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Notification of GROHE Group S.à r.l. and its Affiliates to Become Consolidated Subsidiaries

In relation to LIXIL Group's "Announcement of the Decision on a Plan to Make GROHE Group a Consolidated Subsidiary Earlier than Planned" dated November 4, 2014, LIXIL Group today announced that our Executive Committee decided to make the following entities our consolidated subsidiaries: (a) GROHE Group S.à r.l. (Headquarters: Luxembourg; hereinafter "GROHE"), whose shares are indirectly held by GraceA (defined as (c) below); (b) JOYOU AG (Headquarters: Germany; hereinafter "JOYOU"), a listed subsidiary of GROHE; (c) GraceA Co., Ltd. (Headquarters: Koto-ku, Tokyo; hereinafter "GraceA"), an equity method affiliate and jointly controlled entity of LIXIL Group; and (d) GraceB S.à r.l. (Headquarters: Luxembourg; hereinafter "GraceB"), a subsidiary of GraceA and a direct holder of GROHE shares. As means to make GROHE and its affiliates above LIXIL Group's consolidated subsidiaries, LIXIL Group's Executive Committee decided on (i) the execution of a Sale and Purchase Agreement (hereinafter the "Sale and Purchase Agreement") by LIXIL Corporation (Headquarters: Chiyoda-ku, Tokyo; President: Yoshiaki Fujimori; hereinafter "LIXIL"), a wholly owned subsidiary of LIXIL Group, with Cai GmbH (Headquarters: Germany; hereinafter "CAI"), a shareholder of GROHE, in which LIXIL will acquire the GROHE shares owned by CAI (hereinafter the "GROHE Share Acquisition") and (ii) the amendment to the Shareholders' Agreement executed between LIXIL, a direct shareholder of GraceA, and Development Bank of Japan (Headquarters: Chiyoda-ku, Tokyo; President: Toru Hashimoto; hereinafter "DBJ") dated September 26, 2013 (hereinafter the "Shareholders' Agreement") (collectively (i) and (ii), hereinafter the "Transaction").

The amendment to the Shareholders' Agreement will become effective on the later of (i) April 1, 2015 and (ii) the day all of the clearance required under the competition laws have been obtained from the competition authorities of the EU, China, Russia, South Africa and other countries which are required for the amendment to the Shareholders' Agreement. The GROHE Share Acquisition will be made, subject to the effectuation of the amendment to the Shareholders' Agreement, on the later of (i) April 1, 2015 and (ii) five business days after all of the closing conditions, including obtaining clearances required under the competition laws in Russia and other countries that are required for the GROHE Share Acquisition have been fulfilled.

1. Objectives of the Transaction

LIXIL Group has been active in our global expansion to achieve our goal "to become a global leader in the building materials and housing equipment industry". Our wholly owned subsidiary, LIXIL, has acquired ASD Americas Holding Corp. (hereinafter "ASD"), a manufacturer and distributor of sanitary fittings of the American Standard brands in North

America, in August 2013. Furthermore, as stated in the press releases "Announcement of a Joint Investment to Acquire Shares of GROHE Group S.a r.l., Europe's leading single-brand manufacturer of premium sanitary fitting" dated September 26, 2013, and "Announcement Regarding Completion of Acquisition of Shares of GROHE Group S.a r.l. (Became an affiliated company by the equity method)" dated January 22, 2014, LIXIL and DBJ jointly acquired 87.5% of the outstanding shares in GROHE in January 2014 through GraceA, jointly and equally owned by LIXIL and DBJ, and GraceB, a wholly owned subsidiary of GraceA.

Our corporate group's operations have been driven separately by LIXIL in Japan, ASD in North America, and GROHE and JOYOU in Europe and Asia. In order to (1) globally consolidate all operational synergies of our entire corporate group, (2) hold each business group accountable for its own financial performance, (3) integrate similar businesses of each group to strengthen the expertise of each company, (4) accelerate decision making by delegating authority to the head of each company, and (5) pursue higher growth and profitability as a business model by means of (1) through (4) above, we announced on November 4, 2014, a new operating model comprised of LIXIL's four core technology business units across our corporate group: (i) LIXIL Water Technology, (ii) LIXIL Building Technology, (iii) LIXIL Housing Technology, and (iv) LIXIL Kitchen Technology. We believe the introduction of the core technology business unit structure is strategically meaningful to bring together the businesses operated on a regional basis to accelerate the globalization of the businesses, maximize managerial efficiency, and optimize the utilization of human resources by better placement of personnel around the world.

