achieve our philosophy, TOTO will:

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- 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.



Cleanliness and Comfort

Environment

Relationships

The TOTO Group Corporate Philosophy is precisely what we should pursue, and materiality reflects the key issues we must address to achieve it.

2. TOTO WILL2030 – TOTO’s Materiality Issues

TOTO’s Materiality Issues Towards Achieving the Corporate Philosophy SDG Themes

Cleanliness and Comfort

By realizing cleanliness and comfort through our business activities,
We will contribute to the SDGs



Realize cleanliness and comfort throughout the world



Making something means thinking of people.
TOTO’s Universal Design



Having fun keeping healthy (wellness)



Cleanliness through touchless technologies



Satisfying customers beyond expectations (remodeling)



Environment

By protecting the environment through our business activities,
We will contribute to the SDGs.



Protect our limited water resources and connect with the future



Carbon neutrality initiatives



Aim for sustainable development together with local communities



Mitigating environmental risks



CSR procurement that also considers biodiversity



Relationships

By building relationships through our business activities,
We will contribute to the SDGs



Consideration of human rights



The success of diverse human resources (employment and retention)



Building deep, long-lasting relationships with customers



Engagement with shareholders and investors

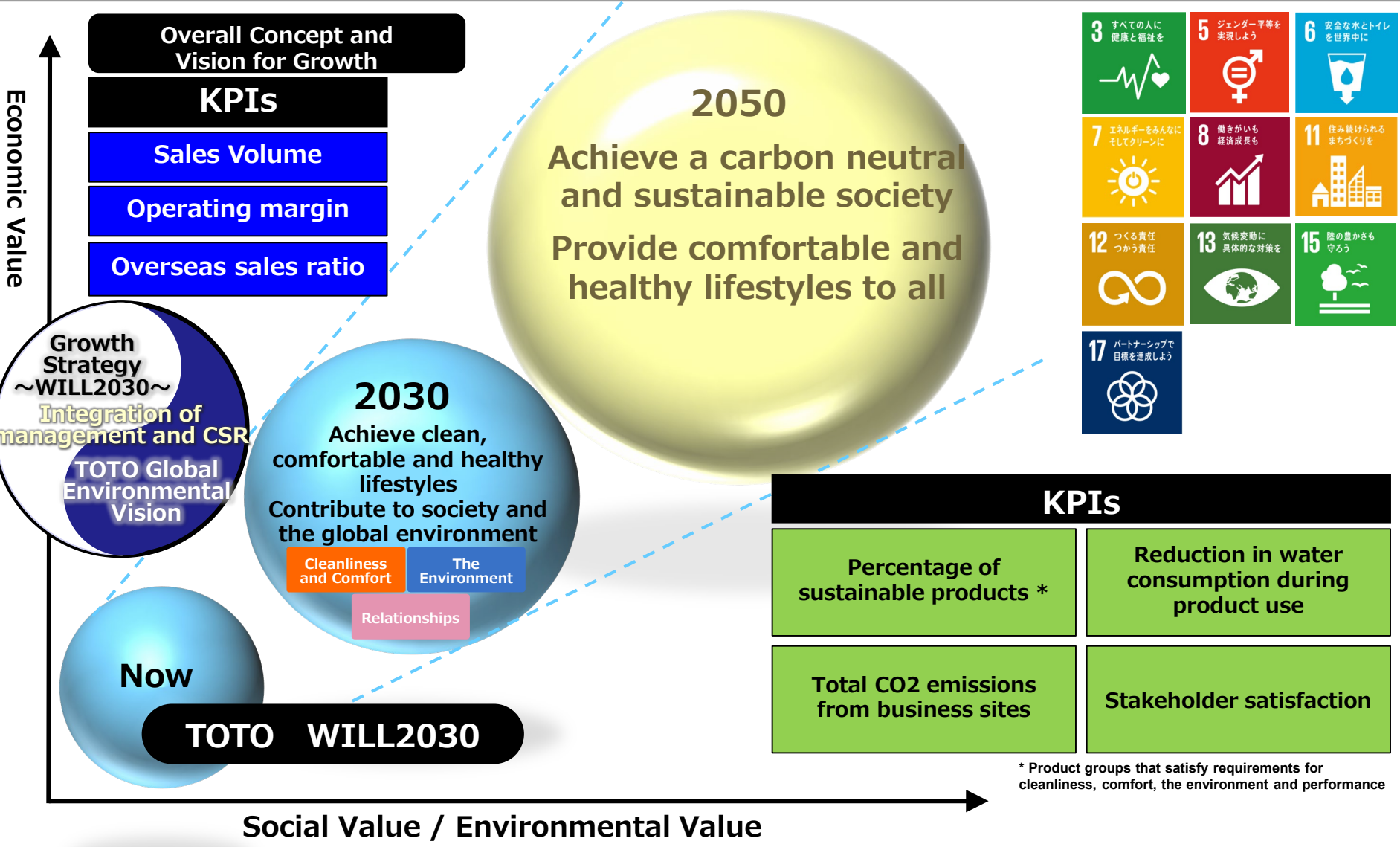


Offer cultural support and contribute to society for the next generations



We will enhance corporate value and contribute to the SDGs both in terms of solving key social issues and achieving economic growth.

