

Corporate Governance	
Corporate Governance	LIXIL Group Corporation
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<b>LIXIL 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 Corporation is described below.

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

### 1. Basic Views **Updated**

LIXIL 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, and the Company has its Group comply with it.

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

LIXIL’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

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 Utilizing Discretionary Organs

In addition to the three committees (the Nomination Committee, the Audit Committee and the Compensation Committee) which are legally required of a “Company with a Nomination Committee, etc.”, the Company has established the Governance Committee as a voluntary permanent committee to continuously strengthen the Company’s corporate governance. As for the other governance systems, the Company has established the Board of Executive Officers and other voluntary organs. (Refer to the Corporate Governance Structure at the end of the document.)

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

By setting forth the LIXIL Behaviors and the LIXIL 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.

Since 2001, the Company adopted a holding company structure to optimize overall operations while maintaining cooperation between each operating company. However, as the Group's strategy has evolved, it is placing greater focus on actively managing its core businesses and driving synergies across these business areas to accelerate growth. The highest priority is to enhance corporate value by focusing on its core businesses inside and outside of Japan. Therefore, the Company conducted an absorption-type merger with LIXIL Corporation (the absorbed company, hereinafter "former LIXIL"), its 100% subsidiary on December 1, 2020, and changed the company name to LIXIL Corporation.

By dissolving the two-tier structure of a holding company and former LIXIL, the Group will improve efficiency by eliminating duplication of management, operating costs and human resources. Furthermore, it will enable faster decision-making, as well as improve corporate governance by simplifying the group management system and increasing the transparency of management.

#### **[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 LIXIL Corporate Governance General Policy (the "General Policy") contain provisions with regard to many of the disclosure items below, a note has been added referring to the related provision in the General Policy.

<https://www.lixil.com/en/about/governance/pdf/CorporateGovernanceGuideline20201201.pdf>

##### **[Principle 1-4 Cross-Shareholdings]**

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 9 of the General Policy "Cross Shareholdings", 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 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" 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 11 of the General Policy "Related-Party Transactions").

##### **[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]**

Under the LIXIL Pension Fund in which the Company 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 committee members are Management Execution Directors from the LIXIL Pension Fund with expert ability and opinions.

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 Full Disclosure]**

Article 38 “Basic Policy Regarding Information Disclosure” and Article 39 “Methods of Disclosure” of the General Policy 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 3 of the General Policy.

As for the management strategy, the Group is steadily promoting major policies based on the four pillars of the medium-term plan formulated and announced in November 2017.

**[The Four Pillars of the Medium-Term Plan]**

**1. Create an Organization for Sustainable Growth**

In order to build an environment that enables us to respond quickly to changes, the Group is transforming its organizational culture. We will foster an organizational culture that encourages employees to exercise their entrepreneurial spirit, to actively exchange opinions and to engage in experimental initiatives. We also aim to create an environment in which employees can respect each other, be stimulated by each other, and work with enthusiasm, and to become a company in which employees can be united through the achievement of great goals which are socially meaningful.

**2. Development of attractive and differentiated products**

The Group has strong brands that correspond to diverse lifestyles, needs and preferences. By investing in these brands and strengthening the DNA that is the essence of these brands, the Group seek to achieve growth with profits. In addition, we will further pursue innovation, design and quality improvements to meet changes in consumers’ needs and preferences. In addition, we will shift to the “Asset-Light” business model so that we will be able to have a strong intellectual property base for product development and bring differentiated products to market in a short cycle, and we will review our domestic organizational structure to improve the speed of the product development cycle by integrating the product development, production and sales functions into one organization.

**3. Achieve Competitive Costs**

The Group will use new technologies and infrastructures to create an efficient and flexible supply chain management system, and improve cost control, for the improvement of its balance sheet and profit margins. In addition, the Group will improve cost efficiency through measures such as improving productivity in back-office departments and redeploying personnel to departments that need them.

**4. Marketing to End User Influencers**

The Group will expand its contacts with end users and influencers such as contractors, designers and builders’ offices. In addition, through the promotion of new services such as “LIXIL PATTO Remodeling,” we will create new demand for remodeling in Japan by eliminating end users’ concerns about it.

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

This is set forth in Article 1 “Purpose”, Article 3 “Group Management Philosophy” and Article 4 “Basic Corporate Governance Framework” of the General Policy, 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 28 of the General Policy “Compensation Policy”).

(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 25 of the General Policy “Policy for Nomination of Director Candidates and Removal of Directors”) 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 are set forth in Article 26 of the General Policy “Policy for Appointment, Election, Removal and Dismissal of Executive Officers and Representative Executive Officer”, and criteria regarding the election and dismissal of CEO are set force in Article 27 of the General Policy “CEO Succession Plan and Basic Policy on Selection and Dismissal of CEO”. When independent outside director candidates are decided, the Company’s own independence criteria will be used, as set forth in Article 31 of the General Policy “Independence Criteria”.

(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 on the Company’s website. <https://www.lixil.com/en/about/governance/board/reason.html>

The Company also 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, the reasons for that removal and dismissal shall be clearly specified on the Company’s website. Paragraph 3 of Article 25 “Policy for Nomination of Director Candidates and Removal of Directors” and Paragraphs 5 and 7 of Article 26 “Policy for Appointment, Election, Removal and Dismissal of Executive Officers and Representative Executive Officer” of the General Policy apply to those disclosures, and those disclosures are carried out in accordance therewith.

#### **[Supplementary Principle 4-1① 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 Paragraph 2 of Article 20 of the General Policy “Role and Duties of the Board of Directors”, and concrete matters to be decided by the Board of Directors and the Executive Officers Meeting, respectively, are specified in the “LIXIL Board of Directors Rules” and the “Rules for the Executive Officers Meeting of LIXIL”.

#### **[Supplementary Principle 4-3①, ②, ③ Roles and Responsibilities of the Board (3)]**

As a result of the investigation by the newly established Governance Committee in 2019, it has been pointed out that there was no discussion at the Nomination Committee that excluded the two Nomination Committee members nominated as CEO and COO. This was recognized as an issue with respect to the decision-making process pertaining to the change in Representative Executive Officers (CEO) in the previous year. Even if the governance system itself is in place, when power is concentrated on a particular director and other directors are reserved in their manner toward him/her, or read between the lines, it has become clear that objectivity in decision making and impartiality in procedures would be lost if the governance operation itself is not supervised from an independent standpoint. In response to such lack of objectivity and impartiality, the Board of Directors has established the Governance Committee within the Board of Directors as a voluntary permanent committee, thereby fulfilling the monitoring and supervisory functions within the Board of Directors. This will ensure that no particular individual or committee has excessive influence, deter abuse of the company’s governance structure, and prevent recurrence of problematic procedures.

#### **[Principle 4-8 Effective Use of Independent Outside Directors]**

At the annual general shareholders’ meeting held on June 30, 2020 six outside directors, who are independent directors, were appointed out of nine directors. All chairperson and members of the three committees required

by statute and the Governance committee are outside directors.

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

The Company judges the independence of outside directors in accordance with the criteria set forth in Article 31 of the General Policy “Independence Criteria”. The qualifications for independent outside directors are included in Article 25 of the General Policy “Policy for Nomination of Director Candidates and Removal of Directors”.

