Making Better Homes a Reality for Everyone

Every person on the planet dreams of a better home. LIXIL makes that possible with pioneering water and housing products. Born in 2011 through a merger of five of Japan’s most successful building materials and housing companies, we draw on our Japanese heritage to create world-leading technology and innovate to make high-quality products that transform homes. Today, we are a global enterprise with approximately 75,000 employees in more than 150 countries worldwide, having expanded internationally by acquiring some of the most trusted names in our industry, including GROHE and American Standard. But the LIXIL difference is not what we do or where we do it, it is how we do it. We combine meaningful design, an entrepreneurial spirit, a dedication to improving accessibility for all, and responsible business growth to make things that matter – to people, to communities, and to the world we live in.

At LIXIL, we are proud that our products touch the lives of more than a billion people every day, but believe we have the potential to still do so much more.
LIXIL Group’s Businesses
(Fiscal Year Ended March 31, 2019)

Enhancing how people live through our five businesses

LWT
LIXIL Water Technology
LWT makes attractive and purposefully designed products for bathrooms and kitchens through powerful global brands such as INAX, GROHE, and American Standard, as well as product brands such as RICHELLE and SPAGE.

Principal products and services
- Plumbing fixtures: Sanitaryware, shower toilets, water faucets, washstands, bathtubs, prefabricated bathrooms, showerheads, washstand fixtures, washstand cabinet units, kitchen systems, etc.
- Tile building materials: Tiles for houses and buildings, interior decorative tiles, etc.

Revenue ¥833.1 billion
Core earnings ¥60.2 billion

Major brands
- INAX
- GROHE
- American Standard
- RICHELLE
- SPAGE

LHT
LIXIL Housing Technology
LHT’s brands such as TOSTEM, INTERIO, EXSIOR, SUPER WALL, and Kawashima Selkon Textiles produce a range of housing-related products, from window sashes to entrance doors, exterior building materials, interior furnishing materials, and fabrics, helping to make better homes a reality.

Principal products and services
- Metal building materials: Housing window sashes, entrance doors, shutters, gates, carports, barriers, high railings, tide barriers, insulated smoke screens, etc.
- Wooden interior furnishing materials: Window frames, wooden furnishing materials, interior decorative materials, etc.
- Other building materials: Siding, stone materials, roofing materials, etc.
- Interior fabrics: Curtains, etc.
- Other: Solar power systems, etc.

Revenue ¥540.8 billion
Core earnings ¥20.7 billion

Major brands
- TOSTEM
- INTERIO
- EXSIOR
- SUPER WALL
- Kawashima
- Selkon

LBT
LIXIL Building Technology
LBT manufactures products and offers services to support the construction of buildings that are environmentally conscious and which provide better spaces to live, work, study, and play.

Principal products and services
- Metal building materials: Curtain walls, building window sashes, store facades, etc.
- Home centers: Household products, DIY products, building materials, etc.
- Comprehensive building material stores: Building materials, tools, hardware, etc. (Divested in June 2019)

Revenue ¥256.0 billion
Core earnings - ¥38.1 billion

Major brands
- LIXIL

D&R
Distribution & Retail Business
D&R provides consumers with a unique array of housing and lifestyle-related products, materials, and services through its Super VMA Home and VMA Home stores in Japan.

Revenue ¥176.4 billion
Core earnings ¥7.8 billion

Major brands
- LIXIL

H&S
Housing & Services Business
H&S offers comprehensive housing and lifestyle support to customers in Japan throughout all stages of their lives.

Revenue ¥57.9 billion
Core earnings ¥3.5 billion

Major brands
- LIXIL

ABOUT LIXIL GROUP
Continually strengthening LIXIL in order to create superior products and services that improve the comfort and lifestyles of people around the world.

Stages of LIXIL Group’s Evolution

Creating LIXIL through the merger of five companies

LIXIL was born out of the merger of Tostem, INAX, Shin Nippon, SUNWAVE, and Toyo Exterior in 2011. Through its integration, the Company generated synergies between its businesses to establish a powerful foundation for sustainable growth, opening the way to delivering a comprehensive lineup of products that cover all aspects of living spaces. The brand name LIXIL is derived from the combination of “LI” from two words that closely represent our business: “LIVING” and “LIFE.”

In 2011, LIXIL adopted the corporate governance structure, a “Company with Nominating Committee, etc.,” as outlined in Japanese Corporation Law. Under this governance system, the Company clearly separates the conduct of management from the surveillance of management with the objectives of creating a system where executive officers can make management decisions quickly and decisively while aiming to secure management transparency.

Establishing the foundation for business expansion and global growth

From 2011, LIXIL’s business rapidly globalized through a series of acquisitions and investments, including the integration of some of the most iconic and leading names in our industry, such as GROHE, American Standard, and Permasteelisa.

Simplifying the balance sheet, improving the organizational structure, and strengthening profitability

In becoming one of the most comprehensive companies in the industry, LIXIL developed a top-heavy organization with areas of overlapping authority and a broad business portfolio. To achieve further growth, the Company began delayering its organizational structure to accelerate decision-making and improve efficiency, enabling it to become leaner, simpler, and faster. LIXIL also began to review its portfolio in order to strengthen its balance sheet, focusing on businesses that have synergistic relationships with its core business and high potential profitability, in turn enabling it to prioritize its investments in high growth areas. LIXIL will now continue to build on its competitive advantage through differentiated products, services, and business models, setting the Company on the path to higher profitability and sustainable growth.

Growth in the future

As the world’s population and the middle income segment grow, the demand for housing and water technology products and services will continue to expand. LIXIL will harness its strengths to become a truly differentiated and unique housing and water technology company with the world’s most respected and powerful brands. It will become an organization that can adapt and innovate faster, providing differentiated products and services that will enable it to capture revenue growth in the future.
I would like to first sincerely thank you for your support this year. I am humbled by your many voices, which helped determine the outcome of this year’s Annual General Meeting of Shareholders (AGM). I believe this is a rare watershed moment for LIXIL, marking who we really are and what we stand for.

Doing the Right Thing

On November 1, 2018, I was replaced as CEO. But there were governance-related concerns surrounding the change in leadership, including the undue influence of a founding family member over the Board of Directors and Nomination Committee. The unfortunate reality is that founding families and past leaders can still hold back the growth of some older and larger companies in Japan. I do not believe this is right, though, which is why I chose to seek re-election in the hopes of correcting governance at LIXIL and ensuring the company is working in the best interests of all of its stakeholders. A number of stakeholders held similar concerns. Some of our institutional investors who are not activists became more vocal, asking the company to improve its governance and accountability. Senior managers and employees also spoke up for what they believed in despite the risk of doing so. I would like to express my appreciation for their support. Without it, we would not be able to address this issue today and strengthen governance at LIXIL.

Unfortunately, I recognize that the eight-month period leading up to the AGM impacted many of our internal and external stakeholders. I would like to take this time to also apologize to you for the concern and confusion caused.

I believe, though, that we will emerge stronger because of this. We live in a world where the expectations of what a company should be are much higher than ever before. The importance of ESG (Environment, Social, and Governance) for stakeholders continues to rise, and good corporate governance is a key component of ensuring the sustainability of a company. I am committed to ensuring that, as a company, doing the right thing becomes part of the foundation that LIXIL stands on.

I am eager to now renew our pursuit of the future we promised you not so long ago: a truly differentiated LIXIL that we can all be proud of.

Introducing the New Management System

The outcome of the AGM is a new Board of Directors that offers a heightened supervisory function, and a new Board of Executive Officers that will enhance the efficiency of business execution.

In total, shareholders elected 14 directors. However, 11 directors, including myself, only secured between 50–60% of votes. I believe this reflects shareholders’ demand for greater supervision and stronger governance in the company following recent events. The new Board of Directors has made a strong commitment to work together as one team to achieve this greater supervision and stronger governance. Now consisting of nine outside directors and five internal directors, the new Board offers a broad range of supervisory skillsets. This Board structure will enable LIXIL to strengthen its governance and build on strategic continuity in order to enhance the corporate value of the company.

We also welcome a new Board of Executive Officers, which is responsible for business execution and has the authority to decide on matters delegated by the Board of Directors. While in the past it mostly consisted of functional leaders, for the first time, I am pleased to say that we now have representation from the commercial businesses – both domestic and international – on this Board. This includes Bipin Mohan, CEO of LIXIL International, who oversees LIXIL Water Technology (LWT) and LIXIL Housing Technology’s (LHT) overseas businesses; Satoshi Yoshida, CEO of LHT Japan; Hiroaki Oonishi, CEO of LWT Japan; and Kazuhiko Ootsubo, who leads sales and management of domestic subsidiaries in Japan. Their presence will ensure that decisions are closely aligned with the business on the ground, enabling us to execute our business strategy more efficiently and in line with our overall Group strategy.

Addressing our Medium-Term Plan

The management team is now in the process of reviewing LIXIL’s medium-term strategy. In April 2018, we initiated the “Medium-Term Plan (MTP): Toward Sustainable Growth.” Under the MTP, LIXIL will become a truly differentiated maker of pioneering water and housing products with the world’s...
most respected and powerful brands. It will be an organization that can innovate faster and provide differentiated products and services to become more profitable and financially robust in the medium term. I believe the fundamentals of this strategy still remain on track and we do not expect to change the direction significantly. Following developments over the past year, however, we have to re-evaluate internal and external conditions in order to determine our short-term priorities.

**Reviewing the Business Portfolio**

There is a high degree of management complexity that accompanies LIXIL, which was formed through the integration of five companies in Japan and further overseas acquisitions. To improve management efficiency, simplifying the organization and improving the balance sheet are vital to creating a leaner and more operationally efficient company. We have now begun to review specific assets in our business portfolio and their relationship to our core business, as well as their potential profitability. This will enable us to prioritize investment in potentially high-growth areas and move toward the potential divestment of non-core or unprofitable businesses. Cleaning up the balance sheet is essential to improving management resources and the management efficiency of the company.

**Addressing the Window Sash Business in Japan**

In the short term, we also have to address the high cost and volatility of our window sash business in Japan in order to become more competitive and re-invest management resources in high growth areas.

Due to high fixed costs, LIXIL’s window sash business is vulnerable to external factors, including the number of new housing starts, rapid changes to the business environment, and fluctuations in raw material costs. We have to accelerate initiatives to create a more resilient business, such as improving the production and space efficiency of factories, and accelerating the development and launch cycle of differentiated products. Specifically, this includes reducing the number of stock keeping units (SKUs), standardizing parts, and unifying our core product platforms, which will then enable the generalization of production lines. In turn, this will enable us to respond to demand more flexibly and adapt to changes faster. While progress has been made in this area in the last year, we need to accelerate initiatives to cope with the unique challenges of the market, particularly in production. It is important that we transform this business into one that employees are confident in and proud of.

**Becoming the World’s No. 1 Bathroom Solutions Provider**

Yet, while we have to address structural issues in Japan such as our window sash business, Japan offers LIXIL a great opportunity for global growth. Amid Japan’s shrinking and aging population, high-quality differentiated products and services are key. This makes Japan a powerful contributor to our international business, too, as an innovator of differentiated products and technologies that can be exported to the world. Globally, LIXIL is now in a unique place. The world’s population is growing, especially the middle-income segment. While doing business overseas increases our exposure to greater political, economic, and social risk, it is where we will find future growth. There is growing demand for water technology products—from the most luxurious to the most basic. Today, through our powerful portfolio of brands, which includes names such as GROHE, American Standard, and INAX, we are meeting the different lifestyle preferences and tastes of our consumers.

As the next step toward becoming the world’s leading bathroom solutions provider, we recently appointed Bijoy Mohan as the CEO of LIXIL International. LIXIL International is not a new organization structure, but it will serve as a position from where Bijoy can oversee LIXIL’s IWT and LHT overseas businesses. LIXIL will continue to manage its businesses by region, chiefly through the regions of Asia Pacific, EMEA, the Americas, and South Africa. LIXIL International, however, will enable us to deploy and focus resources at both the Group and regional level in order to execute our strategies. It will also enable us to accelerate synergies in R&D, marketing, and innovation to drive a more focused approach to enhancing growth.

**A Company We Are Proud of**

To achieve all of this, we must do so as One LIXIL. On the day after the AGM, I held two town hall meetings in Tokyo at 8:30 am and 4:00 pm, which were live-streamed across our internal social media platform so everyone could participate. During these sessions I was asked, “Who do you think a company really belongs to?”

A company is owned by its shareholders. But it is the employees who create value for those shareholders, who provide for customers, and who carry out the strategy that management sets out. They are responsible for improving the company, and they are responsible for contributing to the societies we work in. At LIXIL, there are approximately 75,000 employees, and I believe it is important that they are proud of who we are.

Delivering corporate value is a high priority, but we will do so as a company that inspires pride. We will deliver on performance, but we will be employee-oriented. I believe this is the foundation to achieving One LIXIL—and the path to achieving sustainable growth.

**LIXIL Behaviors**

The three LIXIL Behaviors provide a unified way of working for all LIXIL employees, helping to make LIXIL a purpose-driven, entrepreneurial company for sustainable growth.

**DO THE RIGHT THING**

**WORK WITH RESPECT**

**EXPERIMENT AND LEARN**
## Value Creation Process

Underpinned by strong corporate governance, LIXIL’s business model will drive it toward long-term sustainable growth and value creation for all of its stakeholders.

### LIXIL’s Capital

<table>
<thead>
<tr>
<th>INPUT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees</strong></td>
<td>Approximately 75,000 people working around the world</td>
</tr>
<tr>
<td><strong>Brands</strong></td>
<td>Portfolio of 17 industry-leading product brands and 6 retail and housing services brands</td>
</tr>
<tr>
<td><strong>Intellectual Property</strong></td>
<td>¥28.4 billion invested in R&amp;D</td>
</tr>
<tr>
<td><strong>Financial Capital</strong></td>
<td>¥533.7 billion in capital and ¥726.0 billion in interest-bearing debt</td>
</tr>
<tr>
<td><strong>Natural Capital</strong></td>
<td>22.2 million GJ of energy used and 16.7 million m³ of water intake</td>
</tr>
<tr>
<td><strong>Manufacturing Assets</strong></td>
<td>Capital investment of ¥67.6 billion</td>
</tr>
<tr>
<td><strong>Social Engagement</strong></td>
<td>Over ¥1.1 billion in social investments and community contributions</td>
</tr>
</tbody>
</table>

### How LIXIL Creates Value

**LIXIL CORE (Corporate Philosophy)**

The Group’s superior products and services contribute to improving people’s comfort and lifestyles.

### The Value LIXIL Creates

<table>
<thead>
<tr>
<th>OUTPUT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees</strong></td>
<td>55% “strongly agree” or “agree” that they are proud to be part of LIXIL; the top two responses out of six in an employee survey*1</td>
</tr>
<tr>
<td><strong>Brands</strong></td>
<td>LIXIL products are used by a billion people every day</td>
</tr>
<tr>
<td><strong>Intellectual Property</strong></td>
<td>Approximately 1,100 utility and design patent applications generated and filed worldwide every year</td>
</tr>
<tr>
<td><strong>Financial Capital</strong></td>
<td>Core earnings ratio of 0.7% and ROE of -9.1% in FYE2019</td>
</tr>
<tr>
<td><strong>Natural Capital</strong></td>
<td>Reduced carbon intensity per economic output*2 by 4.5% (Carbon intensity: 1,488 kg-CO₂ / ¥1 million)</td>
</tr>
<tr>
<td><strong>Manufacturing Assets</strong></td>
<td>103 factories globally</td>
</tr>
<tr>
<td><strong>Social Engagement</strong></td>
<td>Over 115 projects related to the three strategic pillars of the Company’s CR strategy</td>
</tr>
</tbody>
</table>

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*1 Result from 2017. This survey is conducted every two years.

