

The following is an English translation of the Report for the 80th Fiscal Year (the “Report”) as Attachment to the Notice of Convocation of the 80th Annual Shareholders’ Meeting of LIXIL Corporation (the “Company”). The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. If there is any discrepancy between the Japanese version and the English translation, the Japanese version shall prevail.

Report for the 80th Fiscal Year (From April 1, 2021 to March 31, 2022)



Disclosure via the Internet

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

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

Company’s website: <https://www.lixil.com>

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

LIXIL Corporation
1-1 Ojima 2-chome, Koto-ku, Tokyo
(Securities Code 5938)

1. Matters regarding the current state of the group of companies

(1) Business developments and their results

Amid another year of COVID-19 this consolidated Fiscal Year, there was for a time signs that economic activities in the Japanese economy were recovering on hopes the pandemic was receding, but the emergence of a new variant brought a fresh wave of new cases meaning the economic outlook remains unclear. Residential investment was strong, boosted by higher residential demand due to COVID-19 and various government housing purchase support policies. Although the number of new housing developments rose for the first time in three years, rallying to 866,000 properties (up 6.6% on year), there remain concerns over construction delays and property delivery delays due to difficulties in procuring materials and components from abroad.

Globally, economic activity started to recover centering on developed countries as restrictions eased thanks to higher vaccination penetration, and although heading back towards normalization, economic activity continues to be impacted as in Japan by the reemergence of COVID-19 globally with the spread of new variants, unstable procurement and supply of components such as semiconductors, supply chain disruptions, soaring resource and energy prices, and steep rises in marine and other freight costs. Adding to this, the geopolitical risks from the Russian invasion of Ukraine in February and the economic sanctions levied by countries against Russia, make the future outlook more uncertain.

In this context, the revenue of the Company and its consolidated subsidiaries (the “Group”) in this consolidated Fiscal Year increased to 1,428,578 million yen (up 3.7% on year), sustained by continued strong demand in the overseas business centering on Europe, the Middle East, Africa and North America, as well as a recovery in economic activity in the Asia Pacific, despite supply delays due to the impact of component procurement difficulties and distribution pressures in domestic business. Earnings were all up versus the previous consolidated Fiscal Year when the impact of COVID-19 infections peaked. Core earnings increased to 64,875 million yen (up 13.2% on year), with the rise in raw material and energy prices, especially sharp in the second half for both domestic and overseas business, as well as a substantial rise in costs from external factors such as higher distribution costs caused by supply chain disruptions being offset by the Company’s prioritization of structural reform and price competitiveness to date and the outcome of improved profitability policies. Operating profit rose to 69,471 million yen (up 93.8% on year), thanks to the dropout of one-off costs for the voluntary retirement program implemented in the previous consolidated Fiscal Year. Profit before tax from continuing operations increased to 67,262 million yen (up 99.0% on year).

As a result, despite the dropout of profit in the previous consolidated Fiscal Year from discontinued operations including the profit on sale of subsidiaries, profit for this Fiscal Year attributable to the owners of the parent (net of non-controlling interests), rose to 48,603 million yen (up 47.1% on year).

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

The overall conditions for each business sector are described below. Further, for each business, revenue indicates the amounts before eliminations for inter-business transactions, and core earnings indicate the amounts before deduction of company-wide expenses.

[Water Technology Business]

In the Water Technology Business, revenue increased to 862,157 million yen (up 10.0% on year), with demand recovering both domestically and overseas from the decline caused by COVID-19 the previous consolidated Fiscal Year, helped by strong demand in the overseas business, particularly Europe, the Middle East, Africa and North America. Core earnings improved to 76,615 million yen (up 23.3% on year), boosted by higher gross profit from the increase in revenue, sale price revisions due to higher raw material prices, and improved profitability from a better sales ratio of renovation products and luxury products.

[Housing Technology Business]

In the Housing Technology Business, revenue decreased to 466,662 million yen (down 1.6% on year). Although a greater awareness of the “new normal” prompted firm demand for renovations as consumer sentiment shifted due to the increased time spent at home, this was offset by the impact from the sale of subsidiaries in the previous consolidated Fiscal Year. Core earnings fell to 28,203 million yen (down 10.3% on year). Better profitability from various policies for strengthening business structure such as continued revisions of sale prices, holding down of selling, general and administrative expenses and improved production efficiency was offset by higher costs from the greater than expected price increase of raw aluminum ingots, a primary raw material, and rising distribution costs.

[Building Technology Business]

In the Building Technology Business, delays in the materials supply timeline following a schedule review of mostly large-scale buildings resulted in revenue decreasing 4.3% on year to 89,321 million yen, but better profitability from continuous policies for strengthening structure and progress on productivity improvement measures helped core earnings improve to 3,495 million yen (up 33.9% on year).

[Housing and Services Business, etc.]

In the Housing and Services Business, etc., the impact of the sale of subsidiaries the previous consolidated Fiscal Year weighed heavily on revenue, contributing to a 35.0% on year fall to 30,274 million yen. For core earnings, the holding down of selling, general and administrative expenses was offset by the impact of the sale of subsidiaries and spiking raw material prices, resulting in a loss of business of 139 million yen (core earnings of 2,136 million yen last year).

Revenue and core earnings by business

Business Category	FYE2021 Consolidated Fiscal Year (April 1, 2020 to March 31, 2021)		FYE2022 Consolidated Fiscal Year (April 1, 2021 to March 31, 2022)		Year-on-year increase/decrease	
	Revenue (million yen)	Core Earnings (million yen)	Revenue (million yen)	Core Earnings (million yen)	Revenue (%)	Core Earnings (%)
Water Technology Business	783,805	62,148	862,157	76,615	10.0	23.3
Housing Technology Business	474,291	31,435	466,662	28,203	(1.6)	(10.3)
Building Technology Business	93,375	2,611	89,321	3,495	(4.3)	33.9
Housing and Services Business, etc.	46,556	2,136	30,274	(139)	(35.0)	-
Deletion or Common throughout Company	(19,772)	(41,042)	(19,836)	(43,299)	-	-
Total	1,378,255	57,288	1,428,578	64,875	3.7	13.2

Note: Operations categorized as discontinued operations are not included.

(2) Status of Capital Investment

The amount of capital investment (including right of use assets) for this consolidated Fiscal Year is 61,462 million yen. Most of the amount was for investment in new product development and for streamlining and investment in facilities update and maintenance.

(3) Status of Financial Arrangements

In this consolidated Fiscal Year, 9,826 million yen was procured through long term loans to be applied to refinancing funds.

(4) Changes in Status of Assets and Income/Losses

Category	FYE2019 Consolidated Fiscal Year (April 1, 2018 to March 31, 2019)	FYE2020 Consolidated Fiscal Year (April 1, 2019 to March 31, 2020)	FYE2021 Consolidated Fiscal Year (April 1, 2020 to March 31, 2021)	FYE2022 Consolidated Fiscal Year (April 1, 2021 to March 31, 2022)
Revenue (million yen)	1,692,432	1,514,449	1,378,255	1,428,578
Core earnings (million yen)	54,485	52,290	57,288	64,875
Operating profit (million yen)	49,011	32,010	35,842	69,471
Profit/loss for the year attributable to owners of the parent (million yen)	(52,193)	12,518	33,048	48,603
Basic profit/loss per share (yen)	(179.98)	43.15	113.92	167.21
Total assets (million yen)	2,059,544	2,091,529	1,741,814	1,782,882
Equity attributable to owners of the parent (million yen)	533,656	502,165	552,271	612,385
Equity attributable to owners of the parent per share (yen)	1,839.59	1,730.99	1,902.89	2,106.30
Equity ratio attributable to owners of the parent (%)	25.9	24.0	31.7	34.3

Notes:

- Core earnings are calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
- The Company decided to sell its consolidated subsidiary Permasteelisa S.p.A. (“Permasteelisa”) in May 2020, and accordingly, the Company classified operations of Permasteelisa and its subsidiaries as discontinued operations for FYE2020 consolidated Fiscal Year, and reclassified and presented revenue, core earnings and operating profit for FYE2019 consolidated Fiscal Year. The Company decided to sell its consolidated subsidiary LIXIL VIVA Corporation (“LIXIL VIVA”) in June 2020, and accordingly, the Company classified operations of LIXIL VIVA as discontinued operations for FYE2021 consolidated Fiscal Year, and reclassified and presented revenue, core earnings and operating profit for FYE2020 consolidated Fiscal Year.

(5) Issues to be addressed

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

[The Four Pillars of the Medium-Term Plan]

1. Create an Organization for Sustainable Growth

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

2. Development of attractive and differentiated products

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

3. Achieving Competitive Costs

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

4. Marketing to End User Influencers

The Group will expand its contacts with end users and influencers such as contractors, designers and builders, etc. In addition, through the supply and promotion

of new services, we will create new demand for renovation in Japan by eliminating end users' concerns about it.

Also, the Group formulated "LIXIL Playbook" as the new business direction which is in line with the direction shown in the mid-term plan, and the following four priority issues are focused on for the purpose of sustainable growth of the Group.

[Four priority issues and progress in the current consolidated Fiscal Year]

(i) Focus on simplifying organization and core businesses

The Group believes sustained future growth is only achievable through the creation of a lean and efficient organization that can swiftly respond to market needs. To achieve this, the Group needs to exit non-core businesses and simplify its organization, as well as optimize its core business to seize growth opportunities.

This consolidated Fiscal Year, the Group has completed measures to simplify its organization and focus on its core businesses, and greatly reduced risk that is a significant earnings impactor.

The Group believes that it has been able to strengthen its financial base by strengthening the balance sheet, improving cash flow, reducing interest-bearing debt and improving working capital efficiency continuously since previous years., which enables it to make further investments in profitable growth areas in its core businesses.

