

The following is an English translation of the Report for the 77th Fiscal Year (the "Report") as Attachment to the Notice of Convocation of the 77<sup>th</sup> Annual General Meeting of Shareholders of LIXIL Group Corporation (the "Company"). The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. If there is any discrepancy between the Japanese version and the English translation, the Japanese version shall prevail.

Attachment to the Notice of Convocation of  
the 77<sup>th</sup> Annual General Meeting of Shareholders

Report for the 77<sup>th</sup> Fiscal Year  
(From April 1, 2018 to March 31, 2019)

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- Disclosure via the Internet

The following items are posted on the Company's Internet website based on the laws and regulations as well as Article 16 of the Company's articles of incorporation, thus are not indicated on the Report.

(1) Notes to consolidated financial statements and (2) Notes to non-consolidated financial statements

URL: <https://www.lixil.com/jp/>

The consolidated financial statements and non-consolidated financial statements audited by the Accounting Auditors and the Audit Committee are the statements indicated on the Report and the Notes to consolidated financial statements and Notes to non-consolidated financial statements posted on the aforementioned the Company's website.

LIXIL Group Corporation  
(Securities Code 5938)

(Attached Documents)

Business Report for the 77<sup>th</sup> Fiscal Year  
(From April 1, 2018 to March 31, 2019)

1. Matters regarding the current state of the Group

Because the Company decided to sell its consolidated subsidiary Permasteelisa S.p.A. (“Permasteelisa”) in August 2017, it had categorized Permasteelisa and its subsidiaries as discontinued operations in accordance with International Financial Reporting Standards. However, under the current circumstances the shares of Permasteelisa can no longer be sold as-is during this consolidated fiscal year. As a result, the profit and loss arising from the business of Permasteelisa and its subsidiaries is presented as profit and loss for continued operations and included accordingly in revenue, core earnings, operating profit and loss, and profit and loss before tax. We applied the same accounting policy to last year’s results.

(1) Business developments and their results

The Japanese economy has shown gradual growth this consolidated fiscal year, with temporal stagnation in the first half of the year due to the impact of domestic natural disasters such as typhoons and earthquakes, and recovery in the second half thanks to increased exports as the global economy remained strong. In residential investment, the number of new housing developments increased 0.7% on year to 953,000 properties, with rental properties continuing to fall but home ownership and condominiums rising.

The outlook for the world economy is improving due to the continuation of a monetary relaxation policy in the United States and Europe and the bolstering of domestic government initiatives such as infrastructure investment in China, but whether this is sustainable will have to be carefully monitored in light of the prolonged trade talks between the United States and China, the Brexit issue, and China’s debt problem. An additional concern is that the Japanese economy could be hit by the expectation that trade talks between the United States and other countries could become increasingly fraught as the United States’ trade deficit continues to deteriorate.

In this context, the Company’s revenue in this consolidated fiscal year was broadly flat on year at 1,832,608 million yen (up 0.2% on year): a result of the negative effects of having sold some subsidiaries in the preceding consolidated fiscal year plus the falloff from natural disasters in Japan in the first half of the year, which were offset by the positive effects of a recovery in the Company’s domestic business in the second half of the year thanks to measures such as the new transaction system being pushed by the Company since the start of this fiscal year, which has yielded results, and stabilization of its sales structure. In profits, gross profit increased due to higher revenue and continued cost reductions in the domestic business and successful measures to hold down selling, general and administrative expenses. Despite this, core earnings fell sharply 83.2% on year to 12,798 million yen due to the inclusion in overseas business results of a loss provision and bad debt provision for the construction costs required to complete future properties, which stem from the downturn in earnings at Permasteelisa. In addition to the fall in core earnings, operating profit and profit before tax both fell into the negative, with an operating loss of 15,029 million yen (versus an operating profit of 59,107 million yen last year) and a profit before tax of 17,990 million yen (versus a profit before tax of 65,100 million yen last year). The

main causes were the drop out of the profit on the sale of subsidiary shares and real estate from the liquidation of assets included in the previous consolidated fiscal year and drop out of profit from disposition of equity interests in certain affiliated companies accounted for using the equity method.

The increase in corporate income tax owing to the reduction of deferred tax assets recorded in the previous consolidated fiscal year, which was premised on the sale of Permasteelisa, resulted in a loss attributable to the owners of the parent (net of non-controlling interests) of 52,193 million yen (compared to a 54,581 million yen profit attributable to the owners of the parent in the previous fiscal year).

Note: Core earnings are calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

The overall conditions for each business sector are described below. Following a review of business management systems, we changed our business sector categorization to include the Kitchen Technology Business in the Water Technology Business from this consolidated fiscal year. As a result, our on year comparisons have been rearranged based on the business sector categorization after the change. The profit and loss from the business of Permasteelisa and its subsidiaries are now being presented as profit and loss of a continuing business, and these results are now included in the Building Technology Business.

For each business, revenue indicates the amounts before eliminations for inter-business transactions, and core earnings indicate the amounts before deduction of company-wide expenses.

#### [Water Technology Business]

In the Water Technology Business, revenue increased by 0.6% on year to 833,128 million yen owing to firm sales of sanitary ceramics that use new Aqua Ceramic materials to stay “one hundred years clean as new,” with cumulative shipments topping one million units, as well as owing to active marketing of products such as SPAGE system bathrooms under the slogan, “enjoy your bath, savor the moment,” and the fitted kitchen Richelle SI which provides a beautiful interior while pursuing the “joy of use” as equipment. In profit, core earnings were 60,233 million yen (down 18.4% on year) due to a fall in gross profit caused by changes to the product mix, higher materials costs, and prior investment such as setting up showrooms in the Asia region—this despite continued cost reductions resulting from synergistic effects.

#### [Housing Technology Business]

In the Housing Technology Business, revenue improved 1.0% on year to 540,811 million yen. These revenues were driven by achieving the radical value and role of windows through the merging of the latest technology and functions that the Group has to develop a new “LW” window, by expanding our range of high-performance products combining environmental performance and comfort such as our insulating Grandel 2 entrance door that boasts country-leading thermal insulation performance, and by measures that contribute to society such as the Smart Package Postal Box that utilizes IoT. Despite efforts to increase gross margins through cost reductions, core earnings decreased 24.7% on year to 20,719 million yen driven by factors such as construction delays brought about by domestic natural disasters in the first half of the year and rising materials prices.

#### [Building Technology Business]

In the Building Technology Business, despite steady growth in domestic orders, provisions to construction cost and bad debt provision centering on the North America region resulting from a careful examination of all orders when formulating a rehabilitation plan to boost the profitability of Permasteelisa resulted in a revenue decrease of 5.7% on year to 256,050 million yen and a core loss of 38,119 million yen (versus a 4,553 million yen operating profit last year).

[Distribution and Retail Business]

In the Distribution and Retail Business, our aggressive efforts to increase sales such as by the establishment of four new SUPER VIVA HOMES—evolutionary home centers that propose ideal living and new lifestyles to customers—led to a revenue increase of 1.6% on year to 176,381 million yen and an increase in gross margins due to stronger sales of renovation products and cost reduction efforts at existing stores. As a result, core earnings rose 11.7% on year to 7,752 million yen.

[Housing and Services Business]

In the Housing and Services Business, our efforts for increasing sales of new products for diverse lifestyles such as Simple Life homes for personal and smart living; VERDEA, whose passive design utilizes the power of nature to nurture human lifestyles; and WoodsHill with its 2x6 construction method, as well as our strategic policy of focusing on new business areas such as BtoC businesses and growth in non-new-build segment helped boost revenue by 10.6% on year to 57,852 million yen and core earnings by 36.1% on year to 3,451 million yen.

Revenue and core earnings by business

Business Category	2018 Consolidated Fiscal Year (April 1, 2017 to March 31, 2018)		2019 Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)		Year-on-year increase/decrease	
	Revenue	Core Earnings	Revenue	Core Earnings	Revenue	Core Earnings
	(million yen)	(million yen)	(million yen)	(million yen)	(%)	(%)
Water Technology Business	827,876	73,814	833,128	60,233	0.6	(18.4)
Housing Technology Business	535,204	27,525	540,811	20,719	1.0	(24.7)
Building Technology Business	271,498	4,553	256,050	(38,119)	(5.7)	-
Distribution and Retail Business	173,520	6,938	176,381	7,752	1.6	11.7
Housing and Services Business etc.	52,298	2,535	57,852	3,451	10.6	36.1
Deletion or Common throughout Company	(31,052)	(39,319)	(31,614)	(41,238)	-	-
Total	1,829,344	76,046	1,832,608	12,798	0.2	(83.2)

(2) Status of capital investment

The amount of capital investment for this consolidated fiscal year is 72,912 million yen. Most of the amount was for the investment in new product development, newly opened and existing Super Viva Homes stores; the remainder was for streamlining and investment in facilities update and maintenance.

(3) Status of financial arrangements

In this consolidated fiscal year, 78,787 million yen was procured through long-term loans to be applied to refinancing funds for consolidated subsidiaries.

(4) Status of transfers of rights and obligations regarding the business of other corporations, etc. due to absorption-type merger or demerger

LIXIL VIVA CORPORATION absorbed and merged four of its consolidated subsidiaries YK Super Viva Asset, YK Super Viva Asset Oimachi, YK Super Viva Asset Misato and YK Super Viva Asset Narashino as of April 1, 2018

(5) Status of acquisition or disposal of shares, other equity, or share options of other companies

At the Board of Directors meeting on August 21, 2017, the Company resolved to sell 100% of the issued stock of Permasteelisa, which was held by the Company's consolidated subsidiary LIXIL Corporation, to Grandland Holdings Group Limited ("Grandland"). A Stock Purchase Agreement was executed as of that date.

