

[This is an English translation of the original text written in Japanese]



February 8, 2019

LIXIL Group Corporation
Yoichiro Ushioda
Director, Representative Executive Officer,
Chairman and CEO (First Section of TSE/NSE, code 5938)

(Contact):
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Announcement Regarding Establishment of a Special Investigation Committee Related to
Inappropriate Transactions of a Consolidated Subsidiary

LIXIL Group Corporation (hereinafter “LGC”) has recently learned of the possibility of inappropriate transactions at its consolidated subsidiary, LIXIL Renewal Corporation (hereinafter “LIXIL Renewal”). In order to clarify the full facts including the nature of any inappropriate transactions and the financial impact, LGC will establish a special investigation committee.

LGC sincerely apologizes to shareholders, investors, market participants as well as business partners, and all other stake holders for any inconvenience caused by this issue.

1. Background of the Establishment of the Special Investigation Committee

LGC received a report from its internal audit division on February 1, 2019 stating that internal control issues were identified at LIXIL Renewal. The investigation had been conducted after concerns were raised internally regarding certain past transactions at LIXIL Renewal, whereby incorrect information may have been reported from LIXIL Renewal to LGC for the purpose of achieving internal key performance indicators, such as enhanced volumes of order intake.

LGC takes this situation extremely seriously and, in order to ensure a highly transparent and effective investigation as well as to develop proposals for stringent prevention measures, LGC agreed at the meeting of its Executive Officers held today to establish an special investigation committee as of February 12. The committee will include independent lawyers and certified public accountants that have not been involved in the investigation so far, and have no prior connection to LGC.

2. The Members of Special Investigation Committee

Chairperson	Maki Kumagai	(Lawyer, Iwaida Partners, Partner)
Member	Shoichi Seino	(Lawyer, Iwaida Partners, Partner)
Member	Takuei Maruyama	(Certified public accountant, PwC Business Assurance LLC, Representative)

The special investigation committee plans to appoint Iwaida Partners and PwC Business Assurance LLC to support the investigation.

Objectives of the Investigation Committee

- (1) Investigation of the full facts of the case, including whether or not there are any similar issues that have not yet been recognized
- (2) Determine the financial impact to LGC's consolidated financial statements from the issue
- (3) Clarification of the cause of the issue and proposal of preventive measures

3. Impact on LGC's financial reporting

Based on the findings from the internal investigation to date, this case is focused on internal key performance indicators related to the reporting of order intake. This case will not have a material impact on LGC's financial statements, such as profit and loss, since there is no evidence of revenue recognition for such falsified contracts. LGC expects that the impact on its financial reporting will be minor. LGC will announce the determined financial impact immediately after confirming the results of the special investigation committee.

4. Future Action

LGC will announce immediately the result of the special investigation committee as soon as it receives the investigation report. Furthermore, LGC will also announce the financial impact from the inappropriate transactions immediately after it has been determined.

LGC was scheduled to file the Company's Quarterly Securities Report for the third quarter ended December 31, 2018 on February 8, 2019. However, this timing will need to be revised based on the schedule of the investigation. LGC will announce the new schedule as soon as it is confirmed.

(Reference) Overview of LIXIL Renewal Corporation

(1) Name of Company	LIXIL Renewal Corporation			
(2) Headquarters	2-1-1 Ojima, Koto-ku, Tokyo			
(3) Representative	Representative Director Shin Hamada			
(4) Major Business	After-sales services of residential homes, commercial buildings, etc.			
(5) Capital	100 million yen			
(6) Shareholding	LIXIL Corporation 100%			
(7) Operating Results and Financial Conditions for the past three years (Note)				
	Years ended in	March 2016	March 2017	March 2018
Net assets	(yen million)	2,357	2,905	2,555
Total assets	(yen million)	6,352	6,759	7,248
Sales revenue	(yen million)	18,038	17,772	15,960
Operating profit	(yen million)	2,185	2,265	1,241
Recurring profit	(yen million)	2,204	2,286	1,257
Profit for the year attributable to owners of the parent	(yen million)	1,386	1,497	848

(Note) The amount is based on JGAAP.

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