(ii) Improved profitability of domestic business in Japan

Japan is the Group's largest market, and it has an important role in creating innovation that is expanded globally. However, the falling domestic population means the new build market is also shrinking. Amid these circumstances, the domestic business faces the issues of high-cost structure and traditional personnel system, which makes the business structure sensitive to market changes. Sustainable development in this challenging business environment requires higher productivity and profitability in the domestic business to turn it into a cash generator.

This consolidated Fiscal Year, the domestic Housing Technology Business completed a production line platform that enables it to produce multiple different products on a single production line, thereby improving productivity. In the domestic Water Technology Business, the Group is developing its business process to further stimulate and capture renovation demand by creating new value and bolstering its end user approach. As part of its personnel policy, the Group is continuing to promote a comprehensive employee-focused HR program called "*Kawaranaito LIXIL*" for the revitalization of its domestic business and is shifting to an organizational culture based on the meritocracy system, as well as implementing measures aimed at enhancing customer orientation, supporting career development for all generations, and strengthening employee engagement. The Group addresses the employees' age structure challenges faced by many Japanese companies through an early retirement incentive system ("Career Option" system).

(iii) Growth promotion of overseas business of Water Technology Business

The Group is focusing on entry into high-profitability categories in countries and regions in the plumbing business in particular with the aim of expanding global share, as well as bolder strategies in each region by leveraging its global assets and brand portfolio. The Group has created a unique position using power brands that drive regional markets and aims to maximize its strengths and reliability on the global market stage by clarifying and differentiating the definition of its brand to achieve

further growth.

This consolidated Fiscal Year, the Group is focusing on establishing a solid foundation for achieving growth in the overseas business by policies such as strengthening supply chains for a more stable product supply, developing new products using the Group's excellent technology, increasing sales by leveraging diversified and differentiated sales channels, and entering new markets, improving synergies and expanding its product lineup.

(iv) Establishment of long-term growth structure through innovation

The Group believes long-term sustainable growth can only be achieved by investing time and resources into new businesses, and is generating opportunities for future growth through this approach. Investing its resources efficiently and flexibly, the Group is focusing on responding to a constantly changing global market and generating both promising innovation and innovation that can have an impact now.

This consolidated Fiscal Year, as well as LIXIL online showrooms in Japan and GROHE X in Europe, the Group also started its video distribution service LIXIL-X, a service that delivers the latest news and information useful for home building in Japan. These will improve customer and brand experience, and accelerate user connection enhancement both domestically and abroad using digital technology, and drive a digital shift of the entire industry, as well as make possible product development and market launches in line with the issues and needs of end users by understanding customer requirements.

Looking ahead to the next Fiscal Year, although we expect the economic environment to continue to recover both domestically and overseas on the back of measures such as vaccination penetration and the development of treatments to prevent the spread of COVID-19, continued negative earnings factors including the global instability caused by geopolitical risks such as the Russian-Ukrainian war, the continued spike in raw material and energy prices and higher freight costs due to container shortages are concerns, and we expect the outlook to remain unclear.

Amid this business environment, the Group has achieved steady results from bolstering its organizational flexibility and responsiveness to environment changes, as well as measures for the four priority issues set out in the management direction. We are confident we can achieve medium and long-term sustainable growth even amid the anticipated continuation of an unclear business environment. By taking measures to reach the targets set out in our LIXIL Group Corporate Responsibility strategy, we will not only be able to increase the value we provide to our stakeholders, but also strive towards achieving the Group's Purpose, to "Make better homes a reality for everyone, everywhere."

(6) Principal business

The Group, is pursuing its purpose, “Make better homes a reality for everyone, everywhere” through business activities, and is developing business activities such as the Water Technology Business, Housing Technology Business, Building Technology Business and Housing and Services Business, etc. as the main businesses as well as other related services. The principal products and goods, etc. of each business are as follows:

Business Category	Business Breakdown (principal products and goods, etc.)	
Water Technology Business	Plumbing facilities	(sanitation equipment, shower toilets, water faucet clasps, hand wash basin, bathtub, integrated baths, smart products, showers, sinks, countertops, fitted kitchens, etc.)
	Other	(residential and office building exterior tiles, interior tiles, etc.)
Housing Technology Business	Metal building materials	(sashes for residences, front doors, various shutters, gates, carports, handrails, bridge railings, etc.)
	Wood interior building materials	(window frames, fixture materials, interior building materials, etc.)
	Other building materials	(siding, roofing materials etc.)
	Others	(solar power systems, etc.)
Building Technology Business	Metal building materials	(curtain wall, sashes for buildings and stores, etc.)
Housing and Services Business etc.	Housing solutions	(development of franchise chains of builders, building contractor, etc.)
	Real estate	(land, buildings, real estate, development support of real-estate franchise chain business, etc.)
	Financial service business	(home loans, etc.)

(7) Status of significant subsidiaries

Company Name	Capital	Voting rights ownership of the Company (%)	Principal Business
LIXIL Total Service Corporation	100 million yen	100	Sales of plumbing facilities and metal building materials
LIXIL Total Hanbai Corporation	75 million yen	100	Sales of metal building materials
LIXIL Group Finance Corporation	100 million yen	100	Financial services business
LIXIL Europe S.à r.l.	57,143 thousand EUR	100	Holding company of Grohe Group
ASD Holding Corp.	412,956 thousand USD	100	Holding company of American Standard’s North American business
A-S CHINA PLUMBING PRODUCTS Ltd.	24,907 thousand USD	100	Holding company of American Standard’s China business
LIXIL Vietnam Corporation	743,386 million VND	100	Manufacturing and sales of plumbing facilities
TOSTEM THAI Co., Ltd.	2,767 million THB	100	Manufacturing and sales of metal building materials
LIXIL INTERNATIONAL Pte. Ltd.	274,417 thousand USD	100	Supply chain controlling company for Asian region
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.	40,700 thousand USD	100	Manufacturing and sales of metal building materials and plumbing facilities
LIXIL Manufacturing (Dalian) Corporation	43,500 thousand USD	100	Manufacturing and sales of wood interior building materials

Notes:

1. Voting rights ownership includes indirect ownership by the Company’s subsidiaries.
2. There are 138 consolidated subsidiaries of the Company.
3. LIXIL Group Finance Corporation reduced its capital on March 15, 2022.
4. LIXIL Vietnam Corporation is included from this consolidated Fiscal Year as a significant subsidiary of the Company as its increased assets make it more important to the Group.
5. The Company decided, on May 12, 2022, to absorb and merge LIXIL Group Finance Corporation scheduled on July 1, 2022, whereby the Company will be a surviving company, and executed the Merger Agreement on the same date.

(8) Principal hubs, etc.

Company Name	Trade Name and Location		
LIXIL Corporation (the Company)	Head Office	1-1 Ojima 2-chome, Koto-ku, Tokyo	
	Sales Office	LHT Hokkaido Branch	LWT Hokkaido Branch
		LHT Tohoku Branch (Miyagi)	LWT Tohoku Branch (Miyagi)
		LHT Kita Kanto Branch (Tochigi)	LWT Kita Kanto Branch (Tochigi)
		LHT Koshinetsu Branch (Nagano)	LWT Koshinetsu Branch (Nagano)
		LHT Saitama Branch	LWT Saitama Branch
		LHT Chiba Branch	LWT Chiba Branch
		LHT Tokyo Branch	LWT Tokyo Branch
		LHT Kanagawa Branch	LWT Kanagawa Branch
		LHT Chubu Branch (Aichi)	LWT Chubu Branch (Aichi)
		LHT Hokuriku Branch (Ishikawa)	LWT Hokuriku Branch (Ishikawa)
		LHT Osaka Branch	LWT Osaka Branch
		LHT Minami-Osaka Branch (Osaka)	LWT Minami-Osaka Branch (Osaka)
		LHT Keiji Branch (Kyoto)	LWT Keiji Branch (Kyoto)
		LHT Hyogo Branch	LWT Hyogo Branch
		LHT Chugoku Branch (Hiroshima)	LWT Chugoku Branch (Hiroshima)
		LHT Shikoku Branch (Kagawa)	LWT Shikoku Branch (Kagawa)
		LHT Kyushu Branch (Fukuoka)	LWT Kyushu Branch (Fukuoka)
		LIXIL Showroom Tokyo	
		LIXIL Showroom Osaka	
	Factory	Sukagawa Factory (Fukushima)	Maebashi Factory (Gunma)
		Shimotsuma Factory (Ibaraki)	Iwai Factory (Ibaraki)
		Tsuchiura Factory (Ibaraki)	Ishige Factory (Ibaraki)
		Fukaya Factory (Saitama)	Oyabe Factory (Toyama)
Chita Factory (Aichi)		Enokido Factory (Aichi)	
Tokoname Higashi Factory (Aichi)		Uenomidori Factory (Mie)	
Hisai Factory (Mie)		Ariake Factory (Kumamoto)	
Other Office	Tokoname Building (Aichi)		
LIXIL Total Service Corporation	Head Office	Koto-ku, Tokyo	
LIXIL Total Hanbai Corporation	Head Office	Koto-ku, Tokyo	
LIXIL Group Finance Corporation	Head Office	Koto-ku, Tokyo	
LIXIL Europe S.à r.l.	Head Office	Luxembourg	
ASD Holding Corp.	Head Office	U.S.A.	

A-S CHINA PLUMBING PRODUCTS Ltd.	Head Office	British Cayman Islands
LIXIL Vietnam Corporation	Factory	Vietnam
TOSTEM THAI Co., Ltd.	Factory	Thailand
LIXIL INTERNATIONAL Pte. Ltd.	Head Office	Singapore
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.	Factory	Vietnam
LIXIL Manufacturing (Dalian) Corporation	Factory	China

Note:

1. After receiving the approval of Item 2 of the Items for Resolution “Partial Amendments to the Articles of Incorporation,” at the Annual Shareholders’ Meeting to be held on June 21, 2022, the head offices of the Company and some subsidiaries plan to relocate from Koto-ku, Tokyo to Shinagawa-ku, Tokyo in August 2022 or later.