After the execution of the Stock Purchase Agreement, the Company and Grandland, made best efforts to close the transaction as early as possible, but received notification from the Committee on Foreign Investment in the United States that the Committee could not approve the share transfer with the mitigation measures outlined by the Company and Grandland.

The Stock Purchase Agreement specifies that the securing of necessary approvals from regulatory authorities is a condition to close the transaction. In response, upon receipt of the notification and thereafter, the Company has reviewed its options and concluded that it is reasonable to terminate the Stock Purchase Agreement. Then, the Company resolved to terminate the Stock Purchase Agreement by mutual agreement of the parties at a meeting of the Board of Directors on November 27, 2018 and terminated the agreement as of same date.

(6) Changes in status of assets and income/losses

International Financial Reporting Standards (IFRS)

Category	2016 Consolidated Fiscal Year (April 1, 2015 to March 31, 2016)	2017 Consolidated Fiscal Year (April 1, 2016 to March 31, 2017)	2018 Consolidated Fiscal Year (April 1, 2017 to March 31, 2018)	2019 Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)
Revenue (million yen)	1,890,450	1,786,447	1,829,344	1,832,608
Operating earnings (million yen)	70,069	88,312	76,046	12,798
Operating profit and loss (million yen)	39,011	67,535	59,107	(15,029)
Profit/loss for the year attributable to owners of the parent (million yen)	(25,605)	42,503	54,581	(52,193)
Basic profit/loss per share (yen)	(89.33)	148.01	189.13	(179.98)
Total assets (million yen)	2,130,120	2,042,165	2,107,131	2,059,544
Equity attributable to owners of the parent (million yen)	524,806	547,244	616,897	533,656
Equity attributable to owners of the parent per share (yen)	1,828.84	1,902.18	2,128.77	1,839.59
Equity ratio attributable to owners of the parent (%)	24.6	26.8	29.3	25.9

Notes:

1. The Company started using the International Financial Reporting Standards (IFRS) this consolidated fiscal year under Article 120 (1) of the Rules of Corporate Accounting from the 2017 consolidated fiscal year. We have also included the IFRS figures for the 2016 consolidated fiscal years for reference.
2. Core earnings are calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
3. The profit and loss arising from the business, etc. of Permasteelisa and its subsidiaries is presented as profit and loss for continued operations and included in revenue, core earnings and operating profit and loss. We applied the same accounting policy to revenue, core earnings and operating profit and loss for the 2017 and 2018 consolidated fiscal years.

(7) Issues to be dealt with

LIXIL Group established a new management plan (NMP) to unlock the full potential of the company, and announced it on May 13, 2019. From leveraging group assets to capture growth opportunities, to transforming business models and enhancing its group management structure and practices to enhance corporate value, the new management plan will build on the already strong foundations of the business to push the boundaries of what LIXIL Group can achieve.

[Background]

The new management plan is guided by three key beliefs.

- The first is *Diversity*. LIXIL Group has accumulated diverse, distinctive and valuable assets and talents through the various stages of its evolution, from its powerful global brands and pioneering technologies to its people. It will leverage its diversity to maximize the group's growth and corporate value.
- The second belief is called *Beyond*. LIXIL Group is already making progress on strategies and initiatives that are moving in the right direction. While these will continue, the company also seeks to take key initiatives even further.
- The third is *Team Leadership*. LIXIL Group can fully leverage its size and diversity by empowering a multi-style leadership team in different businesses who show strong ownership and self-discipline.

[Summary of Strategic Direction]

Built on these beliefs, the new management plan aims to enhance the strategic direction of the business and management. To do this, it will focus on five key areas:

<Direction of Business>

- 1) *Capture*: LIXIL Group will capture market opportunities by leveraging its existing suite of distinctive assets. This includes regaining market share in the Japan market and enhancing its product lineup, and by optimizing production. Globally, LIXIL Group will continue to strengthen its water technology business, including through its shower toilet strategy and the global expansion of the GROHE brand, as well as turning around such group companies as Permasteelisa.
- 2) *Transform*: LIXIL Group seeks to enhance its domestic channels, while making a

leap globally in productivity and implementing a group-wide digital vision that will enhance new consumer experience and create new B2B business.

- 3) *Create*: LIXIL Group will offer solutions that provide new value to living and working spaces, such as health-related aspects. It will also develop new growth engines through innovative business models, such as enhancing the water management business in global markets.

<Direction of Management>

- 4) *Re-enhance*: LIXIL Group will strengthen its governance and compliance, while implementing a group management scheme to maximize corporate value, including establishing a holding company focusing on mid-to-long term corporate value maximization.
- 5) *Ahead*: LIXIL Group will develop next-generation leadership and new corporate responsibility activities, while rebuilding group ties including through the three LIXIL Behaviors, to lead to the next stage of LIXIL Group.

[Financial Targets]

By unlocking the full potential of the LIXIL Group, the company aims to achieve ¥2 trillion in sales and a 6.3% core earnings margin by FYE 2024.

	FYE 2019 Actual			FYE 2024 NMP		Key Measures
	JPY 0.1 Bn	%		JPY 0.1 Bn	%	
<b>Sales</b>	18,326	100%	▶	20,000	100%	CAGR* +2%
<b>Core Earnings (Business)</b>	601	3.3%	▶	1,650	8.3%	Business CE >8% Major business CE >10%
<b>HQ &amp; IT consol. adjustments</b>	473	2.6%	▶	400	2.0%	HQ cost cut 20% targeted = 2% of Sales
<b>Core Earnings</b>	128	0.7%	▶	1,250	6.3%	CE 6% or higher, including Permasteelisa

\* CAGR: Compound Annual Growth Rate

Through the new management plan, LIXIL Group will become an organization that fully leverages its global assets, develops transformative and innovative business models and products, and contributes to the sustainability of the world around it.

(8) Principal business

The Group, with its corporate philosophy, “We contribute to improving comfort and lifestyles of the people in the world through superior products and services,” is developing business activities such as the Water Technology Business, Housing Technology Business, Building Technology Business, Distribution and Retail Business, and Housing and Services Business, etc. as the main businesses as well as other services related. The principal products and goods, etc. of each business is as follows:

Business Category	Business Breakdown (principal products and goods, etc.)	
Water Technology Business	Plumbing fixtures	(sanitation equipment, shower toilets, water faucet clasps, hand wash basin, bathtub, integrated baths, smart products, showers, sinks, countertops, residential and office building exterior tiles, interior tiles, etc.)
	Kitchen	(fitted kitchens, etc.)
Housing Technology Business	Metal building materials	(sashes for residences, front doors, various shutters, gates, carports, handrails, bridge railing, protection against tides, water retaining boards, smoke insulation screens, etc.)
	Wood interior building materials	(window frames, fixture materials, interior building materials, etc.)
	Other building materials	(siding, stone, roofing materials etc.)
	Interior fabrics	(curtains, etc.)
	Others	(solar power systems, etc.)
Building Technology Business	Metal building materials	(curtain wall, sashes for buildings and stores, etc.)
Distribution and Retail Business	Home improvement stores	(living supplies, do-it-yourself supplies, construction materials, etc.)
	Comprehensive building materials center	(construction materials, tools, metallic materials, etc.)
Housing and Services Business etc.	Housing solutions	(development of franchise chains of engineering work shops, building contractor, ground surveying and improvements, etc.)
	Real estate	(land, buildings, real estate, development support of real-estate business, etc.)
	Assisted-living condominium business	(assisted-living condominiums)
	Financial service business	(home loans, etc.)



(9) Status of principal subsidiaries

Company Name	Capital	Voting rights ownership (%) of the Company	Principal Business
LIXIL Corporation	34,600 million yen	100	Manufacturing and sales of metal building materials, plumbing fixtures
LIXIL VIVA CORPORATION	24,596 million yen	53	Sales of living supplies, do-it-yourself supplies, construction materials
LIXIL Total Service Corporation	100 million yen	100	Sales of plumbing facilities
LIXIL Total Hanbai Corporation	75 million yen	100	Sales of metal building materials
Kawashima Selkon Textiles Co., Ltd.	9,382 million yen	100	Manufacturing and sales of interior fabric
LIXIL Group Finance Corporation	3,475 million yen	100	Financial services business
Grohe Group S.à r.l.	57,143,000 EUR	100	Holding company of Grohe Group
Permasteelisa S.p.A.	6,900,000 EUR	100	Manufacturing and sales of curtain walls
ASD Holding Corp.	412,956,000 USD	100	Holding company of the American Standard's North American business
A-S CHINA PLUMBING PRODUCTS Ltd.	24,907,000 USD	100	Holding company for American Standard's China business
TOSTEM THAI Co., Ltd.	2,767 million THB	100	Manufacturing and sales of metal building materials
LIXIL INTERNATIONAL Pte. Ltd.	274,417,000 USD	100	Supply chain controlling company for Asian region
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.	40,700,000 USD	100	Manufacturing and sales of metal building materials
LIXIL Manufacturing (Dalian) Corporation	43,500,000 USD	100	Manufacturing and sales of wood interior building materials

Notes:

1. Voting rights ownership includes indirect ownership by subsidiaries.
2. LIXIL Viva Corporation acquired its own shares between November 2018 and January 2019. This raised the voting rights ownership of the Company to 53%.
3. There are 200 consolidated subsidiaries of the Company.
4. The status of the specified wholly owned subsidiary as of the last day of this consolidated fiscal year is as follows:

Name of specified wholly owned subsidiary	LIXIL Corporation
Address of specified wholly owned subsidiary	2-1-1 Ojima, Koto-ku, Tokyo
Company's book value of the shares of specified wholly owned subsidiary	211,287 million yen
Total asset amount of the Company	668,672 million yen

(10) Principal hubs, etc.

