The following is an English translation of the Report for the 78th Fiscal Year (the "Report") as Attachment to the Notice of Convocation of the 78th Annual Shareholders' Meeting of LIXIL Group Corporation (the "Company"). The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. If there is any discrepancy between the Japanese version and the English translation, the Japanese version shall prevail.

Report for the 78th Fiscal Year

(From April 1, 2019 to March 31, 2020)

LIXIL

Link to Good Living

Disclosure via the Internet

The following items are posted on the Company's Internet website based on the laws and regulations as well as Article 16 of the Company's Articles of Incorporation, thus are not indicated on the Report.

(1) Table of Explanatory Notes to Consolidated Financial Statements and (2) Table of Explanatory Notes to Non-consolidated Financial Statements

URL: https://www.lixil.com

The Consolidated Financial Statements and Non-consolidated Financial Statements by the Accounting Auditors and the Audit Committee are the statements indicated on the Report and the Table of Explanatory Notes to Consolidated Financial Statements, and the Table of Explanatory Notes to Non-consolidated Financial Statements are posted on the aforementioned the Company's website.

LIXIL Group Corporation

(Securities Code 5938)

1. Matters regarding the current state of LIXIL Group (the "Group")

Because the Company decided to transfer the shares of its consolidated subsidiary Permasteelisa S.p.A. ("Permasteelisa") in May 2020, it has categorized Permasteelisa and its subsidiaries as discontinued operations. As a result, revenue, core earnings, operating profit, and profit before tax are presented as the amount of continuing operations, excluding discontinued operations. We applied the same accounting policy to last year's results.

(1) Business developments and their results

During this consolidated fiscal year, the Japanese economy was expected to show a moderate recovery trend, with a recovery in the employment environment and a pickup in personal consumption on the back of improved corporate earnings. However, the outlook remained uncertain due to natural disasters such as major typhoons, the cooling of consumer confidence caused by the increase in the consumption tax rate in October 2019, and the spread of the new coronavirus infection. In residential investment, the number of new housing developments decreased by 7.3% on year to 884thousand properties, with rental properties continuing to significantly fall and home ownership and condominiums going below year-before level, and the downward trend is expected to continue over the medium to long term, creating a continued difficult environment for the Company.

The outlook for the world economy is that the impact of the spread of the new coronavirus infection since the beginning of this year, as well as trade issues such as the trade friction between the United States and China and the slowdown in economic growth in China, has been far greater than imagined, and there are concerns about the serious and long-term impact on the domestic and global economy.

In this context, the Company's revenue in this consolidated fiscal year increased slightly to 1,694,439 million yen (up 0.1% on year), despite a recovery in the domestic business in the first half of the fiscal year, supported by strong demand, due to a decline in demand in the second half of the fiscal year as a reaction to the increase in the consumption tax rate, changes in the market environment in the overseas business, the impact of foreign currency exchange conversion due to the depreciation of the euro, and the suspension of economic activities due to the impact of the new coronavirus infection. In profits, core earnings have increased to 58,576 million yen (up 7.5% on year). In addition to increases in personnel and distribution costs, there was a significant increase in selling, general and administrative expenses due to one-time costs associated with the early retirement incentive program (career option program) implemented as part of the employee-focused human resources program called *"Kawaranaito LIXIL"*; however, this was offset by the implementation of ongoing cost reduction measures and an increase in gross profit due to the effect of price revisions implemented in the domestic business since the previous fiscal year. On the other hand, operating income decreased to 39,121 million yen (down 20.2% on year) due to the recording of impairment losses resulting from the decline in the profitability of certain businesses and a one-time payment made to employees around the world in response to the new coronavirus infection. Profit before tax decreased to 46,811 million yen (down 1.7% on year) despite a gain of 10,977 million yen on the disposal of equity interest in an affiliated company. In addition, as a result of a decrease in corporate income tax expense, profit for this fiscal year from continuing operations increased 12.0% year on year to 31,932 million yen.

The loss for this fiscal year from discontinued operations was 18,261 million yen,

compared with a loss from discontinued operations of 77,790 million yen in the same period of the previous fiscal year. As a result, profit for this fiscal year attributable to the owners of the parent (net of non-controlling interests), amounted to 12,518 million yen (compared to 52,193 million yen loss attributable to the owners of the parent in the previous fiscal year).

Note: Core earnings are calculated by deducting the cost of sales and selling, general and administrative expenses from revenue.

The overall conditions for each business sector are described below. Following a decision to sell shares of Permasteelisa, the business of Permasteelisa and its subsidiaries, which were previously included in the Building Technology Business, have been categorized as discontinued operations, and the results for the same period of the previous fiscal year have been recategorized in the same way.

Further, for each business, revenue indicates the amounts before eliminations for inter-business transactions, and core earnings indicate the amounts before deduction of company-wide expenses.

[Water Technology Business]

In the Water Technology Business, revenue decreased by 0.6% on year to 828,527 million yen due in part to the impact of foreign currency exchange conversion due to the depreciation of the euro, despite our mainstay products such as the “Richelle SI” system kitchen, which pursues ideal ease of use and comfortable living, and the “SPAGE” and “Arise” system bathrooms as well as aggressive marketing activities, including the launch of the “Resilience Toilet, ” the industry’s first disaster-conscious toilet that can be used by anyone, from children to the elderly, in the same place and in the same way, both in normal times and in times of disaster, and wining many awards.

In profit, core earnings increased to 61,524 million yen (up 2.1% year on year) due to an increase in gross profit and decrease of selling, general and administrative expenses caused by continued cost reductions.

[Housing Technology Business]

In the Housing Technology Business, revenue increased by 0.3% year on year to 542,203 million yen. These revenues were driven by strengthening highly-designed products, such as the “LW” windows under the TOSTEM brand, which create comfortable living spaces that connect the outside to the inside, and the “Fence AA, ” which emphasizes the warmth of wood and the quality of furniture, and continued strong sales of interior construction materials, including the richly designed “Lasissa.” In profit, core earnings increased 36.5% on year to 28, 288 million yen as a result of, in addition to the effect of price revisions, especially the increase in gross profit due to a better mix of products because of increased sales of exterior and interior construction materials, and the effect of improved production efficiency in conjunction with the progress of platform development.

[Building Technology Business]

In the Building Technology Business, a decrease in orders due to the convergence of demand for the Olympics and other factors resulted in a revenue decrease of 2.7% on year to 112,774 million yen and a core earnings of 2,671 million yen (down 27.6% year on year).

[Distribution and Retail Business]

In the Distribution and Retail Business, revenue increased by 4.4% year on year to 184,154 million yen by our aggressive efforts to increase sales such as the establishment of seven new "Super VIVAHOME" (including three attached to Viva Mall) - home centers that support home renovation and the realization of more affluent lifestyles for both professionals in the construction industry and general consumers. However, an increase in labor costs as well as upfront investment in the construction of a new distribution center and the strengthening of IT systems resulted in an 18.1% decrease on year to 6,347 million yen in core earnings.

[Housing and Services Business, etc.]

In the Housing and Services Business, etc., despite of our efforts for increasing sales of products such as "Cecibo," a home that fosters family dreams and ties, "arietta-VERDEA", " whose passive design realizes a warm environment and energy-saving performance that is easy on people's lives, and "Woods Hill, " a home with beautiful design and "beautiful quality" including earthquake resistance and heat insulation, as well as our focus on new business areas, such as B to C business, which is a priority strategy and growth in non-new business areas, due to an impact by the transfer of partial business, revenue decreased by 6.6% year on year to 54,019 million yen and core earnings decreased 13.5% on year to 2,984 million yen.

Revenue and core earnings by business

Business Category	FYE2019 Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)		FYE2020 Consolidated Fiscal Year (April 1, 2019 to March 31, 2020)		Year-on-year increase/decrease	
	Revenue	Core Earnings	Revenue	Core Earnings	Revenue	Core Earnings
	(million yen)	(million yen)	(million yen)	(million yen)	(%)	(%)
Water Technology Business	833,128	60,233	828,527	61,524	(0.6)	2.1
Housing Technology Business	540,811	20,719	542,203	28,288	0.3	36.5
Building Technology Business	115,874	3,688	112,774	2,671	(2.7)	(27.6)
Distribution and Retail Business	176,381	7,752	184,154	6,347	4.4	(18.1)
Housing and Services Business, etc.	57,852	3,451	54,019	2,984	(6.6)	(13.5)
Deletion or Common throughout Company	(31,614)	(41,358)	(27,238)	(43,238)	-	-
Total	1,692,432	54,485	1,694,439	58,576	0.1	7.5

Note: Operations categorized as discontinued operations are not included.

(2) Status of capital investment

The amount of capital investment (including right of use assets) for this consolidated fiscal year is 138,231 million yen. Most of the amount was for the investment relating to newly opened Super VIVAHOME stores etc. and for the investment in new product development; the remainder was for streamlining and investment in facilities update and maintenance.

(3) Status of financial arrangements

In this consolidated fiscal year, 142,377 million yen was procured through long-term loans to be applied to refinancing funds for consolidated subsidiaries.

(4) Status of transfers of business, absorption type demerger or incorporation type demerger

On September 2, 2019, LIXIL Corporation transferred the operation of its paid nursing homes and housing for the elderly to Senior Life Company, Inc. by way of absorption type demerger, and transferred all issued stock of Senior Life Company, Inc. to Trust Garden Co., Ltd.

(5) Status of acquisition or disposal of shares, other equity, or share options of other companies

LIXIL Corporation transferred 100% of the issued stocks of Ken Depot Corporation, which operates "Ken Depot," a membership-based building materials wholesale store for professional customers, which was held by LIXIL Corporation, to Kohnan Shoji Co., Ltd. on June 3, 2019. As a result, Ken Depot Corporation was excluded from the Company's equity method affiliate.

