

# LIXIL Group Corporation CSR Management 2014



**Reporting Period:**

FY2013 (April 1, 2013 to March 31, 2014)

**Applicable organizations:**

Activities of affiliated companies, including LIXIL Group Corporation and LIXIL Corporation.

When the scope of application is limited for a particular item, this is pointed out in the notes, etc.

**Cover image is Environmental education in Vietnam.**

# LIXIL Group Corporation CSR Management 2014

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See the Corporate Governance section on the LIXIL Corporation website

(<http://www.lixil-group.co.jp/e/about/governance/system.htm>)

for information on the Corporate Governance Framework, the Group Management Philosophy, Group Charter of Corporate Behavior and Internal Control Systems.

# **CSR Policy**

**LIXIL has established  
a CSR Policy and a CSR promotion system  
to ensure it makes greater contributions to the  
realization of a sustainable society.**

## CSR Policy

The LIXIL Group's corporate social responsibility (CSR) initiatives are part of a process focused on realizing the Group's corporate philosophy, which aims to have "the Group's superior products and services contribute to improving people's comfort and lifestyles." Based on this corporate philosophy, we have set out CSR policies under three priority themes: innovation, sustainable, and integrity. We signed the United Nations Global Compact in July 2013. Aiming to respect the compact's 10 principles in four areas, we have established "Exercising due diligence for human rights" and "Promoting procurement based on CSR" as themes for CSR initiatives that we will begin advancing proactively in the fiscal year ending March 31, 2015.

### CSR Policy

Link to Good Living—The LIXIL Group is committed to building and expanding worldwide "bonds" that lead to a good living and good life. Aiming to improve people's comfort and lifestyles, we endeavor to pursue innovation to develop better products and services, thereby contributing to the sustainable development of society.

In addition to our ongoing dialogue with stakeholders, we stand firmly committed to business activities rooted in the concept of integrity.

### Priority Themes

#### Innovation

1. Work to increase efficiency in the use of energy and water resources
2. Work to build a senior-friendly, cooperation-based society, focusing on healthy, safe and secure living conditions

#### Sustainability

3. Contribute to conservation of the global environment and development of local communities
4. Ensure an appropriate work environment and resource allocation in supply chain operation

#### Integrity

5. Maximize customer satisfaction in cooperation with business partners
6. Develop a corporate culture characterized by superb leadership and diversity
7. Promote speedy and transparent disclosure and share social contribution visions with our stakeholders

### Planned Activities

1. To address the challenge of global climate change and declining water resources, we will pursue innovation in developing products and services that will help achieve a net zero energy balance in houses and buildings as well as facilitate efficient use of water resources.

2. To address concerns over healthy, safety and secure living conditions around the world, we will pursue innovation in developing products and services that will improve sanitary conditions, mainly related to plumbing systems, as well as help build a society that is senior-friendly and supportive of mutual assistance.

3. To contribute to conservation of the global environment and biodiversity as well as the development of local society, we will work to facilitate communication and cooperation with local communities, NGOs and other organizations.

4. To ensure proper and fair operations of our supply chain, we will work to facilitate communication and cooperation with our suppliers, with a focus on creating an appropriate work environment and proper resource allocation as well as human rights protection.

5. To ensure the safety and hygiene of our products and services and maximize satisfaction of end users, we will promote communication with customers and cooperation with business partners.

6. To help accommodate various social challenges, we will develop a corporate culture that can foster strong leadership, respect diversity in terms of nationality, gender, race, age, values and others, and leverage our strengths linked to personnel diversity.

7. To win and maintain the trust of our shareholders and investors and achieve sustainable growth in society, we will promote speedy and transparent disclosure of information and share our visions and plans for social contributions with our stakeholders to facilitate mutual understanding on this issue.

# CSR Promotion Structure

## Establishing Promotional Systems

In the fiscal year ended March 31, 2014, under the management of the CSR Promotion Committee, four groups responsible for four stakeholder groups—customers, suppliers, employees, and the environment—set targets and advanced initiatives accordingly. In April 2014, to coincide with the launch of the Global Management Committee (GMC), at which all members of the senior management team convene, we reorganized systems for promoting CSR initiatives. For each of the regions and operating companies (each region of, and each operating company in, Japan, China, Asia, North America and Europe), a person in charge of facilitating the four groups was appointed, on the basis of which LIXIL Group’s global management system was created. The GMC determines priority tasks of the Group, and the senior management team exercises its leadership in relation to such tasks.

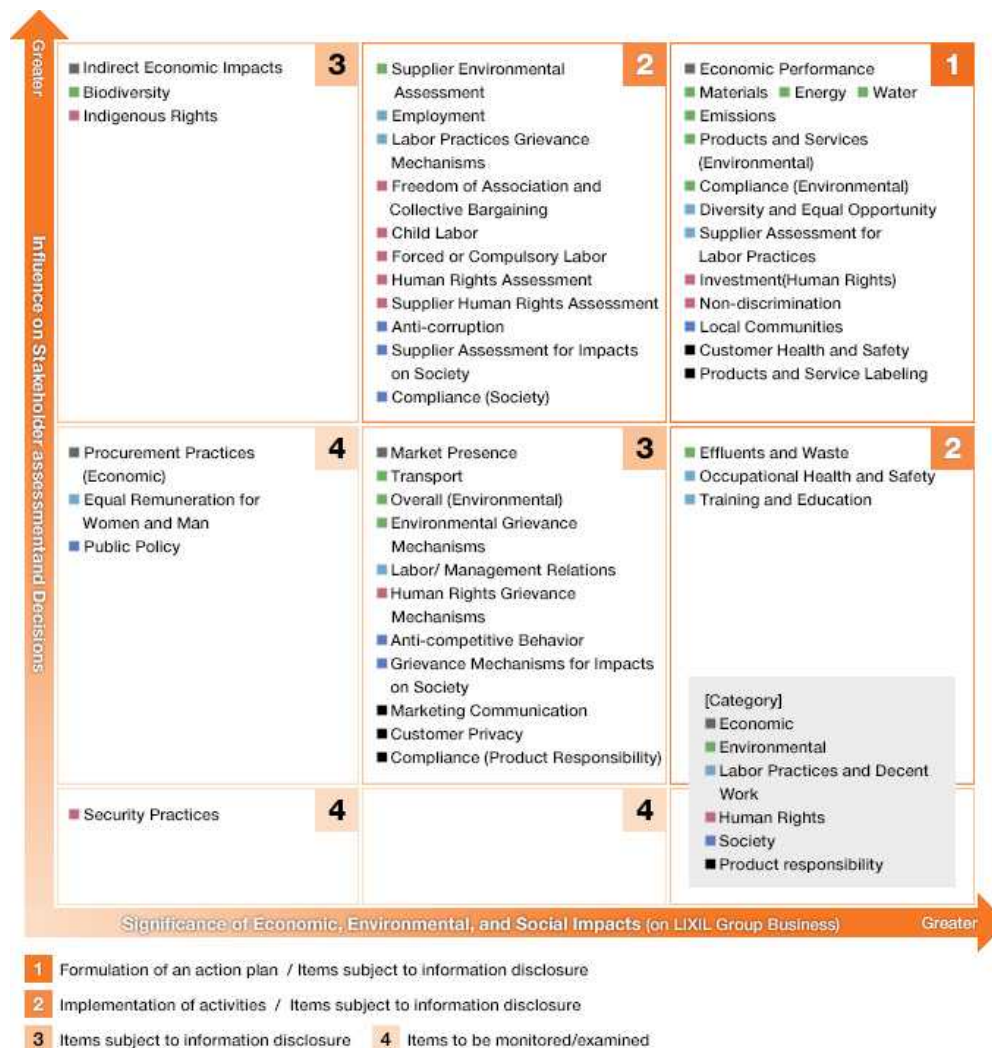
\* [See here for more details on the GMC.](#)

We signed the United Nations Global Compact in July 2013. Aiming to respect the compact’s 10 principles in four areas, we have established “Exercising due diligence for human rights” and “Promoting procurement based on CSR” as themes for CSR initiatives that we will begin advancing proactively in the fiscal year ending March 31, 2015.

