

Corporate Governance	
Corporate Governance	LIXIL Group Corporation
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<b>LIXIL Group Corporation</b>	
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<a href="https://www.lixil.com/en/investor/">https://www.lixil.com/en/investor/</a>	

The corporate governance system at LIXIL Group Corporation is described below.

## **I. Basic Philosophy Regarding Corporate Governance, and Other Basic Information Regarding Corporate Profile and Capital Structure**

### **1. Basic Views**

LIXIL Group Corporation (the "Company") constantly strives to build the best possible corporate governance system needed to realize its belief that publicizing and implementing its group management philosophy throughout the Company and all of its subsidiaries and affiliates (the "Group") will enable it to achieve the maximum sustainable improvement of corporate value. The following is a summary of the Company's Group Management Philosophy.

#### **(1) LIXIL CORE (Corporate Philosophy)**

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

#### **(2) LIXIL Behaviors (3 Actions)**

Do the Right Thing

Work with Respect

Experiment and Learn

Under the Company, a pure holding company, the Group aims to optimize the whole by maintaining cooperation between each operating company. The Group has adopted the following fundamental framework and has undertaken initiatives to strengthen and enhance corporate governance in order to maintain the Group's standing as a corporate group that inspires confidence through the creation and provision of attractive value to its stakeholders.

#### **(1) Company with a Nomination Committee, etc.**

The Company has adopted the governance format of a "Company with a Nomination Committee, etc." with the aim of clearly separating its executive and supervisory functions, thereby enabling executive officers to make swift and decisive business decisions, and ensuring management transparency.

#### **(2) Enhancement of Functions by Through the Use of Optional Structures**

In addition to the committees and structures which are legally required for a Company with a Nomination Committee, etc., the Company has established an Executive Officers Meeting and other optional bodies.

#### **(3) Implementation of a Uniform Corporate Governance System Across the Entire Group**

By setting forth the LIXIL Behaviors and the LIXIL Group Code of Conduct, and group-wide financial and accounting management policies, having the entire Group comply therewith, and carrying out integrated education and training for directors, executive officers and employees as well as uniform implementation of a compliance system, Group, the Company shall strive to cause the core elements of its corporate governance permeate to the entire globalized corporate group.

**[Reasons for Non-compliance with Certain Principles of the Corporate Governance Code]**

The Company has implemented each principle of the Corporate Governance Code.

**[Disclosure Based on the Principles of the Corporate Governance Code] Updated**

Because the Company's Guidelines contain provisions with regard to many of the disclosure items below, where relevant a note has been added referring to the related provision in the Guidelines.  
<https://www.lixil.com/en/about/governance/pdf/CorporateGovernanceGuideline190225.pdf>

**[Principle 1-4 Policy Regarding Cross-Shareholdings and Criteria Regarding the Exercise of Voting Rights for Such Shares]**

The Company holds shares on a cross-shareholding basis in a case where it has been recognized to be necessary in order to facilitate sales or as part of an alliance necessary for its business activities. Under Article 8 of the Guidelines, based on the stipulated process, each year, for each share name, the Company will comprehensively evaluate cross-shareholdings from a quantitative and qualitative perspective in respect of whether the purpose of holding is appropriate, whether the capital cost matches the benefits and risks of the holding, whether there is any future risk as a result of sale, etc., and promptly dispose by sale in the case where it is not needed, and strive to reduce cross-shareholdings. Also, in exercising voting rights of such shares, the Company will make a full consideration from the point of view of whether it contributes to improving value over the mid to long-term of the Group and the invested company, etc., and with respect to resolutions that may violate the goal for such holding of the Group and resolutions that may harm shareholder value, the Group shall carefully determine whether to support or oppose after discussion with such company as needed and then exercise the voting rights.

**[Principle 1-7 Framework of Procedures Regarding Related Party Transactions]**

As for the procedures and framework for related party transactions by the Company's officers, "Rules of the Board of Directors of LIXIL Group" stipulates that all related party transactions are required to be approved by the Board of Directors. In addition, "Rules of the Board of Directors" provides that criteria to follow for each transaction explicitly and systems to prevent related transactions executed to benefit himself or herself or the third party, impairing shareholders common interests (Article 10 of the Guidelines).

**[Principle 2-6 Exercise Functions as Asset Owner of Corporate Pension Fund]**

Under the LIXIL Pension Fund in which LIXIL Corporation (the main business entity of the Group) participates, the goal is to ensure long-term overall profits within the scope of allowable risks, in order to undertake properly payments of pension and bonuses in the future under management of the pension assets. The management policy for such purpose is based on analysis of the risk/return for each managed asset and plan for diverse investments considering synergies among each of the managed assets. In detail, while setting up a strategic asset composition ratio that matches the efficiencies of each shares, bonds, and other managed assets, select appropriate management operators in line with that, and conduct investments and evaluations in a flexible manner.

Also, in considering the selection, evaluation, etc., of management operators and decisions of investment policy for these pension assets, LIXIL Pension Fund shall consult an asset management committee whose officers are governors from the LIXIL Pension Fund with expert ability and opinions and officers from the financial subsidiary of the Group, LIXIL Group Finance Corporation.

For the LIXIL Pension Fund, a report is submitted by the management operator every month regarding the asset management and investment status, and at least once every quarter a report of management results is received directly from the person in charge.

**[Principle 3-1 Disclosure of Information]**

Articles 35 and 36 of the Guidelines stipulate disclosure methods and the Company's fundamental policy regarding information disclosure. For the Company's Disclosure Policy please refer to the following page on the Company's website:

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

**(i) Company Philosophy, Management Strategy, and Management Plan**

The Company's philosophy is set forth in Article 2 of the Guidelines. As for the management

strategy and the management plan, please refer to the Company's website "New Management Plan":

[https://ssl4.eir-parts.net/doc/5938/ir\\_material\\_for\\_fiscal\\_ym32/64307/00.pdf](https://ssl4.eir-parts.net/doc/5938/ir_material_for_fiscal_ym32/64307/00.pdf)

(ii) Basic Philosophy and Policy with Respect to Corporate Governance

This is set forth in Articles 1 through 3 of the Guidelines, and in the section entitled "I -1. Basic Views" of this report.

(iii) Procedures and Policies Regarding Determination of Compensation for Directors and Executive Officers

As a Company with Nomination Committee, etc., the Compensation Committee follows the policies set forth below in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in deciding the compensation of executive officers and directors (Article 25 of the Guidelines).

(iv) Procedures and Policies Regarding the Nomination of Director Candidates and the Removal of Directors, and the Appointment and the Removal of Executive Officers.

As a Company with Nomination committee, etc., in deciding upon the candidates for director seats, the Nomination Committee will apply the Company's own criteria (Article 23 of the Guidelines) while considering not only the individual qualities of director candidates but also the appropriate composition of the Board of Directors. Criteria regarding the appointment, election, removal, and dismissal of executive officers and Representative Executive Officer (CEO) are set forth in Article 24 of the Guidelines. When independent outside director candidates are decided, the Company's own independence criteria will be used, as set forth in Article 28 of the Guidelines.

(v) Explanation of Each Appointment and Removal

The reasons for the nomination of the candidates of independent outside directors are as set forth below, and the reasons for the nomination of the candidates of other directors are also disclosed in the convocation notice. The Company discloses the reasons for appointing executive officers on its website.

