

Corporate Governance	
Corporate Governance	LIXIL 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

LIXIL Corporation (the “Company”) constantly strives to build the best possible corporate governance system needed to realize its belief that publicizing and implementing its 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 the Company’s Management Philosophy.

#### (1) LIXIL Purpose

Make better homes a reality for everyone, everywhere

#### (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 Nomination Committee, etc.

The Company has adopted the governance format of a “Company with 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 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 committees. (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/CorporateGovernanceGuideline20210401.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" 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.

**[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 various services such as online showrooms, 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 “Corporate 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 Determination of Director Candidates and the Removal of Directors, and the Election 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 election, appointment, 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 appointment 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 Election and Removal

The reasons for the election of independent outside directors are as set forth below, and the reasons for the nomination and expected roles of other directors are also disclosed on the Company’s website. <https://www.lixil.com/en/about/board/reason.html>

The Company also discloses the reasons for election of executive officers on its website.

[https://www.lixil.com/en/about/board/reason\\_exec.html](https://www.lixil.com/en/about/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. Paragraphs 6 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 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 Board of Executive Officers, respectively, are specified in the “Regulations of Board of Directors” and the “Regulations of Board of Executive Officers”.

**[Supplementary Principle 4-1③ Outline of the CEO Succession Planning]**

**[Supplementary Principle 4-3② Election and Removal of the CEO]**

The Company’s Nomination Committee will assume responsibility to establish and revise the “CEO Succession Planning”, which stipulates the basic policy as well as the roadmap for “replacement of the CEO” expected in the future, and “actively supervise” the operation of the succession planning. It is also prescribed that information related to creation and amendment of the “CEO Succession Planning” shall be reported to the Board of Directors at all times.

The “CEO Succession Planning” provides guidelines for the appointment of the CEO to be implemented, removing any arbitrary intent and while maintaining objectivity, transparency and fairness in any circumstances. The main items and ideas of the “CEO Succession Planning” are as follows.

1. Clarification of roles of the present CEO, etc.

Major roles of the present CEO, the Nomination Committee, and internal related divisions are prescribed as below.

① Major roles of the present CEO

Role 1 The preparation of the pipeline for CEO succession candidates. (lead the election, addition and change of succession candidates)

Role 2 The establishment and execution of the “development plans” of CEO succession candidates. (provide succession candidates “opportunities for growth” and “opportunities for improvements” regarding their lack of experience, capabilities and behavioral patterns in light of the “ideal CEO image”)

Role 3 The implementation of the “new CEO appointment process” cooperated with the Nomination Committee at normal times.

## ②Major roles of the Nomination Committee

Role 1 The establishment and supervision of the CEO succession planning as well as “active supervision” of its operation.

Role 2 Defining and periodically review of “Qualities and Requirements Required for LIXIL’s CEO in the Future.”

Role 3 The following items regarding CEO succession candidates:

- Development of the pipeline for CEO succession candidates
- Evaluation and understanding of CEO succession candidates
- Monitoring and advising on the “development plans” of CEO succession candidates

Role 4 The following items regarding CEO succession planning at normal times:

- Supervision of the CEO appointment process and progress by the present CEO
- Deliberation on the CEO appointment process
- Establishment and submission of proposals regarding the CEO selection to the Board of Directors

Role 5 In an emergency that is when replacement of the CEO is unexpectedly required, such as at times when the present CEO becomes unable to perform its duties due to disease or accident, take the lead in appointment and approval process of a new CEO.

## ③Major roles of internal related divisions

- The Nomination Committee Office (placed within the Board of Directors’ Office) will assist the Nomination Committee in the preparation, revision and operation of the CEO Succession Planning, as well as assume responsibility of “maintenance of consistency with the CEO Succession Planning related rules (Regulations of the Board of Directors, Regulations of Nomination Committee, etc.) and the collection and management of information on CEO succession candidates.
- The Corporate HR Department will follow the instruction of the CEO and lead “Senior Management Development Program” as well as periodically explain to the Nomination Committee the implementation status. When searching for CEO succession candidates outside the Company, the HR Department will, upon sharing ideas with the present CEO and the Nomination Committee, play a central role in the search.

## 2. Basic ideas and process of CEO appointment

Basic ideas and process of CEO appointment is prescribed as follows.

### ①Basic ideas on CEO’s term of office

The basic ideas on the CEO’s term of office is “the required time to accomplish the management plan (including the quantitative target value) that was agreed by the CEO at the Board of Directors meeting.” The Nomination Committee will conduct periodic monitoring regarding the progress of the plans and goals held by the CEO, and deliberate on the continuation and reappointment of the CEO. In addition, the Nomination Committee stipulates the items regarding the CEO’s dismissal standards, procedures and resignation recommendations.

### ②Basic ideas of new CEO appointment process

New CEO appointment process is considered separately in the case of “an emergency” and “normal times.”