\* [See the following link for information on LIXIL’s membership of the United Nations Global Compact](#)

## Identifying Materiality

As of July 2014, taking into account business areas and sizes and value chains, we are identifying priority tasks that reflect the opinions of external experts and preparing action plans. From here on, LIXIL Group will appropriately disclose, on its website, information regarding identified priority tasks and developments and accomplishments of activities based on midterm action plans. The identification of materiality (priority tasks) is the process of putting into practice important themes of the CSR Policy and specific activities. This process has been examined with reference to the item of Material Aspects in the GRI G4 Guidelines.





## CSR Targets by Category and Results

### Reduce global environmental burden Build recycling society

Part of a company's responsibilities to society entails efforts to combat environmental issues, which also represents a key proposition for humankind. Our integrated group-wide management system has served to incorporate the challenges facing the LIXIL Group, including our efforts to reduce environmental impacts through reduced energy usage and strict compliance with environmental laws and regulations.

\* [Click here to learn more "Environmental Activities"](#)

\* [Click here for the scope of data collection](#)

### Enhance environmental performance (LIXIL Group's medium-term environmental goal)

Task	KPI	FY2013 Targets	FY2013 Results	Our Evaluation	FY2014 Targets
Improve environmental management system*1	Number of bases with newly acquired ISO 14001 certification	Overseas manufacturing subsidiaries: 5	5 subsidiaries China: 2 plants, Thailand: 2 plants, Vietnam: 1 plant	○	Increase acquisition of ISO 14001 certification among logistics divisions in Japan
Unify evaluation methods for energy-saving products*2	Check accuracy of evaluation methods	Have third-party evaluate contribution to reduction of GHG emissions from product use versus FY2012	Warranty completed	○	Extend environmental data covered by third-party warranty
Contribute to reduction of energy use in civilian sector in Japan by advancing performance of products and popularizing them*2	Energy reduction contribution (reduction of energy use for products versus 1990 level × sales volume)	1.3 times versus FY2010 level (4,850,000 GJ)	1.34 times versus FY2010 level (5,030,000 GJ)	○	1.5 times versus FY2010 level (5,610,000 GJ)
Reduce total energy consumption in procurement,	Total energy consumption	Reduce 9.0% versus FY2010 level (56,700,000 GJ)	Reduced 8.5% versus FY2010 level (57,000,000 GJ) Improved on intensity	×	Reduce 9.3% versus FY2010 level (56,600,000 GJ)

manufacturing, sales, and waste disposal*1			basis, did not reach target because production volume increased due to rise in new housing starts in Japan		
Reduce CO <sub>2</sub> emissions at operating bases in Japan*2	CO <sub>2</sub> emissions at operating bases in Japan	Reduce 49.0% versus FY1990 level (411,000 tons)	Reduced 49.0% versus FY1990 level (411,000 tons)	○	Reduce 50.0% versus FY1990 level (403,000 tons)
Reduce water use in manufacturing activities*1	Water use	Reduce 1.0% versus FY2012 level (15,033,000 m3)	Reduced 17.8% versus FY2012 level (12,481,000 m3) Reduced significantly due to closure of Takaoka Plant	○	Reduce 1.0% versus FY2013 level (12,356,000 m3)

## Supply chain management \*2

Quality, cost, delivery plus the environment have served as important criteria for evaluating our supplier partners. Starting in the year ended March 2013, we commenced efforts to ascertain and improve labor issues, human rights and other social issue across our entire supply chain.

\* [Click here to learn more "In Partnership with Our Suppliers"](#)

### Build supply chain taking into consideration labor conditions and resource allocation

Task	KPI	FY2013 Targets	FY2013 Results	Our Evaluation	FY2014 Targets
Establish common procurement policies and guidelines	Percentage of transaction amount	Japan: 85% (Percentage of companies: 15%)	Japan: 85% (Percentage of companies: 15%)	○	Japan: 85% (Percentage of companies: 15%)
		Overseas: 60% (Percentage of companies: 15%)	Overseas: 62% (Percentage of companies: 16%)		Overseas: Being calculated (Percentage of companies: 15%)
Conduct questionnaire survey and follow-up activities	Percentage of priority surveyed items complied with	Japan: 100%, 10 priority surveyed items	100% Paid follow-up visits to 50 companies in Japan and 16 companies overseas	○	Japan: 85% (Percentage of companies: 15%)
		Overseas: 100%, 11 priority surveyed items			Overseas: Being calculated (Percentage of companies: 15%)

\* Japan: Procurement by operating bases

\* Overseas: Procurement by operating bases

## Product safety \*2

We strive to be a leader in product safety activities because of our position as a manufacturer that carries products supporting the comfortable and safe living of consumers. We have established a product safety promotion system and created a culture and frameworks for supplying safe products. At the same time, we convey appropriate information to consumers and strive to gain their understanding. We have established a culture of product safety as a corporation, which includes responding appropriately whenever any incident may occur.

\* [Click here to learn more "For Our Customers"](#)

### Establish system for development of safe products and build product safety culture

Task	KPI	FY2013 Targets	FY2013 Results	Our Evaluation	FY2014 Targets
To prevent occurrence or recurrence, reflect accident information and quality information in designs and conduct educational activities	Application percentage of product safety related regulations (accidents in which products are cause or suspected cause)	0 accidents	0 accidents	○	0 accidents
Hold discussions with experts and continue product safety initiatives and reform of systems	Hold discussions about product safety	Once a year	2 times Held discussions themed on consumer education and LIXIL product safety initiatives	○	Twice a year
Strengthen dissemination of information about maintenance, product safety, and accident prevention	Number of times information disseminated to customers	Twice a year	2 times Held product safety seminars and distributed safety pamphlets in Okinawa and Ehime	○	4 times Participate in product safety seminars, distribute maintenance information, etc.



## Fostering an Improved Corporate Culture (Human Resource Utilization) \*2

Employees represent a key stakeholder supporting corporate activities. We have positioned diversity as one of our top priorities in order to foster a corporate culture where employee can thrive as well as exhibit their creativity and energy. Based on a careful analysis of our current workforce composition and human resource utilization, we are focusing on developing the leaders of tomorrow and emphasizing support for women in the workplace in Japan, in particular.

\* [Click here to learn more "In Partnership with Our Employees"](#)

### Encourage performance of diverse personnel and develop platform to enable employees to perform to their full potential and advance

Task	KPI	FY2013 Targets	FY2013 Results	Our Evaluation	FY2014 Targets
Identify, train, and promote diverse talented personnel	Percentage of women in managerial posts	3%	3.3% (76 employees: up 29 versus previous year)	○	4%
	Percentage of women among regularly recruited new hires	30%	32.5% (April 2014 new hires)	○	At least 30%
	Percentage of women participating in leadership training	15%	21.7% (percentage of women among employees dispatched for MBAs: 20%)	○	At least 15%
Promote understanding of diversity and create educational opportunities	Holding of meetings	12 times	13 times	○	At least 12 times a year
	Activities of LIXIL Women's Network	Hold events	Nationwide conference: 1 time; area forums, etc.: 8 times	○	Hold events and expand network
Expand and improve support systems to advance Work-Life-Flexibility	Development of systems and rules	Have special committee consisting of employee representatives and management consider and develop systems	Introduced subsidy system for fees for extended childcare, extended applicable period of short working hours for child rearing, etc., increased and improved various measures	○	Entrench systems introduced and promote their use

## In Partnership with Society and Local Communities \*1

The LIXIL Group hosts dialogue sessions at its factories, showrooms, and storefronts on the themes of community contributions and community interaction with local governments, neighborhood associations, and stakeholders working and living in the local community.