*2 Carbon intensity per economic output = CO₂ emissions (kg/CO₂) / total economic output (¥1 million)
LIXIL’s Business Landscape

The World that Shapes Us

1 The Rising Global Middle Class

About 3.8 billion people\(^1\) make up the growing middle class today—and they are driving global economic demand. But where the middle class was once the hallmark of mature markets such as the US, Europe, and Japan, middle-class numbers are now on the rise in developing markets. By 2040, 40% of global consumption will be driven by Asia\(^2\), especially China and India\(^3\). It is here, among the new entrants into the middle class, that spending growth is set to take off.

Opportunity
- Capture growing global demand for new and differentiated water and housing products

Risk
- Increased exposure to rising geopolitical, economic, and social tensions around the world

\(^1\) Brookings Institution and World Data Lab, September 2018
\(^2\) McKinsey, July 2019
\(^3\) World Data Lab, November 2018

2 Japan’s Silvering Population

Japan’s population of about 127 million people is expected to decrease by 12% by 2040\(^4\). By then, 35% of the population will be over 65 years old\(^5\), resulting in a smaller workforce and potentially higher tax burden. But Japan’s demographic transition also ushers in new, lucrative opportunities. Japan is a testament to how far living standards have improved through critical technologies. In this market, companies that offer differentiated and consumer-centric products and services will emerge as its leaders.

Opportunity
- Lead transition from new housing market to home renovation, a potential ¥7.4 trillion market by 2030\(^6\)
- Develop advanced technologies that can one day be exported to mature markets

Risk
- New housing starts are forecast to decline by one-third by 2030\(^7\)
- Manpower is forecast to shrink by as much as 13 million people by 2040\(^8\)

\(^4\) Ministry of Internal Affairs and Communications, September 2018
\(^5\) Nippon Research Institute, June 2019
\(^6\) Ministry of Health, Labour and Welfare, January 2019

3 The New Consumer

As the middle class grows, the lifestyle preferences and tastes of consumers are broadening, made even more diverse by the distinctive cultural preferences of each market. But the “hollowing out” of the middle class in traditional mature markets is influencing spending habits, too, especially as the net worth of younger generations there decreases\(^9\). This, coupled with the rise of peer-to-peer networks, means the consumer now has the motivation and the choice to be more selective and educated about products.

Opportunity
- Differentiate through design, technology, quality, and brands

Risk
- Mass production of limited items, which is better suited to fast-growing markets, increases risk of being caught in the commodity trap

\(^9\) Deloitte, May 2019

4 The Digital Lifestyle

In a world being programmed by Millennials and Gen-Zers, digitization envelops us. From IoT solutions through to AI, big data analysis, and blockchain, new technologies are constantly transforming how we live, work, learn, and play. Opportunities appear limitless and, by day by day, more and more people are coming online. In 2018 alone, over 365 million new users connected to the internet, bringing the total to approximately 4.4 billion people\(^10\). This is a world where change is constant, and for companies, where adaptability determines survivability.

Opportunity
- Gain new consumer insight and drive discovery and development of consumer-centric products and business models

Risk
- Non-traditional and disruptive competitors increasingly entering and changing the market

\(^10\) We Are Social and Hootsuite, January 2019

5 The Effects of Climate Change

From extreme weather events to rising temperatures and changing rainfall patterns, the risk of climate change to economies and individuals alike is real. The Paris Agreement aims to keep the increase in temperature to below 2°C above pre-industrial levels, but concerted efforts to rein it in are looking increasingly unaccomplished. For the world’s 215 biggest companies alone, climate change risks could cost as much as US$1 trillion in five years\(^11\). Addressing climate change is key to a company’s sustainability and competitive advantage.

Opportunity
- Increase demand for products with energy- and water-saving functions

Risk
- Heightened risk of regulation affecting supply chain and reputational risk
- Higher operational risk in regions of energy and water stress

\(^11\) CDP, June 2019

6 A Company’s Social Purpose

A company’s social purpose is how it makes a positive difference to the world around it—and it matters to all kinds of stakeholders\(^12\). For increasingly ESG-focused investors, it has become an important indicator of a company’s sustainability. For the increasingly Millennial workforce, it is a source of pride and a reason to believe in a company. And for the communities it benefits, it is life-changing. This is the power of the shared value created by a company’s social purpose, which is truly a competitive differentiator for companies that live by it.

Opportunity
- Establish high levels of stakeholder engagement, loyalty, and trust by authentically contributing to social issues

Risk
- Lack of social purpose could impair business by weakening support of stakeholders, including employees

\(^12\) EY Beacon Institute, April 2018

7 The Work Environment

Technology has enabled employees to connect anytime and anywhere, adding new dimensions of flexibility and diversity to work. Working spaces are being redesigned, too, in bids to attract talent and unlock new productivity. But the employment landscape is shifting altogether, with workers around the world becoming increasingly independent and companies looking for a more agile, contingent workforce\(^13\). This is the gig economy and it is growing. A human resources system that can keep up with changing work-style trends will be key to securing the best talent.

Opportunity
- Hire a greater caliber of engaged, diverse, and productive people

Risk
- Hiring and retaining talented employees may become difficult

\(^13\) BCG, January 2019

* Brookings Institution and World Data Lab, September 2018
* McKinsey, July 2019
* World Data Lab, November 2018
* 2022
* CDP, June 2019
* Brookings Institution and World Data Lab, September 2018
* McKinsey, July 2019
* World Data Lab, November 2018
Financial & Non-Financial Highlights

LIXIL Group Corporation and Consolidated Subsidiaries (Years ended March 31)

Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>¥ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,500</td>
</tr>
<tr>
<td>2016</td>
<td>1,832.6</td>
</tr>
<tr>
<td>2017</td>
<td>1,275.6</td>
</tr>
<tr>
<td>2018</td>
<td>600</td>
</tr>
<tr>
<td>2019</td>
<td>330</td>
</tr>
</tbody>
</table>

Core earnings / Core earnings ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>¥ billion</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>12.8</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>8.0</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>4.0</td>
<td></td>
</tr>
</tbody>
</table>

Earnings (loss) per share (EPS) / Dividends per share / Dividend payout ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>¥ billion</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>8.0</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>2.0</td>
<td></td>
</tr>
</tbody>
</table>

Relative reduction in CO\(_2\) emissions due to Group products and services

<table>
<thead>
<tr>
<th>Year</th>
<th>(Times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1.185</td>
</tr>
<tr>
<td>2018</td>
<td>1.185</td>
</tr>
<tr>
<td>2019</td>
<td>1.185</td>
</tr>
</tbody>
</table>

Cumulative number of participants in the Talent Acceleration Program (TAP) for next-generation leaders

<table>
<thead>
<tr>
<th>Year</th>
<th>People</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,199</td>
</tr>
<tr>
<td>2018</td>
<td>1,199</td>
</tr>
<tr>
<td>2019</td>
<td>1,199</td>
</tr>
</tbody>
</table>

Profit (loss) for the year attributable to owners of the parent / ROE

<table>
<thead>
<tr>
<th>Year</th>
<th>¥ billion</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>20.0</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>-5.0</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>-10.0</td>
<td></td>
</tr>
</tbody>
</table>

Total assets / ROA

<table>
<thead>
<tr>
<th>Year</th>
<th>¥ billion</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,200</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>1,195</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>1,195</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>1,195</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>1,195</td>
<td></td>
</tr>
</tbody>
</table>

Ratio of women among recent graduate recruits (university undergraduate and graduate students)

<table>
<thead>
<tr>
<th>Year</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>4.0</td>
</tr>
<tr>
<td>2018</td>
<td>4.0</td>
</tr>
<tr>
<td>2019</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Note: CO\(_2\) emissions due to Group activities (Scope 1 and 2) and CO\(_2\) emissions reduction are estimated based on the CO\(_2\) emissions (Scope 1 and 2) of the previous fiscal year. CO\(_2\) emissions (Scope 1 and 2) for LIXIL Group Corporation and other companies were converted into CO\(_2\) emissions (Scope 1 and 2) using environmentally friendly products and services.
BUSINESS STRATEGY AND RESULTS

Overview of FYE2019

Consolidated revenue for the fiscal year ended March 31, 2019 (FYE2019), increased by 0.2% year on year. This increase can be attributed to factors such as the stabilization of market and sales conditions in Japan from October 2018. Core earnings, however, were down by 83.2% year on year. Various reasons contributed to this decline. Profit before tax decreased by ¥883.1 billion, which was due to the absence of a ¥236.6 billion gain on sales of affiliates and investment property recorded in the previous year, a ¥24.8 billion impairment loss attributed to reputational and intangible asset losses related to Permasteelisa’s situation, and the decrease in core earnings. On top of this, we recorded an increase in income tax expenses owing to the reduction of deferred tax assets recorded at the time of the decision to sell Permasteelisa.

Focus on Recovering Profitability in FYE2020

I regret LIXIL was unable to meet the expectations of our shareholders and investors, ending FYE2019 with significantly lower core earnings and a net loss. With the exception of Permasteelisa, however, business rebounded in the second half of FYE2019, especially in Japan after the operational challenges we encountered and the effects of natural disasters stabilized in the first half. This rebound was the result of various initiatives progressing according to plan, such as meeting the demands of both new housing and home renovation projects. Meanwhile, in our overseas businesses, our endeavor to provide a full lineup of bathroom and kitchen products is progressing smoothly, while other than Permasteelisa, we made progress in reviewing our cost structures to improve profitability. As a result of these factors, combined with our solid business foundation, I believe our future looks bright.

At the same time, we have already identified the reasons for the losses at Permasteelisa – the main cause of our large drop in profit in FYE2019 – and are making progress in our recovery plan. Thus, while aiming to return Permasteelisa to profitability, we will continue advancing our core measures, targeting medium- and long-term sustainable growth that fully utilizes our Group potential.

Preventive Measures Against Inappropriate Actions by Subsidiaries

In FYE2019, inappropriate actions at four subsidiaries – including the changing of project completion dates to prematurely account for revenue – were reported via our corporate system. Not only were there internal compliance issues at one of these companies, but its third-quarter consolidated results were also delayed by one month because of doubts over accuracy, which caused considerable concern among shareholders and investors.

In response to these issues, after much deliberation among our executive officers and internal audit division, we are taking concrete steps to thoroughly strengthen compliance. Specifically, we reviewed the trustworthiness of subsidiary executives, reflected compliance items in the selection and assessment processes of subsidiary executives, and set up an education program for subsidiary CEOs. In addition, various highly effective measures are being implemented to ensure even stronger compliance and to prevent such incidents from occurring again. These include structural and communications measures, such as setting up a meeting platform for subsidiary CEOs, establishing communication channels between subsidiary CEOs and Group senior management, and strengthening the effectiveness of compliance committees. They also include financial measures such as reviewing accounting processes, and auditing measures such as reviewing auditing systems and improving auditing practices.

Strengthening the Balance Sheet to Support Sustainable Growth

A strong balance sheet is vital for supporting continued investments that sustain medium- and long-term growth, improve corporate value, and provide reliable returns to shareholders. For these reasons, it goes without saying that we need to improve our financial stability and capital efficiency. I believe these are the most important challenges we face.

LIXIL’s equity ratio (ratio of equity attributable to owners of the parent) in FYE2019 was 25.9% as a result of large losses and the sale of Permasteelisa not being approved. This was 3.4 percentage points worse than the previous fiscal year and 4.1 percentage points below 30%, which is our indicator of financial soundness. Moreover, our net debt to EBITDA ratio worsened by 3.3 times year on year. It is under these circumstances that we, the new management team, are focused on the urgent tasks of continuing to focus our business portfolio from a new perspective, re-evaluating the balance sheet while increasing cash flow to ensure funds for investments in growth areas, and clarifying priorities for investment.

Thus, in FYE2019, in addition to continuing efforts to improve our cash conversion cycle (CCC), which began in FYE2014, we have established and started implementing a set of guidelines across the group. With a focus on capital costs, this will enable each department to make investments efficiently. We are now reflecting this in our businesses through various initiatives. For example, this includes using return on invested capital (ROIC) as an internal management indicator to assess the degree of improvement in investment efficiency; entrenching these efforts by regularly holding meetings and discussions between the various departments; and striving to improve profitability by trying to increase the efficiency of investments and returns.

Results of FYE2018 and FYE2019 (IFRS)

FYE2019 results

<table>
<thead>
<tr>
<th></th>
<th>Expected</th>
<th>Actual</th>
<th>Y/Y</th>
<th>Vs. expected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥1,829.3</td>
<td>¥1,845.0</td>
<td>¥1,832.8</td>
<td>0.2%</td>
</tr>
<tr>
<td>Excluding Permasteelisa</td>
<td>¥1,664.8</td>
<td>¥1,679.5</td>
<td>¥1,689.4</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Permasteelisa</td>
<td>¥164.5</td>
<td>¥165.5</td>
<td>¥143.2</td>
<td>13.0%</td>
</tr>
<tr>
<td>Core earnings*</td>
<td>¥76.0</td>
<td>¥45.0</td>
<td>¥12.8</td>
<td>-83.2%</td>
</tr>
<tr>
<td>Excluding Permasteelisa</td>
<td>¥75.3</td>
<td>¥54.0</td>
<td>¥54.0</td>
<td>-27.8%</td>
</tr>
<tr>
<td>Permasteelisa</td>
<td>¥0.7</td>
<td>¥9.0</td>
<td>-41.5</td>
<td>—</td>
</tr>
<tr>
<td>Profit (loss) for the year attributable to owners of the parent</td>
<td>¥54.6</td>
<td>¥1.5</td>
<td>¥52.2</td>
<td>—</td>
</tr>
<tr>
<td>Excluding Permasteelisa</td>
<td>¥66.4</td>
<td>¥25.0</td>
<td>¥25.0</td>
<td>-61.4%</td>
</tr>
<tr>
<td>Permasteelisa</td>
<td>¥-11.8</td>
<td>¥-23.5</td>
<td>¥-77.5</td>
<td>—</td>
</tr>
</tbody>
</table>

*Core earnings is income minus costs, such as of production, sales, management, and administration.
**Status of Operating Results**

Revenue in FYE2019

LIXIL Group generated ¥1,832.6 billion in revenue in FYE2019, up by 0.2% year on year. In the Japan market, revenue increased for all domestic businesses except LIXIL Water Technology (LWT), which maintained the same level of revenue as in FYE2018, while maintenance S.P.A. (Permasteelisa) continued to proceed with select order intake as part of its recovery strategy. As a result, total revenue from overseas markets decreased year on year.

In overseas markets, revenue for LWT increased in the Asia Pacific region, especially the China market. The Europe, Middle East and Africa (EMEA) region also recorded steady sales. On the other hand, the Americas region maintained the same level of revenue as in FYE2018, while maintenance S.P.A. (Permasteelisa) continued to proceed with select order intake as part of its recovery strategy. As a result, total revenue from overseas markets decreased year on year.