**[Principle 4-10 Use of Optional Approach]**

In order to enhance the Company’s corporate governance continually, the Company permanently established the Governance Committee to discuss or advise the Board of Directors on matters such as reviewing and amending of the Company’s Corporate Governance General Policy, and leading the implementation of the evaluation of the effectiveness of the Board of Directors. The Governance Committee, in cooperation with the Board of Directors and the three committees required by statute (the Nomination Committee, the Audit Committee and the Compensation Committee), as required by the board statute, will strive to develop and improve the Company’s governance system.

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

The Company, led by the Nomination Committee, collected opinions on “composition of the Board of Directors” from October to December 2019. After conducting a questionnaire survey to fourteen Directors from the four aspects of “appropriate number of persons in Board of Directors”, “appropriate allocation of persons to inside directors concurrently serving as executive officers, non-executive inside directors and outside directors”, “whether or not concurrent posts of outside directors shall be limited” and “diversity of outside directors”, the Company, in order to complement and delve into their response, conducted individual interview that was conducted by the Chairperson of the Nomination Committee and the Chairperson of the Board of Directors with all Directors, voting by all Directors and individual interview with each Director by use of a third-party organization. The Company considered the matters such as candidate Directors, composition of the Board of Directors and committees for in and after June 2020 based on the results.

With respect to the composition of the Board of Directors, the Company stresses diversity, and this thinking is reflected in Article 21 of the General Policy “Composition of the Board of Directors”. Currently, among inside directors, one is female who has nationality other than Japanese, and among outside directors, one is Japanese female. In addition, in accordance with Article 23 of the General Policy “Composition of Nomination Committee, Audit Committee, Compensation Committee and Governance Committee”, 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 criterion.

**[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 Integrated 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)

Integrated 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 25 of the General Policy “Policy for Nomination of Director Candidates and Removal of Directors”.

**[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 a self-evaluation of the effectiveness of the Board of Directors more than once a year. The overview of the results of analysis and evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 2020 are as shown below:

1. Overview of Analysis/Evaluation Results

1) Conclusion

As a result of the evaluation of the effectiveness of the Board of Directors, the Company's Board of Directors concluded that the Board of Directors for the fiscal year ended March 2020 was "effectively working".

## 2) Methods of Analysis/Evaluation

The Company, led by the Company's Governance Committee, conducted survey such as questionnaires from February to May 2020 in order to analyze and evaluate the effectiveness of the Board of Directors for the fiscal year ended March 2020. Based on the questionnaires prepared by the Governance Committee and the Board of Directors' Office to evaluate effectiveness of the Board of Directors and confirmed by the Board of Directors, the Company obtained response from fourteen directors. This time, as the first attempt, the Company obtained response from the Executive Officers who are supervised by the Board of Directors (six Executive Officers besides other three persons serving concurrently as Directors).

## 3) Evaluation Items and Scoring

Since, with respect to the composition of the Board of Directors, it was determined that the size and composition of the Board suitable for the Company this term requires careful consideration, the "Composition of the Board" was separately evaluated under the direction of the Nomination Committee.

The Governance Committee was in charge of evaluation of effectiveness of the Board of Directors excluding "Composition of the Board". Large categories and scoring of the evaluation of effectiveness of the Board of Director is as shown below:

(Large Categories of Evaluation of Effectiveness of the Board of Directors Conducted by Directors)

1. Items relating to operation of Board of Directors meetings
2. Items relating to agenda of the Board of Directors meetings
3. Items relating to the system that supports the Board of Directors meetings
4. Items relating to dialogues between the Board of Directors and shareholders, investors, and stakeholders
5. Items relating to Outside Directors

(Large Categories of Evaluation of Effectiveness of the Board of Directors Conducted by Executive Officers)

1. Items relating to agenda of the Board of Directors meetings
2. Items relating to the system that supports the Board of Directors meetings
3. Items relating to dialogues between the Board of Directors and shareholders, investors, and stakeholders

## (Scoring)

For both Directors and Executive Officers, the scores of answers for each question are calculated based on (a) 4 points (Sufficiently appropriate), (b) 3 points (More or less appropriate), (c) 2 points (Slightly insufficient), (d) 1 point (Insufficient) and (e) 0 point (Not appropriate at all). (Simple average score was two points.)

## (Evaluation Results)

The gross average points of the evaluation of effectiveness by the Directors is 2.8 points, which is almost "More or less appropriate", but it is still in the 2 to 3-point range and has room for improvement. The gross average points of the answers from the Executive Officers are 3.5 points. It is between "Sufficiently appropriate" and "More or less appropriate". There is a comment which appreciates significant improvement of the system compared to the previous year as a whole. The Governance Committee saw that the evaluation of effectiveness showed a passing mark.

## 2. Future Effort

The Company's Board of Directors had discussion based on the points evaluated by the respondents and a number of suggestions from each Director and Executive Officer. The Board of Directors will improve the effectiveness of the Board of Directors, setting the following three points as the priority issues for the following term:

- 1) To establish a common understanding of the matters to be assumed by the Board of Directors, the matters to be assumed by the Executive Officers and the matters to be jointly assumed by the Board of Directors and the Executive Officers;
- 2) To clarify the matter to be supervised by the Board of Directors and each committee (the Nomination Committee, the Audit Committee, the Compensation Committee and the Governance Committee); and
- 3) To expand opportunities to have discussion with stakeholders

## **[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 36 of the General Policy "Director and Executive Officer Training".

**[Principle 5-1 Policy for Constructive 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 12 of the General Policy “Communication with Shareholders”, it has set forth relevant provisions. The Company’s Governance Committee will sequentially communicate to shareholders, investors and any other stakeholders with respect to the development and status of improvement of governance system through various disclosure documents.

**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) *	19,352,400	6.67
Japan Trustee Services Bank, Ltd. (Trust Account) *	14,014,400	4.83
The Nomura Trust & Banking Co., Ltd. (Trust Account) *	8,896,200	3.07
State Street Bank Client Omnibus OM04 (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	8,707,063	3.00
LIXIL Employee Stock Ownership	7,584,854	2.61
Daiichi Life Insurance Company, Limited (Standing Proxy: Trust & Custody Services Bank, Ltd.)	6,561,858	2.26
JPMorgan Securities Japan Co., Ltd.	6,332,777	2.18
Japan Trustee Services Bank, Ltd. Trust Account 5 *	5,943,000	2.05
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	5,454,700	1.88
Japan Trustee Services Bank, Ltd. Trust Account 9 *	4,982,000	1.72

Controlling Shareholder (except for Parent Company)	None
Parent Company	None

**Supplementary Explanation**

Note for the above mentioned [Status of Major Shareholders]

1. In addition to the above, LIXIL Group Corporation holds 23,215,701 shares of treasury stock. Shareholding calculations exclude treasury stock.
2. \* indicates a trust service arrangement.
3. On March 5, 2020, Nomura Securities Co., Ltd. filed Large Shareholding Report (Amendment Report),

which is open to public, stating that Nomura Securities Co., Ltd., Nomura International PLC and Nomura Asset Management Co., Ltd held shares of the Company as shown below as of February 28, 2020. However, these shareholdings were not included in the above major shareholders because the Company could not confirm the number of beneficial shares held as of March 31, 2020. The above mentioned [Status of Major Shareholders] is stated based on the content of the shareholder registry.

The main content of the Large Shareholding Report is as follows.

Nomura Securities Co., Ltd.

Number of shares held: 5,046,835

Percentage: 1.58%

Nomura International PLC.

Number of shares held: 1,393,486

Percentage: 0.44%

Nomura Asset Management Co., Ltd.

Number of shares held: 10,210,900

Percentage: 3.26%

4. On March 6, 2020, Mizuho Securities Co., Ltd. filed Large Shareholding Report (Amendment Report), which is open to public, stating that Mizuho Securities Co., Ltd. and Asset Management One Co., Ltd. held shares of the Company as shown below as of February 28, 2020. However, these shareholdings were not included in the above major shareholders because the Company could not confirm the number of beneficial shares held as of March 31, 2020. The above mentioned [Status of Major Shareholders] is stated based on the content of the shareholder registry.

The main content of the Large Shareholding Report is as follows.

Mizuho Securities Co., Ltd.

Number of shares held: 4,079,679

Percentage: 1.27%

Asset Management One Co., Ltd.

Number of shares held: 10,798,000

Percentage: 3.37%

### 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 **Updated**



On October 28, 2019, the Company established the “Governance Committee” as a permanent committee within the Board of Directors. The role and duties of the Governance Committee are as follows.

1. The Governance Committee is established as a discretionary committee with the objective of the continuance enhancement of the Company’s corporate governance, with the aim of enhancing management transparency and fairness, and increasing corporate value, taking into account the positions of all stakeholders.
2. The Governance Committee, in cooperation with the Board of Directors, the Nomination Committee, the Audit Committee, the Compensation Committee and related responsible departments, shall discuss or advise the Board of Directors on matters relating to the Company’s corporate governance, including reviewing and amending the LIXIL Corporate Governance General Policy.

LIXIL VIVA Corporation (“LIXIL VIVA”), which was a subsidiary of the Company was in charge of the Distribution and Retail Business of the Group.

LIXIL VIVA was listed on the first section of the Tokyo Stock Exchange since April 2017. The Company and LIXIL VIVA respected each other’s independence, and LIXIL VIVA made its own business decisions at its discretion.

On June 9, 2020, the Company agreed with LIXIL VIVA and Arcland Sakamoto Co., Ltd. (“Arcland Sakamoto”) to make LIXIL VIVA a wholly owned subsidiary of Arcland Sakamoto (hereinafter the “Transaction”). Due to this agreement, LIXIL VIVA was excluded from the scope of consolidation of the Group from November 2020.

The Company is taking steps to transform its operations, including strengthening governance, focusing on actively managing its core businesses to enhance productivity and efficiency, driving synergies across its core business areas, as well as optimizing its business portfolio to accelerate growth and strengthen financial conditions. The business of LIXIL VIVA differed from the Group’s core business. Therefore, the Transaction enables the Group to invest its resources not only in its core businesses to drive synergies across those businesses, but also in new and profitable growth businesses, which will lead to further business efficiency. In addition, although LIXIL VIVA has been operationally independent from the Group, its independence in terms of the capital ties following the Transaction support the Group in strengthening business relations with other home improvement center operators, which are important customers to the Group, as a more independent supplier.

## 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	An independent outside director
Number of Directors	9

#### [Outside Directors]

Number of Outside Directors	6
Number of Independent Directors	6

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

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tamio Uchibori	From another company								△			
Kaoru Onimaru	Lawyer											
Teruo Suzuki	CPA								△			
Yuji Nishiura	From another company								△			
Daisuke Hamaguchi	Other								△			
Masatoshi Matsuzaki	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)

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Tamio Uchibori		○	○	○	Assumed office in June 2019. Mr. Uchibori was Senior Managing Executive Officer of MinebeaMitsumi Inc., and he left the office in March 2019. The MinebeaMitsumi Group has business relationship with the Company involving purchase of electronic components etc. and sale of products; however, such transactions accounted for 0.056% of the MinebeaMitsumi group's sales for the last fiscal year, and for 0.001% of the LIXIL Group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other. Furthermore, 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, he is determined to have a high level of independence from the Company.	As director and senior managing executive officer at MinebeaMitsumi, Mr. Uchibori has a wealth of knowledge and experience in the management of global manufacturers such as being responsible for the key corporate planning and M&A strategies at the company. In addition, he has expertise as a licensed tax accountant in accounting and tax affairs. Since assuming the position of Director of the Company in June 2019, he has contributed to the discovery of issues and understanding of risks, etc., utilizing his expertise concerning accounting and tax affairs, in particularly the Audit Committee. As Outside Director of the Company, he is expected to further contribute to the improvement of the effectiveness of the Board of Directors.
Kaoru Onimaru	○		○	○	Assumed office in June 2019 Ms. Onimaru was a Justice of the Supreme Court, and she retired from the position in February 2019. She is determined to have a high level of independence from the Company, as the Supreme Court has no business relationship with the Company for the last fiscal year and 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.	In addition to a long career as an attorney-at-law and as a legal specialist, Ms. Onimaru has been involved in important matters as a judge of the Supreme Court. Since assuming the position of Director of the Company in June 2019, utilizing her expertise as a legal specialist from a fair position at all times, she has not only supervised overall management but also contributed to the improvement of the supervisory functions and governance functions of the Board of Directors and the committees, by organizing various regulations and rules, etc. such as the regulations of the Nomination Committee. As Outside Director of LIXIL Group Corporation, she is expected to further contribute to the improvement of the effectiveness of the Board of Directors.
Teruo Suzuki			○	○	Assumed office in June 2019. Mr. Suzuki was Deputy Director of AZSA & Co, and left the firm in June 2012. AZSA & Co has the business relationship with the Company involving consulting services, however, such transactions accounted for 0.002% of AZSA & Co's sales for the last disclosed fiscal year (July 1, 2018 – June 30, 2019), and therefore, it does not amount to a major business partner. Furthermore, as he meets both the requirements for an independent officer prescribed by the stock exchange and the Independence Criteria	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 firms. Since assuming the position of Director of the Company in June 2019, as Director and member of the Audit Committee, he has contributed to the improvement of the effectiveness of the Board of Directors, etc. with advice, etc. utilizing his experience and knowledge in financial accounting. In addition, as the Chairperson of the