At normal times, the appointment process of a new CEO shall commence based on the present CEO’s proposal and suggestion or the decision made by the Nomination Committee. In such case, CEO succession candidates are appointed based on pipeline for succession candidates and an order of priority which are discussed by the CEO and the Nomination Committee. The Nomination Committee submits recommendation on the new CEO to the Board of Directors after the appointment process, and the Board of Directors examines and decides on the matter. In an emergency that is when replacement of the CEO is unexpectedly required, such as at times when the present CEO becomes unable to perform its duties due to disease or accident, the Nomination Committee shall take the lead in appointment process of a new CEO.

### ③Development and evaluation of pipeline for CEO succession candidates

Going forward, a successor CEO of the Company shall be appointed from “internal candidates” in principle. The pipeline for CEO succession candidates is prepared by the present CEO on three timelines as shown below and updated once a year based on advice from the Nomination Committee.

- Measures to be taken in an emergency (urgency) and persons subject to such measures
- Medium-term succession candidates (internal human resources)
- Potential CEO candidates

### 3. Provision of “development opportunity” to CEO succession candidates

The Nomination Committee will monitor the execution of development plan to the CEO succession candidates by the present CEO. The CEO semiannually reports to the Nomination Committee the status (progress) of development of succession candidates. Meanwhile, the Nomination Committee gives the CEO advice on provision of development opportunity and status of development.

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

At the annual shareholders’ meeting held on June 22, 2021, ten directors were elected, of which seven are independent outside 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 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]**

Following the fiscal year ended March 2020, the Nomination Committee led the implementation of the “Evaluation of the Composition of the Board of Directors” from September to October 2020 in the fiscal year ended March 2021 as well.

In gathering opinions, the Nomination Committee conducted a questionnaire survey of all nine directors from the following eight perspectives.

Based on the aggregated results, the Nomination Committee deliberated on the director candidates and the composition of the board of directors and committees after June 2021, the content of Article 25 of the General Policy, "Policy for Nomination of Director Candidates and Removal of Directors (Revised on December 1 2020.)", etc.

- (1) Proper number of Directors on the Board of Directors
- (2) Appropriate allocation of Executive Officer and Internal Directors, non-Executive Officer Internal Directors and Outside Directors
- (3) Views on independence criteria for Outside Directors (Newly added)
- (4) Appropriate number of outside directors to be replaced (Newly added)
- (5) Whether there should be any limitations on Outside Directors having concurrent positions
- (6) Necessity of limiting the number of years that outside directors can continue (Newly added)
- (7) Whether there should be any limitation on the age of Outside Directors when they are appointed (when newly appointed or reappointed) (Newly added)
- (8) Diversity of outside directors

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

internal directors, one is female who has nationality other than Japanese, and among outside directors, two are 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 elect 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 Annual Shareholders’ Meetings and in its Integrated Report, in the section about the personal history of each director.

Convocation notices for Shareholders’ 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 “Policy for Nomination of Director Candidates and Removal of Directors” and Article 34 “Persons Serving Concurrently as Directors and Executive Officers” of the General Policy.

**[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, and for the Fiscal Year ended March 2021, the evaluation was divided into “Evaluation on the Operations of the Board of Directors” and “Evaluation on the Composition of the Board of Directors”. The Implementation of "Evaluation on the Operating of the Board of Directors" has been led by the Governance Committee based on the delegated from the Board of Directors.

The Implementation of "Evaluation on the Composition of the Board of Directors" has been led by the Nomination Committee based on the delegation from the Board of Directors from the perspective of fully considering the scale and composition of the Board of Directors that the Company should be.

(For details on "Evaluation on the Composition of the Board of Directors", please refer to [Supplementary Principle 4-11 ① Philosophy Regarding the Composition of the Board].)

The outline of "Evaluation on the Operating of the Board of Directors" is as follows.

■ The status of progression and oversight of action plan based on the results of the fiscal year ended March 2020

The status of initiatives for material issues created as a result of the “Evaluation on the Operating of the Board of Directors” for Fiscal Year ended 2020 are as follows, with improvements being made by the implementation of an action plan for each issue.

Material issue 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;

· Asked Directors and Executive Officers for their views on Board of Directors resolution items and matters delegated to Executive Officers. Based on the results, the Board of Directors, etc. discussed and revised Board of Directors’ rules and Board of Executive Officers’ rules.

· Established a circulation system for Board of Directors’ Meeting minutes and Board of Executive Officers’ Meeting minutes to strengthen cooperation and ensure swift information exchange between Directors and Executive Officers.

Material issue 2) To clarify the matters to be supervised by the Board of Directors and each committee (the Nomination Committee, the Compensation Committee, the Audit Committee and the Governance Committee);

· Revised rules to clarify the roles and resolution items for each Committee after confirming the views of each Director and discussion by the Board of Directors.