[https://www.lixil.com/en/about/governance/board/reason\\_exec.html](https://www.lixil.com/en/about/governance/board/reason_exec.html)

In case of the removal and dismissal of executive officers and Representative Executive Officer (CEO), the reasons for that removal and dismissal shall be clearly specified on the Company's website.

Article 23.3 and Article 24.5 and Article 24.7 of the Guidelines apply to those disclosures, and those disclosures are carried out in accordance therewith.

**[Supplementary Principle 4-1-① Outline of the Scope of Delegation from the Board of Directors to Executive Officers]**

Based on the philosophy of a "company with a Nomination committee, etc.", which is to separate supervisory functions from management execution functions, the Company has determined and summarized the scope of delegation in Article 19.2 of the Guidelines, and concrete matters to be decided by the Board of Directors and the Executive Officers Meeting, respectively, are specified in the "LIXIL Group Board of Directors Rules" and the "Rules for the Executive Officers Meeting of LIXIL Group".

**[Principle 4-9 Independence Criteria and Qualification for Independent Outside Directors]**

The Company judges the independence of outside directors in accordance with the criteria set forth in Article 28 of the Guidelines. The qualifications for independent outside directors are included in Article 23 of the Guidelines "Policy for Nomination of Director Candidates".

**[Supplementary Principle 4-11① Philosophy Regarding the Composition of the Board]**

With respect to the composition of the Board of Directors, the Company stresses diversity, and this thinking is reflected in Article 20 of the Guidelines. Currently, among outside directors, one is female and one has nationality other than Japanese.

In addition, in accordance with Article 22 of the Guideline, the Audit Committee shall appoint a person with appropriate experience and ability and necessary knowledge of finance, accounting, and law, and will particularly have at least one member with experience as a certified public accountant, in order to ensure that the committee has a member with appropriate financial and accounting knowledge. There is one independent outside director who meets this criteria.

**[Supplementary Principle 4-11② Status of Directors Serving Concurrently as Board Members at Other Companies]**

The Company discloses the status of major concurrent board positions held by directors in convocation notices for General Meetings of Shareholders and in its annual report, in the section about the personal history of each director.

Convocation notices for General Meetings

[https://www.lixil.com/en/investor/ir\\_event/meeting.html](https://www.lixil.com/en/investor/ir_event/meeting.html)

Annual Report [https://www.lixil.com/en/investor/library/annual\\_reports.html](https://www.lixil.com/en/investor/library/annual_reports.html)

Please see the Company's policy with respect to concurrent board positions held by directors in Article 31 of the Guidelines.

**[Supplementary Principle 4-11③ Analysis of the Effectiveness of the Board of Directors as a Whole, and Disclosure of a Summary of the Results]**

Each of the Company's directors conducts an annual evaluation of the effectiveness of the Board of Directors. In the fiscal year ended March 2019, the Company collected questionnaires from each or the 12 directors regarding the composition, operation, agendas, supporting systems of the Board, and director training, in January 2019. In March 2019, based on the results of the collected questionnaires, all of the directors shared and discussed on the analysis, evaluation, issues and countermeasures.

In light of these recognition, we have worked to improve the supervisory function of the Board of Directors by implementing the measures such as (1) Sharing of results and opinions on the composition of the Board of Directors to the Nomination Committee; (2) Notice of agenda sheet to predetermine annual schedule and agenda of the Board of Directors Meeting; (3) Revision of reporting format from Executive Officers, etc. for the purpose of effective discussions at Board of Directors meetings.

**[Supplementary Principle 4-14② Policy Regarding Director and Executive Officer Training]**

The Company's organizational framework and initiatives for training and study by directors and executive officers are set forth in Article 33 of the Guidelines.

**[Principle 5-1 Policy for Promoting Dialogue with Shareholders]**

With regard to dialogue with shareholders, the Company believes that the goals of the Corporate Governance Code should be realized, and in Article 11 of the Guidelines it has set forth relevant provisions.

## 2. Capital Structure

Percentage of Foreign Shareholders	30% or more
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account) *	16,704,500	5.76
Japan Trustee Services Bank, Ltd.(Trust Account) *	13,541,900	4.67
State Street Bank Client Omnibus OM04	10,970,209	3.78
The Nomura Trust & Banking Co., Ltd. (Trust Account) *	8,896,200	3.07
LIXIL Employee Stock Ownership	7,102,402	2.45
Daiichi Life Insurance Company, Limited	6,561,858	2.26
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	5,743,800	1.98
Japan Trustee Services Bank, Ltd. (Trust Account 5) *	5,725,000	1.97
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	5,589,615	1.93
Japan Trustee Services Bank, Ltd. (Trust	4,769,200	1.64

Account 9) *		
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Controlling Shareholder (except for Parent Company)	None
Parent Company	None

Supplementary Explanation **Updated**

Note for the above mentioned [Status of Major Shareholders]  
1. In addition to the above, LIXIL Group Corporation holds 23,223,744 shares of treasury stock. Shareholding calculations exclude treasury stock.  
2. \* indicates a trust service arrangement.

**3. Corporate Attributes**

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section Nagoya Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Metal products
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Other Special Circumstances which may have Material Impact on Corporate Governance**

The Company switched from a Company with Board of company auditors to a Company with Nomination Committee, etc., on June 23, 2011, by a resolution at the annual general shareholders' meeting.  
Furthermore, LIXIL VIVA Corporation ("LIXIL VIVA"), one of the Company's subsidiaries and a Company with an Audit and Supervisory Committee, has been listed on the first section of the Tokyo Stock Exchange since April 2017. LIXIL VIVA is in charge of the Distribution and Retail Business in the Group and aims to achieve further growth and development of the Group by continuously collaborating with other Group companies. The Company and LIXIL VIVA respect each other's independence, and LIXIL VIVA makes its own business decisions at its discretion.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Nomination committee, etc.
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	16
Term of Office Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board <b>Updated</b>	An independent outside director
Number of Directors <b>Updated</b>	14

#### [Outside Directors]

Number of Outside Directors <b>Updated</b>	9
Number of Independent Directors <b>Updated</b>	8

#### Outside Directors' Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Masatoshi Matsuzaki	From another company									○			
Tamio Uchibori	From another company									○			
Kaoru Onimaru	Lawyer									○			
Haruo Kawahara	From another company									△			
Kurt M. Campbell	Other									○			
Teruo Suzuki	CPA									△			
Yuji Nishiura	From another company									△			
Daisuke Hamaguchi	Other									○			
Zenji Miura	From another company									○			

