Corporate Governance	
Corporate Governance	LIXIL Group Corporation
Last updated: June 23, 2017	
LIXIL Group Corporation	
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Securities code: 5938	
http://www.lixil.com/en/investor/	

The corporate governance system at LIXIL Group Corporation is described below.

I. Basic Philosophy Regarding Corporate Governance, and Other Basic Information Regarding Corporate Profile and Capital Structure

1. Basic Views

1. Fundamental Philosophy

LIXIL Group Corporation ("the Company") constantly strives to build the best possible corporate governance system needed to realize its belief that publicizing and implementing its group management philosophy throughout the Company and all of its subsidiaries and affiliates ("the Group") will enable it to achieve the maximum sustainable improvement of corporate value. LIXIL Group Management Philosophy is as disclosed in the following website.
http://www.lixil.com/en/values.html

Under the Company, a pure holding company, the Group aims to optimize the whole by maintaining cooperation between each operating company. The Group has adopted the following fundamental framework and has undertaken initiatives to strengthen and enhance corporate governance in order to maintain the Group's standing as a corporate group that inspires confidence through the creation and provision of attractive value to its stakeholders.

(1) Company with a Nominating Committee, etc.
The Company has adopted the governance format of a "company with a nominating committee, etc." with the aim of clearly separating its executive and supervisory functions, thereby enabling executive officers to make swift and decisive business decisions, and ensuring management transparency.
(2) Enhancement of Functions by Through the Use of Optional Structures
In addition to the committees and structures which are legally required for a company with a nominating committee, etc., the Company has established an Executive Officers Meeting and other optional bodies.
(3) Implementation of a Uniform Corporate Governance System Across the Entire Group
By setting forth the LIXIL Values (Shared Values) and the LIXIL Group Code of Conduct, and group-wide financial and accounting management policies, having the entire Group comply therewith, and putting in place a uniform compliance system across the Group, the Company strives to spread the core elements of its corporate governance system to the entire globalized corporate group.

[Reasons for Non-compliance with Certain Principles of the Corporate Governance Code]

At the December 2015 meeting of the Board of Directors, the Company approved LIXIL Group's Corporate Governance Guidelines (the "Guidelines"), which outline the Company's basic approach to corporate governance. (Please note that these Corporate Governance Guidelines include certain provisions which have not yet taken effect, or for which implementation is incomplete. For details, please refer to the Supplementary Provisions of the Guidelines.)
http://www.lixil.com/en/about/governance/pdf/cor_governance_guidelines20160215_e.pdf

Although the second sentence of Principle 1-4 states that the subject of verification is the "Board of Directors," in light of the fact that the Company is a company with a nominating committee, etc., we believe it is more appropriate for the subject of verification to be the "Executive Officers Meeting."

[Disclosure Based on the Principles of the Corporate Governance Code]

Because the Company's Guidelines contain provisions with regard to many of the disclosure items below, where relevant a note has been added referring to the related provision in the Guidelines.
http://www.lixil.com/en/about/governance/pdf/cor_governance_guidelines20160215_e.pdf

[Principle 1-4 Policy Regarding Cross-Shareholdings and Criteria Regarding the Exercise of Voting Rights for Such Shares]
The Company holds shares on a cross-shareholding basis in cases where it has been recognized to be necessary in order to facilitate sales or as part of an alliance necessary for its business activities. Article 8 of the Guidelines sets forth the policy regarding such holdings and procedures for the sale of such shares, and other such matters. When the Company exercises voting rights of such shares, it does so in a manner that contributes to the purpose of those cross-shareholdings, which is to increase the Company's corporate value by strengthening transaction relationships.

[Principle 1-7 Framework of Procedures Regarding Related Party Transactions]
As for the procedures and framework for related party transactions by the Company's officers, "Rules of the Board of Directors" stipulates that all related party transactions are required to be approved by the Board of Directors. In addition, "Rules of the Board of Directors" provides that criteria to follow for each transaction explicitly and systems to prevent related transactions executed to benefit himself or herself or the third party, impairing shareholders common interests (Article 10 of the Guidelines).

[Principle 3-1 Disclosure of Information]
Articles 34 and 35 of the Guidelines stipulate disclosure methods and the Company's fundamental policy regarding information disclosure. For the Company's Disclosure Policy please refer to the following page on the Company's web site:
http://www.lixil.com/en/investor/strategy/policy.html

(i) Company Philosophy, Management Strategy, and Management Plan
The Company's philosophy, management strategy, and management plan are set forth in Article 2 of the Guidelines. In addition, please refer to the following page on the Company's web site:
http://www.lixil.com/en/about/strategy.html

(ii) Basic Philosophy and Policy with Respect to Corporate Governance
This is set forth in Articles 1 through 3 of the Guidelines, and in the section entitled "I -1. Basic Views" of this report.

(iii) Procedures and Policies Regarding Determination of Compensation for Directors and Executive Officers
As a company with a nominating committee, etc., the Compensation Committee follows the policies set forth below in "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in deciding the compensation of executive officers and directors (Article 24 of the Guidelines).

(iv) Procedures and Policies Regarding the Nomination of Director Candidates and the Appointment of Executive Officers.
As a company with a nominating committee, etc., in deciding upon the candidates for director seats, the Nomination Committee will apply the Company's own criteria (Articles 22 of the Guidelines) while considering not only the individual qualities of director candidates but also the appropriate composition of the Board of Directors. Criteria regarding the appointment of executive officers are set forth in Article 23 of the Guidelines. When independent outside director candidates are decided, the Company's own independence criteria will be used, as set forth in Article 27 of the Guidelines.

