

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



October 28, 2019

LIXIL Group Corporation  
Kinya Seto  
Representative Executive Officer and President  
(First Section of TSE/NSE, code 5938)

(Contact):  
Kayo Hirano  
Senior Manager, Investor Relations Office

### **Notice Regarding the Introduction of Stock Price-Linked Compensation Scheme (Phantom Stock)**

LIXIL Group Corporation (the "Company") resolved at the Compensation Committee (the "Committee") meeting held today to end the restricted stock compensation scheme introduced in June 2018 for Directors and Executive Officers (the "Officers") and replace it with a new stock-price linked compensation scheme (the "Phantom Stock Plan").

The details are as follows:

#### 1. Purpose of Introducing the Phantom Stock Plan

In the previous fiscal year, the Company implemented a restricted stock compensation scheme for Officers. The purpose of this scheme was to provide Officers with greater incentive to contribute to enhancing the Company's stock price and enterprise value by sharing the benefits and risks of share-price fluctuations with shareholders.

Since the 77th Annual General Meeting of Shareholders held in June 2019, the Committee, which consists of four newly appointed outside directors, has repeatedly discussed establishing an appropriate executive compensation scheme for the new management team.

As a result, the Committee has attached great importance to strengthening its management

structure globally as well as in Japan, an important market. Therefore, it has decided to introduce the Phantom Stock Plan, which has already been applied to overseas executives of the Company since last fiscal year, as a common compensation system for all Officers and overseas executives.

This introduction will expedite the appointment of Officers across organizations and regions, and ensure Officers and overseas executives can be flexibly transferred.

In addition, applying a common stock price-linked compensation scheme to Officers and overseas executives serves as an effective form of incentive to increase corporate value by uniting the group across organizations and regions, further promoting the sharing of corporate value with shareholders.

## 2. Overview of the Phantom Stock Plan

### (1) Plan Eligibility

Executive Officers and Directors of the Company

### (2) Grant Date and Holding period of Phantom Stock

-Executive Officers (Executive Officers who also serve as Director included):

Granted on the date of Annual General Meeting of Shareholders and to be held for three years

※For Executive Officers, three years is perceived as a suitable period of time to contribute to the sustainable improvement of corporate value and to engage in management over the medium to long term.

-Directors: Granted on the date of Annual General Meeting of Shareholders and to be held for the term stipulated by the Companies Act

※For Directors, the holding period is the same as the term stipulated in the Companies Act, which is perceived as a suitable period of time to contribute to the sustainable improvement of corporate value and perform the role of monitoring and supervising management.

For this fiscal year, the grant date is November 5<sup>th</sup>.

- (3) Method of determining the number of Phantom Stock units granted  
The number of Phantom Stock units granted is determined by dividing the target value set by an Officer, which consists of a percentage of their annual fixed-amount compensation (base pay), by the average value\* of the Company's closing stock price for the 30 business days prior to the grant date.
- (4) Dividend  
Cash dividends or the equivalent amount is not paid.
- (5) Method of determining the amount to be paid at the end of the holding period of Phantom Stock  
The amount is determined by multiplying the number of granted stocks by the average value\* of the Company's closing stock price for 30 business days prior to the end of the holding period.
- (6) Treatment of the plan of shares with restriction of transfer granted last fiscal year  
It will be treated in accordance with the rules at the time of the grant.
- (7) The detail information of Phantom Stock Plan will be disclosed in the Company's securities report, etc.

\*The average value of the Company's closing stock price :

The average Company's stock price for the 30 business days prior to the grant date and the end of the holding period is rounded to the nearest Japanese yen.

End of document