

	Companies' approach
<input type="checkbox"/> <b>Background and purpose of accounting</b>	<ul style="list-style-type: none"> <li>• Within our group's new "TOTO Global Environmental Vision," we consider preventing global climate change one of the important fields, and are making efforts to reduce CO<sub>2</sub> emissions.</li> <li>• Reduction of greenhouse gas emissions is not only required for Scope 1 and 2, but also for the entire supply chain in order to preserve the global environment. In addition, in SRI surveys, such as CDP, there is a demand for disclosing and reducing emissions, including those within Scope 3. We have implemented accounting for emissions in order to respond to these needs.</li> </ul>
<input type="checkbox"/> <b>Utilization of accounting results</b>	<ul style="list-style-type: none"> <li>• To gain an understanding of the emissions from the entire supply chain, and to consider effective measures for reduction and confirm the effectiveness of measures.</li> <li>• To respond to external studies and to publicize the accounting results on our web site, in corporate reports, etc.</li> </ul>
<input type="checkbox"/> <b>Benefits of accounting</b>	<ul style="list-style-type: none"> <li>• Clarifies the direction to take in reducing emissions.</li> <li>• It will be easier to take reduction measures and ask related departments and clients to cooperate in improving data accuracy because the details of emissions will be clear.</li> <li>• We will be able to respond to outside requests for disclosure.</li> </ul>
<input type="checkbox"/> <b>Internal system for accounting</b>	<ul style="list-style-type: none"> <li>• Data will be provided by related departments and they will also cooperate with the accounting, but the ESG Promotion Department will take the lead in promoting accounting.</li> </ul>

## Companies' approach

### □ Efforts to reduce supply chain emissions

- Because TOTO's business involves a high degree of CO<sub>2</sub> emissions from the products it has sold, we are trying to reduce emissions during use by developing and promoting the sales of water-saving and energy-saving products.
- In our production plants we are updating our equipment to more efficient equipment, introducing LED lighting, installing solar power generation equipment, etc. In our offices and showrooms we are making sure that lighting equipment is turned off when not used, reducing the air conditioning loads, using energy-saving vending machines, etc.
- In addition to the above, we are reducing CO<sub>2</sub> emissions from company-owned vehicles, reducing and recycling waste, reducing the use of packaging materials, reducing fuel used for shipping, etc.



Supply Chain Emissions Accounting Results (Domestic FY2013)

### □ Issues in supply chain emissions accounting

- There is a limit to the degree of accuracy and completeness of data; e.g., in some areas it is difficult to comprehend the volume of activities, and even if the volume of activities can be comprehended there might not be appropriate emission factor (especially overseas).
- We have accounted for all related categories, but we are wondering if we should account for categories that are responsible for less than one percent of the load every year. We wish to aim for efficient and effective accounting and reductions.

Category	Accounting methods	
	Activity data	Emission factor
Category 1: Purchased goods and services	<ul style="list-style-type: none"> <li>• &lt;Direct procurement&gt;</li> <li>• Procurement volume of raw materials and other materials</li> <li>• &lt;Indirect procurement&gt;</li> <li>• Calculated from emissions from direct procurement and purchasing history</li> </ul>	<ul style="list-style-type: none"> <li>• Our emission factor database based on various emission factor data</li> </ul>
Category 2: Capital goods	<ul style="list-style-type: none"> <li>• Capital investment amount</li> </ul>	<ul style="list-style-type: none"> <li>• Emission factor database*</li> </ul>
Category 3: Fuel and energy related activities not included in Scope 1 or 2	<ul style="list-style-type: none"> <li>• Fuel and energy usage</li> </ul>	<ul style="list-style-type: none"> <li>• CFP basic database</li> <li>• Emission factor database*</li> </ul>
Category 4: Transportation and delivery (upstream)	<ul style="list-style-type: none"> <li>• &lt;Procurement transport&gt;</li> <li>• Calculated from procurement weight and scenario settings (domestic)</li> <li>• Calculated with existing calculation tools based on the number of containers, procurement weight, and data from the shipping nation. (Overseas to Japan)</li> <li>• &lt;Shipment transport&gt;</li> <li>• Energy usage (of crude oil equivalent)</li> </ul>	<ul style="list-style-type: none"> <li>• &lt;Procurement transport&gt;</li> <li>• Values used in Ministry of Land, Infrastructure, Transport and Tourism calculating tools</li> <li>• &lt;Shipment transport&gt;</li> <li>• Emission factor per energy used</li> </ul>
Category 5: Waste generated in operations	<ul style="list-style-type: none"> <li>• Emissions by waste type</li> </ul>	<ul style="list-style-type: none"> <li>• Emission factor database*</li> </ul>
Category 6: Business travel	<ul style="list-style-type: none"> <li>• Number of employees</li> </ul>	<ul style="list-style-type: none"> <li>• Emission factor database*</li> </ul>
Category 7: Employee commuting	<ul style="list-style-type: none"> <li>• Number of employees by working format and urban category</li> </ul>	<ul style="list-style-type: none"> <li>• Emission factor database*</li> </ul>
Category 8: Leased assets (upstream)	<ul style="list-style-type: none"> <li>• Emission factor is set according to the emissions and sales at TOTO Group wholesalers and retailers, and emissions from external wholesalers and retailers are based on these.</li> </ul>	
Category 9: Transportation and delivery (downstream)	<ul style="list-style-type: none"> <li>• Emission factor is set based on the emissions from our main products, sales volumes and usage periods, then the calculations are done for the total sales volume.</li> </ul>	
Category 10: Processing of sold products	<ul style="list-style-type: none"> <li>• Weight by type of waste material for our main products x Sales volume</li> </ul>	<ul style="list-style-type: none"> <li>• Emission factor database*</li> </ul>
Category 11: Use of sold products	<ul style="list-style-type: none"> <li>• Calculated from the Scope 1 and 2 emissions from companies we have invested in times the percentage of shares we own.</li> </ul>	

• \* "Emission Factor Database on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain"