



**> LIXIL GROUP
ANNUAL REPORT
2019**

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Before Reading this Report

In this report, we have sought to share LIXIL's value creation story with our readers by organizing the information into six sections. Each section includes key pages that explain the main story and supplementary pages that supply background information for the main story pages.

- Orange pages: these make up the report's main content and framework
- Gray pages: these supply background information and supporting details

Making Better Homes a Reality for Everyone

Every person on the planet dreams of a better home. LIXIL makes that possible with pioneering water and housing products.

Born in 2011 through a merger of five of Japan's most successful building materials and housing companies, we draw on our Japanese heritage to create world-leading technology and innovate to make high-quality products that transform homes. Today, we are a global enterprise with approximately 75,000 employees in more than 150 countries worldwide, having expanded internationally by acquiring some of the most trusted names in our industry, including GROHE and American Standard.

But the LIXIL difference is not what we do or where we do it, it is how we do it. We combine meaningful design, an entrepreneurial spirit, a dedication to improving accessibility for all, and responsible business growth to make things that matter – to people, to communities, and to the world we live in.

At LIXIL, we are proud that our products touch the lives of more than a billion people every day, but believe we have the potential to still do so much more.

Editorial Policy

This annual report aims to enhance communication with the Company's stakeholders, especially investors, by presenting its initiatives to achieve long-term, sustainable growth. In editing, we focused on key content and aimed for an easy-to-understand structure. Information not included in this annual report, such as detailed non-financial information, the Group profile, detailed financial information, and the latest news, is available on our corporate website.



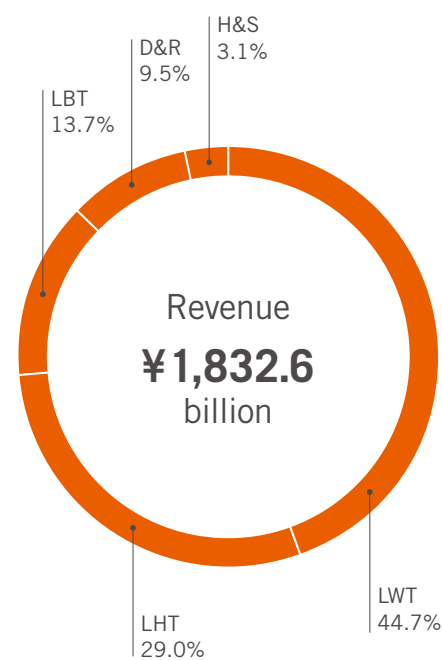
Note:

Due to the LIXIL Group's decision to divest Permasteelisa in August 2017, the Company previously classified the operations of Permasteelisa as discontinued operations. However, during the fiscal year ended March 2019 (FYE2019), LIXIL Group was unable to secure the necessary approval to sell Permasteelisa as is. Therefore, Permasteelisa's profit and loss have been restated as profit and loss from continuing operations. Business results for FYE2017 and FYE2018 shown in LIXIL Group's Annual Report 2018 have been retroactively restated.

LIXIL Group's Businesses

(Fiscal Year Ended March 31, 2019)

Enhancing how people live through our five businesses



LWT

LIXIL Water Technology



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

Revenue	Core earnings
¥833.1 billion	¥60.2 billion

Principal products and services

Plumbing fixtures

Sanitaryware, shower toilets, water faucets, washstands, bathtubs, prefabricated bathrooms, showerheads, washstand fixtures, washstand cabinet units, kitchen systems, etc.

Tile building materials

Tiles for houses and buildings, interior decorative tiles, etc.

Major brands



LHT

LIXIL Housing Technology



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

Revenue	Core earnings
¥540.8 billion	¥20.7 billion

Principal products and services

Metal building materials

Housing window sashes, entrance doors, shutters, gates, carports, banisters, high railings, tide barriers, insulated smoke screens, etc.

Wooden interior furnishing materials

Window frames, wooden furnishing materials, interior decorative materials, etc.

Other building materials

Siding, stone materials, roofing materials, etc.

Interior fabrics

Curtains, etc.

Other

Solar power systems, etc.

Major brands



LBT

LIXIL Building Technology



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

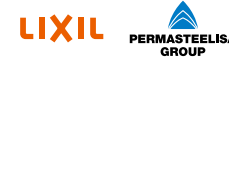
Revenue	Core earnings
¥256.0 billion	-¥38.1 billion

Principal products and services

Metal building materials

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

Major brands



D&R

Distribution & Retail Business



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

Revenue	Core earnings
¥176.4 billion	¥7.8 billion

Principal products and services

Home centers

Household products, DIY products, building materials, etc.

Comprehensive building material stores

Building materials, tools, hardware, etc. (Divested in June 2019)

Major brands



H&S

Housing & Services Business



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

Revenue	Core earnings
¥57.9 billion	¥3.5 billion

Principal products and services

Housing solution businesses

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

Real estate

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

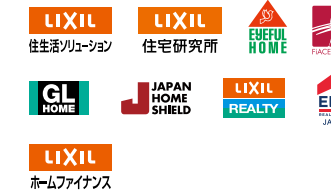
Assisted living retirement home business

Assisted living retirement homes, etc. (Divested in September 2019)

Financial services business

Housing loans, etc.

Major brands



Stages of LIXIL Group's Evolution

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

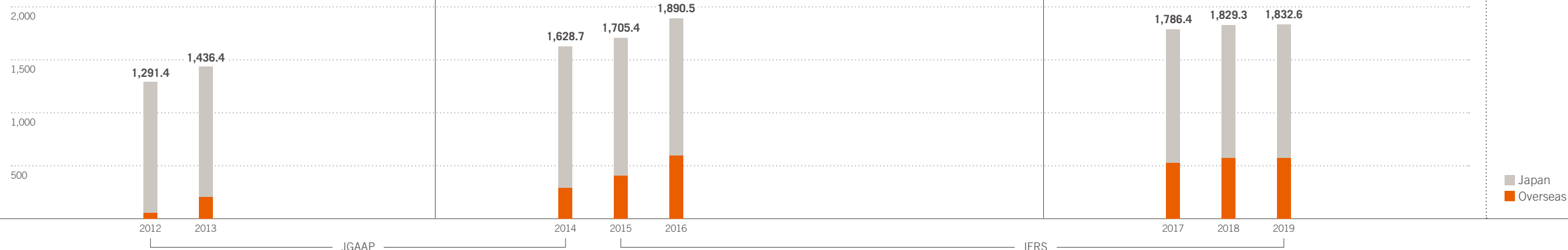
FYE2012–2013

Creating LIXIL through the merger of five companies

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

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

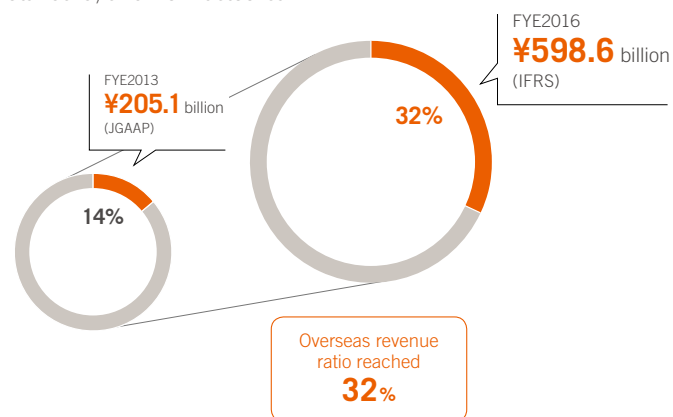
Net sales (JGAAP) / Revenue (IFRS) (Years ended March 31) (¥ billion)



FYE2014–2016

Establishing the foundation for business expansion and global growth

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



FYE2017–

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

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

Growth in the future

As the world's population and the middle income segment grow, the demand for housing and water technology products and services will continue to expand. LIXIL will harness its strengths to become a truly differentiated and unique housing and water technology company with the world's most respected and powerful brands. It will become an organization that can adapt and innovate faster, providing differentiated products and services that will enable it to capture revenue growth in the future.

CEO Message



Creating Stakeholder Value as One LIXIL

Kinya Seto

Director, Representative Executive Officer,
President and CEO

I would like to first sincerely thank you for your support this year. I am humbled by your many voices, which helped determine the outcome of this year's Annual General Meeting of Shareholders (AGM). I believe this is a rare watershed moment for LIXIL, marking who we really are and what we stand for.

Doing the Right Thing

On November 1, 2018, I was replaced as CEO. But there were governance-related concerns surrounding the change in leadership, including the undue influence of a founding family member over the Board of Directors and Nomination Committee. The unfortunate reality is that founding families and past leaders can still hold back the growth of some older and larger companies in Japan. I do not believe this is right, though, which is why I chose to seek re-election in the hopes of correcting governance at LIXIL and ensuring the company is working in the best interests of all of its stakeholders.

A number of stakeholders held similar concerns. Some of our institutional investors who are not activists became more vocal, asking the company to improve its governance and accountability. Senior managers and employees also spoke up for what they believed in despite the risk of doing so. I would like to express my appreciation for their support. Without it, we would not be able to address this issue today and strengthen governance at LIXIL.

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

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

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

Introducing the New Management System

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

In total, shareholders elected 14 directors. However, 11 directors, including myself, only secured between 50–60% of votes. I believe this reflects shareholders' demand for greater supervision and stronger governance in the company following recent events.

The new Board of Directors has made a strong commitment to work together as one team to achieve this greater supervision and stronger governance. Now consisting of nine outside directors and five internal directors, the new Board offers a broad range of supervisory skillsets. This Board structure will enable LIXIL to strengthen its governance and build on strategic continuity in order to enhance the corporate value of the company.

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

Addressing our Medium-Term Plan

The management team is now in the process of reviewing LIXIL's medium-term strategy.

In April 2018, we initiated the "Medium-Term Plan (MTP): Toward Sustainable Growth." Under the MTP, LIXIL will become a truly differentiated maker of pioneering water and housing products with the world's

CEO Message

most respected and powerful brands. It will be an organization that can innovate faster and provide differentiated products and services to become more profitable and financially robust in the medium term.

I believe the fundamentals of this strategy still remain on track and we do not expect to change the direction significantly. Following developments over the past year, however, we have to re-evaluate internal and external conditions in order to determine our short-term priorities.

Reviewing the Business Portfolio

There is a high degree of management complexity that accompanies LIXIL, which was formed through the integration of five companies in Japan and further overseas acquisitions. To improve management efficiency, simplifying the organization and improving the balance sheet are vital to creating a leaner and more operationally efficient company.

We have now begun to review specific assets in our business portfolio and their relationship to our core business, as well as their potential profitability. This will enable us to prioritize investment in potentially high growth areas and move toward the potential divestment of non-core or unprofitable businesses. Cleaning up the balance sheet is essential to improving management resources and the management efficiency of the company.

Addressing the Window Sash Business in Japan

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

Due to high fixed costs, LIXIL's window sash business is vulnerable to external factors, including the number of new housing starts, rapid changes to the business environment, and fluctuations in raw material costs. We have to accelerate initiatives to create a more resilient business, such as improving the production and space efficiency of factories, and accelerating the development and launch cycle of differentiated products. Specifically, this includes reducing the number of stock keeping units (SKUs), standardizing

parts, and unifying our core product platforms, which will then enable the generalization of production lines. In turn, this will enable us to respond to demand more flexibly and adapt to changes faster. While progress has been made in this area in the last year, we need to accelerate initiatives to cope with the unique challenges of the market, particularly in production. It is important that we transform this business into one that employees are confident in and proud of.

Becoming the World's No. 1 Bathroom Solutions Provider

Yet, while we have to address structural issues in Japan such as our window sash business, Japan offers LIXIL a great opportunity for global growth. Amid Japan's shrinking and aging population, high-quality differentiated products and services are key. This makes Japan a powerful contributor to our international business, too, as an innovator of differentiated products and technologies that can be exported to the world.

Globally, LIXIL is now in a unique place. The world's population is growing, especially the middle-income segment. While doing business overseas increases our exposure to greater political, economic, and social risk, it is where we will find future growth. There is growing demand for water technology products – from the most luxurious to the most basic. Today, through our powerful portfolio of brands, which includes names such as GROHE, American Standard, and INAX, we are meeting the different lifestyle preferences and tastes of our consumers.

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

A Company We Are Proud of

To achieve all of this, we must do so as One LIXIL.

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

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

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

LIXIL CORE (Corporate Philosophy)

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

LIXIL Behaviors

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

DO THE
RIGHT THING

WORK WITH
RESPECT

EXPERIMENT
AND LEARN

Value Creation Process

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

LIXIL's Capital

INPUT

Employees

Approximately **75,000** people working around the world

Brands

Portfolio of **17** industry-leading product brands and **6** retail and housing services brands

Intellectual Property

¥28.4 billion invested in R&D

Financial Capital

¥533.7 billion in capital and **¥726.0 billion** in interest-bearing debt

Natural Capital

22.2 million GJ of energy used and **16.7 million m³** of water intake

Manufacturing Assets

Capital investment of **¥67.6 billion**

Social Engagement

Over **¥1.1 billion** in social investments and community contributions

How LIXIL Creates Value

LIXIL CORE (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

OUTPUT

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^{*1}

Brands

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

Intellectual Property

Approximately **1,100** utility and design patent applications generated and filed worldwide every year

Financial Capital

Core earnings ratio of **0.7%** and ROE of **-9.1%** in FYE2019

Natural Capital

Reduced carbon intensity per economic output^{*2} by **4.5%** (Carbon intensity: 1,488 kg-CO₂/¥1 million)

Manufacturing Assets

103 factories globally

Social Engagement

Over **115 projects** related to the three strategic pillars of the Company's CR strategy

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

^{*2} Carbon intensity per economic output = CO₂ emissions (kg-CO₂) / total economic output (¥1 million)

LIXIL's Business Landscape



The World that Shapes Us

1 | The Rising Global Middle Class

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

Opportunity

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

Risk

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

*1 Brookings Institution and World Data Lab, September 2018

*2 McKinsey, July 2019

*3 World Data Lab, November 2018

2 | Japan's Silvering Population

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

Opportunity

- Lead transition from new housing market to home renovation, a potential ¥7.4 trillion market by 2030^{*5}
- Develop advanced technologies that can one day be exported to mature markets

Risk

- New housing starts are forecast to decline by one-third by 2030^{*5}
- Manpower is forecast to shrink by as much as 13 million people by 2040^{*6}

*4 Ministry of Internal Affairs and Communications, September 2018

*5 Nomura Research Institute, June 2019

*6 Ministry of Health, Labour and Welfare, January 2019

3 | The New Consumer

As the middle class grows, the lifestyle preferences and tastes of consumers are broadening, made even more diverse by the distinctive cultural preferences of each market. But the “hollowing out” of the middle class in traditional mature markets is influencing spending habits, too, especially as the net worth of younger generations there decreases^{*7}. This, coupled with the rise of peer-to-peer networks, means the consumer now has the motivation and the choice to be more selective and educated about products.

Opportunity

- Differentiate through design, technology, quality, and brands

Risk

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

*7 Deloitte, May 2019

4 | The Digital Lifestyle

In a world being programed by Millennials and Gen-Zers, digitization envelops us. From IoT solutions through to AI, big data analysis, and blockchain, new technologies are constantly transforming how we live, work, learn, and play. Opportunities appear limitless and, day by day, more and more people are coming online. In 2018 alone, over 365 million new users connected to the internet, bringing the total to approximately 4.4 billion people^{*8}. This is a world where change is constant, and for companies, where adaptability determines survivability.

Opportunity

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

Risk

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

*8 We Are Social and Hootsuite, January 2019

5 | The Effects of Climate Change

From extreme weather events to rising temperatures and changing rainfall patterns, the risk of climate change to economies and individuals alike is real. The Paris Agreement aims to keep the increase in temperature to below 2°C above pre-industrial levels, but concerted efforts to rein it in are looking increasingly unconcerted. For the world's 215 biggest companies alone, climate change risks could cost as much as US\$1 trillion in five years^{*9}. Addressing climate change is key to a company's sustainability and competitive advantage.

Opportunity

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

Risk

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

*9 CDP, June 2019

6 | A Company's Social Purpose

A company's social purpose is how it makes a positive difference to the world around it – and it matters to all kinds of stakeholders^{*10}. For increasingly ESG-focused investors, it has become an important indicator of a company's sustainability. For the increasingly Millennial workforce, it is a source of pride and a reason to believe in a company. And for the communities it benefits, it is life-changing. This is the power of the shared value created by a company's social purpose, which is truly a competitive differentiator for companies that live by it.

Opportunity

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

Risk

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

*10 EY Beacon Institute, April 2018

7 | The Work Environment

Technology has enabled employees to connect anytime and anywhere, adding new dimensions of flexibility and diversity to work. Working spaces are being redesigned, too, in bids to attract talent and unlock new productivity. But the employment landscape is shifting altogether, with workers around the world becoming increasingly independent and companies looking for a more agile, contingent workforce^{*11}. This is the gig economy and it is growing. A human resources system that can keep up with changing work-style trends will be key to securing the best talent.

