LIXIL

INTEGRATED REPORT 2025

MAKE BETTER HOMES A REALITY FOR
EVERYONE, EVERYWHERE











LIXIL's *PURPOSE*

MAKE BETTER HOMES A REALITY FOR EVERYONE, EVERYWHERE

LIXIL BEHAVIORS



LIXIL's Purpose is the north star that guides LIXIL's employees in making decisions and inspires us to become a more agile, entrepreneurial company that achieves sustainable growth.

Our people are the ultimate drivers of value creation, and they realize LIXIL's Purpose by putting the LIXIL Behaviors into practice in their work every day.

EDITORIAL POLICY

Our Purpose for Publishing the Integrated Report

This integrated report aims to enhance communication with LIXIL's stakeholders, especially investors, by presenting our initiatives to achieve long-term, sustainable growth.

Main Focus of the Integrated Report 2025

This year's report aligns with integrated reporting frameworks while explaining and emphasizing the link between our management strategies, initiatives, and corporate value through the use of a corporate value formula.

Corporate Value Formula (From an Investor's Perspective)

Enhancing corporate value ↑ = Expanding value creation ↑ P.24 / (Reducing cost of capital ↓ P.48 − Improving growth rate ↑ P.28)

Key Points

- The report is structured around the corporate value formula as its core concept.
- Reflecting feedback from stakeholders expressing a desire to better understand LIXIL's medium- to long-term vision, we have presented a clear direction for our medium- to long-term direction.
- Through dialogue with outside directors, we have presented the effectiveness of our corporate governance in a more dynamic and engaging manner.

Frameworks referenced

Environment Social Governance
Guidance for Collaborative Value Creation

IFRS Foundation, "International Integrated Reporting Framework"

Ministry of Economy, Trade and Industry, "Guidance for Collaborative Value Creation"

International initiatives LIXIL has joined

THE GLOBAL COMPACT WE SUPPORT

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TNFD Forum Member

Organizations covered

LIXIL Corporation ("the Company") and its consolidated subsidiaries (collectively, "the LIXIL group")

Period covered

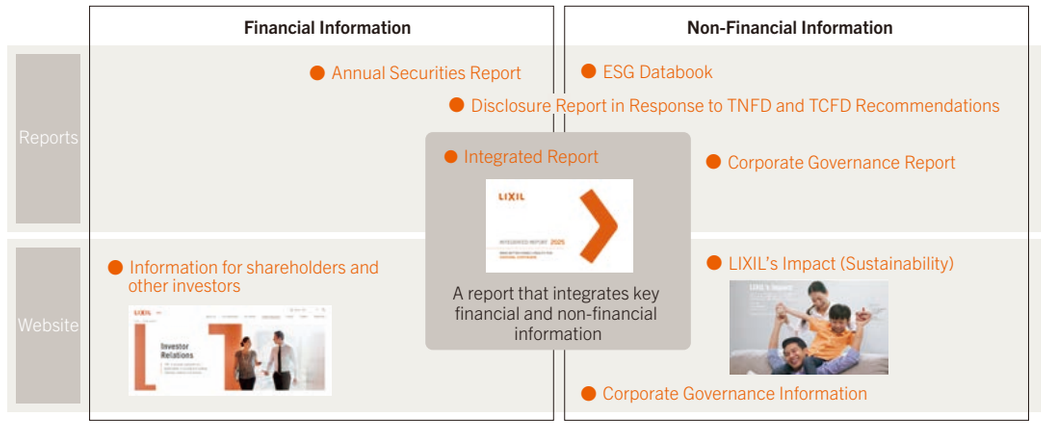
April 1, 2024 through March 31, 2025

Note: Some activities from before or after the reporting period are included.

In editing, we focused on key content and aimed for an easy-to-understand structure. Please refer to our corporate website for information not included in this integrated report, such as detailed non-financial and financial information, and our latest news.

Overview of Information Disclosure

Please visit our website for more information on these subjects.



Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this integrated report with respect to plans, strategies, and future performances that are not historical facts are forward-looking statements. LIXIL Corporation cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

LIXIL Online Information

Corporate Website

In addition to the Company profile, sustainability initiatives, and the latest news, our corporate website also contains sections covering the Company's recent business initiatives and insights from the CEO.

www.lixil.com/

Financial Information

Our IR website offers comprehensive content for shareholders and other investors, including information regarding financial results, streaming video of results briefings, and performance data.

www.lixil.com/en/investor/

Non-Financial Information

Our corporate website introduces LIXIL's Impact Strategy and initiatives around the world in order to contribute to achieving the SDGs, under our corporate purpose: "make better homes a reality for everyone, everywhere."

www.lixil.com/en/impact/

LIXIL'S VALUE CREATION PROCESS

How We Create Value in a Sustainable and Meaningful Way for Our Stakeholders and Society

01 LIXIL's Purpose

Make better homes a reality for everyone, everywhere



02 The Resources We Rely On

Diverse and Purpose-led People
48,660 employees worldwide* *Number of persons employed

Meaningfully Designed Products
8 major global in-house design studios

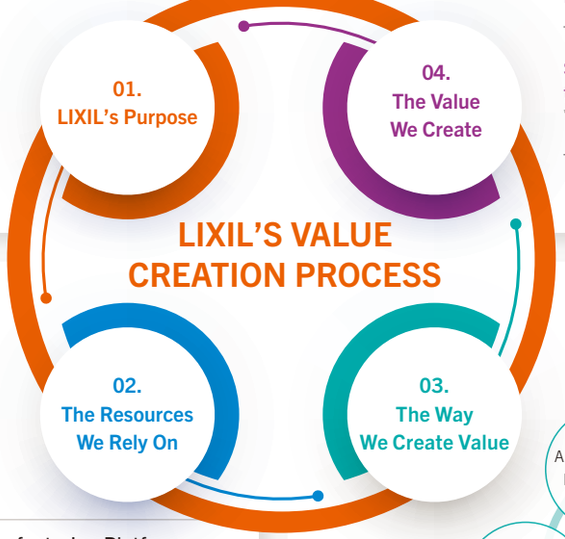
"Monozukuri" Manufacturing Platform
77 factories worldwide

Global Sales Infrastructure
Present in over 150 countries

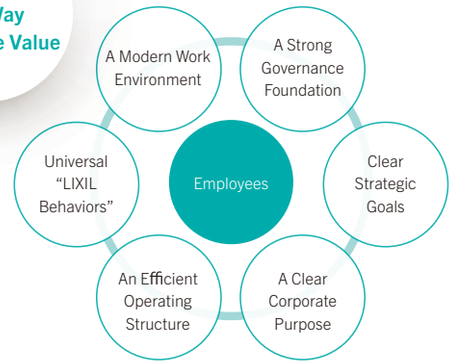
Sustainable Resource Management *Scope 1 & 2
46.9% reduction in CO_2 emissions from FYE2019*

Unrivalled Portfolio of Brands
Over 70% consumer recognition rate in key markets in each region

Financial Foundation
Long-term goal of 10% core earnings margin



03 The Way We Create Value



The LIXIL Playbook
- Strategic Initiatives
- Our Foundation

04 The Value We Create

Outputs	Outcomes
Enhancing corporate value through business activities	Contributing to the resolution of social and environmental issues

LIXIL's Impact

Medium-term targets for sustainable growth	Core earnings margin	7.5%
	Net interest-bearing debt-to-EBITDA ratio	3.5 times or less
	Ratio of equity attributable to owners of the parent to total assets	35% or more
D&I targets	50% female directors and executive officers by FYE2030 30% or more female managers by FYE2030	
Social impact targets * For new detached houses	Net-zero by 2050 100% ratio of high-performance windows sold by FYE2026* 90% waste recycling ratio by FYE2026 Contribute to reducing water use by 2 billion m^3 annually by FYE2025 Improve access to sanitation for 100 million people by 2025	

Stakeholders
Employees, Consumers, Partners, Local Communities, Shareholders

A CASE STUDY ON HOW EMPLOYEE GROWTH AND DIVERSITY DRIVE LIXIL'S VALUE CREATION

Flexibility at LIXIL Supports Employee Growth

Rie Chikaishi has forged a unique career path at LIXIL, moving from executive assistant to IT and now to marketing. A mother of three, she drives team management approaches like Scrum and the Agile mindset that LIXIL values to lead its global brand strategy. We asked about the source of her passion as she pursues the dream of enriching living spaces around the world, working flexibly alongside a diverse team.



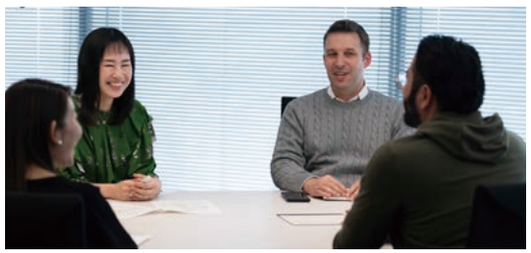
Rie Chikaishi
LWT Marketing Strategy Department,
Brand & Marketing Strategy Division
As of the interview in March 2024

What Matters Most at LIXIL

Among the LIXIL Behaviors, my personal favorite is "Work with Respect." Although, I do believe that "Do the Right Thing" is the most important, as it guides us towards solving challenges. People may interpret what is "right" differently, but by engaging in thoughtful dialogue with the "Work with Respect" mindset, it becomes possible to move forward in agreement.

The Appeal and Rewards of Working at LIXIL

LIXIL supports flexible work styles. I returned to full-time work just two months after giving birth to my third child - my third son -, thanks to the company's super-flex and remote work systems, as well as a team that supported me when I could not attend meetings. I am incredibly grateful for that. At LIXIL, we make the most of our time while striving to enrich living spaces for all.



A message from the interviewee

LIXIL offers a very rich environment for learning. Within the Company, there are people with different backgrounds and viewpoints, such as those caring for family members and raising children, those who have joined from other companies, and others who have transferred from different departments. Interacting with people from such diverse backgrounds and perspectives has been a major source of learning for me.

For more details Flexibility at LIXIL Supports Employee Growth

Diversity as a Source of Value Creation at LIXIL

Tobias Heine joined LIXIL after working in the automotive electronics industry. Aspiring to develop products from a consumer perspective, he now leads shower development, working and the Japan team to create an innovative shower engine that balances water-saving and comfort. We spoke with him about his efforts to lead diverse teams, adapt swiftly to market shifts, and contribute to a more sustainable society.



Tobias Heine
Leader Showering - Product Development,
Global Fittings R&D, LIXIL International
As of the interview in July 2024



What Matters Most at LIXIL

It is essential to continue delivering high-quality products while navigating short development timelines and fluctuating market conditions. As a leader, I prioritize open communication and building trust, supporting team members, and encouraging their growth. I also focus on talent development, fostering an environment where team members can take on challenges and work on their unique strengths. I encourage an inclusive mindset of "Work with Respect" and "Experiment and Learn."

The Appeal and Rewards of Working at LIXIL

In new product development, collaboration starts early with design and marketing teams, and decisions are made through close coordination with teams around the world. Embracing the spirit of "sharing is caring," we exchange knowledge and promote mutual advancement. At global events, participants from various countries gather to discuss how to incorporate new technologies into products. I believe that when employees from diverse cultural backgrounds share the same purpose, it leads to successful research and development.



A message from the interviewee

LIXIL is a place where you can be creative and turn new ideas into reality. Everyone is empowered to lead projects and make better choices in an environment that supports initiative.

For more details LIXIL's Diverse Possibilities

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We will explain our corporate purpose, our value creation process, and the impact LIXIL delivers, together with a message from management.

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CEO Message

Accelerating Our Profitability Based on a Strong Business Foundation





Kinya Seto
Director, Representative Executive Officer, President, and CEO

In our report to you a year ago, I explained that FYE2025 would be a “year of laying new foundations” to allow LIXIL to return to a growth trajectory. We have been working to promote structural reforms, including the shift to an asset-light strategy, to recover our international business, and to build a foundation that is resilient to changes in the economic environment. I am pleased to say now that we can see a lot of progress in what we have set out to do. We also have shown that we can act nimbly to capitalize on growth opportunities.

Global markets remain highly volatile for a variety of reasons, with international political and economic conditions becoming



increasingly complex. I am confident that the strategic direction in the LIXIL Playbook will continue to provide a way forward to achieving our medium- and long-term financial targets. Furthermore, we will pursue sustainable growth while expanding our positive impact on society and the environment through differentiated products and solutions.

For FYE2026, we expect to see some earnings recovery in major markets and strong growth in emerging markets, along with some further challenges in parts of the world that will require careful management. Although we cannot completely predict the future of the business environment, our mission remains unchanged: To make better homes a reality for everyone, everywhere.

What we achieved in FYE2025

In FYE2025, we focused on strengthening our structure for future growth. We made solid progress in line with the LIXIL Playbook in optimizing assets and raising productivity through structural reforms. Most notable was the conclusion of a strategic partnership for the U.S. bathing business (e.g. bathtubs, shower walls, shower doors, and shower bases). The deal, with the leading U.S. company American Bath Group, includes a partial transfer of assets, with a significant impact on the turnaround of our U.S. business. Through the networks of both companies, we will be able to expand sales and focus on more profitable business areas.

In Europe, despite continuing economic sluggishness, we saw a solid turnaround particularly in the core markets of Western Europe. In the year, we were the only company among our key competitors able to grow our fittings business due to the effects of new product launches.

We have also been able to achieve significant growth in the Middle East, where large construction projects are increasing, creating a new and exciting market opportunity. We have reviewed and strengthened our business operation structure to best respond to the characteristics and needs of the India, Middle East, and Africa (IMEA) region, which is a growing market.

In Japan, we have been working for some time to shift our business model in response to the downward pressures of a contracting market. We made steady progress in capturing renovation demand, and expanded the renovation sales ratio, not only in water-related products but also in building materials products such as high-insulation windows.

The work we have undertaken has resulted in stronger financial results, driven by the efforts to promote structural reforms and differentiation through innovation. I want to highlight that we are now part-way to our longer-term financial targets, with more to do.

Optimize the business portfolio and establish a foundation for growth

Let me explain how we are moving forward in FYE2026. Our analysis indicates that the market environment will not differ significantly from that in FYE2025. However, we will continue our transformation efforts to return to a full-fledged growth trajectory, building on the momentum from the structural reforms implemented to date.

I have talked repeatedly of the need to become an asset-light company. This produces not only greater operational flexibility, it also rewards us through a healthier balance sheet that frees up capital to use where it is truly needed.

That is why the decision in 2025 to conclude a partnership for our bathing business with ABG in North America, a leader in the North American bath ware industry, was such an important step forward.

Bathtubs are an important element in the Bathroom segment, but they also pose unique logistical challenges given their size and weight. This meant that our limited number of production sites raised transportation costs and made the division an underperformer in terms of profitability.

ABG has 50 facilities across the region and our agreement includes the transfer to ABG of our Salem, Ohio, production facility and a portion of the manufacturing assets at our Monterrey, Mexico, and Mansfield, Ohio, production facilities, helping to lighten our balance sheet. Even after the transfer, we will continue to work closely together in marketing tubs and other products. This will allow us to leverage the fact that bathtub products have a high spillover effect on related products in the bathroom. By collaborating with ABG, LIXIL can further penetrate the market with American Standard, DXV, and other brands that LIXIL has developed in North America.

More broadly, the ABG transaction reflects my view that structural reform is a continuous process. If a business does not fit or does not perform, we need to consider restructuring, reorganization or a sale of the operation.

For the very important European market, we are also making progress in responding to changes in the business environment, including product differentiation. Europe has become very sensitive to climate change countermeasures to reduce CO_2 emissions. In this context, our GROHE brand has expanded its product line-up, such as the *Everstream* shower that reuses hot water to save up to 69% of the energy and 70% of the water consumed in a normal shower. GROHE has also introduced the innovative *EcoJoy* technology for shower heads, bathroom taps, and kitchen taps that reduce water consumption. For end users in the European region who, due to the recent rise in energy prices and concerns about water scarcity, are forced to shorten their showers or sacrifice the quality of their bathing experience, these products offer a new option without giving up comfort.

Another reason for the success in Europe is our close relationship with professionals in the construction industry. These artisans are important business partners, especially in Europe where they remain key decision makers. This was an important element at our exhibition booth at the ISH 2025 trade fair in Frankfurt, Germany this March, where we brought products that are easy for installers to use, part of our ongoing efforts to gain the support of these influencers in the industry.

I believe that the standout design and cutting-edge technology in these GROHE products will resonate not only in the European market, but also in other global markets.

We also see great opportunities in emerging markets for the future development of our international business, and I am very excited about the prospects in the Middle East, particularly in Saudi Arabia. The fact that we established a production base in Saudi Arabia ahead of our competitors has been well received in the region. The sales of our wide range of water-related products are expanding, and we expect demand to continue to grow.

In the Indian market, we expect growth in the housing business in addition to water-related products. China has been suffering from a real estate recession and economic slowdown for several years, but we will continue to make necessary preparations, such as understanding local trends, to position ourselves for future growth.

Accelerating Growth and Innovation in Japan Business

Equally important is our home market of Japan. We have worked to strengthen our operating base in order to respond to changes in the business environment. For both LHT and LWT Japan, a multi-year decline in new housing starts could have been a severe setback. But by seeing this trend, we have been ahead of others in seizing on the opportunities in home renovation. By strengthening development and promotion of products such as energy-efficient windows and water-related products for renovation, we have already seen home renovation taking a 10-point jump in terms of the share of our overall business over the past five years.

To better realize the synergies in this growing area and demonstrate LIXIL's unique strength in offering a wide range of products, we have also brought together product lines from both LWT Japan and LHT to establish

a new segment called the Living business. This new business line brings together interiors under LHT and the kitchen and washroom under LWT Japan, enabling us to offer a comprehensive range of products with a unified design appreciated by homeowners. In addition, kitchens and washstands share many common parts and other components, and the integration will also create synergies in terms of manufacturing.

Looking ahead to changes in the market environment, such as the continuous decline in new housing starts, we believe that capturing and expanding renovation demand is the most important theme for our Japan business, and that there is still room for growth in the profitability of renovation. However, one challenge is the fact that the renovation business is less cost-efficient than our traditional focus on the new construction business. New construction means that a variety of products are all sold at once, whereas the renovation business is more piecemeal in nature.

That is why productivity must be increased. One of the keys to raising productivity is through the deployment of artificial intelligence (AI) for sales activities, one of which is the automation of voice-based business reporting. On the way back from a visit, salespeople can talk to their AI assistant and it will automatically summarize the details of the meeting according to a set format. This eliminates the need to use a computer after returning to the office and provides a more timely, organized and accurate picture of the situation. We also use AI for sales scheduling. With more than 80 showrooms across the country that receive more than 1 million customer visits each year in Japan, it is difficult for salespeople to keep track of all the information. Therefore, AI analyzes information on past visits to showrooms and makes proposals on efficient follow-up meeting schedules. Salespeople tend to unconsciously give priority to people they know and are comfortable talking to, but by using AI, they can cover for certain human weaknesses, build better relationships with customers, and improve business efficiency.

Other important areas will be aided by AI, ranging all the way from software programming to drafting of legal documents and even important strategic decisions, such as where to locate new factories.

Roadmap for medium-term growth

All of these developments feed back into our corporate goals. With the LIXIL Playbook we are carrying out our strategic initiatives to transform, grow and innovate. We will continue to change the quality of our business and concentrate our resources on international products. Through this we are targeting a Core Earnings (CE) margin of 7.5% as our medium-term target, and with longer-term targets of 10% for the CE ratio, as well as for our ROIC (return on invested capital).

The LIXIL Playbook will remain the cornerstone of our management strategy. In order to clarify the path toward sustainable growth, we have also announced our medium-term direction, including performance targets and priority issues to be addressed by FYE2028. Due to the global impact of the COVID-19 pandemic and huge changes in the economic situation, there was a significant

LIXIL Playbook



divergence from the business environment that was initially envisioned. We have decided to make a new announcement this time because we have made progress in developing a business foundation for growth, including structural reforms in Japan, and in response to changes in the international business environment.

Greater detail is provided by our CFO Mariko Fujita further in this report, but in terms of business performance, we aim to achieve core earnings of over 110 billion yen by FYE2028. We are focused on the recovery of our U.S. business by transforming our cost structure and shifting to more profitable products. Growth of the GROHE brand is also a key priority, built on success in core and growth markets such as Europe and the Middle East through the introduction of innovative new products. With regard to optimization of the Japanese business, we will continue to focus on strengthening the renovation business and improving business efficiency through the utilization of AI and other digital technologies. Furthermore, as a critical long-term priority we will continue to accelerate the development of differentiated products to seize growth opportunities in the global market.

In addition, we now see potentially fundamental shifts to the U.S. economy through the imposition of import tariffs. For LIXIL, the planned tariff measures will have both positive and negative effects, but the short-term impact will be largely neutral. Although there are some areas where the tariffs are changing rapidly and the future outlook is difficult to predict, we will respond flexibly to the changing situation.

Although the business environment remains uncertain, we are making steady progress in developing and expanding sales of products and solutions that create a positive impact for the environment and society. I feel that the awareness that buying LIXIL products contributes to solving social and environmental issues is clearly spreading. Continuing these efforts will enhance LIXIL's corporate identity and create a virtuous cycle in which employees become proud of working for LIXIL, helping us to recruit new high-performing individuals who can further add to our value.

When we are able to make that positive impact through our products and services, deliver on our purpose, and build trust and brand loyalty with consumers, then we can achieve sustainable growth. We have not yet fully reached that point, but we are making positive progress and will continue our efforts to get there.







CFO Message



STEADILY ADVANCING IN OUR MEDIUM- TO LONG-TERM DIRECTION TO ENHANCE SUSTAINABLE CORPORATE VALUE AND MAINTAIN FINANCIAL SOUNDNESS



Mariko Fujita

Executive Officer, Executive Vice President, CFO, Finance, Treasury, IR, and Risk Management

Medium- to Long-Term Direction and Initiatives

To achieve sustainable growth and value creation, LIXIL has set a medium-term target of a 7.5% core earnings margin, and a long-term goal of a 10% core earnings margin and 10% ROIC.

We have established milestones to achieve these medium- to long-term management targets and discussed the necessary initiatives in Board of Directors and Board of Executive Officers meetings. The results are being communicated externally as our Medium- to Long-Term Direction. The following is the roadmap for LIXIL over the next three years through FYE2028.

Medium-term target: 7.5% core earnings margin
Long-term target: 10% core earnings margin, 10% ROIC

Medium-Term Roadmap

(¥ billion)	FYE2022 Results	FYE2025 Results	FYE2026 Plan	Rate of change	FYE2027 Image	FYE2028 Image
Revenue	1,428.6	1,504.7	1,540.0	+2.3%	¥1,600.0 billion	¥1,670.0 billion
Gross Profit (GP)	486.9	498.1	528.0	+6.0%	—	—
(%)	34.1%	33.1%	34.3%	+1.2pp	GP% +1.1pp YoY	GP% +1.7pp YoY
SG&A	422.0	466.8	493.0	+5.6%	—	—
(%)	29.5%	31.0%	32.0%	+1.0pp	SG&A% -0.8pp YoY	SG&A% -0.7pp YoY
Core Earnings (CE)*	64.9	31.3	35.0	+11.7%	¥65.0 billion	¥110.0 billion
(%)	4.5%	2.1%	2.3%	+0.2pp	CE% +1.9pp YoY	CE% +2.4pp YoY

FX assumptions for FYE2026–FYE2028: 1 USD = 155 yen, 1 EUR = 161.2 yen
* Equivalent to operating profit in JGAAP

- Aim to achieve over ¥110.0 billion in core earnings (CE margin 6.5%) by FYE2028
- Growth in international business sales and improvement in gross profit margin (Contribution to CE margin: +2.8pp)
- Improvement of fixed costs by driving structural reforms and productivity improvement (Same as above: +1.5pp)

We have set the following initiatives in place to achieve these targets.

FYE2026–FYE2028 initiatives to achieve targets

- Recovery of the top line: CAGR* of 4.1%
- Improve Gross Profit (GP) margin: +2.8 points
- Reduce SG&A expense ratio: -1.5 points
- Reduce headquarters costs: -10%

* Compound Annual Growth Rate

Recovery of the top line: CAGR of 4.1%

The global housing market is undergoing significant change. LIXIL sees these shifts as growth opportunities and is actively working to expand its business. In Japan, although the number of new construction jobs remains sluggish, we are maintaining steady sales by strengthening product offerings that address the rising demand for new products and renovations. International revenue in Europe are improving, and structural reforms that have been underway are starting to yield positive results, leading to better earnings. With India and the Middle East in our sights as future growth markets, we aim to reliably capture the rising demand.

Improve Gross Profit (GP) margin: +2.8 points

We expect improved margins through sales recovery in Europe, particularly in Central European countries such as Germany and the Netherlands. In the U.S., we have optimized our business portfolio through structural reforms and will further boost profitability by reallocating resources and shifting sales channels to expand high-value-added products. We also aim to expand sales of differentiated products internationally, such as shower toilets and the *PremiAL* line of premium offerings.

Reduce SG&A expense ratio: -1.5 points

We will reduce fixed costs through supply chain restructuring. We will continue advancing transformation efforts in the U.S., where we have implemented structural reforms.

Reduce headquarters costs: -10%

We will improve operational efficiency by leveraging digital technologies, including AI. We will continue cost reduction efforts such as reallocating human resources to build a leaner business operation structure.

Capital Allocation

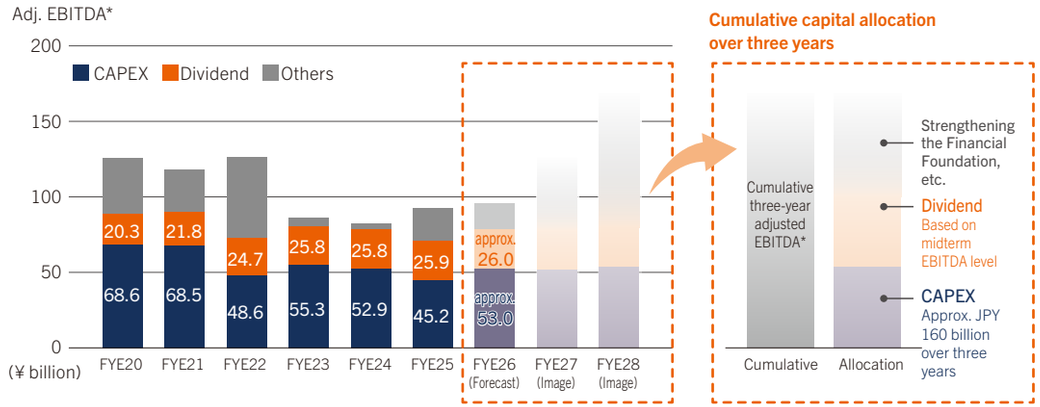
We aim to achieve sustainable growth and enhance corporate value over the medium to long term through continued improvements in profitability and financial soundness. We prioritize innovation as the foundation for future growth and have no plans for large-scale acquisitions or capital investments. This is a policy of determining profit distribution based on a comprehensive assessment of various factors pertaining to overall management, including periodic earnings, cash flow, retained earnings, and financial structure.

LIXIL determines how to use retained earnings prioritizing growth investments such as capital investment for the purpose of strengthening competitiveness (including new product development, streamlining, and IT investment).

Regarding shareholder returns, our basic policy is to provide stable dividends to shareholders over the long term and to determine the annual dividend based on medium-term EBITDA levels, while flexibly implementing share buybacks.

To improve our financial structure, we are committed to enhancing our capital efficiency and reducing fixed costs through our asset-light strategy, with medium-term targets of a net interest-bearing debt-to-EBITDA ratio of 3.5 times or less and a ratio of equity attributable to owners of the parent to total assets* of 35% or more.

* Equity ratio under Japanese GAAP



*Adjusted EBITDA=Core earnings + Depreciation (adjusted for the amount of depreciation recorded as a cash outflow due to the application of lease accounting under IFRS)

Financial Targets

Net interest-bearing debt-to-EBITDA ratio: 3.5 times or less

Ratio of equity attributable to owners of the parent to total assets: 35% or more

Initiatives to Improve ROIC

Since 2019, we have adopted ROIC as a global management indicator and have been increasing the incentive to achieve results by incorporating ROIC into performance metrics. Targets are set within each business division by employing ROIC tree diagrams, managing the process, and reporting progress monthly. We will work to improve ROIC by expanding profits through improved gross profit margins and reduced SG&A expenses, while also reducing interest-bearing debt.

As of now, ¥545.6 billion* in goodwill and intangible assets is recorded on our balance sheet. While goodwill and intangible assets partially decreased due to portfolio revisions, including the divestment of our U.S. bathtub business last fiscal year, it remains critical that these assets, which account for roughly 30% of total assets, continue generating value. We will manage with a medium- to long-term perspective, focusing on generating returns that exceed our weighted average cost of capital (WACC), thereby expanding our ROIC spread, and ultimately enhancing corporate value.

See P. 80 for details on improving capital efficiency through ROIC management.

* As of March 31, 2025

Progress and Benefits of Structural Reforms

Following initiatives in FYE2024, we continued to drive structural reforms in FYE2025, mainly mainly for our international business, focusing on personnel reallocation, supply chain restructuring, and business portfolio optimization.

Progress of structural reforms	FYE2024	FYE2025	FYE2025	FYE2026	FYE2026
(¥ billion)	Costs	Effects	Costs	Effects	Costs
Optimize personnel allocation					
Optimize personnel allocation	4.0		1.5		
Restructuring supply chain					
Consolidation of Int'l plants	2.5	Approx. 6.0	2.0	Approx. 1.0	Approx. 3.0
Optimize business portfolio					
Dissolution / transfer of business	5.5		(Profit)-1.5		
Total	12.0		2.0		

Optimization of personnel allocation

In FYE2024, we optimized personnel allocation primarily in Europe and the U.S., and in FYE2025, we conducted additional optimization in the U.S.

Supply chain restructuring

In FYE2024, we closed a factory in China, and in FYE2025, we decided to close a factory in Thailand. As a result of this consolidation, our sanitary ware production in Thailand is now streamlined from two factories to one for greater efficiency.

Optimization of business portfolio

In FYE2024, we dissolved the Decorative Panels International, Inc. in the U.S., and in FYE2025, we partially divested the U.S. bathtub business. FYE2026 will be a transition period, and we expect to see the benefits of structural reforms starting in FYE2027. We will further accelerate shifts in product offerings and sales channels to improve profitability.

Structural reforms in the international business were mostly completed in FYE2025, laying the foundation for significant profit growth in the coming years. During FYE2026, we will monitor developments in U.S. tariff policies and evaluate the need for partial supply chain restructuring, but no major costs are anticipated. Precisely because of the challenging business environment, we aim to strengthen our adaptability to change and build a more resilient business foundation.



The Role of a Global CFO

It has already been an entire year since I was appointed CFO in April 2024. The CFO is a key figure responsible for enhancing corporate value alongside the CEO, not merely in charge of finance and accounting, but also as a management team member making decisions with a broad view of the entire business. In this era of rapid change, it is more important than ever to act as a true business partner to the CEO, deepening understanding of the business and managing risks, and frequently exchanging views to ensure close alignment in direction. Achieving this type of partnership requires not only formal forums like Board of Directors and Board of Executive Officers meetings, but also agile communication methods such as online meetings and daily discussions. By encouraging diverse forms of dialogue, we can enable fast and high-quality decision-making.

At LIXIL, we are also charting a clear medium- to long-term direction and pushing forward with structural reforms. Financial results are downstream reflections of upstream business activities and events. As CFO, I am committed to clearly communicating how on-the-ground business developments translate into financial outcomes.

As part of this effort, we are now presenting our medium- to long-term direction and medium-term roadmap. The LIXIL Playbook is a compass to guide the Company to its destination, even amid environmental change and uncertainty. As CFO, I aim to support business growth through financial strategy, help drive our transformation into a resilient organization, and navigate alongside the CEO as a partner toward realizing LIXIL's Purpose.

FYE2025 Lookback and FYE2026 Outlook

FYE2025 Lookback

In terms of revenue, our business in Japan was impacted by a sluggish number of new construction jobs, but renovation sales helped support overall performance. Internationally, improved sales in Europe and growth in the Middle East and India drove performance. These factors drove a revenue increase of ¥21.5 billion year-on-year to ¥1,504.7 billion. The gross profit margin ratio improved by 1.2 points to 33.1%. Although the number of new construction jobs in Japan declined more than expected, LWT performed well by offsetting reduced new-construction sales with strong renovation demand. However, LHT underperformed against our plans because sales for window renovations fell short of expectations due to lower-than-expected uptake of government subsidies for window renovations. Internationally, revenue and profit rose year-on-year due to improved performance in Europe and the Middle East as well as structural reform effects, while in the U.S., continued weak demand and a system outage caused by unauthorized access led to lower revenue and profit. As a result, core earnings increased ¥8.2 billion year-on-year to ¥31.3 billion. Profit attributable to owners of the parent increased ¥15.9 billion year-on-year to ¥2.0 billion due to an increase in core earnings and a decrease in structural reform costs, despite increase in tax burden resulting from the poor performance of some consolidated subsidiaries and others. This temporary decline in profitability is considered one-off, and we will maintain the annual dividend at ¥90 per share.

Outlook for FYE2026

In Japan, new housing starts are expected to remain weak, but renovation sales are projected to accelerate. Internationally, tariff policy under the Trump administration is expected to bring both positive and negative impacts, and we are assuming a neutral effect for now. The global slump in housing equipment and building materials due to high interest rates and rising labor costs is expected to continue. In Europe, shifts in Germany's fiscal discipline and the resolution of conflicts may improve the business environment, though a full recovery is forecast to begin in FYE2027. In the U.S., ongoing operations tied to the partially divested bathtub business will extend the transition period, with efficiency gains expected from FYE2027 onward. Some structural reforms will continue into FYE2026. Amid these circumstances, we plan to achieve revenue of ¥1,540.0 billion and core earnings of ¥35.0 billion for FYE2026. We project an annual dividend of ¥90 per share.