Company Name	Trade Name ・ Location	
LIXIL Group Corporation (the Company)	Head Office Business Office of Principal Office	2-1-1 Ojima, Koto-ku, Tokyo 36 <sup>th</sup> Floor, Kasumigaseki Building, 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo
LIXIL Corporation	Head Office Sales Office	Koto-ku, Tokyo Hokkaido Branch Kita Kanto Branch (Tokyo) Chubu Branch (Aichi) Chushikoku Branch (Hiroshima) LIXIL Showroom Tokyo LIXIL Showroom Osaka
	Factory	Sukagawa Factory (Fukushima) Shimotsuma Factory (Ibaraki) Tsuchiura Factory (Ibaraki) Fukaya Factory (Saitama) Chita Factory (Aichi) Tokoname Higashi Factory (Aichi) Hisai Factory (Mie) Kasumigaseki Building (Tokyo)
	Other Offices	Tohoku Branch (Miyagi) Kanto Branch (Tokyo) Kansai Branch (Osaka) Kyushu Branch (Fukuoka) Maebashi Factory (Gunma) Iwai Factory (Ibaraki) Ishige Factory (Ibaraki) Oyabe Factory (Toyama) Enokido Factory (Aichi) Uenomidori Factory (Mie) Ariake Factory (Kumamoto) Tokoname Building (Aichi)
LIXIL VIVA CORPORATION	Head Office	Urawa-ku, Saitama-shi, Saitama
LIXIL Total Service Corporation	Head Office	Koto-ku, Tokyo
LIXIL Total Hanbai Corporation	Head Office	Koto-ku, Tokyo
Kawashima Selkon Textiles Co., Ltd.	Head Office	Sakyo-ku, Kyoto-shi, Kyoto
LIXIL Group Finance Corporation	Head Office	Koto-ku, Tokyo
Grohe Group S.à r.l.	Head Office	Luxembourg
Permasteelisa S.p.A.	Head Office	Italy
ASD Holding Corp.	Head Office	United States of America
A-S CHINA PLUMBING PRODUCTS Ltd.	Head Office	British Cayman Islands
TOSTEM THAI Co., Ltd.	Factory	Thailand
LIXIL INTERNATIONAL Pte. Ltd.	Head Office	Singapore
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.	Factory	Vietnam
LIXIL Manufacturing (Dalian) Corporation	Factory	China

## (11) Status of employees

Business Category	Number of Employees	Comparison increase/decrease with end of previous consolidated fiscal year
Water Technology Business	32,868	1,592 increase
Housing Technology Business	18,820	468 decrease
Building Technology Business	7,461	631 increase
Distribution and Retail Business	1,357	16 decrease
Housing and Services Business etc.	1,374	31 increase
Sector common throughout the Company	1,060	30 increase
Total	62,940	1,800 increase

Notes:

1. The number of employees is the number of employed staff and does not include the number of part-time or temporary staff.
2. The number of employees in sector common throughout the company represents those employees in administrative departments that cannot be assigned to any one business category.

## (12) Status of principal lenders

Lender	Outstanding Loan Amount
	(million yen)
Sumitomo Mitsui Banking Corporation	118,471
MUFG Bank, Limited	95,961
Mizuho Bank, Ltd.	62,445
Sumitomo Mitsui Trust Bank, Limited	20,500

Notes:

1. In addition to those above, there is a total of 46,000 million yen in syndicated loans managed by the Development Bank of Japan Inc.

## (13) Basic policies regarding dividend distribution, etc. of retained earnings

The Company standardizes on the preservation of a healthy financial strength and has as its policies, to maintain a 30% or higher dividend payout ratio at the consolidated base regarding cash dividends, and to flexibly perform the acquisition of treasury stocks. With regard to this fiscal year, the year-end cash dividend per share was 35 yen (70 yen for the year, including the midterm cash dividend).

2. Matters regarding the current state of the Company

(1) Matters regarding stock

- 1) Total number of authorized shares: 1,300,000,000 shares
- 2) Total number of issued shares: 290,095,415 shares  
(excluding 23,223,744 shares of treasury stock)
- 3) Number of shares in 1 unit: 100 shares
- 4) Capital stock: 68,417,794,464 yen
- 5) Total number of shareholders: 60,532
- 6) Top 10 shareholders:

Shareholder Name	Number of shares held	Ratio of shareholdings
	(thousand shares)	(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	※ 16,704	5.76%
Japan Trustee Services Bank, Ltd. (Trust Account)	※ 13,541	4.67%
State Street Bank Client Omnibus OM04 (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	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	1.97%
NORTHERN TRUST CO.(AVFC) SUB A/C NON TREATY (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	5,589	1.93%
Japan Trustee Services Bank, Ltd. Trust Account 9	※ 4,769	1.64%

Notes:

1. The Company possesses 23,223 thousand treasury stocks but has been excluded from the top 10 shareholders above.
2. The ratio of shareholdings has been calculated after deducting treasury stocks.
3. The ※ symbols are for those involved in the trust business.
4. The 8,896 thousand shares of The Nomura Trust & Banking Co., Ltd. (Trust Account) are the trust property entrusted by Yoichiro Ushioda, and based on the trust agreement, he reserves the authority to direct with regard to the exercising the voting right.

(2) Matters regarding stock acquisition rights, etc.

- 1) The outline of the contents of the stock acquisition rights issued as the consideration of the execution of duties held by company officers at the end of this fiscal year.

	The 4 <sup>th</sup> Stock Acquisition Rights	The 5 <sup>th</sup> Stock Acquisition Rights
Day of the resolution of issuance	April 17, 2012	April 15, 2013
Number of stock acquisition rights	1,690	8,650
Class and number of shares to be issued or transferred upon exercising stock acquisition rights	ordinary shares 169,000 shares (100 shares per 1 stock acquisition right)	ordinary shares 8650 shares (100 shares per 1 stock acquisition right)
Amount to be paid in upon exercising stock acquisition rights	30,900 yen per stock acquisition right	51,200 yen per stock acquisition right
Value of properties to be contributed upon exercising stock acquisition rights	168,200 yen per stock acquisition right	236,500 yen per stock acquisition right
Period during which such right can be exercised	May 10, 2014 to May 9, 2019	May 10, 2015 to May 9, 2020
Number of holders and number of the acquired stock acquisition rights		
Directors (excluding Outside Directors)	2 people 916	5 people 3,500
Outside Directors	1 person 58	1 person 200
Executive Officers	3 people 503	5 people 4,800

	The 7 <sup>th</sup> Stock Acquisition Rights	The 8 <sup>th</sup> Stock Acquisition Rights
Day of the resolution of issuance	May 7, 2014	November 25, 2014
Number of stock acquisition rights	6,000	405
Class and number of shares to be issued or transferred upon exercising stock acquisition rights	ordinary shares 600,000 shares (100 shares per 1 stock acquisition right)	ordinary shares 40,500 shares (100 shares per 1 stock acquisition right)
Amount to be paid in upon exercising stock acquisition rights	39,500 yen per stock acquisition right	4,6800 yen per stock acquisition right
Value of properties to be contributed upon exercising stock acquisition rights	281,900 yen per stock acquisition right	252,700 yen per stock acquisition right
Period during which such right can be exercised	May 24, 2016 to May 23, 2021	December 13, 2016 to December 12, 2021
Number of holders and number of the acquired stock acquisition rights		
Directors (excluding Outside Directors)	5 people 2,240	
Outside Directors	2 people 400	
Executive Officers	5 people 3,360	1 person 405

	The 9 <sup>th</sup> Stock Acquisition Rights
Day of the resolution of issuance	September 20, 2016
Number of stock acquisition rights	3,000
Class and number of shares to be issued or transferred upon exercising stock acquisition rights	ordinary shares 300,000 shares (100 shares per 1 stock acquisition right)
Amount to be paid in upon exercising stock acquisition rights	43,300 yen per stock acquisition right
Value of properties to be contributed upon exercising stock acquisition rights	225,300 yen per stock acquisition right
Period during which such right can be exercised	October 8, 2018 to October 7, 2023
Number of holders and number of the acquired stock acquisition rights Directors (excluding Outside Directors) Outside Directors Executive Officers	   1 person 3,000

Notes:

The number of holders and the number of the stock acquisition rights for the two Directors who concurrently serve as Executive Officers are included and indicated with the number of holders and the number of the acquired stock acquisition rights of Executive Officers.