**FYE2019 revenue by segment for the domestic and overseas businesses (¥ billion)**

<table>
<thead>
<tr>
<th></th>
<th>First half</th>
<th></th>
<th>Second half</th>
<th></th>
<th>Full year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1,000</td>
<td>200</td>
<td>800</td>
<td>200</td>
<td>2,000</td>
<td>400</td>
</tr>
<tr>
<td>LIXIL</td>
<td>500</td>
<td>100</td>
<td>400</td>
<td>100</td>
<td>1,000</td>
<td>200</td>
</tr>
<tr>
<td>LHT</td>
<td>300</td>
<td>60</td>
<td>240</td>
<td>60</td>
<td>540</td>
<td>108</td>
</tr>
<tr>
<td>LBT</td>
<td>200</td>
<td>40</td>
<td>160</td>
<td>40</td>
<td>320</td>
<td>64</td>
</tr>
<tr>
<td>LWT</td>
<td>100</td>
<td>20</td>
<td>80</td>
<td>20</td>
<td>240</td>
<td>48</td>
</tr>
<tr>
<td>Total</td>
<td>1,700</td>
<td>300</td>
<td>1,400</td>
<td>260</td>
<td>2,960</td>
<td>528</td>
</tr>
</tbody>
</table>

**FYE2018 FYE2019 Increase / decrease FYE2019 FYE2020 Increase / decrease**

<table>
<thead>
<tr>
<th></th>
<th>FYE2018</th>
<th>FYE2019</th>
<th>Increase / decrease FYE2019</th>
<th>FYE2019</th>
<th>FYE2020</th>
<th>Increase / decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1,500</td>
<td>1,500</td>
<td>0.0%</td>
<td>1,500</td>
<td>1,500</td>
<td>0.0%</td>
</tr>
<tr>
<td>LIXIL</td>
<td>700</td>
<td>700</td>
<td>0.0%</td>
<td>700</td>
<td>700</td>
<td>0.0%</td>
</tr>
<tr>
<td>LHT</td>
<td>400</td>
<td>400</td>
<td>0.0%</td>
<td>400</td>
<td>400</td>
<td>0.0%</td>
</tr>
<tr>
<td>LBT</td>
<td>300</td>
<td>300</td>
<td>0.0%</td>
<td>300</td>
<td>300</td>
<td>0.0%</td>
</tr>
<tr>
<td>LWT</td>
<td>200</td>
<td>200</td>
<td>0.0%</td>
<td>200</td>
<td>200</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>3,300</td>
<td>3,300</td>
<td>0.0%</td>
<td>3,300</td>
<td>3,300</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

**Core Earnings in FYE2019**

LIXIL Group generated core earnings of ¥12.8 billion in FYE2019, down ¥106.8 billion year on year. Profit before tax dropped by ¥83.1 billion mainly due to the absence of a ¥23.6 billion gain on sales of affiliates and investment property recorded in FYE2018, a ¥24.8 billion impairment loss on goodwill and intangible assets related to Permasteelisa, in addition to the decrease in core earnings. Moreover, a ¥13.5 billion reversal of deferred tax assets recorded on the decision to divest Permasteelisa resulted in an increase in income tax expenses.

**Forecast of Operating Results for FYE2020**

During the fiscal year ending March 31, 2020 (FYE2020), uncertainty in the business environment surrounding LIXIL Group is forecast to continue. While the Japanese economy is expected to continue its slow recovery trend, in addition to the anticipated long-term downward trend in the number of new housing starts, the consumption tax increase planned in October 2019 is a potential concern as it could negatively affect demand. Meanwhile, geopolitical developments overseas, such as the US-China trade conflict and the Brexit issue, are expected to cause instability in the global market. LIXIL Group also anticipates structural reform expenses to be incurred in FYE2020, primarily from initiatives to recover the profitability of Permasteelisa.

Within this context, the Group projects increases both in revenue and in profit in FYE2020. The foreign exchange rate assumptions used to forecast FYE2020 results are ¥115/$ (US dollar) and ¥133/€. However, for the forecast on a consolidated basis, the fluctuation of the euro between the planning and announcement of our forecast (which was approximately ¥123/€ on May 13, 2019) was taken into consideration as a risk factor. As a result, the impact on the profit and loss incurred from the difference between the two rates, namely ¥133/$ and ¥123/€, was added to "Consolidation adjustments and other."
Review and Analysis of Operating Results and Financial Position

Financial Position as of March 31, 2019

In accordance with the decision in FYE2018 to divest Permasteelisa, the assets and liabilities related to Permasteelisa and its subsidiaries were recorded as assets held for sale and liabilities directly associated with the assets held for sale, respectively. During FYE2019, however, it became clear that the shares of Permasteelisa could not be transferred. Therefore, this classification was discontinued, and Permasteelisa and its subsidiaries’ assets and liabilities were reclassified to their original accounts in the FYE2019 consolidated statement of financial position.

The figures for year-on-year fluctuation of assets and liabilities shown below are actual fluctuations that exclude the impact of the following reclassifications: the assets and liabilities of Permasteelisa to their original accounts in September 2018, and those of one consolidated subsidiary held for sale during FYE2019.

### Consolidated financial position

<table>
<thead>
<tr>
<th></th>
<th>FYE2018 (¥ billion)</th>
<th>FYE2019 (¥ billion)</th>
<th>Increase / decrease</th>
<th>(% change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>138.8</td>
<td>138.8</td>
<td>0.0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>343.3</td>
<td>401.7</td>
<td>59.2</td>
<td>17.2%</td>
</tr>
<tr>
<td>Inventories</td>
<td>217.0</td>
<td>234.6</td>
<td>17.6</td>
<td>8.1%</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>180.0</td>
<td>11.4</td>
<td>-168.6</td>
<td>-93.6%</td>
</tr>
<tr>
<td>Others</td>
<td>1,227.0</td>
<td>1,230.4</td>
<td>3.4</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>2,107.1</strong></td>
<td><strong>2,059.5</strong></td>
<td>-47.6</td>
<td>-2.2%</td>
</tr>
</tbody>
</table>
| Cash flow status and cash balance

<table>
<thead>
<tr>
<th>FYE2018 (¥ billion)</th>
<th>FYE2019 (¥ billion)</th>
<th>Increase / decrease</th>
<th>(% change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax from continuing operations</td>
<td>90.0</td>
<td>71.0</td>
<td>-19.0</td>
</tr>
<tr>
<td>Loss before tax from discontinued operations</td>
<td>24.9</td>
<td>-0.9</td>
<td>-25.8</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>65.1</td>
<td>70.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>64.7</td>
<td>68.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>-31.0</td>
<td>-29.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Working capital</td>
<td>-3.8</td>
<td>-6.1</td>
<td>-2.3</td>
</tr>
<tr>
<td>Loss recognized on the measurement of the disposal group held for sale to fair value / Profit recognized on the remeasurement</td>
<td>-21.9</td>
<td>-2.0</td>
<td>-19.9</td>
</tr>
<tr>
<td>Others</td>
<td>-1.8</td>
<td>-64.4</td>
<td>-62.6</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td><strong>116.4</strong></td>
<td><strong>64.4</strong></td>
<td>-52.0</td>
</tr>
<tr>
<td>Net cash flows from investing activities</td>
<td>-52.6</td>
<td>-72.3</td>
<td>-19.7</td>
</tr>
<tr>
<td>Net cash flows from financing activities</td>
<td>-53.8</td>
<td>-56.4</td>
<td>-2.6</td>
</tr>
<tr>
<td><strong>Free cash flows</strong></td>
<td><strong>6.2</strong></td>
<td><strong>5.6</strong></td>
<td>-0.6</td>
</tr>
</tbody>
</table>

Cash Flows in FYE2019

Cash and cash equivalents as of March 31, 2019, amounted to ¥141.4 billion, up by ¥27.2 billion year on year, including the effects of exchange rate changes.

### Cash Flows from Operating Activities

Net cash provided by operating activities for FYE2019 amounted to ¥68.4 billion, down by ¥47.0 billion year on year. This decrease was attributable mainly to the fluctuations of working capital, including trade and other receivables, in addition to a significant decline in profit before tax.

### Cash Flows from Investing Activities

Net cash used for investing activities was ¥72.3 billion, a decrease of ¥19.7 billion year on year. This decrease was largely due to a decrease in proceeds from sale of subsidiaries and disposal of investment properties of ¥15.6 billion.

### Equity

Total equity as of March 31, 2019, stood at ¥567.2 billion (including ¥533.7 billion of equity attributable to owners of the parent), down by ¥533.7 billion year on year. Major decreasing factors included lower retained earnings due to a ¥52.2 billion loss for the year attributable to owners of the parent, ¥20.3 billion in dividends paid, and a ¥11.9 billion other comprehensive loss posted mainly due to the fluctuations of working capital, including trade and other receivables, in addition to a significant decline in profit before tax.

### Liabilities

Total liabilities as of March 31, 2019, amounted to ¥1,482.4 billion, up by ¥34.8 billion year on year, reflecting a ¥114.5 billion increase in current liabilities and a ¥79.7 billion decrease in non-current liabilities. Major increasing factors included year-on-year increases of ¥17.1 billion and ¥14.8 billion in trade and other payables and interest-bearing debt, respectively.

### Assets

Total assets as of March 31, 2019, stood at ¥2,059.5 billion, down by ¥47.6 billion year on year, as a result of decreases in current assets of ¥21.0 billion and non-current assets of ¥26.6 billion. Major increasing factors included a ¥12.8 billion year-on-year increase in inventories. Major decreasing factors included the application of impairment accounting to goodwill and other intangible assets related to Permasteelisa (a ¥24.8 billion impact on the consolidated statement of financial position), and the effect of foreign exchange translation.

### Cash Flows from Financing Activities

Net cash generated by financing activities was ¥1.6 billion, up by ¥45.4 billion year on year. While dividends paid (including those paid to non-controlling interests) increased by ¥9.9 billion, the proceeds from interest-bearing debt surpassed its repayment by ¥27.5 billion. The net proceeds from interest-bearing debt were recorded as a result of financing by short- and long-term interest-bearing debt to cover the decrease in operating cash flows during FYE2019.

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*Note:*

- "Others" in FYE2019 operating cash flows mainly consists of an impairment loss of ¥30.2 billion and the impact of foreign exchange translation.
- "Profit recognized on the remeasurement."
**BUSINESS STRATEGY AND RESULTS**

Review and Analysis of Operating Results and Financial Position

**Forecast for FY2020**

For FY2020, the Group projects capital expenditure of ¥85.0 billion, up by 25.7% year on year, and depreciation of ¥103.1 billion, up by 50.5% year on year. The increase in capital expenditure is mainly due to ¥51.5 billion in construction costs for a new headquarters building. The increase in depreciation is attributable to a revision in accounting standards for leases, which had an impact of ¥33.0 billion, and a ¥2.0 billion increase in the depreciation of IT systems. As for R&D expenses, the Group projects ¥29.0 billion in FY2020, maintaining the average yearly level of approximately 1.6% of revenue.

**Impact of the Adoption of Revised Accounting Standard for Leases**

IFRS 16 “Leases” has been revised and was adopted in April 2019. Under the revised standard, lease contracts that had been accounted for as operating leases should be recorded as assets and liabilities, and the asset portions should be depreciated. In regards to the liability portion, each lease payment should be divided into the payments of the principle of liability and its interest.

**Capital expenditures, depreciation, and R&D expenses**

<table>
<thead>
<tr>
<th>(¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New HQ building</td>
</tr>
<tr>
<td>Impact of accounting standard revision</td>
</tr>
</tbody>
</table>

**Forecast for FY2020 by Segment**

- **LIXIL Water Technology (LWT)**
  - LWT is expected to post ¥560.0 billion in revenue, up by 3% year on year, and ¥46.8 billion in core earnings, up by 8% year on year.
  - Regarding the Japan market, as with LWT, the effect of the consumption tax increase planned for October 2019 is anticipated in the form of preemptive demand in the first half of FY2020 and a reactionary fall in demand in the second half. With forecasts of the number of new housing starts and demand for renovation taken into account, LWT projects to post the same level of full-year revenue in FY2020 as in FY2019.
  - Overseas, the global economy continues to experience destabilizing factors such as the US-China trade conflict. Nevertheless, LWT projects increases in both revenue and core earnings in overseas markets, supported by the effects of price revisions, sales promotion of synergistic products, and continuous improvements in cost of sales and SG&A expenses.

- **LIXIL Building Technology (LBT)**
  - LBT is expected to post ¥263.0 billion in revenue, up by 3% year on year, and ¥28.4 billion in core earnings, down by 20% year on year, in FY2020. The decrease in core earnings is mainly attributable to the acceleration of new store openings.
  - Regarding the Japan market, the effect of the consumption tax increase planned for October 2019 is anticipated in the form of preemptive demand in the first half of FY2020 and a reactionary fall in demand in the second half. With forecasts of the number of new housing starts and demand for renovation taken into account, LBT projects to post ¥263.0 billion in revenue, down by 1% year on year, and ¥28.4 billion in core earnings, down by 20% year on year, in FY2020.

- **Housing and Services Business (H&S)**
  - H&S is expected to post ¥57.0 billion in revenue, down by 1% year on year, and ¥3.3 billion in core earnings, down by 4% year on year, in FY2020. These declines are primarily due to the absence of real estate properties sold in FY2019.

**Distribution and Retail Business (D&R)**

D&R is expected to post ¥880.0 billion in revenue, up by 7% year on year, and ¥6.2 billion in core earnings, down by 20% year on year, in FY2020. The decrease in core earnings is mainly attributable to the acceleration of new store openings.

**Financial Policy**

The Group’s dividend policy is to maintain a dividend payout ratio of at least 30% on a consolidated basis. Setting investment efficiency and safety indices as Key Goal Indicators (KGI), the Group is aiming to improve both investment profitability and financial strength, and endeavoring to enhance corporate value as well as provide stable returns to shareholders.

- **LIXIL Group plans to issue dividends in FY2020 of ¥70.0 per share, which is the same as in FY2019.**

**The forecast for the FY2020 performance of the LIXIL Group by segment is as follows:**

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2019 result</th>
<th>FY2020 forecast</th>
<th>YoY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LWT</td>
<td>Revenue</td>
<td>435.0</td>
<td>425.0</td>
</tr>
<tr>
<td></td>
<td>Core earnings</td>
<td>27.2</td>
<td>21.1</td>
</tr>
<tr>
<td></td>
<td>CE margin</td>
<td>6.3%</td>
<td>5.7%</td>
</tr>
<tr>
<td>LBT</td>
<td>Revenue</td>
<td>324.0</td>
<td>263.0</td>
</tr>
<tr>
<td></td>
<td>Core earnings</td>
<td>26.9</td>
<td>19.0</td>
</tr>
<tr>
<td></td>
<td>CE margin</td>
<td>5.1%</td>
<td>3.7%</td>
</tr>
<tr>
<td>D&amp;R</td>
<td>Revenue</td>
<td>880.0</td>
<td>680.0</td>
</tr>
<tr>
<td></td>
<td>Core earnings</td>
<td>80.0</td>
<td>51.4</td>
</tr>
<tr>
<td></td>
<td>CE margin</td>
<td>6.0%</td>
<td>5.5%</td>
</tr>
<tr>
<td>H&amp;S</td>
<td>Revenue</td>
<td>57.0</td>
<td>57.0</td>
</tr>
<tr>
<td></td>
<td>Core earnings</td>
<td>3.3</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>CE margin</td>
<td>5.8%</td>
<td>5.8%</td>
</tr>
<tr>
<td>LIXIL Group</td>
<td>Revenue</td>
<td>1,342.0</td>
<td>1,342.0</td>
</tr>
<tr>
<td></td>
<td>Core earnings</td>
<td>62.4</td>
<td>47.0</td>
</tr>
<tr>
<td></td>
<td>CE margin</td>
<td>4.7%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

**Dividends per share / Dividend payout ratio / Dividend payout ratio after adjustment for amortization of goodwill**

| Dividends per share | ¥70.0 | ¥70.0 | ¥70.0 |
| Dividend payout ratio | 76% | 76% | 76% |
| Dividend payout ratio after adjustment for amortization of goodwill | 75% | 75% | 75% |
## Review of Operations
(Fiscal Year Ended March 31, 2019)

### LWT
LIXIL Water Technology

- **Revenue**: ¥833.1 billion (44.7%)
- **Core earnings**: ¥60.2 billion
- **Employees**: 32,868 people
- **R&D**: ¥19.7 billion
- **CAPEX**: ¥36.9 billion

### LHT
LIXIL Housing Technology

- **Revenue**: ¥540.8 billion (29.0%)
- **Core earnings**: ¥20.7 billion
- **Employees**: 18,820 people
- **R&D**: ¥7.3 billion
- **CAPEX**: ¥20.0 billion

### LBT
LIXIL Building Technology

- **Revenue**: ¥256.0 billion (13.7%)
- **Core earnings**: –¥38.1 billion
- **Employees**: 7,461 people
- **R&D**: ¥1.5 billion
- **CAPEX**: ¥3.7 billion

### D&R
Distribution & Retail Business

- **Revenue**: ¥176.4 billion (9.5%)
- **Core earnings**: ¥7.8 billion
- **Employees**: 1,357 people
- **R&D**: ¥7.3 billion
- **CAPEX**: ¥11.2 billion

### H&S
Housing & Services Business

- **Revenue**: ¥57.9 billion (3.1%)
- **Core earnings**: ¥3.5 billion
- **Employees**: 1,374 people
- **R&D**: ¥1.5 billion
- **CAPEX**: ¥1.1 billion

### Competitors
- Kohler
- Roca
- Hansgrohe
- Masco (Delta)
- Fortune Brands (Moen)
- Geberit
- TOTO
- Takara Standard
- YKK AP
- Local companies

### Direct customers
- Dealers
- Sales agencies
- Construction companies
- Architectural firms
- Developers

### Competitors
- YKK AP
- Takara Teikosha

### Direct customers
- General consumers
- Construction professionals

### Competitors
- DCM Japan Holdings
- Caini
- Komori
- Kohnan Shoji

### Competitors
- Homebuilding franchise members
- Housing site ground inspection business
- Construction professionals
- Real estate brokerage franchise business
- General consumers

### Global Manufacturing and Sales Sites

<table>
<thead>
<tr>
<th>Region</th>
<th>Americas</th>
<th>Europe</th>
<th>Africa</th>
<th>Asia (Pacific)</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>LWT</td>
<td></td>
<td>11</td>
<td>4</td>
<td>22</td>
<td>20</td>
</tr>
<tr>
<td>LHT</td>
<td></td>
<td></td>
<td></td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>LBT</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

*Seven of the LHT factories also manufacture commodities for LBT.

