JICA Knowledge Exchange Seminar on Sanitation Facilities

TOTO’s Achievements in Improving Toilet Environments

Kazuo Watanabe
President
TOTO Asia Oceania Pte Ltd
September, 2015
<table>
<thead>
<tr>
<th><strong>Company Data (as of March 2015)</strong></th>
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<tbody>
<tr>
<td><strong>Company Name</strong></td>
<td>TOTO LTD.</td>
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<tr>
<td><strong>Date of Establishment</strong></td>
<td>May 15, 1917</td>
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<tr>
<td><strong>Headquarters</strong></td>
<td>Fukuoka, JAPAN</td>
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<tr>
<td><strong>Number of Employees</strong></td>
<td>26,842 (consolidated)  6,783 (non-consolidated)</td>
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<tr>
<td><strong>Group Companies</strong></td>
<td>56</td>
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<tr>
<td><strong>Net Sales in FY2014</strong></td>
<td>544.5 billion JPY  (approx. 4.4 billion US$,  124/$)</td>
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**Sales Breakdown**

- **New Domain Business**: 3%
- **Overseas Housing Equipment Business**: 23%
- **Domestic Housing Equipment Business**: 73%

**Major Products**

**Domestic Housing Equipment Business**

- **Sanitary Ware**
- **Washlet**
- **Fully-fitted Bathrooms**
- **Integrated Kitchen Systems**
- **Bathroom Vanity**
- **Faucet Fixtures**

**Overseas Housing Equipment Business**

- **Sanitary Ware**
- **Washlet**
- **Faucet Fixtures**
- **Bathtubs**
- **Bathroom Sinks**

**New Domain Business**

- **Environmental Construction Materials**
- **Ceramic Products**

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Company Profile

Global Network

Develop 20 Sites in 31 different countries worldwide

MS : Manufacturing sites  20
SO : Sales offices       36
SR : Showrooms           13
Company Profile

TOTO V-Plan 2017 (Long Term Management Plan)

- Strengthen international contribution.
  Provide customers over the world with a new “everyday” and continue to be indispensable to society.

- FY2017: Achieve net sales of ¥650 billion, operating income of ¥61 billion and ROA/ROE of 10% or more

- Realizing environmental contribution through “TOTO Global Environmental Vision”

DOMESTIC
Domestic housing equipment business

Strengthen corporate structure to ensure profit generation

Targets of V-Plan 2017
Net sales: ¥455 billion
Operating income: ¥37 billion

GLOBAL
Overseas housing equipment business

Cultivate new markets, drive growth

Targets of V-Plan 2017
Net sales: ¥158 billion
Operating income: ¥22 billion

NEW DOMAIN
New business domains

Restructure new domain business from a global perspective

Targets of V-Plan 2017
Net sales: ¥37 billion
Operating income: ¥3 billion

Marketing innovation
Demand chain innovation
Management resource innovation
Strengthen corporate governance
Since its founding, the TOTO Group has recognized the tremendous value of water. Today, with ever-increasing water shortages and the rise of global warming, we are redefining our relationship with this essential resource and are even more dedicated to sustaining the environment through the development of high-quality, water-efficient products.

Turning on a faucet and taking a shower are ordinary activities, but now they are opportunities to save water and reduce CO2 emissions.

Adding “protection of water resources” to our list of Global Environment Goals highlights our efforts to produce products that facilitate environmental sustainability.

The TOTO group will work as one and meet these crucial objectives, and we sincerely hope that our involvement in local communities leads to better living, and a better tomorrow.

Formulating the environmental vision shared by all TOTO Group companies

All Group companies will make concerted efforts to address social challenges through their business activities.
1912
In the age when unhygienic non-flush toilets were the mainstream in Japan, Magobei Okura and his son Kazuchika founded a ceramic sanitary ware laboratory out of their desire to “improve the living culture of citizens.” This marked the beginning of research into flush-toilets at a time when Japan still had no sewage systems.