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
					for Outside Directors prescribed by the Company as well, he is determined to have a high level of independence from the Company.	Governance Committee newly established as a standing committee, he has led the Company's governance reform and has worked on collaboration with stakeholders. As an Outside Director of the Company, he is expected to further contribute to the improvement of the effectiveness of the Board of Directors.
Yuji Nishiura	○	○		○	<p>Assumed office in June 2019</p> <p>Mr. Nishiura was a Director and the Chairperson of AXA Life Insurance, Co., Ltd., and he left the office in June 2015. AXA Life Insurance, Co., Ltd. has business relationship with the Company involving collective insurance, however, such transactions accounted for 0.000002% of AXA Life Insurance, Co., Ltd.'s premium and other income for the last disclosed fiscal year (April 1, 2018 – March 31, 2019), and it does not amount to a major business partner. He was a Director and the Chairperson of AXA General Insurance Co., Ltd., and he left the company in June 2015. AXA General Insurance Co., Ltd. has business relationship with the Company involving product repair, however, such transactions accounted for 0.00002% of the Company's sales for the last fiscal year, and it does not amount to a major business partner. He was the Chairperson and the Representative Director of Sumitomo Mitsui Trust Club Co., Ltd., and he left the company in December 2018. Sumitomo Mitsui Trust Club Co., Ltd., has business relationship with the Company involving credit fee, however, such transactions accounted for 0.028% of the Sumitomo Mitsui Trust Club Co., Ltd.'s annual sales, and it does not amount to a major business partner. Therefore, 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, he is determined to have a high level of independence from the Company. He served in position of Advisor for five years at Sumitomo Mitsui Trust Bank, Limited, and he left the company in March 2020, however he was not involved in business execution. Therefore, it is determined that there would be no effect on his independence. In addition, it is determined that the career at Sumitomo Mitsui Trust Bank, Limited does not constitute common concerns that the person from the main financing bank group has no independence, as his appointment was based on his long-term experience and abundant knowledge in other industries but not the bank.</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 knowledge and experience related to corporate governance reform at companies facing challenging situations. Since assuming the position of Director of the Company in June 2019, as Director, he has contributed to the improvement of the effectiveness of the Board of Directors, and as Chairperson of the Nomination Committee, he has actively conducted meetings with the executive management team including the Executive Officers in order to realize an open Nomination Committee and has led in the clarification of the authorities of the Nomination Committee and the planning and promotion of a highly transparent process for determining director and executive officer candidates. As Outside Director of the Company, he is expected to further contribute to the improvement of the effectiveness of the Board of Directors.
Daisuke Hamaguchi	○	○		○	<p>Assumed office in June 2019</p> <p>Mr. Hamaguchi was the Management Execution Director of the Pension Fund Association, and he left the association in April 2020. The Pension Fund Association have transactions involving membership fee; however, such transactions accounted for 0.000002% of the Pension Fund Association's current account for</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." Since assuming the position of

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
					the last disclosed fiscal year (April 1, 2018 – March 31, 2019), and therefore, it does not amount to a major business partner. Furthermore, 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 as well, he is determined to have a high level of independence from the Company.	Director of the Company in June 2019, he has contributed to the improvement of the effectiveness of the Board of Directors, such as by utilizing his own experience and reflecting the perspectives of stakeholders such as shareholders, etc. at the Board of Directors Meetings and as Chairperson of the Compensation Committee, has led in the reformation of the Company's Directors compensation system, through exchange of opinions, etc. with the Executive Officers. As Outside Director of the Company, he is expected to further contribute to the improvement of the effectiveness of the Board of Directors.
Masatoshi Matsuzaki	○			○	Assumed office in June 2019. Mr. Matsuzaki is Director and Chairperson of the Board of Directors of Konica Minolta, Inc. The Company group has transactions involving purchase of products and repairs etc.; however, such transactions accounted for 0.003% 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. Furthermore, 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 as well, he is determined to have a high level of independence from the Company	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 Chairperson of the Board of Directors. In addition, he has deep knowledge concerning corporate governance, serving as Chairperson of the "Committee on the state of boards of directors," etc. Since assuming the position of Director of the Company in June 2019, leading the Board of Directors as Chairperson, he improved the effectiveness of the Board of Directors and has been contributing to the improvement of the Company's corporate governance utilizing his experience and knowledge. As Outside Director of the Company, he is expected to further contribute to the improvement of the effectiveness of the Board of Directors.

#### [Committees]

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

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	4	0	0	4	Outside Director
Compensation Committee	3	0	0	3	Outside Director
Audit Committee	3	0	0	3	Outside Director

#### [Executive Officers (Shikkoyaku)]

Number of Executive Officers (Shikkoyaku)	8
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## Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Kinya Seto	Yes	Yes	No	No	No
Sachio Matsumoto	Yes	Yes	No	No	No
Hwa Jin Song Montesano	No	Yes	No	No	No
Yugo Kanazawa	No	No	No	No	No
Bijoy Mohan	No	No	No	No	No
Satoshi Yoshida	No	No	No	No	No
Hiroyuki Oonishi	No	No	No	No	No
Shoko Kimijima	No	No	No	No	No

## [Auditing Structure] Updated

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)

The Company has established the Audit Committee Secretariat as a dedicated entity 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. Audit & Supervisory Board Members are assigned to domestic 32 major subsidiaries as part-time auditors and are playing the role of auditor audit at each of the companies and contributing to the improvement of governance of the Group. The Audit & Supervisory Board Members under LIXIL Group Audit Framework are dispatched directly from the Company's Audit Committee, and thus, if any Audit & Supervisory Board Member under LIXIL Group Audit Framework finds any sign of problems with business audit or internal control, the Audit & Supervisory Board Member under LIXIL Group Audit Framework will immediately report to the Audit Committee. 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 the Audit Committee Secretariat and the Audit & Supervisory Board Members under LIXIL Group Audit Framework as required for auditing work, and personnel changes and employee performance evaluation are matters to be resolved at the Audit Committee.

In performing audits, the Audit Committee members, the Audit & Supervisory Board Members under LIXIL Group Audit Framework and the Internal Audit Division are all 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 Audit (internal audit division), 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	6
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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 30 of the General Policy (“Sharing of information, etc., among Independent Outside Directors”) determines the establishment of the Independent Outside Directors Opinion Exchange Committee.

## [Incentives]

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

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

Compensation system for Directors consists of Annual Base Salary and Stock-linked compensation as their acts are requested to contribute to increase the sustainable corporate value while they are monitoring and supervising the management during their statutory terms.

The compensation system for Executive Officers consists of Annual Base Salary, Performance-linked compensation and Stock-linked compensation, based on the policy of retaining talented human resources that are essential for accelerating business growth, rewarding Executive Officers fairly and equitably in accordance with the results of such efforts, and further reflecting the trust and evaluation to the compensation by strengthening sharing our corporate value with shareholders.

### Recipients of Stock Options

Inside Directors, Outside Directors, Executive Officers, employees, directors of subsidiaries and employees of subsidiaries.

### Supplementary Explanation

The Stock Option system had been implemented as a system of Stock-linked 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).

## [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 number of Directors and Executive Officers and the amount of compensation for each compensation system are disclosed in the Business Report. In addition to this, the names and amounts of compensation with total compensation of 100 million yen or more are disclosed in the Securities Report and the Company website.

The number of Directors and Executive Officers and the amount of compensation for each compensation system in the fiscal year ended March 2020 are as follows.

Corporate officer title	Total compensation (Millions of yen)	Total compensation by the compensation system (Millions of yen)					Number of corporate officers
		Annual Base Salary	Performance-linked compensation	Stock-linked compensation	Restricted Stock	Others	
Directors (excluding Outside Directors)	192	90	—	10	92	—	6
Executive Officers	1,290	539	426	156	50	119	13
Outside Directors	154	134	—	14	6	—	13
Total	1,636	763	426	180	148	119	32

"Others" is the amount of fringe benefits such as income tax allowance and cost of living allowance for expatriates.

