

Corporate Governance	
Corporate Governance	LIXIL Corporation
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LIXIL Corporation	
Kinya Seto, Director, Representative Executive Officer, President, and Chief Executive Officer	
Contact: IR Office 050-1790-5041	
Securities code: 5938	
https://www.lixil.com/en/investor/	

The corporate governance system at LIXIL Corporation is described below.

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

1. Basic Views

LIXIL Corporation (the “Company”) constantly strives to build the best possible corporate governance system needed to realize its belief that publicizing and implementing its management philosophy throughout the Company and all of its subsidiaries and affiliates (the “Group”) will enable it to achieve the maximum sustainable improvement of corporate value.

The following is the Company’s Management Philosophy.

(1) LIXIL’s Purpose

Make better homes a reality for everyone, everywhere

(2) LIXIL Behaviors

Do the Right Thing
Work with Respect
Experiment and Learn

The Group has adopted the following fundamental framework and has undertaken initiatives to strengthen and enhance corporate governance in order to maintain the Group’s standing as a corporate group that inspires confidence through the creation and provision of attractive value to its stakeholders.

(1) Company with Nomination Committee, etc.

The Company has adopted the governance format of a “Company with Nomination Committee, etc.” with the aim of clearly separating its executive and supervisory functions, thereby enabling executive officers to make swift and decisive business decisions and ensuring management transparency.

(2) Enhancement of Functions by Utilizing Discretionary Organs

In addition to the three committees (the Nomination Committee, the Audit Committee and the Compensation Committee) which are legally required of a “Company with Nomination Committee, etc.”, the Company has established the Governance Committee as a voluntary permanent committee to continuously strengthen the Company’s corporate governance. As for the other governance systems, the Company has established the Board of Executive Officers and each committee. (Refer to the Corporate Governance Structure at the end of the document.)

(3) Implementation of a Uniform Corporate Governance System Across the Entire Group

By setting forth the LIXIL Behaviors and the LIXIL Code of Conduct, and group-wide financial and accounting management policies, having the entire Group comply therewith, and carrying out integrated

education and training for directors, executive officers and employees as well as uniform implementation of a compliance system, Group, the Company shall strive to cause its corporate governance to permeate to the entire globalized corporate group.

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

The Company has implemented each principle of the Corporate Governance Code.

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

Because the LIXIL Corporate Governance General Policy (the “General Policy”) contain provisions with regard to many of the disclosure items below, a note has been added referring to the related provision in the General Policy.

https://www.lixil.com/en/about/governance/pdf/CorporateGovernanceGeneralPolicy_en.pdf

[Principle 1-4 Cross Shareholdings]

The Company holds shares on a cross shareholding basis only in a case where it has been recognized to be necessary in order to facilitate sales or as part of an alliance necessary for its business activities. Under Article 9 of the General Policy “Cross Shareholdings”, based on the stipulated process, each year, for each share name, the Company will comprehensively evaluate cross shareholdings from a quantitative and qualitative perspective in respect of whether the purpose of holding is appropriate, whether the capital cost matches the benefits and risks of the holding, etc., and promptly dispose by sale in the case where it is not needed, and strive to reduce cross shareholdings. Also, in exercising voting rights of such shares, the Company will make a full consideration from the point of view of whether it contributes to improving value over the mid to long-term of the Group and the invested company, etc., and with respect to resolutions that may violate the goal for such holding and resolutions that may harm shareholder value, the Group shall carefully determine whether to support or oppose after discussion with such company as needed and then exercise the voting rights.

[Principle 1-7 Related Party Transactions]

As for the procedures and framework for related party transactions by the Company’s officers, “Rules of the Board of Directors” stipulates that all related party transactions are required to be approved by the Board of Directors. In addition, “Rules of the Board of Directors” provides that criteria to follow for each transaction explicitly and systems to prevent related transactions executed to benefit himself or herself or the third party, impairing shareholders common interests (Article 11 of the General Policy “Related-Party Transactions”).

[Supplementary Principle 2-3① Sustainability Issues, Including Social and Environmental Matters]

The Company's Board of Directors shall receive reports from execution departments on environmental, social, and governance issues and initiatives, and proactively work in cooperation to identify important issues and consider measures to address them. The Board of Executive Officers shall set forth its Impact Strategy as the policy and strategy for the issues and initiatives regarding sustainability in the Group based on the result of discussions at Impact Strategy Committee. The Board of Directors shall approve the content of the Impact Strategy determined by the Board of Executive Officers after considering its appropriateness, feasibility, etc., from the perspective of enhancing corporate value over the medium to long term.

The Company’s corporate purpose is to make better homes a reality for everyone, everywhere. To achieve this goal, the Company pursues responsible and sustainable innovation and develops safe and comfortable products and services based on the Group’s Impact Strategy. The Impact Strategy forms an essential part of the Group’s drive for achieve sustainable growth and corporate value creation in that it is integrated into the Group’s core business strategy, material issues, and the Value Creation Process (VCP), through which the Group creates value for all of its stakeholders.

The Impact Strategy outlines three strategic pillars of activity where the Group will leverage its unique expertise and business operations to drive positive change on global issues that require urgent action: Global Sanitation & Hygiene, Water Conservation & Environmental Sustainability, and Diversity & Inclusion. By working to resolve the Group’s material issues that are not categorized as Priority issues, the Group ensures that its business activities are built on a fundamental commitment to ethical business practices.

The responsible departments regularly report to the Board of Directors on the status of promoting the Impact Strategy, and the Board of Directors supervises the implementation of these activities through discussions on the understanding of material issues and consideration of countermeasures.

[Supplementary Principle 2-4① Ensuring Diversity, Including Active Participation of Women]

The Company is going through a transformation to become a more agile and entrepreneurial organization. Under the belief that diversity and inclusion (D&I) enhances the Company's long-term performance and competitiveness, D&I is set forth as one of the three strategic pillars of Impact Strategy. The Company updated its D&I Strategy and targets in 2021 to ensure that D&I is embedded across the organization.

The following are the D&I strategy targets for 2030.

- 50:50 gender ratio for Directors and Executive Officers (female ratio: 31.3% as of June 2023)
- 30% female leaders across the organization (female ratio: 17.5% as of March 2023)
- Maintaining equal gender ratio for all new graduate hires in Japan of the Company (female ratio: 34.1% as of March 2023)

The Company considers the gender gap in management-level as an issue and therefore has set gender ratio targets as described above. On the other hand, the Company does not set or disclose management-level targets based on nationality or hiring period at this time, as there has not been a significant gap relative to the gender gap. That said, the Company's D&I Strategy focuses on Inclusion as the Goal with the hypothesis that if the Company becomes a more inclusive workplace, it will strengthen diversity including for other under-represented groups.

The Global People Organization (GPO) is enabling the Company's transformation, and achieving the 2030 D&I targets is one of the main pillars of its strategy. Key initiatives include improving the hiring and promotion processes by designing policy and processes to remove bias and rolling out education programs for employees, managers and executives to help them understand and embed in their actions D&I concepts and behaviors. In addition, the Company launched global Employee Resource Groups (ERGs) in the fiscal year ended March 2022 to support diverse community groups within the Company. The Company's inclusiveness will be monitored by annual employee survey. The whole D&I transformation process is supervised by D&I Committee, chaired by CEO Kinya Seto, to ensure top-level business commitment.

Details on human resource performance data are disclosed on the Company's website.

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

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

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

Also, in considering the selection, evaluation, etc., of management operators and decisions of investment policy for these pension assets, LIXIL Pension Fund shall consult an asset management committee whose committee members are Management Execution Directors from the LIXIL Pension Fund with expert ability and opinions.

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

[Principle 3-1 Full Disclosure]

Article 37 “Basic Policy Regarding Information Disclosure” and Article 38 “Methods of Disclosure” of the General Policy stipulate disclosure methods and the Company’s fundamental policy regarding information disclosure. For the Company’s Disclosure Policy, please refer to the following page on the Company’s website:

<https://www.lixil.com/en/investor/strategy/policy.html>

(i) Company Philosophy, Management Strategy, and Management Plan

The Company’s philosophy is set forth in Article 3 of the General Policy.

In 2020, the Group formulated “LIXIL Playbook” that laid out the basic direction for the management and proceeded with initiatives for the four strategic initiatives, but it improved “LIXIL Playbook” in 2023 to respond to changes in the business environment and lead the way to further growth. Specifically, while steady achievements have been made through the initiatives to date for “focus on simplifying organization and core businesses,” which was the first of the four strategic initiatives that were set when “LIXIL Playbook” was formulated in 2020, the future-oriented strategy was updated again.

As a result, the following five strategic initiatives were set. Along with increasing the Group’s ability to respond to changes and working to further strengthen its core businesses, the Group will also enhance initiatives for environmental issues through its business and focus on developing new core businesses.



[Five strategic initiatives in the evolved “LIXIL Playbook”]

1. Tackle inflation and supply chain challenges

In response to the ongoing impact of rising materials and logistics costs, the Group will move forward with profitability improvements both by seeking optimization of sale prices and cost reductions with cost stabilization through changing materials, and by shifting to differentiated, high-value-added products. In addition, in preparation for the risk of global supply chains being disrupted, the Group will move forward on shifting to regional procurement and production systems, in addition to previous policies such as moving to redundancy in suppliers and the use of platforms for production.

2. Optimize Japan and drive new growth

The Group will continue policies to increase the profitability and agility of its Japan business, and will enhance its initiatives for growing renovation demand by expanding its renovation products, which traditionally focused on plumbing products, to those for insulation improvements such as windows and walls. Furthermore, the Group will introduce environmentally friendly products and businesses for all product lines, which will lead to differentiation.

3. Grow global Water Technology Business

Through policies such as expanded sales of high-value-added products, diversification of sales channels, and creation of a strategic brand portfolio, the Group will work to free itself from commodity business, and enhance its foundation to steadily capture growth in overseas markets.

4. Embed robust environment strategy

The Group has set three focus areas for its environmental strategy: climate change mitigation and adaptation; water sustainability; and circular economy. By integrating its environmental strategy into its business strategy and enhancing initiatives to realize medium-term targets in each area, the Group aims to expand its sustainable growth and positive impact on the global environment and society.

5. Develop new core

Towards future growth, the Group will commit resources to seek to establish core businesses that will be pillars of new profit through the creation of impactful new technologies, products, and business models.

Basic Philosophy and Policy with Respect to Corporate Governance

This is set forth in Article 1 “Purpose”, Article 3 “Corporate Management Philosophy” and Article 4 “Basic Corporate Governance Framework” of the General Policy, and in the section entitled “I -1. Basic Views” of this report.

(ii) Procedures and Policies Regarding Determination of Compensation for Directors and Executive Officers
As a “Company with Nomination Committee, etc.”, the Compensation Committee follows the policies set forth below in “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” in deciding the compensation of executive officers and directors (Article 28 of the General Policy “Compensation Policy”).

(iii) Procedures and Policies Regarding Determination of Director Candidates and the Removal of Directors, and the Election and the Removal of Executive Officers

As a Company with Nomination Committee, etc., in deciding upon the candidates for director seats, the Nomination Committee will apply the Company’s own criteria (Article 25 of the General Policy “Policy for Nomination of Director Candidates and Removal of Directors”) while considering not only the individual qualities of director candidates but also the appropriate composition of the Board of Directors. Criteria regarding the election, appointment, removal, and dismissal of executive officers and Representative Executive Officer are set forth in Article 26 of the General Policy “Policy for Appointment, Election, Removal and Dismissal of Executive Officers and Representative Executive Officer”, and criteria regarding the appointment and dismissal of CEO are set force in Article 27 of the General Policy “CEO Succession Plan and Basic Policy on Selection and Dismissal of CEO”. When independent outside director candidates are decided, the Company’s own independence criteria will be used, as set forth in Article 30 of the General Policy “Independence Criteria”.

(iv) Explanation of Each Election and Removal

The reasons for the election of independent outside directors are as set forth below, and the reasons for the nomination and expected roles of other directors are also disclosed on the Company’s website. <https://www.lixil.com/en/about/board/reason.html>

The Company also discloses the reasons for election of executive officers on its website.

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

In case of the removal and dismissal of executive officers and Representative Executive Officer, the reasons for that removal and dismissal shall be clearly specified on the Company’s website. Those disclosures are carried out in accordance with paragraphs 6 and 7 of Article 26 “Policy for Appointment, Election, Removal and Dismissal of Executive Officers and Representative Executive Officer” of the General Policy.

[Supplementary Principle 3-1③ Disclosure of Sustainability Efforts When Disclosing Management Strategies]

The Group aims to contribute to society through ESG (Environment, Social, Governance) initiatives, and has continuously engaged in global issues by utilizing the technology and knowledge cultivated in the Group. The Group identifies the most urgent global issues and to which it can contribute through its expertise, and promotes priority measures based on the Impact Strategy to resolve these issues. Contributing to society through business activities is firmly in line with the Company’s purpose and the Impact Strategy, and is extremely important not only to bring benefits to society, but also to enhance the long-term sustainability of the Group.

The Group focuses on the three strategic pillars of its Impact Strategy: Global Sanitation & Hygiene, Water Conservation & Environmental Sustainability, and Diversity & Inclusion, aiming to realize the Company's corporate purpose.

[Material issues selection]

The Group selected and evaluated issues from both a risk and opportunity perspective, taking into consideration LIXIL's Purpose, Value Creation Process (VCP), management direction, Impact Strategy and other business strategies, stakeholder needs and expectations as well as current social circumstances and issues. The Group identified the issues that we, our stakeholders, and society in general consider to be of the highest importance for achieving sustainable growth and improving corporate value. The selected issues were identified as "Material Issues" after deliberation by the Corporate Responsibility Committee (now the Impact Strategy Committee) and verification of their appropriateness by the Board of Executive Officers.

The Impact Strategy Committee set KPIs for the identified material issues, regularly review the progress of corresponding targets, and review these material issues to accommodate any changes in the Group's immediate environment or society at large.

In the fiscal year ended March 2023, the Group collected KPIs and reviewed material issues and made the following changes.

- Addition of "Conservation of Biodiversity"
- Changed the priority of material issues from "Priority," "high," and "medium" to "Priority" and other to indicate priority items in a clear and simple manner.

