May 9, 2016

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Completion of Recurrence Prevention Measures with respect to Joyou Issue

As announced in "Results of Investigation On Accounting Irregularities of JOYOU" dated November 16, 2015 (hereinafter the "November Report"), LIXIL Group Corporation (hereinafter "LIXIL") announced the results of an investigation regarding accounting irregularities at Joyou AG (headquarters: Germany; listed on the Frankfurt Stock Exchange; hereinafter "JOYOU"), which was a subsidiary of LIXIL from April 1, 2015 to July 16, 2015, and commenced insolvency proceedings with the competent local court of Hamburg in Germany on July 16, 2015. Subsequently, LIXIL reported in the "Status of Implementation of Recurrence Prevention Measures with respect to Joyou Issue" dated January 18, 2016 (hereinafter the "January Report") the status of the implementation of recurrence prevention measures, as well as the estimated period within which such measures will be completed with. Today, LIXIL hereby reports that the key measures scheduled to be completed in the fiscal year 2015 have been completed as planned, and also explains items requiring continued efforts.

In the November Report and the January Report, LIXIL announced the recurrence prevention measures for three areas: the management of overseas subsidiaries, M&A processes, and the post-acquisition integration process. LIXIL hereby reports its efforts after the January Report.

1. Measures regarding Management of Overseas Subsidiaries

a) Strengthening of the Systems for Management and Monitoring of Overseas Subsidiaries by the Headquarters Management Unit

1) Establishing departments dedicated to the management of overseas subsidiaries:

The Governance Promotion Office for each affiliate established under the finance and accounting divisions as of November 1, 2015 are engaging in the enhancement of the J-SOX compliance at overseas subsidiaries and the improvement and management of subsidiaries that show signs of deterioration in their earnings, assets and/or cash flows. Furthermore, in addition to revising the upper limit of authorization at subsidiaries in cooperation with the legal division thereby further enhancing the governance of subsidiaries, LIXIL revised and newly established accounting/finance-related internal rules with focus on recurrence prevention. Moreover, in cooperation with the newly established Global Corporate Audit Staff described below, site visits and instructions for improvements are made to overseas subsidiaries that show signs of issues.

2) Increasing the number of employees posted to overseas subsidiaries and redefining their roles:

An executive officer in charge of accounting, personnel and legal affairs of LIXIL assumed the positions of part-time directors at LIXIL's major overseas subsidiaries (Permasteelisa, GraceB's subsidiary Grohe Sarl, and American Standard Brands; hereinafter, "Major Overseas Subsidiaries") to enhance the governance of the Group. At the same time, LIXIL appointed one officer/employee of LIXIL as a new full-time director for respective Major Overseas Subsidiaries who were each posted and dispatched to such subsidiaries. These full-time directors are mainly composed of officers/employees from LIXIL's accounting division and posted to overseas subsidiaries. They are not only engaged in their own assigned business at each subsidiary but also getting involved in important decision-making processes at the respective subsidiaries as a director from an early stage, thereby improving information sharing and LIXIL's supervision functions, which enable LIXIL to build a framework that can respond more cooperatively and effectively.

3) Strengthening the so-called "lateral functions" of the headquarters management unit:

LIXIL established its local financial centers in Singapore and China for the purpose of enhancing governance by visualizing cash management and improving capital efficiency, and is scheduled to establish local financial centers in other regions, including a financial center for the LIXIL Building Technology Division mainly in Europe.

4) Enhancing a sound corporate culture:

This has been addressed in c) below.

b) Improvement of Internal Auditing Units Premised upon a Global Structure

1) Independence and neutrality of Global Internal Control Division and ensuring a sufficient budget and staff:

The number of the staff in the Global Internal Control Division was three persons at the time of the establishment but has increased to nine persons at the present by employing specialists from outside LIXIL, thereby enhanced the J-SOX audit system.

2) Reorganizations including establishment of the Corporate Audit Group:

LIXIL established related internal rules of the Corporate Audit Group. The Global Corporate Audit Staff, an organization specializing in responding to risks at overseas subsidiaries, retained nine persons by the end of March 2016 and commenced its operations.

3) Reporting line for each internal control unit in the overseas subsidiaries:

The audit functions of the Group have been enhanced through the establishment of a system where the head of the Corporate Audit Group receives reports from the respective heads of the internal control units in the Major Overseas Subsidiaries and through joint auditing and information sharing activities with each unit.