2) Status of other stock acquisition rights

Outline of stock acquisition rights attached to convertible bond-type bonds with stock acquisition rights issued based on the resolution of the Board of Executive Officers Meeting held on February 16, 2015

(a) Stock acquisition rights attached to Euro-yen convertible bond-type bonds with stock acquisition rights expiring 2020

Total number of stock acquisition rights attached to bonds	Sum of 6,000 and the number of units, which is the total amount of the face value of the bonds regarding substitute bond certificates with share acquisition rights divided by 10 million yen
Class and number of shares that are for the purpose of stock acquisition rights	Ordinary shares of the Company The number of the ordinary shares of the Company that the Company will deliver from the exercise of the share acquisition rights will be the number, which is the total amount of the face value of the bonds regarding the exercise request divided by the conversion price; provided that fractions less than one share will be rounded off and adjustments by cash will not be made.
Money to be paid in exchange for stock acquisition rights	Payment of money is not required in exchange for the stock acquisition rights
Conversion price	3,872.9 yen (see Note)
Period to exercise stock acquisition rights	From March 18, 2015 until February 19, 2020 (local time of the location where the exercise request is accepted)

(b) Stock acquisition rights attached to Euro-yen convertible bond-type bonds with stock acquisition rights expiring 2022

Total number of stock acquisition rights attached to bonds	Sum of 6,000 and the number of units, which is the total amount of the face value of the bonds regarding substitute bond certificates with share acquisition rights divided by 10 million yen
Class and number of shares that are for the purpose of stock acquisition rights	Ordinary shares of the Company The number of the ordinary shares of the Company that the Company will deliver from the exercise of the share acquisition rights will be the number, which is the total amount of the face value of the bonds regarding the exercise request divided by the conversion price; provided that fractions less than one share will be rounded off and adjustments by cash will not be made.
Money to be paid in exchange for stock acquisition rights	Payment of money is not required in exchange for the stock acquisition rights
Conversion price	3,793.0 yen (see Note)
Period to exercise stock acquisition rights	From March 18, 2015 until February 18, 2022 (local time of the location where the exercise request is accepted)

Note: In conjunction with the resolution to set the dividend for this consolidated fiscal year at 70 yen per share at the Board of Directors meeting held on May 28, 2019, the conversion price has been adjusted in accordance with the terms and conditions of the

bonds. The adjusted conversion price will be 3,847.7 yen for stock acquisition rights attached to Euro-yen convertible bond-type bonds with stock acquisition rights expiring 2020, and 3,768.4 yen for stock acquisition rights attached to Euro-yen convertible bond-type bonds with stock acquisition rights expiring 2022.



(3) Matters regarding company directors and officers

1) Directors

Position	Name	Area of Responsibility	Status of Important Concurrently-held Positions
Director	Yoichiro Ushioda		Chairman of the Board and CEO, LIXIL Corporation (Representative Director)
Director	Hirokazu Yamanashi		
Director	Kinya Seto		
Director	Yoshizumi Kanamori		
Chairman of the Board			
Director	Yoshinobu Kikuchi	Nomination Committee Member, Compensation Committee Member	
Director	Keiichiro Ina		
Director	Haruo Shirai	Audit Committee Member	
Director	Ryuichi Kawamoto		
Director	Tsutomu Kawaguchi	Nomination Committee Member, Audit Committee Member	
Director	Main Kohda	Nomination Committee Member, Compensation Committee Member	Chairman, LoopUp Group Plc Chairman, CIFAS
Director	Barbara Judge	Nomination Committee Member, Compensation Committee Member	
Director	Hiroto Yoshimura	Nomination Committee Member, Audit Committee Member	

Notes:

1. Directors Yoichiro Ushioda, Hirokazu Yamanashi and Kinya Seto concurrently hold the positions of Executive Officers.
2. Directors Tsutomu Kawaguchi, Main Kohda, Barbara Judge and Hiroto Yoshimura are Outside Directors as prescribed in Article 2, Item 15 of the Companies Act. In addition, Directors Tsutomu Kawaguchi, Main Kohda, Barbara Judge and Hiroto Yoshimura have been designated as independent officers based on the provisions of each domestic stock exchange that the Company is listed, and each stock exchange has been notified.
3. Hirokazu Yamanashi assumed the office of Executive Officer (Representative Executive Officer) and lost his position as Outside Director on November 1, 2018.
4. Tsutomu Kawaguchi, who is an Audit Committee Member, is licensed as a certified public accountant and has considerable knowledge regarding financial affairs and accounting.
5. The Audit Committee has elected Haruo Shirai as a full-time Audit Committee Member in order to continuously and effectively conduct hearings from Executive Officers and other officers and employees and receive reports from the internal audit department and other relevant departments and offices, understand information collected including through audits of subsidiaries, and attend various meetings.

6. Yoichiro Ushioda and Hirokazu Yamanashi both resigned as a Nominations Committee Member on October 31, 2018.
7. Hirokazu Yamanashi and Keiichiro Ina both resigned as a Compensation Committee Member on October 31, 2018.
8. Yoichiro Ushioda resigned as Director, Chairman and CEO (Representative Director) of LIXIL Corporation on October 31, 2018.
9. Hirokazu Yamanashi became a Director without representative rights of Hirokazu Yamanashi Office , Co. Ltd. on October 31, 2018.
10. Yoshinobu Kikuchi and Tsutomu Kawaguchi were both elected as a Nomination Committee Member on November 1, 2018.
11. Hirokazu Yamanashi was elected as Chairman of the Board and CEO (Representative Director) of LIXIL Corporation on November 1, 2018.
12. Yoshizumi Kanamori was elected as Chairman of the Board on January 1, 2019.

## 2) Executive Officers

Position	Name	Area of Responsibility / Status of Important Concurrently-held Positions
Executive Officer and Chairman (Representative Executive Officer)	Yoichiro Ushioda	CEO
Executive Officer (Representative Executive Officer)	Hirokazu Yamanashi	COO
Executive Officer and President (Representative Executive Officer)	Kinya Seto	
Executive Officer and Vice President (Representative Executive Officer)	Sachio Matsumoto	Accounting, Finance and M&A and CFO Representative Director and Director and President, LIXIL Group Finance Corporation
Executive Officer and Vice President	Kazuhiko Ootsubo	Sales and Domestic Subsidiaries Director, President and COO, LIXIL Corporation (Representative Director)
Executive Officer and Senior Managing Officer	Hwa Jin Song	Public Affairs, IR, PR, Corporate Responsibility and CPAO
Executive Officer and Senior Managing Officer	Montesano Harumi Matsumura	Human Resources, General Affairs and CHRO
Executive Officer and Senior Managing Officer	Ryo Nihei	Technology and CTO
Executive Officer and Senior Managing Officer	Yugo Kanazawa	Marketing, Digital and IT, CDO and CIO
Executive Officer	Yutaka Nakamura	Legal Affairs and CLO

### Notes:

1. At the Board of Directors' Meeting held on June 21, 2018, both Kinya Seto and Sachio Matsumoto were elected as and assumed the positions of Representative Executive Officer. In addition, at the same Board of Directors' Meeting, Kinya Seto was elected as and assumed the position of Executive Officer and President.
2. Yoichiro Ushioda resigned from the position of Executive Officer as of October 1, 2018.
3. Yoichiro Ushioda and Hirokazu Yamanashi were both elected as Representative Executive Officers at the Board of Directors' Meeting held on October 31, 2018 and assumed their position as of November 1, 2018. Yoichiro Ushioda was also elected as Executive Officer Chairman at the same Board of Directors' Meeting and assumed the position as of November 1, 2018.
4. Kazuhiko Ootsubo took office as Director, President and COO of LIXIL Corporation as of November 1, 2018.
5. Kinya Seto resigned as Executive Officer and President (Representative Executive Officer) as of March 31, 2019.
6. Hirokazu Yamanashi took office as Executive Officer and President as of April 1, 2019.

3) Compensation Committee policies regarding the decision regarding the calculation method of the compensation for Directors and Executive Officers

[Compensation basic policies]

- (a) Promote performance-based compensation in order to provide effective incentives designed to foster improvement of short-, medium-, and long-term business results and corporate value.
- (b) Attract and retain the best global talent who are necessary to maintain sustainable growth.
- (c) Ensure a fair and reasonable decision process with regards to compensation that will provide accountability to shareholders, employees, and all stakeholders.
- (d) Conduct comparative evaluation with external objective indexes at the Compensation Committee in order to ensure transparency and objectivity.
- (e) Individual compensation shall be managed in accordance with role and responsibility, contribution to business performance, and company performance.

[Compensation system]

Compensation structure for Directors who are responsible for supervising the Company's management, and for Executive Officers who are responsible for the execution of business, shall be separate. When a Director concurrently serves as an Executive Officer, the compensation structure for Executive Officers shall be applied in principle.

(a) Compensation structure  
(Directors)

The compensation for Directors shall consist of the following.

- Fixed-amount compensation (base compensation)
- Stock-related compensation

(Executive Officers)

The compensation for Executive Officers shall consist of the following.

- Fixed-amount compensation (base pay)
- Performance-based compensation
- Stock-related compensation

Individual compensation, for both Directors and Executive Officers, shall be discussed and decided individually in accordance with the basic policy of compensation.

(b) Compensation level

The level of compensation shall be set by the Compensation Committee annually based on comparative evaluation with external objective indexes, in accordance with the basic policy of compensation and depending on work responsibility.

(c) Compensation component

- Fixed-amount compensation (base pay):

To be provided as a fixed amount to be determined based on the role and responsibility.

- Performance-based compensation:

Short-term performance-based compensation reflecting the Company's financial results and the individual's performance on a single fiscal year basis, of which the amount will in principle vary between 0% and 200% of the amount of the fixed-amount compensation.

- Stock-related compensation:

Restricted stock will be provided in order to share values with shareholders by pursuing the increase of long-term Company value.

- Others:

Other compensation may be provided on an ad hoc basis based on individual deliberation.

[Compensation Committee]

In order for the Compensation Committee to fulfill its role and responsibilities as provided for by the law, the majority of members and the chairperson shall be outside directors that meet the independence criteria set by the Company.

