November 25, 2014
LIXIL Group Corporation

Announcement Regarding Issuance of Stock Acquisition Rights as Stock Options

LIXIL Group Corporation (hereinafter, “LGC” or “the Company”) has decided at the Executive Officers Meeting held today to grant stock option rights to an Executive Officer based on articles 238 and 240 of the Companies Act.

Allotment of stock acquisition rights for the LGC Executive Officer follows the decision of the Company’s compensation committee.

1. Purpose of the Issuance of Stock Acquisition Rights as Stock Options
   The stock acquisition rights are to be issued to further improve motivation and morale of the grantees to raise corporate value and to increase our stock price.

2. Terms and Conditions of Issuance of Stock Acquisition Rights
   (1) Name of stock acquisition rights
   Eighth series stock acquisition rights of LIXIL Group Corporation

   (2) Total Number of Stock Acquisition Rights
   420 units
   The above number is the number scheduled to be allotted. If the total number of stock acquisition rights to be allotted is decreased, such as in cases where there is no application of subscription for some of the stock acquisition rights, the total number of stock acquisition rights to be issued shall be the total number of stock acquisition rights to be allotted.

   (3) Class and Number of Shares to Be Issued upon Exercise of Stock Acquisition Rights
   The class of shares to be issued upon exercise of stock acquisition rights shall be common stock of the Company, and the number of shares to be issued (hereinafter referred to as “Number of Granted Shares”) upon exercise of each stock acquisition right shall be 100 shares.

   However, the Number of Granted Shares shall be adjusted by the following formula if the Company conducts a share split (including allotment of shares of common stock of the Company without contribution; the same shall apply to any reference to a share split hereinafter) or share consolidation of its common stock after the date for the allotment of stock acquisition rights set forth in Section (14) below (hereinafter referred to as the “Allotment Date”). Any fraction less than one share resulting from the above adjustment shall be disregarded.

$$\text{Number of Granted Shares after adjustment} = \text{Number of Granted Shares before adjustment} \times \text{Share split/consolidation ratio}$$

The provisions of Section (5) 2) (i) shall apply *mutatis mutandis* to the application date of the Number of Granted Shares after such adjustment.

In addition to the above, if any adjustment of the Number of Granted Shares is required after the Allotment Date, the Company may appropriately adjust the Number of Granted Shares within a reasonable extent.

When adjusting the Number of Granted Shares, the Company shall notify or give public notice of necessary matters to each holder of stock acquisition rights stated in the stock acquisition right registry (hereinafter referred to as "Stock Acquisition Rights Holder") by the date immediately preceding the application date of the Number of Granted Shares after adjustment; provided, however, that, if the Company is unable to notify or give public notice by the date immediately preceding the application date, it shall notify or give public notice promptly thereafter.

(4) Value of Properties to be Contributed upon Exercise of Stock Acquisition Rights

The value of properties to be contributed upon exercise of each stock acquisition right shall be the result of the amount to be paid in for one share to be delivered due to the exercise of such stock acquisition right (hereinafter referred to as the "Exercise Price"), multiplied by the Number of Granted Shares.

The Exercise Price shall be the higher of (a) the result of the average price of the closing price of common stock of the Company in regular trading at the Tokyo Stock Exchange (hereinafter referred to as "Closing Price") on each day of the month preceding the month containing the Allotment Date (excluding any date on which no trading is consummated), multiplied by 1.05, with any fraction less than one yen being rounded up to the nearest whole number, or (b) the Closing Price on the Allotment Date (or the Closing Price on the immediately preceding trading date, if there is no Closing Price for the Allotment Date); provided, however, that the Exercise Price shall be subject to the adjustment set forth in Section (5) below.

(5) Adjustment of Exercise Price

1) If the Company conducts either act of the following items (i) and (ii) with respect to its common stock after the Allotment Date, the Company shall adjust the Exercise Price by using the respective formulae (hereinafter referred to as the "Exercise Price Adjustment Formula") set forth thereunder; any fraction less than one yen resulting from the adjustment shall be rounded up to the nearest whole number.

