

> LIXIL ANNUAL REPORT 2018

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Business Platforms
to People

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Features:

Design-Led Thinking to
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Financial to
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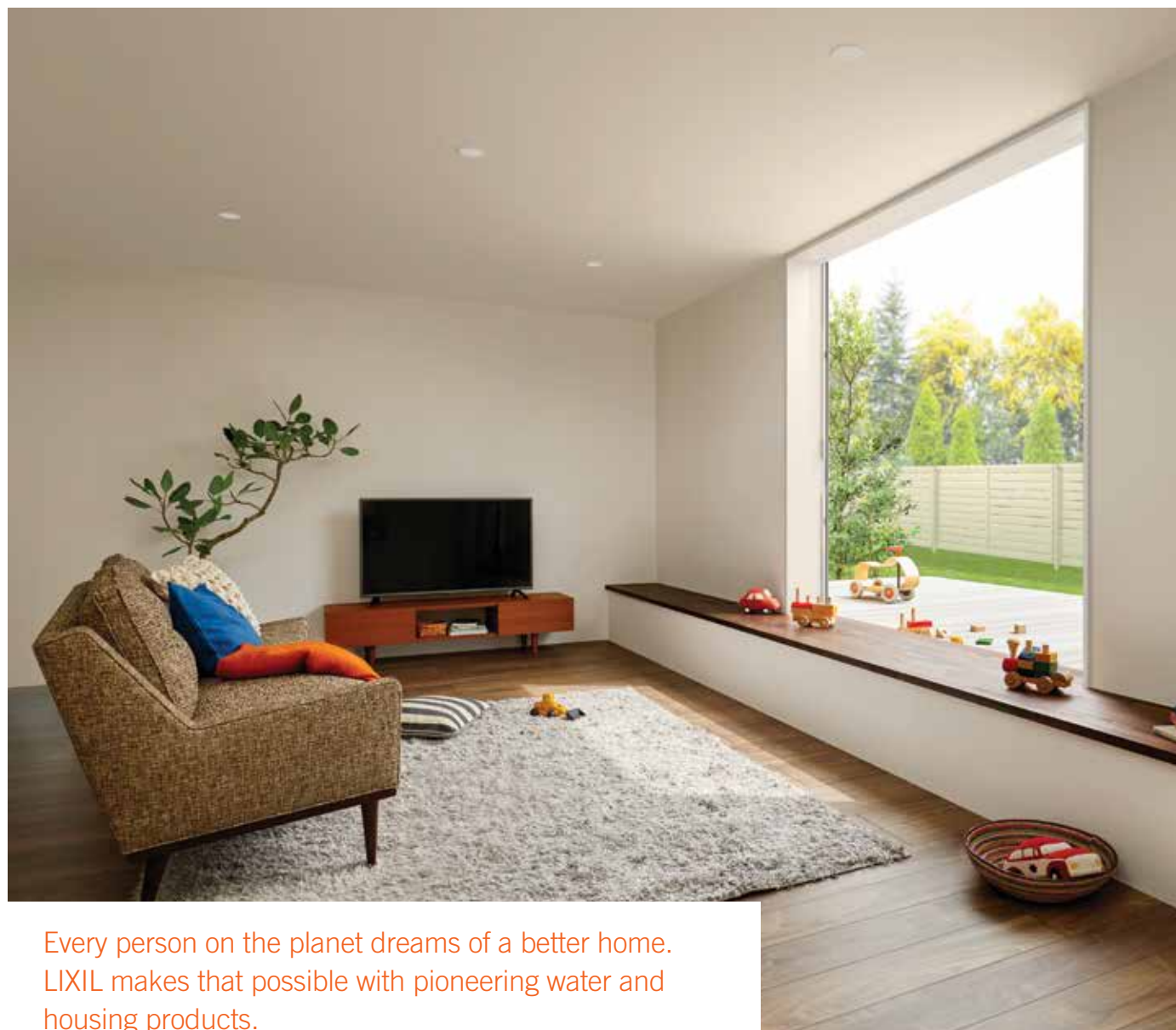
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Every person on the planet dreams of a better home. LIXIL makes that possible with pioneering water and housing products.

A better home is made up of surprisingly simple things: baths to escape in after a long day, kitchens that unleash creativity, toilets that provide cleanliness and comfort, doors and windows that connect you with the world outside, showers and faucets to experience water in new ways, and interiors and exteriors that bring spaces to life.

LIXIL makes better homes a reality for everyone, everywhere. It makes things that matter to all sorts of different people, to the many communities it is part of, and to sustainably support the world around it. LIXIL is proud that its products touch the lives of more than a billion people every day, but believes it has the potential to still do so much more.

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Regional Platforms

LIXIL is globally organized into regional platforms. With all key business functions present in each of its regions, LIXIL has the agility to best serve individual markets, while enabling it to work collaboratively worldwide.

Japan

• Tokyo
(Global Headquarters)

Japan is LIXIL's largest market, where it draws on over 100 years of experience and technological development to help make the better home a reality. From bathrooms to kitchens, interiors to exteriors, and from a nationwide retail network to housing services, LIXIL provides consumers in Japan with the entire spectrum of housing products and services. But Japan is also the most advanced of the world's aging populations, where demand for new and high-quality solutions is especially high. This is bringing unprecedented change in market dynamics, making Japan a focus for LIXIL's technological innovation and a base from where technology is transferred to LIXIL's global brands.

Revenue: **¥1,296.9 billion**

Number of Factories: **43**

CO₂ Emissions (Scope 1+2): **464,051 t-CO₂**

Number of Employees: **35,452**

Asia Pacific

• Singapore
(APAC Headquarters)

Across LIXIL's global operations, the Asia Pacific region embodies the true spirit of LIXIL – global, multi-brand, multi-portfolio, and multi-cultural. From water and housing products through to the presence of all of LIXIL's global brands, nowhere is the range of LIXIL's product lines, brands, and business models more diverse and present outside of Japan. Active in 23 of the world's fastest growing markets, including in China, Vietnam, Thailand, Indonesia, and India, LIXIL is today leveraging its broad portfolio to truly tailor its approaches – from brick and mortar to digital – to target each consumer group, making the home solutions experience easy, enjoyable, and of true value to the consumer.

Revenue: **¥115.9 billion**

Number of Factories: **31**

CO₂ Emissions (Scope 1+2): **349,140 t-CO₂**

Number of Employees: **19,373**

Americas

• Piscataway, NJ
(Americas Headquarters)

Generations of families across the US have grown up with the American Standard brand at the heart of their homes. LIXIL Americas has grown since then, now also encompassing iconic and premium water technology brands GROHE and DXV across its operations in the US, Canada, and Mexico. Having strengthened its manufacturing and supply network, LIXIL Americas is today focused on becoming a consumer-centric organization in the world's largest consumer market, investing further in developing first-class insights and analytics, new and innovative digital content, and delivering premium solutions through its three brands.

Revenue: **¥143.1 billion**

Number of Factories: **11**

CO₂ Emissions (Scope 1+2): **323,831 t-CO₂**

Number of Employees: **6,308**

EMEA

• Düsseldorf
(EMENA Headquarters)

• Johannesburg
(Sub-Saharan Africa Headquarters)

LIXIL is active in every country in Europe and is growing its presence in the Middle East and North Africa through a single, focused, and powerful point of entry: GROHE, the world's leading brand in sanitary fittings. Known for its design ethos, GROHE is today innovating the "digitalization of water," while leveraging technological synergies to roll out new product lines, from shower toilets to ceramic basins, providing consumers with the full suite of bathroom products. In Sub-Saharan Africa, LIXIL Africa is today expanding its lineup of products through global brands such as GROHE and homegrown brands like COBRA.

Revenue: **¥145.6 billion**

Number of Factories: **8**

CO₂ Emissions (Scope 1+2): **64,249 t-CO₂**

Number of Employees: **5,741**

* Overseas revenues are shown before the elimination of transactions within and among segments.

Brand Portfolio

LIXIL is made up of many individual product brands, each helping to make better homes a reality for everyone, everywhere.

Global



INAX

INAX provides products combining Japanese thoughtfulness with technology developed over the years as a pioneering manufacturer of bathroom and sanitary fixtures, tiles, and building materials.



GROHE provides innovative water products for every aspect of the bathroom and the kitchen, offering exceptional customer experiences, all from a single, reliable source.



American Standard innovates and creates products that improve everyday living and raise the standard of health, safety, and beauty in and around the bathroom and the kitchen.



TOSTEM

TOSTEM delivers doors and windows with thoroughly polished designs and technologies, adding a new level of comfort and satisfaction to the home.



LIXIL

LIXIL provides a spectrum of products, from bathrooms and kitchens to exteriors, for all homes.

Global Specialty



KAWASHIMA SELKON provides textile products and services that inspire and delight customers around the world, all while constantly reimagining cultures to enrich society.



COBRA, a homegrown brand that has become part of life in South Africa, offers water products that leave a lasting impression.



DXV elevates the everyday by offering meticulously crafted kitchen and bathroom collections that reimagine the most influential design movements of the past 150 years.



JAXSON offers exquisitely designed and high-quality bathtubs, providing the satisfaction and joy of the ultimate comfortable bathing experience.



SATO brings innovative, simple, desirable yet affordable sanitation solutions to consumers in areas without access to water and sewerage infrastructure.

LIXIL brings together some of the most trusted brands in the industry.

Japan



RICHELLE

RICHELLE is a kitchen brand offering technologies that make things easier for the consumer, all while providing attractive and coordinated design that makes cooking ever more enjoyable.



SPAGE

SPAGE offers refined, stylish bathrooms that provide the "ultimate indulgence," utilizing technological expertise in mastering the shape and flow of water.



Interio

INTERIO offers the joy of finding and coordinating interiors that match personal changing tastes and preferences, for those who want to always be true to their inner self.



exsior

EXSIOR provides products that extend the living room experience into garden spaces, where people can be themselves and enjoy a delightful time surrounded by nature.



SUPER WALL

SUPER WALL provides healthy, comfortable, and safe living through a construction method for homes which uses high thermal insulation panels.



ASAHI TOSTEM coordinates a large range of exteriors to match a person's tastes and personality, enhancing their lifestyle in their homes.



LIXIL SUZUKI keeps cities and buildings beautiful through its fireproof and smoke-proof shutters for buildings, as well as lightweight shutters for storefronts and garages.

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

Employees

65,000+ people working around the world

Brands

Portfolio of **17** industry-leading product brands and **six** retail and housing services brands

Intellectual Property

¥27.6 billion invested in R&D

Financial Capital

¥616.9 billion in capital and **¥687.9 billion** in interest-bearing debt

Natural Capital

22.5 million GJ of energy and **18.1 million m³** of water used

Manufacturing Assets

Capital investment of **¥68.4 billion**

Social Engagement

Over **¥680 million** in social investments and community contributions

How LIXIL Creates Value

Corporate Philosophy

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

Medium-Term Plan

- Establish a purpose-driven, entrepreneurial company for sustainable growth
- Develop attractive and differentiated products
- Achieve competitive costing
- Strategic marketing to drive growth

LIXIL Behaviors

- Do the Right Thing
- Work with Respect
- Experiment and Learn

Corporate Responsibility (CR) Strategy



Global Sanitation & Hygiene
Promote and enable access to safe and hygienic sanitation



Water Conservation & Environmental Sustainability
Conserve water, energy, and other natural resources utilized by LIXIL products and services



Diversity & Inclusion
Embrace the diversity of people in society and within LIXIL

The Value LIXIL Creates

Employees

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

Brands

LIXIL products are used by **more than a billion people** every day

Intellectual Property

Almost **1,000** utility and design patent applications generated and filed worldwide

Financial Capital

Core earnings ratio of **4.5%** and ROE of **9.4%** in FYE2018

Natural Capital

Emitted **0.72 t-CO₂ per ¥1 million of revenue**, an increase of **0.16%** from the previous fiscal year

Manufacturing Assets

93 factories globally

Social Engagement

Over **52 projects** related to the three strategic pillars of the Company's CR strategy

Conversation with the CEO: Kinya Seto

Director
Representative Executive Officer
President and Chief Executive Officer

In the fiscal year ended March 31, 2018 (FYE2018), LIXIL positioned itself to start the new Medium-Term Plan (MTP), which aims to put it on a path of sustainable growth. President and CEO Kinya Seto discusses performance during the year, the background of his new three-year strategy, and the challenges ahead.

Q: How would you assess LIXIL's performance in FYE2018?

A: We made solid progress last year, positioning LIXIL to start the new MTP. Our water technology business (LWT) is now on a strong footing for success, expanding in Japan and overseas markets. We also continued to streamline our organization, optimize our business portfolio, and strengthen our balance sheet. We ended the year with revenue of ¥1,664.8 billion, up 1.9% year on year, and with record high net profit for LIXIL, reflecting a company that is leaner, faster, and more manageable.

Our progress, however, was not reflected in our core earnings, which on a continuing operations basis was down 16.1% year on year at ¥75.3 billion. We faced challenges in our housing technology business (LHT) in Japan, including higher raw material costs and a decrease in new housing starts. We have to be able to respond more effectively to such challenges, and have subsequently implemented short-term countermeasures and a long-term roadmap to turn around the business. This will be a key priority as we start the new MTP, which will enable us to achieve long-term, sustainable growth.

Q: You have made some significant changes to the organization and portfolio. Could you describe some of these developments, and how they have positioned LIXIL to start the MTP?

A: To get into shape, we have been simplifying the organization and improving our balance sheet. This included delayering our organizational structure to accelerate decision-making and enhance efficiency, divesting certain subsidiaries and affiliates to enhance control and governance, and selling unused assets.

Our net debt position has improved as a result, and we raised our dividend for the first time in three years. Meanwhile, LWT's strategic fundamentals are on track, we are well positioned to become a full bathroom solutions provider worldwide, and we have been investing in areas including design, marketing, and digital to drive product differentiation and future growth.

Our success in these areas has set us up to achieve the focus of the MTP – strengthening profitability.

Q: You've concentrated on developing LWT, especially overseas with your GROHE, American Standard, and INAX brands. How have you set them up to grow?

A: While we are taking a long-term view, LWT is a highly profitable business because of the immediate synergies we can realize across our brands and its potential to become a full bathroom solutions provider worldwide. Having multiple powerful, culturally rooted brands also allows us to leverage good ideas across the LWT business in all regions. As a result, we achieved higher revenue and improved our core earnings margin in each of our regions in the previous fiscal year.

Q: Does this approach explain why we are seeing more differentiated LIXIL products from your LWT brands?

A: We are today differentiating ourselves through design, technology, quality, and brands. As part of this, one of my goals has been to transform LIXIL into a more design-oriented company by integrating design-led thinking into all the processes of the product lifecycle to address consumer challenges and enhance the consumer's experience. We are beginning to see the benefits of this approach. For instance, last year LWT received an industry-leading 66 design awards, which has heightened the market's perception of LIXIL as a design company.

In addition, INAX, GROHE, and American Standard have different brand equity and profiles, which we have developed with our Chief Design Officer, Paul Flowers. These brands, along with our strengths in quality and technology, clearly differentiate us from our competitors.

"We are differentiating ourselves through design, technology, quality, and brands."



Q: What were some of LWT's successes over the last year, and what are your priorities?

A: Launching new products and expanding into new businesses drove our growth overseas. We have also been innovative in our marketing activities and are becoming more consumer focused. Examples include the success of our "I Love Spalet" campaign in Asia and our GROHE promotions in airports worldwide, as well as impressive results from our direct-to-consumer approach with the American Standard Walk-in Tub in the US.

We've also made significant progress in improving supply capacity so we can better meet demand. We have made several strategic moves to boost manufacturing capacity in key markets. For example, we recently purchased ceramics manufacturers Sentini Sanitarywares in India and ASB Ceramica Dominicana in the Dominican Republic. We have also bought out minority partners at Grome Marketing in Cyprus and GROHE DAWN WaterTech Holdings in South Africa, enhancing our control in all regions. Ensuring proper governance is a key challenge, as applying different standards of governance across countries is not an option. Full ownership simplifies this process.

We are now focused on expanding our lineup of products to meet consumer demand. We will also strengthen regional management and invest in an Asian R&D center and more showrooms, such as our newly opened flagship GROHE space in Singapore, and LIXIL showrooms in Vietnam and China.

Q: Looking at LHT, what have been the main challenges, and how are you setting it up for growth?

A: LHT's business is susceptible to fluctuations in raw material prices and new housing starts. During the previous fiscal year, rapid changes to the business environment negatively affected revenue and core earnings, especially in the fourth quarter. This impact was partly due to our delays in changing the sales mix. Over the next two to three years, we will concentrate on driving product differentiation in Japan, which we will then roll out into other markets. In particular, we anticipate further growth in other parts of Asia.

In Japan, we are also streamlining LHT's operations. For example, we consolidated aluminum extrusion factories and are improving production efficiency through a platform approach. On top of this, we are accelerating development and launch cycles to respond more quickly to market trends. We expect these changes to have a positive impact on our core earnings from FYE2020.

Q: I understand that Paul Flowers has been a key part of driving success at LWT. How do you envision his newly expanded role as Chief Design Officer of LIXIL?

A: Paul was key to GROHE's transformation into a consumer brand, winning accolades on the level of Apple, Porsche, and Adidas. As design head of LWT, Paul has been the driving force behind design-led innovation at LIXIL, specifically in developing platforms, design methodologies, and brand profiles. We believe we can apply the same approach to LHT. In Paul's new role as Chief Design Officer for the entire Company, he will begin transforming LHT's design strategy as well.

Q: Getting closer to the consumer and data-driven marketing is another key strategy for you. How has this been going?

A: We are changing our way of thinking, making a big shift from mass marketing to data-driven, targeted marketing. Our investment in mass marketing raised our brand recognition significantly; we will now focus on data-driven targeted communication. Some examples that we explain in more detail later in this report include introducing power brands, launching direct-to-consumer business models in Japan and the US, and rolling out digital technologies such as *GROHE Sense Guard*.

Q: As part of creating a more competitive organization, you have introduced three LIXIL Behaviors. What are these behaviors, and why are they important?

A: We are focusing on three key behaviors as the source of future competitiveness. The first of these behaviors is to "do the right thing," or going beyond a mere understanding of the rules and ethics to demonstrate a strong sense of ownership. It also refers to making decisions, taking action with integrity, and operating with self-belief.

The second, "work with respect," calls for us to understand others in order to respect them. Understanding others requires us to exchange opinions and ideas openly, and the mutual understanding that results creates a sense of unity and alignment.

The third key behavior is to "experiment and learn." We aim to encourage employees to experiment in small ways, because we believe that lessons learned from experimenting – even failures – are an important investment in future innovation. This behavior is particularly important for me and, I believe, for the Company. For LIXIL to achieve future success, we need to be agile and entrepreneurial.

In addition, we are encouraging a more bottom-up approach across the Company. For example, we have recently launched Workplace by Facebook as an internal communication and work platform, which allows us to accelerate



"We are changing our way of thinking, from mass marketing to data-driven, targeted communication."

communication and decision-making across teams and the sharing of ideas. The response has been very positive; in one of my recent posts about ideas for cost reduction, I received more than 420 comments in less than four days.

Q: With LIXIL now positioned to start the new MTP, how does the future look?

A: I believe the future is bright for companies that can respond to new opportunities. I think our industry is well positioned to respond to megatrends in demography and technology. In the automotive industry, for example, technological advances can cause traditional markets to shrink. By contrast, technological change provides more opportunities for growth and connectivity between different parts of our business. The important point now is how we will differentiate ourselves.

Executive Officers of LIXIL Group Corporation
As of July 1, 2018

Global Business Board
As of July 1, 2018

Executive Officers and Global Business Board

KINYA SETO
Director, Representative Executive Officer, President and Chief Executive Officer (CEO)



SACHIO MATSUMOTO
Representative Executive Officer, Executive Vice President, and Chief Financial Officer (CFO)



YANG CHIN CHEN
Chief Integration Officer, LIXIL Group Corporation



PAUL FLOWERS
Chief Design Officer, LIXIL Group Corporation



NIK BAFANA
Chief of Staff, LIXIL Group Corporation



KAZUHIKO OOTSUBO
Executive Officer, Vice President



JIN SONG MONTESANO
Executive Officer, Senior Managing Director, Chief Public Affairs Officer (CPAO)



HARUMI MATSUMURA
Executive Officer, Senior Managing Director, Chief Human Resources Officer (CHRO)



SATOSHI YOSHIDA
Director, Senior Managing Director, and Chief Executive Officer of LIXIL Housing Technology Japan, LIXIL Corporation



HIROYUKI OONISHI
Director, Senior Managing Director, and Chief Executive Officer of LIXIL Water Technology Japan, LIXIL Corporation



STEVEN DELARGE
Chief Executive Officer, LIXIL Water Technology Americas, LIXIL Group Corporation



RYO NIHEI
Executive Officer, Senior Managing Director, Chief Technology Officer (CTO)



YUGO KANAZAWA
Executive Officer, Senior Managing Director, Chief Digital Officer (CDO)



YUTAKA NAKAMURA
Executive Officer, Senior Managing Director, Chief Legal Officer (CLO)



MICHAEL RAUTERKUS
Chief Executive Officer, LIXIL Water Technology EMENA, LIXIL Group Corporation



BIJOY MOHAN
Chief Executive Officer, LIXIL Water Technology Asia and LIXIL Housing Technology Asia, LIXIL Group Corporation



Executive Officers of LIXIL Group Corporation As of July 1, 2018

KINYA SETO

Director, Representative Executive Officer, President and Chief Executive Officer (CEO), LIXIL Group Corporation

Kinya Seto assumed the role of Director, Representative Executive Officer, President and CEO of LIXIL Group Corporation in June 2016. He also serves as CEO of LIXIL Water Technology, CEO of LIXIL Housing Technology, and President and CEO of LIXIL Corporation.

Seto began his career with Sumitomo Corporation, a major Japanese trading company, in 1983. After holding various key posts at Sumitomo Corporation, he established more than 10 companies in Japan and overseas, including MonotaRO Co., Ltd., a direct marketer of maintenance, repair, and operating (MRO) supplies. Seto served as President and Director of MonotaRO Co., Ltd., from 2006 and then became Chairman and Director in 2012. He also previously served as Non-Executive Director of Zoro Tools, Inc. (now Zoro Inc.) and President of K-engine Corp.

Seto's other global leadership roles include having led Asia Pacific operations for W.W. Grainger, Inc., a leading global MRO supplier, and heading its global online business operations based out of London.

He holds 103,100 shares of the Company.

SACHIO MATSUMOTO

Representative Executive Officer and Executive Vice President, Finance, Treasury, and M&A, and Chief Financial Officer (CFO), LIXIL Group Corporation

Sachio Matsumoto serves as Representative Executive Officer and Executive Vice President of LIXIL Group Corporation, responsible for finance, treasury, and M&A. He has also served as CFO of the Company since June 2013. Matsumoto is also Director, Executive Vice President, and CFO of LIXIL Corporation.

Prior to joining the Group, he was a Corporate Vice President and Head of Finance and Treasury at Fuji Xerox Co., Ltd.

He holds 45,000 shares of the Company.

KAZUHIKO OOTSUBO

Executive Officer and Vice President, Sales and Domestic Subsidiaries, LIXIL Group Corporation

Kazuhiko Ootsubo has served as Executive Officer and Vice President at LIXIL Group Corporation, responsible for Domestic Sales since June 2017 and Sales and Domestic Subsidiaries since June 2018. He also serves as Representative Director, Executive Vice President of LIXIL Corporation, and Chief Executive Officer of LIXIL Japan Company.

Ootsubo joined Tostem Corporation (now LIXIL Corporation) in April 1981 and has held a number of senior sales positions in his career.

He holds 2,318 shares of the Company.

JIN SONG MONTESANO

Executive Officer and Senior Managing Director, Public Affairs, Investor Relations, External Affairs, and Corporate Responsibility, Chief Public Affairs Officer (CPAO), LIXIL Group Corporation

Jin Song Montesano has served as Executive Officer and Senior Managing Director of LIXIL Group Corporation since November 2014, leading a diverse global team now responsible for corporate communications, corporate responsibility, investor relations, external affairs, and LIXIL's Tokyo 2020 Olympic and Paralympic Games sponsorship activities. She also serves as CPAO of LIXIL Group Corporation and LIXIL Water Technology, as well as Director, Senior Managing Director, and CPAO at LIXIL Corporation.

Prior to joining the Group, Montesano built and led global and regional leadership roles in strategic communications, policy, and government affairs for GlaxoSmithKline, General Electric, and Kraft Foods.

She holds 1,500 shares of the Company.

HARUMI MATSUMURA

Executive Officer and Senior Managing Director, Human Resources & General Affairs, Chief Human Resources Officer (CHRO), LIXIL Group Corporation

Harumi Matsumura serves as Executive Officer and Senior Managing Director of LIXIL Group Corporation, taking responsibility for human resources and general affairs. She also serves as Director, Senior Managing Director, and CHRO at LIXIL Corporation. She previously served as President and Representative Director at LIXIL Living Solution Corporation.

Prior to joining the Group, Matsumura was President and Representative Director of Henri Charpentier Co., Ltd. (now SUZETTE Co. Ltd.) from 2004 to 2011. She also served as a manager at major retailer Seibu Department Stores, Ltd. (now Sogo & Seibu Co., Ltd.), which she originally joined in 1976.

She holds 24,043 shares of the Company.

RYO NIHEI

Executive Officer and Senior Managing Director, Technology, Chief Technology Officer (CTO), LIXIL Group Corporation

Ryo Nihei serves as Executive Officer and Senior Managing Director of LIXIL Group Corporation, taking responsibility for technology research. He is also CTO of LIXIL Group Corporation and Director, Senior Managing Director, and Head of Technology Research at LIXIL Corporation.

Prior to joining the Group in 2010, Nihei served as Director for FUNUC Corporation.

YUGO KANAZAWA

Executive Officer and Senior Managing Director, Marketing, Digital, and IT, and Chief Digital Officer (CDO), LIXIL Group Corporation

Yugo Kanazawa has served as Executive Officer and Senior Managing Director at LIXIL Group Corporation, where he has been responsible for marketing and digital functions since 2016 and the IT function since July 2018. He also serves as Director, Senior Manager, CDO, and Chief Information Officer at LIXIL Group Corporation, as well as Head of the Marketing Division and Head of the Information Systems Division for LIXIL Corporation.

Prior to joining to the Group, Kanazawa developed his career at Sumitomo Corporation, one of the largest Japanese trading companies. He also served as Executive Officer at MonotaRO Co., Ltd., taking responsibility for its overseas business, and was also appointed as Vice President at W.W. Grainger, Inc.

He holds 600 shares of the Company.

YUTAKA NAKAMURA

Executive Officer and Senior Managing Director, Legal, Chief Legal Officer (CLO), LIXIL Group Corporation

Yutaka Nakamura has served as Executive Officer and Senior Managing Director of LIXIL Group Corporation since June 2018, responsible for the Company's legal affairs. He also serves as CLO of LIXIL Group Corporation and LIXIL Water Technology, as well as Director, Senior Managing Director, and CLO of LIXIL Corporation.

Prior to joining the Group, he served as Legal Director and General Counsel of NTT DoCoMo Inc., responsible for global compliance, corporate governance, crisis management, transactions, and intellectual property matters.

Global Business Board As of July 1, 2018

YANG CHIN CHEN

Chief Integration Officer, LIXIL Group Corporation

Yang Chin Chen has served as Chief Integration Officer of LIXIL Group Corporation since April 2017. He has also served as Head of the Synergy Creation Office at LIXIL Water Technology since April 2018.

Prior to joining the Group, Chen held several senior executive positions at W.W. Grainger, Inc., including Senior Vice President in charge of Supply Chain Management and President of Grainger Industrial Supply. Before joining W.W. Grainger, Inc., he held regional leadership roles as the Asia Pacific CEO of Stream International Inc., Lotus Development Corp., Ashton Tate Corporation, and Cummins Inc.

PAUL FLOWERS

Chief Design Officer, LIXIL Group Corporation

Paul Flowers has served as the Chief Design Officer of LIXIL Group Corporation, overseeing design for both LIXIL Water Technology and LIXIL Housing Technology, since July 2018. He assumed the role of Chief Design Officer of LIXIL Water Technology in April 2015 after serving as Senior Vice President of Design for GROHE for 10 years.

Prior to joining GROHE, Flowers served as the Design Director for Electrolux and Senior Designer of Philips Consumer Electronics. Throughout his career, he has received numerous prestigious international product design awards, including the Red Dot "Design Team of the Year" Award in 2011.

NIK BAFANA

Chief of Staff, LIXIL Group Corporation

Nik Bafana serves as Chief of Staff of LIXIL Group Corporation and has held other global leadership roles in the Company since joining in April 2016.

Over 18 years, Bafana has focused on driving cross-regional strategy, M&A integration, and operating improvements. Prior to joining the Group, he was the Senior Director at W.W. Grainger, Inc. in a series of management roles including Online Strategy & Integration, Corporate M&A, Transportation, and Purchasing. He started his career at The Boston Consulting Group, where he focused on strategy and operations for global manufacturers and consumer product companies.

SATOSHI YOSHIDA

Director, Senior Managing Director, and Chief Executive Officer (CEO) of LIXIL Housing Technology Japan, LIXIL Corporation

Satoshi Yoshida has served as Director and Senior Managing Director of LIXIL Corporation since June 2018. He has also served as CEO of LIXIL Housing Technology Japan since 2017. Prior to his current position, Yoshida was responsible for LIXIL Corporation's marketing activities as the Head of the Japan Marketing Division.

Yoshida developed his career in sales and marketing, having joined TOYO Sash Corporation (now LIXIL Corporation) in April 1986.

HIROYUKI OONISHI

Director, Senior Managing Director, and Chief Executive Officer (CEO) of LIXIL Water Technology Japan, LIXIL Corporation

Hiroyuki Oonishi has served as Director and Senior Managing Director of LIXIL Corporation since June 2018. He also serves as CEO of LIXIL Water Technology Japan. Previously, Oonishi was responsible for leading LIXIL's kitchen business at LIXIL Corporation as CEO of LIXIL Kitchen Technology Japan.

Oonishi started his career as an engineer when he joined INAX Corporation (now LIXIL Corporation) in April 1988, before developing his business management skills through roles in marketing.

STEVEN DELARGE

Chief Executive Officer (CEO), LIXIL Water Technology Americas, LIXIL Group Corporation

Steven Delarge serves as CEO of LIXIL Water Technology Americas, with responsibility for managing North and South American business activities for the American Standard, DXV, and GROHE brands.

Prior to joining the Group in July 2012 as Senior Vice President and Chief Financial Officer of American Standard, Delarge held various senior executive positions at Momentive Performance Materials, following a more than 25-year career in global financial and planning roles of numerous operating units within General Electric.

MICHAEL RAUTERKUS

Chief Executive Officer (CEO), LIXIL Water Technology EMENA, LIXIL Group Corporation

Michael Rauterkus serves as CEO of LIXIL Water Technology EMENA. He has also served as CEO of GROHE since January 2015. Previously, he held executive management positions at GROHE, including Chief Sales Officer and President of its operations in Europe.

Prior to joining GROHE, Rauterkus held various senior executive positions including General Manager of Northern Continental Europe at Hasbro and Group Managing Director of the North and Central Europe region at Levi Strauss & Co.

BIJOY MOHAN

Chief Executive Officer (CEO), LIXIL Water Technology Asia and LIXIL Housing Technology Asia, LIXIL Group Corporation

Bijoy Mohan serves as CEO of LIXIL Water Technology Asia and LIXIL Housing Technology Asia. He has also been leading the Asia Pacific operations of GROHE as President of Asia Pacific since July 2009. Previously, he managed GROHE's South Asian operations as Managing Director.

During his more than 25-year career, he has held senior management positions in Fortune 500 multinational organizations in different markets across Asia, including India, China, ASEAN, Korea, and Japan. Prior to joining GROHE, Mohan was the Asia Pacific Marketing Director at Owens Corning.

LIXIL's Strategy

Establish a purpose-driven, entrepreneurial company for sustainable growth

LIXIL's Stories

- 01 LIXIL's People: Purpose-Driven and Entrepreneurial
- 02 Motivation through Social Purpose
- 03 Innovation through Experimentation
- 04 Digital Collaboration: Increasing Organizational Effectiveness
- 05 LIXIL Community Day



LIXIL's People: Purpose-Driven and Entrepreneurial

LIXIL is creating an organization that is capable of sustained growth, and at the heart of its plans are its people. Its goal is to become a company that employees are proud of, a company that evokes passion, respect, and an entrepreneurial spirit. This, in turn, will enable it to redefine its business and become fitter for the future.

To achieve this future-fit state, Kinya Seto, President and CEO of LIXIL, believes it is important to rally employees behind business activities that also tackle greater challenges facing society. Creating a sense of purpose for their work, he believes, inspires and motivates employees beyond their everyday goals.

"LIXIL is in a unique position to make a difference because we have the technology, expertise, and desire to contribute to environmental and social issues on a global scale, especially around challenging social issues related to sanitation and hygiene. I believe we can play a leadership role on these issues, and LIXIL employees will be able to find a deeper meaning in their work and feel proud of the company. It is my mission to foster such an environment, and I believe this purpose-led strategy will make us more competitive in the long run."

Through its responsible business activities, LIXIL aims to improve the quality of life for people worldwide. It is currently working to help 100 million people around the world gain access to basic sanitation by 2020. When it comes to water and environmental conservation, LIXIL aims to achieve "Net Zero" by 2030, in which the environmental contributions of its products and services match its environmental footprint. It is also committed to embracing diversity in society and within LIXIL.

Seto believes that employee behavior is a key factor to unlocking sustainable growth for LIXIL.

"LIXIL became an organization of more than 65,000 people through the consolidation of five major domestic housing and building material companies and through overseas M&A. To create a common foundation from which all employees can work toward the same goals, we have established three LIXIL Behaviors that are visible, concrete, and easy to understand. We can apply these behaviors in our daily work precisely because they are observable. I believe through these behaviors, we can become a company that works with greater speed to get things done, and one that embodies both enterprise thinking and an entrepreneurial spirit."

The first behavior is "do the right thing," which means making judgments and decisions with integrity and a strong sense of ownership, regardless of past conventions.

The second is "work with respect" in order to create an environment in which all employees can exchange their opinions and ideas openly and fairly, regardless of rank or title.

The third is "experiment and learn." Repeatedly conducting small experiments leads to greater speed of action. Even if mistakes are made, lessons can be learned and shared, leading to future innovation.

To create an organization that can respond to an increasingly complex and competitive landscape and implement innovations faster, LIXIL is promoting more bottom-up and horizontal communication. It is creating a work environment, leveraging digital infrastructure as well as traditional channels of engagement, so anyone can express their opinions, providing more opportunity for ideas to be shared and adopted more quickly.



Motivation through Social Purpose

The key to resolving some of the toughest challenges facing sanitation and hygiene lies in LIXIL's entrepreneurial spirit

One in three people in the world, or about 2.3 billion people, still live without access to safe and hygienic toilets. Of these, about 900 million practice open defecation. Consequently, everyday about 800 children under the age of five lose their lives due to preventable diarrheal diseases caused by unsanitary water or toilets.

LIXIL is committed to helping resolve these issues. It began working on its innovative and affordable SATO Toilet Systems for developing countries in 2012. Since then, more than 1.8 million SATO products have been shipped for use to more than 15 countries, enabling improved sanitation for approximately nine million people so far.

Junichi Goto, who leads the Social Sanitation Initiatives organization (SSI), believes LIXIL will be able to achieve its goal of improving sanitation for 100 million people by 2020. The SATO business, which sits within SSI, is LIXIL's first social business. It is managed like any other business within LIXIL, operating with a P&L, sales targets, supply chain management, and marketing. The only difference between the SATO business and the more traditional businesses is that the SATO business has both financial and social targets to achieve.

"We have determined that one toilet is used on average by five people, so if we sell 20 million toilets, we can achieve our goal. Our objectives are in some ways similar to those you find in sports; in the sense that the most valuable goals are the ones that you can accomplish by stretching yourself. The SATO business is new for us and I

believe we can do it with the combination of products, expertise, and people."

Goto also believes that this challenge will add value to the broader business in the future, leading to the opening of new markets. "There is great social significance in our SATO business. That isn't all, though. Our sanitation business will also help in the future when we develop LIXIL's brands in developing markets that are experiencing remarkable economic growth, like India. I am proud to be responsible for a strategic project like this."

Goto says that people who face problems and work toward solutions are the true holders of an entrepreneurial spirit.

"This job is like laying rails in a desert, there is no precedent. We will continue to chart a new path and rapidly expand this business into new countries."

Daigo Ishiyama, who today works as the Director of Marketing and Technology of the SATO business and has been the lead designer for SATO products, also recognizes the necessity for entrepreneurial spirit.

"I think ultimately you are your own boss. You can think of your role in the company as a business in itself. Producing results is the same thing for a company as it is for an individual. If all employees take ownership for what they do, a company of over

65,000 people can become a vibrant community of over 65,000 entrepreneurs."