Material issue 3) To expand opportunities for dialogue with stakeholders

· Governance Committee provided advice on dialogue measures to be implemented by executing departments.

## ■ Outline of analysis and evaluation results for Fiscal Year ended March 2021

### 1. Outline of analysis and evaluation results

#### Results

As a result of the "evaluation on the Operating of the Board of Directors", the Company's Board of Directors concluded that the Board of Directors for the fiscal year ended March 2021 was "effectively working".

#### Implementation method and schedule

Oct-Dec 2020: Governance Committee reviewed questionnaires, reported to, and received confirmation from, the Board of Directors

Dec 2020: Issued questionnaire to all Directors (9 Directors) and Executive Officers (5 Executive Officers, of whom 3 are also Directors)

Jan 2021: Aggregated questionnaire results, analyzed and assessed aggregated results

Jan-Mar 2021: Deliberations by Governance Committee and the Board of Directors (confirming evaluation results, identifying issues, formulating action plan, etc.)

Apr 2021-: Monitoring of action plan implementation

#### Evaluation categories and scoring method

The major categories and evaluation scoring for the effectiveness evaluation questionnaire for the Board of Directors is as follows.

#### Major 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 dialogue between the Board of Directors and stakeholders
5. Items relating to Outside Directors

#### Major Categories of Evaluation of Effectiveness of the Board of Directors Conducted by Executive Offices

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 dialogue between the Board of Directors and stakeholders

#### (Scoring method)

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).

#### (Comparison between evaluation results and previous results)

The gross average points of the evaluation of effectiveness by the Directors is 3.3 points, improving by 0.5 points compared to the gross average points of 2.8 last year (Fiscal Year ended March 2020).

The "Items relating to Dialogue with Stakeholders" improved score-wise, but as the opinion from the Governance Committee was that "The Board of Directors needs to have a collective view on its scope of dialogue with stakeholders," the Board of Directors is discussing the "appropriate method of Board of Directors' dialogue with stakeholders".

The gross average points of the answers from the Executive Officers is 3.2 points, down 0.3% compared to the previous Fiscal Year. It is still between "Sufficiently appropriate" and "More or less appropriate". In response to opinions received on the reporting system at Board of Directors' Meetings, the Governance Committee decided to formulate a reporting format for the Board of Directors and ask the views of the Outside Director as future action plans.

### 2. Future efforts

As a result of receiving and discussing the above "Evaluation on the Operating of the Board of Directors" this Fiscal Year, the Company's Board of Directors identified the two following points as material issues and will endeavor to improve the effectiveness of its Board of Directors.



Material issue 1) To improve the operating structure of the Board of Directors and to ensure sufficient time for discussion (number of meetings, contents and volume of meeting materials, method of dealing with advance questions, etc.)

Material issue 2) To define stakeholder, and organize how the communications should be handled as the Board of Directors

**[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] **Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account) *	20,981,400	7.23
JP MORGAN CHASE BANK 385632 (Standing Proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	18,286,733	6.30
Custody Bank of Japan, Ltd. (Trust Account)*	11,026,000	3.80
SSBTC CLIENT OMNIBUS ACCOUNT (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	9,941,459	3.43
LIXIL Employee Stock Ownership	6,595,358	2.27
Daiichi Life Insurance Company, Limited. (Standing Proxy: Custody Bank of Japan, Ltd.)	6,561,858	2.26
State Street Bank Client Omnibus OM04 (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	5,781,704	1.99
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	5,453,000	1.88
BNYM AS AGT/CLTS 10 PERCENT (Standing Proxy: MUFG Bank, Ltd.)	5,375,782	1.85
STATE STREET BANK AND TRUST COMPANY 505001 (Standing Proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	4,648,892	1.60

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

#### Supplementary Explanation **Updated**

Note for the above mentioned [Status of Major Shareholders]

1. The above mentioned status of shareholders is as of March 31, 2021.
2. In addition to the above, LIXIL Corporation holds 23,091,431 shares of treasury stock. Shareholding calculations exclude treasury stock.
3. \* indicates a trust service arrangement.
4. On October 22, 2020, Nomura Securities Co., Ltd. filed Large Shareholding Report (Amendment Report), which is open to public, stating that Nomura Securities Co., Ltd., NOMURA SINGAPORE LIMITED, NOMURA INTERNATIONAL PLC, and Nomura Asset Management Co., Ltd held shares of the Company as shown below as of October 15, 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, 2021. 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: 4,993,374  
Percentage: 1.57%

NOMURA SINGAPORE LIMITED  
Number of shares held: 624,462  
Percentage: 0.20%

NOMURA INTERNATIONAL PLC  
Number of shares held: 1,194,879  
Percentage: 0.37%

Nomura Asset Management Co., Ltd.  
Number of shares held: 11,637,600  
Percentage: 3.71%