Details of each compensation system are described below in Disclosure of Policy on Determining Compensation Amounts and Calculation Methods.

Policy on Determining Compensation Amounts and Calculation Methods

Established

## Disclosure of Policy on Determining Compensation Amounts and Calculation Methods **Updated**

### [Compensation basic policies for Directors and Executive Officers]

The Compensation for Directors and Executive Officers shall be determined in accordance with the following basic policies,

- ① Foster improvement of short-, medium-, long-term and sustainable business results and corporate value.
- ② Attract and retain the best talent who are necessary to foster business growth globally.
- ③ Ensure a fair and reasonable decision process with regards to compensation that will provide accountability to shareholders, employees, and all stakeholders.
- ④ Consider and discuss based on the economic and social situation, our business condition and objective indexes and advices of external specialized agencies at the Compensation Committee.
- ⑤ Individual compensation shall be managed in consideration of role and responsibility, business performance, experience and difficulty of securing personnel.

### [Compensation System]

As described in [Incentives] above, the compensation system for Directors consists of Annual Base Salary and Stock-linked compensation, and the compensation system for Executive Officers consists of Annual Base Salary, Performance-linked compensation, and Stock-linked compensation. Other compensation systems may be used according to the consideration of the Compensation Committee.

[Annual Base Salary]

Annual Base Salary for Directors and Executive Officers shall be determined based on the 50 percentiles of the compensation in a group of Japanese Companies with sales of 1 trillion to 2 trillion yen, in data from external specialized agencies, taking into consideration the 25 percentiles to 75 percentiles of the above data. For Directors and Executive Officers who live abroad, the data in each country shall be referred to. For Executive Officers, the amount of compensation can be outside of the above range, since it is determined considering each individual's duty, performance, experience, and retention priority, etc.

[Performance-linked compensation]

What is important for Performance-linked compensation is to motivate the Executive Officers strongly for their actions and reward them fairly and equitably based on their performance. Therefore, the method of calculation shall be determined upon the careful hearing of Executive Officers by the Compensation Committee.

①Evaluation Period: The evaluation period of Performance-linked compensation shall correspond to the fiscal year.

② Calculation formula: Performance-linked compensation= “Base Amount of Performance-linked compensation (③below)” x “Payment rate according to the achievement rates of business targets (④⑤ below)”

③ Base Amount of Performance-linked compensation: The Base Amount of Performance-linked compensation shall be determined by multiplying the Annual Base Salary by a coefficient set for each rank (75% for Vice Presidents and above, 50% for Senior Managing Directors and below). The coefficients for each rank shall be decided based on the degree of responsibility for single-year performance. The Base Amount for each person may be different from the coefficient set for each rank, taking into account the responsibilities of the position and other factors.

For the fiscal year ending March 2021, the Base Amount of Performance-linked compensation is half of the set amount, given the severe business conditions such as revenue and core earnings are expected to decline compared to the previous year due to the impact of COVID-19. On the other hand, with the aim of increasing incentives to promote a transformation into more profitable and resilient business structure that is not affected by changes in the business environment so that LIXIL can achieve sustainable growth, Stock-linked compensation for fiscal year ending March 2021 is additionally granted and the total amount of the compensation is maintained.

④Achievement rates of business targets: The achievement rates of business targets shall be set by calculating the ratio of the actual figures disclosed in the Securities Report to the forecast figures disclosed in the summary accounts or the like at the beginning of each period. If there is more than one business target, the achievement of each target is multiplied by the percentage of each target in the total business target, and then summed up (the “Weighted achievement rates”). For the fiscal year ended March 2020, we have set performance targets for ROIC (40% of total performance), which is a key management indicator for the entire company, as well as core earnings(the “CE”) (30%), which is a business management indicator, and net income attributable to owners of the parent company (the “Net profit”) (30%). The achievement rates of business targets in the fiscal year ended March 2020 are as follows.

Business targets items	Percentage of each target in the total business target	Target (Millions of yen)	Result (Millions of yen)	Achievement rates of business targets (Target/Result × 100)	Weighted achievement rates
ROIC	40%	2.3%	3.0%	130.3%	52.1%
CE	30%	47,000	58,576	124.6%	37.4%
Net Profit	30%	15,000	12,518	83.5%	25.0%
Total	100%	—	—	—	114.6%

For the fiscal year ending March 2021, the business targets items focuses on the "core earnings" that reflects the actual state of continuous business, ROIC and Net Profit, which are largely affected by transient factors such as review of business portfolio and various measures, are not included. This is an extraordinary measure taking into account the special circumstances of the fiscal year ending March 2021.

⑤Payment rate according to the achievement rates of business targets: The payment rate shall be calculated as below, in accordance with the achieving rate of business targets calculated in ④ above, and comprehensively taking into account the difficulty of the achievement of business goals and the effect of motivation. The payment rate for the fiscal year ended March 2020 is 129.1%. In the calculation of ④ above to ⑤, the payment rate shall be rounded off to one decimal places at the end of the calculation.

Achievement of business targets	Payment rate
Less than 50%	0%
50% and above to less than 100%	achievement of performance targets
100% and above to less than 150%	$\{ (\text{achievement of performance targets} - 100) \times 2 + 100 \} \%$
150% or above	200%

⑥Clawback clause and other: If there has been any material accounting mistake in the Company or malpractice in the process of account settlement in the Company and therefore the financial statements have been retroactively corrected, based on such event, the Compensation Committee shall conduct a review for revisions of the Performance-linked compensation already paid and/or due to be paid in the future to the target Executive Officer and shall be able to decide to amend the Performance-linked compensation to be paid and/or request the return of the Performance-linked compensation already paid to the Executive Officer. Furthermore, in the event that is not expected to occur at the beginning of the evaluation period for Performance-linked compensation, the Compensation Committee may adjust the method of calculation of Performance-linked compensation comprehensively taking into account the event and the management responsibility of the Executive Officers, based on internal investigation of the facts and, if necessary, the opinions of external specialized agencies.

#### [Stock-linked compensation]

The company has been applying the stock-linked compensation plan (the "Phantom Stock Plan") since the fiscal year ended March 2020, with the aim of encouraging Directors and Executive Officers (the "Officers") to monitor, supervise and make management decisions for achieving a sustained improvement in the corporate value of the Company over the mid- to long-term as well as further promoting shared values between Officers and shareholders of the Company, and attracting and retaining personnel from around the globe that will contribute to further raising corporate value by standardizing global officer compensation.

①Grant date: From the fiscal year ended March 2021 onwards, the Company grants the Phantom Stock (the "PS") to Executive Officers on the first day of each business year, and to Directors on the day of each the annual general shareholders' meeting. For fiscal year ended March 2020, the PS was granted on November 5, 2019, due to the commencement of the plan during the fiscal year.

②Number of PS: The number of the PS allotted to each Officers shall be the number calculated by dividing the granted amount which is calculated by multiplies Annual Base Salary by the coefficient based on the rank of each Officers (20% for Outside Directors, 75% for Vice President or above, and 25% for Senior Managing Directors and below), by average closing price of the Company's stock price for the 30 business days preceding the Grant Date. The average closing price of the Company's stock over the previous 30 business days will be rounded up to the nearest yen. In addition, the amount granted to each person may differ from the coefficients set for each position based on the duties and other factors.