CPO Message



LIXIL'S IMPACT STRATEGY: ALIGNING PURPOSE, PEOPLE, AND PERFORMANCE FOR A BETTER FUTURE



Jin Song Montesano
Director, Representative Executive Officer, Executive Vice President, Chief People Officer, Human Resources, Communications, External Affairs, and Impact Strategy

LIXIL's Purpose - make better homes a reality for everyone, everywhere - serves as our north star. It's the guiding force behind our decisions, actions, and unwavering commitment to creating positive social and environmental impact while striving to deliver strong financial performance and sustainable growth.

Our Impact Strategy, built on three strategic pillars: *Global Sanitation & Hygiene, Water Conservation & Environmental Sustainability*, and *Diversity & Inclusion*, isn't just a corporate responsibility initiative; it is deeply embedded in our management direction, the LIXIL Playbook. This ensures that we are able to align our operations with positive impact and the most pressing global challenges. Through our unique expertise and technologies, collaboration with our people, partners, communities, and other key stakeholders, we are able to scale our impact, demonstrating that a purpose-driven business approach can be a force for good in these uncertain times.

Impact in Action: Integrating Impact Strategy into Our Core Businesses

Impact is becoming a more common topic today, but at LIXIL, it's more than just talk. It's fundamental to how we operate. We are uniquely positioned to create both positive social and environmental impact through innovation, and we are seeing this commitment taking shape. Having established our direction and commitments, we are now at a stage where the Impact Strategy is helping to shape our daily operations, for example, influencing everything from product development and innovation, and supporting employee engagement.

Innovation is ultimately the outcome of our impact. By prioritizing positive social and environmental impact in our research and development, we are creating products that meet market demands and address pressing global challenges at the same time. Our engineers and researchers are continually innovating and developing new solutions, as well as updating existing products to deliver unique value-added solutions for consumers. Examples of how we are turning our commitments into tangible solutions include the *Everstream* circulatory shower system, the *Rapido Heat Recovery Shower System* and other water-saving and energy-saving technologies, the *Greentap* faucet that provides safer, cleaner-tasting water, the low-carbon *PremiAL* Series of building materials made from recycled aluminum, and *revia* sustainable material made from recycled plastics.

Reflecting our commitment to continuous improvement and innovation across our product portfolio, our Impact Strategy is not just a differentiator in today's world, characterized by volatility, uncertainty, complexity, and ambiguity; it is our compass, guiding us towards a more resilient and sustainable future.



Strengthening Our Foundation: A Renewed Commitment to Our Three Strategic Pillars

Measurable goals and transparent accountability are crucial to the success of our Impact Strategy. To reaffirm our direction and ensure alignment with the growing stakeholder expectations and evolving global sustainability disclosures, we conducted a comprehensive double materiality assessment in FYE2025, reevaluating our Impact Strategy. This was an important opportunity to re-assess what is essential to our business and our impact on society, while also ensuring that we are aligned with evolving standards such as the Corporate Sustainability Reporting Directive (CSRD). This process has allowed us to refine and streamline our material issues, ensuring even greater alignment between our business, impact, environmental, and people strategies. While our material issues have been updated, our commitment to the three strategic pillars of our Impact Strategy remains unwavering.

Our SATO social business exemplifies our dedication to *Global Sanitation & Hygiene*. SATO products are improving sanitation and hygiene in communities worldwide, in schools, healthcare facilities, and households. We continue to work towards our target of improving the lives of 100 million people through improved sanitation and hygiene by the end of 2025. To date, we have made significant progress, reaching approximately 82 million as of March 31, 2025. Working together with partners including international development organizations, local governments, and other private sector stakeholders, we are working to build sustainable markets for sanitation and hygiene solutions.

Our efforts in *Water Conservation & Environmental Sustainability* are guided by the LIXIL Environmental Vision 2050, striving to reduce our environmental footprint across our entire value chain. We're proud of the substantial progress made across many of our environmental commitments, particularly our CO_2 emissions reduction journey. As of FYE2025, we have already achieved a 46.9% reduction (vs. 50.4%) in Scope 1 & 2 emissions , and a 21.6% reduction (vs. 30%) in Scope 3 emissions as of FYE2024, demonstrating significant progress towards our ambitious FYE2031 targets. While these results demonstrate our unwavering dedication, we recognize that the path ahead requires continued diligence. The global landscape presents ongoing complexities, and some targets demand even greater effort. However, this only strengthens our resolve. We are committed to transparency and continuous improvement, confident that through focused action and innovation, we will deliver on our promises for a more sustainable future.

Diversity & Inclusion (D&I) is fundamental to our ability to meet the diverse needs of our customers, drive innovation, and achieve sustainable growth. LIXIL serves a customer-base as diverse as society itself. To achieve sustainable growth by ensuring a truly customer-centric approach and realizing innovation that meets diverse needs, we believe it is important to build equitable and

inclusive environments that enable a diverse range of employees to demonstrate their true potential. While we recognize there is still progress to be made on our D&I journey, we are actively implementing new initiatives to accelerate change and foster a more inclusive society, both within LIXIL and in the wider community. These initiatives include events designed to empower female students and professionals outside the company, roundtable discussions between female employees and management to facilitate open dialogue and address key issues, and ongoing collaborations with internal and external partners to leverage diverse perspectives and drive meaningful progress.

Empowering Our People: The LIXIL Global People Strategy for Transformation and Growth

Our Global People Strategy is built on the fundamental belief that our employees are our most valuable asset—the driving force behind our innovation, our differentiation, and ultimately, our success.

As CPO, my responsibility is to ensure that every LIXIL employee understands their value and feels empowered to contribute their unique talents. While I believe this deeply, I also recognize a common challenge facing many companies: fully utilizing the potential of their people. Too often, human resources strategies prioritize the needs of management over those of the employees themselves. At LIXIL, we are committed to changing this paradigm. We understand that true value creation comes from empowering our people—every individual—to contribute their intellectual property,





develop innovative products and services, and drive productivity across our operations.

We are committed to creating a “home for everyone” at LIXIL, fostering innovative and inclusive communities that support the success of every employee. Our Global People Strategy rests on three core pillars:

- *Embedding inclusion in our DNA*: We believe that diverse and inclusive workplaces are more innovative, productive, and high-performing. The fact that many of our new graduates associate inclusion with being a driver of innovation speaks volumes about our culture.

- *Enhancing the employee experience*: We strive to create a positive and rewarding experience for every LIXIL employee, regardless of job title, work history, or skill level, encompassing every stage of their journey with us—from their initial contact with LIXIL during the recruitment process, through onboarding, reassignments, and promotions, all the way to retirement. Creating a truly meaningful and rewarding experience for our 50,000 employees worldwide is a continuous journey, and we are dedicated to building inclusive and supportive environments that cater to the diverse needs and aspirations of our global workforce.

- *Elevating talent across the enterprise*: This is essential for our long-term success. Through robust succession planning and talent management programs, we are identifying high-potential individuals, developing their capabilities, and nurturing their growth throughout their LIXIL careers. This focus on talent

development is intrinsically linked to our commitment to enhancing the employee experience. By creating a positive and rewarding work environment, we attract and retain top talent, fostering a strong pipeline of future leaders ready to step into senior management roles and guide LIXIL's sustainable growth. We are committed to providing opportunities for our employees to develop and advance, ensuring that we have the leadership capabilities needed to navigate the challenges and opportunities of tomorrow.

Collaboration and Innovation: Navigating the Future Together

External recognition affirms our progress and underscores our commitment to transparency, accountability, and continuous improvement. Achieving a third consecutive AAA rating from MSCI ESG, a Top 1% S&P Global CSA Score in the S&P Global Sustainability Yearbook 2025—marking the first time LIXIL has achieved the top ranking in our industry—a CDP A- score for both "Climate" and "Water Security", and a Gold rating in the PRIDE Index 2024, speaks volumes about our ESG performance. These achievements reflect the alignment of our strategies, commitments, and actions with the increasing expectations of our stakeholders. We are proud of the progress we have made, and we remain focused on further integrating our Impact Strategy into every facet of our business.



Our Impact Strategy has been a guiding force in uniting our global workforce, building pride and supporting alignment across different parts of the organization, particularly considering LIXIL's history of coming together through mergers and acquisitions over the past decade. It's inspiring to see our business leaders actively integrating the Impact Strategy into their plans and driving action. This shared purpose, combined with our commitment to fair and inclusive environments, empowers us to navigate today's complex world, not just adapting to change but actively shaping a better future.

LIXIL's reputation as a progressive and innovative company is rooted in our people-centric approach. We are confident that by continuing to prioritize our employees, fostering inclusion, and embracing agility, we can deliver both strong financial performance and a positive impact. We are ready to navigate the challenges and opportunities that lie ahead, leveraging our strengths and the power of our people to use business as a force for good in the world.

EXECUTIVE OFFICERS



Kinya Seto

Director, Representative Executive Officer, President, and CEO
Number of shares of the Company owned 696,169
Number of phantom stocks held 192,261



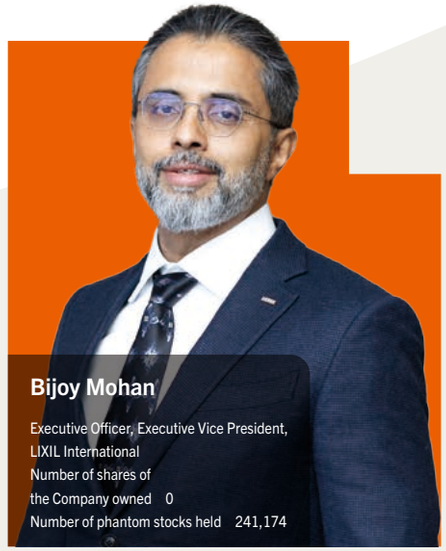
Jin Song Montesano

Director, Representative Executive Officer, Executive Vice President, Chief People Officer, Human Resources, Communications, External Affairs, and Impact Strategy
Number of shares of the Company owned 133,946
Number of phantom stocks held 83,088



Yugo Kanazawa

Executive Officer, Executive Vice President, Chief Digital Officer, Digital and CX
Number of shares of the Company owned 46,518
Number of phantom stocks held 27,632



Bijoy Mohan

Executive Officer, Executive Vice President, LIXIL International
Number of shares of the Company owned 0
Number of phantom stocks held 241,174



Satoshi Yoshida

Executive Officer, Executive Vice President, LIXIL Housing Technology (LHT)
Number of shares of the Company owned 36,808
Number of phantom stocks held 22,565



Hiroyuki Oonishi

Executive Officer, Executive Vice President, LIXIL Water Technology (LWT) Japan
Number of shares of the Company owned 39,135
Number of phantom stocks held 21,025



Mariko Fujita

Executive Officer, Executive Vice President, CFO, Finance, Treasury, IR, and Risk Management
Number of shares of the Company owned 9,400
Number of phantom stocks held 8,700



Hanseul Kim

Executive Officer, Executive Vice President, Chief Transformation Officer, Corporate Transformation and M&A
Number of shares of the Company owned 11,121
Number of phantom stocks held 11,121

* The number of Company shares and the number of Phantom Stocks held are as of May 16, 2025

LIXIL'S IMPACT

Committed to achieving our purpose, generating sustainable growth, and creating value, we aim to improve corporate value by pursuing business activities and growth and by contributing to the resolution of social and environmental issues.

LIXIL PLAYBOOK P.23

Strategic Initiatives P.27

Focus → Transform → Grow → Innovate

Impact Strategy P.33

- Global Sanitation & Hygiene
- Water Conservation & Environmental Sustainability
- Diversity & Inclusion

Impact on society

This should be SOCIAL and ENVIRONMENTAL targets

- Scope 1 & 2 CO_2 emissions: **-50.4%** *1
- Scope 3 CO_2 emissions: **-30%** *1
- Ratio of high-performance windows sold for new detached houses: **100%** (Japan) *2
- Ratio of energy- and water-saving faucets and toilets sold: **100%** (Japan)

Diversity & Inclusion P.42

By FYE2030

- Ratio of female directors and executive officers: **50%**
- Ratio of female managers worldwide: **30%**
- **Gender equality** in recruiting new graduates in Japan

Impact on LIXIL

Increased corporate value

Core earnings margin

Medium-term target: **7.5%** ▶ Long-term target: **10.0%**

- Total water savings from water-saving products: **2** billion m^3 per year *3
- Use of recycled aluminum: **100%**
- By 2025 improve access to sanitation for **100** million people
- Net interest-bearing debt-to-EBITDA ratio: **3.5** times or less
- Ratio of equity attributable to owners of the parent to total assets: **35%** or more
- ROIC: **10%**

*1 Baseline year FYE2019 *2 By FYE2026 *3 By FYE2025
(All targets are for FYE2031, unless otherwise noted)

MEGATRENDS AND THE CURRENT ENVIRONMENT

Changes in the dynamic global population, bringing higher numbers of people and an increase in disposable income in international markets, is creating an expectation for better sanitary conditions and a more pleasant home experience. On the other hand, LIXIL's business environment is changing, and our corporate activities are exposed to various actual and potential risks, including heightened geopolitical risk. The world is faced with social issues ranging from climate change to water and resource shortages. These issues continue to increase in complexity. We are working to minimize the impact that risk may have on our corporate activities, while accurately anticipating long-term megatrends, effectively identifying opportunities for future value creation, and implementing strategies as set out in the LIXIL Playbook.

Megatrends

- Heightened geopolitical risk
- Climate change
- Water and resource shortages
- Supply chain disruptions
- Growing global middle class
- Maturing Japanese market
- Accelerating digitalization and the spread of AI

Opportunities

- Growth of the renovation market in Japan
- Continued subsidies for enhancing performance of existing homes in Japan
- Recovery in housing demand in international markets
- Growing worldwide consumer demand for water purification technology and innovative water-saving products and services
- Increased demand for improved sanitation and comfortable housing as disposable income increases
- Develop into an innovative organization that attracts a diverse range of highly motivated people

Risks

- Rising costs of raw materials and energy due to geopolitical risks
- Slowdown in housing demand due to foreign exchange fluctuations and rising interest rates
- Suspension of production activities due to disasters, accidents, and infectious diseases
- Incidents involving information and cybersecurity
- Delays in development of new products
- Intensifying competition with competitors

Risks and Opportunities
Principal Risks and Countermeasures P.22



MEDIUM- TO LONG-TERM DIRECTION P.25



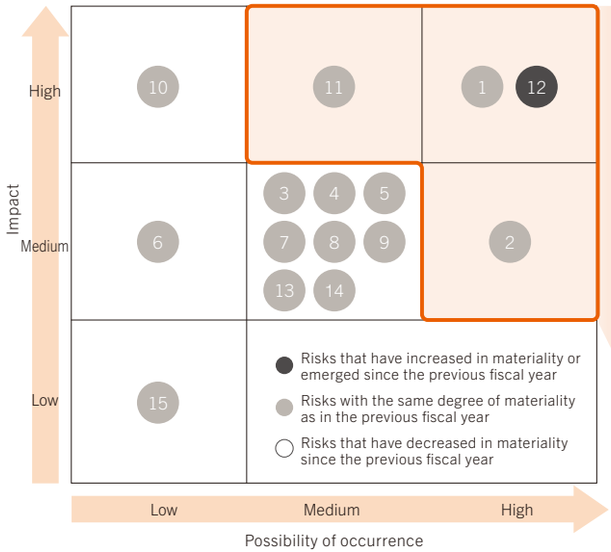
LIXIL's Purpose

Make better homes a reality for everyone, everywhere

PRINCIPAL RISKS AND COUNTERMEASURES

LIXIL is driving the development of Enterprise Risk Management (ERM) across the group to ensure business continuity and stable development. We have established a Risk Management Committee overseen by CFO to monitor the progress of ERM, responses to risks, and the occurrence of major incidents, and to make decisions related to risk management. Important matters are reported to the Board of Executive Officers, while the Board of Directors receives regular reports from the CFO and oversees the progress of risk management initiatives. The Audit Committee also receives reports from the Risk Management Department as part of its role in overseeing effective risk management.

Risk Map and Comments



	Risks relevant to FYE2025
(1)	Changes in the economic environment, fluctuations in exchange rates and interest rates
(2)	Geopolitics
(3)	Development of new products
(4)	Procurement of raw materials
(5)	Environment (climate change, water, resources)
(6)	Business restructuring
(7)	Competition with competitors and product prices
(8)	Acquisition and development of human resources and promotion of diversity
(9)	Sales channels
(10)	Brands
(11)	Disasters, accidents, and infectious diseases
(12)	Information and cybersecurity
(13)	Intellectual property
(14)	Likelihood of deferred tax asset recovery
(15)	Regulatory environment and requirements

Risks relevant to FYE2025		Risks	Countermeasures
1	Changes in the economic environment, fluctuations in exchange rates and interest rates	• Impact of fluctuations in global demand and prices • Rising raw material prices, logistics costs, and energy costs • Significant fluctuations in new housing starts • Fluctuations in foreign exchange rates, rising market interest rates	• Timely price optimization • Increase sales in mid- and high-end product markets, enhance renovation market strategy • Structure a stable supply system • Monitor foreign exchange rates • Efficient and stable financing
2	Geopolitics	• Rapidly rising prices for raw materials, energy and transportation costs, and procurement risks • Logistical supply disruptions and delays • Increased impact from global inflation and policy interest rates • Changes in national policies, laws and regulations	• Strengthen the supply system within the region • Clarify performance requirements to strengthen preparedness for emergencies • Create action plans and utilize and strengthen procurement functions through regular communication • Establish the global supply chain • Monitor political and economic conditions and legal and regulatory changes, raise awareness, and regularly review risk response measures and business continuity plans (BCPs)
11	Disasters, accidents, and infectious diseases	• Suspension of production activities in Japan and/or international markets • Suspension of production and sales among business partners • Workforce contraction due to deteriorating employee health	• Formulate and regularly review BCPs • Use tools such as damage-reporting apps to improve the speed and accuracy of initial response • Establish systems to ensure rapid recovery • Collaborate with external experts to respond to emergency situations
12	Information and cybersecurity	• Business disruptions due to communication network failures • Loss of social trust and significant costs due to personal information leaks	• Establish an Information Security Committee to develop internal rules and regulations and implement countermeasures • Strengthen ransomware countermeasures such as regular backups and employee education • Continuously monitor for unauthorized access by a specialized team • Appoint a Data Protection Officer in accordance with the EU General Data Protection Regulation (GDPR) and establish a process for handling personal information • Collaborate with external experts to secure initial response and develop financial countermeasures

Please visit our website for more information on LIXIL's strategic and operational risks and countermeasures. https://www.lixil.com/en/investor/strategy/risks.html

LIXIL PLAYBOOK

Any successful team requires a shared vision, achievable goals, and a clear strategy. Introduced in FYE2021, the LIXIL Playbook ensures that everyone in the Company knows what we want to achieve and how to get there. It provides the roadmap for how we will achieve sustainable growth and value creation, and our corporate purpose of making better homes a reality for everyone, everywhere.

Focus on Five Strategic Initiatives

In FYE2023, the LIXIL Playbook was updated in response to rapid changes in the business environment. We are focusing on five key strategic initiatives, including "Innovation," "Growth," and "Transformation," and newly added themes in response to past challenges, "Tackle Inflation and Supply Chain Challenges" and "Embed Robust Environment Strategy."

The Foundation of the LIXIL Playbook

Our Impact Strategy, which forms part of the foundation supporting all five strategic initiatives of the Playbook, clarifies LIXIL's programs to help address some of the most pressing global issues where we can drive positive change. Integrating our Impact Strategy into our business strategy enables us to focus our efforts on securing growth and enhancing corporate value. The strategy, based on three core pillars, represents not just our commitments as a global corporation but is fundamental to how we improve profitability, enhance brand equity, and create long-term value.

In addition to the Impact Strategy, the foundation of the LIXIL Playbook also covers other fundamental aspects of business including our Global People Strategy, as well as digital transformation, intellectual property strategy, focus on design, governance, risk control and compliance as important constituents of ESG.



PROFITABILITY IMPROVEMENT INITIATIVES

25 MEDIUM- TO LONG-TERM DIRECTION

27 LIXIL PLAYBOOK LOOKBACK

02



Elements of the corporate value formula highlighted in this section

[Enhancing corporate value] = [Expanding value creation (Improving profit margin)] / [Reducing cost of capital] — [Improving growth rate]

Improving profit margin

From the perspective of achieving returns that exceed capital cost, we will describe our profitability improvement initiatives and expand the value we create.

MEDIUM- TO LONG-TERM DIRECTION

LIXIL has formulated the LIXIL Playbook as a roadmap (management direction) for achieving medium- to long-term targets. LIXIL is steadily implementing the strategies in the Playbook to enhance its competitive advantages and to transform into a highly profitable company. These initiatives require us to respond flexibly to changes in the rapidly evolving business environment of recent years by allocating resources appropriately and at the right time. LIXIL therefore announces the execution of strategies in accordance with the LIXIL Playbook as a forecast for every fiscal year, and conducts reviews to measure progress and confirm validity.

Based on our Strategic Initiatives outlined in the LIXIL Playbook introduced in FYE2021, LIXIL is focused on achieving sustainable growth and value creation. In FYE2025, we outlined a medium-term roadmap to clarify the key areas of focus under these priorities and accelerate the pace of transformation, that includes specific targets (medium-term roadmap) and medium-to long-term direction including strategic initiatives.

On a consolidated basis, we aim to achieve core earnings of over ¥110.0 billion by FYE2028. Our outlook includes a revenue of ¥1,670.0 billion and a core earnings margin of 6.5%.

Medium-Term Roadmap

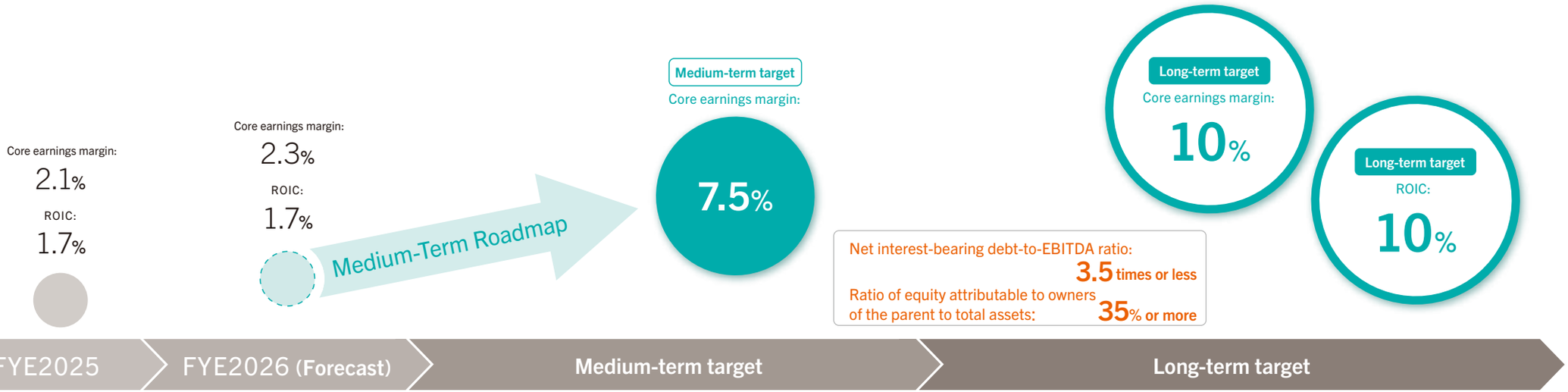
(¥ billion)	FYE2025 Results	FYE2026 Plan	Rate of change	FYE2027 Image	FYE2028 Image
Revenue	1,504.7	1,540.0	+2.3%	¥1,600.0 billion	¥1,670.0 billion
Gross Profit (GP)	498.1	528.0	+6.0%	GP% +1.1pp YoY	GP% +1.7pp YoY
(%)	33.1%	34.3%	+1.2pp		
SG&A	466.8	493.0	+5.6%	SG&A% -0.8pp YoY	SG&A% -0.7pp YoY
(%)	31.0%	32.0%	+1.0pp		
Core Earnings (CE)*	31.3	35.0	+11.7%	¥65.0 billion	¥110.0 billion
(%)	2.1%	2.3%	+0.2pp	Core earnings margin +1.9pp YoY	Core earnings margin +2.4pp YoY

* Equivalent to operating profit in JGAAP

FX rate assumptions for FYE2026~FYE2028: 1USD=JPY155, 1EUR=JPY161.2

Key Points of the Medium-Term Roadmap

- Aim to achieve over ¥110.0 billion (core earnings margin of 6.5%) by FYE2028
- Revenue growth (mainly in international businesses) and improvement in gross profit margin ratio to contribute to +2.8 points to core earnings margin
- Fixed cost improvements by driving structural reforms and productivity improvement (+1.5 points to core earnings margin)



(Years ending March 31)

Initiatives to Achieve Targets

We aim to achieve a core earnings margin of 6.5% in FYE2028 through the following initiatives.

FYE2026 → FYE2028

Recovery of the top line

- ✓ Achieve steady sales recovery during the rebound phase in the European and U.S. markets
- ✓ Capture demand in international growth markets (India and the Middle East)
- ✓ Maintain sales volume through expansion of renovation sales in Japan

FYE2026–FYE2028 (Outlook)

Revenue +17%

Revenue +26%

→ CAGR 4.1%

Improvement in Gross Profit (GP) Margin

- ✓ Improve product mix through sales recovery in Europe
- ✓ Accelerate shift in product mix and sales channels in the U.S.
- ✓ Expand sales of high-value-added products (e.g., international shower toilets, *PremiAL*)

GP Margin +1 pp

GP Margin +1 pp

GP Margin +0.8 pp

→ GP Margin +2.8 pp

Reduction of SG&A Expense Ratio

- ✓ Reduce fixed costs by reorganizing the supply chain
- ✓ Drive transformation of the U.S. business after optimizing the business portfolio

SG&A Ratio Improve by 1.0 pp

SG&A Ratio Improve by 0.5 pp

→ SG&A Ratio Improve by 1.5 pp

Reduction of Headquarters Costs

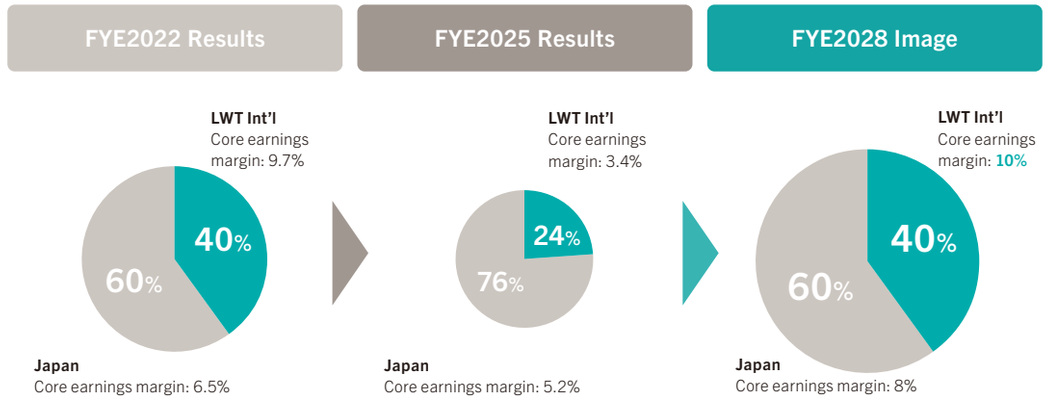
- ✓ Improve operational efficiency by leveraging AI and other digital technologies
- ✓ Make continuous cost reduction efforts through measures such as personnel reallocation

→ HQ Cost 10% Decrease

Growth Image by Segment

We aim to have 40% of our core earnings come from international business by FYE2028, while improving core earnings margins in both Japan and international operations.

Business Results for Japan and International (Core Earnings Image)



- The Japan business performed steadily, supported by post-COVID-19 renovation demand, despite being affected by rising raw material prices and difficulties in procuring parts.
- International business recovered from the disruptions caused by COVID-19, with solid growth in sales and profits across all regions.
- Overall profit was driven by the profitability of the international business.

- The significant deterioration in LWT international business's core earnings is primarily due to the weak international markets since FYE2024.
  In FYE2025, the European business saw a recovery in sales.
- Growth markets such as the Middle East and India remain robust.
- The Japanese market maintains generally stable profitability and makes a significant contribution to overall company profits.

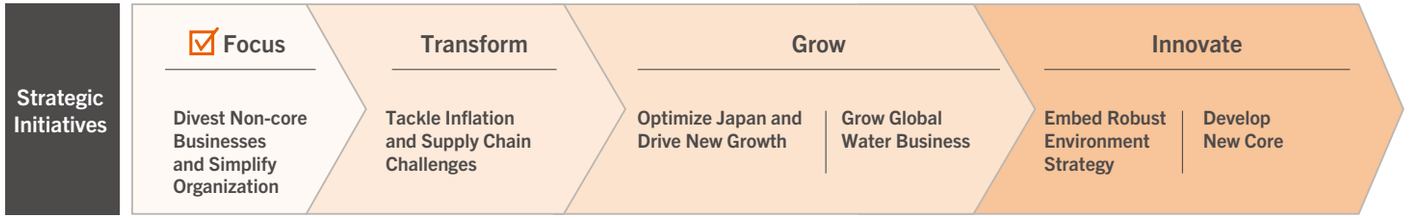
- We plan to increase the core earnings margin through further sales growth in Europe, our primary revenue source.
- Steadily capture growth markets such as the Middle East, India, and Vietnam.
- Improve profitability in the Japanese market through timely price optimizations and expanded sales of new and sustainable products.
- Enhance company-wide productivity through AI utilization.

LIXIL PLAYBOOK LOOKBACK

Progress on Key Initiatives

In a rapidly changing business environment, sustainable growth requires a strong organizational foundation and a consistent strategic approach that is resilient to external factors. The LIXIL Playbook outlines our medium- to long-term management direction, as we strive to realize LIXIL's Purpose. It plays an important role in helping ensure that our employees are fully aligned and able to maximize their talents and expertise.

The LIXIL Playbook divides key initiatives into four areas: "Focus," "Transform," "Grow," and "Innovate." By addressing each initiative, we are developing measures across the company in a coordinated approach.



Focus Divest Non-core Businesses and Simplify Organization

To speed up decision-making and strengthen company-wide collaboration, we have simplified our organization. We also improved our financial position by divesting businesses to focus on core businesses. Most of the measures to address these priorities are now complete, and we are strengthening our response to the subsequent priority areas.

Transform Tackle inflation and supply chain challenges

From materials such as copper and aluminum to ocean freight, controlling rising costs in all areas of the supply chain has a significant impact on the financial performance. LIXIL is optimizing its supply chain to enable procurement, production, and supply within each region where it operates, and is continually reviewing its global transportation network. LIXIL will consider the establishment of a better supply system while assessing the impact of trade policies and geopolitical risks in each country on our business.

Grow
- **Optimize Japan and Drive New Growth**
- **Grow Global Water Business**

We are evolving our strategy to strengthen our Japan business and international water business.

In our Japan business, we are addressing the structural issue of declining demand for new housing by working to capture and expand renovation demand. In the housing business (LHT), sales of energy-efficient, highly insulated products such as windows and doors are growing, due to rising energy costs and government subsidies. We expect these sales to remain strong. In addition, in the water-related business (LWT Japan), the percentage of renovation sales has exceeded 50% of total revenue, showing the positive results of past efforts. Development and deployment of high value-added differentiated products in both businesses is also progressing, leading to improved profitability.

The international water-related business (LIXIL International) is a key element for earnings growth. On the other hand, the last few years have seen a slowdown in housing investment demand due to high interest rates and inflation worldwide. Particularly in Europe, demand declined to a level not seen in several decades, which had a negative impact on earnings. In anticipation of a recovery in demand, from FYE2024, we have implemented structural reforms to improve productivity and lower our cost structure, which has led to some positive results. We are also making steady progress in capturing demand in growing markets such as the Middle East and India, which we see as strong growth engines for the future.

Innovate
- **Embed Robust Environment Strategy**
- **Develop New Core**

LIXIL is focusing its resources on business areas where it can leverage its strengths, including in differentiated environmentally friendly products, to achieve medium- to long-term growth.

In the LIXIL Playbook updated in FYE2023, LIXIL set a new key initiative to integrate the environmental strategy into the business strategy. Based on the technology, expertise, and R&D capabilities that LIXIL has developed over the years, our lineup of environmentally friendly products and solutions is steadily expanding both in Japan and internationally. This has created a positive effect on both our earnings growth and our impact on society and the environment.

Innovative products that are expected to be in high demand include *PremiAL*, a recycled aluminum mold material that significantly reduces CO_2 emissions, *revia*, a recyclable construction material made mainly from waste plastic, and *Everstream*, a circulating shower system from GROHE that cuts energy and water consumption. The demand for such innovative products is expected to grow in the future.

INITIATIVES TO IMPROVE OUR GROWTH RATE

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Elements of the corporate value formula highlighted in this section

$$\text{Enhancing corporate value} = \frac{\text{Expanding value creation (Improving profit margin)}}{\text{Reducing cost of capital} - \text{Improving growth rate}}$$

Improving profit margin

We will outline our efforts to improve growth rates to create long-term value for stakeholders and society.

LIXIL PLAYBOOK: 'GROW' FOCUS AREA

Accelerating Structural Reforms and Strengthening Our Focus on Core Businesses

We introduced the LIXIL Playbook in FYE2021. The Playbook identifies key initiatives to be addressed to realize sustainable growth, namely the four pillars of Focus, Transformation, Growth, and Innovation. After achieving some key priorities, and in light of the changing business environment, we updated the strategic initiatives in FYE2023.



