Corporate Governance	
Corporate Governance	LIXIL Group Corporation
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LIXIL Group Corporation	
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https://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

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.
The following is a summary of the Company’s Group Management Philosophy.

(1) LIXIL CORE (Corporate Philosophy)
The Group's superior products and services contribute to improving people's comfort and lifestyles.
(2) LIXIL Behaviors (3 Actions)
Do the Right thing
Work with Respect
Experiment and Learn

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 Behaviors and the LIXIL Group Code of Conduct, and group-wide financial and accounting management policies, having the entire Group comply therewith, and carrying out integrated education and training for directors, executive officers and employees as well as uniform implementation of a compliance system, Group, the Company shall strive to cause the core elements of its corporate governance permeate to the entire globalized corporate group.

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

[Supplementary Principle 4-8①]
We have decided not to establish an Advisory Committee of Independent Outside Directors from the point of view that, rather than regular convening of an advisory committee, respecting a place where discussion can be undertaken by suitable members as needed will contribute to discussion in the board of directors since, in the board of directors of the Company, an environment of free expression by each director is assured and full communication among directors is realized.

[Supplementary Principle 4-8②]
A Lead Independent Outside Director is not established, because the Company has sought necessary interaction, such as exchanges of opinions among the independent outside directors, chairman of the board of directors, CEO, and other management members.

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

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.
https://www.lixil.com/en/about/governance/pdf/CorporateGovernanceGuideline181221.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 a case where it has been recognized to be necessary in order to facilitate sales or as part of an alliance necessary for its business activities. Under Article 8 of the Guidelines, based on the stipulated process, each year, for each share name, the Company will comprehensively evaluate cross-shareholdings from a quantitative and qualitative perspective in respect of whether the purpose of holding is appropriate, whether the capital cost matches the benefits and risks of the holding, whether there is any future risk as a result of sale, etc., and promptly dispose by sale in the case where it is not needed, and strive to reduce cross-shareholdings. Also, in exercising voting rights of such shares, the Company will make a full consideration from the point of view of whether it contributes to improving value over the mid to long-term of the Group and the invested company, etc., and with respect to resolutions that may violate the goal for such holding of the Group and resolutions that may harm shareholder value, the Group shall carefully determine whether to support or oppose after discussion with such company as needed and then exercise the voting rights.

[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 of LIXIL Group" 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 2-6 Exercise Functions as Asset Owner of Corporate Pension Fund]
Under the LIXIL Pension Fund in which LIXIL Corporation (the main business entity of the Group) participates, the goal is to ensure long-term overall profits within the scope of allowable risks, in order to undertake properly payments of pension and bonuses in the future under management of the pension assets. The management policy for such purpose is based on analysis of the risk/return for each managed asset and plan for diverse investments considering synergies among each of the managed assets. In detail, while setting up a strategic asset composition ratio that matches the efficiencies of each shares, bonds, and other managed assets, select appropriate management operators in line with that, and conduct investments and evaluations in a flexible manner.

Also, in considering the selection, evaluation, etc., of management operators and decisions of investment policy for these pension assets, LIXIL Pension Fund shall consult an asset management committee whose officers are governors from the LIXIL Pension Fund with expert ability and opinions and officers from the financial subsidiary of the Group, LIXIL Group Finance Corporation.

For the LIXIL Pension Fund, a report is submitted by the management operator every month regarding the asset management and investment status, and at least once every quarter a report of management results is received directly from the person in charge.

[Principle 3-1 Disclosure of Information]
Articles 35 and 36 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 website:
https://www.lixil.com/en/investor/strategy/policy.html

(i) Company Philosophy, Management Strategy, and Management Plan
The Company's philosophy is set forth in Article 2 of the Guidelines. As for the management strategy and the management plan, please refer to the Company's website "Medium-Term Strategic Plan TOWARD SUSTAINABLE GROWTH":
http://v4.eir-parts.net/v4Contents/View.aspx?template=ir_material_for_fiscal_ym&sid=42194&code=5938

(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 25 of the Guidelines).

(iv) Procedures and Policies Regarding the Nomination of Director Candidates and the Removal of Directors, and the Appointment and the Removal 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 (Article 23 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 and removal of executive officers and Representative Executive Officer (CEO) are set forth in Article 24 of the Guidelines. When independent outside director candidates are decided, the Company's own independence criteria will be used, as set forth in Article 28 of the Guidelines.