LIXIL Corporation transferred 100% of the issued stocks of LIXIL Suzuki Shutter Co., Ltd., which was held by LIXIL Corporation, to Sanwa Holdings Corporation on September 30, 2019.

At the Board of Directors' Meeting on May 1, 2020, the Company resolved to transfer 100% of the issued common stock of Permasteelisa S.p.A. ("Permasteelisa"), which was held by LIXIL Corporation, to Atlas Holdings LLC. A Stock Purchase Agreement was executed as of that date.

This transfer is subject to obtaining antitrust clearance etc. in the European Union, China, Russia and Saudi Arabia ("Related Countries"). The Company believes that it is highly probable that antitrust clearance, etc. in Related Countries could be obtained, and therefore, based on the assumption that such clearances could be obtained, the operations of Permasteelisa and its subsidiaries have been classified as discontinued operations.

(6) Changes in status of assets and income/losses

Category	FYE2017 Consolidated Fiscal Year (April 1, 2016 to March 31, 2017)	FYE2018 Consolidated Fiscal Year (April 1, 2017 to March 31, 2018)	FYE2019 Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)	FYE2020 Consolidated Fiscal Year (April 1, 2019 to March 31, 2020)
Revenue (million yen)	1,786,447	1,829,344	1,692,432	1,694,439
Core earnings (million yen)	88,312	76,046	54,485	58,576
Operating profit (million yen)	67,535	59,107	49,011	39,121
Profit/loss for the year attributable to owners of the parent (million yen)	42,503	54,581	(52,193)	12,518
Basic profit/loss per share (yen)	148.01	189.13	(179.98)	43.15
Total assets (million yen)	2,042,165	2,107,131	2,059,544	2,091,529
Equity attributable to owners of	547,244	616,897	533,656	502,165

the parent (million yen)				
Equity attributable to owners of the parent per share (yen)	1,902.18	2,128.77	1,839.59	1,730.99
Equity ratio attributable to owners of the parent (%)	26.8	29.3	25.9	24.0

Notes:

1. The Company prepared the Consolidated Financial Statements using the International Financial Reporting Standards (IFRS) this consolidated fiscal year under Article 120 (1) of the Regulation on Corporate Accounting from FYE2017 consolidated fiscal year.
2. Core earnings are calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
3. The Company decided to sell its consolidated subsidiary Permasteelisa S.p.A. ("Permasteelisa") in May 2020, and accordingly, the Company classified operations of Permasteelisa and its subsidiaries as discontinued operations for FYE2020 consolidated fiscal year, and reclassified and presented revenue, core earnings and operating profit for FYE2019 consolidated fiscal year. Accordingly, the numbers of the revenue, core earnings and operating profit for the FYE2019 and FYE2020 consolidated fiscal years are numbers for continuing operations, and do not include the numbers of discontinued operations.

(7) Issues to be addressed

With the aim of building an organization full of entrepreneurial spirit and capable of contributing to society through sustainable growth, the Group is steadily promoting major policies based on the four pillars of the medium-term plan formulated and announced in November 2017.

[The Four Pillars of the Medium-Term Plan]

1. Create an Organization for Sustainable Growth

In order to build an environment that enables us to respond quickly to changes, the Group is transforming its organizational culture. We will foster an organizational culture that encourages employees to exercise their entrepreneurial spirit, to actively exchange opinions and to engage in experimental initiatives. We also aim to create an environment in which employees can respect each other, be stimulated by each other, and work with enthusiasm, and to become a company in which employees can be united through the achievement of great goals which are socially meaningful.

2. Development of attractive and differentiated products

The Group has strong brands that correspond to diverse lifestyles, needs and preferences. By investing in these brands and strengthening the DNA that is the essence of these brands, the Group seek to achieve growth with profits. In addition, we will further pursue innovation, design and quality improvements to meet changes in consumers' needs and preferences. In addition, we will shift to the "Asset-Light" business model so that we will be able to have a strong intellectual property base for product development and bring differentiated products to market in a short cycle, and we will review our domestic organizational structure to improve the speed of the product development cycle by integrating the product development, production and sales functions into one organization.

3. Achieving Competitive Costs

The Group will use new technologies and infrastructures to create an efficient and flexible supply chain management system, and improve cost control, for the improvement of its balance sheet and profit margins. In addition, the Group will improve cost efficiency through measures such as improving productivity in back-office departments and redeploying personnel to departments that need them.

4. Marketing to End User Influencers

The Group will expand its contacts with end users and influencers such as contractors, designers and builders' offices. In addition, through the promotion of new services such as "LIXIL PATTO Remodeling," we will create new demand for remodeling in Japan by eliminating end users' concerns about it.

[Priority issues and progress in the current consolidated fiscal year]

(i) Review of Business Portfolio

The Group has transferred stocks of its subsidiaries and affiliates: Ken Depot Corporation (June 2019), Senior Life Company, Inc. (September 2019) and LIXIL Suzuki Shutter Co., Ltd. (September 2019), and further announced its decision to sell Permasteelisa in May 2020. These are part of the Group's efforts to maximize synergies and increase efficiency through strengthening the integration of the Group, by further focusing on its core businesses: the plumbing business and the building materials business. In addition, the Group believes that it is possible to strengthen the financial base by strengthening the balance sheet, improving cash flow, reducing debt and improving working capital efficiency, which enable to make further investments in profitable growth areas in its core businesses.

(ii) Establishment of agile organization

The Company has decided to merge with LIXIL Corporation, a consolidated subsidiary of the Company, in December 2020, and plans to shift from the current holding company system to a system that will conduct business operations as an operating company. Further, in addition to simplifying the domestic organizational structure, the chain of command of the administrative functions, which used to be controlled by each region, has been centralized on a global basis, and the reporting line has been consolidated at the head office. These organizational changes are aimed at improving the governance of the whole Group, as well as establishing an agile organization by enabling quicker decision-making and improving management efficiency.

(iii) Revitalization of domestic business

The Group is promoting a comprehensive employee-focused HR program called *"Kawaranaito LIXIL"* for the revitalization of its domestic business and is shifting to an organizational culture based on the merit system. In Japan, the Group has implemented measures aimed at enhancing customer orientation, supporting career development for all generations, and strengthening employee engagement. As one of the human resources measures, we have introduced an early retirement incentive system (career option system), which addresses the employees' age structure challenges faced by many Japanese companies.

(iv) Acceleration of Digital Transformation

The Group has long been promoting the use of various digital tools as part of its efforts to revitalize internal communication and organizational transformation. This

has enabled a smooth transition to working from home, which led to ensuring business continuity and increasing productivity. In addition, the Group continues to develop IoT products and services to support houses and lifestyles of the next generation, and practice customer orientation in both products and services by utilizing digital technology to enable online customer service at showrooms etc.

(v) Development of differentiated products and services

In addition to strengthening the Group's internal design system, the Group is accelerating the overseas development of the global brand "INAX," which originated in Japan. The "INAX" brand exhibited at the Milan Design Week and presented a new collection of plumbing products for the global market. New products designed based on the brand's unique design values and signature elements (figurative elements) can be produced in accordance with the platform strategy promoted by the Company. Furthermore, the "INAX" brand alone has won 15 awards in the "iF DESIGN AWARD 2020," one of the international design awards, and our design-driven product development has been highly evaluated. In the housing construction materials field, the Group has also promoted alliances and technical cooperation with overseas companies to develop the market for wealthy classes.

(vi) Contributing to society through business activities

The Group has been promoting social contributions through its business activities and has been strengthening its environmental initiatives, including achieving its target for improving environmental efficiency two years ahead of schedule. In addition, the Group has established a more ambitious environmental vision to contribute to the Sustainable Development Goals (SDGs) promoted by the United Nations, which we aim to achieve by 2050. In the plumbing field, the Group is contributing to the improvement in sanitation for 18.6 million people around the world through the social business developed by "SATO," a simple toilet system for developing countries. These achievements have been highly evaluated internationally, and the Group has been selected as a composite of the Dow Jones Sustainability World Index (DJSI World), a global socially responsible investment index.

On the other hand, with the spread of the new coronavirus infection having a serious impact all over the world, it is difficult to foresee the future of the Group at this moment. Nevertheless, the Group has placed its highest priority on ensuring the safety and health of its employees and other stakeholders, while at the same time taking swift actions to ensure business continuity and liquidity on hand.

In the future, not only the Group, but all industries around the world, will be required to shift to a "new normal" (a new everyday life). The Group will continue to take variety of measures, including utilizing digital technology to enable more flexible ways of working. In addition, there is growing demand for products focused on hygiene and health, such as touchless faucets, as well as smart delivery posts that incorporate IoT technology, and we believe that end-user needs will continue to change over the medium to long term. The Group's goal is to "Contribute to society by making better homes a reality for everyone, everywhere." With an eye on the "new normal," the Group will further strengthen its efforts to provide end users with lasting value.