Accelerating Structural Reforms and Enhancing Global Synergies

In line with the LIXIL Playbook, we are focusing on growing our international water-related business leveraging our global network and broad brand portfolio, while strengthening the foundation of our Japan business. To build a business foundation that is resilient to changes in the external environment, and to improve profitability, we have been implementing structural reforms in our international operations, particularly in the U.S. and Europe. We have focused mainly on the three areas of optimizing personnel allocation, restructuring supply chains, and optimizing our business portfolio. Key measures have also included reviewing our cost structure, optimizing production capacity, and liquidating assets. Thanks to these efforts, core earnings have risen by a total of approx. six billion yen for FYE2025.

Progress of structural reforms

JPY billion	FYE2024 Costs	FYE2025 Effects	FYE2025 Costs	FYE2026 Effects	FYE2026 Costs
Optimize personnel allocation					
Optimize personnel allocation	4.0		1.5		
Restructuring supply chain					
Consolidation of Int'l plants	2.5	Approx. 6.0	2.0	Approx. 1.0	Approx. 3.0
Optimize business portfolio					
Dissolution / transfer of business	5.5		(Profit)-1.5		
Total	12.0		2.0		

In addition, we completed the harmonization of product and customer master data across our brands for the international regions, and introduced updated data governance processes and systems. This was no small task given the wide range of product categories and regional variations in our business. With improved master data, LIXIL has now built an important foundation to accelerate efficiencies across regions. For example, LIXIL now has full visibility of products and parts across all markets, enabling better control over inventory and production levels. In this way, we can now more easily support customers across international markets and deliver with our portfolio of brands.

In addition to strengthening our business foundation, we have been working to optimize our organizational structure in response to changes in the business environment, both in Japan and the international markets. Together with structural reforms, we are building a management foundation that is resilient to external changes.

Strengthening Our Focus on Core Businesses

To ensure that our international business is a driver of earnings, it is also essential to focus on core businesses where LIXIL can lead and win.

In FYE2025, we implemented measures for the recovery of our U.S. business. As part of the optimization of our business portfolio, we entered a strategic partnership in the North American region with American Bath Group (ABG) a leading U.S. bathroom business company. Under the terms of the agreement, LIXIL will license to ABG exclusive rights to produce and distribute bathing products (e.g. bathtubs, shower walls, shower doors, and shower bases) and ABG will acquire LIXIL's manufacturing facilities, including the one in Salem, Ohio.



Accelerating focus on core businesses such as fittings and shower



This will allow LIXIL to invest management and financial resources in areas of the U.S. market where we have an advantage and can increase profitability, such as high-performance toilets and fittings. In addition to focusing on core businesses, the partnership will simultaneously create new revenue opportunities and enable growth through cross-sales, which is significant for the recovery of the U.S. business.

In February of this year, we opened a new LIXIL Water Experience Center in the center of New York City. As a place where visitors can experience products from LIXIL's global brands, such as American Standard, GROHE, and INAX, we consider it a key part of efforts to strengthen brand equity in the U.S. Not only a physical representation of these unique brands, the LIXIL Water Experience Center also serves as a collaborative hub where designers and architects who influence product selection can share and discuss ideas on how to bring visions to life.



The "LIXIL Water Experience Center" that opened in New York in February 2025

In Europe, we have continued to introduce differentiated products under the GROHE brand. Our innovations in response to changing customer needs are attracting attention in the market. These include *GROHE Everstream*, which allows shower water to be reused, saving water and energy compared to conventional showers, and *GROHE Purefoam*, which provides a rich foam shower experience. Through the continuous introduction of advanced products like these, we will continue to grow the GROHE brand globally, including in India, Africa, and other markets where future growth is expected.



Accelerate the global expansion of GROHE products

In the Middle East, we are making strategic efforts to strengthen our business base, and in September 2024 we opened a new manufacturing facility for GROHE brand products in Saudi Arabia. We will increase local production capacity in partnership with Saudi companies to expand sales of a wide range of water products and take advantage of the rapidly growing demand for residential facilities in the market, such as toilets.

In the Asia-Pacific region, we are developing our business based on the expansion of multiple LIXIL brands, and will capture future growth. We will focus on the development and deployment of high-value-added products, and will continue to capture new business opportunities in markets where we can make best use of each brand's particular strengths.



LIXIL PLAYBOOK: 'INNOVATE' FOCUS AREA



Strengthening Innovation to Solve Consumer Challenges

In the updated LIXIL Playbook, we have added "embed robust environment strategy" as a key initiative and are focusing on promoting innovations that create a positive impact for society and the environment. The aim is not only to support comfortable lifestyles for people around the world, but also to reduce negative environmental impact and create new core businesses for LIXIL. The foundation is our unique technology and the know-how accumulated through years of research and development. R&D plays a critical role in advancing innovation, enhancing the customer experience, and strengthening our competitiveness.

Our LHT housing-related business has R&D sites in Japan, Germany, Thailand, and India. LWT Japan, our domestic water-related business, operates a dedicated R&D center in Japan, while LIXIL International (LI) has 18 R&D centers in nine countries. Last year, the international business launched over 800 new products in more than 60 countries.

Countries where new water products were launched in FYE 2024:



- **GROHE: 60 countries**
- **American Standard: 13 countries**
- **INAX: 5 countries**

LIXIL is also promoting initiatives to maximize the use of its human capital. LWT Japan has been continuously strengthening its shower toilet business. By allocating approximately 20 people to international product development, we successfully launched a new shower toilet product for the Chinese market. Additionally, members from the Design and Advanced Technology division who transferred to LI have taken the lead in the development of advanced technologies. In this way, we are focusing on strengthening collaboration between the Japanese base and the LI team.

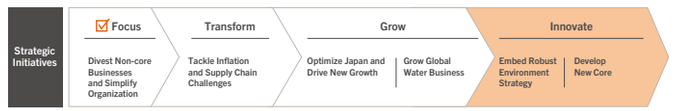
Of paramount importance to our long-term growth will be the development of differentiated products that can be deployed in global markets. In addition to strengthening collaboration between our Japanese sites and the LIXIL International team, we have established the Guangzhou International Competency Center in China in 2025 as an international technology hub for fittings and showers. We will also work with local suppliers to incorporate new technologies and market trends into product development, while accelerating the early introduction and deployment of new technologies beyond regional boundaries.

Expanding Influence Through Sustainable Innovation

By leveraging our unique technologies and expertise, as well as collaboration between Japan and international markets, we have already created several products and services with the potential to become new core businesses.

-KINUAMI / GROHE Purefoam

KINUAMI and *GROHE Purefoam*, two completely new shower systems that envelop the body in rich foam, provide a differentiated shower experience and a new model for global rollouts. *KINUAMI*, which was developed in Japan, proved to have a wider user base than initially expected. We developed *Purefoam* as a global model, adding further value by combining it with existing shower systems. *Purefoam* was first launched in China in November 2024, and then in Europe.



-PremiAL

The construction sector accounts for about 37% of global CO_2 emissions, making decarbonization of the building industry a pressing issue. As we strive to realize a low-carbon society, LIXIL has developed a solution that helps reduce CO_2 emissions of building materials used in construction and enhance the environmental profile of buildings. *PremiAL*, a recyclable low-carbon aluminum product from LHT, is made from construction waste materials such as window frames. This product is the result of more than 25 years of trial-and-error efforts at the manufacturing site to reduce waste in the production process, and it can reduce 97% of CO_2 emissions compared to the production of aluminum profiles from raw materials. Demand for *PremiAL* is growing both in Japan and abroad. We are strengthening our international expansion by starting mass production at two sites in South East Asia from 2024.



PremiAL, born from the accumulation of know-how in the manufacturing process

-revia

The circular material *revia* is made from waste plastic and waste wood. We are expanding our product lineup for a wide range of applications, including the pavement material "*revia pave*." In December 2024, we began mass production of *revia* at our Hisai Plant and recently entered into a partnership with Tsu City in Mie Prefecture, where the plant is located, for the collection and re-use of waste plastic. We will continue to explore new possibilities for the circular use of waste plastics in local communities, including collection, recycling, production, sales, installation, and reuse of plastics after use.

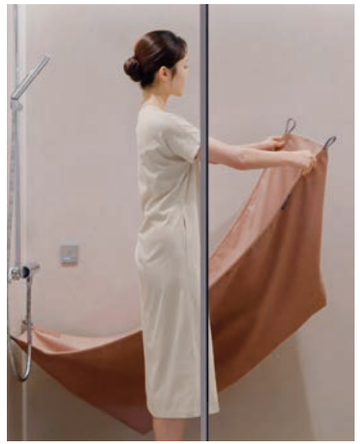


Revia is also used in the Expo 2025 Osaka, Kansai, Japan

A Different Approach From Existing Development Processes

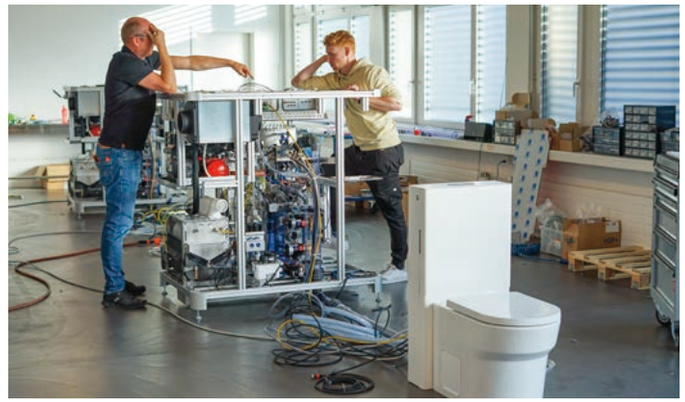
We are also developing innovative products that overturn conventional notions.

LIXIL's *bathtope* is a completely new concept for a bathroom space with a foldable bathtub. This new idea of a movable bathtub has been evaluated by architects as having the power to transform lifestyles, and has also attracted international attention.



bathtope is a mobile bathroom space

In partnership with Georgia Institute of Technology in the U.S., as well as ongoing collaboration with the Bill & Melinda Gates Foundation as part of the Foundation's Reinvent the Toilet Challenge, we are also working on the commercialization of the second generation reinvented toilet (G2RT). This is a toilet that works independently without water and has a wide range of potential uses, including during natural disasters. We are working to reduce production costs for G2RT and commercialize the product.



Promote product development in collaboration with Georgia Institute of Technology

LIXIL is committed to improving the customer experience through innovative products and services, while at the same time reducing negative environmental impact. These efforts will not only improve profitability through product differentiation, but also help us fulfill LIXIL's Purpose to make better homes a reality for everyone, everywhere.



IMPACT STRATEGY

LIXIL's Purpose is to make better homes a reality for everyone, everywhere. We do this through actions and innovations designed to create a positive impact in the world, today and tomorrow. Our related Impact Strategy consists of three core pillars: Global Sanitation and Hygiene, Water Conservation & Environmental Sustainability, and Diversity & Inclusion. These areas represent the most pressing global issues in which we can leverage our expertise to drive significant impact. We incorporate this strategy into our business strategy, leveraging our expertise and scale as we work with stakeholders to advance our initiatives.

Commitment

LIXIL's Purpose is to make better homes a reality for everyone, everywhere.
We do this through actions and innovations designed to create positive impact in the world, today and tomorrow.

Three Strategic Pillars

GLOBAL SANITATION & HYGIENE

Sanitation and Hygiene for All

We innovate viable products, solutions, and business models to elevate standards of living through improved sanitation and hygiene.

WATER CONSERVATION & ENVIRONMENTAL SUSTAINABILITY

Zero Carbon and Circular Living

We promote the responsible use of energy, water and natural resources. From our operations and throughout our product lifecycle, we minimize our ecological footprint and scale innovation to help our partners and consumers protect the environment today and for generations to come.

DIVERSITY & INCLUSION

Inclusive for All

We promote diversity and inclusion, starting with building an equitable workplace. By leveraging the knowledge and perspectives of our diverse employee base and together with stakeholders, we stimulate innovation and collaboration that enables everyone to live more comfortably and healthily and reach their full potential.

Metrics and Targets

Global Sanitation & Hygiene

Improve sanitation and hygiene for **100 million people** around the world by 2025

Climate Change

- Scope 1 & 2 emissions **-50.4%**[*1]
- Scope 3 emissions **-30%**[*1]
- Ratio of energy- and water-saving faucets and toilets sold (Japan) **100%**
- Ratio of high-performance windows sold for new detached houses (Japan) **100%**[*2]

Water Sustainability

- Water use efficiency **+20%**[*1]
- Total water savings from water-saving products **2 billion m³/year** [*3]

Circular Economy

- Improved waste recycling rates **90%**[*2]
- Use of recycled aluminum **100%**

Diversity & Inclusion

By FYE2030
- **50:50** for Board & Executive Officers
- **30%** female managers across LIXIL

Annual rolling target
- Maintaining **gender parity** in newly graduate recruitment (Japan)

[*1] vs. FYE2019 baseline year [*2] By FYE2026 [*3] By FYE2025 (All targets are for FYE2031, unless otherwise noted)

Material Issues

- Environmental Management
- Climate Change
- Global Sanitation & Hygiene
- Cyber Security
- Circular Economy
- Human Rights
- Talent & Development
- Product Innovation
- Conservation of Biodiversity
- Diversity & Inclusion
- Business Conduct
- Water Sustainability
- Workforce Wellbeing

LIXIL'S MATERIAL ISSUES

LIXIL is committed to its Purpose: Make better homes a reality for everyone, everywhere. To this end, we position key sustainability challenges as our material issues to ensure our sustainable growth and enhance corporate value. These material issues are defined based on two perspectives: the impact on the environment and society, and the impact on our financial performance over the short, medium and long term.

Identifying, Assessing, and Validating Material Issues

LIXIL identifies material issues based on LIXIL's Purpose, Value Creation Process, management direction, Impact Strategy, stakeholder needs and expectations, and current social circumstances and challenges. We then assess material issues based on impact, risks, and opportunities (IROs) and determine issues in terms of both business activities and social impacts. To ensure a robust and regular evaluation of our approaches to our Impact Strategy, we also take into account the complementary nature and integration of our enterprise risk management (ERM) and material issue review processes.

LIXIL reviews material issues at least once a year, focusing on the most relevant IROs, and identifies and assesses roughly once every three years. LIXIL carried out this identification and assessment process in FYE2025.

Material Issue Assessment Process

LIXIL's assessment process in FYE2025 considered a double materiality approach based on the European Sustainability Reporting Standards (ESRS). These standards outline the disclosure requirements under the Corporate Sustainability Reporting Directive (CSRD). LIXIL has begun with a high-level review to prepare for future CSRD compliance. Identification and assessment of material issues were supported by stakeholder engagement. We then proceeded with validation by the Impact Strategy Committee and approval by the Board of Executive Officers before disclosure.

Double Materiality Assessment Process

01 Understand & Identify

- Understanding of LIXIL strategies, business environment, internal processes and documents
- Review of previously identified material issues
- External environment analysis, considering industry-specific frameworks, specialist publications, reporting standards and peer comparisons
- Alignment with ESG issues, sub-issues and sub-sub-issues as listed by the ESRS
- Understanding of stakeholders' needs and expectations through active engagement

The identified list of potential material issues was defined and formed the basis for further assessment.

02 Assess & Prioritize

Each potential material issue was evaluated based on:

- Consolidation of the viewpoints and interests of internal stakeholders (executive officers, senior business leaders, subject matter experts and general employees) and external stakeholders (investors, suppliers, customers, industry experts, peers, etc.) through interviews and surveys
- Assessment of the material nature of impact, risks, and opportunities (IROs) considering potential and actual positive, negative, and long-term changes
- Prioritization of IROs through qualitative and quantitative analysis of stakeholder surveys and interviews, utilizing an established scoring methodology for impact materiality and financial materiality
- Setting and application of the materiality threshold to validate the list of material issues

03 Validate & Approve

The results of the double materiality assessment were finalized by:

- Conducting a management validation workshop with members of the Impact Strategy Committee
- Obtaining approval from the Board of Executive Officers

LIXIL'S MATERIAL ISSUES
https://www.lixil.com/en/impact/strategy/issues.html

Our Material Issues

Environmental Management	Strengthen our foundation for executing environmental strategies to improve environmental performance by enhancing environmental governance systems, conducting environmental audits, and providing environmental education. Also, to comply with international environmental treaties, laws and regulations in regions we operate, and with our higher voluntary standards including social norms, work with business partners to properly manage and reduce the use of chemicals, thereby suppressing the emission of environmentally harmful pollutants.
Climate Change	Aiming for net-zero CO_2 emissions by 2050, work on reducing energy consumption in business processes, transitioning to renewable energy, and fuel switching. Additionally, through the provision of environmentally friendly products and services and collaboration with stakeholders, contribute to reducing CO_2 emissions across society and to mitigating and adapting to climate change by minimizing damage from natural disasters and rising temperatures.
Global Sanitation & Hygiene	Aim to enhance access to improved sanitation and hygiene, through product innovation and market ecosystem development with partners, enhancing health, economic opportunities, and quality of life in the communities that we serve.
Cyber Security	To protect LIXIL's information assets and ensure efficient and secure business operations from the threat of cyberattacks, implement risk management and security measures. Moreover, conduct employee education and awareness activities to ensure that everyone working at LIXIL can take preventive measures and respond promptly to risks in all aspects of business activities.
Circular Economy	For the sustainable use of limited resources, promote designs that facilitate reducing environmental burden throughout the entire lifecycle, and work on reducing the use of raw materials, utilizing recycled and renewable materials, and providing products and services that can use resources more efficiently and for longer periods. Additionally, reduce waste from business processes and recycle products after use in collaboration with stakeholders, and also contribute to the reduction of environmental burden across society by addressing solutions for wastes that are difficult to recycle.
Human Rights	Grounded in the LIXIL Code of Conduct and the LIXIL Human Rights Principles, respect human rights of all stakeholders, work to identify and rectify risks and take remediation actions through continuous due diligence and a concern-raising system. Additionally, require suppliers to act ethically, including respecting human rights, based on the Supplier Code of Conduct and monitor the progress in suppliers.
Talent & Development	Recognizing that employees are the driving force behind value creation, systematically work on human resource development and support each employee's voluntary career development. Moreover, to mitigate the adverse impact on business activities due to aging workers and the shortage of skilled workers worldwide, invest in human resource development programs within the value chain and school education and vocational training aimed at training skilled workers.
Product Innovation	With the aspiration to pursue the highest quality manufacturing and services, create a workplace environment that promotes innovation, solving daily life challenges, and providing innovative products and services that impact (positively) the environment and society. Implement the intellectual property strategy that ensures sustainable innovations and value creations.
Conservation of Biodiversity	Address the effects of nature loss and changes and promote the sustainable use of nature by identifying our dependence and impact on natural capital and biodiversity as well as risks and opportunities in business activities. In addition to disclosing appropriate information and providing products and services aimed at avoiding and minimizing nature losses in the value chain, promote initiatives to restore and regenerate nature, building in collaboration with stakeholders business models that contribute to biodiversity conservation.
Diversity & Inclusion	Promote a culture of diversity and inclusion. Address disparities, including gender inequity, providing a workplace environment and equal opportunities where everyone can maximize their abilities. Additionally, identify risks in business partners and support efforts for improvement.
Business Conduct	Practice the LIXIL Code of Conduct and LIXIL Behaviors in all aspects of our business activities. Furthermore, to prevent and address misconduct and violations early, operate the concern-raising system ensuring whistleblower protection. Additionally, to address challenges in the supply chain, we promote strengthening collaboration with suppliers through the dissemination of the Supplier Code of Conduct and continuous dialogue.
Water Sustainability	As a leading company in water-related products, pursue water sustainability through products and services with high water-saving performance and the provision of safer and better-tasting water. Also, identify water risks in business operations and implement water management programs focusing on locations with water shortages, including reducing water usage, managing wastewater, and introducing a water circulation system, thereby promoting responsible water use through improved usage efficiency.
Workforce Wellbeing	Promote health management and improve labor safety and health management indicators for our workforce. Additionally, to realize diverse and flexible working styles, introduce employee support systems that meet business needs and social needs, ensuring appropriate wage payments and addressing long working hours. Furthermore, identify risks at business partners and support efforts for improvement.

Our Targets and Progress

Three Pillars of Our Impact Strategy



In August 2025, we plan to publish the full LIXIL ESG Databook 2025 including environmental and social performance data for FYE2025 with another third-party assurance.

Details https://www.lixil.com/en/impact/data/performance.html

Three Strategic Pillars	Target year	Metrics and targets (quantitative targets only)	FYE2025 results	Relevant material issues*12
Global Sanitation & Hygiene	2025	Improve sanitation and hygiene for 100 million people around the world by 2025	Approx. 82 million people*1	• Global Sanitation & Hygiene • Product Innovation
Water Conservation & Environmental Sustainability	FYE2031	• Scope 1 & 2 CO_2 emissions: -50.4%*2 • Scope 3 CO_2 emissions: -30%*2 • Ratio of energy- and water-saving faucets*3 and toilets*4 sold (Japan): 100% • Ratio of high-performance windows sold for new detached houses (Japan): 100%*10	• -46.9%*8 • -21.6% (FYE2024) • Faucets: 94.5% Toilets: 99.4% • 97%	• Climate Change • Water Sustainability • Circular Economy • Product Innovation • Environmental Management • Conservation of Biodiversity
		• Water use efficiency: +20%*2 • Total water savings from water-saving products: 2 billion m^3/year*11	• +23.6% (FYE2024) • 1.3 billion m^3 (FYE2024)	
		• Improved waste recycling rates: 90%*10 • Use of recycled aluminum: 100%*5	• 92.8% (FYE2024) • 80%	
Diversity & Inclusion	FYE2030	• 50:50 for Board & Executive Officers*6 • 30% female managers across LIXIL*7 • Maintaining gender parity in new graduate recruitment (Japan)	• 37.5% • 17.4%*8 • 47.8%*9	• Diversity & Inclusion • Talent & Development • Product Innovation

*1 Refer to the 'Global Sanitation & Hygiene: LIXIL's Impact Methodology (June 25, 2024)' and the 'Targets and Progress' page on our Impact website for more details. *2 Baseline year FYE2019 *3 Excluding products used for hot tub filling or full-body bathing that are not intended for use as energy- and water-saving faucets *4 Excluding products designed for housing complexes *5 Aluminum alloy 6063 *6 As of March 31 *7 Directly hired employees only (Japan and international) However, this excludes sold subsidiaries and domestic subsidiaries with less than 100 employees *8 Verified by an independent third party in June, 2025 *9 New college and graduate school graduates who joined LIXIL Corporation on April 1, 2025 *10 FYE2026 *11 FYE2025 *12 Cybersecurity, human rights, business conduct, and workforce wellbeing underpin all our work. We are continuing to assess the relevance of the material issues to our three strategic pillars.

GLOBAL SANITATION & HYGIENE

Global Sanitation & Hygiene

https://www.lixil.com/en/impact/sanitation/sanitation_detail.html

LIXIL delivers innovative and affordable products, solutions, and business models that address sanitation and hygiene challenges, improving the quality of life for people around the world.

Governance

The Global Sanitation & Hygiene Council oversees strategic approaches and initiatives to address global sanitation and hygiene issues. The council meets quarterly, in principle, to assess progress and explore new measures aligned with our Impact Strategy. Additionally, the council brings together business leaders to also discuss public policy trends, social issues, and local initiatives. Furthermore, it provides a platform for sharing experiences and insights, ensuring our strategies remain relevant, well-informed, and effective. Progress updates are reported to the Board of Executive Officers on a quarterly basis through the Impact Strategy Committee. These updates are further presented to the Board of Directors biannually for in-depth discussion and oversight.

Strategy

As of 2022, 3.5 billion people still lacked safely managed sanitation, with nearly 419 million people practicing open defecation. Additionally, roughly 2 billion people do not have access to basic handwashing facilities at home.

LIXIL recognizes global sanitation and hygiene as urgent issues requiring immediate action. To this end, we designated global sanitation and hygiene as one of the three strategic pillars of our Impact Strategy, and a material issue. We aim to improve the lives of 100 million people around the world by 2025 through improved sanitation and hygiene by providing access to innovative and affordable sanitation and handwashing solutions. A key driver toward this ambitious target is our SATO business, which delivers a wide range of affordable, innovative, and durable toilet and hand hygiene products to emerging markets. We also collaborate with a wide range of partners to achieve this ambition.



We develop products that not only address end-user needs but also foster behavior changes. By developing such solutions, we empower local masons who install sanitation facilities, create business opportunities, enhance economic impact, and ultimately help establish a sustainable sanitation market. LIXIL also works with various partners to stimulate demand for sanitation and hygiene issues. Specifically, we focus on developing products tailored to local needs, partnering with local manufacturers and building sales networks, training human resources, promoting sales, and raising awareness within communities.

Risk Management

Access to safe sanitation and hygiene is a human rights and increasingly considered under the obligation of governments (public sector) and private sector stakeholders engaging in communities to provide. Benefits of addressing sanitation and hygiene are numerous with cascading effects in community health, economic development, and dignity, particularly for women and children. Increasing geopolitical instability, lack of adequately funded policies, and insufficiently robust market-based ecosystems (including, for example, intellectual property rights and partnership opportunities) limit the incentive for the private sector to invest in innovation to solve sanitation and hygiene challenges in these markets. LIXIL addresses this potential risk by investing in the business and ecosystem opportunity and reducing the negative community-level consequences.

Metrics and Targets

Target year	Metrics and targets
2025	Improve sanitation and hygiene for 100 million people around the world

New Partnerships

LIXIL entered into new partnerships in the SATO business with the International Academy of Environmental Sanitation and Public Health (IAESPH) for activities in the Indian subcontinent and with Water for People for activities in East Africa and India. The SATO business will leverage these partnerships to integrate SATO products into sanitation projects, provide market incentives, conduct product testing, and collaborate with local partners. In doing so, we aim to increase access to sustainable sanitation and achieve a healthier world.

Impact in the Humanitarian Sector

SATO supplied UNICEF with 4,000 sanitation kits and 4,000 SATO Tap handwashing solutions to address the urgent sanitation and hygiene needs in Gaza, Palestine. The business also partnered with Médecins Sans Frontières (MSF) to provide essential sanitation infrastructure in southern Gaza. We expect that these initiatives will benefit more than 1.7 million individuals.

WATER CONSERVATION & ENVIRONMENTAL SUSTAINABILITY

Water Conservation & Environmental Sustainability
https://www.lixil.com/en/impact/environment/environment_detail.html

LIXIL endeavors to conserve energy, water, and other natural resources across all processes — from procurement, production, and distribution to the use and disposal of our products and services.

LIXIL designated Water Conservation & Environmental Sustainability as one of the three strategic pillars of our Impact Strategy, addressing in the context of six material issues.

- **Climate Change**
- **Product Innovation**
- **Water Sustainability**
- **Environmental Management**
- **Circular Economy**
- **Conservation of Biodiversity**

Governance

At LIXIL, we are transforming our business operations to secure corporate growth and create sustainable value while enhancing our positive impact on society and the environment. Implementing impactful reforms requires an effective governance framework that identifies risks and opportunities, tracks targets and metrics, and monitors progress. LIXIL has an established governance structure in which the Board of Directors oversees the company's overall sustainability. We have also formed an Environmental Strategy Council (ESC) chaired by the Chief Environmental Impact Officer (CEIO), who is appointed by the Board of Executive Officers.

The ESC meets six times annually, in principle, to formulate rules and policies related to environmental governance. The council also deliberates measures to address environmental issues, including risks and opportunities related to climate change, natural capital, and biodiversity. Additionally, the ESC develops environmental strategy and manages and monitors company-wide targets. The results of ESC discussions are referred to the Impact Strategy Committee for a vote and are reported quarterly to the Board of Executive Officers, ensuring robust oversight and transparency. The Board of Executive Officers discusses and approves targets and action plans related to LIXIL's material issues, including environmental priorities. Progress on these matters is reported semi-annually to the Board of Directors, supporting effective implementation and oversight.

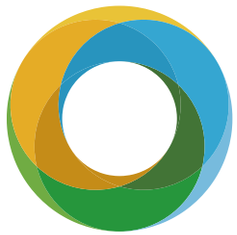
Details Corporate Governance Structure: Impact Strategy Implementation and Risk Management Structure

Strategy

LIXIL Environmental Vision 2050

The LIXIL Environmental Vision 2050 states our commitment to *Zero Carbon and Circular Living*, as well as our aim to become a leading environmental company by 2050. We strive to achieve net-zero CO_2 emissions through our business operations and housing and lifestyle solutions, while conserving water and limited resources for future generations.

We have established three focus areas to realize our vision: climate change; water sustainability; and circular economy. As a foundation to advance these focus areas, we are reducing our environmental footprint across the entire product lifecycle and strengthening our company-wide environmental management. LIXIL also prioritizes conserving biodiversity, which serves as a common foundation for the three aforementioned focus areas.



ZERO CARBON AND CIRCULAR LIVING

CLIMATE CHANGE
Achieve Net-Zero GHG Emissions through Our Business Operations, Products, and Services

WATER SUSTAINABILITY
Enhance the Environmental Value of Water Resources by Saving, Circulating, and Purifying Water

CIRCULAR ECONOMY
Help Transition to a Circular Economy and Preserve Natural Resources for Future Generations

Three Phases Approach

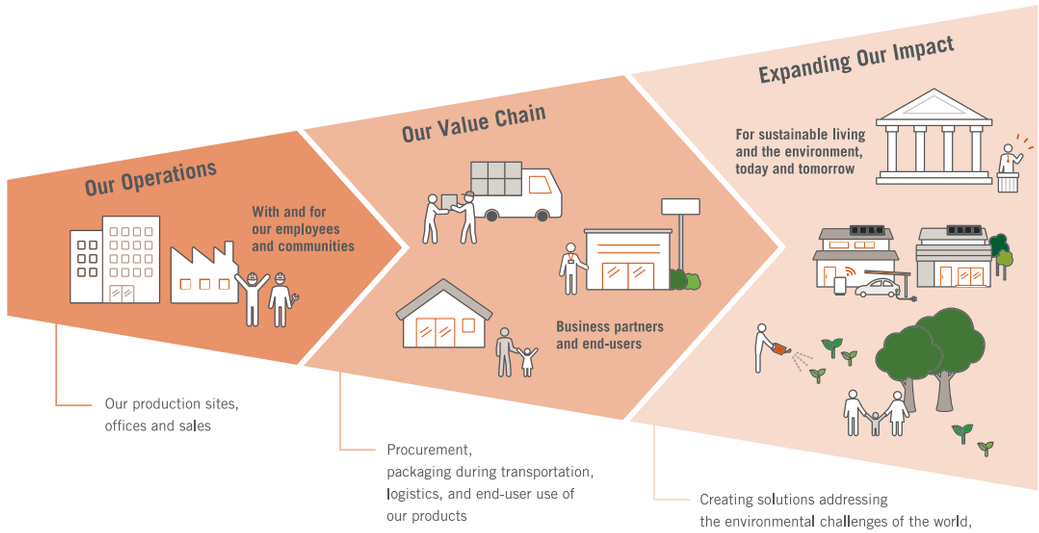
LIXIL has incorporated environmental strategy into our business strategy as a management priority. This integration accelerates our progress toward achieving our environmental vision. We aim not only to fulfill our corporate responsibility by reducing the negative environmental impact of our business activities and products, but also to create new value and maximize our positive impact. We pursue this through a comprehensive and strategic approach, with specific medium-term targets outlined in our environmental strategy. This approach addresses the three focus areas — Climate Change, Water Sustainability, and Circular Economy — through three phases: Our Operations, Our Value Chain, and Expanding Our Impact.

Climate Change

LIXIL is committed to reducing our negative environmental impact and aims to achieve net-zero CO_2 emissions by 2050 through the positive impact of environmentally friendly products and services. We recognize the importance of reducing direct CO_2 emissions not only from our operations, products, and services, but also across society as a whole. We pursue climate adaptation policies through products and services that mitigate the effects of climate change, including natural disasters such as increased rainfall and intense typhoons, as well as damage associated with rising temperatures.

To minimize the environmental footprint of our operations, LIXIL is actively reducing CO_2 emissions across all business processes. This includes comprehensive energy-saving measures at our factories and offices, increased use of renewable energy, transitioning to lower-emission fuels, and promoting electrification.

We also work to lower CO_2 emissions along our value chain. Societal expectations demand that we address emissions throughout the product life cycle, including both direct emissions from building construction and indirect emissions during building use. We continue to collaborate with other companies, developing supplier engagement activities in procurement and logistics, and driving energy conservation in our products. We reduce CO_2 emissions throughout the product lifecycle and our services by adopting low-carbon raw materials and components. We use recycled materials to conserve resources, strive to extend product lifespan, and incorporate designs that support reuse.



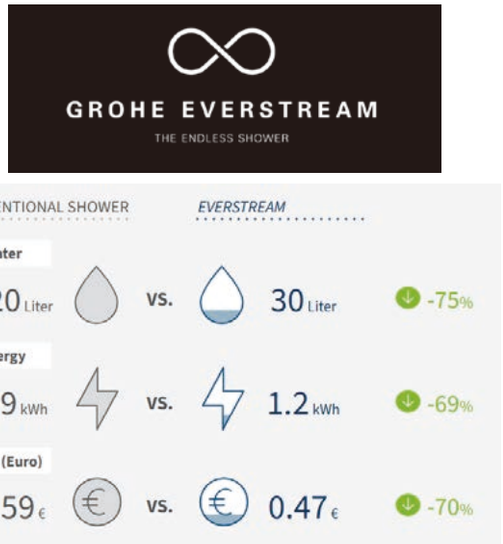
We seek to expand our impact on climate change through both mitigation and adaptation efforts. Our initiatives include the triple-glazed, high-performance *TW* hybrid window (TOSTEM), as part of our highly insulated product ranges, and insulation renovation solutions for existing homes. Energy- and water-saving products such as the *Navish Hands-Free* (eco-sensor) faucet (INAX), also contribute to these goals. Additional solutions include *Style Shade* (TOSTEM), which helps control indoor temperatures, and residential shutters that prevent and mitigate disaster damages (TOSTEM), along with other innovative products.

