

The following is an English translation of the Notice of Convocation of the 74th Annual General Meeting of Shareholders of LIXIL Group Corporation (the “Company”) to be held on June 15, 2016. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. If there is any discrepancy between the Japanese version and the English translation, the Japanese version shall prevail.

(Securities Code 5938)
May 30, 2016

To Our Shareholders

LIXIL Group Corporation
2-1-1 Ojima, Koto-ku, Tokyo
Yoshiaki Fujimori
Director, Representative Executive Officer and President

**Notice of Convocation of
the 74th Annual General Meeting of Shareholders**

You are cordially invited to attend the 74th Annual General Meeting of Shareholders of LIXIL Group Corporation (the “Company”), the details of which are as follows:

If you are unable to attend the meeting, you can exercise your voting rights by either of the following methods. Please review the “Reference Materials for General Meeting of Shareholders”, which follows this notice, and exercise your voting rights.

[Exercise of voting rights in writing]

When exercising your voting rights in writing, please indicate, on the enclosed “Voting Card,” as to whether you approve or disapprove of the proposal. Please send the Voting Card back so that we receive it by no later than 3 P.M. (Japan time) on Tuesday, June 14, 2016.

[Exercise of voting rights via the Internet, etc.]

When exercising your voting rights via the Internet, etc., please see the “Instructions on the Exercise of Voting Rights Via the Internet, etc.” (from page 3 to page 4) which follows this notice, and indicate whether you approve or disapprove of the proposal by no later than 3 P.M. (Japan time) on Tuesday, June 14, 2016.

1. Date and Time: June 15, 2016 (Wednesday) at 10 A.M. (Japan time)
(Reception opens at 9 A.M. (Japan time))
2. Venue: 1-6-1 Yokoami, Sumida-ku, Tokyo
3rd Floor, KFC Hall, KOKUSAI Fashion Center Building
(Please refer to the guide map of the venue of the general meeting of shareholders at the end) [NOTE: Please note that the venue has been changed from last year.]
3. Purpose of the meeting:
 - Reports
 - 1) Reporting the contents of the business report, the contents of the consolidated financial statements and the results of the audits of the consolidated financial statements conducted by the Accounting Auditors and the Audit Committee for the 74th Fiscal Year (from April 1, 2015 to March 31, 2016).
 - 2) Reporting the contents of the financial statements for the 74th Fiscal Year (from April 1, 2015 to March 31, 2016).
 - Resolution Matter
 - Proposal No.1: Partial Amendment of the Articles of Incorporation
 - Proposal No.2: Election of 12 Directors

END

- Upon attendance, please use the enclosed Voting Card as an attendance slip and submit it to the receptionist.
- Any amendments to the Reference Documents for the 74th Annual General Meeting of Shareholders, business report, financial statements or consolidated financial statements will be posted on the Company’s website on the Internet (<http://www.lixil.com/jp/>).
- Please note that we will be wearing light clothing (Cool Biz) on the day of the meeting. We kindly ask that you

also attend the meeting in light clothing.

Disclosure via the Internet

The following items are posted on the Company's Internet website based on the laws and regulations as well as Article 16 of the Company's articles of incorporation, thus are not indicated (as attachments) on the Notice of Convocation of the 74th Annual General Meeting of Shareholders.

(1) Notes to consolidated financial statements (2) Notes to non-consolidated financial statements

URL: <http://www.lixil-com.jp/>

The consolidated financial statements and non-consolidated financial statements audited by the Accounting Auditors and the Audit Committee are the statements indicated (as attachments) on the Notice of Convocation of the 74th Annual General Meeting of Shareholders and the Notes to consolidated financial statements and Notes to non-consolidated financial statements posted on the aforementioned Company's website.

Instructions on the Exercise of Voting Rights via the Internet, etc.

When exercising your voting rights via the Internet, etc., please confirm the following matters and exercise your voting rights.

1. Website for exercising voting rights

- (1) Voting rights can be exercised via the Internet only by accessing the website for exercising voting rights designated by the Company (<http://www.evotep.jp/>) (“Website”) from personal computers, smart phones or mobile phones (i mode, EZweb, Yahoo! Keitai)*. (However, this service is unavailable from 2 A.M. to 5 A.M., Japan time, every day.)

* “i mode” is a trademark or a registered trademark of NTT DOCOMO, INC., “EZweb” is a trademark or a registered trademark of KDDI CORPORATION and “Yahoo!” is a trademark or a registered trademark of U.S. Yahoo! Inc.

- (2) Please be aware that voting rights may not be exercised by personal computers or smart phones depending on your environment for the usage of the Internet such as if a firewall, etc., is used, antivirus software is set, a proxy server is used or if TLS encrypted communication is not specified, etc., for the Internet connection.
- (3) Please use the service of i mode, EZweb or Yahoo! Keitai when exercising your voting rights through a mobile phone. In addition, in order to ensure security, the Website is not compatible with models that are unable to perform TLS encrypted communications or models that are unable to transmit mobile phone information.
- (4) Voting rights can be exercised via the Internet until June 14, 2016 (Tuesday) at 3 P.M. (Japan time). Please exercise your vote ahead of time and contact the help desk if you have any questions.

2. Method of exercising voting rights via the Internet

- (1) Please enter your vote on the Website (<http://www.evotep.jp/>) in accordance with the instructions on the screen using the “Login ID” and the “Tentative Password” specified in the Voting Card.
- (2) Please be aware that in order to prevent any unauthorized access (impersonation) or falsification of the contents of the exercised voting rights by anyone else, we will ask you to change the “Tentative Password” on the Website.
- (3) We will notify you of a new “Login ID” and a new “Tentative Password” each time upon convocation of a General Meeting of Shareholders.
- (4) Any costs incurred upon accessing the Website (internet access fee and the like) will be borne by you. Furthermore, if you are using mobile phones and the like, packet communication fees and other fees needed for using mobile phones and the like will also be borne by you.

3. Handling of voting rights when a voting right is exercised more than once

- (1) When a voting right is exercised more than once in writing and via the Internet, the contents of the voting rights exercised via the Internet will be effective.
- (2) If a voting right is exercised more than once via the Internet, the contents of the last vote will be effective. In addition, if a voting right is exercised more than once on a personal computer, smart phone, and/or mobile phone, only the contents of the last vote will be effective.

4. The platform of electronic exercise of voting rights for institutional investors

With respect to nominee shareholders of management investment banks, etc. (including standing proxies), if such a shareholder has applied in advance for the use of the platform of the electronic exercise of voting rights for institutional investors operated by ICJ, Inc., such shareholder may use such platform in addition to exercising its voting rights via the Internet mentioned above, as a method of exercising voting rights by electromagnetic means for any General Meeting of Shareholders of the Company.

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| For inquiries regarding the system for exercising voting rights via the Internet, etc. Mitsubishi UFJ Trust and Banking Corporation Transfer Agent Division (helpdesk) Telephone No.: 0120-173-027 (available from 9 A.M. to 9 P.M., Japan time, toll-free) |
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END

Reference Materials for General Meeting of Shareholders

Proposal No. 1 Partial Amendment of the Articles of Incorporation

1. Reason of the Amendment

The Company became a pure holding company on October 1, 2001, and then shifted into a Company with Committees (current company with nominating committee, etc.) on June 23, 2011. Thereafter, as of July 1, 2012, the Company changed its trade name to LIXIL Group Corporation. Now, the Company would like to add to its business purposes, as proposed below, in order to enable the Company to cope with changes in the business environment and the increasingly competitive global business situation, etc., while looking ahead to the future business development of the Company, the possibility of reorganization within the group, and several other multilateral issues, to thereby maximize shareholder value and enable the Company to set up a system whereby it will be able to promptly cope with any kind of changes in the economic situation.

2. Content of the Amendment

It is proposed that the Articles of Incorporation should be amended as below.

| (Underlined parts are to be amended) | |
|--|--|
| Current Provisions | After Amendment |
| (Purpose) | (Purpose) |
| Article 2 The purposes of the Company shall be to engage in the following businesses and the Company <u>shall not engage in other businesses:</u> | Article 2 The purposes of the Company shall be <u>to engage in the following businesses:</u> |
| (1) To control and manage the operations of the companies operating business relating to living life in Japan and foreign countries by obtaining and holding the shares or the equities in such companies. | (1) (unchanged) |
| (2) To control and manage the operations of the companies operating business relating to urban environment in Japan and foreign countries by obtaining and holding the shares or the equities in such companies. | (2) (unchanged) |
| (newly added) | <u>(3) The manufacture and sale of aluminum building materials.</u> |
| (newly added) | <u>(4) The manufacture and sale of wood and metal fittings.</u> |
| (newly added) | <u>(5) The manufacture and sale of residential facilities and equipment, such as residential building materials and bathrooms, system kitchens, wash basins, air-conditioning units, and ventilation systems.</u> |
| (newly added) | <u>(6) The manufacture and sale of sanitary wares, bidet toilets, faucets, integrated toilets, water treatment facilities, resin bathtubs, water heaters, kitchens, heating products and sanitary equipment.</u> |
| (newly added) | <u>(7) The manufacture and sale of interior and exterior tiles, mosaic tiles, craft tiles, floor tiles, large-scale building materials, residential drywall, paving components, stone, various construction materials, and other building materials.</u> |
| (newly added) | <u>(8) The manufacture and sale of exterior products, such as gates and fences.</u> |
| (newly added) | <u>(9) The manufacture and sale of synthetic resin building materials.</u> |
| (newly added) | <u>(10) The manufacture and sale of aluminum products and aluminum molding compounds.</u> |
| (newly added) | <u>(11) The manufacture and sale of furniture, interior decorations, lighting equipment, rugs, bedding, interior goods, pet goods.</u> |

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| | daily necessities, and wood decks (floor boards). |
| (newly added) | <u>(12) The manufacture and sale of infrastructure materials, such as guardrails and balustrades.</u> |
| (newly added) | <u>(13) The manufacture and sale of waterproofing agents.</u> |
| (newly added) | <u>(14) The manufacture and sale of gardening materials, such as planters, decorative ornaments, artificial soil and other gardening materials.</u> |
| (newly added) | <u>(15) The manufacture and sale of disaster prevention equipment and devices, fire extinguishers and security equipment and devices.</u> |
| (newly added) | <u>(16) The manufacture, sale and management of environmental sanitation devices.</u> |
| (newly added) | <u>(17) The manufacture and sale of solar power generation systems.</u> |
| (newly added) | <u>(18) The manufacture and sale of medical devices, medical equipment, quasi-pharmaceutical products, cosmetics and food products.</u> |
| (newly added) | <u>(19) The manufacture and sale of household electric appliances and other electric and electronic appliances, and communications equipment and measurement instruments.</u> |
| (newly added) | <u>(20) The casting, processing and sale of resin.</u> |
| (newly added) | <u>(21) The import and export of the products listed in the preceding Items (3) through (20).</u> |
| (newly added) | <u>(22) The lease and sale of the rights regarding the research and development of the products listed in the preceding Items (3) through (20).</u> |
| (newly added) | <u>(23) The maintenance, inspection, repair and the provision of other services pertaining to the products listed in the preceding items (3) through (20).</u> |
| (newly added) | <u>(24) The design, construction, administration and contracting of construction works.</u> |
| (newly added) | <u>(25) The design, construction, administration and contracting of exterior construction works and waterproofing.</u> |
| (newly added) | <u>(26) The cleaning of buildings along with the inspection, maintenance and management of buildings and various equipment and machinery.</u> |
| (newly added) | <u>(27) Agency business of receiving and making telephone calls regarding repair of residential facilities and equipment and house cleaning requests.</u> |
| (newly added) | <u>(28) The design, construction, administration and contracting of the construction of buildings, such as housings, buildings, apartments and stores; the design, construction, administration and contracting of works, interior and exterior work, doors and windows work, glass work, electrical works, plant works; and design, construction, administration and contracting of works relating to the</u> |

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| (newly added) | <u>preceding Items (3) through (20).</u> |
| (newly added) | <u>(29) The ownership, administration, sale and purchase and lease of real estate and various equipment and machinery.</u> |
| (newly added) | <u>(30) The construction and sale of housing.</u> |
| (newly added) | <u>(31) The sale and lease of temporary housing.</u> |
| (newly added) | <u>(32) The lease of aluminum manufacturing machinery and equipment.</u> |
| (newly added) | <u>(33) The sale and lease of office equipment, telecommunications equipment, computers and their peripheral equipment, and the provision of data processing services.</u> |
| (newly added) | <u>(34) The development and sale of computer software and information systems.</u> |
| (newly added) | <u>(35) The lease, sale and purchase of rights related to the research and development of applied technology for electronic application equipment.</u> |
| (newly added) | <u>(36) Services regarding the planning, production, management and administration of home pages.</u> |
| (newly added) | <u>(37) Management consulting.</u> |
| (newly added) | <u>(38) The acquisition and holding of securities.</u> |
| (newly added) | <u>(39) The handling and storing of freight cargo.</u> |
| (newly added) | <u>(40) Non-life insurance agency business.</u> |
| (newly added) | <u>(41) Business related to the soliciting of life insurance.</u> |
| (newly added) | <u>(42) The development of technology, knowhow and management systems related to the design, construction and sale of housing.</u> |
| (newly added) | <u>(43) The sale of the technology, knowhow and management systems provided in the immediately preceding item.</u> |
| (newly added) | <u>(44) The manufacture and sale of wood and wooden construction materials.</u> |
| (newly added) | <u>(45) The lease of automobiles.</u> |
| (newly added) | <u>(46) Life nursing business for persons admitted to specified facilities and life nursing business for persons admitted to preventative nursing specified facilities under the Public Nursing Care Insurance Law.</u> |
| (newly added) | <u>(47) Management of pay nursing homes.</u> |
| (newly added) | <u>(48) Management of exclusive homes for the elderly.</u> |
| (newly added) | <u>(49) Operation of in-home care support businesses.</u> |
| (newly added) | <u>(50) Home-visit care and home-visit preventative care businesses.</u> |
| (newly added) | <u>(51) Home-visit bathing service and home-visit bathing service for preventative care businesses.</u> |
| (newly added) | <u>(52) Home-visit nursing and home-visit nursing for preventative care businesses.</u> |
| (newly added) | <u>(53) Home-visit rehabilitation and home-visit rehabilitation for preventative care businesses.</u> |
| (newly added) | <u>(54) Nighttime home-visit care and community-based nighttime home-visit care businesses.</u> |
| (newly added) | <u>(55) Routine and/or occasional home-visit</u> |