Ishiyama, who has searched for local partners around the world while participating in developing the production, transport, and sales cycle, feels that the SATO business' expansion, which is closely connected to its social contributions, has had a definite and positive impact on the communities it is trying to reach.

"Many organizations have been tackling the global sanitation issue for decades. When people in this sector see our SATO products, they tell me that they have the power to transform rural sanitation as we know it. People that have actually used our product say that they can use the toilet throughout the year because they don't require as much water, while their children can go to the bathroom by themselves now, safely and without fear," says Ishiyama.

"Every time I hear feedback like this, I feel assured that we have created something that solves problems and is delightful to use, and I am proud that I can use my engineering and product development skills to contribute to solving this crisis."



Innovation through Experimentation

LIXIL encourages a creative approach to new projects

LIXIL is encouraging its people to experiment, to unlock new discoveries, and innovate faster. Modern-day business is changing at a dizzying pace, and LIXIL believes that enabling employees to think about new ways to solve challenges, from product development to business models, is an important investment in the future.

LIXIL's "I Love Spalet" campaign, which communicates the wonders of the shower toilet across Asia, is one example. Through engaging and amusing video vignettes, it captured the initial impressions of people from a variety of ethnicities, genders, and ages experiencing a shower toilet for the first time. It's creative approach was recognized as the Best Campaign Idea at the authoritative MARKies Awards 2018.

Josephine Lee, Senior Vice President of Marketing for American Standard and INAX in the Asia Pacific region, explains how this unique idea came to fruition.

"This is the first campaign we have ever conducted that aims to raise awareness of the shower toilet category rather than a single product brand. And whereas in the past we

depended on print and other traditional media, this was our first attempt at using only digital media throughout a campaign."

The campaign primarily targeted China, India, and Southeast Asian markets, where shower toilet penetration is mixed: in China and Korea, shower toilets and e-bidets are more common, while in ASEAN markets, people are more used to hand-held hygiene sprays. The purpose was to demonstrate how shower toilets can improve hygiene, no matter where consumers live.

The campaign proved instrumental in driving both awareness and sales opportunities. Leveraging digital channels, it quickly spread over social networks, generating some 40 million views, 10 million more than first targeted. Combined with strong in-store bundling promotion, LIXIL experienced greater sales in each of its target markets, including sales of bidet seats in Vietnam jumping from almost zero to 23,000 in nine months.

To cultivate the market through the campaign, Lee first had to train her teams.

"Our first job was to provide training for the front-liners – people interacting directly with customers. We need our team to be able to respond to questions about differences between our products and competing products, and that is only possible if they have hands-on experience. We conducted training sessions in China, where we installed and tried out all major models, including those from other companies."

In Indonesia, LIXIL's teams experimented with selling its bidet seats in baby supply shops, as well as approaching people in hospital gynecology departments. These were entirely new, unprecedented marketing channels, and enabled LIXIL to get closer to pregnant women and new mothers – consumers especially concerned about hygiene.

LIXIL also branded and transformed a bus in Indonesia into a mobile Spalet experience space with actual Spalets installed inside. Set up in an upscale shopping mall, curious shoppers could experience it on the spot.

"This project was a series of experiments, a process of trial and error that required an entrepreneurial spirit," Lee says.

"Even now that the first six-month phase of this project is complete, people continue to discover and access this content through word of mouth. Category profits are up 30% year on year, and by continuing with activities such as these, we expect to see further growth this year as well."

Digital Collaboration: Increasing Organizational Effectiveness

Using online platforms to enhance collaboration and create a globally connected workforce



Since April 2015, when LIXIL launched its first global employee communications platform, LIXIL LINK, it has steadily invested in new tools and programs to open up communication, dialogue, and cross-team collaboration. In 2018, LIXIL went further with the introduction of Workplace by Facebook, a digital collaboration tool, throughout the company.

According to Facebook, LIXIL is one of the first Japanese companies to implement Workplace for its global employee base. The goal is to accelerate decision-making by lowering the barriers inherent in a company of teams working across 150 countries around the world. Driving the program is the Head of the Digital Technology Center, Taku Yasui.

"We began trialing Workplace within my team in 2017. Once we started, people's circles rapidly expanded and I thought that if we were to utilize it throughout the company it might be possible for us to break down walls within the organization and stimulate communication."

A significant change occurred when LIXIL introduced Workplace throughout the company.

"When our CEO posted a video asking employees for cost-cutting ideas, the post received more than 420 comments in less than four days, and has now totaled over 26,000 views. This is an incredible and unprecedented response. Employees offered great ideas, and many of them have been taken forward for further consideration and implementation," said Yasui.

Yayoi Yakumo of the Internal Communications Group explains how Workplace has taken communications in LIXIL to the next level.

"With Workplace, people are progressively able to share their ideas – and do so freely and informally, without concern for hierarchy. Management has begun to conduct live stream sessions targeted at all employees, and I think it is very significant that information previously discussed only among top management is now visible throughout the company in real-time. If time zones do not permit an employee to watch it from their PC or phone, they can watch it as a video later."

While it is still early days, Yasui believes this approach has raised transparency within the company and has begun to shift the culture toward more open communication. Eventually, the objective is to make work life easier at LIXIL with work processes integrated directly into Workplace.

"LIXIL has started to create an environment in which employees who had only been able to see others within their departments or their direct supervisors can now think and act more freely, all while having an overhead view of the entire company. Employees can now quickly come together and contribute to ideas from employees from other departments. Processes are becoming simpler, curtailing lead times and allowing us more room to take on small challenges," Yasui says.

"These advantages of using digital tools will also move us closer to our goal of becoming a highly agile, bottom-up organization."

LIXIL Community Day

Working together to expand LIXIL's social contribution

In 2017, LIXIL introduced LIXIL Community Day, a day when all employees around the world take a break from their day jobs to collaborate on a social cause or community issue. It's a day when LIXIL executives and employees can dedicate work hours to focus on the company's three strategic pillars: Global Sanitation & Hygiene, Water Conservation & Environmental Sustainability, and Diversity & Inclusion.

In its first year, about 3,500 employees from 15 countries participated in the event. They spent a total of 8,625 hours on 70 diverse projects. Some focused on cleaning public spaces: parks, rivers, temples, and stations. Others spent time with elderly people living alone, or helped provide maintenance for sanitation equipment in schools and homeless shelters. Employees also collaborated with 37 external groups, providing services for more than 16,000 people living in regional communities. Of those who participated, 94% plan to continue their LIXIL Community Day activities moving forward.



3,500
Employees spent
8,625 hours



Worked with **37**
external organizations



16,600
People benefitted

LIXIL's Strategy

Develop attractive and differentiated products

LIXIL's Stories

01 Design-Led Innovation
02 Making Things that Matter



Design-Led Innovation

LIXIL recently appointed Paul Flowers to an expanded role of Chief Design Officer, building on the work he has done at LIXIL Water Technology (LWT) to further integrate design into the entire organization's DNA. As part of this new role, he will now be tasked with driving design-led transformation at LIXIL Housing Technology (LHT).

The Importance of Listening to the Consumer

For Flowers, design thinking most importantly is about putting the consumer first.

"A lot of companies don't try to solve problems, they just bring out iterations of the same products in order to use their existing assets. But consumers don't purchase things based on the compromises that you have within your own setup, they want to spend their money on products they love. That means less time trying to convince the consumer and more time observing, listening, and gathering insights to understand their frustrations and unarticulated needs." Flowers refers to this concept as "Presearch."

"I like that we are a large company but not a cumbersome one. We're inquisitive, and we want to think. That's where the value comes from, because if you're like that, then you are constantly questioning, "How can I do this better?", "Why did we do it like that?", "Can we do it in a different way?" We have to think like this if we are going to add value."

Building the LIXIL Design Process

Flowers has already implemented core design processes at LWT that can be used for any of its products and technologies. His team can now apply what he calls a 'brand lens' – signature elements intrinsic to a particular brand – to ensure products are true and relevant to their consumers.

"Each of our water technology brands is now well defined, with a unique sense of

purpose, identity, and value. That means we can apply our brand lenses to a certain technology, and attach things like different materials, colors, and finishes. This way, our brands can fulfill different consumer needs and at different price segments."

"I think there's also a sense of cultural appreciation. People know that Japanese technology is amazing. Then we add something like GROHE brand equity into the package, and it becomes an unbelievable product."

Sales growth of key products show the approach is working, but for Flowers, it's the fact that all of LWT's global brands are winning design awards, not just those that traditionally focused on design, that is the most telling.

"I'm proud that I've got an absolute world-class design team behind our products, and that we've really focused on the people and putting them in leading design studios."

From Product Design to Experience Design

One of the benefits of having a great in-house design team is that they are involved in every step of the development process.

"With an in-house design team, you can really start to work with the engineers and factories, and understand how you can apply all of that information to design. We now work very closely with marketing, too; we name products, we focus on packaging, attend trade fairs, and ensure design is present at each of the consumer touch-

"It's all about putting the consumer first. We want to identify a problem, a pain point, or an opportunity."



points. This end-to-end approach really helps to enhance and harmonize the whole consumer experience."

Flowers has also overseen a transition from product design toward 'experience-based design.' As an example, he cites *GROHE Blue*, a kitchen faucet with its own filtration system.

"When we made *GROHE Blue*, we actually created a tap brand for the first time. We wanted to show people that its value could be symbolic. And for that, we had to look at the whole process and the whole experience, from how you decant water to how you transfer it. As a result, we learned that the consumer value of the product didn't just lie in the fact that water will be cheaper or safer, but that it also contributed to social interactions between people. It became a choice for people to say, "I drink filtered water from the tap because it is better for the environment."



Transforming LIXIL Housing Technology

Looking ahead, Flowers plans to use a similar design-led approach at LHT.

"In terms of the philosophy, it's still all about putting the consumer first. It's not about creating a product because we have a factory that can do so; it's more about what a product can do for humanity and for consumers. That should give LIXIL real purpose and real value. We want to identify a problem, a pain point, or an opportunity."

And similarly, he is also confident that it will soon pay off.

"At LHT, we already have a design team in place and we are busy introducing our design processes and tools to the team. I have no doubt that we will start to see good progress in our products and services, which will help to redefine this area of the business and drive value for the brand."

Making Things that Matter

LIXIL makes things that matter – to all sorts of different people and to the world it is part of. Integrating cutting-edge technology into consumer-centric designs, LIXIL makes products that solve real-life challenges, suit individual preferences, all while contributing to environmental sustainability.



American Standard: Spectra Shower Collection

Spectra+ eTouch empowers the consumer with flexible shower spray choices to suit their individual preferences. Its first-to-market technology allows users to switch between spray patterns by simply touching the edge of the showerhead, making it easy to customize – even with wet hands. The showerhead also includes a wall-mounted remote that can be placed anywhere in the shower, helping consumers who cannot reach the showerhead due to age, height, or mobility restrictions.

In addition, the *Spectra+ Duo* model features a two-in-one option: a fixed showerhead and detachable hand shower. Offering among the widest spray coverage of any two-in-one showerhead, consumers can enjoy two convenient options without requiring significant remodeling to their bathroom.



GROHE: Sensia Arena

GROHE Sensia Arena combines German design and engineering with advanced shower toilet technology from Japan, blending together form and function. Modern and elegant, its streamlined, gentle, and stylish shape integrates seamlessly into any contemporary bathroom design. No design feature has been left unexplored, from the finer details such

as the discreet nightlight to the lid that automatically opens and closes. Inside *GROHE Sensia Arena's* sophisticated design, it integrates some of LIXIL's most cutting-edge technology developed in Japan to improve the experience for consumers, from *AQUA CERAMIC*, which keeps the ceramic surface shiny for 100 years, to the Triple Vortex flush system.





American Standard: Genie Hand Shower

Genie Hand Shower, designed for consumers in markets with low water pressure, offers a new alternative. Unlike hand showers that rely on typical pressure boosters, it delivers a robust yet non-abrasive shower experience through 120 intricately and evenly spaced micro-spray nozzles. Transparent materials used in the showerhead allow users to see when the product needs to be cleaned. With something as common as a key, a slot on top of the showerhead enables consumers to open it up in order to wipe away limescale, mold, and dirt. Genie Hand Shower is available in three colors – aquamarine, petal pink, and steel gray – providing a refreshing alternative to current metallic offerings in the market, and matching local trends and preferences.



LIXIL: Carport SC

LIXIL's Carport SC blends in beautifully with the look of the modern home while maintaining all the functions of a carport. Its uniquely minimalist façade was created after reimagining the fundamental structure of carports and reducing unnecessary decoration and noise. Thanks to the use of aluminum extrusion, the roof is a thin, flat, elegant yet robust surface measuring just 40mm thick. The use of aluminum also blocks out sunlight, helping to prevent a car's colors from fading while keeping the inside from getting too hot in the summer. As part of this minimalist design, gutters and bolts are invisible from beneath the roof, while components have been reduced and ease of construction improved.



INAX: Ecocarát

Ecocarát is a wall tile that combines design and function. Through micro-holes in the ceramic material, Ecocarát can control humidity levels in a room five to six times better than diatomaceous earth walls and 25 times better than humidity-controlling wallpaper*. By maintaining humidity levels between 40 to 70% in a room, consumers can even hang their laundry to dry indoors during the winter and rainy seasons, while it helps prevent the spread of mites and mold, as well as skin from drying out. Furthermore, it helps reduce odors from toilets,

food waste, cigarettes, and pets, as well as toxic substances such as formaldehyde. A range of Ecocarát tiles are now available in various designs to enhance both homes and public spaces.

* Effect varies depending on the room, ventilation, weather, and environment.

LIXIL's Strategy

Strategic marketing to drive growth

LIXIL's Stories

- 01 Everything for the Consumer
- 02 Anticipating Needs Consumers Didn't Know They Had
- 03 Reflecting Consumer Demand
- 04 LIXIL's New Power Brand Strategy
- 05 Getting Closer to Consumers through the Retail Experience



Everything for the Consumer

Getting closer to the consumer through new business initiatives and digital technology

Across the organization, LIXIL is introducing new business initiatives to get closer to its consumers. Yugo Kanazawa, Senior Managing Director, Marketing, Digital and IT, and Chief Digital Officer, explains some of the changes happening across Japan that are driving these initiatives.

"The market is evolving. In the past, consumers visiting our showrooms were preparing to build new homes, but now the majority are looking to renovate their homes. As a result, the agents and dealers that used to accompany and guide them are no longer there, and so now LIXIL has taken on that partnering role."

LIXIL is responding to Japan's silvering population and the decline in demand for new homes, switching from a product-driven approach to solutions that reflect consumer demands. Kanazawa sees this as an opportunity.

"Japan's population is aging faster than anywhere else in the world, making it an interesting market. It's no longer about simply making good products. The services that you can introduce alongside them have also become increasingly important."

LIXIL Owners Club, a business initiative that offers free product warranty extensions and 24/7 repair services, is one example. Consumers typically only upgrade or replace fixtures such as toilets or bathtubs every few decades. However, LIXIL's new service helps it stay connected to individual consumers and provides them with new value.

Joint venture LIXIL TEPCO Smart Partners is another example, offering



packaged services that help consumers wanting to build a Net Zero Energy House (ZEH) reduce high initial costs. Rooftop solar energy systems can be paid for in installments for consumers who buy LIXIL housing materials and products for ZEH, including high-performance windows, doors, and building structures.

For Kanazawa, the evolution of such services is also beneficial for society.

"If the manufacturer retains ownership of a product and offers it to consumers through a subscription, for example, it gives the manufacturer greater incentive to create high-quality and durable products. This also helps them stay in touch with the consumer, while ultimately, I believe it is the better choice for the environment, too."

In addition to new services, digital technology has been key to attracting and gaining insight into Japan's changing consumers. In its showrooms, LIXIL has introduced a more sophisticated cost quotation system, where consumers can now see the total cost of kitchen systems in real-time as they configure their dream

kitchen in 3D. Some showrooms even enable consumers to see the 3D plan in virtual reality. This enables them to easily change materials and colors, and if the quote exceeds their budget, they can test other options before receiving a final estimate.

"Through the tens of thousands of quotes we issue every year across our over 90 showrooms nationwide, we can now also increase the number of options that are popular with consumers, and at the same time, eliminate those that aren't," says Kanazawa.

In addition to helping consumers make decisions, big data is contributing to product development. Kanazawa is confident that based on the product combinations that are popular among consumers, machine learning will enable LIXIL to automatically generate proposals that match individual consumer tastes in the future.

LIXIL is now focusing on strengthening its digital technology, data analysis, and marketing through its internal digital teams comprising of professional IT specialists, which is rare for a Japanese manufacturer. Kanazawa believes this will enable LIXIL to get closer to the consumer, which will increase competitiveness and differentiation.

And while continuously delivering new initiatives that will benefit consumers, Kanazawa has a vision for the future.

"In the future, for example, imagine a society where we do not need elderly care homes. If we can create products and services that support us as we get older, we could potentially live out our entire lives in the comfort of our homes. And by expanding this concept, from Japan to the world, I believe this would greatly contribute to society."



Anticipating Needs Consumers Didn't Know They Had

A future-oriented business model to cultivate new types of consumers

When it comes to protecting the home, people often think about the risks of burglary and damage caused by fire rather than water. To address this, GROHE developed *GROHE Sense*, a movable sensor that alerts consumers via smartphone when it detects a water leak, and *GROHE Sense Guard*, a smart water controller installed in a house's main water line that automatically shuts off its water supply when it detects a pipe burst.

"With digitalization everywhere, staying ahead of consumer needs was becoming increasingly important. So to create new value for our consumers, we focused on developing new smart products that could be incorporated in the Internet of Things (IoT), leading us to a new business model," says Robert Veltrup, Chief Digital Officer at GROHE AG.



Through its new water security system, GROHE has created a new product category that provides an innovative solution to a yet unsolved problem.

"We are helping consumers minimize risk. For example, they can turn off the water supply to their summer homes during freezing weather – even when they are not there. We can also help them manage and optimize their water consumption through the use of data," says Veltrup.

"And through the *GROHE ONDUS* app, which is connected to the *Sense* system, GROHE can also for the first time actively interact with its consumers."

Targeting consumers directly has also enabled GROHE to collaborate with an entirely new type of partner: insurance companies. An assessment in 2017 revealed that 54% of households in Europe have experienced mains-related water damage in their homes¹. But according to an insurer, up to 93% of the cost of damage caused by water can be prevented or minimized by an

automatic water security system². As a result, GROHE's initiatives are receiving considerable attention from insurance companies as they look toward new water damage prevention models to reduce the amount of personal property payouts, as well as reduce insurance costs for their consumers.

For Veltrup, GROHE's new IoT products have opened up a whole new world of possibilities. "We are encountering many new opportunities because we're working in completely new fields. We look forward to creating even more products that help improve the lives of our consumers in new, and perhaps still undiscovered, ways."

¹ The ConsumerView, Quantitative Assessment Europe, January 2017

² ACE Group, ACE Private Risk Services Study, April 2011



Reflecting Consumer Demand

Better understanding consumer needs leads to new and improved products and services

In a world where consumers have more choices than ever before, LIXIL's American Standard Walk-In Tub business in the US market is today demonstrating the importance of closer interaction with the consumer. Having invested in new capabilities to engage consumers and improve their experience, Walk-In Tub sales have grown at a compound annual rate of 151%, jumping a remarkable 50% in FYE2018 alone.

Robert Buete, President of LIXIL Home Services at LIXIL Water Technology Americas, explains: "The Walk-In Tub is a great solution for senior citizens and people with limited mobility, a market with enormous growth potential over the next 30 years. While we previously conducted marketing and sales through dealers and retail stores, that approach was never really effective. So, to unlock the real value of the business, we decided to manage the consumer journey end-to-end."

"We make the product, advertise it, sell it, install it, and service it. Throughout every phase of the consumer journey, we have become the contact for the consumer."

The direct-to-consumer business model has enabled LIXIL to better understand



individual consumer needs. In marketing, for example, Buete's team experimented with using a softer approach in its online questionnaire, repeatedly testing and learning until the online conversion rate of its landing page increased 300%.

LIXIL also responded to consumer needs in the services segment related to Walk-In Tubs. Until now, it was necessary to contact separate contractors for plumbing, electrical, and construction work. The new business model integrates all of these procedures into one package under the trusted American Standard brand, reducing the burden on consumers.

Closer engagement with the consumer is also contributing to the product development process, with upcoming product features based on direct feedback.

Despite the immense growth of the Walk-In Tub business, Buete believes it has even more future potential. "With the capabilities we have built, we can now expand the same platform to multiple product categories going forward."

LIXIL's New Power Brand Strategy

Creating brands trusted and loved by consumers

Since 2011, when LIXIL was formed through the consolidation of five renowned Japanese manufacturers, the water technology and housing products company has invested in strengthening its brand in the Japan market. Seven years later, LIXIL has achieved a brand awareness level of over 80%.

In spite of its nationwide recognition, however, a study has also revealed that few consumers immediately think of products such as windows, toilets, and kitchens when they hear the name LIXIL.

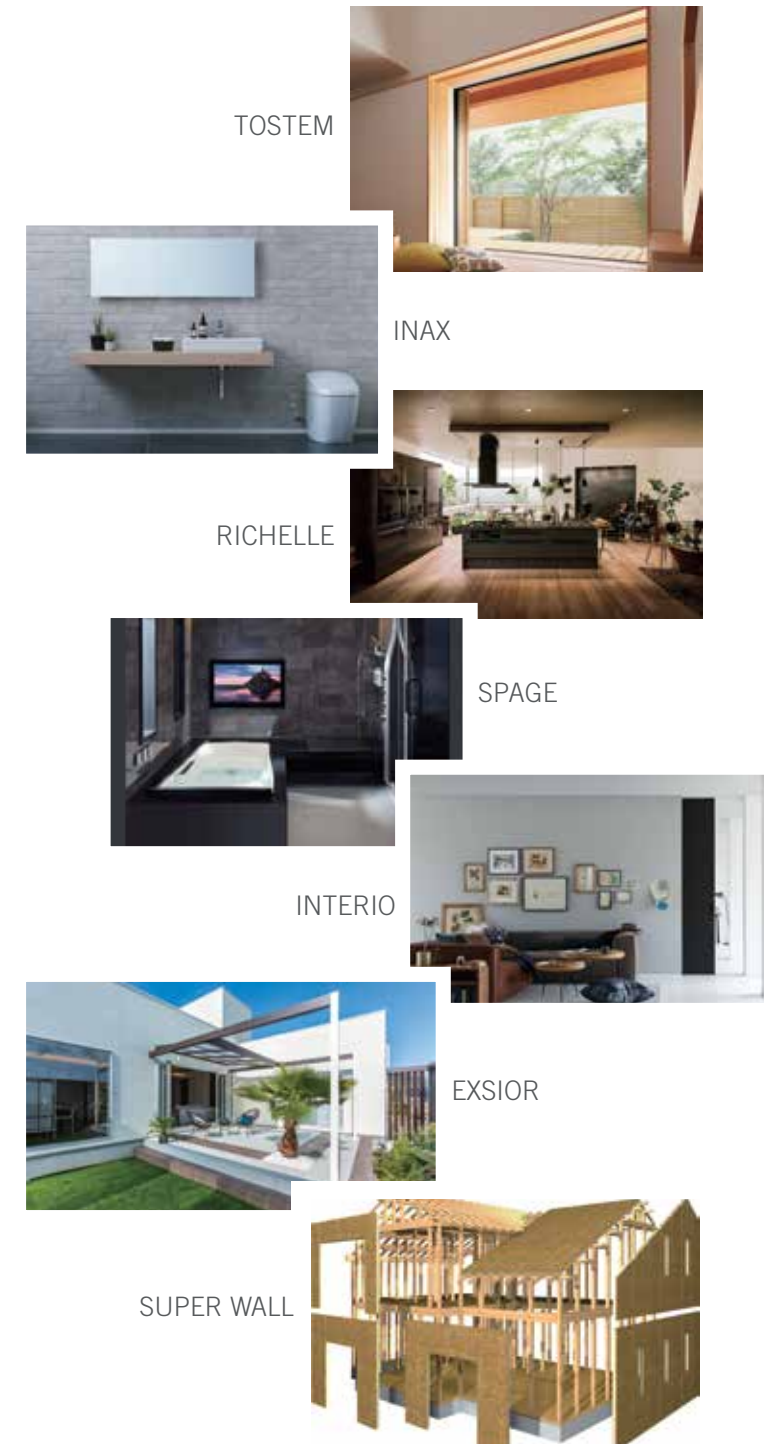
"At a time when the renovation market is expanding and consumers are more directly becoming involved in selecting products themselves, we need to strengthen our brand power so we become their brands of choice, and they look for and buy our products," says Toshie Takahashi, who heads LIXIL's Global Brand Department.

To achieve this, LIXIL implemented a new product brand strategy in April 2018. Under this new strategy, LIXIL will invest in what it calls its "power brands," consisting of product brands TOSTEM, INAX, RICHELLE, SPAGE, INTERIO, EXSIOR, and SUPER WALL.

"The goal is to boost the level of recognition of our products among consumers. Our legacy brands, TOSTEM and INAX, already have existing levels of product recognition, so we decided to leverage them as product category brands," explains Takahashi.

Before implementing its new strategy, the brand team collaborated closely with other divisions to define the identity of its power brands, their promises, and the experience that each brand will deliver.

"From products to catalogues, from showrooms to exhibitions, we want our consumers to consistently experience our brands at every touch point in order to build trust and become their brands of choice. When consumers love a brand, we will be less affected by competitive pricing, and can expect profits to increase, too."





Getting Closer to Consumers through the Retail Experience

Telling the story of LIXIL's brands through unique displays and smart technology

LIXIL is enhancing its showroom experience worldwide as a part its user-focused marketing strategy. One example of this is the recently opened GROHE SPA showroom in Singapore's famous shopping district along Orchard Road. Wholly owned and operated by GROHE, the flagship store takes up a double-story space that stretches over 6,000 square feet, offering consumers, architects, and interior designers a place to experience the latest in water technology.

"To become a brand that consumers feel close to, we wanted to create a showroom that helps them experience cutting-edge water technology products, all while

recreating the environments in which they would actually be used," says Audrey Yeo, Vice President of Marketing for GROHE in the Asia Pacific region.

"We chose Singapore because many consumers here are very conscious of value, which gives us the opportunity to start new trends with our products. From our new flagship showroom, we also aim to reach some of the world's top architects and designers based in Asia."

Many GROHE products are used in luxurious hotels around the world. GROHE recreated seven different hotel bathroom suites in its showroom, revealing the stories behind each of their unique designs and why the architects, designers, and developers chose GROHE in each instance.

"Many of our consumers first encounter GROHE products at five-star hotels and later want to bring them into their own



homes. In a similar fashion, we don't just want to exhibit our products at our store; we want to inspire our consumers with them."

Singapore is the first of the brand's showrooms to also offer cutting-edge virtual reality headsets that enable consumers to experience what its products will look like when installed. Through 3D images projected in the virtual headsets, dubbed Shower Configurators, consumers can bring their dream bathroom to life and experience a "live shower" without getting wet.

The showroom also leverages the latest in technology to provide information about its products, using radio-frequency identification (RFID) technology to share information with mobile terminals. This enables visitors to instantly receive detailed information regarding product

specifications while viewing the showroom, which they can readily share with their architects and designers, all from the palm of their hand.

"Showrooms at Apple and BMW are fascinating places that are expertly branded, where consumers can lose track of time trying out products. We aimed to create a similar world that offers that same incredible standard. The showroom concept is all about explaining the story behind the brand from the moment a consumer sets foot inside the store, creating an instant connection with GROHE," says Yeo.

"We are now sharing information on the technology used in our showroom with all of our regional facilities, discussing how these technologies can potentially be used in other aspects of our business."

LIXIL's Strategy

Achieve competitive costing

LIXIL's Stories

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Pursuing Global Competitiveness

Achieving cost and operational efficiency across all regions

The Japan Market

Until recently, LIXIL Water Technology (LWT) Japan and LIXIL Housing Technology (LHT) Japan focused on product development and production, while LIXIL Japan Company (LJC) focused on sales in the Japan market. This structure enabled LIXIL to strengthen lateral communication between the technology business units, share knowledge, and expand sales.

But the market environment has since changed. The emergence of new competitors, big data, artificial intelligence (AI), and digital technology are ushering in new business models and greater competition from non-traditional players, while modern consumers are also demanding more innovative and diverse products. To respond to these changes, LIXIL restructured its Japan sales operations in April 2018, and integrated product development, production, and sales vertically under LWT Japan and LHT Japan, respectively. The new structure ensures closer communication between relevant teams. This means that not only does the new structure enable consumer feedback to be integrated into the development and manufacturing process in a shorter space of time, it allows the development of more differentiated products and faster decision-making within the business unit. Sales teams will also be more specialized around the products and services portfolio of their respective

businesses, further enhancing LIXIL's competitiveness with customers and consumers.

LIXIL Water Technology

In the global market, LIXIL is strengthening the supply chain for its water technology business. Takeshi Teramoto, Director of LWT's Global Supply Chain, discusses LIXIL's key initiatives.

"LIXIL is today developing its brands, such as GROHE, American Standard, and INAX, leading the global market in the fields of plumbing-related technology and sanitaryware. To ensure our competitive advantage, we are focusing on increasing our global production capacity and creating a supply chain network that can efficiently and flexibly utilize all of our production bases. This will enable us to capture growing worldwide demand for water technology products."

LIXIL is investing approximately US\$65 million in India, a growing market where it is enforcing its presence, to acquire sanitaryware manufacturer Sentini Sanitarywares and expand capacity. This new factory, which is set to begin operation in August 2018, will have the capacity to produce up to two million pieces each year and will also respond to global demand in markets outside India by exporting to countries such as the US.



Increasing global production capacity and enhancing its supply chain network will enable LIXIL to capture growing worldwide demand for water technology products.

LIXIL also acquired a sanitaryware factory in the Dominican Republic to respond to rising demand for high-quality toilets in the Americas, while it has invested a total of US\$56 million in expanding capacity and improving efficiency in existing factories in Thailand, Vietnam, and Mexico. It further invested US\$30 million in its GROHE zinc-die casting factory in Thailand to double production capacity for kitchen faucets.

By introducing new technology to manufacture zinc parts, it can now produce some products completely in-house.

Synergies are playing a key role at the heart of LWT's competitive success. In addition to promoting cross-selling across its brands and regions, it is now achieving synergies in sanitaryware manufacturing, supply chain, and procurement, all through global task forces established across the organization. To strengthen these initiatives, LIXIL established the Synergy Creation Office within LWT in April 2018.

LIXIL Housing Technology

For LHT, breaking away from a high-cost structure has been its top priority. The number of new domestic housing starts in Japan is decreasing yearly, while the business has been susceptible to fluctuations in raw material prices. As a result, LIXIL has put in place short-term countermea-



asures and a long-term roadmap aimed at creating an organization more resistant to these external factors. One key strategy to defend against commoditization is to enhance differentiation of its products and services through stronger design and technology. LIXIL's Chief Design Officer, Paul Flowers, has been appointed from July 2018 to support LHT Japan's transformation by applying design thinking to its product development.

"LIXIL is adopting a progressive approach to design, tapping into consumer trends early and turning these insights into experiences for our consumers. I look forward to the exciting new challenge with our housing business, and am confident that we can bring greater value to LIXIL's brands," says Flowers.

In addition, to accelerate its response to changing market environments, LHT is streamlining its product development and manufacturing functions. One key initiative is to improve its production efficiency by reducing the number of stock

keeping units (SKU). SKUs were already reduced by more than half in FYE2018 compared to the previous year, and LHT is now focusing on reducing them further, which will enable it to unify its core product platforms. In turn, this will enable LHT to shorten its development time by half as well as achieve highly efficient production lines. LIXIL believes that the effects of these measures will be realized from FYE2020.

LHT Japan is enhancing differentiation of its products and services through stronger design and technology.



Collaboration that Transcends Borders

LIXIL's Synergy Creation Office aims to build synergies across businesses and regions

To achieve the goals laid out in LIXIL's Medium-Term Plan, LIXIL established the Synergy Creation Office (SCO) in LIXIL Water Technology (LWT) in April 2018. The SCO promotes the creation of synergies across LIXIL's geographic regions in multiple aspects of the business, from technology, product development, procurement, and manufacturing through to human resources, IT, financial affairs, intellectual property, and brand management.

LIXIL's Chief Integration Officer, Yang Chin Chen, supervises synergy creation activities.

"We are aiming to make LWT a network of businesses that can respond to local customer demands in all regions. Organizations like this, however, tend to have difficulty creating synergy because they are very independent. So, we are driving new levels of synergy by removing barriers and enabling collaboration between regions without centralizing functional reporting lines. In this way, the SCO will enable us to work together so the whole is greater than the sum of its parts."

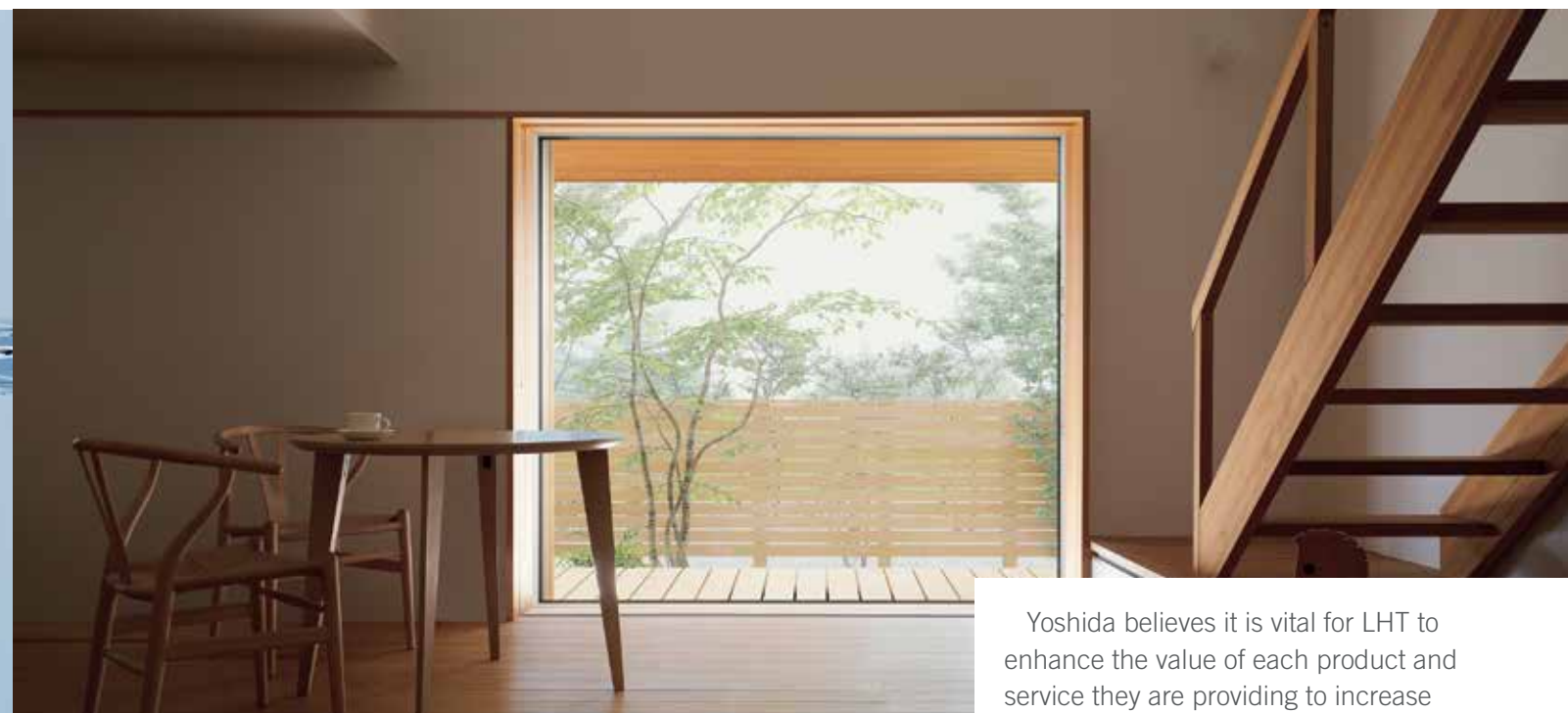
The SCO differs from the traditional head-quarter functions; it is an experimental

endeavor for LIXIL. Comprised of executives and managers who also have a dedicated role in a region or a corporate function, each has been tasked with a project where they will "think globally and act globally." The SCO is already conducting initiatives in more than 30 different areas where synergies can be unlocked.

For example, the SCO has developed a workstream for research and development, creating an environment in which all researchers can collaborate and take part in the development process. In addition to sharing best practices, ideas, and data concerning cutting-edge technology, they can eliminate operational redundancies at the development stage. Through this kind of platform, each individual can focus on his or her area of specialty, while leveraging each research center's expertise and capabilities to divide issues and solve them separately.

LIXIL is already seeing the effects of synergy. In FYE2018, synergy in product development and new businesses contributed to 34% of total sales growth outside of Japan at LWT, the equivalent of ¥12.1 billion.