Water Sustainability

LIXIL is committed to advancing global water sustainability to ensure the maximum benefit of water for all. To this end, we pursue responsible water use by improving water efficiency in our operations, reducing water withdrawal at sites experiencing water shortages, and driving water savings through conservation-focused products and services. We collaborate with governments and the public sector to improve access to safe and sanitary water. For regions with access to tap water, we deliver purification technology to improve both taste and safety. These efforts foster increased environmental value to water.

We pursue responsible water use across our global operations, targeting a 20% improvement in water use efficiency (water withdrawal/productivity) at our business sites by FYE2031 (vs. FYE2019). To advance water efficiency company-wide, we identify water-related business risks at manufacturing sites in each region. We then drive improvement through initiatives like water recycling and effective wastewater management, with particular focus on areas facing water shortages.

Across our value chain, we are committed to helping reduce water usage by 2 billion cubic meters annually by the end of March 2025. We are achieving this through our high water-saving performance products and services, including *SATIS* (INAX) and *Studio S* (American Standard) water-saving toilets, which enable more sustainable water consumption. We also support end-users in reducing water consumption by offering solutions that create new value. For instance, the *Everstream shower system* (GROHE), recycles and reuses water, while *Droplet* (Hydrific) is a simple, smart solution using state-of-the-art ultrasonic sensors to monitor water usage from a single location and encourage behavior change. LIXIL is one of the world's leading companies with proprietary technology related to faucets and water purification. We have established a competitive advantage in the market through high-performance products, including compact, high-performance filters integrated into water purification taps.



We conduct initiatives at the X-Water Fab Tokoname (Tokoname City, Aichi Prefecture) and X-Water Lab Tokyo — our dedicated water purification research and development facilities — to enhance water taste and safety. In addition, we continue to advance water purification technology tailored to each international market we serve, while expanding our impact by delivering differentiated water purification products globally.

In the Americas, we offer the *Saybrook Filtered Kitchen Faucet* (American Standard), which utilizes advanced filtration technology to remove lead, chlorine, particulates, and other impurities from tap water. In the EMEA market, we provide the *GROHE Blue* home water system (GROHE), a solution that delivers cold and sparkling water directly through home kitchen faucets, supporting enhanced convenience and a sustainable lifestyle.

Additionally, LIXIL is strengthening efforts to reduce the risk of groundwater contamination and to improve access to improved sanitation and hygiene facilities, and safer water for communities. We established LIXIL Public Partners to strengthen public-private partnerships in the water and sanitation sector. This dedicated entity works to accelerate public-private partnerships for water and sanitation projects globally, advancing sustainable solutions that benefit communities worldwide.

Circular Economy

LIXIL pursues sustainable resource use and circularity initiatives throughout the entire product lifecycle — from the procurement of key raw materials such as metals, wood, resins, and ceramics, to manufacturing, product use, and responsible disposal. Through recycling-oriented manufacturing— including the use of recycled materials and reuse-conscious design under the LIXIL Plastics Action Statement — LIXIL pursues plastic reduction, resource recycling, and the development of alternative materials. We are committed to maximizing the use of precious resources to secure raw materials and contribute to both society and business continuity.

To achieve resource sustainability and reduce waste within our operations, we strive to reduce the use of raw materials and improve recycling rates through improved design and production processes. On the production floor, we actively recycle gypsum molds used in sanitaryware manufacturing, obtain non-toxicity certifications for sludge and other materials recycled in-house, and sell wood waste as biomass fuel.

To use materials sustainably, reduce waste, and minimize the use of new resources throughout our value chain, we continue to increase the ratio of recycled and renewable materials, including aluminum, recycled resin, and recycled wood.

We develop products in our manufacturing sites in Japan to reduce the energy required for smelting new ingots to manufacture aluminum products. We also develop products that reuse aluminum from the market. One result of our efforts is our proprietary low-carbon aluminum extrusion, called *PremiAL*. We have also developed a highly pure aluminum hydroxide precipitation technology from industrial waste aluminum dross generated during *PremiAL*

production to use in our own products. Additionally, we collaborated with other companies and created a system to valorize aluminum sludge generated in the aluminum surface treatment process.

We strive to reduce plastic packaging and utilize recycled plastic developing artificial wood decks and other products. Further initiatives to reduce plastics and promote recycling include product-to-product recycling. In this area, we continue to expand our lineup of resource-efficient products, including Cradle to Cradle® certified products (GROHE), replaceable water purification spouts, resin windows *EW* (TOSTEM), and the *withCUBE* movable amenity booth.

We developed *revia* an innovative solution for reducing waste plastics that are difficult to recycle. *Revia* combines nearly every type of waste plastic, including composite plastics previously considered non-recyclable, with waste wood from building demolition and repair. This product helps lower CO_2 emissions by enabling the recycling of waste plastics that were traditionally incinerated, landfilled, or heat-recovered. We expand our impact through stable sourcing of waste plastics and by developing an ecosystem for a sustainable, recycling-oriented society.

PremiAL

CO_2 Emissions from Procurement to Production*

Recycled Aluminum Usage Ratio	CO_2 Emissions from Procurement to Production	0% ratio CO_2 reduction rate
100% PremiAL R100	Approx. **2.9kg** -CO_2	▲80%
70% PremiAL R70	Approx. 6.8kg -CO_2	▲55%
0% Virgin ingots	Approx. 15.1kg -CO_2	–

* [Reference] LIXIL's internal calculations: From procurement to manufacturing, as of February 2024

Risk Management

LIXIL pursues a broad range of activities to protect the global environment throughout all processes — product development, procurement and production, sales, product use, and end-of-life disposal.

The emergence of transition risks, driven by market changes — including those related to climate change, policies and regulations regarding natural capital loss — and physical risk, such as extreme weather events and ecosystem changes, has a significant impact across our value chain. We also face global water resource constraints, rising prices for raw materials and components, more stringent regulations on petroleum-based plastics and lumber, and evolving consumer preferences due to a shift toward a circular economy.

All identified transition risks and physical risks are linked to our business risks (strategic and operational) and are monitored using LIXIL-wide risk assessment criteria, which consider both the degree of business impact and likelihood of occurrence. Our management determines the priority of risks to be addressed by evaluating their relative significance based on internal business scale variations and external factors of change.

Environmental Management

The goal of LIXIL Environmental Vision 2050 is to reduce environmental risks and enhance the environmental value we create for society. To achieve this, we continuously strengthen company-wide environmental management activities.

The LIXIL Environmental Sustainability Principles, which apply to all employees, executive officers, and directors, guide consistent execution of business activities, even as environmental regulations become increasingly rigorous. This policy includes ongoing improvement of our environmental management system and thorough compliance. We have established an internal audit system to integrate this environmental policy into our business operations. Audits cover all production plants, as well as non-production sites and consolidated subsidiaries in Japan. We regularly assess the effectiveness of environmental management systems and compliance at our production plants through audits based on ISO 14001 standards. The ISO 14001 management system encompasses initiatives such as improved energy and water efficiency, waste reduction and recycling, and the effective management of hazardous waste and air pollutants. Internal audits at non-production sites and consolidated subsidiaries in Japan are conducted using our in-house environmental management system and ISO standards. We are steadily broadening the scope of these audits. When internal audits identify exceptions, we implement and verify remedial measures, ensuring the effective operation of our management systems. Since FYE2018, the headquarters environmental department has introduced a program to conduct internal audits of environmental managers in our business units.

Details: FYE2025 Disclosure Report in Response to TNFD and TCFD Recommendations

*TNFD Forum: https://tnfd.global/engage/tnfd-forum/

Metrics and Targets

The LIXIL Environmental Vision 2050 states our commitment to *Zero Carbon and Circular Living*. Guided by this vision, we strive to achieve net-zero CO_2 emissions by 2050 and to ensure that the benefits of water and other limited resources are passed on to future generations. Our long-term goal to reduce CO_2 emissions by 2050 marked the first time a company in the Japanese building materials industry received Net Zero approval from the Science Based Targets Initiative, a recognition earned in FYE2024.

We have set medium-term targets to achieve the LIXIL Environmental Vision 2050 and are accelerating our progress toward these goals. We aim not only to fulfill our corporate responsibility, but also to create new value and expand our positive impact. Each focus area is managed across three phases — Our Operations, Our Value Chain, and Expanding Our Impact — comprising a comprehensive, strategic approach with medium-term targets for each. Through ongoing efforts in these three phases, we strive to mitigate environmental risks, capture business opportunities, and drive sustainable growth.

Compliance With TCFD and TNFD Recommendations

In March 2019, LIXIL announced its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD). We began disclosing information based on TCFD recommendations with our report for FYE2022. In December 2023, we endorsed the Task Force on Nature-related Financial Disclosure (TNFD) recommendations and joined the TNFD Forum.* In January 2024, we became a TNFD Early Adopter. Beginning in FYE2024 we have integrated information on nature-related issues from our prior environmental disclosures — covering climate change and related issues) into the TCFD- and TNFD-recommended disclosures for enhanced transparency.

Environmental Medium-Term Targets

	OUR OPERATIONS	OUR VALUE CHAIN	EXPANDING OUR IMPACT
Climate Change	Scope 1 & 2 CO_2 emissions: −50.4%*1	Scope 3 CO_2 emissions: −30%*1	Ratio of energy- and water- saving faucets and toilets sold: 100% (Japan) Ratio of high-performance windows sold for new detached houses: 100% (Japan)*2
Water Sustainability	Water use efficiency: +20%*1 Reduce water use at water-scarce sites	Total water savings from water-saving products: 2 billion m³ per year*3	Provide safer and better tasting water
Circular Economy	Improved waste recycling rates: 90%*2	Promote use of recycled and renewable materials Reduce single-use plastics in packaging Enhance resource efficient products and solutions Use of recycled aluminium: 100% Build take-back systems for 'product to product' use	Reduce difficult-to-recycle waste plastics

*1 vs. FYE2019 baseline year *2 By FYE2026 *3 By FYE2025 (All targets are for FYE2031, unless otherwise noted)

DIVERSITY & INCLUSION

Diversity & Inclusion
https://www.lixil.com/en/impact/inclusion/inclusion_detail.html

LIXIL fosters fair and inclusive environments that embrace diversity and inclusion, unlocking the potential of our diverse workforce.

Governance

In FYE2021, we established the Diversity & Inclusion (D&I) Committee, which consists of our CEO as chairperson and other executive officers and senior managers from corporate functions and our business divisions.

LIXIL's pursuit of D&I has evolved from company-wide strategies and policy formulation to division-led activities. In FYE2025, we reorganized and renamed the committee to D&I Council, now composed entirely of division heads, to lead and promote initiatives tailored to the current status and needs of each division. The council facilitates active discussions and drives D&I initiatives across the organization. The D&I Council considers measures guided by our D&I strategy. Council discussions and deliberations are reported to the Board of Executive Officers quarterly, in principle, through the Impact Strategy Committee. The Board of Executive Officers passes resolutions as needed. The Board of Directors receives semiannual progress reports, discusses developments, and supervises progress in this area to ensure effective oversight and accountability.

Strategy

LIXIL is committed to delivering innovative products and services that meet the diverse needs of customers, making better homes a reality for everyone, everywhere. We remain steadfastly customer-oriented and dedicated to innovation and sustainable growth. To fulfill our Purpose, we strive to create fair and inclusive environments that bring out the potential of our diverse workforce, reflecting our commitment to D&I. Our goal is to embed a culture of inclusion across LIXIL and to achieve gender equity by FYE2030. We recognize challenges such as the pay gap between men and women and the low ratio of female managers. In response, we have established an action plan and are implementing step-by-step measures to incorporate D&I perspectives into our personnel systems, human resource development, and workplace environments.

We support the growth of our employees, who are the greatest driving force behind our corporate value. By continuously improving workplace environments, we foster the creation of innovative products and services that address diverse needs, strengthen our competitiveness and differentiation, and ultimately facilitate higher productivity and business performance. A diverse workforce brings a broad range of perspectives, skills, and experiences to our company, fueling creativity, innovation, and effective problem-solving throughout the organization. By advancing these D&I initiatives, LIXIL is better positioned to secure and retain talented personnel, ultimately creating a lasting competitive advantage.

Risk Management

If we are to grow our business in a sustained manner, we must continue to recruit and develop human resources well versed in specialized technologies and individuals who have excellent management skills in business strategy and organizational management. In particular, labor shortages caused by declining birth rates and aging demographics in Japan present a serious risk for LIXIL.

We pursue our global people strategy to recruit and develop human resources to secure the necessary talent for our businesses.

Metrics and Targets

Target year	Metrics and targets
FYE2030	Ratio of female directors and executive officers: 50%*1
	Ratio of female managers across LIXIL: 30%*2
Annual rolling target	Maintaining gender parity in new graduate recruitment in Japan*3

*1 As of March 31.
*2 Directly hired employees only. Excluding those working at consolidated subsidiaries with 100 or fewer employees in Japan.
*3 New college and graduate school graduates who joined LIXIL Corporation on April 1, 2025.

Women Empowerment

LIXIL's goal for new graduate recruitment is to achieve gender parity, maintaining an equal ratio of men and women. We continue to introduce new measures to this end, including events targeting female students, as well articles and videos highlighting female employees active in the company, to build our pipeline and improve our recruitment branding. In FYE2025, we hosted our first external networking event for working women and students. This event provided an opportunity to broadly showcase the appeal of working at LIXIL, featuring inspiring presentations by female executives on their career journeys, panel discussions with female employees, and direct interaction with participants.



External networking event for working women and students

GLOBAL PEOPLE STRATEGY

Our Global People Strategy serves as a roadmap to empower our employees, fostering innovation and agility within LIXIL. This strategy enables us to effectively achieve our goals and continuously evolve as an organization.

Launched in FYE2022, our global people strategy is driven by a clear mission: To transform LIXIL into an innovative and inclusive community that empowers everyone, everywhere. We began by laying a strong foundation, streamlining our organizational structure and implementing a merit-based HR system.

In FYE2025, based on stakeholder feedback and evolving business needs, we updated our Global People Strategy framework—the GPO Strategy House—to be simpler and more focused. Our strategy is built on three core pillars for strengthening our human capital: "Embed Inclusion into LIXIL's DNA," "Elevate talent across the enterprise," and "Enhance Employee Experience." Furthermore, we repositioned "Strengthen HR Corporate Governance" and "Transform HR to Transform the Business" as key enablers for realizing this strategy. This refined structure empowers us to prioritize key areas for strengthening our human capital, enabling our people to play a more proactive role in LIXIL's continued success.

Our Three Strategic Pillars

Embed Inclusion into Our DNA: We are building a truly inclusive organization —one where innovation thrives organically. Over the past three years, we have embedded this mindset through initiatives such as diversity and inclusion (D&I) workshops for managers and the introduction of data-driven progress tracking tools. While we have seen positive shifts in awareness and understanding, we recognize the need for continued focus in areas like gender balance in leadership. Moving forward, we will leverage targeted interventions and expanded leadership accountability to accelerate progress and create a more equitable and inclusive LIXIL.

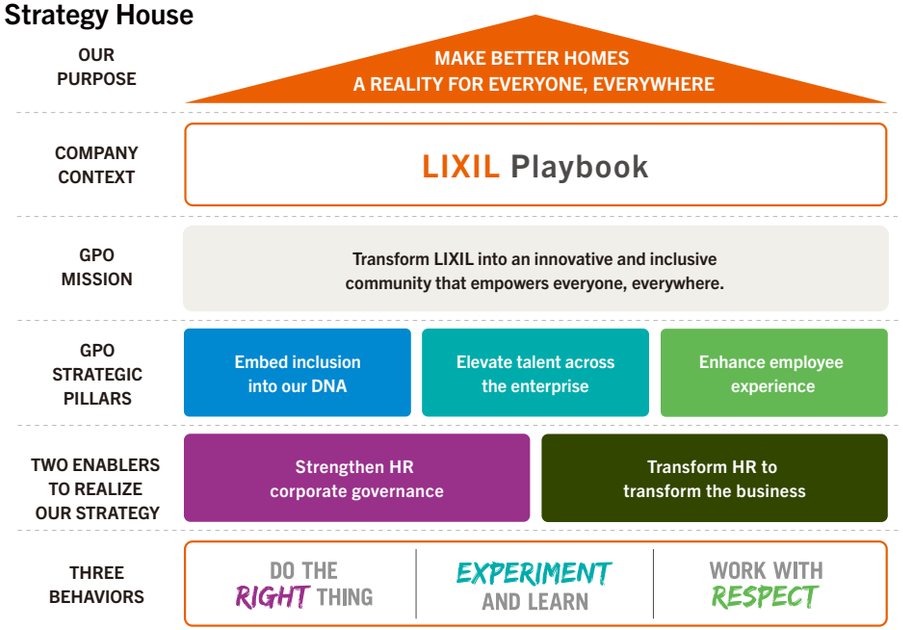
Elevate Talent across the Enterprise: We are committed to developing organizational capabilities that fuel our growth and empower our people. Over the past three years, we have established a robust learning infrastructure and launched company-wide programs like "GROW: Great Managers at LIXIL" (manager development program) and People and Organization Development (POD). Looking ahead, we will build upon this foundation with targeted initiatives designed to address specific business needs and priorities, ensuring our people have the skills and experiences to thrive in a dynamic environment.

Enhance Employee Experience: We are creating a workplace where every employee feels motivated, empowered, and inspired to do their best work. These past three years, we have focused on building a more rewarding employee experience through initiatives like enhanced digital tools for greater efficiency, flexible work arrangements, and our annual employee feedback survey, LIXIL Voice, which provides valuable insights for continuous improvement. We remain dedicated to fostering a positive and fulfilling work environment where every individual can thrive and contribute meaningfully to LIXIL's success.

Two Enablers to Realize our Strategy

Strengthen HR Corporate Governance and Transform HR to Transform the Business, have been key pillars of our people strategy for the past three years. Initiatives such as developing a global compensation framework, appointing HR Strategic Business Partners in each region, and establishing Centers of Excellence have significantly advanced the development of a robust global HR foundation. We will continue to focus on these elements as enablers of the people strategy.

GPO Strategy House



GLOBAL PEOPLE STRATEGY INITIATIVES

Embedding Inclusion into Our DNA

Global Diversity Awareness Month

At LIXIL, we dedicate October to Global Diversity Awareness Month, a celebration designed to deepen understanding and inspire action around D&I. We offer a range of engaging activities that empower every employee to actively participate in building a truly inclusive culture. Our inaugural podcast series, for instance, was launched in response to employee feedback expressing a desire to learn more about D&I and contribute to a more inclusive workplace. Members of our five Employee Resource Groups* shared their personal experiences on various topics, providing a valuable opportunity to raise D&I awareness among employees.

*These global groups focus on Gender Equality, Cross-Culture, Disability, Working Parents & Caregivers, and LGBTQ+. Each group has an Executive Officer as their sponsor, providing support for their activities.

Elevate Talent across the Enterprise

Identifying and Developing Our Future Leaders

To identify and develop promising talent across the organization, LIXIL's business leaders and executives conduct People and Organization Development (POD) reviews. These reviews facilitate discussions about successors for key positions, high-potential employees, and the advancement of female talent. In FYE2025, we conducted POD sessions across 26 departments, resulting in the identification of 909 successors and 51 female high-potential individuals, representing 31% of the 163 high-potential individuals identified company-wide. To build a robust talent pipeline for the future, we're expanding the scope of talent identification within specific business units in Japan. This strategic approach strengthens business continuity in all situations and ensures a consistent flow of high-potential individuals ready to step into leadership roles. Those identified receive personalized development plans, including challenging assignments, rotations, and leadership training, tailored to their individual strengths and development needs.

Developing Managers: "GROW: Great managers at LIXIL"

To achieve sustainable long-term growth, we launched "GROW: Great Managers at LIXIL," a program designed to develop managers. Piloted in Japan during FYE2024 and subsequently expanded globally, the program reached 4,741 managers by the end of FYE2025.

Early results from a survey in Japan indicate that 83% of participants found the program beneficial to their professional development, and 69% believe that applying the GROW principles has positively impacted their teams.



Enhance Employee Experience

Employee Engagement Initiatives

Based on feedback from our employee feedback survey, "LIXIL Voice," we have implemented several initiatives to strengthen employee engagement. In FYE2025, we introduced "Connect with Kinya," a series of direct dialogue sessions between CEO Kinya Seto and employees. These open forums for questions and answers about our strategies and vision promote transparent communication throughout the organization. Additionally, to further our commitment to our Impact Strategy, we hold an annual "LIXIL Community Day."


Connect With Kinya session

In FYE2025, over 15,000 employees participated in 154 activities worldwide, providing opportunities to contribute to local communities.

Promoting Health and Wellbeing

At LIXIL, we believe that supporting the wellbeing of our employees—both mental and physical—is essential for creating a vibrant workplace and enhancing our corporate value. We recognize that when our employees thrive, they contribute more effectively to our collective success. Therefore, we prioritize employee health and wellbeing as a key focus area.

In FYE2025, we introduced "Karada-Shiru," a unique health index designed to empower employees to understand and actively manage their health. This index encompasses eight key elements essential for maintaining a healthy mind and body, encouraging employees to prioritize their wellbeing and cultivate healthy habits.

DIGITAL TRANSFORMATION (DX)



LIXIL is improving the customer experience through digital transformation. To that end, we believe it is crucial to proactively incorporate digital technology into the way we work to also enhance the employee experience.

Yugo Kanazawa

Executive Officer, Executive Vice President,
Chief Digital Officer, Digital and CX

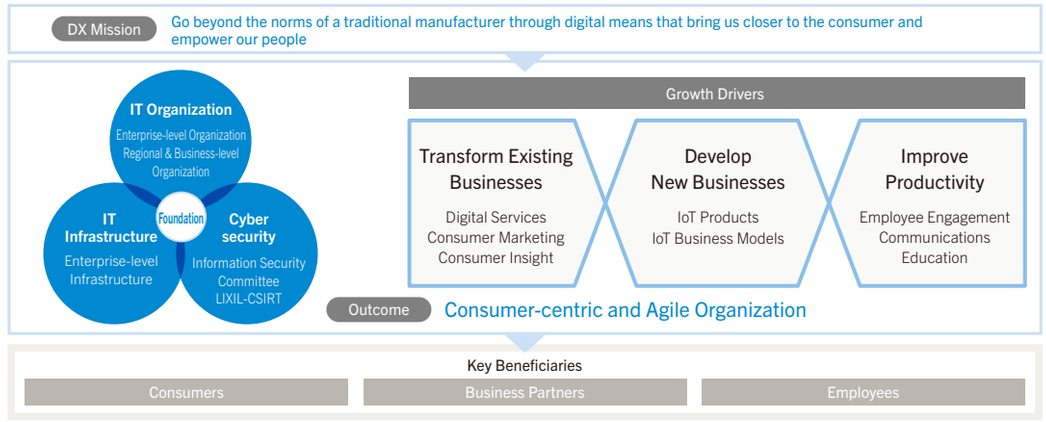
What LIXIL seeks to fundamentally transform is the consumer experience. To achieve this, we aim to lead and innovate the experiences of all stakeholders. As a manufacturer operating in the B2B space, LIXIL's value delivery to the end consumer involves many players, including internal teams, distributors, and contractors. Unless the entire value chain is digitized, we cannot achieve true customer experience (CX) improvements.

The housing equipment industry has a complex value stream, which must be streamlined end-to-end. This means that related processes involving our stakeholders also need to be transformed. Enhancing the experiential value of those involved in value delivery—distributors and contractors—is essential to ultimately deliver value to consumers. By leveraging digital technologies and AI, LIXIL aims to raise satisfaction for everyone involved.

IT Infrastructure and Cybersecurity Initiatives

Strengthening data management for the brand portfolio is essential to accelerate growth in international operations. LIXIL is working to standardize master data management for products and materials globally, implementing master data governance to optimize production systems and the supply chain.

LIXIL's Information Security Committee, overseen by the Chief Digital Officer (CDO), is enhancing measures for information security and the protection of personal and confidential information. As cyberattacks targeting corporations continue to increase, LIXIL is implementing a Zero Trust model to strengthen security and ensure business continuity.

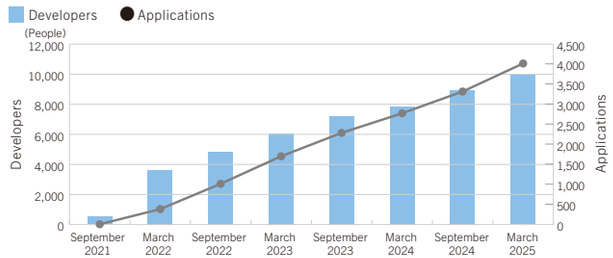


External Recognition for Digital Transformation (DX)

LIXIL was selected as a "DX Platinum Company 2025-2027" under the DX Stocks programs jointly organized by the Ministry of Economy, Trade and Industry, the Tokyo Stock Exchange, and the Information-Technology Promotion Agency, Japan, in recognition of its ongoing efforts to transform its business model and management based on digital technologies.

Increased engagement and productivity

Number of developers and applications of No-Code Tool



At LIXIL, we are advocates for the democratization of digital technology, and we are working to enable employees without expertise to transform the way they work. We have accelerated our initiatives through tools like the LIXIL AI Portal, which uses generative AI technology to improve the quality and efficiency of operations, no-code development tools, and its digital educational program, DEJIRAKU. Four years after its introduction, both the number of developers and applications continues to increase, and as of March 31, 2025, there were 9,916 developers and 4,020 applications in operation. The ability of many employees to primarily work remotely has led to higher engagement. Amid increasing cyber threats, LIXIL is also bolstering security measures to maintain a secure remote work environment.

Transforming existing businesses

Through the effective use of advanced digital technology, we can enhance the customer experience, streamline the processes for sales and distribution, and realize greater efficiency from dealer to customer.

The LIXIL Online Showroom was launched in spring 2020 during the COVID-19 pandemic. In the traditional sales model, homeowners needed to visit a showroom with a contractor, which could be a hurdle if they were still undecided about making a purchase. With the online showroom, customers can explore options at their convenience, view real-time pricing, and visualize their space with 3D imagery. This has dramatically reduced the burden on homeowners.

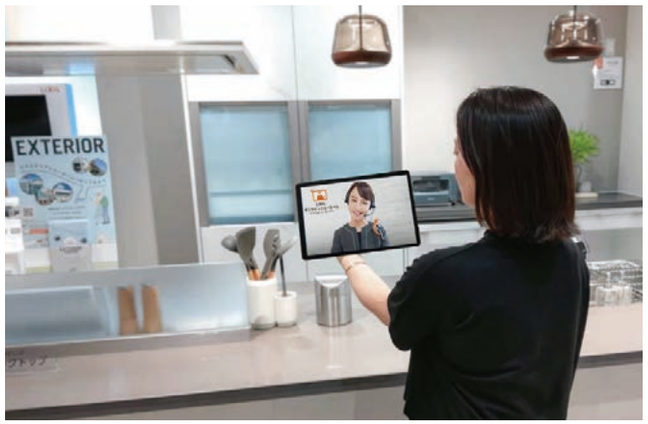
Customers can now consult with their families at a convenient time, including parents caring for children, and even measure the dimensions of their spaces during consultations—benefiting significantly from the removal of time and location constraints.

To further improve customer experience (CX), LIXIL has introduced services like AI-powered voice transcription support for customers with hearing impairments or limited Japanese, as well as extended customer reception availability to evenings and weekends.

The service now handles over 10,000 sessions per month and receives an average satisfaction rating of 8.7 out of 10.

The online consultation model also supports flexible work for employees seeking shorter or limited workdays and enables coordinators in regions like Tohoku to assist customers in the Kanto region remotely.

In September 2024, LIXIL opened LIXIL Studio Kohoku, a walk-in experiential showroom. This new showroom style allows customers to freely explore and interact with products without staff assistance. On-site tablets enable online consultations, and the space serves as a community venue for product demos and custom events aimed at professional users.



Another key customer touchpoint is the contact center, where LIXIL is using generative AI technology to enhance service quality and productivity in handling post-purchase inquiries. For example, AI now handles post-call work such as transcribing and summarizing conversations, improving productivity, and ensuring consistent data capture without human variation. The accumulated data is used to enhance customer support and fuels a positive feedback loop in data-driven service development.

Developing new businesses

LIXIL is working to develop new businesses utilizing digital technology.

The LIXIL Toilet Cloud, an IoT service that enhances the efficiency of public toilet cleaning, helps to reduce facility management costs. Based on usage data, AI technology designs and directs optimal cleaning workflows in real time, tailored to each facility's characteristics. This enables efficient cleaning, reduces costs, and helps address labor shortages. Over 1,000 units have already been ordered, and more than 10,000 facilities are considering implementation. Installations are underway at locations including JR West's Osaka Station, major supermarkets, malls, and roadside stations—helping LIXIL differentiate itself from competitors.

In the residential sector, adoption of the Life Assist2 smart home system is growing, with major homebuilders now using the technology. With rising interest in home security, more installations now include electric shutters, smart locks, and surveillance cameras. Looking ahead, LIXIL is exploring AI-powered health monitoring through smart home systems. The Company aims to integrate with the Ministry of Economy's Personal Health Record (PHR) platform to control home appliances and provide behavioral recommendations to create a comfortable sleep environment.



INTELLECTUAL PROPERTY STRATEGY

Please visit our website for more information on our IP Strategy and governance framework.
https://www.lixil.com/en/investor/strategy/ip_index.html

At LIXIL, we have implemented our intellectual property (IP) strategy to support the execution of management strategies through the acquisition, utilization, and risk management of IP rights, with the aim to maintain competitiveness realizing a long-term business advantage and high profitability.

LIXIL's Global Intellectual Property Strategy

Our Intellectual Property (IP) Division bases its activities on three core pillars: establishing an appropriate risk management structure to avoid and prevent significant business risks, implementing IP management that protects differentiated values to prevent free-riding by third parties, and leveraging IP intelligence to support the formulation of management and business strategies. These efforts are aimed at maintaining sustainable competitiveness and realizing the priority issues outlined in the LIXIL Playbook.

Our IP Strategy, formulated in line with the LIXIL Playbook and business policies through close collaboration with the R&D and business divisions, is reported annually to the Board of Directors and executive officers for oversight.

Furthermore, we have established a global organizational structure that integrates our international IP functions with the headquarters' IP Division, and are strengthening the ability to implement IP Strategy across the group through initiatives such as dispatching IP members of the headquarters to international offices and efforts to overcome common challenges.

Measures Against Counterfeit Water Purifier Cartridges

Based on the policy of taking firm action against counterfeit products that free-ride on our IP and may endanger customer safety, we take action against counterfeit water purifier cartridges by enforcing our IP rights, including trademarks, design rights, and copyrights.



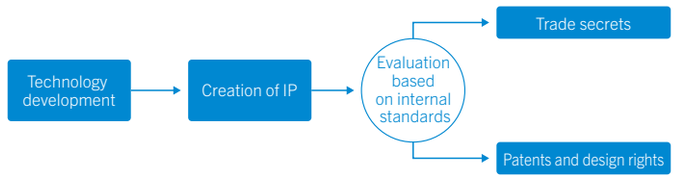
Declaration to Eliminate Counterfeit Water Purifier Cartridges https://newsroom.lixil.com/ja/2024092702 (Japanese only)

Examples of Strategic Protection and Exploitation of IP

We regard the IP generated through our business activities—including technologies, designs, and brands—as important capital for enhancing the differentiated value of our products, sustaining growth, and continuously creating social impact. Accordingly, we continue to invest in strategically building and managing our IP portfolio.

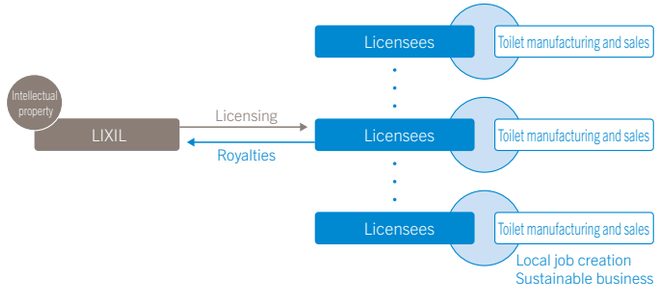
For example, *PremiAL* and *revia* are LIXIL's original products developed to reduce negative environmental impact and support the transition to a decarbonized society. These products maintain high quality while using recycled materials, and were developed based on our long-standing know-how and technical expertise in sustainable resource management. To maintain this differentiated value over the long term, we identified and evaluated relevant know-how and technologies as IP and established its management system, in which we manage IP that contributes to differentiating our products from others as trade secrets or acquire patent rights, depending on whether it is know-how that should be blocked from external access, or technologies for which securing exclusive rights is effective in preventing other companies from following.

PremiAL / *revia* IP Strategy diagram



In support of our Impact Strategy, LIXIL's commitment to tackling global sanitation and hygiene challenges is significantly enhanced by a strategic focus on IP. Building a robust portfolio of patents, design rights, and trademarks for our innovative, affordable SATO toilet and handwashing solutions allows us to empower local partners through licensing. This fosters local manufacturing, job creation, and economic growth in developing countries. Simultaneously, protecting our IP enables us to combat counterfeit products, ensuring product quality and safety while safeguarding the market stability for our partners.

SATO licensing business diagram



IP Strategy and Standardization

While LIXIL protects its unique, differentiated values by safeguarding its intellectual property rights, it also works to achieve industry-wide standardization of advanced technologies that are important for society to help shape future market rules*.

* To build an environment that helps various businesses enter new markets through the openness of technology and know-how by standardization. One of the measures to maximize Total Addressable Market (TAM: the entire market size that a business may acquire). Reference: Ministry of Economy, Trade and Industry, "Market Formation Guidance," published in March 2022.