\* [Click here to learn more "In Partnership with Society and Local Communities"](#)

### Promote communication with local communities

Task	KPI	FY2013 Targets	FY2013 Results	Our Evaluation	FY2014 Targets
Hold dialogues with local communities	Number of dialogues held	Hold at 30 plants, 12 sales bases, and 2 stores (revised during period due to change in number of bases)	Held at 24 plants, 7 sales bases, and 3 stores Held more than 69 preparatory meetings and held dialogues suited to sites	△	Hold at 13 plants, 18 sales bases, and 10 stores

## Initiatives to Solve World Health Issues \*2

In fiscal 2013 we officially approved of the U.N.'s Millennium Development Goals and began efforts to help improve living spaces of people in poverty around the world and assisting with the construction of health and safety facilities and institutions.

\* [Click here to learn more about the SISI 2018 Project](#)

### SISI 2018 project

Task	KPI	FY2013 Targets	FY2013 Results	Our Evaluation	FY2014 Targets
Provide children with hygienic environments Collaborate with UNICEF's Global WASH Program, which contributes to United Nations Millennium Development Goal (7)	Number of school toilets improved and children provided with educational support	Targets not set because announced in November 2013 and begun in December 2013	More than 60 schools and more than 60,000 children in China, the Philippines, and Kenya	-	164,000 children 2018 target cumulative total: 2,018,000 children

### [Scope of Activities]

\*1: Excluding companies that have been integrated for less than three years

\*2: LIXIL Corporation only

# **Stakeholder Dialogue**

**The LIXIL Group emphasizes ongoing engagement with a broad range of stakeholders through stakeholder dialogue sessions to promote two-way communication.**

## Stakeholder Dialogue

### Engagement Policy

LIXIL Group emphasizes the importance of engagement with a variety of stakeholders and holds two-way dialogue sessions. By answering the demands and expectations of society learned through these sessions, we aim to contribute to the development of a sustainable society.

### Top Dialogue

In order to promote general CSR management at the LIXIL Group, we host dialogue sessions between senior management and relevant stakeholders.

#### **Expectations for the LIXIL Group as it Seeks to Become a Global Leader in Living and Housing Solutions and the Purpose of Promoting CSR (held on June 20, 2012)**

The LIXIL Group's social mission is to build and expand worldwide "bonds" that lead to good living and good life. Three experts were invited to hold an opinion exchange discussing the question of what society's demands are in relation to the promotion of CSR management and what challenges LIXIL needs to take on.



### Dialogue by Task

Dialogue sessions were held on each of the tasks LIXIL Group needs to tackle. These sessions were held under the guidance of each CSR Promotion Committee group.

#### **3rd Product Safety Dialogue — Building Collaborative Relationships that Transcend Barriers and Establishing a Product Safety Culture that Contributes to the Future (held on March 25, 2014)**

LIXIL has strengthened its initiatives in product safety activities with the aim of achieving "superstar" LIXIL Quality. The third product safety dialogue invited lawyers, advisory specialists for consumers' affairs as well as experts to share their views on product safety activities that LIXIL should be carrying out.



### **【 List of dialogue sessions to date 】**

\* 2nd Product Safety Dialogue — Product Safety Education that Delivers Peace of Mind to Customers and Leads to Action (held on September 18, 2013)

\* 1st Product Safety Dialogue - LIXIL Initiatives and Consumer Education (held on January 9, 2013)

## Outline of Dialogue Sessions with Local Communities

Dialogue sessions with representatives of local government, community associations and stakeholders who work and live locally were held at a LIXIL Group factory, showroom and store, based on themes such as community engagement and community contributions.



### List of LIXIL Corporation production plants where sessions were held

[Total to 25 locations、 (of these, two dialogue sessions were held jointly by three plants or two plants)]

Date	Location
March 26, 2013	Shimotsuma Plant and Fujibana Plant (Shimotsuma City, Ibaraki Prefecture)
July 19, 2013	Ishige Plant (Joso City, Ibaraki Prefecture)
September 9, 2013	Otani Plant (Tokoname City, Aichi Prefecture)
October 22, 2013	Ariake Plant (Nagasu Town, Tamana County, Kumamoto Prefecture)
October 29, 2013	Ichinoseki Plant (Ichinoseki City, Iwate Prefecture)
November 21, 2013	Iwai Plant (Bando City, Ibaraki Prefecture)
November 25, 2013	Yokohama Plant (Midori_Ward, Yokohama City, Kanagawa Prefecture)
November 29, 2013	Handa Plant (Handa City, Aichi Prefecture)
December 3, 2013	Yamato Plant (Sakuragawa City, Ibaraki Prefecture)
December 4, 2013	Ibuki Plant (Tarui Town, Fuwa County, Gifu Prefecture)
January 10, 2014	Hisai Plant (Tsu City, Mie Prefecture)
January 10, 2014	Nabari Plant(Nabari City, Mie Prefecture)
January 10, 2014	Aoyama Plant(Iga City, Mie Prefecture)
January 28, 2014	Tsuchiura Plant (Tsuchiura City, Ibaraki Prefecture)
February 4, 2014	Chita Plant (Chita City, Aichi Prefecture)
February 6, 2014	Tsukuba Plant (Tsukuba City, Ibaraki Prefecture)
February 12, 2014	Kashima Plant (Kashima City, Saga Prefecture)
February 21, 2014	Enokido Plant (Tokoname City, Aichi Prefecture)
February 25, 2014	Saga Plant (Taku City, Saga Prefecture)
February 27, 2014	Oyama Plant (Oyama City, Tochigi Prefecture)
March 7, 2014	Onomichi Plant (Onomichi City, Hiroshima Prefecture)
March 14, 2014	Kumayama Plant (Akaiwa City, Okayama Prefecture)
March 20, 2014	Kiryu Plant (Kiryu City, Gunma Prefecture)
March 25, 2014	Oyabe Plant (Oyabe City, Toyama Prefecture)
March 31, 2014	Tono Plant (Ena City, Gifu Prefecture)

Production subsidiaries are also listed as LIXIL plants.

### List of LIXIL Corporation sales offices where dialogue sessions were held [Total to 7 locations]

Date	Location
November 27, 2013	Takamatsu Branch (Takamatsu City, Kagawa Prefecture)
March 17, 2014	Yamaguchi Branch (Yamaguchi City, Yamaguchi Prefecture)
February 26, 2014	Kumagaya Branch (Kumagaya City, Saitama Prefecture)
March 26, 2014	Aomori Branch (Aomori City, Aomori Prefecture)
March 6, 2014	Sapporo Branch (Higashi Ward, Sapporo City, Hokkaido Prefecture)
March 27, 2014	Funabashi Branch (Funabashi City, Chiba Prefecture)
March 11, 2014	Tokyo Nishi Branch (Tachikawa City, Tokyo)

### List of LIXIL Corporation Viva stores where dialogue sessions were held [Total to 4 locations]

Date	Location
March 21, 2013	Super Viva Home Iwaki Store (Iwaki City, Saitama Prefecture)
February 28, 2014	Super Viva Home Itami Store (Itami City, Hyogo Prefecture)
March 5, 2014	Super Viva Home Kiyota Hitsujigaoka St. Store (Kiyota_Ward, Sapporo City, Hokkaido Prefecture)
March 5, 2014	Super Viva Home Teine Tomioka Store (Teine Ward, Sapporo City, Hokkaido Prefecture)

# **For Our Customers**

**LIXIL is committed to delivering products and services with the customer close in mind.**



# Increasing Customer Satisfaction

## CS\* Activities

LIXIL Group seeks to provide products and services designed from the customer’s perspective, and to improve customer satisfaction through communication based on LIXIL’s corporate philosophy – “LIXIL CORE” – and shared Group values – “LIXIL Values.”

\* CS・・・Customer Satisfaction

### Valuing Customers’ Opinions

We will value the opinions received from our customers, and provide products and services that our customers are happy with.