(8) Principal business

The Group, with its corporate philosophy, "We contribute to improving comfort

and lifestyles of the people in the world through superior products and services," is developing business activities such as the Water Technology Business, Housing Technology Business, Building Technology Business, Distribution and Retail Business, and Housing and Services Business, etc. as the main businesses as well as other services related. The principal products and goods, etc. of each business is as follows:

Business Category	Business Breakdown (principal products and goods, etc.)	
Water Technology Business	Plumbing fixtures	(sanitation equipment, shower toilets, water faucet clasps, hand wash basin, bathtub, integrated baths, smart products, showers, sinks, countertops, residential and office building exterior tiles, interior tiles, etc.)
	Kitchen	(fitted kitchens, etc.)
Housing Technology Business	Metal building materials	(sashes for residences, front doors, various shutters, gates, carports, handrails, bridge railings, etc.)
	Wood interior building materials	(window frames, fixture materials, interior building materials, etc.)
	Other building materials	(siding, stone, roofing materials etc.)
	Interior fabrics	(curtains, etc.)
	Others	(solar power systems, etc.)
Building Technology Business	Metal building materials	(curtain wall, sashes for buildings and stores, etc.)
Distribution and Retail Business	Home improvement stores	(living supplies, do-it-yourself supplies, construction materials, etc.)
Housing and Services Business etc.	Housing solutions	(development of franchise chains of engineering work shops, building contractor, ground surveying and improvements, etc.)
	Real estate	(land, buildings, real estate, development support of real-estate franchise chain business, etc.)
	Financial service business	(home loans, etc.)

(9) Status of significant subsidiaries

Company Name	Capital	Voting rights ownership (%) of the Company	Principal Business
LIXIL Corporation	34,600 million yen	100	Manufacturing and sales of metal building materials, plumbing fixtures
LIXIL VIVA CORPORATION	24,596 million yen	53	Sales of living supplies, do-it-yourself supplies, construction materials
LIXIL Total Service Corporation	100 million yen	100	Sales of plumbing facilities, metal building materials
LIXIL Total Hanbai Corporation	75 million yen	100	Sales of metal building materials
Kawashima Selkon Textiles Co., Ltd.	9,382 million yen	100	Manufacturing and sales of interior fabric
LIXIL Group Finance Corporation	3,475 million yen	100	Financial services business
Grohe Group S.à r.l.	57,143thousand EUR	100	Holding company of Grohe Group
Permasteelisa S.p.A.	6,900thousand EUR	100	Manufacturing and sales of curtain walls
ASD Holding Corp.	412,956thousand USD	100	Holding company of the American Standard's North American business
A-S CHINA PLUMBING PRODUCTS Ltd.	24,907thousand USD	100	Holding company for American Standard's China business
TOSTEM THAI Co., Ltd.	2,767 million THB	100	Manufacturing and sales of metal building materials
LIXIL INTERNATIONAL Pte. Ltd.	274,417thousand USD	100	Supply chain controlling company for Asian region
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.	40,700thousand USD	100	Manufacturing and sales of metal building materials
LIXIL Manufacturing (Dalian) Corporation	43,500thousand USD	100	Manufacturing and sales of wood interior building materials

Notes:

1. Voting rights ownership includes indirect ownership by subsidiaries.
2. There are 186 consolidated subsidiaries of the Company.
3. An absorption type merger of LIXIL Corporation with the Company as the surviving company scheduled on December 1, 2020 was approved at the Board of Directors' Meetings of the Company and LIXIL Corporation on March 23, 2020, and a merger agreement was executed as of the same day. In association with such merger, the Company plans to change its trade name to "LIXIL Corporation" as of December 1, 2020 (scheduled).
4. In April 2020, GROHE Group S.à r.l. changed its trade name to LIXIL Europe S.à r.l.
5. The status of the specified wholly owned subsidiary as of the last day of this consolidated fiscal year is as follows:

Name of specified wholly owned subsidiary	LIXIL Corporation
Address of specified wholly owned subsidiary	2-1-1 Ojima, Koto-ku, Tokyo

Company's book value of the shares of specified wholly owned subsidiary	211,287 million yen
Total asset amount of the Company	559,830 million yen

(10) Principal hubs, etc.

Company Name	Trade Name ・ Location	
LIXIL Group Corporation (the Company)	Head Office	2-1-1 Ojima, Koto-ku, Tokyo
LIXIL Corporation	Head Office	Koto-ku, Tokyo
	Sales Office	Hokkaido Branch / Tohoku Branch (Miyagi)
		Kita Kanto Branch (Tokyo) / Kanto Branch (Tokyo)
		Chubu Branch (Aichi) / Kansai Branch (Osaka)
		Chushikoku Branch (Hiroshima) / Kyushu Branch (Fukuoka)
		LIXIL Showroom Tokyo
		LIXIL Showroom Osaka
	Factory	Sukagawa Factory (Fukushima) / Maebashi Factory (Gunma)
		Shimotsuma Factory (Ibaraki) / Iwai Factory (Ibaraki)
		Tsuchiura Factory (Ibaraki) / Ishige Factory (Ibaraki)
		Fukaya Factory (Saitama) / Oyabe Factory (Toyama)
		Chita Factory (Aichi) / Enokido Factory (Aichi)
		Tokoname Higashi Factory (Aichi) / Uenomidori Factory (Mie)
		Hisai Factory (Mie) / Ariake Factory (Kumamoto)
	Other Offices	Tokoname Building (Aichi)
LIXIL VIVA CORPORATION	Head Office	Urawa-ku, Saitama-shi, Saitama
LIXIL Total Service Corporation	Head Office	Koto-ku, Tokyo
LIXIL Total Hanbai Corporation	Head Office	Koto-ku, Tokyo
Kawashima Selkon Textiles Co., Ltd.	Head Office	Sakyo-ku, Kyoto-shi, Kyoto
LIXIL Group Finance Corporation	Head Office	Koto-ku, Tokyo
Grohe Group S.à r.l.	Head Office	Luxembourg
Permasteelisa S.p.A.	Head Office	Italy
ASD Holding Corp.	Head Office	United States of America
A-S CHINA PLUMBING PRODUCTS Ltd.	Head Office	British Cayman Islands
TOSTEM THAI Co., Ltd.	Factory	Thailand
LIXIL INTERNATIONAL Pte. Ltd.	Head Office	Singapore
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.	Factory	Vietnam
LIXIL Manufacturing (Dalian) Corporation	Factory	China

Note: In April 2020, GROHE Group S.à r.l. changed its trade name to LIXIL Europe S.à r.l.

(11) Status of employees

Business Category	Number of Employees	Comparison increase/decrease with end of previous consolidated fiscal year
Water Technology Business	32,661	207 decrease
Housing Technology Business	18,650	170 decrease
Building Technology Business	6,758	703 decrease
Distribution and Retail Business	1,447	90 increase
Housing and Services Business etc.	1,087	287 decrease
Sector common throughout the Company	1,031	29 decrease
Total	61,634	1,306 decrease

Notes:

1. The number of employees is the number of employed staff and does not include the number of part-time or temporary staff.
2. The Building Technology Business includes the number of employees of Permasteelisa S.p.A. and its subsidiaries, which were classified as discontinued operations for this consolidated fiscal year.
3. The number of employees described in Sector common throughout the company represents those employees in administrative departments that cannot be assigned to any one business category.
4. The number of employees in the Housing and Service Business etc. decreased by 287 from the end of the previous consolidated fiscal year. This is mainly due to the LIXIL Corporation's transfer of the operation of its paid nursing homes and housing for the elderly to Senior Life Company, Inc. by way of absorption type demerger, followed by transfer of all issued stock of Senior Life Company, Inc. to Trust Garden Co., Ltd.

(12) Status of principal lenders

Lender	Outstanding Loan Amount
	(million yen)
Sumitomo Mitsui Banking Corporation	115,487
MUFG Bank, Limited	101,947
Mizuho Bank, Ltd.	60,272
Sumitomo Mitsui Trust Bank, Limited	20,500

Notes:

In addition to those above, there is a total of 26,000 million yen in syndicated loans managed by the Development Bank of Japan Inc.

(13) Basic policies regarding dividend distribution, etc. of retained earnings

The Company standardizes on the preservation of healthy financial strength and has as its policies, to maintain a 30% or higher dividend payout ratio at the consolidated base regarding cash dividends, and to flexibly perform the acquisition of treasury stocks. With regard to this fiscal year, the year-end cash dividend per share is 35 yen (70 yen for the year, including the midterm cash dividend).

2. Matters regarding the current state of the Company

(1) Matters regarding stock

1) Total number of authorized shares: 1,300,000,000 shares
2) Total number of issued shares: 290,103,458 shares
(excluding 23,215,701 shares of treasury stock)
3) Number of shares in 1 unit: 100 shares
4) Capital stock: 68, 417,794,464 yen
5) Total number of shareholders: 57,734
6) Top 10 shareholders:

Shareholder Name	Number of shares held	Ratio of shareholdings
	(thousand shares)	
The Master Trust Bank of Japan, Ltd. (Trust Account)	※ 19,352	6.67%
Japan Trustee Services Bank, Ltd. (Trust Account)	※ 14,014	4.83%
The Nomura Trust & Banking Co., Ltd. (Trust Account)	※ 8,896	3.07%
State Street Bank Client Omnibus OM04 (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	8,707	3.00%
LIXIL Employee Stock Ownership	7,584	2.61%
Daiichi Life Insurance Company, Limited. (Standing proxy: Trust & Custody Services Bank, Ltd.)	6,561	2.26%
JPMorgan Securities Japan Co., Ltd.	6,332	2.18%
Japan Trustee Services Bank, Ltd. Trust Account 5	※ 5,943	2.05%
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	5,454	1.88%
Japan Trustee Services Bank, Ltd. Trust Account 9	※ 4,982	1.72%

Notes:

1. The Company possesses 23,215 thousand treasury stocks but has been excluded from the top 10 shareholders above.
2. The ratio of shareholdings has been calculated after deducting treasury stocks.
3. ※ indicates those involved in the trust business.

(2) Matters regarding stock acquisition rights, etc.