INITIATIVES TO REDUCE COST OF CAPITAL

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Elements of the corporate value formula highlighted in this section

$$\text{Enhancing corporate value} = \frac{\text{Expanding value creation (Improving profit margin)}}{\text{Reducing cost of capital} - \text{Improving growth rate}}$$

Reducing cost of capital

We will discuss our initiatives to reduce capital cost through strengthened corporate governance, compliance and risk management, internal audits, and engagement with stakeholders.

DIALOGUE WITH OUTSIDE DIRECTORS

Three outside directors: Yuji Nishiura, an expert in corporate revitalization and management; Mariko Watahiki, with expertise in law and organizational governance; and Shigeki Ishizuka, who is well-versed in manufacturing and technology. These outside directors, each bringing different strengths, engaged in a wide-ranging discussion about LIXIL's current state and future prospects. Topics included the progress and challenges of structural reforms based on the LIXIL Playbook, the evolution of oversight functions, and achieving concrete results based on the CEO succession plan.

Further evolution based on the LIXIL Playbook—Enhancing oversight functions and creating a roadmap for medium- to long-term direction



Yuji Nishiura
Outside Director
Chairperson of the Board of Directors, and Chairperson of Governance Committee



Shigeki Ishizuka
Outside Director
Member of Audit Committee, and Member of Compensation Committee



Mariko Watahiki
Outside Director
Chairperson of Nomination Committee, and Member of Compensation Committee

* Appointments as of FYE2025

The steady progress of structural reforms, implemented without delay, should be commended.

Nishiura Allow me to start by discussing how we view the structural reforms currently being promoted by LIXIL. The foundation of these reforms is the LIXIL Playbook, which was formulated in FYE2021. The LIXIL Playbook provides clear direction for our business strategy, and I feel positive about how this direction is being shared and advanced collectively by all, including the directors and executive officers. Despite the challenging business environment brought on by the

COVID-19 pandemic and other factors, the steady progress made on structural reforms without delay deserves proper recognition. With reforms in Japan largely completed, we are now actively pursuing international structural reforms, focusing on Europe and the U.S. I am confident that these efforts will produce solid results.

Watahiki When I was appointed as an outside director in 2021, domestic structural reforms had just begun. At the time, we were tackling bold reforms with great determination, particularly on factory closures centered on the LHT business. As a result, the profitability of the LHT business has improved significantly, and even in Europe, where the housing recession remains deeply rooted, performance is on the upswing. Without a doubt, we are seeing the fruits of these structural reforms. Our biggest challenge remains the U.S., but even though the efforts have required considerable time and expense, I highly commend the executive side's commitment to reforms, including portfolio restructuring.

Ishizuka While there have certainly been tangible results, there are also some points of concern. Structural reforms often involve both subsidiary consolidation and workforce reductions. While these are areas that require careful handling, I feel the process may be taking a bit too long. The longer it takes, the greater the financial burden becomes, and it also leads to employee fatigue. Perhaps we could have advanced these reforms more swiftly.

Clarifying Business Challenges Through Constructive Dialogue with the Executive Team

Nishiura For outside directors to effectively supervise execution, the way the executive side presents information is a critical issue.

Ishizuka As the Board of Directors, we made various requests regarding our European operations during a period of declining performance. We were provided with very detailed information. However, there were still some things that were difficult to grasp. Simply being presented with documents often does not lead to a clear understanding. Last fall, I visited factories and offices in Germany as an Audit Committee member. By seeing and hearing things firsthand, I was finally able to gain a clear sense of the true state of things and where the problems lay. With this information in mind, I could then communicate to the Board of Directors in my own words. It was extremely valuable to speak directly with local employees, and it gave me a deeper understanding of the organizational and HR challenges they are facing. I strongly believe that even outside directors need opportunities to see the front lines and local sites firsthand.

Watahiki I also felt that simply listening to performance reports in Board of Directors meetings was not enough. However, once Mr. Ishizuka created a standardized reporting format, the quality of our discussions significantly improved. With the use of a standardized format, we now receive accurate summaries of the reports, visualized updates on current issues and the status of their responses, and all business division reports follow the same structure—making them much easier to compare.

Ishizuka Mr. Aoki, another outside director who shared my concerns, helped create the format based on our respective experiences. We requested that reports focus more on what we want to know rather than just what the people doing the reporting want to say, especially asking for concise summaries and key points.

Nishiura This is where outside directors bring real value. If we have effective methods from experience at other companies, we should proactively bring those into LIXIL.

Ishizuka I believe the job of an outside director is to keep saying what we believe is right, regardless of how the executives perceive it. Even if an opinion is in the minority or perhaps unorthodox, it is important that the executive side recognizes that diverse views exist in society. Fortunately, despite our different backgrounds and careers, we outside directors are largely aligned in our views on what really matters. That level of alignment may be the result of the strong and persistent efforts we have made as outside directors.

Nishiura In the past, there was some divergence among the outside directors in terms of concerns, priorities and what we considered most important. However, through shared awareness and continued discussion, I feel our understanding has become much more aligned. For example, when there were various comments about the LIXIL Playbook, the outside directors unanimously requested that it be made easier to monitor by setting clearer plans. At a recent off-site discussion, we agreed to establish a proper medium-term roadmap that would make progress easier to visualize.

Watahiki The decision to create a medium-term roadmap came as a direct result of strong and persistent requests from the outside directors. While we received qualitative explanations, the lack of quantitative progress tracking led to frustration among the outside directors.

Nishiura Exactly. These outcomes are the result of us sharing a sense of urgency and striving, as a Board, to establish the kind of oversight function we believe should exist.

From Phase to Phase: Governance Restructuring and Onward

Nishiura When I think about the role of the oversight function, I personally believe that ensuring transparency, objectivity, and fairness is the most important aspect. In particular, the governance restructuring efforts that followed the management turmoil in 2019 were about laying a firmer foundation for the Company. We focused on establishing rules that ensure transparency, objectivity, and fairness. What do the two of you consider most important when it comes to fulfilling the oversight role as outside directors?

Watahiki I believe that the "perspective we choose to take" is what

matters most. Rather than falling into micromanagement, we need to practice oversight—stepping back and seeing the whole picture accurately so that we can offer our insight. Outside directors do not have to be all-knowing. Instead, they should use their specific areas of expertise and insights to provide meaningful input to the executives. We should use our specific areas of expertise and insights to provide meaningful input to the executives. We must fulfill our oversight role with the resolve that being an outside director is a position with substantial responsibility due to the high weight it carries.

Ishizuka I believe the situation has changed significantly since the governance restructuring phase around 2019 to 2020, now that five years have passed. I think what we need in the current phase is efficiency. Business operations need to be streamlined, and if any aspect of corporate governance becomes overly bloated, that too should be trimmed down. Governance is not something that should rest solely on the shoulders of outside directors—there are elements that the executive side should address by themselves as well. There is no single correct answer here, but I think this is a topic we should revisit and discuss again.

Watahiki I have personally devoted a lot of time and energy to restructuring governance. Still, I now feel it is worth reconsidering just how far the responsibilities of outside directors should actually extend.

Nishiura As Mr. Ishizuka pointed out, we have definitely entered a new phase. Since FYE2020, the Board of Directors has worked on restructuring governance, and the fact that we have established a solid foundation is reflected in the external recognition we have received. This includes being ranked among the top Japanese companies in corporate governance surveys. Now that this foundation has been laid, the Board of Directors' oversight function is operating properly. While we must continue reinforcing that foundation, the Board must now build on it to contribute to enhanced corporate value and sustainable growth. As the company shifts from phase to phase, the roles of the Board of Directors and outside directors must also shift. That is precisely why, when it comes to what must be done, it is important not only to listen to explanations but also to take a proactive role. Encouraging stronger forward momentum is essential. This has become a vital role of the Board of Directors and the oversight function.

Considering the Specifics of a Smooth CEO Succession

Nishiura Looking ahead to sustainable growth, it is also important that we put into practice the CEO Succession Plan that the Nomination Committee developed in 2020. This plan is reviewed and updated annually, and in FYE2025, Ms. Watahiki served as chairperson of the Nomination Committee.

Watahiki Given the age and tenure of Mr. Seto, the CEO, I believe the time has come for us to seriously consider a smooth CEO transition as part of ensuring organizational renewal. All members of the Nomination Committee share this view, and we have had in-depth discussions throughout FYE2025. We are also advancing the succession plan while engaging in dialogue with the executives on fundamental questions such as whether the current execution style is appropriate, and what the role of the CEO should truly be. Following the transition of the CFO position to a younger generation in FYE2024, we have also selected a young candidate for a new executive officer appointment in FYE2025. We hope to catalyze new chemical reactions in the Company by bringing in younger talent as



executive officers. By observing how those dynamics unfold, we aim to identify the successor to the CEO. By observing how those dynamics unfold, we determined the reappointment of the CEO. From our perspective as the Nomination Committee, we believe the Company should continue executing its business in alignment with the basic policies outlined in the LIXIL Playbook. We concluded that Mr. Seto is best positioned to drive forward the structural reforms currently underway in Europe and the U.S. We hope that as he remains the CEO, Mr. Seto will consolidate the current framework and pave the way for a smooth handover to the next generation with confidence.

Nishiura We do not just focus on who the next CEO should be. We also look ahead to see who might follow afterward. I consider this forward-looking approach one of LIXIL's strengths. To add to this approach, our considerations do not stop at the CEO—we also consider what the ideal successors for other executive roles should look like and who might be best suited, all with a long-term perspective. Within that context, I would say we have now reached a critical stage where it is time to begin concretely transitioning to the next generation.



A Product and Technology Roadmap to the Company's Medium- to Long-Term Goals

Nishiura Finally, I would like to ask each of you what you believe is necessary for LIXIL's sustainable growth and future, and what you are paying particular attention to as outside directors.

Ishizuka As mentioned earlier, I am focused on the medium-term roadmap. Going forward, reviewing that roadmap thoroughly will become a core part of our role as directors. As an outside director from a manufacturing background and as an engineer, I believe a concrete timeline for products and technologies is a necessary part of a useful roadmap. LIXIL has a culture that encourages engineers to pursue ideas from a technical perspective, and it provides an excellent environment for development. However, we need to put more emphasis on how customers will actually receive those technologies. In a somewhat extracurricular role, I have been proactively sharing my experience in factory lectures, individual brainstorming sessions, and even casual settings like social gatherings to engage more deeply with engineers. When I talk in those settings about how development, manufacturing, and sales must work as one from start to finish for a manufacturer to succeed, the response is always very positive. By aligning the passion and capabilities of our development and manufacturing teams with a clear roadmap, I believe LIXIL can shift onto a new growth trajectory. In this area, I hope to contribute, even in a small way, by giving advice where I can.

Watahiki LIXIL puts a tremendous amount of thought into its environmental strategy when developing products. However, I often feel frustrated that we have not been able to communicate that effectively. I would like to see further efforts to more firmly establish the environmental strategy as an integral part of our business strategy.

One more point: I am particularly focused on the "water" business. Recently, we have begun substantial collaboration between LWT Japan and LWT International in the area of new product development. Growing and expanding this business should become a major strength for LIXIL. On the other hand, we also have the outstanding GROHE brand. Figuring out how to fully leverage that brand as part of a unified "One LIXIL" strategy will be key to the growth and success of our Water Technology Business.

Nishiura I think that most of the challenges for sustainable growth have already been thoroughly addressed in these comments, but if I were to add one thing, it would be our efforts in the area of people. For a company to grow sustainably, transforming the management team is absolutely crucial. Diversity is another crux. I would like to continue pushing the executive side to shape LIXIL into a company where women can thrive, and people of diverse nationalities can contribute freely.

BOARD OF DIRECTORS' EFFECTIVENESS EVALUATION

The evaluation is performed to confirm the effectiveness of the Board of Directors and the committees, and to identify medium- to long-term issues with regard to improving their effectiveness.

Progress on Priority Issues for FYE2025

We continued to implement improvement measures for the following three priority issues.

Priority Issues and Improvement Measures
① **Establishment concretization of an established oversight framework** Clarify key themes for Board of Directors deliberation, explore concrete methods for supervising and deliberating on those themes (including use of free discussion opportunities outside of formal Board of Directors meetings), etc.
② **Further support for retaining outside directors** Enhance onboarding for new directors (including visits to key business locations and guidance from existing directors and executive officers, etc.); hold pre-briefings for each Board of Directors meeting.
③ **Enhance communication among directors and between directors and executives** Involve non-director executive officers in discussions on key topics such as business strategy; expand site visits, visits to exhibitions, and business briefings; implement lectures by outside directors, and hold two-way sessions between outside directors and executive teams.

Evaluation Results for FYE2025

With support from an external agency specializing in evaluation, part of the evaluation process was carried out, including distributing and compiling questionnaires for directors and executive officers, as well as conducting individual interviews with directors.

Main Evaluation Criteria
① Degree of improvement or change in the three priority issues from the previous fiscal year ② How well the Board of Directors is operating, with a focus on improving corporate value from a medium- to long-term perspective ③ Assessment of issues related to the composition of the Board of Directors and committees from a medium- to long-term perspective

Summary of Results (by Specialized External Agency)
The evaluation confirmed that LIXIL's Board of Directors is functioning effectively. However, while some improvements were seen in the priority issues from the previous fiscal year, further improvements were deemed necessary, including enhanced communication and clearer role definitions between the Board and committees.

Initiatives and Priority Issues for FYE2026

As a result of deliberations by the Board of Directors, in order to further enhance the effectiveness of the Board of Directors and committees, the following priority issues have been identified. The Company will implement measures to address these issues.

Priority issues
① Concentration on important agenda items ② Further strengthening the cooperation between the board of directors and each committee ③ Strengthening mutual understanding between directors and executives

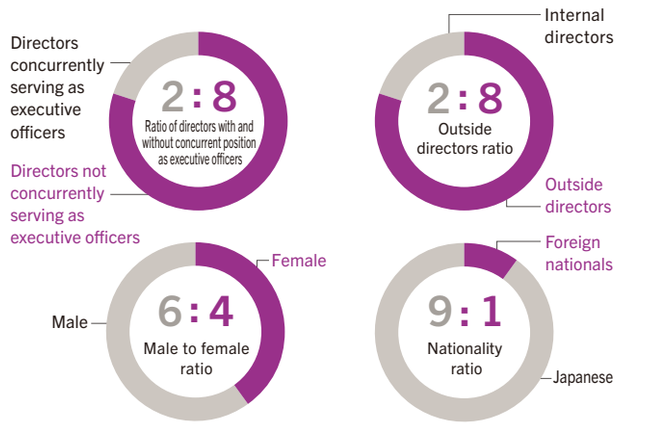
COMPOSITION OF THE BOARD OF DIRECTORS

Skills Required of Directors

The Board of Directors needs to be comprised of personnel who have abundant experience and specialized knowledge, etc. in order to appropriately supervise the Company's execution of business. The Nomination Committee has determined the experience, knowledge, and expertise that it believes to be particularly important, as set forth on the next page and below under "Skill Items." The committee believes that it is important for the Board of Directors as a whole to be provided with those skills. Under its corporate Purpose of "making better homes a reality for everyone, everywhere", the Company is proceeding with initiatives aimed towards both society and achieving sustainable growth through the strategic initiatives and Impact Strategy laid out in the LIXIL Playbook, which is its medium-to-long-term management direction. Toward that end, the Company believes that in order for the Board of Directors to effectively fulfill its supervisory function with respect to the execution of business, having a "sustainability-focused" perspective is indispensable. At the Company, this is not regarded as a "skill," but rather as an "attitude or perspective" that every director should possess. For example, the attitude and perspective that value the global environment and human rights are recognized as principles that all directors should naturally understand and uphold, and therefore, LIXIL does not categorize them as individual "skills." We expect that the supervisory function will be demonstrated through all expert skills such as "Practical Experience in Corporate Management," "Accounting, Finance, or M&A," "Risk Management," and "Human Resources, Development, or Labor."

Board of Directors' Members in FYE2026

(Since June 19, 2025)



Reference Release: March 24, 2025 – Notice Regarding Nomination of Director Candidates and Appointment of Executive Officers

Experience, knowledge and expertise required of the Company's directors

LIXIL defines the experience, knowledge, and expertise required of directors to effectively supervise business execution as the “skill items” listed below.

We clarify the skills each director possesses based on judgement criteria and identify specific skill items that the Nomination Committee particularly expects each outside director to demonstrate.

Reason for Choice of Skill Item
https://www.lixil.com/en/about/board/reason.html#cont05

Judgement Criteria for Determining Possession of Each Skill Item
https://www.lixil.com/en/about/board/reason.html#cont03

Reasons for Nomination and Expected Role of Directors
https://www.lixil.com/en/about/board/reason.html#cont04

Skills Matrix

Member	Years of service as Director*1	Skill Items (Experience, Knowledge, and Expertise Required of the Company's Directors)									
		Practical experience in corporate management	Experience in global business and management	Experience in negotiating with government agencies	Knowledge of accounting, finance, and M&A	Knowledge of legal and compliance	Knowledge of risk management	Knowledge of human resources training, development, and labor	Knowledge of sales and marketing	Knowledge of manufacturing, technology, and R&D	Knowledge of IT and digital
Kinya Seto	9 years	●	●	●	●	●	●	●	●	●	●
Jin Song Montesano	5 years	●	●	●			●	●			
Jun Aoki*	2 years	●	●	●			●	●	●	●	
Shigeki Ishizuka*	2 years	●	●				●	●	●	●	●
Hiroshi Ishino*	–	●	●				●		●	●	
Ryusuke Ohori*	1 year			●	●	●	●	●			
Shiho Konno*	4 years			●		●	●	●			
Mayumi Tamura*	3 years	●	●		●	●	●				●
Yuji Nishiura*	6 years	●		●	●		●	●	●		●
Mariko Watahiki*	4 years			●		●	●	●			

* Outside directors
*1 Since June 19, 2025

● Skill items possessed by each director
Skill items that the Nomination Committee particularly expects each outside director to demonstrate

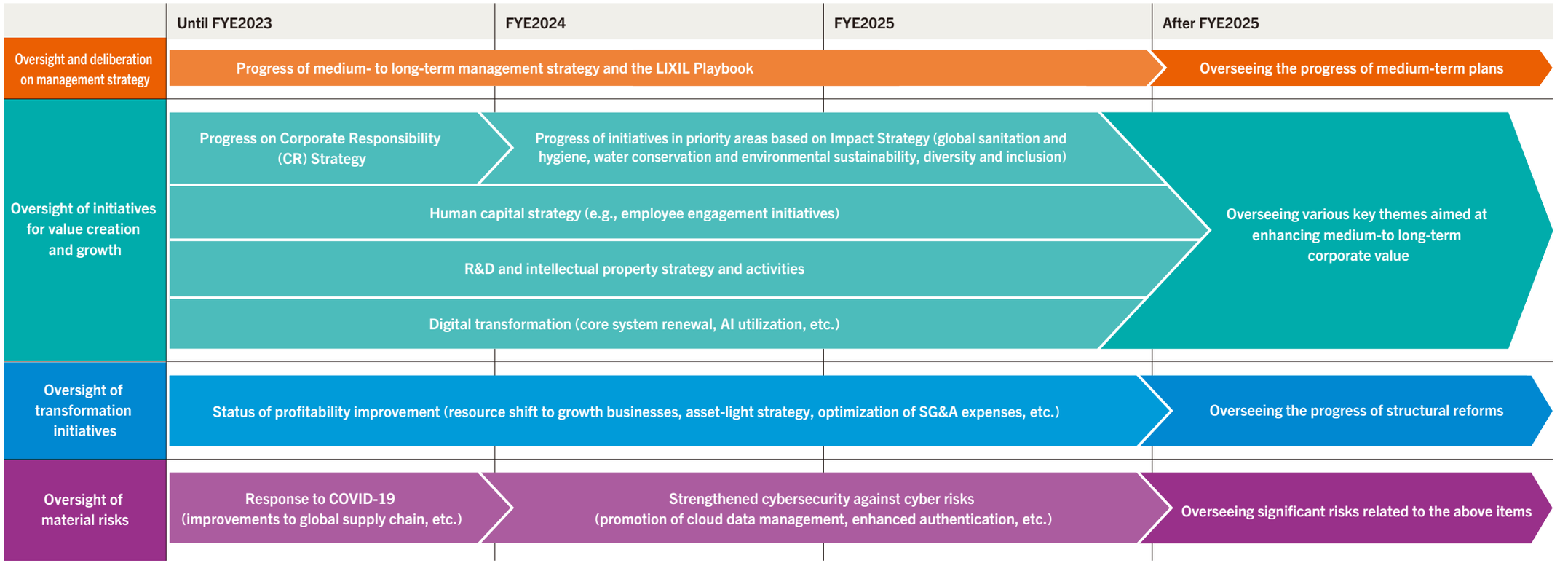
GOVERNANCE REFORM

Initiatives to Enhance the Effectiveness of Governance Functions

	Until FYE2023	FYE2024	FYE2025	After FYE2025
Initiatives	・Changed the composition of three statutory committees to solely independent outside directors ・Established CEO succession plan ・Established structured executive training system ・Outsourced evaluation of the effectiveness of the Board of Directors to a specialized external organization	・Established guidelines for outside director conduct ・Revised internal control system	・Rebuilding Board of Directors Operations to Enhance Corporate Value Over the Medium Term (internal directors to participate starting in June) ・Decision to establish a new Outside directors opinion exchange meeting	・Reconstructing the operation of the Board of Directors to enhance medium- to long-term corporate value (see below) ・Initiating deliberations at the Outside directors opinion exchange meeting

Evolution of Key Oversight Themes at Board of Directors Meetings

At LIXIL, the Board of Directors sets an annual agenda each fiscal year, selecting key oversight and discussion themes with the goal of driving sustainable growth and enhancing corporate value. The following topics, considered particularly crucial for achieving medium- to long-term value creation, are regularly included on the Board's agenda, and progress on these initiatives is continuously monitored.



INITIATIVES TO PROMOTE ACTIVE DISCUSSION AT THE BOARD OF DIRECTORS AND COMMITTEE MEETINGS

To promote active discussions that contribute to sustainable growth and enhanced corporate value, we continuously implement the following initiatives at Board of Directors and committee meetings.

Group Training for Directors and Executive Officers

To establish a shared understanding of the role of oversight at the Board of Directors meetings and enhance the effectiveness of discussions, we hold training sessions given by outside lecturers for all directors and executive officers at least once a year.

Site Visits and Training Sessions for Outside Directors

We arrange site visits to LHT and LWT Japan (covering areas such as technology development, new product briefings, and production sites) and facilitate discussions with business division heads to ensure an accurate understanding of business conditions. In addition, we conduct roundtable meetings to foster mutual understanding between outside directors and employees.

Initiatives by Dedicated Secretariats to Enhance Effectiveness

To facilitate more active discussions and enhance the effectiveness of the Board of Directors and committee meetings, we have established dedicated secretariats for each body. These secretariats work closely together to ensure smooth operations and focus on initiatives that support the effective sharing of internal information essential for deliberations and speedy onboarding of new members.

(1) Preliminary Board of Directors briefings on important topics.
(2) Provision of basic information about the LIXIL group, including internal glossary, production systems, personnel composition, etc.
(3) Information support for newly appointed outside directors (including guidance from executive officers on areas under their supervision, and inspections of key facilities, such as primary factories in Japan and flagship showrooms), etc.


Visit to the INAX Live Museum


Visit to LHT's New Product Exhibition





Orientation for newly appointed outside directors (visits to Shimotsuma Factory and LIXIL Showroom Tokyo)

MESSAGE FROM THE CHAIRPERSON OF THE BOARD OF DIRECTORS

No matter how challenging conditions become, we remain committed to thorough deliberation without losing sight of the fundamental principle of sustainable growth.



Yuji Nishiura
Chairperson of the Board of Directors

Under the guiding principle of sustainable enhancement of corporate value, the Board of Directors will prioritize the following perspectives in its operations for FYE2026.

Further Strengthening of the Corporate Governance Framework

Although LIXIL's corporate governance framework experienced a period of instability in the past, it has since evolved to the point of receiving high evaluations from external institutions. However, we will not be complacent with the current situation and will continue to review and strengthen our corporate governance. We will also review the activities of each committee, as well as the Board of Directors.

Supporting Continuous Creation of New Value

The key to sustainable enhancement of corporate value lies in continuous creation of new value. LIXIL's outside directors bring diverse backgrounds and actively contribute their experience and insights through vibrant discussions and advice on the creation of new value. Beyond the Board of Directors itself, we are also increasingly engaging in lectures and discussions with the executive team and employees.

Deliberations Focused on Measures not Beholden Only to Short-Term Performance

Our business environment has been undergoing dramatic changes, which is affecting our current performance. However, the Board of Directors believes that even painful or front-loaded cost initiatives should not be deferred, and when deemed necessary, it intends to proactively support the executive team in moving forward with them.

Smooth Transition to the Next Generation of Management

A smooth transition to the next generation of the management team is a crucial factor in ensuring sustainable growth. To that end, we are continuously refining the CEO succession plan and outside director succession plan. Diversity is also increasingly important when considering the composition of the next generation of leadership.

Lastly, I would like to offer a brief personal reflection as a director.

I make it a point to visit factories and technology exhibitions to see and experience LIXIL's innovative products firsthand and deepen my understanding. Each visit leaves me with a strong impression of the new value being created and reinforces the awareness that we are addressing social challenges through our business activities.

I can confidently say that the integration of business and environmental initiatives is one of LIXIL's unique strengths.

Main Agenda Items of Board of Directors for FYE2025

Note: Excludes agenda items related to financial results

Themes	Main agenda items
Oversight and deliberation on management strategy	・Medium-term management strategy ・Progress of the LIXIL Playbook for each business (confirmed in monthly executive officer reports)
Oversight of initiatives for value creation and growth	・Business models utilizing AI ・Human capital strategies (e.g., employee engagement initiatives) ・Global R&D structure and activity updates ・Implementation status of Intellectual Property strategy ・Design and brand strategy
Oversight of transformation initiatives	・Cost structure optimization initiatives centered in Europe and North America ・Transfer of the shower toilet business to our company
Oversight of material risks	・Status of cyber risk response, etc.

ACTIVITY REPORT FROM THE CHAIRPERSON OF THE NOMINATION COMMITTEE



Mariko Watahiki Chairperson of the Nomination Committee

Nomination Committee Members* in FYE2026

Member
Mariko Watahiki (Chairperson)
Jun Aoki
Hiroshi Ishino
Ryusuke Ohori

* Since June 19, 2025

Outlook on Long-term Issues and Direction of Initiatives

We continue to pursue initiatives to realize a transformation of the management team for the next generation to ensure the sustainable growth of the Company.

1. Analysis and evaluation of the current CEO and consideration of a new executive structure
2. Monitoring the development of next-generation talent and facilitating planned leadership succession
3. Sustainable and smooth transitions based on the outside director succession plan

Specific Initiatives and Progress in FYE2025

Amid a challenging business environment and sluggish performance, the Nomination Committee engaged in deeper discussions than ever before regarding the CEO succession plan and successor development. Specifically, we conducted external assessments of the current CEO and potential next-generation CEO candidates. Based on the insights gained, we held discussions with the current CEO to analyze his performance and identify challenges, and clearly convey the Nomination Committee's perspective of the CEO's reappointment and the expectations of the outside directors in fulfilling their oversight function. We also promoted communication aimed at fostering cohesion within the executive team and made progress on generational transition among executive officers.

Regarding the succession of outside directors, we conducted an "outside director review" for all outside directors through an external specialist organization, with the aim of further enhancing the contributions of the Board of Directors to the Company's management. The Nomination Committee is composed of individuals with diverse experience, insights, and expertise. Through the exchange of views from multiple perspectives, the committee contributes to building a structure that supports enhanced corporate value and sustainable growth.

Key Initiatives and Future Direction

We will continue to monitor CEO successor candidates based on the CEO succession plan and track the development of next-generation management talent and executive officer successors. We will also implement our succession plan for outside directors, aiming to further enhance the quality of the Board of Directors.

ACTIVITY REPORT FROM THE CHAIRPERSON OF THE AUDIT COMMITTEE



Ryusuke Ohori Chairperson of the Audit Committee

Audit Committee Members* in FYE2026

Member
Ryusuke Ohori (Chairperson)
Shigeki Ishizuka
Hiroshi Ishino
Shiho Konno
Mayumi Tamura

* Since June 19, 2025

Outlook on Long-term Issues and Direction of Initiatives

The role of the Audit Committee encompasses auditing the execution of duties of directors and executive officers, verifying the operating status of internal control systems, and evaluating the reappointment of accounting auditors. We are working to further enhance the transparency and effectiveness of these audit procedures. In addition, each Audit Committee member sets individual priority themes, leveraging the expertise of each member and striving to realize the ideal state.

Specific Initiatives and Progress in FYE2025

At regular Audit Committee meetings, we received reports from the Corporate Audit Division, the Compliance & Ethics Division, and other related divisions and provided guidance and advice as needed in response to issues and concerns. In October of last year, we conducted an international audit and worked to identify potential risks at our European bases.

As planned, we held meetings of company auditors assigned to group companies to share audit policies and confirm the status of internal control operations across group companies. We also held discussion sessions to exchange opinions with the representative executive officers and interviews with executive officers.

We regularly exchanged information with the accounting auditors and discussed matters such as the status of international audits and key audit matters (KAM).

Key individual focus themes included continued efforts from the previous fiscal year to enhance the reappointment process for accounting auditors and strengthen the internal audit system, as well as initiatives to improve the quality of non-financial information and disclosures such as this Integrated Report, and to reinforce the internal control system. These efforts yielded meaningful results.

Key Initiatives and Future Direction

The composition of the FYE2026 Audit Committee was decided at the Board of Directors' meeting that took place after the Annual Shareholders' Meeting held on June 19, 2025. The Audit Committee will continue to enhance our group audit framework both domestically and internationally and conduct transparent and effective audit activities in order to strengthen our organizational auditing.

ACTIVITY REPORT FROM THE CHAIRPERSON OF THE COMPENSATION COMMITTEE



Compensation Committee Members* in FYE2026

Member
Jun Aoki (Chairperson)
Shigeki Ishizuka
Mariko Watahiki

* Since June 19, 2025

Jun Aoki **Chairperson of the Compensation Committee**

Outlook on Long-term Issues and Direction of Initiatives

To enhance sustainable corporate value through initiatives based on the LIXIL Playbook, we are building an effective compensation framework based on the following perspectives.

1. Is the compensation determined through a highly transparent and fair decision-making process?
2. Does the compensation align with the Company's strategic direction and incentivize achievement of its goals?
3. Does the compensation ensure accountability to stakeholders?

Specific Initiatives and Progress in FYE2025

In FYE2025, several issues were addressed in light of recent management conditions.

1) The method for determining compensation levels for executive officers was revised to clarify decision-making factors such as the process and reference markets, thereby enhancing rationality, fairness, and transparency. Based on this review, only the compensation of executive officers whose responsibilities are expanding will be revised in FYE2026.
2) Further strengthening of performance linkage for long-term incentive compensation for executive officers was discussed in anticipation of future revisions.
3) Regarding Stock-linked Compensation for outside directors, the Phantom Stock Plan was revised to a Restricted Stock Compensation Plan in order to promote alignment with shareholders and support long-term corporate value enhancement.

In these initiatives, committee members with diverse experience exchanged open views, drawing on external data and advanced cases to pursue mechanisms best suited to the Company's needs.

Key Initiatives and Future Direction

Executive compensation at the Company is regarded not merely as a unified set of rules, but as a key lever of human capital management to maximize adaptability to global markets, and must evolve alongside business progress. In view of these characteristics, we will continue to sincerely listen to shareholder feedback and build and operate an effective compensation system that motivates the expansion of corporate value.

ACTIVITY REPORT FROM THE CHAIRPERSON OF THE GOVERNANCE COMMITTEE



Governance Committee Members* in FYE2026

Member	
Yuji Nishiura (Chairperson)	Shiho Konno
Jun Aoki	Mayumi Tamura
Shigeki Ishizuka	Mariko Watahiki
Hiroshi Ishino	Kinya Seto
Ryusuke Ohori	Jin Song Montesano

* Since June 19, 2025

Yuji Nishiura **Chairperson of the Governance Committee**

Specific Initiatives and Progress in FYE2025

In addition to following up on priority issues identified in the previous Board of Directors effectiveness evaluation, the Governance Committee held multiple discussions in FYE2025 on the organizational structure and operating policies required to build a truly effective corporate governance framework at LIXIL, reassessing our model for governance.

Launch of the New Governance Committee

As a result of these discussions, consensus was reached that incorporating internal directors involved in actual business execution into the Governance Committee—alongside the continued contributions of outside directors who have led governance reforms—would enable deeper dialogue and better contribute to enhanced governance and corporate value. Accordingly, the Committee will now operate with a new structure that includes two internal directors.

Continued Opportunities for Deliberation by Outside Directors

At the same time, recognizing the utmost effectiveness of deliberations and discussions led by the Governance Committee with outside directors in FYE2025, we have newly established a discussion forum for outside directors to continue to ensure opportunities for open and candid dialogue on key management issues.

Goals and Initiatives for FYE2026

Continued attention will be given to the follow-up of the priority issues identified in the effectiveness evaluation of FYE2025—"focused deliberation on critical proposals," "Further strengthening coordination between the Board of Directors and committees," and "Deepening mutual understanding between directors and executive officers"—alongside ongoing efforts to review and strengthen the governance system.

MESSAGE FROM OUTSIDE DIRECTORS



Shigeki Ishizuka

Outside Director
Member of Audit Committee and
Member of Compensation Committee

At the Board of Directors, we held repeated discussions on the contents of the Medium-Term Strategic Plan, which ultimately led to the establishment of numerical targets for the next three years. As a member of the Audit Committee, I visited factories and warehouses in Germany, and as a member of the Compensation Committee, I have offered opinions on what the ideal structure should be. Beyond those responsibilities, I have participated in multiple lectures and opinion exchange sessions within various business divisions. I have especially focused on repeated dialogues with engineers and on-site manufacturing teams, striving to help strengthen competitive advantages across the value chain—from products and quality to sales and services.