(v) Explanation of Each Candidate
The reasons for the nomination of the candidates of independent outside directors are as set forth below, and the reasons for the nomination of the candidates of other directors are also disclosed in the convocation notice. The Company discloses the reasons for appointing executive officers on its website.
http://www.lixil.com/en/about/governance/board/reason_exec.html
Articles 22.3 and Article 23.3 of the Guidelines apply to those disclosures, and those disclosures are carried out in accordance therewith.

[Supplementary Principle 4-1-① Outline of the Scope of Delegation from the Board of Directors to Executive Officers]
Based on the philosophy of a "company with a nominating committee, etc.", which is to separate supervisory functions from management execution functions, the Company has determined and summarized the scope of delegation in Article 18.2 of the Guidelines, and concrete matters to be decided by the Board of Directors and the Executive Officers Meeting, respectively, are specified in the "LIXIL Group Board of Directors Rules" and the "Rules for the Executive Officers Meeting of LIXIL Group".

[Principle 4-8 Policy Regarding the Number of Independent Outside Directors]
Currently, the Company has reported to the Tokyo Stock Exchange to identify five directors out of the current total of 10 directors who are independent outside directors. The Company's policy is that one-third or more of directors must be independent outside directors (Article 22 of the Guidelines).

[Principle 4-9 Independence Criteria]
The Company judges the independence of outside directors in accordance with the criteria set forth in Article 27 of the Guidelines.

[Supplementary Principle 4-11① Philosophy Regarding the Composition of the Board]
With respect to the composition of the Board of Directors, the Company stresses diversity, and this thinking is reflected in Article 19 of the Guidelines. Currently, there are two female directors, one of whom is a foreign national.

[Supplementary Principle 4-11② Status of Directors Serving Concurrently as Board Members at Other Companies]
The Company discloses the status of major concurrent board positions held by directors in convocation notices for General Meetings of Shareholders and in its annual report, in the section about the personal history of each director candidate.
http://www.lixil.com/en/investor/ir_event/meeting.html
Please see the Company's policy with respect to concurrent board positions held by directors in Article 30 of the Guidelines.

[Supplementary Principle 4-11③ Analysis of the Effectiveness of the Board of Directors as a Whole, and Disclosure of a Summary of the Results]
The Company conducts a self-evaluation of the effectiveness of the Board of Directors by each director annually. In fiscal year ended March 2017, the Company collected questionnaires from each director about the current status and practices of the Board of Directors, such as the composition, operation and agendas of the Board as well as the supporting systems. Analysis and

evaluation of the effectiveness of the Board of Directors were conducted based on the results of the collected answers, and which were discussed in a meeting where all directors attended. As a result, the Board of Directors concluded that it was functioning effectively. We will aim to continue to improve the effectiveness of the Board of Directors.

[Supplementary Principle 4-14② Policy Regarding Director and Executive Officer Training]
The Company's organizational framework and initiatives for training and study by directors and executive officers are set forth in Article 32 of the Guidelines.

[Principle 5-1 Policy for Promoting Dialogue with Shareholders]
With regard to dialogue with shareholders, the Company believes that the goals of the Corporate Governance Code should be realized, and in Article 11 of the Guidelines it has set forth relevant provisions.

2. Capital Structure

Percentage of Foreign Shareholders	30% or more

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,179,100	3.25
Japan Trustee Services Bank, Ltd. (Trust Account)	9,840,000	3.14
STATE STREET BANK CLIENT OMNIBUS OM04	9,779,777	3.12
The Nomura Trust and Banking Co., Ltd. (Trust Account)	8,896,200	2.84
LIXIL Employee Stock Ownership Plan	6,789,362	2.16
The Dai-ichi Life Insurance Company, Limited	6,561,858	2.09
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,798,280	1.85
MSCO Customer Securities	5,554,449	1.77
Sumitomo Mitsui Banking Corporation	5,543,055	1.77
Japan Trustee Services Bank, Ltd. (Trust Account 5)	5,356,700	1.71

Controlling Shareholder (except for Parent Company)	None
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section / NSE First Section
Fiscal Year-End	March
Type of Business	Metal products
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

The Company switched from a company with board of company auditors to a company with a nominating committee, etc. on June 23, 2011 by a resolution at the annual general shareholders' meeting.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with a nominating committee, etc.

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	16
Term of Office Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board	An internal non-executive director
Number of Directors	10

[Outside Directors]

Number of Outside Directors	5
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tsutomu Kawaguchi	Chartered Accountant											
Main Kohda	Other											
Barbara Judge	Other											
Hirokazu Yamanashi	From another company											
Hiroto Yoshimura	Other											