2. TOTO WILL2030 – TOTO’s Vision for Creating Shared Value



We will also achieve economic growth by working to solve social issues through our business

2. TOTO WILL2030 – Indicators Targeting 2030

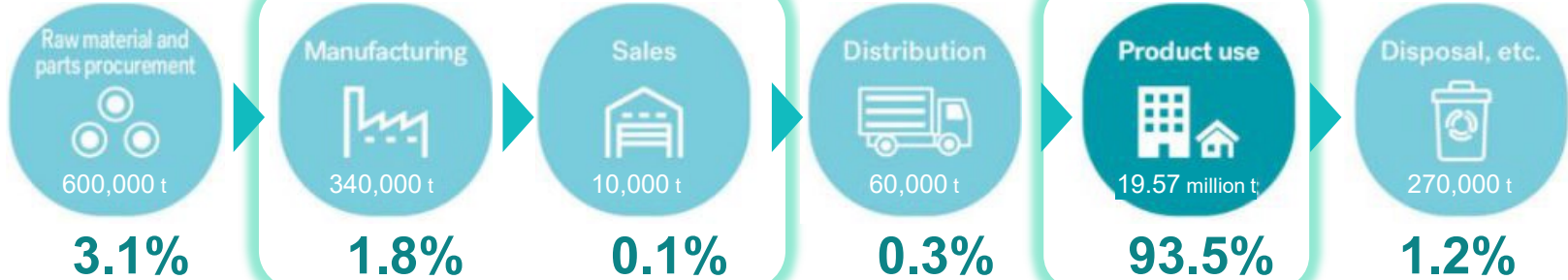
	KPIs	2020	2030
Social Value / Environmental Value	Percentage of sustainable products	69% (Japan) 74% (Overseas) 56%	78% (Japan) 85% (Overseas) 70%
	Reduction in water consumption during product use (Alleviating water stress)	0.9 billion m ³	1.7 billion m ³
	Total CO2 emissions from business sites	357,000 tons	250,000 tons
	Stakeholder satisfaction	Employee satisfaction 74% Showroom satisfaction 73% After sales service satisfaction 92%	80% 80% 95%
Economic Value	Sales volume *	JPY 577.8 billion	At least JPY 900 billion
	Operating margin	6.9%	At least 10%
	Overseas Sales Ratio (Housing Equipment Business)	25%	At least 50%

*After adjustments for new standards for revenue recognition

2. TOTO WILL2030 – Realizing a Carbon-Neutral, Sustainable Society

CO₂ Reduction

Percentages of CO₂ emissions in product lifecycle (2018)



CO₂ reduction volume based on SBT*1

Total reduction of CO₂ emitted from offices

Energy saving improvement/Large equipment renewal

RE100
CLIMATE GROUP | CDP Introduction of renewable energy: 100% (2040)

* 90% (in 2030)

Reduction of CO₂ emitted when product is used

Spread of sustainable products

Evolution of environmental performance

Expansion of renewable energy

Use of hydrogen

Use of CO₂

Decarbonization of water and sewerage and hot-water supply energy

Energy saving, energy creation and energy storage of buildings

*1 "SBT": Science Based Targets. Greenhouse gas reduction target for the companies that meet the level of the Paris Agreement

TOTO will advance SBT-based efforts to realize a carbon-neutral society in 2050.