Going forward, I will continue to regularly monitor the execution of the Medium-Term Strategic Plan and provide timely and appropriate advice in response to changes. I will also maintain dialogue with the technology, manufacturing, and sales/marketing divisions, aiming to enhance on-the-ground capabilities and employee motivation while contributing to the Company's medium-term growth.



Shiho Konno

Outside Director
Member of Audit Committee
Lawyer

I am called on to proactively support the challenges taken on by the management team, while also carefully checking for any gaps, striving to provide timely and appropriate oversight. In providing advice to management, I focus particularly on contributing from my areas of expertise, which include compliance, governance, and diversity. It has been two years since the Audit Committee initiated major reforms toward organizational auditing, and I believe we are beginning to see results. Last year, not limiting ourselves to organizational auditing alone, we conducted an on-site audit of our German subsidiary and gained insights that would have been difficult to obtain from Japan. I intend to continue dedicating my efforts to contribute to the Company's sustainable growth.



Hiroshi Ishino

Outside Director
Member of Nomination Committee and
Member of Audit Committee

I believe the purpose of a company is to generate profits and return value to shareholders and society. To achieve this, it is essential to ensure customer satisfaction, differentiate ourselves from competitors, and foster internal spirit and self-discipline. If issues arise in achieving these goals, it is important to not only address surface-level factors but also identify and correct the underlying structural causes. I intend to help enhance our corporate value by sharing in the execution challenges faced under limited resources, and by applying my experience in procurement, production, planning, sales, business turnarounds, startups, and M&A both in Japan and international markets, to support and supervise the management team. To that end, I ask the management team to clearly define and quantify as much as possible our present and future vision and goals, create a roadmap that outlines the means and timeline for achieving them (subject to review when conditions change greatly), and monitor progress through the Board of Directors while encouraging open discussion.



Mayumi Tamura

Outside Director
Member of Audit Committee

Amid rapidly changing market and global economic environments, LIXIL remains focused on the process of strengthening its financial foundation. We have implemented various measures to improve profit margins and optimize asset efficiency. While some of these measures have involved difficult decisions, I have worked to ensure they are steadily paving the way for future growth. Going forward, we must continue reviewing our assets to maintain a lean structure while also driving business growth by leveraging our technological strengths, design innovation, and initiatives under the Impact Strategy—all while improving capital efficiency.

I intend to place even greater focus on these areas and will support management by effectively managing risks while closely monitoring the expansion of our high-growth-potential international business and ensuring the soundness of our financial accounting, while encouraging timely and agile execution.

EXECUTIVE COMPENSATION

Our Approach to Executive Compensation

To meet the expectations of shareholders and other stakeholders, we have established an effective compensation structure that motivates officers to achieve sustainable growth and improve corporate value through efforts aligned with the LIXIL Playbook to achieve the Company's purpose.

Compensation Basic Policies

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

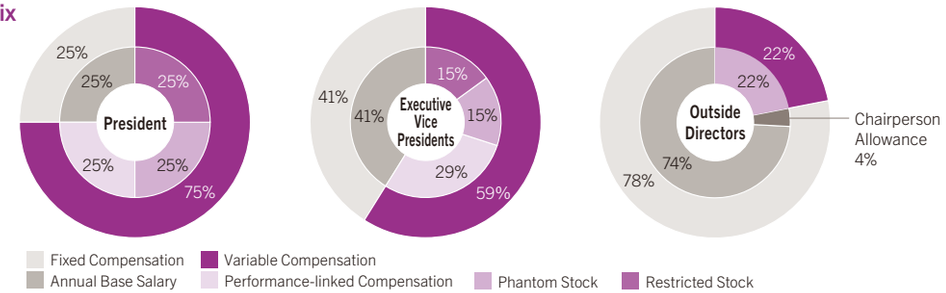
Compensation System for Directors and Executive Officers

* Executive officers who also serve as directors are subject to the executive officer compensation scheme.

Type		Applicable To	Overview	Application in FYE2025
Fixed	Annual Base Salary	Directors Executive Officers	Annual Base Salary shall be determined individually, based on role and responsibility, business performance, experience, and difficulty of securing personnel, etc. of each officer, while comparing compensation levels with domestic and foreign companies of similar business size by using the survey results conducted by external specialized agencies. In view of the importance of attracting management talent from a variety of industries on a global basis to realize the Company's purpose, a wide range of companies of similar business size shall be referenced.	In light of the Company's performance, revisions to Annual Base Salary for executive officers were limited to adjustments reflecting expanded role and responsibility.
Variable	Performance-linked Compensation	Executive Officers	To encourage 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, performance target items are limited to company-wide indicators: ROIC, core earnings, and net profit. If the business target achievement rate exceeds 150%, the payout rate is 200% (the maximum); if it falls below 50%, the payout rate is 0%.	The business target achievement rate was 82.94%, resulting in the payout rate of 82.9%.
	Stock-linked Compensation (Restricted Stock)	Directors Executive Officers	This plan is introduced for directors and executive officers to deepen their shared interests with shareholders and to work to improve corporate value over the medium to long term during their term of office. Restricted stocks are allotted once a year, and the transfer restrictions is lifted at the time of the officer's retirement.	After the Annual Shareholders' Meeting in 2025, the Restricted Stock Compensation Plan was introduced for directors, replacing the Phantom Stock Plan.
	Stock-linked Compensation (Phantom Stock)	Executive Officers	In addition to the same objectives as the Restricted Stock described above, this plan allows for flexibility and agility in global hiring and transfers. Phantom stock are granted once a year, and a cash amount is paid based on the stock price three years after grant date.	

→ **Subject to malus and clawback**

Compensation Mix



* Performance–linked Compensation, Restricted Stock and Phantom Stock are shown as the base amount in FYE2025.

Performance-linked Compensation

The base amount of Performance-linked Compensation shall be calculated by multiplying the Annual Base Salary by the coefficient that is set based on the role and responsibility, etc. of each executive officer, in line with the purpose of the compensation basic policies. The calculation method, target items, and achievement levels for Performance-linked Compensation is shown in the table below.

Calculation

Performance-linked Compensation = Base amount of Performance-linked Compensation × Payout rate according to business target achievement rate

Business Target Achievement Rate for FYE2025

Business target items	Ratio versus all business targets	Target	Result	Business target achievement rate ([Result ÷ Target] × 100)
ROIC	40%	1.4%	1.7%	121.43%
Core earnings	30%	¥35,000 million	¥31,337 million	89.53%
Net profit	30%	¥8,000 million	¥2,001 million	25.01%
Business target achievement rate for all items (Total of each business target achievement rate multiplied by ratio versus all business targets)				82.94%

Payout Rate According to Business Target Achievement Rate

Business target achievement rate	Payout rate
Less than 50%	0%
50% or more but less than 100%	Same as business target achievement rate
100% or more but less than 150%	([Business target achievement rate − 100] × 2 + 100)%
150% or more	200%

Stock-linked Compensation I: Restricted Stock Compensation Plan

The Company allots Restricted stock to directors and executive officers once a year. The number of shares allotted shall be determined by dividing the base amount (which is calculated by multiplying the Annual Base Salary by the coefficient set based on the role and responsibility, etc. of each officer) by the stock price* at the time of allotment in line with the purpose of the compensation basic policies. Transfer restrictions for directors and executive officers are lifted at the time of retirement.

* In principle, the average closing price of the Company's stock for the 30 business days prior to the appointment date shall be used.

Stock-linked Compensation II: Phantom Stock Plan

The Company grants Phantom Stock to executive officers on the first day of the fiscal year. The number of Phantom Stock granted shall be determined by dividing the base amount (which is calculated by multiplying the Annual Base Salary by the coefficient set based on the role and responsibility, etc. of each executive officer) by the stock price* at the time of grant in line with the purpose of the compensation basic policies. The holding period of Phantom Stock is three years, and the vesting amount shall be determined by multiplying the stock price* at the time of vesting by the number of Phantom Stock held. In summary, the amount of compensation increases or decreases in accordance with changes in the stock price during the holding period.

* The average closing price of the Company's stock for the 30 business days prior to each of the grant date and the vesting date shall be used.

Malus and Clawback Provisions

With regard to Performance-linked Compensation and Stock-linked Compensation, if there has been any material accounting error by the Company or the Board of Directors determines that there has been a material violation, etc. by the officer, the Compensation Committee may decide to reduce or cancel pre-vested compensation and/or demand the return of post-vested compensation based on such reasons.

Stock Ownership Guidelines

The Company has introduced Stock Ownership Guidelines which provide recommendations for the number of the Company's shares to be held by executive officers during their term of office.
Representative executive officers: Three times the amount of Annual Base Salary
Other executive officers: One time the amount of Annual Base Salary

Total amount of compensation of Directors and Executive Officers for FYE2025

Officer title	Total amount of compensation (¥ million)	Total amount of compensation by type (¥ million)					Number of officers receiving
		Annual Base Salary	Performance-linked Compensation	Stock-linked Compensation		Other	
				Phantom Stock	Restricted Stock Compensation		
Director (Excluding outside directors)	9 (9)	9 (9)	—	—	—	0 (0)	1
Outside Directors	181 (181)	144 (144)	—	37 (37)	—	—	9
Executive Officers	1,534 (1,437)	608 (511)	335 (335)	322 (322)	247 (247)	22 (22)	8
Total	1,724 (1,627)	761 (664)	335 (335)	359 (359)	247 (247)	22 (22)	18

Notes: 1. Amounts based on Japan standard.
2. The total amount of compensation shown above are stated as consolidated compensation, which are the total amount of compensation paid by the Company and the Company's subsidiaries. The amount in parentheses is the total amount of compensation paid by the Company.
3. Directors concurrently serving as executive officers are paid compensation as executive officers.
4. The amount of Annual Base Salary for outside directors includes chairperson allowance.
5. Performance-linked Compensation and Stock-linked Compensation are the amounts that were recorded as expenses for FYE2025.

COMPLIANCE / RISK MANAGEMENT

Compliance

Our Group has established and operates a compliance program across the group to clarify the group-wide compliance policy and ethical standards. We have established the LIXIL Code of Conduct, and policies and guidelines based on the Code of Conduct for specific fields posing a high risk to the LIXIL group of companies and conduct regular training and reviews. We have worked to enhance compliance risk management and further solidify the compliance culture and system of the group to promote efficiency and standardization of compliance programs at the global level.

- **LIXIL Code of Conduct**
- **Compliance System**
- **Corporate Culture**
- **Education and Training Programs**
- **Review Process**
- **Concern-Raising (Whistleblowing) System and Grievance Handling System**

More information is available on our website.
https://www.lixil.com/en/about/governance/compliance.html

- **LIXIL Human Rights Principles**

More information is available on our website.
https://www.lixil.com/en/impact/foundation/h_rights.html

Risk Management

The group utilize enterprise risk management (ERM) across the group to ensure business continuity and stable development. We are enhancing the effectiveness of risk management through the establishment of the Risk Management Global Policy, applicable to all employees and officers, along with various operational rules and detailed regulations, the implementation of regular risk assessments, and the promotion of business continuity management (BCM). In addition, the Risk Management Committee monitors the status of company-wide risk management efforts and the occurrence of major incidents, and makes decisions related to ERM accordingly.

- **About Risk Management**

More information is available on our website.
https://www.lixil.com/en/about/governance/risk_management.html

- **Business Risks**

More information is available on our website.
https://www.lixil.com/en/investor/strategy/risks.html

Corporate Culture

To raise compliance awareness and instill a culture of compliance, management delivers video messages on compliance, and we host educational events such as contests in Japan and abroad to encourage employees to learn about compliance in a fun and proactive way.





Risk Assessment Initiatives

The group conducts annual group-wide risk assessment. The results are reported to the Risk Management Committee, which identifies material risks and places the risks in order of priority. We also regularly monitor material risks, reviewing countermeasures and checking on their progress.
We reassess which risks should be included in the evaluation scope in response to changes in the business environment surrounding the group. Furthermore, we have strengthened our group-wide risk management framework by establishing a new forum for discussing global risks.

Concern-Raising (Whistleblowing) System and Grievance Handling System

To collect information on compliance breaches, take measures to prevent fraudulent and unlawful behavior, and respond quickly where action is required, we operate the concern-raising system Speak-Up! We regularly conduct awareness campaigns to educate employees on how to use the system correctly and what to expect after a concern is reported. When a concern is reported, depending on its nature, the relevant department conducts an investigation, analyzes trends, and takes proactive measures such as organizational improvements and employee education to prevent wrongdoing and violations.

BCM and BCP Initiatives

The group promotes business continuity management (BCM) to ensure the continuation and swift recovery of business in the event of an emergency while minimizing damages. We have also compiled rules and guidelines and have strengthened the business continuity plans (BCP) to be followed in the event of a crisis, such as a large-scale natural disaster or cyberattack. These policies and plans are reviewed and updated periodically. If a crisis were to occur that was considered to exceed a specific level in terms of scale or significance, a crisis response headquarters would be established at the head office to guarantee a prompt initial response and escalation.

INTERNAL AUDIT

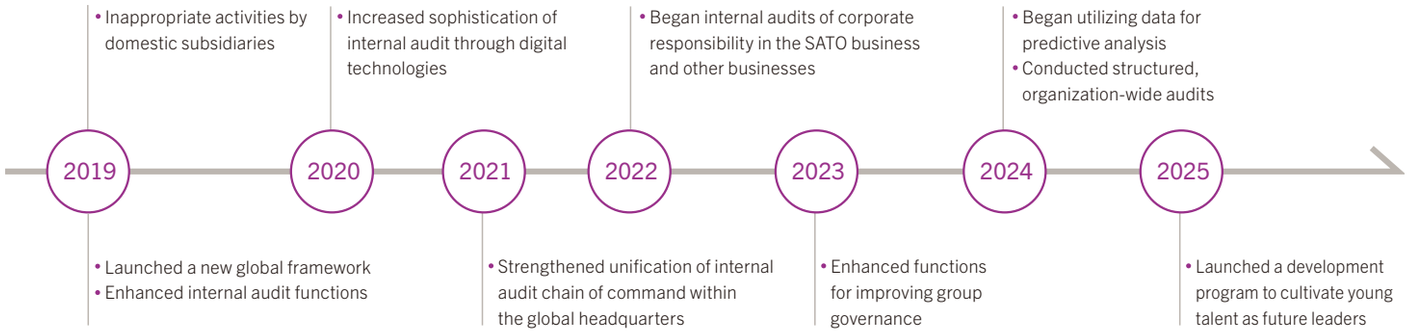
How LIXIL and Its Group Companies See Internal Audit

Corporate Audit, a corporate function, is responsible for managing the internal audit organizations of all LIXIL group companies in Japan and international markets, and ensures that all audits are conducted in a unified and comprehensive manner by integrating the internal audit chain of command. (As of the end of March 2025, the number of people involved in the internal audit organizations totaled 64.) Corporate Audit is responsible for carrying out traditional internal audit processes such as accounting audits, operational audits, and assessments of internal controls. Additionally, it reviews internal audit systems and processes in order to help achieve sustainable growth, strengthen governance as well as internal controls, and contribute to the development of human resources. Corporate Audit's overall mission is to provide value by strengthening the management foundation that can quickly respond to environmental changes through internal audit operations.

Initiatives to Enhance the Effectiveness and Independence of Internal Audits

All audit organizations of the LIXIL group companies report to the leader of Corporate Audit, who, in turn, ensures detailed information is shared in a timely manner. Corporate Audit reports audit findings each quarter to the Board of Executive Officers and attends regular Audit Committee meetings to report audit results and risk information. Reporting directly to the group's CEO, and acting in close cooperation with the Audit Committee while taking into account the committee's instructions and advice, Corporate Audit also collaborates directly with the external auditors. This structure ensures the independence and objectivity of audit functions. We are also strengthening measures to prevent fraud or errors in financial reporting. We plan to further increase opportunities for internal audits to evaluate effectiveness at the request of the Audit Committee.

Internal Audit Initiatives (Years ended March 31)



Initiatives to Audit Non-financial Information

By enhanced cooperation with the Compliance Department, we are focusing on verifying management methods to prevent legal or regulatory violations, reducing risks, and improving reliability. In addition, Corporate Audit in Europe has been piloting an EHS (Environment, Health, Safety) program on a sample basis, separately from third-party external certifications. These areas are expected to help prevent fraudulent acts and corruption, improve the integrity of operations, and enhance compliance awareness. A recent trend is the growing emphasis on ensuring the reliability of ESG (Environmental, Social, and Governance) information.

Further Accelerating the Digitalization of Internal Audits

To improve the sophistication and efficiency of audits, audit processes that leverage digitalization are becoming important. To achieve this, 1) we are promoting the strengthening of data visualization and trend analysis, and 2) we are venturing into data-based predictive analysis. The use of digital technologies such as AI, big data analysis, process mining, and RPA is expanding. Internal audits are becoming more integrated with risk management, with an enhanced focus on monitoring cybersecurity and ESG-related risks.

Data integration and consolidation⇒Aggregation and visualization⇒Predictive analysis⇒Automation and optimization

Information		Intelligence & Insight		
Active areas to date			Future areas to tackle	
Data linkage	Data aggregation		Data analysis	
Stage1	Stage2	Stage3	Stage4	Stage5
		BI*	BA*	AI*
Able to acquire data	Able to accumulate data in a form that can be utilized	Able to visualize and analyze data based on trends	Able to find rules from data and perform predictive analysis	Able to perform advanced machine-based analysis

* BI: Business intelligence BA: Business analytics AI: Artificial intelligence

HUMAN RIGHTS / SUPPLY CHAIN MANAGEMENT / STAKEHOLDER ENGAGEMENT

Human Rights

Guided by the LIXIL Human Rights Principles, we strive to uphold the human rights of all stakeholders.

Human Rights

https://www.lixil.com/en/impact/foundation/h_rights.html

LIXIL's Key Human Rights Issues

In addition to establishing our Human Rights Principles, LIXIL identified key human rights issues as 'areas of focus' to proactively manage and mitigate potential risks. This approach guides our ongoing efforts to strengthen human rights due diligence. By establishing a well-defined priority order derived from human rights risk surveys conducted regularly among our employees, we further enhance our efforts to advance these areas of focus.

Our Human Rights Due Diligence Process

We seek to mitigate human rights risks by systematically analyzing and assessing potential risks through our established human rights due diligence process.

Identifying Human Rights Risks

LIXIL identifies potential human rights risks through a range of activities, with a primary focus on surveys conducted by our Human Rights Due Diligence Task Force. We have expanded the scope of these surveys to include suppliers. Internal guidelines also stipulate the integration of human rights perspectives into the M&A decision-making process.

Remediation: Measures to Mitigate Human Rights Risks

LIXIL takes measures to mitigate and address risks and issues identified through our employee human rights survey.

Supply Chain Management

Guided by our commitment to responsible procurement, LIXIL strives to ensure a stable supply of products with respect for the environment and human rights, while strengthening partnerships with our suppliers.

Supply Chain Management

https://www.lixil.com/en/impact/foundation/supply_chain.html

Addressing High-Risk Areas

LIXIL identified wood as a raw material with a high risk for negative impacts on human rights and the environment. We take proactive steps to prevent and mitigate those risks, determining high-risk areas based on the types of risks. The Impact Strategy Committee approved these areas following review by the Human Rights Due Diligence Task Force and other relevant departments.

- Human rights risks: Forced labor, child labor, low wages, excessive working hours, occupational health and safety issues
- Environmental risks: Impact on climate change, water resources, and ecosystems
- Legal risks: Domestic and international regulatory trends related to specific materials and human rights due diligence
- Business risks: Purchase value, relevance to key products

By the end of FYE2025, we enhanced our criteria for identifying key suppliers by incorporating new elements to verify activities including product-specific risks that may pose a high risk to human rights or the environment. As part of this initiative, we decided to conduct due diligence on timber suppliers. In FYE2026, we will conduct comprehensive due diligence to identify and assess specific risks associated with these suppliers. Looking ahead, we plan to expand similar due diligence to other raw materials considered to have a high risk of negative impacts on human rights and the environment.

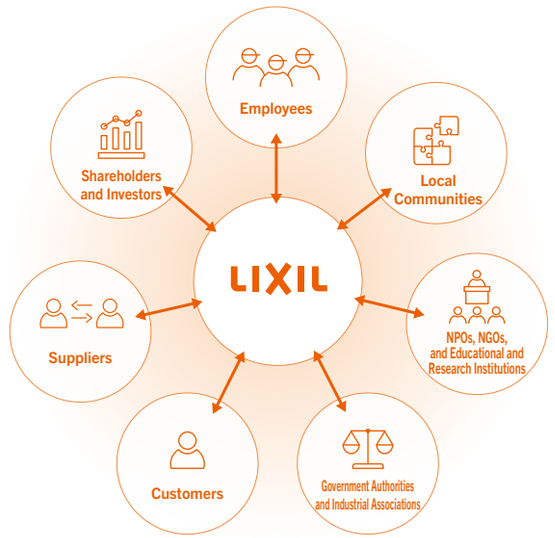
Stakeholder Engagement

Guided by our commitment to responsible engagement, LIXIL strives to improve quality of life and address social issues through active and responsive engagement with stakeholders.

Stakeholder Engagement

https://www.lixil.com/en/impact/foundation/stakeholder.html

We conduct our business activities with the aim of creating a positive impact on society. LIXIL proactively engages in dialogue with all stakeholders, including customers, business partners, local communities, shareholders, investors, employees, and their families to ensure their perspectives inform our decisions and actions. Our business operations and social initiatives are anchored in the three core pillars of the LIXIL Impact Strategy: global sanitation and hygiene, water conservation and environmental sustainability, and diversity and inclusion. Active stakeholder engagement is essential to developing and delivering effective solutions to the issues related to these pillars.



BASIC POLICY FOR INVESTOR RELATIONS

The Company's investor relations (IR) activities facilitate communication with the Japanese and international capital markets, thereby helping to enhance corporate value. These IR activities convey messages from senior management to markets while providing senior management with feedback from markets in an unflagging effort to boost corporate value.

Based on the timely disclosure rules of the Tokyo Stock Exchange, the Company discloses important information, including decisions, events, or information regarding accounts settlement, that might affect investment judgments. It is also the Company's policy to disclose information that does not fall under the timely disclosure rules as proactively and fairly as possible, in order to better meet investors' needs.

Actions to Better Focus on Cost of Capital and Share Price

With the aim of implementing management that is conscious of capital costs and share price, we first accurately assess our own capital cost and capital profitability. The current status and market evaluations are then analyzed and assessed by the Board of Directors, based on which improvement plans are formulated and disclosed. These initiatives are continuously updated through dialogue with investors.

Insights gained through dialogue with investors and analysts are reported as needed by the IR Department to the Board of Directors and other relevant internal stakeholders. A structure is in place whereby the responsible departments then review and consider the feedback. Our external communications are developed collaboratively with internal stakeholders.



Quarterly earnings briefings



Impact Briefing session in April 2025

Investor Relations

https://www.lixil.com/en/investor/

Dialogue with Shareholders and Investors

Dialogue with Investors (FYE2025)

Earnings briefing sessions (quarterly)	4
Briefing sessions regarding management strategy and business strategy	2
Investor meetings (IR)	407
Shareholder engagement (SR)	10
Of which, meetings with outside directors	1
Small meetings with management	2
Investor conferences participated in	6

Main Questions and Requests from Shareholders and Investors

- **About initial business plans**
  - ✓ Upside/downside factors and likelihood of achievement
- **Business performance in Japan**
  - ✓ Demand trends for new construction and renovations
- **International business performance**
  - ✓ Demand trends by region
- **Progress on structural reforms**
  - ✓ Medium-to long-term direction
  - ✓ Long-term vision and timeline
- **PBR and ROE**
  - ✓ Profitability and capital efficiency improvements

Internal feedback

Key Feedback Opportunities (FYE2025)

Reports to the Board of Directors	Regularly, as well as 4 times/year
Reports to the Board of Executive Officers	Regularly, as well as 4 times/year

We regularly conduct opinion exchanges with outside directors and business divisions regarding performance and market trends, share information management through email and direct dialogue, and provide ongoing IR activity updates via the internal intranet.

Major Improvements Based on Feedback from Shareholders and Investors

- **Our medium- to long-term direction**
  - ✓ Disclosed medium-term roadmap (see P.25 for details)
  - ✓ Disclosed capital allocation (see P.12 for details)
- **Effectiveness of the Board of Directors**
  - ✓ Dialogue regarding this matter is featured in this report (see P.49 for details)

EXTERNAL RECOGNITION (From April 2024 to June 2025)

External Evaluations & Awards
https://www.lixil.com/en/about/evaluation.html

Major External Recognition: Global

MSCI ESG RATINGS AAA
CCC B BB BBB A AA AAA

Received a rating of AAA in the MSCI ESG Ratings assessment for the third consecutive year.
(February 2025)
Please refer to our website for disclaimers.

S&P Global
LIXIL Corporation
Building Products
Top 1%
Corporate Sustainability Assessment (CSA) 2024 Score
83/100

Earned "Top 1% S&P Global Corporate Sustainability Assessment (CSA) Score" in the S&P Global Sustainability Yearbook 2025.
(February 2025)

CDP Discloser 2024

Scored A- in both "Climate" and "Water Security"
(February 2025)
Earned its place in CDP's Climate A list
(February 2024)
Scored A- for Supplier Engagement
(March 2024)

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

LIXIL's 2050 long-term net-zero targets verified by the Science Based Targets initiative (SBTi), first in Japan's building materials industry*
(March 2024)
Baseline Year: FYE2019

SBTi CORPORATE NET-ZERO STANDARD
* As of April 3, 2024. Applies to the Buildings Products Sector as defined by the SBTi guidance.

Major External Recognition: Japan

DXプラチナ企業 2025-2027 Digital Transformation

Selected as a "DX Platinum Company 2025-2027" in March 2025 jointly awarded by the Ministry of Economy, Trade and Industry, the Tokyo Stock Exchange, and the Information-Technology Promotion Agency, Japan.
(April 2025)

NADESHIKO BRAND 2025

Selected as a component of the Nadeshiko Brand initiative for the ninth time, jointly conducted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange
(March 2025)

2025 健康経営優良法人 KENKO Investment for Health 大規模法人部門 ホワイト500

Certified as the "Health and Productivity Management Outstanding Organization" for the ninth consecutive year under the "Certified Health and Productivity Management Outstanding Organization Recognition Program", jointly conducted by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, Japan. Also selected as the "White 500" for the third consecutive year, recognized among the top 500 under the large enterprise category
(March 2025)

2025 ESG FINANCE AWARDS JAPAN SUSTAINABLE

Selected as Environmentally Sustainable Company at ESG Finance Awards Japan
(February 2025)

Major Selected Indices

Selected for all six ESG indices adopted by Japan's Government Pension Investment Fund (GPIF)

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

MORNINGSTAR GenDi J
Japan ex-REIT Gender Diversity Tilt Index
TOP CONSTITUENT 2025

S&P/JPX カーボン エフィシェント 指数

2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

(consecutively selected as of June 2025)
*Please refer to our website for disclaimers.

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ABOUT LIXIL

Products and services that help people everywhere

Making better homes a reality for everyone, everywhere, LIXIL provides a wide range of high-quality products that resolve issues in everyday life. We do this through innovation and world-leading technologies.



AT A GLANCE

As an industry leader, we fully leverage the various forms of capital we have developed over our history to expand our business globally.

Revenue
¥1,504.7 billion

Core earnings
¥31.3 billion

Business in over
150 countries worldwide

Production bases
77 factories

Employees
48,660

Granted patents and design rights
Over 13,000

Major design centers
8

Supporting the daily lives of over
1 billion people

Ratio of female managers
17.4%

Ratio of female directors and executive officers
37.5%

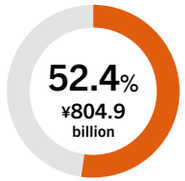
Outside directors ratio*
80.0%
* Since June 19, 2025

Ratio of male employees who took childcare leave (LIXIL Corporation)*
90.7%
* Including LIXIL's own paid childcare leave system for male employees
(As of March 31, 2025)

Water Technology Business



Revenue



Core earnings*1	**¥36.9 billion**
Employees*2	**27,151 people**
R&D	**¥16.4 billion**

*1 Equivalent to operating profit in JGAAP
*2 Excluding non-regular employees

Principal Products and Services

Plumbing fixtures
Sanitaryware, shower toilets, water faucets, washstands, bathtubs, prefabricated bathrooms, smart products, showerheads, etc.

Tile building materials
Tiles for houses and buildings, interior decorative tiles, etc.

Direct Customers

- Dealers
- Sales agencies
- Construction companies
- Architectural firms
- Developers
- Wholesalers
- Building material trading companies
- Volume retailers
- General consumers

Competitors

- Kohler
- Roca
- Hansgrohe
- Masco (Delta)
- Fortune Brands (Moen)
- Geberit
- TOTO
- Panasonic

Product Brands

- Global Brands

American Standard, GROHE, INAX, LIXIL

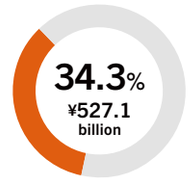
- Specialty Brands

COBRA, DXV, SATO

Housing Technology Business



Revenue



Core earnings*1	**¥26.0 billion**
Employees*2	**16,249 people**
R&D	**¥6.3 billion**

*1 Equivalent to operating profit in JGAAP
*2 Excluding non-regular employees

Principal Products and Services

Metal building materials
Window sashes for houses, buildings, and stores, entrance doors, shutters, gates, carports, banisters, high railings, curtain walls, etc.

Other building materials
Window frames, wooden furnishing materials, siding, roofing materials, etc.

Housing and services
Development of homebuilding franchise chains and construction on order, real estate management services, support for development of real estate franchises, housing loans, etc.

Other
Solar power systems, smart products, etc.

Direct Customers

- Dealers
- Sales agencies
- Construction companies
- Architectural firms
- Developers
- Building materials wholesalers
- Homebuilders
- House manufacturers
- General consumers

Competitors

- YKK AP
- Sankyo Tateyama
- SHIKOKU CHEMICALS
- Takasho
- NICHIHA
- KMEW

Product Brands

- Global Brands

LIXIL TOSTEM

- Category Brands

AT ASAHI TOSTEM, EXSIOR, SUPER WALL

- Specialty Brands

NODEA

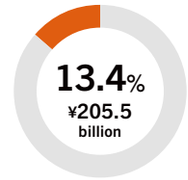
- Group Companies' Brands

アイフルホーム, フィアスホーム, GLホーム, ERA JAPAN

Living Business



Revenue



Core earnings*1	**¥7.2 billion**
Employees*2	**4,029 people**
R&D	**¥2.6 billion**

*1 Equivalent to operating profit in JGAAP
*2 Excluding non-regular employees

Principal Products and Services

Plumbing fixtures
Kitchen systems, sectional kitchens, vanities, vanity cabinet units, etc.

Interior materials
Interior doors and sliding doors, interior windows, flooring, counters and wooden furnishing materials, staircases, storage, etc.

Direct Customers

- Dealers
- Sales agencies
- Construction companies
- Architectural firms
- Developers
- Building materials wholesalers
- Homebuilders
- House manufacturers
- General consumers

Competitors

- TOTO
- Takara Standard
- Cleanup
- Panasonic
- TOCLAS
- DAIKEN
- Eidai
- NODA

Product Brands

- Global Brands

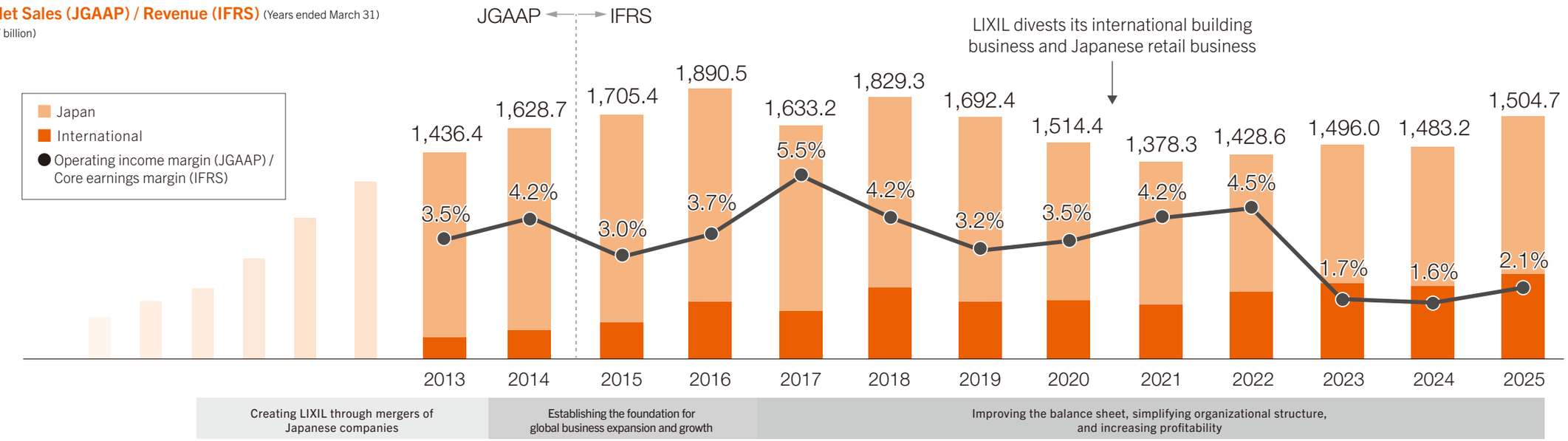
INAX, LIXIL

Note: In order to strengthen the foundation of the Japan business, the kitchen, vanity, and interior businesses were consolidated to launch the Living Business in April 2025.