4) Total amount of compensation of Directors and Executive Officers for this fiscal year

Category	Number of Recipients	Amount of Compensation, etc. (million yen)
Director	11	306
Executive Officer	14	1,186
Total	25	1,492

Notes:

1. Amounts based on Japan standard.
2. The compensation amounts shown above include compensation paid by the Company's subsidiaries, in addition to compensation paid by the Company. Of the above amounts, the amount paid by the Company is 1,273 million yen (305 million yen for the 11 Directors and 968 million yen for the 14 Executive Officers).
3. The compensation amounts paid to Executive Officers include performance-based compensation for a single fiscal year included in this fiscal year and the mid- and long-term performance-based compensation of 36 million yen (for 7 people).
4. The amounts of compensation paid to Directors and Executive Officers include stock option of 34 million yen (one Executive Officer) and compensation by restricted stock of 431 million yen (76 million yen for the 11 Directors (including 20 million yen for 5 Outside Directors) and 355 million yen for 10 Executive Officers) booked in this fiscal year.

5) Matters regarding Outside Directors

a. Status of main activities of each Outside Director

Category	Name	Status of Main Activities
Director	Tsutomu Kawaguchi	Has attended all 16 Board of Directors' Meetings and all 18 Audit Committee meetings held this fiscal year; has accordingly made remarks necessary for discussing agenda, etc. based on his professional insight and abundant experience regarding financial affairs and accounting obtained through his work as a certified public accountant.
Director	Main Kohda	Has attended all 16 Board of Directors' Meetings held this fiscal year; has accordingly made remarks necessary for discussing agenda, etc. based on her deep insight and objective viewpoint as an author in addition to her high vision on international finance.
Director	Barbara Judge	Has attended all 16 Board of Directors' Meetings held this fiscal year; has accordingly made remarks necessary for discussing agenda, etc. from a global perspective based on her extensive experience and knowledge in companies and public service, including as a Commissioner of the United States Securities and Exchange Commission, for many years.
Director	Hirokazu Yamanashi	Has attended all 11 Board of Directors' Meetings held this fiscal year during his term as Outside Director; has accordingly made remarks necessary for discussing agenda, etc. based on his professional experience and insight as a management consultant and abundant experience and insight as an executive officer in charge of internal affairs and business planning of a listed company.
Director	Hiroto Yoshimura	Has attended all 16 Board of Directors' Meetings and all 18 Audit Committee meetings held this fiscal year; has accordingly made remarks necessary for discussing agenda, etc. based on his abundant experience in police administration, his high level of insight into human resources and restructuring and his broad knowledge of compliance.

(Note) Hirokazu Yamanashi's attendance differs from other Outside Directors due to his election as Executive Officer (Representative Executive Officer), which resulted in him losing his outside status on November 1, 2018.

b. Overview of the content of the agreement limiting liability

The Company has instituted provisions regarding agreements limiting the liability of Outside Directors in the Articles of Incorporation. Based on the Articles of Incorporation, the Company has entered into agreements limiting liability with all of the Outside Directors, and its overview is as follows:

(Agreements limiting the liability of Outside Directors)

With respect to liability for damages from neglecting his or her duties, after entering into this agreement, an Outside Director is liable for the higher amount of either 10 million yen or an amount prescribed by law and regulations where such duties are performed in good faith and there is no gross negligence.

- c. Total amount of compensation, etc. of Outside Directors and Outside Auditors for this fiscal year

Category	Number of Recipients	Amount of Compensation, etc. (million yen)
Directors	5	90

(4) Matters regarding the Accounting Auditor

- 1) Name: Deloitte Touche Tohmatsu LLC

2) Amount of compensation, etc. of Accounting Auditor

Amount of compensation, etc. involved in audit certification services that the Company should pay	64 million yen
Total amount of money and other profits on property that the Company and Company's subsidiaries should pay	771 million yen

Notes:

1. In the audit agreement between the Company and the Accounting Auditor, the amount of auditing compensation for the audit based on the "Companies Act" and audit based on the "Financial Instruments and Exchange Act" are not distinguished, and because they substantively cannot be distinguished, the total amount of such is stated in the amount of compensation, etc.
2. The Audit Committee made its decision of agreement with respect to the amount of compensation of Accounting Auditors, etc. upon conducting necessary verifications as to whether or not the contents of the audit plan of the Accounting Auditors, the status of execution of duties of the Accounting Auditors and calculation basis of the compensation estimate, etc. are appropriate.
3. Of the principal subsidiaries of the Company, Grohe Group S.à r.l., Permasteelisa S.p.A., ASD Holding Corp., A-S CHINA PLUMBING PRODUCTS Ltd., TOSTEM THAI Co., Ltd., LIXIL INTERNATIONAL Pte. Ltd., LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd. and LIXIL Manufacturing (Dalian) Corporation have been audited by certified public accountants or auditing firms other than the Company's Accounting Auditor.

3) Content of non-auditing services

The content of non-auditing services is advisory and guidance services regarding the International Financial Reporting Standards (IFRS), etc.

4) Policy to determine dismissal or refusal to reappoint Accounting Auditors

If circumstances arise that are reasonably suspicious so that the fairness with regard to the work performed by the Accounting Auditor cannot be secured, the policy at the Company provides for the dismissal or refusal to reappoint such Accounting Auditor.

(5) System to ensure the adequacy of business and summary of the operation status of such system

1) System to ensure the adequacy of business

The main contents of the system regarding internal controls and risk management are as follows. A resolution was passed at a Board of Directors' Meeting making them basic policies for an internal control system based on the Companies Act:

- a. System to ensure that the performance of duties by Executive Officers and employees and Directors and employees of the Company's subsidiaries

complies with the laws and regulations and the Articles of Incorporation

The Company and the Company's subsidiaries (the "Group") will establish guidelines for actions as a code of ethics for the entire group, and will conduct a read-through and an oath to comply for all employees including officers once per year. In addition, the Company will institute a common concern raising (whistle-blowing) system for the Group's employees can directly make reports to the Company's Legal Affairs department or outside lawyers.

Furthermore, the Company does not acknowledge nor has any relationship with anti-societal forces. In order to prevent damages by anti-societal forces, the Company will deal with the pressures as an organization and approach them with a firm attitude.

- b. System regarding the storage and management of information involving the performance of duties by Executive Officers

The Company will retain and manage written documents, etc. based on the laws and regulations and internal company rules. Based on the rules, Directors and Audit Committee Members may access those written documents, etc. at any time.

In addition, information security rules and personal information protection policies are established with regard to handling the management of information.

- c. System for rules and others regarding the management of the Group's risk of loss

The Group has established and is managing the basic policy for crisis management, etc. and along with constantly observing the risks it carries, the Risk Management Department confirms and gives guidance on the status of its handling through risk management meetings, etc.

In addition, the Company has it periodically report the status of the Group's risks as well as requests the attendance of the Group and receives reports on material risks at Board of Directors meetings, etc. Furthermore, with respect to the business continuity plan, the Group executes the BCP (Business Continuity Plan) Manual and instruction and training based on such manual.

- d. System to ensure that the performance of duties of Executive Officers of the Company and the Directors, etc. of the Company's subsidiaries are carried out efficiently

The Board of Directors of the Company establish the division of duties of the Executive Officers and clarify the areas that each Executive Officer will be responsible for. In addition, a board of Executive Officers attended by all Executive Officers will be convened regularly and will conduct flexible decision-making involved in basic and important matters regarding the execution of duties. Furthermore, various committees will be set up as subordinate bodies of the board of Executive Officers and will evaluate the entire Group's business strategies and investment items and attempt to expedite the decision-making.

In addition, a medium-term business plan and a short-term plan covering the entire Group will be established. The work for such establishment will value the autonomous business judgment and independence of the Company's subsidiaries and support their decisions.

- e. Other systems to ensure the adequacy of the Group's business operations

The Company values the autonomy of the operations of the group



companies and will periodically receive reports of the business conditions and conduct authorizations of important matters.

In addition, in order to ensure the accuracy and adequacy of the consolidated financial statements, an internal control system will be maintained and operated appropriately.

- f. Directors and employees who should assist with the duties of the Audit Committee

The Company will establish an Audit Committee Office as a specialist organization to support the duties of the Audit Committee office.

In addition, Directors who should support the Audit Committee will not be placed.

- g. Independence from the Executive Officers of the Directors and employees in (f.) above and matters regarding securing the effectiveness of instructions of Audit Committee Members to such employees

The appointments, transfers, evaluations, etc. of such employees will be discussed in advance by the Audit Committee Members and the Personnel Department Head. In addition, instructions that are necessary for auditing services from the Audit Committee and Audit Committee Members to such employees will be properly handled by each department to ensure the effectiveness of such instructions.

- h. System for Executive Officers and employees of the Company to report to the Audit Committee, and other systems regarding reporting to the Audit Committee

If an Executive Officer discovers a fact that is likely to cause significant damages to the company, he/she will immediately report it to an Audit Committee Member.

When an Audit Committee Member receives an important report, opinion or document from an Executive Officer or an Accounting Auditor or someone else, he/she will report it to the Audit Committee.

Representative Executive Officers and Audit Committee Members will periodically exchange opinions regarding findings from an audit. In addition, the Legal Affairs Department will periodically report to the Audit Committee regarding the status of concerns having been raised (whistle-blowing).

Audit Committee Members will attend regular Board of Directors' Meetings and receive reports on the status of the Executive Officers' periodic execution of duties at the Board of Directors' Meeting.

Executive Officers and employees will report to the Audit Committee Member the status of the execution of duties through hearings, etc. of the Audit Committee.

- i. System for the Company's subsidiaries' Directors, Auditors, members executing business, persons to perform the duties of Article 598, Paragraph 1 of the Companies Act and employees and those who receive reports from such persons to report to the Audit Committee of the Company.