(v) Explanation of Each Appointment and Removal
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.
https://www.lixil.com/en/about/governance/board/reason_exec.html
In case of the removal of executive officers and Representative Executive Officer (CEO), the reasons for that removal shall be clearly specified on the Company's website.
Article 23.3 and Article 24.4 and Article 24.6 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 19.2 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 4-9 Independence Criteria and Qualification for Independent Outside Directors]
The Company judges the independence of outside directors in accordance with the criteria set forth in Article 28 of the Guidelines. The qualifications for independent outside directors are included in Article 23 of the Guidelines "Policy for Nomination of Director Candidates".

[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 20 of the Guidelines. Currently, there are two female independent outside

directors, one of whom is a foreign national.
In addition, in accordance with Article 22 of the Guideline, the Audit Committee shall appoint a person with appropriate experience and ability and necessary knowledge of finance, accounting, and law, and will particularly have at least one member with experience as a certified public accountant, in order to ensure that the committee has a member with appropriate financial and accounting knowledge. There is one independent outside director who meets this criteria.

[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.
Convocation notices for General Meetings https://www.lixil.com/en/investor/ir_event/meeting.html
Annual Report https://www.lixil.com/en/investor/library/annual_reports.html
Please see the Company's policy with respect to concurrent board positions held by directors in Article 31 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]
Each of the Company's directors conducts an annual evaluation of the effectiveness of the Board of Directors. In the fiscal year ended March 2018, the Company collected questionnaires from each director about the current status and practices of the Board of Directors. This included on the composition, operation, agendas, and supporting systems of the Board, in addition to the training for directors and on the Group Corporate Governance Guidelines.
In January 2018, based on the results of the collected questionnaires, all of the directors held a discussion to analyze and evaluate the effectiveness of the Board of Directors. In that discussion, some issues became clear, including: (1) the necessity to establish a forum to further discuss important topics such as group strategy, future vision, etc.; (2) the necessity to review the role of the Advisory Committee of Independent Outside Directors and Lead Independent Outside Director. Therefore, we shared and discussed these issues among the directors, and reviewed the policies for revising LIXIL Corporate Governance Guideline and countermeasures to improve the supervisory function 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 33 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 (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	13,315,300	4.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,129,500	4.53
STATE STREET BANK CLIENT OMNIBUS OM04	9,683,210	3.34
The Nomura Trust and Banking Co., Ltd. (Trust Account)	8,896,200	3.07
JPMC OPPENHEIMER JASDEC LENDING ACCOUNTACCOUNT	7,853,600	2.71
The Dai-ichi Life Insurance Company, Limited	6,561,858	2.26

LIXIL Employee Stock Ownership Plan	6,422,958	2.22
Japan Trustee Services Bank, Ltd. (Trust Account 5)	5,571,500	1.92
Sumitomo Mitsui Banking Corporation	5,543,055	1.91
STATE STREET BANK WEST CLIENT － TREATY 505234	4,782,906	1.65

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

Supplementary Explanation

On June 6, 2017, BlackRock Japan Co., Ltd. filed Large Shareholding Report, which is open to public, stating that BlackRock Japan Co., Ltd. and 7 other companies held shares of the Company as shown below as of May 31, 2017. However, these shareholdings were not included in the above major shareholders because the Company could not confirm the number of beneficial shares held as of March 31, 2018.
The main content of the Large Shareholding Report is as follows.

BlackRock Japan Co., Ltd.
Number of shares held: 5,144,800
Percentage: 1.64%

BlackRock Japan Co., Ltd. and 7 other companies
Number of shares held: 15,971,551
Percentage: 5.10%

On January 10, 2018, Nomura Securities Co., Ltd. filed Large Shareholding Report (Amendment Report), which is open to public, stating that Nomura Securities Co., Ltd., Nomura International PLC and Nomura Asset Management Co., Ltd held shares of the Company as shown below as of December 29, 2017. However, these shareholdings were not included in the above major shareholders because the Company could not confirm the number of beneficial shares held as of March 31, 2018,
The main content of the Large Shareholding Report is as follows.