LIXIL'S HISTORY

Net Sales (JGAAP) / Revenue (IFRS) (Years ended March 31)

(¥ billion)



Corporate Developments

2001
- INAX Corporation and TOSTEM Corporation merge

2011
- Five companies merge and establish LIXIL Corporation
- International building business becomes a subsidiary

2013
- American Standard's North American business becomes a subsidiary

2014
- GROHE becomes an equity-method affiliated company

2015
- GROHE becomes a subsidiary

2020
- LIXIL focuses on core businesses
- LIXIL divests its international building business and Japanese retail business

2025
- Partial divestment of international bathing business

History of Value Creation

1967
- First made-in-Japan shower toilet launches



2010
- High-performance hybrid window *SAMOS* launches



2013
- Manufacturing and sales of *SATO* toilet pans begin



2014
- *SPAGE*, a prefabricated bathroom, launches



2016
- Corporate Responsibility Strategy* formulated
- *AQUA CERAMIC*, an industry leading new material that prevents stains, launches



* Became Impact Strategy following update in 2023

2020
- Environmental Vision 2050 announced
- *SATO Tap* handwashing solution for emerging markets launches



2022
- Development of *revia*, a sustainable material



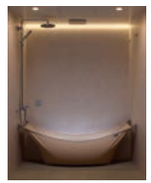
- *PremiAL*, a low-carbon building material using recycled aluminum, launches



2023
- GROHE *Everstream* concept announced



2024
- *bathtope*, a bathroom featuring a fabric bathtub launches



OUR STRENGTHS (SOURCES OF OUR BUSINESS ACTIVITIES)

LIXIL leverages its unique financial and non-financial resources and challenges itself to create new value in line with the LIXIL Playbook with its employees as the driving force to ensure sustainable growth and create an impact on society.

1 Diverse and Purpose-led People



LIXIL's employees are an important resource that represent the driving force behind our transformation into an innovative and inclusive organization. They represent the very core of the value creation process. By providing an environment where all employees are empowered, we can tap into their dedication and commitment to the long-term improvement of corporate value.

48,660 employees worldwide*

* Number of persons employed

2 Meaningfully Designed Products



Innovative, thoughtful and consumer-centric design is the very DNA of LIXIL. Through the exchange of ideas across markets and disciplines, our designers continue to create products that make a tangible difference in people's lives. As a result, our products have been globally recognized for their designs.

8 major global in-house design studios

3 "Monozukuri" Manufacturing Platform



LIXIL uses the time-honored Japanese tradition of "monozukuri" to create products of the highest quality at competitive costs. Our production sites have shifted to platform-based production to quickly meet changing demands while lowering capital investments. In addition, our global production system and supply chain ensure deliveries without disruption.

77 factories worldwide

4 Global Sales Infrastructure



LIXIL features a global footprint of sales channels and numerous brands and does business in over 150 countries worldwide. Coupled with our global capabilities, we are able to tailor our products to meet local demand and expand our gained knowledge and product ideas to other regions.

Present in over **150** countries

5 Unrivalled Portfolio of Brands



LIXIL features numerous powerful brands in our industry, with each brand having its own voice with consumers. To better leverage this recognition, we have created sub-brands further specialized in niche markets, with the goal of enhancing brand equity for the long term.

Over **70**% consumer recognition rate in key markets in each region

6 Sustainable Resource Management



LIXIL plays an important role in combating climate change and preserving the environment. We have launched a wide range of initiatives in procurement, production and operations to reduce carbon emissions, conserve water, and use resources more efficiently. We are also working to achieve a circular economy.

46.9% reduction* in CO_2 emissions from FYE2019

* Scope 1 & 2

7 Financial Foundation



In response to a challenging operating environment, we are implementing structural reforms. In terms of profitability, we are targeting a 10% core earnings margin over the long term. From the perspective of financial soundness, we set a medium-term target of a net debt-to-EBITDA ratio of 3.5 times or less, and implemented return on invested capital (ROIC) management to improve capital efficiency.

Long-term goal of **10**% core earnings margin

LIXIL'S CORE BUSINESSES

Water Technology Business - Japan



Driving innovation through the pursuit of core technologies and monozukuri, while balancing contributions to society and the environment with the creation of added value for customers

Marking the 100th anniversary of our water and tile businesses last year, we reviewed the evolution of our technologies and, looking forward to the future, formulated the Innovation Creation Guidelines and the Technology Playbook. We will continue to pursue the core technologies and manufacturing excellence we have developed, and take on the challenge of creating innovation for the next 100 years. In addition, by focusing on the renovation market, expanding into rental and non-residential sectors, and strengthening our business foundation through structural reforms, we aim to achieve sustainable growth.

Hiroyuki Oonishi — Executive Officer, Executive Vice President, LIXIL Water Technology (LWT) Japan

Key Strengths

- Combined global capabilities managed by core global team
- Highly regarded and clearly differentiated house of brands
- Comprehensive portfolio of products that are ideal for renovation
- Extensive nationwide sales and distribution network in Japan
- Strong cooperative structure with suppliers

Opportunities

- Continued growth in the renovation market
- Increasing need for environmentally friendly products, reflecting growing awareness of ethical consumption
- Evolving needs and lifestyle practices relating to bathing and water purification
- Increasing demand for new products and services that are aligned with an increasingly aging and urbanized society
- Increasing demand for the shower toilet in international markets such as China and Asian countries

Challenges

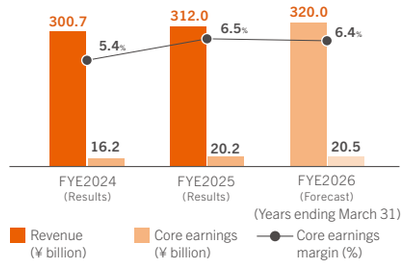
- Strengthening of core technologies and monozukuri manufacturing capabilities, and global business expansion
- Creation of designs that extend a product's lifetime and recyclability
- Promotion of the circular use of resources
- Use of digital technologies and AI in each operational process
- Structuring a stable supply system based on BCP

Risks

- Decrease in new housing starts in Japan
- Further increases in human resources costs and logistics, material, and energy prices
- Deterioration of the component procurement environment
- Supply chain disruptions due to changes in the global situation
- Shortage of logistics driver and skilled labor

Summary of Results for FYE2025

Revenue from LIXIL Water Technology (LWT), which handles water-related businesses, grew year-on-year due to expansion in the renovation market, increased sales of new products, and the effect of price revisions. Despite ongoing declines in new housing demand, revenue rose 3.8% year-on-year to ¥312.0 billion. Core earnings rose ¥4.0 billion year-on-year to ¥20.2 billion, as the impact of rising material costs and foreign exchange was offset by increased renovation sales and the effects of price revisions. The core earnings margin improved by 1.1 points to 6.5%.



*Figures reflect post-segment reclassification.

Strategy and Countermeasures

Although sluggish new housing demand and soaring raw material costs had a significant impact, the introduction of new products, shift toward the renovation market, and structural reforms have steadily begun to produce results. We will continue shifting our focus to the renovation market while strengthening efforts in the rental and non-residential sectors, aiming to secure revenue and profit even in the new housing market.

We will also advance structural reforms to strengthen our business foundation. One major initiative will be the integration of our toilet and tile businesses to streamline indirect operations and optimize the supply chain. We will strengthen our installation capabilities in preparation for growth in the renovation market.

Furthermore, based on our Innovation Guiding Principles and Technology Playbook, we will conduct elemental technology research in collaboration with our international LWT business to accelerate technology and design development. We will work to expand our international business further, including the shower toilet business and tile exports. In the shower toilet business, we will leverage the benefits of our business integration with AISIN to establish a competitive edge in the global market.

With the integration of our environmental and business strategies as a foundation, we will promote both, aiming to achieve a balance between contributing to society and the environment and creating added value for customers. In terms of talent, we will enhance our competitiveness by developing young, high-potential, and global personnel, while also leveraging the expertise of senior employees.

Water Technology Business - International



An unparalleled portfolio of brands, agile manufacturing capability, and innovation continue to drive LIXIL's global growth. With a clear strategy in place, we are well-positioned to grow sustainably in international markets.

Bijoy Mohan Executive Officer, Executive Vice President, LIXIL International

Key Strengths

- Truly international market coverage with significant sales in more than 150 countries across the Americas, EMEA, APAC, and Greater China
- Highly regarded and clearly differentiated house of brands that can fill product gaps in each region
- Comprehensive product portfolio covering luxury to entry segments
- A global supply chain and production footprint
- Strong innovation pipeline with focus on enhancing consumer experience and sustainability
- Award-winning in-house design team

Opportunities

- Increased demand for sustainable products due to heightened environmental awareness, cost of energy, and water scarcity
- Design, colors, and finishes to leverage the individualization and personal home spa themes
- Growing demand for solutions that improve health, hygiene, and well-being and allow for "aging in place"
- Increasing need for easy-to-install sanitary products or inclusion of installation services

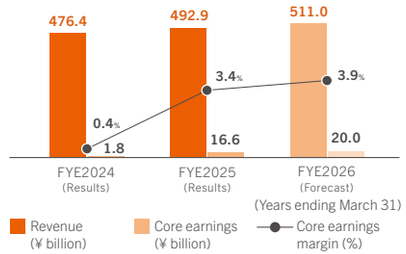
Challenges

- Addressing the challenge of operational flexibility including further cost variabilization
- Reduce time-to-market for innovative products
- Strengthen change management practices
- Successfully competing in the war for talent during a period of low performance and short-term incentive (performance-linked compensation) payouts

Risks

- Global economic risks rise amid the U.S. policy uncertainty and trade tensions.
- Continuously challenged housing markets in the core regions Europe, the Americas and China
- Increase in material and labor costs
- Commoditization of products
- Skilled labor shortages

Summary of Results for FYE2025



Revenue from the LWT International business rose 3.5% year-on-year to ¥492.9 billion, as continued weak demand in the U.S. and China was offset by steady sales performance in Europe and the Middle East, along with foreign currency translation effects. On a local currency basis, revenue increased in all regions except the U.S. and China. Core earnings rose ¥14.8 billion year-on-year to ¥16.6 billion, driven by higher revenue and reduced SG&A expenses resulting from structural reforms. The core earnings margin improved by 3.0 points to 3.4%.

Strategy and Countermeasures

Our strategic focus revolves around robust measures aimed at expanding our market share while fostering sustainable growth. We prioritize enriching our multi-brand portfolio by strategically expanding into profitable product categories and bridging any existing gaps in every region we operate in. Moreover, we strive to elevate our average sales price by continually innovating, delivering high-value offerings, and ensuring product differentiation.

Recognizing the diverse needs of each region, we tailor our brand and channel strategies accordingly, optimizing consumer engagement and satisfaction at every touchpoint. We aim to captivate consumers early in their buying journey, enhancing their overall experience through seamless interactions and personalized solutions.

By strengthening market segmentation, we ensure precise alignment with the unique needs and desires of each segment, thereby maximizing customer satisfaction and loyalty. Moreover, we remain committed to reducing our environmental footprint across products, services, and operations, fostering a sustainable future for all. Leveraging LIXIL's cutting-edge technologies, we continually bolster global innovation platforms to drive transformative growth and shape a brighter tomorrow.

Housing Technology Business



Make better homes and reduce negative environmental impact through innovation

We will continue with initiatives to realize decarbonization and the recycling of resources, and offer products and solutions with a high environmental value such as high-performance windows, *PremiAL*, and *revia*. Backed by the government's large-scale subsidy program for window renovations, we have also focused on energy-saving renovations and decarbonization of homes. In the new detached housing segment, we aim to achieve a 100% sales ratio for high-performance windows, striving to balance reduced negative environmental impact with business growth.

Satoshi Yoshida — Executive Officer, Executive Vice President, LIXIL Housing Technology (LHT) Japan

Key Strengths

- Leading market share in residential sash and door, and exterior product market sectors in Japan
- Leadership in low-carbon, sustainable materials for housing and buildings
- Products and technical capabilities to improve the insulation of doors and windows and throughout the entire building of existing houses
- Innovative product development made possible through advanced technologies and global design capabilities
- Simple organizational structure that facilitates the rapid development, manufacture, and sale of products
- Strong cooperative structure with suppliers

Opportunities

- Growing demand for environmentally responsible products, reflecting growing awareness of ethical consumption
- Increasing interest in high-performance housing, driven by government subsidy projects and more stringent energy-saving standards
- Growing demand for new products and services suitable for Japan's aging population
- Growing market for highly affluent consumers
- Increasing need for differentiated products due to population growth and rising income levels in Asian markets
- Growing demand for renovation-related products for openings (doors and windows) and exteriors due to increased awareness of crime prevention and disaster preparedness

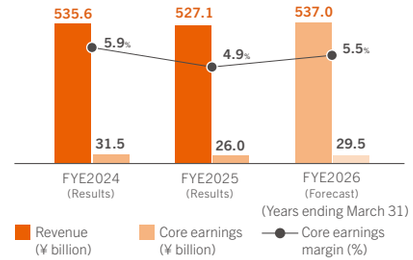
Challenges

- Cultivating an even stronger "challenger" mindset to create new value
- Strengthening our ability to shift from mass production to meeting a diversity of needs
- Flexibly shifting resources towards growth areas
- Establishing new workstyles and promoting digital transformation

Risks

- Decrease in new housing construction in Japan
- Further increases in human resources costs and logistics, material, and energy prices
- Deteriorating component procurement environment due to the depreciation of the yen and geopolitical risks
- Shortage of workers as skilled labor ages

Summary of Results for FYE2025



At LIXIL Housing Technology (LHT), which handles housing and building materials, sales of insulation products for renovation (particularly windows) grew significantly, supported by the government's large-scale subsidy program aimed at realizing a low-carbon society. However, the segment was heavily impacted by declining new housing demand and the loss of sales from a business sold in the previous year, resulting in a 1.6% year-on-year decrease to ¥527.1 billion. Core earnings declined ¥5.5 billion year-on-year to ¥26.0 billion, mainly due to weak new housing sales and ongoing cost increases from persistently high material and energy prices. The core earnings margin stood at 4.9%.

*Figures reflect post-segment reclassification.

Strategy and Countermeasures

Using platform-based production that requires a low investment for ongoing product development, and leveraging our technical and design capabilities to create superior digital devices, we will focus on steadily growing opportunities both within and outside of the housing sector. Also, we will further cultivate the international markets, expand sales in the renovation market, and accelerate business development-oriented initiatives that offer products with a high environmental value such as *PremiAL* and *GREEN WINDOW*. To speedily implement these initiatives, we will carry out a detailed evaluation of the strengths and weaknesses of LHT in achieving growth, and be even more proactive in collaborating with partner companies to develop products and services, as we continue to transform and innovate our businesses. We will continue investing in new businesses such as *revia* and *NODEA*, which serve as future growth drivers, striving to offer customers entirely new value propositions.

Living Business



More freedom in living and space. Taking on the challenge of creating differentiated living values in an increasingly diverse society

LIXIL launched its new “Living Business” in 2025, following a two-year integration process combining our kitchen, vanity, and interior building materials businesses. This new division represents a key pillar of future growth for LIXIL. We are committed to creating differentiated solutions for consumers through product innovation and by curating living spaces to meet evolving lifestyles. We will achieve this through high value-added spaces that harmonize beautifully with diverse lifestyles and allowing for personal expression, all leveraging LIXIL’s unique design capabilities.

Yusuke Ueda Senior Vice President, Living Business

Key Strengths

- High recognition and trust in the kitchen, vanity, and interior fields
- Advanced technical and design capabilities for delivering high-value-added products
- Innovative product development driven by diverse employees and flexible thinking
- A product lineup that enables coordinated options for entire living spaces
- Extensive nationwide sales and distribution network in Japan
- Strong procurement structure with suppliers

Opportunities

- Continued growth in the renovation market
- Growing demand for environmentally responsible products, reflecting growing awareness of ethical consumption
- Evolving customer needs stemming from diversified lifestyles
- Increasing demand for new products and services that are aligned with an increasingly aging and urbanized society

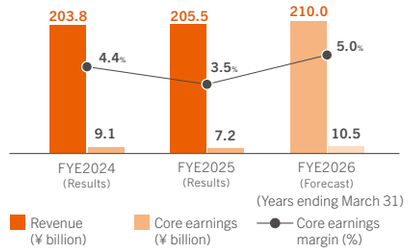
Challenges

- Creating compelling value for customers
- Transforming toward a stable and competitive supply chain
- Establishing a sustainable business foundation
- Streamlining installation and addressing environmental considerations

Risks

- Decrease in new housing construction in Japan
- Further increases in human resources costs and logistics, material, and energy prices
- Deterioration of the component procurement environment
- Shortage of logistics drivers and skilled laborers

Summary of Results for FYE2025



The Living Business was newly established through the integration of the kitchen & vanity business from the Water Technology Business and the interior business from the Housing Technology Business, both of which share many similarities in products, manufacturing processes, and business models. This move is part of our efforts to transform our domestic business. Revenue from the Living Business rose slightly year-on-year to ¥205.5 billion, as renovation-related sales offset the impact of declining new housing demand. Core earnings declined ¥1.8 billion year-on-year to ¥7.2 billion. While we offset rising material costs and higher SG&A expenses through pricing revisions and sales initiatives, foreign exchange had a significant negative impact. The core earnings margin was 3.5%.

Strategy and Countermeasures

To accelerate our shift towards the renovation market, we will focus on maximizing synergistic effects through the integration of our kitchen, vanity, and interior businesses. We will drive a two-pronged strategy focused on creating differentiated customer value and building an efficient and environmentally friendly supply chain.

A concrete example of our customer value creation is *Laundry Plus*, launched this spring. As society sees more households with both partners working outside the home, and as climate change makes drying laundry outdoors more unpredictable, *Laundry Plus* offers a customizable laundry space with coordinated design elements to suit various layouts and lifestyles. By consolidating laundry tasks previously performed throughout the house into one location, it allows users to do laundry regardless of weather or time, reducing both physical and mental strain. We are also focusing on innovations that contribute to solving social issues, including those related to Japan's aging population and shrinking workforce. For example, our *UL (Ultra Light) Kitchen*, also launched this spring, combines superior design with lightweight construction and simplified installation, reducing the workload and negative environmental impact during transportation and installation. Likewise, our *UwabaRe Floor*, which can be installed directly over existing flooring, shortens construction time and reduces noise during installation.

Moreover, by adopting common materials and construction methods across our kitchen, vanity, and interior businesses, and by optimizing production and development processes, we will promote efficiency to strengthen our competitiveness and sustainability.

LIXIL BOARD OF DIRECTORS (As of June 19, 2025)*

Profiles and reasons for nomination of directors are available on our corporate website.

https://www.lixil.com/en/about/board/



Kinya Seto

Director, Representative Executive Officer, President, and CEO
Number of Company shares owned: 696,169
Number of phantom stocks held: 192,261



Jin Song Montesano

Director, Representative Executive Officer, Executive Vice President, Chief People Officer, Human Resources, Communications, External Affairs, and Impact Strategy
Number of Company shares owned: 133,946
Number of phantom stocks held: 83,088



Jun Aoki

Outside Director
Chairperson of Compensation Committee and Member of Nomination Committee
First-class architect
Number of Company shares owned: 0



Shigeki Ishizuka

Outside Director
Member of Audit Committee and Member of Compensation Committee
Number of Company shares owned: 0



Hiroshi Ishino

Outside Director
Member of Nomination Committee and Member of Audit Committee
Number of Company shares owned: 0



Ryusuke Ohori

Outside Director
Chairperson of Audit Committee and Member of Nomination Committee
Number of Company shares owned: 0



Shiho Konno

Outside Director
Member of Audit Committee
Lawyer
Number of Company shares owned: 0



Mayumi Tamura

Outside Director
Member of Audit Committee
Number of Company shares owned: 0



Yuji Nishiura

Outside Director
Chairperson of the Board of Directors and Chairperson of Governance Committee
Number of Company shares owned: 0



Mariko Watahiki

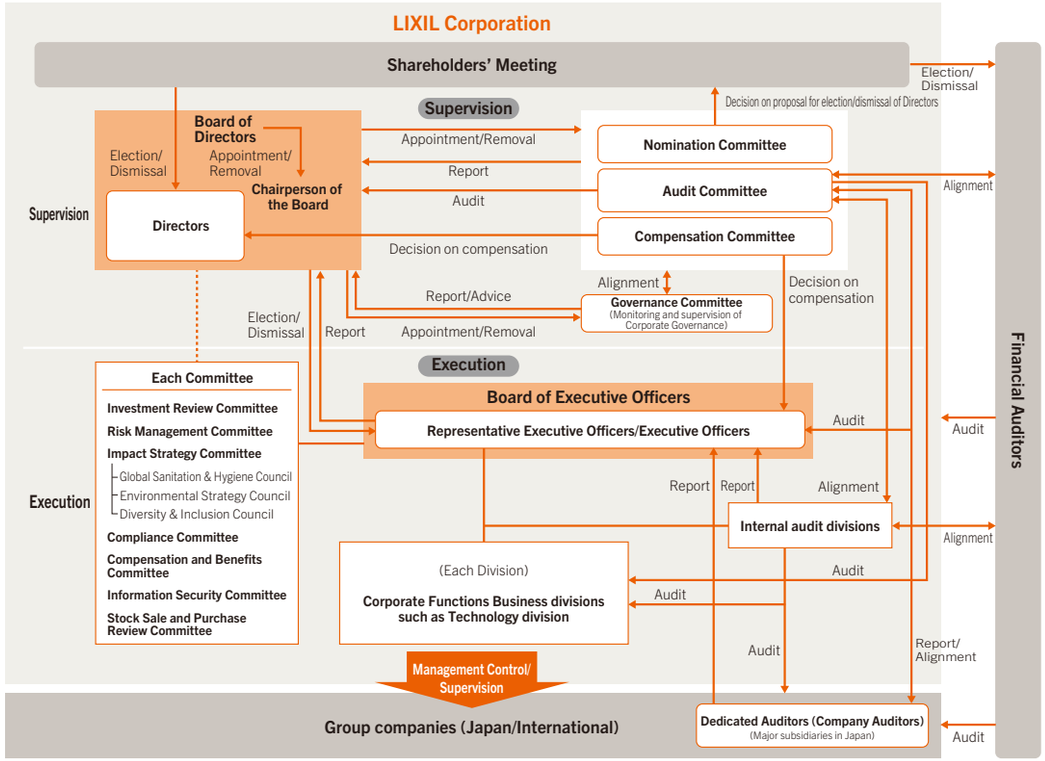
Outside Director
Chairperson of Nomination Committee and Member of Compensation Committee
Lawyer
Number of Company shares owned: 5,000

*The number of Company shares are as of May 16, 2025 and Phantom Stocks are as of June 19, 2025.
*The voluntary Governance Committee is composed solely of directors.

CORPORATE GOVERNANCE AT LIXIL

At LIXIL, corporate governance is founded on execution of management by management personnel and oversight of management by the Board of Directors. However, the Board of Directors' role goes beyond resolving important policies and simply supervising management execution. The board facilitates the construction of a framework to establish an environment that supports a risk-taking by the management and to ensure decision-making is transparent, fair, quick, and decisive. During this fiscal term, with a view to promoting sustainable growth and improving the corporate value of the Company, the Board of Directors has prioritized themes relating to "growth strategy" and "implementation of reforms" as agenda items for the board and engaged in supervision. In addition, as a company with a nomination committee, etc., the Company has established the Nomination Committee, Audit Committee, and Compensation Committee as required by law and clearly defined the roles of each Committee, and has been working to build a strong corporate governance system.

Corporate Governance Structure



For more details Number of meetings held during FYE2025

POLICY AND STATUS OF CROSS SHAREHOLDINGS

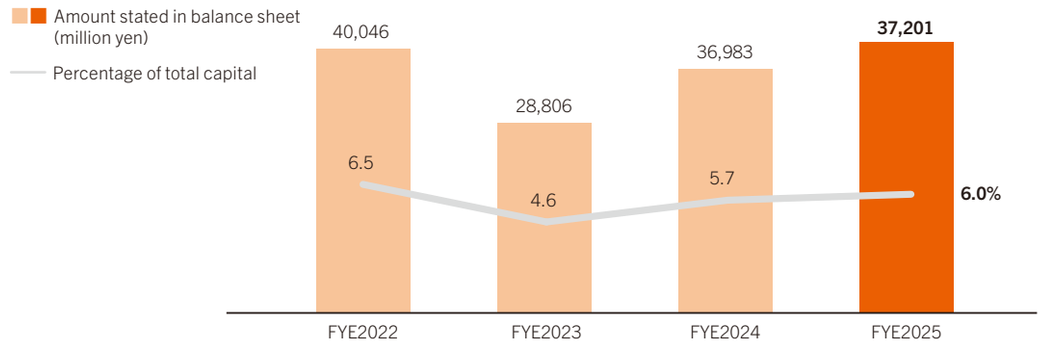
The Company holds shares on a cross shareholding basis in a case where it has been recognized to be necessary in order to facilitate sales or as part of an external business alliance necessary for business activities. Every year, the Company conducts for each stock a comprehensive assessment of matters such as the status of business with that company, the total amount of investment, and whether the benefits and risks associated with such holdings are commensurate with the capital cost, and the content of such assessment is verified by the Board of Directors. The Company re-verifies the holding purpose from time to time in connection with changes to the operating environment of the LIXIL group and endeavors to reduce cross shareholdings. Consequently, the Company had cross shareholdings (listed shares) in 44 companies as of the end of March 2025.

Companies with Cross Shareholdings and Amount Stated in the Balance Sheet*

Classification		FYE2022	FYE2023	FYE2024	FYE2025
Number of companies	Listed shares	49	47	44	44
	Unlisted shares	98	88	82	79
	Total	147	135	126	123
Amount stated in the balance sheet (million yen)	Listed shares	38,733	27,236	35,670	35,859
	Unlisted shares	1,313	1,570	1,313	1,342
	Total	40,046	28,806	36,983	37,201

*Lists the total strategic shareholdings of the Company

Results for Cross Shareholdings



CONSOLIDATED 11-YEAR SUMMARY (LIXIL Corporation and Consolidated Subsidiaries)

(¥ million)

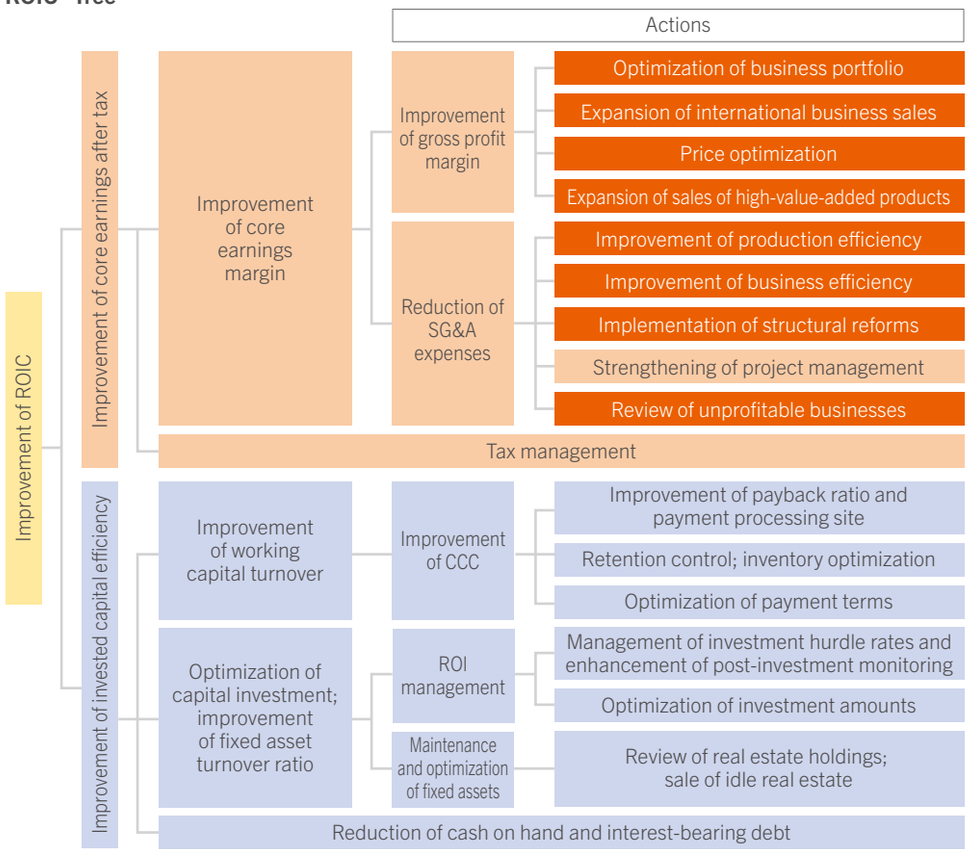
	IFRS										
Years ended March 31	2015	2016	2017	2018	2019	2020*5	2021*5	2022	2023	2024	2025
Results of Operations											
Revenue	¥1,705,427	¥1,890,450	¥1,633,229	¥1,829,344	¥1,692,432	¥1,514,449	¥1,378,255	¥1,428,578	¥1,495,987	¥1,483,224	¥1,504,697
Core earnings	51,722	70,069	89,781	76,046	54,485	52,290	57,288	64,875	25,745	23,162	31,337
Core earnings margin (%)	3.0	3.7	5.5	4.2	3.2	3.5	4.2	4.5	1.7	1.6	2.1
Operating profit	48,041	39,011	69,251	59,107	49,011	32,010	35,842	69,471	24,903	16,351	29,687
Profit (loss) for the year attributable to owners of the parent	30,864	(25,605)	42,503	54,581	(52,193)	12,518	33,048	48,603	15,991	(13,908)	2,001
Research and development expenses	18,211	25,523	26,089	27,875	28,188	27,508	23,975	22,864	23,536	24,339	25,323
Capital expenditures	61,454	72,083	68,215	69,953	67,639	68,635	68,498	48,634	55,349	52,873	45,170
Depreciation and amortization	50,404	62,205	60,701	64,661	68,502	105,557	84,786	80,722	81,900	81,330	83,193
EBITDA*1	102,126	132,274	146,441	140,707	120,053	134,832	137,895	145,597	107,645	104,492	114,530
Cash Flows											
Cash flows from operating activities	98,563	121,085	132,531	116,362	69,351	157,701	151,043	118,296	15,005	47,990	100,002
Cash flows from investing activities	(119,041)	19,122	(58,052)	(52,606)	(72,328)	(41,314)	(54,151)	(24,805)	(29,319)	(29,876)	(28,127)
Cash flows from financing activities	46,618	(154,403)	(79,899)	(43,843)	1,579	(153,285)	(93,425)	(108,094)	19,839	(3,673)	(72,470)
Cash and cash equivalents, end of year	147,708	129,646	121,563	138,751	141,421	95,862	111,061	100,404	106,677	124,485	123,527
Financial Position											
Total assets	1,915,427	2,130,120	2,042,165	2,107,131	2,059,544	2,091,529	1,741,814	1,782,882	1,853,534	1,886,595	1,830,804
Equity attributable to owners of the parent	583,747	524,806	547,244	616,897	533,656	502,165	552,271	612,385	625,433	642,511	617,886
Total equity	590,855	537,308	559,431	649,573	567,167	535,137	554,767	614,968	627,720	644,338	620,070
Net interest-bearing debt	559,971	697,413	638,345	549,159	584,537	736,689	484,444	424,299	511,723	552,707	534,273
Per Share Data											
Earnings (loss) per share (EPS) (¥)	¥105.80	¥(89.33)	¥148.01	¥189.13	¥(179.98)	¥43.15	¥113.92	¥167.21	¥55.54	¥(48.43)	¥6.97
Equity attributable to owners of the parent per share (BPS) (¥)	2,038.56	1,828.84	1,902.18	2,128.77	1,839.59	1,730.99	1,902.89	2,106.30	2,178.77	2,237.53	2,150.86
Dividends per share (¥)	60	60	60	65	70	70	75	85	90	90	90
Key Indicators											
EBITDA to sales ratio (%)*1	6.0	7.0	9.0	7.7	7.1	8.9	10.0	10.2	7.2	7.0	7.6
ROE (%)	5.3	(4.6)	7.9	9.4	(9.1)	2.4	6.3	8.3	2.6	(2.2)	0.3
ROA (%)	1.7	(1.3)	2.0	2.6	(2.5)	0.6	1.7	2.8	0.9	(0.7)	0.1
Total assets turnover (times)	0.9	0.9	0.8	0.9	0.8	0.7	0.7	0.8	0.8	0.8	0.8
Ratio of equity attributable to owners of the parent to total assets (%)	30.5	24.6	26.8	29.3	25.9	24.0	31.7	34.3	33.7	34.1	33.7
Dividend payout ratio (%)	56.7	—	40.5	34.4	—	162.2	65.8	50.8	162.0	—	1,291.2
Dividend to adjusted EBITDA ratio (%)*2						16	18	20	30	31	28
Net debt-to-equity ratio (%)*3	95.9	132.9	116.6	89.0	109.5	146.7	87.7	69.3	81.8	86.0	86.5
Number of employees*4	—	60,677	59,248	61,140	62,940	61,634	51,879	51,640	51,501	49,310	48,660
Stock Indicators											
Stock price (closing), end of year (¥)	¥2,847	¥2,295	¥2,825	¥2,376	¥1,478	¥1,345	¥3,075	¥2,290	¥2,177	¥1,877	¥1,728
Number of shares issued at end of fiscal year					313,319,159	313,319,159	313,319,159	313,319,159	287,109,659	287,211,790	287,340,460
Market capitalization	891,265	718,459	884,378	743,817	463,086	421,414	963,456	717,501	625,038	539,097	496,381
Price earnings ratio (times)	26.9	—	19.1	12.6	—	31.2	27.0	13.7	39.2	—	247.9
Price book-value ratio (times)	1.40	1.25	1.49	1.12	0.80	0.78	1.62	1.09	1.00	0.84	0.80

*1 EBITDA is calculated as core earnings + depreciation and amortization.
*2 Newly established in 2024. Adjusted EBITDA is core earnings + depreciation (adjusted for the amount of depreciation recorded as a cash outflow due to the application of lease accounting under IFRS).
*3 The net debt-to-equity ratio is calculated as net interest-bearing debt ÷ total equity based on the fiscal year-end.
*4 The number of employees from FYE2016 is on an IFRS basis.
*5 Permasteelisa S.p.A and LIXIL VIVA's business is classified as "discontinued operations" due to the decision to divest. For comparison, FYE2020 results are also rearranged in the same way.
Note: Figures of less than ¥1 million are rounded.