"If this endeavor succeeds, we may adopt it in our other businesses as well as across the Group. The ability to create synergy between different businesses is becoming a unique strength of LIXIL's, which is expanding its diverse businesses globally," says Chen.



Revitalizing the Window Sash Business

Implementing short-term countermeasures and a long-term roadmap at LHT

LIXIL Housing Technology (LHT) Japan has introduced a new organizational structure that brings development, production, and sales functions all under one roof. For Satoshi Yoshida, CEO of LHT Japan, the new structure will enable the business to reach a new level of competitiveness. "We are creating an organization through which we can continuously launch new and differentiated products," Yoshida says.

This new organizational structure is one of the turnaround strategies being implemented to make LHT Japan more resilient to external market factors, enabling it to respond to changing conditions more flexibility, and revitalize the window sash business. To strengthen its next-generation manufacturing capabilities, for example, LHT Japan introduced the Next Generation Factory Strategy Department in April 2018 to help it implement its strategies across the organization. In October 2017, LHT also established its new Housing Technology R&D Center in Noda, Chiba, which will play a core role in the integration of LHT's R&D activities.

Yoshida believes it is vital for LHT to enhance the value of each product and service they are providing to increase competitiveness.

"Until now, we were producing and selling large quantities of products for the new housing market in Japan. However, to secure profit and growth while facing a declining population and shrinking domestic new housing market, we need to adapt to the times."

"The most important thing is to recognize that consumers have specific needs and preferences. We will design and innovate new products with the consumer in mind, providing them with true value, whether they are looking for health-related or environmental benefits from our products."

Embodying this concept, *TOSTEM LW* is a new window product available from August 2018 and the first to come out since reviving the TOSTEM brand. Consisting of a single large glass door that slides open sideways, the frame is almost invisible from inside the room, creating a bright open space that connects the inside and outside of the house.

LHT is now also pursuing new growth opportunities through tie-ups with domestic start-ups and global businesses that offer differentiated technologies and competitive advantages. Plans are already in place, for example, to collaborate with a Swiss brand that produces frameless window systems to launch new mid- to high-end range products in FYE2019. Differentiated products will be key to competing both in Japan and overseas in the future.

Beyond the Medium-Term Plan

The global population and middle-income segment are growing, driving new demand in the water and housing industries in the long run. As these trends continue, people will seek better homes that improve their comfort and accommodate their changing preferences. LIXIL's Medium-Term Plan (MTP) will enable it to become a company that is better able to meet that demand, and ultimately create an organization that can achieve sustainable growth over the long term. The MTP will turn LIXIL into a company that can adapt quicker and innovate faster, allowing it to capture more revenue growth in the future. And to achieve this, LIXIL's regional platforms will play a central role in establishing its business model, expertise, and presence around the world, positioning it to lead and contribute to each of its markets beyond even the MTP.

Japan – A Laboratory for the Future

Japan's population is both aging and shrinking. According to the latest statistics, Japan is home to over 67,000 centenarians¹, and its current population of 127 million² is expected to decrease by 20% by 2050². By that time, 38% of its citizens will be over 65 years old².

While many other countries are experiencing or about to experience similar trends, Japan is at the forefront of this demographic challenge. As such, LIXIL's Japan business is playing a leading role in defining the future standard for how the company can effectively support "aging in place." The country today is a testament to how far living standards have come and the critical role technology has played in establishing this standard.

As the most comprehensive water and housing technology company in Japan, LIXIL sees its presence in the market, and the Japan business itself, as a significant opportunity for its global operations. As LIXIL's first and largest market, Japan is where the company draws its roots, where it has benefited from a long history of groundbreaking research and development, and where it continues to test its latest technologies.

"Japan's is the most advanced aging society in the world, and that gives us the opportunity to also face one of the most demanding markets in the world. To compete

here, differentiated products and services are key. This fact alone makes it a powerful contributor to the growth of LIXIL in the long term because differentiated products and services are appreciated in mature markets first, from the

US to Europe," says Kinya Seto, President and CEO of LIXIL. "For LIXIL, Japan plays a critical role – not just as our largest market, but as the innovator and driver of high-end products and technologies that can be exported to the world."

Japan's current population of 127 million is expected to decrease by 20% by 2050. By that time, 38% of its citizens will be over 65 years old.



EMENA – Driving Intelligent Water Management

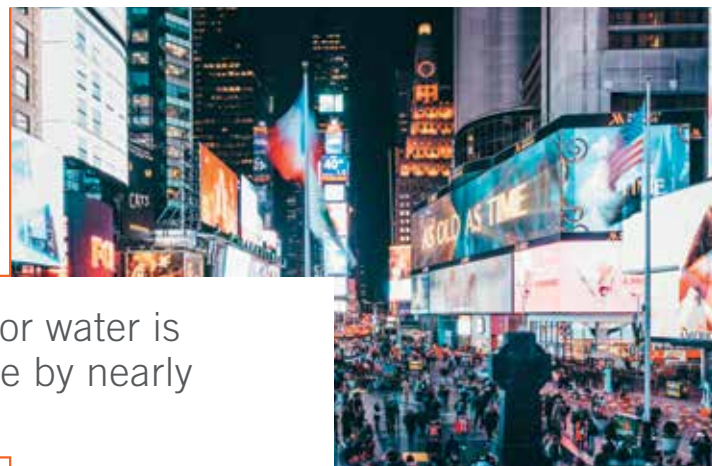
LIXIL is now on the path to becoming a full bathroom solutions provider worldwide and has a strong position in Europe through its GROHE brand. Under LIXIL, GROHE was the first of the company's global brands to adopt its technology from Japan and redesign it to match

the cultural and design preferences of its home market. GROHE is now expanding its newly introduced ceramic lines and moving from selling individual products to

full, synchronized bathrooms, positioning it to grow new revenue streams far into the future.

But in a world of profound technological change and population growth, the market for water technology is still ripe for innovation. By 2050, demand for water is expected to increase by nearly one-third³. GROHE is taking a lead in developing new and intelligent solutions to manage water consumption in the home. *GROHE Sense* and *Sense Guard* are among its first products that can be integrated into IoT, but these are only a hint of what is to come, with the brand now sitting on a pipeline of ideas stretching eight years into the future.

"The home is becoming smarter and more connected, and how we manage and use water – one of our most precious resources – will be a big part of that story. Intelligent water products will redefine how we live, but one of their greatest advantages is also the data that will give us insight into the future," says Michael Rauterkus, CEO of LIXIL Water Technology EMENA.



By 2050, demand for water is expected to increase by nearly one-third.

Americas – Leading in Consumer Centricity

The US market is the world's largest consumer market, with 325 million people⁴ and household spending accounting for nearly a third of the global total⁴. In this vast and diverse market, American Standard is a household name that generations of Americans have grown up with and whose products are used in three out of five American homes.

Under LIXIL, the American Standard brand is benefiting from technology imported from Japan, enabling it to better serve the broad needs of its diverse consumer base with a full spectrum of bathroom products, from shower toilets to touch-control showers and walk-in baths. In addition, LIXIL's portfolio in the Americas also includes premium, aspirational brands such as GROHE and DXV to cater to a wider range of consumers.

To better prepare it for the future, LIXIL is now investing in more consumer insight and analytic capabilities.

"LIXIL is dramatically stepping up its focus on getting closer to the consumer in the Americas. We have invested in gaining greater consumer and business insight, enabling us to better understand what drives the consumer today and in the future," says Steven Delarge, CEO of LIXIL Water Technology Americas.

In the year since this new function has been in place, it has generated insights that are already changing the way LIXIL approaches the market. Ultimately, this shift will set LIXIL up for long-term future success by providing the flexibility to adapt to rapidly changing consumer needs and desires.



Asia Pacific is expected to account for two-thirds of the world's middle-income segment by 2030.

Asia Pacific – An Innovative Growth Engine

Poised as the future growth engine of LIXIL, nowhere are LIXIL's product lines, brands, and business models more diverse than in the Asia Pacific region. From faucets and ceramics to interiors, sashes, and kitchens, the presence of LIXIL can be felt across the region's 23 markets.

Goods are becoming increasingly accessible to consumers in the burgeoning middle classes of this fast-growing region, which is expected to account for two-thirds of the world's middle-income segment by 2030⁵, and LIXIL is tailoring its approaches to target consumer groups in these markets.

LIXIL's footprint and breadth of offering allows it to deploy new and disruptive business models, and expand into new categories. Ultimately, it aims to simplify the end-to-end journey for consumers, an objective that is helped by its ability to leverage experience and technologies from the Japan market in these various categories.

LIXIL businesses in Asia have also traditionally been close to the consumer, and operate within leaner value chains; this has allowed it to launch new products faster, drive consumer acceptance of new solutions, and pioneer new models that add value to the end consumer.

LIXIL's consumer-focused approach is today seen across Asian markets like Indonesia, Vietnam, India, and Thailand, but perhaps nowhere more so than in China. Driven by demand for renovation in major cities as well as new sales of homes in growing large towns, LIXIL is leveraging its multi-category and multi-brand strengths to deliver the best experience to increasingly discerning Chinese consumers, including through new end-to-end business models.

"China is in the midst of a great transition to becoming a consumer-driven economy, and we are orienting all of our brands and services to fulfill the future demand that this will generate. In fact, all across Asia LIXIL is aiming to transform the industry by developing end-to-end home solutions that will make the entire experience easier, more enjoyable, and of true value to the consumer," says Bijoy Mohan, CEO of LIXIL Water Technology Asia and LIXIL Housing Technology Asia.

Sub-Saharan Africa – The Final Frontier

The continent of Africa presents a long-term opportunity for LIXIL: it is diverse, dynamic, and growing. Sub-Saharan Africa, in particular, is anticipated to record one of the world's largest population growths: 1.2 billion urban residents by 2050⁶.

LIXIL Africa is now positioning itself to meet the demand of the rapidly growing middle-income segment in the future. It is the only local manufacturer in South Africa that can offer full bathroom solutions across all categories and includes household brands such as COBRA. It is now also working on adopting innovative approaches to distribution, achieving greater synergy in all areas of the business, improving operational efficiency and governance, as well as ensuring that it provides its customers with products of superior quality.

LIXIL has also made significant investment in areas of Africa with inadequate access to basic sanitation and clean water. The company markets SATO Toilet Systems as a true consumer brand, selling products that not only help improve sanitation but fulfill cus-

Sub-Saharan Africa is anticipated to have 1.2 billion urban residents by 2050.

tomers demand and function as an entry point into the LIXIL family of brands. Through its focus on providing innovative solutions for consumers in these markets, LIXIL is both tackling the sanitation crisis and ensuring a future in the region for years to come.

"The African continent is LIXIL's final frontier, a place of great future growth beyond even the MTP horizon, where we can make a meaningful difference to the people who live here. Our goal is to bring global technology, standards, and practices in our industry to the continent," says Jay Londhe, CEO of LIXIL Africa.

¹ Japan Ministry of Health, Labour and Welfare, September 2017

² Japan Ministry of Internal Affairs and Communications, Statistics Bureau, 2017

³ United Nations, UN Water, World Water Development Report 2018, March 2018

⁴ US Department of Commerce, SelectUSA, 2018

⁵ OECD, January 2010

⁶ The World Bank, 2015



"The future is bright for companies that can respond to new opportunities. I believe our industry is well positioned to respond to megatrends in demography and technology."

Kinya Seto, President and
Chief Executive Officer

Revenue
¥1,664.8 billion

Core Earnings Ratio
4.5%

ROE
9.4%

Net Interest-Bearing Debt / EBITDA
4.0 times

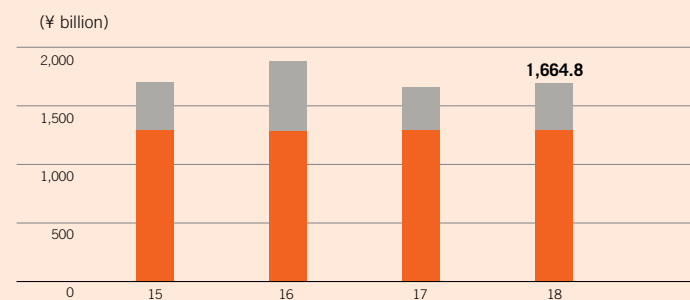
Ratio of Equity Attributable to Owners
of the Parent
29.3%

Year ended March 31, 2018

Financial Highlights

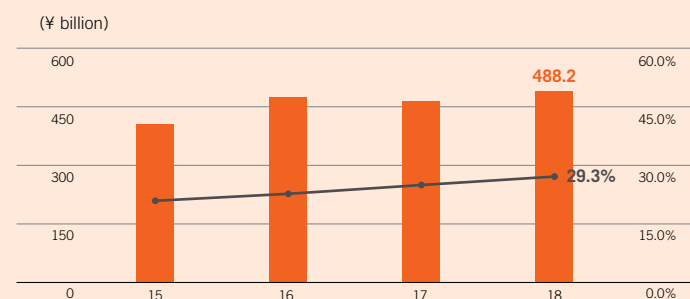
LIXIL Group Corporation and Consolidated Subsidiaries
Year ended March 31

Revenue YoY 1.9%



Revenue increased by 1.9% year on year to ¥1,664.8 billion, reflecting, among other factors, an upturn in sales of plumbing products, both within and outside Japan, due to effective marketing activities.

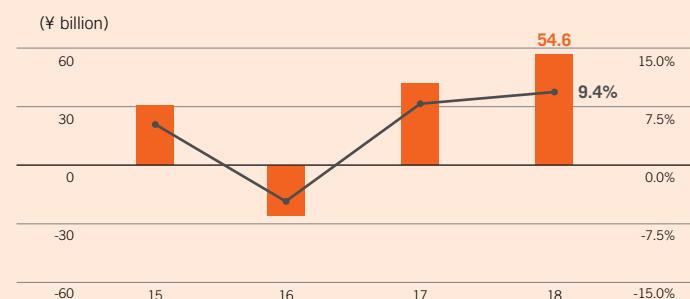
SG&A Expenses / SG&A Ratio YoY 5.7%



SG&A expenses rose by 5.7% year on year to ¥488.2 billion as a result of upfront investments, including marketing expenses and IT systems depreciation costs. The SG&A expenses ratio also rose, increasing by 1.1 percentage points year on year to 29.3%.

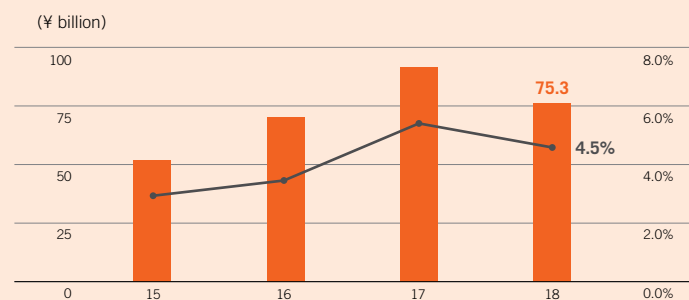
Profit (Loss) for the Year Attributable to Owners of the Parent YoY 28.4%

ROE YoY 1.5 Points



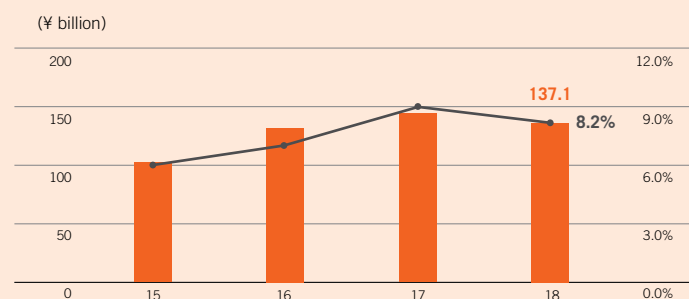
Profit for the year attributable to owners of the parent rose by 28.4% year on year to ¥54.6 billion, mainly due to an increase in profit before tax caused by gains on sales of unused assets and shares of subsidiaries and an affiliate.

Core Earnings / Core Earnings Ratio YoY 16.1%



Core earnings declined by 16.1% year on year to ¥75.3 billion, due to the combined impact of an increase in distribution costs resulting from increased sales, the rising price of raw materials and a substantial rise in SG&A expenses relating to upfront investments.

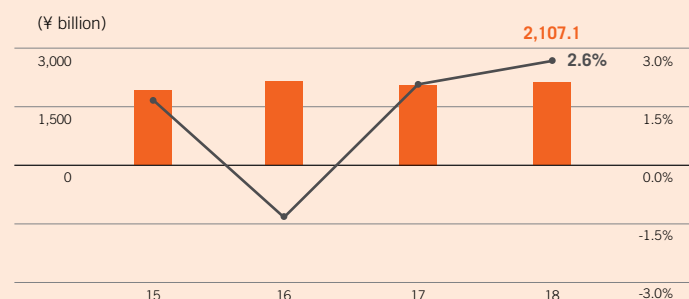
EBITDA / EBITDA Ratio YoY 6.3%



EBITDA declined by 6.3% year on year to ¥137.1 billion, because of the fall in core earnings.

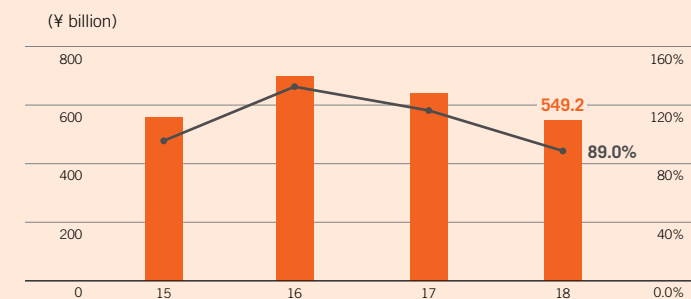
Total Assets YoY 3.2%

ROA YoY 0.6 Points



Total assets as of March 31, 2018 increased by ¥65.0 billion year on year to ¥2,107.1 billion, reflecting the impact of foreign currency translation adjustment and the fact that banks were closed on the last day of the fiscal year, as well as the increase in goodwill deriving from the acquisition of new subsidiaries and other intangible assets.

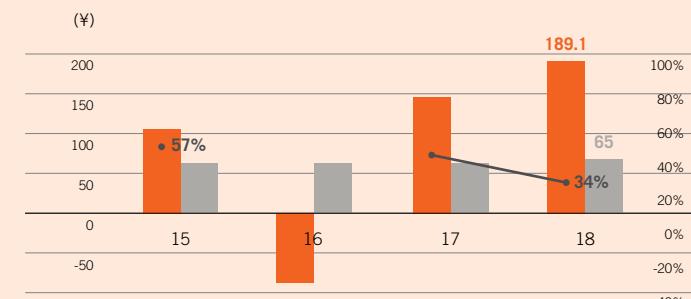
Net Interest-Bearing Debt / Net Debt-to-Equity Ratio YoY 14.0%



Repayment of interest-bearing debt has been proceeding steadily, and net interest-bearing debt as of March 31, 2018 was down by 14.0% year on year to ¥549.2 billion, representing a further enhancement of the Company's overall financial soundness.

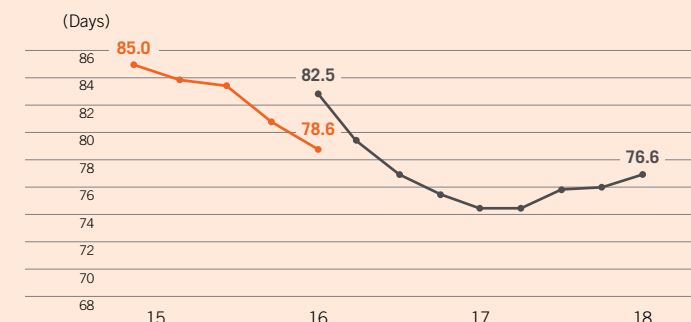
Earnings per Share (EPS) YoY ¥41.1

Dividends per Share / Dividend Payout Ratio YoY ¥5



In the fiscal year ended March 31, 2018, earnings per share (EPS) rose by ¥41.1 year on year to ¥189.13, and dividends per share rose by ¥5 year on year to reach ¥65. LIXIL's dividend policy is to maintain a payout ratio (on a consolidated basis) of at least 30%.

Cash Conversion Cycle (CCC)



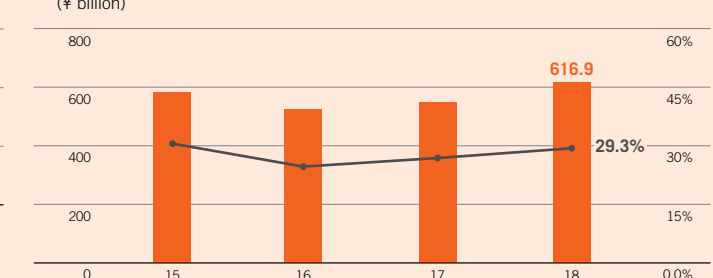
● JGAAP and Including Global Measures* ● IFRS
* Excluding project businesses

As a result of the accumulated benefits from activities implemented to improve the cash conversion cycle (CCC), as of March 31, 2018, the average time elapsing from purchase of materials through to sales and receipt of payment was 76.6 days.

Notes: 1. Due to the Company's decision to divest consolidated subsidiary Permasteelisa S.p.A. in August 2017, the Company has classified the operations of Permasteelisa and all of its subsidiaries as discontinued operations. For this reason, figures for revenue, core earnings, SG&A expenses, and EBITDA since the fiscal year ended March 31, 2017 include only the results for continuing operations.
2. The Company has adopted International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2016. Figures for the fiscal year ended March 31, 2015, have been restated based on IFRS for comparative purposes.

Equity Attributable to Owners of the Parent YoY 12.7%

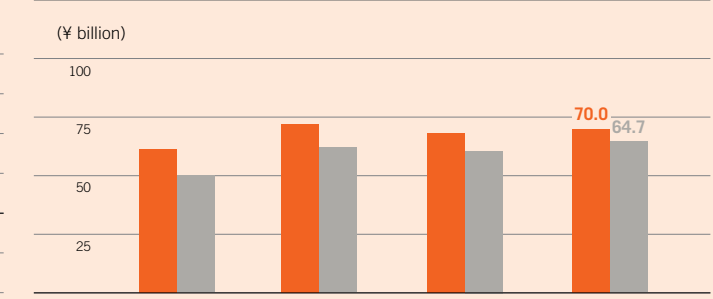
Ratio of Equity Attributable to Owners of the Parent YoY 2.5 Points



Equity attributable to owners of the parent, taking into account the profit for the year attributable to owners of the parent, stood at ¥616.9 billion as of March 31, 2018. The ratio of equity attributable to owners of the parent rose by 2.5 percentage points year on year to reach 29.3%.

Purchase of Property, Plant and Equipment and Purchase of Intangible Assets YoY 2.5%

Depreciation and Amortization YoY 6.5%



Purchase of property, plant and equipment as well as of intangible assets amounted to ¥70.0 billion for the fiscal year ended March 31, 2018, mainly as a result of investment in new plants to expand production capacity.

CFO Message

We have solidified the foundations for new growth, and are making steady progress with the accounting and financial aspects of the Medium-Term Plan



SACHIO MATSUMOTO

Representative Executive Officer
Executive Vice President, Finance, Treasury, and M&A
Chief Financial Officer (CFO)

Our measures during the fiscal year ended March 31, 2018 (FYE2018), based on the guiding principles for Phase I of the Medium-Term Plan (MTP), were centered on improving the balance sheet to establish a foundation for growth. We also concentrated on strengthening the governance structure for the entire corporate group, and by establishing a more sound financial standing, worked to lay the foundation for new growth in the future. In April 2018, we shifted to measures for the next stage of the plan — strengthening profitability.

Establishing a More Sound Financial Condition

In FYE2014, to enhance its financial strength, LIXIL set a goal of generating ¥100 billion in free cash flow through improvement in its cash conversion cycle (CCC). We have so far achieved ¥71.8 billion of the ¥88.0 billion forecasted for the end of FYE2018.

One of the main reasons behind the push to improve financial strength was our past problems with regulating supply and demand on a global level. Insufficient supply capacity for strong-selling products had resulted in opportunity loss. To address this issue, as well as to reduce shipping costs, we have built or expanded production facilities to meet the needs of particular regions.

As a result of this capital investment, working capital temporarily increased during the subject fiscal year due to adjustments for reasonable inventory levels, and our CCC was extended. However, with the full-fledged operation of these plants to develop competitive products, we are generating a positive cycle in which invested capital contributes to increased earnings.

More Sophisticated Management and Stronger Governance

LIXIL is pursuing a global auditing and internal control structure to further enhance its business management and strengthen governance. To improve the cash and financial control structure of the corporate group, we have introduced a Treasury Management System (TMS) to clarify cash positions and manage exchange risks on a global basis. We have now established and are operating Regional Treasury Centers (RTCs) in four locations worldwide.

We are also adopting shared services operations in order to unify and standardize accounting processes across the corporate group. The first Financial Shared Services Center (FSSC) was opened in China in December 2017, and we plan to steadily expand this system worldwide. By introducing and adhering to this new framework, we are enhancing the governance function in terms of financial and institutional accounting for the entire LIXIL Group in Japan and worldwide.

Considerable Improvement in Cash Flows

Our financial measures have led to a significant improvement in cash flows. We will continue to improve working capital by focusing on the CCC, and are pursuing capital investment with a priority on optimizing investment efficiency. Specifically, we measure our return on invested capital (ROIC), and by investing in the areas with the highest returns, are able to make investment decisions that facilitate future growth and greater profitability.

Future capital investments will be made within the scope of depreciation, in line with the return from investment, in order to reduce the absolute cost of borrowing and improve the net Debt / EBITDA ratio.

Streamlining of Business Portfolio Revision and Investment in Differentiated Products

LIXIL has been pursuing M&A with overseas companies, and to further enhance the effectiveness of this strategy we have taken a proactive stance toward revising the business portfolio.

In August 2017, LIXIL decided to divest the Italian construction group Permasteelisa. As a result, the equity ratio improved. We have further strengthened our financial base by selling shares and land, including dissolving our joint venture in China with the Haier Group.

At the same time, in line with the new MTP, LIXIL is utilizing the cash generated to make strategic capital investments in sectors where we anticipate sustainable growth in enterprise value. This includes launching competitive new products to generate earnings in a difficult market environment. One recent success is LIXIL Housing Technology (LHT)'s new LW large-opening window sash announced in May 2018. This innovative new product

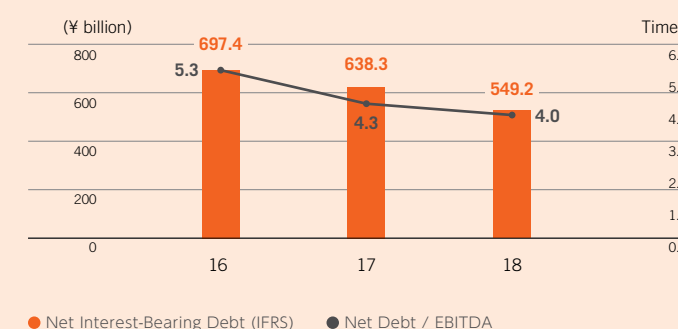
connects the inside and outside environments with the same pleasing comfort of a veranda.

Another important strategy is to fully utilize LIXIL's "intangible assets" of design and brand to offer differentiated products that consumers are seeking across the world. This is particularly relevant to global business development for innovative kitchen and bath products. While utilizing common platforms for the basic technologies and product frameworks to realize efficiencies in procurement, production, and inventory, we will also pursue differentiation with exceptional design and brand, offering a global lineup of attractive, high value-added products.

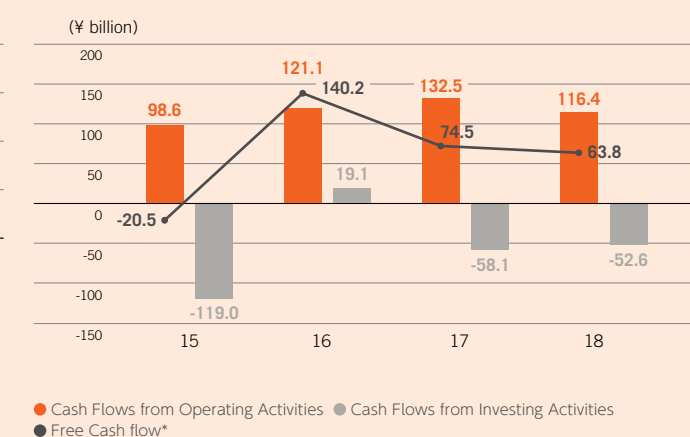
By continually revising our business portfolio we have steadily generated synergies, expanding overseas sales to ¥414.5 billion over the last four years, from ¥409.2 billion in FYE2015. This was despite the reclassification of sales revenue of the Permasteelisa Group of ¥164.5 billion in FYE2018 from continuing operations to discontinued operations, due to the decision to divest of the company and its subsidiaries in August 2017.

In the future, we will continue to provide the accounting and financial support to advance business strategies focused on the development of products that create new value.

Net Interest-Bearing Debt and Net Debt / EBITDA



Cash Flows



* Free Cash Flow is calculated as Cash Flows from Operating Activities + Cash Flows from Investing Activities.

Note: See P98 for details on cash flow figures. These figures are based on IFRS Standards.

Review and Analysis of Operating Results and Financial Position

LIXIL Group Corporation and Consolidated Subsidiaries

Business Environment

The Japanese economy followed a path of slow but steady recovery during FYE2018 as the global economy experienced continuous strong growth associated with increased exports and global investment. Housing starts decreased to 946,000 (down 2.8% year on year) due to a decrease in investment in owner-occupied and rental homes that contrasted starkly with the previous year's rise. Results in the renovation market were mostly in line with the previous fiscal year, but performance in the extension and reconstruction field slumped in comparison to the previous fiscal year.

In the global economy, the real economies of the US, Europe, and China received a boost from continuously strong consumer spending and investment, and trade grew year on year. Additionally, trade volume in countries across Asia showed high, double-digit growth and was a leading contributor of the general improvement in the overall global economy. At the same time, the growing risk of trade conflict is a new cause for concern for the global economy as the US's increasingly protectionist policy stance becomes clear.

Business Performance

Revenue for the fiscal year under review was ¥1,664.8 billion (up 1.9% year on year), despite the impact of divested subsidiaries from the previous fiscal year, as active marketing activities achieved success and both domestic and international sales of plumbing fixture products performed favorably. In terms of profit, although increased revenue and continuous cost reductions produced an increase in gross profit, core earnings fell to ¥75.3 billion (down 16.1% year on year) due to rising raw material prices, higher distribution costs accompanying increased sales, and large increases in SG&A expenses due to anticipatory investments such as marketing expenses and amortization expenses for IT systems.

At the same time, operating profit grew to ¥80.9 billion (up 16.9% year on year) as the Company recorded gains from the sale of subsidiaries and real estate that occurred in association with asset reorganization, and impairment losses decreased. Profit before tax grew to ¥90.0 billion (up 27.6% year on year) despite the loss of one-off valuation gains recorded during the previous fiscal year that were associated with exchange rate effects. This increase was due to gains on the disposal of shares in affiliated companies and a reduction in interest expenses associated with repayment of borrowings. As a result, net profit for continuing operations leapt to ¥68.5 billion (up 42.7%).

Furthermore, net loss for discontinued operations was ¥11.8 billion (up from the previous fiscal year's figure of ¥6.1 billion). As a result of these conditions, profit for the year attributable to owners of the parent, which excludes the equity of non-controlling interests, grew to ¥54.6 billion (up 28.4% year on year).

The Impact from LIXIL's Decision to Divest Permasteelisa

Due to the Company's decision to divest consolidated subsidiary Permasteelisa S.p.A. in August 2017, the Company classified the operations of Permasteelisa and all of its subsidiaries as discontinued operations when preparing the consolidated financial statements. For this reason, figures for revenues, core earnings, operating profit, and profit before tax include only the results for continuing operations. Additionally, rates of growth and decline were calculated by applying the same classification changes to the previous fiscal year's figures.

Management's Analysis and Discussion Points Regarding the Status of Operating Results

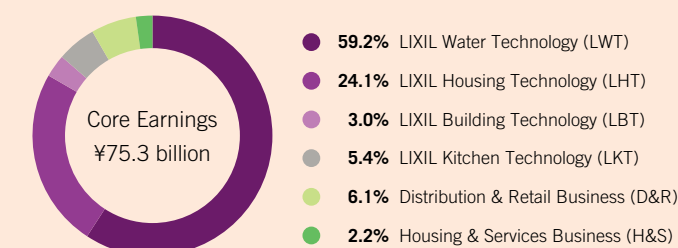
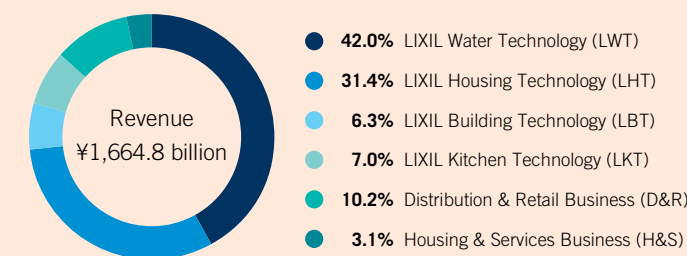
During the fiscal year under review (FYE2018), the Group steadily proceeded with Company-wide reforms. The Group is confident that it is positioned to start the new Medium-Term Plan (MTP) in April 2018.

However, the progress of these reforms has not yet manifested itself through core earnings figures for the fiscal year under review. A rise in raw material prices that exceeded forecasts and a slow response to a decrease in the number of new housing construction projects were major factors weighing down results for LHT, which is focused on building materials for housing. The Company has already worked out short-term countermeasures in response to these issues and, moving forward, will apply long-term strategies based on a roadmap for LHT's revival.

In contrast, LIXIL Water Technology (LWT), which is working to expand its plumbing fixtures business, strengthened LIXIL's four key differentiating drivers (design, technology, quality, and brand), and achieved positive results both domestically and internationally by introducing the technology it developed in Japan to overseas. As a result of Company-wide initiatives aimed at organizational simplification, cost reduction at corporate headquarters, business portfolio optimization, and balance sheet improvement, the Group has become a leaner and faster organization than it was previously. Profit for the year attributable to owners of the parent rose to record-high levels for the second straight period. A structure geared toward the new MTP is now in place and the Company will focus its effort on implementing these strategies and achieving the goals set out in the plan.

Performance by Segment in FYE2018

	Revenue		Core earnings (loss)		
	Results	YoY (%)	Results	Core earnings ratio (%)	YoY (%)
LIXIL Water Technology (LWT)	715.9	8.1	67.7	9.5	4.0
LIXIL Housing Technology (LHT)	535.2	-1.6	27.5	5.1	-29.8
LIXIL Building Technology (LBT)	107.0	-3.1	3.4	3.2	-37.0
LIXIL Kitchen Technology (LKT)	120.0	4.5	6.2	5.1	42.7
Distribution & Retail Business (D&R)	173.5	0.9	6.9	4.0	-5.0
Housing & Services Business (H&S)	52.3	-18.8	2.5	4.8	-42.6
Adjustment	(39.0)	—	(38.9)	—	—
Consolidated	1,664.8	1.9	75.3	4.5	-16.1

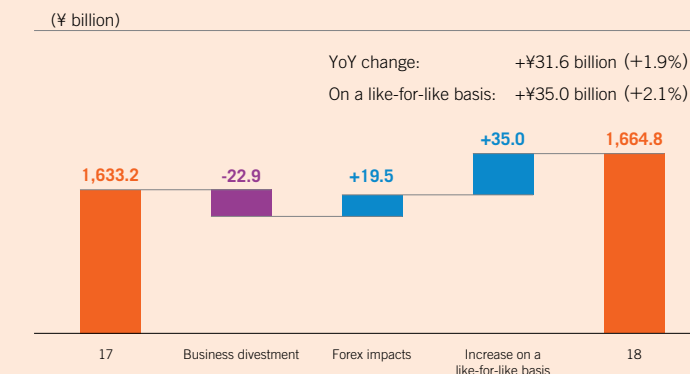


Status of Operating Results

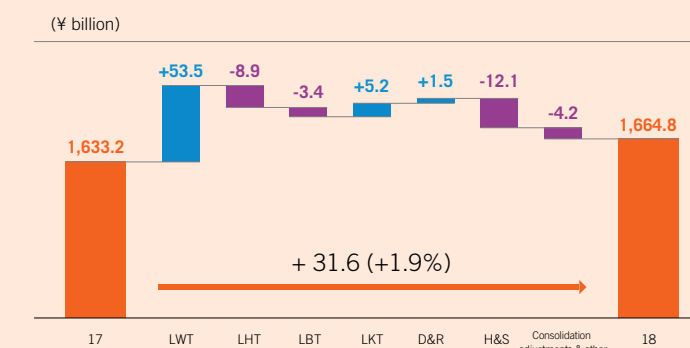
Revenue

Revenue increased to ¥1,664.8 billion (up 1.9% year on year). Growth rates in all product categories of LWT Japan and LKT that exceeded market expansion contributed to the increase in revenue. These growth rates were due to successful overseas investment in new products and synergy at LWT, which contributed to expanding LIXIL's global plumbing fixtures business, and product differentiation at LKT, which contributed to expanding domestic operations for LWT.