(1) The outline of the contents of the stock acquisition rights issued as the consideration of the execution of duties held by company officers at the end of this fiscal year

	The 5th Stock Acquisition Rights	The 7th Stock Acquisition Rights
Day of the resolution of issuance	April 15, 2013	May 7, 2014
Number of stock acquisition rights	2,500	2,240
Class and number of shares to be issued or transferred upon exercising stock acquisition rights	ordinary shares 250,000 shares (100 shares per 1 stock acquisition right)	ordinary shares 224,000 shares (100 shares per 1 stock acquisition right)
Amount to be paid in upon exercising stock acquisition rights	51,200 yen per stock acquisition right	39,500 yen per stock acquisition right
Value of properties to be contributed upon exercising stock acquisition rights	236,500 yen per stock acquisition right	281,900 yen per stock acquisition right
Period during which such right can be exercised	May 10, 2015 to May 9, 2020	May 24, 2016 to May 23, 2021
Number of holders and number of the acquired stock acquisition rights Directors (excluding Outside Directors) Executive Officers	 2 people 1,150 4 people 1,350	 2 people 800 4 people 1,440

	The 8th Stock Acquisition Rights	The 9th Stock Acquisition Rights
Day of the resolution of issuance	November 25, 2014	September 20, 2016
Number of stock acquisition rights	405	3,000
Class and number of shares to be issued or transferred upon exercising stock acquisition rights	ordinary shares 40,500 shares (100 shares per 1 stock acquisition right)	ordinary shares 300,000 shares (100 shares per 1 stock acquisition right)
Amount to be paid in upon exercising stock acquisition rights	46,800 yen per stock acquisition right	43,300 yen per stock acquisition right
Value of properties to be contributed upon exercising stock acquisition rights	252,700 yen per stock acquisition right	225,300 yen per stock acquisition right
Period during which such right can be exercised	December 13, 2016 to December 12, 2021	October 8, 2018 to October 7, 2023
Number of holders and number of the acquired stock acquisition rights Directors (excluding Outside Directors) Executive Officers	 1 person 405	 1 person 3,000

Note:

The number of holders and the number of the stock acquisition rights for the three Directors who concurrently serve as Executive Officers are included and indicated with the number of

holders and the number of the acquired stock acquisition rights of Executive Officers.

(2) Status of other stock acquisition rights

Outline of stock acquisition rights attached to convertible bond-type bonds with stock acquisition rights issued based on the resolution of the Board of Executive Officers Meeting held on February 16, 2015

Stock acquisition rights attached to Euro-yen convertible bond-type bonds with stock acquisition rights expiring 2022

Total number of stock acquisition rights attached to bonds	Sum of 6,000 and the number of units, which is the total amount of the face value of the bonds regarding substitute bond certificates with share acquisition rights divided by 10 million yen
Class and number of shares that are for the purpose of stock acquisition rights	Ordinary shares of the Company The number of the ordinary shares of the Company that the Company will deliver from the exercise of the share acquisition rights will be the number, which is the total amount of the face value of the bonds regarding the exercise request divided by the conversion price; provided that fractions less than one share will be rounded off and adjustments by cash will not be made.
Money to be paid in exchange for stock acquisition rights	Payment of money is not required in exchange for the stock acquisition rights
Conversion price	3,768.4 yen (see Note)
Period to exercise stock acquisition rights	From March 18, 2015 until February 18, 2022 (local time of the location where the exercise request is accepted)

Note: In conjunction with the resolution to set the dividend for this consolidated fiscal year at 70 yen per share at the Board of Directors' meeting held on June 5, 2020, the conversion price has been adjusted in accordance with the terms and conditions of the bonds. The adjusted conversion price will be 3,746.6 yen for stock acquisition rights attached to Euro-yen convertible bond-type bonds with stock acquisition rights expiring 2022.

(3) Matters regarding company Directors and Executive Officers

(1) Directors

Position	Name	Area of Responsibility	Status of Important Concurrently-held Positions
Director	Kinya Seto		Chairman, Chairperson of the Board of Directors, LIXIL Corporation (Representative Director)
Director	Kazuhiko Otsubo		President and CEO, LIXIL Corporation (Representative Director)
Director	Satoshi Yoshida		
Director	Ryuichi Kawamoto	Audit Committee Member	
Director	Keiichiro Ina	Nomination Committee Member	
Director	Tamio Uchibori	Audit Committee Member	
Director	Kaoru Onimaru	Nomination Committee Member	
Director	Haruo Kawahara	Nomination Committee Member and Compensation Committee Member	
Director	Kurt M. Campbell		Founding Partner, Chairman and CEO of Asia Group LLC
Director	Teruo Suzuki	Audit Committee Member	
Director	Yuji Nishiura	Nomination Committee Member and Compensation Committee Member	
Director	Daisuke Hamaguchi	Audit Committee Member, Compensation Committee Member	
Director, Chairperson of the Board,	Masatoshi Matsuzaki	Nomination Committee Member	
Director	Zenji Miura	Audit Committee Member, Compensation Committee Member	Representative Director of Lignomateria Inc.

Notes:

1. Directors Kinya Seto, Kazuhiko Otsubo, and Satoshi Yoshida concurrently hold the positions of Executive Officers.
2. Directors Tamio Uchibori, Kaoru Onimaru, Haruo Kawahara, Kurt M. Campbell, Teruo Suzuki, Yuji Nishiura, Daisuke Hamaguchi, Masatoshi Matsuzaki, and Zenji Miura are Outside Directors as prescribed in Article 2, Item 15 of the Companies Act. In addition, Directors Tamio Uchibori, Kaoru Onimaru, Haruo Kawahara, Teruo Suzuki, Yuji Nishiura, Daisuke Hamaguchi, Masatoshi Matsuzaki, and Zenji Miura have been designated as independent officers based on the provisions of each domestic stock exchange that the Company is listed, and each stock exchange has been notified.
3. Zenji Miura, who is a member of the Audit Committee (Chairperson), has served as a general manager of the Accounting Division and CFO, etc. at a listed company. Tamio Uchibori, who is an Audit Committee Member, is licensed as a tax accountant. Teruo Suzuki, who is a member of the Audit Committee, is licensed as a certified accountant. All have considerable knowledge regarding financial affairs and accounting.
4. The Audit Committee has elected Ryuichi Kawamoto as a full-time Audit Committee Member in order to continuously and effectively conduct hearings with Executive Officers and other officers and employees and receive reports from the internal audit department and other relevant departments and offices, understand information collected including through audits of subsidiaries, and attend various meetings.
5. Kazuhiko Otsubo resigned as Director, President and CEO (Representative Director) of LIXIL Corporation on March 31, 2020.
6. Kinya Seto assumed the positions of Director, Chairman, President, CEO and Chairperson of the Board of Directors (Representative Director) of LIXIL Corporation on April 1, 2020.

(2) Executive Officers

Position	Name	Area of Responsibility / Status of Important Concurrently-held Positions
Executive Officer and President (Representative Executive Officer)	Kinya Seto	CEO
Executive Officer and Vice President (Representative Executive Officer)	Kazuhiko Otsubo	Sales and Domestic Subsidiaries
Executive Officer and Vice President (Representative Executive Officer)	Sachio Matsumoto	Accounting, Finance, M&A and Legal, and CFO and CLO Representative Director and Director and President, LIXIL Group Finance Corporation
Executive Officer and Senior Managing Officer	Hwa Jin Song Montesano	Public Affairs, IR, External Affairs, Corporate Responsibility, HR, and CPAO and CPO
Executive Officer and Senior Managing Officer	Ryo Nihei	Technology and CTO
Executive Officer and Senior Managing Officer	Yugo Kanazawa	Marketing, Digital and IT, CDO and CIO
Executive Officer and Senior Managing Officer	Yutaka Nakamura	Legal and CLO
Executive Officer and Senior Managing Officer	Bijoy Mohan	CEO, LIXIL International
Executive Officer and Senior Managing Officer	Satoshi Yoshida	LHT-Japan
Executive Officer and Senior Managing Officer	Hiroyuki Onishi	LWT-Japan

Notes:

1. At the Board of Directors' Meeting held on June 25, 2019, Kinya Seto, Kazuhiko Otsubo and Sachio Matsumoto were elected as and assumed the positions of Representative Executive Officer. In addition, at the same Board of Directors' Meeting, Kinya Seto was elected as and assumed the position of Executive Officer and President.
2. Yutaka Nakamura resigned from the position of Executive Officer as of July 3, 2019.
3. Kazuhiko Otsubo resigned from the position of Executive Officer and Vice President as of March 31, 2020. Ryo Nihei resigned from the position of Executive Officer and Senior Managing Officer as of March 31, 2020.
4. Areas of responsibility changed respectively as of April 1, 2020, as follows:

Sachio Matsumoto	Accounting, Finance, M&A and Legal and CFO
Hwa Jin Song Montesano	HR, Public Affairs, IR, External Affairs, Corporate Responsibility and CPO
Yugo Kanazawa	Marketing, Digital and IT and CDO
Bijoy Mohan	LIXIL International

5. Sachio Matsumoto was elected as Representative Director of LIXIL Corporation at the Board of Directors' Meeting of LIXIL Corporation held on April 1, 2020 and assumed the position as of April 1, 2020.

6. Shoko Kimijima was elected as Executive Officer at the Board of Directors' Meeting held on March 23, 2020 and assumed the positions of Executive Officer and Senior Managing Director (Legal, Compliance and CLCO) as of April 1, 2020.

(3) Compensation Committee policies regarding the decision regarding the calculation method of the compensation for Directors and Executive Officers

[Compensation basic policies]

The Compensation for Directors and Executive Officers shall be determined in accordance with the following basic policies,

(a) Foster improvement of short-, medium-, long-term and sustainable business results and corporate value.
(b) Attract and retain the best talent who are necessary to foster business growth globally.
(c) Ensure a fair and reasonable decision process with regards to compensation that will provide accountability to shareholders, employees, and all stakeholders.
(d) Consider and discuss based on the economic and social situation, our business condition and objective indexes and advices of external specialized agencies at the Compensation Committee.
(e) Individual compensation shall be managed in consideration of role and responsibility, business performance, experience and difficulty of securing personnel.