The ceramic sanitary ware laboratory was established out of the desire to “improve the living culture of the citizens”
Kindness is more important than anything else.
Perform your work in a spirit of service.
Supplying quality products and satisfying users are the real goals of business.
If you achieve these goals, you will be rewarded with profits and remuneration.
In the world, there are many people who pursue only profits.
They will end their lives without knowing the real goals of business.

Company mottos

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

Supposing quality products and satisfying users are the real goals of business.”

Taking on our founder’s idea as our company motto and moving forward to realize it
TOTO’s founder, Kazuchika Okura, decided to build a tunnel kiln of the type he had seen in Europe. Although tunnel kilns were still at the experimental stage at the time, Okura built the first one in Japan after noting that it would enable him to manufacture uniform products, as well as helping to reduce the quantity of fuel required.
At the time, most Japanese toilets were wooden non-flushing ones, which were easily damaged and unhygienic, but the company began to create highly durable sanitary ware, incorporating Western techniques.

Japan’s first ceramic seated flush toilet was produced in a Ceramic Sanitary Ware Laboratory in Nippon Toki Gomei Kaisha, the predecessor of TOTO, which was established in 1912. This toilet bowl was completed after two years of research and development. It is the starting point for manufacturing at TOTO Group.

First-generation ceramic seated flush toilet

Seated flush toilet (1914)
TOTO’s Washlet® was first launched in June 1980. Unaccustomed to bidet functionality, the Washlet changed the Japanese lifestyle, and now more than 70% of households have a type of toilet seat featuring warm water shower. Washlets are becoming increasingly popular globally, including in facilities such as offices, hotels and hospitals.

First-generation Washlet G

The hygienic and comfortable warm water bidet toilet seat was a runaway success with the Japanese, who are renowned for their love of cleanliness. Various new functions to enhance hygiene, comfort, and convenience were added over the years, including a sensor-activated automatic flush and other automatic functions, deodorizing functions, and sterilizing functions using electrolyzed water.

<New Functions Added>
- 1983: Bidet washing function
- 1988: Adjustable nozzle position, oscillating wash, body sensor, deodorizing fragrance, remote control
- 1992: Massage mode, deodorizing function
- 1995: Room heating
- 2003: Self-cleaning function, automatic opening and closing seat and lid
- 2011: Sterile nozzle cleaning, automatic sterile water jet
The NEOREST toilet with integrated Washlet is TOTO’s flagship product, incorporating the latest water conservation and environmental technologies, while ensuring hygiene and comfort.
The mechanism of Neorest’s water-saving

Further water-saving efficiency by two newly developed washing technologies

**TOTO’s Hybrid Ecology System**
Water flush from the water tank with pressure (zed washing) and water flow directly from the tap (tornado washing), with these two new washing technologies combined, further water saving is realized.

We realized the effective flush-washing with 3.8 L of water by cleaning the surface of the bowl with tap water directly and draining the sewage by jet-flushing with water pressed out from the water tank.
AERIAL SHOWER: a new type that reduces water-consumption dramatically makes each water drop larger by adding air bubbles. It produces the effect of rich water flow while consuming **35% less water** than normal showers.

TOTO is promoting the technology of Air-in Shower, which is comfortable and saves water at the same time.
Contribution to water conservation through improving the water-saving performance of products (TOTO Group overall)

The amount of water to be saved by improved product performance [targets]

Target for fiscal 2017
Reduction of 1.3 billion m³

Case where products are disseminated with 1990 performance

Case where products with advanced water-saving performance are introduced and disseminated

Source: "Water Resources in Japan 2013," MLIT

Incidentally...
Annual water for living purposes in Japan as a whole 13.5 billion m³

* Total water volume when using products is the total amount of water consumed when all products shipped during the year in question are used in the period. (Water consumption by some products for which uses are unclear is omitted.)