2. TOTO WILL2030 – Sustainable Products

■ Products unique to TOTO that balance cleanliness, comfort and the environment



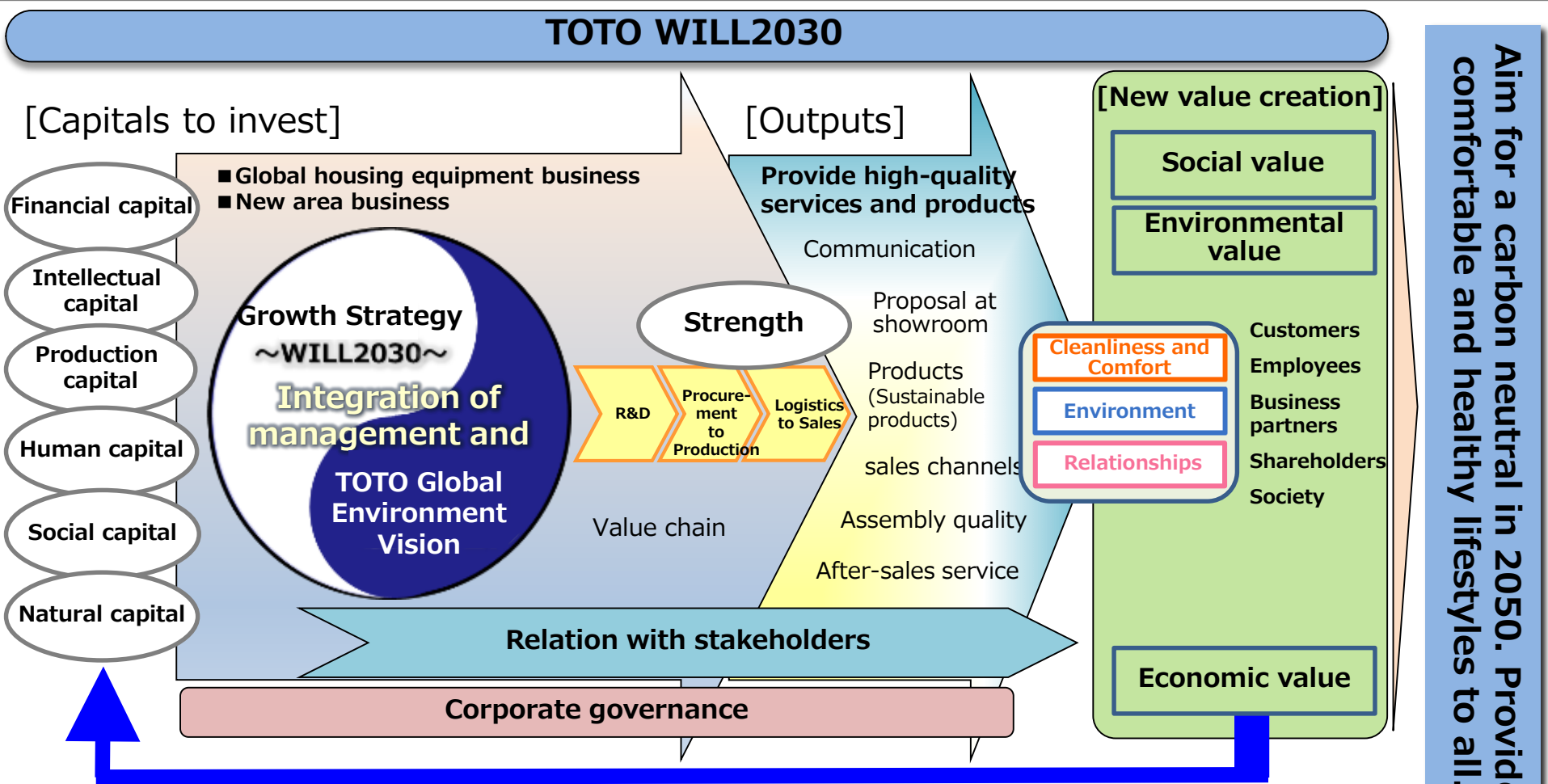
■ Applicable Products

Housing Equipment		
 <p>Toilets Clean (edgeless shape, TORNADO FLUSH, CEFIONTECT) Water saving (4.8L and lower)</p>	 <p>Bathrooms Clean (EWATER+) Comfort / Design Energy saving (MAHOBIN heat retaining bathtubs) / hot water saving</p>	
 <p>WASHLET® Clean (EWATER+) Electricity saving</p>	 <p>Bathroom Vanity Units Clean (EWATER+) / Design Hot water saving (Eco-Single)</p>	 <p>Modular Kitchens</p>

Public		
 <p>Toilets Clean Water saving (6L and lower)</p>	 <p>WASHLET® Clean Electricity saving</p>	 <p>Auto Flush Value Clean (contactless) Water saving</p>
 <p>Urinals</p>	 <p>Auto Faucets Clean (touchless) Water saving, EWATER+, contactless</p>	 <p>IoT Support Comfort, UD Water saving</p>

By 2030, we aim for sustainable products unique to TOTO to account for at least 78% of our lineup

2. TOTO WILL2030: Value Creation Model



Enhance value creation to strengthen the business foundation and return it to capital.

The TOTO Group aims to continue to be a company that contributes widely to society and global environment. To do that, it works to create a common value through TOTO's specific corporate activities that simultaneously deliver environmental value, social value, and economic value.

Mid-Term Management Issues (WILL2030 STAGE 1)

FY2021 - FY2023

3. Mid-Term Management Issues

Contributing to a sustainable society and clean, comfortable and healthy lifestyles



Products

Product lines unique to TOTO that facilitate cleanliness, comfort and health while being eco-friendly

Services

Place importance on connections between people around the world and remain a trusted company

Marketing

Visualizing markets in each country, and developing systems covering production to sales that match each country's characteristics

Digital Innovation

Value creation that cannot be achieved by the company alone and business process reforms using digital technologies

Accelerate the innovation with a new strategic framework and evolve ourselves steps ahead of society

3. Mid-Term Management Issues – Promotion Framework



Under a new framework, we will change faster than the world

3. Mid-Term Management Issues

Management Indicators

FY2020

FY2023

Net Sales

JPY 577.8 billion

JPY 690.0 billion

Operating profit

JPY 39.7 billion

JPY 60.0 billion

Operating margin

6.9%

8.7%

Sustainable products ratio

69%
(Japan) 74%
(Overseas) 56%

73%
(Japan) 80%
(Overseas) 61%

ROA*

6.5%

9.0%

ROE

7.7%

10.2%



※Operating Profit basis

3. Mid-Term Management Issues

Company-Wide Sales Plan by Segment

	FY2020		FY2023	2020 → 2023 cumulative growth rate	Average annual growth rate
Housing equipment business (Japan)	JPY 419.8 billion		JPY 465.0 billion	+11%	(+4%)
Remodeling	JPY 288.6 billion		JPY 341.2 billion	+18%	(+6%)
New construction	JPY 131.3 billion		JPY 123.8 billion	-5%	(-2%)
Housing equipment business (Overseas)	JPY 137.7 billion		JPY 200.0 billion	+45%	(+15%)
Mainland China	JPY 69.5 billion		JPY 100.0 billion	+44%	(+15%)
Asia	JPY 28.2 billion		JPY 42.0 billion	+49%	(+16%)
Americas	JPY 36.0 billion		JPY 52.0 billion	+45%	(+15%)
Europe	JPY 4.0 billion		JPY 6.0 billion	+50%	(+17%)
Advanced ceramics business	JPY 20.1 billion		JPY 24.5 billion	+22%	(+7%)
Company-wide Total	JPY 577.8 billion		JPY 690.0 billion	+19%	(+6%)
ROA	6.5%		9.0%		
ROE	7.7%		10.2%		