③The Period from the Right Grant Date to the Vesting Date (the "Holding Period") : The Holding Period shall be set at one (1) year for Directors in line with the term of office set forth in the Companies Act, considering their role in enhancing corporate value and in monitoring and supervising management. The Holding Period for Executive Officers shall be set at three (3) years, from the perspective of their role in sustainably enhancing corporate value and retention for medium- to long-term management. Therefore, in the event that an Executive Officer resigns for his or her own reasons or refuses to be reappointed by the

Company within less than three years of the subject Holding Period, the right to the PS for the subject Holding Period will be extinguished. The Officers do not have voting or other shareholder rights (including but not limited to the right to receive dividends from surplus) at the Company's annual general shareholders' meeting during the Holding Period. Officers shall not assign, provide as security or otherwise dispose of all or part of the Right to a third party, nor have a third party succeed to the Right during the period from the Right grant date to the assignment restriction removal date, excluding, however, succession by an heir following the death of the Officers.

④Vesting date: Upon the expiration of the Holding Period of the PS, all shares held by the Officers will be vested and paid in according with ⑤ by the Company. In the event that an Officer retires without grounds attributable to the Officer (including retirement age and death), or retires as a result of a merger or acquisition of a third party in which the Company is dissolved, all shares held by such Officer shall be vested and paid in in according with ⑤at the time of retirement.

⑤Vesting amount: The amount to be paid to the Officers shall be calculated by multiplying the number of shares held by the Officers on the Vesting date by the average closing price of the Company's stock for the 30 business days prior to the Vesting date. The amount shall be limited to 500% of the granted amount. The average closing price of the Company's stock for the previous 30 business days will be rounded up to the nearest yen.

The Stock-linked compensation implemented as described above is in the form of monetary compensation, but it substantially encourages Directors and Executive Officers to act with awareness of the impact on the Company's stock prices, similar to the Restricted Stock etc.

In addition, the number of shares of the Company and phantom stock owned by each officer is posted on the Company's website.

**[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, the Audit Committee Secretariat and the Compensation Committee Secretariat to respond to each individual inquiry.

**[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)] Updated**

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Chikahisa Mizutani	Advisor (komon)	Building good relationships with stakeholders such as business partners, participating in local activities in areas of Tokoname City and City of Nagoya, Aichi Prefecture, etc. (not involved in the Company's management)	Part time Without compensation	June 21, 2007	Yearly contract
Masahiro Sugino	Advisor (komon)	Building good relationships with stakeholders such as business partners, participating in local activities in areas of Tokoname City and City of Nagoya, Aichi Prefecture, etc. (not involved in the Company's management)	Part time Without compensation	June 23, 2011	Yearly contract

Number of retired presidents/CEOs holding  
advisory positions (sodanyaku, komon, etc.)

Two

Others

Mr. Chikahisa Mizutani has been an advisor (komon) of INAX Corporation (merged with former LIXIL in 2011) and former LIXIL since the retirement of the president, and Mr. Masahiro Sugino has been an advisor (komon) to the former LIXIL since the retirement of the president. Due to the absorption-type merger with the former LIXIL on December 1, 2020, the advisory contract of the former LIXIL was taken over by the Company, and therefore, this information is noted.

## 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 nine directors (of which six were outside directors) after the annual general shareholders' meeting on June 30, 2020. Among inside directors, one is female who has nationality other than Japanese, and among outside directors, one is Japanese female.

In principle, meetings of the Board of Directors are held once a month. They were held 16 times in the fiscal year ended March 2020.

The member of Board of Directors and attendance of each member are as follows:

Kinya Seto	16/16(100%)
Sachio Matsumoto	(Newly appointed)
Hwa Jin Song Montesano	(Newly appointed)
Tamio Uchibori	11/11(100%)
Kaoru Onimaru	11/11(100%)
Teruo Suzuki	11/11(100%)
Yuji Nishiura	11/11(100%)
Daisuke Hamaguchi	11/11(100%)
Masatoshi Matsuzaki	11/11(100%)

### (Nomination, Audit and Compensation Committees and Governance Committee)

The Company shall structure as follows so that the Nomination Committee, Audit Committee, and Compensation Committee are able to effectively fulfill their role and duties required by law, as well as that the Governance Committee is able to effectively fulfill its responsibility and role to monitor and supervise the corporate governance across each committee.

- (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 Nomination, Audit and Compensation 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, 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, etc.

The Nomination Committee consists of four outside directors from June 30, 2020.

Nomination Committee meetings are held at least once a year as necessary. They were held 17 times in the fiscal year ended March 2020. The member of the Nomination Committee and attendance of each member are as follows:

Yuji Nishiura	12/12(100%)
Kaoru Onimaru	12/12(100%)
Daisuke Hamaguchi	(Newly appointed)
Masatoshi Matsuzaki	12/12(100%)

- 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 consists of three outside directors from June 30, 2020. Audit Committee meetings are, in principle, held more than once in two months as necessary, and currently, the meetings are held once or more a month. They were held 17 times in the fiscal year ended March 2020. The member of Audit Committee and attendance of each member are

as follows:

Teruo Suzuki	10/10(100%)
Tamio Uchibori	10/10(100%)
Kaoru Onimaru	(Newly appointed)

- The Compensation Committee (“the Committee”) decides the policy regarding the compensation of Directors and Executive Officers and their individual compensation received from the Company as consideration for duties. From the fiscal year ended March 2020, the compensation of executives of international subsidiaries of the Company are managed by the Committee in order to enhance compensation governance of the entire Company.

When the Committee decides on compensation, the deliberation was conducted in full consideration of the Company's management policy and the advice of external specialist institutions.

The Compensation Committee consisted of three outside directors from June 30, 2020.

The Committee is stipulated to be held at least once a year, and it was held 14 times in the fiscal year ended March 2020. The member of Compensation Committee and attendance of each member are as follows:

Daisuke Hamaguchi	12/12(100%)
Tamio Uchibori	(Newly appointed)
Yuji Nishiura	12/12(100%)

- The Governance Committee, with the objective of continuance enhancement of the Company's corporate governance, discusses or advises the Board of Directors on matters such as reviewing and amending the Company's Corporate Governance General Policy and playing the lead role in carrying out the evaluation of the effectiveness of the Board of Directors. The Governance Committee, in cooperation with the three committees required by statute (the Nomination Committee, the Audit Committee and the Compensation Committee), strives to establish and improve the corporate governance system. Also, the improvements of the corporate governance system will be reported to shareholders, investors and other stakeholders through disclosed documents such as the Securities Reports and Corporate Governance Reports. The Governance Committee was established after the annual general shareholders' meeting on June 25, 2019 and consisted of all of six outside directors from June 30, 2020. The Governance Committee meetings are held more than once a quarter. They were held 6 times in the fiscal year ended March 2020. The member of Governance Committee and attendance of each member are as follows:

Kaoru Onimaru	6/6(100%)
Tamio Uchibori	(Newly appointed)
Teruo Suzuki	6/6(100%)
Yuji Nishiura	6/6(100%)
Daisuke Hamaguchi	(Newly appointed)
Masatoshi Matsuzaki	6/6(100%)

(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 consists of eight members from April 1, 2020.