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company

c. Executive of a fellow subsidiary

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2) **Updated**

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Masatoshi Matsuzaki	○			○	<p>Assumed office in June 2019. Mr. Matsuzaki is a director and chair of the board of directors of Konica Minolta Inc. The Konica Minolta group and the Company group have transactions involving purchase of products and repairs etc.; however, such transactions accounted for 0.001% of the Konica Minolta group's sales for the last fiscal year, and for 0.00001% of the Company group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other.</p>	<p>Based on the following, the Company believes the qualities (skill set) provided by Mr. Matsuzaki are necessary for the Board to build the best governance structure.</p> <ul style="list-style-type: none"> <li>· At Konica Minolta, Inc., Mr. Matsuzaki has been engaged in the development of global business and management of a listed company for many years, serving in roles such as director, chief executive officer and president, and chair of the board of directors.</li> </ul> <p>As a business manager, he has deep knowledge of both pure holding companies and operating companies, so he can be expected to offer advice and have a supervisory function for the Board.</p> <ul style="list-style-type: none"> <li>· He has been a member since 2014 of the Japan Association of Corporate Directors, which is active in the study and enhancement of corporate governance, and has been vice chair since 2018. Since he is currently serving as chair of the "Committee on the state of boards of directors", it can be expected that he will improve the corporate governance functions of the Board.</li> </ul> <p>The company has registered Mr. Mtsuzaki as an Independent Outside Director because the Company judged that there is no risk that the transactions mentioned left would affect the independence of Mr. Matsuzaki, and further, as he meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company, there is no risk that there would be a conflict of interest with general shareholders.</p>
Tamio Uchibori			○	○	<p>Assumed office in June 2019. Mr. Uchibori was a senior director of MinebeaMitsumi Inc., but he left the position in March 2019. The MinebeaMitsumi group and the Company group have transactions involving purchase of electronic components etc. and sale of products; however, such transactions accounted for 0.12% of the MinebeaMitsumi group's</p>	<p>Based on the following, the Company believes the qualities (skill set) provided by Mr. Uchibori are necessary for the Board to build the best governance structure.</p> <ul style="list-style-type: none"> <li>· As director and senior managing executive officer at MinebeaMitsumi, Inc., he has a wealth of knowledge and experience in the management of global manufacturers such as being responsible for the key corporate planning and M&amp;A</li> </ul>

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
					<p>sales for the last fiscal year, and for 0.001% of the Company group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other.</p>	<p>strategies at the company.</p> <ul style="list-style-type: none"> <li>Mr. Uchibori has expertise as a licensed tax accountant (zeirishi) in tax matters.</li> </ul> <p>The company has registered Mr. Uchibori as an Independent Outside Director because the Company judged that there is no risk that the transactions mentioned left would affect the independence of Mr. Uchibori, and further, as he meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company, there is no risk that there would be a conflict of interest with general shareholders.</p>
Kaoru Onimaru	○			○	<p>Assumed office in June 2019</p> <p>Ms. Onimaru was a judge of the Supreme Court of Japan. The Supreme Court and the Company group have transactions involving sales of products; however, such transactions accounted for 0.0001% of the Supreme Court's revenue (the general account) for FYE 2018, and for 0.000003% of the Company group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other.</p>	<p>Ms. Onimaru was a judge of the Supreme Court who was previously a lawyer. It is very difficult to find another candidate who has more experience and expertise than her for providing opinions on legal issues of the Company and monitoring the entire management. She is an essential director from the perspective of diversity as a woman.</p> <p>Also, based on the following, the Company believes the qualities (skill set) provided by Ms. Onimaru are necessary for the Board to build the best governance structure.</p> <ul style="list-style-type: none"> <li>On top of a long career as a lawyer and as a legal specialist, she has been involved in important matters as a judge of the Supreme Court (from 2013 to February 2019).</li> <li>She has independence as an outside director and is expected to fully fulfill the supervisory function.</li> <li>She is expected to strengthen the function of the Board from perspectives such as her complete awareness of the Company's compliance requirements and for securing diversity on the Board.</li> </ul> <p>The company has registered Ms. Onimaru as an Independent Outside Director because the Company judged that there is no risk that the transactions mentioned left would affect the independence of Ms. Onimaru, and further, as she meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company, there is no risk that there would be a conflict of interest with general shareholders.</p>



Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Haruo Kawahara	○	○		○	<p>Assumed office June 2019. Mr. Kawahara was the chair, representative director and executive officer CEO of JVC KENWOOD Corporation, but he left those positions in June 2017. The JVC KENWOOD group and the Company group have transactions involving procurement of products and repairs etc.; however, such transactions accounted for 0.00009% of the JVC KENWOOD group's sales for the last fiscal year, and for 0.00001% of the Company group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other.</p>	<p>Based on the following, the Company believes the qualities (skill set) provided by Mr. Kawahara are necessary for the Board to build the best governance structure.</p> <ul style="list-style-type: none"> <li>Mr. Kawahara has served in positions including director, chair, president of the board of directors and chief executive officer at JVC KENWOOD Corporation, and has been involved in the management of a listed company engaged in a global business for many years.</li> <li>He has abundant experience and a broad range of insight as a corporate manager, and he can be expected to provide recommendations to the Board and contribute to the oversight function.</li> </ul> <p>The company has registered Mr. Kawahara as an Independent Outside Director because the Company judged that there is no risk that the transactions mentioned left would affect the independence of Mr. Kawahara, and further, as he meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company, there is no risk that there would be a conflict of interest with general shareholders.</p>
Kurt M. Campbell					<p>Assumed office June 2019. Dr. Campbell is the Founding partner, Chairman and CEO of The Asia Group LLC ("TAG"). TAG and the Company group have transactions involving consulting advisory; however, such transaction amount was less than 8 million yen for the last fiscal year, and therefore, neither TAG nor the Company considers the other as its major business partner. Moreover, the ratio of TAG's sales from Group companies to TAG's total annual revenue was below 2% in each of the last five years. However, the Company re-examined the above ratio by calculating using different starting month/periods and found that, in one of those years, the ratio was slightly more than 2%.</p>	<p>Based on the following, the Company believes the qualities (skill set) provided by Dr. Campbell are necessary for the Board to build the best governance structure.</p> <ul style="list-style-type: none"> <li>Dr. Campbell has deep expertise in the business, politics and national security of the Asia Pacific region. A longstanding friend of Japan in the US, he has spent the last 25 years building deep relationships across the entire region, from Japan to China, Southeast Asia and India.</li> <li>He is an expert in US national security issues and has held positions such as Assistant Secretary of State for East Asian and Pacific Affairs, Deputy Special Counselor to the President for NAFTA and White House Fellow, Department of Treasury.</li> <li>He is the founder and co-chair of The Asia Group, an advisory and investment company, and has abundant experience and broad knowledge of foreign operations and M&amp;A as well as foreign business risk management, and it is expected that he will be able to provide advice to the Company's management based on such experience and knowledge.</li> </ul> <p>The Company examined the independence of Dr. Campbell. As a result, the Company determined that, it is more appropriate to register Dr.</p>