Opportunity

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

Risk

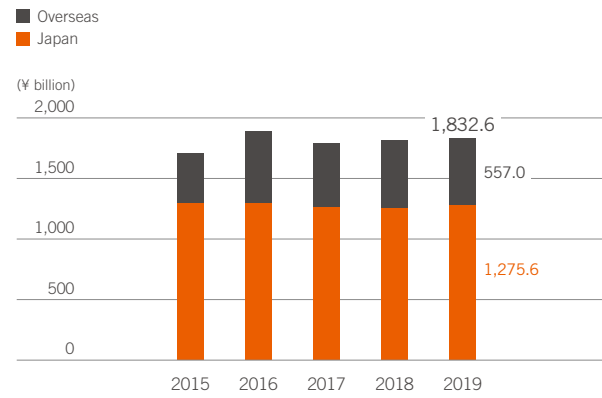
- Hiring and retaining talented employees may become difficult

*11 BCG, January 2019

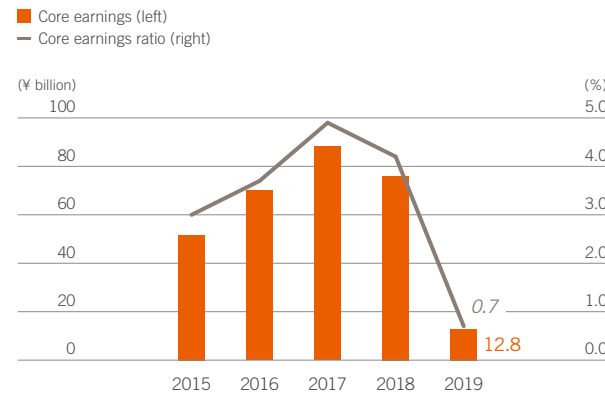
Financial & Non-Financial Highlights

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

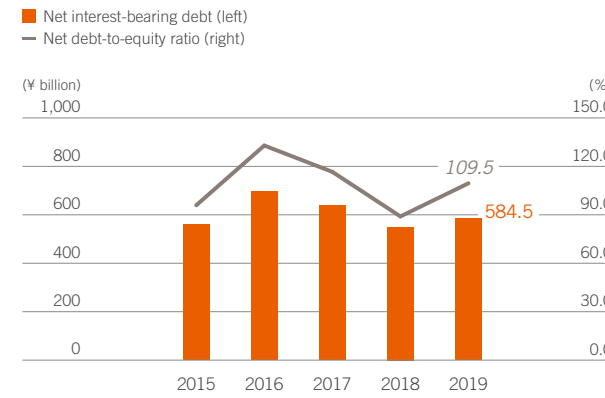
Revenue



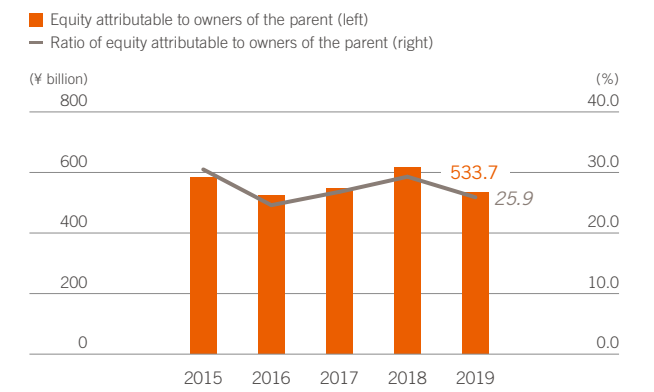
Core earnings / Core earnings ratio



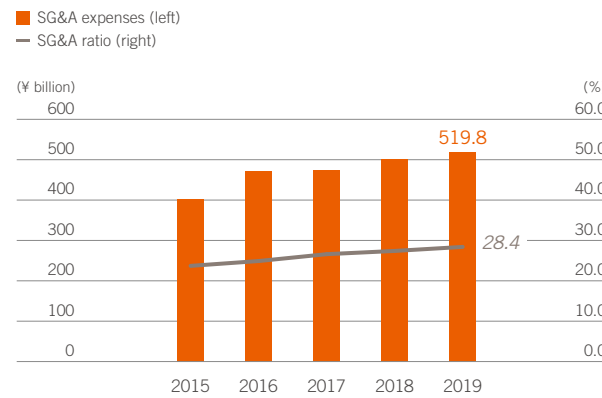
Net interest-bearing debt / Net debt-to-equity ratio



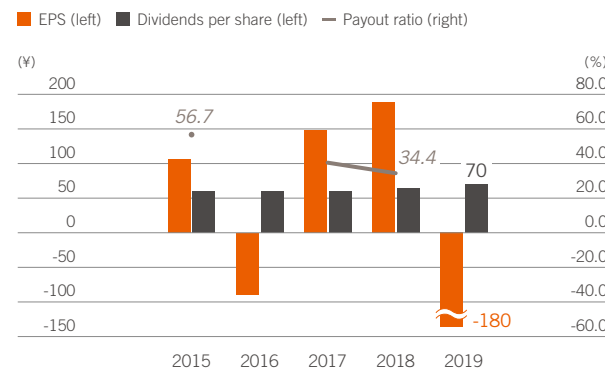
Equity attributable to owners of the parent / Ratio of equity attributable to owners of the parent



SG&A expenses / SG&A ratio

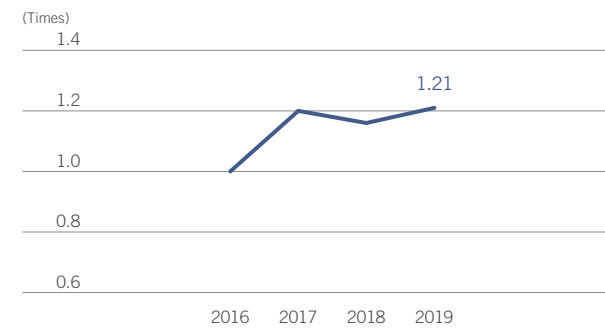


Earnings (loss) per share (EPS) / Dividends per share / Dividend payout ratio

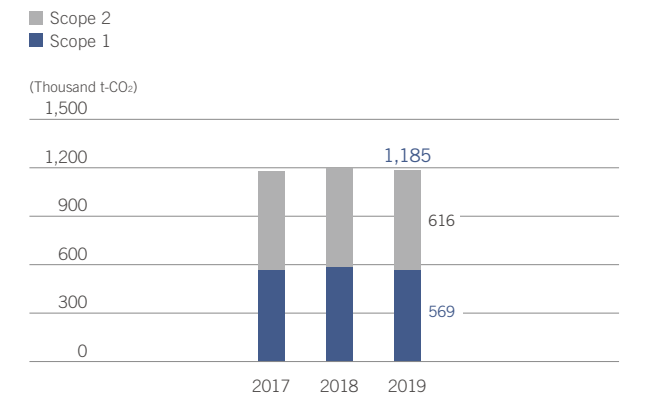


Relative reduction in CO₂ emissions due to Group products and services

(Compared to FYE2016)

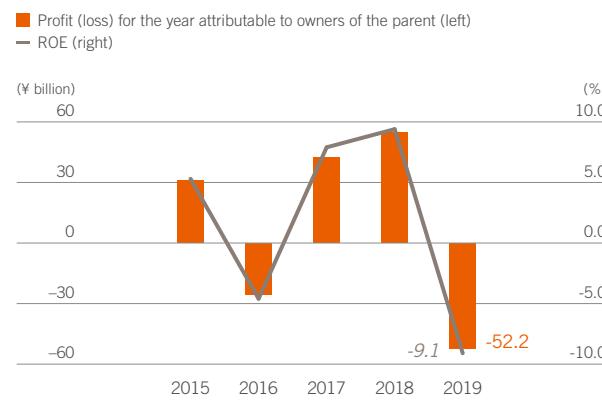


CO₂ emissions from Group activities (Scope 1 and 2)

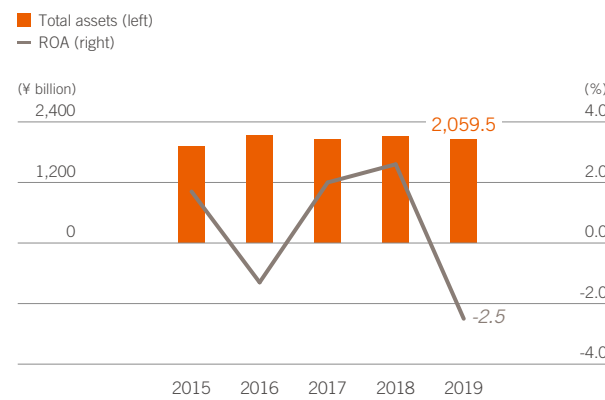


* CO₂ emissions reduction: the reduction possible when customers use LIXIL's environmentally friendly products and services (in comparison to the reduction due to previous versions of those products)

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

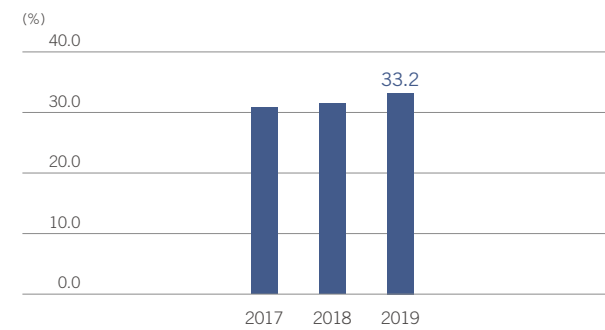


Total assets / ROA



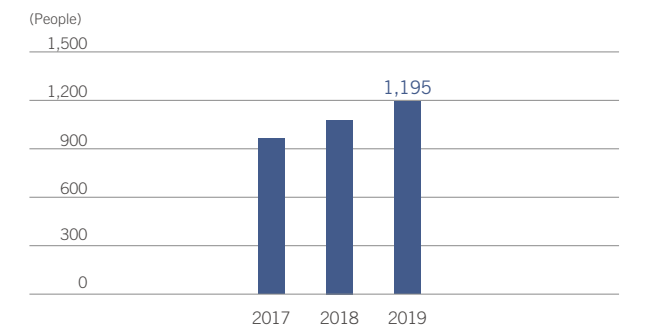
Ratio of women among recent graduate recruits (university undergraduate and graduate students)

(LIXIL Corporation, Japan)



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

(LIXIL Corporation, Japan)



CFO Message



Sachio Matsumoto

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

Strengthening Cash Flow and Profitability to Improve Corporate Value and Ensure Stable Shareholder Returns

Overview of FYE2019

Consolidated revenue for the fiscal year ended March 31, 2019 (FYE2019), increased by 0.2% year on year. This increase can be attributed to factors such as the stabilization of market and sales conditions in Japan from October 2018. Core earnings, however, were down by 83.2% year on year. There are several reasons for this significant decline. In Japan, we encountered operational challenges after making organizational changes and implementing a new trading framework at the same time. Moreover, Japan experienced a series of natural disasters, which reduced our profitability in the first half of the fiscal year. A large, one-off loss was also incurred in relation to the operations of Italian subsidiary Permasteelisa.

Specific to Permasteelisa, in August 2017, LIXIL decided to sell all of the company's shares to a Chinese

company. However, the sale did not go through after a key US regulatory authority announced it would not approve the sale in October 2018. At the time, there were concerns that Permasteelisa's business, centered on its North American operations, would deteriorate rapidly due to rising costs related to human resources and raw materials. Therefore, an immediate and thorough examination of all of its ongoing projects was carried out. Subsequently, we recorded a one-off ¥41.5 billion loss related to Permasteelisa in FYE2019 to account for higher construction costs required to complete projects, bad debt, and similar items.

Profit for the year attributable to owners of the parent resulted in a loss of ¥52.2 billion, down ¥106.8 billion year on year. Various reasons contributed to this decline. Profit before tax decreased by ¥83.1 billion, which was due to the absence of a ¥23.6 billion gain on sales of affiliates and investment property recorded in the previous year, a ¥24.8 billion impairment loss attributed to reputational and intangible asset losses related to Permasteelisa's situation, and the decrease in core earnings. On top of this, we recorded an increase in income tax expenses owing to the reduction of deferred tax assets recorded at the time of the decision to sell Permasteelisa.

Focus on Recovering Profitability in FYE2020

I regret LIXIL was unable to meet the expectations of our shareholders and investors, ending FYE2019 with significantly lower core earnings and a net loss.

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

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

Preventative Measures Against Inappropriate Actions by Subsidiaries

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

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

Strengthening the Balance Sheet to Support Sustainable Growth

A strong balance sheet is vital for supporting continued

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

LIXIL's equity ratio (ratio of equity attributable to owners of the parent) in FYE2019 was 25.9% as a result of large losses and the sale of Permasteelisa not being approved. This was 3.4 percentage points worse than the previous fiscal year and 4.1 percentage points below 30%, which is our indicator of financial soundness. Moreover, our net debt to EBITDA ratio worsened by 3.3 times year on year.

It is under these circumstances that we, the new management team, are faced with the urgent tasks of continuing to focus our business portfolio from a new perspective, re-evaluating the balance sheet while increasing cash flow to ensure funds for investments in growth areas, and clarifying priorities for investment.

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

Results of FYE2018 and FYE2019 (IFRS)

(¥ billion)

	FYE2018 results	FYE2019 results			
		Expected	Actual	YoY	Vs. expected
Revenue	1,829.3	1,845.0	1,832.6	0.2%	-0.7%
Excluding Permasteelisa	1,664.8	1,679.5	1,689.4	1.5%	0.6%
Permasteelisa	164.5	165.5	143.2	-13.0%	-13.5%
Core earnings*	76.0	45.0	12.8	-83.2%	-71.6%
Excluding Permasteelisa	75.3	54.0	54.3	-27.8%	0.6%
Permasteelisa	0.7	-9.0	-41.5	—	—
Profit (loss) for the year attributable to owners of the parent	54.6	1.5	-52.2	—	—
Excluding Permasteelisa	66.4	25.0	25.3	-61.9%	1.2%
Permasteelisa	-11.8	-23.5	-77.5	—	—

*Core earnings is revenue minus costs, such as of production, sales, management, and administration.

Review and Analysis of Operating Results and Financial Position

Status of Operating Results

Revenue in FYE2019

LIXIL Group generated ¥1,832.6 billion in revenue in FYE2019, up by 0.2% year on year. In the Japan market, revenue increased for all domestic businesses except LIXIL Water Technology (LWT), which maintained the same level of revenue as the previous fiscal year (FYE2018). LIXIL Housing Technology (LHT) in particular recorded strong sales during the second half of the fiscal year, leading the year-on-year growth in revenue in the Japan market.

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

FYE2019 revenue by segment for the domestic and overseas businesses

(¥ billion)

	First half			Second half			Full year		
	FYE2018	FYE2019	Increase / decrease	FYE2018	FYE2019	Increase / decrease	FYE2018	FYE2019	Increase / decrease
Japan	628.4	626.1	-2.3	660.5	686.3	25.8	1,289.0	1,312.4	23.5
LWT	207.8	208.0	0.2	227.8	227.3	-0.5	435.6	435.3	-0.3
LHT	257.9	251.5	-6.5	262.9	278.6	15.7	520.8	530.0	9.2
LBT	51.2	52.6	1.4	55.5	60.2	4.8	106.7	112.8	6.1
D&R*	87.5	87.8	0.3	86.0	88.5	2.5	173.5	176.4	2.9
H&S*	23.9	26.2	2.3	28.4	31.7	3.3	52.3	57.9	5.6
Overseas	276.3	277.2	0.9	295.1	274.6	-20.5	571.4	551.8	-19.6
LWT	188.5	194.0	5.5	203.8	203.9	0	392.3	397.8	5.5
LHT	7.3	5.6	-1.7	7.1	5.2	-1.9	14.4	10.8	-3.6
LBT	80.6	77.7	-2.9	84.2	65.5	-18.6	164.8	143.2	-21.6
Adjustment	-14.4	-15.1	-0.8	-16.7	-16.5	0.2	-31.1	-31.6	-0.6
Total	890.4	888.2	-2.2	938.9	944.4	5.5	1,829.3	1,832.6	3.3

*D&R: Distribution & Retail Business, H&S: Housing & Services Business

Core Earnings in FYE2019

LIXIL Group generated core earnings of ¥12.8 billion in FYE2019, down 83.2% year on year. In the Japan market, core earnings decreased in the first half of the fiscal year. This was primarily due to the cost increase associated with the introduction of the new trading framework and due to the impact of natural disasters. However, in the second half of the fiscal year, core earnings were positively affected by a recovery in demand and by controlling selling,

general and administrative (SG&A) expenses. As a result, core earnings for the three domestic businesses, namely LWT, LHT, and LIXIL Building Technology (LBT), improved significantly compared with the first half of the fiscal year. With regard to the overseas businesses, however, LIXIL Group recorded a significant drop in core earnings mainly due to the provision for losses related to construction costs at Permasteelisa, in addition to an increase in personnel and material costs.

FYE2019 core earnings by segment for domestic and overseas businesses

(¥ billion)

	First half			Second half			Full year		
	FYE2018	FYE2019	Increase / decrease	FYE2018	FYE2019	Increase / decrease	FYE2018	FYE2019	Increase / decrease
Japan	41.7	22.3	-19.3	34.3	42.9	8.6	76.0	65.2	-10.7
LWT	16.9	10.4	-6.5	16.7	18.8	2.1	33.6	29.2	-4.4
LHT	16.7	5.1	-11.6	11.6	16.2	4.6	28.3	21.3	-7.0
LBT	2.5	0.8	-1.7	2.3	3.0	0.6	4.7	3.6	-1.1
D&R*	4.6	4.7	0.1	2.3	3.0	0.7	6.9	7.8	0.8
H&S*	1.1	1.4	0.3	1.5	2.1	0.6	2.5	3.5	0.9
Overseas	18.2	10.2	-8.0	21.2	-21.4	-42.6	39.4	-11.2	-50.6
LWT	18.2	15.2	-3.0	22.0	15.9	-6.2	40.3	31.1	-9.2
LHT	0.3	-0.5	-0.8	-1.1	-0.1	1.0	-0.8	-0.6	0.2
LBT	-0.3	-4.5	-4.2	0.2	-37.2	-37.4	-0.1	-41.7	-41.6
Adjustment	-19.2	-18.8	0.4	-20.2	-22.5	-2.3	-39.3	-41.2	-1.9
Total	40.7	13.8	-26.9	35.3	-1.0	-36.3	76.0	12.8	-63.2

*D&R: Distribution & Retail Business, H&S: Housing & Services Business

Profit (Loss) Attributable to Owners of the Parent in FYE2019

LIXIL Group recorded a net loss of ¥52.2 billion, down ¥106.8 billion year on year. Profit before tax dropped by ¥83.1 billion mainly due to the absence of a ¥23.6 billion gain on sales of affiliates and investment property recorded in FYE2018, a ¥24.8 billion impairment loss on goodwill and intangible assets related to Permasteelisa, in addition to the decrease in core earnings. Moreover, a ¥13.5 billion reversal of deferred tax assets recorded on the decision to divest Permasteelisa resulted in an increase in income tax expenses.