The Company will regularly hold Board of Directors' meetings, etc. attended by Directors, etc., including those of subsidiaries, and endeavor for the sharing of important information for business, as well as require the subsidiaries to attend and report to extraordinary Audit Committee meetings of the Company if important events occur at the Company's subsidiaries.

- j. System to ensure that a person reporting to the Company's Audit Committee does not receive unfair treatment on the grounds of having made such report

Set forth in the Group's whistle-blowing system operation rules that

directors, officers and employees of the Group can directly make a report to the Compliance Committee of which the Company's Audit Committee Member is a constituent member and make that method of directly reporting, etc. widely known within the Group. In addition, expressly state the prohibition of dismissals and other disadvantageous treatments due to having made such report or other report to the Audit Committee.

- k. Matters concerning the policy regarding the procedures for pre-payment or repayment of expenses arising with respect to the execution of the duties of the Audit Committee of the Company and other disposition of expenses or liabilities arising with respect to the execution of such duties

When the Audit Committee makes a claim for the repayment of expenses under Article 404 of the Companies Act is made against the Company with respect to its execution of duties, the Company will bear such expenses upon deliberation in the department in charge. In addition, a budget of a certain amount will be established every year to disburse the expenses for execution of such duties.

- l. Other systems to ensure that the audit by the Audit Committee is carried out effectively

The Audit Committee will periodically receive reports regarding the contents of the audit from the Company's Accounting Auditors and the Company's internal audit department, along with periodically convening the Group's Board of Auditors with the Auditors of each group company and attempting to work together.

2) Operation status of system to ensure adequacy of business

The Company endeavors for the maintenance of an internal control system and its appropriate operation under the above. The principal initiatives thought to be important for internal controls implemented in this fiscal year are as follows:

- a. Initiatives concerning compliance

Ensure that the LIXIL Group's shared Code of Conduct is widely known by translation into 17 languages, instruction and training. High-risk areas are disseminated within the Group, such as through policies and guidelines that lay out specific conduct and procedures being issued and translated and trainings being given with respect to these. The status of these measures and activities are regularly reported to and confirmed by the Compliance Committee.

- b. Initiatives concerning the management of the risk of loss

The status of the system of the new fiscal year and review of expected risks are reported through risk management meetings, etc., and with respect to natural disasters and other crises, the understanding of and status of handling the occurred risk are timely reported and confirmed in accordance with the Group's Fundamental Risk Management Regulations.

- c. Initiatives concerning appropriateness and efficiency of executing duties

Board of Directors' Meetings are held at least once every month and important matters are deliberated and reports on principal execution status are received. In addition, decisions on execution, etc. have been carrying out the efficient execution of business based on the rules concerning duties and authority.

- d. Initiatives concerning the Audit Committee audits

The Audit Committee members will attend important meetings such as Board of Directors' Meetings and Board of Executive Officers' Meetings and

are receiving reports regarding information that is necessary for audits as necessary.

In addition, reports are received and cooperation is made through periodic meetings of the group Audit Committee, Accounting Auditors Information Exchange Meetings, Representative Executive Officer Opinion Exchange Meetings, etc.

(6) Basic policy regarding governance of a stock company

As the Company believes it to be desirable for many of the shareholders to possess shares for the mid- to long-term, it is striving to implement measures that can be supported by shareholders by improving business results and increasing the business value. As such, no particular defensive measures against hostile takeovers have been established.

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◎ This Business Report is stated as follows:

1. Amounts stated in million yen units are rounded to the nearest million yen unless otherwise stated.
2. The numbers of shares in thousand share units are shown by omitting the digits that are less than one thousand shares.
3. If there is nothing in particular to state for “1. Matters regarding the current state of the Group” and “2. Matters regarding the current state of the Company,” the conditions as of March 31, 2019 are stated.

# Consolidated Statement of Financial Position

(As of March 31, 2019)

(Millions of yen)

| ASSETS                                            |                  | LIABILITIES AND EQUITY                                        |                  |
|---------------------------------------------------|------------------|---------------------------------------------------------------|------------------|
| Account                                           | Amount           | Account                                                       | Amount           |
| <b>CURRENT ASSETS</b>                             | <b>891,780</b>   | <b>CURRENT LIABILITIES</b>                                    | <b>938,652</b>   |
| Cash and cash equivalents                         | 141,421          | Trade and other payables                                      | 392,357          |
| Trade and other receivables                       | 401,651          | Bonds and borrowings                                          | 367,974          |
| Inventories                                       | 234,646          | Contract liabilities                                          | 60,761           |
| Contract assets                                   | 59,019           | Income tax payables                                           | 8,609            |
| Income tax receivables                            | 4,824            | Other financial liabilities                                   | 7,247            |
| Other financial assets                            | 12,612           | Provisions                                                    | 7,966            |
| Other current assets                              | 26,216           | Other current liabilities                                     | 88,700           |
| Subtotal                                          | 880,389          | Subtotal                                                      | 933,614          |
| Assets held for sale                              | 11,391           | Liabilities directly associated with the assets held for sale | 5,038            |
| <b>NON-CURRENT ASSETS</b>                         | <b>1,167,764</b> | <b>NON-CURRENT LIABILITIES</b>                                | <b>553,725</b>   |
| Property, plant and equipment                     | 552,759          | Bonds and borrowings                                          | 357,984          |
| Goodwill and other intangible assets              | 457,082          | Other financial liabilities                                   | 29,323           |
| Investment property                               | 6,750            | Net defined benefit liabilities                               | 85,853           |
| Investments accounted for using the equity method | 12,204           | Provisions                                                    | 11,638           |
| Other financial assets                            | 90,233           | Deferred tax liabilities                                      | 60,572           |
| Deferred tax assets                               | 38,374           | Other non-current liabilities                                 | 8,355            |
| Other non-current assets                          | 10,362           |                                                               |                  |
|                                                   |                  | <b>TOTAL LIABILITIES</b>                                      | <b>1,492,377</b> |
|                                                   |                  | <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>            | <b>533,656</b>   |
|                                                   |                  | Share capital                                                 | 68,418           |
|                                                   |                  | Capital surplus                                               | 277,584          |
|                                                   |                  | Treasury shares                                               | (48,899)         |
|                                                   |                  | Other components of equity                                    | 14,458           |
|                                                   |                  | Retained earnings                                             | 222,095          |
|                                                   |                  | <b>NON-CONTROLLING INTERESTS</b>                              | <b>33,511</b>    |
|                                                   |                  | <b>TOTAL EQUITY</b>                                           | <b>567,167</b>   |
| <b>TOTAL ASSETS</b>                               | <b>2,059,544</b> | <b>TOTAL LIABILITIES AND EQUITY</b>                           | <b>2,059,544</b> |

# Consolidated Statement of Profit or Loss

(Year Ended March 31, 2019)

(Millions of yen)

| Account                                                                                | Amount    |                    |
|----------------------------------------------------------------------------------------|-----------|--------------------|
| <b>REVENUE</b>                                                                         |           | <b>1,832,608</b>   |
| <b>COST OF SALES</b>                                                                   |           | <b>(1,300,007)</b> |
| <b>GROSS PROFIT</b>                                                                    |           | <b>532,601</b>     |
| Selling, general and administrative expenses                                           | (519,803) |                    |
| Other income                                                                           | 15,408    |                    |
| Other expenses                                                                         | (43,235)  | (547,630)          |
| <b>OPERATING LOSS</b>                                                                  |           | <b>(15,029)</b>    |
| Finance income                                                                         | 6,850     |                    |
| Finance costs                                                                          | (10,069)  |                    |
| Share of profit of associates and joint ventures accounted for using the equity method | 258       | (2,961)            |
| <b>LOSS BEFORE TAX</b>                                                                 |           | <b>(17,990)</b>    |
| Income tax expenses                                                                    |           | (31,298)           |
| <b>LOSS FOR THE YEAR</b>                                                               |           | <b>(49,288)</b>    |
| <b>Loss for the year attributable to:</b>                                              |           |                    |
| Owners of the parent                                                                   |           | (52,193)           |
| Non-controlling interests                                                              |           | 2,905              |
| <b>LOSS FOR THE YEAR</b>                                                               |           | <b>(49,288)</b>    |

# Consolidated Statement of Changes in Equity

(Year Ended March 31, 2019)