Nomura Securities Co., Ltd.
Number of shares held: 6,381,569
Percentage: 2.00%

Nomura International PLC.
Number of shares held: 3,261,708
Percentage: 1.00%

Nomura Asset Management Co., Ltd.
Number of shares held: 10,965,415
Percentage: 3.50%

On February 5, 2018, Mitsubishi UFJ Financial Group, Inc. filed Large Shareholding Report (Amendment Report), which is open to public, stating that MUFJ Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. held shares of the Company as shown below as of January 29, 2018. However, these shareholdings were not included in the above major shareholders because the Company could not confirm the number of beneficial shares held as of March 31, 2018.

The main content of the Large Shareholding Report is as follows.

MUFJ Bank, Ltd.
Number of shares held: 2,899,080

Percentage: 0.93%

Mitsubishi UFJ Trust and Banking Corporation
Number of shares held: 8,314,202
Percentage: 2.66%

Mitsubishi UFJ Kokusai Asset Management Co., Ltd.
Number of shares held: 1,031,000
Percentage: 0.33%

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
Number of shares held: 482,942
Percentage: 0.15%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section Nagoya Stock Exchange 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.
Furthermore, LIXIL VIVA Corporation ("LIXIL VIVA"), one of the Company's subsidiaries and a company with an Audit and Supervisory Committee, has been listed on the first section of the Tokyo Stock Exchange since April 2017. LIXIL VIVA is in charge of the Distribution and Retail Business in the Group and aims to achieve further growth and development of the Group by continuously collaborating with other Group companies. The Company and LIXIL VIVA respect each other's independence, and LIXIL VIVA makes its own business decisions at its discretion.

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 director
Number of Directors	12

[Outside Directors]

Number of Outside Directors	4
Number of Independent Directors	4

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	Certified Accountant											
Main Kohda	Other											
Barbara Judge	Other								△			
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 profound knowledge of international finance, deep insight and objective perspective as a writer, and wide-range of experiences as a member of the councils for Ministry of Finance and Ministry of Land, Infrastructure, Transport and Tourism. She has been fulfilling her role as an Outside Director in a proper manner, principally 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 served as Chairperson of United Kingdom Pension Protection Fund. However, she resigned from the post in May 2016. The Group's overseas subsidiaries have paid an Annual Levy to the Fund in its most recent fiscal year, accounting for 0.001% of the Fund's operating income and 0.00006% of the Group's sales revenue in its most recent fiscal year. Therefore, the business relationship is not subject to the major business partner criterion of both entities.	Lady Judge was appointed because she has been reflecting a global viewpoint in the Board of Directors of the Company based on her extensive experience and knowledge in companies and public service, including as a Commissioner of the United States Securities and Exchange Commission, for many years. She has been fulfilling her role as an Outside Director sufficiently by 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			
Hiroto Yoshimura	○		○	○	Assumed office June 2017. Mr. Yoshimura served as Head Director of the Japan Police Personnel Mutual Aid Association. However, he resigned from the post in November 2016. The Group have sold products to the Association, but the volume of business accounts for 0.000002 % of sales revenue for the Group and 0.00002% of revenue for the Association's most recent fiscal year. Therefore, the business relationship is not subject to the major business partner criterion of both entities.	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. He has been playing an appropriate role in the major management decision-making and business execution of the Company as an Outside Director. 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	5	1	1	4	Outside Director
Compensation Committee	3	1	1	2	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	
Yoichiro Ushioda	Yes	Yes	No	No	No
Hirokazu Yamanashi	Yes	Yes	No	No	No
Kinya Seto	Yes	Yes	No	No	No
Sachio Matsumoto	Yes	No	No	No	No
Kazuhiko Ootsubo	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
Yutaka Nakamura	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's Office 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

Updated

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 accounting functions and internal control functions are subject to internal audits by Corporate Risk & Audit Group, 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	4

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

[Incentives]

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

Supplementary Explanation

Compensation of Executive Officers consists of monthly compensation, short-term performance -based compensation and stock-based compensation. Short-term performance-based compensation is determined by company performance and personal evaluation for a fiscal year. As for company performance evaluation, revenue, core earnings and net profit are used as evaluation indicators. As for stock-based compensation, restricted stock based compensation is adopted as a system to promote improvement of corporate value by realizing a management policy that is in response to the mandate of shareholders.
Compensation of directors consists of monthly remuneration and stock-based compensation. As for stock-based compensation, restricted stock based compensation is adopted as a system that links medium to long term stock price trends to the remuneration amount.