Forecast of Operating Results for FYE2020

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

incurred in FYE2020, primarily from initiatives to recover the profitability of Permasteelisa.

Within this context, the Group projects increases both in revenue and in profit in FYE2020.

The foreign exchange rate assumptions used to forecast FYE2020 results are ¥115/US\$ and ¥133/€. However, for the forecast on a consolidated basis, the fluctuation of the euro between the planning and announcement of our forecast (which was approximately ¥123/€ on May 13, 2019) was taken into consideration as a risk factor. As a result, the impact on the profit and loss incurred from the difference between the two rates, namely ¥133/€ and ¥123/€, was added to "Consolidation adjustments and other."

FYE2020 forecast

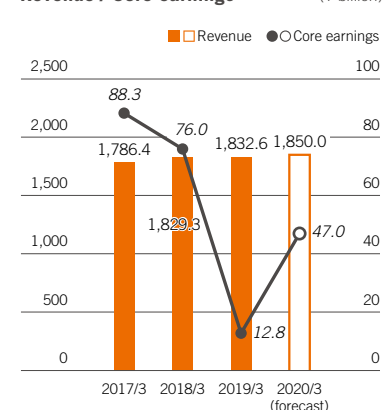
(¥ billion)

	Full year			
	FYE2019	FYE2020 (forecast)	Increase / decrease	YoY
Revenue	1,832.6	1,850.0	17.4	0.9%
Core earnings	12.8	47.0	34.2	267.2%
Operating profit	-15.0	38.0	53.0	—
Profit (loss) before tax	-18.0	44.0	62.0	—
Income tax expenses	-31.3	-26.4	4.9	—
Profit (loss) attributable to non-controlling interests	-2.9	-2.6	0.3	—
Profit (loss) attributable to owners of the parent	-52.2	15.0	67.2	—
EBITDA*	81.3	150.4	69.1	85.0%
Basic earnings per share (EPS) (yen)	-179.98	51.71	231.69	—

*The impact of approximately ¥34.0 billion from the adoption of revised IFRS 16 "Leases" effective from April 2019 is included.

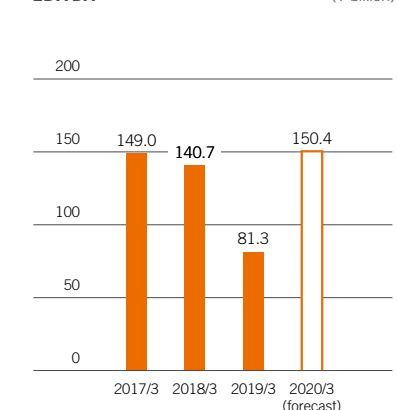
Revenue / Core earnings

(¥ billion)



EBITDA

(¥ billion)



Review and Analysis of Operating Results and Financial Position

Financial Position as of March 31, 2019

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

liabilities were reclassified to their original accounts in the FYE2019 consolidated statement of financial position.

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

Consolidated financial position

(¥ billion)

	[A] March 2018	[B] March 2019	Increase / decrease				
			Assets held for sale and liabilities directly associated with the assets held for sale		Others (actual increase / decrease)	[B]-[A] Total increase / decrease	
			Discontinued operations	Others			
Cash and cash equivalents	138.8	141.4	5.1	-1.7	-0.8	2.7	
Trade and other receivables	343.3	401.7	59.2	-4.1	3.2	58.4	
Inventories	217.9	234.6	5.0	-1.1	12.8	16.7	
Assets held for sale	180.2	11.4	-181.0	11.3	0.9	-168.8	
Others	1,227.0	1,270.4	111.7	-4.5	-63.7	43.5	
Total assets	2,107.1	2,059.5	—	—	-47.6	-47.6	
Trade and other payables	339.0	392.4	38.3	-2.0	17.1	53.4	
Interest-bearing debt	687.9	726.0	23.3	0	14.8	38.0	
Liabilities directly associated with the assets held for sale	127.5	5.0	-137.8	5.0	10.4	-122.4	
Others	303.2	369.0	76.2	-2.9	-7.5	65.8	
Total liabilities	1,457.6	1,492.4	—	—	34.8	34.8	
Treasury shares	-49.0	-48.9	—	—	0.1	0.1	
Others	698.6	616.1	—	—	-82.5	-82.5	
Total equity	649.6	567.2	—	—	-82.4	-82.4	
Equity ratio (%)	29.3%	25.9%					-3.4pp
Net assets per share (yen)	2,128.77	1,839.59					-289.18
Number of shares (in thousands)	289,790	290,095					305
Net interest-bearing debt	549.2	584.5					35.4

Assets

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

Liabilities

Total liabilities as of March 31, 2019, amounted to ¥1,492.4 billion, up by ¥34.8 billion year on year, reflecting a ¥114.5 billion increase in current liabilities and a ¥79.7 billion decrease in non-current liabilities. Major increasing factors included year-on-year increases of

¥17.1 billion and ¥14.8 billion in trade and other payables and interest-bearing debt, respectively.

Equity

Total equity as of March 31, 2019, stood at ¥567.2 billion (including ¥533.7 billion of equity attributable to owners of the parent), down by ¥83.2 billion year on year. Major decreasing factors included lower retained earnings due to a ¥52.2 billion loss for the year attributable to owners of the parent, ¥20.3 billion in dividends paid, and a ¥11.9 billion other comprehensive loss posted mainly due to the remeasurements of defined benefit pension plans and the fair value gain and loss on financial assets.

The ratio of equity attributable to owners of the parent (equity ratio) was 25.9%, and the equity per share attributable to owners of the parent (net assets per share, BPS) was ¥1,839.59.

Cash Flows in FYE2019

Cash and cash equivalents as of March 31, 2019, amounted to ¥141.4 billion, up by ¥2.7 billion year on year, including the effects of exchange rate changes.

Cash Flows from Operating Activities

Net cash provided by operating activities for FYE2019 amounted to ¥69.4 billion, down by ¥47.0 billion year on year. This decrease was attributable mainly to the fluctuations of working capital, including trade and other receivables, in addition to a significant decline in profit before tax.

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

Net cash generated by financing activities was ¥1.6 billion, up by ¥45.4 billion year on year. While dividends paid (including those paid to non-controlling interests) increased by ¥3.9 billion, the proceeds from interest-bearing debt surpassed its repayment by ¥27.5 billion. The net proceeds from interest-bearing debt was recorded as a result of financing by short- and long-term interest-bearing debt to cover the decrease in operating cash flows during FYE2019.

Cash flow status and cash balance

(¥ billion)

	FYE2018	FYE2019	Increase / decrease
Profit before tax from continuing operations	90.0	-18.0	-108.0
Loss before tax from discontinued operations	-24.9	—	24.9 *1
Profit before tax	65.1	-18.0	-83.1
Depreciation and amortization	64.7	68.5	3.8
Income taxes paid	-31.9	-29.3	2.5
Working capital	-0.6	-6.1	-5.5
Loss recognized on the measurement of the disposal group held for sale to fair value / Profit recognized on the remeasurement	21.9	-2.0	-23.9 *1
Others	-2.8	56.4	59.2 *2
Net cash flows from operating activities	116.4	69.4	-47.0
Net cash flows from investing activities	-52.6	-72.3	-19.7
(of which purchase of property, plant and equipment and intangible assets)	-70.0	-67.6	2.3
Free cash flows	63.8	-3.0	-66.7
Net cash flows from financing activities	-43.8	1.6	45.4

Cash and cash equivalents (balance at the fiscal year-end)	138.8	141.4	2.7

*1 "Loss before tax from discontinued operations" is offset by "Loss recognized on the measurement of the disposal group held for sale to fair value / Profit recognized on the remeasurement."

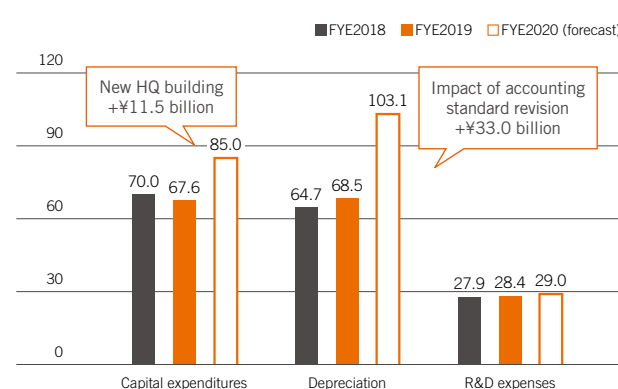
*2 "Others" in FYE2019 operating cash flows mainly consists of an impairment loss of ¥30.2 billion and the impact of foreign exchange translation.

Review and Analysis of Operating Results and Financial Position

Forecast for FYE2020

For FYE2020, the Group projects capital expenditure of ¥85.0 billion, up by 25.7% year on year, and depreciation of ¥103.1 billion, up by 50.5% year on year. The increase in capital expenditure is mainly due to ¥11.5 billion in construction costs for a new headquarters building. The increase in depreciation is attributable to a revision in accounting standards for leases, which had an impact of ¥33.0 billion, and a ¥2.0 billion increase in the depreciation of IT systems. As for R&D expenses, the Group projects ¥29.0 billion in FYE2020, maintaining the average yearly level of approximately 1.6% of revenue.

Capital expenditures, depreciation, and R&D expenses (¥ billion)



Total assets	¥121.0 billion increase
Interest-bearing debt	¥121.5 billion increase
EBITDA	¥34.0 billion increase
Core earnings	¥1.0 billion increase
SG&A expenses	Rent expenses: ¥34.0 billion decrease
SG&A expenses	Depreciation: ¥33.0 billion increase
Profit before tax	¥0.5 billion decrease
Finance costs	Interest expenses: ¥1.5 billion increase
Cash flows from operating activities	¥32.5 billion increase
Cash flows from financing activities	¥32.5 billion decrease

Note: Figures are estimated approximate amount as of March 31, 2019.

Impact of the Adoption of Revised Accounting Standard for Leases

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

Major financial indicators of FYE2020, projected as of March 31, 2019, are as shown in the table on the right although actual results could be different due to changes in assumptions and conditions.

Forecast for FYE2020 by Segment

■ LIXIL Water Technology (LWT)

LWT is expected to post ¥860.0 billion in revenue, up by 3% year on year, and ¥64.8 billion in core earnings, up by 8% year on year, in FYE2020.

Regarding the Japan market, the effect of the consumption tax increase planned for October 2019 is anticipated in the form of preemptive demand in the first half of FYE2020 and a reactionary fall in demand in the second half. With forecasts of the number of new housing starts and demand for renovation taken into account, LWT projects to post the same level of full-year revenue in FYE2020 as FYE2019.

Overseas, the global economy continues to experience destabilizing factors such as the US-China trade conflict. Nevertheless, LWT projects increases in both revenue and core earnings in overseas markets, supported by the effects of price revisions, sales promotion of synergistic products, and continuous improvements in cost of sales and SG&A expenses.

■ LIXIL Housing Technology (LHT)

LHT is expected to post ¥535.0 billion in revenue, down by 1% year

on year, and ¥25.9 billion in core earnings, up by 25% year on year, in FYE2020.

Regarding the Japan market, as with LWT, the effect of the consumption tax increase planned for October 2019 is anticipated in the form of preemptive demand in the first half of FYE2020 and a reactionary fall in demand in the second half. In total, LHT expects to post the same level of full-year revenue in FYE2020 as FYE2019. LHT also anticipates an improvement in core earnings buoyed by product price revisions in and after the second half of FYE2019, as well as by the price decline of aluminum, a major raw material of LHT's products.

■ LIXIL Building Technology (LBT)

LBT is expected to post ¥263.0 billion in revenue, up by 3% year on year, and a ¥9.7 billion loss in core earnings, up by ¥28.4 billion year on year, in FYE2020. The improvement in core earnings is largely due to the absence of construction costs and allowance for doubtful accounts additionally recognized in FYE2019 as a result of a close examination of Permasteelisa's orders received.

■ Distribution and Retail Business (D&R)

D&R is expected to post ¥188.0 billion in revenue, up by 7% year on year, and ¥6.2 billion in core earnings, down by 20% year on year, in FYE2020. The decrease in core earnings is mainly attributable to the acceleration of new store openings.

■ Housing and Services Business (H&S)

H&S is expected to post ¥57.0 billion in revenue, down by 1% year on year, and ¥3.3 billion in core earnings, down by 4% year on year, in FYE2020. These declines are primarily due to the absence of real estate properties sold in FYE2019.

The forecast for the FYE2020 performance of the LIXIL Group by segment is as follows:

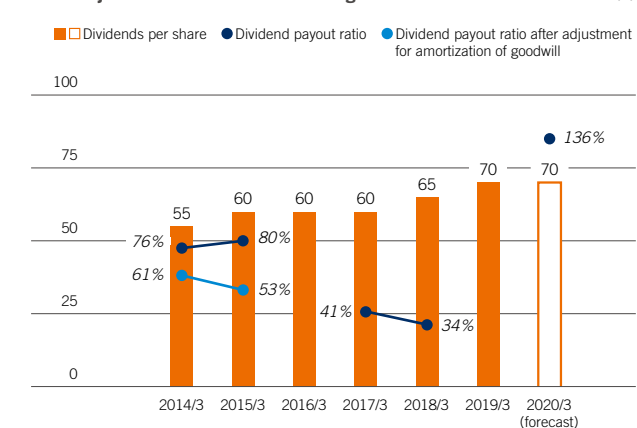
	FYE2019 result				FYE2020 forecast				
	Japan	Overseas	Total	YoY (%)	Japan	Overseas	Total	YoY (%)	
LWT	Revenue	435.3	397.8	833.1	0.6%	435.0	425.0	860.0	3.2%
	Core earnings	29.2	31.1	60.2	-18.4%	23.7	41.1	64.8	7.5%
	CE margin	6.7%	7.8%	7.2%	-1.7pp	5.4%	9.7%	7.5%	+0.3pp
LHT	Revenue	530.0	10.8	540.8	1.0%	528.0	7.0	535.0	-1.1%
	Core earnings	21.3	-0.6	20.7	-24.7%	26.9	-1.0	25.9	25.2%
	CE margin	4.0%	—	3.8%	-1.3pp	5.1%	—	4.8%	+1.0pp
LBT	Revenue	112.8	143.2	256.0	-5.7%	116.0	147.0	263.0	2.7%
	Core earnings	3.6	-41.7	-38.1	—	2.3	-12.0	-9.7	-74.6%
	CE margin	3.2%	—	—	—	2.0%	—	—	+11.2pp
D&R	Revenue	176.4	—	176.4	1.6%	188.0	—	188.0	6.6%
	Core earnings	7.8	—	7.8	11.7%	6.2	—	6.2	-19.7%
	CE margin	4.4%	—	4.4%	+0.4pp	3.3%	—	3.3%	-1.1pp
H&S	Revenue	57.9	—	57.9	10.6%	57.0	—	57.0	-1.4%
	Core earnings	3.5	—	3.5	36.1%	3.3	—	3.3	-4.5%
	CE margin	6.0%	—	6.0%	+1.1pp	5.8%	—	5.8%	-0.2pp
Consolidation adjustments and other	Revenue	—	—	-31.6	—	—	—	-53.0	—
	Core earnings	—	—	-41.2	—	—	—	-43.5	—
LIXIL Group	Revenue	1,312.4	551.8	1,832.6	0.2%	1,324.0	579.0	1,850.0	0.9%
	Core earnings	65.2	-11.2	12.8	-83.2%	62.4	28.1	47.0	267.2%
	CE margin	5.0%	—	0.7%	-3.5pp	4.7%	4.9%	2.5%	+1.8pp

Financial Policy

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

LIXIL Group plans to issue dividends in FYE2020 of ¥70.0 per share, which is the same as in FYE2019.