(9) Status of employees

Business Category	Number of Employees	Comparison (increase/decrease) with end of previous consolidated Fiscal Year
Water Technology Business	31,179	233 decrease
Housing Technology Business	17,215	171 increase
Building Technology Business	1,378	49 decrease
Housing and Services Business, etc.	602	113 decrease
Sector common throughout the Company	1,266	15 decrease
Total	51,640	239 decrease

Notes:

- The number of employees is the number of employed staff and does not include the number of part-time or temporary staff.
- The number of employees in the Housing and Services Business, etc. decreased by 113 compared to the end of the previous consolidated Fiscal Year. This is due mainly to the implementation of voluntary retirement.
- The number of employees described in the sector common throughout the company represents those employees in administrative functions that cannot be assigned to any one business category.

(10) Status of principal lenders

Lender	Outstanding Loan Amount
	(million yen)
Sumitomo Mitsui Banking Corporation	97,842
MUFG Bank, Limited	87,975
Mizuho Bank, Ltd.	43,158
Sumitomo Mitsui Trust Bank, Limited	30,500
Development Bank of Japan, Inc.	30,000

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

The Company standardizes on the preservation of healthy financial strength and has as its policies, to maintain a 30% or higher dividend payout ratio at the consolidated base regarding cash dividends, and to flexibly perform the acquisition of treasury shares. With regard to this consolidated Fiscal Year, the year-end cash dividend per share is 45 yen (85 yen for the year, including the midterm cash dividend).

2. Matters regarding the current state of the Company

(1) Matters regarding stock

- (i) Total number of authorized shares: 1,300,000,000 shares
- (ii) Total number of issued shares: 290,738,989 shares (excluding 22,580,170 shares of treasury share)
- (iii) Number of shares in 1 unit: 100 shares
- (iv) Capital stock: 68,417,794,464 yen
- (v) Total number of shareholders: 45,481
- (vi) Top 10 shareholders:

Shareholder Name	Number of shares held	Ratio of shareholdings
	(thousand shares)	
The Master Trust Bank of Japan, Ltd. (Trust Account)	※48,591	16.71%
JP MORGAN CHASE BANK 385632 (Standing Proxy: Mizuho Bank Ltd.-Settlement Sales Department)	27,431	9.44%
Custody Bank of Japan, Ltd. (Trust Account)	※12,530	4.31%
SSBTC CLIENT OMNIBUS ACCOUNT (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited-Tokyo Branch)	9,526	3.28%
LIXIL Employee Stock Ownership	6,361	2.19%
NORTHERN TRUST CO.(AVFC) SUB A/C AMERICAN CLIENTS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited-Tokyo Branch.)	5,532	1.90%
STATE STREET BANK CLIENT OMNIBUS OM04 (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited-Tokyo Branch)	5,489	1.89%
STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing Proxy: Mizuho Bank, Ltd.-Settlement Sales Department)	4,244	1.46%
Dai-ichi Life Insurance Company, Limited (Standing Proxy: Custody Bank of Japan, Ltd.)	3,937	1.35%
STATE STREET BANK AND TRUST COMPANY 505001 (Standing Proxy: Mizuho Bank, Ltd.-Settlement Sales Department)	3,904	1.34%

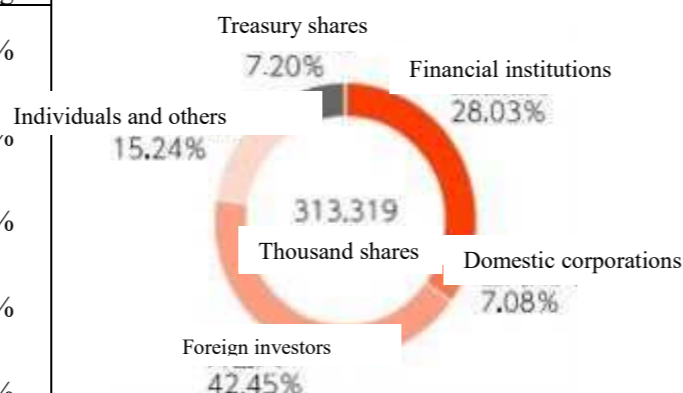
Notes:

- The Company possesses 22,580 thousand treasury shares but has been excluded from the top 10 shareholders above.
- The ratio of shareholdings has been calculated after deducting treasury shares.

3. ※ indicates those involved in the trust business.

(vii) Distribution of shares by shareholder:

Type	Number of shares held	Ratio of shareholdings
Financial institutions	87,837,000 shares	28.03%
Domestic corporations	22,172,000 shares	7.08%
Foreign investors	132,993,000 shares	42.45%
Individuals and others	47,735,000 shares	15.24%
Treasury share	22,580,000 shares	7.20%
Total	313,319,000	100.00%



(Note) The ratio of shareholdings has been calculated including treasury shares.

(viii) Other important matters regarding share:

Acquisition and cancellation of treasury share

At the Board of Directors' Meeting held on April 28, 2022, the Company resolved on the matters regarding the repurchase of treasury share in accordance with the Articles of Incorporation pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act, and the cancellation of treasury share in accordance with Article 178 of the Companies Act.

- (a) Matter regarding repurchase of treasury share
- | | |
|---|---|
| Class of shares to be repurchased: | Common stock of the Company |
| Total number of shares that may be repurchased: | 5,900,000 shares (maximum) |
| Total repurchase amount: | 10,000 million yen (maximum) |
| Repurchase period: | From May 2 to July 29, 2022 |
| Repurchase method: | Market purchases through the Tokyo Stock Exchange |
- (b) Matter regarding cancellation of treasury share
- | | |
|---|--|
| Class of shares to be cancelled: | Common stock of the Company |
| Total number of shares to be cancelled: | 22,280,000 shares of currently held treasury share, and all of the shares to be repurchased as stated in (a) above |
| Scheduled cancellation date: | August 31, 2022 |

(2) Matters regarding stock acquisition rights, etc.

(1) The outline of the contents of the stock acquisition rights issued as the consideration of the execution of duties held by Officers at the end of this Fiscal Year

	The 9th Stock Acquisition Rights
Day of the resolution of issuance	September 20, 2016
Number of stock acquisition rights	2,947
Class and number of shares that are for the purpose of stock acquisition rights	Common shares 294,700 shares (100 shares per one stock acquisition right)
Amount to be paid in for stock acquisition rights	43,300 yen per one stock acquisition right
Value of properties to be contributed upon exercising stock acquisition rights	225,300 yen per one stock acquisition right
Period during which such right can be exercised	October 8, 2018 to October 7, 2023
Number of holders and number of the acquired stock acquisition rights	1 person 2,947
Director concurrently serving as Executive Officer	

(3) Matters regarding company Directors and Executive Officers

(1) Status of Directors (as of March 31, 2022)

Position	Name	Area of Responsibility	Status of Important Concurrently-held Positions
Director	Kinya Seto		
Director	Sachio Matsumoto		Director and President, LIXIL Group Finance Corporation (Representative Director)
Director	Hwa Jin Song Montesano		
Director	Tamio Uchibori	Audit Committee Member, Compensation Committee Member and Governance Committee Member	
Director	Shiho Konno	Audit Committee Member and Governance Committee Member	Representative and attorney-at-law at Habataki Law Office
Director	Teruo Suzuki	Audit Committee Member (Chairperson) and Governance Committee Member	
Director	Yuji Nishiura	Nomination Committee Member (Chairperson), Compensation Committee Member and Governance Committee Member	
Director	Daisuke Hamaguchi	Compensation Committee Member (Chairperson), Nomination Committee Member and Governance Committee Member	
Director, Chairperson of the Board	Masatoshi Matsuzaki	Governance Committee Member (Chairperson) and Nomination Committee Member	
Director	Mariko Watahiki	Nomination Committee Member and Governance Committee Member	

Notes:

1. Directors Kinya Seto, Sachio Matsumoto and Hwa Jin Song Montesano concurrently hold the positions of Executive Officers.
2. Directors Tamio Uchibori, Shiho Konno, Teruo Suzuki, Yuji Nishiura, Daisuke Hamaguchi, Masatoshi Matsuzaki and Mariko Watahiki are Outside Directors as prescribed in Article 2 (xv) of the Companies Act. In addition, Directors Tamio Uchibori, Shiho Konno, Teruo Suzuki,

Yuji Nishiura, Daisuke Hamaguchi, Masatoshi Matsuzaki, and Mariko Watahiki have been designated as independent officers based on the provisions of each stock exchange in Japan that the Company is listed, and each stock exchange has been notified.

3. Teruo Suzuki, who is a member of the Audit Committee (Chairperson), has been providing audit services for many years as a certified public accountant, and Tamio Uchibori who is a member of the Audit Committee is a certified tax public accountant. They each have considerable knowledge regarding financial, accounting and tax affairs.
4. All members of the Audit Committee are outside directors (part-time) to improve its independence, transparency and fairness, and the Company conducts efficient audits through the guidance of the Audit Committee by maintaining close collaboration between the Company's and the Company's subsidiaries' internal audit departments and subsidiaries' Company Auditors and accounting auditors, etc. The Company has also established an Audit Committee Secretariat to support the activities of the Audit Committee.

(2) Status of Executive Officers (as of March 31, 2022)

Position	Name	Area of Responsibility / Status of Important Concurrently-held Positions
Executive Officer and President (Representative Executive Officer)	Kinya Seto	CEO
Executive Officer and Executive Vice President (Representative Executive Officer)	Sachio Matsumoto	Finance, Treasury and M&A, and CFO
Executive Officer and Executive Vice President	Hwa Jin Song Montesano	Human Resources and General Affairs, Public Affairs, IR, External Affairs and Corporate Responsibility, and CPO
Executive Officer and Executive Vice President	Yugo Kanazawa	Marketing, Digital and IT, and CDO
Executive Officer and Executive Vice President	Bijoy Mohan	LIXIL International
Executive Officer and Executive Vice President	Satoshi Yoshida	LHT-Japan
Executive Officer and Executive Vice President	Hiroyuki Oonishi	LWT-Japan
Executive Officer and Executive Vice President	Shoko Kimijima	Legal and Compliance, and CLCO

Note:

Based on the Board of Directors' Meeting resolution passed on April 1, 2021, Kinya Seto and Sachio Matsumoto were appointed as and assumed the positions of Representative Executive Officer. In addition, based on the same Board of Directors' Meeting resolution, Kinya Seto was appointed as and assumed the position of Executive Officer and President.