Definition of "Priority": Areas in which the Company is able to proactively exploit its unique strengths to help solve issues and have a significant positive impact on stakeholders and society. Areas where initiatives should be strengthened in view of stakeholder needs.

[Material issues as of March 31, 2023: total 21 items]

"Priority" (7 items):

- Global Sanitation & Hygiene
- Water Sustainability
- Environmental Impact of Product Lifecycle
- Diversity & Inclusion
- Climate Change Mitigation and Adaptation
- Circular Economy
- Environmental Management

Material issues other than "Priority" issues: (14 items):

- Conservation of Biodiversity
- Product Safety
- Employee Safety & Wellbeing
- Human Rights
- Corporate Governance
- Stakeholder Engagement
- Tax Transparency
- Talent & Development
- Customer Satisfaction
- Ethics & Integrity
- Supply Chain Management
- Risk Management
- Information Security
- Responsible Marketing and Advertising

The material issues positioned as "Priority" are deeply related to the three pillars of the Group's Impact Strategy. The Group will continue to accelerate our efforts with a focus on these material issues.

Details of material issues are disclosed on the Company's website.

<https://www.lixil.com/en/impact/structure/issues.html>

*KPIs and the progress of those classified as "Priority" among the material issues are disclosed on pages 48~49 of the Integrated Report 2023.

https://ssl4.eir-parts.net/doc/5938/ir_material_for_fiscal_y41/137633/00.pdf#page=49

[Investment in human capital]

The Group is transforming to embrace more agile, meritocratic, and entrepreneurial ways of working that will enable us to realize our purpose. At the same time, the world of work and the relationship between companies and employees continues to rapidly evolve. If people are the Group's most important asset, investing behind the growth and development of its people is critical to the Group's success as a company. To achieve its mission of transforming the Group into an innovative and inclusive community that empowers everyone,

everywhere, LIXIL's GPO (Global People Organization) has set the following five key performance outcomes (KPOs) in the GPO strategy for the fiscal year ended March 2022 to the fiscal year ending March 2025.

1. Embed inclusion into our DNA by implementing a holistic, strategic, and leader-led effort across LIXIL
2. Elevate talent across the enterprise so we can more effectively enable LIXIL's transformation and the innovation we need to build for our future
3. Enhance employee experience across LIXIL by putting people at the heart of our work
4. Strengthen HR corporate governance to build a stronger model and framework for people data and governance
5. Transform HR to transform the business to redefine the evolving role of HR and deliver a world class Employee Experience

Details on these initiatives are disclosed on pages 38~39 of the Integrated Report 2023.

https://ssl4.eir-parts.net/doc/5938/ir_material_for_fiscal_ym41/137633/00.pdf#page=39

[Investment in intellectual properties]

The pillar of the Group's management strategy is "Develop attractive and differentiated products to provide value to consumers around the world" and the Group continuously invests in intellectual properties such as technology, design, brand, and trade secrets, which are important management resources together with human capital. In addition to technology development abilities in Japan that generate about 70% of the patent applications of the entire group, the Group has product design abilities that can appeal to various consumers around the world and a diverse and unique brand portfolio that is unrivaled by competitors. The core of the Group's management strategy is investing in product and service development based on synergies between technology development abilities in Japan and design and brands that have strengths in the global market, and the Group also focuses on creating promising innovations. The continued investment in the above-mentioned intellectual properties is an important foundation to develop attractive and differentiated products, and is essential for the sustainable growth of the Group's business and the realization of competitive advantage.

Based on that idea, the Group continues to invest in the intellectual properties. The Board of Directors regularly receives reports on the progress of the intellectual property strategy of the entire business from the intellectual property division, and supervises the implementation status. As of March 2023, the Group holds approximately 20,000 intellectual property portfolios (including pending) globally, mainly in Japan, Europe, and Americas. The Group has built a governance system that includes a global common management platform, and works to strengthen and utilize the intellectual property portfolios based on close collaboration between our intellectual property division, R&D divisions, business divisions, and other related divisions.

Information on the Group's intellectual property strategy and intellectual property governance structure is disclosed on the Company's website.

https://www.lixil.com/en/investor/strategy/ip_index.html

[Investment in digital transformation strategy]

The Group promotes the digital transformation strategy to go beyond the norms of a traditional manufacturer through digital means that bring the Group closer to the consumer and empower the Group's people, which leads to becoming a consumer-centric and an agile organization. As a digital foundation, the Group is strengthening its global infrastructure, establishing IT organizations, and bolstering its information security system. For business growth, the Group is effectively using digital technologies to enhance customer experience in existing businesses and streamline the sales process, as well as to develop new businesses. Furthermore, the Group is creating an environment in which employees can use the latest tools to quickly process and analyze data with the cloud-based data integration platform. To make digital technology accessible for all employees, the Group have added an education program in digital fundamentals and introduced a no-code development tool to enable employees without specialized knowledge to become "citizen developers".

Details on these initiatives are disclosed on pages 36~37 of the Integrated Report 2023.

https://ssl4.eir-parts.net/doc/5938/ir_material_for_fiscal_ym41/137633/00.pdf#page=37

[Risks and earning opportunities related to environmental challenges, including climate change]

The building and construction industry has a responsibility to be an active leader to solve the current climate crisis. In the past few years, governments continue to adopt new policies to push for net zero carbon. But

today, buildings are still a massive consumer of raw materials and natural resources, responsible for an estimated 28% of the global energy related carbon emissions with the residential sector alone accounting for 17%. Domestic water consumption has also increased by over 600% since the 1960s, with population increase and growing water use in the home. The Group is evaluating and reflecting new governmental regulations across the globe, as well as current building trends and practices that will shape the positive impact on the environment. In order to further ensure the achievement of the "LIXIL Environmental Vision 2050", the Group identified "Climate Change Mitigation and Adaptation," "Water Sustainability," and "Circular Economy" as the three focus areas to achieve its vision. In the fiscal year ended March 2023, the Group set mid-term targets in the three priority areas. The addition of Biodiversity as a material issue builds on the Company's efforts in the field to date. Moving forward, Biodiversity will serve as a foundation to be addressed for all three priority areas to achieve the Group's environmental vision. The Company has established the Environmental Strategy Committee in 2021 to establish a company-wide environmental strategy and ensure this is properly embedded within the business, closely working with the management and business units. The Company uses the Task Force on Climate-related Disclosures (TCFD) framework, Science Based Targets, and other initiatives to monitor and disclose its climate change progress, analyze risks and opportunities, formulate strategies, and reflect them in the business plans as well as into disclosure.

Details on the TCFD related information are disclosed on the Company's website:

<https://www.lixil.com/en/impact/environment/tcfd.html>

[Supplementary Principle 4-1① Outline of the Scope of Delegation from the Board of Directors to Executive Officers]

Based on the philosophy of a "Company with Nomination Committee, etc.", which is to separate supervisory functions from management execution functions, the Company has determined and summarized the scope of delegation in Paragraph 2 of Article 20 of the General Policy "Role and Duties of the Board of Directors", and concrete matters to be decided by the Board of Directors and the Board of Executive Officers, respectively, are specified in the "Regulations of Board of Directors" and the "Regulations of Board of Executive Officers".

[Supplementary Principle 4-2② Basic Policy on Initiatives Related to Sustainability]

The Board of Directors proactively works with execution departments to understand important issues and efforts regarding sustainability, such as environmental, social and governance problems, and to consider countermeasures and set forth its strategy and policy (Impact Strategy) in terms of raising medium- to long-term corporate value. The Board of Directors will monitor the progress of Sustainability Issues and activities to address the issues by receiving regular reports from the responsible departments, and continuously confirm the consistency between the Company's management strategy (allocation of management resources to highly important matters such as investment in human capital and intellectual property, business portfolio, etc.) and the Impact Strategy in terms of raising the Company's medium- to long-term corporate value. The Company discloses the outline and progress of the company's specific Impact Strategy and efforts via the company website as necessary in the way the relationship with the company's management strategies can be seen, from the perspective of enabling a flexible response to changing social conditions.

[Supplementary Principle 4-1③ Outline of the CEO Succession Planning]

[Supplementary Principle 4-3② Election and Removal of the CEO]

The Company's Nomination Committee will assume responsibility to establish and update the "CEO Succession Planning", which stipulates the basic policy as well as the roadmap for "replacement of the CEO" expected in the future, and "actively supervise" the operation of the succession planning. It is also prescribed in the planning that information related to update of the "CEO Succession Planning" shall be reported to the Board of Directors at all times.

The "CEO Succession Planning" provides guidelines for the appointment of the CEO to be implemented, removing any arbitrary intent and while maintaining objectivity, transparency and fairness in any circumstances. The main items and ideas of the "CEO Succession Planning" are as follows.

1. Clarification of roles of the present CEO, etc.

Major roles of the present CEO, the Nomination Committee, and internal related divisions are prescribed as below.

① Major roles of the present CEO

Role 1 The preparation of the list for CEO succession candidates. (lead the election, addition and change of succession candidates)

Role 2 The establishment and execution of the “development plans” of CEO succession candidates. (provide succession candidates “opportunities for growth” and “opportunities for improvements” regarding their lack of experience, capabilities and behavioral patterns in light of the “ideal CEO image”)

Role 3 The implementation of the “new CEO appointment process” cooperated with the Nomination Committee at normal times.

② Major roles of the Nomination Committee

Role 1 The establishment, update and supervision of the CEO succession planning as well as “active supervision” of its operation.

Role 2 Defining and periodic reviewing of “Qualities and Requirements Required for LIXIL’s CEO in the Future.”

Role 3 The following items regarding CEO succession candidates:

- Development of the list for CEO succession candidates
- Evaluation and understanding of CEO succession candidates
- Monitoring and advising on the “development plans” of CEO succession candidates

Role 4 The following items regarding CEO succession planning at normal times:

- Supervision of the CEO appointment process and progress by the present CEO
- Deliberation on the CEO appointment process
- Establishment and submission of proposals regarding the CEO selection to the Board of Directors

Role 5 In an emergency that is when replacement of the CEO is unexpectedly required, such as at times when the present CEO becomes unable to perform its duties due to disease or accident, take the lead in appointment and approval process of a new CEO.

③ Major roles of internal related divisions

- The Nomination Committee Office (placed within the Board of Directors’ Office) will assist the Nomination Committee in the preparation, update and operation of the CEO Succession Planning, as well as assume responsibility of “maintenance of consistency with the CEO Succession Planning related rules (Regulations of the Board of Directors, Regulations of Nomination Committee, etc.) and the collection and management of information on CEO succession candidates.
- The Corporate HR Department will follow the instruction of the CEO and lead “Senior Management Development Program” as well as periodically explain to the Nomination Committee the implementation status. When searching for CEO succession candidates outside the Company, the HR Department will, upon sharing ideas with the present CEO and the Nomination Committee, work with the Committee in the search.

2. Basic ideas and process of CEO appointment

Basic ideas and process of CEO appointment is prescribed in the planning as follows.

① Basic ideas on CEO’s term of office

The basic ideas on the CEO’s term of office is “the required time to accomplish the management plan (including the quantitative target value) that was agreed by the CEO at the Board of Directors meeting.” The Nomination Committee will conduct periodic monitoring regarding the progress of the plans and goals held by the CEO, and deliberate on the continuation and reappointment of the CEO. In addition, the Nomination Committee stipulates the items regarding the CEO’s dismissal standards, procedures and resignation recommendations.

② Basic ideas of new CEO appointment process

New CEO appointment process is considered separately in the case of “an emergency” and “normal times.”

At normal times, the appointment process of a new CEO shall commence based on the present CEO’s proposal and suggestion or the decision made by the Nomination Committee. In such case, CEO succession candidates are appointed based on list for succession candidates and an order of priority which are discussed by the CEO and the Nomination Committee. The Nomination Committee submits recommendation on the new CEO to the Board of Directors after the appointment process, and the Board of Directors examines and decides on the matter. In an emergency that is when replacement of the CEO is unexpectedly required, such as at times when the present CEO becomes unable to perform its duties due to disease or accident, the Nomination Committee shall take the lead in appointment process of a new CEO.

③Development and evaluation of list for CEO succession candidates

Going forward, a successor CEO of the Company shall be appointed from “internal candidates” in principle. The list for CEO succession candidates is prepared by the present CEO on three timelines as shown below and updated once a year based on advice from the Nomination Committee.

- Measures to be taken in an emergency (urgency) and persons subject to such measures
- Medium-term succession candidates (internal human resources)
- Potential CEO candidates

3. Provision of “development opportunity” to CEO succession candidates

The Nomination Committee will monitor the execution of development plan to the CEO succession candidates by the present CEO. The CEO annually reports to the Nomination Committee the status (progress) of development of succession candidates. Meanwhile, the Nomination Committee gives the CEO advice on provision of development opportunity and status of development.

[Principle 4-8 Effective Use of Independent Outside Directors]

As one of the policies for nomination of director candidates, the Company stipulates in Article 25 "Policy for Nomination of Director Candidates and Removal of Directors" of the Company's General Policy that independent outside directors must constitute a majority of the total number of directors. At the annual shareholders' meeting held on June 21, 2023, eleven directors were elected, of which eight are independent outside directors. All chairperson and members of the three committees required by statute and the Governance committee are independent outside directors.

[Principle 4-9 Independence Standards and Qualification for Independent Directors]

The Company judges the independence of outside directors in accordance with the criteria set forth in Article 30 of the General Policy “Independence Criteria”. The qualifications for independent outside directors are included in Article 25 of the General Policy “Policy for Nomination of Director Candidates and Removal of Directors”.

[Principle 4-10 Use of Optional Approach]

In order to enhance the Company’s corporate governance continually, the Company permanently established the Governance Committee to discuss or advise the Board of Directors on matters such as reviewing and amending of the Company’s General Policy, and leading the implementation of the evaluation of the effectiveness of the Board of Directors. The Governance Committee, in cooperation with the Board of Directors and the three committees required by statute (the Nomination Committee, the Audit Committee and the Compensation Committee), as required by the board statute, will strive to develop and improve the Company’s governance system.