Dividends per share / Dividend payout ratio / Dividend payout ratio after adjustment for amortization of goodwill (¥)



Review of Operations

(Fiscal Year Ended March 31, 2019)

LWT

LIXIL Water Technology

Revenue



Core earnings **¥60.2** billion

Employees **32,868** people

R&D **¥19.7** billion

CAPEX **¥36.9** billion

Direct customers

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

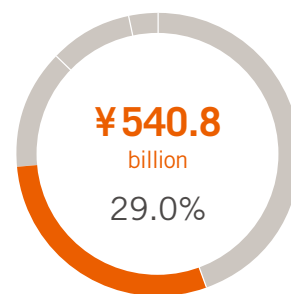
Competitors

- Kohler
- Roca
- Hansgrohe
- Masco (Delta)
- Fortune Brands (Moen)
- Geberit
- TOTO
- Takara Standard
- Cleanup
- Panasonic

LHT

LIXIL Housing Technology

Revenue



Core earnings **¥20.7** billion

Employees **18,820** people

R&D **¥7.3** billion

CAPEX **¥20.0** billion

Direct customers

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

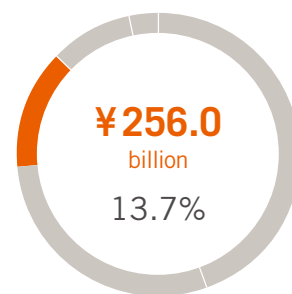
Competitors

- YKK AP
- Sankyo Tateyama

LBT

LIXIL Building Technology

Revenue



Core earnings **-¥38.1** billion

Employees **7,461** people

R&D **¥1.5** billion

CAPEX **¥3.7** billion

Direct customers

- Construction companies
- Architectural firms

Competitors

- YKK AP
- Yuanda
- Local companies

D&R

Distribution & Retail Business

Revenue



Core earnings **¥7.8** billion

Employees **1,357** people

CAPEX **¥11.2** billion

Direct customers

- General consumers
- Construction professionals

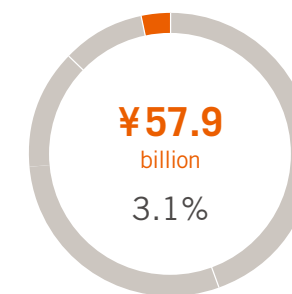
Competitors

- DCM Japan Holdings
- Cainz
- Komeri
- Kohnan Shoji

H&S

Housing & Services Business

Revenue



Core earnings **¥3.5** billion

Employees **1,374** people

CAPEX **¥1.1** billion

Direct customers

- Housing franchise business: Homebuilding franchise members
- Housing site ground inspection business: Construction companies and real estate transaction agents
- Real estate brokerage franchise business: General consumers

Global Manufacturing and Sales Sites

Number of factories

103 sites

Japan	Overseas
43	60

	Americas	Europe	Africa	Asia Pacific	Japan
LWT	11	4	4	22	20
LHT	—	—	—	8	23*
LBT	2	5	—	4	—

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

Number of showrooms

127 sites

Japan	Overseas
103	24

Americas	Europe	Asia Pacific	Japan
1	9	14	103

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

Domestic home center stores (D&R) **96** stores

Domestic homebuilding franchise members (H&S) **194** stores

Review of Operations by Segment

LIXIL Water Technology (LWT)

Market Conditions

The global plumbing fixtures and fittings market is worth ¥5 trillion today and forecast to keep growing.

Overseas, European and North American markets have been buoyant recently against a backdrop of monetary easing, while the world's growing population, which is expected to reach 8.5 billion people in 2030, is driving new growth. In particular, the growing middle class in China and increasing need for energy and water conservation technology in Europe are among trends expected to increase demand for water technology products in the future.

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

Key Strengths

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

Leveraging this unique strength, LWT is now developing its business in emerging markets in particular, where the middle class is expected to grow. It is also honing its competitive edge by enhancing cross-regional and cross-brand synergies, which combined with improved production efficiency, will enable LWT to

SWOT analysis

Strengths	Opportunities
<ul style="list-style-type: none"> Highly regarded brands across all regions A product portfolio spanning all market segments, from the luxurious to the basic ends of the spectrum Sales network in more than 150 countries Global supply chain network 	<ul style="list-style-type: none"> Higher demand from population growth and increasing income levels around the world Development of differentiated products for the global market by transferring and consolidating technology and design within LWT, based on development of product platforms using Japanese technology Increasing demand for products catering to increased environmental and health awareness Growing renovation market in Japan
Weaknesses	Threats
<ul style="list-style-type: none"> Downward pricing pressure Business structure not fit for future growth Underinvesting in marketing and brand management 	<ul style="list-style-type: none"> Disruption of sales channel due to changes in distribution model Decreasing new housing starts in Japan Increase in labor cost and material prices Shortage of skilled labor Economic deterioration Rapid commoditization due to new business models Rise of highly cost-competitive manufacturers from developing countries

respond more flexibly to global demand. In this context, the core growth driver will be transferring advanced technology developed in Japan to overseas markets, and creating attractive products that harness designs representative of each brand and local tastes.

Key Highlights for FYE2019

- In April, LIXIL's Japan business changed its organization structure to integrate product development, production, and sales functions. This will enable it to accelerate its business cycle and more effectively reflect market needs. The Japan business also introduced a new trading framework, a mechanism to clarify pricing structures and definitions of roles between LIXIL and its business partners, which helps to specify the responsibilities of each business, enhance information sharing, and improve overall operational efficiency.
- Sales of products that have resulted from synergies within LIXIL Group, consisting mostly of products that use technology developed in Japan but with regionally customized designs, and new businesses accounted for 74% of LWT's overseas sales growth.
- LWT opened new flagship showrooms in major cities in China and Vietnam to capture strong demand in economically developing markets in Asia.
- In order to strengthen consumer-centric product development, LIXIL opened a new R&D hub in Shanghai. This R&D hub will deal with all of LIXIL's bathroom and kitchen brands present in Asia.

- LWT introduced business models such as "digital water management," which has enabled tie-ups with multiple insurance companies in Europe, establishing a new growth market.

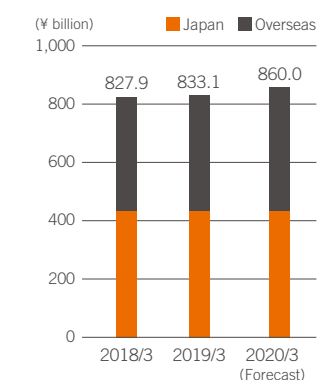
Key Initiatives in FYE2020

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

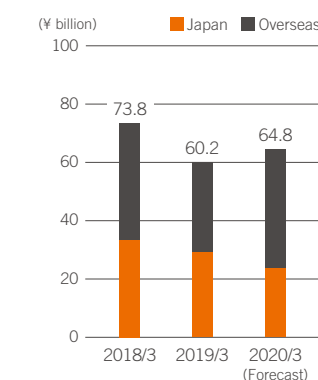


GROHE Bathroom Collections Full bathroom solution

Revenue



Core earnings



Review of Operations by Segment

LIXIL Housing Technology (LHT)



TOSTEM LW

Market Conditions

In Japan, the number of new housing starts has been decreasing over the long term as a result of the country's aging and shrinking population. However, the size of the housing components market is expected to remain the same in the medium term. In addition to government initiatives aimed at stabilizing demand around the consumption tax hike scheduled for October 2019, measures are also being taken by housing material manufacturers to stimulate demand for home renovation.

Overseas, we anticipate demand for housing products to grow in the Asia region, which enjoys more stable and positive economic growth, an increasing population, and rising income levels.

Key Strengths

The core commercial strengths of LIXIL Housing Technology (LHT) are its wide variety of products, the ability to coordinate these products, its high market share in each product category, and its robust nationwide sales network. Leveraging these well-established strengths, LHT provides differentiated and high value-added products. It is now strengthening its competitiveness by innovating new designs and technologies, enhancing efficiencies in product development and manufacturing processes, and establishing business alliances with other companies.

Key Highlights for FYE2019

- In April, LIXIL's Japan business changed its organization structure to integrate product development, production, and sales functions. The Japan business also introduced a new trading framework, a mechanism to clarify pricing structures and definitions of roles between LIXIL and its business partners, which helps to specify the responsibilities of each business, enhance information sharing, and improve overall operational efficiency.
- In production, LHT proceeded to reduce stock keeping units (SKUs), standardize parts, and unify core product platforms, further enabling the generalization of production lines.
- In terms of sales, LHT accelerated preparations to launch high value-added products as part of its medium- to long-term strategy. In FYE2019, LHT launched TOSTEM LW, a new design concept where the window's frame cannot be seen from inside the house. In addition, we formed a business alliance with SKY-FRAME AG (Switzerland), the world's leading brand of luxury windows.
- LHT launched TOSTEM GRANTS, an innovatively designed, high-performance window in Southeast Asia.
- In terms of new businesses, we established a joint venture with a subsidiary of TEPCO to offer solar power systems with little upfront financial burden for consumers, leading to a reduction in their monthly electricity bills. In addition, LHT launched *Life Assist*, a combination of IoT housing products and services.

SWOT analysis

Strengths	Opportunities
<ul style="list-style-type: none"> • Top market share in residential window sashes and exterior products in Japan • Extensive nationwide sales and distribution network in Japan • Technologies and production facilities in Japan and Asian countries covering a wide spectrum of capabilities, from aluminum smelting and casting to manufacturing end products • Wide range of products and product categories enabling coordination for the entire home 	<ul style="list-style-type: none"> • Increasing need for highly functional products due to increasing awareness of environmental and health factors among consumers in Japan • Growing demand for new products and services suitable for Japan's aging society • Increasing need for differentiated products due to population growth and rising income levels in Asian markets • Expansion of renovation market in Japan
Weaknesses	Threats
<ul style="list-style-type: none"> • Difficulty in developing differentiated products • Commoditization of products • Profit and loss structure vulnerable to change in external factors such as material price / demand fluctuations 	<ul style="list-style-type: none"> • Decreasing new housing starts in Japan • Increase in labor cost and material prices • Decrease in housing-related spending due to stagnant income levels in Japan

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

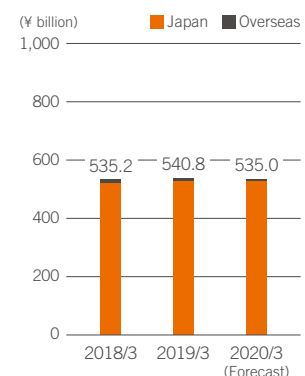
Key Initiatives in FYE2020

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

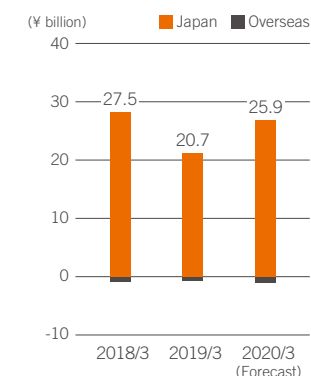


LIXIL Carport SC

Revenue



Core earnings



LIXIL Building Technology (LBT)



Tokyo Midtown Hibiya

Market Conditions

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

Overseas, the increase in urban populations and greater demand for energy conservation are driving growth. The value of the global curtain wall market, estimated at €18.4 billion in 2017, is projected to grow to €28 billion by 2021. The majority of this growth is anticipated to come from the APAC region, which currently represents 39% of the market, followed by North America with 28%, Europe with 24%, and the rest of the world representing 9%.

*A building that aims to generate the energy it consumes

Key Strengths

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

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

Key Highlights for FYE2019

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

SWOT analysis

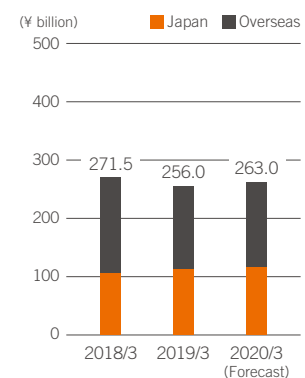
Strengths	Opportunities
<ul style="list-style-type: none"> Technical competences and know-how Global presence and organization Strong relationships with customers backed by historical performance Flexible on-site response, engineering skills, and technology Cost competitiveness realized by leveraging overseas factories 	<ul style="list-style-type: none"> Increasing need for high insulation and earthquake-resistant products in Japan Government initiatives for revitalization of local areas in Japan Intercompany collaboration for better performance
Weaknesses	Threats
<ul style="list-style-type: none"> Lower production efficiency due to build-to-order manufacturing Difficulty differentiating popular building products from competitors in Japan Overseas projects typically have a 3- to 5-year construction period, making them vulnerable to changing economic conditions and property-related developments, and are therefore challenging to manage 	<ul style="list-style-type: none"> Increase in labor cost and material prices Labor shortage in the construction industry Financial stability of upstream and downstream business partners overseas Economic slowdown due to trade conflicts or political changes (e.g. Brexit)

- Investment in the United States (CFIUS) notified us that we are unable to secure approval on the transfer of shares. As a result, we were unable to sell the company.
- For Permasteelisa, the profitability of projects centered on its North American business has been deteriorating. Subsequently, all of Permasteelisa's projects were reviewed in detail to determine estimated total construction costs. Reviewing this estimate, LIXIL Group recorded allowance for losses, etc., expected to occur in the future. Based on the review process, we developed and are now executing a plan to recover the profitability of Permasteelisa's business.
 - In Japan, we developed and launched new window sashes for buildings such as *PRO-SE•BFG*, which has been certified as fire-resistant equipment.
 - LBT strengthened sales activities for *PRESEA-H*, an environmentally friendly window sash for ZEB.

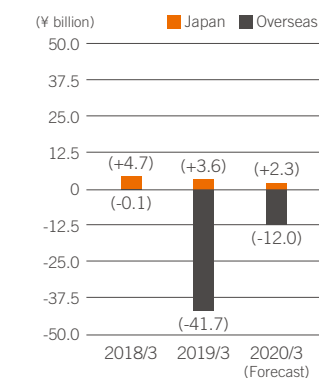
Key Initiatives in FYE2020

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

Revenue



Core earnings



Review of Operations by Segment

Distribution & Retail Business (D&R)



The first SUPER VIVA HOME in Fukuoka opened in November 2018 (Okagaki town)

SWOT analysis

Strengths	Opportunities
<ul style="list-style-type: none"> High ratio of revenue from renovation-related goods High ratio of revenue from large metropolitan areas where population is concentrated and customers can be expected Business development leveraging synergies with renovation business and developer business 	<ul style="list-style-type: none"> Decrease in local distributors of building materials Increase in installers with multiple trade skills for renovation work Growing market for distribution and renovation services for existing housing stock in Japan
Weaknesses	Threats
<ul style="list-style-type: none"> Longer time for hiring and training people compared to time required to open stores 	<ul style="list-style-type: none"> Decrease in customers due to shrinking population in Japan Changes in consumers' purchasing behavior due to rise of e-commerce

Key Strengths

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

In recent years, the number of specialized local distributors and small wholesalers has continued to decrease due to business succession challenges, etc. In parallel, the number of workers skilled in multiple trades is increasing, especially in renovation work. Under these changing circumstances, the core strengths of D&R lies in offering a wide range of goods at its large stores, including materials and equipment for renovation work, enabling professionals to procure all the necessary materials in one place.

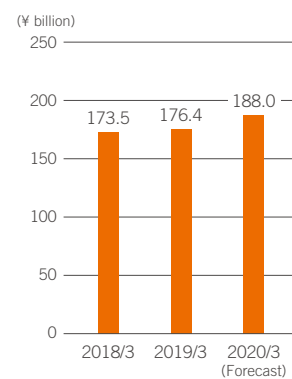
Key Highlights for FYE2019

- Since LIXIL VIVA Corporation's initial public offering in April 2017, it has accelerated opening new stores. D&R newly opened seven stores, achieving its FYE2019 target. D&R now operates 96 stores as of March 31, 2019.
- Revenue from sales of goods for renovation reached 39.6%, which was an improvement of 1.8 percentage points from the previous year. D&R aims to increase this ratio to 50% in the medium to long term as the renovation market in Japan grows.

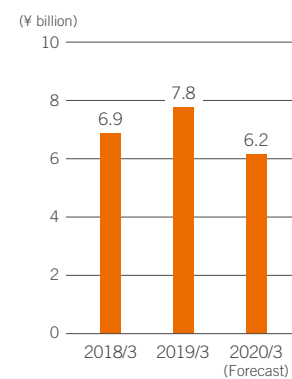
Key Initiatives in FYE2020

- Continue to drive initiatives aimed at increasing the ratio of renovation goods to 50% in the medium to long term
- Accelerate opening of new stores to gain professional customers in new regional areas (target of seven new stores in a year)

Revenue



Core earnings



Housing & Services Business (H&S)



GL HOME WoodsHill

SWOT analysis

Strengths	Opportunities
<ul style="list-style-type: none"> Complementary synergies with other businesses in the LIXIL Group Nationwide franchise network for housing and real estate in Japan 	<ul style="list-style-type: none"> Increasing need for management support and support services due to labor shortage in the housing industry Growing market for house distribution and renovation services for existing housing stock in Japan
Weaknesses	Threats
<ul style="list-style-type: none"> High ratio of revenue for new housing-related services 	<ul style="list-style-type: none"> Decreasing new housing starts in Japan

Key Strengths

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

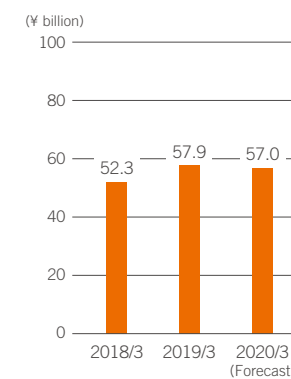
Key Highlights for FYE2019

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

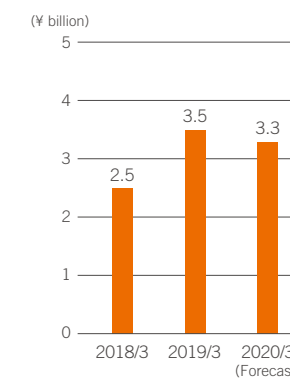
Key Initiatives in FYE2020

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

Revenue



Core earnings



Corporate Responsibility Chairperson Message



Jin Song Montesano

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

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

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

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

I am pleased to report that the consistent progress we have made over the last three years to deliver on our new CR strategy is gaining global recognition. LIXIL won “Innovation of the Year” at the Ethical Corporation’s Responsible Business Awards for our innovative SATO line of products and sanitation initiatives. Similarly, our work to provide innovative, safe, and

affordable access to sanitation to communities around the world was recognized at the second Japan SDGs Awards, where LIXIL was awarded the Deputy-Chief’s Award from the Minister of Foreign Affairs. Furthermore, we earned a place in CDP’s prestigious Water Security A List, reflecting our leadership in sustainable water management. We also continued to be listed on the Dow Jones Sustainability Asia Pacific Index, FTSE4Good Index, and MSCI Japan Empowering Women Select Index.