(i) In cases where the Company conducts a share split or share consolidation

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Share split/consolidation ratio}}$$

(ii) In cases where the Company conducts an issuance of new shares or a disposition of treasury shares at a price lower than the market price (excluding the case as a result of sale of treasury shares in accordance with the provisions of Article 194 of the Companies Act (Demand by a holder of shares less than one unit for sale of shares less than one unit), conversion of securities that are to be or may be converted into common shares of the Company, or exercise of stock acquisition rights by which delivery of common stock of the Company may be requested (including those attached to bonds with stock acquisition rights))

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of new shares to be issued} \times \text{Amount to be paid in per share}}{\text{Market price}}}{\text{Number of issued shares} + \text{Number of new shares to be issued}}$$

(a) The “market price” in the Exercise Price Adjustment Formula shall be the average price of the Closing Price (including indicative prices; the same shall apply hereinafter) of common stock of the Company in regular trading at the Tokyo Stock Exchange for a period of 30 trading days (excluding any day without the Closing Price) commencing on the 45th trading day prior to the “Application date of the Exercise Price after adjustment” set forth in clause 2) below (hereinafter referred to as the “Application Date”). In calculating the “average price,” any fraction less than one yen shall be calculated to the hundredth and then rounded to the nearest tenth.

(b) The “Number of issued shares” in the Exercise Price Adjustment Formula shall be the total number of issued shares of common stock of the Company as of the record date, if any, or otherwise the date one month prior to the Application Date, less the number of treasury shares of common stock of the Company that are held by the Company.

(c) In the case of disposition of treasury shares, the “Number of new shares to be issued” in the Exercise Price Adjustment Formula shall be replaced with the “Number of treasury shares to be disposed.”

2) The application date of the Exercise Price after adjustment shall be subject to the following provisions:

(i) When making an adjustment pursuant to clause 1) (i) above, the Exercise Price after adjustment shall be applied, in the case of a share split, on and after the

day immediately following the record date for the share split (if no record date is prescribed, the effective date of such share split) and, in the case of a share consolidation, on and after the effective date thereof; provided, however, that, if a share split is subject to the condition that a proposal to increase the stated capital or reserves by decreasing the amount of surplus is approved at a general meeting of shareholders of the Company, and that the record date for the share split is prescribed to be the date prior to the date of conclusion of such general meeting of shareholders, the Exercise Price after adjustment shall be applied retrospectively to the date immediately following the record date on and after the date immediately following the date of conclusion of the general meeting of shareholders.

Under the proviso clause of the preceding paragraph, the Company shall adjust, by the following formula, the number of shares of its common stock to be delivered to the Stock Acquisition Rights Holder exercising stock acquisition rights during the period commencing on the date immediately following the record date for the share split and ending on the date of conclusion of the general meeting of shareholders (the number of shares that may be delivered due to the exercise of stock acquisition rights shall be hereinafter referred to as the "Number of Shares Subject to Exercise Before Split"). Any fraction less than one share resulting from the adjustment shall be disregarded.

$$\text{Number of new shares to be issued} = \frac{(\text{Exercise Price before adjustment} - \text{Exercise Price after adjustment}) \times \text{Number of Shares Subject to Exercise Before Split}}{\text{Exercise Price after adjustment}}$$

(ii) When making an adjustment pursuant to clause 1) (ii) above, the Exercise Price after adjustment shall be applied on and after the date immediately following the payment date (if a period for payment is prescribed, the last day thereof) for such issuance or disposition (or on and after the date immediately following the record date, if any).

3) In addition to clauses 1) (i) and 1) (ii), after the Allotment Date, in cases where there occur unavoidable circumstances that would require adjustment of the Exercise Price, such as where the Company allots shares of other classes without contribution to common shareholders or distributes shares of another company as dividends to common shareholders, the Company may adjust the Exercise Price within a reasonable extent after taking into consideration conditions such as those of the allotment or dividends.

4) When adjusting the Exercise Price, the Company shall notify or give public notice of necessary matters to the Stock Acquisition Rights Holders by the date immediately preceding the Application Date; provided, however, that, if the Company is unable to notify or give public notice by the date immediately preceding the Application Date, it shall notify or give public notice promptly thereafter.

(6) Exercisable Period for Stock Acquisition Rights
From December 13, 2016 to December 12, 2021

(7) Matters Regarding Stated Capital and Capital Reserves to Be Increased When Issuing Shares Due to Exercise of Stock Acquisition Rights

1) The amount of the stated capital to be increased when issuing shares due to the exercise of stock acquisition rights shall be one-half of the maximum amount of increase of stated capital, etc. calculated pursuant to Article 17, paragraph 1 of the Ordinance on Accounting of Companies. Any fraction less than one yen resulting from the calculation shall be rounded up to the nearest whole number.