Revenue



Revenue by Segment



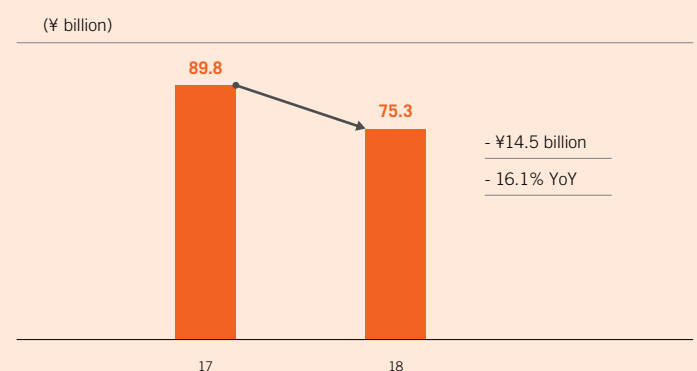
Core Earnings

Core earnings were ¥75.3 billion, down 16.1% from the previous fiscal year. The primary factor leading to the decrease was a slow response due to structural issues in LHT's business, which was heavily impacted by raw material prices and the number of new housing construction projects. Additionally, economic stagnation in the Middle East and South Africa impacted results for LWT.

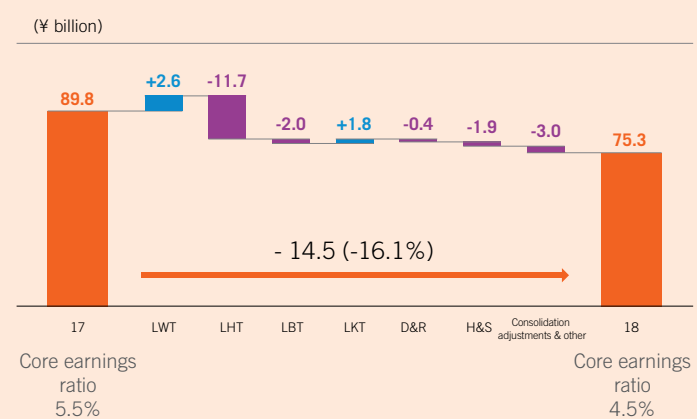
In response to issues facing LHT, the Company is steadily proceeding under a new organizational structure with strategies that are based on a roadmap toward compositional reforms. These reforms will minimize the impact of external factors affecting LHT's business. Specifically, LIXIL will proceed with measures designed to accelerate the development and launch cycles of products and improve productivity by introducing common platforms and sharing component parts. LHT will also work to expand its overseas business through integration of its processing plants by converting equipment to all-purpose equipment.

Note: Core earnings are calculated subtracting cost of sales and SG&A expenses from revenue.

Core Earnings

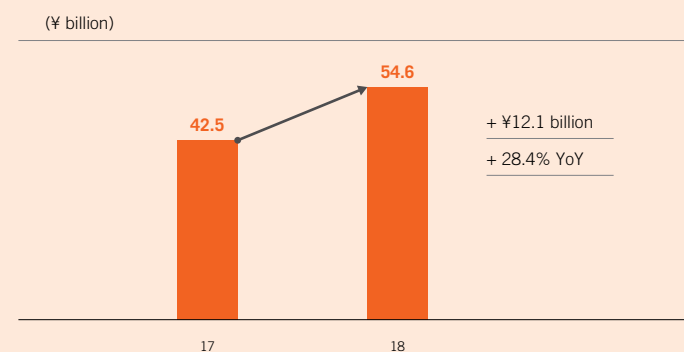


Core Earnings by Segment



Profit for the year Attributable to Owners of the Parent Including Discontinued Operations

Profit for the Year



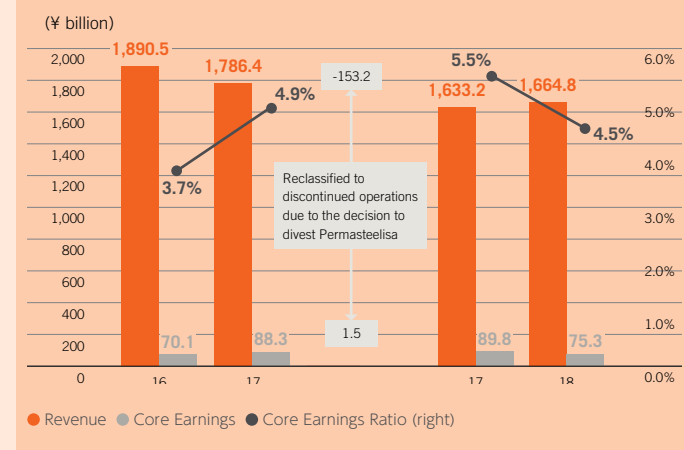
During FYE2018, profit for the year attributable to owners of the parent including discontinued operations rose 28.4% year on year to ¥54.6 billion. This rise occurred despite loss from discontinued operations recorded in relation to the decision to sell Permasteelisa, which was made during the same fiscal year. Business portfolio adjustments, the sale of idle assets, structural changes for organizational simplification, and a reduction in income tax expenses resulting from the choice to adopt a consolidated tax filing system in Japan contributed to the rise.

Review by segments are documented in the Review of Operations, on page 60. With the decision to divest Permasteelisa, the Group is classifying core earnings and losses of the same company and its subsidiaries, which LIXIL had previously included under LBT, under discontinued operations. For purposes of comparison, the Group has retroactively adjusted the previous fiscal year's results into the post-revision reportable segments.

Statement of Profit or Loss: Revenue, Core Earnings, and the Core Earnings Ratio

The Group started its new MTP in April 2018. In this plan, LIXIL aims to achieve improved profitability within three years through organizational improvement that will enable long-term business growth. The decline in LHT's results mentioned on page 64 were a main factor contributing to the Group's lower year-on-year core earnings ratio. However, the Group improved the core earnings ratio for LBT by classifying Permasteelisa as a discontinued operation when the decision was made to divest it in August 2017. The Group is also working to improve the core earnings ratio by continuously reviewing its business portfolio, improving the product mix, and optimizing Group synergies.

Revenue / Core Earnings / Core Earnings Ratio

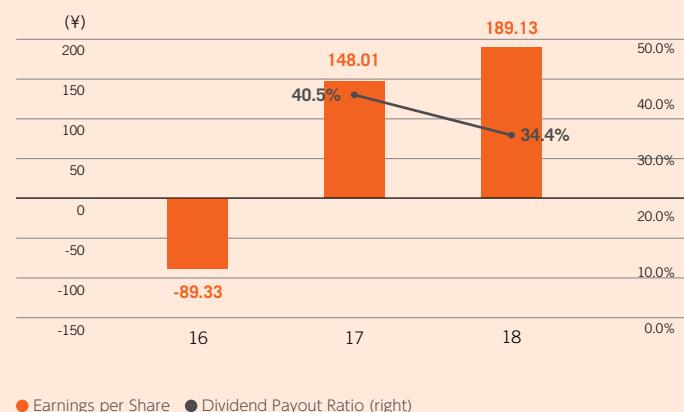


Earnings per Share (EPS) and Dividends

Basic EPS for the fiscal year under review increased year on year by ¥41.12 to ¥189.13, and diluted earnings per share rose by ¥36.80 to ¥170.90.

The total annual dividend per share for the fiscal year under review was ¥65, with a mid-term cash dividend of ¥30 and a year-end cash dividend of ¥35. The dividend payout ratio was 34.4%.

Earnings per Share / Dividend Payout Ratio



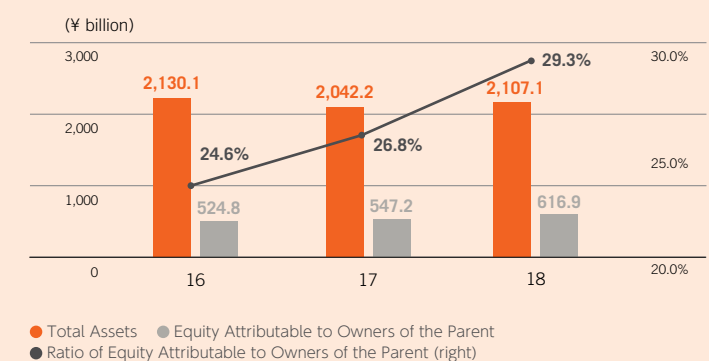
Financial Position

Total assets as of March 31, 2018 were up ¥65.0 billion year on year to ¥2,107.1 billion. Current assets increased ¥63.0 billion year on year to ¥912.8 billion due to exchange rate effects, the influence of the closing day of the period being a bank holiday and an increase in inventories. Non-current assets rose ¥2.0 billion year on year to ¥1,194.4 billion. This rise was due to an increase in goodwill and other intangible assets that occurred as a result of exchange rate fluctuations and a portion of affiliated companies becoming consolidated subsidiaries.

As of March 31, 2018 liabilities were ¥1,457.6 billion, down ¥25.2 billion from the end of the previous fiscal year. This decrease was primarily due to accelerated repayment of interest-bearing debt using capital obtained through business portfolio adjustment and business operations. As a result, net interest-bearing debt decreased ¥89.2 billion from the end of the previous fiscal year to ¥549.2 billion. Additionally, the D/E ratio improved 0.41 times from the previous fiscal year's result of 2.65 to 2.24 times.

As of March 31, 2018, total equity had risen ¥90.1 billion year on year to ¥649.6 billion and the ratio of equity attributable to owners of the parent had improved 2.5 percentage points year on year to 29.3%.

Total Assets / Equity Attributable to Owners of the Parent / Ratio of Equity Attributable to Owners of the Parent



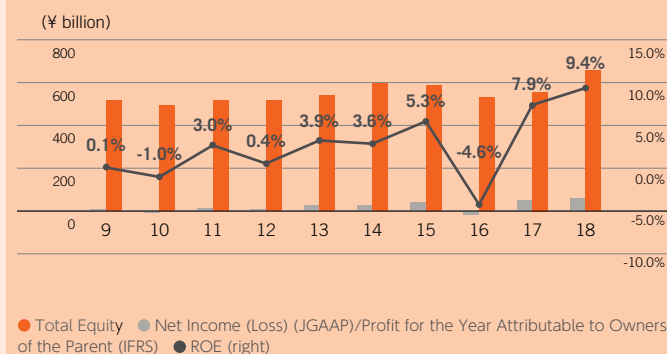
The Impact from LIXIL's Decision to Divest Permasteelisa

Starting in the second quarter of the fiscal year under review, the Company reclassified ¥180.2 billion of assets from discontinued operations as assets held for sale, in connection with the decision to divest Permasteelisa. Similarly, in the second quarter, the Company began classifying ¥127.5 billion in liabilities from discontinued operations as liabilities directly associated with the assets held for sale.

Balance Sheet: Return on Equity

The Company's total assets increased during the fiscal year under review due to active overseas M&As. The Company has been revising its business assets and business portfolio as well as selling shares of subsidiaries and affiliated companies and idle assets since FYE2017. Due to these practices, the appraised value of the Group's overseas assets rose due to the weak yen during the fiscal year under review. Despite the resulting increase in equity, ROE improved 1.5 points to 9.4% due to a rise in net income.

ROE



Note: For more information regarding ROE values, please see page 98. Additionally, ROE values are presented in accordance with JGAAP until FYE2014. From FYE2015 onward, the values are presented in accordance with IFRS.

Cash Flows

During the fiscal year under review, net cash provided by operating activities amounted to ¥116.4 billion, ¥16.2 billion less than in the previous fiscal year. The decrease was attributable mainly due to fluctuations in components of working capital such as trade and other receivables and inventories, despite decrease in interest paid on loans payable.

Net cash used in investing activities amounted to ¥52.6 billion, ¥5.4 billion less than was used in the preceding fiscal year.

Principal uses of cash were for the purchase of property, plant and equipment and payments for acquisition of subsidiaries.

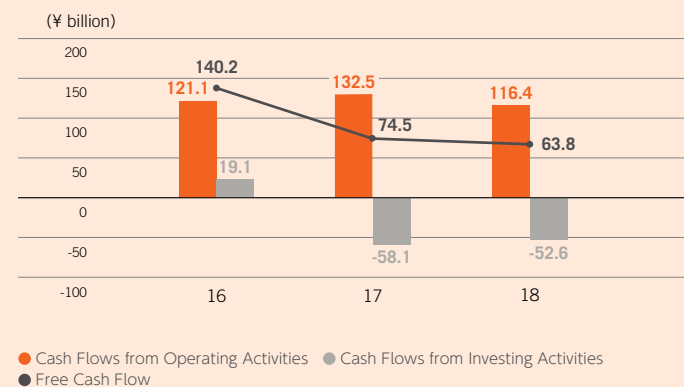
Net cash used in financing activities amounted to ¥43.8 billion, ¥36.1 billion more than was used in the previous fiscal year.

Primary sources of cash were the sale of shares stemming from the initial public offering of a subsidiary and the issuance of new shares. Other major factors included dividends paid, and proceeds from and the repayment of interest-bearing debt.

As a result of these circumstances, cash and cash equivalents amounted to ¥138.8 billion (up ¥17.2 billion year on year), including the impact of exchange differences.

The values listed above represent total cash flow values and therefore include discontinued operations.

Cash Flows from Operating Activities / Cash Flows from Investing Activities / Free Cash Flow



Trends in the Principal Indicators of Financial Position

	2015	2016	2017	2018
Net interest-bearing debt divided by cash flows (Times)	5.7	5.8	4.8	5.2
Net debt-to-equity ratio (Times)	1.0	1.3	1.2	0.9
Interest coverage ratio (Times)	16.2	16.7	7.7	15.5

Notes:

- All indicators are based on figures from the consolidated accounts. The indicators are calculated as follows:
 Net interest-bearing debt divided by cash flows: (Interest-bearing debt – Cash and cash equivalents) / Cash flows from operating activities
 Net debt-to-equity ratio: (Interest-bearing debt – Cash and cash equivalents) / Equity attributable to owners of the parent
 Interest coverage ratio: Cash flows from operating activities / Interest payments
- Interest-bearing debt is the value of all liabilities and convertible bonds with stock acquisition rights presented in the consolidated statement of financial position on which the Group pays interest. Cash and cash equivalents are the cash and cash equivalents presented in the consolidated statement of financial position. Cash flows from operating activities are the net cash flows from operating activities presented in the consolidated statement of cash flows. Interest payments are interest paid, as presented in the consolidated statement of cash flows. Furthermore, cash flows from operating activities and interest payments for businesses classified as discontinued operations in FYE2018 are not included in these values.

Securing Resources for Capital and Liquidity for Funds

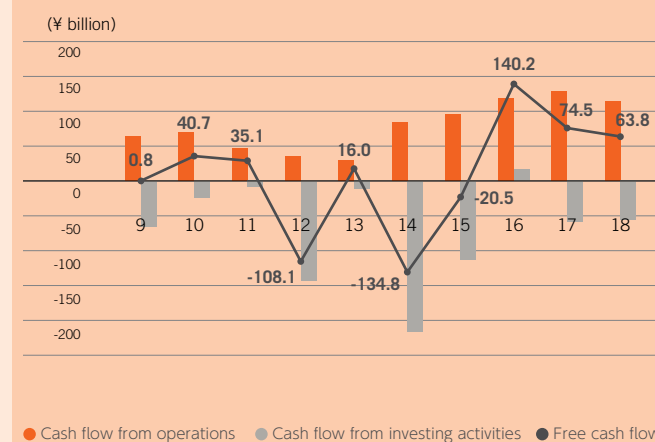
The Group strives to generate cash flows from operating activities and employs a wide range of fundraising methods to procure a stable and flexible supply of funds necessary for its business activities while maintaining a sound financial position. Regarding cash on hand, the Group, in principle, maintains adequate funds to cover the settlement of its liabilities in an emergency. To ensure financial flexibility, the Group works to diversify sources of funds, including bank borrowings and funds from other financial institutions, by arranging for a commercial paper issuance line, establishing commitment lines, and implementing initiatives for the securitization of trade notes and accounts receivables.

As a result, net interest-bearing debt was ¥549.2 billion (down ¥89.2 billion year on year) as of March 31, 2018. Cash and cash equivalents were ¥138.8 billion at the same point in time.

Cash Flows

The Company's free cash flow was negative from FYE2012 to FYE2015 due to large-scale M&As. However, free cash flow has been positive for three straight years since March 2016. This improvement is due to synergies realized from previous M&A activities, as well as the gradual positive effects of initiatives aimed at stabilizing the balance sheet. The Company used the cash generated by these initiatives to invest in businesses with growth potential and to repay interest-bearing debt. As a result, net interest-bearing debt decreased ¥148.3 billion from its value in FYE2016 and net interest-bearing debt/EBITDA improved to 4.0 times from 5.3 times in FYE2016.

Cash Flows from Operating Activities / Cash Flows from Investing Activities / Free Cash Flow*



* Free Cash Flow is calculated as Cash Flows from Operating Activities + Cash Flows from Investing Activities.

Note: For more information regarding cash flow values, please see page 98. Additionally, cash flow values are presented in accordance with JGAAP through FYE2014. From FYE2015, these values are presented in accordance with IFRS.

Capital Investment

The Company made capital investment expenditures of ¥70.0 billion (up ¥1.7 billion year on year) to acquire property, plant and equipment and intangible assets. However, depreciation and amortization, at ¥64.7 billion, was roughly equivalent to capital investment expenditures.

Forecast for FYE2019

LIXIL projects revenue of ¥1,710.0 billion (up 2.7% year on year), core earnings of ¥85.0 billion (up 12.9% year on year) and profit for the year attributable to owners of the parent of ¥50.0 billion (down 8.4% year on year) for FYE2019. This drop in profit for the year attributable to owners of the parent is due to the expiration of temporary effects provided by gains made from the FYE2018 sales of idle assets and shares from subsidiaries and affiliated companies.

The Company predicts that demand for plumbing fixtures and residential building materials will continue to expand due to global population growth, particularly in the middle income segment. The Company started the new MTP in FYE2019 and aims to redefine its strengths and to continue the activities as a company that creates world-leading technology and innovates to make high quality products that transform homes.

Additionally, the Company will improve profitability through enhanced flexibility, pursuing innovation and creating outstanding products and services faster than ever before.

(Forecasts for FYE2019)

Revenue: ¥1,710.0 billion

Core earnings: ¥85.0 billion

Core earnings ratio: 5.0%

Operating profit: (IFRS) ¥78.0 billion

Profit before tax: ¥75.0 billion

Profit for the year: ¥52.0 billion

Profit for the year attributable to owners of the parent: ¥50.0 billion

Basic earnings per share: (EPS) ¥172.54

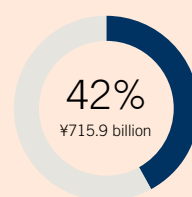
Review of Operations

Year ended March 31, 2018

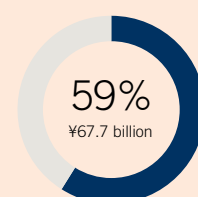
Business segment

LIXIL Water Technology (LWT)

Revenue



Core Earnings



Employees: 30,079 people
R&D: ¥16.7 billion
CAPEX: ¥34.5 billion

Principal products and services

Plumbing fixtures

Sanitaryware, window sashes, water faucets, washstands, bathtubs, unit bathrooms, shower heads, washstand fixtures, washstand cabinet units, etc.

Other building materials

External tiles for houses and buildings, internal decorative tiles, etc.

Direct customers

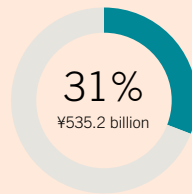
- Dealers
- Sales agencies
- Construction companies
- Architectural firms
- Developers
- Wholesalers
- Volume retailers
- General consumers

Competitors

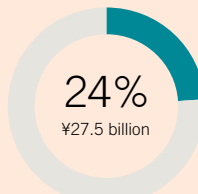
- Kohler
- Roca
- Hansgrohe
- Masco (Delta)
- Fortune Brands (Moen)
- TOTO
- Geberit

LIXIL Housing Technology (LHT)

Revenue



Core Earnings



Employees: 19,288 people
R&D: ¥9.0 billion
CAPEX: ¥24.0 billion

Metal building materials

Housing window sashes, entrance doors, various types of shutters, gates, carpports, banisters, high railings, tide barriers, smoke insulated 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

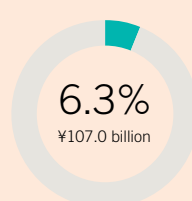
Solar photovoltaic systems, etc.

- Dealers
- Sales agencies
- Building material wholesalers
- Homebuilders
- House manufacturers
- Construction companies
- Architectural firms
- Developers

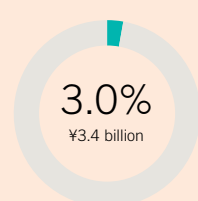
- YKK AP
- Sankyo Tateyama

LIXIL Building Technology (LBT)

Revenue



Core Earnings



Employees: 6,830 people
R&D*: ¥0.4 billion
CAPEX: ¥2.5 billion

Metal building materials

Curtain walls, building sashes, and store facades, etc.

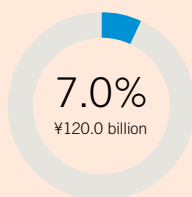
- Construction companies
- Architectural firms

- YKK AP
- Yuanda
- Local companies

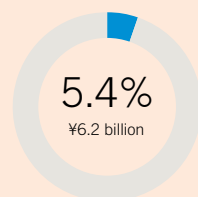
* Figure excluding Permasteelisa S.p.A. and its subsidiaries.

LIXIL Kitchen Technology (LKT)

Revenue



Core Earnings



Employees: 1,197 people
R&D: ¥1.5 billion
CAPEX: ¥4.6 billion

Kitchen

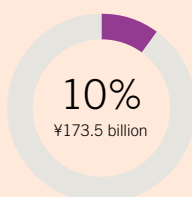
Kitchen systems, etc.

- Dealers
- Sales agencies
- Building material trading companies

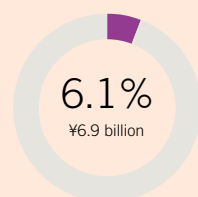
- Takara Standard
- Cleanup
- Panasonic

Distribution & Retail Business (D&R)

Revenue



Core Earnings



Employees: 1,373 people
CAPEX: ¥7.3 billion

Home centers

Household products, DIY products, building materials, etc.

Comprehensive building material stores

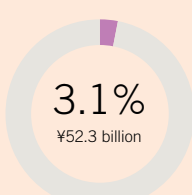
Building materials, tools, hardware, etc.

- General consumers
- Construction professionals

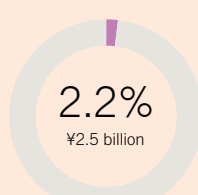
- DCM Japan Holdings
- Cainz
- Komeri
- Kohnan Shoji

Housing & Services Business (H&S)

Revenue



Core Earnings



Employees: 1,343 people
R&D: ¥0.05 billion
CAPEX: ¥0.9 billion

Housing solution businesses

Development of homebuilding franchise chains, construction on order, ground inspections and improvements, etc.

Real estate

Land, buildings, real estate management services, support for development of real estate franchises, etc.

Financial services business

Housing loans, etc.

[Housing franchise business]
Homebuilding franchise members
[Housing site ground inspection business]
Construction companies, real estate transaction agents
[Real estate brokerage franchise business]
General consumers

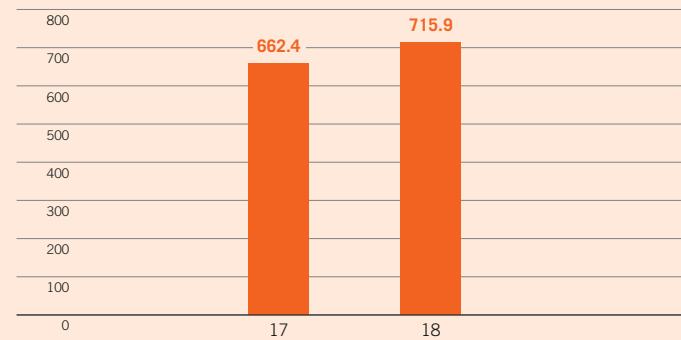
Water Technology Highlights for FYE2018

- Increase in revenue by 8.1% to ¥715.9 billion, and continual cost reduction supported by synergistic effects contributed to an increase of core earnings by 4.0% to ¥67.7 billion.
- Steady marketing activities for products in the medium- and high-price range both at home and abroad contributed to

favorable results. These products included the *SATIS* tankless shower toilet featuring *AQUA CERAMIC*, new technology that keeps toilets stain-free for a hundred years, and the *SPAGE* unit bathroom.

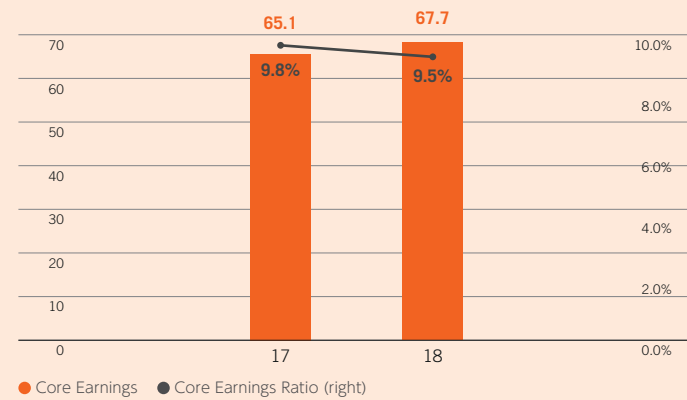
Revenue

(¥ billion)



Core Earnings / Core Earnings Ratio

(¥ billion)



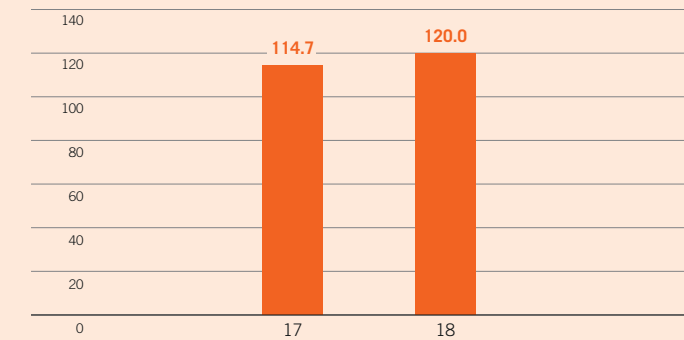
Kitchen Technology Highlights for FYE2018

- Increase in revenue by 4.5% to ¥120.0 billion, and continual cost reduction supported by improvement in operation ratio contributed to an increase of core earnings by 42.7% to ¥6.2 billion.

– Continuing from the previous term, efforts were made to expand sales of products in the medium- and high-price range through strategic investment in media advertising. Target products included the beautiful and functional *RICHELLE SI* prefabricated kitchen system.

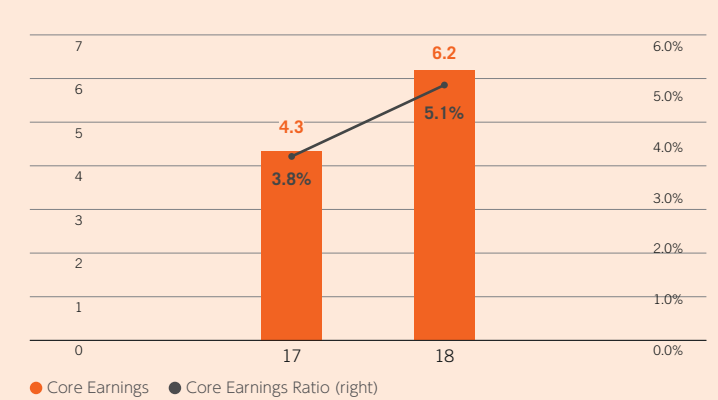
Revenue

(¥ billion)



Core Earnings / Core Earnings Ratio

(¥ billion)



Priorities for FYE2019

Japan

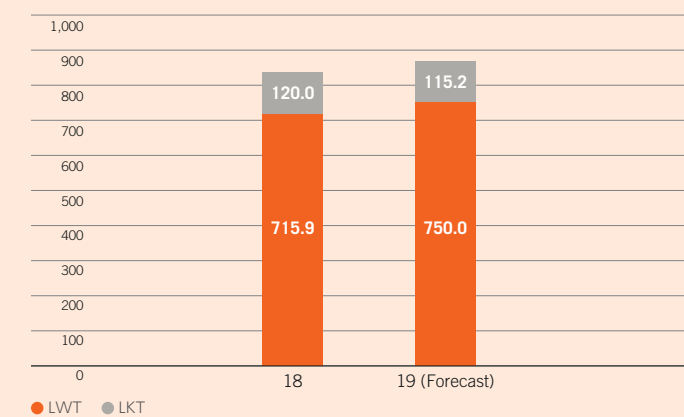
- Reinforce the structure of LWT through organizational reform that includes the integration of Technology, Production and Sales, enabling it to respond to changes in the market environment and end user needs, and accelerate product development cycles.
- Differentiate products and services from competitors through the selection and concentration of investment.
- Reinforce capability in design and renovation.
- Further enhance the Company's overseas support system, expand manufacturing and management technology accumulated in Japan to overseas markets, and optimize LIXIL's production technology.
- Place effort into the expansion of sales of products in the medium- and high-price range.

Overseas

- Develop and expand product lineup to continually distinguish the Company as a full-scale bathroom solution company.
- Enhance the development of IoT products (smart products).
- Expand the popularity of bidet toilets in Islamic nations and reestablish business targeting South Africa.
- Establish business targeting India and expand direct sanitary-ware sales in China to increase popularity in large Asian markets.
- Target the promotion of specific products.

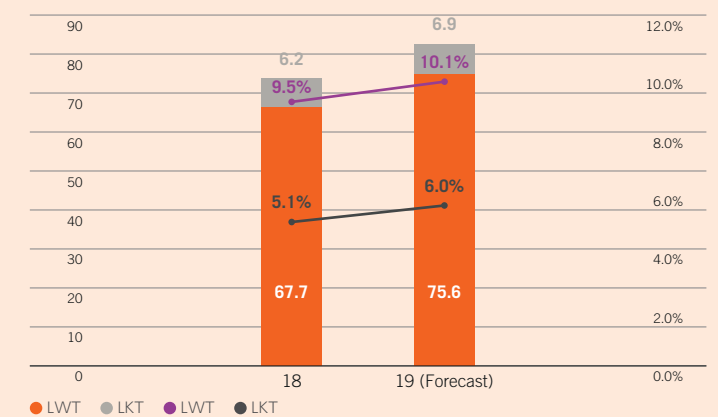
Revenue

(¥ billion)



Core Earnings / Core Earnings Ratio

(¥ billion)



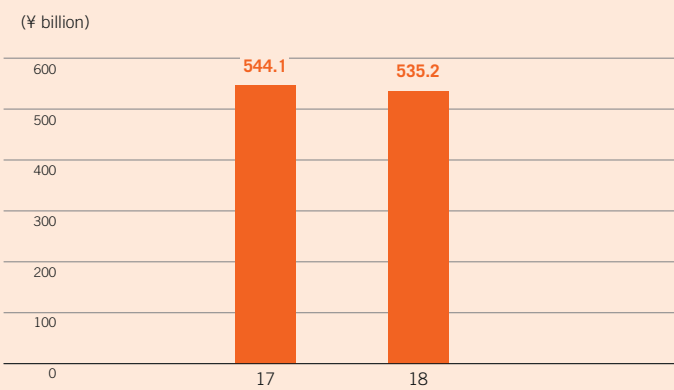
Note: Revenues by segment shown are before the elimination of intracompany transactions, and core earnings shown are before the deduction of group-wide costs.

Housing Technology Highlights for FYE2018

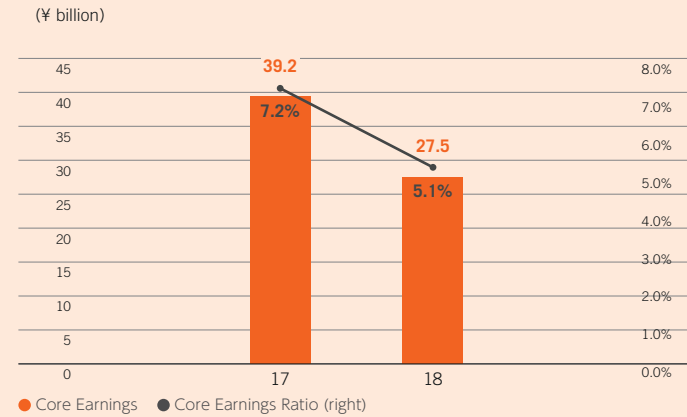
– Due to the divestment of part of its subsidiaries in the previous term, revenue decreased 1.6% to ¥535.2 billion, while core earnings decreased 29.8% to ¥27.5 billion due partly to the intensification of competition and increase in distribution costs despite efforts to improve the gross margin ratio through cost reduction.

– LHT expanded demand for renovation through the development of a wide variety of LIXIL PATTO Renovation products such as RE-PLUS, which are high performance renovation product windows.

Revenue



Core Earnings / Core Earnings Ratio



Priorities for FYE2019

Reinforcement of approaches from the standpoint of consumers

- Promote product development and proposals from a consumer-oriented viewpoint. This will include the development of products responding to the trend of increasing interest in the environment and health.
- Respond to consumer needs through expansion of the life partner-type business as well as a product sales-type business model.

– Enhance development of products differentiated from competitor products to increase purchase by consumers.

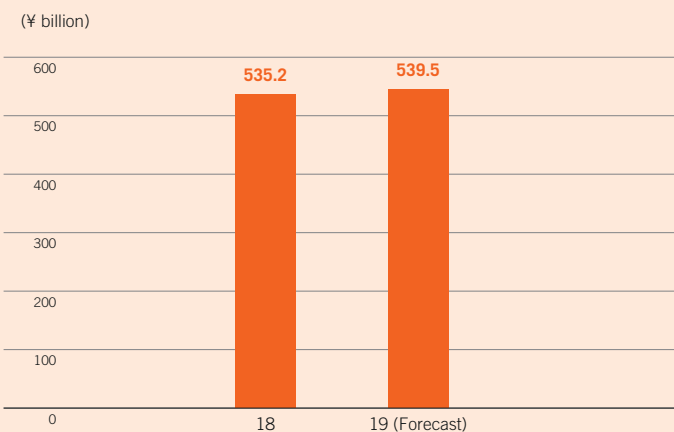
Innovation in production to improve cost competitiveness

- Promote the application of platforms in production and the commonization of parts to advance selection and concentration of investment while increasing cost competitiveness.

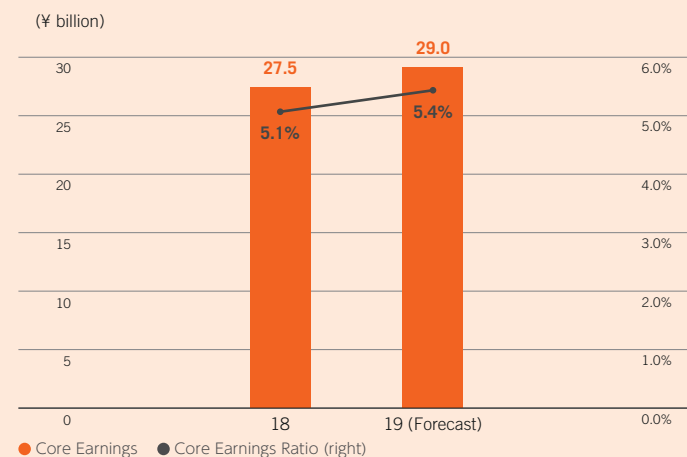
Expansion of global business

- Collaborate with global companies and enter Asian markets.
- Expand sales of industrial products.

Revenue



Core Earnings / Core Earnings Ratio

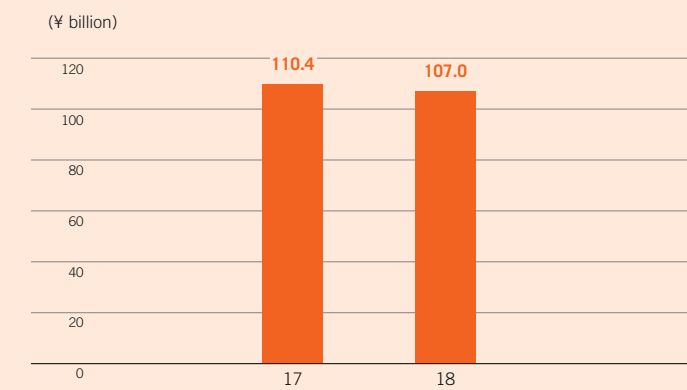


Building Technology Highlights for FYE2018

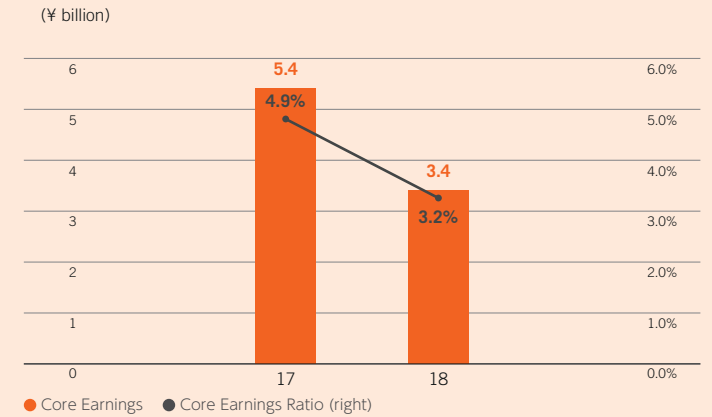
– Revenue decreased by 3.1% to ¥107.0 billion despite continual efforts to improve the gross margin ratio through the selective intake of domestic orders, while core earnings also decreased by 37.0% to ¥3.4 billion.