### Domestic home reform shops and reform network members
12,354 stores

### Domestic home center stores (S&M)
98 stores

### Domestic homebuilding franchise members (H&S)
194 stores
LIXIL Water Technology (LWT)

Market Conditions

The global plumbing fixtures and fittings market is worth ¥5 trillion today and forecast to keep growing. Overseas, European and North American markets have been buoyant recently against a backdrop of monetary easing, while the world’s growing population, which is expected to reach 8.5 billion people in 2030, is driving new growth. In particular, the growing middle class in China and increasing need for energy and water conservation technology in Europe are among trends expected to increase demand for water technology products in the future.

Key Strengths

Among LIXIL Water Technology’s (LWT) core strengths is its portfolio of powerful, industry-leading brands which include GROHE, American Standard, INAX, and SATO. LWT’s brands are highly recognized, culturally relevant and distinctive, and leaders of the water technology and sanitaryware markets. Combined, these brands cover all bathroom product categories and all market segments, from the luxurious to the basic ends of the spectrum, while catering to different lifestyle preferences and local tastes.

Leveraging this unique strength, LWT is now developing its business in emerging markets in particular, where the middle class is expected to grow. It is also honing its competitive edge by enhancing cross-regional and cross-brand synergies, which combined with improved production efficiency, will enable LWT to respond more flexibly to global demand. In this context, the core growth driver will be transferring advanced technology developed in Japan to overseas markets, and creating attractive products that harness designs representative of each brand and local tastes.

Key Highlights for FYE2019

• In April, LIXIL’s Japan business changed its organization structure to integrate product development, production, and sales functions. This will enable it to accelerate its business cycle and more effectively reflect market needs. The Japan business also introduced a new trading framework, a mechanism to clarify pricing structures and definitions of roles between LIXIL and its business partners, which helps to specify the responsibilities of each business, enhance information sharing, and improve overall operational efficiency.
• Sales of products that have resulted from synergies within LIXIL Group, consisting mostly of products that use technology developed in Japan but with regionally customized designs, and new businesses accounted for 74% of LWT’s overseas sales growth.
• LWT opened new flagship showrooms in major cities around the world with access to LIXIL’s combined tangible and intangible resources in order to improve capital investment efficiency and strengthen cost competitiveness.
• LWT introduced business models such as “digital water management,” which has enabled tie-ups with multiple insurance companies in Europe, establishing a new growth market.

Key Initiatives in FYE2020

• Accelerate product development process for synergized products and launch in markets outside Japan
• Foster cross-regional collaboration by empowering each region with access to LIXIL’s combined tangible and intangible resources in order to improve capital investment efficiency and strengthen cost competitiveness
• Transform business structure in Japan market to suit its mature economy, strengthening cost competitiveness

Review of Operations by Segment

In Japan, the number of new housing starts has been decreasing over the long term. However, the renovation market, while small, shows potential for significant growth. Considering both new housing starts and the renovation market, demand for plumbing fixtures and fittings in Japan is expected to remain stable in the medium term.

SWOT analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly regarded brands across all regions</td>
<td>Higher demand from population growth and increasing income levels around the world</td>
</tr>
<tr>
<td>A product portfolio spanning all market segments, from the luxurious to the basic ends of the spectrum</td>
<td>Development of differentiated products for the global market by transferring and consolidating technology and design within LWT, based on development of product platforms using Japanese technology</td>
</tr>
<tr>
<td>Sales network in more than 150 countries</td>
<td>Increasing demand for products catering to increased environmental and health awareness</td>
</tr>
<tr>
<td>Global supply chain network</td>
<td>Growing renovation market in Japan</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downward pricing pressure</td>
<td>Disruption of sales channel due to changes in distribution model</td>
</tr>
<tr>
<td>Business structure not fit for future growth</td>
<td>Decreasing new housing starts in Japan</td>
</tr>
<tr>
<td>Underinvestment in marketing and brand management</td>
<td>Increase in labor cost and material prices</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Revenue (¥ trillion)</th>
<th>Core earnings (¥ trillion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Overseas</td>
</tr>
<tr>
<td>2018/3</td>
<td>2019/3</td>
</tr>
<tr>
<td>827.8</td>
<td>873.1</td>
</tr>
</tbody>
</table>
Market Conditions

In Japan, the number of new housing starts has been decreasing over the long term as a result of the country’s aging and shrinking population. However, the size of the housing components market is expected to remain the same in the medium term. In addition to government initiatives aimed at stabilizing demand around the consumption tax hike scheduled for October 2019, measures are also being taken by housing material manufacturers to stimulate demand for home renovation. Overseas, we anticipate demand for housing products to grow in the Asia region, which enjoys more stable and positive economic growth, an increasing population, and rising income levels.

Key Strengths

The core commercial strengths of LIXIL Housing Technology (LHT) are its wide variety of products, the ability to coordinate these products, its high market share in each product category, and its robust nationwide sales network. Leveraging these well-established strengths, LHT provides differentiated and high value-added products, and its robust ability to coordinate these products, further enabling the generalization of production lines, and standardize parts, and unify core product platforms, further enabling the generalization of production lines. In terms of sales, LHT accelerated preparations to launch high value-added products as part of its medium- to long-term strategy. In FYE2019, LHT launched TOSTEM JW, a new design concept where the window’s frame cannot be seen from inside the house. In addition, we formed a business alliance with SKY-FRAME AG (Switzerland), the world’s leading brand of luxury windows.

Key Highlights for FYE2019

- In April, LIXIL’s Japan business changed its organization structure to integrate product development, production, and sales functions. The Japan business also introduced a new trading framework, a mechanism to clarify pricing structures and definitions of roles between LIXIL and its business partners, which helps to specify the responsibilities of each business, enhance information sharing, and improve overall operational efficiency.
- In production, LHT proceeded to reduce stock keeping units (SKUs), standardize parts, and unify core product platforms, further enabling the generalization of production lines.
- In terms of sales, LHT accelerated preparations to launch high value-added products as part of its medium- to long-term strategy. In FYE2019, LHT launched TOSTEM JW, a new design concept where the window’s frame cannot be seen from inside the house. In addition, we formed a business alliance with SKY-FRAME AG (Switzerland), the world’s leading brand of luxury windows.

SWOT analysis

This enables building components such as doors as well as electrical appliances to be operated with smart speakers and smartphone apps.

Key Initiatives in FYE2020

- Transform business structure in Japan to suit its mature economy, enabling it to be more resistant to changes in the external business environment.
- Reduce SKUs, adopt platform approach for new product development, and optimize production lines to improve capital investment efficiency and strengthen cost competitiveness.
- Optimize supply chains to strengthen cost competitiveness.
- Develop new markets, businesses, and products for the renovation market and highly affluent consumers inside and outside of Japan.

LIXIL Housing Technology (LHT)
LIXIL Building Technology (LBT)

Market Conditions

Market conditions for building construction in Japan are expected to remain stable in the medium term, even after the Tokyo 2020 Olympic & Paralympic Games. This is due to regional revitalization initiatives led by the Government of Japan, the renewal of metropolitan areas and train stations, and the upcoming World Expo to be held in Osaka in 2025. In addition, products that satisfy the criteria for Net Zero Energy Buildings (ZEB*) will provide new added value for energy conservation and climate change mitigation going forward.

Overseas, the increase in urban populations and greater demand for energy conservation are driving growth. The value of the global curtain wall market, estimated at 28.4 billion in 2017, is projected to grow to 38.8 billion by 2021. The majority of this growth is anticipated to come from the APAC region, which currently represents 39% of the market, followed by North America with 28%, Europe with 24%, and the rest of the world representing 9%.

Key Strengths

LIXIL Building Technology Japan (LBT-J) has the largest market share in high-rise building curtain walls, and high market share in window sashes for low-rise stores, condominiums, and buildings with environmental considerations.

As a worldwide leader of curtain wall solutions, recognized for some of the most iconic buildings in the world, Permasteelisa Group brings its extensive know-how, expertise, and unique engineering capabilities to all projects, in particular when dealing with special features buildings. By working closely with architects and designers from the earliest planning phase and leveraging a rigorous quality control system, Permasteelisa provides design and construction solutions to match the special requirements of each project.

Key Highlights for FYE2019

• In August 2017, LIXIL Group decided to transfer all shares of Permasteelisa, which comprises LBT-J's overseas business, to a Chinese company that was deemed to have high affinity with Permasteelisa. However, in October 2018, the Committee on Foreign

![Image](https://via.placeholder.com/150)

Tokyo Midtown Hibiya

Review of Operations by Segment

SWOT analysis

Strengths

• Technical competences and know-how
• Global presence and organization
• Strong relationships with customers backed by historical performance
• Flexibility on site response, engineering skills, and technology
• Cost competitiveness realized by leveraging overseas factories

Weaknesses

• Lower production efficiency due to build-to-order manufacturing
• Difficulty differentiating popular building products from competitors in Japan
• Overseas projects typically have a 3- to 5-year construction period, making them vulnerable to changing economic conditions and property-related developments, and are therefore challenging to manage

Opportunities

• Increasing need for high insulation and earthquake-resistant products in Japan
• Government initiatives for revitalization of local areas in Japan
• Intercompany collaboration for better performance

Investment in the United States (CFIUS) notified us that we are unable to secure approval on the transfer of shares. As a result, we were unable to sell the company.

For Permasteelisa, the profitability of projects centered on its North American business has been deteriorating. Subsequently, all of Permasteelisa’s projects were reviewed in detail to determine estimated total construction costs. Reviewing this estimate, LIXIL Group recorded allowance for losses, etc., expected to occur in the future. Based on the review process, we developed and launched new window frames for buildings such as PRO-SE-BFG, which has been certified as fire-resistant equipment.

LBT strengthened sales activities for PRESEA-H, an environmentally friendly window sash for ZEB.

Key Initiatives in FYE2020

• Focus on improving cash flows and profitability by steadily executing plan to recover the profitability of Permasteelisa
• Expand lineup of high-performance window frames with environmentally friendly functions
• Strengthen production controls for larger projects to stabilize daily production level
• Enhance productivity through automation and consolidation of production lines in factories

<table>
<thead>
<tr>
<th>Revenue (¥ billion)</th>
<th>Japan</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019/3</td>
<td>321.5</td>
<td>288.0</td>
</tr>
<tr>
<td>2020/3 (Forecast)</td>
<td>368.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Core earnings (¥ billion)</th>
<th>Japan</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019/3</td>
<td>30.5</td>
<td>24.7</td>
</tr>
<tr>
<td>2020/3 (Forecast)</td>
<td>33.0</td>
<td></td>
</tr>
</tbody>
</table>

![Image](https://via.placeholder.com/150)

* A building that aims to generate the energy it consumes

![Image](https://via.placeholder.com/150)

World Expo to be held in Osaka in 2025. In addition, led by the Government of Japan, the renewal of metropolitan areas and train stations, and the upcoming World Expo to be held in Osaka in 2025.

**Note:** The table and chart data may be subject to rounding or approximation due to the nature of the data presented.
Review of Operations by Segment

Distribution & Retail Business (D&R)

The Distribution & Retail Business (D&R) is unique within the LIXIL Group. It is the only business with general consumers as its core customer base. Catering to their needs, D&R offers a wide array of housing- and lifestyle-related products and materials, as well as construction and other services, through its home center business, LIXIL VIVA Corporation.

In recent years, the number of specialized local distributors and small wholesalers has continued to decrease due to business succession challenges, etc. In parallel, the number of workers skilled in multiple trades has increased, especially in renovation work. Under these changing circumstances, the core strengths of D&R lies parallel, the number of workers skilled in multiple trades. The Distribution & Retail Business (D&R) is unique within the LIXIL Group, thus enabling professionals to procure all the necessary materials and equipment for renovation work, changing circumstances, the core strengths of D&R lies.

Key Initiatives in FYE2019

• Since LIXIL VIVA Corporation’s initial public offering in April 2017, it has accelerated opening new stores. D&R newly opened seven stores, achieving its FYE2019 target. D&R now operates 96 stores as of March 31, 2019.

• Revenue from sales of goods for renovation reached 39.6%, which was an improvement of 1.8 percentage points from the previous year. D&R aims to increase this ratio to 50% in the medium to long term as the renovation market in Japan grows.

Key Initiatives in FYE2020

• Continue to drive initiatives aimed at increasing the ratio of renewal goods to 50% in the medium to long term
• Increase the number of workers skilled in multiple trades

Housing & Services Business (H&S)

The Housing & Service Business (H&S) offers a wide variety of services that complement the LIXIL Group’s core product businesses, including the development of franchise chains for homebuilders and real estate businesses, ground inspection and improvement services, financial services, business management support services, etc. By collaborating with other businesses in the LIXIL Group, H&S enables the LIXIL Group to provide its consumers with added value throughout every stage of their lives.

Key Highlights for FYE2019

• H&S drove initiatives to expand its existing businesses and new businesses (such as in the secondhand and renovation market) in response to the decreasing number of new housing starts over the medium and long term in Japan. As a result, the revenue composition for businesses not related to new housing starts reached 38.7% in FYE2019, which was an improvement of 4.0 percentage points from the previous year.

Key Initiatives in FYE2020

• Continue to drive initiatives to expand its businesses in new fields (such as the secondhand and renovation markets) in order to achieve the medium-term target of 50% revenue composition from existing housing-related business
• Due to the growing labor shortage in the housing industry, strengthen synergies with manufacturing businesses in the Group, especially in order to expand support businesses, while enhancing cross-selling to enrich proposals for customers
Corporate Responsibility Chairperson Message

Investor Relations, External Affairs, Corporate Responsibility, and Executive Officer and Senior Managing Director, Public Affairs, Jin Song Montesano

Corporate Responsibility Chairperson Message

C R STRATEGY AND RESULTS

CR STRATEGY AND RESULTS

LIXIL’s CR Strategy

As for Water Conservation & Environmental Sustainability, we made progress in our contribution to the environment by switching to 100% renewable energy in our showroom in Kyoto and at INAX MUSEUMS; the first step in our journey to achieve zero CO2 emissions from the use of electricity. In our TOSTEM plant in Thailand, we also succeeded in eliminating landfill waste by collaborating with local industrial waste disposal operators.

On the topic of Diversity & Inclusion, FYE2019 marked the launch of a fully remodeled universal kitchen system in Japan called WellLife, designed for people in wheelchairs and those who prefer to sit when cooking. LIXIL’s Universal Design concept is a core part of our diversity agenda, and we continue to focus on making things matter to the people who use our products, while promoting it through our advocacy initiatives.