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						Campbell as “Outside Director (without Independence)”, by taking into account the opinions of the shareholders and the purpose of the Independent Director System, and by applying the Company’s Independence criteria in a more conservative manner.
Teruo Suzuki			○	○	<p>Assumed office in June 2019. Mr. Suzuki was a deputy director of KPMG AZSA LLC, but he left the position in June 2012. KPMG AZSA LLC and the Company group have transactions involving consulting; however, such transactions accounted for 0.002% of the KPMG AZSA LLC’s sales for FYE June 2018, and for 0.0001% of the Company group’s sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other.</p>	<p>Mr. Suzuki is a certified public accountant and worked as a deputy director of KPMG AZSA LLC. Mr. Suzuki is an expert of internal control and is also known as an author of a number of books such as “Methods of Overseas Business Administration” and “Basic Knowledge of Corporate Governance for Newly Appointed Officers.” He is expected to supervise management of the Company as well as the overseas subsidiaries, and provide advice to the Company based on his high degree of expertise in finance, accounting and internal control as a director.</p> <p>Also, based on the following, the Company believes the qualities (skill set) provided by Mr. Suzuki are necessary for the Board to build the best governance structure.</p> <ul style="list-style-type: none"> <li>Mr. Suzuki has a high level of expertise in financial accounting, having been engaged in working on the audits of listed companies for many years at major auditing corporations. He is expected to strengthen the function of the Board.</li> </ul> <p>The company has registered Mr. Suzuki as an Independent Outside Director because the Company judged that there is no risk that the transactions mentioned left would affect the independence of Mr. Suzuki and further, as he meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company, there is no risk that there would be a conflict of interest with general shareholders.</p>
Yuji Nishiura	○	○		○	<p>Assumed office in June 2019. Mr. Nishiura was Director and Chair, AXA Life Insurance, Co., Ltd., but he left the position in June 2015. AXA Life Insurance, Co., Ltd. and the Company group have transactions involving insurance; however, such transactions accounted for 0.00001% of the AXA Life Insurance, Co., Ltd.’s sales for the last fiscal year, and for 0.000006% of the Company group’s sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other.</p> <p>Furthermore, Mr. Nishiura was Director and Chair, AXA GENERAL INSURANCE COMPANY LIMITED, but he left</p>	<p>Mr. Nishiura is a management professional who has engaged in the management of several corporations and been involved in a number of corporate restructuring matters. He has a wealth of experience related to corporate governance reform at companies facing challenging situations. He is expected to supervise overall management of the Company and provide expert advice to the Company given his rich knowledge of business execution.</p> <p>The company has registered Mr. Nishiura as an Independent Outside Director because the Company judged that there is no risk that the transactions mentioned left would affect the independence of Mr. Nishiura, and further, as he meets both the</p>

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
					the position in June 2015. AXA GENERAL INSURANCE COMPANY LIMITED and the Company group have transactions involving sale of products; however, such transactions accounted for 0.0002% of the AXA GENERAL INSURANCE COMPANY LIMITED's sales for the last fiscal year, and for 0.000004% of the Company group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other.	requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company, there is no risk that there would be a conflict of interest with general shareholders.
Daisuke Hamaguchi		○	○	○	Assumed office in June 2019. Mr. Hamaguchi is Director, Securities Analysts Association of Japan (incumbent). Securities Analysts Association and the Company group have transactions involving payment of renting rooms; however, such transactions accounted for 0.02% of Securities Analysts Association's revenue for the last fiscal year, and for 0.00002% of the Company group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other.	<p>Mr. Hamaguchi is an expert of corporate governance, having served as Management Execution Director of the Pension Fund Association for several years, as well as a member of, among others, "The Companies Act Subcommittee, Legislative Council" and "The Corporate Governance System Study Group". He is expected to correct the existing problematic corporate governance of the Company from the perspective of shareholders, and supervise the management of the Company and provide advice to the Company based on a wealth of experience and high degree of expertise, in order to achieve the Company's mid-to long-term growth.</p> <p>The company has registered Mr. Hamaguchi as an Independent Outside Director because the Company judged that there is no risk that the transactions mentioned left would affect the independence of Mr. Hamaguchi, and further, as he meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company, there is no risk that there would be a conflict of interest with general shareholders.</p>
Zenji Miura		○	○	○	Assumed office in June 2019. Mr. Miura was the representative director, president, senior vice president and CEO of Ricoh Co., Ltd., but he left those positions in March 2017. The Ricoh group and the Company group have transactions involving installation of digital signs as well as purchase and sale of products; however, such transactions accounted for 0.009% of the Ricoh group's sales for the last fiscal year, and for 0.00004% of the Company group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other. Further, Mr. Miura is a director and the chair of Hitachi Automotive Systems Measurement, Ltd. Hitachi Automotive Systems Measurement, Ltd. and the Company group have transactions involving purchase of products; however, such transactions accounted for 0.003% of Hitachi Automotive Systems	<p>Based on the following, the Company believes the qualities (skill set) provided by Mr. Miura are necessary for the Board to build the best governance structure.</p> <ul style="list-style-type: none"> <li>Mr. Miura has served in positions including president and CEO at Ricoh Company, Ltd., and as director, president, chair and CEO at its overseas affiliates, and has been involved in the management of a listed company engaged in a global business for many years.</li> <li>In addition to abundant experience and a broad range of insight as a corporate manager, he also has a track record as a CFO (Chief Financial Officer) and CSO (Chief Strategy Officer).</li> </ul> <p>The company has registered Mr. Miura as an Independent Outside Director</p>

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
					Measurement's sales for the last fiscal year, and for 0.00004% of the Company group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other.	because the Company judged that there is no risk that the transactions mentioned left would affect the independence of Mr. Miura, and further, as he meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company, there is no risk that there would be a conflict of interest with general shareholders.

### [Committees]

#### Committee's Composition and Attributes of Chairperson **Updated**

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	5	0	1	4	Outside Director
Compensation Committee	4	0	0	4	Outside Director
Audit Committee	5	1	1	4	Outside Director

### [Executive Officers (Shikkoyaku)]

Number of Executive Officers (Shikkoyaku)	9
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#### Status of Additional Duties **Updated**

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Kinya Seto	Yes	Yes	No	No	No
Kazuhiko Ootsubo	Yes	Yes	No	No	No
Sachio Matsumoto	Yes	No	No	No	No
Hwa Jin Song Montesano	No	No	No	No	No
Ryo Nihei	No	No	No	No	No
Yugo Kanazawa	No	No	No	No	No
Bijoy Mohan	No	No	No	No	No
Satoshi Yoshida	No	Yes	No	No	No
Hiroiyuki Oonishi	No	No	No	No	No

## [Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Officers (Shikkoyaku) **Updated**

The Company has established dedicated staff within the Corporate Risk & Audit Group as members to exercise the authority of the Audit Committee or Audit Committee members as set forth in laws and ordinances or internal regulations and to audit the legality and validity of the execution of duties by directors and executive officers. The Company has decided that executive officers will not give orders or instructions with regard to directions from the Audit Committee or Audit Committee members to such organization required for auditing work.

Cooperation among Audit Committee, Accounting Auditors and Internal Audit Departments

In performing audits, the Audit Committee and the Internal Audit Division are both committed to performing efficient auditing by regularly holding meetings, promoting the sharing of information and cooperating at all times. In addition, they are working in close cooperation with the accounting auditor to actively exchange information. Further, the accounting functions and internal control functions are subject to internal audits by Corporate Risk & Audit Group, Audit Committee audits regarding business reporting, and accounting audits based on the Companies Act and the Financial Instruments and Exchange Act.

The Company has appointed Deloitte Touche Tohmatsu LLC as its accounting auditor, concluded an audit agreement with the same regarding accounting auditing under the Companies Act and the Financial Instruments and Exchange Act, and has received an explanation of the auditing plan. In addition to receiving audit reports, the Company conducts hearings about the status of audits being performed as necessary.

