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LIXIL Group Corporation
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Announcement on Review of Corporate Governance at LIXIL Group and the Establishment of a Governance Committee as a Permanent Committee of the Board of Directors

Following its 77th Annual General Meeting of Shareholders, held on June 25, 2019, LIXIL Group Corporation (hereinafter the "Company") established a Governance Committee within the Board of Directors to review past issues relating to the Company's governance, and to ascertain the root causes behind these issues and determine the sufficiency of the remedial actions taken to prevent a reoccurrence. The results of the review by the Governance Committee were reported to the Board of Directors as described below.

The Company announces that, based on the reported results of the review, the Board of Directors has resolved to establish the Governance Committee as a permanent voluntary committee within the Board of Directors, to strengthen the Company's corporate governance, increase transparency with objectivity, and grow corporate value.

The details of the review by the Governance Committee are as follows:

1. Scope and methodology of the review by the Governance Committee:

(1) Scope of the matters considered

- Issues identified in relation to the decision-making process for the change of Representative Executive Officers during the past year; and,
- Issues in relation to operations of the 77th Annual General Meeting of Shareholders, held on June 25, 2019

(2) Methodology

- Issues identified in relation to the decision-making process for the change of Representative Executive Officers during the past year

The primary methodology was a thorough review and consideration of internal documentation such as the full report created by the third party included in an announcement issued on April 9, 2019 and titled "Regarding the Release of the Review Report of Decision-Making Process for the Change of Representative Executive Officers", the Company's governance guidelines, board's rules, each committee's rules, past minutes and other internal and external materials (hereinafter "Considered documents").

- Issues in relation to operations of the 77th Annual General Meeting of Shareholders, held on June 25, 2019

The primary methodology was review and consideration of a series of operations in relation to the convocation of the Annual General Meeting of Shareholders, including the process of nomination of director candidates and their announcement, description of the convocation notice, forms of voting and proxy, an additional document of the proxy, and an examination of independence of outside director candidates.

2. Ascertaining root causes behind the governance issues and determining the sufficiency of the remedial actions taken to prevent a reoccurrence

Based on the findings of the review, the Governance Committee has determined, first of all, that the findings by the third party in "*Regarding the Release of the Review Report of Decision-Making Process for the Change of Representative Executive Officers*" released by the Company on April 9, 2019 are not unreasonable, and that the governance structure and processes that the Company has in place are appropriate. As such, no significant faults were found.

The Governance Committee did, however, find root causes in two main areas, as outlined below, which resulted in the governance issues at the Company. The Committee concluded that additional remedial actions are required to prevent a reoccurrence of these past issues.

(1) Ambiguity within guidelines and rules

Through the review, the Governance Committee found that, in certain areas, the guidelines and rules governing the operations of the Board of Directors and statutory committees remain ambiguous and leave room for interpretation when it comes to the execution of roles and responsibilities, despite the revision of the Corporate governance guidelines and the Nomination Committee rules made on February 25, 2019. For example, according to the Corporate governance guidelines that were revised on February 25, 2019, the Nomination Committee is supposed to submit its opinion to the Board of Directors in connection with the appointment and dismissal of Representative Executive Officer (CEO) as well as other Executive Officers. However, the revised rules created confusion or misunderstanding

with the previous Nomination Committee regarding execution of roles and responsibilities due to insufficient clarity.

(2) Risk of a lack of objectivity and fairness

Despite the governance structure that was in place, the review found that there nevertheless remains the risk of a lack of objectivity and fairness in the operation of the governance if not properly independently monitored and, specifically, if one member of the Board holds too much power and other Directors, even informally, become deferential to that individual. For example, this was found to have been an issue regarding the decision-making process for the change of Representative Executive Officer announced last year, when there were no discussions within the Nomination Committee excluding the two members of the Committee who were ultimately nominated as CEO and COO. In addition, during the process to convene the Annual General Meeting of Shareholders, the governance of the Board of Directors didn't work as expected to deter the announcement of two director candidates from the Shareholders' proposal as candidates by the Company before their consent was obtained.

3. Remedial Actions

Firstly, in order to prevent any confusion or misunderstanding from occurring, the guidelines and rules governing the Board of Directors and all statutory committees shall be revised for clarity and to eliminate any room for difference in interpretation. To do so, the Board of Directors and the committees will review all the guidelines and rules and update them in an orderly manner.

Secondly, in response to the risk of a lack of objectivity and fairness, the Board of Directors has established the Governance Committee within the Board of Directors as a voluntary and permanent committee, thereby fulfilling the monitoring and supervisory functions within the Board of Directors. This will also ensure that any individuals shall not become overly influential, and serve as a deterrent to prevent misuse of corporate governance mechanisms and the recurrence of procedural problems.

Roles and responsibilities of the Governance Committee

The Governance Committee will discuss and submit suggestions to the Board of Directors regarding the review and revision of the Company's Corporate Governance Guidelines, lead the effectiveness evaluation of the Board, and so on, to monitor and supervise the Company's corporate governance and for its continuous improvement.

Composition of the Governance Committee

To represent the interest of shareholders, the Governance Committee consists of five members, of which four members are Outside Directors. In addition, to ensure an effective link between the role of the Governance Committee and that of the Board of Directors itself in overseeing the Company's

governance, the Governance Committee includes Masatoshi Matsuzaki, the Chairman of the Board, as a member of the Committee.

Members:

- Chairperson Teruo Suzuki (Outside director: Audit Committee member)
- Member Masatoshi Matsuzaki (Outside director: Chairperson of the Board, Nomination Committee member)
- Member Yuji Nishiura (Outside director: Chairperson of the Nomination committee, Compensation Committee member)
- Member Kaoru Onimaru (Outside director: Nomination Committee member)
- Member Keiichiro Ina (Internal director: Nomination Committee member)

The Governance Committee collaborates with the Company's three statutory committees (i.e. Nomination Committee, Audit Committee, and Compensation Committee) to improve the Company's corporate governance. The Governance Committee will inform shareholders, investors, and other stakeholders about the status of progress through various disclosure documents such as securities report, the corporate governance report, and other types of disclosure documents.

(Reference) Corporate Governance Structure