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

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

Progressively Achieving the Goals of LIXIL’s CR Strategy

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

With regard to improving Global Sanitation & Hygiene, we were excited to see that our SATO social business turned profitable in

Corporate Responsibility Strategy

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

Leading with three strategic pillars

<p>Global Sanitation & Hygiene</p>  <p>“100 Million People”</p> <p>By 2020, improve the livelihood of 100 million people through sanitation and hygiene solutions</p>	<p>Water Conservation & Environmental Sustainability</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>Diversity & Inclusion</p>  <p>“Inclusive for All”</p> <p>By 2020, establish the culture of diversity and inclusion within our organization and with all employees</p> <p>By 2030, ensure all products and services* are based on LIXIL’s Universal Design concept</p>
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*Scope: Products and services in Japan (as of August 2019)

Our strategy stands upon a foundational commitment to ethical business practices



Our Approach to CR

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

In markets around the world, Environmental, Social and Governance (ESG) investing is becoming more mainstream, as is the understanding that ESG factors impact corporate value in the medium and long term. For companies, it is essential that corporate strategies are connected to environmental and social initiatives.

Within this context, LIXIL aims to meet its social responsibilities and increase the trust of its stakeholders. We conduct CR activities based on 16 identified material issues (see pages 36-37) to build the foundations of

sustainable corporate growth. Governance, Fair Business Practices, Human Rights, Labor Practices, Quality and Satisfaction, Supply Chain, and Stakeholder Engagement form the foundations of our CR activities. Tackling these material issues helps us to meet our social responsibility, build credibility with stakeholders, and strengthen the LIXIL brand. At the same time, addressing these material issues contributes to risk management by helping to reduce reputational risk.

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

LIXIL's Material Issues

For further details regarding the Group's material issues, and CR activities and outcomes, please refer to the Sustainability section of our corporate website.

<https://www.lixil.com/en/sustainability/>

CR Management Process and Materiality Selection Process

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

Selection process of material issue



Action plan and progress for each material issue

● On track ● Needs attention

Material issues	Target	FYE2021 targets	FYE2019 progress	Progress	
Governance	Corporate governance	Establish governance structure that meets global standards	<ul style="list-style-type: none"> Reorganize and implement the Group's governance rules and procedures, and clarify rules, approval processes, etc. 	<ul style="list-style-type: none"> Promoted policies to strengthen governance and compliance at Group companies (executive officer-related policies, training of Presidents, etc.) based on the findings of a third-party investigation into incidents at Group companies 	●
	Compliance	Develop a comprehensive and effective compliance system across the Group	<ul style="list-style-type: none"> Group-wide ratio of basic training and acknowledgment of Group Code of Conduct completed: 100% Establish a system to operate and improve compliance structure, and ensure appropriate allocation and effective use of resources Utilize the same whistle-blowing system in Japan and overseas, and publicize important compliance indicators such as the number and summary of reported concerns 	<ul style="list-style-type: none"> Ratio of basic training completion and Code of Conduct acknowledgement across the Group: 96.1% (96% Japan, 96.3% overseas) Target was unachieved due to variations in completion of training by region and rank. Training to be continued in FYE2020 Awareness of the whistle-blowing systems in Japan: 63.3%; education and awareness-raising activities are ongoing Regional compliance events were held from October to November; educational and awareness-raising activities were implemented 	●
	Risk management	Establish and operate a Group-wide enterprise risk management system	<ul style="list-style-type: none"> Adoption rate of crisis management system in Group companies: 100% 	<ul style="list-style-type: none"> Adoption rate of crisis management system in Group companies: 100% Achieved timely escalation to Group HQ for crisis events that occurred outside of Japan; created a handbook to disseminate initial response and escalation rules for work sites 	●
Fair Business Practices	Anti-corruption	Develop an effective anti-corruption system across the Group	<ul style="list-style-type: none"> Adoption rate of global policies in Group companies: 100% Completion ratio of compliance-related education and training across the Group: 100% 	<ul style="list-style-type: none"> Adoption rate of global policies at Group companies: 100% (adoption rate at each company is unconfirmed) Completion ratio of compliance-related education and training across the Group: target unachieved (varies by region and policy) Compliance violations: 0 	●
Human Rights	Human rights due diligence	Appropriately manage human rights considerations that fall within the scope of the Group's operational influence across the entire value chain	<ul style="list-style-type: none"> Establish a plan to implement human rights due diligence in Japan and expand it globally 	<ul style="list-style-type: none"> Reconsidered the Human Rights Due Diligence Task Force's global development plan; starting from next fiscal year, gradually expand from Japan to overseas regions 	●
Labor Practices	Diversity and equal opportunity	Secure highly competent people by respecting diversity across the Group	<ul style="list-style-type: none"> Ratio of women among recent graduate recruits (LIXIL Corporation, Japan): 30% or greater Number of female participants in stage 3 of the Talent Acceleration Program (TAP) for next-generation leaders (LIXIL Corporation, Japan): 20% or greater 	<ul style="list-style-type: none"> Ratio of female university undergraduate and graduate students recruited: 33.2% Ratio of female managers: 5.72% Implementing measures to increase the number of prospective female managers (register 30% or more general employees with upper level qualifications to the manager candidate training plan and other plans) Female participation rate in stage 3 of the Talent Acceleration Program (TAP) for next-generation leaders: 29.2% 	●
	Occupational health and safety	Establish the foundation of an Environment, Health and Safety (EHS) management system across the Group	<ul style="list-style-type: none"> Operational coverage of the Environment, Health and Safety (EHS) management system across the Group: 100% 	<ul style="list-style-type: none"> Coverage of occupational health and safety performance data (based on number of employees): 100% Regular internal audits of the occupational health and safety management system and its operational status at each business 	●
	Working environment	Build a worker-friendly environment for all employees	<ul style="list-style-type: none"> Ratio of employees who rate their work-life balance as favorable in the Group-wide employee awareness survey: 46% (10% increase from the previous survey) 	<ul style="list-style-type: none"> Employee awareness survey only completed by some LIXIL businesses (such as LTW EMENA and Housing and Services in Japan) in FYE2018. No questions on this topic in EMENA's FYE2018 survey 	N / A
	Talent development	Promote more employee-driven human resource developments to encourage a bottom-up corporate culture	<ul style="list-style-type: none"> Cumulative total number of participants in the Talent Acceleration Program (TAP) for next-generation leaders: 1,300 (LIXIL Corporation, Japan) Coverage ratio of the basic training program for third-year employees: 100% (LIXIL Corporation, Japan) 	<ul style="list-style-type: none"> Participants in the Talent Acceleration Program (TAP) for next-generation leaders: 117; cumulative participants: 1,195 (LIXIL Corporation, Japan) Coverage ratio of the basic training program for third-year employees: 100% First-year follow-up training: 218 Second-year communications training: 183 Third-year communications training: 139 	●
Quality and Satisfaction	Product safety	Eliminate product accidents	<ul style="list-style-type: none"> The number of serious product accidents in the entire Group: 0 	<ul style="list-style-type: none"> Serious product accidents across the Group: 8 Product accident meetings were held for serious product accidents. The necessity of countermeasures was decided on a case-by-case basis Implemented product improvements and raised awareness of correct product use 	●
Environment	Climate change mitigation and response	Promote efficient use of energy in business activities and the provision of products and services that contribute to climate change initiatives	<ul style="list-style-type: none"> Expand CO₂ emissions reduction attributable to Group products and services by 1.36 times compared to FYE2016 Reduce CO₂ emissions from Group activities by 8% compared to FYE2016 Reduce CO₂ emissions intensity for LIXIL transportation by 5% compared to FYE2016 	<ul style="list-style-type: none"> CO₂ reduction of all LIXIL products and services: 1.21 times FYE2016 (61,577 million tons) CO₂ emissions Group-wide: 3.2% increase compared to FYE2016 (4.5% reduction of carbon intensity per economic output) CO₂ emission intensity of transportation of LIXIL products in Japan: 1.1% improvement compared to FYE2016 	●
	Water conservation	Promote efficient use of water in business activities and the provision of products and services that contribute to water conservation	<ul style="list-style-type: none"> Improved water-use efficiency at key water-risk management sites 	<ul style="list-style-type: none"> Promoted initiative aimed at reducing water use, reducing wastewater, and expanding water reuse at six key bases 	●
	Sustainable use of resources	Promote the sustainable use of raw materials from procurement to disposal	<ul style="list-style-type: none"> Recycling rate of waste products from LIXIL facilities: 95% (Japan, Europe), 66% (Asia), 40% (North America) 	<ul style="list-style-type: none"> Waste product recycling rate: 95% (Japan, Europe), 62% (Asia), 34% (North America) 	●
Supply Chain	Supply chain management	Identify suppliers' CR risks and establish mechanisms to respond accordingly	<ul style="list-style-type: none"> Increase the coverage (based on purchase price) of the Group-wide supplier CR survey to 90% in Japan, 60% overseas; and the compliance rate to 90% 	<ul style="list-style-type: none"> Coverage rate (based on purchase price) of Group-wide supplier survey: 90% (483 highest purchasing suppliers). Average compliance rate 93.5% (Japan) Improvement rate after a follow-up visit to low-performing suppliers was 100% 	●
Stakeholder Engagement	Contribute to global sanitation and hygiene	Help improve global sanitation and hygiene through our business	<ul style="list-style-type: none"> Cumulative beneficiaries: 100 million 	<ul style="list-style-type: none"> Cumulative shipments of more than 2.5 million units of SATO toilets (12.5 million cumulative beneficiaries). In the past year, shipped SATO toilets to 10 new countries, increasing the total to more than 25 countries 	●
	R&D to solve social problems	Help solve the issues experienced by the elderly and people with disabilities through our products	<ul style="list-style-type: none"> Research surveys via digital and other means: 10 	<ul style="list-style-type: none"> Research surveys via digital and other means: 5 Academic presentations on elderly people's bathing accidents (presented in conjunction with a university at the Japanese Society of Biometeorology conference and at other events) Verification of overnight observations at elderly facilities using sensors in collaboration with Z-Works Accelerator Programs from January 2019 	●

Global Sanitation & Hygiene



Global Sanitation & Hygiene

Connection to UN Sustainable Development Goals

- 3 GOOD HEALTH AND WELL-BEING
- 5 GENDER EQUALITY
- 6 CLEAN WATER AND SANITATION
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 17 PARTNERSHIPS FOR THE GOALS

Achievements and Challenges

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

The SATO business is based on a grassroots social enterprise concept. Its products are being produced in six Asian and African countries, and approximately 2.5 million have been delivered to more than 25 countries so far. This equates to improving the sanitation and hygiene of approximately 12.5 million people*2.

For the first time, the SATO business also became profitable in Bangladesh in FYE2019. SATO Toilet Systems are designed to be affordable and, therefore, require a certain volume of sales to break even. The SATO business turned profitable in Bangladesh in FYE2019 because of growing local awareness of sanitation issues and toilet solutions. This was due to the support of the Bangladesh Rural Advancement Committee (BRAC), an international development organization, and a campaign by the government of Bangladesh to end open defecation. Moreover, a

partnership with local plastic manufacturing industry leader, RFL, enabled the business to reach the volume necessary to become profitable. We believe this demonstration that the SATO business can be financially viable and sustainable is immensely significant.

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

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

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

Critical Social Issues

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

In total, global economic losses caused by poor sanitation are estimated to have reached US\$223 billion in 2015*1.

The second target of UN Sustainable Development Goal 6 aims to solve this global challenge: "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." Overcoming the global sanitation challenge, however, will require the collaboration of a range of stakeholders from various sectors such as governments, NGOs, and private companies.

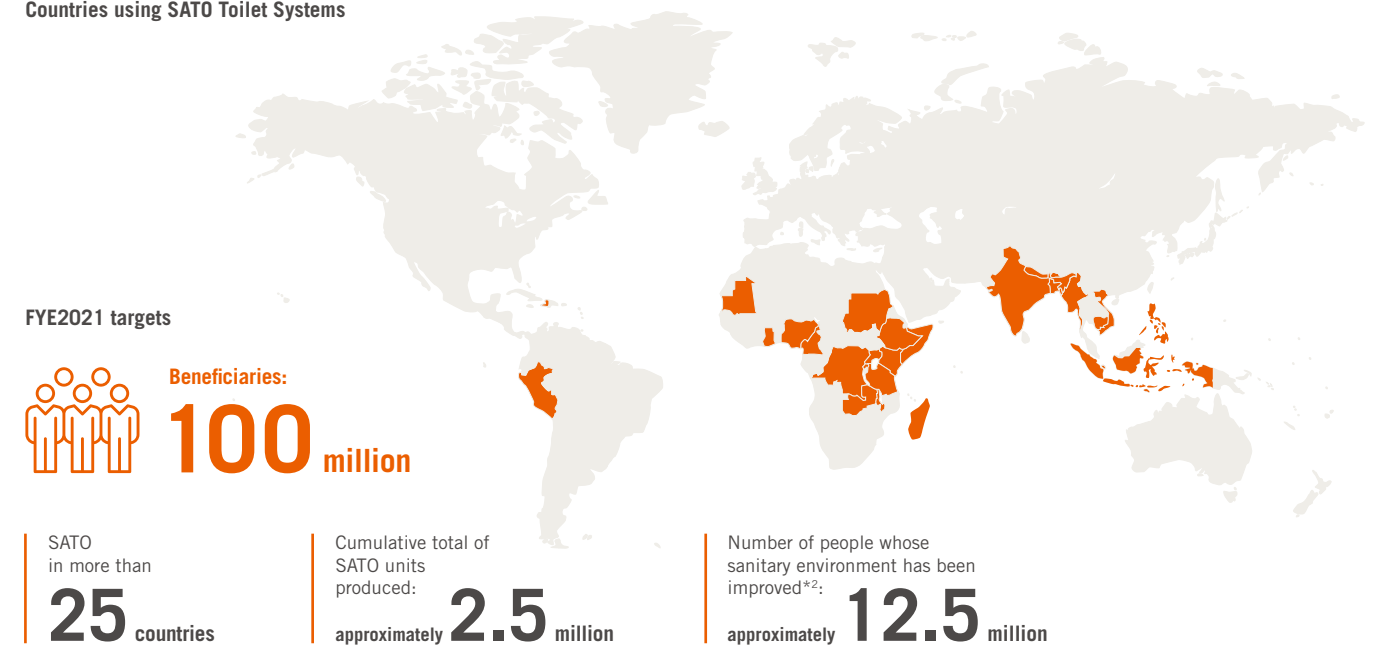
LIXIL's Response

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

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

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

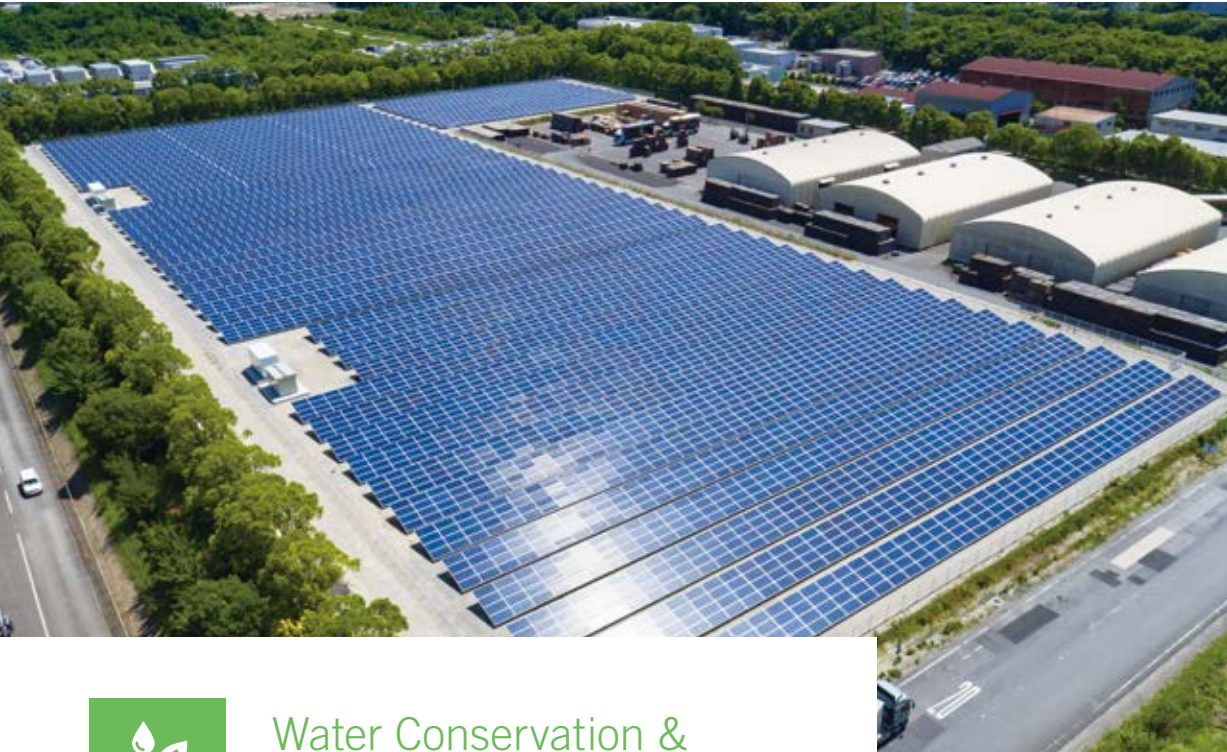
Countries using SATO Toilet Systems



*1 Source: "The True Cost of Poor Sanitation," published in 2016, is the result of collaborative research by international NGO WaterAid, Oxford Economics and LIXIL.