* Categories for "Relationship with the Company"
* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past
* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲"when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company
c. Executive of a fellow subsidiary
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the Company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Tsutomu Kawaguchi			○	○	Assumed office in June 2011	Mr. Kawaguchi was appointed on the basis of his specialist knowledge and extensive experience in finance and accounting gained as a certified public accountant. As an outside director, he has been properly fulfilling his role in supervising decision-making on important management matters and business execution. Mr. Kawaguchi was also appointed as an independent director of the Company as he does not infringe either of the evaluation standards concerning independence of independent directors stipulated by the Tokyo Stock Exchange, and as he satisfies the independence criteria stipulated by the Company. Management therefore judged there was no risk of a conflict of interest with ordinary shareholders.
Main Kohda		○		○	Assumed office in June 2013	Ms. Kohda was appointed on the basis of her sophisticated knowledge of international finance, deep insight as a successful economic novelist, and her objective perspective. Her broad experience also includes serving as a member of advisory committees of the Ministry of Finance and the Ministry of Land, Infrastructure, Transport and Tourism. As an outside director, she has been properly fulfilling her role in supervising decision-making on important management matters and business execution. Ms. Kohda was also appointed as an independent director of the Company as she does not infringe either of the evaluation standards concerning independence of independent directors stipulated by the Tokyo Stock Exchange, and as she satisfies the independence criteria stipulated by the Company. Management therefore judged there was no risk of a conflict of interest with ordinary shareholders.
Barbara Judge		○		○	Assumed office in June 2015	Lady Judge was appointed as an outside director due to the management's judgment that she reflects a global viewpoint on the Company's Board of Directors based on her extensive experience and insight gained from holding corporate and public positions over many years. As an outside director, she has been sufficiently fulfilling her role in supervising decision-making on important management matters and business execution. Lady Judge was also appointed as an independent director of the Company as she does not infringe either of the evaluation standards concerning independence of independent directors stipulated by the Tokyo Stock Exchange, and as she satisfies the independence criteria stipulated by the Company. Management therefore judged there was no risk of a conflict of interest with ordinary shareholders.

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nominating Committee	Compensation Committee	Audit Committee			
Hirokazu Yamanashi	○	○		○	Assumed office in June 2016	Mr. Yamanashi was appointed on the basis of his specialist experience and knowledge gained through the management consulting business and executive officers of listed companies in charge of internal affairs and corporate planning, and he sufficiently fulfills his role in supervising decision-making on important management matters and business execution for the Company as an outside director. Mr. Yamanashi was also appointed as an independent director of the Company as he does not infringe either of the evaluation standards concerning independence of independent directors stipulated by the Tokyo Stock Exchange, and as he satisfies the independence criteria stipulated by the Company. Management therefore judged there was no risk of a conflict of interest with ordinary shareholders.
Hiroto Yoshimura	○		○	○	Assumed office June 2017	Mr. Hiroto Yoshimura was appointed on the basis of his wealth of experience working in police administrative organizations, as well as extensive experience in personnel and organizational reform and compliance expertise, which can be expected to further strengthen the functions of the Board of Directors of the Company. Mr. Yoshimura was also appointed as an independent director of the Company as he does not infringe either of the evaluation standards concerning independence of independent directors stipulated by the Tokyo Stock Exchange, and as he satisfies the independence criteria stipulated by the Company. Management therefore judged there was no risk of a conflict of interest with ordinary shareholders.

[Committees]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	3	0	1	2	Outside Director
Compensation Committee	5	0	2	3	Outside Director
Audit Committee	3	1	1	2	Outside Director

[Executive Officers (Shikkoyaku)]

Number of Executive Officers (Shikkoyaku)	10

Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Kinya Seto	Yes	Yes	No	No	No
Ryuichi Kawamoto	Yes	No	No	No	No
Sachio Matsumoto	No	No	No	No	No
Haruo Shirai	No	No	No	No	No
Kazuhiko Ootsubo	No	No	No	No	No
Laurence William Bates	No	No	No	No	No
Hwa Jin Song Montesano	No	No	No	No	No
Harumi Matsumura	No	No	No	No	No
Ryo Nihei	No	No	No	No	No
Yugo Kanazawa	No	No	No	No	No

[Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed

Matters Related to the Independence of Such Directors and/or Staff from Executive Officers (Shikkoyaku)

The Company has established Audit Committee as a dedicated organization to exercise the authority of the Audit Committee or Audit Committee members as set forth in laws and ordinances or internal regulations and to audit the legality and validity of the execution of duties by directors and executive officers. The Company has decided that executive officers will not give orders or instructions with regard to directions from the Audit Committee or Audit Committee members to such organization required for auditing work.

Cooperation among Audit Committee, Accounting Auditors and Internal Audit Departments

In performing audits, the Audit Committee and the Internal Audit Division are both committed to performing efficient auditing by regularly holding meetings, promoting the sharing of information and cooperating at all times. In addition, they are working in close cooperation with the accounting auditor to actively exchange information. Further, the system linkage departments, accounting functions and internal control functions are subject to internal audits by audit divisions, Audit Committee audits regarding business reporting, and accounting audits based on the Companies Act and the Financial Instruments and Exchange Act.
The Company has appointed Deloitte Touche Tohmatsu LLC as its accounting auditor, concluded an audit agreement with the same regarding accounting auditing under the Companies Act and the Financial Instruments and Exchange Act, and has received an explanation of the auditing plan. In addition to receiving audit reports, the Company conducts hearings about the status of audits being performed as necessary.