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| | <u>nursing care and routine and/or occasional community-based home-visit nursing care businesses.</u> |
| (newly added) | <u>(56) Day care and preventative day care businesses.</u> |
| (newly added) | <u>(57) Day care rehabilitation and preventative day care rehabilitation businesses.</u> |
| (newly added) | <u>(58) Medical day care business.</u> |
| (newly added) | <u>(59) Care for dementia outpatients and preventative care for dementia outpatients businesses.</u> |
| (newly added) | <u>(60) Community-based care and community-based preventative care for dementia outpatients businesses.</u> |
| (newly added) | <u>(61) Small-scale multifunction in-home care and small-scale multifunction in-home preventative care businesses.</u> |
| (newly added) | <u>(62) Community-based small-scale multifunction in-home care and community-based small-scale multifunction in-home preventative care businesses.</u> |
| (newly added) | <u>(63) Multi-service and community-based multi-service businesses.</u> |
| (newly added) | <u>(64) Short stay care and short stay preventative care businesses.</u> |
| (newly added) | <u>(65) Short stay medical care and preventative short stay medical care businesses.</u> |
| (newly added) | <u>(66) Daily life care for persons admitted to community-based specified facilities business.</u> |
| (newly added) | <u>(67) Rental of equipment for care covered by public aid and rental of equipment for preventative care covered by public aid businesses.</u> |
| (newly added) | <u>(68) Sale of specified equipment for care covered by public aid and sale of equipment for preventative care covered by public aid businesses.</u> |
| (newly added) | <u>(69) Recycling of industrial waste and general waste.</u> |
| (newly added) | <u>(70) Business regarding power generation and the provision of electricity.</u> |
| (newly added) | <u>(71) The manufacture and sale of fertilizer and feed, and the manufacture, sale and lease of manufacturing facilities therefor.</u> |
| (newly added) | <u>(72) The publishing, sale and printing of books.</u> |
| (newly added) | <u>(73) The management of ceramic stores and galleries.</u> |
| (newly added) | <u>(74) Self-reliance support and home-visit care regarding the promotion and maintenance of the health of the elderly and their leisure activities, and education and training therefor.</u> |
| (newly added) | <u>(75) Investing, lending and providing guaranty for business necessary for management.</u> |
| (3) To conduct all other businesses relating to or connected with the activities described in each Item above. | <u>(76) (unchanged)</u> |

Proposal No.2 Election of 12 Directors

All members of the Board of Directors (11) will resign upon expiration of their term of office as of the close of this General Meeting of Shareholders. Therefore, based on the decision of the Nomination Committee, the shareholders are requested to elect 12 directors.

| Candidate number | Name | Position and responsibility in the Company | |
|------------------|--|--|---------------------------|
| 1 | Yoichiro Ushioda | Director, Chairman of the Board and Nomination Committee Member | Reappointment |
| 2 | Yoshizumi Kanamori | Director, Executive Officer and Senior Managing Officer in charge of finance | Reappointment |
| 3 | Yoshinobu Kikuchi | Director and Chairperson of the Audit Committee | Reappointment |
| 4 | Keiichiro Ina | Director | Reappointment |
| 5 | Hidehiko Sato | Director, Nomination Committee Member and Audit Committee Member | Reappointment / Outside |
| 6 | Tsutomu Kawaguchi | Director and Audit Committee Member | Reappointment / Outside |
| 7 | Main Kohda (real name: Tokuko Sawa) | Director and Compensation Committee Member | Reappointment / Outside |
| 8 | Barbara Judge | Director | Reappointment / Outside |
| 9 | Ryuichi Kawamoto | Representative Executive Officer and Vice President in charge of Quality, Technology and Environment | New Appointment |
| 10 | Hirokazu Yamanashi | | New Appointment / Outside |
| 11 | Kinya Seto | Representative Executive Officer and Chief Operating Officer | New Appointment |
| 12 | Toshimasa Iue | | New Appointment |

Reappointment

Candidate Number

1

Yoichiro Ushioda
(December 21, 1953)

[Number of shares of the Company owned by the candidate]
9,376,220

[Area of responsibility (committee)]
Nomination Committee Member

Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

| | |
|-----------|--|
| Apr. 1977 | Joined the Company |
| Dec. 1980 | Director and General Manager, Sales Planning Department |
| May 1984 | Managing Director and Senior Manager, Product Division |
| Nov. 1986 | Senior Managing Director in charge of public relations, human resources, business improvement administration, total quality control and production |
| Jun. 1990 | Director and Vice President in charge of overseas businesses and product designs (Representative Director) |
| Sep. 1992 | Director and Vice President (Representative Director) |
| Jun. 1993 | Director and Vice President, Senior Manager, Accounting Division (Representative Director) |
| Nov. 2000 | Director and Vice President in charge of accounting and finance (Representative Director) |
| Oct. 2001 | Director and Vice President |
| Jun. 2003 | Director |
| Nov. 2006 | Director and Chairman and CEO (Representative Director) |
| Nov. 2006 | Director and Chairman and CEO, TOSTEM CORPORATION (currently LIXIL Corporation) (Representative Director) |
| Apr. 2009 | Director and President, TOSTEM CORPORATION |
| Jun. 2011 | Director, Representative Executive Officer and Chairman, CEO and Chairperson of the Nomination Committee of the Company |
| Aug. 2011 | Director, Representative Executive Officer and Chairman and Chairperson of the Nomination Committee |
| Aug. 2011 | Director and Chairman, LIXIL Corporation (Representative Director) |
| Jun. 2012 | Director, Chairman of the Board and Nomination Committee Member of the Company (current position) |

Reasons for nominating Mr. Ushioda as a candidate for the role of the Director

Mr. Yoichiro Ushioda has a wealth of experience and knowledge working in the important departments of the Company's group (the "Group") and has a deep understanding of the businesses and management of the Group overall. He is making an effort to strengthen the governance system with the future in mind through, among other things, leading the commencement of the Company's transition into the company with committees (current company with nomination committee, etc.). Based on the foregoing, it is expected that the Company's governance will be pursued further and the Board of Directors' supervisory function will be maintained and strengthened. For these reasons, the Company recommends him as a Director candidate.

Reappointment

Candidate Number

2

Yoshizumi Kanamori
(January 23, 1954)

[Number of shares of the Company owned by the candidate]
8,000

Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

| | |
|-----------|--|
| Apr. 1977 | Joined the Company |
| May 1995 | General Manager, Planning Management Department, Accounting Division |
| Jun. 2000 | Operating Officer and General Manager, Accounting Department, Accounting Division |
| Oct. 2001 | Operating Officer and Manager, Accounting Supervisory Group |
| May 2004 | Operating Officer and Manager, Strategy Planning Office |
| Feb. 2007 | Operating Officer and General Manager, Accounting and Finance Department and Strategy Planning Office |
| Jun. 2007 | Director in charge of accounting and finance |
| Feb. 2010 | Director in charge of accounting |
| Apr. 2010 | Director, Senior Managing Operating Officer and CFO |
| Apr. 2011 | Director, Senior Managing Operating Officer and CFO in charge of accounting and finance |
| Apr. 2011 | Director, Senior Managing Operating Officer and CFO, LIXIL Corporation |
| Jun. 2011 | Director, Executive Officer and Senior Managing Officer in charge of accounting and finance and CFO of the Company |
| Nov. 2011 | Director and Senior Managing Operating Officer, LIXIL Corporation |
| Apr. 2014 | Director, Executive Officer and Senior Managing Officer in charge of finance of the Company (current position) |

Reasons for nominating Mr. Yoshizumi Kanamori as a candidate for the role of the Director

Mr. Yoshizumi Kanamori has been involved in the work and management of accounting and finance, etc., and has a wealth of experience and knowledge. He has demonstrated his ability as an Executive Officer and Senior Managing Director in charge of finance and, as a Director, he is making an effort to strengthen the Company's governance system through giving accurate comments from time to time. Based on the foregoing, it is expected that the Board of Directors' supervisory function will be maintained and strengthened through supervision of the Executive Officers' duties. For these reasons, the Company recommends him as a Director candidate.

Reappointment

Candidate Number

3

Yoshinobu Kikuchi
(April 28, 1945)

[Number of shares of the Company owned by the candidate]
21,100

[Area of responsibility (committee)]
Chairperson of the Audit Committee

Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

| | |
|-----------|---|
| Jan. 1969 | Joined the Company |
| Dec. 1991 | Manager, General Affairs Division of Personnel Planning and General Affairs Department |
| Nov. 1992 | Manager, General Affairs Department of Residential Building Materials Division |
| Nov. 1998 | Manager, Personnel Planning and General Affairs Department and Sales Personnel Planning and General Affairs Department |
| Jun. 1999 | Managing Operating Officer and Manager, Personnel Planning and General Affairs Department |
| Oct. 2001 | Managing Operating Officer and Manager, Personnel Planning Supervisory Group |
| Jan. 2005 | Managing Operating Officer and Manager, Personnel Planning and General Affairs Supervisory Group and Corporate Planning Supervisory Group |
| Feb. 2007 | Managing Operating Officer and Manager, Personnel Planning and General Affairs Department and Business Fostering Department |
| Jun. 2007 | Director and Manager, Personnel Planning and General Affairs Department and Business Fostering Department |
| Apr. 2008 | Director in charge of personnel, general and legal affairs |
| Apr. 2009 | Director, Vice President and Operating Officer, TOSTEM CORPORATION (currently LIXIL Corporation) |
| Jun. 2010 | Vice President and Operating Officer, Housing, Real Estate and Other Business CEO in charge of personnel planning of the Company |
| Apr. 2011 | Executive Vice President and Operating Officer in charge of personnel planning, LIXIL Corporation |
| Jun. 2011 | Executive Officer, Vice President in charge of personnel planning, general affairs, legal affairs and real estate of the Company |
| Apr. 2012 | Executive Officer and Vice President in charge of real estate |
| Apr. 2012 | Vice President and Operating Officer, LIXIL Corporation |
| Jun. 2012 | Director and Chairperson of the Audit Committee of the Company (current position) |

Reasons for nominating Mr. Yoshinobu Kikuchi as a candidate for the role of the Director

Mr. Yoshinobu Kikuchi has been involved in the work and management of human resources and general affairs etc., for many years, and has a wealth of experience and knowledge. Currently, he gives accurate comments from time to time as a non-executive Director, has demonstrated his abilities as the Chairperson of the Audit Committee and is making an effort to strengthen the Company's governance system. Based on the foregoing, it is expected that the Board of Directors' supervisory function will be maintained and strengthened through supervision of the Executive Officers' duties. For these reasons, the Company recommends him as a Director candidate.

Reappointment

Candidate Number

4

Keiichiro Ina
(March 24, 1949)

[Number of shares of the Company owned by the candidate]
318,500

Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

| | |
|-----------|--|
| Apr. 1974 | Joined Ina Seito Co., Ltd. (currently LIXIL Corporation) |
| Jan. 1998 | Director and General Manager, Aqua Business, Housing-related Division, Ina Seito Co., Ltd. |
| Oct. 2001 | Director of the Company |
| Apr. 2003 | Director of the Company in charge of audit, IR and public relations and accounting and finance |
| Jul. 2006 | Director of the Company in charge of IR and public relations |
| Apr. 2008 | Director of the Company in charge of CSR |
| Jun. 2009 | Director of the Company (current position) |

Reasons for nominating Mr. Keiichiro Ina as a candidate for the role of the Director

Mr. Keiichiro Ina has been involved in the work and management of IR and public relations etc., for many years and has a wealth of experience and knowledge. Currently, as a non-executive Director, he utilizes his experience, has demonstrated his abilities and is making an effort to strengthen the Company's governance system. Based on the foregoing, it is expected that the Board of Directors' supervisory function will be maintained and strengthened through supervision of the Executive Officers' duties. For these reasons, the Company recommends him as a candidate for the role of the Director.

Reappointment / Outside

Candidate Number

5

Hidehiko Sato
(April 25, 1945)

[Number of shares of the Company owned by the candidate]
6,000

[Area of responsibility (committee)]
Nomination Committee Member
Audit Committee Member

[Term of office served as at the end of this General Meeting of Shareholders]
5 years

Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

| | |
|-----------|---|
| Apr. 1968 | Joined National Police Agency |
| Aug. 1986 | Counselor, Cabinet Legislation Bureau |
| Apr. 1992 | Chief, Criminal Investigation Section, Metropolitan Police Department |
| Feb. 1995 | Chief, Saitama Prefectural Police Headquarters |
| Dec. 1996 | Superintendent, Criminal Investigation Bureau, National Police Agency |
| Jan. 1999 | Chief, Osaka Prefectural Police Headquarters |
| Aug. 2002 | Director-General, National Police Agency |
| Aug. 2004 | Advisor, National Police Agency |
| Feb. 2005 | President, Police Personnel Mutual Aid Association |
| Jun. 2011 | Attorney (Daiichi Tokyo Bar Association) (current position) |
| Jun. 2011 | Director (Outside Director) and Audit Committee Member of the Company |
| Jun. 2011 | Auditor (Outside Auditor), Dainippon Sumitomo Pharma Co., Ltd. |
| Jun. 2013 | Director (Outside Director), Dainippon Sumitomo Pharma Co., Ltd. (current position) |
| Jun. 2013 | Director (Outside Director), Nomination Committee Member and Audit Committee Member of the Company (current position) |
| Jun. 2015 | Director (Outside Director), Resona Holdings, Inc. (current position) |

Reasons for nominating Mr. Hidehiko Sato as a candidate for the role of the Outside Director

Mr. Hidehiko Sato has wide-ranging knowledge and deep insight into compliance and extensive experience in Police Agency, and currently fulfills his role as an Outside Director of the Company in a proper manner, principally in supervising decision-making on important management matters and business execution. It is for these reasons that the Company recommends him as an Outside Director candidate.

Reasons for determining that Mr. Hidehiko Sato is able to appropriately perform the duties as an Outside Director

Although Mr. Hidehiko Sato has never been directly involved in corporate management, he has extensive experience in organizational operation in Police Agency and sufficient insight into supervision of corporate management. The Company has therefore determined that he will properly perform his duties as an Outside Director.