## [Independent Directors]

Number of Independent Directors <b>Updated</b>	8
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Matters relating to Independent Directors

All independent directors appointed by the Company are outside directors with independent director qualifications. Independent directors have sophisticated knowledge and extensive experience in fields such as corporate management, finance, financial accounting, or law, and they must be able to supervise business execution by the management team from an independent and objective perspective, as well as satisfy the Company's independence determination criteria. The Company's independence determination criteria stipulate that an outside director is independent if he or she does not fall under any of the following.

- i. A shareholder, or an executive (hereinafter, meaning the "executive" stipulated in Article 2(3)(6) of the Companies Act Enforcement Ordinance) of another company, that holds 10% or more of voting rights in the Company;
- ii. An executive of a company in which the Company holds 10% or more of the voting rights;
- iii. A client or supplier, or the executive of another company, that has transactions with the Group in an amount equal to 2% or more of either's annual consolidated sales;
- iv. A financial institution or other major creditor, or an executive thereof, that is indispensable to the Group's fundraising and on which the Group relies to an irreplaceable degree;
- v. A member, partner, or employee of an audit company or tax accountant company that is the Group's accounting auditor or that participates in the Group's accounting;
- vi. A party that receives donations or aid from the Group in an annual amount of 10,000,000 yen or more, or if such party is a corporation, organization, or other group (a "corporation, etc."), an executive of a corporation, etc. that annually receives donations or aid from the Group in excess of 2% of the corporation, etc.'s gross income;
- vii. A party that annually obtains 10,000,000 yen or more of money or other profit in assets from the Group, other than as remuneration as an officer, as an attorney, certified public accountant, tax accountant, consultant, or other specialist advisor, or if the party that obtains such profit is a legal professional corporation, law firm, audit company, tax accountant

- company, or consulting firm or other corporation, organization, or other group (a “legal professional corporation, etc.”), a party that belongs to a legal professional corporation, etc. that annually obtains money or other profit in assets from the Group in excess of 2% of the legal professional corporation, etc.’s gross income;
- viii. A party whose spouse, relative within the second degree of kinship, or co-habiting relative of the director himself/herself falls under items i. through vii.;
  - ix. A party that falls under items i. through viii. above within the past five years;
  - x. The executive of a company where an executive of the Group (notwithstanding the provisions of item i. above, meaning an executive director, an executive officer, an operating officer or other employee) serves as an officer

In addition, Article 27 of the Guidelines (“Sharing of information, etc., related to Independent Outside Directors”) determines the establishment of the Independent Outside Directors Opinion Exchange Committee, and the election of a chairperson of this committee as the lead Independent Outside Directors.

**[Incentives]**

Incentive Policies for Directors and/or Executive Officers (Shikkoyaku)	Introduction of performance-based compensation system, a stock-option scheme and others
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Supplementary Explanation Updated

Compensation of directors consists of monthly remuneration and stock-based compensation. As for stock-based compensation, restricted stock based compensation is adopted as a system that links medium to long term stock price trends to the remuneration amount. Compensation of Executive Officers consists of monthly compensation, short-term performance-based compensation and stock-based compensation. Short-term performance-based compensation is determined by company performance and personal evaluation for a fiscal year. As for company performance evaluation, revenue, core earnings and net profit are used as evaluation indicators. As for stock-based compensation, restricted stock based compensation is adopted as a system to promote improvement of corporate value by realizing a management policy that is in response to the mandate of shareholders.

Recipients of Stock Options	Inside directors, outside directors, executive officers, employees, directors of subsidiaries and employees of subsidiaries.
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Supplementary Explanation

The stock option system had been implemented as a system of stock-based compensation until the fiscal year ended March 2015 (with the exception of one newly appointed executive officer was granted stock options in the fiscal ended March 2017). We have introduced a new restricted stock based compensation in June 2018.

**[Remuneration for Directors and Executive Officers (Shikkoyaku)]**

Disclosure of Individual Directors’ Remuneration	Selected Directors
Disclosure of Individual Executive Officers’ (Shikkoyaku) Remuneration	Selected Executive Officers

Supplementary Explanation

The total amount of each type of compensation is disclosed for director categories (excluding outside directors), executive officers and outside directors. For those whose total amount of consolidated compensation exceeds 100 million yen, we have individually disclosed.

Compensation for fiscal year ended March 2019 was described as follows in its Securities Report submitted to the FSA.

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

• Base pay

In view of the management responsibility of Directors and Executive Officers due to the sluggish business results for the fiscal year ended March 2019, we have implemented reduction measures from November 2018 to June 2019.

The reduction rate applies from 5% to 20% depending on the job title.

• Performance-based compensation

In the fiscal year ended March 2019, no performance-based compensation was applied because the conditions for the payment (profit attributable to owners of the parent is positive and core earnings margin exceeds 2%) were not met. However, 36 million yen of performance-based compensation both of 1 year and medium term for the fiscal year ended March 2018 (to 7 Executive Officers) was recorded and they are included in the above table.

• Stock-based compensation

The Board of Directors resolved to issue common shares on June 25, 2018, and allotment was implemented on July 17, 2018.

The allocation for the next fiscal year will not be made as it did not meet the conditions for grant (profit attributable to owners of the parent company is positive and core earnings margin exceeds 2%).

• Stock options

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

Others

A Foreign nationality officer had additional benefits such as living assistance and medical insurance support.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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[Basic policy regarding Compensation]

(i) Performance related compensation in order to provide effective incentives designed to optimize short, medium, long term business results and corporate value.

(ii) Attract and retain the best global talent who will be necessary to maintain sustainable growth.

(iii) Fair and reasonable decision process with regards to compensation that will provide accountability to shareholders and employees and all stakeholders.

(iv) Conduct comparative evaluation with domestic and foreign companies in order to ensure transparency and objectivity.

(v) Individual compensation shall be determined in accordance with role and responsibility, performance contribution, and company performance.

[Compensation Scheme]

The compensation scheme is separated for Directors, who are responsible for supervising the Company's management, and Executive Officers, who are responsible for execution of business.

When a Director serves as an Executive Officer, the compensation scheme of the Executive Officer shall be applied in principle

(i) Compensation Structure

Board of Director

- Fixed amount compensation (Base pay)
- Stock-based compensation

Executive Officer

- Fixed amount compensation (Base Pay)
- Performance-based compensation
- Stock-based compensation

Compensation for each individual Director and Executive Officer shall be deliberated and decided separately in accordance with the basic policy of compensation. The Executive Officer's compensation structure emphasizes enhancing motivation for improving short and medium-long-term performance and corporate value.

(ii) Guidelines for Compensation Level

Compensation level guidelines shall be determined based on the degree of achievement of the previous fiscal year's performance targets and the external management environment, etc. after comparative verification using data from outside remuneration consultants.

(iii) Compensation component

- Fixed amount compensation (Base pay)  
Examined and determined by role using data from outside remuneration consultant.

- Performance-based compensation

Determined based on the Company's financial result and individual performance on annual basis. The target payment amount shall be set at a fixed percentage of the base pay. The amount paid shall fluctuate within a range from 0% to 200%.

Company performance accounts for 70% of performance-linked compensation. KPIs (Key Performance Indicators) are set as important indicators in the company-wide management targets for the fiscal year under review. In the fiscal year ended March 2019, the percentage breakdown was revenue 25/70%, core earnings 30/70%, and profit attributable to owners of the parent 15/70%. Individual achievement accounts for 30%. The achievement rate shall be decided after the Remuneration Committee reviews the individual evaluation proposed by the CEO.