[Independent Directors]

Number of Independent Directors	5

Matters relating to Independent Directors

All independent directors appointed by the Company are outside directors with independent director qualifications. Independent directors have sophisticated knowledge and extensive experience in fields such as corporate management, finance, financial accounting, or law, and they must be able to supervise business execution by the management team from an independent and objective perspective, as well as satisfy the Company's independence determination criteria. The Company's independence determination criteria stipulate that an outside director is independent if he or she does not fall under any of the following.

i. A shareholder, or an executive (hereinafter, meaning the "executive" stipulated in Article 2(3)(6) of the Companies Act Enforcement Ordinance) of another company, that holds 10% or more of voting rights in the Company;
ii. An executive of a company in which the Company holds 10% or more of the voting rights;
iii. A client or supplier, or the executive of another company, that has transactions with the Group in an amount equal to 2% or more of either's annual consolidated sales;
iv. A financial institution or other major creditor, or an executive thereof, that is indispensable to the Group's fundraising and on which the Group relies to an irreplaceable degree;
v. A member, partner, or employee of an audit company or tax accountant company that is the Group's accounting auditor or that participates in the Group's accounting;
vi. A party that receives donations or aid from the Group in an annual amount of 10,000,000 yen or more, or if such party is a corporation, organization, or other group (a "corporation, etc."), an executive of a corporation, etc. that annually receives donations or aid from the Group in excess of 2% of the corporation, etc.'s gross income;
vii. A party that annually obtains 10,000,000 yen or more of money or other profit in assets from the Group, other than as remuneration as an officer, as an attorney, certified public accountant, tax accountant, consultant, or other specialist advisor, or if the party that obtains such profit is a legal professional corporation, law firm, audit company, tax accountant company, or consulting firm or other corporation, organization, or other group (a "legal professional corporation, etc."), a party that belongs to a legal professional corporation, etc. that annually obtains money or other profit in assets from the Group in excess of 2% of the legal professional corporation, etc. 's gross income;
viii. A party whose spouse, relative within the second degree of kinship, or co-habiting relative of the director himself/herself falls under items i. through vii.;
ix. A party that falls under items i. through viii. above within the past five years;
x. The executive of a company where an executive of the Group (notwithstanding the provisions of item i. above, meaning an executive director, an executive officer, an operating officer or other employee) serves as an officer

In terms of personal relationships, capital relationships or business relationships with the Company or any other conflicts of interest, Tsutomu Kawaguchi holds 7 thousands shares in the

company as of the submission date of this report. Also, in the previous term of office (Note), Tsutomu Kawaguchi deposited 11 million yen into the Company's bank account as a consideration of exercising new stock acquisition rights. (Note) Until the date of the Board of Directors' meeting, which is held after the ordinary shareholders' meeting held in the fiscal year ending within one year since the director was appointed at the ordinary shareholders' meeting on June 15, 2016.
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[Incentives]

Incentive Policies for Directors and/or Executive Officers (Shikkoyaku)	Introduction of performance-based compensation system and introduction of a stock-option scheme.

Supplementary Explanation

For the compensation system for officers, different types of systems that reflect the difference in roles are applied to the compensation for directors, who have governance responsibilities, and executive officers, who have business execution responsibilities. Furthermore, if a director concurrently serves as an executive officer, then the compensation plan for executive officers is applicable. The Company's system for director compensation consists of basic compensation and stock options. Stock options are determined based on company performance and position, etc. as a longer term incentive to view matters from a shareholder perspective. The Company's system for executive officer compensation consists of basic compensation, performance based compensation reflecting a single fiscal year and medium-to-long term performance, and stock options. With regard to foreign headhunted personnel, the Company also utilizes incidental allowance, tax equalization and measures similar to those that are generally applied around the world in expatriate packages.

Recipients of Stock Options	Inside directors, outside directors, executive officers, employees, directors of subsidiaries and employees of subsidiaries.

Supplementary Explanation

To aim to increase incentives for officers and employees of the Company and its subsidiaries to improve performance from the perspective of shareholders, and to secure outstanding talent.

[Remuneration for Directors and Executive Officers (Shikkoyaku)]

Disclosure of Individual Directors' Remuneration	Selected Directors
Disclosure of Individual Executive Officers' (Shikkoyaku) Remuneration	Selected Executive Officers

Supplementary Explanation

In addition to the director (excludes outside directors) categories, compensation is disclosed for executive officers and outside directors, and is classified into basic compensation, performance-based compensation, stock options and other. Compensation for the previous financial year was described as follows in its securities report submitted to the FSA. ・190 million yen in basic compensation and 11 million yen in stock options to 4 directors (excludes outside directors)

・682 million yen in basic compensation, 452 million yen in performance-based compensation, 63 million yen in stock options, and another 196 million yen to 13 executive officers
・77 million yen in basic compensation and 4 million yen in stock options to 6 outside directors
(Actually disclosed in a table.)
For those whose total amount of consolidated compensation exceeds 100 million yen, we have individually disclosed.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

・Basic Policy Regarding Compensation, etc.

For our officer compensation plan, it is our policy to adopt a fair compensation system that can motivate each of our officers in their duties in order to achieve a management policy that corresponds to our shareholder mandate.

(i) Performance accountability shall be clearly established at the company level as well as the individual level, and a system shall be devised that will reward officers with appropriate compensation upon the achievement of goals in order to motivate officers to achieve the goals set.
(ii) In addition to "stock price-related compensation such as stock options" that can reflect the results of increased company value in compensation, a "medium-to long-term cash plan" shall be utilized to incentivize the achievement of medium-term business plans by officers in charge of executing business.
(iii) The compensation system shall be performance-based to allow for appropriate reflection of the Group's consolidated performance.
(iv) The Compensation Committee shall assess the Company's compensation level by comparing it with objective external indicators and manage it to ensure that the level is commensurate with the relevant duties and performance in order to ensure objectivity and transparency in the compensation plan for officers.
(v) Compensation shall be set at a level sufficient to secure and attract for the long term the competent global human resources that are indispensable to the Company's sustainable growth.