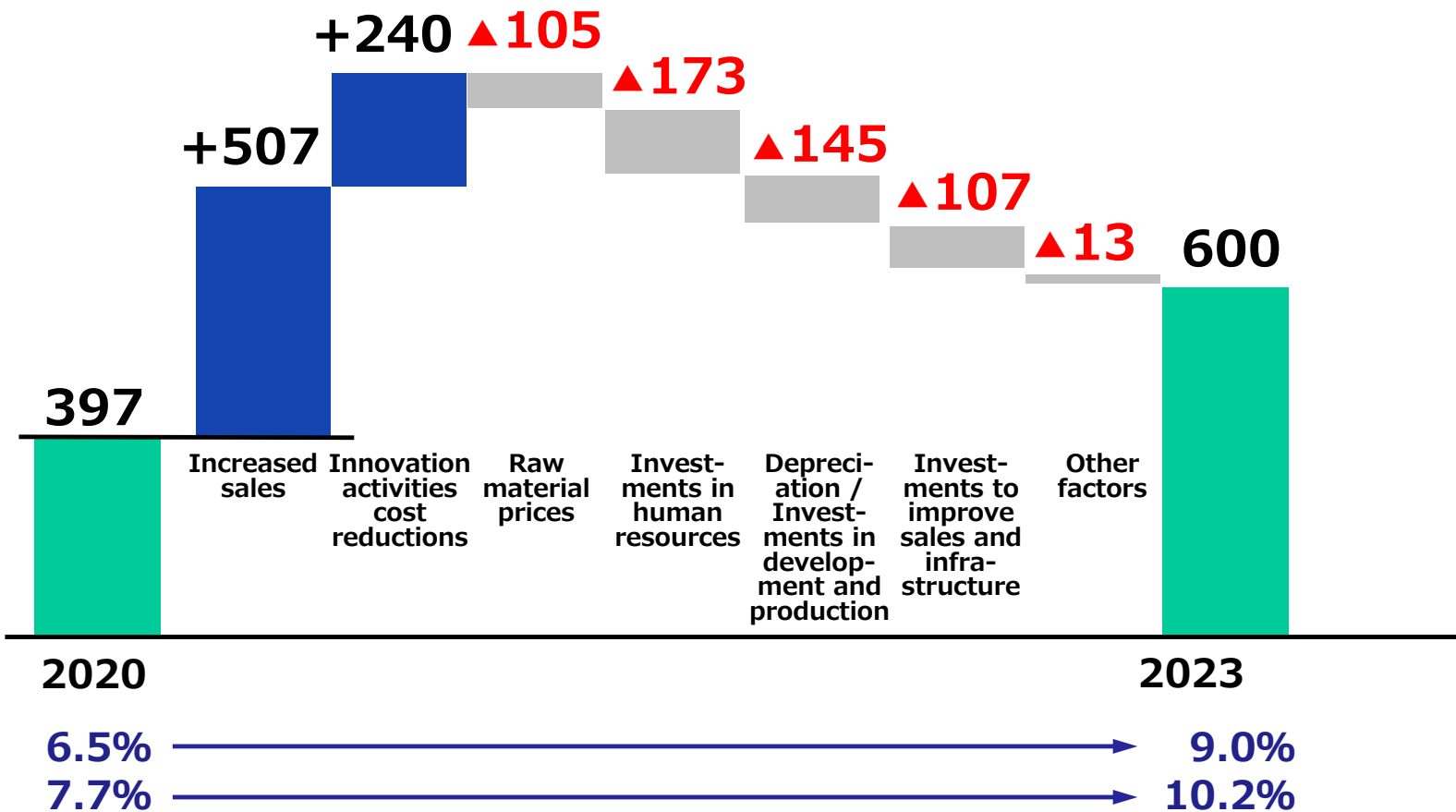
After adjustments for new standards for revenue recognition)

* Exchange rates
Chinese RMB: JPY 15.2
US Dollar: JPY 105.0
Euro: JPY 124.0

3. Mid-Term Management Issues

Company-wide: Factors for Increase/Decrease in Operating Profit

(After adjustments for new standards for revenue recognition)



Through higher sales with a focus on overseas, combined with cost reductions, we aim to achieve an operating profit of JPY 60 billion

3. Mid-Term Management Issues - Housing Equipment Business (Japan)

Vision for Society and Key Strategies

Achieving clean, comfortable and healthy lifestyles with dream remodeling

Building a sustainable society with eco-friendly products



Key Challenges

Promotion of "Anshin" Remodeling

Home Remodeling

The evolution of the "Anshin" remodeling strategy inspiring customers to take a step forward with digital

Acceleration of Public Remodeling

Public Remodeling

Accelerating making Japan the world's showroom using touchless and digital technologies

New

Sales Innovation

- Innovation in sales activities
- Optimal locations and personnel allocations

3. Mid-Term Management Issues - Housing Equipment Business (Japan)

Housing Equipment Business (Japan): Mid-Term Sales and Operating Profit Plan

		<u>FY2020(Operating margin)</u>	<u>FY2023(Operating margin)</u>	<u>Growth rate</u>
Demand-specific Plans Remodeling New construction	Net sales	JPY 419.8 billion	JPY 465.0 billion	+11%
	Operating profit	JPY 22.8 billion(5.4%)	JPY 28.5 billion (6.1%)	+21%
	Percentage of Sustainable Products	74%	80%	+6pt
	Net sales	JPY 288.6 billion	JPY 341.2 billion	+18%
	Operating profit	JPY 21.1 billion (7%)	JPY 26.5 billion (8%)	+25%
	Net sales	JPY 131.3 billion	JPY 123.8 billion	-5%
	Operating profit	JPY 1.7 billion (1%)	JPY 2.0 billion (2%)	+18%