I am pleased to report that the consistent progress we have made over the last three years to deliver on our new CR strategy is gaining global recognition. LIXIL won “Innovation of the Year” at the Ethical Corporation’s Responsible Business Awards for our innovative SATO line of products and sanitation initiatives. Similarly, our work to provide innovative, safe, and affordable access to sanitation to communities around the world was recognized at the second Japan SDGs Awards, where LIXIL was awarded the Deputy-Chief’s Award from the Minister of Foreign Affairs. Furthermore, we earned a place in CDP’s prestigious Water Security A List, reflecting our leadership in sustainable water management. We also continued to be listed on the Dow Jones Sustainability Asia Pacific Index, FTSE4Good Index, and MSCI Japan Empowering Women Select Index.

Alongside this recognition, how LIXIL makes a difference to people around the world continues to be a source of growing pride among our employees. We are pleased to see this pride propel our colleagues’ desire to participate however they can, demonstrated by close to one thousand employees signing up for the “Team Splash!” initiative, which invites employees to make donations to the “Make a Splash! Toilets for All” partnership. Also accelerating in momentum is LIXIL Community Day, inaugurated in FYE2018, which doubled participation in FYE2019 to 6,900 employees across 23 countries. This underscores the strong purpose-driven culture we are building at LIXIL.

Looking ahead, LIXIL has declared its support for the Task Force on Climate-related Financial Disclosures. We are also in the process of updating LIXIL’s environmental vision to contribute to a sustainable global environment in the long term. We look forward to sharing in the coming months how we plan to further our commitments to help protect our planet and contribute to society, including strengthening our disclosure of climate-related financial information as well as our broader efforts to deliver on our CR commitments.

Corporate Responsibility Strategy

LIXIL is committed to improving the quality of people’s lives around the world and to pursuing the growth of its businesses through responsible and sustainable innovations.

Leading with three strategic pillars

Global Sanitation & Hygiene

“100 Million People”
By 2020, improve the livelihood of 100 million people through sanitation and hygiene solutions

Water Conservation & Environmental Sustainability

“Net Zero”
By 2030, achieve a net zero balance between LIXIL’s environmental footprint and the positive environmental contributions created through its products and services

Diversity & Inclusion

“Inclusive for All”
By 2020, establish the culture of diversity and inclusion within our organization and with all employees

By 2030, ensure all products and services* are based on LIXIL’s Universal Design concept

Our strategy stands upon a foundational commitment to ethical business practices

Governance
Fair Business Practices
Human Rights
Labor Practices
Quality and Satisfaction
Supply Chain
Stakeholder Engagement

Our Approach to CR

In order to realize LIXIL CORE (“The Group’s superior products and services contribute to improving people’s comfort and lifestyles”), we recognize the need to pursue sustainable innovation, achieve profit growth that contributes to the quality of people’s lives, and meet the evolving expectations of our stakeholders.

In markets around the world, Environmental, Social and Governance (ESG) investing is becoming more mainstream, as is the understanding that ESG factors impact corporate value in the medium and long term. For companies, it is essential that corporate strategies are connected to environmental and social initiatives. Within this context, LIXIL aims to meet its social responsibilities and increase the trust of its stakeholders. We conduct CR activities based on 16 identified material issues (see pages 36-37) to build the foundations of sustainable corporate growth. Governance, Fair Business Practices, Human Rights, Labor Practices, Quality and Satisfaction, Supply Chain, and Stakeholder Engagement form the foundations of our CR activities. Tackling these material issues helps us to meet our social responsibility, build credibility with stakeholders, and strengthen the LIXIL brand. At the same time, addressing these material issues contributes to risk management by helping to reduce reputational risk.

We consider these social material issues as our highest priorities and will invest our core Group strengths to help solve these challenges. We call these our three strategic pillars: Global Sanitation & Hygiene; Water Conservation & Environmental Sustainability; and Diversity & Inclusion. We believe these three fields offer the greatest opportunities for long-term growth, and will form the foundation for sustainable growth.

Progressively Achieving the Goals of LIXIL’s CR Strategy

LIXIL’s higher purpose as a company is to make better homes a reality for everyone, everywhere, and Corporate Responsibility (CR) is at the core of this endeavor. We are delighted to report that we have continued to reach new heights through our CR activities in FYE2019, making progress in all three strategic pillars as well as enhancing global recognition of our initiatives.

With regard to improving Global Sanitation & Hygiene, we were excited to see that our SATO social business turned profitable in Bangladesh, providing us with the confidence that social enterprises can be viable and self-sustaining. We also entered into a new partnership with UNICEF called “Make a Splash! Toilets for All,” aiming to transform the lives of children around the world by providing them with access to basic sanitation services. On top of this, we launched a new partnership with the Bill & Melinda Gates Foundation to plot a new technology in two markets that could become the world’s first “reinvented toilet” for household use.

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Our strategy stands upon a foundational commitment to ethical business practices

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Human Rights
Labor Practices
Quality and Satisfaction
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Stakeholder Engagement

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LIXIL’s Material Issues

CR Management Process and Materiality Selection Process

Management needs to show leadership and collaborate with our core technology units to swiftly and appropriately tackle material issues. That is why the Corporate Responsibility Committee, which takes the lead in CR initiatives, is made up of officers from each functional division at LIXIL Group’s head office and representatives from each technology business unit. The results of CR Committee discussions are, as necessary, approved by the LIXIL Group’s Board of Directors and Executive Officers Committee. The initiatives, once adopted, are then implemented by each functional division at the direction of the officer responsible for each initiative. The materiality selection process, as per the diagram on the right, enabled us to identify the material issues that matter the most to our stakeholders and our Group.

Action plan and progress for each material issue

<table>
<thead>
<tr>
<th>Material Issue</th>
<th>Description</th>
<th>FYE2019 target</th>
<th>FYE2019 progress</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>Establish governance structure that meets global standards</td>
<td>Group-wide ratio of basic training and acknowledgment of Code of Conduct completed: 100%</td>
<td>Adopted rate to strengthen governance and compliance at Group companies (executive officer-related policies, training of Presidents, etc.) based on the findings of a third-party investigation into incidents at Group companies</td>
<td>On track</td>
</tr>
<tr>
<td>Compliance</td>
<td>Develop a comprehensive and effective compliance system across the Group</td>
<td>• Establish a system to improve compliance structure, and ensure appropriate evaluation and effective use of resources</td>
<td>Evaluation of overnight observations at elderly facilities using sensors in collaboration with Z-Works Accelerator Programs from January 2019</td>
<td>Needs attention</td>
</tr>
<tr>
<td>Risk management</td>
<td>Establish and operate a Group-wide enterprise risk management system</td>
<td>• Establish a plan to implement human rights due diligence in Japan and expand globally</td>
<td>• Established a plan to implement human rights due diligence in Japan and expand globally</td>
<td>Needs attention</td>
</tr>
<tr>
<td>Fair Business Practices</td>
<td>Anti-corruption</td>
<td>• Implement an effective anti-corruption system across the Group</td>
<td>• Implement an effective anti-corruption system across the Group</td>
<td>Needs attention</td>
</tr>
<tr>
<td>Human Rights</td>
<td>Ensure responsible people by respecting diversity across the Group</td>
<td>• Establish the Foundation of an Environment, Health and Safety (EHS) management system across the Group</td>
<td>• Establish the Foundation of an Environment, Health and Safety (EHS) management system across the Group</td>
<td>Needs attention</td>
</tr>
<tr>
<td></td>
<td>Working environment</td>
<td>• Build a worker-friendly environment for all employees</td>
<td>• Implement human rights due diligence in Japan and expand globally</td>
<td>Needs attention</td>
</tr>
<tr>
<td>Labor Practices</td>
<td>Diversity and equal opportunity</td>
<td>• Establish the Foundation of an Environment, Health and Safety (EHS) management system across the Group</td>
<td>• Implement an effective anti-corruption system across the Group</td>
<td>Needs attention</td>
</tr>
<tr>
<td></td>
<td>Occupational health and safety</td>
<td>• Establish and operate a Group-wide enterprise risk management system across the Group</td>
<td>• Establish and operate a Group-wide enterprise risk management system across the Group</td>
<td>Needs attention</td>
</tr>
<tr>
<td></td>
<td>Working environment</td>
<td>• Implement human rights due diligence in Japan and expand globally</td>
<td>• Implement human rights due diligence in Japan and expand globally</td>
<td>Needs attention</td>
</tr>
<tr>
<td></td>
<td>Talent development and human resource development</td>
<td>• Promote more employee-driven human resource development based on a bottom-up core culture</td>
<td>• Promote more employee-driven human resource development based on a bottom-up core culture</td>
<td>Needs attention</td>
</tr>
<tr>
<td></td>
<td>Quality and Satisfaction</td>
<td>• Promote efficiency of energy in business activities and the provision of products and services that contribute to climate change initiatives</td>
<td>• Promote efficiency of energy in business activities and the provision of products and services that contribute to climate change initiatives</td>
<td>Needs attention</td>
</tr>
<tr>
<td></td>
<td>Environment</td>
<td>• Promote efficient use of water in business activities and the provision of products and services that contribute to water conservation</td>
<td>• Promote efficient use of water in business activities and the provision of products and services that contribute to water conservation</td>
<td>Needs attention</td>
</tr>
<tr>
<td></td>
<td>Sustainable use of resources</td>
<td>• Promote the sustainable use of new raw materials from procurement to disposal</td>
<td>• Promote the sustainable use of new raw materials from procurement to disposal</td>
<td>Needs attention</td>
</tr>
<tr>
<td></td>
<td>Water conservation</td>
<td>• Improve water-use efficiency in key water-use management sites</td>
<td>• Improve water-use efficiency in key water-use management sites</td>
<td>Needs attention</td>
</tr>
<tr>
<td></td>
<td>Supply Chain</td>
<td>• Improve supply chain sustainability and traceability</td>
<td>• Improve supply chain sustainability and traceability</td>
<td>Needs attention</td>
</tr>
<tr>
<td></td>
<td>Stakeholder Engagement</td>
<td>• Help solve the issues experienced by the elderly and people with disabilities through our products</td>
<td>• Help solve the issues experienced by the elderly and people with disabilities through our products</td>
<td>Needs attention</td>
</tr>
</tbody>
</table>

Selection process of material issue

Social issues were selected by considering global trends, issues unique to LIXIL Group’s industrial fields, and the expectations of LIXIL Group’s stakeholders – such as NGOs, business partners, clients, shareholders, and suppliers.

The level of impact of each selected issue was assessed by considering the Group’s medium- to long-term business opportunities and the expectations of our stakeholders.

Validation and agreement

The validity of selected material issues was confirmed by officers in relevant business functions, and the CR Committee approved the final list of material issues.

CR STRATEGY AND RESULTS

For more details regarding the Group’s material issues, and CR activities and outcomes, please refer to our Sustainability section on our corporate website: https://www.lixil.com/en/sustainability/
Global Sanitation & Hygiene

Critical Social Issues

An estimated 2 billion people around the world do not have access to basic sanitation. Poor hygiene and sanitation put millions at risk, with 800 children under the age of five die from diarrheal diseases caused by lack of clean water and unsanitary living conditions. The lack of toilets at school can be a barrier for girls continuing with their schooling after reaching puberty, and open defecation can expose them to serious threats such as violence or harassment.

In total, global economic losses caused by poor sanitation are estimated to have reached US$223 billion in 2015.

Achievements and Challenges

The global sanitation challenge will require a multi-stakeholder approach to solve. That is why LIXIL has been working together with numerous specialist organizations, NGOs, and business partners to make the most of our various strengths.

The SATO business is based on a grassroots social enterprise concept. Its products are being produced in six Asian and African countries, and approximately 2.5 million have been delivered to more than 25 countries so far. This equates to improving the sanitation and hygiene of approximately 12.5 million people.

For the first time, the SATO business also became profitable in Bangladesh in FYE2019. SATO Toilet Systems are designed to be affordable and, therefore, require a certain volume of sales to break even. The SATO business turned profitable in Bangladesh in FYE2019 because of growing local awareness of sanitation issues and toilet solutions. This was due to the support of the Bangladesh Rural Advancement Committee (BRAC), an international development organization, and a campaign by the government of Bangladesh to end open defecation. Moreover, a partnership with local plastic manufacturing industry leader, RFL, enabled the business to reach the volume necessary to become profitable. We believe this demonstration that the SATO business can be financially viable and sustainable is immensely significant.

Additionally, LIXIL is now improving sanitation and hygiene through its “Make a Splash! Toilets for All” initiative in cooperation with the governments of Ethiopia, Kenya, Tanzania, and local partners.

SATO, our first commercial solution for base-of-pyramid consumers, took seven years to establish itself in local communities, including raising awareness about sanitation and hygiene. LIXIL values the social impact that SATO has had as much as it does profitability and sales volume. In addition, SATO and our partnership with UNICEF have also served as a source of pride and motivation for LIXIL employees.

LIXIL believes expanding the reach of SATO, particularly in India and Africa, is the most significant of its initiatives to overcome global sanitation challenges. This makes it vital to accurately understand local challenges, develop local solutions, and build a business model to effectively deliver those solutions.

LIXIL’s Response

LIXIL has pledged to improve the livelihood of 100 million people through sanitation and hygiene solutions by FYE2021. To reach this goal, LIXIL will continue to roll out its SATO Toilet Systems in developing countries, while conducting further research and development in its Micro Flush Toilet System, which saves water in urban environments, and the Portable Toilet System, which can efficiently and hygienically facilitate the collection and treatment of human waste in informal urban settlements.

In July 2018, LIXIL and UNICEF also formed an innovative global partnership called “Make a Splash! Toilets for All.” This partnership aims to utilize our combined expertise in developing sanitation markets globally. LIXIL is developing and marketing products to tackle the global sanitation challenge, while UNICEF is working to expand demand for toilets in target countries by raising awareness and leading publicity activities.

Additionally, LIXIL formed a partnership with the Bill & Melinda Gates Foundation in November 2018, aiming to develop a “reinvented toilet” that does not require connection to sewers or water lines.
Water Conservation & Environmental Sustainability

Critical Social Issues

With the world experiencing more frequent and intense extreme weather conditions and natural disasters, the Paris Agreement, a global climate change framework, and the Sustainable Development Goals (SDGs), a universal call to action to solve global social and environmental issues, were adopted in 2015. Under the Paris Agreement, countries have come together in a movement aimed at achieving a carbon-neutral future by reaching a balance between anthropogenic emissions and the absorption of greenhouse gases in the second half of the twenty-first century.

Instances of drought and water stress related to climate change are also increasing. By 2050, approximately 4 billion people (about 40% of the world’s population) are expected to live in areas of water stress, facing potentially disrupted access to water.

In addition, ensuring the sustainable use of natural resources, such as metals, wood, rubber, and raw materials for ceramics, is another major challenge for future generations.

Achievements and Challenges

Regarding climate change mitigation and adaptation, we are promoting the building of environmentally friendly homes by developing and providing products and services that contribute to reduced greenhouse gas emissions and energy usage in homes and buildings. Many LIXIL products and services have received awards, such as the highest Japanese insurance standard, House of the Year in Energy 2018, for our high-thermal insulation panels, Super Wall Dual. Other awards include the Environment and Equipment Design Award for our automated heating faucet, and the Grand Prize for Excellence in Energy Efficiency and Conservation for LIXIL’s TECO Smart Partners’ net-zero energy housing solution.

Moreover, we have started an initiative to power LIXIL facilities with 100% renewable energy. In February 2019, the LIXIL showroom in Kyoto was the first location to achieve this, followed by the INAX MUSEUMS in June 2019. We will continue to roll out this initiative.

Regarding water conservation, LIXIL has established various targets and advanced initiatives. This includes increasing the reuse of water and reducing the volume of water intake and wastewater in production bases deemed high risk in our water risk evaluations and analyses.

Regarding the sustainable use of resources, we are promoting the reuse of resources throughout the entire lifecycle of our products, including procurement, production, use, and disposal. LIXIL Housing Technology’s TOSTEM Thailand has been awarded the 3Rs Award and the Zero Landfill Waste Achievement Award from the Ministry of Industry in Thailand for eliminating all landfill waste. It achieved this by collaborating with local industrial waste disposal operators.

Changes to the global environment have a massive impact on peoples’ homes and lifestyles. As a comprehensive living and housing solutions company, LIXIL aims to achieve a balance between global environmental sustainability and business growth by working to provide solutions that are healthy, comfortable, and environmentally conscious. We are also striving to reduce the environmental footprint of our business activities.

