



July 19, 2016

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Notification that GROHE Group S.à r.l. and its Affiliates are to Become Wholly Owned Subsidiaries

LIXIL Group, at its Board of Directors' meeting held today, has decided to wholly acquire the outstanding shares of GraceA Co., Ltd. (Headquarters: Koto-ku, Tokyo; hereinafter "GraceA") owned by the Development Bank of Japan Inc. (Headquarters: Chiyoda-ku, Tokyo; President: Masanori Yanagi; hereinafter "DBJ") by exercising a call option based on the Shareholders' Agreement executed between LIXIL and DBJ dated September 26, 2013 (the agreement includes revisions made since that time). LIXIL Corporation (Headquarters: Chiyoda-ku, Tokyo; President: Kinya Seto; hereinafter "LIXIL"), a wholly owned subsidiary of LIXIL Group, and DBJ each own 50% voting rights in GraceA. By exercising the call option, the following entities will become wholly owned subsidiaries of LIXIL: (a) GraceA; (b) GraceB S.à r.l. (Headquarters: Luxembourg; hereinafter "GraceB"), a wholly owned subsidiary of GraceA; (c) GROHE Group S.à r.l. (Headquarters: Luxembourg; hereinafter "GROHE"), a subsidiary of GraceB. To make GROHE Group S.à r.l. and its affiliates wholly owned subsidiaries was always the end goal since the beginning of the acquisition and, regarding these changes such as managing foreign exchange fluctuation, LIXIL Group started considerations in late June, and submitted a proposal to DBJ on June 29. The scheduled date for exercising the call option is September 30, 2016.

LIXIL Group has adopted the International Financial Reporting Standards (IFRS), and since GraceA, GraceB and GROHE are already consolidated as 100% owned subsidiaries in LIXIL Group's consolidated financial statements, there is no impact to the consolidated financial statements as a result of this change.

Exercising the call option of the concerned preferred shares will reduce liabilities and will not affect the equity under IFRS. In addition, the difference between interest costs based on the agreed internal rate of return from the Shareholders' Agreement and funding costs associated with exercising the call option will result in a reduction of finance costs after the transaction.

1. Objectives of the transaction

LIXIL Group has been actively expanding globally to achieve its goal "to become a global leader in the building materials and housing equipment industry". As part of that goal, we consolidated GROHE and its affiliates in the last fiscal year. By wholly consolidating those subsidiaries, we aim to maximize corporate value by strengthening governance, promoting rapid decision-making and accelerating synergy creation, and also from an economic rationale to reduce finance costs, exercising the call option was decided.

2. Overview of the entities to become wholly-owned subsidiaries

GROHE

| | | |
|-----|--|---|
| (1) | Name of the company | GROHE Group S.à r.l. |
| (2) | Headquarters | 5C Rue Eugène Ruppert, 2453 Luxembourg |
| (3) | Representative | Michael Rauterkus (CEO) |
| (4) | Major Business | Manufacturer and supplier of sanitary fittings such as premium bath faucets |
| (5) | Capital | EUR 57,143 thousands |
| (6) | Established | 1936 |
| (7) | Major shareholders | GraceB (87.5%) LIXIL (12.5%) |
| (8) | Relationship between LIXIL Group and the company | Consolidated subsidiary |

3. Overview of the Seller

3. Overview of the Bank

| | | | | |
|------|---|---|------------|------------|
| (1) | Name of the company | Development Bank of Japan Inc. | | |
| (2) | Headquarters | Chiyoda-ku, Tokyo | | |
| (3) | Representative | Masanori Yanagi (President) | | |
| (4) | Major Business | Provides integrated investment and loan services to business funds | | |
| (5) | Capital | JPY 1,000,424millions | | |
| (6) | Established | October 1, 2008 | | |
| (7) | Number of shares outstanding | 43,632,000 shares | | |
| (8) | Fiscal year ending | March | | |
| (9) | Number of employees | 1,187 | | |
| (10) | Major shareholders | All capital is funded by the government of Japan | | |
| (11) | Relationship between LIXIL Group and the company | Jointly invests in GraceA. There is no special business relationship between LIXIL Group and DBJ. | | |
| (12) | Financial performance for the past three fiscal years | | | |
| | Fiscal Year | March 2014 | March 2015 | March 2016 |
| | Net Assets (JPY millions) | 2,610,081 | 2,719,404 | 2,850,042 |
| | Total Assets (JPY millions) | 16,247,962 | 16,283,399 | 15,808,999 |
| | Net Assets per share (JPY) | 59,819.86 | 62,325.41 | 59,089.25 |
| | Recurring Income (JPY millions) | 340,802 | 328,664 | 344,910 |
| | Recurring Profit (JPY millions) | 154,741 | 148,322 | 174,668 |
| | Net Income (JPY millions) | 123,240 | 90,080 | 117,865 |
| | Net Income per share (JPY) | 2,824.51 | 2,064.53 | 2,694.25 |
| | Dividend per share (JPY) | 706 | 516 | 671 |

4. Number of shares acquired, purchase price, ownership before/after the transaction

GraceA

| | | |
|-----|---|--|
| (1) | Number of the shares owned before the Transaction | 3,850,000 shares (50% voting interest) |
| (2) | Number of shares acquired | 3,850,000 shares |
| (3) | Purchase price | EUR 385millions (+Accrued interest costs based on agreed internal rate of return of the Shareholders' Agreement) |
| (4) | Number of the shares owned after the Transaction | 7,700,000 shares (100% voting interest) |

5. Future outlook

The transaction will have no significant impact on the business forecast of LIXIL Group for the fiscal year ending March 2017.

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