– Due to the decision to divest Permasteelisa S.p.A. in August 2017, business performed by Permasteelisa and its subsidiaries was classified as a discontinued operation in accordance with IFRS.

Revenue



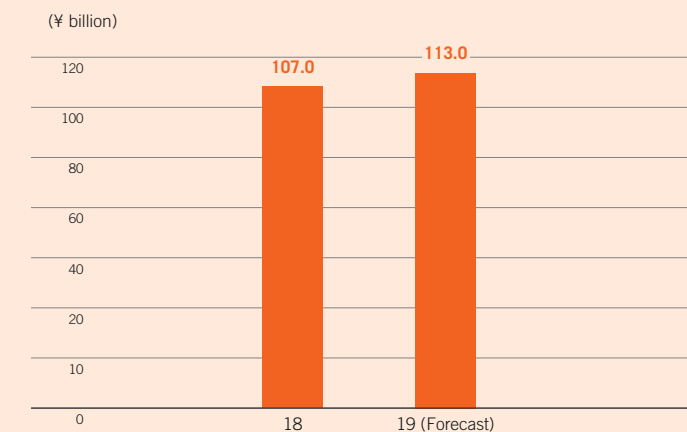
Core Earnings / Core Earnings Ratio



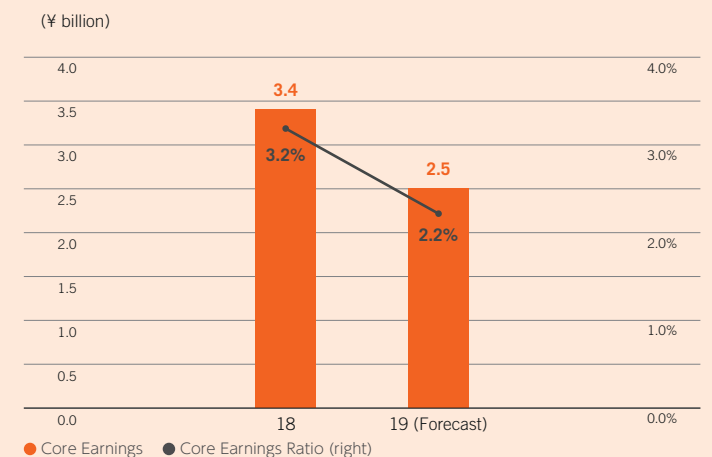
Priorities for FYE2019

- Focus on the selective intake of high-profit orders.
- Continue working on the cultivation of human resources to reduce the shortage of specialists.
- Continue working on product platform commonization.

Revenue



Core Earnings / Core Earnings Ratio

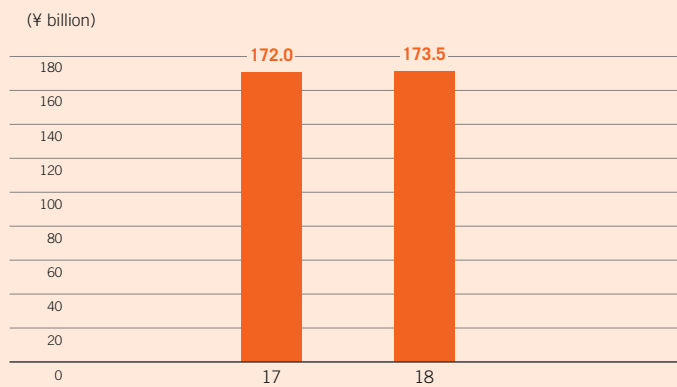


Distribution & Retail Business Highlights for FYE2018

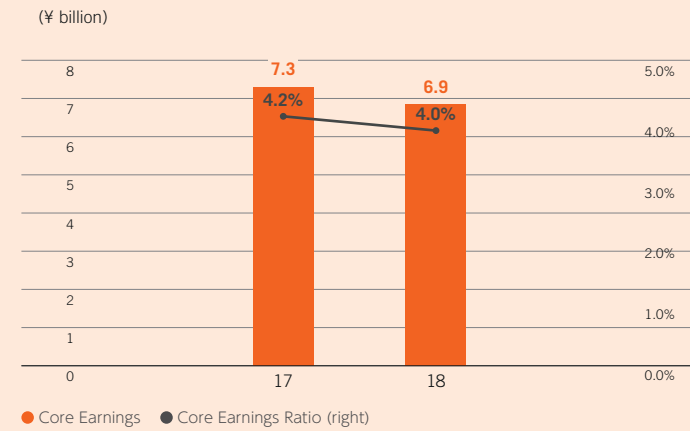
– The opening of the new home center SUPER VIVA HOME in Ogaki and other projects that offer ideas for renovation resulted in an increase in revenue by 0.9% to ¥173.5 billion.

– Core earnings decreased by 5.0% to ¥6.9 billion due to the increase in costs for the opening and closing of stores despite the increase in gross profits from renovation products and efforts placed into cost reduction.

Revenue



Core Earnings / Core Earnings Ratio

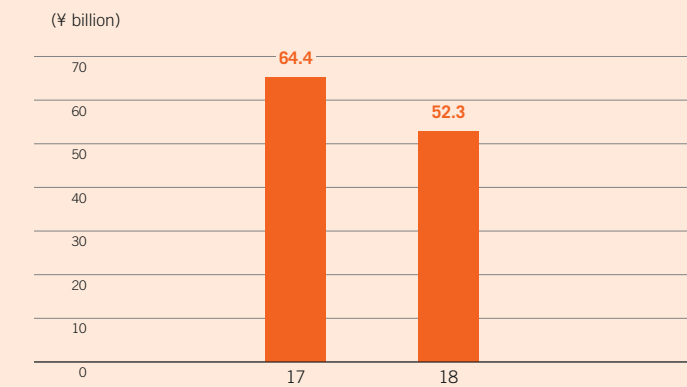


Housing & Services Business Highlights for FYE2018

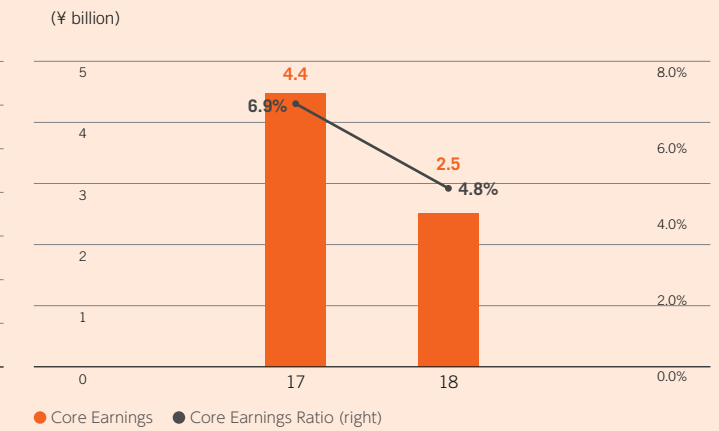
– Due to the impact of elimination of some subsidiaries from the range of consolidation, revenue decreased by 18.8% to ¥52.3 billion, while core earnings decreased by 42.6% to ¥2.5 billion. H&S placed efforts into expanding the sales of

new products that satisfied requirements for Net Zero Energy Houses (ZEH), including the new CESIBO series that offers a healthy and comfortable living environment, and ARIETTA VERDEA, which offers passive human-centric designs.

Revenue



Core Earnings / Core Earnings Ratio

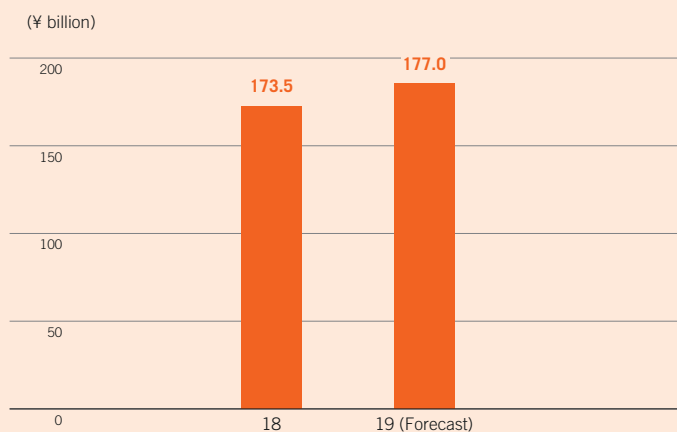


Priorities for FYE2019

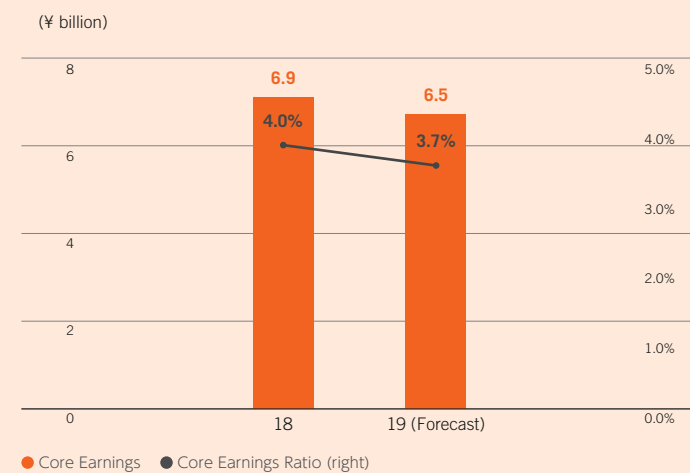
– Open low-cost stores in areas D&R have not yet entered.
– Place efforts into expanding the sales of renovation products.

– Advance the utilization of IT to streamline store operations.
– Improve customer convenience through the enhancement of private brand product development.

Revenue



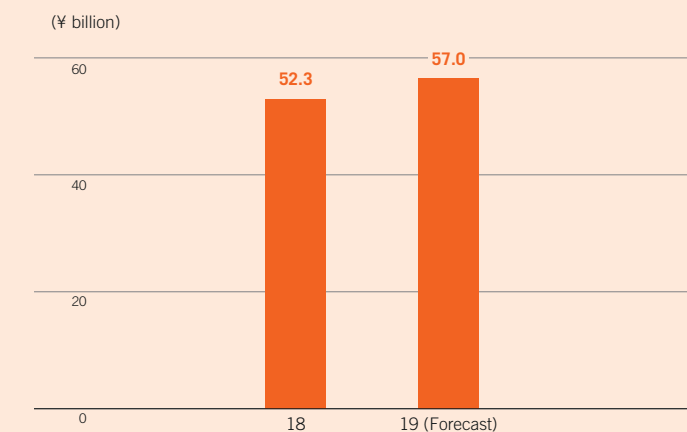
Core Earnings / Core Earnings Ratio



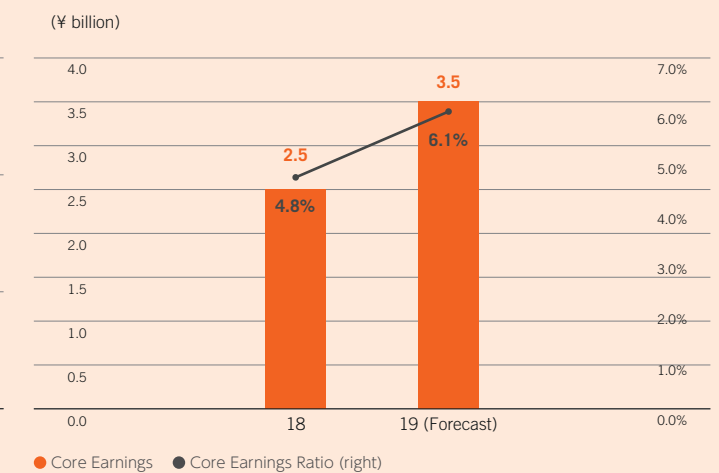
Priorities for FYE2019

While taking measures to address the decrease in housing starts, H&S will enhance services for the housing stock business, expand new businesses, and discover new markets.

Revenue



Core Earnings / Core Earnings Ratio

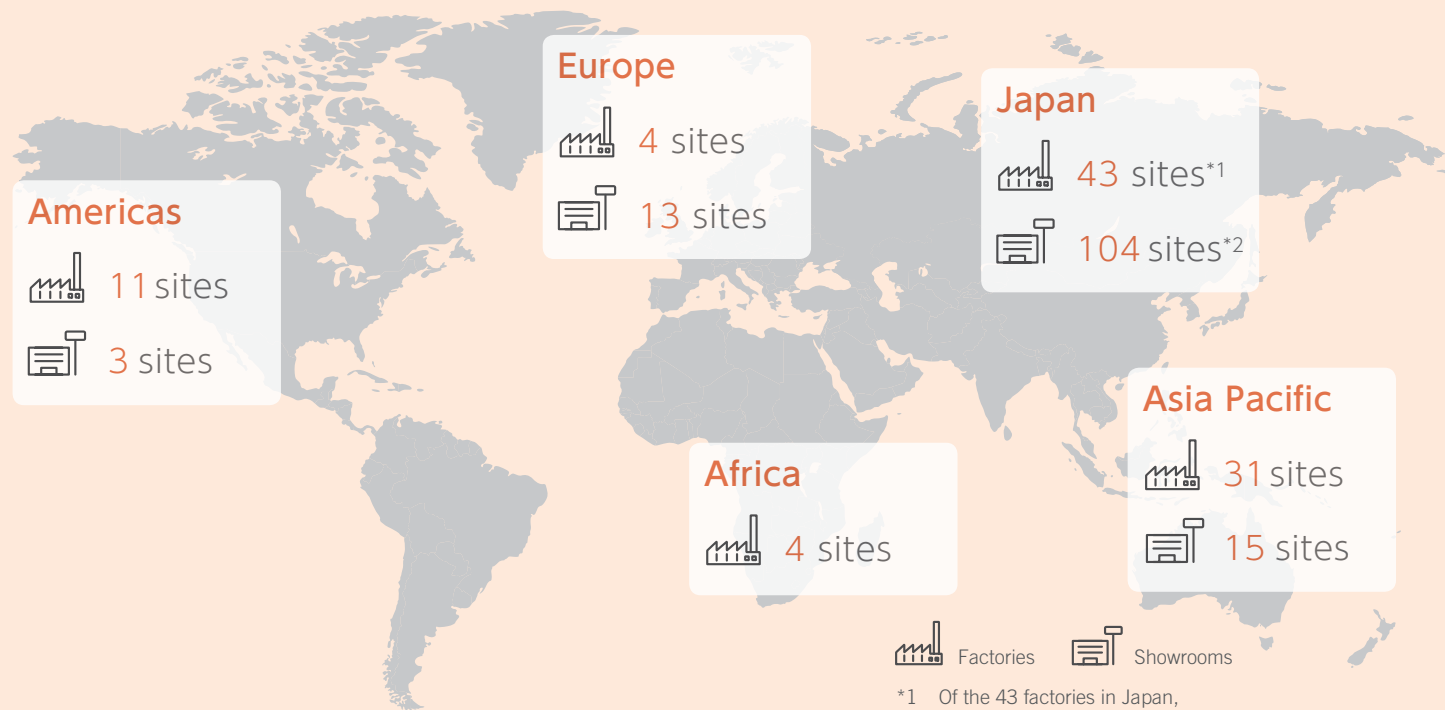


Global Manufacturing and Sales Sites

As of March 31, 2018

LIXIL has 93 factories in 14 countries and 135 showrooms in 22 countries, and is proceeding with production and sales in areas adjacent to strategic markets. The Group has established a global product supply system with 50 factories outside Japan.

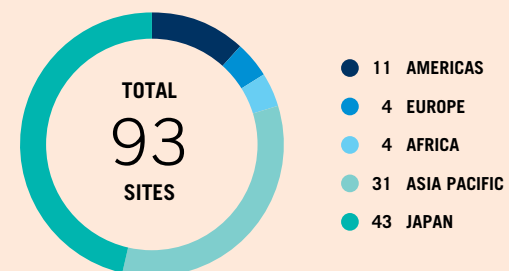
Numbers of Factories and Showrooms by Country and Region



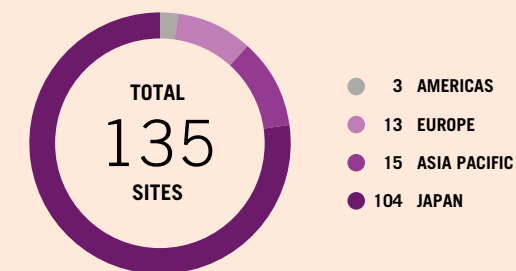
Establish Factories and Showrooms in Strategic Global Markets

LIXIL has strengthened its factories in areas where growth is expected from a global perspective and has established a system to enable consumers to experience its products through showrooms.

Number of Factories



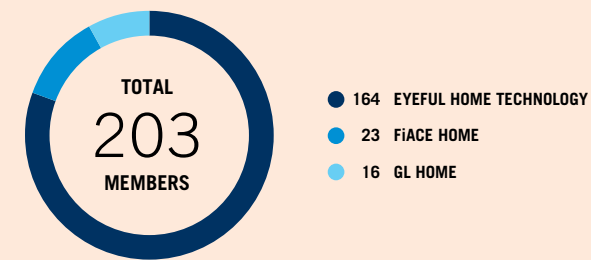
Number of Showrooms



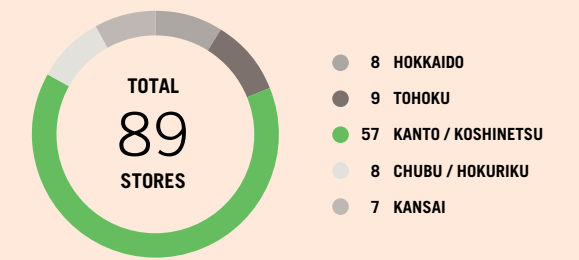
LIXIL's Nationwide Retail Structure

LIXIL has set up a system to accommodate the needs of consumers by placing over 203 homebuilding franchise members and 89 home center stores throughout Japan.

Number of Homebuilding Franchise Members



Number of Home Center Stores





JIN SONG MONTESANO
Executive Officer and Senior Managing Director, Public Affairs, Investor Relations, External Affairs, and Corporate Responsibility

Corporate Responsibility Chairperson Message

Every person on the planet dreams of a better home, and LIXIL's higher purpose is to help them achieve that dream – whether it is by renovating their kitchen in Tokyo or by installing their first toilet in Nairobi. Our Corporate Responsibility (CR) agenda is core to LIXIL's greater purpose as a company, and in FYE2018 we reached new heights, both in terms of progress against our commitments as well as global recognition from customers, business partners, government stakeholders, and employees about the positive contributions we are making to society.

Significant progress was made with regard to our three strategic pillars. As part of our efforts to improve Global Sanitation & Hygiene, we further bolstered resources and expertise with the integration of the fast-growing SATO social business and the Social Sanitation Initiatives organization. The new integrated unit is now led by Junichi Goto, who has established strong business processes and a clear operating rhythm that encourages faster decision-making, improved communication flows, and better collaboration. This new organization will not only enable SATO Toilet Systems to flourish as it expands into new markets such as Kenya and Rwanda but will also support acceleration of new product development such as the *Portable Toilet System*, a toilet specifically designed for households in urban informal settlements.

In addition to expanding our social business, we continue to advocate for greater dialogue on tackling the challenges of sanitation and hygiene, too. President & CEO Kinya Seto provided key remarks at a Toilet Board Coalition-hosted round table about the "Sanitation Economy" at the sidelines of the World Economic Forum in January 2018.

Regarding Water Conservation & Environmental Sustainability, the Science Based Targets initiative validated our greenhouse gas reduction targets in FYE2018. Additionally, one of our Japanese window products, *RE-PLUS*, was recognized by the Minister of Environment for its energy-saving benefits as well as how simple it is to add onto an existing window, making it easy for our customers to be environmentally friendly.

On the topic of Diversity & Inclusion, a cross-functional group of experts within LIXIL from R&D, product engineering, product design, marketing, and sales finalized LIXIL's new "Universal Design" strategy. To ensure good governance, a senior-level committee was formed to ensure proper and timely implementation of this initiative and its commitments.

Since the new CR strategy was implemented in FYE2016, LIXIL's activities have begun to receive external recognition, and even win some global awards. For the first time, LIXIL was included in the Dow Jones Sustainability Asia/Pacific Index, FTSE4Good, and MSCI Japan Empowering Women listings in FYE2018. LIXIL joins the ranks of global firms operating with strong sustainability agendas. LIXIL also won a number of top prizes for its work to elevate awareness and the dialogue around the global challenges of sanitation and hygiene: the SABRE Award for Best Global Campaign, the GOLD STANDARD Award from Public Affairs Asia, and a Japan Bronze Award from the Public Relations Society of Japan. While this recognition is indeed rewarding, the fuel that drives our efforts is the growing pride among employees who realize that, for LIXIL, it's not just what we do, but how we do it that matters. And this growing pride was confirmed in our latest employee engagement survey, or Heartbeat, which found that employees felt very positively about our CR activities.

FYE2018 is focused on driving scale through strategic partnerships. To contribute to the United Nations Sustainable Development Goals (SDGs), such as effectively reaching the key populations lacking access to safe sanitation, we must scale our efforts, and partnerships designed around shared goals become a critical enabler to achieving them. We look forward to sharing more details about these partnerships in the coming months, 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.

<p>Global Sanitation & Hygiene</p>	<p>Water Conservation & Environmental Sustainability</p>	<p>Diversity & Inclusion</p>
<p>"100 Million People"</p> <p>By 2020, improve the livelihood of 100 million people through sanitation and hygiene solutions</p>	<p>"Net Zero"</p> <p>By 2030, achieve a net zero balance between LIXIL's environmental footprint and the positive environmental contributions created through its products and services</p>	<p>"Inclusive for All"</p> <p>By 2020, establish the culture of diversity and inclusion within our organization and with all employees</p>

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
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Collaborating with Partners Key to Tackling Global Issues

LIXIL, in collaboration with a wide range of partner organizations, is working on finding solutions to global issues by leveraging its relevant resources and expertise.

Since LIXIL first began collaborating with the United Nations Children's Fund (UNICEF) on sanitation issues in 2013, they have continued to build on their work together in various areas. For example, when SATO Toilet Systems expanded to West Africa, UNICEF facilitated LIXIL in carrying out the first SATO product trials in the region in terms of logistics and in working with local governments and communities.

LIXIL is also a founding member of the Toilet Board Coalition (TBC), which works to help solve the world's sanitation problems by developing the Sanitation Economy and supporting new and innovative scalable business solutions at the start-up stage. LIXIL has collaborated with the TBC on sanitation start-up mentorship programs, through the TBC "Toilet Accelerator" as well as advocacy initiatives, such as hosting a side event at the World Economic Forum's annual meeting in Davos in January 2018. Additionally, the TBC and the Pune Municipal Government in India have started working together on a pilot project, one of which is with LIXIL, aimed at developing Pune as a smart sanitation city.

LIXIL also works with a wide range of other organizations. For example, LIXIL today is developing the activities of its SATO social business with financial support from the Bill & Melinda Gates Foundation and Grand Challenges Canada, a governmental investment funding organization of Canada. LIXIL's *Green Toilet System* has received financial support from the Japan International Cooperation Agency (JICA). In addition to those organizations, LIXIL has been working with a number of NGOs to conduct joint projects, such as with Population Services International (PSI) and WaterAid, mainly in Africa, and BRAC in Asia. All of these leading partner organizations possess local networks and a wealth of knowledge on important social issues, and play a very important role in the implementation of LIXIL's initiatives.

In the future, LIXIL will continue to build partnerships with governments, NGOs, and other types of organizations to generate synergies and make a positive contribution to solving global issues.

Global Sanitation & Hygiene



Critical Social Issues

An estimated 2.3 billion people around the world still live without access to adequate sanitation, while every day 800 children under the age of five are estimated to die from diarrheal diseases caused by a lack of clean water and sanitary living conditions. The lack of toilets in schools can be an obstacle to girls continuing with their schooling after they reach puberty, and women who have to defecate outside

are at risk of being assaulted. Aiming to solve these problems, the second target of Goal 6 of the United Nations Sustainable Development Goals (SDGs) is: "By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations."

LIXIL's Response

LIXIL has pledged to provide better sanitation to 100 million people by 2020. To address the world's complex, multifaceted sanitary problems, LIXIL is providing multiple solutions tailored to the unique circumstances and market needs of individual regions. This includes its SATO Toilet Systems, which have already been commercialized; its *Micro Flush Toilet System* and *Portable Toilet System*, which are currently

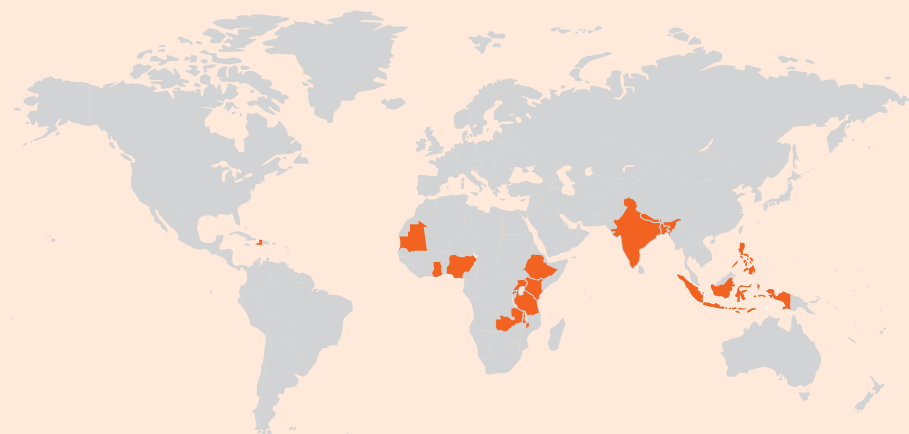
undergoing field tests; and its *Green Toilet System*, which has already been installed in refugee camps. Through these activities, LIXIL is building sustainable businesses rooted in local communities, helping to solve social problems, all while contributing to the long-term growth of the Company.

Looking Back Over FYE2018

LIXIL established new production systems and sales networks in multiple countries for SATO Toilet Systems. Its strategy is to develop a social business that is rooted in the local community, thereby helping to create jobs in the regions and ensure the business is more sustainable. In September 2017, SATO was selected by Grand Challenges Canada to receive financial support, while the business has also been developing new production systems in six countries: Bangladesh, India, Uganda, Kenya, Tanzania, and Nigeria.

In addition, LIXIL signed an agreement with the United Nations Human Settlements Programme (UN-Habitat), leading to the installation of its *Green Toilet System* in refugee camps in Kenya, which will enable the local community to safely treat human waste and recycle it as fertilizer. LIXIL's *Portable Toilet System*, which was developed for indoor use in urban informal settlements, was also tested in the Philippines, and now feedback from people who used the system is being reflected in product development.

Cumulative total of SATO units shipped: **1.8 million**
 Number of people whose sanitary environment has been improved*: Approximately **9 million**



* This is calculated by assuming that there is an average of five users for every SATO unit shipped as of March 2018.

Connection to UN Sustainable Development Goals

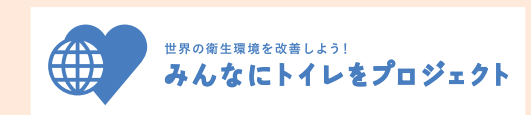


Highlights



Residents of the village of Wagholi in India, who received a donated SATO unit

LIXIL's "Toilets for All Project"
 In 2017, LIXIL implemented its "Toilets for All" initiative in collaboration with UN organizations and international NGOs. For every LIXIL shower toilet sold in Japan between April to September 2017, it will donate one SATO toilet primarily to developing countries in Asia and Africa. The aim of this initiative is not only to donate SATO products to regions where there is an urgent need for them but also raise awareness of global sanitation issues within Japan.



Total number of SATO units to be donated: **208,805**



The SATO V-Trap is designed to reduce the risk of pipes becoming clogged with excrement. In addition, whereas older systems required extensive work (including concrete removal, etc.) in order to install the junction box that allowed switching between pits, with the SATO V-Trap switching between pits can be accomplished easily using just a wooden stick.

LIXIL launches the SATO V-Trap Connection System, a new product specially developed to meet the needs of the Indian market
 In November 2017, LIXIL's new SATO V-Trap Connection System (SATO V-Trap) was launched in India. The Indian government's Swachh Bharat Mission policy aims to eliminate open defecation in India by 2019, and approximately 80,000 toilets are being constructed across the country every day to reach this goal. Particularly in areas that lack underground sewage systems, the Indian government is promoting the adoption of Twin-Pit Pour-Flush (TPPF) latrine systems. However, traditional systems can be prone to clogging, and masonry work is required in order to switch the direction of human waste between the two pits. LIXIL's new SATO V-Trap has been specially developed to meet the needs of the Indian market. While retaining the original SATO design with a self-sealing trap-door, which helps to conserve water, reduce odor, as well as help keep out disease-carrying insects, the SATO V-Trap is designed so users can switch the flow of human waste between pits easily. In April 2018, because of its superior design functionality, the SATO V-Trap was awarded an Honorable Mention at the Red Dot Design Awards in Germany.

Water Conservation & Environmental Sustainability



Connection to UN Sustainable Development Goals



Critical Social Issues

With the impact of climate change, intense and extreme weather conditions have increased incidents such as water and food shortages. The international community has come together in an attempt to address these problems and ratified the Paris Agreement, which aims to achieve a balance between anthropogenic emissions and absorption of greenhouse gases,

including carbon dioxide, in the second half of this century, and thereby keep the increase in global average temperature to well below 2°C above pre-industrial levels. Contributing to SDGs Goal 13 ("Take urgent action to combat climate change and its impacts") is not only important for government agencies but corporations also.

LIXIL's Response

Approximately 32% of all energy consumed in the world is used by buildings (with residential buildings accounting for 24% and commercial buildings for 8%), which is an important business area for LIXIL. It is forecast that, if appropriate measures are not taken, the amount of energy that is consumed by buildings worldwide will more than double by 2050.

LIXIL has identified the opportunities and risks related to climate change and is promoting an environmental strategy that is consistent with its overall business strategy. LIXIL's Environmental Vision 2030, which was announced in FYE2016, aims to ensure that, by 2030, the positive environmental contribution through its products and services will surpass the environmental footprint from its entire business process, thus achieving a Net Zero environmental footprint and helping to realize a sustainable society.

LIXIL develops and provides products and

services that combine both comfort and superior environmental performance, which make a positive contribution to energy and water conservation in buildings and homes. In addition, to reduce its carbon emissions related to a wide range of processes that extend from procurement through to production and distribution, LIXIL is working to ensure efficient use of water, energy, and other natural resources.



Opportunities and Risks for the LIXIL Group

The key issues that LIXIL is addressing

	Maximizing Opportunities	Minimizing Risks
Reducing greenhouse gas emissions	<ul style="list-style-type: none"> Increased demand for improvements in the energy-saving performance of homes and other buildings, and for the widespread adoption of Net Zero Energy Houses (ZEH) 	<ul style="list-style-type: none"> Heightened risk of natural disasters and increasingly stringent regulation, and increased energy costs
Water conservation	<ul style="list-style-type: none"> Rising demand for water-saving products in the global market as a whole 	<ul style="list-style-type: none"> Strong likelihood that areas affected by water stress will increase, resulting in higher operational risk in these regions
Sustainable resource use	<ul style="list-style-type: none"> Technology innovation that makes effective use of recycled materials and new forms of energy, etc. 	<ul style="list-style-type: none"> Rising cost of raw materials, and heightened risk of more stringent regulation affecting the supply chain, with a consequent increase in reputational risk
	Increase positive contribution to the environment through our products and services	Reduce the environmental footprint of our business activities

Looking Back Over FYE2018



GROHE's new manufacturing facility plant in Thailand

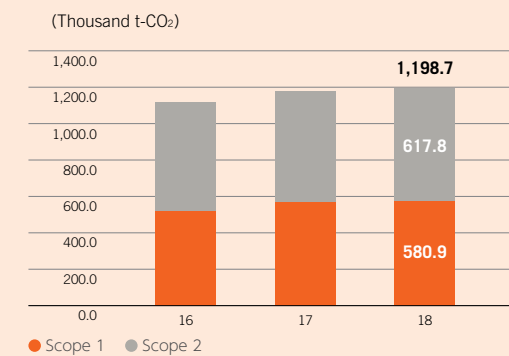
Of the various measures that LIXIL implemented related to its products and services, its new RE-PLUS window replacement product received the Minister of the Environment's Award in the Cool Choice Leaders Awards, which is organized by the Ministry of the Environment of Japan. With RE-PLUS, an existing window can be replaced with a new window without damaging the wall in as little as 60 minutes. This new product is changing standard practices in the house renovation market, contributing to energy-savings by encouraging more people to have their windows replaced in order to improve insulation.

LIXIL provides opportunities to tackle environmental issues together with its consumers through a wide range of products and services that are closely related to people's everyday

lives. For example, through its "ECO for All" Program in Japan, LIXIL aims to spread awareness of simple ways in which people can contribute to water savings and CO₂ reduction.

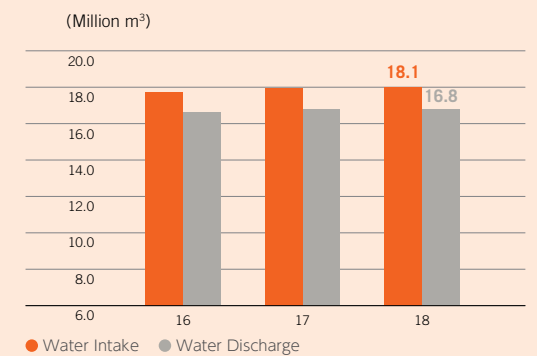
Other measures implemented through business activities include the GROHE factory in the Klaeng district in eastern Thailand adding a new, environmentally-friendly building, which was awarded the DGNB Silver Certification of Sustainable Building by the German Sustainable Building Council. Besides having solar panels installed on the roof, thereby helping to reduce carbon dioxide emissions by around 700 tons per year, the new factory building realizes environmentally-friendly production by using a wastewater recycling system and through an overall more efficient manufacturing process.

CO₂ Emissions



Scope: Covers production and non-production bases in Japan and a majority of overseas production bases. The scope of the data differs from the scope of the consolidated financial data, and a portion of the data on the website has received the independent practitioner's assurance. For details, please refer to the website. URL: www.lixil.com/en/sustainability/environment/ev_performance.html

Water Intake / Water Discharge



Highlights

LIXIL's Targets Were Certified by the Science Based Targets initiative

LIXIL received validation from the Science Based Targets (SBT^{*1}) initiative for its greenhouse gas emissions reduction target, and continues to promote efforts to reduce its environmental footprint.

To help realize the Paris Agreement's long-term targets, LIXIL is fully aware of its responsibilities

and the contribution it can make.

In November 2017, LIXIL received validation from the SBT initiative since the Company's targets are scientifically compatible with the Paris Agreement's targets. LIXIL has become the 14th company in Japan and the first company in the building products sector globally to secure SBT initiative certification.

By 2030 (FYE2031), reducing **30%** of Scope 1 and 2 emissions^{*2} compared to FYE2016

By 2030 (FYE2031), reducing **15%** of Scope 3 emissions^{*3} compared to FYE2016

1. The SBT initiative is a joint collaboration between CDP, the World Resources Institute (WRI), the World Wide Fund for Nature (WWF), and the United Nations Global Compact (UNGC). It was established in 2015 to encourage companies to

meet science-based targets for cutting greenhouse gases, in order to hold the increase in the global average temperature to below 2°C above pre-industrial levels.

2. Scope 1 and 2: Greenhouse gas emissions from fuel and electricity used by an organization. 3. Scope 3: Greenhouse gas emissions from an organization's supply chain, such as procurement and use of products.

Diversity & Inclusion



Connection to UN Sustainable Development Goals



Critical Social Issues

The number of societies with an aging population is increasing throughout the world. By 2050, more than one in every five people around the world is projected to be over the age of 60, with many living either alone or with their spouse only. Approximately 15% of the world's population today has some sort of disability, and this rate is increasing every year. Under these circumstances, there is a greater need

for companies to enhance the quality of life and well-being for the elderly and those with physical disabilities through products and services. Additionally, with the shrinking workforce in Japan, providing all people with the opportunity to maximize their potential, including increasing efforts to foster women's empowerment in line with SDGs Goal 5, is especially crucial for businesses in Japan.

LIXIL's Response

LIXIL has made Diversity & Inclusion a key pillar of its Corporate Responsibility (CR) strategy. By embracing diversity in gender, age, race, nationality, values, and backgrounds in society and within the Company, LIXIL strives for open and honest communication and uses

the dynamic energy of its diversity as an engine for growth and innovation. LIXIL is undertaking R&D aimed at the development of new products and services that embody ideas generated from different perspectives, and uses this to help improve people's comfort and lifestyles.