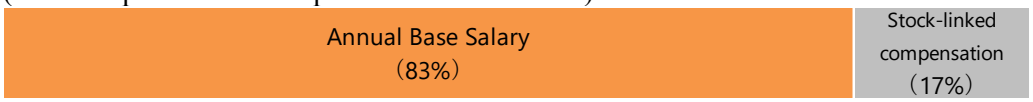
[Compensation system]

Compensation structure for Directors who monitor and supervise the Company's management, and for Executive Officers who are responsible for the performance of business, shall be separate. When a Director concurrently serves as an Executive Officer, the compensation structure for Executive Officers shall be applied in principle.

[Compensation system for Directors]

Compensation system for Directors consists of Annual Base Salary and Stock-linked compensation as their acts are requested to contribute to increase the sustainable corporate value while they are monitoring and supervising the management during their statutory terms. Compensation for internal Directors will be decided based on full-time and part-time status, content of business and duty.

(The Composition of Compensation for Directors)

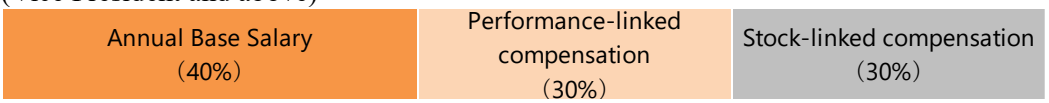


[Compensation system for Executive Officers]

The compensation system for Executive Officers consists of Annual Base Salary, Performance-linked compensation and Stock-linked compensation, based on the policy of retaining talented human resources that are essential for accelerating business growth, providing strong motivation to achieve management goals, and rewarding executive officers fairly and equitably in accordance with the results of such efforts.

(The Composition of compensation for Executive Officers)
The figure below is a model case, and the amount of individual compensation may differ from the model case, considering the duty, performance, experience and the retention priority etc. of each individual.

(Vice President and above)



(Senior Managing Director and below)



[Annual Base Salary]

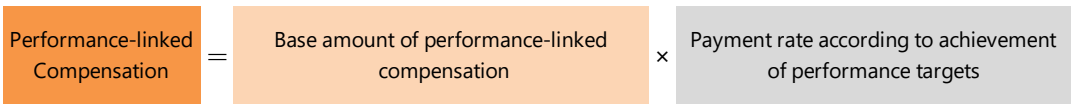
Annual Base Salary for Directors and Executive Officers shall be determined based on the 50 percentiles of the compensation in a group of Japanese Companies with sales of JPY 1 trillion to 2 trillion, in data from external specialized agencies, taking into consideration the 25 percentiles to 75 percentiles of the above data. For Directors and Executive Officers who live abroad, the data in each country shall be referred to. For Executive Officers, the amount of compensation can be outside of the above range, since it is determined considering each individual's duty, performance, experience, and retention priority, etc.

[Performance-linked compensation]

What is important for Performance-linked compensation is to motivate the Executive Officers strongly for their actions and reward them fairly and equitably based on their performance. Therefore, the method of calculation shall be determined upon the careful hearing of Executive Officers by the Compensation Committee.

(i) Evaluation Period: The evaluation period of Performance-linked compensation shall correspond to the fiscal year.

(ii) Calculation Formula: In order to encourage the Executive Officers to work together to achieve single-year management goals and to ensure that they are fairly and equitably rewarded in accordance with the results of their performance, we have abolished individual performance, which had been included in the formula until the fiscal year ended March 31, 2019, and for the fiscal year ended March 31, 2020, we have decided to calculate based on only company-wide performance.



(iii) Base Amount of Performance-linked compensation: The Base amount of Performance-linked compensation shall be determined by multiplying the Annual Base Salary by a coefficient set for each rank (75% for Vice Presidents and above, 50% for Senior Managing Directors and below). The coefficients for each rank shall be decided based on the degree of responsibility for single-year performance. The base amount for

each person may be different from the coefficient set for each rank, taking into account the responsibilities of the position and other factors.

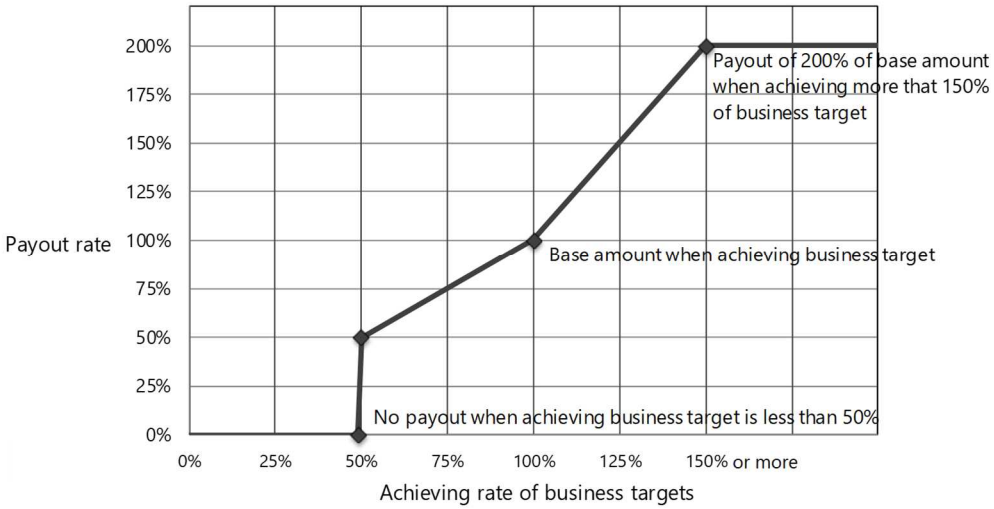
(iv) Achieving rate of business targets

The achievement rates of business targets shall be set by calculating the ratio of the actual figures disclosed in the Annual Securities Report to the forecast figures disclosed in the summary accounts or the like at the beginning of each period. If there is more than one business target, the achievement of each target is multiplied by the percentage of each target in the total performance target, and then summed up. For the fiscal year ended March 31, 2020, we have set performance targets for ROIC (40% of total performance), which is a key management indicator for the entire company, as well as core earnings (30%), which is a business management indicator, and net income attributable to owners of the parent company (30%).

(v) The relationship between the achieving rate of business targets and the payout rate

The payout rate shall be calculated as below, in accordance with the achieving rate of business targets calculated in (iv) above, and comprehensively taking into account the difficulty of the achievement of business goals and the effect of motivation.

Achievement of business target	Payout rate
Less than 50%	0%
50% and above to less than 100%	The business target achievement rate
100% and above to less than 150%	{(The business target achievement rate- 100) × 2 + 100}%
150% and above	200%



(vi) In addition, in the event that the Company subsequently revises its financial results due to a material accounting error or fraud, the Compensation Committee may discuss and decide to revise the Performance-linked compensation to be paid in the future or to request the said Executive Officer to return the Performance-linked

compensation already paid based on the above reason. Furthermore, in the event that is not expected to occur at the beginning of the evaluation period for Performance-linked compensation, the Compensation Committee may adjust the method of calculation of Performance-linked compensation comprehensively taking into account the event and the management responsibility of the Executive Officers, based on internal investigation of the facts and, if necessary, the opinions of external specialized agencies..

[Stock-linked Compensation]

The company has been applying the stock-linked compensation plan ("**Phantom Stock Plan**") since the fiscal year ended March 31, 2020, with the aim of encouraging Directors and Executive Officers (the "**Officers**") to monitor, supervise and make management decisions for achieving a sustained improvement in the corporate value of the Company over the mid- to long-term as well as further promoting shared values between Officers and shareholders of the Company, and attracting and retaining personnel from around the globe that will contribute to further raising corporate value by standardizing global officer compensation.

(i) Right Grant Date

From Fiscal Year ending March 2021 onwards, the Company grants the Phantom Stock (the "**PS**") to Executive Officers on the first day of each business year, and to Directors on the day of each annual shareholder meeting. For fiscal year ended March 31, 2020, the PS was granted on November 5, 2019, due to the commencement of the plan during the fiscal year.

(ii) Number of PS

The number of the PS allotted to each Officers shall be the number calculated by dividing the granted amount which is calculated by multiplies Fixed-amount compensation by the coefficient based on the rank of each Directors (20% for Outside Directors, 75% for Vice President or above, and 25% for Senior Managing Directors), by average closing price of the Company's stock price for the 30 business days preceding the Grant Date. The average closing price of the Company's stock over the previous 30 business days will be rounded up to the nearest yen. The number of shares to be granted to each position is determined by the Compensation Committee at the time of each grant. In addition, the amount granted to each person may differ from the coefficients set for each position based on the duties and other factors.

(iii) The Period from the Right Grant Date to the Vesting Date

The period from the right grant date to the vesting date (the "**Holding Period**") shall be set at one (1) year for Directors in line with the term of office set forth in the Companies Act, considering their role in enhancing corporate value and in monitoring and supervising management. The Holding Period for Executive Officers shall be set at three (3) years, from the perspective of their role in sustainably enhancing corporate value and retention for medium- to long-term management. Therefore, in the event that an Executive Officer resigns for his or her own reasons or refuses to be reappointed by the Company within less than three years of the subject Holding Period, the right to the PS for the subject Holding Period will be extinguished. The Officers do

not have voting or other shareholder rights (including but not limited to the right to receive dividends from surplus) at the Company's annual shareholder meeting during the Holding Period. Officers shall not assign, provide as security or otherwise dispose of all or part of the Right to a third party, nor have a third party succeed to the Right during the period from the Right grant date to the assignment restriction removal date, excluding, however, succession by an heir following the death of the Officers.