5. On February 5, 2021, Mizuho Securities Co., Ltd. filed Large Shareholding Report (Amendment Report), which is open to public, stating that Mizuho Securities Co., Ltd., Asset Management One Co., Ltd., and Mizuho International plc held shares of the Company as shown below as of January 29, 2021. 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, 2021. 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: 4,577,941  
Percentage: 1.43%

Asset Management One Co., Ltd.  
Number of shares held: 9,550,000  
Percentage: 2.98%

Mizuho International plc  
 Number of shares held: 0  
 Percentage: 0.00%

6. On March 22, 2021, Capital Research and Management Company filed Large Shareholding Report (Amendment Report), which is open to public, stating that Capital Research and Management Company, Capital International K.K., Capital International Inc., and Capital International Sarl held shares of the Company as shown below as of March 15, 2021. 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, 2021. 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.

Capital Research and Management Company  
 Number of shares held: 24,315,400  
 Percentage: 7.76%

Capital International K.K.  
 Number of shares held: 4,117,000  
 Percentage: 1.31%

Capital International Inc.  
 Number of shares held: 910,700  
 Percentage: 0.29%

Capital International Sarl  
 Number of shares held: 492,800  
 Percentage: 0.16%

### 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

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 Company's 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 <b>Updated</b>	10

#### [Outside Directors]

Number of Outside Directors <b>Updated</b>	7
Number of Independent Directors <b>Updated</b>	7

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

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

\* Categories for "Relationship with the Company"

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

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

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

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

a. Executive of the Company or its subsidiaries

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

c. Executive of a fellow subsidiary

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

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

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

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

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

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
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 Group involving purchase of electronic components etc. and sale of products; however, such transactions accounted for 0.043% of the MinebeaMitsumi group's sales for the last fiscal year, and for 0.001% of the 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 Inc., 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. Since June 2020, he has served as a member of the Compensation Committee and the Governance Committee, and has contributed to the improvement of the supervisory function through active remarks and activities at each committee. As Outside Director of the Company, he is expected to contribute to the improvement of the effectiveness of the Board of Directors and the committees.
Shiho Konno			○	○	Assumed office in June 2021. Ms. Konno is a representative and attorney-at-law at Shiho Konno Habataki Law Office. The law firm has no business relationship with the Group, and so is not a major business partner. Furthermore, as she meets both the requirements for an independent officer prescribed by the stock exchange and the Independence Criteria for Outside Directors prescribed by the Company, she is determined to have a high level of independence from the Company.	Ms. Konno has a long career as a lawyer, an expert in law. In addition, she has deep knowledge of corporate governance and diversity gained through law practice. Although she has no direct experience in corporate business execution, based on her experience as outside directors of a number of listed companies, as well as her deep knowledge of corporate governance and diversity gained through law practice, the Company believes that she can perform her duties as Outside Director of the Company. As Outside Director, she is expected to contribute to the improvement of the effectiveness of the Board of Directors and the committees.

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Teruo Suzuki			○	○	<p>Assumed office in June 2019.</p> <p>Mr. Suzuki was Deputy Director of AZSA &amp; Co, and left the firm in June 2012. AZSA &amp; Co has the business relationship with the Group involving consulting services, however, such transactions accounted for 0.002% of AZSA &amp; Co.'s sales for the last disclosed fiscal year (July 1, 2019 – June 30, 2020), 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, he is determined to have a high level of independence from the Company.</p>	<p>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, he has contributed to the improvement of the effectiveness of the Board of Directors, etc. specifically in the Audit Committee with advice, etc. utilizing his experience and knowledge in accounting audit and financial accounting. Since June 2020, as Chairperson of the Audit Committee, he has led various initiatives to ensure the effectiveness of audits conducted by the Group even in the context of the spread of the COVID-19. As an Outside Director of the Company, he is expected to contribute to the improvement of the effectiveness of the Board of Directors and the committees.</p>
Yuji Nishiura	○	○		○	<p>Assumed office in June 2019.</p> <p>Mr. Nishiura was 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 Group involving collective insurance, however, such transactions accounted for 0.00001 % of AXA Life Insurance, Co., Ltd.'s premium and other income for the last disclosed fiscal year (April 1, 2019 – March 31, 2020), and it does not amount to a major business partner. He was 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 Group involving repairs of products and etc.; however, such transactions accounted for 0.000002% of the Group's sales for the last fiscal year, and therefore, 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 no business relationship with the Group involving credit fee, and therefore, 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</p>	<p>Mr. Nishiura is a management professional who has engaged in the management of several corporations and been involved in a number of corporate restructuring matters. He has a wealth of 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. Since June 2020, he has continued to serve as Chairperson of the Nomination Committee, and has led the development of the CEO Succession Plan to further enhance transparency of the corporate governance of the Company. As Outside Director of the Company, he is expected to contribute to the improvement of the effectiveness of the Board of Directors and the committees.</p>