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

Supplementary Explanation

The stock option system had been implemented as a system of stock-based compensation until the fiscal year ended March 2015 (with the exception of one newly appointed executive officer was granted stock options in the fiscal ended March 2017). We have introduced a new restricted stock based compensation in June 2018.

[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

The total amount of each type of compensation is disclosed for director categories (excluding outside directors), executive officers and outside directors. For those whose total amount of consolidated compensation exceeds 100 million yen, we have individually disclosed.

Compensation for fiscal year ended March 2018 was described as follows in its Securities Report submitted to the FSA.
- 151 million yen in basic compensation to four directors (excludes outside directors)
- 750 million yen in basic compensation, 1,773 million yen in performance-based compensation, 65 million yen in stock options, and another 48 million yen to 14 executive officers
- 78 million yen in basic compensation to six outside directors

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

[Organization related to determination of compensation etc.]
The Compensation Committee is comprised of three directors (of which two, including the chairperson, are outside directors). Regarding the management of the committee, the Compensation Committee's Office supports as a secretariat, and utilizes objective indicators and advice provided by external experts accordingly.

[Basic policy regarding Compensation]
The basic policy regarding compensation for Directors and Executive Officers shall be determined by the Compensation Committee as follows:

(i) Performance related compensation in order to provide effective incentives designed to optimize short, medium, long term business results and corporate value.
(ii) Attract and retain the best global talent who will be necessary to maintain sustainable growth.
(iii) Fair and reasonable decision process with regards to compensation that will provide accountability to shareholders and employees and all stakeholders.
(iv) Conduct comparative evaluation with domestic and foreign companies in order to ensure transparency and objectivity.
(v) Individual compensation shall be determined in accordance with role and responsibility, performance contribution, and company performance.

[Compensation Scheme]
Directors are responsible for giving the advice to and supervising the company's management from objective point of view. Executive Officers are responsible for execution of business. Accordingly, there shall be separate compensation scheme for each group in order to align with their different roles. When a director serves as Executive Officer, the compensation scheme of the Executive Officer shall be applied in principle.

(i) Compensation Structure
Board of Director
・Fixed amount compensation (Base pay)
・Stock-based compensation
Executive Officer
・Fixed amount compensation (Base Pay)
・Performance-based compensation
・Stock-based compensation
Compensation of personnel with advanced expertise, qualifications and knowledge, etc. shall be deliberated and decided separately in accordance with the basic policy of compensation.

(ii) Individual compensation
The individual amount of each component shall be determined in accordance with above basic policy based on research provided by outside remuneration consultant to Compensation Committee on annual basis.

(iii) Compensation component
・Fixed amount compensation (Base pay)
Determined by role and responsibility in principle.
・Compensation linked to business result
Determined based on company financial result and individual performance on annual basis. The amount paid shall fluctuate within a range from 0% to 200%.
・Compensation linked to stock price
Restricted stock will be provided to incentivize Directors and Executive Officers to increase long term shareholder value.
・Others
Compensation of personnel with advanced expertise, qualifications and knowledge, etc. shall be deliberated and decided separately in accordance with the basic policy of compensation.

[Compensation committee]
In order to provide the best corporate governance, majority of members and chairperson shall be non-executive Directors

[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 Board of Directors' Office, Audit Committee's Office and Compensation Committee's Office respond to each individual inquiry.

[Status of persons retired from Representative Director and President, etc.]

Name	Title	Activity Description	Working Arrangement Conditions (Full-time / Part-time, Compensation)	Date of Retirement from President, etc.	Term
Yoshiaki Fujimori	Senior Advisor	Making a good relationship with stakeholders, such as our group's business partners, supporting sales activities	Working Arrangement: Part-Time Compensation: Yes	June 15, 2016	June 16, 2016 through June 30, 2021

Number of the relevant person	1

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 12 directors (of which two, including one of which is a foreign national, are female directors), including four 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 five directors (of which four, including the chairperson, are outside directors) 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 three directors (of which two, including the chairperson, are outside directors), 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 three directors (of which two, including the chairperson, are outside directors) 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 is held twice 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 2018, the Group's internal audit functions consist of 88 people in total.)
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 periodically 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 periodically held to share each company's information and the unified audit policies of the group.
The Audit Committee consists 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 in fiscal year ended in March 2018, their number of years of service, and their structure of assistants for audit services are as follows.