Reappointment / Outside

Candidate Number

6

Tsutomu Kawaguchi
(September 28, 1946)

[Number of shares of the Company owned by the candidate]

0

[Area of responsibility (committee)]

Audit Committee Member

[Term of office served as at the end of this General Meeting of Shareholders]

5 years

Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

| | |
|-----------|---|
| Feb. 1971 | Joined Chuo Audit Corporation |
| Mar. 1974 | Registered as a certified public accountant |
| Jul. 1979 | Partner, Chuo Audit Corporation |
| Mar. 1983 | Representative Partner, Chuo Audit Corporation |
| Apr. 2002 | Visiting Professor, Chuo University |
| Aug. 2007 | Representative Partner, Grant Thornton Taiyo ASG Audit Corporation (currently Grant Thornton Taiyo ASG) |
| Jul. 2010 | Auditor (Outside Auditor), FreeBit Co., Ltd. (current position) |
| Jun. 2011 | Director (Outside Director) and Chairperson of the Audit Committee of the Company |
| Jun. 2012 | Director (Outside Director) and Audit Committee Member of the Company (current position) |
| Jun. 2014 | Director (Outside Director), VINX CORP. (current position) |
| Mar. 2015 | Director (Outside Director), Cybernet Systems Co., Ltd. (current position) |

Reasons for nominating Mr. Tsutomu Kawaguchi as a candidate for the role of the Outside Director

Mr. Tsutomu Kawaguchi has specialized knowledge and extensive experience in finance and accounting gained as a certified public accountant, and currently fulfills his role as an Outside Director in a proper manner, principally in supervising decision-making on important management matters and business execution. It is for these reasons that the Company recommends him as an Outside Director candidate.

Reasons for determining that Mr. Tsutomu Kawaguchi is able to appropriately perform the duties as an Outside Director

Although Mr. Tsutomu Kawaguchi has never been directly involved in corporate management, he is well versed in corporate accounting as a certified public accountant and has sufficient insight into the supervision of corporate management. The Company has therefore determined that he will properly perform his duties as an Outside Director.

Reappointment / Outside

Candidate Number

7

Main Kohda
(real name: Tokuko Sawa)
(April 25, 1951)

[Number of shares of the Company owned by the candidate]
0

[Area of responsibility (committee)]
Compensation Committee Member

[Term of office served as at the end of this General Meeting of Shareholders]
3 years

Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

| | |
|-----------|---|
| Sep. 1995 | Started to work independently and work continuously up to the present date as a writer |
| Jan. 2003 | Member of the Fiscal System Council, Ministry of Finance (Japan) |
| Apr. 2004 | Visiting professor, Faculty of Economics, Shiga University |
| Mar. 2005 | Member of the Council for Transport Policy, Ministry of Land, Infrastructure, Transport and Tourism |
| Nov. 2006 | Member of the Tax Commission, Cabinet Office, Government of Japan |
| Jun. 2010 | Member of the Board of Governors, Japan Broadcasting Corporation |
| Jun. 2012 | Director (Outside Director), JAPAN TOBACCO INC. (current position) |
| Jun. 2013 | Director (Outside Director) and Compensation Committee Member of the Company (current position) |

Reasons for nominating Ms. Main Kohda as a candidate for the role of the Outside Director

In addition to her profound knowledge of international finance, Ms. Main Kohda has deep insight and objective perspective as a writer and has wide-range of experiences as a member of the councils for Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourism. She currently fulfills her role as an Outside Director in a proper manner, principally in supervising decision-making on important management matters and business execution. It is for these reasons that the Company recommends her as an Outside Director candidate.

Reappointment / Outside

Candidate Number

8

Barbara Judge
(December 28, 1946)

[Number of shares of the Company owned by the candidate]

0

[Term of office served as at the end of this General Meeting of Shareholders]

1 year

[Important concurrently-held positions]

Chairman, United Kingdom Pension Protection Fund

Chairman, United Kingdom Institute of Directors

Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

| | |
|-----------|---|
| Sep. 1969 | Attorney, Paul, Weiss, Rifkind, Wharton and Garrison |
| Feb. 1973 | Attorney, Kaye, Scholer, Fierman, Hays and Handler |
| Sep. 1980 | Commissioner, US Securities and Exchange Commission |
| Dec. 1983 | Mainboard Executive Director, Samuel Montagu & Co. Ltd. |
| Oct. 1987 | Senior Vice President and Group Head, Bankers Trust Company |
| Sep. 1990 | Managing Director, Cramer Rosenthal McGlynn Inc. |
| Jan. 1993 | Main Board Executive Director, News International plc |
| Apr. 1994 | Deputy Chairman, Friends Provident plc |
| Mar. 1996 | Chairman, Whitworths Group Ltd. and Scotia Haven Group |
| Jan. 2000 | Founder and Chairman, Private Equity Investor plc |
| Mar. 2000 | Outside Director, Portmeirion Group PLC (current position) |
| Sep. 2002 | Director, United Kingdom Atomic Energy Authority |
| Jul. 2004 | Chairman, United Kingdom Atomic Energy Authority |
| Mar. 2007 | Outside Director, NV Bekaert SA |
| Sep. 2007 | Outside Director, Magna International Inc (current position) |
| May. 2010 | Chairman, United Kingdom Pension Protection Fund (current position) |
| May. 2015 | Chairman, United Kingdom Institute of Directors (current position) |
| June.2015 | Director of the Company (Outside Director) (current position) |

Reasons for nominating Ms. Barbara Judge as a candidate for the role of the Outside Director

Ms. Barbara Judge reflects a global viewpoint in the Board of Directors of the Company based on her years of extensive experience and knowledge in companies and official positions. Currently, she fulfils her role as an Outside Director sufficiently by supervising decision-making on important management matters and business execution. It is for these reasons that the Company recommends her as an Outside Director candidate.

New Appointment

Candidate Number

9

Ryuichi Kawamoto
(October 8, 1952)

[Number of shares of the Company owned by the candidate]
16,652

Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

| | |
|-----------|---|
| Apr. 1976 | Joined Ina Seito Co., Ltd. (Current LIXIL Corporation) |
| Jan. 2000 | Director, Living Space Business Division, Facilities Division Head, Ina Seito Co., Ltd. |
| Apr. 2003 | Director, Corporate Planning Department Head and Marketing Department Head, Ina Seito Co., Ltd. |
| Jun. 2003 | Managing Director, Corporate Planning Department Head and Marketing Department Head, Ina Seito Co., Ltd. |
| Apr. 2004 | Managing Director, Tile Building Materials Division Head and Marketing Department Head, Ina Seito Co., Ltd. |
| Jun. 2004 | Director, Managing Director and Operating Officer, Tile Building Materials Division Head, Ina Seito Co., Ltd. |
| Jun. 2006 | Director, Senior Managing Director and Operating Officer, Division Head, Business Division and Global Business, Ina Seito Co., Ltd. |
| Jun. 2007 | Director and President, President and Operating Officer (Representative Director), Ina Seito Co., Ltd. |
| Apr. 2011 | Director, Senior Vice President and Operating Officer, Metal & Architectural Materials Company President, Ina Seito Co., Ltd. |
| Jun. 2011 | Executive Officer and Vice President in charge of Metal & Architectural Materials of the Company |
| Jun. 2012 | Director, Senior Vice President and Operating Officer, Metal & Architectural Materials Business President (Representative Director), LIXIL Corporation |
| Jun. 2012 | Representative Executive Officer and Vice President in charge of Metal & Architectural Materials of the Company |
| Apr. 2013 | Representative Executive Officer and Vice President in charge of Product Development / Production of the Company |
| Apr. 2013 | Director, Senior Vice President and Operating Officer, Products Company President (Representative Director), LIXIL Corporation |
| Apr. 2014 | Representative Executive Officer and Vice President in charge of Product / Technology Development of the Company |
| Apr. 2014 | Director, Senior Vice President and Operating Officer and Chief Technology Officer (Representative Director), LIXIL Corporation |
| Apr. 2015 | Representative Executive Officer and Vice President in charge of Quality and Technology of the Company |
| Apr. 2015 | Senior Vice President and Operating Officer and Chief Technology Officer, LIXIL Corporation |
| Nov. 2015 | Representative Executive Officer and Vice President in charge of Quality, Technology and Environment of the Company (current position) |
| Mar. 2016 | Senior Vice President and Operating Officer, Chief Technology Officer and LIXIL Water Technology Chief Manufacturing Optimization Officer, LIXIL Corporation (current position) |

Reasons for nominating Mr. Ryuichi Kawamoto as a candidate for the role of the Director

Mr. Ryuichi Kawamoto has extensive experience and knowledge as a business manager such as serving as the Representative Director of LIXIL Corporation. As he has demonstrated his abilities as an Executive Officer and Vice President in charge of Quality, Technology and Environment (Representative Executive Officer), it is expected that he will contribute to the strengthening of the Company's governance system through his involvement in the decision-making of important management matters as a Director. For these reasons, the Company recommends him as a Director candidate.

New Appointment / Outside

Candidate Number

10

Hirokazu Yamanashi
(April 18, 1954)

[Number of shares of the Company owned by the candidate]

0

Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

| | |
|-----------|---|
| Apr. 1978 | Joined Fuji Photo Film Co., Ltd. (currently FUJIFILM Holdings Corporation) |
| Jan. 1990 | Joined McKinsey & Company |
| Jul. 1995 | Principal (Partner), McKinsey & Company |
| Jul. 2003 | Director (Senior Partner), McKinsey & Company |
| Apr. 2014 | Advisor in charge of Internal Affairs, AEON CO, LTD. |
| Apr. 2014 | Executive Officer and Senior Managing Director in charge of Internal Affairs, AEON CO, LTD. |
| Feb. 2015 | Executive Officer in charge of Corporate Planning, AEON CO, LTD. |
| Feb. 2015 | Executive Officer in charge of Corporate Planning and E-Money Business, AEON CO, LTD. |
| Mar. 2016 | Executive Officer, AEON CO, LTD. |

Reasons for nominating Mr. Hirokazu Yamanashi as a candidate for the role of the Outside Director

Mr. Hirokazu Yamanashi has specialized experience and knowledge gained through his business consultancy work and extensive experience and knowledge gained from being in charge of internal affairs and serving as an executive officer in charge of business planning of a listed company. The Company believes that these experiences and knowledge will be reflected in the Board of Directors of the Company and that he will fulfil his role as the Outside Director sufficiently in the decision-making on important management matters of the Company and supervising business execution. For these reasons, the Company recommends him as an Outside Director candidate.

New Appointment

Candidate Number

11

Kinya Seto
(June 25, 1960)

[Number of shares of the Company owned by the candidate]
0

[Important concurrently-held positions]
Director, President and CEO, LIXIL Corporation

Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

| | |
|-----------|--|
| Apr. 1983 | Joined Sumitomo Corporation |
| Jul. 1990 | Project Manager for Special Steel Products, Sumitomo Corporation of America (currently Sumitomo Corporation of Americas), Detroit Office |
| Jul. 1992 | Vice President, Precision Bar Service, INC. |
| May. 1997 | Representative Director and President, Iron Dynamics Process International LLC |
| Sep. 1999 | Business Planning Dept., Iron & Steel Division, No.1 e-Commerce Team Head and Manager, Sumitomo Corporation |
| Oct. 2000 | Director, MonotaRO Co., Ltd. |
| Jun. 2001 | Representative Director and President, MonotaRO Co., Ltd. |
| Mar. 2006 | Director, Representative Executive Officer and President, MonotaRO Co., Ltd. |
| Nov. 2010 | Director, Zoro Tools, Inc. |
| Aug. 2011 | Representative Director and President, K-engine Corp. |
| Mar. 2012 | Representative Director and President, Grainger Asia Pacific Co., Ltd. |
| Mar. 2012 | Director, Representative Executive Officer and Chairman, MonotaRO Co., Ltd. |
| Apr. 2012 | Vice President in charge of Asia Pacific, W. W. Grainger, Inc. |
| Oct. 2013 | Senior Vice President in charge of Online Business, W. W. Grainger, Inc. |
| Dec. 2013 | CEO, GWW UK Online Ltd. (current Razor Occam, Ltd.) |
| Mar. 2014 | Director and Chairman, MonotaRO Co., Ltd. (current position) |
| Jan. 2016 | Representative Executive Officer and COO of the Company (current position) |
| Jan. 2016 | Director, President and CEO (Representative Director), LIXIL Corporation |
| Mar. 2016 | Director, President and CEO (Representative Director) and LIXIL Water Technology CEO (current position), LIXIL Corporation |

Reasons for nominating Mr. Kinya Seto as a candidate for the role of the Director

Mr. Kinya Seto has demonstrated his abilities through his deep involvement in the decision-making in relation to important business execution of the Group with his strong leadership and making use of his extensive experience and wealth of knowledge as a business manager of multiple corporations. As such, it is expected that he will be able to fulfill his responsibilities of explanation to the Board of Directors as a Representative Executive Officer and contribute to the strengthening of the Company's governance system through his involvement as a Director in the decision-making on important management matters. For these reasons, the Company recommends him as a Director candidate.

New Appointment

Candidate Number

12

Toshimasa Iue
(December 3, 1962)

[Number of shares of the Company owned by the candidate]
10,000

Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

| | |
|-----------|---|
| Apr. 1989 | Joined SANYO Electric Co., Ltd. |
| Jun. 1996 | Director, SANYO Electric Co., Ltd. |
| Jun. 1998 | Managing Director, SANYO Electric Co., Ltd. |
| Jun. 2002 | Director, Vice President and CMO (Representative Director), SANYO Electric Co., Ltd. |
| Jun. 2005 | Director and President and COO (Representative Director), SANYO Electric Co., Ltd. |
| Feb. 2006 | Director and President (Representative Director), SANYO Electric Co., Ltd. |
| Apr. 2007 | Director, SANYO Electric Co., Ltd. |
| Jun. 2007 | Special Advisor, SANYO Electric Co., Ltd. |
| Sep. 2009 | Advisor of the Company |
| Feb. 2010 | Vice President and Operating Officer in charge of New Businesses, Global Business Division Head of the Company |
| Apr. 2011 | Vice President and Operating Officer of the Company |
| Apr. 2011 | Director, Vice President and Operating Officer in charge of Research and Development, President of International Company, LIXIL Corporation |
| Jun. 2011 | Executive Officer and Vice President in charge of International of the Company |
| Apr. 2012 | Director, Vice President and Operating Officer, President of Global Company, Global Company Chief Manufacturing Officer, LIXIL Corporation |
| Jun. 2012 | Executive Officer and Vice President in charge of Global of the Company |
| Jul. 2012 | Director, Vice President and Operating Officer, President of Global Company, LIXIL Corporation |
| Oct. 2013 | Director, Vice President and Operating Officer, CEO of Global Company, LIXIL Corporation |
| Apr. 2014 | Executive Officer and Vice President in charge of Marketing of the Company |
| Apr. 2014 | Director, Vice President and Operating Officer, Chief Marketing and Sales Officer, LIXIL Corporation |
| Apr. 2015 | Director, Vice President and Operating Officer, LIXIL Housing Technology CEO, LIXIL Corporation (current position) |

Reasons for nominating Mr. Toshimasa Iue as a candidate for the role of the Director

Mr. Toshimasa Iue has extensive experience and knowledge as a business manager such as serving as the Representative Director of a listed company. He is involved in the decision-making on the Company's important businesses such as the overseas business expansion. Currently, he is demonstrating his abilities as a Director, Vice President and Operating Officer of LIXIL Corporation. As such, it is expected that he will be able to contribute to the strengthening of the Company's governance system through his involvement as a Director in the decision-making on important management matters. For these reasons, the Company recommends him as a Director candidate.