・Compensation System

For the compensation system for officers, different types of systems that reflect the difference in roles are applied to the compensation for directors, who have governance responsibilities, and executive officers, who have business execution responsibilities. If a director concurrently serves as an executive officer, then the compensation plan for executive officers is applicable.

[Director and Executive Officer Compensation System]

(i) Director Compensation System
Compensation for directors shall consist of basic compensation and stock options.

(ii) Executive Officer Compensation System
Compensation for executive officers shall consist of basic compensation, performance-based compensation that reflects performance in a single fiscal year and in the medium- to long-term, and stock options.
In regards to foreign headhunted personnel, the Company also utilizes incidental allowances, tax equalization and measures that are similar to those that are generally applied around the world in expatriate packages.

[Details By Type of Compensation, Etc.]

(i) Basic compensation

The Company maintains a proper level of basic compensation for position-specific fixed compensation, according to a comparison with external objective targets. Basic compensation for executive officers varies depending on what level of performance is achieved by their division within a certain range.

(ii) Performance-based compensation

The Company's performance-based compensation uses short-term performance-based compensation that reflects performance for a single fiscal year and medium-to-long term performance-based compensation that rewards achievement of the medium-term management plan, to prevent each executive officer from focusing on short-term performance.
Single fiscal year performance-based compensation is distributed as a bonus once a year in connection with the performance for that year.
Medium-to-long term performance-based compensation is distributed after the end of the subject period on the condition that the predetermined range of the medium-term management plan is achieved.

(iii) Stock options

Stock options are determined based on company performance and position as a medium-to-long term incentive from a shareholder perspective.

(iv) Other

Headhunted personnel are paid fringe benefits such as compensation for the difference compared to their previous compensation and a living subsidy and medical insurance subsidy, etc. as expatriates.

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[Supporting System for Outside Directors]

The Company has a system in place whereby upon holding a meeting of Board of Directors, documents are distributed to outside directors in advance and the Secretariat for the Board of Directors and the Secretariat for the Audit Committee respond to each individual inquiry.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

(Board of Directors)

The Board of Directors is comprised of 10 directors (2 female directors), including 5 outside directors, and in addition to decision-making in relation to matters specified under the relevant laws and ordinances, basic management policy, and important management matters, it also supervises the execution of duties by directors and executive officers. In particular, the Company's outside directors perform a high-level supervisory function from an independent perspective, thereby realizing stronger, more effective corporate governance. In principle, meetings of the Board of Directors are held once a month.

(Nominating, Audit and Compensation Committees)

- The Nominating Committee is comprised of 3 directors (2 of whom are outside directors, and the chairperson of which is an outside director) and determines the contents of director appointment and dismissal proposals submitted to shareholder meetings. Nominating Committee meetings are held at least once a year as necessary.

・The Audit Committee is comprised of 3 directors (2 of whom are outside directors, and the chairperson of which is an outside director), and in addition to supervising the execution of duties by directors and executive officers, it also makes resolutions on the contents of audit policies and audit plans as well as accounting auditor appointment and dismissal proposals submitted to shareholder meetings. Audit Committee meetings are, in principle, held more than once in two months as necessary.
・The Compensation Committee is comprised of 5 directors (3 of whom are outside directors, and the chairperson of which is an outside director) and makes resolutions on the individual compensation, etc. to be received by directors and executive officers.

Compensation Committee meetings are held at least once a year as necessary.

(Executive Officers Meeting)

The Executive Officers Meeting is comprised of executive officers, and it performs important decision-making regarding the Company and the Group's execution of business as a decision-making body based on the basic policy decided by the Board of Directors. In principle, the Executive Officers Meeting are held once a month and extraordinary meetings of the Executive Officers Meeting will be held as necessary.

(Internal Audits)

LIXIL Group's Internal Audit Group conducts its audit by collaborating with internal audit functions organized in major group companies in Japan and overseas to cover all entities in the Group. (At the end of the fiscal year ended March 2017, total 78 people consist of the Group's internal audit functions.)
In addition to the ordinary internal audit activities such as the audit on financial statement, business operations, and internal controls evaluation, Internal Audit Group is supporting to strengthen governance system of the Group and internal controls and to develop human resources through the activities to reduce business risks and costs and drive the development of action plans for the improvement of operations or remedial actions.

(Audit Committee Audits)

The Company's Audit Committee conducts audits with the aim of increasing efficiency by staying in close contact with the Internal Audit Group and auditors of the Company and subsidiaries. The Audit Committee routinely receives audit results reports from the Internal Audit Group and the auditors, etc. of the subsidiaries and gives instructions at suitable times. It meets with executive officers, etc., sits in on important internal meetings, and reads minutes or approval requests of important committees, and by doing so, it audits the creation of internal control systems and their state of operation at the Company and important subsidiaries, as well as the state of execution of duties by directors and executives.
Group audit committee meetings are also routinely held in an effort to share each company's information and the unified audit policies of the group.
The Audit Committee is made up of three audit committee members. Tsutomu Kawaguchi, the Audit Committee chairperson, has many years of experience in audit work as a certified public accountant, as well as substantial knowledge regarding finance and accounting.