(After adjustments for new standards for revenue recognition)

3. Mid-Term Management Issues - Mainland China Business

Vision for Society and Key Strategies

Achieve clean, comfortable and healthy lifestyles through the provision of products with high customer value

Build a sustainable society with eco-friendly products



Key Challenges

Brand Strategy

Thanks to rising income levels, further expand and diversify TOTO's target customer demographic. The TOTO brand will convey and enhance the value it offers to customers.

Strong image of "utility"

Quality
Technology
Durability



High-grade products that allow customers to enjoy a sense of status

Proposing new customer value
Exceptional quality and service

Sales Strategy

(1) Maximize the customer value provided

- Establish a firm position for the Washlet, which is entering a phase of widespread adoption
- Energize retail distributors (enhance the ability of distributor showrooms to make proposals)
- Make changes to distribution systems

(2) Provide impressive service

- Provide installation and repair services that impress customers

Enhancing Business Foundations

- Improving marketing capabilities
- Building an optimum supply chain
- Improving production efficiency
- Product strategy

3. Mid-Term Management Issues - Mainland China Business

Production Strategy

Develop sites so that products can be supplied to Chinese customers in a timely fashion. Take on the challenge of minimizing energy consumption at the latest eco-friendly plants.

■ TOTO Fujian Plant No. 2 (Sanitary Ware)



■ TOTO Naning Plant (Bathtubs)



Mainland China Business – Mid-Term Sales and Operating Profit Plan

	FY2020(Operating margin)	FY2023(Operating margin)	Growth rate
Net sales	JPY 69.5 billion	JPY 100.0billion	44%
Operating profit	JPY 11.6 billion (17%) Local currency basis (20%)	JPY 17.0 billion (17%) Local currency basis (20%)	47%
Washlets	Growth rate in unit sales	+76% (vs. FY2020)	
Percentage of Sustainable Products	49%	56%	+ 7 pt

3. Mid-Term Management Issues - Asia Business

Vision for Society and Key Strategies

Penetrate diverse cultures and lifestyles to provide hygienic living environments



Offer satisfaction beyond expectations with remodeling using clean and comfortable products (Taiwan)



Key Challenges by Region

Taiwan	Become the most trusted provider of plumbing-related solutions in Taiwan
Vietnam	Establish a position as the most trusted brand loved by the Vietnamese people
Thailand	Expand sales routes and propose comfortable spaces to establish a stable operating base
India	Develop an enormous next-generation market and establish a position as a trusted brand

Common challenges

Expanding WASHLET sales

Launching global products

Enhancing the quality and service structure

Building optimum supply systems

3. Mid-Term Management Issues - Asia Business

Production Strategy

Enhance productivity and augment production capacity as a global supply site
Develop eco-friendly plants that combine technologies and expertise.

■ Vietnam No. 4 Plant (Sanitary Ware)

No. 4 Plant No. 3 Plant
第4工場 第3工場
Entering service in July 2022

■ Vietnam New Plant (Faucets)

Planned as a global supply site
Balances environmental considerations with productivity improvements
(Green, Clean, Smart)

Scheduled to enter operation in FY2023

Asia Business- Mid-Term Sales and Operating Profit Plan

Net sales
Operating profit
Percentage of Sustainable Products

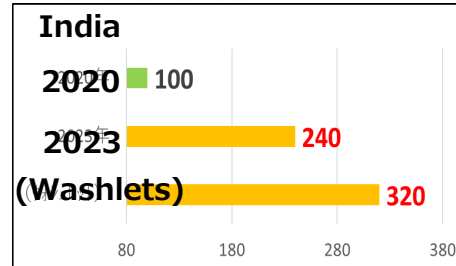
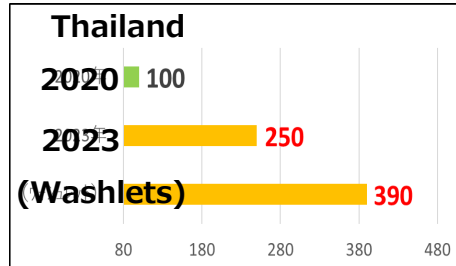
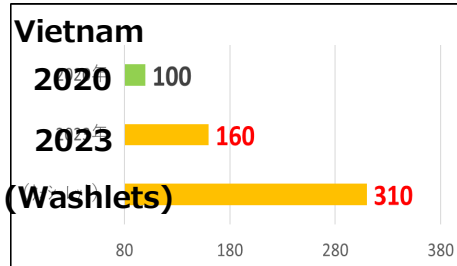
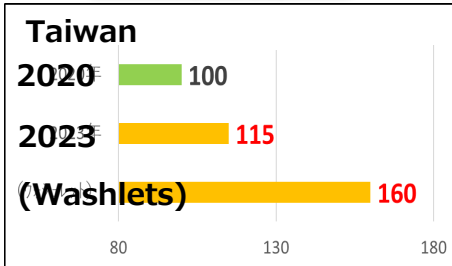
FY2020(Operating margin)