*2 This is calculated by assuming that there is an average of five users for every SATO unit produced (as of March 2019).

Water Conservation & Environmental Sustainability



Water Conservation & Environmental Sustainability

Connection to UN Sustainable Development Goals



Critical Social Issues

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

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

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

LIXIL's Response

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

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

Achievements and Challenges

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

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

Regarding water conservation, LIXIL has established

various targets and advanced initiatives. This includes increasing the reuse of water and reducing the volume of water intake and wastewater in production bases deemed high risk in our water-risk evaluations and analyses.

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

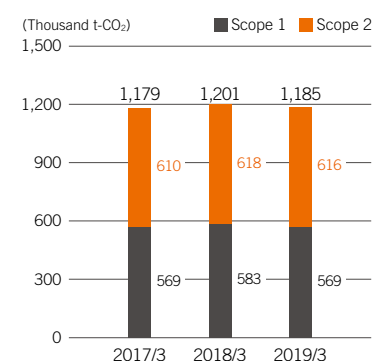
Changes to the global environment have a massive impact on peoples' homes and lifestyles. As a comprehensive living and housing solutions company, LIXIL aims to achieve a balance between global environmental sustainability and business growth by working to provide solutions that are healthy, comfortable,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

FYE2021 targets

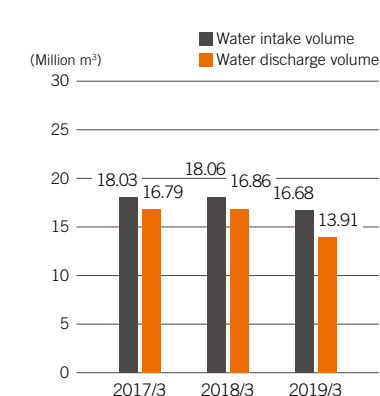
Contribute to realizing a sustainable society through innovative products and services, and improving environmental efficiencies of all operational processes.

Climate Change Mitigation and Adaptation / Water Conservation / Sustainable Use of Resources	• Expand CO ₂ emissions reduction attributable to Group products and services by 1.36 times compared to FYE2016 *Includes data on water resource protection (indirect CO ₂ emissions reductions relating to water use)
	• Reduce CO ₂ emissions from Group activities by 8% compared to FYE2016
	• Reduce distribution-linked CO ₂ emissions by 5% compared to FYE2016
	• Complete water-risk evaluation across all production sites, determine and implement KPI and targets for high-priority sites
	• Recycling rate of waste products from LIXIL facilities: 95% (Japan, Europe), 66% (Asia), 40% (North America)

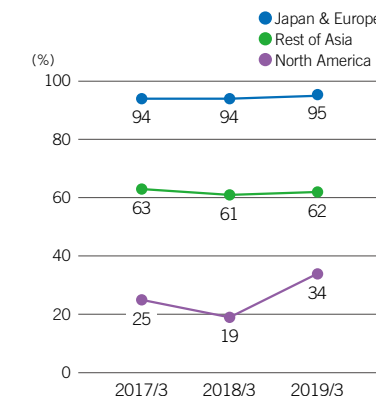
CO₂ emissions from Group activities (Scope 1 and 2)



Water intake / Water discharge



Waste recycling rate*



*The recycling rate of waste resulting from all production and sales processes

Diversity & Inclusion



Connection to UN Sustainable Development Goals



LIXIL's Response

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

In FYE2018, we established our LIXIL Diversity & Inclusion Declaration (see page to the right), which states, "We leverage our differences to create new energy and engagement in the workplace generated by open and honest dialogue across our organization. These efforts will enable our employees to build an entrepreneurial mindset that will drive growth and sustainable innovation." In addition, LIXIL has set four focus areas to uphold its Diversity & Inclusion Declaration, and each country and region is promoting initiatives to address and improve the focus areas that are the most relevant to them.



Diversity & Inclusion

Critical Social Issues

With major demographical changes predicted over the next several decades, understanding and embracing diversity is crucial. By 2050, more than one in every five people around the world is projected to be over the age of 60, with many people living either alone or with their spouse only. Approximately 15% of the world's population today live with some degree of disability, and this rate is increasing every year.

Designing products, buildings, and living spaces that can be used by as many people as possible, including the elderly and people with disabilities, is vital. LIXIL can improve peoples' lives through its products and services, while promoting the active participation of women in the workplace in support of SDG 5, helping to create a society in which everyone can succeed.

Achievements and Challenges

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

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

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

LIXIL Diversity & Inclusion Declaration four focus areas

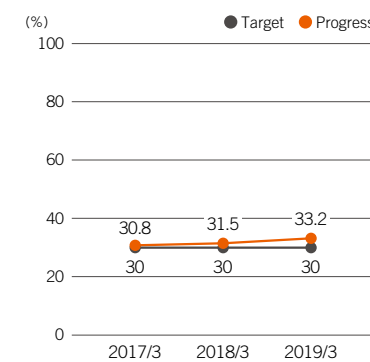
- Gender & Age**
We will drive business performance by embracing diversity and ensuring that all employees have equal opportunities to be recruited, developed, advanced, and retained globally, regardless of gender or age.
- Disability**
We will raise awareness, provide education and resources, and proactively create a culture that embraces, enables, values, and maximizes the contributions of persons with disabilities.
- Family & Life**
We will support employees through various life stages and events, thereby allowing them to contribute to business success while also fulfilling personal and family priorities and obligations.
- Culture & Identity**
We will foster mutual understanding, respect, and communication in order to fully embrace the diversity in race, religion, culture, gender identity, and sexual orientation of everyone at LIXIL.

FYE2021 targets

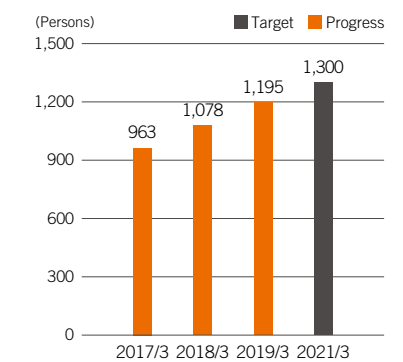
Build a strong corporation and workplace where all employees can achieve their full potential.

Working Environment	<ul style="list-style-type: none"> Increase favorable response rate by 10% in the work-life balance category of the Group-wide employee engagement survey* compared to the previous survey *The survey is carried out once every two years. The previous survey was conducted in 2017 and the next survey will be in 2019.
Diversity and Equal Opportunity	<ul style="list-style-type: none"> Establish a culture of diversity and inclusion within our organization and among all employees
Occupational Health and Safety	<ul style="list-style-type: none"> Achieve 100% operational coverage of Group-wide EHS management system
Human Resource Development	<ul style="list-style-type: none"> Provide common learning opportunities for 800 next-generation leaders across the Group Aim to expand the number of employees participating in the Talent Acceleration Program (TAP) for next-generation leaders to 1,300 cumulatively (in Japan)

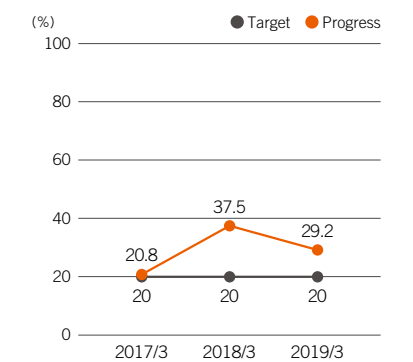
Ratio of women among recent graduate recruits (university undergraduate and graduate students)
(LIXIL Corporation, Japan)



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



Female participation ratio in leadership training
(LIXIL Corporation, Japan)



Change in the participation ratio since FYE2018 in Stage 3 of the Talent Acceleration Program (TAP) for next-generation leaders

Board of Directors of LIXIL Group Corporation

As of June 25, 2019

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

<https://www.lixil.com/en/about/governance/board/>



Kinya Seto

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



Kazuhiko Ootsubo

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



Kaoru Onimaru

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



Haruo Kawahara

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



Satoshi Yoshida

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



Ryuichi Kawamoto

Director, Member of Audit Committee



Kurt M. Campbell

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



Teruo Suzuki

Outside Director, Member of Audit Committee
Certified public accountant
Deputy Chair of KPMG AZSA LLC (former)



Keiichiro Ina

Director, Member of Nomination Committee



Masatoshi Matsuzaki

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



Yuji Nishiura

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



Daisuke Hamaguchi

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



Tamio Uchibori

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



Zenji Miura

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

Executive Officers of LIXIL Group Corporation

As of July 22, 2019

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

<https://www.lixil.com/en/about/governance/board/>



Kinya Seto

Director, Representative Executive Officer, President and CEO

Ryo Nihei

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



Sachio Matsumoto

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



Kazuhiko Ootsubo

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



Yugo Kanazawa

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

Bijoy Mohan

Executive Officer and Senior Managing Director, CEO of LIXIL International



Jin Song Montesano

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



Satoshi Yoshida

Director, Executive Officer and Senior Managing Director, LHT Japan



Hiroyuki Oonishi

Executive Officer and Senior Managing Director, LWT Japan

Messages from the Chairperson of the Board and Committee Chairpersons



Chairperson of the Board

Masatoshi Matsuzaki

What is the purpose of corporate governance? I believe it is to ensure sustainable growth and achieve higher medium- and long-term corporate value. Accordingly, the essential role of the Board is to listen to the CEO and other executive officers on how to sustainably increase corporate value, discuss and approve the long-term vision and medium-term plan, and monitor the implementation of these.

The fundamental principle of governance is to also prevent the concentration of power in specific individuals. In this regard, LIXIL Group has adopted the appropriate governance model, a "Company with Nominating Committee, etc." This structure requires the separation of management execution by executive officers and the supervisory function by the Board of Directors, which includes outside directors. In order for this model to work effectively, however,

executives must be sufficiently accountable and transparent so that outside directors who are not directly engaged in the business can grasp the situation accurately and make rational decisions.

On the other hand, as a supervisory function, the Board of Directors needs to consciously maintain an appropriate distance from the executive side. The phrase "nose in and fingers out" expresses the proper stance of the Board. We should maintain an interest in daily operations in order to understand the current situation. However, we must keep our distance so as not to step into the executive's role and slow down the speed of business.

Outside directors are expected to provide oversight, maximizing their objective perspective and unique position as outsiders. The outside directors appointed as a result of the recent Annual General Meeting of Shareholders bring a wealth of experience, ranging from experts in accounting and law to those who have managed corporations as CEOs. Thus, the Board is diverse in terms of skills and backgrounds. As the Chairperson of the Board, I intend to ensure that the Board effectively fulfills its function by maximizing on the skills and experiences of its outside directors and by facilitating active discussions.

As of now, my understanding of LIXIL Group is that it needs to improve its balance sheet and simplify its organization structure, which are both consequences of previous M&A. Therefore, the Board needs to pay attention to the situation of overseas subsidiaries. On the other hand, I believe that the market share and the strength of its brands both in Japan and overseas are LIXIL Group's assets. I also think that the Group has the ability to create innovative products, which is essential for enhancing the profitability of the business.

As the Chairperson of the Board, I shall make every endeavor this year to manage Board meetings and help LIXIL Group maximize its potential in order to achieve sustainable growth.



Chairperson of the Nomination Committee

Yuji Nishiura

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

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

Regarding the scope of the Nomination Committee, in addition to the nomination of

director candidates and removal of directors as specified under Japanese Corporation Law, we plan to broaden our view in order to contribute to the sustainable development of the LIXIL Group, including considering medium- to long-term succession planning. When approaching each issue, our basic stance will be to create an organization that makes the most of diversity of thought, while securing the utmost transparency.

The Nomination Committee will proceed with the reform of governance with strong determination. Utilizing and learning from recent issues, we hope to reach, as quickly as possible, a level at which our stakeholders consider the Group's corporate governance to be advanced.



Chairperson of the Audit Committee

Zenji Miura

I believe that the single most important quality required in any corporation is integrity. The role of the Audit Committee is to examine and develop functioning internal structures, in which management and all employees are on the same page, driving the business forward with integrity in order to achieve sustainable growth.

The five appointed members of the Audit Committee bring a wealth of experience in different fields, including accounting, M&A, and supply chain management. Maximizing our combined knowledge and expertise, we will engage in a thorough review of the Company. Through internal audits and other measures, we intend to build a solid understanding of the audited areas in order to prevent fraud and put

in place a system that enables us to make improvements as necessary. In doing so, we hope to contribute to building a structure that is more rewarding for hard-working employees, making it easier to work and making results more visible.

When reforming governance, it is also necessary to reflect on past problems, analyze the factors involved, and develop internal processes and systems to ensure that the same issues never occur again. I will engage in my role as the Chairperson of the Audit Committee with a firm sense of mission over the course of this year, to enable LIXIL Group to leverage its potential and grow into a highly regarded company that Japan can take pride in.



Chairperson of the Compensation Committee

Daisuke Hamaguchi

The Compensation Committee's role in enhancing corporate value is to contribute to achieving the Company's business objectives. It does so by aligning the Company's compensation system with its business strategy. LIXIL Group is now moving away from the direction of its previous strategy, which focused on expanding in size, to restarting its efforts to achieve its new business strategy. The mission of the Compensation Committee is, therefore, to change the compensation system so it matches the new strategy.

LIXIL Group's current compensation system can be appraised as advanced in form. The Company proactively adopted a performance-based structure and introduced stock-based compensation at an early stage. However, many detailed improvements can still be made.

Embracing the spirit that the strategy is in the details, I hope to start making changes swiftly.

In doing so, I would particularly like to ensure open communication. In an organization that has adopted a "Company with Nominating Committee, etc." governance model, the Compensation Committee has significant authority. However, rather than taking that for granted, we will collaborate closely with the Board of Directors, which is responsible for making decisions on essential business strategies, the Nomination Committee, which is involved in the nomination of the management team, and the executive management team, which executes the business strategy.

It is my firm belief that such collaboration is critical in order to make the most of the compensation system.

Composition of the Board of Directors (As of June 25, 2019)

Directors / Executive officers



■ Directors who are concurrently serving as executive officers ■ Directors who are not executive officers

Internal directors / Outside directors



■ Internal directors ■ Outside directors

Gender diversity



■ Male ■ Female

Nationality



■ Japanese ■ Other

	Independent Directors	Nomination Committee	Audit Committee	Compensation Committee
Kinya Seto				
Kazuhiko Ootsubo				
Satoshi Yoshida				
Ryuichi Kawamoto			✓	
Keiichiro Ina		✓		
Masatoshi Matsuzaki	✓	✓		
Tamio Uchibori	✓		✓	
Kaoru Onimaru	✓	✓		
Haruo Kawahara	✓	✓		✓
Kurt M. Campbell				
Teruo Suzuki	✓		✓	
Yuji Nishiura	✓	Chairperson		✓
Daisuke Hamaguchi	✓		✓	Chairperson
Zenji Miura	✓		Chairperson	✓

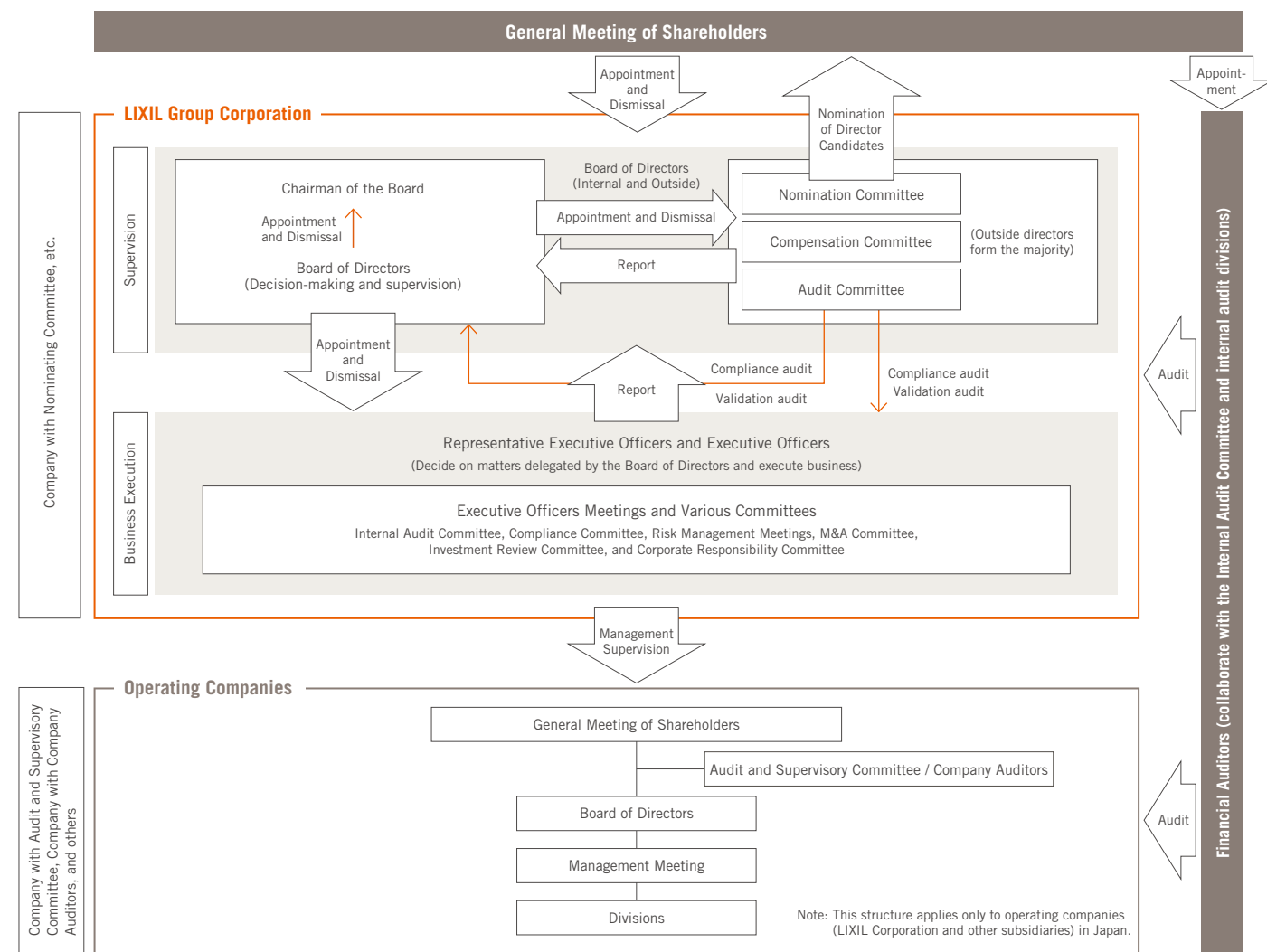
Corporate Governance at the LIXIL Group

LIXIL Group Corporation (the “Company”) has adopted the governance model of a “Company with Nominating Committee, etc.” as specified under Japanese Corporation Law. Under this governance system, the Company clearly separates management execution from management supervision, aiming to establish a system where executive officers can make management decisions quickly and decisively while securing management transparency.