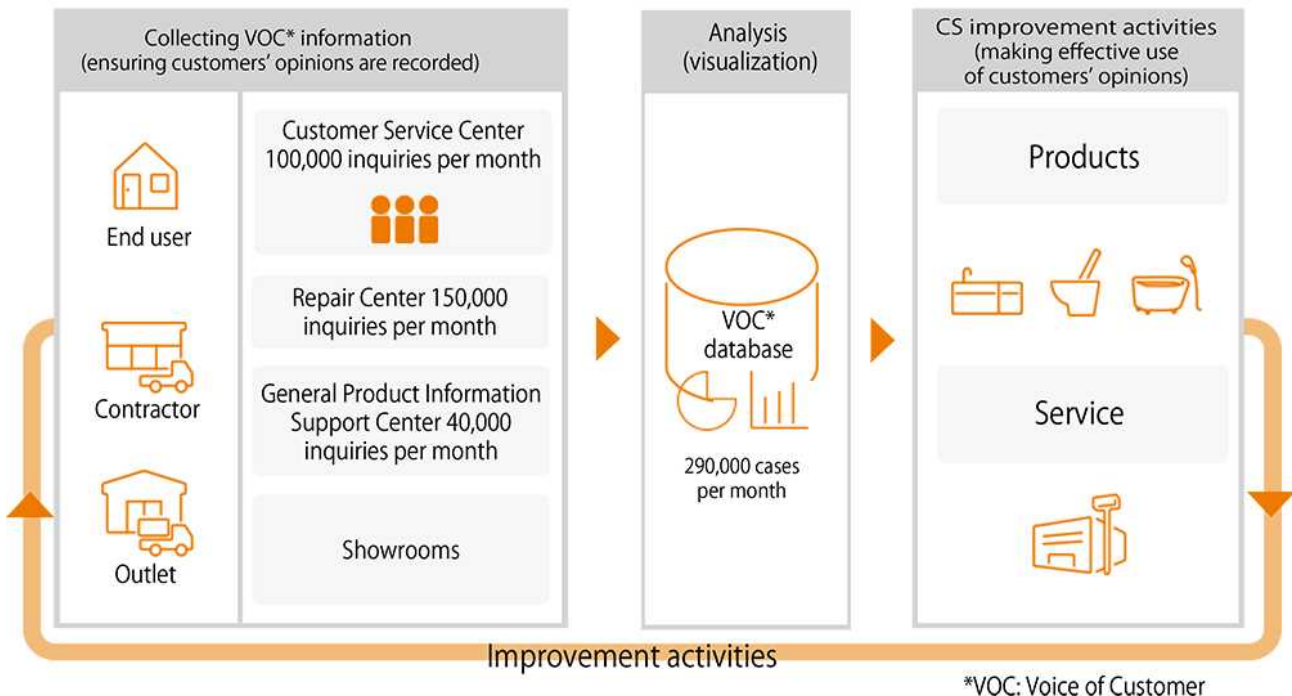
### All Employees are CS Specialists

Each and every employee shall always act with the customers in mind, and shall earnestly continue to pursue customer satisfaction.

\* [See here for more information about “LIXIL CORE” and “LIXIL Values”](#)

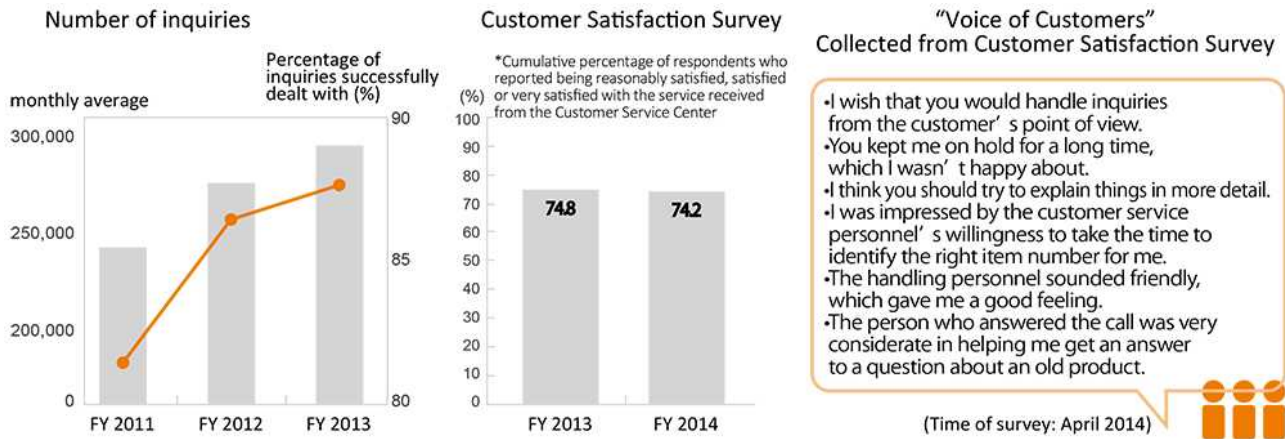
## System for Using Customers’ Views to Help Make Improvements

We have collected data using the approximately 290,000 inquiries a month made by customers to our service centers, including the Customer Service Center, Repair Center, and General Product Information Support Center; this information is shared with relevant departments with the aim of implementing improvements and providing better products and services.



## Number of Inquiries, and Customer Satisfaction Survey

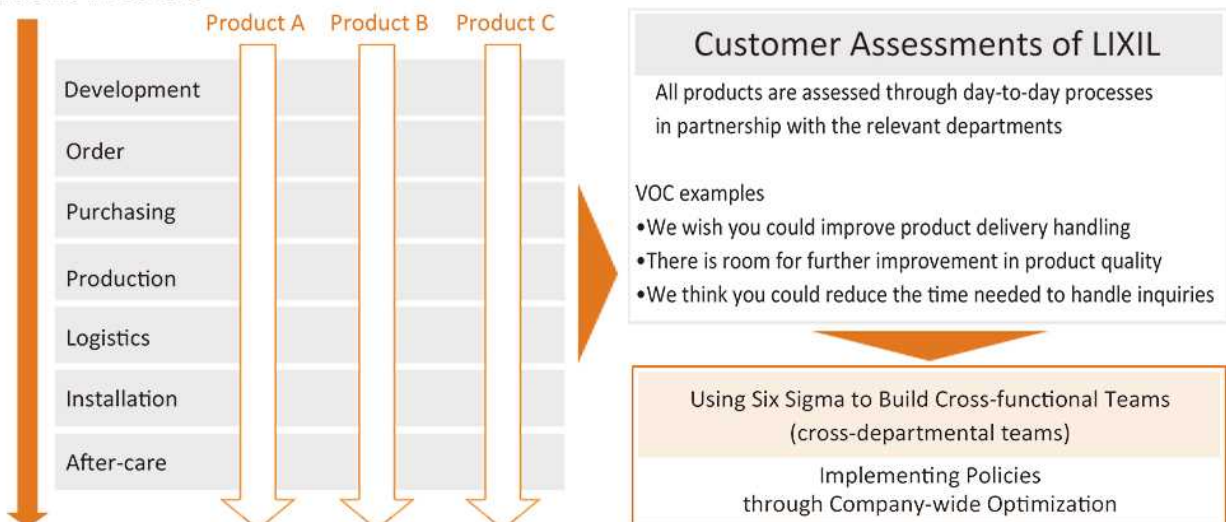
In FY2013, we received a monthly average of more than 290,000 inquiries, including questions and requests from customers who were using (or thinking about using) our products, requests for repairs, and inquiries from our suppliers. In addition, the Customer Service Center carries out a Customer Satisfaction Survey every six months to check whether or not we are dealing with customers properly, and to verify the results achieved from our day-to-day efforts to improve our level of service.