Notes:

1. The respective candidates and the Company do not share any special interests.
2. The Company has set forth in Article 30, Paragraph 2 of the current Articles of Incorporation that the Company may enter into an agreement with each Outside Director which limits the liability for damages of each Outside Director to the Company. Pursuant to this provision, the Company has entered into such liability limitation agreements with Mr. Hidehiko Sato, Mr. Tsutomu Kawaguchi, Ms. Main Kohda and Ms. Barbara Judge respectively, and if the election of Mr. Hidehiko Sato, Mr. Tsutomu Kawaguchi, Ms. Main Kohda and Ms. Barbara Judge is approved at this General Meeting of Shareholders, the Company will continue its liability limitation agreements with Mr. Hidehiko Sato, Mr. Tsutomu Kawaguchi, Ms. Main Kohda and Ms. Barbara Judge. Furthermore, if the election of Mr. Hirokazu Yamanashi is approved at this General Meeting of Shareholders, the Company will enter into a liability limitation agreement of similar content with him.
The content of such agreements can be summarized as follows:
 - If any liability for damages to the Company arises as a result of an Outside Director's negligence in performing his or her duties, such Outside Director shall be liable to the Company up to the higher of 10 million yen or any amount prescribed by applicable laws and regulations.
 - The aforementioned limitation of liability is applicable only if such Outside Director has acted in good-faith and has not been grossly negligent in performing his or her duties which have caused the liability.
3. The Company has notified each domestic stock exchange on which the Company is listed of the names of Mr. Hidehiko Sato, Mr. Tsutomu Kawaguchi, Ms. Main Kohda and Ms. Barbara Judge as independent officers, and if the election of Mr. Hidehiko Sato, Mr. Tsutomu Kawaguchi, Ms. Main Kohda and Ms. Barbara Judge are approved at this General Meeting of Shareholders, the Company will continue the notifications of Mr. Hidehiko Sato, Mr. Tsutomu Kawaguchi, Ms. Main Kohda and Ms. Barbara Judge as independent officers. In addition, if the election of Mr. Hirokazu Yamanashi is approved at this General Meeting of Shareholders, the Company will notify each relevant stock exchange of Mr. Hirokazu Yamanashi as an independent officer. Each of Mr. Hidehiko Sato, Mr. Tsutomu Kawaguchi, Ms. Main Kohda, Ms. Barbara Judge and Mr. Hirokazu Yamanashi satisfies the independence criteria prescribed by the Company (next page).
4. With respect to the discovery of the fact that there were accounting irregularities at the Company's former subsidiary, Joyou AG (located in Germany, listed on Frankfurt Stock Exchange. Bankruptcy proceeding was commenced on July 16, 2015 at the Hanburg District Court of Germany.), between April 1, 2015 and July 16, 2015 ("Joyou Issue"), the Company has completed the key measures as scheduled. Each of Mr. Hidehiko Sato, Mr. Tsutomu Kawaguchi and Ms. Main Kohda had been giving various recommendations on a regular basis at the Board of Directors' meetings, etc., from the perspective of compliance and strengthening of internal governance, but after the Joyou Issue had come to light, each of them gave various recommendations and opinions at the Board of Directors' meetings, etc., to strengthen the Group management process and governance including recommendations with respect to the specific details of the measures to prevent recurrence. Ms. Barbara Judge was not appointed as a Director of the Company at the time when the Joyou Issue had come to light. However, after her appointment as a Director of the Company, she has given various recommendations and opinions at the Board of Directors' meetings, etc., to strengthen the Group management process and governance including recommendations with respect to the specific details of the measures to prevent recurrence.

[Reference] Independence criteria of an Outside Director of the Company

The Company prescribes below criteria for the purpose of securing of independence of an Outside Director.

1. The Company considers an outside director to be independent unless he or she is:
 - (1) A shareholder, or an executing person of such shareholder (an executing person means an “executing person” provided in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act; the same shall apply hereafter in this page), who holds 10% or more of the voting rights of the Company;
 - (2) An executive officer of a company of which the Company holds 10% or more of the voting rights;
 - (3) A business partner whose transactions with the Group exceed an amount of 2% or more of the consolidated gross revenue of either the Group or such business partner in a fiscal year, or an executive officer of such business partner;
 - (4) A financial institution or other major creditor which is essential for the financing of the Group and on which such financing is irreplaceably dependent on, or an executing person thereof;
 - (5) A member, partner or employee of the audit firm or tax accountant firm which is an accounting auditor or accounting advisor of the Group;
 - (6) A person receiving a donation or subsidy of ¥10 million or more from the Group in a fiscal year, or if the person receiving the donation or subsidy is a corporation, partnership or other organization (the “Juridical Persons, etc.”), an executing person of the Juridical Persons, etc. receiving a donation or subsidy of more than 2% of the consolidated gross revenues of such Juridical Persons, etc. from the Group in a fiscal year;
 - (7) A person receiving monetary payments or other financial assets of ¥10 million or more from the Group as a lawyer, accountant, tax accountant, consultant or other professional advisor, besides the director compensation, or if a person receiving such financial assets is a juridical person, partnership or other organization such as a legal professional corporation, law firm, audit corporation, tax accountant corporation or consulting firm (the “Law Firm, etc.”), a person belonging to the Law Firm, etc. receiving monetary payments or other financial assets of more than 2% of the Law Firm, etc.’s annual gross revenues from the Group;
 - (8) A person whose spouse, a relative within the second degree of kinship or a relative who lives with such person corresponds to any of subsections (1) through (7) of this paragraph;
 - (9) A person who corresponded to any of subsections (1) through (8) of this paragraph in the past five years; or
 - (10) An executing person of a company to which an executing person (meaning an executive director, executive officer, operating officer, manager or other employees, notwithstanding subsection (1) in this paragraph) of the Group serves as an officer of such company.
2. The Board of Directors shall monitor on an ongoing basis whether persons serving as outside directors continue to satisfy the criteria set forth in the preceding paragraph.

END

(Attached Documents)

Business Report for the 74th Fiscal Year
(From April 1, 2015 to March 31, 2016)

1. Matters regarding the current state of the company groups
 - (1) Business developments and their results

Although the employment situation improved based on implementation of the economic and fiscal policy, the Japanese economy in this consolidated fiscal year has not made the slightest progress with the sense of stagnation of the economic trend due to the weak recovery of the overseas economy and the continuance of weak consumer spending. With regards to residential investments, although the recoil reduction of last-minute demand associated with consumption tax increase recovered with the number of newly constructed homes at 920 thousand (4.6% increase compared to the same period the previous year), the standard for owned-housing construction has slumped and it has been under an extremely difficult business environment.

The Group has steadily implemented various measures based on the basic policies of the Medium-Term Management Plan such as business reform of domestic growing business, globalization of the overseas business, structural reform of existing domestic business. As a part of this plan, besides transferring into a four technology business structure within LIXIL Corporation, subsidiaries such as GROHE Group S.à r.l. have been consolidated.

As a result of these activities, we were able to secure an increase in revenue for this consolidated fiscal year with net sales at ¥1,845,117 million (10.3% increase compared to the same period the previous year) because of the contributions of subsidiaries that became newly consolidated and the favorable progress in overseas business. On the operating income side, while the operating expenses increased due to currency fluctuation, increases in the price of materials, actuarial difference relating to retirement benefit obligations in the domestic subsidiaries; as a result of improvement in selling prices and new consolidation, there was an increase in operating income of ¥56,259 million (8.9% increase compared to the same period the previous year). However, ordinary income decreased to ¥48,421 million (16.3% decrease compared to the same period the previous year) due to aggravation of foreign exchange gain and loss, the current net loss belongs to shareholders of parent company was a loss of ¥18,664 million (the current net profit belongs to shareholders of parent company for the same period the previous year was ¥22,012 million) due to recording a large amount of extraordinary loss such as loss related to investment in affiliated companies, loss on valuation of stock sales, loss on step acquisitions and loss on impairment of fixed assets.

The overall conditions for each business sector are as follows. Furthermore, the business categories were previously disclosed in 9 categories, but along with transferring to the technology business structure from this consolidated fiscal year, it has been changed to 6 categories. Therefore, comparisons with the same period of the previous year have been made by rearrangements based on the business categories after the changes.

[Water Technology Business]

In the Water Technology Business, in addition to the effect of the new consolidation, through introduction of a new product, sales in the U.S. and overseas progressed favorably and the extended sales of the integrated bathroom “SPAGE”

which was added to the product line-up for apartment remodeling was successful, there was an increase in revenues and profits, net sales were at ¥586,367 million (42.7% increase compared to the same period the previous year) with operating income at ¥50,602 million (86.1% increase compared to the same period the previous year).

[Housing Technology Business]

In the Housing Technology Business, while we promoted sales through the sales of “ERSTER-S,” a high-performance resin window which realized super insulation with a beautiful design, because of effects such as decline in demand of newly built homes, net sales was at ¥586,762 million (1.7% decrease compared to the same period the previous year), although there were improvement in selling price, there was a decrease in revenues and profits with operating profit at ¥30,421 million (15.3% decrease compared to the same period the previous year) due to currency exchange effect, sudden increase in the price of materials and increase of operating expense with regards to retirement benefit obligation.

[Building Technology Business]

In the Building Technology Business, while increase in orders mainly in the U.S. and UK contributed to the increase in revenue with net sales at ¥346,810 million (3.9% increase compared to the same period the previous year), since profit declined in part of properties due to slowdown of Middle Eastern and Chinese economies and allowance for doubtful accounts was recorded against receivables for long-term contract construction which are expected to be unrecoverable, the operating loss amounted to ¥6,376 million (operating income of the same period the previous year was ¥3,929 million).

[Kitchen Technology Business]

In the Kitchen Technology Business, while we promoted sales through the release of the integrated kitchen “SUNVARIE (RICHELLE SI),” due to effects of factors such as slowdown of the Chinese economy, there was a decrease in revenue net sales at ¥112,666 million (0.4% decrease compared to the same period the previous year), since there was an increase in expenses to deal with the effects of damages from snow in the same period the previous year, the operating income was ¥844 million (operating loss of the same period the previous year was ¥1,767 million) and returned to profitability.

[Distribution and Retail Business]

In the Distribution and Retail Business, although expansion continued in large home improvement stores such as “Super VIVAHOME Nagoya Minami-ten” which is a new model store which actualizes “problem solving for housing and living” and “assortment of products to respond to professional customers” by making the “Ken Depot Pro” business an affiliated company accounted for by the equity-method, there was a decrease in revenue with net sales at ¥188,766 million (5.1% decrease compared to the same period the previous year), but with the growth of the home improvement store business, there was an increase in profit with operating income was at ¥8,126 million (13.7% increase compared to the same period the previous year).

[Housing and Services Business]

In the Housing and Services Business, by focusing on strengthening promotion of

receiving orders and sales promotion through the release of “Arietta DS,” a house with world standard thermal insulation performance, there was an increase in revenue with net sales at ¥61,604 million (3.4% increase compared to the same period the previous year), but by accounting the appraisal loss of real estate for sale, there was a decrease in profit with operating income at ¥3,488 million (14.0% decrease compared to the same period the previous year).

Net sales and operating income and loss by Business

| Business Category | 2015 Consolidated Accounting Period (April 1, 2014 to March 31, 2015) | | 2016 Consolidated Accounting Period (April 1, 2015 to March 31, 2016) | | Comparison increase/decrease with same period of previous year | |
|--|---|---------------------------------|---|---------------------------------|---|---------------------------------|
| | Net Sales | Operating Income and Loss | Net Sales | Operating Income and Loss | Net Sales | Operating Income and Loss |
| | million JPY | million JPY | million JPY | million JPY | % | % |
| Water Technology Business | 410,894 | 27,185 | 586,367 | 50,602 | 42.7 | 86.1 |
| Housing Technology Business | 596,683 | 35,930 | 586,762 | 30,421 | △1.7 | △15.3 |
| Building Technology Business | 333,772 | 3,929 | 346,810 | △6,376 | 3.9 | - |
| Kitchen Technology Business | 113,089 | △1,767 | 112,666 | 844 | △0.4 | - |
| Distribution and Retail Business | 198,827 | 7,144 | 188,766 | 8,126 | △5.1 | 13.7 |
| Housing and Services Business etc. | 59,557 | 4,055 | 61,604 | 3,488 | 3.4 | △14.0 |
| Deletion or Common throughout Company | △39,419 | △24,803 | △37,860 | △30,847 | - | - |
| Total | 1,673,405 | 51,674 | 1,845,117 | 56,259 | 10.3 | 8.9 |

(2) Status of capital investment

The amount of capital investment for this consolidated fiscal year is ¥76,403 million. Most of the amount was for the investment in key system renovations, and the remainder was for streamlining and investment in the maintenance and renewal of facilities.

(3) Status of financial arrangements

In this consolidated fiscal year, ¥83,908 million was procured through long-term loans for appropriation to refinancing funds for consolidated subsidiaries.

(4) Status of transfer of business, absorption-type split or incorporation-type company split

In this consolidated fiscal year, LIXIL Corporation, which is a consolidated subsidiary, spun off the Ken Depot business which operates a general building material store for members only and established Ken Depot Corporation through incorporation-type company split method and made Ken Depot Corporation an affiliated company accounted for by the equity-method.

(5) Status of acquisition or disposal of shares, other equity, or share option of other companies

In this consolidated fiscal year, by LIXIL Corporation acquiring shares of Grohe Group S.à r.l. and amendments being made in the shareholders agreement concluded between LIXIL Corporation and Development Bank of Japan Inc., Grohe Group S.à r.l. became a consolidated subsidiary.

Further, by LIXIL Corporation transferring all shares of AMTRONIC Pte. Ltd. which was a subsidiary, as of March 31, 2016, AMTRONIC Pte. Ltd. and its subsidiary Shanghai Meite Curtain Wall System Co., Ltd. have been deconsolidated.