4) Internal Audit Committee:

In order to fulfill a role more suited to the globalized structure of LIXIL, the committee reviewed its members by, among others, adding the head of the Corporate Audit Group, who has a more global perspective, experience and responsibility, and LIXIL reexamined and enhanced collaboration with each unit and each subsidiary so that it can receive timely reports from each technology business and overseas subsidiaries in addition to the reporting line described in 3) above and thereby take appropriate measures.

c) Improvement of Compliance Awareness and Reorganization and Reinforcement of the Compliance Systems, Including for Overseas Subsidiaries

1) Training and pledge procedures (including overseas) of the amended LIXIL Group Code of Conduct:

LIXIL introduced a system for all LIXIL Group employees where employees must, after completing the online training, pledge they understand and will obey the globally unified LIXIL Group Code of Conduct which LIXIL applied as of April 1, 2015, and implemented the training and pledge procedures at all group companies including domestic and overseas subsidiaries by the end of April of this year.

2) Introduction of improved education and training program:

LIXIL has maximized opportunities for meetings for all employees and site visits from management-level persons of the company headquarters whereby the management directly speaks about compliance matters and proactively improves compliance awareness and cultivates a compliance culture. LIXIL has already held compliance sessions at several overseas subsidiaries. Furthermore, LIXIL implemented training programs for officers of domestic corporations (including LIXIL) by the end of March 2016 and training programs for officers at headquarters of Major Overseas Subsidiaries by the end of April 2016. LIXIL will continue to prepare and revise educational materials in a timely manner and further develop the education and training.

3) Enhancement of internal reporting systems at overseas subsidiaries:

In order to promote and improve the internal reporting (i.e., whistle-blowing) system, LIXIL has worked to heighten awareness and continued
to inform the existing internal reporting at the global level by the end of March this year by maximizing, among others, opportunities for implementing training and pledge procedures of Group Code of Conduct, and aforementioned compliance sessions. To further enhance internal reporting, LIXIL has initiated preparations to introduce a multi-language 24-hour internal reporting system common throughout the entire Group to be developed by the end of this year.

4) Strengthening and reevaluating the compliance department at the company's headquarters:

LIXIL has strengthened the organization by increasing personnel from 11 to 14, has hired managers responsible for the China/Asia Area and the Africa Area, and has been enhancing and promoting collaboration between the Chief Compliance Officer at the headquarters and each compliance department and its head at Major Overseas

Subsidiaries.

5) Improvement of the functions of the Group Compliance Committee:

In order to fulfill the functions to respond to global structure, LIXIL will reconsider the members of the committee by adding the head of Corporate Audit Group, who has a more global perspective, experience and responsibility, and the head of public affair division, who has an important role in the crisis management system, as members. it will also continue to review agenda items and endeavor to further enhance its functions so that the committee will not just be a place for formal reporting on internal reporting cases or disciplinary cases, but also a place for practical discussions regarding examination on the background and cause of the occurrence of respective cases and the evaluation of its countermeasures, and a place for discussions and reporting toward building a compliance management system to be deployed throughout the entire Group. LIXIL will establish compliance committees for respective technology businesses (internal management organization for each core business) by the end of this fiscal year and continue to establish a system where the Group Compliance Committee can obtain timely reports from the compliance committee of each technology business.

d) Strengthening of officer training befitting a global enterprise.

LIXIL has been implementing officer training programs at LIXIL and subsidiaries including Major Overseas Subsidiaries with respect to, among others, the legal responsibility of officers and roles that leaders should fulfill in order to build and improve and the compliance culture, and will continue to implement such programs this fiscal year onward.

2. Measures regarding Method for Proceeding with M&As and the Post-Acquisition Integration Process

a) Reevaluation of the M&A Process and Compliance Due Diligence

LIXIL established guidelines to be relied upon when conducting M&As so that the group-wide process would be clearly defined and documented for the purpose of making decision on investments as a management judgment, and the operation in accordance with such process would be institutionalized, and applied it to the entire Group as of April 1, 2016.

b) Dispatch of Executives to Subsidiaries and Clarification of Roles

As stated in 1 a) 2) above, LIXIL has dispatched three of LIXIL's officers and employees to the existing Major Overseas Subsidiaries, and has decided two candidates to be appointed as directors of the regional managing company in China.

c) Revision of the Integration Process

LIXIL has established the integration guidelines, which clarify the basic policy, implementation organizations and standard procedure concerning post-merger merger, to promote integration of companies acquired by M&A and to accomplish the purpose of business investment, and applied it to the entire Group as of April 1, 2016.

LIXIL will sincerely continue to work on the enhancement of the Group governance.