JPY 28.2 billion
JPY 4.6 billion (16%)
50%

FY2020(Operating margin) **Growth rate**

JPY 42.0 billion 49%
JPY 6.5 billion (19.5%) 42%
54% + 4 pt

* Sales growth rate, Washlet unit basis



3. Mid-Term Management Issues - Americas Business

Vision for Society and Key Strategies

Provide customers with comfortable lifestyles by proposing lifestyle value that is unique to TOTO

Build a sustainable society and lifestyles with DX technologies and the popularization of sustainable products



Key Challenges

Sales Strategy

Rebuild customer contact points by area with a focus on the Washlet

- Strengthen sales networks (showrooms, counter*, e-commerce)
 - Develop a service network
- (* In-store sales at sales distributors)

Production Strategy

Establish stable supply systems

- Develop systems to deliver products as requested by customers
- Strengthen BCP response

Human Resource Strategy

Develop work that leads to fulfillment

- New personnel systems
- Development of mechanisms enabling new working styles

(Continue to be a workplace where all employees can feel fulfilled, and work vigorously with a sense of pride)

3. Mid-Term Management Issues - Americas Business

Production Strategy

Augment production capacity to supply products to customers in the Americas in a timely fashion
 Take on the challenge of minimizing energy consumption with eco-friendly plants

■ Expansion of Mexican Plant Facilities (in-house slurry production)



New building will enter full operation in FY2022 to boost production efficiency

■ Restructuring of US Morrow Plant

- Introduce automation equipment to improve yield and productivity
- Strengthen environmental considerations (started ahead of operation in FY2024)

■ Strengthening washlet supply system

- Local assembly of washlets
- Build optimum supply chain taking BCP into account

Americas Business - Mid-Term Sales and Operating Profit Plan

	<u>FY2020</u>	<u>FY2023</u>	<u>Growth rate</u>
Net sales	JPY 36.0 billion	JPY 52.0 billion	+45%
Operating profit	JPY 2.5 billion (7%) Local currency basis (10%)	JPY 5.0 billion (10%) Local currency basis (13%)	+100%
Washlet	Growth rate in unit sales	+127%(vs. FY2020)	
Percentage of Sustainable Products	70%	73%	+ 3 pt

3. Mid-Term Management Issues - Europe Business

Vision for Society and Key Strategies

With the washlet playing a central role, firmly establish clean and comfortable Japanese bathroom culture in Europe and spread it around the world

Build a sustainable society with eco-friendly products



Key Challenges

Sales Strategy

Service Strategy

Human Resource Strategy

[Germany] Build a strong network of plumbers and become a top brand in Europe
 [Britain and France] Strengthen brand messaging by getting TOTO products installed at famous sites

Gain trust with differentiated services

Systems that lead to employee fulfillment / developing a workplace culture where employees can work with pride

Europe Business - Mid-Term Sales and Operating Profit Plan

	FY2020	FY2023	Growth rate
Net sales	JPY 4.0 billion	JPY 6.0 billion	+50%
Operating profit	JPY -1.0 billion	JPY -0.5 billion	-
Washlets	Local currency basis (-)	Local currency basis (-)	
Percentage of Sustainable Products	Growth rate in unit sales	+180%(vs. FY2020)	
	83%	84%	+ 1 pt



3. Mid-Term Management Issues - Advanced Ceramic Business

Vision for Society and Key Strategies

Support DX-driven social change with TOTO's ceramics technologies

- Propose value by providing one-of-a-kind ceramic products

Operating profit to net sales: At least 20% (2023)

- Speedy product development synchronized with customer development plans

Development speed: At least 20% (vs. 2020)

- Strengthen operating base by developing ceramics smart factory

Added value productivity: +50% (vs. 2020)

- Global supply chain encompassing everything from suppliers to customers

Days of inventory on hand: 20% reduction (vs. 2020)



Advanced Ceramics Business - Mid-Term Sales and Operating Profit Plan

	<u>FY2020(Operating margin)</u>	<u>FY2023(Operating margin)</u>	<u>Growth rate</u>
Net sales	JPY 20.1 billion	JPY 24.5 billion	+22%
Operating profit	JPY 1.8 billion (9%)	JPY 6.0 billion (25%)	+230%

3. Mid-Term Management Issues - Marketing Innovation Activities

Vision

Keep gaining TOTO fans around the world
Beautiful, exciting to use, and desirable
Deliver new lifestyle value to customers around the world

Marketing innovation: Product strategy related R&D, product planning, and innovative activities in promotion



In response to environmental changes
Engage in value messaging and product planning

Further advance
Global market visualization

To support the next decade
Create new lifestyle value

Pursue new lifestyle value with quality, design and technology

3. Mid-Term Management Issues - Marketing Innovation Activities

IF and Red Dot Design Awards



We will further advance the fusion of designs and technologies that have earned recognition from customers around the world, utilizing digital technologies to create new value in everyday life.

3. Mid-Term Management Issues - Marketing Innovation Activities

Enhanced value messaging

TOTO



TOTO CLEANOVATION
Enriching lives with innovative clean technology

The continuation of clean innovation

Life Anew



TOTO



Let's Wash with
TOTO WASHLET

TOTO



CLEAN SYNERGY
Technology & Design

TOTO



The security of
TOUCHLESS
A new world. A better way to clean.