LIXIL’s Response

LIXIL has identified opportunities and risks associated with climate change and is promoting an environmental strategy in line with its business strategy. LIXIL’s Environmental Vision 2030, which was announced in FYE2017, aims to ensure that by 2030, the positive environmental contribution of its products and services will surpass the environmental footprint from its entire business process, thus achieving a Net Zero environmental footprint. Moreover, under this vision we have identified three core environmental challenges to tackle: climate change mitigation and response, water conservation, and sustainable use of resources. We have developed mid-term targets and action plans within our global environment management system to address these and mitigate the environmental impacts of our entire value chain.

With the 2017 recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB), there is more demand for corporations to disclose climate change-related information. At LIXIL, we will continue to leverage opportunities to improve sustainability and increase corporate value by communicating with stakeholders and through environment-related disclosures.

FYE2021 targets

Contribute to realizing a sustainable society through innovative products and services, and improving environmental efficiencies of all operational processes.

- Expand CO2 emissions reduction attributable to Group products and services by 1.36 times compared to FYE2016
- Reduce CO2 emissions from Group activities by 8% compared to FYE2015
- Reduce distribution-linked CO2 emissions by 5% compared to FYE2016
- Complete water risk evaluation across all production sites, determine and implement KPI and targets for high-priority sites
- Recycling rate of waste products from LIXIL facilities: 95% (Japan, Europe), 66% (Asia), 40% (North America)
Diversity & Inclusion

Critical Social Issues

With major demographic changes predicted over the next several decades, understanding and embracing diversity is crucial. By 2050, more than one in every five people around the world is projected to be over the age of 60, with many people living either alone or with their spouse only. Approximately 15% of the world’s population is projected to be over the age of 60, with many people living either alone or with their spouse only. Approximately 15% of the world’s population is also projected to be women. As the population ages, this rate is increasing every year. Designing products, buildings, and living spaces that can be used by as many people as possible, including the elderly and people with disabilities, is vital. LIXIL can improve people’s lives through its products and services, while promoting the active participation of women in the workplace in support of SDG 5, helping to create a society in which everyone can succeed.

LIXIL’s Response

LIXIL is investing in developing its Universal Design (UD) solutions, aiming to help anyone and everyone to live comfortably. To further promote our activities, we launched the UD Committee led by senior managers in FYE2018. Moreover, we are holding workshops with a diverse group of participants from all areas of the Group, including design, R&D, marketing, and corporate communications. In these workshops, we focused our UD concept on four themes: easy to understand; easy to use; safety for peace of mind; and designs that people love. Based on these concepts, LIXIL is developing products and services from a wide variety of perspectives so that everyone, from young to old, can live comfortable and fulfilling lives.

In FYE2018, we established our LIXIL Diversity & Inclusion Declaration (see page to the right), which states, “We leverage our differences to create new energy and engagement in the workplace generated on these concepts, LIXIL is developing products and services from a wide variety of perspectives so that everyone, from young to old, can live comfortable and fulfilling lives.”

Achievements and Challenges

The new Resilience Toilet can be used normally even during and after a natural disaster, regardless of age and gender, and including those who may require special care. Under normal circumstances, each flush uses five liters of water. In the event of a disaster, it can be switched to a mode that maintains all of its functionality but only uses one liter of water to flush. The Resilience Toilet is a product designed for convenience, cleanliness, and safety. We are promoting its adoption at disaster evacuation centers, such as schools and gymnasiums, and at disaster coordination centers, such as municipal buildings. We will continue to develop new products and services that meet the diverse needs of our end users.

The level of diversity and inclusion that LIXIL aims for must take into account the cultural and social norms of each region. We believe the benefits of diversity can be maximized by leveraging a variety of characteristics.

We will continue our diversity efforts in each region, will consider cross-regional initiatives relating to human resource development and deployment, and endeavor to make diversity and inclusion a core part of LIXIL’s culture.

LIXIL Diversity & Inclusion Declaration four focus areas

Gender & Age

We will drive business performance by embracing diversity and ensuring that all employees have equal opportunities to be recruited, developed, advanced, and retained globally, regardless of gender or age. We will raise awareness, provide education and resources, and proactively create a culture that embraces, enables, values, and maximizes the contributions of persons with disabilities.

Family & Life

We will support employees through various life stages and events, thereby allowing them to contribute to business success while also fulfilling personal and family priorities and obligations.

Culture & Identity

We will foster mutual understanding, respect, and communication in order to fully embrace the diversity in race, religion, culture, gender identity, and sexual orientation of everyone at LIXIL.

CR STRATEGY AND RESULTS

Diversity & Inclusion

Four focus areas

LIXIL Corporation, Japan

Ratio of women among recent graduate recruits (University undergraduate and graduate students)

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/3</td>
<td>35%</td>
<td>33.5%</td>
</tr>
<tr>
<td>2018/3</td>
<td>35%</td>
<td>33.7%</td>
</tr>
</tbody>
</table>

Cumulative number of participants in the Talent Acceleration Program (TAP) for next-generation leaders

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/3</td>
<td>1,000</td>
<td>1,300</td>
</tr>
<tr>
<td>2018/3</td>
<td>963</td>
<td>1,300</td>
</tr>
<tr>
<td>2019/3</td>
<td>600</td>
<td>1,300</td>
</tr>
</tbody>
</table>

Female participation ratio in leadership training

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/3</td>
<td>20%</td>
<td>20.8%</td>
</tr>
<tr>
<td>2018/3</td>
<td>20%</td>
<td>29.5%</td>
</tr>
<tr>
<td>2019/3</td>
<td>20%</td>
<td>29.7%</td>
</tr>
</tbody>
</table>

*The survey is carried out once every two years. The previous survey was conducted in 2017 and the next survey will be in 2019.

FYE2021 targets

Build a strong corporation and workplace where all employees can achieve their full potential.

- Increase favorable response rate by 10% in the work-life balance category of the Group-wide employee engagement survey* compared to the previous survey
- Establish a culture of diversity and inclusion within our organization and among all employees
- Achieve 100% operational coverage of Group-wide EHS management system
- Provide common learning opportunities for all next-generation leaders across the Group
- Aim to expand the number of employees participating in the Talent Acceleration Program (TAP) for next-generation leaders to 1,500 cumulatively (in Japan)
Board of Directors of LIXIL Group Corporation
As of June 25, 2019

Kinya Seto
Director, Representative Executive Officer, President and CEO
Representative Director, Chairman, and Chairman of the Board of LIXIL Corporation

Kazuhiko Dotsubo
Director, Representative Executive Officer and Executive Vice President
Representative Director, President and CEO, and LIXIL Japan Company CEO of LIXIL Corporation

Kaoru Onimaru
Outside Director, Member of Nomination Committee
Justice of the Supreme Court of Japan (former)

Haruo Kawahara
Outside Director, Member of Nomination Committee, Member of Compensation Committee
Chair, Representative Director of the Board and Executive Officer CEO of JVC KENWOOD Corporation (former)

Kurt M. Campbell
Outside Director
Assistant Secretary of State for East Asian and Pacific Affairs, US Department of State (former)

Kaoru Onimaru
Outside Director, Chairperson of the Nomination Committee, Member of Compensation Committee
Chair and CEO, Sumitomo Mitsui Trust Bank Co., Ltd. (former)

Keiichiro Ina
Director, Member of Nomination Committee

Ryuuchi Kawamoto
Director, Member of Audit Committee

Yoji Nishihara
Outside Director, Chairperson of the Nomination Committee
Chair and CEO, Sumitomo Mitsui Trust Bank Co., Ltd. (former)

Daisuke Hamaguchi
Outside Director, Chairperson of Compensation Committee, Member of Audit Committee, Management Executive Director and Chief Investment Officer, Pension Fund Association (former)

Masatoshi Matsuzaki
Outside Director, Chairperson of the Board, Member of Nomination Committee
Director and Chairman of the Board of Directors of Konica Minolta, Inc. (incumbent)

Zenji Miura
Outside Director, Chairperson of Audit Committee, Member of Compensation Committee
Representative Director, President and CEO of Ricoh Co., Ltd. (former)

Satoshi Yoshida
Director, Executive Officer and Senior Managing Director
Director, Senior Managing Director of LIXIL Corporation

Teruo Suzuki
Outside Director, Member of Audit Committee
Certified public accountant
Director and Senior Managing Executive Officer of MinebeaMitsumi Inc. (former)

Tamio Uchibori
Outside Director, Member of Audit Committee
Licensed tax accountant
Director and Senior Managing Executive Officer of MinoltaMitsumi Inc. (former)

CORPORATE GOVERNANCE
Profiles of LIXIL Group Board & Executive Officers are available on our corporate website.
https://www.lixil.com/en/about/governance/board/
Executive Officers of LIXIL Group Corporation
As of July 22, 2019

Kinya Seto
Director, Representative Executive Officer, President and CEO

Kazuhiko Ootsubo
Director, Representative Executive Officer and Executive Vice President, Sales and management of domestic subsidiaries

Sachio Matsumoto
Representative Executive Officer and Executive Vice President, Finance, Treasury, and M&A, and Legal, Chief Financial Officer and Chief Legal Officer

Jin Song Montesano
Executive Officer and Senior Managing Director, Public Affairs, Investor Relations, External Affairs, Corporate Responsibility, and Human Resources, Chief Public Affairs Officer, and Chief People Officer

Ryo Nihei
Executive Officer and Senior Managing Director, Technology, Chief Technology Officer

Bijoy Mohan
Executive Officer and Senior Managing Director, CEO of LIXIL International

Yugo Kanazawa
Executive Officer and Senior Managing Director, Marketing, Digital, and IT, Chief Digital Officer, and Chief Information Officer

Hiroyuki Oonishi
Executive Officer and Senior Managing Director, LHT Japan

Satoshi Yoshida
Director, Executive Officer and Senior Managing Director, LHT Japan

CORPORATE GOVERNANCE

Profiles of LIXIL Group Board & Executive Officers are available on our corporate website.

https://www.lixil.com/en/about/governance/board/
Messages from the Chairperson of the Board and Committee Chairpersons

The management turmoil that began last October originated from the Nomination Committee. The function of the Nomination Committee will, therefore, be one of the critical points of discussion on LIXIL’s governance reform going forward, and I am acutely aware of the level of our responsibility.

We will reassess the root cause of the problem and how it should be addressed from a new viewpoint. In doing so, we aim to establish a system that eliminates arbitrary decisions and leads to logical, objective, and impartial conclusions, regardless of who the CEO or the members of the Nomination Committee are.

Regarding the scope of the Nomination Committee, in addition to the nomination of director candidates and removal of directors as specified under Japanese Corporation Law, we plan to broaden our view in order to contribute to the sustainable development of the LIXIL Group, including considering measures to long-term succession planning. When approaching each issue, our basic stance will be to create an organization that makes the most of diversity of thought, while securing the utmost transparency. The Nomination Committee will proceed with the reform of governance with strong determination. Utilizing and learning from recent issues, we hope to reach, as quickly as possible, a level at which our stakeholders consider the Group’s corporate governance to be advanced.

Chairperson of the Board
Masatoshi Matsuoka

What is the purpose of corporate governance? I believe it is to ensure sustainable growth and achieve higher medium- and long-term corporate values. Accordingly, the essential role of the Board is to listen to the CEO and other executive officers on how to sustainably increase corporate values, discuss and approve the long-term vision and medium-term plan, and monitor the implementation of these. The fundamental principle of governance is to also prevent the concentration of power in specific individuals. In this regard, LIXIL Group has adopted the appropriate governance model, a “Company with Nomination Committee, etc.” This structure requires the separation of management execution by executive officers and the supervisory function by the Board of Directors, which includes outside directors. In order for this model to work effectively, however, the Chairperson of the Board, I shall make every endeavor this year to manage Board meetings and help LIXIL Group maximize its potential in order to achieve sustainable growth.

Chairperson of the Nomination Committee
Yoji Nishiura

I believe that the single most important quality required in any corporation is integrity. The role of the Audit Committee is to examine and develop functioning internal structures, in which management and all employees are on the same page, driving the business forward with integrity in order to achieve sustainable growth. The five appointed members of the Audit Committee bring a wealth of experience in different fields, including accounting, M&A, and supply chain management. Maximizing our combined knowledge and expertise, we will engage in a thorough review of the Company through internal audits and other measures, in order to achieve sustainable growth.

Chairperson of the Audit Committee
Zenji Miura

The Compensation Committee’s role in enhancing corporate value is to contribute to achieving the Company’s business objectives. It does so by aligning the Company’s compensation system with its business strategy. LIXIL Group is now moving away from the direction of its previous strategy, which focused on expanding in size, to redirecting its efforts to achieve its new business strategy. The mission of the Compensation Committee is, therefore, to change the compensation system so that it matches the new strategy. LIXIL Group’s current compensation system can be appraised as advanced in form. The Company proactively adopted a performance-based structure and introduced stock-based compensation at an early stage. However, many detailed improvements can still be made.

Chairperson of the Compensation Committee
Daisuke Hamaguchi

Embracing the spirit that the strategy is in the details, I hope to start making changes swiftly. In doing so, I would particularly like to ensure open communication. In an organization that has adopted a “Company with Nomination Committee, etc.” governance model, the Compensation Committee has significant authority. However, rather than taking that for granted, we will collaborate closely with the Board of Directors, which is responsible for making decisions on essential business strategies, the Nomination Committee, which is involved in the nomination of the management team, and the executive management team, which executes the business strategy. It is my firm belief that such collaboration is critical in order to make the most of the compensation system.
Corporate Governance at the LIXIL Group

LIXIL Group Corporation (the “Company”) has adopted the governance model of a “Company with Nominating Committee, etc.” as specified under Japanese Corporation Law. Under this governance system, the Company clearly separates management execution from management supervision, aiming to establish a system where executive officers can make management decisions quickly and decisively while securing management transparency. In addition, as a pure holding company, the Company has formed the following meetings and committees to strengthen governance over Group companies: Internal Audit Committee, Compliance Committee, Risk Management Meetings, M&A Committee, Investment Review Committee, and Corporate Responsibility Committee. These meetings and committees discuss corporate strategy, consider medium- to long-term policies, deliberate investments, and work to accelerate decision-making while enhancing the effectiveness of governance.

Group Governance System

The Company, while respecting the independence of each Group company (including LIXIL Corporation) regarding its business management, receives periodic reports on the status of its businesses and provides approval for important matters. In addition, the Audit Committee periodically receives audit reports from the Company’s accounting auditors and the Company’s internal audit divisions, while regularly convening the Group’s Board of Auditors with the auditors of each Group company to ensure Group-wide cooperation.

Governance of LIXIL Group Corporation, LIXIL Corporation, and Significant Operating Companies (As of June 21, 2019)

Directors and Corporate Officers of LIXIL Group Corporation and LIXIL Corporation (As of August 26, 2019)
Corporation Governance

Activities of the Board of Directors and Board Committees

Number of Meetings Held During FYE2019

<table>
<thead>
<tr>
<th>Committee</th>
<th>Number of Meetings Held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>16</td>
</tr>
<tr>
<td>Nomination Committee</td>
<td>14</td>
</tr>
<tr>
<td>Compensation Committee</td>
<td>12</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>18</td>
</tr>
<tr>
<td>Executive Officers Meeting</td>
<td>22</td>
</tr>
<tr>
<td>Internal Audit Committee</td>
<td>4</td>
</tr>
<tr>
<td>Compliance Committee</td>
<td>4</td>
</tr>
<tr>
<td>Risk Management Meeting</td>
<td>4</td>
</tr>
<tr>
<td>Corporate Responsibility Committee</td>
<td>3</td>
</tr>
<tr>
<td>Corporate Governance Systems Committee</td>
<td>4</td>
</tr>
<tr>
<td>M&amp;A Committee*</td>
<td>19</td>
</tr>
<tr>
<td>Investment Review Committee*</td>
<td>27</td>
</tr>
</tbody>
</table>

*Attendance from April 1, 2018 to June 21, 2018
**Attendance from June 21, 2018 to March 31, 2019
*3 Attendance from April 1, 2018 to October 31, 2018
4 Attendance from November 1, 2018 to March 31, 2019
*5 Attendance from June 21, 2018 to March 31, 2019
*6 Attendance from April 1, 2018 to June 21, 2018

Board of Directors’ Effectiveness Evaluation

In order to implement and maintain the corporate governance systems needed to support sustainable growth and creation of medium- and long-term corporate value by the LIXIL Group as a whole, the Company analyzes and evaluates the effectiveness of the Board of Directors and attaches great importance to efforts to strengthen and improve the Board’s effectiveness.