2) The amount of the capital reserves to be increased when issuing shares due to the exercise of stock acquisition rights shall be the result of the maximum amount of increase of stated capital, etc. set forth in above clause 1) less the amount of the stated capital increased set forth in the same.

(8) Restrictions on Acquisition of Stock Acquisition Rights by Transfer
Any acquisition of stock acquisition rights by transfer shall require the approval by resolution of the Board of Directors of the Company.

(9) Conditions of Acquisition of Stock Acquisition Rights
The Company may acquire the stock acquisition rights without contribution on a date separately prescribed by the Board of Directors of the Company if the proposal under clause 1), 2), 3), 4) or 5) below is approved at a general meeting of shareholders of the Company (or if no resolution at a general meeting of shareholders is required, when a resolution of the Board of Directors of the Company is passed or a decision of the representative executive officer of the Company is made):

1) a proposal for approval of a merger agreement by which the Company becomes an absorbed company;
2) a proposal for approval of a company split agreement or a company split plan by which the Company becomes a split company;
3) a proposal for approval of a share exchange agreement or a share transfer plan by which the Company becomes a wholly owned subsidiary;
4) a proposal for approval of an amendment to the articles of incorporation of the Company, providing that the acquisition of any shares issued by the Company by transfer requires the Company's approval; or
5) a proposal for approval of an amendment to the articles of incorporation of the Company, providing that the acquisition of the class of shares to be issued upon exercise of stock acquisition rights by transfer requires the Company's approval, or that all of such class of shares are acquired by the Company by resolution of a general meeting of shareholders of the Company.

(10) Policies for Determining Details of Delivery of Stock Acquisition Rights of Reorganized Company in Reorganization

In cases where the Company conducts a merger (limited to a merger by which the Company is absorbed), an absorption-type company split or incorporation-type company split (in each case limited to a company split by which the Company becomes a split company), or a share exchange or share transfer (limited to cases where the Company becomes a wholly owned subsidiary) (hereinafter referred to collectively as the "Reorganization"), the Stock Acquisition Rights Holders holding outstanding stock acquisition rights (hereinafter referred to as the "Outstanding Stock Acquisition Rights") immediately prior to the effective date (meaning, in the case of an absorption-type merger, the date on which such absorption-type merger becomes effective; in the case of an incorporation-type merger, the date of incorporation of the company incorporated by such merger; in the case of an absorption-type company split, the date on which such absorption-type company split becomes effective; in the case of an incorporation-type company split, the date of incorporation of the company incorporated by such company split; in the case of a share exchange, the date on which such share exchange becomes effective; and in the case of a share transfer, the date of incorporation of a wholly owning parent company established by share transfer. The same shall apply hereinafter), in each case, shall be delivered stock acquisition rights of the company listed in Article 236, paragraph 1, item 8 (a) through (e) of the Companies Act (hereinafter referred to as the "Reorganized Company"); provided, however, that, the relevant absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan shall prescribe to the effect that the delivery of stock acquisition rights of the Reorganized Company will be conducted in compliance with each of the following conditions:

1) Number of stock acquisition rights of Reorganized Company to be delivered

The number, identical to the number of the Outstanding Stock Acquisition Rights held by each Stock Acquisition Rights Holder, of such stock acquisition rights shall be delivered respectively.

2) Class of shares of Reorganized Company to be delivered upon exercise of stock acquisition rights

Common stock of the Reorganized Company shall be delivered.

3) Number of shares of Reorganized Company to be delivered upon exercise of stock acquisition rights

The number shall be determined in accordance with Section (3) above, after taking into consideration the conditions, etc. of the Reorganization.

4) Value of properties contributed upon exercise of stock acquisition rights

The value of properties to be contributed upon exercise of each stock acquisition right to be delivered shall be the amount obtained by multiplying (a) the amount to be paid in after Reorganization (which is obtained by adjusting the Exercise Price set forth in Section (4) above after taking into consideration the conditions, etc. of the Reorganization) by (b) the number of shares of the Reorganized Company to be delivered upon exercise of such stock acquisition rights, which is determined pursuant to clause 3) above.

5) Exercisable period for stock acquisition rights

The exercisable period shall commence on the commencement date of the exercisable period of the stock acquisition rights set forth in Section (6) above, or the effective date of the Reorganization, whichever is later, and end on the expiration date of the exercisable period of the stock acquisition rights set forth in Section (6) above.