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

- Stock-based Compensation

Restricted stock shall be awarded to incentivize Directors and Executive Officers to share corporate value with shareholders and to provide greater incentive to contribute to enhancing the Company's stock price and sustainable growth of corporate value. A fixed percentage of the basic compensation shall be issued as restricted stock. Half of the shares with restrictions on transfer allocated to the recipients of allocation will be subject to a transfer restricted period of three years. The other half shall be subject to a transfer restricted period of 30 years (or the period until completion of term).

Stock-based compensation is also applied to Directors of LIXIL Corporation, a consolidated subsidiary, in addition to Directors and Executive Officers of the Company. The Company shall issue and allocate ordinary shares to the recipients of allocation by providing the Company with investments in kind for the full amount of their claims for monetary compensation. Each of the recipients of allocation shall conclude a contract with the Company for the allocation of shares with restrictions on transfer (the "allocation contract"). The recipients of allocation may not assign to any third party, pledge, mortgage, give as a donation, bequeath, or make any other disposition of the shares subject to restrictions on transfer allocated to them during the period set by the allocation contract.

Provided that a recipient of allocation remained a Director or an Executive Officer of the Company or a wholly owned subsidiary for the consecutive fixed period, the Company will, at the end the transfer restricted period, cancel the restrictions on transfer with respect to all shares held by the recipient of allocation at that time. On the other hand, if, at the time of the end of the transfer restricted period, restrictions on transfer of some of shares have not been



canceled, the Company will acquire them without consideration immediately after the end of the period.

• Others

Other compensation schemes may be applied after individual deliberation.

(iv) Ratio of each compensation system to total compensation

Corporate officer title	Base pay	Performance-based	Stock-based
Directors	71%	-	29%
Executive Officers	68%	15%	17%

Note: The above figures are the median for each corporate officer title. Performance-based compensation is calculated based on the KPI achievement at 100%, and stock based compensation is calculated based on the allocation amount.

(v) Individual compensation

Compensation of each individual Director and Executive Officer shall be deliberated and decided based on size of job responsibilities, degree of achievement of company performance and individual performance in the previous fiscal year, experience and etc. in accordance with the basic policy of compensation, compensation scheme (including KPI), and compensation guidelines,

(vi) Supplement

Guidelines such as deferred STI, clawback (refund of compensation) clauses and extension of rights have not been established in the fiscal year ended March 2019.

A compensation scheme applying ESG performance as the direct metric has not been established.

However, for the Directors and Executive Officers, the Company has introduced a stock-based compensation system with the aim of further enhancing our willingness to contribute to sustainable growth of corporate value since the fiscal year ended March 2019. For Executive Officers, in regard to performance-based compensation, we have set company-wide management targets based on a sustainable business strategy as KPIs for company performance, and also in terms of individual performance, we evaluate the contribution to enhance sustainable improvement of performance and corporate value.

**[Supporting System for Outside Directors] Updated**

The Company has a system in place whereby upon holding a meeting of Board of Directors, documents are distributed to outside directors in advance. The Board of Directors' Office, Compensation Committee's Office and dedicated staff within the Corporate Risk & Audit Group to respond to each individual inquiry.

**[Status of persons retired from Representative Director and President, etc.]**

Name	Title	Activity Description	Working Arrangement Conditions (Full-time / Part-time, Compensation)	Date of Retirement from President, etc.	Term
Yoshiaki Fujimori	Senior Advisor	Making a good relationship with stakeholders, such as our group's business partners, supporting sales activities	Working Arrangement: Part-Time Compensation: Yes	June 15, 2016	June 16, 2016 through June 30, 2021

Number of the relevant person	1
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**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated**

(Board of Directors)

The Board of Directors makes decision in relation to matters specified under the relevant laws and ordinances, basic management policy, and important management matters, and it also supervises the execution of duties by directors and executive officers. In particular, the Company's outside directors perform a high-level supervisory function from an independent perspective, thereby realizing stronger, more effective corporate governance.

The Board of Directors consisted of 10 directors (of which five were outside directors) between since April 1, 2018, and June 21, 2018, 12 directors (of which five were outside directors) between since June 21, 2018, and October 31, 2018, 12 directors (of which four were outside directors) between since November 1, 2018, and May 20, 2019, 11 directors (of which four were outside directors) between since May 20, 2019 and June 25, 2019. Since then it consists 14 directors (of which nine are outside directors). Among outside directors, one is female and one has nationality other than Japanese.

In principle, meetings of the Board of Directors are held once a month. They were held 16 times in the fiscal year ended March 2019 and all the Directors attended all the meetings.

(Nomination, Audit and Compensation Committees)

The Company shall structure the Nomination Committee, Audit Committee, and Compensation Committee as follows so that they are able to effectively fulfill the role and duties required by law.

- (1) A majority of the members of each committee shall all be independent outside directors who satisfy the Company's independence criteria.
- (2) The chairperson of each committee who also chairs its meetings shall be an independent outside director.

The deliberation details and resolution matters of each committee are reported by the chairperson of the committee at the Board of Directors Meeting held immediately after the committee meeting.

- The Nomination Committee determines the contents of director appointment and dismissal proposals submitted to shareholder meetings. The Board of Directors shall request an opinion such as appointment, election, removal and dismissal of an executive officer or the representative executive officer (CEO), etc., and the Nomination Committee will report its opinion to the Board of Directors such as appointment, election, removal and dismissal candidates for executive officers and representative executive officer (CEO), etc.  
The Nomination Committee consisted of three directors (of which two were outside directors, including the chairperson) between since April 1, 2018 and June 21, 2018. Since then, it consists of five directors (of which four are outside directors, including the chairperson). Nomination Committee meetings are held at least once a year as necessary. They were held 14 times in the fiscal year ended March 2019 and all the members attended all the meetings.
- The Audit Committee supervises the execution of duties by Directors and Executive Officers. It also makes resolutions on the contents of audit policies and audit plans as well as accounting auditor appointment and dismissal proposals submitted to shareholder meetings.  
The Audit Committee consisted of three directors (of which two were outside directors, including the chairperson) between since April 1, 2018 and June 25, 2019. Since then, it consists of five directors (of which four are outside directors, including the chairperson). Audit Committee meetings are, in principle, held more than once in two months as necessary. They were held 18 times in the fiscal year ended March 2019 and all the members attended all the meetings.
- The Compensation Committee makes resolutions on the individual compensation, etc. to be received by Directors and Executive Officers. It also decides basic policy regarding compensation of Directors and Executive Officers, compensation scheme (including KPIs), guidelines for compensation level and various kinds of compensation based on these.  
The Compensation Committee consisted of five directors (of which three were outside directors, including the chairperson) between since April 1, 2018 and October 1, 2018, three directors (of which two were outside directors, including the chairperson) between since November 1, 2018 and June 25, 2019. Since then, it consists of four outside directors. The Compensation Committee meetings are held at least once a year as necessary. They were held 12 times in the fiscal year ended March 2019 and all the members attended all the

meetings.

#### (Executive Officers Meeting)

The Executive Officers Meeting is comprised of Executive Officers, and it performs important decision-making regarding the Company and the Group's execution of business as a decision-making body based on the basic policy decided by the Board of Directors.

