Do you *Washlet*?
TOTO’s Challenge in Breaking into Mainstream America

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Company Profile

TOTO LTD.

- Annual Sales: $5 Billion+
- Founded: 1917, Global HQ: Kokura, Japan
- Group Companies/Affiliates: 80 (29 Overseas)
- Employees: 23,000
- 1,500 R&D Engineers
- 60%+ market share in Japan and leading brand in most Asian Countries

TOTO LTD. sets the global standard for excellence and is the world’s largest plumbing manufacturer

TOTO AMERICAS HOLDINGS, Inc.

- 100% owned by TOTO LTD
- Started business in 1989
- Leading Premium brand in North America
- Annual Sales: $250M+
- Employees: 1,000+
What is “Washlet?”

A Washlet is an integrated bidet cleverly disguised as a toilet seat that fits most standard toilets.

Features
- Auto open/close lid and seat
- Cleansing with 5 spray settings
- Adjustable pressure with massaging
- Instantaneous water heating
- Adjustable water and seat temperatures
- Wand and toilet bowl cleansing with electrolyzed water
- Easy-to-read illuminated remote control
- 2-user personal memory settings

The Washlet is the most advanced toilet seat in the world.
Washlet History

1967
Launched “Wash Air Seat” imported from USA

1980
Launched first Washlet made by TOTO

1982
TV Commercial

1987
Launched first Integrated Washlet

1989
Travel Washlet

1992
Washlet with “Ozone Deodorizer”

1993
Neorest, Integrated Tank-less toilet

1995

1998
10M+ Unit Sold

1999
Water Massaging

2000
Auto Open/Close & Auto Flushing

2005
20M+ Unit Sold

2011
e-Water+ (Electrolyzed Water)
30M+ Unit Sold

2012
4” thick Washlet

TOTO continuously introduces breakthrough technologies
Washlet Success

Substantial growth in every decade due to continuous innovation, portfolio optimization, and enhanced user experience

Jan. 2011, Surpassed 30M
Jun. 2005, Surpassed 20M
Jul. 1998, Surpassed 10M

10M
18 years

20M
7 years

30M
5 years

36 millions+ Washlets sold worldwide

Source: TOTO LTD.
Washlet Success in Japan

TOTO is a dominant player with strong market position

OEMs

| TOTO (70%) | Competitor A (30%) |

Strong Influence

Wholesalers

Strong Influence

New Construction Remodel

Builders

Home Developers (10-15 major firms)

① Utilized strong plumbers network for “Washlet Trial”

Trucks with Working Washlets

② Outlet near toilet was standard in 80s due to popularity of heated toilet seat

Sold 500K+ heated seats in 1985

③ In 1980s/90s, “squat toilets” were being replace by western toilets

Strong market position and environment propelled growth
TV Commercials reduced barriers to adoption and sustained initiatives drove growth

Washlet Success in Japan

Introduction Phase
- Organic Growth by word of mouth
- Strong drive to “Sell 10K units/m”

Growth Phase
- Continuous Investment
  - Innovations
  - Line Extension
- Customers’ Satisfaction
- Rapid Growth by the ‘virtuous cycle’

TV Commercial was the trigger that jump started the growth

Unit Sales

The bidet has become a standard product (appliance) in Japanese homes. There are more bidets than microwaves in Japan.

**Percent of Japanese homes with a bidet**

Currently, 3 out of 4 homes in Japan have a bidet

Source: Consumption Survey by the Cabinet Office of Japan, 2011
Washlet Success in Japan

Cleansing with water has become part of the Japanese daily lifestyle

**Residential** - Single Family Homes/Multi-Family towers, Owned/Rent...

**Public** - Hotels, Airports, Restaurants, Offices, Hospitals, Transport facilities...

Japanese expect/demand Washlet in every bathroom
Flying Washlets

- Major Japanese airlines incorporated Washlets in their Boeing 787 airplanes.
- Washlet usage was challenging for airlines because it required additional clean water, but **THEY DID IT**.
- Why don’t you believe?

Japanese expect/demand Washlet in every bathroom.
Challenges in the USA
USA Market Entry

- Entered the USA market in 1989
- Limited Portfolio harvested from Japan
- TOTO was immediately recognized as innovation leader
  - Highest performance products
  - Electronics in bathroom fixtures
- Toilet sales grew immediately because it solved a customer problem
- EPAct 1992 was the trigger for the exponential toilet sales growth
- Built state of the art manufacturing facility in GA to support USA market
- Gradually penetrated the market with complete portfolio based on “People-First Innovation” philosophy

Toilet Success (solved customer problem)

- TOTO is the innovation leader with the Best Flushing Toilet
- Only TOTO toilets performed well when EPAct 1992 was passed
- EPA adopted TOTO testing standards for WaterSense program in 2005

Successful market entry with high performance toilet
Challenges in US market

- TOTO’s influence in USA is not strong due to complex channel
  - Need to influence many players (architects, designers, builders, plumbers...) to be successful
  - Direct to consumer channel is extremely small
  - Technology adoption is very slow with trade
  - No power outlet near toilet
  - Cultural barrier: Trade is uncomfortable talking about toileting

Utilize market influencers and high profile projects to overcome complex channel and generate pull-thru demand
Challenges in US market

- Private culture – Barrier to adoption
  - Part of the daily living but most people are uncomfortable taking about it
  - Society has overcome talking about sex, drug, and death but **NOT toileting**
  - In a 2012 survey, flushing toilet was ranked as the 9th greatest innovation of all time - ahead of combustion engine, email, and sliced bread

- Strategies and concepts that worked in Japan and other markets were introduced
  - Once a consumer tries a Washlet they are hooked and cannot go back to wiping
  - *Gradual shift to “Clean is Happy”*

Strategic PR and Washlet Trial campaign to reduce barrier to adoption
US Market Approach

- Targeted large metropolitan and strategic markets
  - Tech Savvy market with early adopters
  - Metropolitans with high density of Asian/foreigners
- Reduce Barriers to Adoption
  - TOTO galleries in large metropolitan for Washlet trial and professional education
  - Installed Washlets in public locations like Hotels, restaurants, and F500 companies

Sustained initiatives to penetrate market
Advertising and PR

- Editorial Celebrity Endorsement
- Broadcast
- Shelter publications
- 2005: Washlet Store, FL
- 2006: Washlet Kiosks
  - Galleria Mall, Fort Lauderdale, FL
  - Beverly Hills, CA
  - New Jersey
- Trade Shows
- Trade Association/Organization

Sustained initiatives to penetrate market
Competitors followed TOTO and introduced Bidets

- Healthy competition can be beneficial for all companies as it will increase awareness of bidet seats and reduce barrier to entry.
Conclusion

• Market awareness of Washlets is significantly increasing and the “tipping point” will be very soon
• Sustained initiatives are breaking the cultural and market barriers for Washlet adoption
• TOTO Brand Awareness and loyalty will support growth
Thank You