[Supplementary Principle 4-11① Philosophy Regarding the Composition of the Board]

The Nomination Committee, in cooperation with the Governance Committee, carried out the evaluation process for the "evaluation of the composition of the Board of Directors" from the perspective of fully considering the size and composition of the Board of Directors that should be in place for the Company during the fiscal year ended March 2023.

Based on the results of the evaluation, the Nomination Committee deliberated on the candidates for the Board of Directors, the composition of the Board of Directors and its committees, etc., from June 2023 onward.

With respect to the composition of the Board of Directors, the Company stresses diversity, and this thinking is reflected in Article 21 of the General Policy “Composition of the Board of Directors”. Currently, among internal directors, one is female who has nationality other than Japanese, and among outside directors, three are Japanese female. In addition, in accordance with Article 23 of the General Policy “Composition of Nomination Committee, Audit Committee, Compensation Committee and Governance Committee”, the Audit Committee shall appoint a person with appropriate experience, ability and necessary knowledge of finance, accounting, and law, and will particularly have at least one member with appropriate financial and accounting knowledge. The independent outside directors of the Company include those who have management experience in other companies. The skills matrix of the current Board of Directors of the Company is shown on the last page of this report.

[Supplementary Principle 4-11② Status of Directors Serving Concurrently as Board Members at Other Companies]

The Company discloses the status of major concurrent board positions held by directors in convocation notices for Annual Shareholders' Meetings, in the section about the personal history of each director.

Convocation notices for Shareholders' Meetings https://www.lixil.com/en/investor/ir_event/meeting.html

Please see the Company's policy with respect to concurrent board positions held by directors in Article 25 "Policy for Nomination of Director Candidates and Removal of Directors" and Article 33 "Persons Serving Concurrently as Directors and Executive Officers" of the General Policy.

[Supplementary Principle 4-11③ Analysis of the Effectiveness of the Board of Directors as a Whole, and Disclosure of a Summary of the Results]

Each of the Company's directors conducts a self-evaluation of the effectiveness of the Board of Directors more than once a year. For the fiscal year ended March 31, 2023, the Governance Committee is leading the evaluation process based on the delegation from the Board of Directors. With respect to the "Evaluation on the Composition of the Board of Directors", from the perspective of fully examining the size and composition of the Board of Directors as it should be for the Company, the evaluation process is carried out in cooperation with the Nomination Committee. (For details on "Evaluation on the Composition of the Board of Directors", please refer to [Supplementary Principle 4-11 ① Philosophy Regarding the Composition of the Board].)

The outline of "Evaluation on the Operating of the Board of Directors" is as follows.

1. Purpose of implementation

- Confirm the effectiveness of the Board of Directors (present structure)
- Identify medium-to-long-term issues to improve the effectiveness of the Board of Directors and the Committees

2. Report on Progress of Priority Issues from the Previous Fiscal Year (Fiscal Year ended March 2022)

We have implemented improvement measures for the following four areas identified as priority issues.

Priority issue 1

Reconfirm the role of the Board of Directors and strengthen strategy discussions to suit the new phase

Implemented improvements: Reach a consensus on 11 themes important for the company's sustainable growth and set them as the Board of Directors' agenda.

Priority issue 2

Re-examine the ideal committee activities required of a company with a nomination committee, etc.

Implemented improvements: Deliberate on each committee's issues across the organization at the Governance Committee (e.g., how organizational audits should be conducted at a company with a nomination committee, etc.)

Priority issue 3

Implement an Outside Director succession plan to continuously support the newly restructured governance structure

Implemented improvements: Implement the plan as scheduled after reviewing the appropriateness of the replacement plan again at this term's Nominating Committee meeting.

Priority issue 4

Implement a CEO succession plan to achieve continued corporate value improvement

Implemented improvements: Confirm and update the list of possible successors,

Promote understanding of the next generation of leaders, including candidates for successors to the Executive Officers, under the initiative of the Nomination Committee.

3. Evaluation Process and Results for this Fiscal Year (Fiscal Year ended March 2023)

Implemented an evaluation by the Governance Committee. From the perspective of ensuring objectivity and transparency of the evaluation, part of the evaluation process (distribution and tabulation of questionnaire for Directors and Executive Officers as well as individual interviews with Directors) is conducted with the assistance of Board Advisors Japan, Inc. (a specialized external evaluation organization).

Main concerns during evaluation

- (1) Have the four priority issues of the previous fiscal year been progressing smoothly?
- (2) Whether the transition from the “restructuring of corporate governance” to the stage aiming at “further enhancement of corporate value” is made
- (3) Whether sufficient deliberations are held on important management issues, etc.

Results summary

It was confirmed that the effectiveness of LIXIL's Board of Directors has been ensured while the main challenge of the Company's corporate governance has shifted from “restructuring corporate governance” to the stage of “realizing further enhancement of corporate value”.

4. Initiatives and Priority Issues for the Next Fiscal Year (Fiscal Year ending March 2024)

As a result of deliberations by the Governance Committee, etc., the following priority issues were set in order to further improve the effectiveness of the Board of Directors and its committees.

Priority issues

- (1) Establishment of an “ideal way of oversight” by the Board of Directors
- (2) Plan for smooth Outside Directors replacement and assistance for their integration
- (3) Promotion of measures for a stronger organizational auditing system

The Company will appoint an owner for each issue and move forward with measures to resolve the issues under the oversight of the Governance Committee.

[Supplementary Principle 4-14② Policy Regarding Director and Executive Officer Training]

The Company's organizational framework and initiatives for training and study by directors and executive officers are set forth in Article 35 of the General Policy “Director and Executive Officer Training”.

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]

With regard to dialogue with shareholders, the Company believes that the goals of the Corporate Governance Code should be realized, and in Article 12 of the General Policy “Communication with Shareholders”, it has set forth relevant provisions. The Company's Governance Committee will sequentially communicate to shareholders, investors and any other stakeholders with respect to the development and status of improvement of governance system through various disclosure documents.

[Status of Dialogue with Shareholders]

The Company acknowledges that the capital market is important for improving corporate value over the medium to long term, and the Company's top management make briefings at every quarterly earnings call, providing explanations on items of high interest to investors and conducting Q&A sessions. In addition, the Company holds an ESG briefing every year. At the ESG briefing, the management in charge clearly explains the linkage between management strategies and measures to enhance corporate value. Also, the Company provides opportunities for dialogue with outside directors in this ESG briefing.

The Company has established a system to provide feedback and consider further for the suggestions obtained through dialogues with investors and analysts by the IR department, and are reported to the Board of Directors and other internal stakeholders. The content of the Company's external communications is developed in collaboration with internal stakeholders.

The overview for the dialogues with stakeholders is disclosed on page 96 of the Integrated Report 2023.

https://ssl4.eir-parts.net/doc/5938/ir_material_for_fiscal_ym41/137633/00.pdf#page=97

[Action to Implement Management that is Conscious of Cost of Capital and Share Price]

The Company is working to simplify and strengthen its balance sheet and improve profitability under its medium-term management direction as set forth in the “LIXIL Playbook”. As medium-term targets, the Company aims to achieve a core earnings margin* of 7.5%, 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. In the long-term, the Company aims to achieve a core earnings margin of 10% and a return on invested capital (ROIC) of 10% as its overall financial indicators.

*The Company transitioned to IFRS (International Financial Reporting Standards) from the fiscal year ended March 2016. “Core earnings” in IFRS is equivalent to “Operating profit” in JGAAP.

As a step towards achieving the ROIC target, the Company is working to expand its core earnings. The improvement of the core earnings margin can be realized through the expansion of differentiated products and services, and by securing the funds to pursue new opportunities that will contribute to the expansion of our market share organically.

In the current drastic changing business environment, in order to better meet shareholders and investors’ needs, the Company has been identifying risks that could potentially affect its performance, and proactively and fairly disclosing important information that might affect investment judgments. The Company will set performance targets that appropriately consider changes in the business environment and work to enhance its corporate value by accumulating the achievements of these plans.

The Company’s basic policy on shareholder returns is to maintain a consolidated dividend payout ratio of 30% or more, and to return profits to shareholders in a stable manner, taking into consideration financial condition and profit level. In light of its management direction and the progress in strengthening its balance sheet, the company will appropriately consider flexible share buybacks from the perspectives of improving capital efficiency and strengthening shareholder returns. These policies on shareholder returns and implementation of these policies are deliberated and approved by the Board of Directors based on the aforementioned perspectives.

In addition, the Company has introduced an executive compensation system to deepen the shared interests with shareholders to create value over medium- to long-term. (Please refer to [Incentives] [Compensation for Directors and Executive Officers] Supplementary explanation)

Details on the Company’s initiatives to strengthen its financial soundness and improve profitability are disclosed in Section 2 (Strategy) of the Integrated Report 2023.

https://ssl4.eir-parts.net/doc/5938/ir_material_for_fiscal_ym41/137633/00.pdf#page=26

2. Capital Structure

Percentage of Foreign Shareholders	30% or more
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account) *	45,905,800	15.99
SSBTC CLIENT OMNIBUS ACCOUNT (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	12,867,738	4.48
Custody Bank of Japan, Ltd. (Trust Account) *	12,651,500	4.41
JP MORGAN CHASE BANK 385632 (Standing Proxy: Mizuho Bank Ltd. Settlement Sales Department)	12,420,044	4.33
LIXIL Employee Stock Ownership	7,135,541	2.48
STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing Proxy: Mizuho Bank, Ltd. Settlement Sales Department)	5,771,607	2.01
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	5,465,592	1.90
BNYM AS AGT/CLTS 10 PERCENT (Standing Proxy: MUFG Bank, Ltd.)	4,914,316	1.71
JPMorgan Securities Japan Co., Ltd.	3,942,240	1.37
Nippon Life Insurance Company	3,824,476	1.33

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

Supplementary Explanation

Note for the above mentioned [Status of Major Shareholders]

1. The above mentioned status of shareholders is as of September 30, 2023.

2. Shareholding calculations exclude 55,300 shares of treasury stock.

3. * indicates a trust service arrangement.

4. On July 19, 2023, Large Shareholding Report (Amendment Report) was filed, which is open to the public, stating that BlackRock Japan Co., Ltd., Aperio Group, LLC, BlackRock Advisers, LLC, BlackRock Investment Management LLC, BlackRock (Netherlands) BV, BlackRock Fund Managers Limited, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A. and BlackRock Investment Management (UK) Limited held shares of the Company as of July 14, 2023 as shown below. However, these shareholdings were not included in the above major shareholders because the Company could not confirm the number of beneficial shares held as of September 30, 2023. The above mentioned [Status of Major Shareholders] is stated based on the content of the shareholder registry.

The content of the Large Shareholding Report (Amendment Report) is as follows.

BlackRock Japan Co., Ltd.
Number of shares held: 5,837,100
Percentage: 2.03%

Aperio Group, LLC
Number of shares held: 292,611
Percentage: 0.10%

BlackRock Advisers, LLC
Number of shares held: 432,627
Percentage: 0.15%

BlackRock Investment Management LLC
Number of shares held: 310,396
Percentage: 0.11%

BlackRock (Netherlands) BV
Number of shares held: 817,010
Percentage: 0.28%

BlackRock Fund Managers Limited
Number of shares held: 643,537
Percentage: 0.22%

BlackRock Asset Management Canada Limited
Number of shares held: 591,700
Percentage: 0.21%

BlackRock Asset Management Ireland Limited
Number of shares held: 2,624,550
Percentage: 0.91%

BlackRock Fund Advisors
Number of shares held: 5,593,980
Percentage: 1.95%

BlackRock Institutional Trust Company, N.A
Number of shares held: 3,967,492
Percentage: 1.38%

BlackRock Investment Management (UK) Limited
Number of shares held: 321,403
Percentage: 0.11%

5. On October 3, 2023, Large Shareholding Report (Amendment Report) was filed, which is open to the public, stating that Capital Research and Management Company, Capital International K.K., and Capital International Inc. held shares of the Company as of September 26, 2023 as shown below. However, these shareholdings were not included in the above major shareholders because the Company could not confirm the number of beneficial shares held as of September 30, 2023. The above mentioned [Status of Major Shareholders] is stated based on the content of the shareholder registry. The content of the Large Shareholding Report (Amendment Report) is as follows.

Capital Research and Management Company
Number of shares held: 26,965,755
Percentage: 9.39%

Capital International K.K.
Number of shares held: 1,106,700
Percentage: 0.39%

Capital International Inc.
Number of shares held: 788,900
Percentage: 0.27%

3. Corporate Attributes

Listed Stock Market and Market Segment	Tokyo Stock Exchange Prime Market Nagoya Stock Exchange Premier Market
Fiscal Year-End	March
Business Sector	Metal products
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

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

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

On October 28, 2019, the Company established the “Governance Committee” as a voluntary and permanent committee within the Board of Directors. The committee is composed of all outside directors and its role and duties are as follows.

1. The Governance Committee shall continue to enhance the Company’s corporate governance, with the aim of enhancing management transparency and fairness, and increasing corporate value, taking into account the positions of all stakeholders.
2. The Governance Committee, in cooperation with the Board of Directors, the Nomination Committee, the Audit Committee, the Compensation Committee and related responsible departments, shall discuss or advise the Board of Directors on matters relating to the Company’s corporate governance, including reviewing and amending the Company’s General Policy.