One aspect of the measures taken in this regard is the implementation of an annual self-evaluation of the Board’s effectiveness, which is conducted by every member of the Board.

Effectiveness Evaluation Process

The Board of Directors, composed of the directors appointed at the Annual General Meeting of Shareholders held in June 2018, implemented an evaluation of the effectiveness of the Board of Directors and of each Board Committee using the following process, with the Chairman of the Board playing a central role. Starting from January 2019, questionnaire surveys were administered to each of the 12 members of the Board regarding the composition, operation, agendas, supporting systems of the Board, and director training. All Board members subsequently discussed the analysis and evaluation of the collected results at a Board meeting held in March 2019.

Summary of the Evaluation Results

In light of the results from the questionnaire mentioned above, the Company has worked to improve the supervisory function of the Board of Directors by implementing measures such as (1) sharing of results and opinions on the composition of the Board of Directors to the Nomination Committee; (2) provision of an agenda sheet to determine annual schedule and agenda of the Board of Directors; (3) revision of reporting format from executive officers and others for the purpose of effective discussions at Board of Directors’ meetings.

Measures to Be Implemented Based on the Evaluation Results

In order to implement and maintain the corporate governance systems needed to support the sustainable growth and the creation of medium- and long-term corporate value of the LIXIL Group as a whole, measures will be taken on an ongoing basis to enhance the function of the Board of Directors. This is based on the most recent Board effectiveness evaluation results and of the diverse range of views put forward by individual directors during the related processes.

Attendance at Meetings of the Board of Directors and Committees in FYE2019

<table>
<thead>
<tr>
<th>Name</th>
<th>Board of Directors</th>
<th>Nomination Committee</th>
<th>Compensation Committee</th>
<th>Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hironori Onishi</td>
<td>100%</td>
<td>100%**</td>
<td>100%**</td>
<td>—</td>
</tr>
<tr>
<td>Hidemasa Yamanashi</td>
<td>100%</td>
<td>100%**</td>
<td>100%**</td>
<td>—</td>
</tr>
<tr>
<td>Kenji Sato</td>
<td>100%</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Yoshinori Kanemori</td>
<td>100%</td>
<td>—</td>
<td>—</td>
<td>100%**</td>
</tr>
<tr>
<td>Yoshinori Kikunai</td>
<td>100%</td>
<td>100%**</td>
<td>100%**</td>
<td>—</td>
</tr>
<tr>
<td>Katsuhito Ito</td>
<td>100%</td>
<td>—</td>
<td>100%**</td>
<td>—</td>
</tr>
<tr>
<td>Haruo Shinada</td>
<td>100%</td>
<td>—</td>
<td>—</td>
<td>100%**</td>
</tr>
<tr>
<td>Ryoichi Kawashima</td>
<td>100%</td>
<td>—</td>
<td>—</td>
<td>100%**</td>
</tr>
<tr>
<td>Naoko Kuwada</td>
<td>100%</td>
<td>100%**</td>
<td>100%**</td>
<td>—</td>
</tr>
<tr>
<td>Johanna Judges</td>
<td>100%</td>
<td>100%**</td>
<td>100%**</td>
<td>—</td>
</tr>
<tr>
<td>Hironori Yamanashi</td>
<td>100%</td>
<td>—</td>
<td>100%**</td>
<td>—</td>
</tr>
</tbody>
</table>

*Attendance from April 1, 2018 to October 31, 2018
**Attendance from November 1, 2018 to March 31, 2019
*3 Attendance from June 21, 2018 to March 31, 2019
*4 Attendance from April 1, 2018 to June 21, 2018

Status of Items to be Evaluated Based on the Results of the Questionnaire Conducted January 2019

<table>
<thead>
<tr>
<th>Item to be Evaluated</th>
<th>Status of Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role and operation of the Nomination Committee in the process of electing the CEO</td>
<td>In February 2019, the Company revised its Corporate Governance Guidelines and rules for the Nomination Committee to clarify both its role and authority.</td>
</tr>
<tr>
<td>Composition of the Board of Directors</td>
<td>At the 77th Annual General Meeting of Shareholders, the percentage of outside director candidates was increased and several individuals with global management experience in manufacturing were selected as outside director candidates.</td>
</tr>
<tr>
<td>System that enables the Board of Directors to discuss matters more efficiently</td>
<td>The annual schedule and agenda were clarified, rules relating to the distribution of materials to the Board of Directors as well as preparation of materials to enhance the understanding of directors were established, and a forum was established for the discussion of important issues from a long-term perspective.</td>
</tr>
</tbody>
</table>

The Company has implemented each principle of the Corporate Governance Code. For details, please refer to the Corporate Governance Report.


52
Corporate Officer Compensation

Basic Policy Regarding Compensation

The Company’s policy on the compensation plan for corporate officers is to implement a fair compensation structure that will motivate each corporate officer to execute his or her duties in order to meet shareholders’ expectations and fulfill the Company’s management policy.

- Performance-based compensation in order to provide effective incentives designed to optimize short-, medium-, and long-term business results and corporate value.
- Attract and retain the best global talent necessary to maintain sustainable growth.
- Fair and reasonable decision-making process with regard to compensation that will provide accountability to shareholders, employees, and all stakeholders.
- Conduct comparative evaluation with domestic and foreign companies in order to ensure transparency and objectivity.
- Individual compensation shall be determined in accordance with role and responsibility, performance contribution, and company performance.

Compensation Scheme

The compensation scheme is separate for directors, who are responsible for supervising the Company’s management, and executive officers, who are responsible for the execution of business. When a director serves as an executive officer, the compensation scheme of an executive officer shall be applied in principle.

Decision Process

The Company shall structure the Compensation Committee with the chairperson and the majority of the members being independent outside directors, so it will be able to effectively fulfill the role and duties required by law. The Compensation Committee decides basic policy regarding the compensation of directors and executive officers, the compensation scheme (including KPIs), guidelines for compensation levels, and various kinds of compensation based on these. The details of the deliberated content and the resolutions of those matters made by the Compensation Committee are reported at the meeting of Board of Directors, which is held immediately after.

Compensation Structure and Component

<table>
<thead>
<tr>
<th>Types of compensation</th>
<th>Weight (median)</th>
<th>Compensation component</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed-amount compensation (base pay)</td>
<td>Directors: 71%</td>
<td>Examined and determined by role using data from outside compensation consultant</td>
</tr>
<tr>
<td>Performance-based compensation</td>
<td>15%</td>
<td>Determined based on the Company’s financial results and individual performance on an annual basis. The target payment amount shall be set at a fixed percentage of the base pay. The amount paid shall fluctuate within a range from 0 to 200%</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>29%</td>
<td>Restricted stock shall be awarded to executive officers who share corporate value with shareholders and to provide greater incentives to contribute to enhancing the Company’s stock price and sustainable growth of corporate value. A fixed percentage of the base pay shall be issued as restricted stock. Half of the shares with restrictions on transfer allocated to the recipients of allocation will be subject to a transfer restricted period of three years. The other half shall be subject to a transfer restricted period of 30 years (or the period until completion of term)</td>
</tr>
</tbody>
</table>

Other compensation schemes may be applied after individual deliberation.

* These percentages are the median for each corporate officer title. Performance-based compensation is calculated based on the KPI achievement at 100%, and stock-based compensation is calculated based on the allocation amount.

Compensation for FYE2019

Fixed-amount compensation (base pay):
In view of the management responsibility of directors and executive officers due to the sluggish business results for the fiscal year ended March 31, 2019, reduction measures from November 2018 to June 2019 were implemented. The reduction rate applies from 5% to 20% depending on the job title.

Performance-based compensation:
In the fiscal year ended March 31, 2019, no performance-based compensation was applied because the conditions for the payment (profit for the year attributable to owners of the parent is positive and core earnings margin exceeds 2%) were not met.

- Company performance (70%):
  - Revenue: 25%, core earnings: 30%, profit for the year attributable to owners of the parent: 15%
  - Individual achievement (30%): The achievement rate shall be decided after the Compensation Committee reviews the individual evaluation proposed by the CEO

Guidelines Including: Deferred STI, Clawback (Refund of Compensation) Clauses, and Extension of Rights

- Not established in the fiscal year ended March 31, 2019.

Compensation Scheme Applying ESG Performance as the Direct Metric

Not established in the fiscal year ended March 31, 2019. However, in regard to performance-based compensation for executive officers, we have set Company-wide management targets based on a sustainable business strategy as KPIs for Company performance. In terms of individual performance, we evaluate contribution to enhance sustainable improvement of performance and corporate value.

Total Amount of Compensation by Corporate Officer Title, by Type of Compensation, and Number of Officers Receiving

<table>
<thead>
<tr>
<th>Corporate officer title</th>
<th>Total compensation (¥ million)</th>
<th>Total compensation by type (¥ million)</th>
<th>Number of corporate officers eligible for compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Base pay</td>
<td>Performance-based</td>
</tr>
<tr>
<td>Directors (excluding outside directors)</td>
<td>216</td>
<td>160</td>
<td>—</td>
</tr>
<tr>
<td>Executive officers</td>
<td>1,186</td>
<td>717</td>
<td>36</td>
</tr>
<tr>
<td>Outside directors</td>
<td>90</td>
<td>70</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>1,492</td>
<td>947</td>
<td>36</td>
</tr>
</tbody>
</table>

The total compensation shown above, which are amount calculated under (ZAKK), consists of both the compensation paid by the Company and the compensation paid by the Company’s subsidiaries.
Procedures and Policies Regarding the Nomination of Director Candidates, the Removal of Directors, and the Appointment and the Removal of Executive Officers

As a “Company with Nominating Committee, etc.”, in deciding upon the candidates for director seats, the Nomination Committee will apply the Company’s own criteria, specified in Article 23 of the LIXIL Group Corporate Governance Guidelines (the “Guidelines”), while considering not only the individual qualities of director candidates but also the appropriate composition of the Board of Directors. Criteria regarding the appointment, election, removal, and dismissal of executive officers and the Representative Executive Officer (CEO) are set forth in Article 24 of the Guidelines.

Appointment and Removal Process for Directors and Executive Officers

Criteria for the nomination of director candidates
(1) Director candidates must be of outstanding character, and have high ethical standards.
(2) Director candidates must have attributes adequately conduct his or her duty of care as a prudent manager, have a sense of loyalty in executing his or her duties, and contribute to the Company’s sustainable growth and improvement of corporate value in the medium to long term.
(3) Taking into consideration circumstances such as the status of the candidate’s other concurrent positions, the candidate must be able to dedicate the time and effort required in order to appropriately carry out his or her duties.
(4) Outside director candidates must have considerable insight and extensive experience in areas such as business, finance, financial accounting, and law, and have attributes to supervise management’s execution of duties from an independent objective standpoint, in addition to satisfying the Company’s independent criteria.
(5) One-third or more of the number of director candidates must be composed of independent outside directors.

Criteria for the appointment of executive officers
(1) Executive officers must be of outstanding character, and have high ethical standards.
(2) Executive officers must have a deep understanding of the Group’s business and the capacity to appropriately carry out management of the Group as an executive officer.
(3) Taking into consideration circumstances such as the status of the candidate’s other concurrent positions, the candidate must be able to dedicate the time and effort required in order to appropriately carry out his or her duties.

Criteria for the selection of the Representative Executive Officer (CEO)
Must fulfill the criteria for the executive officers, display strong leadership skills, and be able to exert authority over the executive officers.

Nomination of director candidates

Nomination Committee
Based on the criteria for the nomination of directors, the Nomination Committee will nominate the candidate directors and decide the content of a proposal to a shareholders meeting.

Board of Directors
Receive report from the Nomination Committee and resolve the concomitant of the General Meeting of Shareholders.

Removal of directors

Nomination Committee
Based on the criteria for the removal of directors, the Committee will discuss the removal of the director and decide the content of a proposal to a shareholders meeting.

Board of Directors
Receive report from the Nomination Committee and resolve the concomitant of the General Meeting of Shareholders.

Appointment, election, removal, and dismissal of executive officers and the Representative Executive Officer (CEO)

Board of Directors
The Board of Directors will consider the removal of the Representative Executive Officer (CEO) based on the criteria for the election of the Representative Executive Officer (CEO), the Nomination Committee will report its opinion to the Board.

Nomination Committee
Based on the criteria for the appointment/removal of the executive officers as well as the criteria for the election of the Representative Executive Officer (CEO), the Nomination Committee will report its opinion to the Board.

Board of Directors
Receive the appointment, election, removal, and dismissal of an executive officer or the Representative Executive Officer (CEO).

Internal Control Systems

Risk Management

Internal Control Systems
LIXIL Group builds, operates, and evaluates internal control systems to ensure the reliability of operations as well as the accuracy and appropriateness of financial reporting in order to increase corporate value. In addition to strengthening our Group-wide operational management system with risk-consciousness and building a system that complies with laws and regulations as a Group that emphasizes compliance management.

LIXIL Group Enterprise Risk Management (ERM)
LIXIL Group ensures the continuity and stable development of its business through the implementation and operation of ERM for the entire Group. Risks related to crises that require immediate response when they occur are controlled through crisis management as part of ERM.

Risk Management (RM)
Risks to the Group’s Medium-Term Plan are identified and assessed, then prioritized as material risks for focused management. A risk owner is assigned to each risk and is responsible for responding to and reporting on the assigned risks.

LIXIL Group aims to take both a top-down and bottom-up approach in risk management in order to respond to various risks. While the HQ management is actively involved in managing Group-wide material risks, efficient coordination with regional / local operations is sought by placing risk managers at major overseas regions.

LIXIL Group is working to foster a corporate culture of Group ERM that enables executive officers and employees to have a consistent mindset in managing risks with the understanding of the business characteristics of each region.

Crisis Management (CM)
In order to prepare for crises, a crisis management framework has been established for the entire LIXIL Group. The Crisis Management Basic Policy has been created to stipulate such matters as basic principles, definitions, and structures related to crisis management, and has been thoroughly implemented in the Group companies. A Group-wide response framework has been clarified and a crisis management handbook has been created and distributed so that when an incident may possibly develop into a crisis, damages and losses will be minimized through prompt initial response, timely escalation and sharing of information among relevant departments for management decision-making, and proper external disclosure disregarding sensitively.

Understanding the importance of cybersecurity, LIXIL Group has established and operates the LIXIL Computer Security Incident Response Team (LIXIL-CSIRT) to minimize impact from cyberattacks. We constantly monitor computers and networks to detect problems at an early stage and analyze the impact and cause of the problems in order to respond quickly.

Information concerning “Business Risks” is available on our corporate website.


Risk Management Initiatives (Years ended March 31)

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
</table>
| RM
  - Established crisis management framework
  - Appointed risk managers in major overseas regions to strengthen collaboration
  - Implemented Group ERM to initiate top-down approach
| CM
  - Established and started operating LIXIL-CSIRT
  - Developed and rolled out crisis management handbook
  - Worked to optimize Business Continuity Plan (BCP) in Japan

https://www.lixil.com/en/about/governance/policies.html
Compliance

LIXIL Group Code of Conduct
LIXIL established the LIXIL Group Code of Conduct as a set of rules to be adhered to by all LIXIL Group officers and employees worldwide with the aim of undertaking business activities appropriately and with a shared sense of values and ethics across the entire Group. The Code of Conduct has been translated and is available in 18 languages. The Company introduced a system whereby every year all Group company officers and employees are required to participate in training on the Code of Conduct and acknowledge they will comply with its terms.