The Executive Officers Meeting consisted of 10 members between since April 1, 2018, and June 21, 2018, nine members between since June 21, 2018, and September 30, 2018, eight members in October 2018, 10 members between since November 1, 2018, and March 31, 2019, nine members between since April 1, 2019, and June 25, 2019, and 10 members to July 3, 2019. Since then, it consists of nine members.

In principle, the Executive Officers Meeting is held twice a month and extraordinary meetings of the Executive Officers Meeting will be held as necessary. They were held 22 times in the fiscal year ended March 2019 and the attendance rate was 97.1%.

#### (Internal Audits)

LIXIL Group's Internal Audit Group conducts its audit by collaborating with internal audit functions organized in major group companies in Japan and overseas to cover all entities in the Group. (At the end of the fiscal year ended March 2019, the Group's internal audit functions consist of 60 people in total.)

In addition to the ordinary internal audit activities such as the audit on financial statement, business operations, and internal controls evaluation, Internal Audit Group is supporting to strengthen governance system of the Group and internal controls and to develop human resources through the activities to reduce business risks and costs and drive the development of action plans for the improvement of operations or remedial actions.

#### (Audit Committee Audits)

The Company's Audit Committee conducts audits with the aim of increasing efficiency by staying in close contact with the Internal Audit Group and auditors of the Company and subsidiaries. The Audit Committee periodically receives audit results reports from the Internal Audit Group and the auditors, etc. of the subsidiaries and gives instructions at suitable times. It meets with executive officers, etc., sits in on important internal meetings, and reads minutes or approval requests of important committees, and by doing so, it audits the creation of internal control systems and their state of operation at the Company and important subsidiaries, as well as the state of execution of duties by directors and executives.

Group audit committee meetings are also periodically held to share each company's information and the unified audit policies of the group.

The Audit Committee consists of five audit committee members. Teruo Suzuki, a member of the Audit Committee, has many years of experience in audit work as a certified public accountant, as well as substantial knowledge regarding finance and accounting.

#### (Accounting Audits)

The Company has entered into an audit agreement with Deloitte Touche Tohmatsu LLC regarding accounting auditing under the Companies Act and the Financial Instruments and Exchange Act.

The Company's Audit Committee and the auditing company strive to mutually improve the quality of audits by having regular occasions for information sharing and exchanging information on various auditing policies and problems that have arisen during the fiscal year. The Company also holds auditing report meetings at the end of the fiscal year and exchanges information regarding specific accounting problems.

The name of the certified public accountants who performed the Company's auditing work in the fiscal year ended in March 2019, and their structure of assistants for audit services are as follows;

- Name of certified public accountants who performed the auditing work  
Designated limited liability partners, managing members: Yasuhiro Katsushima, Yutaka Hamaguchi, Masayuki Furukawa
- Composition of assistants for accounting audit services  
20 certified public accountants and 10 assistant accountants

#### (Other committees)

As a pure holding company, in order to enhance corporate governance at its group companies, the Company discusses management strategies, medium- and long-term policies and investment matters at appropriately held meetings such as Internal Audit Committee, Compliance Committee, Risk Management Committee, M&A Committee, Investment Review Committee, and Corporate

Responsibility Committee, to strive to accelerate decision-making and enhance the effectiveness of its governance.

(Limitations on liability clause)

The Article of Incorporation of the Company has a limitation on liability clause for outside directors. Based on the Article of Incorporation, the Company has signed limitations on liability agreement with all outside directors. The details of the agreement are as follows;

After signing this agreement, outside directors shall be liable to damages caused by his/her disregard of obligations and duties and the amount of compensation shall be capped at 10 million yen or the amount stipulated by laws and regulations, whichever is greater, when duties are performed in good faith and without material gross negligence.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company changed to the Company with Nomination Committee, etc. after obtaining approval at a shareholder's meeting held on June 23, 2011, in order to separate its managerial execution and supervisory functions to enable prompt decision-making by executive officers, and to secure transparency of its business.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company publicizes the notification of the general shareholders' meeting earlier than its dispatch by disclosing it in advance on its website.
Scheduling AGMs Avoiding the Peak Day	The Company avoids scheduling its general shareholders' meeting on the so-called peak day for general shareholders' meetings, and also holds its general shareholders' meeting earlier.
Allowing Electronic Exercise of Voting Rights	The Company has created an environment that enables the exercise of voting rights on a company-designated website from a personal computer, smart phone or mobile phone.
Participation in Electronic Voting Platform and Measures to Improve the Environment for Institutional Investors to Exercise Voting Rights	The Company participates in a platform for institutional investors to exercise voting rights that is operated by ICJ, Inc. (Investor Communications Japan).
Providing Convocation Notice (Summary) in English	The Company prepares an English version of its shareholders' meeting convocation notice and publishes them on its website.
Other	In regards to the results of voting on the shareholder meeting agenda, Extraordinary Reports are submitted without delay after shareholders' meetings under the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, Etc. and posted on our website. Resolution notices are also posted on the website.

#### 2. IR Activities

	Supplementary Explanations	Explanation by representatives themselves
Preparation and Publication of Disclosure Policy	Disclosure Policy is posted on our website.	—
Regular Investor Briefings for Individual Investors	It is our policy to actively hold briefings.	No
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds briefings at each settlement of accounts and at the time of announcing quarterly results, where it explains its financial results, the progress of management policies and measures. The company also holds investors meetings regarding important disclosures and a number of other individual meetings and group meetings on the same.	Yes
Regular Investor Briefings for Overseas Investors	Every quarter, when distributing the video and sound recordings of the Results Announcements Meeting on the website, we also distribute English translations. The Company visits overseas investors three times a year or more to explain financial results and management policies, etc. The Company also holds a number of other individual meetings and group meetings.	Yes

Posting of IR Materials on Website	As well as posting IR materials, including annual reports, on the website, the Company also creates and posts pages specifically for individual investors. The Company also provides video explanations of results briefings and so on by the representative director. <a href="https://www.lixil.com/en/investor/">https://www.lixil.com/en/investor/</a>	—
Establishment of Department and/or Manager in Charge of IR	The Company has established an Investor Relations Office which is specialized in IR.	—

### 3. Measures to Ensure Due Respect for Stakeholders **Updated**

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	It is defined in the LIXIL Group Code of Conduct and Group Charter of Corporate Behavior, which are available on the website.
Implementation of Environmental Activities, CSR Activities etc.	We have established a corporate responsibility (CR) strategy and posted it on our website.
Development of Policies on Information Provision to Stakeholders	We have established a disclosure policy and disclosed it on our website.
Other	<p>[Diversity in officers]</p> <p>Regarding the gender diversity of the Company's officers, one out of 14 directors and one of nine executive officers is female. In terms of nationality diversity, one director and two executive officers have nationalities other than Japanese. The Company aims to promote diversity in the composition of its officers.</p> <p>[Diversity &amp; Inclusion]</p> <p>The Group aims to create a working environment that embraces all employees regardless of age, gender, nationality, physical ability and so on. As such, we have recently launched initiatives to ensure a more inclusive environment for LGBT and disabled employees, in addition to already established initiatives to promote women's participation in the workplace.</p>

#### IV. Matters Related to the Internal Control System Updated

##### 1. Basic Views on Internal Control System and the Progress of System Development

The main details of the Company's internal controls and risk management system are as follows. The Board of Directors has made resolutions on such matters as a basic policy for the internal control system under the Companies Act.