IMPROVING CAPITAL EFFICIENCY THROUGH ROIC MANAGEMENT

We introduced ROIC management globally in 2019 and have been increasing the incentive to achieve results by incorporating ROIC into performance metrics. Targets are set within each organization by employing ROIC tree diagrams, managing the process and reporting progress monthly.

ROIC* Tree



* ROIC = Operating profit × (1 − Effective tax rate) / (Working capital + Fixed assets)

Key Initiatives in FYE2025

Improvement of Gross Profit Margin

Optimization of business portfolio	・Partial divestment of the U.S. bathtub business
Expansion of international business sales	・Increased sales volume in Europe and recovery in shower-related product sales ・Sales growth in India and the Middle East
Price optimization	・Implementation of agile price revisions in Japan in response to rising costs

Reduction of SG&A Expenses

Implementation of structural reforms	・Additional personnel allocation optimization in the U.S. ・Consolidation of factory operations in Thailand
Review of unprofitable businesses	(See “Optimization of business portfolio” above)

Initiatives to Achieve Targets Over the Next Three Years

Improvement of Gross Profit Margin

Expansion of international business sales	・Achievement of steady sales recovery during the rebound phase in the European and U.S. markets ・Capturing demand in growing international markets (India and the Middle East)
Expansion of sales of high-value-added products	・Accelerating shift in product mix and sales channels in the U.S. ・Expansion of sales of high-value-added products in international markets, such as shower toilets and *PremiAL* line

Reduction of SG&A Expenses

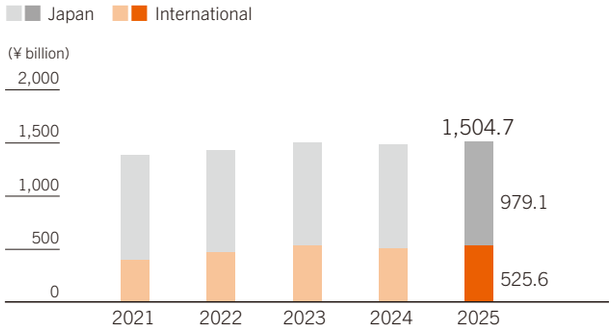
Improvement of production efficiency	・Reduction of fixed costs by restructuring the supply chain ・Driving transformation of the U.S. business after optimizing the business portfolio
Improvement of business efficiency	・Improvement of operational efficiency by leveraging AI and other digital technologies ・Continuous reduction of costs through workforce reallocation and other efforts

See CFO MESSAGE and FYE2025 financial results briefing materials for details.

CFO Message P.11
Financial Results for the Fiscal Year Ended March 31, 2025 [IFRS]
https://ssl4.eir-parts.net/doc/5938/tdnet/2600508/00.pdf

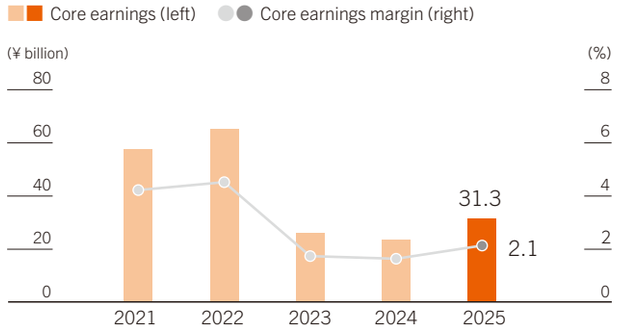
FINANCIAL HIGHLIGHTS LIXIL Corporation and Consolidated Subsidiaries (Years ended March 31)

Revenue



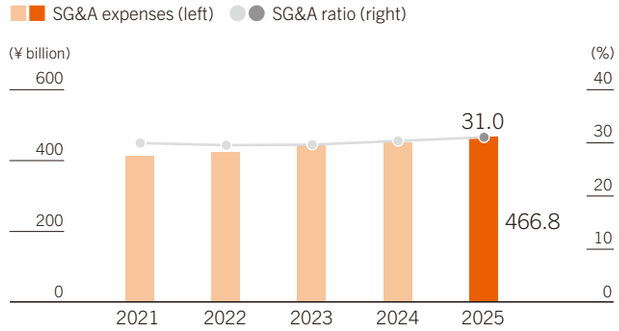
Revenue increased 1.4% year-on-year to ¥1,504.7 billion, driven by improved sales in Europe and the Middle East and the impact of yen depreciation on foreign currency translation.

Core earnings / Core earnings margin



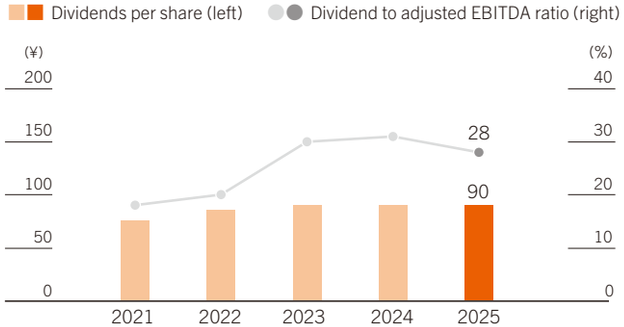
Core earnings rose 35.3% year-on-year to ¥31.3 billion, mainly due to improved international revenue and the effects of structural reforms.

SG&A expenses / SG&A ratio



SG&A expenses rose 3.8% year-on-year to ¥466.8 billion, reflecting higher personal costs in Japan and increased international SG&A expenses as a result of foreign exchange impacts. The SG&A expenses ratio increased by 0.7 points from the previous fiscal year.

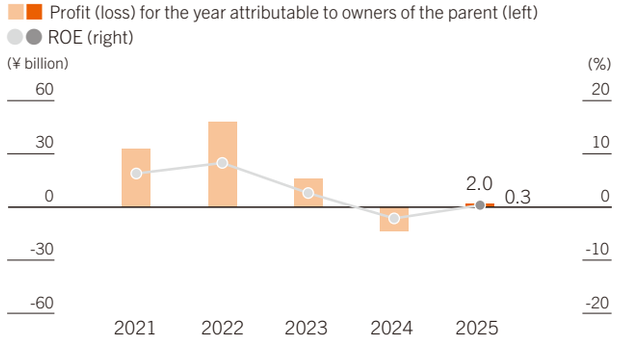
Dividends per share / Dividend to adjusted EBITDA ratio



Annual dividends remained at ¥90 per share. Dividend to adjusted EBITDA ratio was 28%.

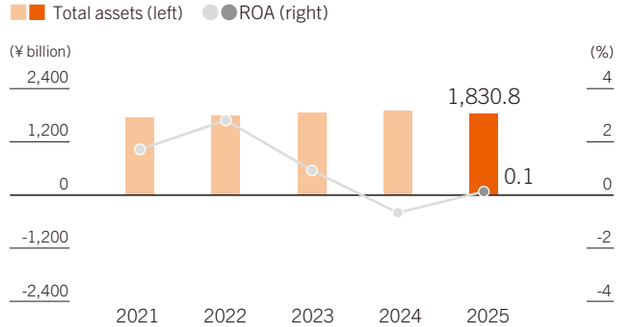
* Adjusted EBITDA is core earnings + depreciation and amortization (adjusted for the amount of depreciation and amortization recorded due to cash outflows related to the application of lease accounting under IFRS).

Profit (loss) for the year attributable to owners of the parent / ROE



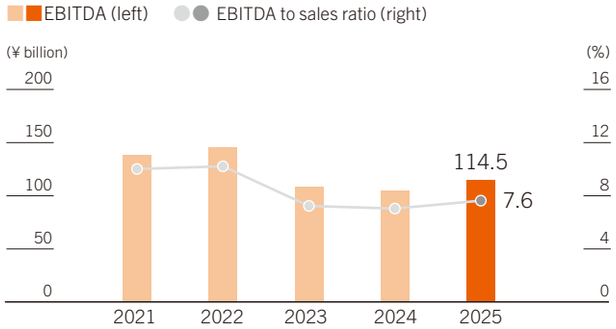
Net profit attributable to owners of parent was ¥2.0 billion, a ¥15.9 billion improvement from the previous year. Despite higher tax expenses, profit improved due to higher core earnings and lower structural reform costs.

Total assets / ROA



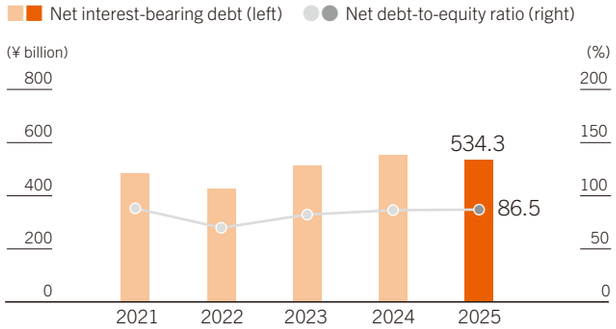
Total assets decreased by ¥55.8 billion year-on-year to ¥1,830.8 billion, mainly due to the divestment of the U.S. bathtub business.

EBITDA / EBITDA to sales ratio



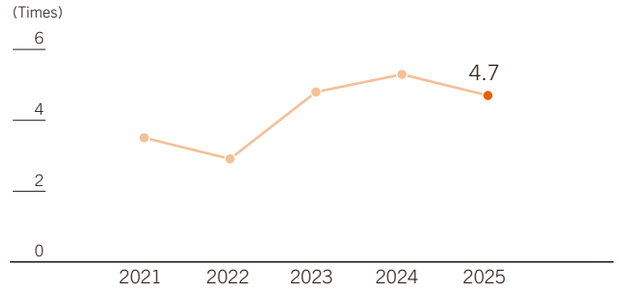
The EBITDA to sales ratio increased by 0.6 percentage points year-on-year to 7.6%, primarily because of higher core earnings amid the challenging external environment.

Net interest-bearing debt /Net debt-to-equity ratio



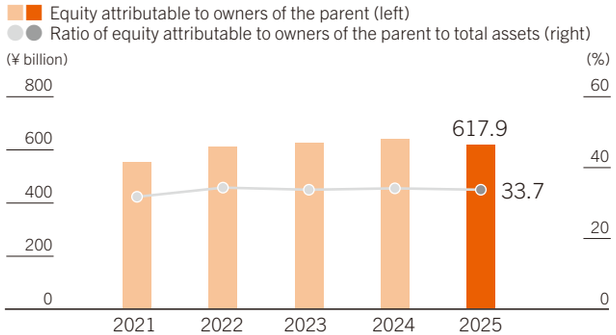
Net interest-bearing debt decreased by ¥18.4 billion year-on-year to ¥534.3 billion due to factors including a decrease in working capital.

Net debt-to-EBITDA ratio



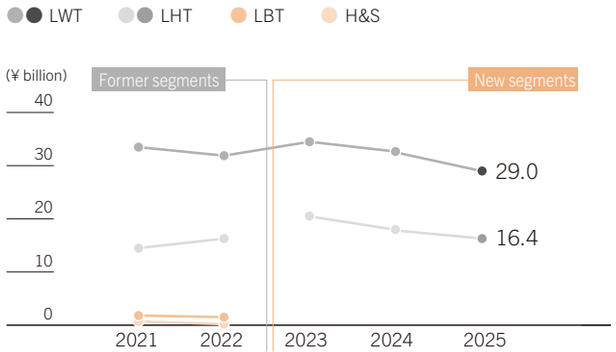
Net interest-bearing debt-to-EBITDA ratio improved from 5.3 times to 4.7 times. Factors were the decrease in net interest-bearing debt and the improvement in profitability.

Equity attributable to owners of the parent / Ratio of equity attributable to owners of the parent to total assets



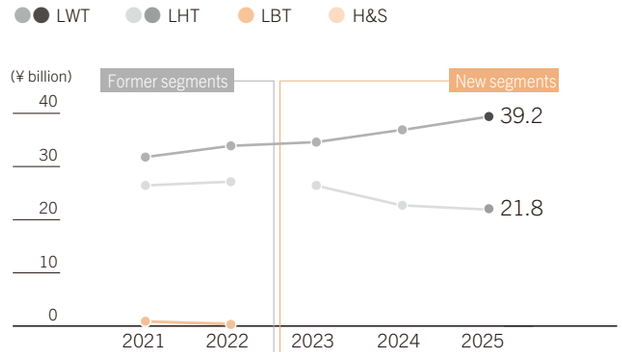
Ratio of equity attributable to owners of the parent to total assets decreased by 0.4 points to 33.7%, as a ¥19.4 billion reduction in interest-bearing debt was offset by a decrease in net assets due to dividend payments.

Capital expenditures by business segment



Although investments in right-of-use assets (leases) increased, capital expenditures decreased overall due to reduced IT investments and improved investment efficiency.
* Excluding the impact of IFRS 16 Leases applied from FYE2020
* Changed reporting segments from FYE2023

Depreciation by business segment



Depreciation expenses increased primarily due to amortization related to IT system development.
* Excluding the impact of IFRS 16 Leases applied from FYE2020
* Changed reporting segments from FYE2023

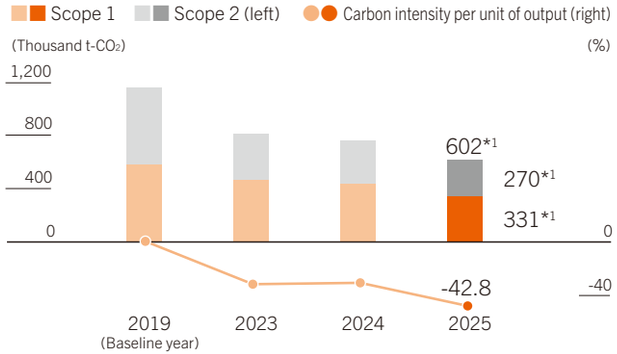
NON-FINANCIAL HIGHLIGHTS (Years ended March 31)

LIXIL's sustainability policies and initiatives are on p.33.
In August 2025, we plan to publish the full LIXIL ESG Databook including environmental and social performance data for FYE2025 accompanied by additional third-party assurance.

https://www.lixil.com/en/impact/data/performance.html

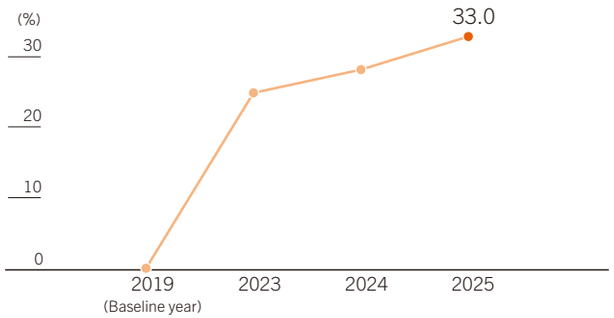
Environment

CO_2 emissions from operational activities (Scope 1 & 2) *2



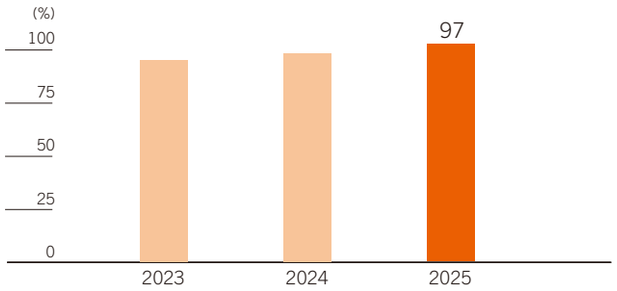
By seeking to increase energy efficiency and utilize renewable energy to further reduce CO_2 emissions, we achieved a 46.9% reduction in CO_2 emissions and a 42.8% reduction in emission intensity per unit of output. (Baseline year: FYE2019)

Ratio of electricity usage from renewable energy sources*2



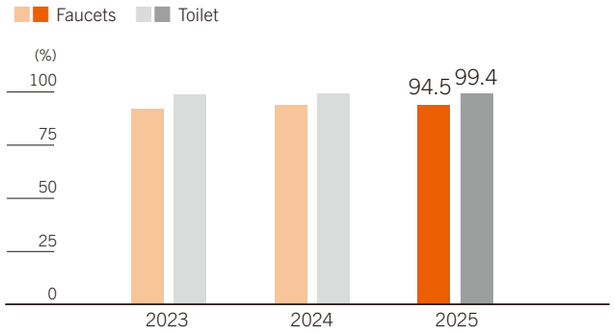
By switching to renewable energy for electricity used at our business sites, we achieved a ratio of 33.0% at the end of FYE2025.

Ratio of high-performance windows sold for new detached houses (Japan)



In FYE2022, we revamped all window lineup in our effort to reach a 100% product ratio of high-performance windows for new detached homes by FYE2026.

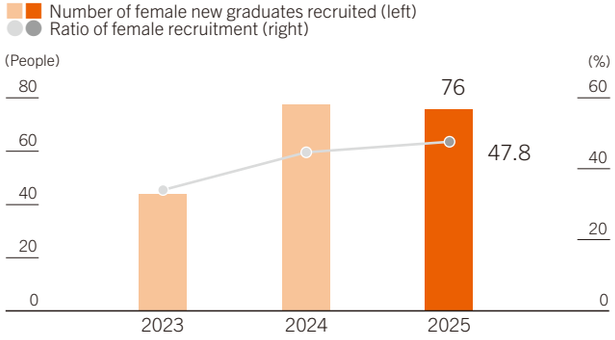
Ratio of energy- and water-saving faucets*3 and toilets*4 sold (Japan)



LIXIL's energy- and water-saving faucets, water-saving showers, toilets, and other products contributes to efficient daily use. In Japan, we have set targets to reach 100% product ratio for energy- and water-saving faucets and toilets by FYE2031.

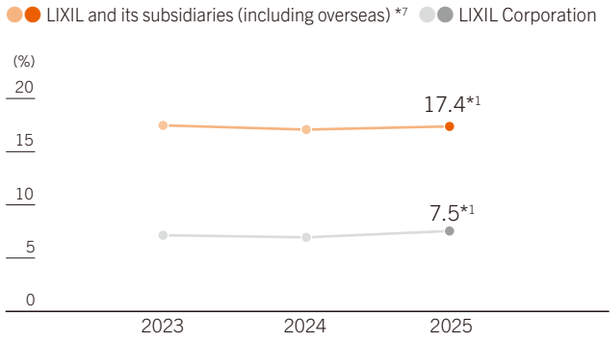
Social

Ratio of female new graduate recruitment (Regular employees)*5



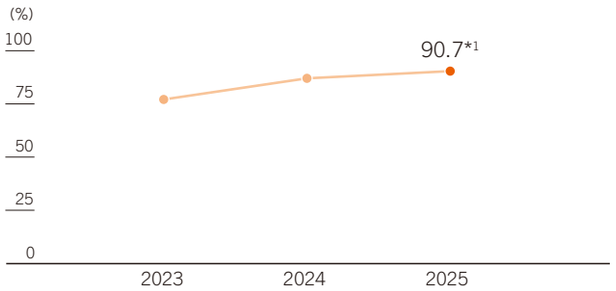
We continue to focus on attracting high potential females and aim to achieve the gender parity in new graduate recruitment in Japan.

Ratio of female managers*6



We have set a target of 30% female managers across the organization by FYE2030.

Ratio of male employees who took childcare leave*6



Note: Including LIXIL's own paid childcare leave system for male employees.
Compared to three years ago, it has increased by 13.7% to 90.7%.

Gender pay gap*1

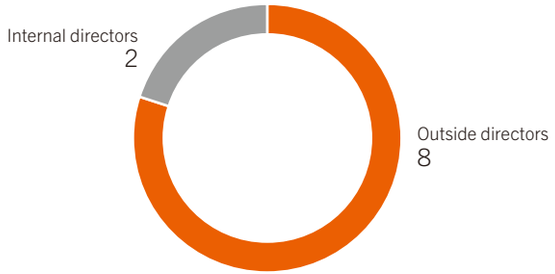
	2025
All employees of LIXIL Corporation	61.2%
Regular employees	66.9%
Contract employees	93.5%

Note: Pay includes base salary, overtime, other allowances and bonus. Regular employees include managers, non-managers, senior employees, and employees assigned from LIXIL to other companies. Employees assigned from other companies to LIXIL are excluded. Contract employees include part-time and temporary employees. Temporary staff hired through agencies are excluded.

We are replacing the existing system with our new personnel system in a phased manner from April 2022 and aiming to bring about a compensation scheme that reflects job value.

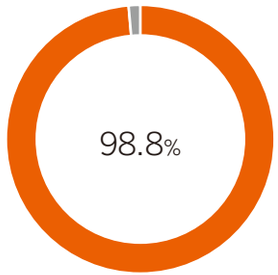
Governance

Number and ratio of outside directors (FYE2025)



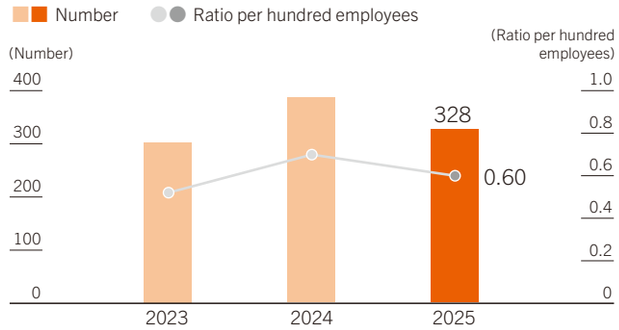
The Board of Directors consists of ten members including eight outside directors and two internal directors (including four women). The ratio of independent outside directors was 80%.

Attendance rate at Board of Directors' meetings (FYE2025)



The Board of Directors met 17 times in FYE2025. LIXIL sets a minimum attendance rate of 75% in its Corporate Governance General Policy.

Reports of possible compliance issues



We collect information on any compliance violations, ensure early action on any wrongdoings and violations, and implement preventive measures. No compliance violations that have a significant impact on the company, including serious violations of laws and regulations occurred.

*1 Verified by an independent third party in June 15, 2025.
*2 Scope of coverage: LIXIL Corporation and its consolidated subsidiaries (production and non-production bases in Japan, and production bases outside Japan) With regard to non-consolidated subsidiaries, subsidiaries operating in buildings owned and managed by LIXIL's operating company are treated as being part of LIXIL
*3 Excluding products used for hot tub filling or full-body bathing that are not intended for use as energy- and water-saving faucets
*4 Excluding products designed for housing complexes
*5 Scope of coverage: New college and graduate school graduates who joined LIXIL Corporation on April 1, 2025
*6 Directly hired employees only
*7 Excludes companies sold during FYE2025 and consolidated subsidiaries with less than 100 employees in Japan. (Calculated based on the job grade system of each operating company.)

PRINCIPAL GROUP COMPANIES (As of March 31, 2025)

Consolidated Subsidiaries

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company(%)	Business segment
LIXIL Total Service Corporation	Sumida-ku, Tokyo	100	100	LWT, LHT
TM.S Corporation	Shinagawa-ku, Tokyo	60	100	LWT
Dinaone Corporation	Chuo-ku, Tokyo	90	100	LWT
LIXIL Europe S.à r.l.*1	Luxembourg	€ thousand 57,143	100	LWT
Grohe AG*1	Düsseldorf, Germany	€ thousand 60,885	100	LWT
Other 48 affiliate companies of LIXIL Europe S.à r.l.	—	—	—	LWT
ASD Holding Corp.*1	USA New Jersey	US$ thousand 412,957	100	LWT
15 affiliate companies of ASD Holding Corp.	—	—	—	LWT
A-S (China) Co., Ltd.	China Shanghai	US$ thousand 30,000	100	LWT
LIXIL Vietnam Corporation	Vietnam Hanoi	VND million 743,386	100	LWT
LIXIL (Thailand) Public Co., Ltd.	Thailand Pathumthani	THB million 383	99	LWT
LIXIL AFRICA HOLDINGS (Pty) Ltd.*1	South Africa Krugersdorp	ZAR million 2,926	100	LWT
LIXIL (China) Investment Co., Ltd.*1	China Shanghai	CNY thousand 450,605	100	LWT
Taiwan LIXIL Water Technology Corporation	Taiwan Taipei	NT$ thousand 282,677	100	LWT
LIXIL Living Technology (Suzhou) Corporation	China Suzhou, Jiangsu	CNY thousand 395,464	100	LWT
LIXIL Sanitary Fitting Manufacturing (Suzhou) Corporation	China Suzhou, Jiangsu	1,730	100	LWT
LIXIL India Sanitaryware Private Limited	Andhra Pradesh, India	INR thousand 81,787	100	LWT
LIXIL Total Hanbai Corporation	Shinagawa-ku, Tokyo	75	100	LHT
G TERIOR Corporation	Shinagawa-ku, Tokyo	316	100	LHT
LIXIL Housing Research Institute, Ltd.	Shinagawa-ku, Tokyo	100	100	LHT
Asahi Tostem Exterior Building Materials Co., Ltd.	Shinagawa-ku, Tokyo	100	80	LHT
LIXIL Renewal Corporation	Sumida-ku, Tokyo	100	100	LHT
LIXIL TEPCO Smart Partners Inc.*4	Sumida-ku, Tokyo	450	60	LHT
LIXIL Toyo Sash Shoji Co., Ltd.	Sumida-ku, Tokyo	100	100	LHT
Kuwata Co., Ltd.	Suma-ku, Kobe, Hyogo	30	100	LHT
LIXIL REALTY, Corp.	Taito-ku, Tokyo	160	100	LHT
Oita Tostem Co., Ltd.	Oita, Oita	50	100	LHT
Nishi Kyushu Tostem Co., Ltd.	Saga, Saga	30	100	LHT
GHS Corporation	Shinagawa-ku, Tokyo	100	100	LHT
LIXIL Living Solution Corporation	Shinagawa-ku, Tokyo	100	100	LHT
LIXIL INTERNATIONAL Pte. Ltd.*1	Singapore	30,565	100	LHT, LWT
TOSTEM THAI Co., Ltd.*1	Pathumthani, Thailand	THB million 2,767	100	LHT
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.	Dong Nai, Vietnam	4,310	100	LHT, LWT
LIXIL Manufacturing (Dalian) Corporation	China Dalian, Liaoning	US$ thousand 43,500	100	LHT
LIXIL WINDOW SYSTEMS PRIVATE LIMITED	Haryana, India	INR thousand 858,318	100	LHT
PT. LIXIL ALUMINIUM INDONESIA	Jakarta, Indonesia	IDR million 173,617	75	LHT
39 other companies *2,3				

*1 Specified subsidiary
*2 Among other companies, LIXIL India Private Limited is a specified subsidiary.
*3 LIXIL Africa (Pty) Ltd. is an insolvent company with liabilities of ZAR 1,440 millions in excess of assets as of March 31, 2025.

*4 Relocated to Koto-ku, Tokyo on April 1, 2025.

Equity-Method Affiliates

Name	Location	Paid-in capital (¥ million)	Business segment	Equity owned by the holding company (%)	Business segment
Sanyo Homes Corporation*1	Nishi-ku, Osaka, Osaka	5,945	Housing Technology	26*2	—
36 other companies					

*1 The company submits securities reports.
*2 "Equity owned by the holding company" shows the ratio of the number of shares owned by the Company to the total number of issued shares (excluding treasury stock) of Sanyo Homes Corporation as of March 31, 2025.

GLOBAL MANUFACTURING AND SALES SITES (As of March 31, 2025)

Number of factories

77 sites

Japan	International
36	41

	Japan	Americas	Europe	IMEA	China/ Asia Pacific
LWT	19	10	5	2	19
LHT	17*	—	—	1	4

* Seven of the LHT factories also manufacture commodities for buildings.

Number of showrooms

113 sites

Japan	International
85	28

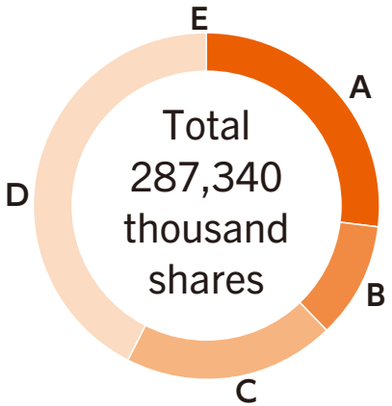
Japan	Americas	Europe	IMEA	China/ Asia Pacific
85	1	7	7	13

SHAREHOLDER INFORMATION (As of March 31, 2025)

Number of Shares and Shareholders

Number of shares authorized	1,300,000,000
Number of shares outstanding (Excluding treasury stock of 66,074 shares)	287,274,386
Number of shareholders	208,427

Distribution of Ownership Among Shareholders (Thousand shares)



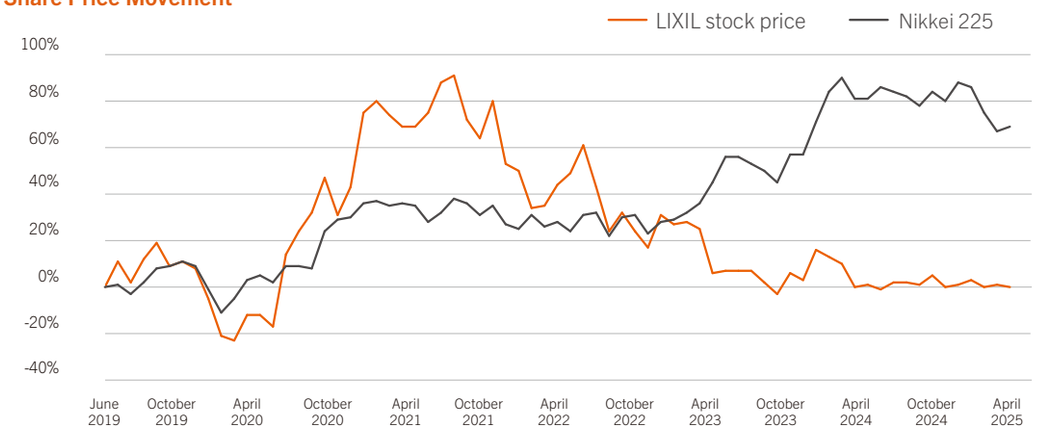
A Financial institutions	77,619
B Domestic companies	31,463
C International investors	56,518
D Individuals and others	121,672
E Treasury stock	66
Total	287,340

Major Shareholders (Thousand shares)

Name of shareholder	Number of shares held	Ratio of share-holdings
The Master Trust Bank of Japan, Ltd. (Trust Account)	47,335*	16.48%
Custody Bank of Japan, Ltd. (Trust Account)	11,958	4.16%
LIXIL Employee Stock Ownership	8,185*	2.85%
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS (Standing Proxy : The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	5,353	1.86%
JPMorgan Securities Japan Co., Ltd.	4,720	1.64%
Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	3,824	1.33%
JP MORGAN CHASE BANK 385781 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	3,672	1.28%
STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	3,337	1.16%
LIXIL Client Stock Ownership	3,262	1.14%
STATE STREET BANK AND TRUST COMPANY 505103 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	3,054	1.06%

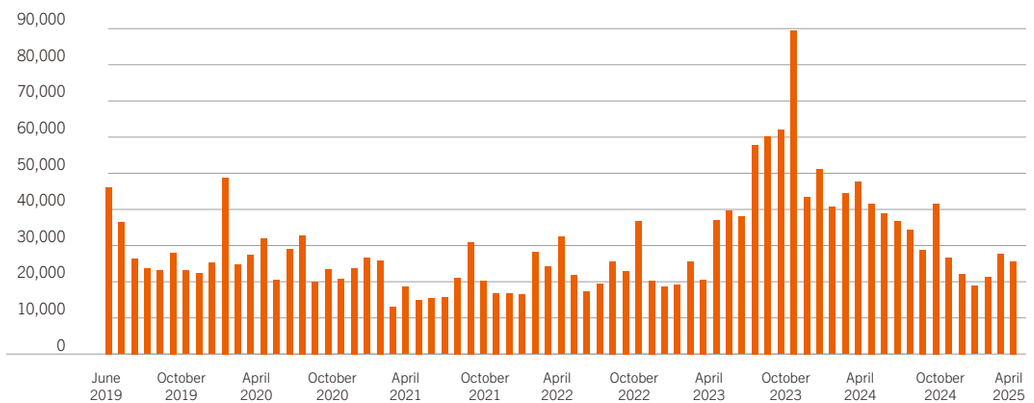
Notes: In addition to the above, LIXIL Corporation holds 66 thousand shares of treasury stock. Shareholding calculations exclude treasury stock.
* indicates a trust service arrangement

Share Price Movement*



* Relative stock price trend based on the closing stock price as of June 30, 2019.

Stock Trading Volume (Thousand shares)



CORPORATE DATA (As of March 31, 2025)

Company Name
LIXIL Corporation

Established
September 19, 1949

Registered Office
Osaki Garden Tower, 1-1 Nishi-Shinagawa 1-chome,
Shinagawa-ku, Tokyo 141-0033, Japan

Paid-In Capital
¥68,654 million

Fiscal Year End
March 31

Employees
Consolidated employees: 48,660

Financial Auditors
Deloitte Touche Tohmatsu LLC

Overview of Major Businesses
The Company manufactures and sells building materials and housing equipment for housing and buildings, and operates housing-related businesses as well as related services

Common Stock Listings
Tokyo Stock Exchange Prime Market
Nagoya Stock Exchange Premier Market

Transfer Agent and Special Management of Accounts
Mitsubishi UFJ Trust and Banking Corporation

Annual Shareholders' Meeting
Normally held in June



LIXIL

TSE Securities Code: 5938

LIXIL Corporation www.lixil.com

2025.06.23