To integrate and clarify in detail the Code of Conduct across the Group, as of December 2018, LIXIL established Global Policies for 10 high-priority areas, including Anti-Corruption, Fair Competition, and Protection of Personal Information. These policies are translated into major languages. LIXIL implemented education and training programs for officers and employees to facilitate their understanding of the policies.

For further details regarding the Code of Conduct, please refer to our corporate website.


Corporate Culture
Company management is working to raise compliance awareness and embed it in the Group culture by discussing compliance issues, making use of opportunities provided by “all-employee” meetings and site visits, and by using communication tools within the Group. We also hold educational events such as quizzes and contests in Japan and overseas every year so that all LIXIL Group employees can voluntarily increase their compliance awareness in a fun setting.

Compliance Initiatives (Years ended March 31)

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Established Chief Compliance Officer</td>
<td>• Conducted a compliance review</td>
<td>• Introduced risk countermeasures in subsidiaries in Japan</td>
<td>• Strengthened cooperation with the audit divisions</td>
<td></td>
</tr>
</tbody>
</table>

Compliance Committees
In addition to the compliance committees of the Group and subsidiaries in Japan, LIXIL has established compliance committees in each technology business unit. This is to strengthen compliance measures globally and to improve the reporting system of business units to the Group Compliance Committee. The Group is implementing new initiatives to further enhance its compliance activities, such as having each compliance committee conduct compliance assessments as part of a regular review of the compliance system.

Education and Training Programs
LIXIL holds education and training programs for new employees, new managers, and executives to develop its compliance culture. LIXIL is also implementing education and training programs on the Global Policies for all officers and employees. The Company will continue to further develop the education and training programs by planning suitable programs that utilize e-learning and face-to-face training and are based on the risks of the business and business areas. In addition, the Group publishes newsletters both in Japan and overseas, and has been striving to increase and cultivate employees’ knowledge and awareness of compliance.

Concern-Raising System
LIXIL has established an internal concern-raising system with the aim of gathering information on compliance breaches, taking measures to prevent fraudulent and unlawful behavior, and responding quickly where action is required. The Company has also been striving to construct a standardized global process for LIXIL. The Company introduced a 24-hour, multilingual concern-raising system “Speak Up!” to Japan in 2017, which had been already introduced for all subsidiaries overseas in 2016. In January 2019, the former internal reporting system was dissolved and its function was merged with that of the “Speak Up!” system, which completed the creation of a global management structure for compliance concerns and related matters.

Internal Audit

How LIXIL Group Sees Internal Audit
The LIXIL Group’s internal audit, including assessment of internal controls, contributes to the accomplishment of the Group’s objectives by evaluating and improving the effectiveness of risk management, controls, and governance processes while considering integrity and efficiency of the organization as a whole. This is in line with the definition of internal audit (i.e., independent, objective assurance and consulting activity designed to add value and improve an organization’s operations) from the Institute of Internal Auditors, an international, professional association.

Network-Type Organization
The internal audit division has been organized as a network structure that spans LIXIL and its domestic and overseas subsidiaries. It aims to achieve comprehensive and efficient internal audits and internal control assessments, and to drive synergies through collaborative work across LIXIL, as well as adding further value through independent assurance and high impact consulting.

The Quality Assurance (QA), J-SOX (Financial Instruments and Exchange Law), and IT divisions have been established to function as global axes within the Corporate Audit Group (CAG). The QA division shall work across a wide spectrum to improve the quality of work done by the CAG. This includes, but is not limited to, global risk mapping, harmonization of audit methodologies, education and training, and secretariat work for the Internal Audit Committee. The J-SOX division will serve as a Center of Excellence, leading J-SOX work conducted by other parts of the CAG. The IT division, in addition to IT audits, helps strengthen governance and compliance by increasing the effectiveness and efficiency of internal audits and the internal control system through the use of IT and by performing insightful audits through effective data analyses. These axes will be overlaid with audit teams from each region, such as Japan, Asia, Europe, and North America. These teams will focus on assurance, consulting, and J-SOX work in their respective areas.

Through close collaboration among the audit units and the cross-functional divisions, such as QA, J-SOX, and IT, we will promote the optimization of the CAG as a whole, as well as more comprehensive management, governance, and overall improvement.

Since the Group’s audit and assessment levels have been enhanced, the Global Corporate Audit Staff (GCAS), which held advanced audit and consulting functions, has been transferred to an internal consulting department in order to enhance project management operations.

Internal Audit Initiatives

- Increased global presence
- Strengthened audit reporting line for domestic and overseas subsidiaries
- Launch of the CAG, LCAG, and GCAS
- Reorganization of internal audit from functional to central
- Transfer of GCAS to internal control
- Expanded the scope of domestic subsidiaries for internal audit
- Strengthened audit functions
## Consolidated Subsidiaries

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Paid-in capital (¥ million)</th>
<th>Equity owned by the holding company (%)</th>
<th>Business segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIXIL Corporation</td>
<td>Koto-ku, Tokyo</td>
<td>34,600</td>
<td>100</td>
<td>LWT, LHT, H&amp;S</td>
</tr>
<tr>
<td>LIXIL Total Service Corporation</td>
<td>Koto-ku, Tokyo</td>
<td>100</td>
<td>100</td>
<td>LWT</td>
</tr>
<tr>
<td>Denaene Corporation</td>
<td>Tokoname, Aichi</td>
<td>90</td>
<td>100</td>
<td>LWT</td>
</tr>
<tr>
<td>TM.S Corporation</td>
<td>Chiyoda-ku, Tokyo</td>
<td>60</td>
<td>100</td>
<td>LWT</td>
</tr>
<tr>
<td>GROHE Group S.à.r.l.</td>
<td>Luxembourg</td>
<td>57,143</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>58 affiliate companies of GROHE Group S.à.r.l.</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>AS Holding Corp.</td>
<td>New Jersey, USA</td>
<td>412,956</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>9 affiliate companies of ASI Holding Corp.</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>A-S CHINA PLUMBING PRODUCTS Ltd.</td>
<td>Cayman Islands</td>
<td>24,007</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>LIXIL Vietnam Corporation</td>
<td>Hanoi, Vietnam</td>
<td>743,186</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>LIXIL Building Materials Manufacturing (Suzhou) Corporation</td>
<td>Suzhou, Jiangsu, China</td>
<td>4,000</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>LIXIL Sanitary Fitting Manufacturing (Suzhou) Corporation</td>
<td>Suzhou, Jiangsu, China</td>
<td>1,730</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Taiwan Inex Corporation</td>
<td>Taipei, Taiwan</td>
<td>NT$ thousand 282,677</td>
<td>72</td>
<td>LWT</td>
</tr>
<tr>
<td>LIXIL India Sanitaryware Private Limited</td>
<td>Andhra Pradesh, India</td>
<td>INR thousand 40,384</td>
<td>97</td>
<td>LWT</td>
</tr>
<tr>
<td>LIXIL Total Hanbai Corporation</td>
<td>Koto-ku, Tokyo</td>
<td>75</td>
<td>100</td>
<td>LHT</td>
</tr>
<tr>
<td>Kawasaki Sake Kobo Co., Ltd.</td>
<td>Sakyo-ku, Kyoto</td>
<td>3,982</td>
<td>100</td>
<td>LHT</td>
</tr>
<tr>
<td>G TERRIA Corporation</td>
<td>Setsagaw, ku</td>
<td>316</td>
<td>100</td>
<td>LHT</td>
</tr>
<tr>
<td>Asahi Toshiba Building Materials Co., Ltd.</td>
<td>Koto-ku, Tokyo</td>
<td>2,000</td>
<td>80</td>
<td>LHT</td>
</tr>
<tr>
<td>LIXIL SUZUKI SHUTTER CORPORATION</td>
<td>Toshima-ku, Tokyo</td>
<td>1,989</td>
<td>100</td>
<td>LHT</td>
</tr>
<tr>
<td>LIXIL Toyo Sash Shoji Co., Ltd.</td>
<td>Chiyoda-ku, Tokyo</td>
<td>100</td>
<td>100</td>
<td>LHT</td>
</tr>
<tr>
<td>Sanide Corporation</td>
<td>Shinjuku-ku, Tokyo</td>
<td>66</td>
<td>100</td>
<td>LHT</td>
</tr>
<tr>
<td>Kawasaki Co., Ltd.</td>
<td>Suma-ku, Kobe, Hyogo</td>
<td>30</td>
<td>100</td>
<td>LHT</td>
</tr>
<tr>
<td>Oita Toshiba Co., Ltd.</td>
<td>Oita, Oita</td>
<td>50</td>
<td>100</td>
<td>LHT</td>
</tr>
<tr>
<td>Nishi Kyushu Toshiba Co., Ltd.</td>
<td>Saga, Saga</td>
<td>30</td>
<td>100</td>
<td>LHT</td>
</tr>
<tr>
<td>LIXIL TEPCO Smart Partners Inc.</td>
<td>Koto-ku, Tokyo</td>
<td>450</td>
<td>60</td>
<td>LHT</td>
</tr>
<tr>
<td>LIXIL INTERNATIONAL Ptd, Ltd.</td>
<td>Singapore</td>
<td>30,565</td>
<td>100</td>
<td>LHT</td>
</tr>
<tr>
<td>TOSTEM THAI Co., Ltd.</td>
<td>Pathum Thani, Thailand</td>
<td>Bath million 2,767</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>LIXIL Manufacturing (Daikin) Corporation</td>
<td>Dalian, Liaoning, China</td>
<td>US$ thousand 43,500</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.</td>
<td>Dong Nai, Vietnam</td>
<td>US$ thousand 40,700</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>LG-TOSTEM BM Co., Ltd.*</td>
<td>Seoul, Korea</td>
<td>Won million 15,365</td>
<td>50</td>
<td>LHT</td>
</tr>
<tr>
<td>PT. LIXIL ALUMINIUM INDONESIA</td>
<td>Cileungsi, Indonesia</td>
<td>IDR million 173,617</td>
<td>75</td>
<td>LHT</td>
</tr>
</tbody>
</table>

* 1. The holding of shares of this company is 50%, but it is treated as a subsidiary because it is effectively controlled by the Group.

## Equity-Method Affiliates

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Paid-in capital (¥ million)</th>
<th>Equity owned by the holding company (%)</th>
<th>Business segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanyo Homes Corporation**</td>
<td>Nishi-ku, Osaka, Osaka</td>
<td>5,945</td>
<td>24</td>
<td>H&amp;S</td>
</tr>
<tr>
<td>Ken Depot Corporation**</td>
<td>Chiyoda-ku, Tokyo</td>
<td>100</td>
<td>34</td>
<td>D&amp;R</td>
</tr>
</tbody>
</table>

62 other companies

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** Note: The company submits securities reports.

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** Note: On June 3, 2019, Ken Depot Corporation ceased to be an equity-method affiliate due to transfer of all of the Ken Depot shares held.
Basic Policy for Investor Relations

LIXIL Group Corporation’s investor relations (IR) activities facilitate communication with capital markets in Japan and overseas and thereby help enhance corporate value. Accordingly, the Company’s IR activities convey messages from senior management to markets while providing senior management with feedback from markets in an unflagging effort to boost corporate value.

The Company discloses important information that affects investment judgments, such as decisions, events, or information regarding accounts settlement, based on the timely disclosure rules enacted by the Tokyo Stock Exchange. It is also the Company’s policy to disclose information that does not fall under the timely disclosure rules as proactively and fairly as possible, in order to better meet investors’ needs.

Investor relations


Activities for the Fiscal Year Ended March 31, 2019

- Annual General Meeting of Shareholders
  (held on June 25, 2019)
  Shareholder attendance: 629 people
  Percentage of voting rights exercised: 81.6%

- Communicated management message to the market (for institutional investors and analysts)
  - Earnings briefing sessions–four times (every quarter)
  - Individual meetings–359 times
  - Small meetings in Japan–Three times

- Provided feedback from the market to the Company Report on IR activities at meetings of the Board of Directors–done regularly, in addition to four times per year after the earnings briefing session

- Exchange opinions on the business condition and reported IR activities at meetings of the Board of Directors–done regularly, in addition to four times per year after the earnings briefing session

- Participated in investor conferences–two times in Japan and two times overseas

Other Activities

- New product exhibition events–two times
- Small meetings in Japan–three times

Other Information

- Percentage of voting rights exercised: 81.6%
- Shareholder attendance: 629 people

Shareholder Information

As of March 31, 2019

Number of shares and shareholders

- Number of shares authorized: 1,300,000,000
- Number of shares outstanding (excluding treasury stock of 23,223,744 shares): 290,095,415
- Number of shareholders: 60,532

Distribution of ownership among shareholders (thousand shares)

- Financial institutions: 96,629
- Domestic companies: 23,866
- Foreign companies: 108,101
- Individuals and others: 61,497
- Treasury stock: 23,223
- Total: 313,319

Monthly stock price range

- Tokyo Stock Exchange

- Stock price

- Stock trading volume

- Major shareholders (thousand shares)
  - The Master Trust Bank of Japan, Ltd. (Trust Account): 16,704
  - Japan Trustee Services Bank, Ltd. (Trust Account): 13,541
  - State Street Bank Client Omnibus OMIA (Standing Proxy: The Hong Kong and Shanghai Banking Corporation Limited Tokyo Branch): 10,970
  - The Nomura Trust & Banking Co., Ltd. (Trust Account): 8,896
  - LIXIL Employee Stock Ownership: 7,102
  - Dai-ichi Life Insurance Company, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.): 6,561
  - BNYMANSV INC. AGENT/CLIENTS LUX (OTC): NON TREATY 1 (Standing proxy: MUFG Bank, Ltd.): 5,743
  - Japan Trustee Services Bank, Ltd. (Trust Account 5): 5,725
  - NORTHERN TRUST CO. (AVC) SUB A/C: NON TREATY (Standing Proxy: The Hong Kong and Shanghai Banking Corporation Limited Tokyo Branch): 5,589
  - LIXIL Trustee Services Bank, Ltd. (Trust Account 3): 4,769

Note 1: In addition to the above, LIXIL Group Corporation holds 202,239 thousand shares of treasury stock. Shareholding calculations exclude treasury stock.

Note 2: % indicates a trust service arrangement.

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DISCLAIMER
Corporate Data
As of March 31, 2019

Company Name
LIXIL Group Corporation
(JS Group Corporation renamed
LIXIL Group Corporation on July 1, 2012)

Established
September 19, 1949

Registered Office
2-3-1 Ojima, Koto-ku,
Tokyo 136-8535, Japan

Headquarters
36F, Kasumigaseki Building, 3-2-5 Kasumigaseki, Chiyoda-ku,
Tokyo 100-6036, Japan

Paid-in Capital
¥68,417 million

Fiscal Year Closing
March 31

Employees
56 (Consolidated employees: 62,040)

Accounting Auditors
Deloitte Touche Tohmatsu LLC

Overview of Major Businesses
The Company controls and manages domestic and overseas companies that operate housing-related businesses and urban environment-related businesses through acquisition or holding of stocks.

Securities Traded (Common stock)
Tokyo Stock Exchange
Nagoya Stock Exchange

Annual General Meeting of Shareholders
Normally held in June in Tokyo, Japan

Cautionary Statement with Respect to Forward-Looking Statements
Statements made in this annual report with respect to plans, strategies, and future performances that are not historical facts are forward-looking statements. LIXIL Group Corporation cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

LIXIL Group Online Information

CORPORATE WEBSITE
In addition to the Group profile, CR activities, and the latest news, our corporate website also contains sections covering recent business initiatives within the Group and insights from the Company’s CEO.
https://www.lixil.com

FINANCIAL INFORMATION
Our IR website offers enriched content for shareholders and other investors, including information regarding financial results, audio streaming of results briefings, and market data.
https://www.lixil.com/en/investor

NON-FINANCIAL INFORMATION
Our sustainability website introduces our CR commitment to and activities for enhancing living spaces through innovative responsible engagements and initiatives around the world.

ANNUAL REPORT
PDF versions of the annual reports are available on our corporate website.