- Name of certified public accountants who performed the auditing work and their number of years of service
  Designated limited liability partners, managing members: Koji Inagaki (4 years), Yasuhiro Katsushima (2 years), Yutaka Hamaguchi (2 years)
- Composition of assistants for accounting audit services
  15 certified public accountants and 18 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, M&A Committee, Investment Review Committee, and Corporate Responsibility Committee, to strive to accelerate decision-making and enhance the effectiveness of its governance.

(Limitations on liability clause)
The Article of Incorporation of the Company has a limitation on liability clause for outside directors. Based on the Article of Incorporation, the Company has signed limitations on liability agreement with all outside directors. The details of the agreement are as follows;
After signing this agreement, outside directors shall be liable to damages caused by his/her disregard of obligations and duties and the amount of compensation shall be capped at 10 million yen or the amount stipulated by laws and regulations, whichever is greater, when duties are performed in good faith and without material gross negligence.

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's meeting held on June 23, 2011, in order to separate its managerial execution and supervisory functions to enable prompt decision-making by executive officers, and to secure transparency of its business.

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 earlier.
Allowing Electronic Exercise of Voting Rights	The Company has created an environment that enables the exercise of voting rights on a company-designated website 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 notice and publishes them on its website.
Other	In regards to the results of voting on the shareholder meeting agenda, Extraordinary Reports are submitted without delay after shareholders' meetings under the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, Etc. and posted on our website. Resolution notices are also posted on the 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	Every quarter, when distributing the video and sound recordings of the Results Announcements Meeting on the website, we also distribute English translations. The Company visits overseas investors four 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 materials, including annual reports, on the 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. https://www.lixil.com/en/investor/	—
Establishment of Department and/or Manager in Charge of IR	The Company has established an Investor Relations Office which is specialized in IR.	—

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 LIXIL Group Code of Conduct and Group Charter of Corporate Behavior, which are available on the 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 disclosed it on our website.
Other	[Diversity in officers] As for the gender composition of the Company's officers, two directors are female out of 12 directors and two executive officers are female out of 10 executive officers. Also, one director and one executive officer 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 Risk Management Committee, etc. at each company mandatory, and periodically 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 Business Board, etc. that are periodically held.

(i) System to ensure that the performance of duties by Executive Officers and employees and Directors and employees of the Company's subsidiaries complies with the laws and regulations and the Articles of Incorporation

The Company and the Company's subsidiaries (the "Group") will establish guidelines for actions as a code of ethics for the entire group, and will conduct a read-through and an oath to comply for all employees including officers once per year. In addition, the Company will institute a common concern raising (whistle-blowing) system for the Group's employees can directly make reports to the Company's Legal Affairs department or outside lawyers.
Furthermore, the Company does not acknowledge nor has any relationship with anti-societal forces. In order to prevent damages by anti-societal forces, the Company will deal with the pressures as an organization and approach them with a firm attitude.

(ii) System regarding the storage and management of information involving the performance of duties by Executive Officers

The Company will retain and manage written documents, etc. based on the laws and regulations and internal company rules. Based on the rules, Directors and Audit Committee Members may access those written documents, etc. at any time.
In addition, information security regulation and personal information protection policies are established with regard to handling the management of information.

(iii) System for rules and others regarding the management of the Group's risk of loss

The Group has established and is managing crisis management basic policy, etc., and along with constantly observing the risks it carries, the Risk Management Department confirms and gives guidance on the status of its handling through risk management meetings, etc.
In addition, the Company has it periodically report the status of the Group's risks as well as requests the attendance of the Group and receives reports on material risks at Board of Directors meetings, etc. Furthermore, with respect to the business continuity plan, the Group executes the BCP (Business Continuity Plan) Manual and instruction and training based on such manual.

