



November 24, 2020

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

(Contact):
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Notice of Transfer of Consolidated Subsidiary (Kawashima Selkon Textiles Co., Ltd.) (Share Transfer)

LIXIL Group Corporation (hereinafter "LGC") hereby announces that the Board of Directors of LGC has resolved a transfer of all the shares of Kawashima Selkon Textiles Co., Ltd. (hereinafter "Kawashima") held by LIXIL Corporation (hereinafter the "Share Transfer"), which is a consolidated subsidiary of LGC, to Kawashima via a buy-back transaction.

Upon the completion of the Share Transfer, Kawashima will no longer be a consolidated subsidiary of LGC.

1. Reason for the Share Transfer

LGC acquired a 34% ownership stake in Kawashima by underwriting a capital increase through third-party allotment in December 2010 and acquired the remaining 66% ownership stake in August 2011 through share exchange, which led it to become a 100% subsidiary. The aim was to stabilize Kawashima's business profits and financial base, and to pursue synergies in terms of sales as well as reduce costs by building an efficient system for collaboration in logistics and indirect operations.

Recently, LGC received from Kawashima an offer of a management buyout (MBO) by the current management, who have deep understanding of the cultural, commercial, and technical value of Kawashima, in order for Kawashima to accelerate the speed of its business growth and to enhance its productivity and efficiency. Kawashima also plans to challenge new designs and develop manufacturing techniques for next generations based on their manufacturing traditions. Since the proposal, LGC and Kawashima have been discussing and considering it.

As a result, since the offer from Kawashima is in line with the management direction of LGC, which is taking steps to transform its operations, LGC decided to transfer all of its shares to Kawashima to dissolve the capital tie-up.

2. Scheme of the Share Transfer

On the execution date of the Share Transfer, LGC will transfer all of Kawashima's shares to Kawashima. In the transaction, Kawashima purchases its treasury stock from LGC by using the funds procured by the loan by The Bank of Kyoto, Ltd. and the underwriting of corporate bonds by Kyoto Corporate Growth Support Fund. In addition, four full-time directors of Kawashima (Mr. Susumu Yamaguchi, Mr. Koichi Kimura, Mr. Akira Mitsuoka, and Mr. Takashi Higo) will underwrite a third-party allotment of shares from Kawashima, which will result in the acquisition of the total number of shares outstanding except for the treasury shares.

3. Overview of Subsidiary to be Sold (KAWASHIMA SELKON TEXTILES CO., LTD.)

(1)	Name of Company	KAWASHIMA SELKON TEXTILES CO., LTD.		
(2)	Headquarters	265 Ichihara-cho, Shizuichi, Sakyo-ku, Kyoto, Japan		
(3)	Representative	Representative Director and President, Koichi Kimura		
(4)	Major Business	<u>[Interior Decoration/Fabrics]</u> Production and distribution of curtain, carpet, wall-covering, interior accessories and stuff, interior finish work <u>[Traditional and Artistic Textiles]</u> Obi, stage curtain, festival float curtain, traditional accessories and stuff		
(5)	Capital	9,381 million yen		
(6)	Date of Foundation	May 14, 1938		
(7)	Major Shareholder	100% of shares held by LIXIL Corporation		
(8)	Relationship between LGC and Kawashima	Capital	Consolidated subsidiary of LGC	
		Personnel	None	
		Trade	None	
(9)	Non-consolidated Operating Results and Financial Conditions of Kawashima for the past 3 years (in millions of yen unless stated otherwise)			
	Years ended in	March 2018	March 2019	March 2020
	Net assets	15,956	16,390	15,949
	Total assets	26,728	26,827	26,099
	Net assets per share (yen)	112.47	115.53	112.42
	Sales revenue	28,828	28,493	29,663
	Operating profit	861	667	401
	Ordinary profit	919	723	460
	Profit for the year	1,531	456	-316
	Earnings per share (yen)	10.79	3.22	-2.23
	Dividend per share (yen)	-	-	-

4. Overview of the Buyer

Same as described above "3. Overview of Subsidiary to be Sold (KAWASHIMA SELKON TEXTILES CO., LTD.)"

5. Number of Shares Transferred, and Status of Holdings before and after the Share Transfer

(1)	Number of Shares Held before the Share Transfer	141,877,506 shares (voting right ratio: 100%)
(2)	Number of Shares to Be Transferred	141,877,506 shares
(3)	Total Net Proceeds from the Share Transfer	Transfer price shall be undisclosed pursuant to duty of confidentiality in the share transfer agreement
(4)	Number of Shares Held after the Share Transfer	0 shares (voting right ratio: 0%)

6. Schedule

(1)	Date of Board Resolution	November 24, 2020
(2)	Date of Execution of the Memorandum and the Agreement	November 24, 2020
(3)	Date of Transfer of Shares	January 6, 2021 (plan)

7. Future Outlook

The impact from the completion of the Share Transfer on the LIXIL Group's consolidated financial statements has been factored into the full-year forecast announced on October 30, 2020 titled "Announcement of Revision of Consolidated Financial Forecast for the Fiscal Year Ending March 2021".

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