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 26 times in the fiscal year ended March 2020. Attendance of each member is as follows:

Kinya Seto	17/17(100%)
Sachio Matsumoto	26/26(100%)
Hwa Jin Song Montesano	26/26(100%)
Yugo Kanazawa	26/26(100%)
Bijoy Mohan	14/17(82%)
Satoshi Yoshida	16/17(94%)
Hiroyuki Oonishi	17/17(100%)
Shoko Kimijima	(Newly appointed)

(Audit Framework with Audit & Supervisory Board Member)

For the purpose of enhancing the system that supports the Group's Audit Committee and strengthening the

internal control of the Group, “Audit & Supervisory Board Members under LIXIL Group Audit Framework” are distributed to domestic major subsidiaries to exclusively conduct audits of the subsidiaries, and enhance the effectiveness of the subsidiaries’ audit activities and aim to strengthen corporate governance.

The Group’s Audit & Supervisory Board Member under LIXIL Group Audit Framework is composed of an appropriate number of persons which shall be no more than five persons, and periodically conduct meetings with the Audit Committee and report on the implementation status of audits through the Audit Committee Secretariat.

#### (Internal Audits)

The Corporate Audit (Internal Audit Group) supervises the global internal auditing organization in Japan and outside of Japan within the Group and conducts thorough group-wide audits. (At the end of April 2020, the Group’s internal audit functions consist of 64 people in total.) In addition to the ordinary internal audit activities such as the audit on financial statement, business operations, and internal controls evaluation, Corporate Audit (Internal Audit Group) continuously reviews the internal audit system and processes in order to realize the sustainable growth of the Group as a whole, and works to strengthen the governance system of the Group, internal controls and development of human resources.

#### (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 of the Company and subsidiaries, and the Audit & Supervisory Board Members under LIXIL Group Audit Framework. The Audit Committee periodically receives audit results reports from the Internal Audit Group and the Audit & Supervisory Board Members under LIXIL Group Audit Framework and gives instructions at suitable times. It conducts interviews 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. The meetings of Audit & Supervisory Board Member under LIXIL Group Audit Framework are also periodically held to share each company’s information and the unified audit policies of the group.

The Audit Committee consists of three audit committee members. Teruo Suzuki, a chairperson of the Audit Committee, has many years of experience in audit work as a certified public accountant, and Tamio Uchibori, a member of the Audit Committee, is a licensed tax accountant (zeirishi), and both have substantial knowledge regarding finance, accounting and tax matters.

#### (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 2020, 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  
18 certified public accountants and 7 assistant accountants

#### (Other committees)

In order to enhance corporate governance at its group companies, the Company established the Governance Committee within the Board of Directors as a discretionary committee, and also appropriately holds meetings such as Compliance Committee, Risk Management Committee, M&A Committee, Investment Review Committee, and Corporate Responsibility Committee, and discusses management strategies, medium- and long-term policies and investment matters 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 [Updated](#)**

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.

Following the resolution by the meeting of the Board of Directors held on October 28, 2019, the Company established the Governance Committee, a voluntary committee within the Board of Directors, as a permanent organ. The objective of the Governance Committee is to enhance the Company's corporate governance continuously, with the aim of enhancing management transparency and fairness and increasing corporate value, taking into account the positions of all stakeholders. The Governance Committee, in cooperation with the Board of Directors, the Nomination Committee, the Audit Committee, the Compensation Committee and related responsible departments, shall discuss or advise the Board of Directors on matters relating to the Company's corporate governance, including reviewing and amending the LIXIL Corporate Governance General Policy. (Article 24 of the General Policy "Role and Responsibility of the Governance Committee")

### 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 regard 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 **Updated**

	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 hold briefings from time to time.	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 sound recordings of the briefings are live streamed in English and Japanese and are available on the website promptly thereafter. 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, we also distribute English translations through simultaneous interpretation. The Company visits investors outside of Japan several times a year 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 integrated reports, on the website, the Company also creates and posts pages specifically for individual investors. The Company also provides sound recording explanations of results briefings and so on by the representative director (Japanese/ English). <a href="https://www.lixil.com/en/investor/">https://www.lixil.com/en/investor/</a> In addition, any inquiry regarding IR shall be directly answered by the IR Office through the website “Contact Us”	—
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	Supplementary explanations are expressly provided in the following information available on the website: LIXIL Code of Conduct <a href="https://www.lixil.com/en/about/governance/pdf/LIXIL_CoC_en.pdf">https://www.lixil.com/en/about/governance/pdf/LIXIL_CoC_en.pdf</a> Group Charter of Corporate Behavior <a href="https://www.lixil.com/en/about/governance/pdf/LIXIL_GCoCB_en.pdf">https://www.lixil.com/en/about/governance/pdf/LIXIL_GCoCB_en.pdf</a>
Implementation of Environmental Activities, CSR Activities etc.	We have established a corporate responsibility (CR) strategy and posted it on our website. <a href="https://www.lixil.com/en/sustainability/structure/responsibility.html">https://www.lixil.com/en/sustainability/structure/responsibility.html</a>
Development of Policies on Information Provision to Stakeholders	We have established a disclosure policy and disclosed it on our website. <a href="https://www.lixil.com/en/investor/strategy/policy.html">https://www.lixil.com/en/investor/strategy/policy.html</a>
Other	<p>[Diversity in officers] Article 21 of the General Policy “Composition of the Board of Directors” sets forth “... the Company shall place a focus on ensuring diversity, including for gender and internationality, and aim to achieve diversity not only of gender, nationality and age, but also knowledge, experience, opinion and background in the composition of the Board of Directors”. Regarding the gender diversity of the Company’s officers, two out of nine directors and two of eight executive officers are female. In terms of nationality diversity, one director and two executive officers have nationalities other than Japanese.</p> <p>[Diversity &amp; Inclusion] Article 16 of the General Policy provides “Ensuring Diversity, Etc.”. The Group is committed to embracing the diversity of people in society and within our firm. This includes enhancing quality of life and wellbeing for the elderly and people with disabilities through our products and services, as well as harnessing the intelligence and perspectives of our diverse workforce, as an engine for growth and innovation. Furthermore, the Company has engaged to respond to circumstances of each hub under the LIXIL Diversity &amp; Inclusion Declaration: “We leverage our differences to create new energy and engagement generated by open and honest dialogue across our organization. These efforts will enable our employees to build entrepreneurial mindset that will drive growth and sustainable innovation.” 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</p>

	environment for LGBT and disabled employees, in addition to promote women's participation in the workplace.
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#### 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.

(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 / Compliance Affairs department or outside lawyers.

Furthermore, the Company does not acknowledge any anti-societal forces and will not be voluntarily be involved with any act which may endorse or contribute to the activities thereof. 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 constantly observes the risks which the Group carries and verifies and gives guidance on the status of response of such risks. The status of risks of each group company will be regularly verified by risk management council, etc. established in each company. Moreover, by holding the Risk Management Committee as appropriate, the Company endeavors to improve its ability to deal with future risks by predicting what may significantly affect the Company itself or the group companies and establishing system to address them in advance. Also, the Company requires the risks of each company to be reported as necessary at the meetings of the Board of Directors and the Board of Executive Officers, etc., which is held regularly.