(Accounting Audits)

The Company has entered into an audit agreement with Deloitte Touche Tohmatsu LLC regarding accounting auditing under the Companies Act and the Financial Instruments and Exchange Act. The Company's Audit Committee and the auditing company strive to mutually improve the quality of audits by having regular occasions for information sharing and exchanging information on various auditing policies and problems that have arisen during the fiscal year. The Company also holds auditing report meetings at the end of the fiscal year and exchanges information regarding specific accounting problems.
The name of the certified public accountants who performed the Company's auditing work this fiscal year, their number of years of service, and their structure of assistants for audit services are as follows.

・ Name of public certified accountants who performed the auditing work and their number of years of service.

Specified members, managing members: Koji Inagaki (3 years), Yasuhiro Katsushima (1 year), Yutaka Hamaguchi (1 year)

・Composition of assistants for accounting audit services

16 certified public accountants and 17 assistant accountants

As a pure holding company, in order to enhance corporate governance at its group companies, the Company discusses management strategies, medium- and long-term policies and investment matters at appropriately held meetings such as Internal Audit Committee, Compliance Committee, Risk Management Committee, Investment Strategy Committee, Investment and Loan Council, Committee for the Establishment of New Subsidiaries, Business Withdrawal Committee, and Corporate Responsibility Committee, to strive to accelerate decision-making and enhance the effectiveness of its governance.

3. Reasons for Adoption of Current Corporate Governance System

The Company changed to a company with a nominating committee, etc. after obtaining approval at a shareholder meeting held on June 23, 2011, in order to separate its management execution and oversight functions to enable prompt decision-making by executive officers, and to secure business transparency.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company publicizes the notification of the general shareholders' meeting earlier than its dispatch by disclosing it in advance on its website.
Scheduling AGMs Avoiding the Peak Day	The Company avoids scheduling its general shareholders' meeting on the so-called peak day for general shareholders' meetings, and also holds its general shareholders' meeting early.
Allowing Electronic Exercise of Voting Rights	The Company has created an environment that enables the exercise of voting rights on a company-designated site from a personal computer, smart phone or mobile phone.
Participation in Electronic Voting Platform and Measures to Improve the Environment for Institutional Investors to Exercise Voting Rights	The Company participates in a platform for institutional investors to exercise voting rights that is operated by ICJ, Inc. (Investor Communications Japan).
Providing Convocation Notice (Summary) in English	The Company prepares an English version of its shareholders' meeting convocation notices and publishes them on its website.
Other	In regards to the results of voting on the shareholder meeting agenda, the Company has decided that Extraordinary Report are to be submitted without delay after shareholders' meetings under the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, Etc. Resolution notices are posted on our company website.

2. IR Activities

	Supplementary Explanations	Explanation by representatives themselves
Preparation and Publication of Disclosure Policy	Disclosure Policy is posted on our website.	—
Regular Investor Briefings for Individual Investors	It is our policy to actively hold briefings.	No
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds briefings at each settlement of accounts and at the time of announcing quarterly results, where it explains its financial results, the progress of management policies and measures. The company also holds a number of other individual meetings and group meetings on the same.	Yes
Regular Investor Briefings for Overseas Investors	In addition to telephone briefings at the time of announcing its financial results, the Company visits overseas investors 4 times a year or more to explain financial results and management policies, etc. The Company also holds a number of other individual meetings and group meetings.	Yes
Posting of IR Materials on Website	As well as posting IR material, including annual reports, on the company website, the Company also creates and posts pages specifically for individual investors. The Company also provides video explanations of results briefings and so on by the representative director. http://www.lixil.com/en/investor/	—
Establishment of Department and/or Manager in Charge of IR	The Company has established specialized IR-related departments.	—

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	It is defined in the Group philosophy and is posted on the Company's website.
Implementation of Environmental Activities, CSR Activities etc.	We have established a corporate responsibility (CR) strategy and posted it on our website.
Development of Policies on Information Provision to Stakeholders	We have established a disclosure policy and listed it on our website.

Other	Diversity in officers As for the gender composition of the Company's officers, 2 directors are female out of 10 directors and 2 executive officers are female out of 10 executive officers. Also, 1 director and 2 executive officers have nationals other than Japan. The Company aims to diverse the composition of officers. Diversity & Inclusion The Group aims to create a working environment that embraces all employees regardless of age, gender, nationality, physical ability and so on. As such, we have recently launched initiatives to ensure a more inclusive environment for LGBT and disabled employees, in addition to already established initiatives to promote women's participation in the workplace.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The main details of the Company's internal controls and risk management system are as follows. The Board of Directors has made resolutions on such matters as a basic policy for the internal control system under the Companies Act.

In addition, as a pure holding company, the Company always closely watches the risks assumed by group companies, and confirms and provides advice on their hedging against risk. Therefore, we made the creation of a Risk Management Committee, etc. at each company mandatory, and routinely confirm the risk circumstances at each company. We also study each Group company's risks at the Internal Audit Committee and Risk Management Committee, etc. held at suitable times, and we ask group companies to attend and provide reports as necessary. Furthermore, each company must provide a report on risks at the Monthly Business Meeting, etc. that are routinely held.

(i) System ensuring that the execution of duties by the Company executive officers and employees, and the directors and employees of the Company subsidiaries, conforms with laws and regulations and LIXIL's Articles of Incorporation

The Group set forth a Code of Conduct as the Group's code of ethics, and all employees, including officers, undergo training thereon once a year and pledge to comply with the Code. The Group is equipped with a whistleblower protection system under which its officers and employees can report directly to the Company's legal department or outside counsel.
The Group does not tolerate antisocial forces and has no relation thereto. In order to prevent damage from antisocial forces, the Group adopts a resolute stance and deals with any intimidation by such forces on a group-wide level.