(iv) Vesting Date

Upon the expiration of the Holding Period of the PS, all shares held by the Officers will be confirmed and paid in according with (v) by the Company. In the event that an Officer retires without grounds attributable to the Officer (including retirement age and death), or retires as a result of a merger or acquisition of a third party in which the Company is dissolved, all shares held by such Officer shall be confirmed and paid in in according with (v) at the time of retirement.

(v) Payment of Stock Price Amount in cash

The amount to be paid to the Officers shall be calculated by multiplying the number of shares held by the Officers on the Vesting Date by the average closing price of the Company's stock for the 30 business days prior to the Vesting Date. The amount shall be limited to 500% of the granted amount. The average closing price of the Company's stock for the previous 30 business days will be rounded up to the nearest yen.

(4) Total amount of compensation of Directors and Executive Officers for this fiscal year

The total amount of compensation based on the category of Officers is as follows. The Officers whose total compensation exceeds 100 million yen shall be disclosed in the Annual Securities Report.

Category	Number of Recipients	Amount of Compensation, etc.
		(million yen)
Director	19	346
Executive Officer	13	1,290
Total	32	1,636

Notes:
1. Amounts based on Japan standard.
2. The compensation amounts shown above include compensation paid by the Company's subsidiaries, in addition to compensation paid by the Company. Of the above amounts, the amount paid by the Company is 1,118 million yen (346 million yen for the 19 Directors and 772 million yen for the 8 Executive Officers).
3. The compensation amounts paid to Executive Officers include Performance-linked compensation for a single fiscal year included in this fiscal year Performance-linked compensation of 426 million yen (for 12 Executive Officers).
4. The amounts of compensation paid to Directors and Executive Officers includes compensation by restricted stock of 148 million yen (98 million yen for the 10 Directors (including 6 million yen for 4 Outside Directors) and 50 million yen for 11 Executive Officers) booked in this fiscal year.

5. The amount of compensation of Directors and Executive Officers includes stock price-linked monetary compensation (PS) of 180 million yen (24 million yen for 11 Directors (including 14 million yen for 9 Outside Directors) and 156 million yen for 9 Executive Officers) booked in this fiscal year.

(5) Matters regarding Outside Directors

a. Status of main activities of each Outside Director

Category	Name	Status of Main Activities
Director	Tamio Uchibori	Has been elected at the Annual Shareholders' Meeting held on June 25, 2019, and attended all 11 Board of Directors' Meetings and all 10 Audit Committee meetings held since his assumption of office as of the same date; has accordingly made remarks necessary for discussing agenda, etc. based on his abundant experience and professional insight as a management of a global manufacturing company, and high expertise regarding accounting and taxation as a tax accountant.
Director	Kaoru Onimaru	Has been elected at the Annual Shareholders' Meeting held on June 25, 2019, and attended all 11 Board of Directors' Meetings held since her assumption of office as of the same date; has accordingly made remarks necessary for discussing agenda, etc. based on her long career as an attorney-at-law in the legal profession and involvement in major cases as a Supreme Court Justice.
Director	Haruo Kawahara	Has been elected at the Annual Shareholders' Meeting held on June 25, 2019, and attended all 11 Board of Directors' Meetings held since his assumption of office as of the same date; has accordingly made remarks necessary for discussing agenda, etc. based on his abundant experience and extensive insight obtained through his involvement in the management of multiple listed companies with global operations.
Director	Kurt M. Campbell	Has been elected at the Annual Shareholders' Meeting held on June 25, 2019, and attended 10 out of 11 Board of Directors' Meetings held since his assumption of office as of the same date; has accordingly made remarks necessary for discussing agenda, etc. based on his abundant experience and professional insight in overseas business, mergers and acquisitions, and overseas business risk management.
Director	Teruo Suzuki	Has been elected at the Annual Shareholders' Meeting held on June 25, 2019, and attended all 11 Board of Directors' Meetings and all 10 Audit Committee meetings held since his assumption of office as of the same date; has accordingly made remarks necessary for discussing agenda, etc. based on his high expertise in the field of financial accounting obtained through his work for many years as a certified public accountant engaged in the auditing of listed companies etc. in a major auditing firm.
Director	Yuji Nishiura	Has been elected at the Annual Shareholders' Meeting held on June 25, 2019, and attended all 11 Board of Directors' Meetings held since his assumption of office as of the same date; has accordingly made remarks necessary for discussing agenda, etc. based on his management experience in multiple companies and his abundant insight and experience regarding the restructuring of corporate

		governance in many corporate revitalization projects.
Director	Daisuke Hamaguchi	Has been elected at the Annual Shareholders Meeting held on June 25, 2019, and attended all 11 Board of Directors' Meetings and all 10 Audit Committee meetings held since his assumption of office as of the same date; has accordingly made remarks necessary for discussing agenda, etc. based on his deep insight into corporate governance obtained through many years of service as an investment management director of the Pension Fund Association.
Director Chairperson of the Board of Directors	Masatoshi Matsuzaki	Has been elected at the Annual Shareholders Meeting held on June 25, 2019, and attended all 11 Board of Directors' Meetings held since his assumption of office as of the same date; has accordingly made remarks necessary for discussing agenda, etc. based on his deep insight into corporate governance obtained through many years of experience in the management of a listed company with global operations.
Director	Zenji Miura	Has been elected at the Annual Shareholders' Meeting held on June 25, 2019, and attended all 11 Board of Directors' Meetings and all 10 Audit Committee meetings held since his assumption of office as of the same date; has accordingly made remarks necessary for discussing agenda, etc. based on his abundant experience in the management of a listed company with global operations and extensive experience and knowledge in finance and management strategy.

b. Overview of the content of the agreement limiting liability

The Company has instituted provisions regarding agreements limiting the liability of Outside Directors in the Articles of Incorporation. Based on the Articles of Incorporation, the Company has entered into agreements limiting liability with all of the Outside Directors, and its overview is as follows:

(Agreements limiting the liability of Outside Directors)

With respect to liability for damages from neglecting his or her duties, after entering into this agreement, an Outside Director is liable for the higher amount of either 10 million yen or an amount prescribed by law and regulations where such duties are performed in good faith and there is no gross negligence.

c. Total amount of compensation, etc. of Outside Directors and Outside Auditors for this fiscal year

Category	Number of Recipients	Amount of Compensation, etc.
		(million yen)
Directors	13	154

(4) Matters regarding the Accounting Auditor

1) Name: Deloitte Touche Tohmatsu LLC

2) Amount of compensation, etc. of Accounting Auditor

Amount of compensation, etc. involved in audit certification services that the Company should pay	72 million yen
Total amount of money and other profits on property that the Company and Company's subsidiaries should pay	797 million yen

Notes:

1. In the audit agreement between the Company and the Accounting Auditor, the amount of auditing compensation for the audit based on the "Companies Act" and audit based on the "Financial Instruments and Exchange Act" are not distinguished, and because they substantively cannot be distinguished, the total amount of such is stated in the amount of compensation, etc.
2. The Audit Committee made its decision of agreement with respect to the amount of compensation of Accounting Auditors, etc. upon conducting necessary verifications as to whether or not the contents of the audit plan of the Accounting Auditors, the status of execution of duties of the Accounting Auditors and calculation basis of the compensation estimate, etc. are appropriate.
3. Of the significant subsidiaries of the Company, Grohe Group S.à r.l. (currently, LIXIL Europe S.à r.l.), Permasteelisa S.p.A., ASD Holding Corp., A-S CHINA PLUMBING PRODUCTS Ltd., TOSTEM THAI Co., Ltd., LIXIL INTERNATIONAL Pte. Ltd., LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd. and LIXIL Manufacturing (Dalian) Corporation have been audited by certified public accountants or auditing firms other than the Company's Accounting Auditor.

3) Content of non-auditing services

The content of non-auditing services includes advisory and guidance services regarding "Business Risks" in the Annual Securities Report as required by the Cabinet Office Ordinance on Disclosure of Corporate Information and advisory and guidance services regarding the prevention of fraud risk training as part of the strengthening of governance.

4) Policy to determine dismissal or refusal to reappoint Accounting Auditors

If circumstances arise that are reasonably suspicious so that the fairness with regard to the work performed by the Accounting Auditor cannot be secured, the policy at the Company provides for the dismissal or refusal to reappoint such Accounting Auditor.

(5) System to ensure the adequacy of business and summary of the operation status of such system

1) System to ensure the adequacy of business

The main contents of the system regarding internal controls and risk management are as follows. A resolution was passed at a Board of Directors' Meeting making them basic policies for an internal control system based on the Companies Act:

a. 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 for all employees to comply with 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 Function or outside lawyers.

Furthermore, the Company does not acknowledge any antisocial forces nor does it engage in any activities that may be suspected of contributing to the promotion or management of such forces nor does it have any relationship with antisocial forces. In order to prevent damages by antisocial forces, the Company will deal with the pressures as an organization and approach them with a firm attitude.

b. 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 rules and personal information protection policies are established with regard to handling the management of information.

c. System for rules and others regarding the management of the Group's risk of loss

As a holding company, the Company constantly monitors the risks faced by Group companies, and confirms and provides guidance on the status of hedging. The risk management meeting, etc. are established at each company to periodically check the status of risk at each company, and also the Risk Management Committee, which is held as appropriate, predicts unknown risks that may have a significant impact on the Company and its Group companies and strives to improve its ability to respond to risks by establishing a system to deal with them in advance. Also, it is required to report on the risks of each company at regularly scheduled Board of Directors' meetings and the Executive Officers meetings, etc., as necessary.