## Six Sigma Adoption

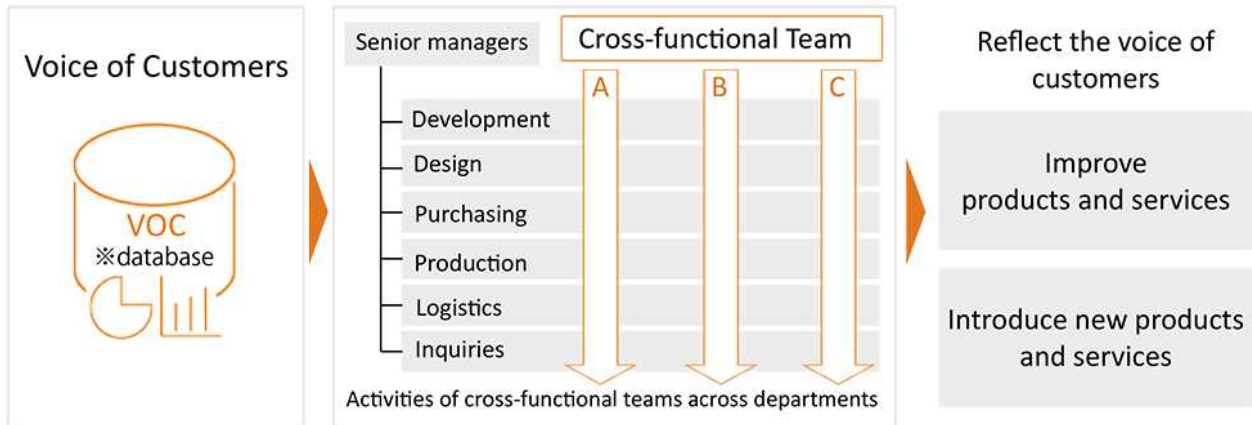
LIXIL regards improving customer satisfaction as being a key priority for its business activities, and works to promote better manufacturing and services while always remembering to listen to the voice of customers (VOC). We adopted and developed the Six Sigma system with the aims of promoting ongoing activities in this field and putting in place appropriate systems and corporate culture.

### Work Process



Six Sigma starts by listening to customers’ opinions and identifying areas for improvement. The next step is to use facts backed up by numerical analysis, instead of making judgments based on instinct or experience, to limit variation in the quality of work or services, and to use this to improve quality. When carrying out these improvement activities, we build cross-functional teams across companies and departments and implement improvement projects aimed at tackling each challenge.

Through Six Sigma, in addition to visualizing the areas of our work that, from the customer’s perspective, require improvements, and improving the quality of our products, we will also be implementing innovations in all of our activities, from service provision through to everyday administration.



### Improvements in Customer Service Win LIXIL a “Best Technology Sector Contact Center” award in the 2014 Contact Center Awards

LIXIL’s Customer Service Center, along with its partner companies, was the recipient of a “Best Technology Sector Contact Center” award at the 2014 Contact Center Awards, which showcase improvements in call center operations.

LIXIL was praised for its activities aimed at boosting the quality of the replies given to customers, while still maintaining high call center productivity, and for the “development of cutting-edge, operator-friendly tools” involving the adoption of voice recognition technology, improvements in the operator manual, and development of a customer-focused automated response appraisal system.



## Examples of Improvements Achieved Through Listening to Our Customers

Here we present some examples of improvements implemented after listening to the “voice of customers” collected at our service centers.

\* [More examples can be seen on our Customer Support web-page, here \(Japanese Only\)](#)

### ●Voice of customer – I can’t seem to get through

I called the Customer Service Center several times over the course of the day, starting in the morning, but I couldn’t get through. Not being able to get through when you are in a hurry is extremely annoying. Can’t you do something about this?



### ●Improvements implemented

We reviewed the product team composition at the Customer Service Center and allocated staff in accordance with the number of inquiries received. In addition, improving the specialist capabilities and skills of the Center’s staff has helped to make it easier for customers to get through. (Implemented from February 2013 onwards)

**Before improvement / Percentage of inquiries successfully dealt with in September 2012 : 69%**

**After improvement / Percentage of inquiries successfully dealt with in February 2013 : 86%**

⇒An increase of 17 percentage points

## Initiatives Aimed at Improving the Skills of Service Center Staff

Regular training sessions are held to strengthen operational knowledge and product knowledge so that service staff are able to solve customers’ problems more smoothly. Prizes are awarded based on the skills levels of service staff, in order to increase motivation.

### [Product training] Using a toilet product in training to boost product knowledge



### [Award system] Winners of the customer service contest, which is held on a regular basis



### [Installation training] Fitting a sash window as part of installation training



## Showroom Initiatives

The showroom is one of the few places where we have the opportunity to communicate directly with our customers. LIXIL Corporation has showrooms in 98 locations throughout Japan (as of August 2014). At the showrooms, besides making it possible for customers to view physical products, we also host special events such as the Exhibition for Lifestyles new product exhibitions, to encourage a wider range of customers to visit the showrooms.

### Putting LIXIL Showroom Values into Practice

At our LIXIL showrooms, we put LIXIL Showroom Values into practice, so that all showroom staff are constantly striving to implement activities that increase customer satisfaction.

***LIXIL puts “Good Living” into practice for the benefit of people all over the world.***

*At our showrooms, we provide the following in order to contribute to Good Living:*

- *A place where customers can experience and achieve Good Living and a Good Home*
- *A place where we contribute to Good Living by increasing customer value (satisfaction) and creating trust and excitement*

*By putting LIXIL Showroom Values into practice for every single customer that visits a LIXIL showroom, we maximize customer satisfaction.*

#### ***LIXIL Showroom Values***

- 1. Not making customers wait, and not pestering customers (Reception)*
- 2. Making things readily visible and easy to understand (Product displays, Installations, Signs)*
- 3. Displaying attention to detail and consideration (Customer service, Hospitality)*
- 4. Maintaining high quality and professionalism (Explanations, Proposals)*

### Developing our Showroom Coordinators

LIXIL showrooms are visited by a wide variety of different people, including building owners, other business users, and people from the local community. For this reasons, we work hard to train our showroom coordinators so that they are capable of identifying the best way of helping each and every visitor to our showrooms and guiding them in the way that best suits their needs. In our product training, we start off from basic training for new coordinators, and then move on to more advanced training, tailored to the individual coordinator’s existing knowledge and experience, to ensure that coordinators are able to suggest proposals that meet customers’ needs. Coordinators are also tested regularly to verify that they possess the know-how required in order to satisfy customers’ needs. A training curriculum has been established to enhance know-how, technique and motivation in cases where there is room for



▲ Training for Coordinators

improvement. In addition, managers have been appointed to oversee the maintenance of quality standards in showroom operation. These managers identify key issues in each region, and implement improvement activities and training programs to ensure that customers receive even better service.



## Visitor Surveys

Customers who visit our showrooms are asked to fill out a customer service survey, with the aim of improving our approach to showroom customer service and our ability to explain products clearly. The content of customer service survey responses is communicated to showroom coordinators, and effective use is made of this information in showroom operation. The survey results are also used as the basis for implementing training aimed at enhancing coordinators' ability to present proposals that meet the needs of each individual customer.

### Results of FY2013 Customer Survey

The Survey was implemented at all 13 branches and 97 showrooms. Total number of valid responses: 120,859



## Changing our Showrooms to Make it Easier for Customers to Find and Understand the Information they Need

We have been improving the arrangement of products within our showrooms and the content of our POP materials to meet the needs of those customers who just want to look round the showroom on their own. We have also installed large, touch-screen displays that customers can use to search for examples of LIXIL products in use, or to get hints on achieving their own ideal home. Tools are also provided to help customers discuss their options with family members after returning home.



▲ Large, touch-screen display

▼ POP materials

**【キッチン編】**  
**20年前とこんなに違う!**

**エコ** 出しっぱなしの水やムダな光熱費を節約できます。  
**収納力** ラクな姿勢で取り出しやすい! しかもたっぷり収納できます。

**収納力** 奥の奥に隠れた収納スペースも活用できます。

**便利** 調理中の「困った」を解消する様々な仕掛けを用意しました。

**収納力** 奥の奥に隠れた収納スペースも活用できます。

**収納力** 奥の奥に隠れた収納スペースも活用できます。

**収納力** たっぶり容量ですっきり収納。しかも軽く引けて取り出しやすい。 **5くパッと収納**

加熱調理のエリア    調理のエリア    水まわりのエリア



## Product Safety Initiatives

LIXIL Corporation recognizes that the source of its profits and of the trust of customers and the society is “quality.” On the basis of “LIXIL Corporation Quality Policy,” we constantly pursue the best quality with confidence in our manufacturing and services, and any type of work we undertake. In particular, with awareness that a serious quality defect stirs up customers’ anxiety leading to decline in reliability, we are working on solving issues in a cross-departmental manner, in accordance with “LIXIL Product Safety Principles.”