[Reference] Status of Executive Officers (as of April 1, 2022)

Position	Name	Area of Responsibility / Status of Important Concurrently-held Positions
Executive Officer and President (Representative Executive Officer)	Kinya Seto	CEO
Executive Officer and Executive Vice President (Representative Executive Officer)	Sachio Matsumoto	Finance, Treasury and M&A, and CFO
Executive Officer and Executive Vice President	Hwa Jin Song Montesano	Human Resources and General Affairs, Public Affairs, IR, External Affairs and Corporate Responsibility, and CPO
Executive Officer and Executive Vice President	Yugo Kanazawa	Marketing, Digital and IT, and CDO
Executive Officer and Executive Vice President	Bijoy Mohan	LIXIL International
Executive Officer and Executive Vice President	Satoshi Yoshida	LHT
Executive Officer and Executive Vice President	Hiroyuki Oonishi	LWT-Japan
Executive Officer and Executive Vice President	Shoko Kimijima	Legal and Compliance, Corporate Audit and CLCO

Note:

Kinya Seto and Sachio Matsumoto were appointed as Representative Executive Officers under the Board of Directors' Meeting resolution of March 31, 2022 and assumed the position as of April 1, 2022. Kinya Seto was appointed as Executive Officer and President under the same Board of Directors' Meeting resolution and assumed the position as of April 1, 2022.

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

As the Company is a company with a nomination committee, etc., the Compensation Committee, comprised solely of Outside Directors, determines compensation policy for Directors and Executive Officers.

(a) Role and Responsibility of the Compensation Committee

The Compensation Committee conducts the following pursuant to the Company's Regulations of Compensation Committee:

- The Compensation Committee decides the policy regarding economic benefits (the "Compensation") of Directors and Executive Officers received from the Company as consideration for their duties,
- The Compensation Committee decides the individual Compensation for Directors and Executive Officers.

(b) Compensation Committee in the Fiscal Year ended March 2022

From the Annual Shareholders' Meeting in 2021 to the Annual Shareholders' Meeting in 2022, the Compensation Committee comprises of three (3) members appointed from among Directors by a resolution of the Board of Directors' Meeting following the Annual Shareholders' Meeting in 2021. All members are Outside Directors.

Chairperson: Daisuke Hamaguchi

Members: Tamio Uchibori, Yuji Nishiura

- (c) Number of Compensation Committee meetings held and attendance rate in the Fiscal Year ended March 2022
The Compensation Committee was held eleven (11) times in the Fiscal Year ended March 2022.
- (d) Policy for determining individual Compensation for Directors and Executive Officers for the Fiscal Year ended March 2022
- Policy decision method: The Compensation Committee fairly obtains opinions and examines views of investors, external specialized agencies, and Directors and Executive Officers of the Company on executive compensation, carries out deliberations based on these, and determines the compensation basic policy, compensation system, compensation levels and compensation mix through an objective and transparent procedure. The results of the Compensation Committee’s deliberations are reported to the Board of Directors’ Meeting. In addition, the decisions of the Compensation Committee are expressly stipulated in detail in the Company’s Regulations of Compensation Committee and its Regulations of Executive Compensation, and can be viewed by Directors and Executive Officers as well as departments dealing with Company executive compensation.
 - Outline of policy contents: Based on the determination of the “Compensation basic policies” below, the details of the policies for the compensation system, compensation levels and compensation mix are determined as set out in “Compensation structure” through “Various allowances.” Regarding the details of the individual Compensation for Executive Offices, the Compensation Committee determines the compensation level and compensation mix based on the role and responsibility, business performance, experience and difficulty of securing personnel, etc. expected of each Executive Officer, as well as the performance targets and ESG action targets, etc. for each of them. In particular, for Executive Officers who are expected to contribute significantly to improving corporate value from a medium- to long-term perspective, the Compensation Committee takes measures such as increasing the ratio of stock-linked compensation to total compensation, etc.
- (e) Reasons the Compensation Committee determines that the individual Compensation of Directors and Executive Officers for the Fiscal Year ended March 2022 is in line with the compensation determination policy for the Fiscal Year ended March 2022
As for the determination of the target amount and calculation of the payment amount regarding the individual Compensation for the Fiscal Year ended March 2022, since the Compensation Committee has decided based on the deliberation and the objective and transparent procedure in accordance with the policy described in (d) above, the Compensation Committee has determined that the individual Compensation is in line with the compensation determination policy.
- (f) Executive summary of the activities of the Compensation Committee
In the Fiscal Year ended March 2022, the management team focused on reviewing and strengthening the business and organization in response to various operational issues caused by the global external environment, and promoted measures for growth by seizing business opportunities in today’s new-normal society.
These circumstances strongly reinforced to the Compensation Committee the importance of securing Executive Officers capable of contributing to society through a global business, and the Compensation Committee determined what the Executive Officer compensation system should be, which is competitive even by global standards, based on discussions with the CEO and external specialized agencies. The Compensation Committee also took necessary steps for Outside Director compensation given that competition for hiring outstanding personnel could rise given the revisions to the Corporate Governance Code.

June	<ul style="list-style-type: none"> • Resolved determination policy for Compensation for Directors, as well as individual compensation for FYE 2022
July to September	<ul style="list-style-type: none"> • Discussed issues in the overall executive compensation system and formulated an annual plan for the Compensation Committee • Deliberated revisions to the executive compensation system from FYE 2023 onwards
October	<ul style="list-style-type: none"> • Added provisions for reduction and suspension of Compensation, in addition to the existing claw back provisions for performance-linked compensation
November to January	<ul style="list-style-type: none"> • Discussed Executive Officer compensation system, compensation levels, compensation mix and various allowances with external specialized agencies • Interviewed CEO regarding the Company’s management and the expected role and assessment of each Executive Officer • Deliberated determination policy for Executive Officer Compensation, and individual compensation for FYE 2023
February to March	<ul style="list-style-type: none"> • Resolved determination policy for Executive Officer Compensation, and individual Executive Officer compensation for FYE 2023
April	<ul style="list-style-type: none"> • Deliberated the estimated compensation amount of, and whether to adjust the calculation method for, performance-linked compensation for FYE 2022
May	<ul style="list-style-type: none"> • Resolved the amount of performance-linked compensation for FYE 2022 • Resolved the specific figures of performance target items for performance-linked compensation for FYE 2023 • Deliberated on determination policy for Compensation for Directors for FYE 2023, confirmed handover matters to Compensation Committee after the Annual Shareholders’ Meeting

[Compensation basic policies]

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

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

[Compensation structure]

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 system for Executive Officers shall be applied.

[Compensation system for Directors]

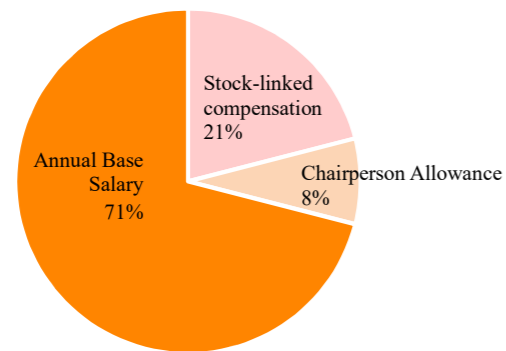
The compensation system for Directors consists of an annual base salary and stock-linked

compensation as they are required to act 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 shall be paid for such duties ("Chairperson Allowance"). Compensation levels for Outside Directors were raised to the level of the upper group among domestic companies given the possibility of fiercer competition for hiring outstanding personnel in light of the revisions to the Corporate Governance Code in 2021, stock-linked compensation (not linked to performance) was also raised to deepen shared interests with shareholders.

The determination policy for the payment timing of annual base salary, and the determination policy for the timing and conditions for granting and paying of stock-linked compensation are set out in "Annual base salary" and "Stock-linked compensation."

The annual amount of the Chairperson Allowance shall be divided into twelve (12) months and paid monthly.

[Compensation mix of Directors] The chart below shows the median compensation of Outside Directors for the Fiscal Year ended March 2022.



[Compensation system for Executive Officers]

The compensation system for Executive Officers consists of an 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.

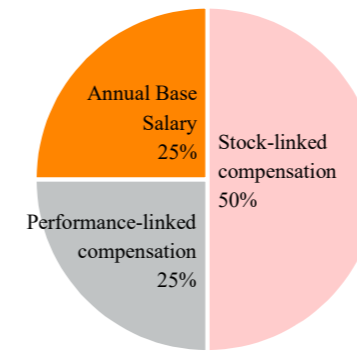
If an Executive Officer performs duties at a location other than their country of nationality or in other cases deemed necessary for the execution of business, the Company may bear the costs and expenses set by the Company separately as allowance, taking into consideration the laws, practices, standards, etc., relating to compensation in the relevant country.

The determination policy for the timing and conditions for granting and paying of annual base salary, performance-linked compensation, stock-linked compensation and various allowances for Executive Officers are set out in "Annual base salary," "Performance-linked compensation," "Stock-linked compensation" and "Various allowances."

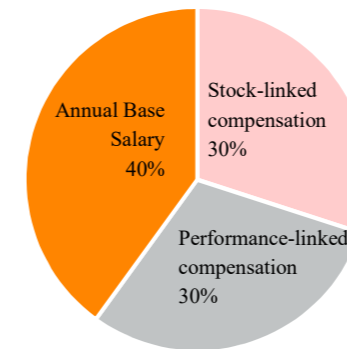
[Compensation mix of Executive Officers]

Performance-linked compensation indicates the standard amount, and stock-linked compensation indicates the amount granted, which is different from the actual amount paid. The compensation for Executive Officer and Executive Vice President (*Senmu*) below is the median value for the Fiscal Year ended March 2022.