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

1. Organizational Composition and Operation

Organization Form	Company with Nomination Committee, etc.
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	16
Term of Office Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board	An independent outside director
Number of Directors	11

[Outside Directors]

Number of Outside Directors	8
Number of Independent Directors	8

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Jun Aoki	From another company									△			
Shigeki Ishizuka	From another company									△			
Shiho Konno	Lawyer												
Mayumi Tamura	From another company												
Yuji Nishiura	From another company									△			
Daisuke Hamaguchi	Other									△			
Masatoshi Matsuzaki	From another company									○			
Mariko Watahiki	Lawyer												

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company

c. Executive of a fellow subsidiary

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

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

Outside Directors' Relationship with the Company (2)

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Jun Aoki	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	Assumed office in June 2023. Mr. Aoki was an Corporate Executive Officer of Shiseido Company, Limited, but he left office in December 2021. The LIXIL group has a business relationship with the Shiseido group involving repairs, etc.; however, such transactions accounted for 0.00001% of the LIXIL group's revenue for the last fiscal year, and therefore it does not amount to a major business partner. Furthermore, as he meets both the requirements for an independent officer prescribed by the stock exchange and the Independence Criteria for Outside Directors prescribed by the Company as well, he is determined to have a high level of independence from the Company.	As a first-class architect, Mr. Aoki has extensive industry experience and knowledge concerning urban planning, buildings, and building materials, etc. Moreover, in addition to being central to human resources and organizational innovations and contributing to the enhancement of human resources development, corporate culture reforms, and promotion of diversity as the Chief People Officer of Shiseido Company, Limited, he was involved in the management of the listed company with global business as representative director. We believe that his knowledge of architecture and other skills, his deep knowledge of diversity and inclusion, his practical experience in corporate management, and his global business experience will enable him to fulfill his duties as an Outside Director of the Company. As Outside Director, he is expected to contribute to the improvement of the effectiveness of the Board of Directors and the committees.
Shigeki Ishizuka			<input type="radio"/>	<input type="radio"/>	Assumed office in June 2023. Mr. Ishizuka was Vice Chairman of Sony Group Corporation, but he left office in March 2023. The LIXIL group has a business relationship with the Sony group involving repairs of digital devices and other repairs, etc.; however, such transactions accounted for 0.0006% of the Sony group's sales for the last fiscal year, and for 0.0001% of the LIXIL group's revenue for the last fiscal year, and therefore, neither amounts to a major business partner for the other. Furthermore, as he meets both the requirements for an independent officer prescribed by the stock exchange and the Independence Criteria for Outside Directors prescribed by the Company (page 40) as well, he is determined to have a high level of independence from the Company.	In addition to having management experience at Sony Group Corporation and its group companies, with a background in engineering, Mr. Ishizuka has been involved with IT and digital technology, manufacturing technology, and quality management, etc. for many years. We believe that his many years of management experience at companies with global business and his extensive knowledge of manufacturing and technology development will enable him to fulfill his duties as an Outside Director of the Company. As Outside Director, he is expected to contribute to the improvement of the effectiveness of the Board of Directors and the committees.

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Shiho Konno			<input type="radio"/>	<input type="radio"/>	<p>Assumed office in June 2021.</p> <p>Ms. Konno is a representative and attorney-at-law at Shiho Konno Habataki Law Office. The law firm has no business relationship with the LIXIL group in the last fiscal year, and so is not a major business partner. Furthermore, as she meets both the requirements for an independent officer prescribed by the stock exchange and the Independence Criteria for Outside Directors prescribed by the Company as well, she is determined to have a high level of independence from the Company.</p>	<p>Ms. Konno has a long career as a lawyer, an expert in law. In addition, she has deep knowledge of corporate governance and diversity and inclusion gained through law practice. Although she has no direct experience in corporate business execution, based on her experience as an outside director of a number of listed companies, as well as her deep knowledge of corporate governance and diversity and inclusion gained through law practice, the Company believes that she will continue to be able to perform her duties as Outside Director of the Company. Since assuming the position of Director of the Company in June 2021, she has served as a member of the Audit Committee, the Nomination Committee, and the Governance Committee and has contributed to improving its supervisory functions by providing important perspectives on corporate governance, particularly by utilizing her expertise in legal and compliance matters. As Outside Director of the Company, she is expected to continue to contribute to the improvement of the effectiveness of the Board of Directors and the committees.</p>
Mayumi Tamura			<input type="radio"/>	<input type="radio"/>	<p>Assumed office in June 2022.</p> <p>Ms. Tamura was Executive Officer, Senior Vice President, and CFO of Walmart Japan Holdings G.K. (currently Seiyu Holdings Co. Ltd.), and Executive Officer, Senior Vice President, and CFO of Seiyu GK (currently The SEIYU, Ltd.), and left the offices in 2013. Both companies had no business relationship with the LIXIL group in the last fiscal year, and so neither company is a major business partner. Furthermore, as Ms. Tamura meets both the requirements for an independent officer prescribed by the stock exchange and the Independence Criteria for Outside Directors prescribed by the Company as well, she is determined to have a high level of independence from the Company.</p>	<p>Ms. Tamura has many years of extensive management experience in global companies and a high level of knowledge in finance and accounting, and has also been involved in management planning and M&A. She also has a track record of involvement in the promotion of diversity and inclusion as a board member of a non-profit organization. In recent years, she has served as an outside director of a number of listed companies, and we believe that her deep knowledge of corporate governance and diversity and inclusion will continue to enable her to fulfill her duties as an outside director of the Company. Since assuming the position of Director of the Company in June 2022, she has served as a member of the Audit Committee and the Governance Committee and has contributed to improving supervisory functions through her active comments and activities, particularly by contributing to the discovery of issues and understanding of risks, etc., utilizing her expertise concerning finance and accounting. As Outside Director of the company, she is expected continue to contribute to the improvement of the effectiveness of the Board of Directors and the committees.</p>
Yuji Nishiura	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>	<p>Assumed office in June 2019.</p> <p>Mr. Nishiura was Director and the Chairperson of AXA Life Insurance, Co., Ltd., and he left office in June 2015.</p> <p>While there is business relationship between the said company and the LIXIL group involving fees for handling collective insurance, the ratio of such transactions accounted for 0.00001% of income of the company such as insurance premium, and it</p>	<p>Mr. Nishiura is a management professional who has engaged in the management of several corporations and been involved in a number of corporate restructuring matters. He has a wealth of knowledge and experience related to corporate governance reform at companies facing challenging situations. Since assuming the position of director of the company in June 2019, as Outside Director, he has contributed to the improvement of the</p>

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
					<p>does not amount to a major business partner. Further, Mr. Nishiura was Director and the Chairperson of AXA GENERAL INSURANCE COMPANY LIMITED, and he left office in June 2015. While there are transactions such as repair services between the company and the LIXIL group, such transactions accounted for 0.000004% of the LIXIL group's revenue for the last fiscal year, and it does not amount to a major business partner. He was the Chair and CEO of Sumitomo Mitsui Trust Club Co., Ltd., and he left the company in December 2018. In the last fiscal year, neither company had any business relationship with the LIXIL group, and therefore, it neither of them amount to a major business partner. Therefore, as each company does not amount to a major business partner and he meets both the requirements for an independent officer prescribed by the stock exchange and the Independence Criteria for Outside Directors prescribed by the Company, he is determined to have a high level of independence from the Company. He served in position of Advisor for five years at Sumitomo Mitsui Trust Bank, Limited, and he left the company in March 2020, however he was not involved in business execution. Therefore, it is determined that there would be no effect on his independence. In addition, it is determined that his career at Sumitomo Mitsui Trust Bank, Limited does not constitute the common concern that a person from the main financing bank group has no independence, as his appointment was based on his long-term experience and knowledge in other industries but not the bank.</p>	<p>effectiveness of the Board of Directors, and as Chairperson of the Nomination Committee, he has actively conducted meetings with the executive management team including the Executive Officers and has led in the clarification of the authorities of the Nomination Committee and the planning and promotion of a highly transparent process for determining director and executive officer candidates. In addition, he has continued to serve as Chairperson of the Nomination Committee and has led the development and implementation of the CEO succession plan, and clarification of the process for replacing Outside Directors, and various other measures to the Company's sustainable growth from the human side. As Outside Director of the Company, he is expected to continue to contribute to the improvement of the effectiveness of the Board of Directors and the committees.</p>
Daisuke Hamaguchi			○	○	<p>Assumed office in June 2019. Mr. Hamaguchi was the Management Execution Director of the Pension Fund Association, and he left the association in April 2019. The Pension Fund Association had no business relationship with the LIXIL group in the last fiscal year, and therefore, it is not deemed to be a major business partner. Furthermore, as he meets both the requirements for an independent officer prescribed by the stock exchange and the Independence Criteria for Outside Directors prescribed by the Company as well, he is determined to have a high level of independence from the Company</p>	<p>Mr. Hamaguchi has deep knowledge of corporate governance, having served as Management Execution Director of the Pension Fund Association for several years, as well as a member of, among others, "The Companies Act Subcommittee, Legislative Council" and "The Corporate Governance System Study Group." Since assuming the position of Director of the Company in June 2019, he has contributed to the improvement of the effectiveness of the Board of Directors, such as by utilizing his experience as an investor and reflecting the perspectives of stakeholders such as shareholders, etc. at the Board of Directors Meetings, and as Chairperson of the Compensation Committee, he has led in the reformation of the Company's officer compensation system, through exchange of opinions, etc. with the Executive Officers, and is leading the creation of a compensation system that that encourages executive management to increase corporate value over the medium and long term. In addition, as a member of the Nomination Committee and the Governance Committee, he has contributed to the improvement of the supervisory</p>

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						function through active remarks and activities at each committee. As Outside Director of the Company, he is expected to continue to contribute to the improvement of the effectiveness of the Board of Directors and the committees.
Masatoshi Matsuzaki	○			○	Assumed office in June 2019. Mr. Matsuzaki was Director and Chairperson of the Board of Directors of Konica Minolta, Inc., and he left the office in June 2022. The LIXIL group has a business relationship with Konica Minolta group involving purchase of products and repairs etc.; however, such transactions accounted for 0.0022% of the Konica Minolta group's sales for the last fiscal year, and for 0.00001% of the LIXIL group's revenue for the last fiscal year, and therefore, neither amounts to a major business partner for the other. Furthermore, as he meets both the requirements for an independent officer prescribed by the stock exchange and the Independence Criteria for Outside Directors prescribed by the Company as well, he is determined to have a high level of independence from the Company.	At Konica Minolta, Inc., Mr. Matsuzaki served as President and Representative Executive Officer and Chairperson of the Board of Directors of the company, and has practical experience from having been involved in the management of a listed company with global business for many years. In addition, he has deep knowledge concerning corporate governance, serving as Chairperson of the "Sustainability Committee" of the Japan Association of Corporate Directors, etc. Since assuming the position of Director of the Company in June 2019, leading the Board of Directors as Chairperson, he has been contributing to the improvement of the effectiveness of the Company's corporate governance and its sustainable growth utilizing his experience and knowledge. In addition, since June 2021, he has been newly appointed Chairperson of the Governance Committee and led various efforts to improve the effectiveness of the Board of Directors and committees, including the implementation of an evaluation of the effectiveness of the Board of Directors, identification of issues facing the Board of Directors and committees, and the establishment of a system to promote action plans. As Outside Director of the Company, he is expected to continue to contribute to the improvement of the effectiveness of the Board of Directors and the committees.
Mariko Watahiki	○	○		○	Assumed office in June 2021. Ms. Watahiki is an attorney-at-law at Okamura Law Office. The law firm has no business relationship with the LIXIL group in the last fiscal year, and so is not a major business partner. Furthermore, as she meets both the requirements for an independent officer prescribed by the stock exchange and the Independence Criteria for Outside Directors prescribed by the Company as well, she is determined to have a high level of independence from the Company.	Ms. Watahiki has a long career as a judge and has been involved in resolving many civil cases, including corporate legal affairs and labor issues. In addition, she has a track record of being involved in organizational management, including thorough compliance and governance, personnel management and human resource development, and crisis management by serving as the chief judge of several high courts. Although she has no direct experience in corporate business execution, based on her experience in handling many cases as a judge and operating an organization as the chief judge of high courts, the Company believes that she will continue to be able to perform her duties as Outside Director of the Company. Since assuming the position of Director of the Company in June 2021, she has served as a member of the Nomination Committee, the Compensation Committee, and the Governance Committee, and has contributed to the improvement of supervisory functions through her active comments and activities in each committee, particularly by utilizing her expertise in legal affairs, human resources

Name	Affiliated Committees			Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						development, and labor relations. As Outside Director of the Company, she is expected to continue to contribute to the improvement of the effectiveness of the Board of Directors and the committees.

[Committees]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Internal Directors	Outside Directors	Chairperson
Nomination Committee	4	0	0	4	Outside Director
Compensation Committee	3	0	0	3	Outside Director
Audit Committee	4	0	0	4	Outside Director

[Executive Officers (Shikkoyaku)]

Number of Executive Officers (Shikkoyaku)	8
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Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Kinya Seto	Yes	Yes	No	No	No
Sachio Matsumoto	Yes	Yes	No	No	No
Hwa Jin Song Montesano	Yes	Yes	No	No	No
Yugo Kanazawa	No	No	No	No	No
Bijoy Mohan	No	No	No	No	No
Satoshi Yoshida	No	No	No	No	No
Hiroyuki Oonishi	No	No	No	No	No
Shoko Kimijima	No	No	No	No	No

[Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Officers (Shikkoyaku)

The Company has established the Audit Committee Office as a dedicated entity to exercise the authority of the Audit Committee or Audit Committee members as set forth in laws and ordinances or internal regulations and to audit the legality and validity of the execution of duties by directors and executive officers. Audit & Supervisory Board Members are assigned to major domestic subsidiaries as part-time auditors and are playing the role of auditor audit at each of the companies and contributing to the improvement of governance of the Group. If the Audit & Supervisory Board Members dispatched directly from the Company's Audit Committee find any sign of problems with business audit or internal control, the said Audit & Supervisory Board Members will immediately report to the Audit Committee. The Company has decided that executive officers will not give orders or instructions with regard to directions from the Audit Committee or Audit Committee members to the Audit Committee Office and the Audit & Supervisory Board Members under the Group Audit Framework as required for auditing work, and personnel changes and employee performance evaluation are matters to be resolved at the Audit Committee.

Cooperation among Audit Committee, Financial Auditors and Internal Audit Departments **Updated**

In performing audits, the Audit Committee, the Audit & Supervisory Board Members, under the Group Audit Framework and the Internal Audit Division (Corporate Audit) are all committed to performing efficient auditing by regularly holding meetings, promoting the sharing of information and cooperating at all times. The Internal Audit Division will comply with instructions and orders of the Audit Committee or an Audit Committee Member elected by the Audit Committee. The consent of the Audit Committee is required for election/removal and personnel evaluation of the person in charge of the Internal Audit Division, as well as the budget for the activities of the Internal Audit Division. Through such initiatives, the system to ensure the effectiveness of the audits by the Audit Committee is established. In addition, they are working in close cooperation with the financial auditor to actively exchange information. The accounting functions and internal control functions are subject to internal audits by the Internal Audit Division, Audit Committee audits regarding business reporting, and accounting audits based on the Companies Act and the Financial Instruments and Exchange Act. The Company has elected Deloitte Touche Tohmatsu LLC as its financial auditor, concluded an audit agreement with the same regarding accounting auditing under the Companies Act and the Financial Instruments and Exchange Act, and has received an explanation of the auditing plan. In addition to receiving audit reports, the Company conducts hearings about the status of audits being performed as necessary.