1 **WASHLET**
The clean lifestyle culture of "washing bottoms"

2 **CLEAN SYNERGY**
"Cleanliness and security" achieved with unique technologies and designs

3 **TOUCHLESS**
Peace of mind derived from "not touching"

The continuation of TOTO's CLEANOVATION clean innovation activities will be communicated to customers around the world through three concepts of value

Supply Chain Innovation

Vision Achieve a stable supply globally through a high-speed supply chain

1

Stable Global Supply Supply chain reorganization, shortened lead times

- Respond to shifts in demand through coordination between production and sales, and an optimal supply chain
- Securing inventory, purchasing from multiple suppliers and establishing alternate site backup systems for BCP purposes

Optimum inventory (Inventory on hand)
15% reduction
(2023 target)

Systematically promote local production for local consumption and establish a BCP response system able to ensure continual supply even in emergencies

Target rate of local production for local consumption (2025)	Americas	Mainland China	Japan	Asia
	60%	95%	85%	100%

Business Measures by Region

[Japan]

- Platform development
- Organization of item numbers
- Shortened production lead times
- Inventory reduction

[Mainland China]

- More accurate sales forecasts
- Organization of item numbers
- Shortened production lead times
- Inventory reduction

[United States]

- Sharing of production, sales and inventory information to enhance market response capabilities
- Reduction of logistics lead times
- Organization of item numbers
- Inventory reduction

Rebuild a strong and robust supply chain to restore confidence in delivery times

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Manufacturing Innovation

Vision Develop one-one-only TOTO products one after another, and achieve high-speed automated production

2

Enhance coordination of seeds and elemental technology strategies

- Development of materials and seeds technologies in coordination with marketing innovation
- Establishment of a next-generation development structure

Enhancement of timely product launches

- Global product rollouts during and after the COVID-19 pandemic
- Platforms, promotion of modularization and simultaneous global rollouts

Productivity (Development Productivity)
15%
improvement
(2023 target)

3

Maximizing Production Capabilities

Automation & Remote Operation

- Fully utilize current sites and take on the challenge of high-speed automated production to achieve leaps forward in plant productivity
- Backup for global demand fluctuations and unexpected events
- Establish good product conditions through the utilization of plant big data, improve first run rate and yields

Productivity (added value productivity)
15%
improvement
(2023 target)

Continuation of demand chain innovation and cost reductions (CR) worth JPY 8.0 billion / year

- Development production innovation CR (production materials, raw materials, manufacturing), logistics innovation, purchasing innovation CR

Demand Chain Innovation Cost Reductions
JPY 8.0 billion / year

3. Mid-Term Management Issues - Management Resource Innovation Activities

Vision

Assemble a diverse range of human resources and create a company that employees are proud of where they can work with peace of mind and take on challenges with vigor.

Human Resources

(Japan)

A workplace where a diverse range of human resources can take on challenges

Promoting Work from Home and Remote Work

A workplace where employees can take on challenges with peace of mind

- Instituting mandatory retirement at age 65
Enabling employees to work many years with vigor and peace of mind
- Revising "officer compensation" for managerial staff
Introducing variety tied to roles and the results achieved

(1) Promoting female advancement

- Percentage of females in managerial positions
21% (FY2023)

(2) Advancement of people with disabilities

- Percentage of employees with disabilities
2.5% (FY2020 ~)

(3) Promotion of gender minority initiatives

- Cultivating a culture towards gender equality

(4) Employee satisfaction

- Employee survey general score
76.0pt (FY2023)

A diverse range of human resources creates new value

■ Online meetings with junior employees



■ Video messages to 14 countries



Strengthen engagement with employees to develop strong organizational strength and human resource capabilities

IT

Communication infrastructure

Common infrastructure










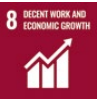


Security infrastructure

Develop infrastructure to enhance security globally and enable information to be shared and utilized across company boundaries

Finance & Accounting

- Diverse management taking into account return on invested capital (ROIC)
- Group-wide accounting through the utilization of digital transformation balancing quality and efficiency

3. Mid-Term Management Issues -

Goals		Main Initiatives	Indicators	Cat.	FY2020 (Results)	FY2023 (Targets)	SDGs Themes
Cleanliness, comfort and the environment		Rolling out clean, comfortable and eco-friendly products	Percentage of sustainable products	◆	69% (Japan) 74% (Overseas) 56%	73% (Japan) 80% (Overseas) 61%	
Cleanliness and Comfort	<ul style="list-style-type: none"> Realize cleanliness and comfort throughout the world Pursue ease of use for everyone 	Global expansion of clean and comfortable toilets	Percentage of TORNADO FLUSH units shipped (overseas)		46%	56%	   
			Number of WASHLET units shipped (overseas)		0.77 million units	1.34 million units	
			EWATER+ WASHLET rollout percentage (overseas)		35%	62%	
Environment	<ul style="list-style-type: none"> Protect our limited water resources and connect with the future Undertake initiatives to fight global warming and coexist with the earth Aim for sustainable development together with local communities 	Alleviating water stress through the widespread adoption of water-saving products	Reduction in water consumption during product use *1	◆	0.9 billion m ³	1.1 billion m ³	   
		Achieving carbon neutrality	Total CO2 emissions from business sites	◆	307 thousand tons	294 thousand tons	
			Reduction in CO2 emissions due to implemented measures		38 thousand tons	42 thousand tons	
			Reduction in CO2 emissions during product use *1		3.21 million tons	3.6 million tons	
Social contribution activities entrenched in local communities	Number of projects contributing to solve regional issues (total number since FY2018)		96 cases	150 cases			
Relationships	<ul style="list-style-type: none"> Build deep, long-lasting relationships with customers Offer cultural support and contribute to society for the next generation Create and share joy in work together 	Improved customer satisfaction	Customer satisfaction from after-sales services *2	◆	92 pt	94 pt	   
			Showroom satisfaction (Japan)	◆	73 pt	75 pt	
		Promotion of employee volunteer activities	Percentage of employees taking part in volunteer activities (total number of participants / number of consolidated employees = participation rate)		67%	100% or more	
			Employee satisfaction (Japan)	◆	74 pt	76 pt	
		Become a company that is pleasant to work at	Percentage of female managers (Japan)		14%	21%	
			Employee turnover rate due to life events (Japan) *3		2.1%	0%	