(Millions of yen)

|                                                                                 | Equity attributable to owners of the parent |                 |                 |                                                           |                                                 |                                                            |                                                                                                |                                                                                     |
|---------------------------------------------------------------------------------|---------------------------------------------|-----------------|-----------------|-----------------------------------------------------------|-------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
|                                                                                 | Share capital                               | Capital surplus | Treasury shares | Other components of equity                                |                                                 |                                                            |                                                                                                |                                                                                     |
|                                                                                 |                                             |                 |                 | Exchange differences on translation of foreign operations | Remeasurements of defined benefit pension plans | Net fair value gain on available-for-sale financial assets | Net gain (loss) on revaluation of financial assets measured through other comprehensive income | Net fair value gain (loss) on hedging instruments entered into for cash flow hedges |
| Balance as of April 1, 2018                                                     | 68,121                                      | 277,753         | (48,984)        | (7,183)                                                   | —                                               | 22,521                                                     | —                                                                                              | 345                                                                                 |
| Cumulative effects of changes in accounting policies                            |                                             |                 |                 |                                                           |                                                 | (22,521)                                                   | 17,891                                                                                         |                                                                                     |
| Restated balance as of April 1, 2018                                            | 68,121                                      | 277,753         | (48,984)        | (7,183)                                                   | —                                               | —                                                          | 17,891                                                                                         | 345                                                                                 |
| Loss for the year                                                               |                                             |                 |                 |                                                           |                                                 |                                                            |                                                                                                |                                                                                     |
| Other comprehensive income                                                      |                                             |                 |                 | (745)                                                     | (3,564)                                         |                                                            | (6,208)                                                                                        | (83)                                                                                |
| Total comprehensive income for the year                                         | —                                           | —               | —               | (745)                                                     | (3,564)                                         | —                                                          | (6,208)                                                                                        | (83)                                                                                |
| Purchase of treasury shares                                                     |                                             |                 | (14)            |                                                           |                                                 |                                                            |                                                                                                |                                                                                     |
| Disposal of treasury shares                                                     |                                             | (0)             | 1               |                                                           |                                                 |                                                            |                                                                                                |                                                                                     |
| Share-based payment transactions                                                | 297                                         | 12              | 98              |                                                           |                                                 |                                                            |                                                                                                |                                                                                     |
| Dividends                                                                       |                                             |                 |                 |                                                           |                                                 |                                                            |                                                                                                |                                                                                     |
| Reclassification to disposal group classified as held for sale                  |                                             |                 |                 | (0)                                                       |                                                 |                                                            | (80)                                                                                           |                                                                                     |
| Reclassification from disposal group classified as held for sale                |                                             |                 |                 | 5,269                                                     |                                                 |                                                            |                                                                                                | (28)                                                                                |
| Changes in parent's ownership interests in subsidiaries without loss of control |                                             | (181)           |                 |                                                           |                                                 |                                                            |                                                                                                |                                                                                     |
| Changes associated with obtaining of control of subsidiaries                    |                                             |                 |                 |                                                           |                                                 |                                                            |                                                                                                |                                                                                     |
| Transfers from other components of equity to retained earnings                  |                                             |                 |                 |                                                           | 3,564                                           |                                                            | 509                                                                                            |                                                                                     |
| Total transactions with owners                                                  | 297                                         | (169)           | 85              | 5,269                                                     | 3,564                                           | —                                                          | 429                                                                                            | (28)                                                                                |
| Balance as of March 31, 2019                                                    | 68,418                                      | 277,584         | (48,899)        | (2,659)                                                   | —                                               | —                                                          | 12,112                                                                                         | 234                                                                                 |

(Millions of yen)

|                                                                                 | Equity attributable to owners of the parent                                                                |                                                                                               |       |          |                            |          | Non-controlling interests | Total equity |
|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------|----------|----------------------------|----------|---------------------------|--------------|
|                                                                                 | Other components of equity                                                                                 |                                                                                               |       |          | Retained earnings (losses) | Total    |                           |              |
|                                                                                 | Share of other comprehensive income of associates and joint ventures accounted for using the equity method | Accumulated other comprehensive income relating to disposal group classified as held for sale | Other | Total    |                            |          |                           |              |
| Balance as of April 1, 2018                                                     | 72                                                                                                         | 6,460                                                                                         | 4,995 | 27,210   | 292,797                    | 616,897  | 32,676                    | 649,573      |
| Cumulative effects of changes in accounting policies                            |                                                                                                            |                                                                                               |       | (4,630)  | 5,580                      | 950      | (118)                     | 832          |
| Restated balance as of April 1, 2018                                            | 72                                                                                                         | 6,460                                                                                         | 4,995 | 22,580   | 298,377                    | 617,847  | 32,558                    | 650,405      |
| Loss for the year                                                               |                                                                                                            |                                                                                               |       | —        | (52,193)                   | (52,193) | 2,905                     | (49,288)     |
| Other comprehensive income                                                      | (52)                                                                                                       | (1,277)                                                                                       |       | (11,929) |                            | (11,929) | 29                        | (11,900)     |
| Total comprehensive income for the year                                         | (52)                                                                                                       | (1,277)                                                                                       | —     | (11,929) | (52,193)                   | (64,122) | 2,934                     | (61,188)     |
| Purchase of treasury shares                                                     |                                                                                                            |                                                                                               |       | —        |                            | (14)     |                           | (14)         |
| Disposal of treasury shares                                                     |                                                                                                            |                                                                                               |       | —        |                            | 1        |                           | 1            |
| Share-based payment transactions                                                |                                                                                                            |                                                                                               | (266) | (266)    | 280                        | 421      |                           | 421          |
| Dividends                                                                       |                                                                                                            |                                                                                               |       | —        | (20,296)                   | (20,296) | (955)                     | (21,251)     |
| Reclassification to disposal group classified as held for sale                  |                                                                                                            | 80                                                                                            |       | —        |                            | —        |                           | —            |
| Reclassification from disposal group classified as held for sale                |                                                                                                            | (5,241)                                                                                       |       | —        |                            | —        |                           | —            |
| Changes in parent's ownership interests in subsidiaries without loss of control |                                                                                                            |                                                                                               |       | —        |                            | (181)    | (1,244)                   | (1,425)      |
| Changes associated with obtaining of control of subsidiaries                    |                                                                                                            |                                                                                               |       | —        |                            | —        | 218                       | 218          |
| Transfers from other components of equity to retained earnings                  |                                                                                                            |                                                                                               |       | 4,073    | (4,073)                    | —        |                           | —            |
| Total transactions with owners                                                  | —                                                                                                          | (5,161)                                                                                       | (266) | 3,807    | (24,089)                   | (20,069) | (1,981)                   | (22,050)     |
| Balance as of March 31, 2019                                                    | 20                                                                                                         | 22                                                                                            | 4,729 | 14,458   | 222,095                    | 533,656  | 33,511                    | 567,167      |

# Nonconsolidated Balance Sheet

(As of March 31, 2019)

(Millions of yen)

| ASSETS                                     |                | LIABILITIES                                                                       |                 |
|--------------------------------------------|----------------|-----------------------------------------------------------------------------------|-----------------|
| Account                                    | Amount         | Account                                                                           | Amount          |
| <b>CURRENT ASSETS</b>                      | <b>144,883</b> | <b>CURRENT LIABILITIES</b>                                                        | <b>94,206</b>   |
| Cash and deposits                          | 3              | Current portion of bonds                                                          | 30,000          |
| Receivables                                | 6,885          | Current portion of convertible bond-type bonds with subscription rights to shares | 60,000          |
| Income Taxes Receivables                   | 4,116          | Accrued expenses                                                                  | 2,502           |
| Short-term loans receivable                | 133,480        | Provision for bonuses                                                             | 82              |
| Other current assets                       | 398            | Other current liabilities                                                         | 1,621           |
| <b>NON-CURRENT ASSETS</b>                  | <b>523,788</b> | <b>NON-CURRENT LIABILITIES</b>                                                    | <b>97,198</b>   |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>       | <b>16</b>      | Bonds                                                                             | 35,000          |
| Buildings                                  | 6              | Convertible bond-type bonds with subscription rights to shares                    | 60,000          |
| Tools, furniture and fixtures              | 9              | Deferred tax liabilities                                                          | 613             |
|                                            |                | Provision for loss on business of subsidiaries and associates                     | 1,508           |
|                                            |                | Other non-current liabilities                                                     | 75              |
| <b>INTANGIBLE ASSETS</b>                   | <b>2</b>       | <b>TOTAL LIABILITIES</b>                                                          | <b>191,404</b>  |
|                                            |                | <b>EQUITY</b>                                                                     |                 |
| <b>INVESTMENTS AND OTHER ASSETS</b>        | <b>523,770</b> | <b>EQUITY</b>                                                                     | <b>470,964</b>  |
| Investment securities                      | 12,400         | <b>SHARE CAPITAL</b>                                                              | <b>68,417</b>   |
| Investments in subsidiaries and associates | 511,354        | <b>CAPITAL SURPLUS</b>                                                            | <b>324,499</b>  |
| Long-term prepaid expenses                 | 1              | Legal capital surplus                                                             | 12,478          |
| Guarantee deposits                         | 14             | Other capital surplus                                                             | 312,020         |
|                                            |                | <b>RETAINED EARNINGS</b>                                                          | <b>126,945</b>  |
|                                            |                | Legal retained earnings                                                           | 4,847           |
|                                            |                | Other retained earnings                                                           | 122,097         |
|                                            |                | General reserve                                                                   | 110,000         |
|                                            |                | Retained earnings brought forward                                                 | 12,097          |
|                                            |                | <b>TREASURY SHARES</b>                                                            | <b>(48,898)</b> |
|                                            |                | <b>VALUATION AND TRANSLATION ADJUSTMENTS</b>                                      | <b>3,734</b>    |
|                                            |                | Valuation difference on available-for-sale securities                             | 3,734           |
|                                            |                | <b>SUBSCRIPTION RIGHTS TO SHARES</b>                                              | <b>2,568</b>    |
|                                            |                | <b>TOTAL EQUITY</b>                                                               | <b>477,267</b>  |
| <b>TOTAL ASSETS</b>                        | <b>668,672</b> | <b>TOTAL LIABILITIES AND EQUITY</b>                                               | <b>668,672</b>  |



# **Nonconsolidated Statement of Income**

(Year Ended March 31, 2019)