In addition, as a pure holding company, the

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

Governance Structure (As of June 21, 2019)



For further details regarding the Company's corporate governance system, internal control systems, and other related matters, please refer to our corporate website.

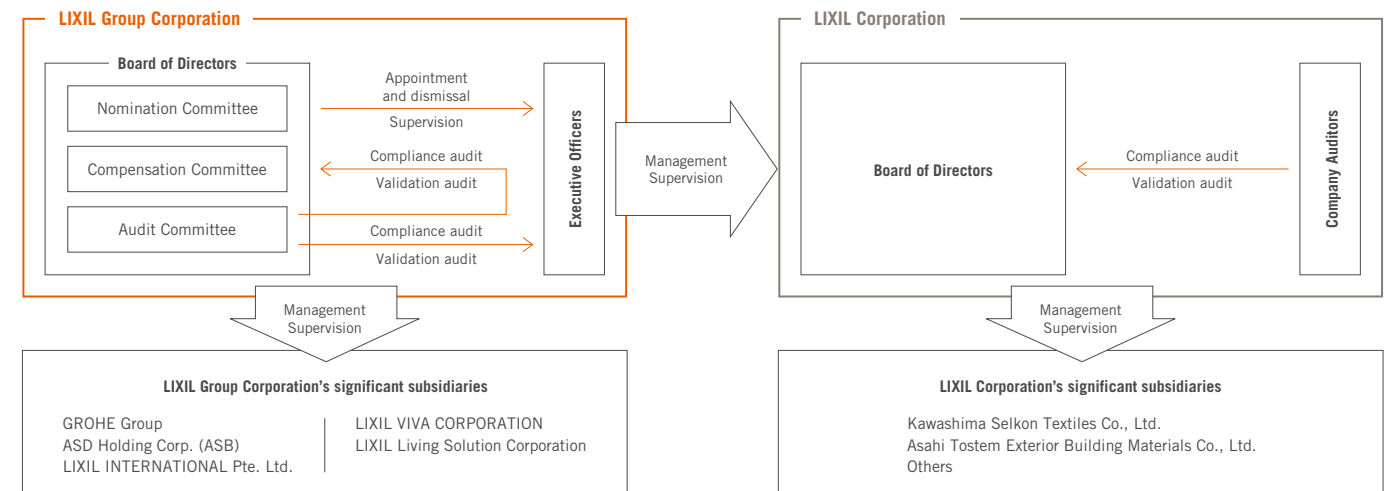
<https://www.lixil.com/en/about/governance/>

Group Governance System

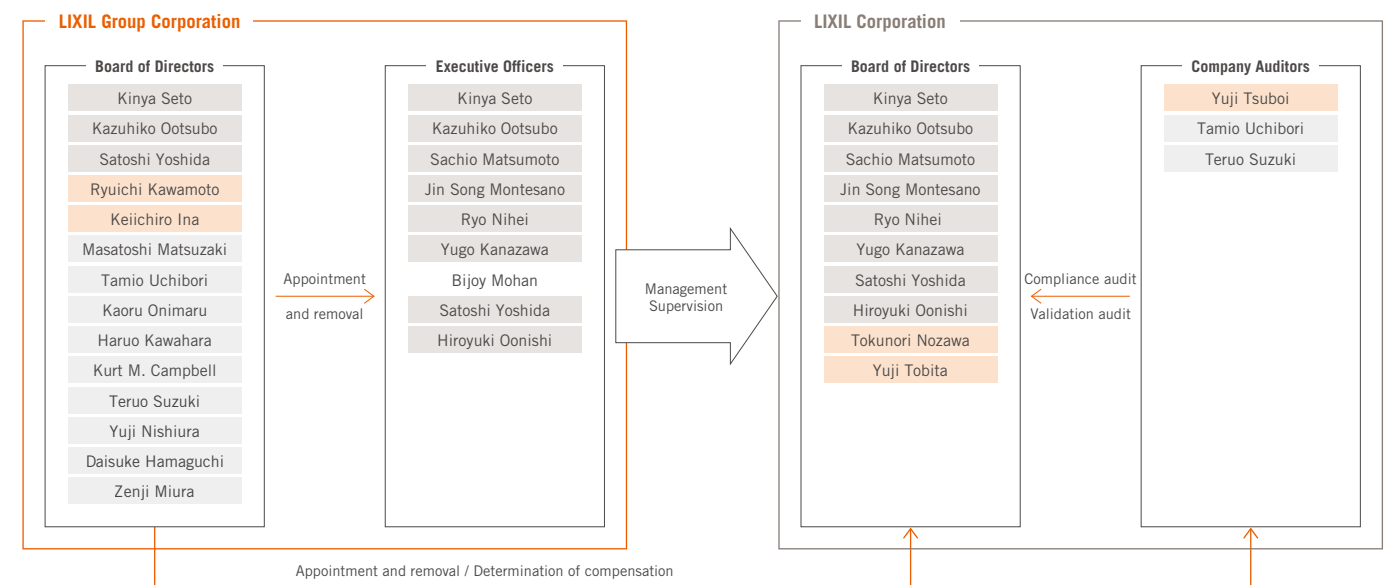
The Company, while respecting the independence of each Group company (including LIXIL Corporation) regarding its business management, receives periodic reports on the status of its businesses and provides approval for important matters. In addition, the Audit

Committee periodically receives audit reports from the Company's accounting auditors and the Company's internal audit divisions, while regularly convening the Group's Board of Auditors with the auditors of each Group company to ensure Group-wide cooperation.

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



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



■ Directors and Executive Officers of LIXIL Group Corporation who are concurrently serving as Directors of LIXIL Corporation
 ■ Internal Directors who are not Executive Officers ■ Outside Directors

Activities of the Board of Directors and Board Committees

Number of Meetings Held During FYE2019

Board of Directors	16	Made decisions on matters specified by law, basic management policies, and important management matters, while monitoring the conduct of duties of directors and executive officers
Nomination Committee	14	Made decisions on the content of proposals to be submitted to the General Meeting of Shareholders regarding the election and dismissal of directors. Reported its opinion to the Board of Directors when requested, such as on the appointment, election, removal, and dismissal of candidates for executive officer and Representative Executive Officer (CEO), and on the appointment and removal of the members and chairpersons of each committee, etc.
Compensation Committee	12	Discussed and made decisions regarding the compensation of individual directors and executive officers
Audit Committee	18	In addition to auditing the conduct of duties by 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 financial auditors
Executive Officers Meeting	22	As the decision-making body responsible for the execution of business activities in accordance with the basic policies approved by the Board of Directors, this committee decided on important matters relating 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 within legal requirements, but also in view of standards determined by the Company
Compliance Committee	4	Provided guidance for the structuring and operational management of compliance systems in Group companies and monitored status of compliance with laws and regulations
Risk Management Meeting	4	In addition to holding risk management meetings in the Company, also held risk management meetings in Group companies mainly in Japan, and confirmed the status of risk management
Corporate Responsibility Committee	3	Selected and reviewed material issues for the overall Group, formulated the targets as well as the initiatives of the CR strategy, and provided oversight and guidance for the implementation of priority themes and activities
M&A Committee*	19	Deliberated and made decisions on matters relating to M&A (including divestment of business) conducted by the Company and its subsidiaries, within the authority delegated by the executive officers
Investment Review Committee*	27	Deliberated and made decisions on material investments (excluding those relating to M&A), financing, and matters relating to the establishment, reorganization, and restructuring of subsidiaries (conducted by the Company and its subsidiaries) within the authority delegated by the executive officers

* 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 in order to enhance the effectiveness of corporate governance.

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

Name	Board of Directors	Nomination Committee	Compensation Committee	Audit Committee
Yoichiro Ushioda	100%	100%* ¹	—	—
Hirokazu Yamanashi	100%	100%* ¹	100%* ¹	—
Kinya Seto	100%	—	—	—
Yoshizumi Kanamori	100%	—	—	100%* ⁴
Yoshinobu Kikuchi	100%	100%* ²	100%	—
Keiichiro Ina	100%	—	100%* ¹	—
Haruo Shirai	100%* ³	—	—	100%* ³
Ryuichi Kawamoto	100%* ³	—	—	—
Tsutomu Kawaguchi	100%	100%* ²	—	100%
Main Kohda	100%	100%* ³	100%	—
Barbara Judge	100%	100%* ³	100%	—
Hiroto Yoshimura	100%	100%	—	100%

*¹ Attendance from April 1, 2018 to October 31, 2018

*² Attendance from November 1, 2018 to March 31, 2019

*³ Attendance from June 21, 2018 to March 31, 2019

*⁴ Attendance from April 1, 2018 to June 21, 2018

Board of Directors' Effectiveness Evaluation

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

efforts to strengthen and improve the Board's effectiveness.

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

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

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

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

Status of items to be evaluated based on the results of the questionnaire conducted January 2019

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

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

 https://www.lixil.com/en/investor/library/governance_guidelines.html

Corporate Officer Compensation

Basic Policy Regarding Compensation

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

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

Compensation Scheme

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

Decision Process

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

Compensation Structure and Component

Types of compensation	Weight (median)*		Compensation component
	Directors	Executive officers	
Fixed-amount compensation (base pay)	71%	68%	Examined and determined by role using data from outside compensation consultant.
Performance-based compensation	—	15%	Determined based on the Company's financial results and individual performance on an annual basis. The target payment amount shall be set at a fixed percentage of the base pay. The amount paid shall fluctuate within a range from 0 to 200%.
Stock-based compensation	29%	17%	Restricted stock shall be awarded to incentivize directors and executive officers to share corporate value with shareholders and to provide greater incentive to contribute to enhancing the Company's stock price and sustainable growth of corporate value. A fixed percentage of the base pay shall be issued as restricted stock. Half of the shares with restrictions on transfer allocated to the recipients of allocation will be subject to a transfer restricted period of three years. The other half shall be subject to a transfer restricted period of 30 years (or the period until completion of term).

Other compensation schemes may be applied after individual deliberation.

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

Compensation for FYE2019

Fixed-amount compensation (base pay):

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

Performance-based compensation:

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

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

Stock-based compensation:

The Board of Directors resolved to issue common shares on June 25, 2018, and allotment was implemented on July 17, 2018. The allocation for the next fiscal year will not be granted as it did not meet the required conditions (profit attributable to owners of the parent is positive and core earnings margin is 2% or higher).

Stock options:

Stock options are not granted in the fiscal year ended March 2019. However, expenses associated with those granted in the past were recorded.

Others:

An officer with foreign nationality had additional benefits such as living assistance and medical insurance support.

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

Corporate officer title	Total compensation (¥ million)	Total compensation by type (¥ million)					Number of corporate officers eligible for compensation
		Base pay	Performance-based	Restricted stock	Stock options	Others	
Directors (excluding outside directors)	216	160	—	56	—	—	6
Executive officers	1,186	717	36	355	34	44	14
Outside directors	90	70	—	20	—	—	5
Total	1,492	947	36	431	34	44	25

The total compensation shown above, which are amount calculated under JGAAP, consists of both the compensation paid by the Company and the compensation paid by the Company's subsidiaries.

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

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

Compensation Scheme Applying ESG Performance as the Direct Metric

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

Procedures and Policies Regarding the Nomination of Director Candidates, the Removal of Directors, and the Appointment and the Removal of Executive Officers

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

When independent outside director candidates are decided, the Company’s own independence criteria will be used, as set forth in Article 28 of the Guidelines.

The LIXIL Group Corporate Governance Guidelines are available on our corporate website.

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

Appointment and Removal Process for Directors and Executive Officers

Criteria for the nomination of director candidates

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

Criteria for the appointment of executive officers

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

Criteria for the election of the Representative Executive Officer (CEO)

Must fulfill the criteria for the executive officers, display strong leadership skills, and be able to exert authority over the executive officers

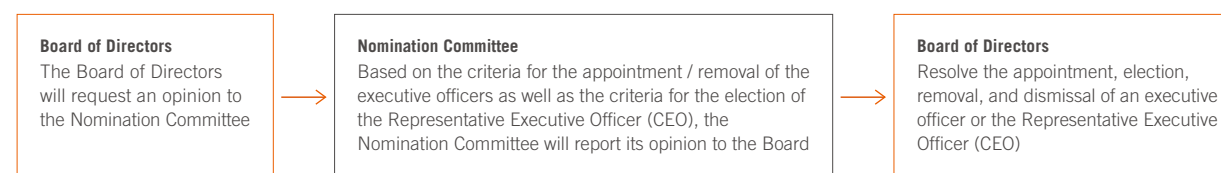
Nomination of director candidates



Removal of directors



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



Internal Control Systems

Risk Management

Internal Control Systems

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

LIXIL Group Enterprise Risk Management (ERM)

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

Risk Management (RM)

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

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

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

Crisis Management (CM)

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

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

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

<https://www.lixil.com/en/investor/strategy/risks.html>

Risk Management Initiatives (Years ended March 31)



Internal Control Systems

Compliance

LIXIL Group Code of Conduct

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

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

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

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

Corporate Culture

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

Compliance Committees

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

Education and Training Programs

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

Concern-Raising System

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

Internal Audit

How LIXIL Group Sees Internal Audit

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

Network-Type Organization

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

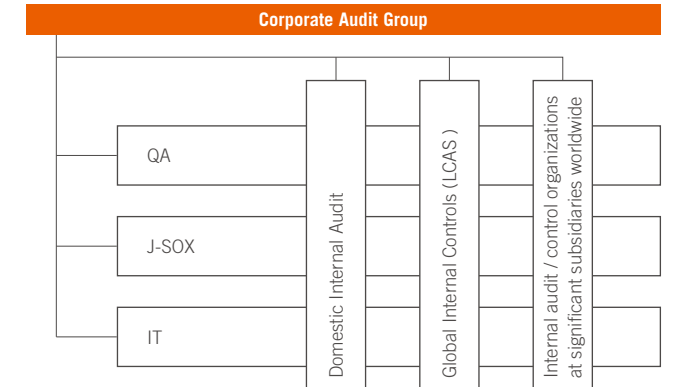
The Quality Assurance (QA), J-SOX (Financial Instruments and Exchange Law), and IT divisions have been established to function as global axes within the Corporate Audit Group (CAG). The QA division shall work across a wide spectrum to improve the quality of work done by the CAG. This includes, but is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

These axes will be overlaid with audit teams from each region, such

as Japan, Asia, Europe, and North America. These teams will focus on assurance, consulting, and J-SOX work in their respective areas.

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

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

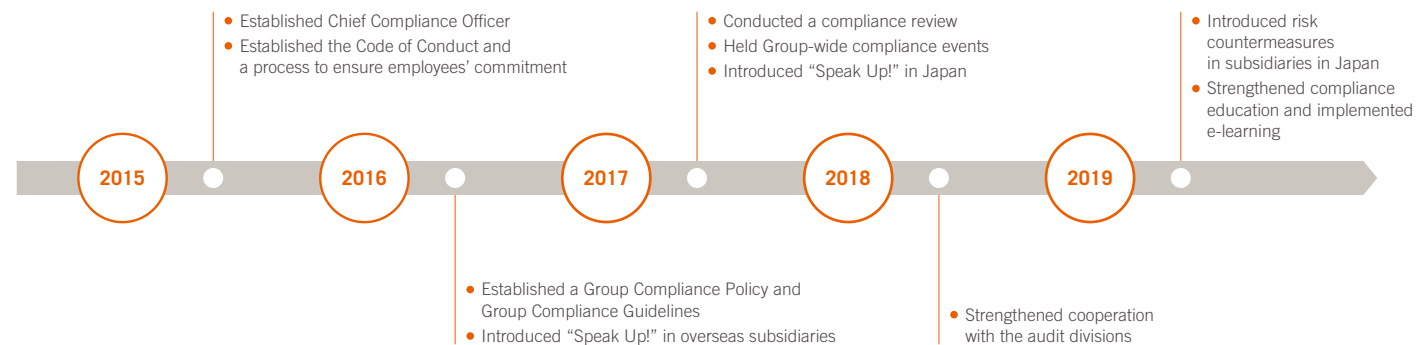


Note: 60 members throughout the Group as of the end of March 2019

Internal Audit Committee

The Company has set up a voluntary Internal Audit Committee. Periodic meetings between the Corporate Audit Group Officer and the executive officers, who are 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 audits, internal control assessments, risk management, governance, and improvements thereof.