(iv) System to ensure that the performance of duties of Executive Officers of the Company and the Directors, etc. of the Company's subsidiaries are carried out efficiently

The Board of Directors of the Company establish the division of duties of the Executive Officers and clarify the areas that each Executive Officer will be responsible for. In addition, a board of Executive Officers attended by all Executive Officers will be convened regularly and will conduct flexible decision-making involved in basic and important matters regarding the execution of duties. Furthermore, various committees will be set up as subordinate bodies of the board of Executive Officers and will evaluate the entire group's business strategies and investment items and attempt to expedite the decision-making.
In addition, a medium-term business plan and a short-term plan covering the entire Group will be established. The work for such establishment will value the autonomous business judgment and independence of the Company's subsidiaries and support their decisions.

(v) Other systems to ensure the adequacy of the Group's business operations

The Company values the autonomy of the operations of the group companies and will periodically receive reports of the business conditions and conduct authorizations of important matters.
In addition, in order to ensure the accuracy and adequacy of the consolidated financial statements, an internal control system will be maintained and operated appropriately.

(vi) Directors and employees who should assist with the duties of the Audit Committee

The Company will establish an Audit Committee Office as a specialist organization to support the duties of the Audit Committee office.
In addition, Directors who should support the Audit Committee will not be placed.

(vii) Independence from the Executive Officers of the Directors and employees in (vi) above and matters regarding securing the effectiveness of instructions of Audit Committee Members to such employees

The appointments, transfers, evaluations, etc. of such employees will be discussed in advance by the Audit Committee Members and the Personnel Department Head. In addition, instructions that are necessary for auditing services from the Audit Committee and Audit Committee Members to such employees will be properly handled by each department to ensure the effectiveness of such instructions.

(viii) System for Executive Officers and employees of the Company to report to the Audit Committee, and other systems regarding reporting to the Audit Committee

If an Executive Officer discovers a fact that is likely to cause significant damages to the company, he/she will immediately report it to an Audit Committee Member.
When an Audit Committee Member receives an important report, opinion or document from an Executive Officer or an Accounting Auditor or someone else, he/she will report it to the Audit Committee.
Representative Executive Officers and Audit Committee Members will periodically exchange opinions regarding findings from an audit. In addition, the Legal Affairs Department will periodically report to the Audit Committee regarding the status of concern raising (whistle-blowing).
Audit Committee Members will attend regular Board of Directors' Meetings and receive reports on the status of the Executive Officers' periodic execution of duties at the Board of Directors' Meeting.
Executive Officers and employees will report to the Audit Committee Member the status of the execution of duties through hearings, etc. of the Audit Committee.

(ix) System for the Company's subsidiaries' Directors, Auditors, members executing business, persons to perform the duties of Article 598, Paragraph 1 of the Companies Act and employees and those who receive reports from such persons to report to the Audit Committee of the Company

The Company will regularly hold Business Board, etc. attended by Directors, etc., including those of subsidiaries, and endeavor for the sharing of important information for business, as well as require the subsidiaries to attend and report to extraordinary Audit Committee meetings of the Company if important events occur at the Company's subsidiaries.

(x) System to ensure that a person reporting to the Company's Audit Committee does not receive unfair treatment on the grounds of having made such report

Set forth in the Group's whistle-blowing system operation rules that directors, officers and employees of the Company Group can directly make a report to the Compliance Committee of which the Company's Audit Committee Member is a constituent member and make the method of directly reporting, etc. widely known within the Group. In addition, expressly state the prohibition of dismissals and other disadvantageous treatments due to having made such report or other report to the Audit Committee.

(xi) Matters concerning the policy regarding the procedures for pre-payment or repayment of expenses arising with respect to the execution of the duties of the Audit Committee of the Company and other disposition of expenses or liabilities arising with respect to the execution of such duties

When the Audit Committee makes a claim for the repayment of expenses under Article 404 of the Companies Act is made against the Company with respect to its execution of duties, the Company will bear such expenses upon deliberation in the department in charge. In addition, a budget of a certain amount will be established every year to disburse the expenses for execution of such duties.

(xii) Other systems to ensure that the audit by the Audit Committee is carried out effectively

The Audit Committee will periodically receive reports regarding the contents of the audit from the Company's Accounting Auditors and the Company's internal audit department, along with periodically convening the Group's Board of Auditors with the Auditors of each group company and attempting to work together.