*1 Reduction effect when compared with the case where products of 2005 continue to be used

◆: WILL2030 long-term goals

*2 Scope : Japan, Americas, Europe, Mainland China, Taiwan, India, Thailand, Vietnam

*3 Job turnover rate for employees raising children or providing nursing care but still wish to work

Build a clean, comfortable and eco-friendly society with sustainable products. Contribute to the SDGs in conjunction with efforts to cut CO2 emissions for carbon neutrality

3. Mid-Term Management Issues - TOTO's CSR Activities

Water Environment Fund (2005 -)



The fund supports a total of 281 groups (NPO and citizen activities) with "preservation of the water environment" and "creating a clean and comfortable living environment" as priority areas.

Green Volunteer Activities



Fostering an Architectural Culture



TOTO GALLERY MA (1985 -)




TOTO Publishing (1989 -)

Broadly disseminates the ideas and values of architects and designers. Organizes exhibitions and lectures in Mainland China, Taiwan, Singapore, Vietnam and more.

Contribute to the environment, cleanliness, and the betterment of people's lives through the fostering of architectural culture, the Water Environment Fund and volunteer activities.

3. Mid-Term Management Issues - TOTO's CSR Activities









Mainland China	Vietnam	Americas
<p>TOTO Water Environment Fund in China (2018 -)</p>  <p>Donation to a children's orphanage</p>	<p>Support for building schools (8th school)</p> 	<p>Renewable energy procurement</p>  <p>Received the Green Power Leadership Award from the US Environmental Protection Agency (EPA) in 2017</p>
Indonesia	Thailand	India
<p>Supporting water environment conservation and environmental education with the Water Environment Fund</p> 	<p>Installing sanitary ware and faucets in local elementary schools</p> 	<p>Supporting the preservation of groundwater and the developing of water supply facilities with the Water Environment Fund</p> 

To achieve a sustainable world, we will implement a range of social contribution activities deeply rooted in the countries and regions where we do business. We will continue to conduct CSR activities to become the TOTO of each country.

3. Mid-Term Management Issues - Investment Plan (2021 – 2023)

Plans by Segment

Investment Amount

Housing equipment business (Japan)	<ul style="list-style-type: none"> - Investment in production reorganization - Investment in showrooms 	 JPY 30 billion
Housing equipment business (Overseas)	<ul style="list-style-type: none"> - Investment in augmenting sanitary ware Plants - Investment in augmenting faucet plants 	 JPY 56 billion
Advanced Ceramics Business	<ul style="list-style-type: none"> - Investment in augmenting Advanced Ceramics Business 	 JPY 2 billion
Company-wide Investments	<ul style="list-style-type: none"> - IT-related investment 	 JPY 32 billion
	<ul style="list-style-type: none"> - Environment-related investment 	 JPY 12 billion
	<ul style="list-style-type: none"> - Global product development investment 	 JPY 3 billion
	<ul style="list-style-type: none"> - Constant investment 	 JPY 30 billion
Total		 JPY 165 billion

Over the next three years, we plan to make investments worth JPY 165 billion.

3. Mid-Term Management Issues - Financial Policies

Financial Policy

- **Cash will be actively allocated to growth investments aimed at sustained growth.**
- **We will promote a well-balanced financial strategy that is mindful of strategic investments, financial health and shareholder return.**
- **We aim to exceed ROA of 9.0% and ROE of 10.2%**

Shareholder Return Policy

- **We will implement appropriate shareholder return after giving first priority to diverting the profits and funds gained towards growth investments.**
- **Our basic policy is to target a dividend payout ratio of 40% with dividends each fiscal year, determined in light of various circumstances.**

In closing

4. Expression of Our Will

Over more than a century since the founding of the TOTO Group, we have continued to carry forward the will of our founder: “Kindness must always come first. Your goal should be to provide good products and satisfy the customer.”

For society and our customers, we work to further hone the unique qualities of TOTO and strive to build a sustainable society while creating a rich and comfortable lifestyle culture through contributions to society and the global environment and distinctive TOTO corporate activities that develop the TOTO Group at the same time.

The TOTO Group will continue its united efforts to be a trusted company that is even more needed by society and customers throughout the world by staying close to customers and improving the capabilities of individuals and the organization to stay ahead of changes in the world.

This presentation material contains forward-looking statements based on assumptions, estimates and plans as of April 28, 2021.

Actual performance may differ materially from these forward-looking statements due to risks and undermined factors arising from changes in the world economy, competition and foreign currency exchange rates.

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