(6) Status of assets and income/losses of the previous 3 fiscal years

| Category | 2013 Consolidated Accounting Period (April 1, 2012 to March 31, 2013) | 2014 Consolidated Accounting Period (April 1, 2013 to March 31, 2014) | 2015 Consolidated Accounting Period (April 1, 2014 to March 31, 2015) | 2016 Consolidated Accounting Period (April 1, 2015 to March 31, 2016) |
|--|---|---|---|---|
| Net sales (million JPY) | 1,436,395 | 1,628,658 | 1,673,405 | 1,845,117 |
| Ordinary income (million JPY) | 53,063 | 74,937 | 57,862 | 48,421 |
| Current net income or loss to shareholders of parent company (million JPY) | 21,347 | 20,951 | 22,012 | △18,664 |
| Net income or net loss per share for period (JPY) | 73.42 | 72.06 | 75.46 | △65.11 |
| Total assets (million JPY) | 1,465,689 | 1,786,293 | 1,875,249 | 2,060,873 |
| Net assets (million JPY) | 566,312 | 601,795 | 613,651 | 637,517 |
| Net asset per share (JPY) | 1,930.02 | 2,041.34 | 2,104.27 | 1,894.55 |
| Equity ratio (%) | 38.3 | 33.2 | 32.1 | 26.4 |

(Note)

Based on the application of “Accounting Standard for Business Combination” (Business Accounting Standard No. 21, September 13, 2013) etc., starting from the current consolidation accounting period the item name “Net income or net loss for period” has been changed to “Current net income or loss to shareholders of parent company.”

(7) Issues to be dealt with

As to our outlook for the future, with the expansion in the effort towards the house stock market in Japan and the effort to expand the entry area through M&A and others in overseas, we believe that there will be an opportunity of high growth for the Group which has a broad business portfolio.

In such an environment, the Group will focus on pioneering the renovation market and the development of the global business, realize the growth in profits by improving the management efficiency, and will vigorously push forward towards the LIXIL VISION (management target) which is to become a “Global Leader in the building materials and housing equipment industry.”

In order to realize this management target, LIXIL Corporation started from April last year a new business model which sets a high value on innovation and technology leadership by the four technology business structures of “LIXIL Water Technology,” “LIXIL Housing Technology,” “LIXIL Building Technology” and “LIXIL Kitchen Technology” for the purpose of maximizing the multiplicative effects by operating as one body from the global perspective of each business and seeks to achieve growth with stable profitability.

◎Handling of incorrect accounting

The Company has released “Results of Investigation on Accounting Irregularities of JOYOU” (Reported on November 16, 2015) with respect to incorrect accounting within Joyou AG (located in Germany, listed on Frankfurt Stock Exchange. Bankruptcy proceeding was commenced on July 16, 2015 at the Hanburg District Court of Germany.), a subsidiary at the time of detection in April of last year. Thereafter has reported specific implemented measures and timing for expected completion in “Status of Implementation of Recurrence Prevention Measures with respect to Joyou Issue” (Reported on January 18, 2016) and in “Completion of Recurrence Prevention Measures with respect to Joyou Issue” (Reported on May 9, 2016) reported that the key measures have been completed as scheduled. We will thoroughly enforce continued measures towards preventing recurrences and strengthen the governance within the Group. We ask for continued support of all shareholders.

※Specific contents of recurrence prevention measures are as follows:

(Efforts made with respect to management of overseas subsidiaries)

1. Strengthening of the systems for management and monitoring of overseas subsidiaries by the headquarters management unit
 - Establishing departments dedicated to the management of overseas subsidiaries
 - Increasing the number of employees posted to overseas subsidiaries and redefining their roles
 - Strengthening the so-called “lateral functions” of the headquarters management unit
2. Improvement of internal auditing units premised upon a global structure
 - Independence and neutrality of Global Internal Control Division and ensuring a sufficient budget and staff
 - Reorganization of roles and structure of the newly-established Corporate Audit Group
 - Strengthening the reporting line for each internal control unit in the overseas subsidiaries
 - Redefining and strengthening the Internal Audit Committee
3. Improvement of compliance awareness and reorganization and reinforcement of the compliance systems, including for overseas subsidiaries
 - Training and pledge procedures (including overseas) of the amended LIXIL Group Code of Conduct
 - Introduction of improved education and training program
 - Enhancement of internal reporting systems at overseas subsidiaries
 - Strengthening and reevaluating the compliance department at the Company’s headquarters
 - Improvement of the functions of the Group Compliance Committee
4. Strengthening of officer training befitting a global enterprise

(Efforts made with respect to measures regarding method for proceeding with M&As and the post-acquisition integration process)

1. Reevaluation of the M&A process and compliance due diligence
2. Dispatch of executives to subsidiaries and clarification of roles
3. Revision of the integration process

(8) Principal business content

The Group, with its corporate philosophy, “The Group’s superior products and services contribute to improving people’s comfort and lifestyles,” is developing business activities such as the Water Technology Business, Housing Technology Business, Building Technology Business, Kitchen Technology Business, Distribution and Retail Business, and Housing and Services Business etc. as the main businesses as well as other services related thereto. The principal products and goods, etc. of each business is as follows:

| Business Category | Business Breakdown (principal products and goods, etc.) | |
|------------------------------------|---|--|
| Water Technology Business | Plumbing fixtures | (sanitation equipment, shower toilets, water faucet clasps, hand wash basin, bathtub, integrated baths, sinks, countertops, etc.) |
| Housing Technology Business | Metal building materials | (sashes for residences, front doors, various shutters, gates, carports, handrails, bridge railing, protection against tides, water retaining boards, smoke insulation screens, etc.) |
| | Wood interior building materials | (window frames, fixture materials, interior building materials, etc.) |
| | Other building materials | (residential and office building exterior tiles, interior tiles, siding, stone, roofing materials, precut products, etc.) |
| | Interior fabrics | (curtains, etc.) |
| | Other | (solar power systems) |
| Building Technology Business | Metal building materials | (curtain wall, sashes for office buildings and stores) |
| Kitchen Technology Business | Kitchen | (integrated kitchen) |
| Distribution and Retail Business | Home improvement stores | (living supplies, do-it-yourself supplies, construction materials, etc.) |
| | Comprehensive building materials center | (construction materials, tools, hardware, etc.) |
| Housing and Services Business etc. | Housing solutions | (development of franchise chains of engineering work shops, building contractor, home defect liability insurance, ground surveying and improvements, etc.) |
| | Real estate | (land, buildings, property management, development support of franchise chains of property business, etc.) |
| | Assisted-living condominium business | (assisted-living condominiums) |
| | Financial service business | (home loan) |

(9) Status of principal subsidiaries

| Company Name | Capital | Capital Contribution Ratio (%) of the Company | Principal Business |
|--|--------------------|---|---|
| LIXIL Corporation | 34,600 million JPY | 100 | Manufacturing and sales of metal building materials, plumbing fixtures |
| LIXIL VIVA CORPORATION | 20,000 million JPY | 100 | Sales of living supplies, do-it-yourself supplies, construction materials |
| LIXIL Total Hanbai Corporation | 74 million JPY | 100 | Sales of metal building materials |
| Kawashima Selkon Textiles Co., Ltd. | 9,381 million JPY | 100 | Manufacturing and sales of interior fabric |
| LIXIL Group Finance Corporation | 3,475 million JPY | 100 | Financial services business |
| Permasteelisa S.p.A. | 6,900,000 EUR | 100 | Manufacturing and sales of curtain walls |
| Grohe Group S.à r.l. | 57,142,000 EUR | 56 | Holding company of Grohe Group |
| ASD Holding Corp. | 300,933,000 USD | 100 | Holding company of the American Standard's North American business |
| TOSTEM THAI Co., Ltd. | 2,767 million THB | 100 | Manufacturing and sales of metal building materials |
| LIXIL Manufacturing (Dalian) Corporation | 43,500,000 USD | 100 | Manufacturing and sales of wood interior building materials |
| A-S CHINA PLUMBING PRODUCTS Ltd. | 24,906,000 USD | 100 | Holding company for American Standard's China business |
| LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd. | 40,700,000 USD | 100 | Manufacturing and sales of metal building materials |
| LIXIL INTERNATIONAL Pte. Ltd. | 211,185,000 USD | 100 | Supply chain controlling company for Asian region |

(Notes)

1. Capital contribution ratio includes indirect ownership by subsidiaries.
2. On April 1, 2015, SUN WAVE CORPORATION merged with LIXIL Corporation with LIXIL Corporation as the surviving company.
3. LIXIL INTERNATIONAL Pte. Ltd. has been included in the Company's principal subsidiaries because it has become an important base for overseas strategy of the Group.
4. Including those listed above, there are 182 consolidated subsidiaries of the Company.
5. The status of the specified wholly owned subsidiary as of last day of this consolidated fiscal year is as follows:

| | |
|---|-----------------------------|
| Name of specified wholly owned subsidiary | LIXIL Corporation |
| Address of specified wholly owned subsidiary | 2-1-1 Ojima, Koto-ku, Tokyo |
| Company's book value of the shares of specified wholly owned subsidiary | 489,054 million JPY |
| Total asset amount of the Company | 687,175 million JPY |

(10) Principal hubs, etc.

| Company Name | Trade Name • Location | |
|--|---|---|
| LIXIL Group Corporation (the Company) | Head Office Business Office of Principal Office | 2-1-1 Ojima, Koto-ku, Tokyo 36 th Floor, Kasumigaseki Building, 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo |
| LIXIL Corporation | Head Office Sales Office | Koto-ku, Tokyo Hokkaido Branch Kita Kanto Branch (Tokyo) Chubu Branch (Aichi) Chushikoku Branch (Hiroshima) LIXIL Showroom Tokyo LIXIL Showroom Osaka |
| | Factory | Sukagawa Factory (Fukushima) Shimotsuma Factory (Ibaraki) Tsuchiura Factory (Ibaraki) Fukaya Factory (Saitama) Chita Factory (Aichi) Tokoname Higashi Factory (Aichi) Hisai Factory (Mie) Kasumigaseki Building (Tokyo) |
| | Other Offices | Tohoku Branch (Miyagi) Tokyo Branch Kansai Branch (Osaka) Kyushu Branch (Fukuoka) Maebashi Factory (Gunma) Iwai Factory (Ibaraki) Ishige Factory (Ibaraki) Oyabe Factory (Toyama) Enokido Factory (Aichi) Uenomidori Factory (Mie) Ariake Factory (Kumamoto) Tokoname Building (Aichi) |
| LIXIL VIVA CORPORATION | Head Office | Urawa-ku, Saitama-shi, Saitama |
| LIXIL Total Hanbai Corporation | Head Office | Koto-ku, Tokyo |
| Kawashima Selkon Textiles Co., Ltd. | Head Office | Sakyo-ku, Kyoto-shi, Kyoto |
| LIXIL Group Finance Corporation | Head Office | Koto-ku, Tokyo |
| Permasteelisa S.p.A. | Head Office | Veneto (Italy) |
| Grohe Group S.à r.l. | Head Office | Luxembourg |
| ASD Holding Corp. | Head Office | New Jersey (United States of America) |
| TOSTEM THAI Co., Ltd. | Factory | Nava Nakorn Factory (Thailand) |
| LIXIL Manufacturing (Dalian) Corporation | Factory | Dalian Factory (China) |
| A-S CHINA PLUMBING PRODUCTS Ltd. | Head Office | Cayman Islands, Grand Cayman Island |
| LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd. | Factory | Long Duc Factory (Vietnam) |
| LIXIL INTERNATIONAL Pte. Ltd. | Head Office | Singapore |

(11) Status of employees

| Business Category | Number of Employees | Comparison increase/decrease with end of previous consolidated fiscal year |
|--------------------------------------|---------------------|--|
| Water Technology Business | 26,223 | 7,599 increase |
| Housing Technology Business | 18,668 | 890 decrease |
| Building Technology Business | 8,378 | 275 decrease |
| Kitchen Technology Business | 1,429 | 31 increase |
| Distribution and Retail Business | 1,351 | 207 decrease |
| Housing and Services Business etc. | 1,649 | 151 increase |
| Sector common throughout the Company | 1,191 | 53 increase |
| Total | 58,889 | 6,462 increase |

(Notes)

1. The number of employees is the number of employed staff, and does not include the number of part-time or temporary staff.
2. The number of employees listed as “Sector common throughout the Company” is of those employees in the management department who cannot be categorized into a specific business category.
3. The number of employees in “Water Technology Business” has increased by 7,599 compared to the end of previous consolidated fiscal year, but this is mainly due to the new consolidation of Grohe Group S.à r.l. and its subsidiaries.
4. The number of employees in “Distribution and Retail Business” has decreased by 207 compared to the end of previous consolidated fiscal year, but this is mainly due to LIXIL Corporation spinning off the Ken Depot business and establishing Ken Depot Corporation through incorporation-type company split and making Ken Depot Corporation an affiliated company accounted for by the equity-method.

(12) Status of principal lenders

| Lender | Outstanding Loan Amount (million JPY) |
|--|--|
| Sumitomo Mitsui Banking Corporation | 99,888 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 83,705 |
| Mizuho Bank, Ltd. | 57,885 |
| Mitsubishi UFJ Trust and Banking Corporation | 27,173 |
| Sumitomo Mitsui Trust Bank, Limited | 20,500 |
| The Dai-ichi Life Insurance Company, Limited | 10,000 |

(Notes)

In addition to those above, there is a total of 108,600 million JPY in syndicated loans managed by Development Bank of Japan Inc. and The Bank of Tokyo-Mitsubishi UFJ, Ltd., respectively.

(13) Basic policies regarding distribution, etc. of retained earnings

The Company standardizes on the preservation of a healthy financial strength and has as its policies, to preserve a 30% or higher dividend payout ratio at the consolidated base excluding the influence of amortization of goodwill regarding cash dividends, and to flexibly perform the acquisition of treasury stocks. With regard to this fiscal year, the year-end cash dividend per share was ¥30 (¥60 for the year, including the midterm cash dividend).