[Independent Directors]

Number of Independent Directors	8
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Matters relating to Independent Directors

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

- i. A shareholder, or an executive (hereinafter, meaning the "executive" stipulated in Article 2(3)(6) of the Companies Act Enforcement Ordinance) of another company, that holds 10% or more of voting rights in the Company;
- ii. An executive of a company in which the Company holds 10% or more of the voting rights;

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

[Incentives]

Incentive Policies for Directors and/or Executive Officers (Shikkoyaku)	Introduction of Performance-linked compensation and others
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Supplementary Explanation

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

The compensation system for Directors consists of Annual Base Salary and Stock-linked compensation as their acts are requested to contribute to increase the sustainable corporate value while they are monitoring and supervising the management during their statutory terms. In the event that an Outside Director assumes the role of chairperson of the Board of Directors' Meeting or chairperson of a Committee, an allowance (the "Chairperson Allowance") shall be paid for such duties.

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

Recipients of Stock Options	
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Supplementary Explanation

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[Compensation for Directors and Executive Officers (Shikkoyaku)]

Disclosure of Individual Directors' Compensation	Selected Directors
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Disclosure of Individual Executive Officers' (Shikkoyaku) Compensation	Selected Executive Officers
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Supplementary Explanation

[Total amount of the compensation by officer category]

The number of Directors and Executive Officers and the amount of compensation for each compensation system are disclosed in the Business Report. In addition to this, the names and amounts of compensation with total compensation of 100 million yen or more are disclosed in the Securities Report and the Company website.

The number of Directors and Executive Officers and the amount of compensation for each compensation system in the fiscal year ended March 2023 were as follows.

Officer category	Total amount of the compensation (million yen)	Total amount of Compensation by type (million yen)				Number of Officers receiving
		Annual Base Salary	Performance-linked compensation	Stock-linked compensation	Various allowances *3	
Outside Directors	175	140	-	35	-	8
Executive Officers	1,222	575	-	423	224	8
Total	1,397	715	-	458	224	16

Notes:

1. Amounts based on Japan standard.
2. The compensation amounts shown above include compensation paid by the Company's subsidiaries, in addition to compensation paid by the Company. Of the above compensation amounts, the amount paid by the Company is 1,301 million yen (175 million yen for the 8 Directors and 1,126 million yen for the 8 Executive Officers).
3. The amount of Annual Base Salary for Outside Directors includes Chairperson Allowance.
4. Regarding Performance-linked compensation and Stock-linked compensation, the amounts that should be recorded as expenses for the fiscal year ended March 2023 are stated.
5. The company paid additional payments of 224 million yen as cost-of-living allowances and income tax allowances set out in "Various allowances" in the "Policy on Determining Compensation Amounts and Calculation Methods".

[Pay ratio]

The average annual salary for employees in the fiscal year ended March 2023 is 6,944,757 yen, and the pay ratio between the CEO and employees is 49.4.

Policy on Determining Compensation Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

[Compensation basic policies]

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

- ① Foster improvement of short-, medium-, and long-term business results and sustainable corporate value.
- ② Attract and retain the best talent who are necessary to foster business growth globally.
- ③ Ensure a fair and reasonable decision process with regard to compensation that will provide accountability to shareholders, employees, and all stakeholders.

- ④ Consider and discuss based on the economic and social circumstances, our business condition and objective indexes and advice of external specialized agencies at the Compensation Committee.
- ⑤ Individual compensation shall be managed in consideration of role and responsibility, business performance, experience and difficulty of securing personnel, etc.

[Compensation System]

As described in [Incentives] above, the compensation system for Directors consists of Annual Base Salary, Stock-linked compensation, and Chairperson Allowance, and the compensation system for Executive Officers consists of Annual Base Salary, Performance-linked compensation, and Stock-linked compensation.

[Annual Base Salary]

Annual Base Salary for Outside Directors shall be determined, based on the role of Outside Directors at the Company, while referring to the compensation levels of the upper group among domestic companies as reference information in line with the purpose of the compensation basic policies.

Annual Base Salary for Executive Officers shall be determined individually, based on role and responsibility, business performance, experience and difficulty of securing personnel, etc. of each Executive Officer, while referring to the compensation levels inside and outside Japan as reference information in line with the purpose of the compensation basic policies.

As for the referenced compensation levels, the external specialized agencies' data for each country is compared based on criteria such as revenue and market value, mainly in Global Industry Classification Standard categories. The Company intends to eliminate as much as possible any differences in compensation based on the country of residence. The amount of Annual Base Salary for Directors and Executive Officers shall be divided into twelve (12) months and paid monthly.

[Performance-linked compensation]

What is important for Performance-linked compensation is to strongly motivate Executive Officers for their actions and reward them fairly and equitably based on their performance. For this reason, it is our policy to determine the calculation method after careful interviews with Executive Officers by the Compensation Committee. There is no Performance-linked compensation in the compensation system for Outside Directors, as they are in the position of monitoring and supervising the management.

① Evaluation Period and payment timing: The evaluation period of Performance-linked compensation shall correspond to the fiscal year. The payment shall be made in a single payment within one (1) month from the date on which the Company reports the contents of the financial statements for the evaluation period to the Annual Shareholders' Meeting.

② Calculation formula: Performance-linked compensation = “Base Amount of Performance-linked compensation (③ below)” x “Payment rate according to business target achievement rates (④⑤ below)”

③ Base Amount of Performance-linked compensation: The base amount in the evaluation period shall be determined individually by the Compensation Committee as a certain percentage of Annual Base Salary according to the role and responsibility, etc. of subject officers compared with the compensation level of companies inside and outside Japan with a business scale similar to that of the Company, based on the survey report on executive compensation by the external specialized agencies in line with the purpose of the compensation basic policies.

④ Business target achievement rates: Business target achievement rates shall be set by calculating the ratio of the actual figures disclosed in the Annual Securities Report versus the forecast figures disclosed in the flash reports or the like at the beginning of each evaluation period for Performance-linked compensation. If there is more than one business target, the achievement of each target is multiplied by the percentage of each target in the total business target, and then and then aggregated (the “Weighted achievement rates”). Business target items are return on invested capital (the “ROIC”), which is a capital efficiency improvement indicator that is one of the important management goals, core earnings (the “CE”) which is a business management indicator, and profit attributable to the owner of the parent company (“Net profit”).

Business target	Weight	Target figures (million yen)	Actual figures	Business target achievement rates (Actual /Target×100)	Business target achievement rates × weight
ROIC	40%	5.0%	1.5%	30.0%	12.0%
CE	30%	81,000	25,745	31.8%	9.5%
Net profit	30%	51,000	15,991	31.4%	9.4%
Business target achievement rates for all items	-	-	-	-	30.9%

Business target achievement rate of all items (%) = ROIC achievement rate (%) × 0.4 + CE achievement rate (%) × 0.3 + Net profit achievement rate (%) × 0.3

The formula for calculating ROIC and CE is as follows.

ROIC = operating profit × (1 – effective tax rate) ÷ (operating claims and other claims + inventory + fixed assets (including goodwill and intangibles) – operating liabilities and other liabilities)

CE = sales revenue – (cost of sales + SG&A expenses)

⑤ The relationship between business target achievement rate and payout rate: The payout rate shall be calculated as below, which is designed comprehensively considering the difficulty of the achievement of business targets and the effect of motivation, in accordance with the business target achievement rate for all items calculated in ④ above. The payout rate for the fiscal year ended March 2023 is 0%. All of the calculations shown in ④ above and ⑤ shall be rounded off to one decimal place upon calculation of the payout rate.

Business target achievement rate	Payout rate
Less than 50%	0%
50% or more to less than 100%	The business target achievement rate
100% or more to less than 150%	{ (The business target achievement rate – 100) × 2 + 100 } %
150% or more	200%

[Stock-linked compensation]

The Company has been applying the Phantom Stock Plan, which is a stock-linked monetary compensation plan, to Directors and Executive Officers since the fiscal year ended March 2020. The Compensation Committee has confirmed that the Phantom Stock Plan has indeed been having the desired effect from its introduction until the present.

On the other hand, in recent years when Japan's corporate governance reforms have been progressing remarkably, the Compensation Committee has been deliberating on the revision of the medium- to long-term incentive compensation plan for Executive Officers in view of the increasing emphasis on the significance of management's ownership of their own company's shares.

As a result, the Compensation Committee resolved on February 16, 2023 that the current Phantom Stock Plan shall be 50% of the overall Stock-linked compensation plan for Executive Officers and the Restricted Stock Compensation Plan shall be the remaining 50% from April 2023, in order to encourage Executive Officers to deepen their shared interests with shareholders over their term of office and work to create value over medium- to long-term.

[Stock-linked compensation I: Phantom Stock Plan]

The Company has been applying the Phantom Stock Plan, which is a stock-linked monetary compensation plan, since the fiscal year ended March 2020, with the aim of encouraging Directors and Executive Officers to monitor, supervise and make management decisions for achieving improvement of the sustainable corporate value of the Company over the medium- to long-term, further promoting shared corporate value

with shareholders of the Company, and attracting and retaining superior personnel from around the globe by standardizing the global officer compensation system. The Phantom Stock Plan is in the form of monetary compensation, but it is a mechanism for the compensation amount to increase or decrease in accordance with changes in the Company's stock price and it encourages Directors and Executive Officers to act with awareness of the impact on the Company's stock price, and is thus substantially similar to a restricted stock compensation plan, etc. In addition, the numbers of shares of the Company and Phantom Stock (the "PS") owned by each officer are posted on the Company's website.

- ① Grant date: In principle, the Company grants PS to Directors on the day of each Annual Shareholders' Meeting and to Executive Officers on the first day of each fiscal year.
- ② Number of PS: The number of PS granted to each Outside Director shall be the number calculated by dividing the base amount (which is calculated by multiplying Annual Base Salary by the coefficient that is set based on the role and responsibility of each Outside Director) by the average closing price of the Company's stock for the 30 business days preceding the grant date in line with the purpose of the compensation basic policies. The number of PS granted to each Executive Officer shall be the number calculated by dividing the base amount (which is calculated by multiplying Annual Base Salary by the coefficient that is set individually according to the role and responsibility, business performance, experience and difficulty of securing personnel, etc. of each Executive Officer) by the average closing price of the Company's stock for the 30 business days preceding the grant date in line with the purpose of the compensation basic policies. The average closing price of the Company's stock over the 30 business days prior to the grant date will be rounded up to the nearest yen.
The number of shares granted in the fiscal year ended March 2023 was, based on base salary, 200% of Annual Base Salary for the Representative Executive Officer and President, 75% of Annual Base Salary for the Representative Executive Officer and Executive Vice President (Fuku-shacho) and 44% of Annual Base Salary for Executive Officer and Executive Vice Presidents (Senmu) (median value). As of April 1, 2023, the cumulative number of PS held was 242,315 for the Representative Executive Officer and President and 41,368 for Representative Executive Officer and Executive Vice President (Fuku-shacho).
- ③ The period from the grant date to the vesting date (the "Holding Period"): The Holding Period shall be one (1) year for Directors in line with their statutory term of office, considering their role in enhancing corporate value and in monitoring and supervising management. The Holding Period for Executive Officers shall be three (3) years, from the perspective of their role in enhancing sustainable corporate value and retention for medium- to long-term management. Officers do not have voting rights or other shareholder rights (including but not limited to, the right to receive dividends from surplus) at the Company's Annual Shareholders' Meeting during the Holding Period of PS. Officers shall not assign, provide as security or otherwise dispose of all or part of this right to a third party, nor have a third party succeed to this right from the grant date to the vesting date, excluding, however, succession by an heir following the death of an officer.
- ④ Vesting date: Upon the expiration of the Holding Period of PS, all PS held by an officer will be confirmed and paid in by the Company. In the event that an officer leaves the Company due to grounds not attributable to the officer (including retirement age and death), or leaves as a result of a merger or acquisition of a third party in which the Company is dissolved, all PS held by such officer shall be confirmed and paid at the time of leaving office.
- ⑤ Vesting amount: The vesting amount shall be calculated by multiplying the number of PS held by the officer on the vesting date by the average closing price of the Company's stock for the 30 business days prior to the vesting date, provided that the amount shall be limited to 500% of the base amount. The average closing price of the Company's stock for the 30 business days prior to the vesting date shall be rounded up to the nearest yen. The vesting amount shall be paid to the officer within one (1) month of the vesting amount being confirmed.

[Stock-linked compensation II: Restricted Stock Compensation Plan]

The Compensation Committee resolved on February 16, 2023 that 50% of the entire Stock-linked compensation plan for Executive Officers shall be the Restricted Stock Compensation Plan from April 2023. Executive Officers subject to this plan include Executive Officers who concurrently serve as Directors and exclude non-residents of Japan. For non-residents of Japan, the Phantom Stock Plan shall be applied.