Compliance Initiatives (Years ended March 31)



Internal Audit Initiatives (Years ended March 31)



Consolidated 10-Year Summary

LIXIL Group Corporation and Consolidated Subsidiaries

(Millions of yen)

Years ended March 31	JGAAP							IFRS				
	2010	2011	2012	2013	2014	2015	2016	2015	2016	2017	2018*5	2019
Results of Operations												
Net sales (JGAAP) / Revenue (IFRS)	¥ 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	¥1,829,344	¥1,832,608
Operating income (JGAAP) / Core earnings (IFRS)	25,984	40,409	17,915	50,485	69,080	51,674	56,259	51,722	70,069	88,312	76,046	12,798
Operating income ratio (JGAAP) / Core earnings ratio (IFRS)	2.6%	3.3%	1.4%	3.5%	4.2%	3.1%	3.0%	3.0%	3.7%	4.9%	4.2%	0.7%
Operating profit (loss) (IFRS)								48,041	39,011	67,535	59,107	(15,029)
Profit (loss) for the year attributable to owners of the parent*1	(5,332)	15,780	1,868	21,347	20,952	22,013	(18,664)	30,864	(25,605)	42,503	54,581	(52,193)
Research and development expenses	14,756	13,688	15,350	14,025	17,380	18,199	—	18,211	25,523	26,362	27,875	28,443
Capital expenditures	30,844	45,779	52,107	73,795	64,321	62,622	76,403	61,454	72,083	68,215	69,953	67,639
Depreciation and amortization	32,916	36,289	39,370	44,736	49,168	50,724	60,451	50,404	62,205	60,701	64,661	68,502
EBITDA*2	60,485	80,106	59,887	100,627	124,822	108,887	128,692	102,126	132,274	149,013	140,707	81,300
Cash Flows												
Cash flows from operating activities	68,074	48,680	33,979	28,432	83,533	138,931	137,012	98,563	121,085	132,531	116,362	69,351
Cash flows from investing activities	(27,334)	(13,543)	(142,067)	(12,397)	(218,333)	(129,228)	16,547	(119,041)	19,122	(58,052)	(52,606)	(72,328)
Cash flows from financing activities	(27,825)	(41,687)	138,348	(31,753)	153,144	10,010	(171,758)	46,618	(154,403)	(79,899)	(43,843)	1,579
Cash and cash equivalents, end of year	89,302	92,329	127,351	114,662	139,039	160,378	138,801	147,708	129,646	121,563	138,751	141,421
Financial Position												
Total assets	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	2,107,131	2,059,544
Total equity	516,322	536,408	538,776	566,312	601,795	613,651	637,517	590,855	537,308	559,431	649,573	567,167
Net interest-bearing debt	158,980	175,487	266,771	307,089	463,479	418,720	528,386	559,971	697,413	638,345	549,159	584,537
Per Share Data												
Earnings (loss) per share*1 (EPS)	¥ (19.12)	¥ 55.50	¥ 6.49	¥ 73.42	¥ 72.06	¥ 75.46	¥ (65.11)	¥ 105.80	¥ (89.33)	¥ 148.01	¥ 189.13	¥ (179.98)
Equity attributable to owners of the parent per share (BPS)	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	2,128.77	1,839.59
Dividends per share	40	40	40	40	55	60	60	60	60	60	65	70
Key Ratios												
EBITDA ratio*2	6.2%	6.6%	4.6%	7.0%	7.7%	6.5%	7.0%	6.0%	7.0%	8.3%	7.7%	4.4%
ROE	(1.0)	3.0	0.4	3.9	3.6	3.7	(3.3)	5.3	(4.6)	7.9	9.4	(9.1)
ROA	(0.5)	1.4	0.1	1.4	1.3	1.2	(0.9)	1.7	(1.3)	2.0	2.6	(2.5)
Total assets turnover (times)	0.9	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Equity ratio (JGAAP) / Ratio of equity attributable to owners of the parent (IFRS)	49.7	45.2	35.7	38.3	33.2	32.1	26.4	30.5	24.6	26.8	29.3	25.9
Dividend payout ratio	—	72.1	616.3	54.5	76.3	79.5	—	56.7	—	40.5	34.4	—
Net debt-to-equity ratio*3	30.9	33.3	50.5	54.7	78.1	69.5	97.2	95.9	132.9	116.6	89.0	109.5
Number of employees*4	35,976	41,090	48,163	45,602	51,419	52,427	—	—	60,677	59,248	61,140	62,940
Stock Indicators												
Stock price (closing), end of year (yen)	¥ 1,903	¥ 2,160	¥ 1,733	¥ 1,858	¥ 2,846	¥ 2,847	¥ 2,295	¥ 2,847	¥ 2,295	¥ 2,825	¥ 2,376	¥ 1,478
Market capitalization (millions of yen)	595,742	676,197	542,523	540,221	827,426	891,265	718,459	891,265	718,459	884,378	743,817	463,086
Price earnings ratio (times)	(99.5)	38.9	267.0	25.3	39.5	37.7	—	26.9	—	19.1	12.6	(8.2)
Price book-value ratio (times)	1.03	1.17	0.95	0.96	1.39	1.35	1.21	1.40	1.25	1.49	1.12	0.80

*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 Permasteelisa in August 2017, the Company previously classified the operations of Permasteelisa as discontinued operations. However, during the fiscal year ended March 2019 (FYE2019), LIXIL Group was unable to secure the necessary approval to sell Permasteelisa as is. Therefore, Permasteelisa's profit and loss have been restated as profit and loss from 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	April 2010	August 2011	December 2011	August 2013	January 2014	October 2014
American Standard Asia Pacific	Shin Nikkei Company, Ltd.	SUNWAVE CORPORATION	Kawashima Selkon Textiles Co., Ltd.	Permasteelisa S.p.A.	ASD Holding Corp. (ASB)	GROHE Group S.à r.l.	GROHE DAWN WaterTech Holdings Pty Ltd.
Sales ¥23.5 billion	Sales ¥110.0 billion	Sales ¥85.0 billion	Sales ¥34.3 billion*7	Sales ¥116.0 billion	Sales ¥82.0 billion	Sales ¥157.5 billion	Sales ¥12.9 billion
Acquisition cost ¥17.6 billion	Acquisition cost ¥0.7 million	Acquisition cost ¥13.7 billion	Acquisition cost ¥2.2 billion and share exchange	Acquisition cost ¥60.8 billion	Acquisition cost ¥30.5 million	Acquisition cost ¥80.1 billion	Acquisition cost ¥8.6 billion
Equity owned 100%	Equity owned 100%	Equity owned 80%*6	Equity owned 100%	Equity owned 100%	Equity owned 100%	Equity owned 44%*8	Equity owned 51%*9
Goodwill ¥2.1 billion (net)	Goodwill ¥5.4 billion	Goodwill ¥6.1 billion (negative)	Goodwill ¥1.7 billion	Goodwill ¥34.3 billion	Goodwill ¥14.7 billion	Goodwill ¥157.3 billion	Goodwill ¥1.2 billion
Intellectual property ¥3.5 billion				Intangible assets ¥35.0 billion	Intangible assets ¥21.7 billion	Intangible assets ¥209.3 billion	Intangible assets ¥7.8 billion

*6 100% in March 2013

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

*8 100% in September 2016

*9 100% in December 2017

Principal Group Companies

As of March 31, 2019

Consolidated Subsidiaries

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company (%)	Business segment
LIXIL Corporation	Koto-ku, Tokyo	34,600	100	LWT, LHT, LBT, 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
58 affiliate companies of GROHE Group S.à r.l.	—	—	—	LWT
ASD Holding Corp.	New Jersey, USA	US\$ thousand 412,956	100	LWT
9 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	72	LWT
LIXIL India Sanitaryware Private Limited	Andhra Pradesh, India	INR thousand 40,384	97	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 TEPCO Smart Partners Inc.	Koto-ku, Tokyo	450	60	LHT
LIXIL INTERNATIONAL Pte. Ltd.	Singapore	30,565	100	LHT
TOSTEM THAI Co., Ltd.	Pathum Thani, 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.* ¹	Seoul, Korea	Won million 15,355	50	LHT
PT. LIXIL ALUMINIUM INDONESIA	Cileungsi, Indonesia	IDR million 173,617	75	LHT

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company (%)	Business segment
LIXIL WINDOW SYSTEMS PRIVATE LIMITED	Haryana, India	INR thousand 727,818	100	LHT
LIXIL Renewal Corporation	Koto-ku, Tokyo	100	100	LBT
Permasteelisa S.p.A.	Veneto, Italy	€ thousand 6,900	100	LBT
36 affiliate companies of Permasteelisa S.p.A.	—	—	—	LBT
LIXIL VIVA CORPORATION* ²	Urawa-ku, Saitama, Saitama	24,596	53	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 companies)
56 other companies				

Equity-Method Affiliates

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company (%)	Business segment
Sanyo Homes Corporation* ²	Nishi-ku, Osaka, Osaka	5,945	24	H&S
Ken Depot Corporation* ³	Chiyoda-ku, Tokyo	100	34	D&R
62 other companies				

*¹ The holding of shares of this company is 50%, but it is treated as a subsidiary because it is effectively controlled by the Group.*² The company submits securities reports.*³ As of June 3, 2019, Ken Depot Corporation ceased to be an equity-method affiliate due to transfer of all of the Ken Depot shares held.

Basic Policy for Investor Relations

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

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

Investor relations

<https://www.lixil.com/en/investor/>

Activities for the Fiscal Year Ended March 31, 2019

- Annual General Meeting of Shareholders (held on June 25, 2019)
Shareholder attendance: 629 people
Percentage of voting rights exercised: 81.6%
- Communicated management message to the market (for institutional investors and analysts)
Earnings briefing sessions—four times (every quarter)
Individual meetings—359 times
Small meetings in Japan—three times
New product exhibition events—two times
Participated in investor conferences—two times in Japan and two times overseas
- Provided feedback from the market to the Company
Reported IR activities at meetings of the Board of Directors—done regularly, in addition to four times per year after the earnings briefing sessions
Exchanged opinions on the business condition and market outlook with business divisions—done regularly
Shared information with the management via e-mail—done regularly

External Recognition (from April 1, 2018 to July 31, 2019)



Companies with Greatest Improvement in IR and Companies with Best Continual Efforts in IR

Recognized among the "Companies with Greatest Improvement in IR" and "Companies with Best Continual Efforts in IR" as part of the Japan Investor Relations Association 25th Anniversary Commemorative Award selections (November 2018)



Internet IR Commendation Award

Received "Internet IR Commendation Award 2018" from Daiwa Investor Relations Co., Ltd. for seven consecutive years (November 2018)



Gomez IR Site Ranking 2018

Awarded silver prize in the overall IR site ranking and first place in the "Metal Products" industry category from Morningstar Japan K.K. (December 2018)



DJSI Asia Pacific Index

Selected for two consecutive years as a component of the Dow Jones Sustainability Indices (DJSI Asia Pacific Index), created by S&P Dow Jones Indices and RobecoSAM (September 2018)



S&P/JPX Carbon Efficient Index

Selected as a component of the S&P/JPX Carbon Efficient Index, created by S&P Dow Jones Indices (September 2018)



MSCI Japan Empowering Women Index

Selected for three consecutive years as a constituent of the MSCI Japan Empowering Women Index (WIN), created by MSCI Inc. (June 2019)



FTSE4Good Index Series FTSE Blossom Japan Index

Selected for three consecutive years as a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index, created by FTSE Russell (June 2019)

S&P Japan 500 ESG

Selected as a component of the S&P Japan 500 ESG, created by S&P Dow Jones Indices (June 2019)



Nadeshiko Brand

Selected as a component of the Nadeshiko Brand initiative, jointly conducted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (March 2019)



Water Security A List 2018

Earned place in CDP's prestigious Water Security A List (January 2019)

DISCLAIMER

The inclusion of LIXIL Group Corporation in any MSCI index, and the use of MSCI logos, trademarks, service marks, or index names herein, does 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.

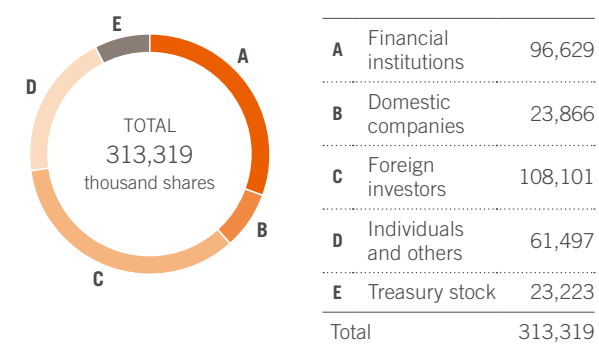
Shareholder Information

As of March 31, 2019

Number of shares and shareholders

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

Distribution of ownership among shareholders (thousand shares)

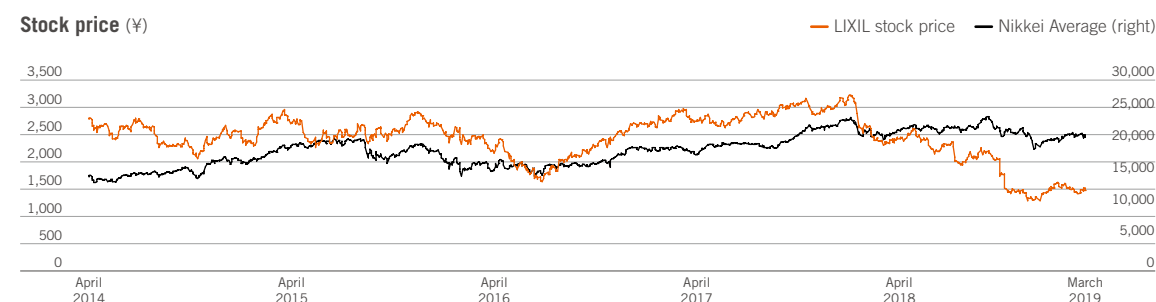


Monthly stock price range (Tokyo Stock Exchange)

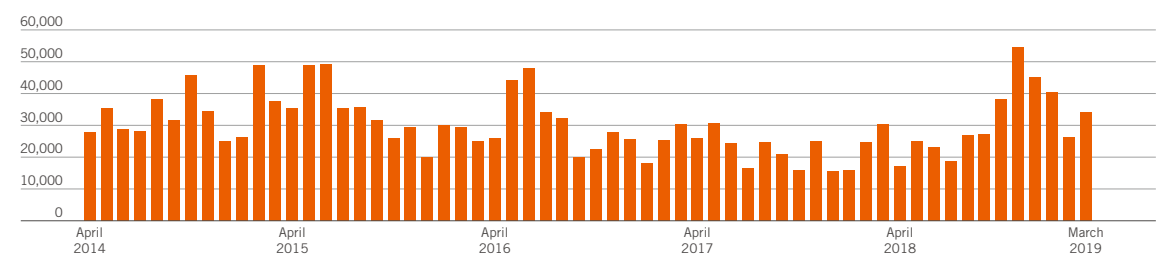
For the years ended March 31	2015	2016	2017	2018	2019
High*2 (¥)	2,973	2,959	2,999	3,255	2,639
Low*2 (¥)	2,063	2,233	1,593	2,285	1,270

*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 (thousand shares)

Name of shareholder	Number of shares held	Ratio of shareholdings
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,704*1	5.76%
Japan Trustee Services Bank, Ltd. (Trust Account)	13,541*1	4.67%
State Street Bank Client Omnibus OMO4 (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	10,970	3.78%
The Nomura Trust & Banking Co., Ltd. (Trust Account)	8,896*1	3.07%
LIXIL Employee Stock Ownership	7,102	2.45%
Daiichi Life Insurance Company, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.)	6,561	2.26%
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1 (Standing proxy: MUFG Bank, Ltd.)	5,743	1.98%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	5,725*1	1.97%
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY (Standing Proxy: The Hong Kong and Shanghai Banking Corporation Limited Tokyo Branch)	5,589	1.93%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,769*1	1.64%

Notes: 1. In addition to the above, LIXIL Group Corporation holds 23,223 thousand shares of treasury stock. Shareholding calculations exclude treasury stock.
2. *1 indicates a trust service arrangement.

Corporate Data

As of March 31, 2019

Company Name

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

Established

September 19, 1949

Registered Office

2-1-1 Ojima, Koto-ku,
Tokyo 136-8535, Japan

Headquarters

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

Paid-In Capital

¥68,417 million

Fiscal Year Closing

March 31

Employees

56 (Consolidated employees: 62,940)

Accounting Auditors

Deloitte Touche Tohmatsu LLC

Overview of Major Businesses

The Company controls and manages domestic and Businesses 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 General Meeting of Shareholders

Normally held in June in Tokyo, Japan

Cautionary Statement with Respect to Forward-Looking Statements

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

LIXIL Group Online Information

CORPORATE WEBSITE

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

 <https://www.lixil.com>

FINANCIAL INFORMATION

Our IR website offers enriched content for shareholders and other investors, including information regarding financial results, audio streaming of results briefings, and market data.

 <https://www.lixil.com/en/investor>

NON-FINANCIAL INFORMATION

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

 <https://www.lixil.com/en/sustainability>

ANNUAL REPORT

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

 https://www.lixil.com/en/investor/library/annual_reports.html



LIXIL Group Corporation
<https://www.lixil.com>



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