2. Matters regarding the current state of the company

(1) Matters regarding stock

- ① Total number of authorized shares: 1,300,000,000 shares
- ② Total number of issued shares: 287,007,363 shares
(excluding 26,046,892 shares of treasury stock)
- ③ Number of shares in 1 unit: 100 shares
- ④ Capital Stock: 68,121,499,340 JPY
- ⑤ Total number of shareholders: 44,890
- ⑥ Top 10 shareholders:

| Shareholder Name | Number of shares held | Ratio of shareholdings |
|---|--------------------------|---------------------------|
| | (thousand shares) | % |
| Japan Trustee Services Bank, Ltd. (Trust Account) | ※ 9,154 | 3.19 |
| The Nomura Trust & Banking Co., Ltd. (Trust Account) | ※ 8,896 | 3.10 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | ※ 8,381 | 2.92 |
| The Bank of New York Mellon as Depositary Bank for DR Holders | 7,063 | 2.46 |
| (Standing Proxy The Bank of Tokyo - Mitsubishi UFJ, Ltd.) | | |
| LIXIL Employee Stock Ownership | 6,596 | 2.30 |
| The Dai-ichi Life Insurance Company, Limited | 6,561 | 2.29 |
| (Standing Proxy Trust & Custody Services Bank, Ltd.) | | |
| State Street Bank Client Omnibus OM04 | 6,373 | 2.22 |
| (Standing Proxy The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch) | | |
| The Bank of Tokyo - Mitsubishi UFJ, Ltd. | 5,798 | 2.02 |
| Sumitomo Mitsui Banking Corporation | 5,543 | 1.93 |
| State Street Bank and Trust Company 505001 | 5,300 | 1.85 |
| (Standing Proxy Mizuho Bank, Ltd. Settlement & Clearing Services Division) | | |

(Notes)

1. The Company possesses 26,048 thousand treasury stocks but has been excluded from the top 10 shareholders above.
2. The ratio of shareholdings has been calculated after deducting treasury stocks.
3. The ※ symbols are for those involved in the trust business.
4. The 8,896 thousand shares of The Nomura Trust & Banking Co., Ltd. (Trust Account) are the trust property entrusted by Yoichiro Ushioda, and based on the trust agreement, he reserves the authority to direct with regard to the exercising the voting right.

(2) Matters regarding stock acquisition rights, etc.

- ① The outline of the contents of the stock acquisition rights issued as the consideration of the execution of duties held by company officers at the end of this fiscal year.

| | The 4 th Stock Acquisition Rights | The 5 th Stock Acquisition Rights |
|---|---|---|
| Day of the resolution of issuance | April 17, 2012 | April 15, 2013 |
| Number of stock acquisition rights | 3,243 | 13,100 |
| Class and number of shares to be issued or transferred upon exercising stock acquisition rights | ordinary shares 324,300 shares (100 shares per 1 stock acquisition right) | ordinary shares 1,310,000 shares (100 shares per 1 stock acquisition right) |
| Amount to be paid in upon exercising stock acquisition rights | 309 JPY | 512 JPY |
| Value of properties to be contributed upon exercising stock acquisition rights | 1,682 JPY | 2,365 JPY |
| Period during which such right can be exercised | May 10, 2014 to May 9, 2019 | May 10, 2015 to May 9, 2020 |
| Number of holders and number of the acquired stock acquisition rights | | |
| Directors (excluding Outside Directors) | 1 person 858 | 3 people 3,900 |
| Outside Directors | 3 people 327 | 3 people 600 |
| Executive Officers | 3 people 2,058 | 8 people 8,600 |

| | The 7 th Stock Acquisition Rights | The 8 th Stock Acquisition Rights |
|---|---|--|
| Day of the resolution of issuance | May 7, 2014 | November 25, 2014 |
| Number of stock acquisition rights | 8,920 | 420 |
| Class and number of shares to be issued or transferred upon exercising stock acquisition rights | ordinary shares 892,000 shares (100 shares per 1 stock acquisition right) | ordinary shares 42,000 shares (100 shares per 1 stock acquisition right) |
| Amount to be paid in upon exercising stock acquisition rights | 395 JPY | 468 JPY |
| Value of properties to be contributed upon exercising stock acquisition rights | 2,819 JPY | 2,527 JPY |
| Period during which such right can be exercised | May 24, 2016 to May 23, 2021 | December 13, 2016 to December 12, 2021 |
| Number of holders and number of the acquired stock acquisition rights | | |
| Directors (excluding Outside Directors) | 3 people 2,420 | |
| Outside Directors | 4 people 800 | |
| Executive Officers | 9 people 5,700 | 1 person 420 |

(Notes)

The number of holders and the number of the stock acquisition rights for the three Directors who concurrently serve as Executive Officers are included and indicated with the number of holders and the number of the acquired stock acquisition rights of Executive Officers.

② Other stock acquisition rights

Outline of stock acquisition rights attached to convertible bond-type bonds with stock acquisition rights issued based on the resolution of the Board of Executive Officers Meeting held on February 16, 2015

(a) Stock acquisition rights attached to Euro-yen convertible bond-type bonds with stock acquisition rights due 2020

| | |
|---|---|
| Total number of stock acquisition rights attached to bonds | Sum of 6,000 and the number of units, which is the total amount of the face value of the bonds regarding substitute bond certificates with share acquisition rights divided by ¥10 million |
| Class and number of shares that are for the purpose of stock acquisition rights | Ordinary shares of the Company The number of the ordinary shares of the Company that the Company will deliver from the exercise of the share acquisition rights will be the number, which is the total amount of the face value of the bonds regarding the exercise request divided by the conversion price; provided that fractions less than one share will be rounded off and adjustments by cash will not be made. |
| Money to be paid in exchange for stock acquisition rights | Payment of money is not required in exchange for the stock acquisition rights |
| Conversion price | ¥3,880 |
| Period to exercise stock acquisition rights | From March 18, 2015 until February 19, 2020 (local time of the location where the exercise request is accepted) |

(b) Stock acquisition rights attached to Euro-yen convertible bond-type bonds with stock acquisition rights due 2022

| | |
|---|---|
| Total number of stock acquisition rights attached to bonds | Sum of 6,000 and the number of units, which is the total amount of the face value of the bonds regarding substitute bond certificates with share acquisition rights divided by ¥10 million |
| Class and number of shares that are for the purpose of stock acquisition rights | Ordinary shares of the Company The number of the ordinary shares of the Company that the Company will deliver from the exercise of the share acquisition rights will be the number, which is the total amount of the face value of the bonds regarding the exercise request divided by the conversion price; provided that fractions less than one share will be rounded off and adjustments by cash will not be made. |
| Money to be paid in exchange for stock acquisition rights | Payment of money is not required in exchange for the stock acquisition rights |
| Conversion price | ¥3,800 |
| Period to exercise stock acquisition rights | From March 18, 2015 until February 18, 2022 (local time of the location where the exercise request is accepted) |

(3) Matters regarding company directors and officers

① Directors

| Position | Name | Area of Responsibility | Status of Important Concurrently-held Positions |
|----------------------------------|---|--|---|
| Director Chairman Director | Yoichiro Ushioda Yoshiaki Fujimori | Nomination Committee Member | Representative Director, Director, President and CEO, LIXIL Corporation Representative Director and Director, Grace A Co., Ltd. |
| Director | Takashi Tsutsui | Compensation Committee Member | |
| Director | Yoshizumi Kanamori | Audit Committee Member | |
| Director | Yoshinobu Kikuchi | | |
| Director | Keiichiro Ina | Nomination Committee Member, Compensation Committee Member | |
| Director | Fumio Sudo | | |
| Director | Hidehiko Sato | Nomination Committee Member, Audit Committee Member | Chairman, United Kingdom Pension Protection Fund Chairman, United Kingdom Institute of Directors |
| Director | Tsutomu Kawaguchi | Audit Committee Member | |
| Director | Main Kohda | Compensation Committee Member | |
| Director | Barbara Judge | | |

(Notes)

1. Directors Yoshiaki Fujimori, Takashi Tsutsui and Yoshizumi Kanamori concurrently hold the positions of Executive Officers.
2. Directors Fumio Sudo, Hidehiko Sato, Tsutomu Kawaguchi, Main Kohda and Barbara Judge are Outside Directors as prescribed in Article 2, Item 15 of the Companies Act. In addition, Directors Fumio Sudo, Hidehiko Sato, Tsutomu Kawaguchi, Main Kohda and Barbara Judge have been designated as independent officers based on the provisions of each domestic stock exchange that the Company is listed, and each stock exchange has been notified.
3. Director Tsutomu Kawaguchi, who is an Audit Committee Member, is licensed as a certified public accountant and has considerable knowledge regarding financial affairs and accounting.
4. The Company has elected Yoshinobu Kikuchi as a full-time Audit Committee Member in order to continuously and effectively receive reports from hearings to Executive Officers, etc. and the internal audit department, etc., understand information from audits of subsidiaries, etc., and attend various meetings.
5. Yoshiaki Fujimori resigned as Representative Director, Director, President and CEO of LIXIL Corporation as of March 31, 2016.

② Executive Officers

| Position | Name | Area of Responsibility / Status of Important Concurrently-held Positions |
|---|------------------------|---|
| Executive Officer and President (Representative Executive Officer) | Yoshiaki Fujimori | |
| Executive Officer (Representative Executive Officer) | Kinya Seto | Representative Director, Director, President and CEO, LIXIL Corporation |
| Executive Officer and Vice President (Representative Executive Officer) | Ryuichi Kawamoto | Quality, Technology and Environment |
| Executive Officer and Vice President | Takashi Tsutsui | M&A, IR and External Affairs |
| Executive Officer and Vice President | Yosuke Yagi | Human Resources and General Affairs |
| Executive Officer and Vice President | Sachio Matsumoto | Accounting Representative Director and Director, LIXIL Corporation |
| Executive Officer and Senior Managing Officer | Yoshizumi Kanamori | Financial Affairs |
| Executive Officer and Senior Managing Officer | Harumi Matsumura | Housing Service Business Representative Director, Director, President, LIXIL Living Solution Corporation |
| Executive Officer and Senior Managing Officer | Laurence William Bates | Legal Affairs |
| Executive Officer and Senior Managing Officer | Hwa Jin Song | Public Affairs and Corporate Responsibility |
| Executive Officer | Montesano | Home Improvement Stores |
| | Katsuhiro Mamenari | Representative Director, Director, CEO, LIXIL VIVA CORPORATION |

(Notes)

1. At the Board of Directors' Meeting held on June 26, 2015, both Yoshiaki Fujimori and Ryuichi Kawamoto were elected as and assumed the positions of Representative Executive Officer. In addition, at the same Board of Directors' Meeting, Yoshiaki Fujimori was elected as and assumed the position of Executive Officer and President.
2. Kinya Seto assumed the position of Executive Officer (Representative Executive Officer) and assumed the position of Director, President and CEO (Representative Director) of LIXIL Corporation as of January 1, 2016.

③ Compensation Committee policies regarding the decision involved in the calculation method of the compensation, etc. for Directors and Executive Officers

a. Basic policies for compensation, etc.

The Company's compensation system for Directors and Executive Officers operates on a fair compensation structure that leads each Director and Executive Officer to be motivated to execute his or her duties in order to realize the management policies in responding to shareholder mandates.

- (a) Clarify the Company's and the individual's responsibilities for business results, and institute a mechanism that reasonably rewards compensation for the achievement of objectives as motivation to achieve.
- (b) In addition to "stock price-related compensation such as stock options" that can reflect the results of increased company value in compensation, utilize a "mid- to long-term cash plan" to incentivize the achievement of mid-term business plans for Directors and Executive Officers in charge of executing business.
- (c) Make a "results-related compensation system" that reasonably reflects the consolidated business results of the group.
- (d) Perform a comparative evaluation with external objective indices in the Compensation Committee and manage in accordance with the duties and results in order to secure objectivity and transparency of the compensation system for Directors and Executive Officers.
- (e) Aim for a level that secures and draws over the long-term global human resources that is necessary and promising for the continual growth of the Company.

b. Compensation structure

In the compensation structure for Directors and Executive Officers, the compensation for "Directors" who govern and "Executive Officers" who are responsible for executing duties is a system of separate structures that reflect the different roles. In addition, if a Director position is concurrently held with an Executive Officer position, the compensation system for Executive Officers applies.

[Compensation structure for Directors and Executive Officers]

(a) Compensation structure for Directors

The compensation for Directors is structured on a basic compensation and stock options.

(b) Compensation structure for Executive Officers

The compensation for Executive Officers is structured on a basic compensation, a results-related compensation that reflects each of the results of a single fiscal year and mid- to long-term and stock options.

In addition, utilize incidental allowances, Tax Equalization and the like that are generally applied globally as Expatriate Packages for recruited personnel of foreign nationalities.

[Content of compensation, etc. by type]

(a) Basic compensation

The basic compensation is maintained at a reasonable level in accordance with comparisons with external objective indices, as fixed compensation by position. In addition, with regard to the basic compensation for Executive Officers, the mechanism rewards the achievement of objectives as a method that fluctuates in accordance with the achievement level of the department's results within a certain range.

(b) Results-related compensation

Utilize a short-term results-related compensation reflecting the results of a single fiscal year and a mid- to long-term results-related compensation that rewards the achievement of mid-term business plans and conduct operations where the execution of business of each Executive Officer does not lean towards only short-term results.

The results-related compensation of a single fiscal year is distributed once per year as a bonus in connection with the results of the fiscal year.

The results-related compensation of the mid- to long-term is distributed after the end of the subject period on the condition that the mid-term business plan is achieved to a certain extent that is determined in advance.

(c) Stock options

Stock options are determined based on company results and position, etc., as a mid- to long-term incentive from the view of the shareholder.

(d) Other

Compensation for the difference in compensation of the previous position and additional benefits such as cost of living assistance and medical insurance assistance as expatriates may be paid to recruited personnel.

④ Total amount of compensation, etc. of Directors and Executive Officers for this fiscal year

| Category | Number of People | Amount of Compensation, etc. (million JPY) |
|-------------------|------------------|---|
| Director | 8 | 318 |
| Executive Officer | 11 | 1,485 |
| Total | 19 | 1,803 |

(Notes)

1. The amount of compensation, etc. above indicates the amount that includes the compensation, etc. paid for by the Company's subsidiaries, in addition to the compensation, etc. that is paid for by the Company.
2. The amount of compensation, etc. and the number of the 3 Directors who concurrently serve as Executive Officers at the end of this fiscal year are included and indicated with the amount of compensation, etc. and the number of the Executive Officers.
3. The results-related compensation for a single fiscal year of ¥16 million (for 2 people) added up in this fiscal year and the transfer amount of allowance for bonuses for directors and officers regarding long-term results-related compensation of ¥566 million (for 11 people) are included in the amount of compensation, etc. for Executive Officers.
4. The compensation by stock option of ¥220 million (¥75 million for 7 Directors (¥17 million for 4 Outside Directors included), ¥144 million for 10 Executive Officers) added up in this fiscal year is included in the amount of compensation, etc. for Directors and Executive Officers.