Looking Back Over FYE2018

To create a comfortable and friendly corporate environment for all, LIXIL has been holding workshops in Japan aimed at deepening employees' understanding towards sexual minorities. It has also implemented e-learning activities for all employees.

As a part of these activities, LIXIL has been supporting employees who want to voluntarily register as an "ally" of sexual minority employees, who can offer a friendly ear, discuss concerns, and spread awareness and understanding among other employees. Additionally, LIXIL has set a goal of having at least two "allies" in all 86 LIXIL branches in Japan that have more than 50 employees by 2020. As of March 2018, LIXIL has already achieved 77% of its target.

LIXIL is also working actively to address a wide range of Diversity & Inclusion issues at its overseas Group companies, such as implementing a special leadership training

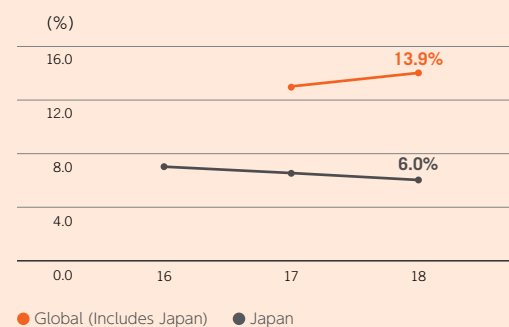


An employee teaching the "Universal Design" school visit program at a primary school in Japan

program in South Africa for young employees from ethnic groups that have historically been discriminated against, and providing reasonable accommodation to support employees with disabilities at LIXIL Americas. As a part of its efforts to help educate the next generation, LIXIL has been conducting school visit programs such as "Universal Design: Good for One, Good for All" and "Universal Run: Sports Prosthesis Experience Class", mainly at elementary schools throughout Japan.

By helping children to understand what user-friendly design means, including for people with disabilities and the elderly, it provides them with the opportunity to learn about the importance of respecting one another.

Percentage of Female Managers



Scope: Covers the entire Group. The scope of the data differs from the scope of the consolidated financial data, and a portion of the data on the website has received the independent practitioner's assurance. For details, please refer to the website. For details, please refer to the website.
URL: www.lixil.com/en/sustainability/people/performance.html

Target ally coverage rate: At least two "allies" at all 86 LIXIL branches in Japan with over 50 employees by 2020; achieved **77%** as of March 31, 2018
Participants to the "Universal Design" program: **1,290** students at 21 schools
Participants to the "Universal Run" program: **6,030** students in 80 schools

Highlights

LIXIL Diversity & Inclusion Declaration
LIXIL previously issued a Diversity Declaration and has been implementing a wide range of activities to promote diversity. However, since these activities were implemented mainly in Japan and tended to focus on fostering women's empowerment, LIXIL issued an updated Diversity & Inclusion Declaration in March 2018 to promote a wider range of activities on a global scale.

LIXIL has set four focus areas to uphold its Diversity & Inclusion Declaration, not only for recognizing diversity but also for leveraging its differences to improve engagement. LIXIL will promote initiatives to address and improve the four focus areas that are the most relevant for each country and region.

LIXIL Diversity & Inclusion — 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.



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.



Disability

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.



Culture & Identity

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



Well Life is a kitchen system that embodies Universal Design in every aspect, including size and functionality, and it can be used safely by wheelchair users, senior citizens, and people with weakness of the back and legs.

Launching the Universal Design Project

LIXIL is developing measures to foster Universal Design (UD), which aims to make living as convenient and easy as possible for everyone. To enhance LIXIL's UD project, LIXIL established a new committee in 2017, the membership of which comprises senior managers. The committee held UD workshops with

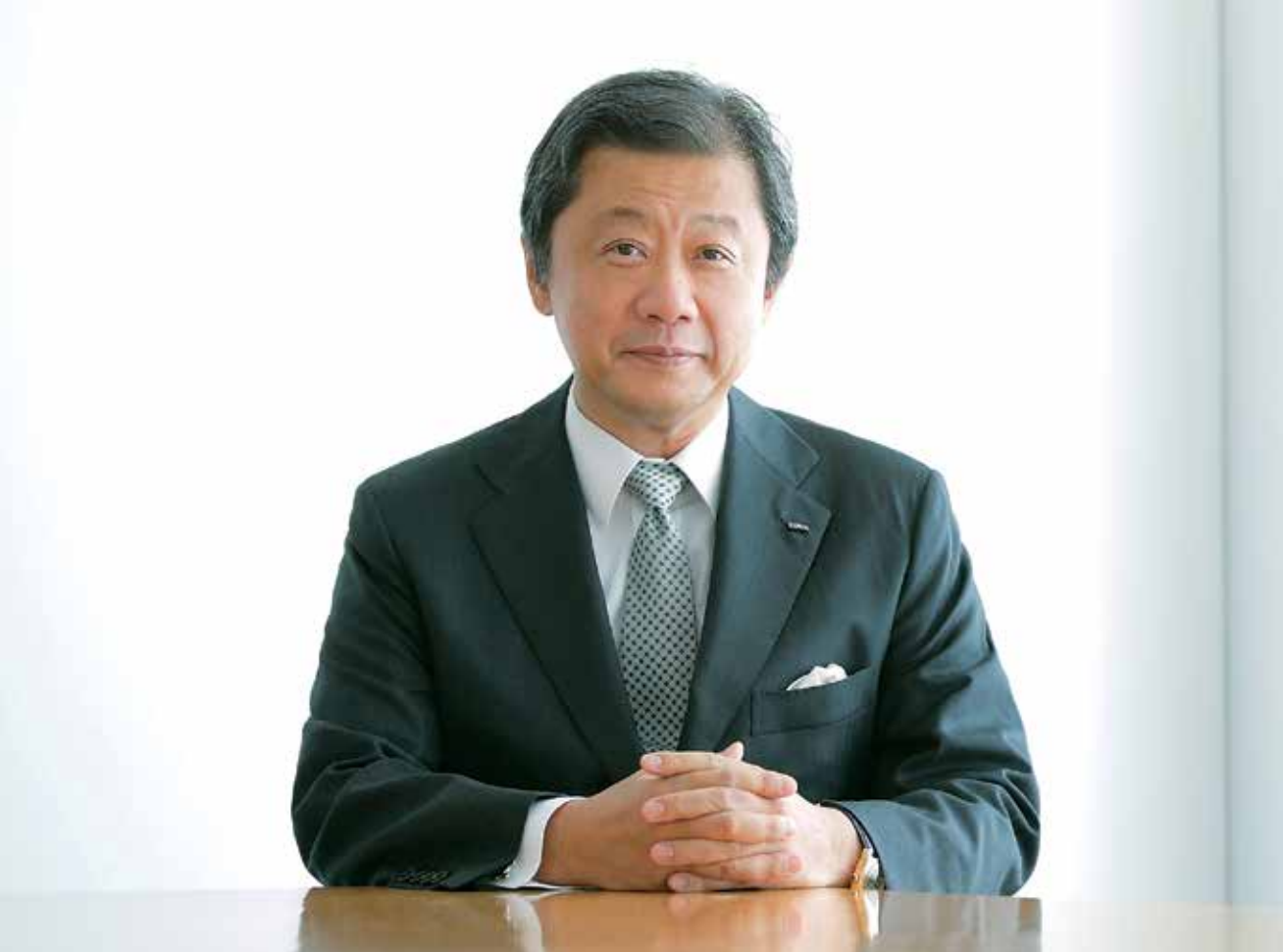
participants from a wide variety of functions across LIXIL, including marketing, sales, R&D, and PR, establishing the foundation of the Company's UD promotion structure and framework.

Working within this new framework, LIXIL will continue to develop new products and services that meet the needs of a wide range of users, pursuing user-friendly functions, meeting needs relating to usability and accessibility, as well as creating designs that appeal to consumer tastes and preferences.

List of LIXIL's Material Issues, Targets, and KPIs

LIXIL identified the following material issues under its Corporate Responsibility (CR) strategy and framework. The Group has formulated its Medium-Term Plan and started implementing activities accordingly during FYE2017 and made notable progress towards achieving the targets for FYE2018.

Material Issues	Target	Target for FYE2018	FYE2018 Review	
Governance	Corporate governance	Establish global-standard governance	<ul style="list-style-type: none"> – Set clear rules and procedures for governing bodies – Ensure 100% coverage of improved governance rules and procedures 	<ul style="list-style-type: none"> – Reviewed executive meeting formats to facilitate swift decision-making, and evaluated efficacy of the Board – Scope of Group companies in which revised rules will apply: 100%
	Compliance	Develop a comprehensive and effective compliance structure across the Group	<ul style="list-style-type: none"> – Group-wide basic training and commitment to the Group Code of Conduct: 100% – Placement of compliance committees and officers in each business unit: 100% – Combine Japan and overseas internal concern-raising systems 	<ul style="list-style-type: none"> – Group-wide basic training and commitment to the Group Code of Conduct: 98.9% in Japan, 97.3% overseas – Established compliance committees or alternative meeting formats in all international business units and distributed guides including fundamental stipulations – Integrated Japan and overseas internal concern-raising systems to "Speak Up!"
	Risk management	Establish and operate a Group-wide enterprise risk management system	<ul style="list-style-type: none"> – Coverage of the risk management system across Group companies: 100% 	<ul style="list-style-type: none"> – Coverage of the risk management system across Group companies: 100% – Developed a comprehensive insurance program and established a centralized control system for liability insurance for all the Group companies worldwide
Fair Business Practices	Anti-corruption	Develop an effective anti-corruption mechanism across the Group	<ul style="list-style-type: none"> – Group-wide adoption of global policy: 100% – Group-wide compliance-related education and training ratio: 100% 	<ul style="list-style-type: none"> – Group-wide compliance policy coverage: 100% – Group-wide compliance-related training ratio: 45% ~ 100% (varies by region) – Compliance violations across the Group: 0%
Human Rights	Human rights due diligence	Appropriately manage human rights considerations that fall within the scope of the Company's operational influence across its entire value chain	<ul style="list-style-type: none"> – Implementation of training at primary LIXIL Corporation overseas subsidiaries: 100% 	<ul style="list-style-type: none"> – Implementation of training at primary LIXIL Corporation overseas subsidiaries: Over 3,700 employees (June 30, 2018)
Labor Practices	Diversity and equal opportunity	Secure highly competent people by respecting diversity across the Group	<ul style="list-style-type: none"> – Percentage of females among regularly recruited new hires (LIXIL Corporation, Japan only): Over 30% – Percentage of female participation in Talent Acceleration Program (LIXIL Corporation, Japan only): Over 20% 	<ul style="list-style-type: none"> – Percentage of new female graduates (including those who completed graduate studies) employed: 31.5% – Percentage of female participation in Talent Acceleration Program (training for selected young employees): 37.5%
	Occupational health and safety	Establish an Environment, Occupational Health and Safety (EHS) management system across the Group	<ul style="list-style-type: none"> – Group-wide operational scope of occupational health and safety covered by the EHS management system: 98% 	<ul style="list-style-type: none"> – HQ EHS Department conducted internal audit of EHS managers of all business systems – Implemented the EHS performance data collection and management system – EHS performance data acquisition rate (based on employee numbers): 100%
	Working environment	Build a worker-friendly environment for all employees	<ul style="list-style-type: none"> – Implementation of action plans derived from the global employee awareness survey across the Group: 100% 	<ul style="list-style-type: none"> – At least one department in all major Group companies created an action plan – Implementation of action plans: 100%
	Talent development	Promote more employee-driven human resource development to encourage a bottom-up corporate culture	<ul style="list-style-type: none"> – Hold 5 Talent Acceleration Program classes for 116 employees (LIXIL Corporation, Japan only) 	<ul style="list-style-type: none"> – Number of employees participating in the Talent Acceleration Program for next-generation leaders: 116 employees, 5 classes
Quality and Satisfaction	Product safety	Eliminate product accidents	<ul style="list-style-type: none"> – Number of serious product accidents across the Group: 0 cases 	<ul style="list-style-type: none"> – Critical product-related accidents: 3 (single gas stove: 2; stove top ventilation cover: 1) – Critical product-related accidents were reported in product-related crisis management meetings, and potential corrective actions were discussed – Information on critical product-related accidents were filed in a database and reviewed to determine if any corrective actions were necessary. Product corrections and awareness-raising on precautions regarding product use were carried out as necessary
Environment	Greenhouse gas reduction	Promote reduction in greenhouse gas emissions across the Group	<ul style="list-style-type: none"> – Group-wide benefits from CO₂ emissions reduction achieved from products and services increased by 1.16 times (compared to FYE2016) 	<ul style="list-style-type: none"> – Group-wide CO₂ emissions reduction attributable to products and services: 58.674t – Implemented policy to replace all lights used in LIXIL products with LED by 2020 (LIXIL Corporation, Japan only)
	Water conservation	Promote efficient use of water resources across the Group	<ul style="list-style-type: none"> – Group-wide levels of CO₂ emissions across all operational processes reduced by 3.2% (compared to FYE2016) 	<ul style="list-style-type: none"> – Group-wide CO₂ emissions reduction attributable to products and services: up 4.7% from FYE2016 level (down 1.1% in terms of carbon intensity)
	Sustainable use of raw materials	Promote sustainable use of resources across the Group from procurement through to disposal of raw materials		
Supply Chain	Supply chain management	Identify suppliers' CR risks and establish mechanisms to respond accordingly	<ul style="list-style-type: none"> – Achieve supplier monitoring coverage ratio (based on purchased amount) of 90% in Japan and 60% outside Japan, 90% conformity rate, and 100% improvement rate 	<ul style="list-style-type: none"> – Coverage of supplier CR survey rates are 90% in Japan and 90% overseas*. Conformity rates (minimal levels of compliance with the evaluation criteria) are 95% in Japan and 85% overseas*. * Excludes GROHE Group S.a r.l., American Standard Brands, and the Permasteelisa Group during FYE2015-2018
Stakeholder Engagement	Contribution to global sanitation and hygiene	Help improve global sanitation and hygiene through our business	<ul style="list-style-type: none"> – Generate 10.9 million beneficiaries in FYE2018 in order to achieve our 2020 target of 100 million beneficiaries 	<ul style="list-style-type: none"> – Beneficiaries totaled approximately 9 million
	R&D for solving social problems	Create products that support the lives of elderly people and people with disabilities	<ul style="list-style-type: none"> – Number of IoT-driven applications developed: 10 	<ul style="list-style-type: none"> – Development of IoT-driven applications: 3



Corporate Governance Statement from the Chairman of the Board

Governance and management are the dual components that enhance the value of the corporate group. LIXIL's Board of Directors, which controls governance, is centered on five outside directors and non-executive directors with extensive management experience who objectively supervise management, discuss the future of the Group from a long-term perspective, and exchange views with the president. We are adding two additional directors to establish a 12-member governance structure. At the same time, we are also strengthening the roles of three management committees to better reflect the view from the front lines of the business within the Board of Directors.

The region stretching from Japan to China and India accounts for around 60% of the global population, and is expected to generate considerable demand for infrastructure development and construction. This will be the most important region for growth for LIXIL over the long term. China alone already has an annual GDP 2.5 times that of Japan. This prompts management to pursue business expansion that keeps pace with Asia's development. The ceramics business has followed this direction in India and other countries. We are also developing new aluminum products for ASEAN markets. We are utilizing Singapore as our center for Asian expansion, and opened a modern showroom there in the spring of 2018.

At the same time, protectionist measures in overseas countries and counter-currents against a more open society are issues of concern. Increasing barriers to free trade necessitate the creation of more exacting supply chains tailored to the conditions in each country. In response, LIXIL is employing a diverse workforce irrespective of race, gender, or nationality, in order to reflect different views.

The somewhat spread investment program employed during the acceleration of LIXIL's multinational business development has been refocused under the current management to place greater emphasis on profitability. Revenue growth has slowed, but earnings have increased. At the same time it is extremely important to sow the seeds for the future, and I have held discussions with management to ensure we avoid an excessive contraction.

LIXIL's results have fallen short of plan in certain areas as a result of a slowdown in new housing starts in Japan from the latter half of the previous fiscal year, and higher aluminum prices due to speculation over developments in international politics. At the same time, expanded production at our factories in Thailand, Mexico, and the Dominican Republic have resolved supply shortages overseas, resulting in positive growth.

Toilet conditions in developing countries present major concerns in terms of hygiene and safety. LIXIL's SATO Toilet Systems are a measure to directly address these issues. The usual pattern for brands in advanced nations is to target small markets in developing countries for the most well-off or foreigners, but LIXIL is approaching these markets as a social business and responding to significant demand.

We will make further efforts to meet the expectations of shareholders. Thank you for your continued support.

潮田洋一郎

Yoichiro Ushioda
Chairman of the Board, August 2018

Board of Directors' Effectiveness Evaluation

In order to put in place and maintain the corporate governance systems needed to support the sustainable growth and medium- and long-term corporate value enhancement of 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 self-evaluation of the Board's effectiveness by every member of the Board on an annual basis.

Effectiveness Evaluation Process

The Board of Directors, composed of the directors appointed at the Annual General Meeting of Shareholders held in June 2017, 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 November 2017, questionnaire surveys were administered to each of the 10 members of the Board regarding the composition, operation, agendas, and supporting systems of the Board, in addition to director training and compliance with the LIXIL Group's Corporate Governance Guidelines*.
- On the basis of the collected results of the questionnaire surveys referred to above, the analysis and evaluation by all Board members was discussed at a Board meeting held in January 2018.
- On the basis of the results of the Board's discussions, strategies for further enhancing the Board's functioning were reviewed and confirmed by the Board.

Summary of the Evaluation Results

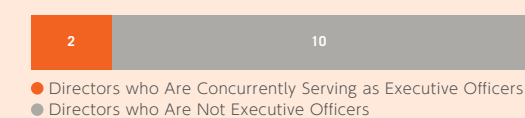
The results obtained in the review referred to above confirmed that the effectiveness of the Board and all Board Committees was evaluated as being adequate. At the same time, it was clear that there were several issues that needed to be addressed, including: (1) the necessity to establish a forum to further discuss important topics such as Group strategy, and future vision, on a centralized basis by the Board as a whole; (2) the necessity to review the role of the Advisory Committee of Independent Outside Directors and Lead Independent Outside Director. These issues were shared and discussed among the directors, and efforts were made to enhance the supervisory function of the Board by discussing possible revisions of the Corporate Governance Guidelines and related strategies.

Measures to Be Implemented Based on the Evaluation Results

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

* LIXIL Group Corporate Governance Guidelines
URL: www.lixil.com/en/about/governance/policies.html

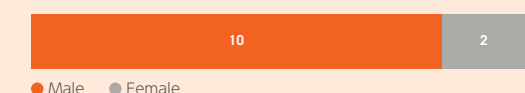
Directors / Executive Officers



Internal Directors / Outside Directors



Diversity



Composition of the Members of the Board of Directors As of June 21, 2018

	Name	Business Execution	Nomination Committee	Compensation Committee	Audit Committee
Internal Directors	Yoichiro Ushioda	✓	✓		
	Kinya Seto	✓			
	Yoshizumi Kanamori				
	Yoshinobu Kikuchi			✓	
	Keiichiro Ina			✓	
	Haruo Shirai				✓
Outside Directors	Ryuichi Kawamoto				
	Tsutomu Kawaguchi				Chairperson
	Main Kohda		✓	✓	
	Barbara Judge		✓	Chairperson	
	Hirokazu Yamanashi		Chairperson	✓	
	Hiroto Yoshimura		✓		✓

Board of Directors of LIXIL Group Corporation

As of June 21, 2018



YOICHIRO USHIODA*

Director, Chairman of the Board, Executive Officer, Special Mission

Yoichiro Ushioda has served as Chairman of the Board of LIXIL Group Corporation since June 2012. He is also a member of the Nomination Committee and was appointed as Executive Officer, Special Mission in October 2017. Previously, Ushioda served as Executive Vice President of the Company from 2001 and as Chairman, CEO, and Representative Director from 2006. He also served as Chairman and CEO of Tostem Corporation (now LIXIL Corporation) in the past. Ushioda originally joined the Company in 1977 and became Director and General Manager of the Sales Planning Department in 1980. He holds 9,376,220 shares of the Company.



KINYA SETO*

Director, Representative Executive Officer, President & Chief Executive Officer

Kinya Seto assumed the role of Director, Representative Executive Officer, President and Chief Executive Officer of LIXIL Group Corporation in June 2016. He also serves as President and CEO of LIXIL Corporation, CEO of LIXIL Water Technology, and CEO of LIXIL Housing Technology. Seto began his career with Sumitomo Corporation, a major Japanese trading company, in 1983. After holding various key posts at Sumitomo Corporation, he established more than 10 companies in Japan and overseas, including MonotaRO Co., Ltd., a direct marketer of maintenance, repair, and operating (MRO) supplies. Seto served as President and Director of MonotaRO from 2006 and then became Chairman and Director in 2012. He also previously served as Non-Executive Director of Zoro Tools, Inc. (now Zoro Inc.) and President of K-engine Corp. Seto's other global leadership roles include having led Asia Pacific operations for W.W. Grainger, Inc., a leading global MRO supplier, and heading its global online business operations based out of London. He holds 103,100 shares of the Company.



YOSHIZUMI KANAMORI

Director

Yoshizumi Kanamori has served as Director of LIXIL Group Corporation since June 2007. Previously, he served as Executive Officer, Senior Managing Director, and Chief Financial Officer of LIXIL Group Corporation, and as Director, Senior Managing Director, and Chief Financial Officer at LIXIL Corporation. He joined the Company in 1977, and he holds 13,000 shares of the Company.



YOSHINOBU KIKUCHI

Director

Yoshinobu Kikuchi has served as Director of LIXIL Group Corporation since June 2012 and is also a member of the Company's Compensation Committee. Previously, he also served as Executive Vice President of LIXIL Corporation. He joined the Company in 1969, and he holds 21,100 shares of the Company.



KEIICHIRO INA

Director

Keiichiro Ina has served as Director of Tostem Inax Holding Corporation (now LIXIL Group Corporation) since June 2001. He is a member of the Company's Compensation Committee. From 1998, he served as a Director at INAX Corporation (now LIXIL Corporation), responsible for Investor Relations, Public Relations, Finance and Taxation, and Corporate Responsibility. He originally joined the Company in 1974, and he holds 435,900 shares of the Company.



HARUO SHIRAI

Director

Haruo Shirai has served as Director of LIXIL Group Corporation since July 2018. He is also a member of the Company's Audit Committee. Previously, Shirai served as Executive Vice President of LIXIL Group Corporation as well as Director and Executive Vice President of LIXIL Corporation. After serving as Senior Sales Director at Tostem Corporation before it was integrated into LIXIL, Shirai became Executive Vice President, responsible for overseeing domestic sales at LIXIL Corporation in 2011, before assuming the role of Chief Executive Officer of LIXIL Japan Company in 2015. He joined the Company in 1974.



RYUICHI KAWAMOTO

Director

Ryuichi Kawamoto has served as Director of LIXIL Group Corporation since June 2018. Previously, Kawamoto served as Representative Executive Officer and Executive Vice President of LIXIL Group Corporation. He was responsible for the optimization of LIXIL's global manufacturing and supply chain operation. Kawamoto also served as Director, Executive Vice President, and Chief Technology Officer at LIXIL Corporation. He joined INAX Corporation (now LIXIL Corporation) in April 1976, and he holds 16,752 shares of the Company.



TSUTOMU KAWAGUCHI

Outside Director

Tsutomu Kawaguchi has served as Outside Director of LIXIL Group Corporation since June 2011. He currently serves as the Chairperson of the Audit Committee. In addition, Kawaguchi currently serves as an auditor of FreeBit Co., Ltd., and as Director of VINX Corp. Kawaguchi has been a registered certified public accountant since March 1974 and used to serve as Representative Partner for Grant Thornton Taiyo ASG.

*Indicates a director who also serves as an executive officer

Note: Number of shares of the Company owned by the directors is as of June 22, 2018



MAIN KOHDA

Outside Director

Main Kohda has served as Outside Director of LIXIL Group Corporation since June 2013. She is also a member of the Company's Nomination Committee and Compensation Committee. Kohda was a member of the NHK Management Committee since June 2010. She also serves as Outside Director of Japan Tobacco Inc. since June 2012, and Director of the Japan Exchange Group since 2016. She is a best-selling writer and has served as a member of public advisory committees.



BARBARA JUDGE

Outside Director

Lady Barbara Judge CBE has served as an Outside Director of LIXIL Group Corporation since June 2015. She has been Chairperson of the Company's Compensation Committee since 2017, and a member of the Nomination Committee from 2018. Early in her career she was a commissioner of the US Securities and Exchange Commission and subsequently Deputy Chairperson of the UK Financial Reporting Council. She currently serves as Chairperson of Cifas, the fraud protection agency in the UK and LoopUp, a premium, remote meetings solution. Prior thereto she was Chairperson of the UK Pension Protection Fund and the UK Institute of Directors. She was also a Director of Magna International Inc and served as Chairperson of its risk committee. Lady Judge also served, among her other appointments, as a Non-Executive Director of the UK Atomic Energy Authority from 2002 to 2004, and subsequently as Chairperson from 2004 to 2010. In June 2010, she was awarded Commander of the Order of the British Empire for services to the nuclear and financial services industries. In April 2015, she received the Times Non-Executive Director award for her Chairmanship of the UK Pension Protection Fund.



HIROKAZU YAMANASHI

Outside Director

Hirokazu Yamanashi has served as an Outside Director of LIXIL Group Corporation since June 2016. He is also Chairperson of the Company's Nomination Committee and a member of the Compensation Committee. Yamanashi joined AEON Co., Ltd. in 2014 and was appointed Vice President, Chief Corporate Planning Officer, and Chief E-Money Business Officer in 2015. He also previously served as Director (Senior Partner) of McKinsey & Company, Inc.



HIROTO YOSHIMURA

Outside Director

Hiroto Yoshimura was appointed as Outside Director for LIXIL Group Corporation in June 2017. He also serves as a member of the Nomination Committee and the Audit Committee. Yoshimura started his career at the National Police Agency in Japan in 1971, and served as Director-General of the National Police Agency from August 2007 to June 2009, and Chief Director of the Police Mutual Aid Association from December 2010 to November 2016.

Attendance at Board of Directors' Meetings for FYE2018

Name	Attendance at Board of Directors' Meetings
Yoichiro Ushioda	100%
Kinya Seto	100%
Yoshizumi Kanamori	100%
Yoshinobu Kikuchi	100%
Keiichiro Ina	100%
Tsutomu Kawaguchi	100%
Main Kohda	100%
Barbara Judge	94%
Hirokazu Yamanashi	100%
Hiroto Yoshimura*	100%

* After serving as an outside director on June 22, 2017

Reasons for Nomination as Director

In addition to the 10 directors who were renominated, an additional two persons who until recently were involved in the implementation of the Company's business activities and are familiar with its business were nominated with the aim of helping the Board to further enhance the efficiency of its supervisory function. The total number of persons nominated for directorships was thus 12.

YOICHIRO USHIODA

Director

Yoichiro Ushioda has a wealth of experience and knowledge working in the important departments of the Company and its subsidiaries (the "Group") and has a deep understanding of the overall businesses and management of the Group. He is making an effort to strengthen the governance system for the long-term, and lead the Company's transition to a company with committees (currently a company with nomination committee, etc.) among other things. Based on the foregoing, it is expected that the Company's governance and especially the Board of Directors' supervisory function will be maintained and strengthened.

KINYA SETO

Director

Kinya Seto has demonstrated his abilities through his deep involvement in the decision-making and execution of business within the Group with his strong leadership and making use of his extensive experience and wealth of knowledge as a business manager of multiple corporations. As such, he is expected to fulfill his responsibilities to provide explanations to the Board of Directors as a Representative Executive Officer and contribute to the strengthening of the Company's governance system through his involvement as a Director in the decision-making of important management matters.

YOSHIZUMI KANAMORI

Director

Yoshizumi Kanamori has been involved in the operation and management of accounting and finance, etc., and has a wealth of experience and knowledge. He has provided accurate comments from time to time as a non-executive Director, demonstrated his abilities as an Audit Committee Member, and has been making an effort to strengthen the Company's governance system. Based on the foregoing, it is expected that the Board of Directors' supervisory function will be maintained and strengthened.

YOSHINOBU KIKUCHI

Director

Yoshinobu Kikuchi has been involved in the operation and management of human resources and general affairs, etc., for many years, and has a wealth of experience and knowledge. He provides accurate comments from time to time as a non-executive Director, has demonstrated his abilities as a Compensation Committee Member and is making an effort to strengthen the Company's governance system. Based on the foregoing, it is expected that the Board of Directors' supervisory function will be maintained and strengthened.

KEIICHIRO INA

Director

Keiichiro Ina has been involved in the operation and management of IR and public relations, etc., for many years and has a wealth of experience and knowledge. Currently, while providing insightful comments as a non-executive Director, he has demonstrated his abilities and is making an effort to strengthen the Company's governance system as a Compensation Committee Member. Based on the foregoing, it is expected that the Board of Directors' supervisory function will be maintained and strengthened.

HARUO SHIRAI

Director

With a wealth of experience and knowledge gained from many years in business and management in Japan as CEO of LIXIL Japan Company, and having shown his abilities as Executive Vice President of the Company, Shirai is expected to add insight to the high-level managerial decision-making of the Company as a non-executive Director, and maintain and enhance the supervisory function.

Note: Shirai resigned as Executive Officer of the Company due to the end of his term of office as of the close of the first meeting of the Board of Directors, which convened after the 76th Annual General Meeting of Shareholders held in June 2018, and resigned as Director of LIXIL Corporation due to the end of his term of office as of the close of the Annual General Meeting of Shareholders of LIXIL, which resulted in becoming a non-executive Director.

RYUICHI KAWAMOTO

Director

With a wealth of experience and expertise as a manager from having worked in positions including Representative Director of LIXIL Corporation, and having shown his abilities as Representative Executive Officer and Executive Vice President, Production Optimization of the Company, Kawamoto is expected to take part in the high-level managerial decision-making of the Company as a non-executive Director, and maintain and enhance the supervisory function.

Note: Kawamoto resigned as Representative Executive Officer of the Company due to the end of his term of office as of the close of the first meeting of the Board of Directors which convened after the 76th Annual General Meeting of Shareholders of the Company, and resigned as Director of LIXIL Corporation due to the end of his term of office as of the close of the Annual General Meeting of Shareholders of LIXIL, which resulted in becoming a non-executive Director.

TSUTOMU KAWAGUCHI

Outside Director

Tsutomu Kawaguchi has specialized knowledge and extensive experience in finance and accounting gained as a certified public accountant, and currently fulfills his role as an Outside Director in a proper manner, principally in supervising decision-making on important management matters and business execution.

MAIN KOHDA

Outside Director

In addition to her profound knowledge of international finance, Main Kohda brings deep insight and an objective perspective as a writer, and a wide range of experiences as a member of the councils for the Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourism. She is expected to continue to fulfill her role as an Outside Director in a proper manner, principally in supervising decision-making on important management matters and business execution.

BARBARA JUDGE

Outside Director

Barbara Judge reflects a global viewpoint in the Board of Directors of the Company based on her extensive experience and knowledge in companies and public service, including as a commissioner of the US Securities and Exchange Commission, for many years. She is expected to continue to fulfill her role as an Outside Director by supervising decision making on important management matters and business execution.

HIROKAZU YAMANASHI

Outside Director

Hirokazu Yamanashi has specialized experience and knowledge gained through his business consultancy work and extensive experience and knowledge gained from being in charge of internal affairs and serving as an executive officer in charge of business planning of a listed company. The Company believes that these experiences and knowledge will be reflected in the Board of Directors of the Company and that he will continue to fulfill his role as Outside Director sufficiently in the decision-making on important management matters of the Company and supervising business execution.

HIROTO YOSHIMURA

Outside Director

Hiroto Yoshimura has a wealth of experience working in police administrative organizations, as well as extensive experience in personnel and organizational reform and compliance expertise. He is expected to continue to play an appropriate role in the major management decision-making and business execution of the Company as an Outside Director

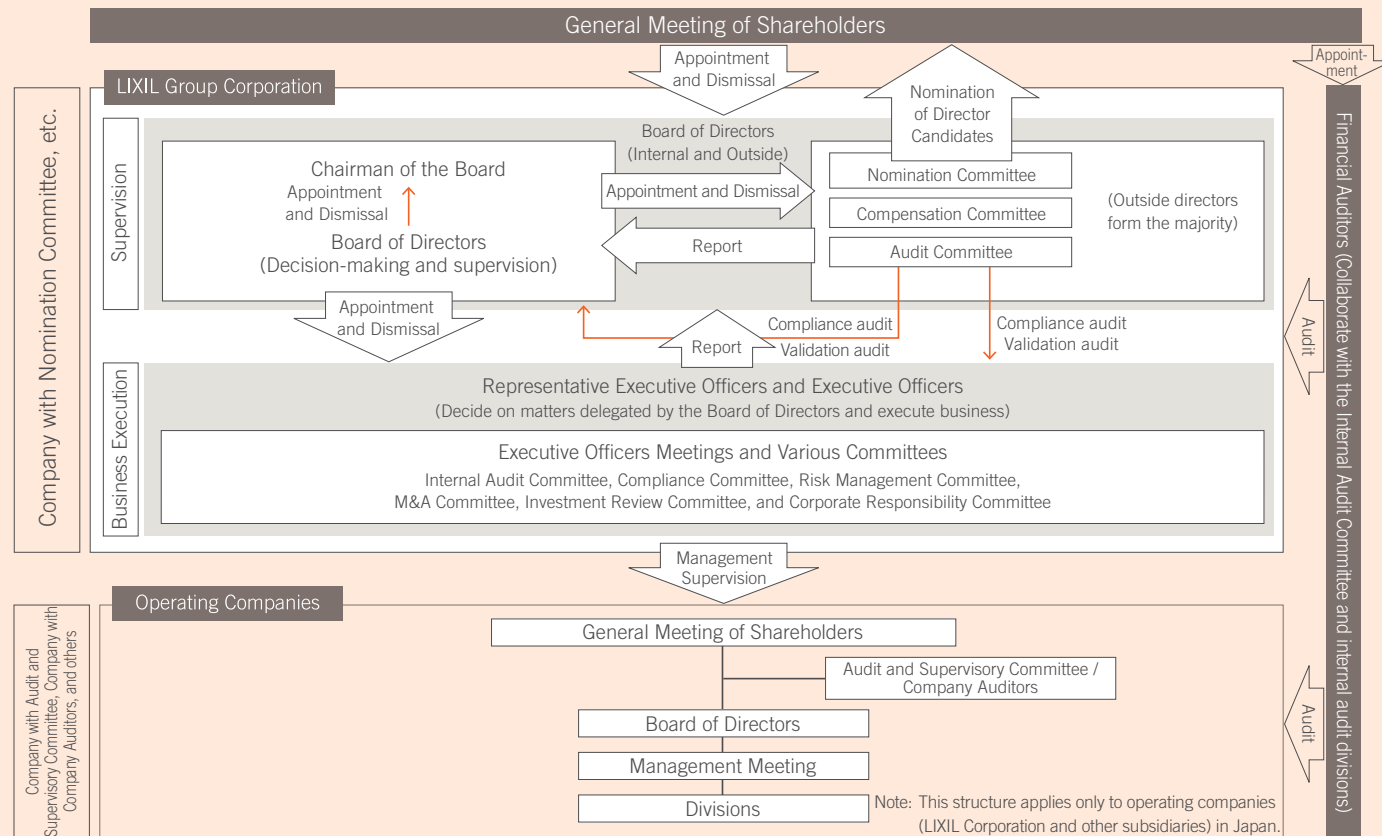
Corporate Governance at the LIXIL Group

LIXIL Group Corporation has adopted the Company with Nomination Committee, etc., corporate governance model as provided for under Japan's Companies Act. 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 the executive officers can make management decisions quickly and decisively while aiming to secure management transparency.

As a pure holding company, the Company has formed the following meetings, committees, and councils to strengthen governance over Group companies: Internal Audit Committee, Compliance Committee, Risk Management Committee, M&A Committee, Investment Review Committee, and Corporate Responsibility Committee. These committees discuss corporate strategy, consider medium-to-long-term policies, deliberate investments, and work to accelerate decision-making while enhancing the effectiveness of governance.