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
					independence, as his appointment was based on his long-term experience and abundant knowledge in other industries but not the bank.	
Daisuke Hamaguchi	○	○		○	Assumed office in June 2019. Mr. Hamaguchi was the Management Execution Director of the Pension Fund Association, and he left the association in April 2020. The Pension Fund Association had no business relationship with the Group in the last business year, 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, he is determined to have a high level of independence from the Company.	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 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. Since June 2020, he has newly served as a member of the Nomination Committee and the Governance Committee, and has contributed to the improvement of the supervisory function through active remarks and activities at each committee. As Outside Director of the Company, he is expected to contribute to the improvement of the effectiveness of the Board of Directors and the committees.
Masatoshi Matsuzaki	○			○	Assumed office in June 2019. Mr. Matsuzaki is Director and Chairperson of the Board of Directors of Konica Minolta, Inc. The Group has transactions involving purchase of products and repairs etc.; however, such transactions accounted for 0.001 % of the Konica Minolta group's sales for the last fiscal year, and for 0.00003% of the 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.	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" of Japan Association of Corporate 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. Since June 2020, he has continued to serve as Chairperson of the Board of Directors, and has taken the lead in building a system to maintain a sufficient supervisory function as the Board of Directors even in a business environment in which the Company is required to deal with serious risks such as the spread of the COVID-19 by addressing priority issues recognized through the



Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						evaluation of the effectiveness of the Board of Directors. As Outside Director of the Company, he is expected to contribute to the improvement of the effectiveness of the Board of Directors and the committees.
Mariko Watahiki	○			○	Assumed office in June 2021. Ms. Watahiki is an attorney at Okamura Law Office. The law firm has no business relationship with the Group, and so is not a major business partner. Furthermore, as she meets both the requirements for an independent officer prescribed by the stock exchange and the Independence Criteria for Outside Directors prescribed by the Company, she is determined to have a high level of independence from the Company.	Ms. Watahiki has a long career as a judge and has been involved in resolving many civil cases, including corporate legal affairs and labor issues. In addition, she has a track record of being involved in organizational management, including thorough compliance and governance, personnel management and human resource development, and crisis management by serving as the chief judge of several high courts. Although she has no direct experience in corporate business execution, based on her experience in handling many cases as a judge and operating an organization as the chief judge of high courts, the Company believes that she can perform her duties as Outside Director of the Company. As Outside Director, she is expected to contribute to the improvement of the effectiveness of the Board of Directors and the committees.

[Committees]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Internal 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]

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 major domestic 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.

## Cooperation among Audit Committee, Accounting Auditors and Internal Audit Departments

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 elected 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 **Updated**

7

## 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) <b>Updated</b>	Introduction of Performance-linked compensation and others
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### Supplementary Explanation **Updated**

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. In the event that an Outside Director assumes the role of chairperson of the Board of Directors’ Meeting or chairperson of a Committee, an allowance shall be paid for such duties.

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 <b>Updated</b>	Internal Directors, Executive Officers
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### 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).

## [Compensation for Directors and Executive Officers (Shikkoyaku)]

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

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 2021 were as follows.

Officer category	Total amount of the compensation (million yen)	Total amount of Compensation by type (million yen)			Number of Officers receiving
		Annual Base Salary	Performance -linked Compensation	Stock-linked Compensation	
Director (excluding Outside Directors)	34	18	-	16	3
Executive Officers	2,153 (Note 3)	429	293	1,250	8
Outside Directors	154	120	-	34	9
Total	2,341	567	293	1,300	20

Notes:

1. Amounts based on Japan standard.
2. The compensation amounts shown above include compensation paid by the Company's subsidiaries, in addition to compensation paid by the Company. Of the above amounts, the amount paid by the Company is 2,096 million yen (177 million yen for the 11 Directors and 1,919 million yen for the 8 Executive Officers).
3. The total compensation amount for Executive Officers includes additional payments of 181 million yen as cost-of-living allowances and income tax allowances set out in "Various allowances" in the "Policy on Determining Compensation Amounts and Calculation Methods", and therefore does not match the total amount of Compensation by type.
4. The amount of compensation for Outside Directors includes chairperson allowances.

Policy on Determining Compensation Amounts and Calculation Methods **Updated**

Established

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

[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, Stock-linked compensation, and chairperson's allowance, and the compensation system for Executive Officers consists of Annual Base Salary, Performance-linked compensation, and Stock-linked compensation.

[Annual Base Salary]

Annual Base Salary for Directors and Executive Officers shall be determined individually based on the above compensation basic policies, taking into consideration responsibilities, performance, experience and difficulty of securing personnel, etc., while referring to the compensation levels inside and outside Japan as reference information. The amount of the Annual Base Salary for each officer shall be divided into twelve (12) months and paid monthly.

[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.