In addition, the Group has established and is managing the basic policy for crisis management, etc. and along with constantly observing the risks it carries, with respect to the business continuity plan, the Group executes the BCP (Business Continuity Plan) Manual and instruction and training based on such manual.

d. 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 establishes the division of duties of the Executive Officers and clarifies 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.

e. 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.

f. 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 order to enhance the structure supporting the Group's Audit Committee and strengthen the Group's internal controls, a "full-time corporate auditor" will be assigned to each major subsidiary to exclusively perform the auditing duties of the subsidiaries.

Directors who should support the Audit Committee will not be placed.

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

Personnel changes and evaluations of the staff of the Audit Committee Office and full-time corporate auditors are matters to be resolved by the Audit Committee. 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.

h. 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 concerns having been raised (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.

The full-time corporate auditor shall report on the status of the audit at regular meetings with the Audit Committee or via the Audit Committee Office.

i. 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 Board of Directors' meetings, 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.

j. 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 Group can directly make a report to the Compliance Committee of which the Company's Audit Committee Member is a constituent member and make that 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.

k. 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.

l. 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 Accounting Auditors of the Company and its subsidiaries and the Company's internal audit department, along with periodically convening the Group's meeting of full-time Auditors with the full-time auditors of each group company and attempting to work together.

2) Operation status of system to ensure adequacy of business

The Company endeavors for the maintenance of an internal control system and its appropriate operation under the above. The principal initiatives thought to be important for internal controls implemented in this fiscal year are as follows:

a. Initiatives concerning compliance

Ensure that the LIXIL Group's shared Code of Conduct is widely known by translation into 18 languages, instruction and training. High-risk areas are disseminated within the Group, such as through policies and guidelines that lay out specific conduct and procedures being issued and translated and trainings being given with respect to these. The status of these measures and activities are regularly reported to and confirmed by the Compliance Committee.

b. Initiatives concerning the management of the risk of loss

The status of the system of the new fiscal year and review of expected risks are reported through risk management meetings, etc., and with respect to natural disasters and other crises, the understanding of and status of handling the occurred risk are timely reported and confirmed in accordance with the Group's Fundamental Risk Management Regulations.

c. Initiatives concerning appropriateness and efficiency of executing duties

Board of Directors' Meetings are held at least once every month and

important matters are deliberated and reports on principal execution status are received. In addition, decisions on execution, etc. have been carrying out the efficient execution of business based on the rules concerning duties and authority.

d. Initiatives concerning the Audit Committee audits

The Audit Committee members will attend important meetings such as Board of Directors' Meetings and Board of Executive Officers' Meetings and are receiving reports regarding information that is necessary for audits as necessary.

In addition, reports are received and cooperation is made through the Group's meeting of full-time Auditors, Accounting Auditors Information Exchange Meetings, Representative Executive Officer Opinion Exchange Meetings, etc.

(6) Basic policy regarding governance of a stock company

As the Company believes it to be desirable for many of the shareholders to possess shares for the mid- to long-term, it is striving to implement measures that can be supported by shareholders by improving business results and increasing the business value. As such, no particular defensive measures against hostile takeovers have been established.

◎ This Business Report is stated as follows:

1. Amounts stated in million yen units are rounded to the nearest million yen unless otherwise stated.
2. The numbers of shares in thousand share units are shown by omitting the digits that are less than one thousand shares.
3. If there is nothing in particular to state for "1. Matters regarding the current state of the Group" and "2. Matters regarding the current state of the Company," the conditions as of March 31, 2020 are stated.

-EOD-

Consolidated Statement of Financial Position

(As of March 31, 2020)

(Millions of yen)

ASSETS		LIABILITIES AND EQUITY	
Account	Amount	Account	Amount
CURRENT ASSETS	**742,780**	**CURRENT LIABILITIES**	**807,140**
Cash and cash equivalents	95,862	Trade and other payables	336,492
Trade and other receivables	307,054	Bonds and borrowings	232,711
Inventories	227,606	Lease liabilities	34,666
Contract assets	20,280	Contract liabilities	10,158
Income tax receivables	1,740	Income tax payables	6,159
Other financial assets	15,428	Other financial liabilities	7,646
Other current assets	16,578	Provisions	1,731
		Other current liabilities	85,670
Subtotal	684,548	Subtotal	715,233
Assets held for sale	58,232	Liabilities directly associated with the assets held for sale	91,907
NON-CURRENT ASSETS	**1,348,749**	**NON-CURRENT LIABILITIES**	**749,252**
Property, plant and equipment	496,865	Bonds and borrowings	363,379
Right-of-use assets	215,020	Lease liabilities	201,795
Goodwill and other intangible assets	434,102	Other financial liabilities	31,926
Investment property	7,779	Net defined benefit liabilities	76,907
Investments accounted for using the equity method	10,704	Provisions	12,335
Other financial assets	90,047	Deferred tax liabilities	55,200
Deferred tax assets	88,803	Other non-current liabilities	7,710
Other non-current assets	5,429	**TOTAL LIABILITIES**	**1,556,392**
		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**502,165**
		Share capital	68,418
		Capital surplus	278,120
		Treasury shares	(48,870)
		Other components of equity	(12,709)
		Retained earnings	217,206
		NON-CONTROLLING INTERESTS	**32,972**
		TOTAL EQUITY	**535,137**
TOTAL ASSETS	**2,091,529**	**TOTAL LIABILITIES AND EQUITY**	**2,091,529**

Consolidated Statement of Profit or Loss

(Year Ended March 31, 2020)

(Millions of yen)

Account	Amount	
CONTINUING OPERATIONS		
REVENUE		**1,694,439**
COST OF SALES		**(1,128,994)**
GROSS PROFIT		**565,445**
Selling, general and administrative expenses	(506,869)	
Other income	14,390	
Other expenses	(33,845)	(526,324)
OPERATING PROFIT		**39,121**
Finance income	5,330	
Finance costs	(8,963)	
Share of profit of associates and joint ventures accounted for using the equity method	346	
Gain on disposal of interest in associate	10,977	7,690
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**46,811**
Income tax expenses		(14,879)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**31,932**
DISCONTINUED OPERATIONS		
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS		**(18,261)**
PROFIT FOR THE YEAR		**13,671**
Profit for the year attributable to:		
Owners of the parent		12,518
Non-controlling interests		1,153
PROFIT FOR THE YEAR		13,671

Consolidated Statement of Changes in Equity

(Year Ended March 31, 2020)

(Millions of yen)

	Equity attributable to owners of the parent						
				Other components of equity			
	Share capital	Capital surplus	Treasury shares	Net fair value gain (loss) on equity instruments measured through other comprehensive income	Remeasurements of defined benefit pension plans	Exchange differences on translation of foreign operations	Net fair value gain (loss) on hedging instruments entered into for cash flow hedges
Balance as of April 1, 2019	68,418	277,584	(48,899)	12,112	—	(2,659)	234
Cumulative effects of changes in accounting policies							
Restated balance as of April 1, 2019	68,418	277,584	(48,899)	12,112	—	(2,659)	234
Profit for the year							
Other comprehensive income				(6,153)	2,152	(17,077)	(3,062)
Total comprehensive income for the year	—	—	—	(6,153)	2,152	(17,077)	(3,062)
Purchase of treasury shares			(15)				
Disposal of treasury shares		(0)	0				
Redemption of convertible bond-type bonds with subscription rights to shares							
Share-based payment transactions		241	44				
Dividends							
Reclassification to non-current assets or disposal group classified as held for sale				273		(4,021)	142
Changes in ownership interests in subsidiaries and associates		295					
Transfers from other components of equity to retained earnings				24	(2,152)		
Total transactions with owners	—	536	29	297	(2,152)	(4,021)	142
Balance as of March 31,2020	68,418	278,120	(48,870)	6,256	—	(23,757)	(2,686)

(Millions of yen)

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Accumulated other comprehensive income relating to non-current assets or disposal group classified as held for sale	Other	Total				
Balance as of April 1, 2019	22	4,749	14,458	222,095	533,656	33,511	567,167
Cumulative effects of changes in accounting policies			—	58	58	103	161
Restated balance as of April 1, 2019	22	4,749	14,458	222,153	533,714	33,614	567,328
Profit for the year			—	12,518	12,518	1,153	13,671
Other comprehensive income	1	(11)	(24,150)		(24,150)	(290)	(24,440)
Total comprehensive income for the year	1	(11)	(24,150)	12,518	(11,632)	863	(10,769)
Purchase of treasury shares			—		(15)		(15)
Disposal of treasury shares			—		0		0
Redemption of convertible bond-type bonds with subscription rights to shares		(680)	(680)	680	—		—
Share-based payment transactions		(459)	(459)	284	110		110
Dividends			—	(20,307)	(20,307)	(1,540)	(21,847)
Reclassification to non-current assets or disposal group classified as held for sale	3,606		—		—		—
Changes in ownership interests in subsidiaries and associates			—		295	35	330
Transfers from other components of equity to retained earnings	250		(1,878)	1,878	—		—
Total transactions with owners	3,856	(1,139)	(3,017)	(17,465)	(19,917)	(1,505)	(21,422)
Balance as of March 31,2020	3,879	3,599	(12,709)	217,206	502,165	32,972	535,137

Nonconsolidated Balance Sheet

(As of March 31, 2020)

(Millions of yen)