Governance Structure

As of June 21, 2018



For further details regarding the Company's corporate governance system, internal control systems, and other related matters, refer to the website. URL: www.lixil.com/en/about/governance/

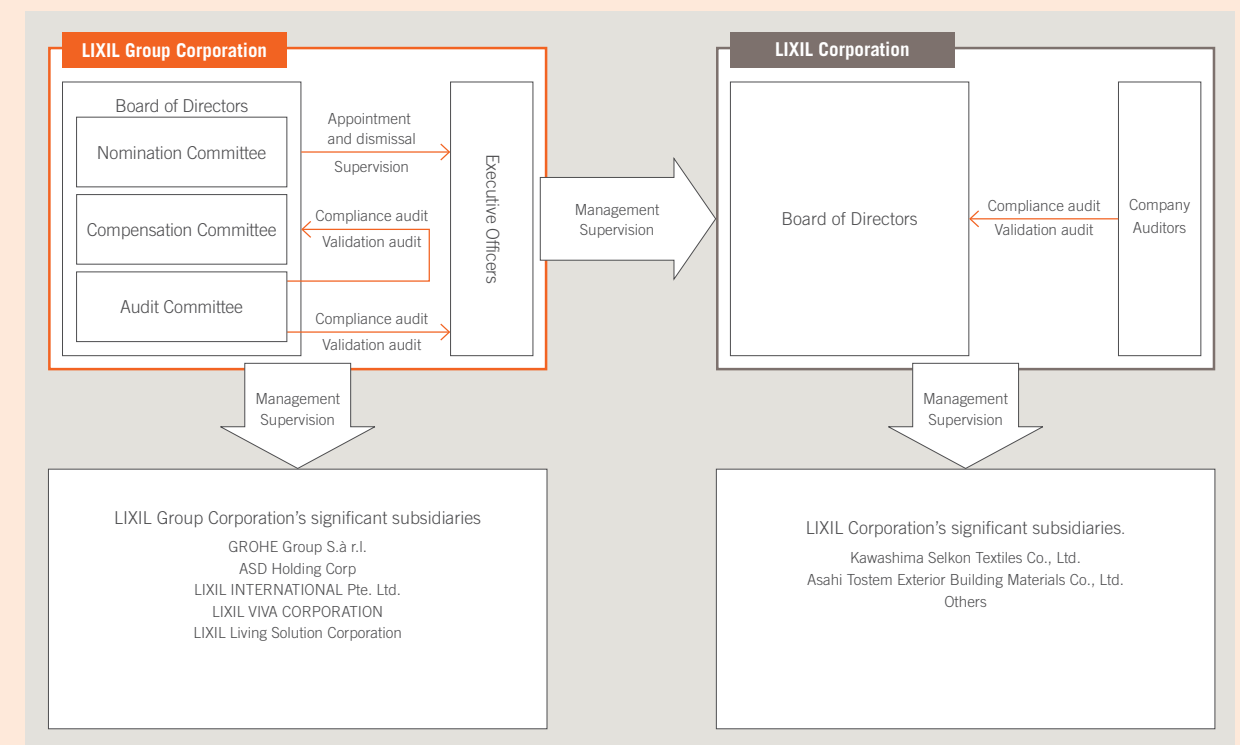
Group Governance System

The Company, while respecting the independence of each Group company, including LIXIL Corporation, regarding its business management, receives periodic reports on the status of business and gives approval to important matters. Additionally, the Audit Committee of the Company periodically receives reports on the

details of audits by the financial auditors of the Company and the Company's internal audit divisions while, at the same time, strengthening cooperation with the Company auditors of each Group company by holding periodic Group Company Auditors' meetings.

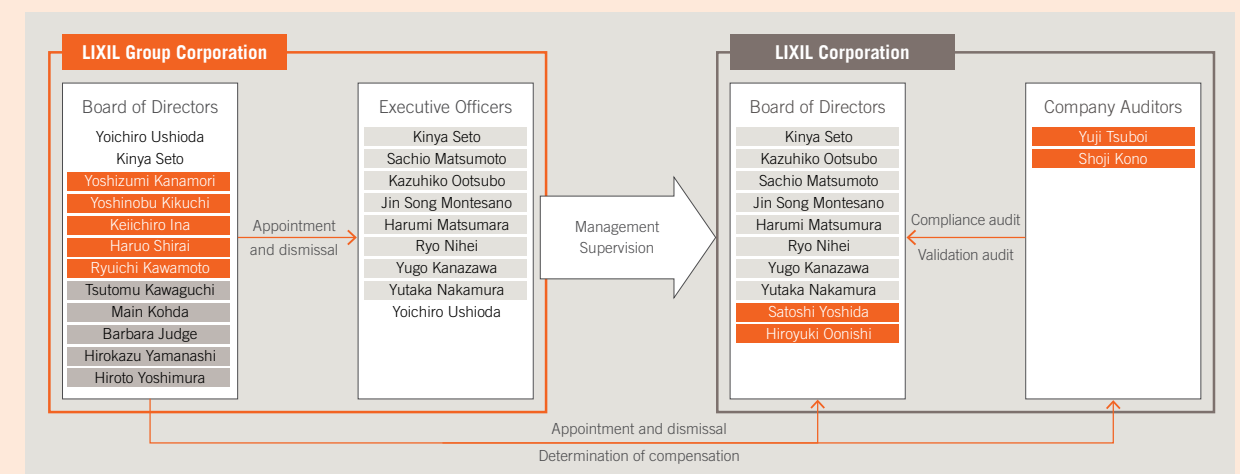
Governance of LIXIL Group Corporation, LIXIL Corporation, and Significant Operating Companies

As of June 21, 2018



Directors and Corporate Officers of LIXIL Group Corporation and LIXIL Corporation

As of June 21, 2018



■ Internal Directors who Are Not Executive Officers ■ Outside Directors who Are Not Executive Officers
 ■ Executive Officers of LIXIL Group Corporation who Are Concurrently Serving as Directors of LIXIL Corporation

Independence Criteria of Outside Directors

The Board of Directors shall monitor on an ongoing basis whether persons serving as outside directors continue to satisfy the following criteria.

Independence Criteria*1

The Company considers an outside director to be independent unless he or she is:

1. A shareholder, or an executive officer of such shareholder (an executive officer means an "executive officer" provided in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act; the same shall apply hereafter in this article), who holds 10% or more of the voting rights of the Company;
2. An executive officer of a company of which the Company holds 10% or more of the voting rights;
3. A business partner whose transactions with the Company exceed an amount of 2% or more of the consolidated gross revenue of either the Company or such business partner in a fiscal year, or an executive officer of such business partner;
4. A financial institution or other major creditor which is essential for the financing of the Group and on which such financing is irreplaceably dependent on, or an executive officer thereof;
5. A member, partner, or employee of the audit firm or tax accountant firm which is an accounting auditor or accounting advisor of the Group;
6. A person receiving a donation or subsidy of ¥10 million or more from the Group in a fiscal year, or if the person receiving the donation or subsidy is a corporation, partnership, or other organization (the "Juridical Persons, etc."), an executive officer of the Juridical Persons, etc., receiving a donation or subsidy of more than 2% of the consolidated gross revenues of such Juridical Persons, etc., from the Company in a fiscal year;
7. A person receiving monetary payments or other financial assets of ¥10 million or more from the Group as a lawyer, accountant, tax accountant, consultant, or other professional advisor, besides the director compensation, or if a person receiving such financial assets is a juridical person, partnership, or other organization (the "Juridical Persons, etc.") such as a legal professional corporation, law firm, audit corporation, tax accountant corporation, or consulting firm (the "Law Firm, etc."), a person belonging to the Law Firm, etc., receiving monetary payments or other financial assets of more than 2% of the Law Firm, etc.'s annual gross revenues from Group;
8. A person whose spouse, a relative within the second degree of kinship, or a relative who lives with such person corresponds to any of aforementioned (1) through (7);
9. A person who corresponded to any of aforementioned (1) through (8) in the past five years; or
10. An executive officer of a company to which an executive officer (meaning an executive director, executive officer, corporate officer, manager, or other employees, notwithstanding aforementioned (1)) of the Group serves as an officer of such company.

*1 LIXIL Group Corporate Governance Guideline Article 27.1

Collection of Information by Directors and Support Systems*2

The Company has provided the following support and opportunities to help ensure the active participation of the Board of Directors in management.

- The Company shall implement a system for the collection of information by all directors that allows them to obtain information from the Board of Directors' Office or directly from relevant business departments.
- In addition, the Company shall implement a system for the collection of information for audits by members of the Audit Committee that allows them to obtain information from the Audit Committee Office or directly from relevant business departments.
- As necessary, directors may either through organizations such as the Board of Directors' Office or the Audit Committee Office and the Compensation Committee Office, etc., or directly themselves obtain with respect to their duties the advice of outside experts such as lawyers or certified public accountants at the cost of the Company.

*2 LIXIL Group Corporate Governance Guideline Article 29

Corporate Governance Guidelines

LIXIL Group Corporation, in order to realize the Group corporate philosophy, has been striving to implement the best possible corporate governance system, one which enables it to achieve maximum sustainable improvement in corporate value.

Please see the LIXIL Group Corporate Governance Guidelines on the following website for details on the Group's corporate governance framework, relationships with shareholders, relationships with stakeholders other than shareholders, corporate governance system, and information disclosure

URL: www.lixil.com/en/about/governance/policies.html

Review of Corporate Governance

Composition of the Board of Directors and committees and position of the Chairperson

	Number of members	Internal directors	Outside directors	Chairperson
Board of Directors	10	5	5 (all 5 are independent directors)	Internal director
Nomination Committee	3	1	2	Outside director
Compensation Committee	5	2	3	Outside director
Audit Committee	3	1	2	Outside director

Number of Meetings Held During FYE2018

Board of Directors	17	Made decisions on matters specified by law, basic management policies, and important management matters as well as monitored the conduct of duties by the directors and executive officers
Nomination Committee	9	Made decisions on the content of proposals to be submitted to the General Meeting of Shareholders regarding the election and dismissal of directors
Compensation Committee	7	Discussed and made decisions regarding the content of compensation of individual directors and executive officers
Audit Committee	16	In addition to auditing the conduct of duties by the directors and executive officers, discussed and made decisions on auditing policy, auditing plans, and the content of proposals to be submitted to the General Meeting of Shareholders regarding the selection and dismissal of the financial auditors
Executive Officers	24	As the decision-making body responsible for the execution of business activities in accordance with the basic policies approved by the Board of Directors, decided on important matters related to the execution of business in the Company and the Group as a whole
Internal Audit Committee	4	Undertook inspections and checks of legal compliance and appropriateness of corporate activity and of management conformity not only with legal requirements but also with standards as determined by the Company
Compliance Committee	4	Provided guidance for structuring and operational management of compliance systems in Group companies and monitoring of the status of requiring compliance with laws and regulations
Risk Management Committee	4	In addition to forming a risk management committee in the Company, also monitored the formation of such committees for risk management in Group companies mainly in Japan and confirmed the status of risk management
Investment Strategy Committee	13	Discussed Group strategy (investments, funding, M&A, overseas strategy, etc.) and set directions with the objective of increasing the LIXIL Group's corporate value
Investment and Loan Council	16	Deliberated proposals made by the Company and the Group that are (1) investments that are closely involved with Group strategy, (2) investments that are related to more than one Group operating company, and (3) investments that exceed the approval authority of the president of the relevant operating company
New Business Council	6	Deliberated proposals made by the Company and the Group that are (1) investments that involve the establishment of a new company or are investments in an existing company, and (2) investments for the acquisition, etc., of a business partner company of an operating company
Business Divestment Council	12	Deliberated proposals made by the Company and the Group that are (1) plans regarding business continuity of subsidiaries performing unsatisfactorily, and (2) opportunities with respect to transfer of shares of subsidiaries to a third party
Corporate Responsibility	4	Selected the material issues for the overall Group, formulated the CR strategy, and provided oversight and guidance for the implementation of priority themes and activities

Note: From April 1, 2018, the Investment Strategy Committee, Investment and Loan Council, New Business Council, and Business Divestment Council have been reorganized into the M&A Committee and the Investment Review Committee to enhance the effectiveness of corporate governance.

Corporate Officer Compensation

Compensation of the Company's corporate officers in FYE2018 was as per the following tables.

1. Total amount of compensation by corporate officer title, by type of compensation, and number of officers receiving

Corporate officer title	Total compensation (Millions of yen) compensation	Total compensation by type (Millions of yen)				Number of corporate officers eligible for compensation
		Basic based	Performance	Stock option	Other	
Directors (excluding outside directors)	151	151	–	–	–	4
Executive officers	2,636	750	1,773	65	48	14
Outside directors	78	78	–	–	–	6

Notes:

- The total compensation shown above consists of both the compensation paid by the Company and the compensation paid by the Company's subsidiaries. The amount paid by the Company was ¥2,611 million (¥227 million for 10 directors and ¥2,384 million for 14 executive officers).
- The total compensation paid to the five directors who also served as executive officers as of the end of the fiscal year under review, and the number of these executive officers, are included in the total amount of compensation paid to executive officers and the total number of executive officers. Furthermore, the total compensation corresponding to the period during which they did not concurrently serve as executive officers for some period during the fiscal year
- under review, paid to the two directors and the number of these executive officers, are included in the total amount of compensation paid to executive officers and the number of the directors is added to the number of executive officers.
- The compensation for executive officers includes single annual and medium- to long-term performance-based compensation of ¥1,773 million booked in the fiscal year under review (with respect to 13 executive officers).
- The total number of directors and executive officers eligible to receive stock options is one.
- One officer is eligible for "Other."

2. Total compensation of officers receiving ¥100 million or more

Name	Corporate officer title	Company	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			
				Basic compensation	Performance based	Stock option	Other
Yoichiro Ushioda	Director	LIXIL Group Corporation	57	57	–	–	–
	Executive Officer	LIXIL Group Corporation	60	60	–	–	–
	Director	LIXIL INTERNATIONAL Pte. Ltd	5	5	–	–	–
Kinya Seto	Executive Officer	LIXIL Group Corporation	1,127	195	867	65	–
Ryuichi Kawamoto	Executive Officer	LIXIL Group Corporation	255	68	187	–	–
Sachio Matsumoto	Executive Officer	LIXIL Group Corporation	270	68	202	–	–
Haruo Shirai	Executive Officer	LIXIL Group Corporation	103	–	103	–	–
	Director	LIXIL Corporation	117	63	54	–	–
Jin Song Montesano	Executive Officer	LIXIL Group Corporation	195	56	91	–	48
Harumi Matsumura	Executive Officer	LIXIL Group Corporation	117	50	66	–	–
Laurence William Bates	Executive Officer	LIXIL Group Corporation	139	55	84	–	–

Notes:

- Performance-based compensation for the executive officers is the sum of the single annual performance-based compensation and the medium- to long-term performance-based compensation allocated as the fiscal year under review to be the end of that term.
- Stock options are booked as expenses in the fiscal year under review with regard to the 9th share acquisition rights, and differ from the amounts obtained from the actual execution and sale.
- "Other" consists of factors such as cost of living assistance and medical insurance associated with overseas postings.
- Laurence William Bates left the Company as of March 31, 2018.

3. Policy for determining the amount and method of calculation of corporate officers' compensation and decision-making method

Basic Policy Regarding Directors' and Executive Officers' 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-related compensation in order to provide effective incentives designed to optimize short-, medium-, long-term business results and corporate value.
- Attract and retain the best global talent who will be necessary to maintain sustainable growth.
- Fair and reasonable decision process with regards to compensation that will provide accountability to shareholders and employees.
- Conduct comparative evaluation with domestic and foreign companies in order to ensure transparency.
- Individual compensation shall be determined in accordance with role and responsibility, performance contribution, economic environment, industry trends, and company performance.

Compensation Structure, Individual Compensation, and Compensation Component

Directors are responsible for giving the advice to and supervising the Company's management from an objective point of view. Executive officers are responsible for the execution of business. Accordingly, there shall be separate compensation schemes for each group in order to align with their different roles. When a director serves as an executive officer, the compensation scheme of the executive officer shall be applied in principle.

Compensation Structure Director

- Fixed-amount compensation (Base pay)
- Compensation linked to stock price

Executive Officer

- Fixed-amount compensation (Base pay)
- Compensation linked to business result
- Compensation linked to stock price

Compensation of personnel with advanced expertise, qualifications and knowledge, etc. shall be discussed and decided separately in accordance with the basic policy of compensation.

Individual Compensation

The individual amount of each component shall be determined in accordance with the above basic policy based on research provided by an outside compensation consultant to the Compensation Committee on an annual basis.

Compensation Component

- Fixed-amount compensation (Base pay): Determined by role and responsibility in principle.
- Compensation linked to business result: Determined based on the Company's financial result and individual performance on an annual basis. The amount paid shall fluctuate within a range from 0% to 200%.
- Compensation linked to stock price: Restricted stock will be provided to incentivize directors and executive officers to increase long-term shareholder value.
- Others: Compensation of personnel with advanced expertise, qualifications and knowledge, etc. shall be deliberated and decided separately in accordance with the basic policy of compensation.

Compensation Committee

In order to provide the best corporate governance, the majority of members and the chairperson shall be non-executive directors.

Messages from Chairpersons of the Nomination, Compensation, and Audit Committees

Introduction of a New Incentive Plan for Sustainable Growth

The Company and LIXIL Corporation, at a meeting of the Company's Compensation Committee held on June 25, 2018 and in the written resolution of the LIXIL Board of Directors meeting dated June 25, 2018 and which is in accordance with Article 370 of the Corporate Act and Article 28 of the Articles of Incorporation of LIXIL, resolved to introduce a new stock compensation scheme as part of the revision to its executive compensation scheme. The scheme will award shares with restrictions on transfer to the Company's directors and executive officers and LIXIL's directors with the aim of sharing the benefits and risks of stock price fluctuations with shareholders, and provide greater incentive to contribute to enhancing the Company's stock price and enterprise value.

Compensation Structure of Board of Directors and Executive Officers of LIXIL Group Corporation

Former Structure		(Only for executive officers)		
Basic Compensation	Performance-Based Cash Incentive (1 year)	Medium-Term Performance-Based Compensation (3 years)		
New Structure		(Only for executive officers)		
Basic Compensation	Performance-Based Cash Incentive (1 year)		Medium-Term Stock-Based Compensation (3 years)	Long-Term Stock-Based Compensation (30 years)
— Fixed Compensation —		— Performance-Based Compensation*2 —		— Stock-Based Compensation*3 —
Weight*1				
31%~66%		17%~23%		17%~46%

*1 Weight
Percentage of total compensation of executive officers (estimate for when target is achieved). This percentage varies by title.

*2 KPI (financial indicators) for short-term performance-based compensation
The Compensation Committee will determine KPIs based on business targets (financial indicators) for the fiscal year. For the current fiscal year, compensation will be determined based on the achievement rate of the following (Consolidated Group Results):
(1) Revenue, (2) Core earnings, and (3) Profit for the year attributable to the owners of the parent

*3 Stock-based compensation: Restricted stock based compensation

※ By introducing the stock-based compensation scheme to non-executive directors, we aim to achieve a higher level of corporate value.

Under the leadership of Kinya Seto, the President & CEO, the LIXIL Group has steadily worked toward shoring up its financial footing and improving profitability. With these efforts and the current Medium-Term Plan's progress, the Company expects to strengthen earning capacity, expand its foundations for growth, and further boost shareholder value.

The Nomination Committee will aim for ongoing evolution in the Group's governance and conduct fact-based evaluation of management results while discussing what kind of governance will best help the Group progress into its next phase.

Additionally, in the pursuit of fair and open governance, the Group intends to make every effort to clarify and publicly announce its decision standards and processes for appointment and dismissal of Board members.

HIROKAZU YAMANASHI
Chairperson of the Nomination Committee

The Compensation Committee has a fundamental role to play in promoting the corporate growth and sustainability of the LIXIL Group. In the FYE2018, we introduced a new compensation system that aims to better align the long-term interests of directors and executive officers with shareholders and stakeholders through a restricted stock-based incentive plan, helping to ensure that management decision-making is appropriate, sustainable, and considered fair. Attracting and retaining global talent in an increasingly global setting is also vital to supporting the growth of the Company and creating new value for shareholders. As members of the Compensation Committee, we will continue to monitor and develop the Company's compensation system to ensure it is culturally sensitive to different payment structures around the world, enabling the LIXIL Group to achieve its financial and non-financial goals and interests today and in the future.

BARBARA JUDGE
Chairperson of the Compensation Committee

In the new Medium-Term Plan (MTP), announced last November, we identified the next three years as a period for focusing on improving profitability in pursuit of long-term sustainable growth. We also set numerical targets such as core earnings ratio and return on equity. The Audit Committee will continuously monitor our progress in attaining these targets and support the steady realization of our new MTP.

Additionally, although global business development is one of the LIXIL Group's fundamental policies, it is also important to minimize risk through internal controls. The Company established the Corporate Audit Group (CAG) as a managing body for Group-wide internal controls to maintain internal systems. The collection of resources in the CAG is helping us to level out and improve operations. In particular, the Global Internal Controls Department, which is subordinate to the CAG and specializes in internal audits of overseas subsidiaries, is essential to our globalization efforts. The Audit Committee will also keep a close eye on the role of the CAG and make sure it functions effectively.

TSUTOMU KAWAGUCHI
Chairperson of the Audit Committee

Internal Control Systems and Compliance

Internal Control Systems

The Group has established and operates and evaluates internal control systems in accordance with the Internal Control Reporting System, or "J-SOX," issued by the Financial Services Agency in Japan to ensure the appropriate and efficient business operations of the Company and each Group company as well as the accuracy and appropriateness of consolidated financial statements.

How the LIXIL Group Views an Internal Audit

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

Restructuring the Corporate Audit Group (CAG) Organization

The Group reformed the Corporate Audit Group (CAG) into a network structure organization with the aims of comprehensive and efficient internal audit and internal control assessment, driving synergies through collaborative work across LIXIL as well as adding further value through independent assurance and high impact consulting.

Network Structure Organization:

J-SOX and Quality Assurance (QA) have been established as global functional axes. IT may be established as another functional axis in the future.

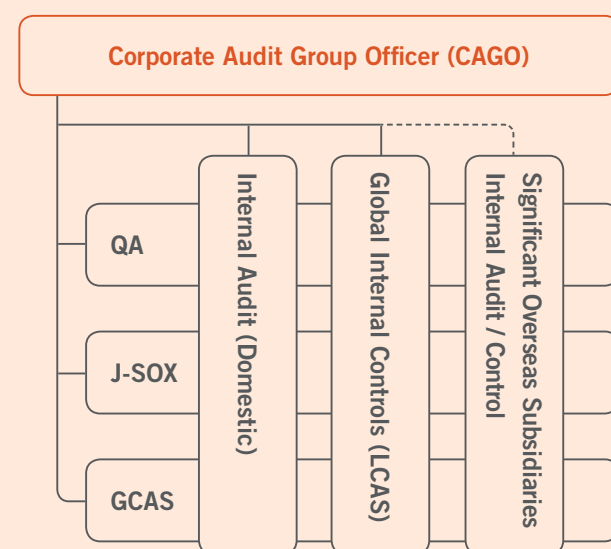
The J-SOX axis will serve as a Center-of-Excellence leading J-SOX work conducted by other parts of CAG. QA shall work across a wide spectrum toward improving the quality of work done by CAG. This includes, but is not limited to, global risk mapping, harmonization of audit methodologies, education and training, and secretariat work of the Internal Audit Committee.

The functional axes will be overlaid with audit teams by region such as Japan, Asia, Europe, and Americas. These teams will focus on assurance, consulting, and J-SOX work in their respective coverages.

While not under the Corporate Audit Group Officer (CAGO), heads of internal audit / control units of overseas significant entities also report to the CAGO. Closer liaison among the expanded units and reporting bodies will lead to further comprehensive governance and improvements.

Global Corporate Audit Staff (GCAS):

GCAS has advanced audit and consulting functions with two major objectives. The first is to minimize risks and costs and enhance internal controls and governance by proactive detection, resolution of problems, and improvement of processes through close communication with top management. The second is to develop human resources through auditing and consulting projects.



*88 members throughout the Group as of the end of March 2018

Internal Audit Committee

The Company has set up a voluntary Internal Audit Committee. Periodic meetings with Executive Officers as members of the committee allow them to make decisions in a timely fashion by sharing and discussing the results and progress of the Group's internal audit, internal control assessment, risk management, governance, and improvements thereof.

LIXIL has been strengthening compliance systems and raising compliance awareness throughout the Group, including overseas subsidiaries, through the following initiatives.



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. For further details regarding the Code of Conduct, please refer to the Company's website.

URL: www.lixil.com/en/about/governance/pdf/LIXIL_CoC_en.pdf

To integrate and clarify in detail the Code of Conduct across the Group, as of May 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.

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.

Compliance Committees

In addition to the compliance committees of the Group and subsidiaries in Japan, LIXIL have 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. In the previous fiscal year, the Company implemented compliance reviews in each compliance committee as a regular review of their compliance infrastructure.

Education and Training Programs

LIXIL held education and training programs for new employees, new managers, and executives to develop its compliance culture. Also, LIXIL is 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 using e-learning and face-to-face training and 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 October 2017, which had been already introduced for all subsidiaries overseas.

Compliance Investigation Department

In order to detect potential compliance issues at an early stage, respond, and control risks through investigation and remedial actions, the Group established the Compliance Investigation Department in October 2017.

Risk Management

LIXIL Group Enterprise Risk Management (ERM)

LIXIL ensures the continuity and stable development of its business, and in turn increases its corporate value, through the implementation and operation of ERM for the entire Group. Risks related to crises that require immediate responses when occurred are controlled through crisis management as part of ERM.

Risk Management

Risks to the Group's MTP are identified from various perspectives such as finance, compliance, disasters, business strategy, and internal operations as well as external macro factors such as geopolitics and the economy. A risk owner is assigned to each risk and is responsible for responding to the assigned risks. Identified risks are prioritized based on the evaluation and categorized as material risks for focused management.

LIXIL aims to take both a top-down and bottom-up approach in risk management. In order to achieve this, efforts are made to nurture a Group ERM culture so that executive officers and employees can have a consistent mindset in managing risks. Risk managers are appointed in each region to ensure coordination between HQ and regional / local operations.

Risk management is conducted considering the business characteristics in each region.

In Japan, for example, risk management working groups are established in order to cover various themes and manage risks horizontally across the organization. Each risk management working group identifies risks on a yearly basis and assesses the impact on the business, frequency of occurrence, and measures taken. Based on these assessments, targets are set, measures are refined, and implementation schedules are formulated.

Plan-Do-Check-Act (PDCA) management is carried out on a quarterly basis to monitor the execution and effectiveness of these activities.

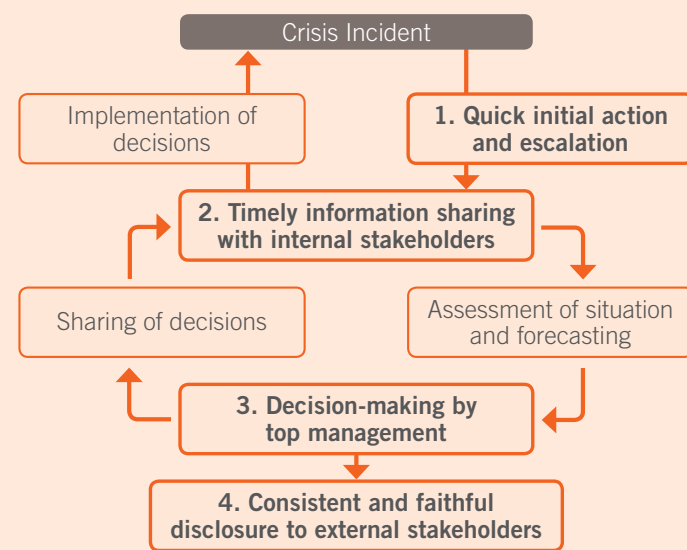
Risk statuses by working groups are aggregated to be discussed and monitored regularly from technology business perspectives.

Overseas, management identifies comprehensively and takes measure of significant risks including geopolitical and economic macro risks, operational risks, and other types of risk.

In addition, based on a quantitative assessment of the likelihood and financial impact of a risk occurring, measures are proposed and implementation schedules are formulated by each factory, sales base, and functional headquarters. PDCA management is carried out on a quarterly basis with the aim of implementing the proposed measures, making assessments, and monitoring the situation.

Crisis Management

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



LIXIL Group Crisis Management Framework

Measures against Risks that May Influence Management Strategy

The Company endeavors to foresee possible risks and manages such risks in a swift and proper manner before executing management strategies. The Company takes measures as follows against major risks that may influence the progress of its ongoing management strategy.

Main Risks and Risk Management Measures Related to Business Strategies

Establish a purpose-driven entrepreneurial company for sustainable growth

Main risks	– Damages and losses from overlooking potential risks, fraud, or misbehavior due to insufficient management of the Group companies
Risk management measures	– Assign personnel responsible for risk management at each company to carry out periodical inspections as well as hold regular meetings among all Group companies to share information on employee education and other information regarding governance

Develop attractive and differentiated products

Main risks	– Deterioration of profitability due to severe price competition caused by rapid changes in the market environment and demands – Occurrence of excessive costs caused by sales of low-quality products due to prioritization of product launch schedule
Risk management measures	– Develop products appealing to consumers by focusing on technology, design, and brands – Enhance technological development in preliminary process for product development and allocate sufficient time to ensure quality

Achieve competitive costing

Main risks	– Deterioration of profitability due to severe price competition caused by rapid changes in the market environment and demand – Insufficiency of production capability and facility specifications against market demands
Risk management measures	– Promote platforms for major structures and mechanical parts – Shorten product development period – Improve productivity and efficiency in supply chains – Optimize plant operation rate, and create investment plans based on a long-term demand forecast

Strategic marketing to drive growth

Main risks	– Damage to brand equity due to improper marketing strategies
Risk management measures	– Clarify guidelines and perform activities in accordance with the guidelines – Assign global brand heads to avoid conflicts between each individual brand – Create data-driven marketing strategy standards

Consolidated 10-Year Summary

LIXIL Group Corporation and Consolidated Subsidiaries

Years ended March 31	JGAAP								IFRS				
	2009	2010	2011	2012	2013	2014	2015	2016	2015	2016	2017	2017*5	2018*5
Millions of yen													
Results of Operations													
Net sales (JGAAP) / Revenue (IFRS)	¥1,046,854	¥982,607	¥1,214,939	¥1,291,396	¥1,436,395	¥1,628,658	¥1,673,406	¥1,845,117	¥1,705,427	¥1,890,450	¥1,786,447	¥1,633,229	¥1,664,817
Operating income (JGAAP) / Core earnings (IFRS)	25,603	25,984	40,409	17,915	50,485	69,080	51,674	56,259	51,722	70,069	88,312	89,781	75,319
Operating income ratio (JGAAP) / Core earnings ratio (IFRS)	2.4%	2.6%	3.3%	1.4%	3.5%	4.2%	3.1%	3.0%	3.0%	3.7%	4.9%	5.5%	4.5%
Operating profit (IFRS)									48,041	39,011	67,535	69,251	80,949
Profit (loss) for the year attributable to owners of the parent*1	475	(5,332)	15,780	1,868	21,347	20,952	22,013	(18,664)	30,864	(25,605)	42,503	42,503	54,581
Research and development expenses	15,978	14,756	13,688	15,350	14,025	17,380	18,199	—	18,211	25,523	26,362	26,089	27,601
Capital expenditures	35,088	30,844	45,779	52,107	73,795	64,321	62,622	76,403	61,454	72,083	68,215	68,215	69,953
Depreciation and amortization	35,158	32,916	36,289	39,370	44,736	49,168	50,724	60,451	50,404	62,205	60,701	60,701	64,661
EBITDA*2	61,013	60,485	80,106	59,887	100,627	124,822	108,887	128,692	102,126	132,274	149,013	146,441	137,143
Cash Flows													
Cash flows from operating activities	63,927	68,074	48,680	33,979	28,432	83,533	138,931	137,012	98,563	121,085	132,531	132,531	116,362
Cash flows from investing activities	(63,082)	(27,334)	(13,543)	(142,067)	(12,397)	(218,333)	(129,228)	16,547	(119,041)	19,122	(58,052)	(58,052)	(52,606)
Cash flows from financing activities	21,914	(27,825)	(41,687)	138,348	(31,753)	153,144	10,010	(171,758)	46,618	(154,403)	(79,899)	(79,899)	(43,843)
Cash and cash equivalents, end of year	73,973	89,302	92,329	127,351	114,662	139,039	160,378	138,801	147,708	129,646	121,563	121,563	138,751
Financial Position													
Total assets	1,048,838	1,033,504	1,166,834	1,481,063	1,465,689	1,786,294	1,875,249	2,060,873	1,915,427	2,130,120	2,042,165	2,042,165	2,107,131
Total equity	533,073	516,322	536,408	538,776	566,312	601,795	613,651	637,517	590,855	537,308	559,431	559,431	649,573
Net interest-bearing debt	175,883	158,980	175,487	266,771	307,089	463,479	418,720	528,386	559,971	697,413	638,345	638,345	549,159
Per Share Data													
Earnings per share*1 (EPS)	¥ 1.70	¥ (19.12)	¥ 55.50	¥ 6.49	¥ 73.42	¥ 72.06	¥ 75.46	¥ (65.11)	¥ 105.80	¥ (89.33)	¥ 148.01	¥ 148.01	¥ 189.13
Total equity per share (BPS)	1,903.69	1,842.78	1,850.34	1,817.34	1,930.02	2,041.34	2,104.27	1,894.55	2,038.56	1,828.84	1,902.18	1,902.18	2,128.77
Dividends per share	40	40	40	40	40	55	60	60	60	60	60	60	65
Key Ratios													
EBITDA ratio*2	5.8%	6.2%	6.6%	4.6%	7.0%	7.7%	6.5%	7.0%	6.0%	7.0%	8.3%	9.0%	8.2%
ROE	0.1	(1.0)	3.0	0.4	3.9	3.6	3.7	(3.3)	5.3	(4.6)	7.9	7.9	9.4
ROA	0.04	(0.5)	1.4	0.1	1.4	1.3	1.2	(0.9)	1.7	(1.3)	2.0	2.0	2.6
Total assets turnover (Times)	1.0	0.9	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8
Equity ratio (JGAAP) / Ratio of equity attributable to owners of the parent (IFRS)	50.6	49.7	45.2	35.7	38.3	33.2	32.1	26.4	30.5	24.6	26.8	26.8	29.3
Dividend payout ratio	2,352.9	—	72.1	616.3	54.5	76.3	79.5	—	56.7	—	40.5	40.5	34.4
Net debt-to-equity ratio*3	33.1	30.9	33.3	50.5	54.7	78.1	69.5	97.2	95.9	132.9	116.6	116.6	89.0
Number of employees*4	32,700	35,976	41,090	48,163	45,602	51,419	52,427	—	—	60,677	59,248	59,248	61,140
Stock Indicators													
Stock price (closing), end of year (Yen)	¥ 1,106	¥ 1,903	¥ 2,160	¥ 1,733	¥ 1,858	¥ 2,846	¥ 2,847	¥ 2,295	¥ 2,847	¥ 2,295	¥ 2,825	¥ 2,825	¥ 2,376
Market capitalization (Millions of Yen)	346,238	595,742	676,197	542,523	540,221	827,426	891,265	718,459	891,265	718,459	884,378	884,378	743,817
Price earnings ratio (Times)	650.6	(99.5)	38.9	267.0	25.3	39.5	37.7	—	26.9	—	19.1	19.1	12.6
Price book-value ratio (Times)	0.58	1.03	1.17	0.95	0.96	1.39	1.35	1.21	1.40	1.25	1.49	1.49	1.12

*1 Figures are after amortization of goodwill (JGAAP).

*2 EBITDA is calculated under JGAAP as operating income + depreciation and amortization + goodwill amortization and under IFRS as core earnings + depreciation and amortization.

*3 The net debt-to-equity ratio is calculated as net interest-bearing debt / total equity based on the fiscal year-end.

*4 The number of employees from FYE2016 is on an IFRS basis, the definition of which differs from the number under JGAAP.

*5 Due to the LIXIL Group's decision to divest consolidated subsidiary Permasteelisa S.p.A. in August 2017, the Company has classified the operations of Permasteelisa and all of its subsidiaries as discontinued operations. For this reason, figures for revenue, core earnings, operating profit, research and development expenses, and EBITDA include only the results for continuing operations.

Note: Under JGAAP, figures of less than ¥1 million are truncated, while under IFRS, figures of less than ¥1 million are rounded.

Recent M&As (Figures as of the acquisition)

July 2009	April 2010
American Standard Asia Pacific	Shin Nikkei Company, Ltd.
Sales ¥23.5 billion	Sales ¥110.0 billion
Acquisition cost ¥17.6 billion	Acquisition cost ¥0.7 million
Equity owned 100%	Equity owned 100%
Goodwill ¥2.1 billion (net)	Goodwill ¥5.4 billion
Intellectual property ¥3.5 billion	

April 2010	August 2011
SUN WAVE CORPORATION	Kawashima Selkon Textiles Co., Ltd.
Sales ¥85.0 billion	Sales ¥34.3 billion*7
Acquisition cost ¥13.7 billion	Acquisition cost ¥2.2 billion and share exchange
Equity owned 80%*6	Equity owned 100%
Goodwill ¥6.1 billion	Goodwill ¥1.7 billion
(negative)	

*6 100% in March 2013

*7 Excludes interior fabric business for vehicles which the Company separated from the main business

December 2011	August 2013
Permasteelisa S.p.A.	ASD Holding Corp. (ASB)
Sales ¥116.0 billion	Sales ¥82.0 billion
Acquisition cost ¥60.8 billion	Acquisition cost ¥30.5 million
Equity owned 100%	Equity owned 100%
Goodwill ¥34.3 billion	Goodwill ¥14.7 billion
Intangible assets ¥35.0 billion	Intangible assets ¥21.7 billion

January 2014	October 2014
GROHE Group S.à r.l.	GROHE DAWN WaterTech Holdings Pty Ltd
Sales ¥157.5 billion	Sales ¥12.9 billion
Acquisition cost ¥80.1 billion	Acquisition cost ¥8.6 billion
Equity owned 44%*8	Equity owned 51%*9
Goodwill ¥157.3 billion	Goodwill ¥1.2 billion
Intangible assets ¥209.3 billion	Intangible assets ¥7.8 billion

*8 100% in September 2016

*9 100% in December 2017

Business Risks

This annual report contains information about business conditions, the financial situation, and other factors that may influence investor decisions. Forward-looking statements are based on the judgement of the LIXIL Group's management as of March 2018.