① Evaluation Period: The evaluation period of Performance-linked compensation shall correspond to the fiscal year. The payment shall be made in a single payment within one (1) month from the date on which the Company reports the contents of the financial statements for the evaluation period to the Annual Shareholders' Meeting.

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 individually as a certain percentage of the Annual Base Salary according to the role and responsibility of the eligible Executive Officer in the evaluation period. For the fiscal year ended March 2021, the Base Amount of Performance-linked compensation was half of the set amount, in view of the possibility that business performance would fluctuate significantly due to the impact of COVID-19, etc. 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 ended March 2021 was additionally granted and the total amount of the compensation was maintained.

④ Achievement 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 2021, the business targets items focuses on the Core earnings (the “CE”) that reflect 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, were not included. This was an extraordinary measure taking into account the special circumstances of the fiscal year ended March 2021.

Business target item	Target figure (million yen)	Actual figure (million yen)	Achieving rate of business targets (Actual figure/Target figure×100)
CE	25,000	57,288	229.2%

In addition, since improving capital efficiency remains one of our important management goals, we will include return on invested capital (the “ROIC”) and calculate the achievement rates of business targets based upon the achievement rates of CE and net profit for the period belonging to the owners of the parent company (the “Net profit”) in the fiscal year ending March 2022.

Achievement rate of business targets (%) = ROIC achievement rate (%) × 0.4 + CE achievement rate (%) × 0.3 + Net profit achievement rate (%) × 0.3

The applicable forecast figures will be 5.1% for ROIC, 80,000 million yen for CE, and 47,000 million yen for Net profit.

ROIC = operating profit × (1 – effective tax rate) ÷ (operating claims and other claims + inventory + fixed assets (including goodwill and intangibles) – operating liabilities and other liabilities)

CE = sales revenue – (cost of sales + SG&A expenses)

⑤ Payment 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 2021 is 200%. 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% or more to less than 100%	achievement of performance targets
100% or more to less than 150%	{ ( achievement of performance targets – 100) × 2 + 100 } %
150% or more	200%

⑥ Clawback 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.

① Grant 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 shareholders’ meeting.

② Number 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 according to the role and responsibility of the eligible officer, 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. As for the number of PS granted to Executive Officers in the fiscal year ended March 2021, as a special measure, a reduced amount of the base amount of Performance-linked compensation was additionally granted to the number of PS granted at the beginning of the period.

③ The 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 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 vesting amount shall be paid to the officer within one (1) month of the vesting amount being confirmed.

⑥Stock ownership guidelines

As described in ② above, the number of PS granted to each officer is set individually based on the deliberation of the Compensation Committee according to the role and responsibility of each officer. In the fiscal year ended March 2021, the amount granted after the special measures described in ② above was 238% of the annual base salary for the President, 113% for the Executive Vice President (Fuku-shacho) and 50% for Executive Vice Presidents (Senmu), but 150% for one of them. As of April 1, 2021, the cumulative number of PS granted was 239,988 for the President and 69,619 for the Executive Vice President (Fuku-shacho).

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.

[Various allowances]

In the event that an Executive Officer performs business at a location other than the place of nationality or in other cases where it is deemed necessary for business execution, the Company shall bear the costs and expenses, taking into consideration the laws, practices, standards, etc., relating to the compensation of the target country. Regarding the timing of payment, there are cases where the fixed annual amount is divided into twelve (12) months and then paid monthly, and there are cases where the payment is made on a predetermined date depending on the nature of the cost.

**[Supporting System for Outside Directors]**

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.)]**

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 current Board of Directors consists of ten directors (of which seven are outside directors). Among internal 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 17 times in the fiscal year ended March 2021. The member of Board of Directors and attendance of each member are as follows:

Kinya Seto	17/17(100%)
Sachio Matsumoto	11/11(100%)
Hwa Jin Song Montesano	11/11(100%)
Tamio Uchibori	17/17(100%)
Kaoru Onimaru	16/17(94%)*
Teruo Suzuki	16/17(94%)
Yuji Nishiura	17/17(100%)
Daisuke Hamaguchi	17/17(100%)
Masatoshi Matsuzaki	17/17(100%)

\*Resigned June 22, 2021

### (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 currently consists of four outside directors, and determines the contents of director election and removal proposals submitted to shareholders' meetings. The Board of Directors shall request an opinion such as election, appointment, 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 election, appointment, removal and dismissal candidates for executive officers and representative executive officer, etc.