- ① Allotment date: In principle, the Company allots shares to Executive Officers within two months of the first day of each fiscal year. The allotment date for the fiscal year ending March 2024 is May 16, 2023.
- ② Number of shares allotted: The number of shares of restricted stock allotted to each Executive Officer shall be the number calculated by dividing the base amount (which is calculated by multiplying Annual Base Salary by the coefficient that is set individually according to the role and responsibility, business performance, experience and difficulty of securing personnel, etc. of each Executive Officer) by the average closing price of the Company's stock for the 30 business days preceding the first day of the fiscal year in line with the purpose of the compensation basic policies. The average closing price of the Company's stock over the 30 business days prior to the first day of the fiscal year will be rounded up to the nearest yen. This share price is same as the share price used to calculate the number of granted PS in the Phantom Stock Plan, which is another plan that makes up Stock-linked compensation of Executive Officers, and it is believed to be reasonable and not particularly advantageous.
- ③ Transfer restriction period: The transfer restriction period (the "Transfer Restriction Period") is from the allotment date until the person subject to the allotment leaves office from every position as Director or Executive Officer of the Company. During the Transfer Restriction Period, the person subject to the allotment shall not transfer, pledge, create a security interest in, make a living gift, bequest or otherwise dispose of the restricted shares he or she was allotted (the "Allotted Shares") to any third party (the "Transfer Restriction").
- ④ Lifting of the Transfer Restriction: The Company shall lift the Transfer Restriction on all of the Allotted Shares at the time the person subject to the allotment leaves office from every position as Director or Executive Officer of the Company, on the condition that the person subject to the allotment has continuously held the position of Executive Officer of the Company until the last day of the first fiscal year of the Company that falls after the commencement date of the Transfer Restriction Period.
However, in the event that the person subject to the allotment leaves office from the position of Executive Officer of the Company due to reasons that the Board of Directors of the Company determines to be justified by the day before the last day of the first fiscal year of the Company that falls after the commencement date of the Transfer Restriction Period, the Company shall lift the Transfer Restriction on the number of Allotted Shares that is obtained by dividing the number of months from April of the fiscal year to which the commencement date of the Transfer Restriction Period belongs to the month including the day on which the person subject to the allotment leaves office from the position of Executive Officer of the Company by 12 (if the result of the calculation exceeds one, it shall be one), multiplied by the number of the Allotted Shares held by the person subject to the allotment as of such time (any fraction resulting from the calculation that is less than one share shall be rounded down), at the time the person subject to the allotment leaves office from every position as Director or Executive Officer of the Company.
- ⑤ Acquisition of the restricted shares by the Company without consideration: In the event that the person subject to the allotment leaves office from the position of Executive Officer of the Company by the day before the last day of the first fiscal year of the Company that falls after the commencement date of the Transfer Restriction Period, unless there are reasons that the Board of Directors of the Company determines to be justified, the Company shall automatically acquire the Allotted Shares without consideration at the time the person subject to the allotment leaves office from every position as Director or Executive Officer of the Company. In the event that there are Allotted Shares for which the Transfer Restriction has not lifted based on the provisions for reasons for lifting of the Transfer Restriction set out in ④ above at the time of the expiration of the Transfer Restriction Period (the "Time of Expiration"), the Company shall automatically acquire those Allotted Shares without consideration immediately after the Time of Expiration.
- ⑥ Treatment in the event of organizational restructuring, etc.: In the event that a proposal concerning a merger agreement whereby the Company becomes the dissolving company, a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, or any other reorganization is approved at the Shareholders' Meeting of the Company (or at the Board of Directors of the Company in the case that approval by the Shareholders' Meeting of the Company is not required regarding that organizational restructuring, etc.) during the Transfer Restriction Period for Allotted Shares, the Company shall lift the Transfer Restriction on the number of the Allotted Shares that is obtained by dividing the number of months from April of the fiscal year to which the commencement date of the Transfer Restriction Period belongs to the month including the approval date by 12 (if the result of the calculation exceeds one,

it shall be one), multiplied by the number of the Allotted Shares held by the person subject to the allotment as of such approval date (any fraction resulting from the calculation that is less than one share shall be rounded down), at the time immediately preceding the business date prior to the effective date of the organizational restructuring, etc., based on a resolution by the Compensation Committee of the Company. In that event, on the business date prior to the effective date of the organizational restructuring, etc., the Company shall automatically acquire all of the Allotted Shares for which the Transfer Restriction has not lifted on that date without consideration pursuant to the provisions set forth above.

[Stock Ownership Guidelines]

The Company has established Stock Ownership Guidelines from the fiscal year ending March 2024, which indicate the number of the Company's shares recommended 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

[Malus and claw back provisions]

In Performance-linked compensation and Stock-linked compensation, if there has been any material accounting mistake with the Company or the Board of Directors determines that there has been a material violation, etc. by the officer concerned, the Compensation Committee may decide to reduce or extinguish pre-vested compensation and to return post-vested compensation based on such reasons.

[Various allowances]

In the event that an Executive Officer performs business at a location other than the place of nationality or in other cases where it is recognized as necessary for business execution, the Company may bear the costs and expenses as a separate allowance, taking into consideration the laws, practices, standards, etc. relating to compensation in the relevant country, and the payment period is three (3) years from the time of inauguration, as a general rule. Regarding the timing of payment, there are cases where the fixed annual amount is divided into twelve (12) months and then paid monthly, and there are cases where the payment is made on a predetermined date depending on the nature of the cost.

[Supporting System for Outside Directors]

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

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Masahiro Sugino	Advisor (komon)	Building good relationships with stakeholders such as business partners, participating in local activities in areas of Tokoname City and City of Nagoya, Aichi Prefecture, etc. (not involved in the Company's management)	Part time Without compensation	June 23, 2011	Yearly contract

Number of retired presidents/CEOs holding
advisory positions (sodanyaku, komon, etc.)

One

Others

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

(Board of Directors)

The Board of Directors makes decision in relation to matters specified under the relevant laws and ordinances, basic management policy, and important management matters, and it also supervises the execution of duties by directors and executive officers. In particular, the Company's outside directors perform a high-level supervisory function from an independent perspective, thereby realizing stronger, more effective corporate governance.

The current Board of Directors consists of eleven directors (of which eight are outside directors). Among internal directors, one is female who has nationality other than Japanese, and among outside directors, three is Japanese female.

In principle, meetings of the Board of Directors are held once a month. They were held 15 times in the fiscal year ended March 2023. The member of Board of Directors as of March 31, 2023 and attendance of each member are as follows:

Kinya Seto	15/15(100%)
Sachio Matsumoto	15/15(100%)
Hwa Jin Song Montesano	15/15(100%)
Tamio Uchibori	14/15(93%)
Shiho Konno	15/15(100%)
Teruo Suzuki	15/15(100%)
Mayumi Tamura	12/12(100%)
Yuji Nishiura	15/15(100%)
Daisuke Hamaguchi	15/15(100%)
Masatoshi Matsuzaki	15/15(100%)
Mariko Watahiki	15/15(100%)

(Nomination, Audit, Compensation Committees, and Governance Committee)

The Company shall structure as follows so that the Nomination Committee, Audit Committee, Compensation Committee, and Governance Committee, a voluntary committee are able to effectively fulfill its responsibility and role.

- (1) A majority of the members of Nomination, Audit, and Compensation committee shall all be independent outside directors who satisfy the Company's independence criteria.
- (2) The chairperson of Nomination, Audit, and Compensation committee who also chairs its meetings shall be an independent outside director.
- (3) The Governance Committee shall consist of all outside directors.

The deliberation details and resolution matters of each committee are reported by the chairperson of the committee at the Board of Directors Meeting held immediately after the committee meeting.

- The Nomination Committee currently consists of four outside directors, and determines the contents of director election and removal proposals submitted to shareholders' meetings. The Board of Directors shall request an opinion such as election, appointment, removal and dismissal of an executive officer or the representative executive officer, etc., and the Nomination Committee will report its opinion to the Board of Directors such as election, appointment, removal and dismissal candidates for executive officers and representative executive officer, etc.

Nomination Committee meetings are held at least once a year as necessary. They were held 13 times in the fiscal year ended March 2023. The member of the Nomination Committee as of March 31, 2023 and attendance of each member are as follows:

Yuji Nishiura	13/13(100%)
Shiho Konno	10/10(100%)
Daisuke Hamaguchi	13/13(100%)
Masatoshi Matsuzaki	13/13(100%)
Wariko Watahiki	13/13(100%)

- The Audit Committee currently consists of four outside directors, and supervises the execution of duties by Directors and Executive Officers. It also makes resolutions on the contents of audit policies and audit plans as well as financial auditor election and removal proposals submitted to shareholders' meetings. Audit Committee meetings are, in principle, held more than once in two months as necessary, and currently, the meetings are held once or more a month. They were held 14 times in the fiscal year ended March 2023. The member of Audit Committee as of March 31, 2023 and attendance of each member are as follows:

Teruo Suzuki	14/14(100%)
Tamio Uchibori	14/14(100%)
Shiho Konno	14/14(100%)
Mayumi Tamura	9/9(100%)

- The Compensation Committee ("the Committee") currently consists of three outside directors, and decides the policy regarding the compensation of Directors and Executive Officers and their individual compensation received from the Company as consideration for duties. From the fiscal year ended March 2020, the compensation of executives of international subsidiaries of the Company are managed by the Committee in order to enhance compensation governance of the entire Company.

When the Committee decides on compensation, the deliberation was conducted in full consideration of the Company's management policy and the advice of external specialist institutions.

The Committee is stipulated to be held at least once a year, and it was held 11 times in the fiscal year ended March 2023. The member of Compensation Committee as of March 31, 2023 and attendance of each member are as follows:

Daisuke Hamaguchi	11/11(100%)
Tamio Uchibori	11/11(100%)
Yuji Nishiura	11/11(100%)
Wariko Watahiki	9/9(100%)

- The Governance Committee consists of all outside directors, and with the objective to enhance the Company's corporate governance, discusses or advises the Board of Directors on matters such as reviewing and amending the Company's General Policy and playing the lead role in carrying out the evaluation of the effectiveness of the Board of Directors. The Governance Committee, in cooperation with the three committees required by statute (the Nomination Committee, the Audit Committee and the Compensation Committee), strives to establish and improve the corporate governance system. Also, the improvements of the corporate governance system will be reported to shareholders, investors and other stakeholders through disclosed documents such as the Securities Reports and Corporate Governance Reports. The Governance Committee meetings are held more than once a quarter. They were held seven times in the fiscal year ended March 2023. The member of Governance Committee as of March 31, 2023 and attendance of each member are as follows:

Masatoshi Matsuzaki	7/7(100%)
Tamio Uchibori	6/7(86%)
Shiho Konno	7/7(100%)
Teruo Suzuki	7/7(100%)
Mayumi Tamura	5/5(100%)
Yuji Nishiura	7/7(100%)
Daisuke Hamaguchi	7/7(100%)
Wariko Watahiki	7/7(100%)

(Board of Executive Officers)

The Board of Executive Officers is comprised of all Executive Officers, and as the decision-making body responsible for the execution of business activities in accordance with the basic policies approved by the Board of Directors, decides on important matters relating to the execution of business in the Company and the Group as a whole.

The Board of Executive Officers' meeting is held once a month generally and an extraordinary Board of Executive Officers' meeting will be held as necessary. They were held 14 times in the fiscal year ended March 2023. Attendance of each member is as follows:

Kinya Seto	14/14 (100%)
Sachio Matsumoto	14/14 (100%)
Hwa Jin Song Montesano	14/14 (100%)
Yugo Kanazawa	14/14 (100%)
Bijoy Mohan	14/14 (100%)
Satoshi Yoshida	14/14 (100%)
Hiroyuki Oonishi	13/14 (93%)
Shoko Kimijima	14/14 (100%)

(Audit Framework with Audit & Supervisory Board Member)

For the purpose of enhancing the system that supports the Group's Audit Committee and strengthening the internal control of the Group, Audit & Supervisory Board Members under the Group Audit Framework are distributed to major subsidiaries in Japan to exclusively conduct audits of the subsidiaries, and enhance the effectiveness of the subsidiaries' audit activities and aim to strengthen corporate governance.

The Group's Audit & Supervisory Board Member under the Group Audit Framework is composed of an appropriate number of persons which shall be no more than five persons, and periodically conduct meetings with the Audit Committee and report on the implementation status of audits through the Audit Committee Office.

(Internal Audits)

Corporate Audit, a corporate function, is responsible for managing all of the Group's internal audit organizations in Japan and international markets, and ensures all group companies' audits are conducted in a unified and comprehensive manner. Corporate Audit is responsible for carrying out traditional internal audit processes such as accounting audits, operational audits, and assessment of internal controls. Additionally, it continuously reviews internal audit systems and processes in order to help achieve sustainable Group-wide growth, strengthen governance as well as internal control, and contribute to the development of human resources.

(Audit Committee Audits)

The Company's Audit Committee conducts audits with the aim of increasing efficiency by staying in close contact with the Internal Audit Group of the Company and subsidiaries, and the Audit & Supervisory Board Members under the Group Audit Framework. The Audit Committee periodically receives audit results reports from the Internal Audit Group and the Audit & Supervisory Board Members under the Group Audit Framework and gives instructions at suitable times. It conducts interviews with executive officers, etc., sits in on important internal meetings, and reads minutes or approval requests of important committees, and by doing so, it audits the creation of internal control systems and their state of operation at the Company and important subsidiaries, as well as the state of execution of duties by directors and executives.

The Audit Committee consists of four audit committee members. Mayumi Tamura, a member of the Audit committee, has experience as a chief financial officer (CFO) in multiple global companies, and she has substantial knowledge regarding finance, accounting and tax matters.

(Accounting Audits)

The Company has entered into an audit agreement with Deloitte Touche Tohmatsu LLC regarding accounting auditing under the Companies Act and the Financial Instruments and Exchange Act. The Company's Audit Committee and the auditing company strive to mutually improve the quality of audits by having regular occasions for information sharing and exchanging information on various auditing policies and problems that have arisen during the fiscal year. The Company also holds auditing report meetings at the end of the fiscal year and exchanges information regarding specific accounting problems.

The name of the certified public accountants who performed the Company's auditing work in the fiscal year ended March 2023, and their structure of assistants for audit services are as follows;

- Name of certified public accountants who performed the auditing work
Designated limited liability partners, managing members: Taiji Suzuki, Takenao Ohashi, Masayuki Furukawa
- Composition of assistants for accounting audit services
26 certified public accountants and 75 others

(Other committees)

In order to enhance corporate governance at its group companies, the Company established the Governance Committee within the Board of Directors as a discretionary committee, and also appropriately holds executive side meetings such as Investment Review Committee, M&A Committee, Risk Management Committee, Impact Strategy Committee, and Compliance Committee, and discusses management strategies, medium- and long-term policies, investment matters, etc. to strive to accelerate decision-making and enhance the effectiveness of its governance.

