



June 8, 2015

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Announcement of Filing of Amendment of Internal Control Report

As announced in the “Announcement Regarding Amendments of Annual Securities Report and Financial Results for Past Fiscal Years” today, LIXIL Group Corporation (“LIXIL”) has filed amendments of the annual securities report and quarterly reports for the past fiscal years with the Kanto Local Finance Bureau, and announced amendments of annual and quarterly financial results for the past fiscal years. Along with these amendments, LIXIL announces that it has also filed an amendment of the internal control report pursuant to Article 24-4-5, Paragraph 1 of the Financial Instruments and Exchange Act.

1. Internal Control Report to be Amended

Internal Control Report for the fiscal year ended March 2014 (from April 1, 2013 through March 31, 2014)

2. Details of Amendment

Out of the descriptions in the above-mentioned internal control report, 3 “Matters Regarding Evaluation Results” shall be amended as follows:

(Before Amendment)

3 “Matters Regarding Evaluation Results”

As a result of the evaluation described above, it shall be concluded that, as at the end of this fiscal year, the internal control over financial reporting of LIXIL Group was effective.

(After Amendment)

3 “Matters Regarding Evaluation Results”

It is concluded that the defect in the internal control over financial reporting described below has a material impact on the financial reporting and shall fall under the material defect which shall be required to be disclosed. Therefore, it shall be concluded that, as at the end of this fiscal year, the internal control over financial reporting of LIXIL Group were not effective.

LIXIL Corporation, a LIXIL’s consolidated subsidiary, and the Development Bank of Japan (“DBJ”) have entered into a shareholders’ agreement as of September 26, 2013, and established GraceA, which is a special purpose company in which LIXIL and DBJ each own a 50% voting interest, and also established a wholly-owned subsidiary of GraceA. On the same date, the wholly-owned subsidiary of GraceA entered into a stock sale and purchase agreement (“SPA”) with the seller to acquire 87.5% of the issued shares of GROHE Group S.à r.l. (“GROHE”) through GraceA and its wholly-owned subsidiary. GraceA and its wholly-owned subsidiary acquired the shares on January 21, 2014. As a result of this business combination, GraceA became LIXIL’s affiliated company accounted for by the equity method. In addition, as Joyou AG (Headquarters: Germany; listed on the Frankfurt Stock Exchange; “JOYOU”) is a subsidiary of GROHE, LIXIL held 31.62% of JOYOU’s shares through GROHE.

After the receipt of the letter from financial institutions to claim payment of borrowings, the supervisory board of JOYOU came to suspect the accuracy of financial statements of JOYOU and thereby decided on April 27, 2015 to conduct a special audit by its auditors and legal counsel. Subsequently, on May 3, 2015, JOYOU announced that the preliminary investigation results showed that there were substantial deviations in revenue figures, the amount of indebtedness and the amount of available cash compared to the relevant amounts reported by JOYOU in its financial reports for 2014. The management board of JOYOU decided on May 21, 2015 to apply for the commencement of insolvency proceedings due to existing over-indebtedness of JOYOU, and filed an application for the commencement of insolvency proceedings on May 22.

In addition, based on LIXIL’s own investigation, LIXIL found that JOYOU had a substantial amount of over-indebtedness at the time of the acquisition of JOYOU stock by LIXIL on January 21, 2014 and, therefore, LIXIL recognized that it is required to amend its financial results for past fiscal years.

Based on these circumstances, LIXIL amended its financial results for past fiscal years and also filed an amendment of the annual securities report for the fiscal year ended March 2014 and the quarterly reports for the first quarter ended June 2014, the second quarter ended September 2014 and the third quarter ended December 2014.

In light of the foregoing, LIXIL acknowledges that one of the contributing factors was material defects in the group-wide internal control, in other words, the internal controls concerning its accounts/financial reporting process which are evaluated from an overall company perspective.

LIXIL fully recognizes the importance of internal control over financial reporting. Although LIXIL has not completed its remedial actions in respect of the above-mentioned defects at the time of the filing of the amendment, it will continue to thoroughly uncover the underlying facts and investigate the root causes of this case.

Furthermore, in addition to the above-mentioned investigation by the internal investigation committee, LIXIL's board of directors plans to establish a special investigation committee that consists of an outside director and outside experts.

Based on the proposals to be made by the internal investigation committee and the special investigation committee, LIXIL will promptly consider fundamental measures to prevent recurrences from the perspectives stated below and will initiate its remedial measures to correct the material defects in the internal controls over financial reporting.

- (1) Securing strict global compliance awareness
- (2) Restructuring of internal controls that match risk profiles
- (3) Strengthening of internal audit and monitoring system
- (4) Strengthening LIXIL's management systems over overseas subsidiaries, etc.
- (5) Enhancing education of personnel of overseas subsidiaries, etc.