Nomination Committee meetings are held at least once a year as necessary. They were held 14 times in the fiscal year ended March 2021. The member of the Nomination Committee and attendance of each member are as follows:

Yuji Nishiura	14/14(100%)
Kaoru Onimaru	14/14(100%)*
Daisuke Hamaguchi	11/11(100%)
Masatoshi Matsuzaki	14/14(100%)

\*Resigned June 22, 2021

- The Audit Committee currently consists of three outside directors, and 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 election and removal proposals submitted to shareholders' meetings. 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 16 times in the fiscal year ended March 2021. The member of Audit Committee and attendance of each member are as follows:

Teruo Suzuki	15/16(94%)
Tamio Uchibori	16/16(100%)
Kaoru Onimaru	9/9(100%)*1
Daisuke Hamaguchi	7/7(100%)*2

\*1 Resigned June 22, 2021

\*2 Resigned June 30, 2020

- The Compensation Committee (“the Committee”) currently consists of three outside directors, and 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 Committee is stipulated to be held at least once a year, and it was held 13 times in the fiscal year ended March 2021. The member of Compensation Committee and attendance of each member are as follows:

Daisuke Hamaguchi	13/13(100%)
Tamio Uchibori	11/11(100%)
Yuji Nishiura	13/13(100%)

- The Governance Committee consists of all outside directors, and with the objective to enhance the Company's corporate governance, discusses or advises the Board of Directors on matters such as reviewing and amending the Company's 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 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 seven times in the fiscal year ended March 2021. The member of Governance Committee and attendance of each member are as follows:

Kaoru Onimaru	7/7(100%)*
Tamio Uchibori	4/4(100%)
Teruo Suzuki	7/7(100%)
Yuji Nishiura	7/7(100%)
Daisuke Hamaguchi	4/4(100%)
Masatoshi Matsuzaki	7/7(100%)

\* Resigned June 22, 2021

#### (Board of Executive Officers)

The Board of Executive Officers is comprised of all 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 Board of Executive Officers is held once a month and extraordinary Board of Executive Officers meetings will be held as necessary. They were held 21 times in the fiscal year ended March 2021.

Attendance of each member are as follows:

Kinya Seto	21/21 (100%)
Sachio Matsumoto	21/21 (100%)
Hwa Jin Song Montesano	21/21 (100%)
Yugo Kanazawa	21/21 (100%)
Bijoy Mohan	21/21 (100%)
Satoshi Yoshida	21/21 (100%)
Hiroyuki Oonishi	21/21 (100%)
Shoko Kimijima	21/21 (100%)

(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)

Corporate Audit, a corporate function, is responsible for managing all of the Group's internal audit organizations in Japan and international markets, and ensures all group companies' audits are conducted in a unified and comprehensive manner. Corporate Audit is responsible for carrying out traditional internal audit processes such as accounting audits, operational audits, and assessment of internal controls. Additionally, it continuously reviews internal audit systems and processes in order to help achieve sustainable Group-wide growth, strengthen governance as well as internal control, and contribute to the 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 2021, 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, Takenao Ohashi, Masayuki Furukawa
- Composition of assistants for accounting audit services  
21 certified public accountants and 36 others

(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 Investment Review Committee, M&A Committee, Compliance Committee, Risk Management Committee, and Corporate Responsibility Committee, and discusses management strategies, medium- and

long-term policies, investment matters, etc. to strive to accelerate decision-making and enhance the effectiveness of its governance.

(Limitations on liability clause)

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

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

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

The Company changed to the Company with Committees, currently the Company with Nomination Committee, etc., after obtaining approval at the shareholders' 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 Company's 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 Shareholders' Meetings and Smooth Exercise of Voting Rights **Updated**

	Supplementary Explanations
Early Notification of Shareholders' Meeting	The Company publicizes the notification of the general shareholders' meeting earlier than its dispatch by disclosing it in advance on its website.
Scheduling Shareholders' Meetings Avoiding the Peak Day	The Company avoids scheduling its 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	The Company held the 79th Annual Shareholders' Meeting on June 22, 2021 in a hybrid meeting format (i.e. having both a physical meeting venue and an online meeting venue) allowing shareholders' voting online. In regard to the results of voting on the shareholders' meeting agenda, Extraordinary Reports are submitted without delay after shareholders' meetings under the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, Etc. and posted on our website. Resolution notices are also posted on the website.

## 2. IR Activities

	Supplementary Explanations	Explanation by representatives themselves
Preparation and Publication of Disclosure Policy	Disclosure Policy is posted on our website.	—
Regular Investor Briefings for Individual Investors	It is our policy to 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, three out of ten directors and two out 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 environment for LGBT and disabled employees, in addition to promote women’s participation in the workplace.</p>
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#### IV. Matters Related to the Internal Control System

<p>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.</p> <p>(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</p> <p>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.</p> <p>(ii) System regarding the storage and management of information involving the performance of duties by Executive Officers</p> <p>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.</p>
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In addition, Information Security Rules 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 policy regarding crisis management, 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 Members appointed 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 appointed 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 Global Policy for Concern Raising System Operation, 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**

- 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

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 Board of Executive Officers.

Each department or group company reports material company information directly to the Board of Executive Officers. Also, matters concerning specific projects\* shall first be submitted for discussion or reported to each relevant committee, etc. and then reported to the Board of Executive Officers.