Furthermore, the Group has established and is managing crisis management basic policy, etc., and has established a management system in the event of a crisis. And with respect to the business continuity plan, the Group executes the BCP (Business Continuity Plan) Manual, 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 clarifies 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 important investment items and M&A, organizational restructuring items, etc., 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 the Audit Committee Secretariat as a dedicated organization to support the duties of the Audit Committee. In order to enhance the system that supports the Audit Committee of the Group and to strengthen the internal control of the Group, the "Audit & Supervisory Board Member under LIXIL Group Audit Framework," which exclusively performs audit activities at subsidiaries, is assigned to major subsidiaries.

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

Personnel transfers and evaluation, etc. of the Audit Committee Secretariat and the Audit & Supervisory Board Members under LIXIL Group Audit Framework are matters to be resolved by the Audit Committee and 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. And the Audit Committee Members elected by the Audit Committee shall have the authority to request that directors, executive officers and employees make report with respect to the execution of their duties at any time and authority to request that directors, executive officers and employees accept investigation with respect to the Company's business and the status of its assets at any time.

Audit & Supervisory Board Members under LIXIL Group Audit Framework will hold regular meetings with the Audit Committee and report the status of audits through the Audit Committee Secretariat.

(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 of subsidiaries, etc., and

endeavor for the sharing of important information for business, as well as require the Directors of subsidiaries to attend and report to extraordinary Audit Committee meetings of the Company if important events occur at the Company's subsidiaries.

And the Audit Committee Members elected by the Audit Committee shall have the authority to request that the subsidiaries of the Company make report with respect to their businesses, or that they accept investigation with respect to their businesses and status of their assets.

(x) System to ensure that a whistleblower and a person reporting to the Company's Audit Committee does not receive unfair treatment on the grounds of having made such whistleblowing and report

Set forth in the Group's whistle-blowing system operation rules, etc., that directors, officers and employees of the Group can make a whistle-blowing report and make the method of reporting, etc. widely known within the Group. In addition, the status of whistleblowing is reported to the Audit Committee in a timely manner, and dismissal or other disadvantageous treatment due to the report or other reports to the Audit Committee members is prohibited by rules.

(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 Accounting Auditors of the Company and the subsidiaries, and the Company's internal audit department. The Committee will also periodically hold meetings of Audit & Supervisory Board Member under LIXIL Group Audit Framework with each group company's Audit & Supervisory Board Members under LIXIL Group Audit Framework, and attempting to work together.

## **2. Basic Stance Regarding Elimination of Anti-Social Forces and Its Development Updated**

- The Group prohibits contact with antisocial forces and has clearly formulated its basic stance: "We will not be voluntarily involved with any act which may endorse or contribute to the activities of criminal organizations or individuals such as corporate extortionists and members of organized crime, including as customers, business partners, or otherwise. We will not give in to threats by such parties."
- The Group sets forth "LIXIL 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

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.

### 2. Other Matters Concerning to Corporate Governance System **Updated**

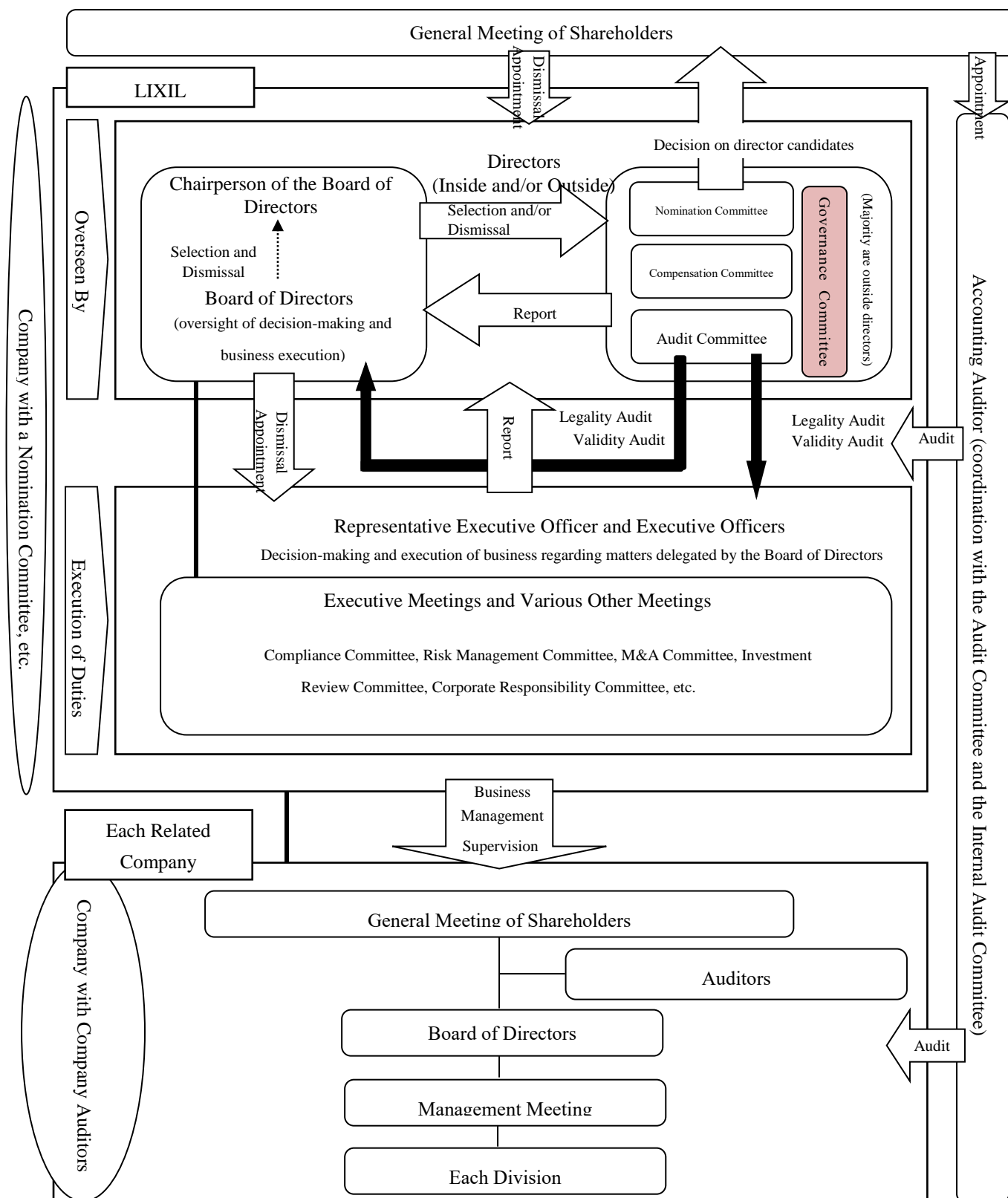
The Company has the following internal systems to ensure that timely and appropriate disclosure of information is made following resolutions by the Board of Directors or approval from the Executive Officers Meeting.

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 committee, etc. are reported to the Executive Officers Meeting.

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 Legal .  
(Refer to Schematic Diagram)

\*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.

[Corporate Governance Structure]





[Summary of Timely Disclosure System]