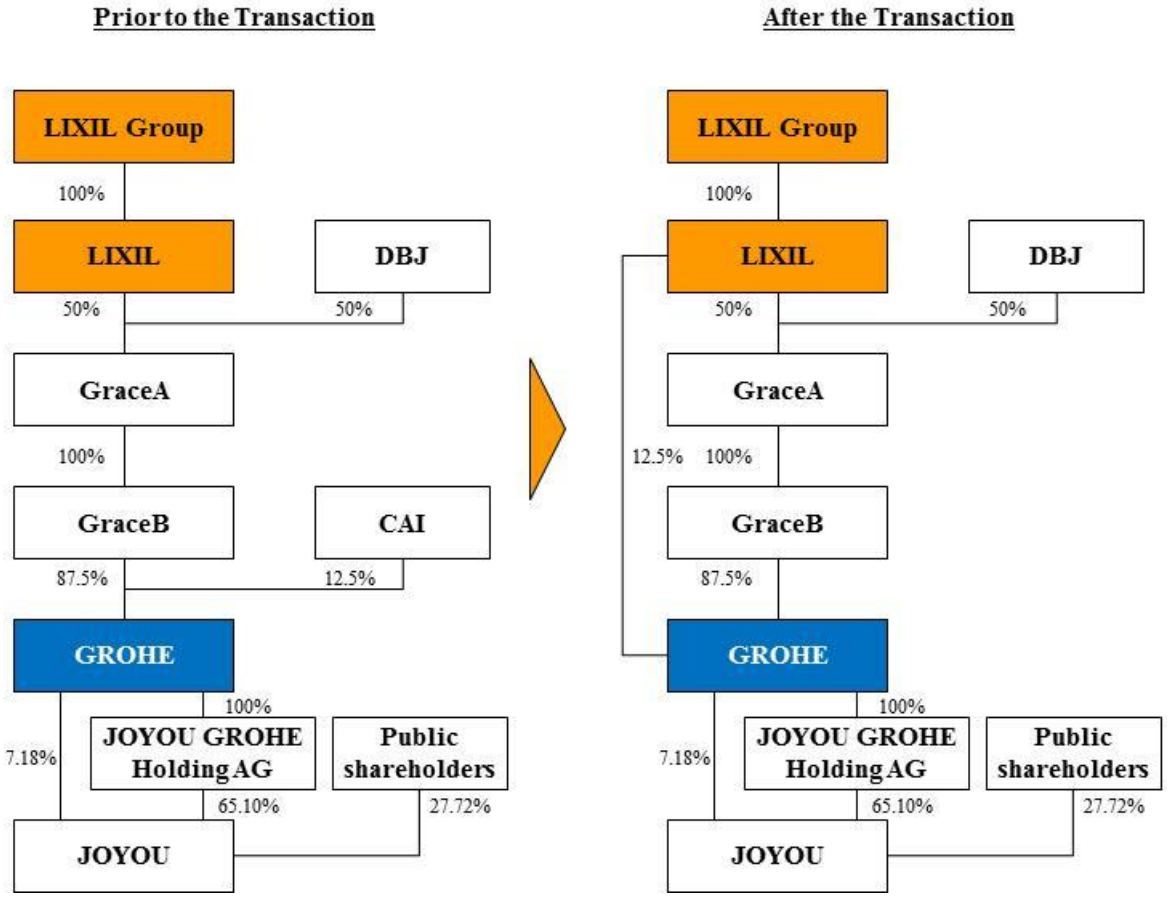
Among these units, LIXIL Water Technology will integrate all of the water technology-related businesses operated separately by each company into a single business group. With a worldwide sales network built on a platform in Europe and Asia, GROHE is expected to play an important role in LIXIL Water Technology. If GROHE were to remain a jointly controlled company, however, more time would be needed to make the key decisions to achieve the potential of the new business model of LIXIL Water Technology, and it might limit the effect of the incorporation of GROHE group's profits, including the synergies, into our corporate group. On November 4, 2014, LIXIL Group therefore decided to implement a policy to make GROHE our consolidated subsidiary with a target date of April 1, 2015 for integrating business operation with the GROHE group, and accelerating the decision making of LIXIL Water Technology and maximizing the effect of the incorporation of the GROHE group's profits into LIXIL Group. Following discussions with DBJ and CAI, which is GROHE's shareholder, as well as other related parties, on December 10, 2014, LIXIL Group decided on making GROHE and JOYOU our consolidated subsidiaries.