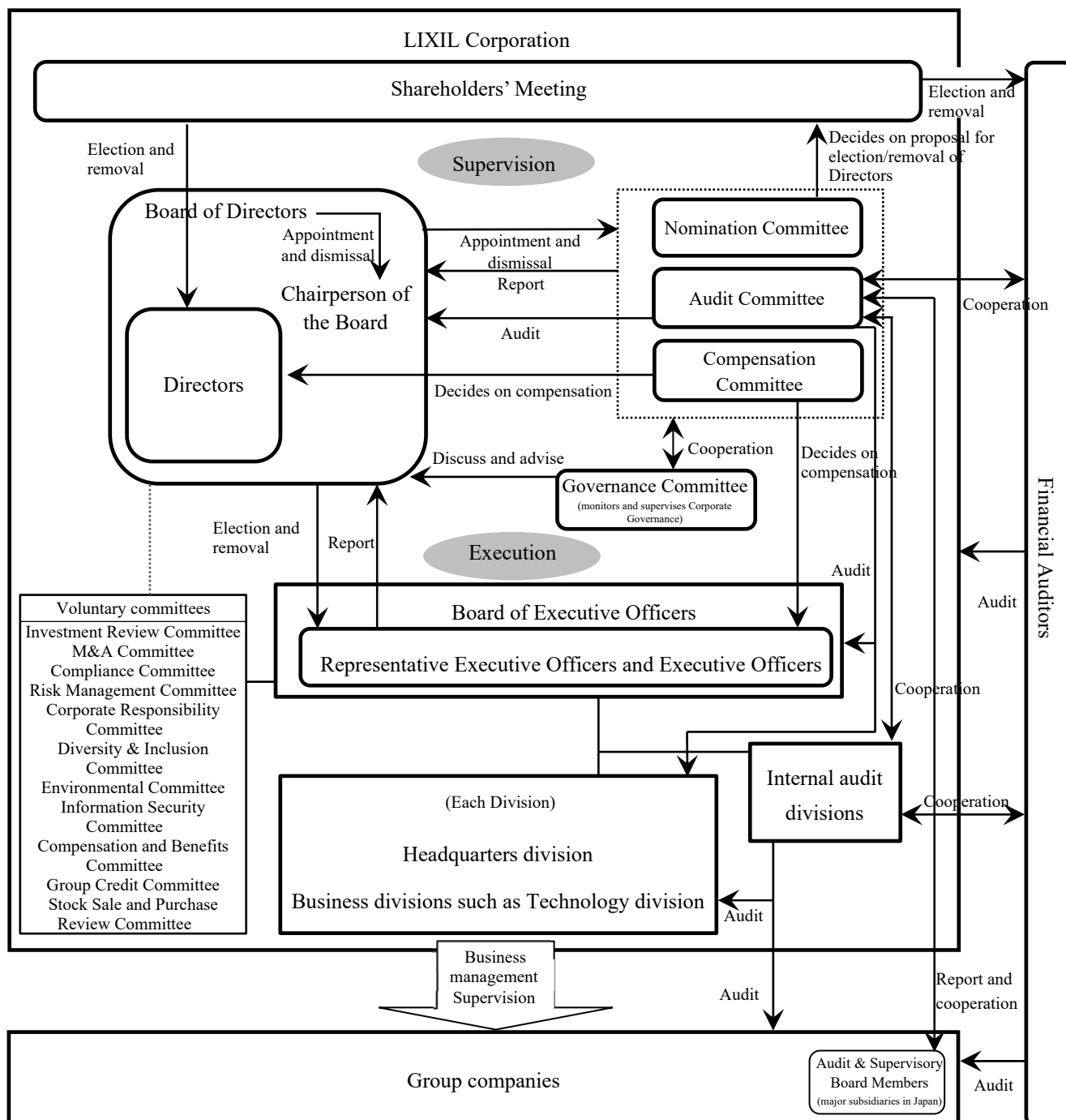
For matters submitted to the Board of Executive Officers for discussion, the Support Office for the Board of Executive Officers shall first consider whether it should be an agenda item, and the person in charge of the handling of information and the Officer responsible for IR shall determine the necessity of timely disclosure through discussions with related departments such as Accounting and Legal .

Timely disclosure matters that require a resolution of the Board of Directors shall be submitted for discussion, or reported to, the Board of Directors by the Board of Executive Officers.

(Refer to Schematic Diagram)

\*Specific projects: Matters concerning (i) investment or loans, (ii) environmental strategy, (iii) consideration of reorganization, (iv) establishment of new subsidiaries, (v) disasters or accidents, etc., or (vi) other unforeseen facts arising suddenly, such as product liability or wrongful acts.

[Corporate Governance Structure]



[Summary of Timely Disclosure System]