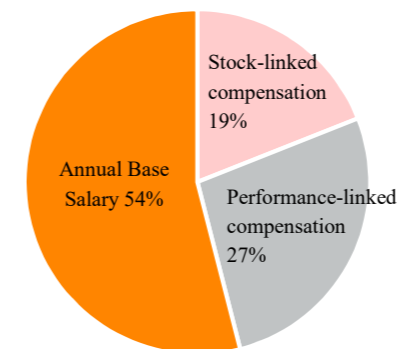
(Representative Executive Officer and President)



(Representative Executive Officer and Executive Vice President, "*Fuku-shacho*")



(Executive Officer and Executive Vice President, "*Senmu*")



[Annual base salary]

The annual base salary of Outside Directors shall be determined, based on the role of Outside Directors at the Company, while referring to the salary levels of the upper group among domestic companies as reference information in line with the purpose of the compensation basic policies. The annual base salary of Executive Officers shall be determined individually, based on role and responsibility, business performance, experience and difficulty of securing personnel, etc., 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.

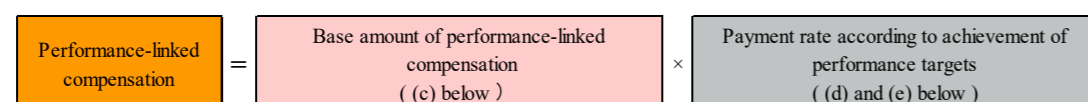
The amount of the annual base salary for Directors and Executive Officers shall be divided into twelve (12) months and paid monthly.

[Performance-linked compensation]

What is important for performance-linked compensation is to motivate Executive Officers strongly for their actions and reward them fairly and equitably based on their performance. Therefore, the method of calculation shall be determined by careful interviews of 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 to monitor and supervise the management.

- (a) 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.
- (b) Calculation formula: To encourage Executive Officers to work together to achieve single-year management goals and to ensure that they are fairly and equitably rewarded in accordance with the results of their performance, performance-linked compensation is calculated based on only company-wide performance.



- (c) Base amount of performance-linked compensation: The base amount of performance-linked compensation shall be the amount to be paid when the business target achievement rate reaches 100% for the evaluation period, and be determined individually as a certain percentage of the annual base salary according to the role and responsibility, business performance, experience and difficulty of securing personnel, etc. of each Executive Officer.
- (d) Business target achievement rates: Business targets achievement rates shall be set by calculating the ratio based on 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 period. If there is more than one business target, the achievement of each target is multiplied by the percentage of each target in the total performance target, and then aggregated.
Business target items selected are return on invested capital (“ROIC”), which is a capital efficiency improvement indicator that is one of the important management goals, core earnings which is a business management indicator, and profit attributable to the owner of the parent company (“Net Profit”).

Business targets items	Ratio versus all business targets	Target figure	Actual figure	Business target achievement rate(Actual figure/target figure×100)	Business target achievement rate × each business target item as a ratio of overall targets
ROIC	40%	5.1%	4.5%	88.2%	35.3%
Core earnings	30%	80,000 million yen	64,875 million yen	81.1%	24.3%
Net Profit	30%	47,000 million yen	48,603 million yen	103.4%	31.0%
Business target achievement rate of all items	-	-	-	-	90.6%

Achievement rate of business targets (%) = ROIC achievement rate (%) × 0.4 + core earnings achievement rate (%) × 0.3 + Net Profit achievement rate (%) × 0.3

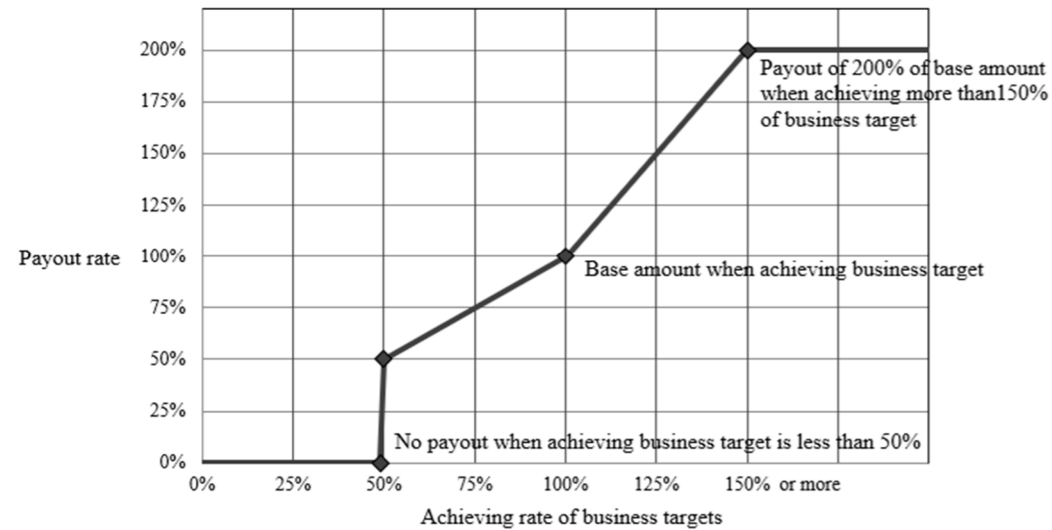
The ROIC and core earnings were calculated as follow.

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

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

- (e) The relationship between achievement rate of business targets and payout rate
The payout rate shall be calculated as follows, which is designed considering the difficulty of the achievement of business goals and the effect of motivation, in accordance with the business targets achievement rate for all items calculated in (d) above. The payment rate based on the achievement level for the Fiscal Year ended March 2022 is 90.6%. All the rate shown in (d) above and (e) shall be rounded off to one decimal place upon calculation.

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



(f) Claw back, etc.

If the financial statements have been retroactively corrected due to a material accounting mistake or malpractice in the process of account settlement by the Company, the Compensation Committee shall conduct a review based on such event for revisions of performance-linked compensation already paid and/or due to be paid in the future to the relevant Executive Officer, and can decide to request the return of performance-linked compensation already paid to the Executive Officer and/or amend performance-linked compensation to be paid. Furthermore, the Compensation Committee may adjust the method of calculating performance-linked compensation after considering in a comprehensive manner the impact on earnings of events that occur during the calculation period.

[Stock-linked compensation]

The Company has been applying a stock-linked compensation plan (the “Phantom Stock 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 sustained improvement in the corporate value of the Company over the mid-to-long-term, further promoting shared values with shareholders of the Company, and attracting and retaining personnel from around the globe who will contribute to further raising corporate value by standardizing global officer compensation. The Phantom Stock Plan is in the form of monetary compensation, but it substantially encourages Directors and Executive Officers to act with awareness of the impact on the Company’s stock price, similar to a restricted stock, etc. system. In addition, the numbers of shares of the Company and Phantom Stock (“PS”) owned by each officer are posted on the Company’s website.

(a) Right grant date

The Company grants the PS to Directors in principle on the day of each Annual Shareholders’ Meeting and to Executive Officers on the first day of each business year.

(b) Number of PS

The number of PS allotted to each Outside Director shall be the number calculated by dividing the granted amount (which is calculated by multiplying the annual base salary by the coefficient based on the role and responsibility of each officer) by the average closing price of the Company’s stock for the 30 business days preceding the grant date. The number of PS allotted to each Executive Officer shall be the number calculated by dividing the granted amount (which is calculated by multiplying the annual base salary by the coefficient 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.

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 share prices at the time of granting under this system were 1,968 yen for the grants to Directors and Executive Officers on November 5, 2019, 1,468 yen for the grants to Executive Officers on April 1, 2020, 1,562 yen for the grants to Directors on June 30, 2020, 1,562 yen for the grants to Executive Officers on August 24, 2020, 3,075 yen for the grants to Executive Officers on April 1, 2021, 2,942 yen for the grants to Directors on June 22, 2021 and 2,397 yen for the grants to Executive Officers on April 1, 2022.

The number of shares granted in the Fiscal Year ended March 2022 was, based on grant amount, 200% of the annual base salary for the Representative Executive Officer and President, 75% of the annual base salary for the Representative Executive Officer and Executive Vice President (*Fuku-shacho*) and 35% of the annual base salary for Executive Officer and Executive Vice Presidents (*Senmu*) (median value). As of April 1, 2022, the cumulative number of PS granted was 344,286 for the Representative Executive Officer and President and 87,985 for Representative Executive Officer and Executive Vice President (*Fuku-shacho*).

(c) The Period from the right grant date to the vesting date of the Phantom Stock (the “Holding Period”)

The Holding Period shall be one (1) year for Directors in line with the statutory of office, considering their role in enhancing corporate value and in monitoring and supervising management. The Holding Period for Executive Officers shall be set at three (3) years, from the perspective of their role in sustainably enhancing corporate value and retention for medium- to long-term management. Therefore, in the event that an Executive Officer leaves for his or her own reasons or refuses to be reappointed by the Company without completing the three (3) years of the relevant Holding Period, the right to the PS for the relevant Holding Period shall be extinguished. Officers do not have voting or other shareholder rights (including but not limited to the right to receive dividends from surplus) at the Company’s Annual Shareholders’ Meeting during the Holding Period. 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 during the period from the right grant date to the vesting date, excluding, however, succession by an heir following the death of an officer.

(d) Vesting date

Upon the expiration of the Holding Period of PS, all granted shares 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 with or acquisition by a third party in which the Company is dissolved, all shares held by such officer shall be confirmed and paid at the time of retirement.

(e) Stock price amount in cash

The amount to be paid to an officer shall be calculated by multiplying the number of shares 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 granted 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.

For the Fiscal Year ended March 2022, the stock price at the time of vesting under this system was 2,942 yen for the vesting for Directors on June 22, 2021.

[Various allowances]

In the event that an Executive Officer performs business at a location other than their country of nationality or in other cases where it is confirmed necessary for business execution, the Company may bear the costs and expenses, 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.