(ii) System for storage and management of information regarding the execution of duties by the Company's executive officers

The Company stores documents and the like pursuant to laws and ordinances and internal regulations. Directors and Audit Committee members are able to view such documents, etc. at all times.
The management of information is complies with the provisions of the Information Security Management Rules and the Personal Information Protection Policy.

(iii) Rules and system regarding loss-risk management in the Group

In addition to setting forth and managing risk management rules and always closely monitoring the risks assumed by the group companies, the Group also confirms and provides advice on how to handle such situations through Risk Management Meetings held by the Risk Management Division. In addition, the Company has the Group report periodically on the status of its risks and also requests the attendance of the persons in charge of the Group and receives reports at the Board of Directors Meeting and other meetings regarding critical risks. Furthermore, the Group implements education and training based on the Business Continuity Plan (BCP) Guidelines and Manual.

(iv) Systems for ensuring that the execution of responsibilities by the Company's officers and employees, and the directors and employees of the Company's subsidiaries, is efficient

The Company's Board of Directors determines a segregation of duties for its executive officers, clarifying the areas that each officer is in charge of. Executive Officers Meetings that all executive officers attend are held and carry out decision-making on basic matters and important matters regarding the execution of business in a flexible manner.
Various committees under the Executive Officers Meeting review the management strategies and investment projects of the group as a whole in order to accelerate decision-making.
Also, a medium-term management plan and a short-term plan are developed to cover the Group as a whole. Such development work supports the decision-making of the Company's subsidiaries

while respecting the autonomous management decisions and independence thereof.

(v) Other systems for ensuring fair business practices in the Group

The Company receives regular reports on the business situation and gives approvals on important matters at group companies, while respecting their autonomous management.
In order to ensure the accuracy and adequacy of its consolidated financial statements, the Company has an internal control system in place which is properly operated.

(vi) Directors and employees who support the Company's Audit Committee responsibilities

The Company has established Audit Committee Office as an organization exclusively in charge of supporting Audit Committee duties. No Directors are appointed to support the Audit Committee.

(vii) Matters regarding the independence of the employees mentioned above from the Company's executive officers, and matters for ensuring the effectiveness of instructions given by the Audit Committee members to those employees

Audit Committee members and the head of the Human Resources Department consult in advance regarding the appointment, transfer or evaluation of such employees.
In regards to instructions necessary for auditing work to such employees from the Audit Committee and Audit Committee members, each department will respond appropriately to ensure the effectiveness of such instructions.

(viii) System requiring reports by the Company executive officers and employees to the Audit Committee, and system requiring other reports to the audit committee

If an executive officer finds any fact that may cause significant damage to the Group, he or she will report such fact to the Audit Committee immediately.
If an Audit Committee member receives any important report or opinion or documents from an executive officer, the accounting auditor or any party thereof, he or she reports to an Audit Committee thereon.
Representative officers and Audit Committee regularly exchange opinions on audit findings.
The Legal Department regularly reports to Audit Committee on the status of internal reporting.
Audit Committee members attend the regular meetings of the Board of Directors and receive status reports on duties executed by executive officers regularly done by the Board of Directors.
Executive officers and employees report to Audit Committee members on the status of duties performed at hearings, etc. by Audit Committee members.

(ix) System requiring the Company's subsidiary directors, auditors, etc. and employees who execute the business, individuals who carry out the duties stated in Article 598(1) of the Companies Act, and individuals who receive reports from such organization to report to the Audit Committee

The Company regularly holds Monthly Business Meeting, etc., that directors of the Company and/or subsidiaries and so on attend, as well as striving to share important management information, we require our subsidiaries to attend and report to Audit Committee meetings from time to time if any important events occur at a subsidiary.

(x) System for ensuring that the individuals who provided reports to the Company's Audit Committee are not treated unfairly for having done so

The Company's Internal Concern-Raising System Operating Protocol provides that directors, officers and employees of the Group can report directly to the Compliance Committee comprised of members of the Audit Committee and everyone in the Group is informed of the method, etc. for such direct reporting. It also states that dismissal or unfair treatment due to such reporting or any other reporting to the Audit Committee itself is prohibited.

(xi) Matters regarding policies on prepayment or redemption procedures for expenses that arise in the execution of duties by the Company's Audit Committee and the handling of expenses and

liabilities that arise in the execution of other responsibilities

If the Company is invoiced for the prepayment, etc. of costs under Article 404 of the Companies Act with respect to duties executed by the Audit Committee, the Company shall bear such costs after they have been deliberated by the relevant department. In addition, the Company provides a budget of a fixed amount each year in order to pay such costs.

(xii) Other systems for ensuring the effective execution of audits by the Company's Audit Committee

As well as receiving regular reports from the Company's accounting auditor and Internal Audit Group on the details of audits, the Audit Committee also regularly holds Group Company Auditors meetings with auditors of the subsidiaries and so on to promote cooperation.