ASSETS		LIABILITIES	
Account	Amount	Account	Amount
CURRENT ASSETS	**38,138**	**CURRENT LIABILITIES**	**15,576**
Cash and deposits	3	Current portion of bonds	10,000
Receivables	5,424	Accrued expenses	3,361
Short-term loans receivable	32,661	Provision for bonuses	72
Other current assets	49	Provision for bonuses for corporate officers	23
		Accrued income taxes	305
		Other current liabilities	1,812
NON-CURRENT ASSETS	**521,691**	**NON-CURRENT LIABILITIES**	**90,326**
PROPERTY, PLANT AND EQUIPMENT	**12**	Bonds	25,000
Buildings	6	Convertible bond-type bonds with subscription rights to shares	60,000
Tools, furniture and fixtures	6	Deferred tax liabilities	206
		Provision for bonuses for corporate officers	113
INTANGIBLE ASSETS	**0**	Provision for loss on business of subsidiaries and associates	4,970
		Other non-current liabilities	35
INVESTMENTS AND OTHER ASSETS	**521,678**	**TOTAL LIABILITIES**	**105,903**
Investment securities	10,311	**EQUITY**	
Investments in subsidiaries and associates	511,354	**EQUITY**	**449,397**
Long-term prepaid expenses	3	**SHARE CAPITAL**	**68,417**
Guarantee deposits	9	**CAPITAL SURPLUS**	**324,505**
		Legal capital surplus	12,478
		Other capital surplus	312,027
		RETAINED EARNINGS	**105,343**
		Legal retained earnings	4,847
		Other retained earnings	100,495
		General reserve	110,000
		Retained earnings brought forward	(9,504)
		TREASURY SHARES	**(48,869)**
		VALUATION AND TRANSLATION ADJUSTMENTS	**2,419**
		Valuation difference on available-for-sale securities	2,419
		SUBSCRIPTION RIGHTS TO SHARES	**2,110**
		TOTAL EQUITY	**453,927**
TOTAL ASSETS	**559,830**	**TOTAL LIABILITIES AND EQUITY**	**559,830**

Nonconsolidated Statement of Income

(Year Ended March 31, 2020)

(Millions of yen)

Account	Amount	
OPERATING REVENUE		
Royalty income	10,823	
Dividends from subsidiaries and associates	3,159	13,982
OPERATING EXPENSES	13,320	13,320
OPERATING INCOME		**662**
NON-OPERATING INCOME		
Interest income	414	
Dividend income	455	
Guarantee fee income	147	
Other non-operating income	82	1,100
NON-OPERATING EXPENSES		
Interest on bonds	185	
Provision for losses on investment in subsidiaries and associates	3,462	
Other non-operating expenses	52	3,700
ORDINARY LOSS		**(1,937)**
EXTRAORDINARY INCOME		
Gains on sales of investment securities	108	
Gain on reversal of subscription rights to shares	450	559
EXTRAORDINARY LOSS		
Losses on valuation of investment securities	255	255
LOSS BEFORE INCOME TAXES		**(1,634)**
Income taxes － Current	(145)	
Income taxes － Deferred	(193)	(339)
NET LOSS		**(1,294)**

Nonconsolidated Statement of Changes in Equity

(Year Ended March 31, 2020)

(Millions of yen)

	Equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total	Legal retained earnings	Other Retained earnings		Total
						General reserve	Retained earnings brought forward	
Balance as of April 1, 2019	68,417	12,478	312,020	324,499	4,847	110,000	12,097	126,945
Changes during the year								
Dividends							(20,306)	(20,306)
Net loss							(1,294)	(1,294)
Purchase of treasury shares								
Disposal of treasury shares			(0)	(0)				
Exercise of subscription rights to shares			6	6				
Net changes of items other than shareholders' equity								
Total changes during the year	—	—	6	6	—	—	(21,601)	(21,601)
Balance as of March 31, 2020	68,417	12,478	312,027	324,505	4,847	110,000	(9,504)	105,343

(Millions of yen)

	Equity		Valuation and translation adjustments		Subscription rights to shares	Total equity
	Treasury shares	Total	Valuation difference on available-for-sale securities	Total		
Balance as of April 1, 2019	(48,898)	470,964	3,734	3,734	2,568	477,267
Changes during the year						
Dividends		(20,306)				(20,306)
Net loss		(1,294)				(1,294)
Purchase of treasury shares	(15)	(15)				(15)
Disposal of treasury shares	0	0				0
Exercise of subscription rights to shares	43	49				49
Net changes of items other than shareholders' equity			(1,315)	(1,315)	(458)	(1,773)
Total changes during the year	28	(21,566)	(1,315)	(1,315)	(458)	(23,340)
Balance as of March 31, 2020	(48,869)	449,397	2,419	2,419	2,110	453,927

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 2, 2020

To the Board of Directors of
LIXIL Group Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Yasuhiro Katsushima

Designated Engagement Partner,
Certified Public Accountant:

Yutaka Hamaguchi

Designated Engagement Partner,
Certified Public Accountant:

Masayuki Furukawa

Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of LIXIL Group Corporation and its subsidiaries (the "Group"), namely, the consolidated statement of financial position as of March 31, 2020, and the related consolidated statements of profit or loss and changes in equity for the fiscal year from April 1, 2019 to March 31, 2020, and the related notes.

In our opinion, the consolidated financial statements referred to above, prepared with the omission of a part of disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance for the year then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of disclosures required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of disclosures required under International Financial Reporting Standards.

The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 2, 2020

To the Board of Directors of
LIXIL Group Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Yasuhiro Katsushima

Designated Engagement Partner,
Certified Public Accountant:

Yutaka Hamaguchi

Designated Engagement Partner,
Certified Public Accountant:

Masayuki Furukawa

Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements of LIXIL Group Corporation (the "Company"), namely, the nonconsolidated balance sheet as of March 31, 2020, and the related nonconsolidated statements of income and changes in equity for the 78th fiscal year from April 1, 2019 to March 31, 2020, and the related notes and the accompanying supplemental schedules.

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As discussed in Note 8, notes to additional information, the Company resolved at the Board of Directors Meeting held on March 23, 2020, to conduct an absorption-type merger of its consolidated subsidiary LIXIL Corporation, and a merger agreement with a planned merger date of December 1, 2020, was signed on the same date. Our opinion is not modified in respect of this matter.

(TRANSLATION)

Responsibilities of Management and the Audit Committee for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(TRANSLATION)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.

Audit Report

The Audit Committee has audited the performance of duties by the Directors and Executive Officers for the 78th fiscal year from April 1, 2019 to March 31, 2020, and we report the methods and results of the audit as follows:

1. Methods and content of the audit

The Audit Committee received periodic reports from the Directors, Executive Officers and employees, etc., requested further explanations as necessary, and voiced its opinions, with regard to the content of the resolutions of the Board of Directors regarding the matters set forth in Article 416, Paragraph 1, Item 1, Parts (b) and (e) of the Companies Act and the construction and operating conditions of the established system (internal control system) based on such resolutions; and executed the audit through the following methods:

(a) attended important meetings, received reports on matters regarding the execution of their duties from the Directors and Executive Officers, etc., requested further explanations as necessary, inspected important approval documents, etc., and investigated the status of the business operations and assets of the head office and principal place of business in accordance with the policies and division of duties, etc. established by the Audit Committee and upon coordination with the company's internal auditing department and internal control governing department. With respect to the subsidiary companies, the Audit Committee took steps to facilitate communications and the exchange of information with the Directors and Auditors, etc. of the subsidiary companies and received reports on the business operations from the subsidiary companies as necessary.

(b) while monitoring and verifying that the Accounting Auditor has maintained its independence and conducted appropriate audits, the Audit Committee received reports from the Accounting Auditor regarding the execution of its duties and requested further explanations as necessary. Furthermore, the Audit Committee received notification from the Accounting Auditor that it was taking steps to prepare the "system for ensuring proper execution of duties" (as set forth in the items of Article 131 of the Rules of Company Accounting) in accordance with the "Quality Control Standards for Audits" (adopted by the Business Accounting Council on October 28, 2005), etc., requesting further explanations as necessary.

Based on the above methods, the Audit Committee examined the business reports and the annexed detailed statements thereof, financial statements (balance sheet, statement of income, statement of changes in equity, and notes to non-consolidated financial statements) and the annexed detailed statements thereof, and consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity, and notes to consolidated financial statements) relating to the fiscal year under review.

2. Results of the audit

(1) Results of the audit of business reports, etc.:

In our opinion:

(a) The business report and annexed detailed statements accurately present the state of the company pursuant to the laws and regulations and the Articles of Incorporation;

(b) Neither improper actions in execution of duties by the Directors and Executive Officers, nor material facts violating the laws and ordinances or the Articles of Incorporation were found;

(c) The contents of the resolutions adopted by the Board of Directors regarding the internal control system were appropriate, and no matters that would need to be pointed out regarding the contents of the business report on such internal control system, along with the execution of duties by the Directors and Executive Officers, were found.

(2) Results of the audit of financial statements and annexed detailed statements
In our opinion, the audit methods used and the results reported by Deloitte Touche Tohmatsu LLC, the Accounting Auditor, are appropriate and reasonable.

(3) Results of the audit of consolidated financial statements
In our opinion, the audit methods used and the results reported by Deloitte Touche Tohmatsu LLC, the Accounting Auditor, are appropriate and reasonable.

June 4, 2020

Audit Committee, LIXIL Group Corporation
Audit Committee Member: Zenji Miura
Audit Committee Member: Teruo Suzuki
Audit Committee Member: Tamio Uchibori
Audit Committee Member: Daisuke Hamaguchi
Audit Committee Member: Ryuichi Kawamoto

(Note) Among the Audit Committee Members, Zenji Miura, Teruo Suzuki, Tamio Uchibori, and Daisuke Hamaguchi are Outside Directors, as prescribed in Article 2, Item 15, and Article 400, Paragraph 3 of the Companies Act.

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