In relation to this, both GraceA and GraceB will also become our consolidated subsidiaries. After the implementation of this Transaction, the shareholding ratio of GraceA will not be changed and LIXIL and DBJ will each have a 50% of voting rights of GraceA.

2. Process of Consolidation

GROHE and JOYOU will become our consolidated subsidiaries through (i) the GROHE Share Acquisition and (ii) the amendment to the Shareholders' Agreement. GraceA and GraceB, which are both intermediary holding companies, will become our consolidated subsidiaries in the same way.

The shareholding structure of the GROHE Group prior to and after the Transaction is as follows:



3. Overview of the Entities to become Subsidiaries

GROHE

(1)	Name of the company	GROHE Group S.à r.l.
(2)	Headquarters	5C Rue Eugène Ruppert, 2453 Luxembourg
(3)	Representative	David Haines (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 S.à r.l. (87.5%) Cai GmbH (12.5%)
(8)	Relationship between LIXIL Group and the company	LIXIL, a wholly owned subsidiary of LIXIL Group, owns a 50% voting interest in GraceA, the parent company of GROHE. One director and one executive officer of LIXIL are also the directors of GROHE. There is no special business relationship between LIXIL Group and GROHE.
(9)	Consolidated financial performance for the past three fiscal years	

Fiscal Year	December 2011	December 2012	December 2013	June 2014
Net Assets	480	487	396	411
Goodwill	764	764	764	764
Total Assets	2,512	2,582	2,601	2,657
Interest Bearing Liabilities	1,307	1,288	1,278	1,240
Net Assets per share (EUR)	8.40	8.53	6.94	7.20
Net Sales	1,296	1,405	1,450	754
Adjusted EBITDA	232	272	286	141
Operating Profit	213	218	227	110
Net Profit (Net Loss)	62	35	△106	41
Net Profit (Net Loss) per share (EUR)	1.09	0.62	△1.86	0.72
Dividend per share (EUR)	—	—	—	—

(Unit: EUR in millions, unless specifically indicated otherwise)

(Note) The consolidated financial results for the fiscal year ended December 2011 are based on certain pro-forma figures in which full consolidation of JOYOU is assumed prior to the actual consolidation in July 2011. Consolidated Net Loss for the fiscal year ended December 2013 included an increase in tax expense which amounted to EUR 142 million. Such increase in tax expense resulted from the reversal of Deferred Tax Assets, etc. concerning the expiration of Losses Carried Forward in relation to GROHE's shareholder change to GraceB. If this factor (or the increase in tax expense) were excluded, GROHE would have generated a consolidated net profit of EUR 36 million for the fiscal year.

JOYOU

(1)	Name of the company	JOYOU AG
(2)	Headquarters	Gasstr. 18, Haus 6A, 22761 Hamburg, Germany
(3)	Representative	Jianshe Cai (CEO)
(4)	Major Business	Design, production and sale of faucets and other sanitary ware products
(5)	Capital	EUR 23,967 thousands
(6)	Established	1988
(7)	Major shareholders	JOYOU GROHE Holdings AG (65.1%) GROHE Group S.à r.l. (7.2%)
(8)	Relationship between LIXIL Group and the company	LIXIL owns a 50% voting interest in GraceA, the parent company of JOYOU. One director of LIXIL is also the director of JOYOU. There is no special business relationship between LIXIL Group and JOYOU.
(9)	Consolidated financial performance for the past three fiscal years	