2. Basic Views on Eliminating Anti-Social Forces

- The Group prohibits contact with antisocial forces and has documented its fundamental policy, which states that "We will not voluntarily involved with criminal organizations or individuals such as corporate extortionists and members of organized crime. We will not give in to threats by such parties and.
- The Group sets forth "LIXIL Group Code of Conduct" that includes the fundamental policy above and asks that all employees put into practice this message from senior management. In terms of operation, in addition to defining the main departments that are in charge, the Compliance Committee performs regular reviews and re-evaluations of implementation.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

The Company prefers that shareholders hold its shares for the medium-to-long-term, and is executing measures to improve results, increase corporate value, and receive the shareholders' support. Therefore, no particular anti-hostile takeover measures have been established.

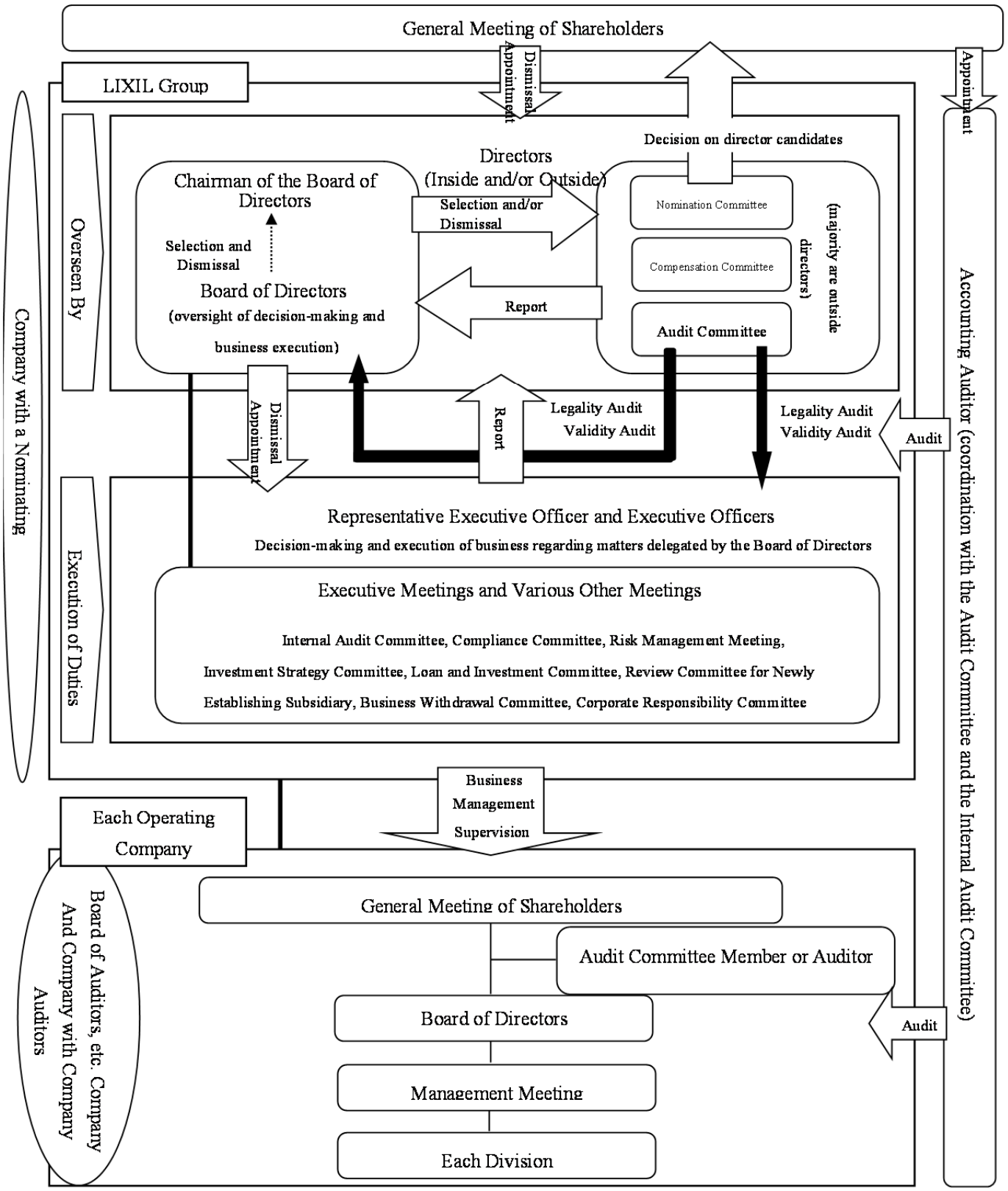
2. Other Matters Concerning to Corporate Governance System

The Company has the following internal systems to ensure that timely and appropriate disclosure of information is made following resolutions by the Board of Directors or approval from the Executive Officers Meeting.

Each department or subsidiary reports material company information directly to the Executive Officers Meeting pursuant to internal regulations such as "Job Function Regulations." Also, deliberations or reports on specific projects* by each council or committee are reported to the Executive Officers Meeting.
Matters to be discussed by the Executive Officers Meeting are reviewed in advance by the Executive Officers Meeting Secretariat, and the person in charge of handling information shall determine whether timely disclosure should be made with the relevant departments such as Accounting and IR.
(Refer to Schematic Diagram)

*Specific projects: Matters concerning (i) investment or loans, (ii) environmental strategy, (iii) consideration of restructuring, (iv) establishment of new subsidiaries, (v) withdrawals from businesses, (vi) disasters or accidents, etc., or (vii) other unforeseen facts arising suddenly, such as product liability or wrongful acts.

Corporate Governance Structure



Summary of Timely Disclosure System