By globally introducing and disseminating water-saving products, the amount of water consumed during product use is reduced by 1.3 billion cubic meters, thereby contributing to conservation of water resources.
The amount of CO₂ emission reduction by the improvement of product performance [targets]

- Total CO₂ emissions during product use is calculated using the amount of CO₂ emissions during the period of product use for all products shipped during a particular year (Excluding CO₂ emissions of some products which their use is unknown.)

* Assumption: Products with 1990 performance were still being promoted.

* Assumption: Products with advanced water-saving and energy-saving performance were being released and promoted.

**FY 2017 target** 5.63 million-ton reduction

By releasing and promoting energy-saving products, TOTO will reduce the CO₂ emissions when the products are in use by 5.63 million t, thereby will contribute to the prevention of global warming.
About the TOTO Water Environment Fund

Through the TOTO Water Environment Fund, TOTO supports civic groups, with the aim of helping to resolve issues involving water in daily life. Since the Fund’s establishment in 2005, it has supported a total of 180 groups in Japan and nine countries overseas.

The 11th TOTO Water Environment Fund

Overview of Grants Provided for Activities Overseas

<table>
<thead>
<tr>
<th>Activities targeted</th>
<th>Practical activities aimed at creating more hygienic and comfortable living environments, e.g. initiatives focused on hygiene improvements or conserving water resources</th>
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</table>
| Grant amount        | • Total value of all grants: approx. ¥5 million  
                      • Maximum grant available: ¥1.5 million per initiative |
| Organizations eligible | Nonprofit groups engaging in civic activities (NPOs/NGOs) |
| Application/selection method | Following a rigorous screening process, grants are awarded to groups chosen by the Selection Committee from among those that submitted application documents |

The TOTO Water Environment Fund has provided grants on ten occasions in the past, helping to support groups engaged in creating more hygienic living environments in Japan and nine countries overseas.
A grant from the TOTO Water Environment Fund was used to install toilets in villages where villagers were not accustomed to using a toilet to relieve themselves, thereby improving public health for people in Mozambique.
This initiative attached great importance to teaching local citizens how to make toilets and instructing them in routine hygiene management, in an effort to empower them to improve their environment for themselves.
TOTO’s Business Operations in India

Indian manufacturing base established (Gujarat Plant)

<table>
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<tr>
<th>Items produced</th>
<th>Sanitary ware</th>
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<tbody>
<tr>
<td>Amount invested</td>
<td>Approx. ¥6 billion</td>
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<tr>
<td>Number of employees</td>
<td>Around 500 people</td>
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</tbody>
</table>
| Plant Overview | Site area: Approx. 180,000m²  
| | Building area: Approx. 60,000m²  
| | Production Capacity: Approx. 500,000 units/year |

[History of TOTO’s Business Operations in India]
- 2001 Began export sales to India
- 2003 Established a representative office in Delhi
- 2007 Opened an agency showroom
- 2010 Exhibited at AceTECH, India’s largest construction industry exhibition, for the first time
- January 2011 Established the local subsidiary TOTO India in Mumbai
- March 2012 Broke ground on a sanitary ware plant in Gujarat
- April 2014 Held the kiln-lighting ceremony

Opened July 2014
TOTO’s Aims in India

At TOTO’s Indian production site, Indian people will use TOTO’s technology to manufacture products. TOTO will thus create employment and promote technology transfer in that area. In addition, we will not only help to improve the sanitation environment by supplying TOTO products for the domestic market in India, but also ensure the global proliferation of the “Made in India” label by supplying products manufactured in India to markets in Asia and Europe.

<TOTO’s Approach to Business Development>

- Helping to improve the culture of daily life for people living in that country
- Implementing a product/sales strategy that leverages TOTO’s unique strengths
- Being acknowledged as one of that country’s companies
  ~Becoming an essential part of the corporate landscape~
- Promoting localization
  Dedicated to consideration for the environment, hygiene, and comfort
あしたを、ちがう「まいにち」に。

TOTO