(Millions of yen)

| Account                                                       | Amount  |              |
|---------------------------------------------------------------|---------|--------------|
| <b>OPERATING REVENUE</b>                                      |         |              |
| Royalty income                                                | 5,172   |              |
| Dividends from subsidiaries and associates                    | 4,845   | 10,017       |
| <b>OPERATING EXPENSES</b>                                     |         | 9,535        |
| <b>OPERATING INCOME</b>                                       |         | <b>481</b>   |
| <b>NON-OPERATING INCOME</b>                                   |         |              |
| Interest income                                               | 681     |              |
| Dividend income                                               | 394     |              |
| Guarantee fee income                                          | 106     |              |
| Other non-operating income                                    | 43      | 1,225        |
| <b>NON-OPERATING EXPENSES</b>                                 |         |              |
| Interest on bonds                                             | 264     |              |
| Provision for loss on business of subsidiaries and associates | 1,508   |              |
| Other non-operating expenses                                  | 137     | 1,910        |
| <b>ORDINARY LOSS</b>                                          |         | <b>(203)</b> |
| <b>EXTRAORDINARY INCOME</b>                                   |         |              |
| Gain on reversal of subscription rights to shares             | 279     | 279          |
| <b>INCOME BEFORE INCOME TAXES</b>                             |         | <b>76</b>    |
| Income taxes — Current                                        | (1,856) |              |
| Income taxes — Deferred                                       | 1,056   | (800)        |
| <b>NET INCOME</b>                                             |         | <b>877</b>   |

# Nonconsolidated Statement of Changes in Equity

(Year Ended March 31, 2019)

(Millions of yen)

|                                                      | Equity        |                       |                       |         |                         |                         |                                   |          |
|------------------------------------------------------|---------------|-----------------------|-----------------------|---------|-------------------------|-------------------------|-----------------------------------|----------|
|                                                      | Share capital | Capital surplus       |                       |         | Retained earnings       |                         |                                   |          |
|                                                      |               | Legal capital surplus | Other capital surplus | Total   | Legal retained earnings | Other Retained earnings |                                   | Total    |
|                                                      |               |                       |                       |         |                         | General reserve         | Retained earnings brought forward |          |
| Balance as of April 1, 2018                          | 68,121        | 12,182                | 312,006               | 324,188 | 4,847                   | 110,000                 | 31,516                            | 146,364  |
| Changes during the year                              |               |                       |                       |         |                         |                         |                                   |          |
| Issuance of new shares                               | 296           | 296                   |                       | 296     |                         |                         |                                   |          |
| Dividends                                            |               |                       |                       |         |                         |                         | (20,295)                          | (20,295) |
| Net income                                           |               |                       |                       |         |                         |                         | 877                               | 877      |
| Purchase of treasury shares                          |               |                       |                       |         |                         |                         |                                   |          |
| Disposal of treasury shares                          |               |                       | (0)                   | (0)     |                         |                         |                                   |          |
| Exercise of subscription rights to shares            |               |                       | 14                    | 14      |                         |                         |                                   |          |
| Net changes of items other than shareholders' equity |               |                       |                       |         |                         |                         |                                   |          |
| Total changes during the year                        | 296           | 296                   | 14                    | 310     | —                       | —                       | (19,418)                          | (19,418) |
| Balance as of March 31, 2019                         | 68,417        | 12,478                | 312,020               | 324,499 | 4,847                   | 110,000                 | 12,097                            | 126,945  |

(Millions of yen)

|                                                      | Equity          |          | Valuation and translation adjustments                 |         | Subscription rights to shares | Total equity |
|------------------------------------------------------|-----------------|----------|-------------------------------------------------------|---------|-------------------------------|--------------|
|                                                      | Treasury shares | Total    | Valuation difference on available-for-sale securities | Total   |                               |              |
| Balance as of April 1, 2018                          | (48,983)        | 489,691  | 5,954                                                 | 5,954   | 2,834                         | 498,479      |
| Changes during the year                              |                 |          |                                                       |         |                               |              |
| Issuance of new shares                               |                 | 592      |                                                       |         |                               | 592          |
| Dividends                                            |                 | (20,295) |                                                       |         |                               | (20,295)     |
| Net income                                           |                 | 877      |                                                       |         |                               | 877          |
| Purchase of treasury shares                          | (14)            | (14)     |                                                       |         |                               | (14)         |
| Disposal of treasury shares                          | 1               | 0        |                                                       |         |                               | 0            |
| Exercise of subscription rights to shares            | 98              | 112      |                                                       |         |                               | 112          |
| Net changes of items other than shareholders' equity |                 |          | (2,219)                                               | (2,219) | (265)                         | (2,485)      |
| Total changes during the year                        | 85              | (18,726) | (2,219)                                               | (2,219) | (265)                         | (21,211)     |
| Balance as of March 31, 2019                         | (48,898)        | 470,964  | 3,734                                                 | 3,734   | 2,568                         | 477,267      |

## INDEPENDENT AUDITOR'S REPORT

May 24, 2019

To the Board of Directors of  
LIXIL Group Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Yasuhiro Katsushima

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Yutaka Hamaguchi

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Masayuki Furukawa

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position as of March 31, 2019 of LIXIL Group Corporation (the "Company") and its subsidiaries, and the related consolidated statements of profit or loss and changes in equity for the fiscal year from April 1, 2018 to March 31, 2019, and the related notes.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, which allows companies to prepare consolidated financial statements with omission of a part of disclosures required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the consolidated financial statements referred to above, prepared with the omission of a part of disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, present fairly, in all material respects, the financial position of LIXIL Group Corporation and its subsidiaries as of March 31, 2019, and the results of their operations for the year then ended.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

## INDEPENDENT AUDITOR'S REPORT

May 24, 2019

To the Board of Directors of  
LIXIL Group Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Yasuhiro Katsushima

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Yutaka Hamaguchi

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant: Masayuki Furukawa

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements, namely, the nonconsolidated balance sheet as of March 31, 2019 of LIXIL Group Corporation (the "Company"), and the related nonconsolidated statements of income and changes in equity for the 76th fiscal year from April 1, 2018 to March 31, 2019, and the related notes and the accompanying supplemental schedules.

### Management's Responsibility for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements and the accompanying supplemental schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these nonconsolidated financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the nonconsolidated financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the nonconsolidated financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the nonconsolidated financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of LIXIL Group Corporation as of March 31, 2019, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and “the accompanying supplemental schedules” referred to in this report are not included in the attached financial documents.

## **Audit Report**

The Audit Committee has audited the performance of duties by the Directors and Executive Officers for the 77th fiscal year from April 1, 2018 to March 31, 2019, and we report the methods and results of the audit as follows:

1. Methods and content of the audit

The Audit Committee received periodic reports from the Directors, Executive Officers and employees, etc., requested further explanations as necessary, and voiced its opinions, with regard to the content of the resolutions of the Board of Directors regarding the matters set forth in Article 416, Paragraph 1, Item 1, Parts (b) and (e) of the Companies Act and the construction and operating conditions of the established system (internal control system) based on such resolutions; and executed the audit through the following methods:

- (a) attended important meetings, received reports on matters regarding the execution of their duties from the Directors and Executive Officers, etc., requested further explanations as necessary, inspected important approval documents, etc., and investigated the status of the business operations and assets of the head office and principal place of business in accordance with the policies and division of duties, etc. established by the Audit Committee and upon coordination with the company's internal auditing department and internal control governing department. With respect to the subsidiary companies, the Audit Committee took steps to facilitate communications and the exchange of information with the Directors and Auditors, etc. of the subsidiary companies and received reports on the business operations from the subsidiary companies as necessary.
- (b) while monitoring and verifying that the Accounting Auditor has maintained its independence and conducted appropriate audits, the Audit Committee received reports from the Accounting Auditor regarding the execution of its duties and requested further explanations as necessary. Furthermore, the Audit Committee received notification from the Accounting Auditor that it was taking steps to prepare the "system for ensuring proper execution of duties" (as set forth in the items of Article 131 of the Rules of Company Accounting) in accordance with the "Quality Control Standards for Audits" (adopted by the Business Accounting Council on October 28, 2005), etc., requesting further explanations as necessary.

Based on the above methods, the Audit Committee examined the business reports and the annexed detailed statements thereof, financial statements (balance sheet, statement of income, statement of changes in equity, and notes to non-consolidated financial statements) and the annexed detailed statements thereof, and consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, and notes to consolidated financial statements) relating to the fiscal year under review.

2. Results of the audit

(1) Results of the audit of business reports, etc.:

In our opinion:

- (a) The business report and annexed detailed statements accurately present the state of the company pursuant to the laws and regulations and the Articles of Incorporation;
- (b) Neither improper actions in execution of duties by the Directors and Executive Officers, nor material facts violating the laws and ordinances or the Articles of Incorporation were found;
- (c) The contents of the resolutions adopted by the Board of Directors regarding the internal control system were appropriate, and no matters that would need to be pointed out regarding the contents of the business report on such internal control system, along with the execution of duties by the Directors and Executive Officers, were found.



(2) Results of the audit of financial statements and annexed detailed statements

In our opinion, the audit methods used and the results reported by Deloitte Touche Tohmatsu LLC, the Accounting Auditor, are appropriate and reasonable.

(3) Results of the audit of consolidated financial statements

In our opinion, the audit methods used and the results reported by Deloitte Touche Tohmatsu LLC, the Accounting Auditor, are appropriate and reasonable.

The Company implemented measures for improvement of its governance system which included amendments to the Corporate Governance Guidelines and the Regulations of the Nomination Committee as of February 25, 2019. The Audit Committee will continue to monitor and improve our governance system.

May 27, 2019

Audit Committee, LIXIL Group Corporation  
Audit Committee Member: Tsutomu Kawaguchi  
Audit Committee Member: Hiroto Yoshimura  
Audit Committee Member: Haruo Shirai

(Note) Among the Audit Committee Members, Tsutomu Kawaguchi and Hiroto Yoshimura are Outside Directors, as prescribed in Article 2, Item 15, and Article 400, Paragraph 3 of the Companies Act.