(Limitations on liability clause)

The Article of Incorporation of the Company has a limitation on liability clause for outside directors. Based on the Article of Incorporation, the Company has signed limitations on liability agreement with all outside directors. The details of the agreement are as follows;

After signing this agreement, outside directors shall be liable to damages caused by his/her disregard of obligations and duties and the amount of compensation shall be capped at 10 million yen or the amount stipulated by laws and regulations, whichever is greater, when duties are performed in good faith and without material gross negligence.

(Indemnity agreement)

The Company has entered into indemnity agreements with directors and executive officers pursuant to Article 430-2, Paragraph 1 of the Companies Act, whereby the Company indemnifies them for the expenses (defense costs such as attorneys' fees) set out in Item 1 of the same Paragraph to the extent stipulated by law. However, there is an upper limit to the amount of indemnification, and in the event that, after the Company has paid defense costs to a director or officer, it is found that the director or officer has performed his/her duties for his/her own or a third party's improper benefit or for the purpose of causing damage to the Company, the Company may demand reimbursement of the defense costs from the director or officer. Furthermore, decisions on the implementation of indemnity and other matters are made through deliberations by the Board of Directors, and measures are taken to ensure that the appropriateness of the execution of duties by the indemnitees is not impaired.

3. Reasons for Adoption of Current Corporate Governance System

The Company changed to the Company with Committees, currently the Company with Nomination Committee, etc., after obtaining resolution at the shareholders' meeting held on June 23, 2011, in order to separate its managerial execution and supervisory functions to enable prompt decision-making by executive officers, and to secure transparency of its business.

The general concepts of our corporate governance system are as follows.

- Maintain a board structure that clearly separates management oversight and execution, and allows management to supervise business execution from the perspective of increasing corporate value.
- Select candidates for independent outside directors who can appropriately reflect the opinions of minority shareholders and other stakeholders in management.
- All committees should be composed of independent outside directors to maintain independence from execution and transparency.

<Changes in the Group's corporate governance reforms in recent years >

October 2019: Established the Governance Committee as a voluntary permanent committee. Revised Regulations of Nomination Committee and the general policy to improve management transparency and composition.

December 2019-February 2020: Conducted mutual nomination ballot of outside directors by external professional organizations as part of the process of selecting candidates for the Board of Directors

March 2020: Annual budget for Board of Directors and committees' activities were approved by the Board of Directors (thereafter, similar initiatives to be implemented by the Board of Directors once a year)

May 2020: Introduced a skills matrix for the Board of Directors

June 2020: Amended the Articles of Incorporation to change the term of office of Executive Officers to the end of the fiscal year (to clarify the Executive Officers' management responsibilities during the business term)

Changed the composition of the Board of Directors to three internal directors and six outside directors. Three statutory committees and the Governance Committee are composed solely of independent outside directors.

August 2020: Implemented training for directors and executive officers (training sessions, site visits, and others) and systematized orientation for directors and executive officers at the time of their appointment.

(thereafter, the Board of Directors will oversee implementation once a year)

October 2020: Established "CEO Succession Plan".

October-December 2020: Outsourced assessment of executive officers to an outside professional organization

December 2020: The merger of LIXIL Group Corporation (currently LIXIL Corporation), which was a holding company, and its subsidiary LIXIL Corporation (dissolved due to the merger) to dissolve the two-tier structure of the holding company and operating company enhanced transparency in decision-making, thereby strengthening the governance structure.

June 2021: Changed the composition of the Board of Directors to three internal directors and seven outside directors.

November 2021-January 2022: Outsourced evaluation of the effectiveness of the Board of Directors to a specialized external organization (thereafter, the general policy stipulates outsourcing to an external organization at least once every three years).

March 2022: CR policy (current Impact Strategy) was approved by the Board of Directors.

June 2022: Board composition changed to 3 internal directors and 8 outside directors.

March 2023: The Board of Directors approved the Impact Strategy to clearly define the policy and strategy for the company's unique initiatives regarding sustainability issues.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the Shareholders' Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of Shareholders' Meeting	The Company publicizes the notification of the general shareholders' meeting earlier than its dispatch by disclosing it in advance on its website.
Scheduling Shareholders' Meetings Avoiding the Peak Day	In setting the date of the Shareholders' Meeting, the Company avoids scheduling its meeting on the so-called peak day for general shareholders' meetings, and also holds its general shareholders' meeting earlier.
Allowing Electronic Exercise of Voting Rights	The Company has created an environment that enables the exercise of voting rights on a company-designated website from a personal computer or smart phone, etc.
Participation in Electronic Voting Platform and Measures to Improve the Environment for Institutional Investors to Exercise Voting Rights	The Company participates in a platform for institutional investors to exercise voting rights that is operated by ICJ, Inc. (Investor Communications Japan).
Providing Convocation Notice (Summary) in English	The Company prepares an English version of its shareholders' meeting convocation notice and publishes them on its website.
Other	The Company held the 81st Annual Shareholders' Meeting on June 21, 2023 as a shareholders' meeting without a designated location (a virtual-only shareholders' meeting). Through this method, the Company provides an opportunity for all shareholders to participate in this Shareholders' Meeting in an impartial format regardless of their physical location or whether they have free time, and by using contrivances that are only possible online, the Company is trying the best to promote the exercise of rights by shareholders at this Shareholders' Meeting and to realize active dialogue with shareholders and an increase in satisfaction. In regard to the results of voting on the shareholders' meeting agenda, Extraordinary Reports are submitted without delay after shareholders' meetings under the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, Etc. and posted on our website. Resolution notices are also posted on the website.

2. IR Activities

	Supplementary Explanations	Explanation by representatives themselves
Preparation and Publication of Disclosure Policy	Disclosure Policy is posted on our website.	—
Regular Investor Briefings for Individual Investors	It is our policy to hold briefings from time to time.	No
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds briefings at each settlement of accounts and at the time of announcing quarterly results, where it explains its financial results, the progress of management policies and measures. The briefings are live streamed in English and Japanese and webcasts and transcripts are available on the website promptly thereafter. The Company also holds investors meetings regarding important disclosures and a number of other individual meetings and group meetings on the same.	Yes
Regular Investor Briefings for Overseas Investors	Every quarter, when distributing the sound and video recordings of the Results Announcements Briefing, we also distribute English translations through simultaneous interpretation. The Company also holds a number of other individual meetings and group meetings.	Yes
Posting of IR Materials on Website	As well as posting IR materials, including integrated reports, on the website, the Company also creates and posts pages specifically for individual investors. The Company also provides webcast and transcripts of explanations of results briefings and so on by the representative director (Japanese/ English). https://www.lixil.com/en/investor/ In addition, any inquiry regarding IR shall be directly answered by the IR Office through the website “Contact Us”	—
Establishment of Department and/or Manager in Charge of IR	The Company has established an Investor Relations Office which is specialized in IR.	—

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Supplementary explanations are expressly provided in the following information available on the website: LIXIL Code of Conduct https://www.lixil.com/en/about/governance/pdf/LIXIL_CoC_en.pdf Group Charter of Corporate Behavior https://www.lixil.com/en/about/governance/pdf/LIXIL_GCoCB_en.pdf
Implementation of Environmental Activities, CSR Activities etc.	We have established our Impact Strategy and posted it on our website. https://www.lixil.com/en/impact/structure/impact_strategy.html
Development of Policies on Information Provision to Stakeholders	We have established a disclosure policy and disclosed it on our website. https://www.lixil.com/en/investor/strategy/policy.html
Other	<p>[Diversity in Officers] Article 21 of the General Policy “Composition of the Board of Directors” sets forth “... the Company shall place a focus on ensuring diversity, including for gender, internationality, career, age, race, and ethnicity and aim to achieve diversity not only of gender, nationality and age, but also knowledge, experience, opinion and background in the composition of the Board of Directors”. Regarding the gender diversity of the Company’s officers, four out of eleven directors and two out of eight executive officers are female. In terms of nationality diversity, one director and two executive officers have nationalities other than Japanese.</p> <p>[Diversity & Inclusion] Article 16 of the General Policy provides “Ensuring Diversity, Etc.”. The Group is committed to embracing the diversity of people in society and within our firm. This includes enhancing quality of life and wellbeing for the elderly and people with disabilities through our products and services, as well as harnessing the intelligence and perspectives of our diverse workforce, as an engine for growth and innovation. Furthermore, the Company has engaged to respond to circumstances of each hub under the LIXIL Diversity & Inclusion Declaration: “We leverage our differences to create new energy and engagement generated by open and honest dialogue across our organization. These efforts will enable our employees to build entrepreneurial mindset that will drive growth and sustainable innovation.” The Group aims to create a working environment that embraces all employees regardless of age, gender, nationality, physical ability and so on. As such, we have recently launched initiatives to ensure a more inclusive environment for LGBT and disabled employees, in addition to promote women’s participation in the workplace.</p>

IV. Matters Related to the Internal Control System Updated

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

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

(i) System to ensure that the performance of duties by Executive Officers and employees of the Company, and Directors, etc. and employees of the Group Companies, comply with the laws and regulations and the Articles of Incorporation

The Company and the Company's subsidiaries (the "Group Companies," and collectively with the Company, the "Group") will establish guidelines for actions as a code of ethics for the entire Group, communicate it to the Group's officers and employees, review it periodically, and conduct a read-through and an oath to comply once per year. The Group will institute a common concern raising (whistleblowing) system to enable the Group's officers and employees to directly make reports to the Company's Legal / Compliance department or outside lawyers.

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

The Company will appropriately retain materials and meeting minutes of the Board of Executive Officers and committees set up as subordinate bodies of the Board of Executive Officers, and information on the execution of the duties of Executive Officers, such as records of resolutions of the Executive Officers and employees that have been delegated authority by the Executive Officers, etc. based on the laws and regulations and the internal company rules.

Based on the internal company rules, the Directors may access such information at any time.

Such information will be managed according to the internal company rules for document management, the internal company rules for information security, and the internal company rules for personal information protection, etc.

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

The Group will set out internal company rules for risk management, appropriately manage risks that may affect business activities, and create a system necessary to minimize losses for the Group in emergencies. Risks that may affect business activities will be classified into strategic risks and operational risks. Relevant departments will coordinate to identify and evaluate risks that may impede the achievement of goals for key issues so that risks that need to be addressed can be ranked to create a broad framework that covers the medium/long-term perspective and the stakeholder perspective, including management policies, business strategies, and impact strategies.

The department in charge of risk management will provide appropriate support to the Group Companies according to how the risk is being addressed to ensure the quality of overall group risk management. The Group will develop and maintain a system that enables the Group to make timely decisions on specific measures by establishing a Risk Management Committee which will examine whether measures are necessary for uncertain events that may constitute opportunities for, or threats to, the Group's business goals, as well as the departments in charge of these, and report examination results to the Board of Executive Officers, the Board of Directors, or other organizations as necessary.

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

The Board of Directors of the Company will establish the division of duties of the Executive Officers and clarify the areas for which each Executive Officer is responsible before delegating decision-making authority to each such Executive Officer.

In addition, the Board of Executive Officers attended by all Executive Officers will be convened regularly and conduct flexible decision making for basic and important matters regarding the business of the Group. Furthermore, various committees, etc. will be set up as subordinate bodies of the Board of Executive Officers, with the responsible Executive Officer according to the division of duties acting as chairperson,

and effectively discuss each special area to streamline and optimize management decisions. Important investment items, M&A, and organizational restructuring items that may affect the entire Group will be examined by the Investment Review Committee and other relevant committees, while the Impact Strategy Committee and other relevant committees will conduct strategic and flexible decision making for sustainability related management issues.

The Company will share its basic management policy with the Group Companies as well as ensure the efficiency in execution of duties of the Directors, etc. of the Group Companies by clarifying which decisions on execution of duties of the Group Companies require the approval of the Company or need to be reported to the Company.

(v) System to report to the Company about matters regarding the execution of duties of the Directors, etc. of the Group Companies

The Company will set out important matters of the Group Companies that require the approval of the Company and matters that need to be reported to the Company in the internal company rules for the governance of the Group Companies and affiliates and make them widely known within the Group. A system will be developed for major subsidiaries among the Group Companies requiring them to make regular business reports to the Executive Officers of the Company to ensure appropriate operations of the Group.

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

The Company will establish the Audit Committee Office as a dedicated organization to support the duties of the Audit Committee. The Audit Committee Office will be the secretariat for the Audit Committee and perform duties in accordance with instructions from the Audit Committee and Audit Committee Members. In order to enhance the system that supports audits of the Group and to strengthen the internal control of the Group, the "Audit & Supervisory Board Member" which exclusively performs audit activities at subsidiaries, is assigned to major domestic subsidiaries. In addition, Directors who should support the Audit Committee will not be placed.

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

Appointments, personnel changes, and performance evaluations, etc. of the employees and Audit & Supervisory Board Members belonging to the Audit Committee Office will be resolved by the Audit Committee after advance discussion with the head of the Personnel Department of the Company. In addition, instructions from the Audit Committee and Audit Committee Members to such employees will be properly handled by each department of the Group to ensure the effectiveness of such instructions.

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

If a Director or an Executive Officer discovers a fact that is likely to cause substantial damages to the Company, he/she will immediately report it to an Audit Committee Member.

When an Audit Committee Member receives an important report, opinion, or document from a Director, an Executive Officer, or the Accounting Auditor or someone else, he/she will report it to the Audit Committee. The Representative Executive Officers and the Audit Committee Members will periodically exchange opinions regarding findings from an audit.

The Legal/Compliance department will periodically report to the Audit Committee regarding the status of concern-raising (whistleblowing).

The Audit Committee Members elected by the Audit Committee shall have the authority to request that the Directors, the Executive Officers, and the employees report on the execution of their duties at any time and the authority to request that the Directors, the Executive Officers, and the employees accept investigation with respect to the Company's business and the status of its assets at any time.

Audit & Supervisory Board Members will hold regular meetings with the Audit Committee and report the status of audits.

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

If material events occur at the Group Companies, the Directors, etc. of such Group Companies shall report the related facts to the Audit Committee of the Company, and if there is any instruction on said report from the Audit Committee, they shall attend the Audit Committee and report the facts.

The Audit Committee Members elected by the Audit Committee shall have the authority to request that the Group Companies report on their businesses, or that they accept investigation with respect to their businesses and status of their assets.