### **[LIXIL Corporation Quality Policy]**

- *LIXIL Corporation as comprehensive manufacturer, which supply a large number of useful building materials for a full existence, maintain and press for improvement in quality of LIXIL's products & service from a lot of customers point of view all the time.*
- *LIXIL's outstanding QUALITY of our products & service present all customers safety & comfortable existence, and make a great contributed much to LIXIL's achievements*

## LIXIL Product Safety Principles

Product safety activities are our top priority as we seek to supply products that support consumers’ safety and peace of mind on the assumption of superior LIXIL quality. We have set out the following Product Safety Principles with the aim of thoroughly practicing product safety and we actively promote measures to achieve product safety.

### **[LIXIL Product Safety Principles]**

#### **Innovation**

- Build a global top level system in the field of product safety*
- Work to develop innovative safety technology in the pursuit of total safety*

#### **Sustainability**

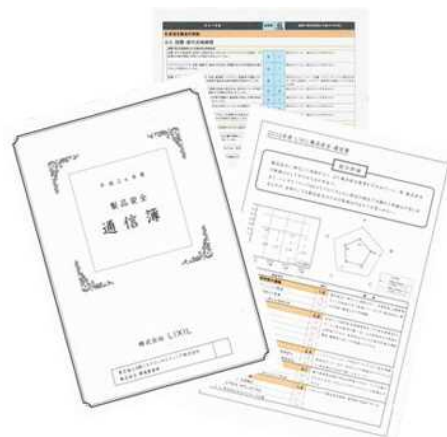
- Collect state-of-the-art product safety information, and always strive to improve product safety activities*
- Build a network of business partners and customers in order to secure safety across the entire product life-cycle*

#### **Integrity**

- Work honestly and sincerely on product safety activities in order to obtain the trust of each and every customer*
- Promptly disclose clear product safety information, with customers’ safety and peace of mind as our top priority*

## Product Safety Report Card

Every six months, LIXIL Corporation has a third party compile a “Product Safety Report Card” for the company. A total of 147 items are assessed, falling within five broad categories: “Building the Product Safety System,” “Supplying Safe Products,” “Communication with Consumers,” “Dealing with Accidents,” and “Building a Product Safety Culture.” The assessment results are used to set activity targets for the company. In addition, a “Product Safety Activities Report” is compiled on an annual basis; this Report, which includes the views of external experts, is used to help achieve further enhancements in product safety in the following year.



## Enhancing Quality across the Entire Product Lifecycle

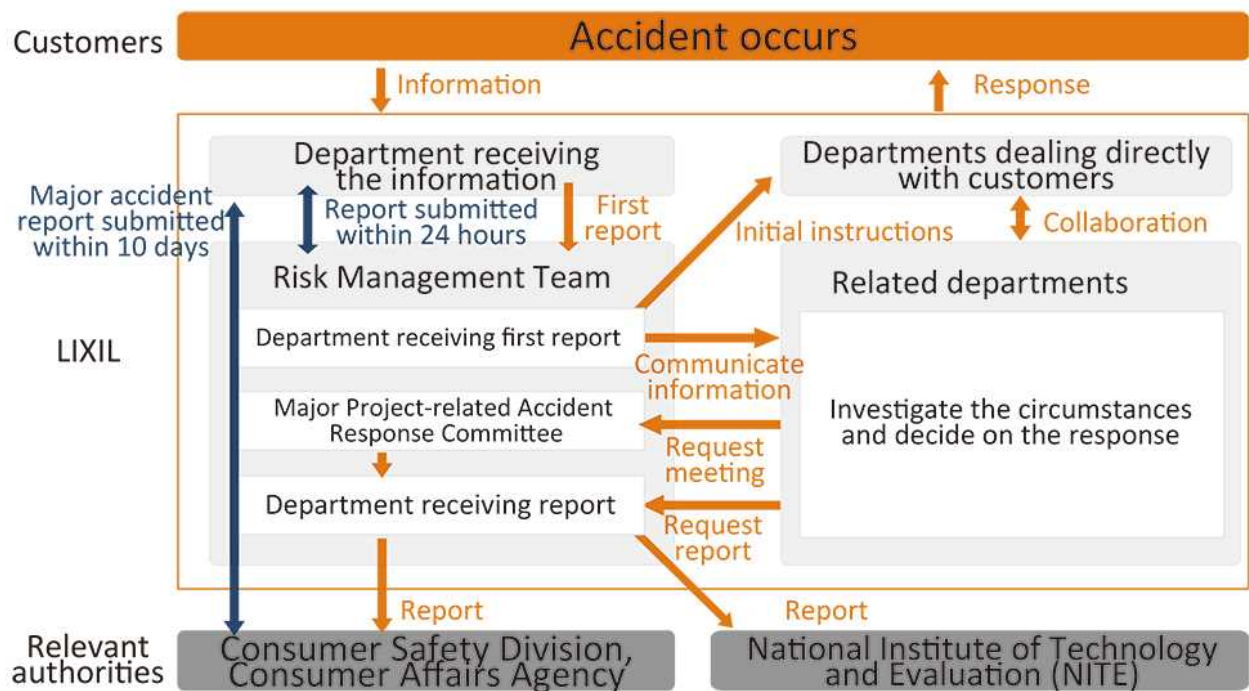
LIXIL implements measures to enhance quality at every stage from initial product concept development through design, manufacturing and distribution to after-sales support provision, so as to ensure the delivery of high-quality products and services and provide our customers with safety and peace of mind.



## Handling Serious Product-related Accidents, and Measures to Prevent Recurrence

At LIXIL Corporation, within 24 hours of information being received about the occurrence of a product-related accident, information is collected by the CS Division's Risk Management Team, and an emergency notice is sent to the relevant departments; a system is in place to implement an on-site response in close collaboration with the customers service centers, and to carry out accident investigations, etc. Moreover, in accordance with the statutory requirements relating to the implementation of the serious product accident reporting and disclosure system pursuant to the Consumer Product Safety Act, a report is made to the relevant authorities within 10 days of receiving accident information. In FY2013, there were no new serious product-related accidents. To prevent any recurrence, we ensure that accident information is taken into consideration at the design stage, and we also undertake the development of new safety technology to stop accidents from occurring.

\* [Important information for customers using LIXIL products \(Japanese Only\)](#)



## Best Contributors to Product Safety Awards

In 2014, LIXIL was awarded an Excellence Award in the Large Manufacturer and Importer Category in the Ministry of Economy, Trade and Industry (METI) 8th Best Contributors to Product Safety Awards. In this year's Awards, LIXIL received particularly high praise for: (1) The measures that LIXIL has taken to prevent accidents caused by deterioration due to aging, including the introduction of an industry-leading 10-year long-term warranty service and inspection/traceability protection based on an inspection notification function; (2) Measures taken to clarify the causes of past problems, and to take these causes into account when making improvements to products; (3) Measures taken to implement awareness-raising activities, making available information about product safety both within the company and externally, for example through the establishment of the Safe Lifestyle Gallery.

\* [For more details \(including an overview of the Awards, etc.\), click here \(PDF: 220KB\) \(Japanese Only\)](#)



### [Overall Evaluation]

“The evaluation committee has been very impressed by the proactive measures taken by LIXIL to enhance product safety awareness among both company employees and consumers, and by the contribution made to the diffusion of a product safety mentality. It is anticipated that, thanks to the efforts made by LIXIL to integrate the per-merger experience of the various companies that LIXIL has acquired, and the putting in place of relevant standards, these mergers will provide significant benefits (from a product safety perspective). The evaluation confirmed that, since the mergers, the individual companies concerned have been working together to implement effective product safety measures. The committee hopes that LIXIL will work to achieve further improvements in terms of design and appraisal criteria, and realize additional achievements in the product safety area, so that it can take on the challenge of participating in these Awards again in the future.”