(4) Total amount of Compensation of Directors and Executive Officers for the Fiscal Year ended March 2022

The amount of Compensation based on the category of officers, and the total amount of Compensation by category and the number of relevant officers is as follows. The compensation was paid as determined by the Compensation Committee based on the Compensation policy

described in “Compensation basic policies” through “Various allowances” of “(3) Compensation Committee policies regarding the decision on the calculation method of the compensation for Directors and Executive Officers.”

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	
Outside Directors	149	121	-	28	-	8
Executive Officers	974	484	314	5	171	8
Total	1,123	605	314	33	171	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 amounts, the amount paid by the Company is 1,046 million yen (149 million yen for the 8 Outside Directors and 897 million yen for the 8 Executive Officers).
3. The amount of annual base salary for Outside Directors includes the Chairperson Allowance as stated in “Compensation system for Directors” in “(3) Compensation Committee policies regarding the decision on the calculation method of the compensation for Directors and Executive Officers.”
4. Regarding performance-linked compensation and stock-linked compensation, the amounts that should be recorded as expenses for the Fiscal Year ended March 2022 are stated.
5. As cost-of-living allowances and income tax allowances, etc. set out in “Various allowances” in “(3) Compensation Committee policies regarding the decision on the calculation method of the compensation for Directors and Executive Officers,” were paid.
6. In addition to the above, 9 million yen is paid by the Company as social insurance premium and others for Executive Officers.

(5) Outline of officer liability insurance contract details

The Company has executed officer liability insurance contracts stipulated in Article 430-3(1) of the Companies Act for Directors, Executive Officers, Company Auditors, and main persons executing business including Executive Vice Presidents and Senior Vice Presidents of the Company and the Company’s subsidiaries as the insured parties. The Company pays the full amount of the insurance premiums, and there is no substantive payment of insurance premiums by insureds.

These insurance contracts cover damage that may arise from liabilities relating to the performance of duties of insured officers, etc. or from claims pursuing such liability. However, they do contain some exclusions such as betrayals, criminal acts, fraud, violation of laws or regulations knowingly committed by an insured, and damage arising from an insured unlawfully gaining a private benefit or provision of facilities.

(6) Matters regarding Outside Directors
a. Status of main activities of each Outside Director

Category	Name	Status of Main Activities
Director	Tamio Uchibori	Attended all 15 Board of Directors' Meetings, all 15 Audit Committee meetings and all 11 Compensation Committee meetings held this Fiscal Year, and has accordingly made remarks necessary for discussing agenda, etc. based on his abundant experience and professional insight as a management of a global manufacturing company, and high expertise regarding accounting and taxation as a tax accountant. Also proactively gave comments and advice, etc. in Board of Directors' Meetings that grasp the essence of matters for important decision-making of the Company for short-term management plan decisions and capital policy, etc., as well as contributing to Audit Committee meetings and Compensation Committee meetings through the early detection of issues and understanding risks, etc.
Director	Shiho Konno	Appointed at the Annual Shareholders' Meeting held on June 22, 2021, and assumed the position the same day. Attended all 11 Board of Directors' Meetings and all 9 Audit Committee meetings; has accordingly made remarks necessary for discussing agenda, etc. based on her extensive knowledge regarding corporate governance and diversity gained through her career as an attorney-at-law. Also provided important corporate governance perspectives in Board of Directors' Meetings, as well as providing perspectives for bolstering the audit system at a company with a nomination committee, etc., and contributing to identifying risk from a legal and compliance viewpoint.
Director	Teruo Suzuki	Attended all 15 Board of Directors' Meetings and all 15 Audit Committee meetings held this Fiscal Year; has accordingly made remarks necessary for discussing agenda, etc. based on his high expertise in the field of financial accounting obtained through his work for many years as a certified public accountant engaged in the auditing of listed companies etc. in a major auditing firm. Also proactively proposed improvements for business risk and issues and gave comments and advice, etc. that grasp the essence of matters for important decision-making of the Company for M&A and capital policy, etc., in Board of Directors' Meetings, as well as leading various efforts as the Chairperson of the Audit Committee to ensure the effectiveness of the Company and group companies audits in an environment of spreading COVID-19 in Audit Committee activities.
Director	Yuji Nishiura	Attended all 15 Board of Directors' Meetings, all 12 Nomination Committee meetings, and all 11 Compensation Committee meetings held this Fiscal Year; has accordingly made remarks necessary for discussing agenda, etc. based on his management experience in multiple companies and his abundant insight and experience regarding the restructuring of corporate governance in many corporate revitalization projects. Also proactively gave comments and advice, etc. that grasp the essence of matters for important decision-making of the Company for management and capital policy, etc., and various topics raised in business segment reports, etc. from Executive Officers in Board of Directors' Meetings, as

		well as contributing to improving corporate governance by implementing measures for improving corporate value in the medium- to long-term in Nomination Committee and Compensation Committee activities. As Chairperson of the Nomination Committee, led initiatives to establish an officer appointment and replacement process and Outside Director evaluation system that improved corporate governance transparency.
Director	Daisuke Hamaguchi	Attended all 15 Board of Directors' Meetings, all 11 Compensation Committee meetings, as well as all 12 Nomination Committee meetings held this Fiscal Year; has accordingly made remarks necessary for discussing agenda, etc. based on his deep insight into corporate governance obtained through many years of service as an investment management director of the Pension Fund Association. Also proactively raised issues and gave advice on important themes such as capital policy and management plan studies, etc. in Board of Directors' Meetings, as well as contributing to various efforts to improve corporate governance by implementing measures for improving corporate value in the medium- to long-term in Nomination Committee and Compensation Committee activities. As Chairperson of the Compensation Committee, led a review into the compensation decision process to ensure further transparency of the compensation decision process, and efforts to review, etc. the compensation structure so that officer compensation acts as an incentive.
Director, Chairperson of the Board of Directors	Masatoshi Matsuzaki	Attended all 15 Board of Directors' Meetings and all 12 Nomination Committee meetings held this Fiscal Year; has accordingly made remarks necessary for discussing agenda, etc. based on his deep insight into corporate governance obtained through many years of experience in the management of a listed company with global operations. Also responsible as Chairperson of the Board of Directors for selecting agenda topics and proceedings in Board of Directors' Meetings, and led the creation of a structure to ensure the Board of Directors continued to have sufficient supervisory functions in a business environment requiring ways to counter the major risk posed by COVID-19 by dealing with important agenda items raised by the evaluation of the effectiveness of the Board of Directors. Proactively contributed to the implementation of various measures to establish an officer selection and replacement process using his experiences at multiple corporations in Nomination Committee activities.
Director	Mariko Watahiki	Appointed at the Annual Shareholders' Meeting held on June 22, 2021, and assumed the position the same day. Attended all 11 Board of Directors' Meetings and all 10 Nomination Committee meetings; has accordingly made remarks necessary for discussing agenda, etc. based on her experience in handling many cases as a judge and her experience in organization management as the chief judge of a high court. Also used her expertise in personnel training, development and labor to provide important perspectives on personnel training and diversification for the Group in Board of Directors' Meetings, as well as contributing to the promotion of a replacement plan and evaluation system for Outside Directors in the Nomination Committee.

Note:

In addition to the number of Board of Directors' Meetings above, there were two written resolutions deemed to be resolutions of the Board of Directors pursuant to Article 370 of the Companies Act and the Company's Articles of Incorporation.

- b. Overview of the content of the agreement limiting the liability
The Company has instituted provisions regarding agreements limiting the liability of Outside

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

(Agreements limiting the liability of Outside Directors)

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

c. Total amount of compensation, etc. of Outside Directors for this Fiscal Year

Category	Number of Recipients	Amount of Compensation, etc. (million yen)
Directors	8	149

(4) Matters regarding the Accounting Auditor

1) Name: Deloitte Touche Tohmatsu LLC

2) Amount of compensation, etc. of Accounting Auditor

Amount of compensation, etc. involved in audit certification services that the Company should pay	449 million yen
Total amount of money and other profits on property that the Company and the Company's subsidiaries should pay	580 million yen

Notes:

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

3) Content of non-auditing services

The content of non-auditing services includes advisory and guidance services regarding the application of "Accounting Standards for Revenue Recognition" announced by the Accounting Standards Board of Japan, and advisory and guidance services regarding the building of a system for stabilization of financial functions and strengthening of governance in the Asia-Pacific region.

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

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

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

1) System to ensure the adequacy of business

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

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

The Company and its subsidiaries ("The Group") will establish guidelines for actions as a Code of Conduct for the entire group, and will conduct a read-through and an oath for all employees to comply with including officers once per year. In addition, the Group will institute a common concern raising (whistleblowing) system so the Group's employees can directly make reports to the Company's Legal and Compliance departments or outside lawyers.

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

- System regarding the storage and management of information involving the performance of duties by Executive Officers

The Company will retain and manage written documents, etc. based on the laws and regulations and internal rules. Based on the rules, Directors and Audit Committee Members may access those written documents, etc. at any time.

In addition, information security rules and personal information protection policies are established with regard to handling the management of information.

- System for internal rules and others regarding the management of the Group's risk of loss

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

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

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

The Board of Directors of the Company establishes the division of duties of the Executive Officers and clarifies the areas that each Executive Officer will be responsible for. In addition, a board of Executive Officers attended by all Executive Officers will be convened regularly and will conduct flexible decision-making involved in basic and important matters regarding the execution of duties. Furthermore, various committees will be set up as subordinate bodies of the board of Executive Officers and will evaluate the entire Group's important investment projects and M&A and organizational restructuring projects, etc. and attempt to expedite the decision-making.

In addition, a medium-term business plan and a short-term plan covering the entire Group will be established. The work for such establishment will value the autonomous business judgment and independence of the Company's subsidiaries and support their decisions.

- Other systems to ensure the adequacy of the Group's business operations

The Company values the autonomy of the operations of the group companies and will

periodically receive reports of the business conditions and conduct authorizations of important matters.