(x) System to ensure that a concern-raising person (whistleblower) and a person reporting to the Company's Audit Committee do not receive disadvantageous treatment on the grounds of having made such whistleblowing and/or report

The Company will create a concern raising (whistle-blowing) system of the Group based on the internal company rules for concern raising that specifies maintenance of confidentiality, prohibition of retaliation, and concern-reporting procedures, and make the method of reporting, etc. widely known within the Group. The Company's Legal/Compliance department will report the status of the concern-raising (whistleblowing) to the Audit Committee in a timely manner. Concerns raised against the Directors and the Executive Officers, etc. of the Company shall be appropriately treated by developing a system for independent investigation and action by the Audit Committee or the Executive Officer, etc. in charge of the Legal / Compliance department.

The Company prohibits disadvantageous treatment of the person raising the concern with the Audit Committee (including persons raising concerns indirectly through another person) based on (i.) above on the grounds of such concern-raising.

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

When an Audit Committee Member makes a claim for the repayment of expenses under Article 404, Paragraph 4 of the Companies Act against the Company with respect to its execution of duties, the Company will bear such expenses upon deliberation with the department in charge. In addition, a budget of a certain amount will be established every year to disburse the expenses for execution of such duties.

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

The Audit Committee will periodically receive reports regarding the contents of the audit from the Accounting Auditor of the Company and the Group Companies, and the Company's Internal Audit Division.

The Internal Audit Division will comply with instructions and orders of the Audit Committee or an Audit Committee Member elected by the Audit Committee. The consent of the Audit Committee is required for election/removal and personnel evaluation of the person in charge of the Internal Audit Division, as well as the budget for the activities of the Internal Audit Division.

2. Basic Stance Regarding Elimination of Anti-Social Forces and Its Development

- The Group prohibits contact and transaction with antisocial forces and has clearly formulated its basic stance: "We will not be voluntarily involved with any act which may endorse or contribute to the activities of criminal organizations or individuals such as corporate extortionists and members of organized crime, including as customers, business partners, or otherwise. We will not give in to threats by such parties."
- The Group sets forth "LIXIL Code of Conduct" that includes the fundamental policy above and asks that all employees put into practice this message from senior management. In terms of operation, in addition to defining the main departments that are in charge, the Compliance Committee performs regular reviews and re-evaluations of implementation.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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

2. Other Matters Concerning to Corporate Governance System

The Company has the following internal systems to ensure that timely and appropriate disclosure of information.

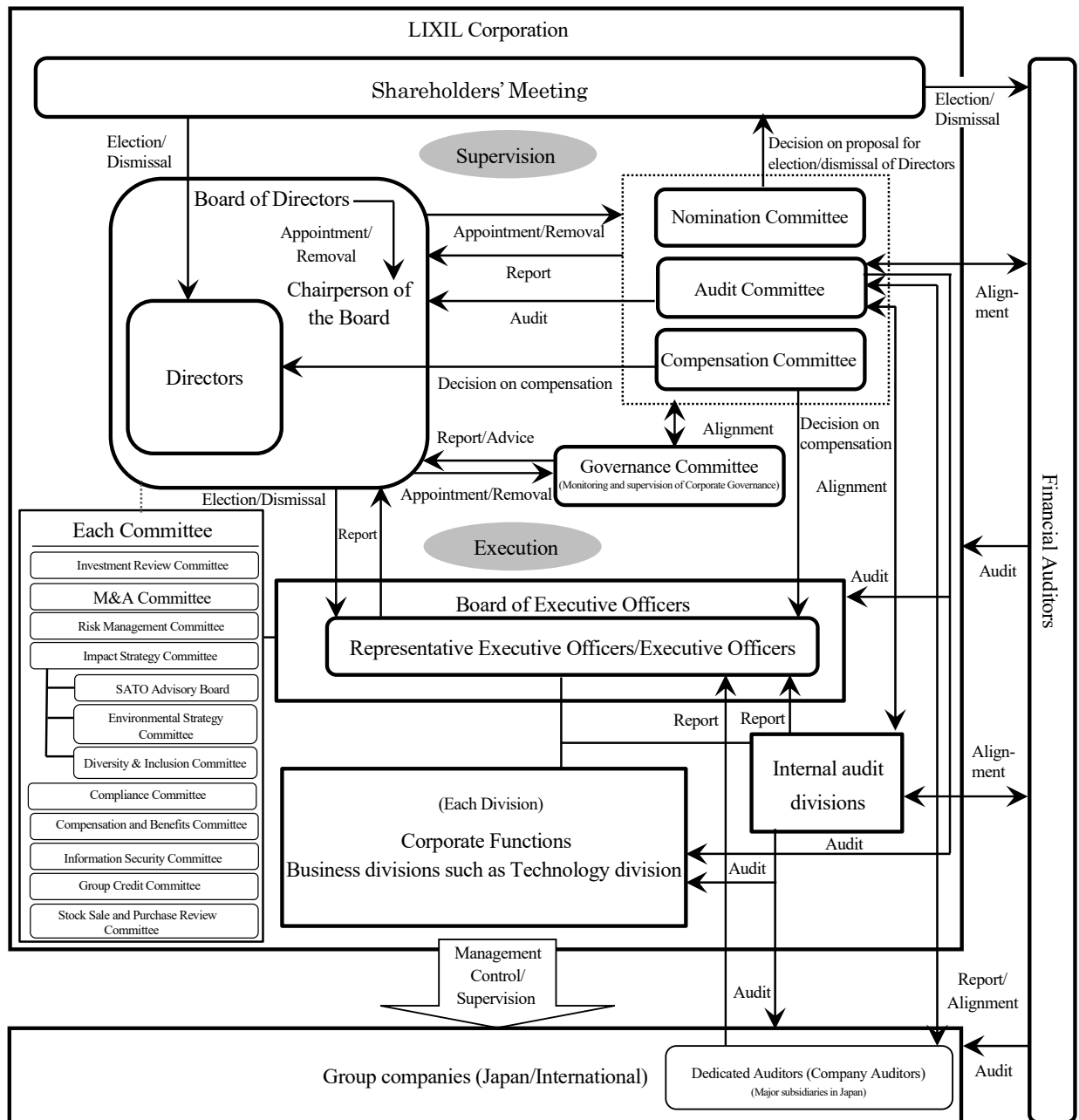
Important corporate information that requires a resolution or report by the Board of Directors is submitted or reported to the Board of Directors by the Board of Executive Officers or the department in charge. Other important corporate information is submitted or reported to the Board of Executive Officers by the Company's department or group companies. With respect to specific projects*, each department of the Company or group company submits a resolution or report to each relevant executive committee, etc., which then submits a proposal or report to the Board of Executive Officers as necessary.

For matters to be submitted to the Board of Directors, the Board of Executive Officers, or each relevant executive committee, etc., the Board of Directors' Office, the Board of Executive Officers Secretariat, etc. examine the agenda in advance, the person in charge of the handling of information and the Officer responsible for IR consult with the relevant departments, including IR, Finance, and Legal, to determine whether timely disclosure is necessary.

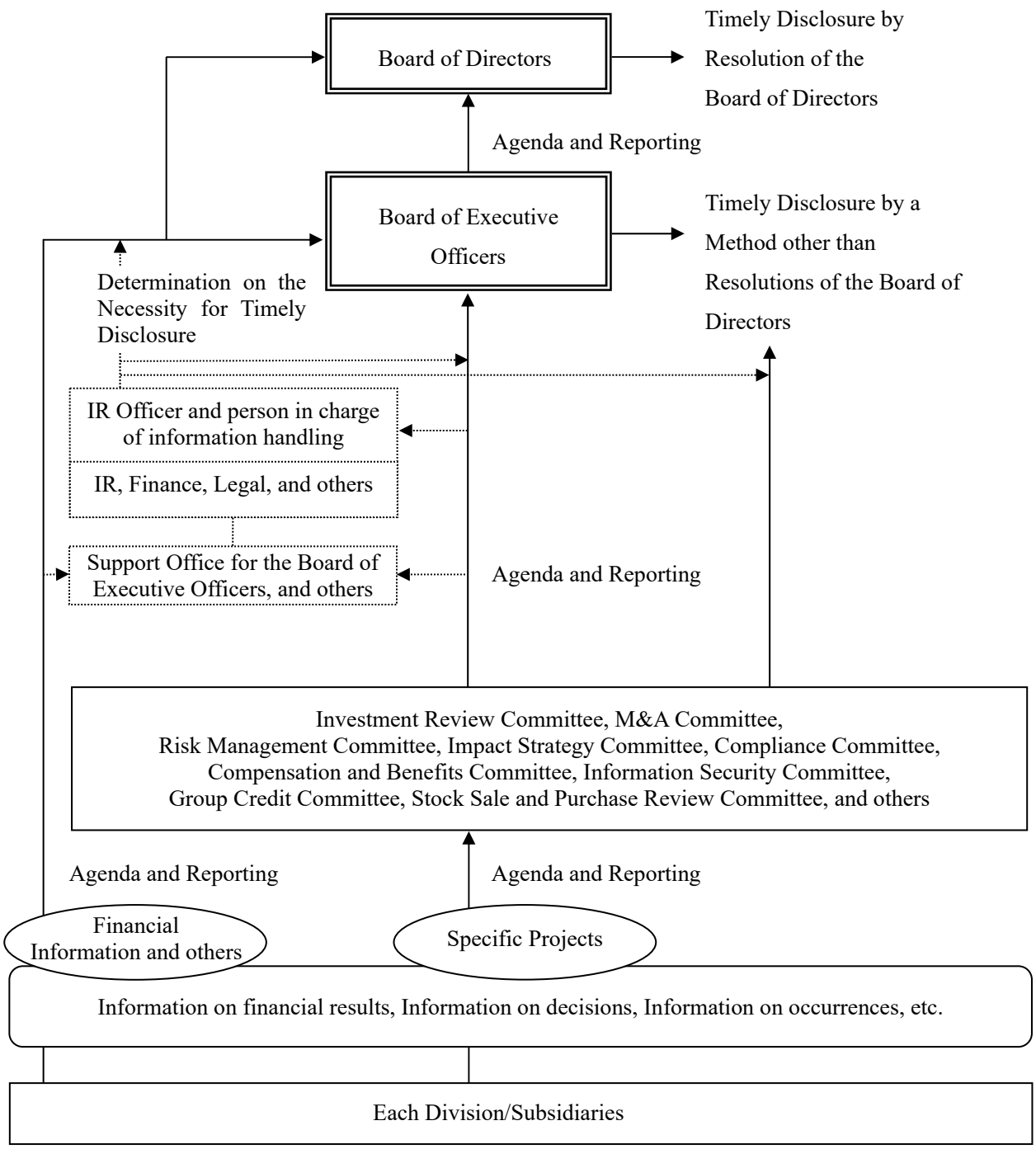
(Refer to Schematic Diagram)

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

[Corporate Governance Structure]



[Summary of Timely Disclosure System]



[Board of Directors' Skills Matrix as of June 26, 2023]

Name	Experience / knowledge / expertise required for Directors of the Company									
	Corporate Management	Overseas Operations/ Management	Negotiation with Admin. and Regulatory Agencies	Accounting, Finance, M&A	Legal/ Compliance	Risk Management	Human Resources Development, Labor	Sales/ Marketing	Manufacturing/ Technology /R&D	IT/Digital
Kinya Seto	○	○	○	○	○	○	○	○	○	○
Sachio Matsumoto	○	○	○	○	○	○				
Hwa Jin Song Montesano	○	○	○			○	○			
Jun Aoki	○	○	○			○	○	○	○	
Shigeki Ishizuka	○	○				○	○	○	○	○
Shiho Konno			○		○	○	○			○
Mayumi Tamura	○	○		○	○	○				○
Yuji Nishiura	○		○	○		○	○	○		○
Daisuke Hamaguchi		○	○	○	○	○				
Masatoshi Matsuzaki	○	○				○	○		○	○
Mariko Watahiki			○		○	○	○			

The Board of Directors need 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 and knowledge it believes to be particularly important as set forth above under "Experience, Knowledge and Expertise required for Directors of the Company" ("skills"), and it 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 is, from the perspective of "sustainability" should be considered as the "attitude or perspective" that all directors should possess, rather than to consider it as "skills." We expect that the supervisory function will be demonstrated through each expert skills such as "Practical Experience in Corporate Management," "Accounting, Finance, or M&A," "Risk Management," and "Human Resources, Development, or Labor."

*The Nomination Committee elects candidates for the Board of Director by determining the experience and knowledge it believes to be particularly important, as set forth above under “Experience, Knowledge and Expertise required for Directors of the Company,” and stressing the appropriate balance and sufficient diversity of the Board of Directors as a whole, and the succession of the Board of Directors.

Whether each skill item applies is judged based on the judgment criteria set forth below, in principle using a self-assessment process conducted by each.

Skill Item	Judgment Criteria
Practical Experience in Corporate Management	Has experience executing business as a CEO of an operating company, etc.
Experience in Global Business and Management	Has a certain period {approximately three years} of experience in international businesses
Experience in Negotiating with Government Agencies	Has experience in duties negotiating with government agencies, or as a member of a national government’s or other organization’s policy committee
Accounting/ Finance/ M&A	Has sufficient knowledge of accounting, finance, or M&A, etc. activities to be able to give recommendations and advice at the Company’s Board of Directors
Legal/ Compliance	Has sufficient knowledge of legal or compliance, etc. activities to be able to give recommendations and advice at the Company’s Board of Directors
Risk Management	Has sufficient knowledge of risk management, etc. activities to be able to give recommendations and advice at the Company’s Board of Directors
Human Resources Development/ Labor	Has sufficient knowledge of human resources training, development, or labor, etc. activities to be able to give recommendations and advice at the Company’s Board of Directors
Sales/ Marketing	Has sufficient knowledge of sales or marketing, etc. activities to be able to give recommendations and advice at the Company’s Board of Directors
Manufacturing/ Technology/ R&D	Has sufficient knowledge of manufacturing, technical, or R&D, etc. activities to be able to give recommendations and advice at the Company’s Board of Directors
IT/ Digital	Has sufficient knowledge of IT or digital, etc. activities to be able to give recommendations and advice at the Company’s Board of Directors