## Safe Lifestyle Gallery

With the aim of helping to ensure that our customers can enjoy lasting peace of mind when using LIXIL products, LIXIL has opened a “Safe Lifestyle Gallery” in the LIXIL Museum inside the LIXIL WING Building (in Koto-ku, Tokyo), which is operated with the aim of helping people to enjoy enhanced safety and peace of mind by showing the proper way to use LIXIL products, and educating people about the importance of regular inspections. In the “Product Safety Corner,” there is a display recreating a fire accident involving a shower-toilet, and in the “NITE Corner” a video is played showing how the National Institute of Technology and Evaluation (NITE) implements replication testing after product-related accidents have occurred. The “DIY Maintenance Corner” presents some key ideas for helping consumers to continue to enjoy peace of mind while using LIXIL products over the long term, and introduces a number of useful books relating to product safety and consumer education. The “Special Exhibitions Corner” showcases the latest product safety and consumer education information and products, along with the prize-winning entries from the 2013 Kids Design Award, which are examples of outstanding child-friendly product design. As of February 2015, the Safe Lifestyle Gallery had been visited by around 2,000 representatives of consumer organizations, industry organizations and LIXIL business partners, etc. There have

been many positive comments from external visitors, who felt that the Gallery embodies LIXIL's commitment to product safety.



- ▲ Burn damage to a shower-toilet that continued to be used after an accident (reproduction)
- ▲ Example of improvements made to an electric oven designed for use in mini-kitchens, and a washstand where the mirror fell off because of age-related deterioration (reproduction)

#### **A selection of comments from the LIXIL Museum Survey (conducted in 2015)**

- “I felt that this was a very interesting concept. The pairing of potential accidents with products that could be used to prevent them made it all very easy to understand.”
- “Seeing the burnt toilet as soon as you entered the gallery came as a bit of a shock. As she has got older, my grandmother has stopped cleaning the toilet and the gas cooker regularly, so this brought home to me that we need to be careful.”
- “The display of accidents is something that you don't find at other companies; I could appreciate the intention of using the museum to ensure that lessons from the past are utilized effectively in the future.”
- “I think it would be good to expand the size of the Safe Lifestyle Gallery, so that more case studies can be presented.”

\* [For more information about the LIXIL Museum, click here](#)

\* [For press releases relating to the Safe Lifestyle Gallery, click here](#) (Japanese Only)

## **Holding Product Safety Dialogues**

In order to help strengthen our product safety measures, LIXIL Corporation engages in dialogue with experts in the field of product safety. In September 2013, we invited Ms. Furuya, Mr. Tateyama and Mr. Ogasawara of the Nippon Association of Consumer Specialists (NACS), and Mr. Tanoie of OCN, to discuss the topic of “Product Safety Education that Connects with Consumers and Inspires Practical Action.” In March 2014, we invited Dr. Masao Mukaidono, Professor Emeritus at Meiji University, Ms. Furuya of the Nippon Association of Consumer Specialists (NACS), and Attorney Mr. Gomi to discuss “Building Collaborative Relationships that Overcome Barriers, and Building a Product Safety Culture that Will Contribute to a Better Future.”



# **In Partnership with Our Suppliers**

**LIXIL promotes CSR procurement as part of its fair  
operating practices with suppliers.**



## Procurement Policy

LIXIL Corporation's factories use a great amount of water in aluminum product surface finishing and other processes. In order to reduce overall usage, we promote efficient use of water by carrying out detailed water usage surveys at each factory (water intake, usage per process and water circulation system deployment), installing water circulation systems, and implementing various other water conservation measures. We also strictly manage wastewater, and are implementing various measures to minimize the impact of wastewater on the natural environment.

### **<Fair and Impartial Trade Practices>**

*We will provide suppliers with equal and open opportunities, and solicit suppliers broadly.*

*When selecting suppliers, we will evaluate them fairly and impartially, paying due consideration to CSR aspects such as environmental management, human rights, and workplace safety in addition to quality, cost, and delivery.*

### **<Adherence to Social Norms>**

*We will observe laws, regulations and rules related to procurement activities, and act in a way that gains the trust of society.*

### **<Respect for Human Rights and Consideration for Working Environment>**

*We will respect for the internationally declared standards of human rights, and pay due attention on ensuring an appropriate working environment.*

### **<Care for the Environment>**

*We will preferentially procure raw materials that have low environmental impact.*

### **<Promotion of Mutual Prosperity with Our Suppliers>**

*We will conduct transactions in a way that promotes mutual growth as partners.*

## Supply chain management

Since the five-company merger of April 2011, LIXIL Group has developed the scope of its supply chain management. In order to achieve sustainable development alongside our suppliers, we have promoted the development of a system to include CSR Procurement through our domestic and overseas procurement groups. In order to promote thorough understanding by our suppliers, we have established standard LIXIL Procurement Policy Guidelines for suppliers in agreement with our policy. As the next step, we have used a CSR Procurement Survey to identify the current situation and implement follow-up improvement activities.

In FY 2013, we made a major revision to the questions contained in the "CSR Procurement Survey" for the purpose of deepening our activities further. We aimed to establish standard "Procurement Policy Guidelines" with Japanese suppliers accounting for 85% of the entire transaction amount and with overseas suppliers accounting for 62% thereof, and to achieve 100% compliance of these suppliers with priority items regarded as especially essential among the items of the "CSR Procurement Survey." We succeeded in reaching these targets. We implemented follow-up improvement activities for suppliers with poor survey results. We will strengthen the implementation of such activities for overseas suppliers.

\* [See here for details on the CSR Questionnaire Survey](#)

### Progress made in FY2013 (LIXIL Group as a whole)

Targets	Task	KPI	FY2014 Targets		FY2013 Results		FY2014 Targets	
			Japan	Overseas	Japan	Overseas	Japan	Overseas
Build a supply chain taking into consideration labor conditions and resource allocation	1、establishment of Procurement Policy Guidelines	Percentage of transactions (Percentage of companies)	85% (15%)	60% (15%)	85% (15%)	62% (15%)	85% (15%)	Being calculated (15%)
	2、Conduct questionnaire survey and follow-up activities	Percentage of priority surveyed items complied with	100%	100%	100%	100%	100%	100%
		Percentage of surveyed items complied with (Ver.in FY2014)	-	-	79%	84%	85%	85%

#### [Scope of application]

Suppliers to all consolidated companies within the LIXIL Group, with the exception of LIXIL Corporation and group companies merged within the past two years.

\*Percentage of transaction amount

- Japan: Procurement by operating bases
- Overseas: Procurement by operating bases

### Priority themes of the Procurement Group with the goal of achieving further improvements from FY2014 onwards (LIXIL Group as a whole)

1. Procurement within Japan(suppliers: Japanese and overseas companies)	Selection of tasks and activities that promote further development of measures at suppliers
2. Procurement at overseas bases (suppliers: overseas and Japanese companies)	Develop activities to the ASEAN region, including China, South Korea, Thailand and Vietnam.

### Selection of Business Partners

LIXIL Group provides equitable and fair business opportunities to its large number of business partners. The selection process for business partners includes not only quality, cost and delivery, or QCD, but also a company's environmental conservation efforts, human rights, labor safety initiatives, in order to ensure that CSR activities and other aspects are incorporated into all assessments and decisions.

#### Collection of compliance information from suppliers (suppliers of materials and subcontractors)

LIXIL Group aims to carry out corporate activities with the aim of being a useful company that is trusted widely by society. For this reason, we have established an external legal office to receive information related to compliance violations within the LIXIL Group.

