

PT SURYA TOTO INDONESIA TBK (THE "COMPANY")

BUSINESS UPDATE

The following business update contains information regarding our associate companies, PT Surya Pertiwi Nusantara ("SPN") and PT Surya Graha Pertiwi ("SGP").

Company Name	Year of Incorporation	Country of Incorporation / Principal Place of Business	Principal Activities	Effective Interest / Voting Power (Direct)
SPN	2011	Indonesia	Manufacturing, Industry and Trading	49%
SGP	2011	Indonesia	Construction and Building Management	50%

SPN

SPN was established in 2011 as a 49-51% joint venture company with our sole agent, PT Surya Pertiwi. SPN was inactive until April 2016, when it began construction of its Surabaya factory to manufacture TOTO-brand sanitary wares. Pursuant to a trademark license agreement, SPN has agreed to pay TOTO Japan a royalty fee in order to manufacture and sell TOTO-brand products and to use the TOTO trademark, upon commercial operations of the Surabaya factory.

The factory is set on approximately 35 hectares of land and can accommodate up to ten production lines. As of the date of this business update, the Surabaya factory has one production line, which commenced trial production in September 2017 and we intend to build up to nine additional production lines in future years, subject to market conditions. The current production line has a total capacity of approximately 500,000 pieces per annum. The Surabaya factory is expected to commence commercial operations of its first production line during the second quarter of 2018. The first production line is expected to operate at full capacity by the end of 2018 and a second product line is expected to be up and running by 2020.

The Surabaya factory was established in order to take advantage of lower land and labor costs in the Surabaya region compared to that in Jakarta and to cater to demand in Eastern Indonesia. At the initial stage, the Surabaya factory will manufacture lower-end products, while we will continue to produce our full range of products. Due to its location, the Surabaya factory can better serve the market in Surabaya and its surrounding areas and in Eastern Indonesia.

SGP

SGP was established in 2011 as a 50-50 joint venture company with PT Surya Pertiwi to develop and manage an office building located in West Jakarta. The office will be occupied exclusively by us and PT Surya Pertiwi, and SGP will receive rental income from both parties. The building will also include a 6,000 sq.m showroom, which will provide customers with first hand product experience and enhanced visuals of PT Surya Pertiwi's products. The office building is currently under construction, with an estimated date of completion of June 2018.

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