Fiscal Year	December 2011	December 2012	December 2013
Net Assets	304	341	360
Total Assets	406	451	528
Net Assets per share (EUR)	12.70	14.25	15.03
Net Sales	287	329	357
Operating Profit	45	50	53
Net Profit	38	39	24
Net Profit per share(EUR)	1.61	1.66	1.00
Dividend per share (EUR)	—	—	—

(Unit: EUR in millions, unless specifically indicated otherwise)

(Note) GraceA is a holding company established on September 6, 2013, for the purpose of owning GraceB shares. LIXIL and DBJ each hold a 50% voting interest in GraceB. GraceB is a holding company to hold the GROHE shares established on July 24, 2013. GraceA and GraceB will both become consolidated subsidiaries of LIXIL Group after the Transaction. However, given that both are holding companies with a sole function of holding shares, their overview is not included.

4. Overview of the Seller

(1)	Name of the company	Cai GmbH
(2)	Headquarters	Gasstr. 18, Haus 6A, 22761 Hamburg, Germany
(3)	Representative	Jianshe Cai Jilin Cai
(4)	Major Business	Sale of sanitary ware products and management of personal assets
(5)	Capital	EUR 500,000
(6)	Established	January 7, 2013
(7)	Fiscal year ending	December
(8)	Number of employees	0
(9)	Major customers	None
(10)	Main banks	None
(11)	Major shareholders	Jianshe Cai 94.0% Jilin Cai 6.0%

(12)	Relationship between LIXIL Group and the company	The company holds a 12.5% voting interest in GROHE. One director of GROHE and two directors of JOYOU AG are also directors of CAI. There is no special business relationship between LIXIL Group and CAI. CAI is not a related party of LIXIL Group. Furthermore, any related party or affiliate of the company is not a related party of LIXIL Group.

(13) Consolidated financial performance for the past three fiscal years

Fiscal Year	December 2011	December 2012	December 2013
Net Assets	—	—	117
Total Assets	—	—	117
Net Assets per share (EUR)	—	—	233.87
Net Sales	—	—	—
Ordinary Profit	—	—	—
Net Profit (Net Loss)	—	—	0
Net Profit (Net Loss) per share (EUR)	—	—	—
Dividend per share (EUR)	—	—	—

(Unit: EUR in millions, unless specifically indicated otherwise)

(Note) The net profit of fiscal year ended December 2013 is rounded off to zero as all figures are less EUR 500,000.

5. Number of Shares Acquired, Purchase Price, Ownership before/after the Transaction

GROHE

(1)	Number of the shares owned before the Transaction	25,000,000 (43.75% voting interest)
(2)	Number of shares acquired	7,142,857 shares
(3)	Purchase price	GROHE shares: JPY 30,510 millions Advisory fee, etc. (estimated amount): JPY 416 millions Total amount (estimated): JPY 30,926 millions
(4)	Number of the shares owned after the Transaction	32,142,857 (56.25% voting interest)

(Note 1) Since LIXIL Group and DBJ each indirectly holds a 50% of voting interests in GraceB which owns the GROHE shares, the number of shares held prior to the Transaction represents 50% of the number of GROHE shares held by GraceB. The number of shares held after the Transaction represents 50% of the number of GROHE shares owned by GraceB plus the number of shares acquired by LIXIL. Each of the voting interests is calculated in the same manner. GraceB acquired 50,000,000 shares (an 87.5% voting interest) on January 21, 2014; the number of shares and voting interest held by GraceB will not change upon the consummation of this Transaction.

(Note 2) The total amount (estimated) of the purchase price represents the sum of the purchase price of the GROHE shares denominated in JPY at the rate of one EUR to 148.83 JPY and the advisory fee, etc. (estimated amount).

None of GraceA shares, GraceB shares or JOYOU shares will be acquired in the Transaction.

6. Future Outlook

The Transaction will have no impact on the performance of LIXIL Group for the fiscal year ending March 2015. The impact on our performance for the fiscal year ending March 2016 and thereafter has not been determined, and will be notified upon determining the amount.

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