⑤ Matters regarding Outside Directors

a. Status of main activities of each Outside Director

| Category | Name | Status of Main Activities |
|----------|-------------------|--|
| Director | Fumio Sudo | Has attended 16 of the 18 Board of Directors' Meetings held this fiscal year; has accordingly made remarks necessary for discussing bills, etc. based on his high level of insight and wide knowledge and viewpoint regarding corporate management from his abundant experience as a manager for many years. |
| Director | Hidehiko Sato | Has attended all 18 Board of Directors' Meetings and 16 of 18 Audit Committee meetings held this fiscal year; has accordingly made remarks necessary for discussing bills, etc. based on his abundant experience in the Police Agency and his high level of insight and wide knowledge and viewpoint of compliance. |
| Director | Tsutomu Kawaguchi | Has attended all 18 Board of Directors' Meetings and all 18 Audit Committee meetings held this fiscal year; has accordingly made remarks necessary for discussing bills, etc. based on his professional insight and abundant experience regarding financial affairs and accounting obtained through his work as a certified public accountant. |
| Director | Main Kohda | Has attended all 18 Board of Directors' Meetings held this fiscal year; has accordingly made remarks necessary for discussing bills, etc. based on her deep insight and objective viewpoint as an author in addition to her high vision on international finance. |
| Director | Barbara Judge | Was elected at the Annual General Meeting of Shareholders held on June 26, 2015; has attended all 11 Board of Directors' Meetings held since assuming office on the same date; has accordingly made remarks necessary for discussing bills, etc. from a global perspective based on her abundant experience and insight in business and public service for many years. |

b. Overview of the content of the agreement limiting liability

The Company has instituted provisions regarding agreements limiting the liability of Outside Directors in the Articles of Incorporation. Based on the Articles of Incorporation, the Company has entered into agreements limiting liability with all of the Outside Directors, and its overview is as follows:

(Agreements limiting the liability of Outside Directors)

With respect to liability for damages from neglecting his or her duties, after entering into this agreement, an Outside Director is liable for the higher amount of either ¥10 million or an amount prescribed by law and regulations where such duties are performed in good faith and there is no gross negligence.

c. Total amount of compensation, etc. of Outside Directors and Outside Auditors for this fiscal year

| Category | Number of People | Amount of Compensation, etc. (million JPY) |
|-----------|------------------|---|
| Directors | 5 | 87 |

(4) Matters regarding the Accounting Auditor

① Name: Deloitte Touche Tohmatsu LLC

② Amount of compensation , etc. of Accounting Auditor

| | |
|--|-----------------|
| Amount of compensation, etc. involved in audit certification services that the Company should pay | 78 million JPY |
| Total amount of money and other profits on property that the Company and Company's subsidiaries should pay | 831 million JPY |

(Notes)

1. In the audit agreement between the Company and the Accounting Auditor, the amount of auditing compensation for the audit based on the “Companies Act” and audit based on the “Financial Instruments and Exchange Act” are not distinguished, and because they substantively cannot be distinguished, the total amount of such is stated in the amount of compensation, etc. In addition, the amount of compensation for audits, etc. regarding correction of financial results of past fiscal year is included in the amount of compensation and the like for this fiscal year.
2. The Audit Committee made its decision of agreement with respect to the amount of compensation of Accounting Auditors, etc. upon conducting necessary verifications as to whether or not the contents of the audit plan of the Accounting Auditors, the status of execution of duties of the Accounting Auditors and calculation basis of the compensation estimate, etc. are appropriate.
3. Of the principal subsidiaries of the Company, Permasteelisa S.p.A., Grohe Group S.à r.l., ASD Holding Corp., TOSTEM THAI Co., Ltd., LIXIL Manufacturing (Dalian) Corporation, A-S CHINA PLUMBING PRODUCTS Ltd., LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd. and LIXIL INTERNATIONAL Pte. Ltd. have been audited by certified public accountants or auditing firms other than the Company's Accounting Auditor.

③ Content of non-auditing services

The content of non-auditing services is advisory and guidance services regarding the introduction of the International Financial Reporting Standards, etc.

④ Policy to determine dismissal or refusal to reappoint Accounting Auditors

If circumstances arise that are reasonably suspicious so that the fairness with regard to the work performed by the Accounting Auditor cannot be secured, the policy at the Company provides for the dismissal or refusal to reappoint such Accounting Auditor.

(5) System to ensure the adequacy of business and summary of the operation status of such system

① System to ensure the adequacy of business

The main contents of the system regarding internal controls and risk management are as follows. Furthermore, these have been resolved as the basic policy concerning the internal controls system based on the Companies Act at the Board of Directors' Meeting held on April 20, 2015:

- a. System to ensure that the performance of duties by Executive Officers and employees and Directors and employees of the Company's subsidiaries complies with the laws and regulations and the Articles of Incorporation

The Company and the Company's subsidiaries (the “Group”) will establish guidelines for actions as a code of ethics for the entire group, and will conduct a read-through and an oath to comply for all employees including officers once per year. In addition, the Company will institute a common

whistle-blowing system for the Group's employees can directly make reports to the Company's Legal Affairs department or outside lawyers.

Furthermore, the Company does not acknowledge nor has any relationship with anti-societal forces. 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.

- b. System regarding the storage and management of information involving the performance of duties by Executive Officers

The Company will retain and manage written documents, etc. based on the laws and regulations and internal company rules. Based on the rules, Directors and Audit Committee Members may access those written documents, etc. at any time.

In addition, information security management rules and personal information protection policies are established with regard to handling the management of information.

- c. System for rules and others regarding the management of the Group's risk of loss

The Group has established and is managing risk management rules, etc. and along with constantly observing the risks it carries, the Risk Management Department confirms and gives guidance on the status of its handling through risk management meetings, etc.

In addition, the Company has it periodically report the status of the Group's risks as well as requests the attendance of the Group and receives reports at the quarterly performance review meeting, etc. Furthermore, with respect to the business continuity plan, the Group executes the BCP (Business Continuity Plan) Manual and instruction and training based on such manual.

- d. 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 establish the division of duties of the Executive Officers and clarify 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 business strategies and investment items 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.

- e. 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.

- f. Directors and employees who should assist with the duties of the Audit Committee

The Company will have at least one employee support the duties of the Audit Committee office.

In addition, Directors who should support the Audit Committee will not be placed.

- g. Independence from the Executive Officers of the Directors and employees in (f.) above and matters regarding securing the effectiveness of instructions of Audit Committee Members to such employees

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.

- h. 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 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.

- i. 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 quarterly performance review meetings, etc. attended by the Company's Audit Committee Members, the subsidiaries' Directors and Auditors, etc. and endeavor for the sharing of important information for business, as well as require the subsidiaries to attend and report to extraordinary Audit Committee meetings of the Company if important events occur at the Company's subsidiaries.

- j. System to ensure that a person reporting to the Company's Audit Committee does not receive unfair treatment on the grounds of having made such report

Set forth in the Group's whistle-blowing system operation rules that directors, officers and employees of the Company Group can directly make a report to the Compliance Committee of which the person representing the Company's Audit Committee Member is a constituent member and make that method of directly reporting, etc. widely known within the Group. In addition, expressly state the prohibition of dismissals and other disadvantageous treatments due to having made such report or other report to the Audit

Committee.

- k. 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.

- l. 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 the Company's Accounting Auditors and the Company's internal audit department, along with periodically convening the Group's Board of Auditors with the Auditors of each group company and attempting to work together.

② Operation status of system to ensure adequacy of business

The Company endeavors for the maintenance of an internal control system and its appropriate operation under the above policy. The principal initiatives thought to be important for internal controls implemented in this fiscal year are as follows:

- a. Initiatives concerning compliance

Revision of the LIXIL Group Code of Conduct from a global perspective and ensure that it is widely known by implementing its distribution, instruction and training. In addition, along with aiming for the strengthening of the compliance organization, the effects of the various compliance measures and activities are regularly confirmed in the Compliance Committee.

- b. Initiatives concerning the management of the risk of loss

The status of the system of the new fiscal year and review of expected risks are reported through risk management meetings, etc., and with respect to crises and disasters, the understanding of and status of handling the occurred risk are timely reported and confirmed.

- c. Initiatives concerning appropriateness and efficiency of executing duties

Board of Directors' Meetings are held at least once every month and important matters are deliberated and reports on principal execution status are received. In addition, decisions on execution, etc. have been carrying out the efficient execution of business based on the rules concerning duties and authority.

- d. Initiatives concerning the Audit Committee audits

The Audit Committee members will attend important meetings such as Board of Directors' Meetings and Board of Executive Officers' Meetings and are receiving reports regarding information that is necessary for audits as necessary.

In addition, reports are received and cooperation is made through periodic meetings of the group Audit Committee, Accounting Auditors Information Exchange Meetings, Representative Executive Officer Opinion Exchange Meetings, etc.

(6) Basic policy regarding governance of a stock company

As the Company believes it to be desirable for many of the shareholders to possess shares for the mid- to long-term, it is striving to implement measures that can be supported by shareholders by improving business results and increasing the business value. As such, no particular defensive measures against hostile takeovers have been established.

◎ This Business Report is stated as follows:

1. Amounts stated in million JPY units are shown by omitting the digits that are less than a million JPY.
2. The numbers of shares in thousand share units are shown by omitting the digits that are less than one thousand shares.
3. If there is nothing in particular to state for “1. Matters regarding the current state of the company groups” and “2. Matters regarding the current state of the company,” the conditions as of March 31, 2016 are stated.

Consolidated Balance Sheet

(As of March 31, 2016)

(Unit: Millions of Yen)

| Assets | | Liabilities | |
|---|------------------|---|------------------|
| Subject | Amount | Subject | Amount |
| Current assets | 876,280 | Current liabilities | 759,300 |
| Cash and deposits | 151,833 | Notes and accounts payable | 234,240 |
| Notes and accounts receivable | 412,780 | Short-term loans payable | 194,162 |
| Goods and products | 133,403 | Accounts payable-other | 86,096 |
| Work in progress | 19,645 | Income tax payable | 18,063 |
| Raw materials and supplies | 47,176 | Allowance for bonuses | 22,855 |
| Other inventories | 19,886 | Allowance for losses related to plant reorganizations | 2,044 |
| Short-term loans receivable | 6,323 | Asset retirement obligations | 365 |
| Deferred tax assets | 15,375 | Others | 201,473 |
| Others | 73,279 | | |
| Allowance for doubtful receivables | △ 3,425 | Long-term liabilities | 664,055 |
| | | Corporate bonds | 70,000 |
| Fixed asset | 1,184,593 | Convertible bond-type bonds with stock acquisition rights | 120,000 |
| Property, plant and equipment | 518,931 | Long-term loans payable | 242,027 |
| Buildings and structures | 176,735 | Deferred tax liabilities | 88,084 |
| Machinery and vehicles | 103,656 | Liabilities for employee's retirement benefits | 74,715 |
| Land | 185,270 | Asset retirement obligations | 6,606 |
| Construction in progress | 11,059 | Others | 62,621 |
| Others | 42,209 | Total liabilities | 1,423,356 |
| | | Net assets | |
| Intangible fixed assets | 509,375 | Shareholders' equity | 504,366 |
| Goodwill | 192,016 | Capital stock | 68,121 |
| Assets related to trademarks | 196,723 | Capital surplus | 261,671 |
| Others | 120,635 | Earned surplus | 229,405 |
| | | Treasury stock | △ 54,831 |
| Investments and other fixed assets | 156,286 | Other accumulated comprehensive income | 39,382 |
| Investment securities | 72,785 | Valuation difference on available-for-sale securities | 14,747 |
| Long-term loans receivable | 2,948 | Deferred gains (loss) on derivatives under hedge accounting | △ 5,175 |
| Deferred tax assets | 33,014 | Foreign currency translation adjustment | 29,810 |
| Assets for employee's retirement benefits | 1,072 | Stock acquisition rights | 4,056 |
| Others | 87,439 | Non- controlling interests | 89,711 |
| Allowance for doubtful receivables | △ 40,975 | Total net assets | 637,517 |
| Total assets | 2,060,873 | Total liabilities and net assets | 2,060,873 |

Consolidated Statement of Income

From April 1, 2015
to March 31, 2016

(Unit: Millions of Yen)

| Account Item | Amount | |
|---|----------|------------------|
| Net sales | | 1,845,117 |
| Cost of sales | | 1,321,656 |
| Gross income | | 523,460 |
| Selling, general and administrative expenses | | 467,201 |
| Operating income | | 56,259 |
| Non-operating income | | |
| Interest income | 1,696 | |
| Dividend income | 1,471 | |
| Rent income | 7,098 | |
| Others | 7,962 | 18,228 |
| Non-operating expenses | | |
| Interest expenses | 6,557 | |
| Rental cost | 4,588 | |
| Loss on investment by the equity-method | 1,136 | |
| Foreign exchange loss | 1,550 | |
| Loss on valuation of derivatives | 53 | |
| Investigation cost | 4,767 | |
| Others | 7,412 | 26,065 |
| Ordinary income | | 48,421 |
| Extraordinary gains | | |
| Gain on sales of fixed assets | 7,496 | |
| Gain on sales of investment securities | 319 | |
| Gain on sales of stocks of associated companies | 2,871 | 10,687 |
| Extraordinary losses | | |
| Loss on sales or disposal of fixed assets | 2,454 | |
| Loss on valuation of investment securities | 2,565 | |
| Loss on valuation of stocks of associated companies | 1,126 | |
| Loss on sales of investment securities | 8 | |
| Loss on sales of stocks of associated companies | 6,615 | |
| Loss on factory restructurings | 3,249 | |
| Loss on impairment of fixed assets | 5,662 | |
| Loss related to investment in associated companies | 27,937 | |
| Loss on step acquisitions | 6,306 | 55,926 |
| Gain before income taxes | | 3,182 |
| Income taxes-current | 27,101 | |
| Income taxes-deferred | △ 11,730 | 15,371 |
| Current net loss | | 12,189 |
| Current net income belongs to non-controlling shareholders | | 6,475 |
| Current net loss belongs to shareholders of parent company | | 18,664 |