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 executes measures to improve results, increase corporate value, and gain shareholders' support, which enable shareholders to hold the shares for the medium-to-long-term. Therefore, no particular anti-hostile takeover measures have been established.

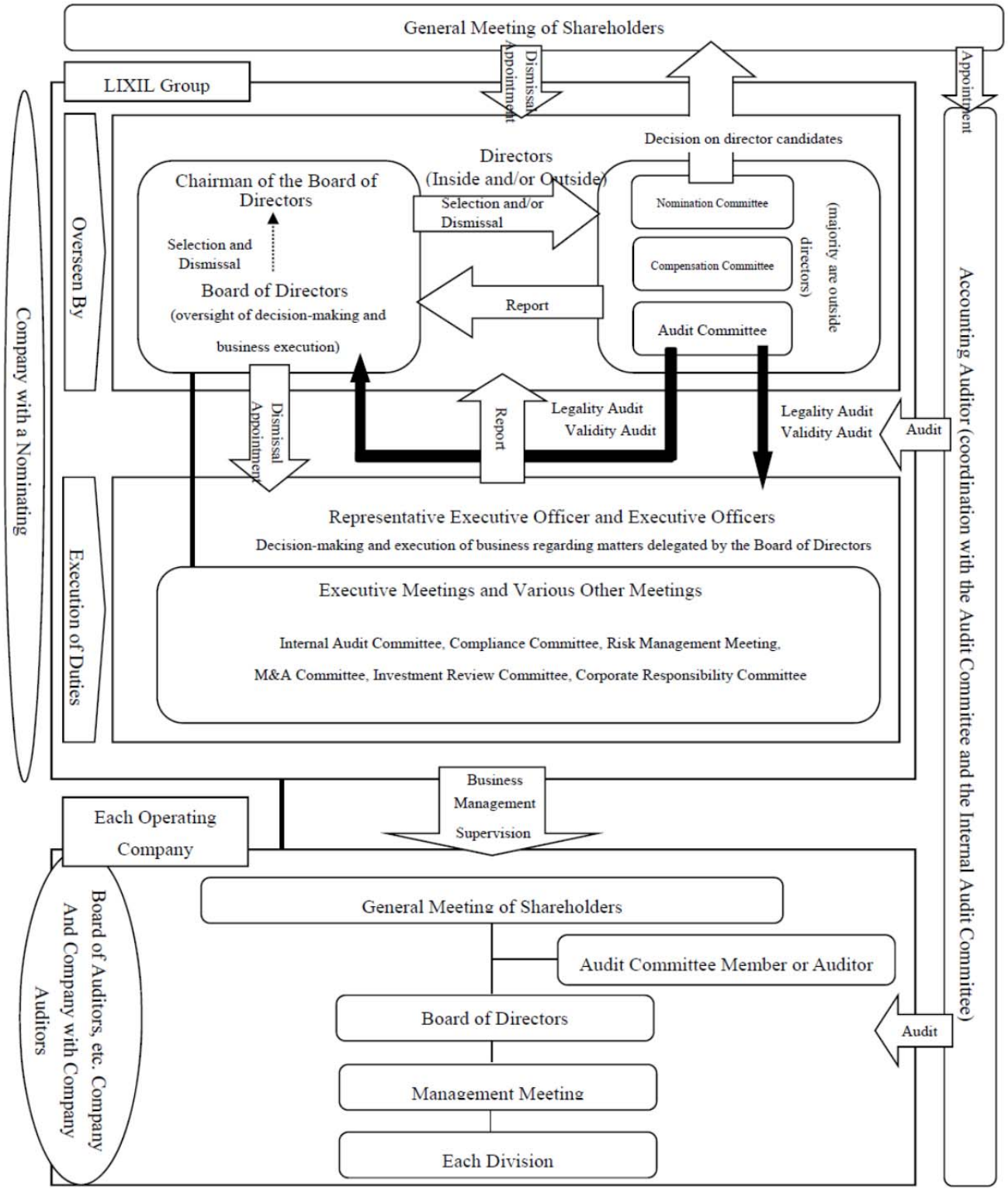
2. Other Matters Concerning to Corporate Governance System

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]