6) Matters regarding stated capital and capital reserves increased when issuing shares due to the exercise of stock acquisition rights

To be determined in accordance with Section (7) above.

7) Restrictions on acquisition of stock acquisition rights by transfer

Any acquisition of stock acquisition rights by transfer shall require the approval by resolution of the Board of Directors of the Reorganized Company.

8) Conditions of acquisition of stock acquisition rights

To be determined in accordance with Section (9) above.

9) Other conditions for exercise of stock acquisition rights

To be determined in accordance with Section (12) below.

(11) Fraction Less than One Share Arising from Exercise of Stock Acquisition Rights

If the number of shares to be delivered to the Stock Acquisition Rights Holder exercising stock acquisition rights includes any fraction less than one share, such fraction shall be disregarded.

(12) Other Conditions for Exercise of Stock Acquisition Rights

1) If a Stock Acquisition Rights Holder relinquishes the stock acquisition rights, such stock acquisition rights may not be exercised.
2) Other conditions for exercise of rights shall be subject to the Stock Acquisition Rights Allotment Agreement concluded between the Company and the Stock Acquisition Rights Holder.

(13) Method for Calculating Amount to Be Paid In upon Exercise of Stock Acquisition Rights

The amount to be paid in upon exercise of each stock acquisition right shall be the

option price per share calculated by Black-Scholes model below using the basic numerical value set forth in clauses from 2) to 7) below. Any fraction less than one yen shall be rounded to the nearest whole number. The rights, held by the person who has received the allotment of stock acquisition rights, to claim for remuneration shall be offset by the payment of such amount to be paid in.

$$C = Se^{-qT}N(d) - Xe^{-rT}N\left(d - \sigma\sqrt{T}\right)$$

Where

$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

1) Option price per share (*C*)
2) Share price (*S*): Closing Price of the common shares of the Company in regular trading at the Tokyo Stock Exchange on December 12, 2014 (if there is no Closing Price, the basic price of the following trading day).
3) Exercise Price (*X*): Price determined by the formula set forth in Section (4) above
4) Expected remaining period (*T*): 4.5 years
5) Volatility of share price (σ): Volatility calculated on the basis of the Closing Price of the common shares of the Company in regular trading on trading days during the 4.5 year period from June 12, 2010 to December 12, 2014.
6) Risk-free interest rate (*r*): Interest rate of government bonds whose remaining years to maturity correspond to the expected remaining period
7) Dividend yield (*q*): Dividends per share (actual amount paid of the fiscal-year-end dividends for the fiscal year ended March 31, 2014 and of the interim dividends for the fiscal year ending March 31, 2015) / Share price set forth in clause 2) above
8) Cumulative distribution function of the standard normal distribution (*N* (.))

(14) Allotment Date of Stock Acquisition Rights
December 12, 2014

(15) Date on Which Money Shall Be Paid In in Exchange for Stock Acquisition Rights
December 12, 2014

(16) Method for Requesting Exercise of and Paying for Stock Acquisition Rights

1) When exercising stock acquisition rights, the Stock Acquisition Rights Holder shall complete the necessary items on the Form for Requesting Exercise of Stock Acquisition Rights, the style of which the Company will determine, and submit it to the office to receive exercise request set forth in Section (17) below after affixing the name and seal, or signature.

2) When submitting the Form for Requesting Exercise of Stock Acquisition Rights in clause 1) above, the Stock Acquisition Rights Holder shall also transfer the

whole of the amount calculated by multiplying the value of properties to be contributed upon exercise of each stock acquisition right by the number of stock acquisition rights to be exercised, in cash, to the bank account designated by the Company with the subscription payment handling place set forth in Section (18) below by the time and date designated by the Company.

(17) Office to Receive Requests for Exercise of Stock Acquisition Rights
The Human Resource and General Affairs Division of the Company or any other department in charge of the relevant affairs from time to time

(18) Subscription Payment Handling Place for Exercise of Stock Acquisition Rights
Tokyo-Chuo Branch of Sumitomo Mitsui Banking Corporation or its successor bank or successor branch, if any

3. Number of stock acquisition rights grants and grantees

Grantees (Note)	Number of grantee	Number of stock acquisition rights
LGC Executive Officer	1 person	420 units
Total	1 person	420 units

Note: If a grantee holds more than one position in LGC or LGC subsidiaries, that person will be included under the position regarded as the person's major one.