Consolidated Statement of Changes in Equity

From April 1, 2015
to March 31, 2016

(Unit: Millions of Yen)

| | Shareholders' Equity | | | | |
|--|----------------------|-----------------|----------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Earned surplus | Treasury stock | Total Shareholder's equity |
| Balance as at April 1, 2015 | 68,121 | 261,712 | 264,570 | △ 56,204 | 538,199 |
| Changes during the consolidated fiscal year | | | | | |
| Dividends from surpluses | | | △ 17,190 | | △ 17,190 |
| Current net loss belongs to shareholders of parent company | | | △ 18,664 | | △ 18,664 |
| Increases resulting from exclusion of subsidiaries from consolidation | | | 661 | | 661 |
| Acquisition of treasury stock | | | | △ 31 | △ 31 |
| Disposal of treasury stock | | 0 | | 0 | 1 |
| Execution of stock acquisition right | | 79 | | 1,403 | 1,482 |
| Increases associated with change of fiscal year of consolidated subsidiary | | | 29 | | 29 |
| Changes in equity interest of parent company with regard to transactions with non-controlling shareholders | | △ 120 | | | △ 120 |
| Net change in non-shareholders' equity items for the consolidated fiscal year | | | | | |
| Total change during the consolidated fiscal year | — | △ 41 | △ 35,164 | 1,373 | △ 33,832 |
| Balance as at March 31, 2016 | 68,121 | 261,671 | 229,405 | △ 54,831 | 504,366 |

| | Other Accumulated Comprehensive Income | | | | Stock Acquisition Rights | Non-controlling interest | Total Net Assets |
|--|---|--|---|--|--------------------------|--------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gain (loss) on derivatives under hedge accounting | Foreign currency translation adjustment | Total other accumulated comprehensive income | | | |
| Balance as at April 1, 2015 | 14,226 | △ 512 | 50,650 | 64,364 | 3,498 | 7,589 | 613,651 |
| Changes during the consolidated fiscal year | | | | | | | |
| Dividends from surpluses | | | | | | | △ 17,190 |
| Current net loss belongs to shareholders of parent company | | | | | | | △ 18,664 |
| Increases resulting from exclusion of subsidiaries from consolidation | | | | | | | 661 |
| Acquisition of treasury stock | | | | | | | △ 31 |
| Disposal of treasury stock | | | | | | | 1 |
| Execution of stock acquisition right | | | | | | | 1,482 |
| Increases associated with change of fiscal year of consolidated subsidiary | | | | | | | 29 |
| Changes in equity interest of parent company with regard to transactions with non-controlling shareholders | | | | | | | △ 120 |
| Net change in non-shareholders' equity items for the consolidated fiscal year | 520 | △ 4,662 | △ 20,840 | △ 24,981 | 558 | 82,121 | 57,698 |
| Total change during the consolidated fiscal year | 520 | △ 4,662 | △ 20,840 | △ 24,981 | 558 | 82,121 | 23,866 |
| Balance as at March 31, 2016 | 14,747 | △ 5,175 | 29,810 | 39,382 | 4,056 | 89,711 | 637,517 |

Balance Sheet

(As of March 31, 2016)

(Unit: Millions of Yen)

| Assets | | Liabilities | |
|--------------------------------------|----------------|---|----------------|
| Account Item | Amount | Account Item | Amount |
| Current assets | 153,613 | Current liabilities | 1,317 |
| Cash and deposits | 6 | Accounts payable-other | 483 |
| Accounts receivable –other | 406 | Income tax payable | 564 |
| Income tax refund receivable | 1,502 | Allowance for bonuses | 97 |
| Short-term loans receivable | 151,666 | Others | 170 |
| Others | 31 | | |
| Fixed assets | 533,561 | Long-term liabilities | 192,453 |
| Property, plant and equipment | 7 | Corporate bonds | 70,000 |
| Buildings | 4 | Convertible bond-type bonds with stock acquisition rights | 120,000 |
| Tools, Furniture and Fixtures | 3 | Deferred tax liabilities | 1,813 |
| | | Allowance for bonuses for directors and officers | 571 |
| Intangible fixed assets | 0 | Others | 68 |
| | | Total liabilities | 193,770 |
| Investments and other assets | 533,553 | Net Assets | |
| Investment securities | 12,672 | Shareholders' equity | 486,177 |
| Stocks of associated companies | 520,861 | Capital stock | 68,121 |
| Long-term prepaid Expenses | 2 | Capital surplus | 323,006 |
| Guarantee deposits | 17 | Capital surplus reserve | 12,182 |
| | | Other capital surplus | 310,824 |
| | | Earned surplus | 149,880 |
| | | Earned surplus reserve | 4,847 |
| | | Other earned surplus | 145,032 |
| | | Other reserve | 140,000 |
| | | Deferred earned surplus | 5,032 |
| | | Treasury stock | △54,831 |
| | | Valuation and translation difference, etc. | 3,171 |
| | | Valuation difference on available-for-sale securities | 3,171 |
| | | Stock acquisition right | 4,056 |
| | | Total net assets | 493,404 |
| Total assets | 687,175 | Total liabilities and net assets | 687,175 |

Statement of Income

(From April 1, 2015)
(to March 31, 2016)

(Unit: Millions of Yen)

| Account Item | Amount | |
|--|--------|---------------|
| Operating revenue | | |
| Dividend income from associated companies | 11,995 | 11,995 |
| Operating expenses | | |
| General and administrative expenses | 2,642 | 2,642 |
| Operating income | | 9,353 |
| Non-operating income | | |
| Interest income | 674 | |
| Dividend income | 347 | |
| Income from guarantee fee | 164 | |
| Others | 61 | 1,248 |
| Non-operating expenses | | |
| Corporate bond interest expenses | 297 | |
| Others | 57 | 355 |
| Ordinary income | | 10,246 |
| Extraordinary income | | |
| Reversal of allowance for loss on investment, etc. in associated companies | 1,594 | 1,594 |
| Income before tax | | 11,840 |
| Income taxes-current | 1,513 | |
| Income taxes-deferred | △1,557 | △ 43 |
| Net income | | 11,884 |

Statement of Changes in Equity

(From April 1, 2015)
(to March 31, 2016)

(Unit: Millions of Yen)

| | Shareholders' Equity | | | | | | | |
|--|----------------------|-------------------------|-----------------------|-----------------------|------------------------|----------------------|-------------------------|----------------------|
| | Capital stock | Capital Surplus | | | Earned surplus | | | |
| | | Capital Surplus Reserve | Other capital surplus | Total capital surplus | Earned surplus reserve | Other earned surplus | | Total earned surplus |
| | | | | | | Other reserve | Deferred earned surplus | |
| Balance as of April 1, 2015 | 68,121 | 12,182 | 310,745 | 322,927 | 4,847 | 140,000 | 10,338 | 155,186 |
| Changes during the fiscal year | | | | | | | | |
| Dividends from surpluses | | | | | | | △ 17,190 | △ 17,190 |
| Net income | | | | | | | 11,884 | 11,884 |
| Acquisition of treasury stock | | | | | | | | |
| Disposal of treasury stock | | | 0 | 0 | | | | |
| Execution of stock acquisition right | | | 79 | 79 | | | | |
| Net change in non-shareholders' equity items for the fiscal year | | | | | | | | |
| Total change during the fiscal year | — | — | 79 | 79 | — | — | △ 5,306 | △ 5,306 |
| Balance as of March 31, 2016 | 68,121 | 12,182 | 310,824 | 323,006 | 4,847 | 140,000 | 5,032 | 149,880 |

| | Shareholders' Equity | | Valuation and Translation Difference, etc. | | Stock Acquisition Rights | Total Net Assets |
|--|----------------------|----------------------------|---|--|--------------------------|------------------|
| | Treasury stock | Total shareholder's equity | Valuation difference on available-for-sale securities | Total valuation and translation difference, etc. | | |
| Balance as of April 1, 2015 | △ 56,204 | 490,030 | 5,048 | 5,048 | 3,498 | 498,577 |
| Changes in the fiscal year | | | | | | |
| Dividends from surpluses | | △ 17,190 | | | | △ 17,190 |
| Net income | | 11,884 | | | | 11,884 |
| Acquisition of treasury stock | △ 31 | △ 31 | | | | △ 31 |
| Disposal of treasury stock | 0 | 1 | | | | 1 |
| Execution of stock acquisition right | 1,403 | 1,482 | | | | 1,482 |
| Net change in non-shareholders' equity items for the fiscal year | | | △ 1,877 | △ 1,877 | 558 | △ 1,318 |
| Total change for the fiscal year | 1,373 | △ 3,853 | △ 1,877 | △ 1,877 | 558 | △ 5,172 |
| Balance as of March 31, 2016 | △ 54,831 | 486,177 | 3,171 | 3,171 | 4,056 | 493,404 |

INDEPENDENT AUDITORS' REPORT

May 9, 2016

To Board of LIXIL Group Corporation

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yasuyuki Onaka

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Koji Inagaki

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Junichi Yamanobe

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the consolidated financial statements of LIXIL Group Corporation (the "Company") for the consolidated fiscal year from April 1, 2015 to March 31, 2016, namely, the consolidated balance sheet, the consolidated statements of income, the consolidated changes in equity and the notes to consolidated financial statements.

Management Responsibility for the Consolidated Financial Statements

Management responsibility is to create and properly notice consolidated financial statements in accordance with accounting principles generally accepted in Japan. This includes the operation and maintenance of internal control that management determined necessary to create and properly notice consolidated financial statements without material misstatement caused by dishonesty or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

During an audit, a procedure to obtain audit evidence concerning the amount and disclosure of consolidated financial statements is conducted. An audit procedure is selected and applied, at our discretion, based on an assessment of the risk of material misstatement occurring in the consolidated financial statements caused by dishonesty or error. The purpose of an audit is not to express an opinion about the availability of internal control; however, our firm does review internal control relating to the creation and proper notification of consolidated financial statements in order to plan a proper audit procedure according to the situation at the time of conducting the risk assessment. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

We believe that we have obtained necessary and appropriate audit evidence which has become the basis for our opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and consolidated subsidiaries from April 1, 2015 to March 31, 2016, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interests

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

INDEPENDENT AUDITORS' REPORT

May 9, 2016

To Board of LIXIL Group Corporation

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yasuyuki Onaka

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Koji Inagaki

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Junichi Yamanobe

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements of LIXIL Group Corporation (the "Company") for the 74th fiscal year from April 1, 2015 to March 31, 2016, namely, the balance sheet, the statements of income and changes in equity, and the notes to non-consolidated financial statements and the annexed detailed statements.

Management Responsibility for the Financial Statements, etc.

Management responsibility is to create and properly notice financial statements and the annexed detailed statements in accordance with accounting principles generally accepted in Japan. This includes the operation and maintenance of internal control that management determined necessary to create and properly notice financial statements and the annexed detailed statements without material misstatement caused by dishonesty or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the annexed detailed statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the annexed detailed statements are free of material misstatement.

During an audit, a procedure to obtain audit evidence concerning the amount and disclosure of financial statements and the annexed detailed statements is conducted. An audit procedure is selected and applied, at our discretion, based on an assessment of the risk of material misstatement occurring in the financial statements and the annexed detailed statements caused by dishonesty or error. The purpose of an audit is not to express an opinion about the availability of internal control; however, our firm does review internal control relating the creation and proper notification of financial statement and the annexed detailed statements in order to plan a proper audit procedure according to the situation at the time of conducting the risk assessment. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and the annexed detailed statements presentation.

We believe that we have obtained necessary and appropriate audit evidence which has become

the basis for our opinion.

Audit Opinion

In our opinion, the financial statements and the annexed detailed statements referred to above present fairly, in all material respects, the financial position of the Company from April 1, 2015 to March 31, 2016, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interests

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

Audit Report

The Audit Committee has audited the performance of duties by the Directors and Executive Officers for the 74th fiscal year from April 1, 2015 to March 31, 2016, and we report the methods and results of the audit as follows:

1. Methods and content of the audit

The Audit Committee received periodic reports from the Directors, Executive Officers and employees, etc., requested further explanations as necessary, and voiced its opinions, with regard to the content of the resolutions of the Board of Directors regarding the matters set forth in Article 416, Paragraph 1, Item 1, Parts (b) and (e) of the Companies Act and the construction and operating conditions of the established system (internal control system) based on such resolutions; and executed the audit through the following methods:

- (a) attended important meetings, received reports on matters regarding the execution of their duties from the Directors and Executive Officers, etc., requested further explanations as necessary, inspected important approval documents, etc., and investigated the status of the business operations and assets of the head office and principal place of business in accordance with the policies and division of duties, etc. established by the Audit Committee and upon coordination with the company's internal auditing department and internal control governing department. With respect to the subsidiary companies, the Audit Committee took steps to facilitate communications and the exchange of information with the Directors and Auditors, etc. of the subsidiary companies and received reports on the business operations from the subsidiary companies as necessary.
- (b) while monitoring and verifying that the Accounting Auditor has maintained its independence and conducted appropriate audits, the Audit Committee received reports from the Accounting Auditor regarding the execution of its duties and requested further explanations as necessary. Furthermore, the Audit Committee received notification from the Accounting Auditor that it was taking steps to prepare the "system for ensuring proper execution of duties" (as set forth in the items of Article 131 of the Rules of Company Accounting) in accordance with the "Quality Control Standards for Audits" (adopted by the Business Accounting Council on October 28, 2005), etc., requesting further explanations as necessary.

Based on the above methods, the Audit Committee examined the business reports and the annexed detailed statements thereof, financial statements (balance sheet, statement of income, statement of changes in equity, and notes to non-consolidated financial statements) and the annexed detailed statements thereof, and consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements) relating to the fiscal year under review.

2. Results of the audit

(1) Results of the audit of business reports, etc.:

In our opinion:

- (a) The business report and annexed detailed statements accurately present the state of the company pursuant to the laws and regulations and the Articles of Incorporation;
- (b) Neither improper actions in execution of duties by the Directors and Executive Officers, nor material facts violating the laws and ordinances or the Articles of Incorporation were found;
- (c) The contents of the resolutions adopted by the Board of Directors regarding the internal control system were appropriate, and no matters that would need to be pointed out regarding the contents of the business report on such internal control system, along with the execution of duties by the Directors and Executive Officers, were found.

(d) As described in the business reports, we have confirmed that, after incorrect accounting from overseas subsidiaries was revealed, the Company has been enforcing continued measures towards preventing any recurrence of such issues and that the situation has been steadily improving. We will continue to monitor the status thereof.

(2) Results of the audit of financial statements and annexed detailed statements
In our opinion, the audit methods used and the results reported by Deloitte Touche Tohmatsu LLC, the Accounting Auditor, are appropriate and reasonable.

(3) Results of the audit of consolidated financial statements
In our opinion, the audit methods used and the results reported by Deloitte Touche Tohmatsu LLC, the Accounting Auditor, are appropriate and reasonable.

May 16, 2016

Audit Committee, LIXIL Group Corporation
Audit Committee Member: Yoshinobu Kikuchi
Audit Committee Member: Hidehiko Sato
Audit Committee Member: Tsutomu Kawaguchi

(Note) Among the Audit Committee Members, Hidehiko Sato and Tsutomu Kawaguchi are Outside Directors, as prescribed in Article 2, Item 15, and Article 400, Paragraph 3 of the Companies Act.