In addition, in order to ensure the accuracy and adequacy of the consolidated financial statements, an internal control system will be maintained and operated appropriately.

f. Directors and employees who should assist with the duties of the Audit Committee

The Company will establish an Audit Committee Secretariat as a specialist organization to support the duties of the Audit Committee Office. In order to enhance the structure supporting the Group's Audit Committee and strengthen the Group's internal controls, a "dedicated auditor" will be assigned to each major subsidiary to exclusively perform the auditing duties of the subsidiaries.

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

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

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

h. System for Executive Officers and employees of the Company to report to the Audit Committee, and other systems regarding reporting to the Audit Committee

If an Executive Officer discovers a fact that is likely to cause significant damages to the company, they will immediately report it to an Audit Committee Member.

When an Audit Committee Member receives an important report, opinion or document from an Executive Officer or an Accounting Auditor or someone else, they will report it to the Audit Committee.

Representative Executive Officers and Audit Committee Members will periodically exchange opinions regarding findings from an audit. In addition, the Legal Function will periodically report to the Audit Committee regarding the status of concerns having been raised (whistle-blowing).

Audit Committee Members will attend regular Board of Directors' Meetings and receive reports on the status of the Executive Officers' periodic execution of duties at the Board of Directors' Meeting.

Executive Officers and employees will report to the Audit Committee Member the status of the execution of duties through hearings, etc. of the Audit Committee. Audit Committee Members selected by the Audit Committee have the authority to ask Executive Officers and employees to report on the performance of their duties at any time, and to investigate the services or assets of the Company with regard to Directors, Executive Officers and employees of the Company at any time.

The dedicated auditor shall report on the status of the audit at regular meetings with the Audit Committee or via the Audit Committee Secretariat.

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

The Company will regularly hold management meetings, etc. attended by Directors, etc., of subsidiaries of the Company, and endeavor for the sharing of important information for business, as well as require the Directors, etc. of subsidiaries to attend and report as needed to Audit Committee meetings of the Company if important events occur at the Company's subsidiaries. Audit Committee Members selected by the Audit Committee have the authority to ask subsidiaries of the Company for business reports and to investigate the services and assets of subsidiaries.

j. System to ensure that a whistle blower, person reporting to the Company's Audit Committee does not receive unfair treatment on the grounds of having made such statement or report

Set forth in the Group's whistle-blowing system operation rules, etc. that directors, officers and employees of the Group can whistle blow and make that method of reporting, etc. widely known within the Group. In addition, the whistle blowing cases shall be reported to the Audit Committee in a timely manner, and dismissals and other disadvantageous treatments due to such report or other report to the Audit Committee shall be prohibited by internal rules.

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

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

l. Other systems to ensure that the audit by the Audit Committee is carried out effectively

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

2) Operation status of system to ensure adequacy of business

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

a. Initiatives concerning compliance

The LIXIL Code of Conduct is widely known by translation into 19 languages as common rules that all officers and employees should comply with, and is regularly reviewed. With regard to the Code of Conduct, the training and pledge of compliance are conducted for all the officers and employees of the Group on a yearly basis. Global common basic rules and detailed rules have been compiled for areas of particularly high risk for the Group based on the Code of Conduct. The status of compliance-related measures and activities are reported to and confirmed by compliance committees established at the Company or in various regions, etc. The Group moved to a new system in January 2022, and aims to further strengthen the Group's compliance culture and system and improve risk management by streamlining and standardizing compliance policies, procedures and programs at a global all-company level.

b. Initiatives concerning the management of the risk of loss

The status of the system of the new Fiscal Year and review of expected risks are reported through risk management meetings, etc., and with respect to natural disasters and other crises, rules, etc. for risk management shall be specified, and the understanding of and status of handling the occurred risk are reported and confirmed in a timely manner.

c. Initiatives concerning appropriateness and efficiency of executing duties

Board of Directors' Meetings are held at least once every month and important matters are deliberated and reports on principal execution status are received. In addition, decisions on execution, etc. have been carrying out the efficient execution of business based on the rules concerning duties and authority.

d. Initiatives concerning the Audit Committee audits

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

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

(6) Basic policy regarding governance of a stock company

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

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◎ This Report is stated as follows:

1. Amounts stated in million yen units are rounded to the nearest million yen unless otherwise stated.
2. The numbers of shares in thousand share units are shown by omitting the digits that are less than one thousand shares.
3. If there is nothing in particular to state for “1. Matters regarding the current state of the Group” and “2. Matters regarding the current state of the Company,” the conditions as of March 31, 2022 are stated.

-EOD-

Consolidated Statement of Financial Position

(As of March 31, 2022)

(Millions of yen)

ASSETS		LIABILITIES AND EQUITY	
Account	Amount	Account	Amount
CURRENT ASSETS	714,607	CURRENT LIABILITIES	603,001
Cash and cash equivalents	100,404	Trade and other payables	333,680
Trade and other receivables	280,409	Bonds and borrowings	132,029
Inventories	237,927	Lease liabilities	17,681
Contract assets	19,408	Contract liabilities	9,377
Income tax receivables	923	Income tax payables	10,926
Other financial assets	23,095	Other financial liabilities	5,638
Other current assets	25,180	Provisions	656
Subtotal	687,346	Other current liabilities	93,014
Assets held for sale	27,261		
NON-CURRENT ASSETS	1,068,275	NON-CURRENT LIABILITIES	564,913
Property, plant and equipment	373,301	Bonds and borrowings	337,510
Right-of-use assets	54,023	Lease liabilities	37,483
Goodwill and other intangible assets	471,303	Other financial liabilities	26,968
Investment property	4,045	Net defined benefit liabilities	78,441
Investments accounted for using the equity method	10,699	Provisions	8,028
Other financial assets	62,361	Deferred tax liabilities	61,875
Deferred tax assets	83,315	Other non-current liabilities	14,608
Other non-current assets	9,228		
		TOTAL LIABILITIES	1,167,914
		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	612,385
		Share capital	68,418
		Capital surplus	278,635
		Treasury shares	(47,542)
		Other components of equity	44,954
		Retained earnings	267,920
		NON-CONTROLLING INTERESTS	2,583
		TOTAL EQUITY	614,968
	1,782,882		
TOTAL ASSETS		TOTAL LIABILITIES AND EQUITY	1,782,882

Consolidated Statement of Profit or Loss

(Year Ended March 31, 2022)

(Millions of yen)

Account	Amount	
CONTINUING OPERATIONS		
REVENUE		1,428,578
COST OF SALES		(941,709)
GROSS PROFIT		486,869
Selling, general and administrative expenses	(421,994)	
Other income	17,040	
Other expenses	(12,444)	(417,398)
OPERATING PROFIT		69,471
Finance income	4,093	
Finance costs	(6,151)	
Share of loss of associates and joint ventures accounted for using the equity method	(151)	(2,209)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		67,262
Income tax expenses		(16,722)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		50,540
DISCONTINUED OPERATIONS		
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS		(1,810)
PROFIT FOR THE YEAR		48,730
Profit (Loss) for the year attributable to:		
Owners of the parent		
Continuing operations		50,413
Discontinued operations		(1,810)
Total		48,603
Non-controlling interests		
Continuing operations		127
Discontinued operations		—
Total		127

Consolidated Statement of Changes in Equity

(Year Ended March 31, 2022)

(Millions of yen)

	Equity attributable to owners of the parent						
	Share capital	Capital surplus	Treasury shares	Other components of equity			
				Net fair value gain (loss) on equity instruments measured through other comprehensive income	Remeasurements of defined benefit pension plans	Exchange differences on translation of foreign operations	Net fair value gain (loss) on hedging instruments entered into for cash flow hedges
Balance as of April 1, 2021	68,418	278,240	(48,610)	16,558	—	372	1,071
Profit for the year							
Other comprehensive income				(2,152)	5,625	28,241	1,796
Total comprehensive income for the year	—	—	—	(2,152)	5,625	28,241	1,796
Purchase of treasury shares			(29)				
Disposal of treasury shares		1	2				
Redemption of convertible bond-type bonds with share subscription rights							
Share-based payment transactions		576	1,095				
Dividends							
Changes in interests in subsidiaries that do not result in the Group losing control over the subsidiaries		(182)					
Transfers from other components of equity to retained earnings				(1,079)	(5,625)		
Total transactions with owners	—	395	1,068	(1,079)	(5,625)	—	—
Balance as of March 31, 2022	68,418	278,635	(47,542)	13,327	—	28,613	2,867

(Millions of yen)

	Equity attributable to owners of the parent					Non-control ling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Accumulated other comprehensive income relating to non-current assets or disposal group classified as held for sale	Other	Total				
Balance as of April 1, 2021	—	2,414	20,415	233,808	552,271	2,496	554,767
Profit for the year			—	48,603	48,603	127	48,730
Other comprehensive income		17	33,527		33,527	144	33,671
Total comprehensive income for the year	—	17	33,527	48,603	82,130	271	82,401
Purchase of treasury shares			—		(29)		(29)
Disposal of treasury shares			—		3		3
Redemption of convertible bond-type bonds with share subscription rights		(1,483)	(1,483)	1,483	—		—
Share-based payment transactions		(801)	(801)	559	1,429		1,429
Dividends			—	(23,237)	(23,237)		(23,237)
Changes in interests in subsidiaries that do not result in the Group losing control over the subsidiaries			—		(182)	(184)	(366)
Transfers from other components of equity to retained earnings			(6,704)	6,704	—		—
Total transactions with owners	—	(2,284)	(8,988)	(14,491)	(22,016)	(184)	(22,200)
Balance as of March 31, 2022	—	147	44,954	267,920	612,385	2,583	614,968

Nonconsolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

ASSETS		LIABILITIES	
Account	Amount	Account	Amount
CURRENT ASSETS	350,292	CURRENT LIABILITIES	349,146
Cash and deposits	5,540	Notes payable – trade	2,150
Notes receivable – trade	9,325	Accounts payable – trade	135,319
Accounts receivable	99,316	Contract liabilities	5,110
Contract assets	12,926	Short-term borrowings	86,210
Other receivables	103,832	Lease liabilities	892
merchandise and finished goods	47,345	Accounts payable – other	49,750
Work in process	17,616	Accrued expenses	33,323
Raw materials and supplies	26,106	Income taxes payables	3,506
Short-term loans receivable	24,878	Provision for bonuses	17,030
Other current assets	11,350	Provision for bonuses for directors (and other officers)	290
Allowance for doubtful accounts	(7,947)	Provision for loss on factory restructuring	71
		Asset retirement obligations	162
		Other current liabilities	15,327
NON-CURRENT ASSETS	801,637	NON-CURRENT LIABILITIES	342,425
PROPERTY, PLANT AND EQUIPMENT	259,851	Bonds	65,000
Buildings	88,731	Long-term borrowings	224,391
Structures	6,174	Lease liabilities	3,411
Machinery and equipment	29,046	Provision for bonuses for directors (and other officers)	1,060
Vehicles	350	Provision for retirement benefits	4,710
Tools, furniture and fixtures	7,306	Provision for loss on business of subsidiaries and associates	7,623
Land	120,375	Provision for loss on factory restructuring	1,472
Leased assets	3,881	Asset retirement obligations	5,954
Construction in progress	3,985	Other non-current liabilities	28,800
		TOTAL LIABILITIES	691,572
		EQUITY	
INTANGIBLE ASSETS	39,438	EQUITY	442,563
Leasehold interests in land	2,684	SHARE CAPITAL	68,417
Software	23,308	CAPITAL SURPLUS	325,217
Software in progress	13,353	Legal capital surplus	12,478
Other intangible assets	92	Other capital surplus	312,738
		RETAINED EARNINGS	96,470
INVESTMENTS AND OTHER ASSETS	502,347	Legal retained earnings	4,847
Investment securities	40,045	Other retained earnings	91,622
Investments in subsidiaries and associates	367,637	Provision of reserve for special disaster	6
Long-term accounts receivable – other	33,895	Reserve for tax purpose reduction entry	1,303
Guarantee deposits	6,625	Retained earnings brought forward	90,312

Prepaid pension costs	13,969	TREASURY SHARES	(47,541)
Deferred tax assets	66,542	VALUATION AND TRANSLATION ADJUSTMENTS	17,666
Other investments	2,342	Valuation difference on available-for- sale securities	15,676
Allowance for doubtful accounts	(28,712)	Deferred gains or losses on hedges	1,989
		SUBSCRIPTION RIGHTS TO SHARES	127
		TOTAL EQUITY	460,357
TOTAL ASSETS	1,151,929	TOTAL LIABILITIES AND EQUITY	1,151,929

Nonconsolidated Statement of Income

(Year Ended March 31, 2022)

(Millions of yen)

Account	Amount	
NET SALES		801,433
COST OF SALES		537,865
GROSS PROFIT		263,567
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		246,932
OPERATING PROFIT		16,635
NON-OPERATING INCOME		
Interest income	473	
Dividend income	14,631	
Rental income	886	
Guarantee fee income	87	
Other non-operating income	3,357	19,437
NON-OPERATING EXPENSES		
Interest expenses	1,836	
Interest expenses on bonds	183	
Rental costs	559	
Provision for loss on business in subsidiaries and associates	2,385	
Other non-operating expenses	3,338	8,302
ORDINARY PROFIT		27,770
EXTRAORDINARY INCOME		
Gain on sale of non-current assets	12,610	
Gain on sale of investment securities	7,131	
Gain on reversal of subscription rights to shares	592	20,333
EXTRAORDINARY LOSS		
Impairment losses	1,206	
Loss on factory restructuring	160	
Provision for loss on factory restructuring	119	
Loss on investment of subsidiaries and associates	3,297	4,784
PROFIT BEFORE INCOME TAXES		43,319
Income taxes — Current	3,215	
Income taxes — Deferred	(537)	2,678
NET INCOME		40,641

Nonconsolidated Statement of Changes in Equity

(Year Ended March 31, 2022)

(Millions of yen)

	Equity									
		Capital surplus				Retained earnings				Total
		Share capital	Legal capital surplus	Other capital surplus	Total	Legal retained earnings	Other Retained earnings			
							Provision of reserve for special disaster	Reserve for tax purpose reduction entry	Retained earnings brought forward	
Balance as of April 1, 2021	68,417	12,478	312,172	324,651	4,847	6	1,449	72,499	78,802	
Cumulative effect of changes in accounting policies								263	263	
Balance at beginning of the year reflecting changes in accounting policies	68,417	12,478	312,172	324,651	4,847	6	1,449	72,763	79,066	
Changes during the year										
Dividends								(23,237)	(23,237)	
Net income								40,641	40,641	
Reversal of reserve for tax purpose reduction entry							(145)	145	—	
Purchase of treasury shares										
Disposal of treasury shares			0	0						
Exercise of subscription rights to shares			564	564						
Net changes of items other than shareholders' equity										
Total changes during the year	—	—	565	565	—	—	(145)	17,549	17,403	
Balance as of March 31, 2022	68,417	12,478	312,738	325,217	4,847	6	1,303	90,312	96,470	

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 19, 2022

To the Board of Directors of
LIXIL Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Taiji Suzuki

Designated Engagement Partner,
Certified Public Accountant:

Takenao Ohashi

Designated Engagement Partner,
Certified Public Accountant:

Masayuki Furukawa

(Millions of yen)

	Equity		Valuation and translation adjustments			Subscription rights to shares	Total equity
	Treasury shares	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total		
Balance as of April 1, 2021	(48,609)	423,262	22,903	786	23,690	928	447,881
Cumulative effect of changes in accounting policies		263					263
Balance at beginning of the year reflecting changes in accounting policies	(48,609)	423,526	22,903	786	23,690	928	448,145
Changes during the year							
Dividends		(23,237)					(23,237)
Net income		40,641					40,641
Reversal of reserve for tax purpose reduction entry		—					—
Purchase of treasury shares	(29)	(29)					(29)
Disposal of treasury shares	2	3					3
Exercise of subscription rights to shares	1,094	1,659					1,659
Net changes of items other than shareholders' equity			(7,227)	1,202	(6,024)	(800)	(6,825)
Total changes during the year	1,067	19,037	(7,227)	1,202	(6,024)	(800)	12,211
Balance as of March 31, 2022	(47,541)	442,563	15,676	1,989	17,666	127	460,357

Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of LIXIL Corporation and its subsidiaries (the "Group"), namely, the consolidated statement of financial position as of March 31, 2022, and the consolidated statement of profit or loss and consolidated statement of changes in equity for the fiscal year from April 1, 2021 to March 31, 2022, and the related notes.

In our opinion, the accompanying consolidated financial statements, prepared with the omission of a part of disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance for the year then ended.

Basis for Opinion

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

(TRANSLATION)

Other Information

Management is responsible for the other information. The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(TRANSLATION)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Notes to the Readers of Independent Auditor's Report

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

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 19, 2022

To the Board of Directors of
LIXIL Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Taiji Suzuki

Designated Engagement Partner,
Certified Public Accountant:

Takenao Ohashi

Designated Engagement Partner,
Certified Public Accountant:

Masayuki Furukawa

Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements of LIXIL Corporation (the "Company"), namely, the nonconsolidated balance sheet as of March 31, 2022, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity for the 80th fiscal year from April 1, 2021 to March 31, 2022, and the related notes and the accompanying supplemental schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

(TRANSLATION)

Other Information

Management is responsible for the other information. The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

Our opinion on the nonconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the nonconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the nonconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(TRANSLATION)

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Notes to the Readers of Independent Auditor's Report

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

Audit Report

The Audit Committee has audited the performance of duties by the Directors and Executive Officers for the 80th fiscal year from April 1, 2021 to March 31, 2022, and we report the methods and results of the audit as follows:

1. Methods and content of the audit

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

- (a) attended important meetings, received reports on matters regarding the execution of their duties from the Directors and Executive Officers, etc., requested further explanations as necessary, inspected important approval documents, etc., and investigated the status of the business operations and assets of the head office and principal place of business in accordance with the policies and division of duties, etc. established by the Audit Committee and upon coordination with the company's internal auditing department and internal control governing department. With respect to the subsidiary companies, the Audit Committee took steps to facilitate communications and the exchange of information with the Directors and Auditors, etc. of the subsidiary companies and received reports on the business operations from the subsidiary companies as necessary.
- (b) while monitoring and verifying that the Accounting Auditor has maintained its independence and conducted appropriate audits, the Audit Committee received reports from the Accounting Auditor regarding the execution of its duties and requested further explanations as necessary. Furthermore, the Audit Committee received notification from the Accounting Auditor that it was taking steps to prepare the "system for ensuring proper execution of duties" (as set forth in the items of Article 131 of the Rules of Company Accounting) in accordance with the "Quality Control Standards for Audits" (adopted by the Business Accounting Council on October 28, 2005), etc., requesting further explanations as necessary.

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

2. Results of the audit

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

In our opinion:

- (a) The business report and annexed detailed statements accurately present the state of the company pursuant to the laws and regulations and the Articles of Incorporation;
- (b) Neither improper actions in execution of duties by the Directors and Executive Officers, nor material facts violating the laws and ordinances or the Articles of Incorporation were found;
- (c) The contents of the resolutions adopted by the Board of Directors regarding the internal control system were appropriate, and no matters that would need to be pointed out regarding the contents of the business report on such internal control system, along

with the execution of duties by the Directors and Executive Officers, were found.

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

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

May 20, 2022

Audit Committee, LIXIL Corporation

Audit Committee Member: Teruo Suzuki
Audit Committee Member: Tamio Uchibori
Audit Committee Member: Shiho Konno

(Note) Teruo Suzuki, Tamio Uchibori, and Shiho Konno are Outside Directors, as prescribed in Article 2, Item 15, and Article 400, Paragraph 3 of the Companies Act.

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