Statements concerning the future and assumptions are subject to uncertainty and risks, and actual results may vary significantly.

1 Economic Environment Risk

1) Changes in the Economic Environment

Operating revenues of most companies in the LIXIL Group are significantly affected by domestic demand in Japan. In particular, major fluctuations in new housing starts or the level of construction orders received could have a negative effect on business performance and financial position of the Group. In addition, the LIXIL Group undertakes production and sales activities overseas, in Asian countries such as China and Thailand, and also in Europe and North America, etc. War, civil war, unrest, rioting, terrorist attacks, etc., in these countries could also have a negative impact on the business performance and financial position of the LIXIL Group. In order to be able to manage this type of situation, the Group is working to strengthen its renovation strategy and to develop new products that offer strong potential for successful development of overseas markets, etc. Furthermore, the LIXIL Group strives to ensure that it can recognize early-warning signs of political instability, etc., developing in foreign countries, by working with external, third-party organizations to implement regular monitoring of changes in the political situation, government finances, government policies, etc.

2) Exchange Rate Fluctuations

Exchange rate fluctuations have the potential to exert a substantial effect on the yen equivalents of assets and liabilities resulting from the foreign currency-denominated transactions of the LIXIL Group. Where transactions are denominated in foreign currencies, the prices of goods and amounts of sales could also be substantially affected. In order to be able to manage this type of situation, in addition to LIXIL's finance department in Japan, the LIXIL Group has also established four Regional Treasury Centers (RTCs) in LIXIL offices in China, Singapore, Germany, and the US. Besides implementing monitoring of exchange rates on a monthly basis, each RTC also implements hedging when necessary, in order to minimize the negative impact of exchange rate fluctuations.

3) Interest Rate Fluctuations

The Group's fund procurement is primarily in the form of interest bearing debt such as loans from financial institutions. If market interest rates were to increase substantially, it could have a material impact on the Group's business performance and financial position. In order to be able to manage this type of situation, in addition to LIXIL's finance department in Japan, the LIXIL Group has also established four RTCs in LIXIL offices in China, Singapore, Germany, and the US. By implementing fund management

operations in each region on a consolidated basis, the RTCs are helping to make fund procurement more efficient, with enhanced stability. Besides monitoring interest rates in each country on a monthly basis, LIXIL has also put in place the systems needed to support the use of fixed interest rates, etc., when necessary.

2 LIXIL Group Business Activity Risk

1) Competition with Competitors, and Falling Product Prices

Competition with Competitors, and Falling Product Prices The LIXIL Group faces severe competition in most of the markets in which it operates. For this reason, it is difficult to always set prices at levels that are advantageous to the Group.

Although the Group takes pride in its superior products and services that contribute to improving people's comfort and lifestyles, there is no guarantee that it will enjoy a competitive advantage in terms of pricing. The LIXIL Group's products and services are exposed to intense price competition, which could have a negative effect on business performance and financial position of the Group. In order to be able to manage this type of situation, the LIXIL Group implements cost reduction measures and undertakes the development of new products that have high appeal.

2) New Product Development Risk

In its operations, the LIXIL Group is committed to providing exceptional products and services to satisfy its customers around the globe. The Group creates high-quality living spaces that are healthy, comfortable, and safe by continually developing attractive products based on an accurate understanding of available technology and consumer needs. However, the Group's business performance and financial position could be adversely affected if a failure to respond appropriately to changes in market or industry needs were to result in a decline in growth and earning potential. In order to be able to manage this type of situation, the LIXIL Group is using collaboration with innovative start-ups and the effective utilization of global information networks in order to put in place the systems needed to be able to respond rapidly to changes in consumer needs. To develop attractive new products that can satisfy these needs, LIXIL is developing advanced new technologies such as AQUA CERAMIC (a new type of ceramic material), and is striving to realize speedy product development through the strengthening of design capabilities and the integration of product platforms.

3) Effectiveness of Tie-Ups with Other Companies, and of Corporate Acquisitions, etc.

The LIXIL Group may plan to expand its business operations through investments, including corporate acquisitions and capital participation. To maximize the benefits of these acquisitions, the Group seeks to integrate them into its corporate culture and management strategies. However, there is no guarantee that the anticipated returns and synergy benefits will be realized. In addition, while the LIXIL Group makes every endeavor to avoid risk in the execution of acquisitions by undertaking detailed prior assessments of the financial conditions, contractual relationships, and other matters relating to the company involved, it is possible that contingent liabilities and unrecognized financial obligations may be revealed following acquisitions. As a result, it is possible that the business performance and financial position of the LIXIL Group will be adversely affected by these acquisitions and capital participation activities. In order to be able to manage this type of situation, the Group has formulated a common global policy on acquisitions, and has designed a process for post-acquisition review and monitoring which is now being utilized. LIXIL is also promoting organizational changes aimed at building an efficient, flat, simple organizational structure that facilitates the post-acquisition generation of synergy.

4) Effectiveness of Business Restructuring

In order to enhance management efficiency and competitiveness, the LIXIL Group may conduct business restructuring, including withdrawal from unprofitable businesses; the realignment of subsidiaries and affiliates, manufacturing bases, and sales and logistics networks; and the rightsizing of the workforce. These measures could have an adverse impact on the business performance and financial positions of the LIXIL Group. In order to be able to manage this type of situation, the Company aims to maximize synergies generated between technology businesses after restructuring and to bring about an enhancement of its strategic effectiveness. It is doing so by strengthening communications between the management of the Company and technology businesses, the Directors and Executive Officers of Group companies, and employees to ensure the dissemination of the Company's strategy, and by strengthening the management of companies and regional portfolios. In addition, in order to build an organizational structure that will not necessitate large-scale business restructuring, as part of the strengthening of the post-merger integration (PMI) process in relation to M&A activity, LIXIL is striving to strengthen subsidiary governance through the creation and utilization of an effective, appropriate PMI process, by means of updating guidelines and clarifying the PMI implementation process and progress report process.

5) Shortages of Raw Materials, etc., and Rising Procurement Prices

The LIXIL Group procures materials, parts, services, and other supplies as required for its production activities. There is a possibility that the amounts paid for these supplies will rise because of increased industry demand or increasing raw material prices. There is also a possibility that the reliability or reputation of the Group's products will be adversely affected by defects in or stock-outs of materials, parts, services, or other supplies. These factors could, in turn, adversely affect the Group's business performance and financial position. In order to be able to manage this type of situation, the LIXIL Group is working to build a stable supply system, by implementing measures that include the use of product

swaps, multiple sourcing, performing supplier credit checks, maintaining regular communication with suppliers, implementing periodic quality tests, maintenance of safe inventory levels, etc.

3 Regulatory and Litigation Risk

1) Harm Resulting from Official Regulations

The LIXIL Group is subject to various official regulations, including the need to obtain approvals and permits from the government or official agencies for its business and investment activities, as well as patents and other intellectual property rights, environmental regulations, and other requirements. Such official regulations can be expected to change over time, possibly creating obstacles to business activities or imposing additional costs relating to compliance with new official regulations. These factors could have an adverse impact on the business performance and financial positions of the LIXIL Group. In order to be able to manage this type of situation, the Group has formulated the necessary policies and procedures for responding to changes in official regulations. By arranging regular opportunities for the exchange of information with managers at the LIXIL Group's overseas business locations, LIXIL has been able to put in place the systems needed to be able to draw up strategies for obtaining early warning of potential changes in official regulations.

2) Direct and Indirect Costs Associated with Product Liability and Compensation Claims

There is a risk that defects will occur in products and services supplied by the LIXIL Group, or that product recalls may be required. Major compensation claims or product recalls relating to manufacturers' liability issues could result in substantial payments and have a negative effect on the reliability and reputation of the Group's products. Such situations could have an adverse impact on the business performance and financial position of the LIXIL Group. In order to be able to manage this type of situation, the Group has established quality management checkpoints for each stage in the new product design and development process, and has formulated rules that ensure that design and development do not proceed until relevant issues have been overcome. In this way, LIXIL is able to reduce the likelihood that large-scale product liability claims or recalls will arise in relation to LIXIL's products and services.

3) Damages Arising Out of Lawsuits and Other Legal Proceedings

The LIXIL Group conducts its business activities in Japan and in countries overseas. Accordingly, there is a risk that it may face lawsuits and legal proceedings. If the Group becomes the object of such legal action, there is also a possibility that this may result in major payments for damages. These circumstances could have an adverse impact on the business performance and financial position of the LIXIL Group. In order to be able to manage this type of situation, the Group has put in place systems that enable it to consult external experts such as attorneys, etc., when necessary.

4) Environmental Regulations and Occurrence of Related Issues

The LIXIL Group, based on the Group Environmental Sustainability Principles, engages in a wide range of activities aimed at global environmental preservation. However, the Group cannot guaran-

tee that it will be able to completely prevent or mitigate any risk of environmental pollution. Should serious environmental pollution occur as a result of the Group's business activities, it could have an adverse impact on the Group's business performance and financial position. In order to be able to manage this type of situation, the LIXIL Group has formulated inspection rules regarding the clarification of and compliance with environment rules, in relation to ISO 14001 and environmental management systems. LIXIL also implements periodic review in light of current implementation status.

4 Information Security Risk

In the course of carrying out its business activities, the LIXIL Group has occasion to handle various types of personal data, including customer data, necessitating rigorous information management. In the event that a personal data leak were to occur because of some unforeseeable circumstance, there is a possibility that the Group might suffer severe harm to its reputation, as well as possibly incurring significant monetary loss; this in turn could have an adverse impact on the Group's business performance and financial position. In order to be able to manage this type of situation, the LIXIL Group is working to strengthen personal data management, through the establishment of a dedicated unit for promoting rigorous personal data management, the putting in place of relevant regulations, ongoing implementation of appropriate training, etc. The Group has also established a Computer Security Incident Response Team (CSIRT) to deal with all types of cyberattack. The Group thus has a system in place not only for ongoing monitoring of external attempts to gain unauthorized access but also for implementing appropriate measures in the event of an incident occurring.

5 Disaster and Accident Risk

The LIXIL Group undertakes production and sales activities at many facilities in Japan and in other countries around the world, so there is a possibility that an earthquake, typhoon, or other natural disaster occurring in one of these areas could cause serious damage to the Group's production, logistics, sales, or information management facilities. If a large-scale natural disaster such as a major earthquake did occur in Japan or in another country, it might result in the suspension of production operations or in delays in the supply of products, etc., which could have an adverse impact on the Group's business performance and financial position. There is also a possibility that industrial action, equipment breakdown, etc., could result in the suspension of, or placing of constraints on, the Group's business activities. While there is no guarantee of being able to prevent or mitigate the impact of such natural disasters, etc., in order to manage this type of situation the Group has formulated business continuity plans (BCPs) and updates them regularly; particularly with regard to the Group's business locations in Japan, the Group aims to reduce the potential operational and financial impact by implementing geographical dispersal of production facilities, implementing seismic reinforcement work, etc., so that if a natural disaster does occur the negative impact will be kept to a minimum, and operations can be restored to normal as soon as possible.

6 Risk Relating to Accounting Estimates

In cases where it is necessary to make accounting estimates in order to draw up financial statements, the LIXIL Group makes such estimates on the basis of reasonable criteria. However, due to the inherent uncertainty that characterizes estimates, amounts may need to be adjusted and actual results may differ from the estimates, which could have an adverse impact on the Group's business performance and financial position.

1) Default on Receivables

In order to prepare for losses due to default on receivables by business partners, the LIXIL Group records the amount considered to be uncollectible as a provision for doubtful accounts. Should the actual default level significantly exceed assumptions, the provision for doubtful accounts could be insufficient. Moreover, as a result of reviewing assumptions due to the worsening of overall economic conditions and uncertainty in the credit standing of business partners, the Group could make additional provisions to this allowance. These developments could have an adverse impact on the Group's business performance and financial position. In order to be able to manage this type of situation, within Japan the LIXIL Group has drawn up rules and manuals relating to credit checks and the setting of credit facilities. Receivables review meetings are held on a regular basis, and in the case of business partners where it is judged that there is a strong possibility of receivables being uncollectible, the Group implements monitoring of management improvement status and risk reduction strategies at the level of individual business partners.

2) Changes in Pension Plan Obligations

The employee defined benefit pension plan obligations and related service costs of the LIXIL Group are calculated based on discount ratios and other underlying ratios. Changes in these basic ratios could cause a significant impact on business performance and financial position. In particular, a fall in discount rates could have an adverse impact on the Group's business performance and financial position. In order to be able to manage this type of situation, the Group has implemented various measures, including the returning to the government of the substitutional portion of the Employees' Pension – in respect to which there is a particularly strong need to minimize potential negative impacts – and the adoption of defined benefit contribution pension plan and cash balance pension plan systems, etc.

3) Reduction of Fixed Asset Value

The LIXIL Group periodically uses asset impairment accounting to calculate future cash flows relating to property, plant and equipment (PP&E), goodwill and other intangible assets, etc., and implements impairment measurement and impairment testing. It is therefore possible that the Group's business performance and financial position could be adversely affected if fixed asset impairment losses are shown in the accounts. In order to be able to manage this type of situation, the Corporate Financial Governance Office (which is supervised directly by the CFO) is implementing a performance management process with respect to both subsidiaries in Japan and those overseas,

as part of its measures to strengthen financial governance. This makes it possible to obtain advance warning of potential fixed asset impairment losses arising in relation to idle assets or deterioration in performance, and to put in place a system that makes it possible to implement timely measures in cases where there are early-warning signs of performance deterioration.

4) Recoverability of Deferred Tax Assets

The LIXIL Group implements tax-effect accounting, and operating loss carried forward for tax purposes and deductible temporary differences are booked as deferred tax assets. Judgments regarding the recoverability of deferred tax assets are made on the basis of forecasts that include estimates relating to future taxable income, etc. In cases where a change in the forecast of future taxable income means that a deferred tax asset calculated based on the forecast of future taxable income may be deemed to be non-recoverable, in part or in whole, the deferred tax asset in question will be abated, which could have an adverse impact on the Group's business performance and financial position. In order to be able to manage this type of situation, the Corporate Financial Governance Office (which is supervised directly by the CFO) is implementing a performance management process with respect to both subsidiaries in Japan and those overseas, as part of its measures to strengthen financial governance. This makes it possible to obtain advance warning of potential deterioration in performance, and systems have been put in place so that when the Group becomes aware of such a potential future deterioration in performance, LIXIL's finance and accounting department and tax department can formulate timely strategies in response, which may include the need to revise the judgment regarding recoverability of the deferred tax assets in question.

7 Risk Relating to International Taxation and Taxation Related to Organizational Restructuring

The LIXIL Group undertakes production and sales activities in countries outside Japan, and Group member companies supply raw materials, products, etc., to one another; consequently, there is the potential for international taxation risk in relation to transfer pricing taxation, etc. In addition, the Group may on occasion need to implement organizational restructuring within the Group in order to improve operational efficiency and strengthen competitiveness, and depending on the restructuring scheme adopted, even though the restructuring is intra-Group, it may be treated as a valuation at current cost transaction for tax purposes, or it may not be possible to carry forward operating loss from the non-surviving company, etc., in which case there may be an increased tax burden that could have an adverse impact on the Group's business performance and financial position. In order to be able to manage this type of situation, LIXIL's tax department has formulated the necessary policies and procedures and updates them as necessary, and has put in place a framework that makes it possible to select an appropriate approach when implementing organizational restructuring, by establishing systems that provide for opportunities for regular exchange of information with tax specialists at the Group's overseas business locations, and for timely consultation with experts.

8 Human Capital Risk

1) Securing and Cultivation of Human Talent

For the LIXIL Group to continue to develop as a business on a sustainable, long-term basis, it is vitally important for the Group to promote the ongoing retention and cultivation of human talent that possesses a high level of specialist skills, and also human talent with first-rate management capabilities in relation to business strategy and organizational management. However, particularly in Japan, the trend towards smaller families and the aging population structure is leading to a shrinking of the workforce. If the competition to secure vitally important human resources becomes increasingly intense, and if human talent recruitment and cultivation cannot proceed as planned, then over the long term this will degrade the efficiency of the Group's business operations, and there could be an adverse impact on the Group's business performance and financial position. In order to be able to manage this type of situation, besides working actively to recruit both new graduates and experienced personnel on a year-round basis, and promoting measures to ensure the handing down of skills within the Group, for example by strengthening the human resources and training systems and by recruiting retired technical specialists aged 65 or over as part-time workers, the Group is also promoting unified human resources cultivation planning that applies worldwide throughout the Group's global operations, and is endeavoring to ensure that the implementation of every individual program (including training for overseas assignments, shared e-learning programs, etc.) contributes to employee retention and cultivation. In addition, the Group is promoting diversity management (including management efforts directed towards the retention of female employees), and is proceeding with the establishment of the systems and environment needed to enable a wide range of employees to grow as individuals and maximize their capabilities. The LIXIL Group has also established a Shared Services Center in the Asia region. Besides working to help strengthen governance in the Asia region, it is also intended that the Center will assist in the building of a flexible organizational structure that will be less vulnerable to changes in the labor environment, both in Japan and in the Asia region as a whole.

2) Labor Issues (Strikes, etc.)

There are significant differences in labor practices between the various countries and regions in which the LIXIL Group operates, and there is the possibility of unforeseeable events such as changes in the regulatory environment, a worsening in the economic climate, etc., leading to a deterioration in labor relations, possibly leading to strikes or other forms of labor dispute that might continue over an extended period, which in turn could represent an obstacle to the Group's operations and have an adverse impact on the Group's business performance and financial position. In order to be able to manage this type of situation, the Group holds regular labor-management coordination meetings at each business location, and consults with workers regarding improvements to the working environment and working conditions. Currently, the Group enjoys harmonious labor relations.

Principal Group Companies

As of March 31, 2018

Consolidated Subsidiaries

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company (%)	Business segment
LIXIL Corporation*1	Koto-ku, Tokyo	34,600	100	LWT, LHT, LBT, LKT, H&S
LIXIL Total Service Corporation	Koto-ku, Tokyo	100	100	LWT
Dinaone Corporation	Tokoname, Aichi	90	100	LWT
TM.S Corporation	Chiyoda-ku, Tokyo	60	100	LWT
GROHE Group S.à r.l.	Luxembourg	€ thousand 57,143	100	LWT
59 affiliate companies of GROHE Group S.à r.l.	—	—	—	LWT
ASD Holding Corp.	New Jersey, USA	US\$ thousand 412,956	100	LWT
12 affiliate companies of ASD Holding Corp.	—	—	—	LWT
A-S CHINA PLUMBING PRODUCTS Ltd.	Cayman Islands	US\$ thousand 24,907	100	LWT
LIXIL Vietnam Corporation	Hanoi, Vietnam	VND million 743,386	100	LWT
LIXIL Building Materials Manufacturing (Suzhou) Corporation	Suzhou, Jiangsu, China	4,000	100	LWT
LIXIL Sanitary Fitting Manufacturing (Suzhou) Corporation	Suzhou, Jiangsu, China	1,730	100	LWT
Taiwan Inax Corporation	Taipei, Taiwan	NT\$ thousand 282,677	67	LWT
LIXIL Total Hanbai Corporation	Koto-ku, Tokyo	75	100	LHT
Kawashima Selkon Textiles Co., Ltd.	Sakyo-ku, Kyoto, Kyoto	9,382	100	LHT
G TERIOR Corporation	Setagaya-ku, Tokyo	316	100	LHT
Asahi Tostem Exterior Building Materials Co., Ltd.	Koto-ku, Tokyo	2,000	80	LHT
LIXIL SUZUKI SHUTTER CORPORATION	Toshima-ku, Tokyo	1,989	100	LHT
LIXIL Toyo Sash Shoji Co., Ltd.	Chiyoda-ku, Tokyo	100	100	LHT
Sonitech Corporation	Shinjuku-ku, Tokyo	66	100	LHT
Kuwata Co., Ltd.	Suma-ku, Kobe, Hyogo	30	100	LHT
Oita Tostem Co., Ltd.	Oita, Oita	50	100	LHT
Nishi Kyushu Tostem Co., Ltd.	Saga, Saga	30	100	LHT
LIXIL ENERGY Co., Ltd.*1	Koto-ku, Tokyo	100	100	LHT
LIXIL TEPCO Smart Partners Inc.	Koto-ku, Tokyo	450	60	LHT
LIXIL INTERNATIONAL Pte. Ltd.	Singapore	30,565	100	LHT
TOSTEM THAI Co., Ltd.	Pathumthani, Thailand	Baht million 2,767	100	LHT
LIXIL Manufacturing (Dalian) Corporation	Dalian, Liaoning, China	US\$ thousand 43,500	100	LHT
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.	Dong Nai, Vietnam	US\$ thousand 40,700	100	LHT
LG-TOSTEM BM Co., Ltd.*2	Seoul, Korea	Won million 15,355	50	LHT
PT. LIXIL ALUMINIUM INDONESIA	Cileungsi, Indonesia	IDR million 134,733	75	LHT

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company (%)	Business segment
LIXIL Renewal Corporation	Koto-ku, Tokyo	100	100	LBT
Star Alubuild Private Ltd.*3	Haryana, India	INR thousand 727,818	100	LBT
LIXIL VIVA CORPORATION*4	Urawa-ku, Saitama, Saitama	24,596	52	D&R
LIXIL Living Solution Corporation	Koto-ku, Tokyo	450	100	H&S
LIXIL Housing Research Institute, Ltd.	Koto-ku, Tokyo	1,250	100	H&S
JAPAN HOME SHIELD CORPORATION	Sumida-ku, Tokyo	205	100	H&S
LIXIL REALTY, Corp.	Chuo-ku, Tokyo	160	100	H&S
GHS Corporation	Koto-ku, Tokyo	100	100	H&S
JHS Engineering Corporation	Sumida-ku, Tokyo	20	100	H&S
LIXIL Home Finance Corporation	Chiyoda-ku, Tokyo	500	100	H&S
LIXIL Group Finance Corporation	Koto-ku, Tokyo	3,475	100	(Financing services for Group com- panies)
Permasteelisa S.p.A.	Veneto, Italy	€ thousand 6,900	100	—*5
38 affiliate companies of Permasteelisa S.p.A.	—	—	—	—*5
67 other companies*6				

Equity-Method Affiliates

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company (%)	Business segment
Sanyo Homes Corporation*7	Nishi-ku, Osaka, Osaka	5,945	24	H&S
Ken Depot Corporation	Chiyoda-ku, Tokyo	100	34	D&R
65 other companies*8				

*1 LIXIL ENERGY Co., Ltd. was acquired by and merged with LIXIL Corporation on April 1, 2018.

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

*3 Star Alubuild Private Ltd. changed its name to LIXIL WINDOW SYSTEMS PRIVATE LIMITED in April 2018.

*4 The company submits securities registration statements and securities reports.

*5 Manufacture and sales of curtain walls.

*6 Among the other companies, LIXIL-Haier Housing Products (Qingdao) Co., Ltd. ceased to be a subsidiary of the Company due to the transfer of all of its shares. GraceA Co., Ltd. was acquired by and merged with the Company.

*7 The company submits securities reports.

*8 Among the other companies, Fukui Computer Inc. ceased to be an equity-method affiliate due to the partial transfer of its shares.

Investor Relations

LIXIL Group Corporation regards investor relations (IR) as facilitating communication with capital markets in Japan and overseas and thereby helping 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.

Regarding the disclosure of important information that affects investment judgments, such as decisions, events, or information regarding accounts settlement, the Company discloses the information 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 positively and fairly as possible, in order to better meet investors' needs.

URL: www.lixil.com/en/investor/



IR Team (from left): Mariko Mikami, Yukiyo Uto, Kayo Hirano (Senior Manager, Investor Relations Office), Jin Song Montesano (Executive Officer and Senior Managing Director, Public Affairs, Investor Relations, External Affairs, and Corporate Responsibility), Shizuka Fukushima, and Hiroyoshi Fujiwara

External Recognition

From April 1, 2017 to July 31, 2018



Gomez IR Site Ranking 2017

Awarded silver prize in the overall IR site ranking and first place in the "Metal Products" industry category from Morningstar Japan K.K. (October 2017)



Internet IR

Commendation Award

Received "Internet IR Commendation Award 2017" from Daiwa Investor Relations Co., Ltd. for six consecutive years (November 2017)



Morningstar Socially Responsible Investment Index (MS-SRI)

Selected as a constituent stock of the Morningstar Socially Responsible Investment Index (MS-SRI) (December 2017)



2018 Constituent MSCI Japan Empowering Women Index (WIN)

MSCI Japan Empowering Women Index

Selected as a constituent of the MSCI Japan Empowering Women Index (WIN), created by MSCI Inc. for two consecutive years (July 2018)



FTSE4Good Index Series and FTSE Blossom Japan Index

Became a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index, created by FTSE Russell for two consecutive years (June 2018)



DJSI Asia Pacific Index

Selected as a component of the Dow Jones Sustainability Indices (DJSI Asia Pacific Index), created by S&P Dow Jones Indices and RobecoSAM (September 2017)



Nadeshiko Brand

Selected as a component of the Nadeshiko Brand, co-hosted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (March 2018)

LIXIL's History

TOSTEM

- 1923 The Company is founded.
- 1949 Nihon Tategu Kogyo Co., Ltd. (now LIXIL Group Corporation) is established.
- 1966 Housing aluminum sash business commenced.
- 1971 Toyo Sash Co., Ltd. is established after absorbing Toyo Door and four other companies.
- 1974 Toyo Exterior Co., Ltd.* is established. Housing exterior business commenced.
- 1977 Viva Home Corporation (later TOSTEM VIVA CORPORATION) is established. Home center business commenced.
- 1984 Eyeful Home Technology Inc. (now LIXIL Housing Research Institute, Ltd.) is established. Homebuilding franchise chain operation commenced.
- 1985 Mitsui Light Metal Processing Co., Ltd., Nittetsu Curtain-wall Corporation, and Nittetsu Sash Sales Corporation join the Group.
- 1987 TOSTEM THAI Co., Ltd. is established. Overseas production of sashes commenced.
- 1992 Toyo Sash Co., Ltd. is renamed Tostem Corporation.
- 1999 JIO Corporation is established.
- 2000 Toyo Exterior Co., Ltd.*, Eyeful Home Technology Inc. and Suzuki Shutter Manufacturing Co., Ltd. (now LIXIL SUZUKI SHUTTER CORPORATION) became wholly owned subsidiaries.

- 2001 Tostem Corporation is renamed Tostem Inax Holding Corporation, became a pure holding company, and swaps stocks with Inax Corporation*. Tostem Corporation*, an operating company, is established through a corporate separation.
- 2002 Jyu-Tsu Corporation (now LIXIL REALTY, Corp.) joins the Group. Production of wooden interior furnishings commenced at subsidiary Tostem Housing Products (Dalian) Co., Ltd. (now LIXIL Manufacturing (Dalian) Corporation) in Dalian, China. Century 21 Housing Research Institute Ltd. (now LIXIL Housing Research Institute, Ltd., after becoming Tostem Housing Institute) is established.
- 2004 Tostem Inax Holding Corporation renamed JS Group Corporation.
- 2005 Asahi Tostem Exterior Building Materials Co., Ltd. is established as a result of integration of Tostem Corporation* and Asahi Glass Co., Ltd.
- 2006 JS Group Senior Life Corporation (now a business of Senior Life Company of LIXIL Corporation) founded and enters fee-based senior citizens assisted-living home business.
- 2008 Jaxson S.P.I. Inc. became a subsidiary of Inax Corporation*.
- 2009 Tostem Corporation* establishes LG TOSTEM BM Co., Ltd. jointly with LG Chem, Ltd., an LG group company in South Korea.

American Standard Asia Pacific became a subsidiary of Inax Corporation.

INAX

- 1924 Ina Seito Co., Ltd.* is established as a producer of tiles, ceramic pipe, and terra cotta.
- 1945 Production of sanitary ware commenced.
- 1958 Production of *Polybath* commenced.
- 1967 Production of first integrated-type Japanese bidet toilet commenced.
- 1968 Production of unit bathrooms commenced.
- 1985 Company name is changed to Inax Corporation*.
- 1996 VINAX (now LIXIL Vietnam Corporation), manufacturing joint venture for sanitary ware in Vietnam, is established. Suzhou Inax Sanitary Fitting Co., Ltd. (now LIXIL Sanitary Fitting Manufacturing (Suzhou) Corporation) is established in China.
- 1998 Suzhou Inax Building Materials Co., Ltd. (now LIXIL Building Materials Manufacturing (Suzhou) Corporation), a tile manufacturing company in China, is established.

- 2010 New Group brand LIXIL is introduced. SUN WAVE CORPORATION* and Shin Nikkei Company, Ltd.* became subsidiaries.
- 2011 Tostem, Inax, Shin Nikkei, SUN WAVE (not including the production division), and Toyo Exterior are integrated and LIXIL Corporation is born. Kawashima Selkon Textiles Co., Ltd. became a subsidiary. Permasteelisa S.p.A. of Italy became a subsidiary of LIXIL Corporation.
- 2012 JS Group Corporation renamed LIXIL Group Corporation.
- 2013 INAX ENGINEERING Corporation and six other companies merge. The company is renamed LIXIL Total Service Corporation. ASD Holding Corp. (ASB) of the US became a subsidiary of LIXIL Corporation.
- 2014 GROHE Group S.à r.l. of Europe became an equity-method affiliate of LIXIL Corporation. (The Company acquires 87.5% of GROHE Group shares jointly with the Development Bank of Japan.) LIXIL Corporation acquires shares in GROHE DAWN WaterTech Holdings Pty Ltd of South Africa.
- 2015 LIXIL Corporation converts GROHE Group S.à r.l. into a consolidated subsidiary.
- 2017 LIXIL VIVA CORPORATION is listed on the first section of the Tokyo Stock Exchange.

* Currently LIXIL Corporation

Disclaimer

The inclusion of LIXIL Group Corporation in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of LIXIL Group Corporation by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Shareholder Information

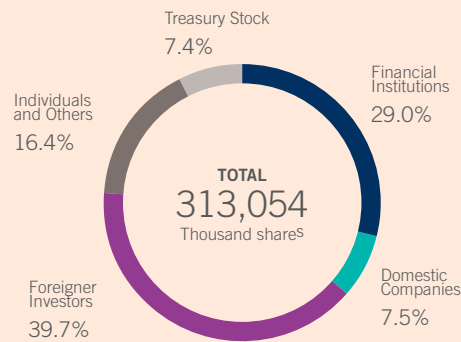
As of March 31, 2018

Number of Shares and Shareholders

Number of shares authorized	1,300,000,000
Number of shares outstanding	289,790,526
	(excluding treasury stock of 23,263,729 shares)
Number of shareholders	44,369

Distribution of Ownership among Shareholders

(Thousand shares)	
Financial institutions	90,698
Domestic companies	23,513
Foreigner Investors	124,244
Individuals and others	51,334
Treasury stock	23,263
Total	313,054

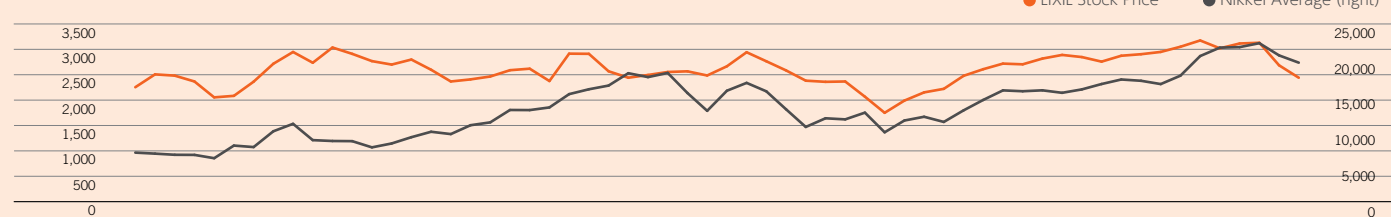


Monthly Stock Price Range (Tokyo Stock Exchange)

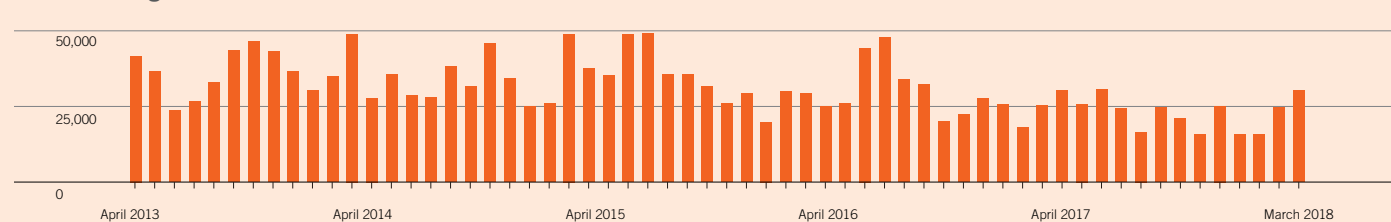
For the Years Ended March 31	2014	2015	2016	2017	2018
High*2 (yen)	3,060	2,973	2,959	2,999	3,255
Low*2 (yen)	1,732	2,063	2,233	1,593	2,285

*2 High and low share prices are from the First Section of the Tokyo Stock Exchange.

Stock Price (¥)



Stock Trading Volume (Thousand shares)



Major Shareholders

Name of shareholder	Number of shares held (Thousand shares)	Percentage held
Japan Trustee Services Bank, Ltd. (Trust Account)	13,315*1	4.59%
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,129*1	4.53%
STATE STREET BANK CLIENT OMNIBUS OM04 (Standing proxy The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	9,683	3.34%
The Nomura Trust & Banking Co., Ltd. (Trust Account)	8,896*1	3.07%
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT (Standing proxy The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	7,853	2.71%
Daiichi Life Insurance Company, Limited (Standing proxy Trust & Custody Services Bank, Ltd.)	6,561	2.26%
LIXIL Employee Stock Ownership	6,422	2.22%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	5,571*1	1.92%
Sumitomo Mitsui Banking Corporation	5,543	1.91%
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing Proxy Mizuho Bank, Ltd. Settlement & Clearing Services Department)	4,782	1.65%

Notes:

- In addition to the above, LIXIL Group Corporation holds 23,263 thousand shares of treasury stock. Shareholding calculations exclude treasury stock.
- *1 indicates a trust service arrangement.
- 8,896 thousand shares entrusted to The Nomura Trust & Banking Co., Ltd. are the trust property of Yoichiro Ushioda, who has voting rights for these shares.
- The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its legal name to MUFG Bank, Ltd. as of April 1, 2018.

Corporate Data

As of March 31, 2018

Company Name	LIXIL Group Corporation (JS Group Corporation renamed LIXIL Group Corporation on July 1, 2012)
Established	September 19, 1949
Registered Office	2-1-1 Ojima, Koto-ku, Tokyo 136-8535, Japan
Headquarters	36F, Kasumigaseki Building, 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo 100-6036, Japan
Paid-In Capital	¥68.1 billion
Fiscal Year Closing	March 31
Employees	50 (Consolidated employees: 61,140)
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
Transfer Agent and Special Management of Accounts	Mitsubishi UFJ Trust and Banking Corporation
Annual 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.

Editorial Policy

This annual report aims to enhance communication with the Company's shareholders by presenting its initiatives to achieve long-term, sustainable growth. As the Company determined to divest Permasteelisa S.p.A. in August 2017, information regarding Permasteelisa is not included unless otherwise stated, except for pages on financial reporting and governance. (Pages 50-69 and pages 80-109)

LIXIL Group Online Information

Corporate Website

In addition to the Group profile, CR activities, and the latest news, the LIXIL Group's corporate website also contains sections covering recent business initiatives within the Group and insights from the Company's CEO.
> www.lixil.com

Financial Information

LIXIL Group Corporation's IR website offers enriched content for shareholders and other investors, including information regarding financial results, audio streaming of results briefings, and market data.
> www.lixil.com/en/investor

Non-Financial Information

Our sustainability website introduces the LIXIL Group's CR commitment to and activities for enhancing living spaces through innovative responsible engagements and initiatives around the world.
> www.lixil.com/en/sustainability

Annual Report

PDF versions of the annual reports are available on the website.
> www.lixil.com/en/investor/library/annual_reports.html



LIXIL Group Corporation

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