In addition, as a pure holding company, the Company always closely watches the risks assumed by group companies, and confirms and provides advice on their hedging against risk. Therefore, we made the creation of Risk Management Committee, etc. at each company mandatory, and periodically confirm the risk circumstances at each company. We also study each Group company's risks at the Internal Audit Committee and Risk Management Committee, etc. held at suitable times, and we ask group companies to attend and provide reports as necessary. Furthermore, each company must provide a report on risks at the Business Board, etc. that are periodically held.

(i) 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.

(ii) 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 regulation and personal information protection policies are established with regard to handling the management of information.

(iii) System for rules and others regarding the management of the Group's risk of loss

The Group has established and is managing crisis management basic policy, 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.

(iv) 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 establishes 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.

(v) 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.

(vi) Directors and employees who should assist with the duties of the Audit Committee

The Company will establish dedicated staff within the Corporate Risk & Audit Group as members to support the duties of the Audit Committee. In addition, Directors who should support the Audit Committee will not be placed.

(vii) Independence from the Executive Officers of the Directors and employees in (vi) 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.

(viii) 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 concern raising (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.

(ix) 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 Business Board, 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.

(x) 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 Company Group can directly make a report to the Compliance Committee of which the Company's Audit Committee Member is a constituent member and make the 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.

(xi) 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.

(xii) 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. Basic Views on Eliminating Anti-Social Forces**

- The Group prohibits contact with antisocial forces and has documented its fundamental policy, which states that "We will not voluntarily involved with criminal organizations or individuals such as corporate extortionists and members of organized crime. We will not give in to threats by such parties and.
- The Group sets forth "LIXIL Group Code of Conduct" that includes the fundamental policy above and asks that all employees put into practice this message from senior management. In terms of operation, in addition to defining the main departments that are in charge, the Compliance Committee performs regular reviews and re-evaluations of implementation.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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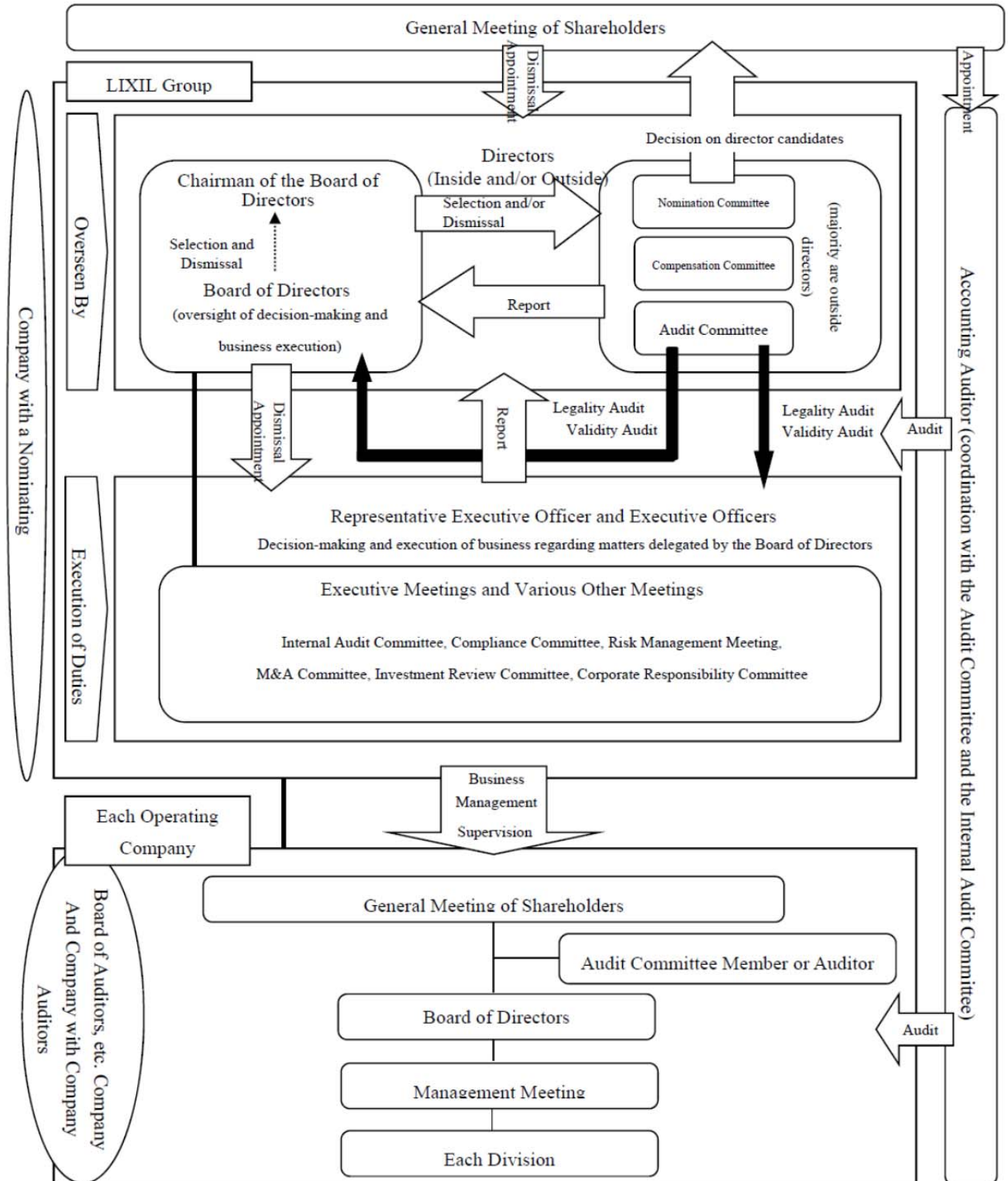
Supplementary Explanation
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The Company executes measures to improve results, increase corporate value, and gain shareholders' support, which enable shareholders to hold the shares for the medium-to-long-term. Therefore, no particular anti-hostile takeover measures have been established.
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### 2. Other Matters Concerning to Corporate Governance System

<p>The Company has the following internal systems to ensure that timely and appropriate disclosure of information is made following resolutions by the Board of Directors or approval from the Executive Officers Meeting.</p> <p>Each department or subsidiary reports material company information directly to the Executive Officers Meeting pursuant to internal regulations such as “Job Function Regulations.” Also, deliberations or reports on specific projects* by each council or committee are reported to the Executive Officers Meeting.</p> <p>Matters to be discussed by the Executive Officers Meeting are reviewed in advance by the Executive Officers Meeting Secretariat, and the person in charge of handling information shall determine whether timely disclosure should be made with the relevant departments such as Accounting and IR.</p> <p>(Refer to Schematic Diagram)</p> <p>*Specific projects: Matters concerning (i) investment or loans, (ii) environmental strategy, (iii) consideration of restructuring, (iv) establishment of new subsidiaries, (v) withdrawals from businesses, (vi) disasters or accidents, etc., or (vii) other unforeseen facts arising suddenly, such as product liability or wrongful acts.</p>
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[Corporate Governance Structure]



[Summary of Timely Disclosure System]

