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

(Contact):
Takashi Tsutsui
Executive Officer and Vice President in charge of IR
(Tel: +81-3-6268-8806)

Announcement regarding Extraordinary Loss

LIXIL Group Corporation (“LIXIL”) today announces an extraordinary loss for the first quarter (from April 1, 2015 to June 30, 2015) of the fiscal year ending March 31, 2016 as follows:

1. Details of Extraordinary Loss

On July 31, 2014, Hong Kong Zhongyu Sanitary Technology Ltd. (hereinafter “Joyou HK”), a subsidiary of Joyou AG (which was LIXIL’s affiliate; headquarters: Germany; hereinafter “JOYOU”), entered into a loan agreement with three banks in Japan in the amount of USD 300 million with a guarantee by JOYOU and another guarantor. Subsequently, in the wake of the announcement dated April 27, 2015 on the Frankfurt Stock Exchange regarding the special audit of JOYOU, Joyou HK’s violations of covenants and representations and warranties included in the agreement were found. As announced in “Announcement of Estimated Amount of Losses from Insolvency of JOYOU AG and Revision of Forecast on Business Performance for the Year Ended March 2015” dated June 3, 2015, as a result of careful discussion with the joint investment partner and other parties and after taking into consideration, among other things, the fact that GraceA (which was an entity jointly controlled by LIXIL and the joint investment partner) newly became a consolidated subsidiary of LIXIL in April 2015 as well as the overall economic benefit to LIXIL group, such as the maintenance of LIXIL’s future financing capacity, LIXIL Corporation (which is a direct parent of GraceA and a consolidated subsidiary of LIXIL) guaranteed the loan agreement on May 18, 2015 and subsequently repaid the banks JPY 33.017 billion.

Although LIXIL holds the right to seek reimbursement for the LIXIL's performance of guarantee obligations described above and has been examining its collectability, since the collection amount may not be reasonably estimated, LIXIL posted the equivalent amount as an allowance for doubtful accounts which was recorded as a loss relating to investment in associated companies (i.e. extraordinary loss) for the first quarter (from April 1, 2015 to June 30, 2015) of the fiscal year ending March 31, 2016.

LIXIL will continue to make efforts to maximize the collection.

2. Effect on Performance of LIXIL

The extraordinary loss described above has been taken into consideration in the consolidated forecast for the fiscal year ending March 31, 2016 included in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (Japanese Accounting Standard)" dated June 8, 2015.