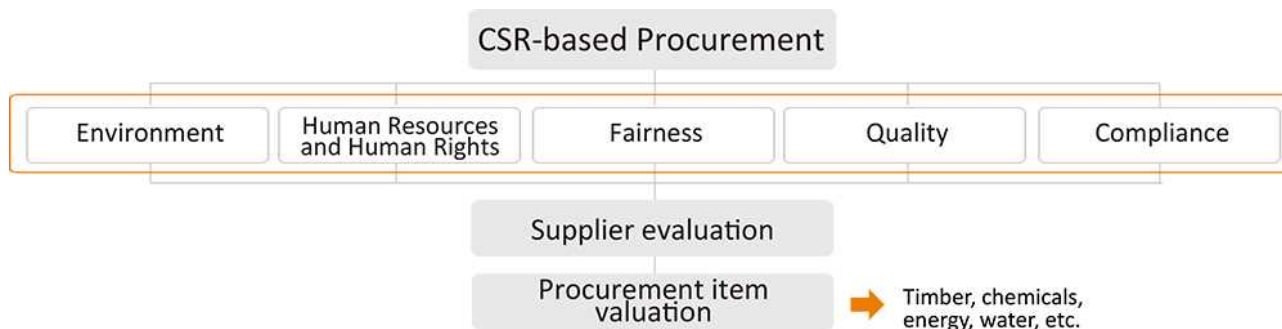
\* [See here for more details \(Japanese Only\)](#)

## CSR Procurement

### Promoting CSR Procurement

LIXIL Corporation has established "supplier assessment standards" for our suppliers and carried out overall assessments of the reliability of companies, not only from the perspective of QCD (Quality, Cost and Delivery), technological capability and steady supply capabilities, but also in consideration of compliance and the environment. Furthermore, since FY2012 we have made regular checks on our suppliers' environmental measures and legal compliance by developing more specific environment conservation questions and adding new CSR-related questions from the perspective of promoting CSR procurement. In the future, we will continue to strengthen our supply chain management by adding further targets to our supplier assessment standards in relation to human rights and occupational safety, so that we are able to implement CSR procurement activities on a global level.

### Approach to CSR Procurement



### Management of Chemical Substances for Business Partners

LIXIL has stipulated certain chemical substances for which the use in products and production processes in Japan is prohibited or controlled. A list of these controlled chemical substances can be downloaded below.

\* [LIXIL List of Controlled Substances \(updated November 1, 2014\) \(Japanese Only\)](#)

### CSR Questionnaire Survey

We believe it is essential to obtain sufficient understanding and cooperation from our suppliers in order to "build a supply chain taking into consideration labor conditions and resource allocation", which is one of the priority challenges of the Procurement Group. We use a CSR Procurement Survey based on our Procurement Policy to investigate matters such as environmental conservation, human rights, occupational safety measures and consideration for the local community. We carry out fair assessments of each question, and when a supplier scores poorly in the survey we strengthen support measures in order to promote improvements and use the results to decide on which suppliers to use. For the survey in fiscal 2013 onward, we have added to the "CSR Procurement Survey" new questions in relation to such fields as "CSR management," "human rights," "labor conditions," "safety and health" and "regional contribution" (66 questions in total), as we are in the process of identifying real situations of suppliers in the pursuit of substantial measures for CSR procurement. Among the question items of the CSR Procurement Survey, we use 48 selective items for a questionnaire targeting Japanese suppliers, excluding low-risk items.

### CSR Procurement Survey Questions (FY2013)

	Overseas (Numbers)	In Japan (Numbers)
1. CSR Operations	10	6
2. Fair Business	8	8
3. Human Rights	7	6
4. Labor	13	9
5. Health & Safety	9	7
6. Environmental Conservation of the Planet	14	10
7. Regional Contribution	5	2
Total	66	48

### CSR Procurement Survey Sheets (FY2013)

\* [To suppliers overseas \(116KB\)](#)

\* [To suppliers in Japan \(102KB\)](#)

## Communicating with Our Suppliers

### Promoting Quality Improvement Activities

In order to contribute to society through the supply of highly reliable products, it is essential that we build strong partnerships with our suppliers. At LIXIL Corporation, we work hard to improve quality control in collaboration with our suppliers. We carry out quality maintenance audits of existing suppliers as a way of maintaining and improving a system that allows us always to provide a steady supply of high-quality products. During the audits, we ask questions on topics such as process management and facilities management, the development of check-sheets and testing. We implement improvements in collaboration with our suppliers when corrective measures are necessary. Other initiatives include quality improvement seminars, the provision of support for launching new parts business, and the promotion of quality assurance activities for items procured overseas. Thanks to these measures, in FY2012 we succeeded in achieving a major reduction of 30% against the previous year in cases of malfunctions or trouble attributable to our suppliers.

### Policy Briefings

We hold policy briefings for our suppliers and partners with the goal of increasing their understanding of LIXIL Corporation's Policies. The 3rd LIXIL Corporation Supplier Policy Briefing was held in Tokyo on June 18, 2014, and 475 representatives attended from 270 companies in the fields of supply and logistics. At the policy briefing, we explained our overall policy, Procurement Policy and quality improvement measures and presented prizes and letters of thanks to the suppliers who made significant contributions in reducing costs and improving quality during FY2013 (suppliers - two companies; logistics – two companies).



# **In Partnership with Society and Local Communities**

**Through continual dialogue with stakeholders LIXIL  
is taking part in various activities together with  
society and local communities.**

## Water Resources Conservation Activities

### Educational activities of water

As an enterprise dealing in home plumbing products, we endeavor to communicate the importance of water to children both in Japan and overseas, and carry out activities aimed at raising awareness of local water issues.



#### Activities in Vietnam

Although numerous plumbing products are manufactured in Vietnam, many parts of the country still lack proper sanitation and environmental awareness is also at a low level. LIXIL maintains a leading share of Vietnam's sanitary ware products market and as a company that has built up a strong position in the market together with the growth of the country, we hope to give back to Vietnamese society as well. Accordingly, we are working with local governments and international NPOs Bridge Asia Japan ("BAJ") and Seed to Table ("STT") to educate Vietnamese children about water environment issues to allow them to think and act for themselves. In FY2013, the 7th year of the program, we carried out activities in locations such as Hòa Bình Province in the north of Vietnam, Huế in central Vietnam and Hồ Chí Minh in the south. We gave presentations on the results of the program at local factories, and carried out factory tours and exchange activities.



#### Activities in Japan

Employees from our regional sales departments make visits to elementary schools to give lessons over two periods. They use original educational materials to raise children's awareness that water is a limited resource, using the examples of the earth's water circulation and water problems. The lessons give the children the opportunity to reconsider their own lifestyles. Over the four-year period between 2010 and 2013, 74 lessons were given by 30 branches, and approximately 3,900 students took part. The participating children offered numerous honest thoughts and opinions, including surprise at just how much water each of us uses without realizing, shock at the water situation in other countries, and a desire to be more careful about how they use water in the future. The employees who gave the lessons enjoyed the children's enthusiastic responses and the serious approach they took to the lessons. The experience gave our employees a great deal of satisfaction and helped their development.





# Environmental education in Vietnam

## Stance towards environmental education in Vietnam

In 2006 when LIXIL (at the time INAX Co., Ltd.) had the top share of the sanitary ware market in Vietnam, LIXIL decided that it wanted to do something for Vietnamese society as a company that was establishing its own position along with the development of Vietnam. Rather than simply providing funds and materials, LIXIL searched for a partner that would support the future of Vietnam, and commenced concrete activities in 2007 with an NPO with a strong track record. This year marks the eighth year since LIXIL has been involved in these activities. Using the knowledge we have accumulated as a company handling water-related products, we aim to support education that is really necessary for the children that will support the future of Vietnam involving the theme of the water environment. This education consists not of telling children not to throw garbage in the river because it makes the water dirty, but of providing children an understanding of what makes rivers dirty and enabling them to think for themselves in terms of what should be done in response. In accordance with this stance, LIXIL has prepared educational materials based on local conditions, and it currently conducts activities twice a year in summer and winter as practical environmental education for the local conditions with the international NPOs Bridge Asia Japan (BAJ) and Seed to Table (STT) and local employees in Vietnam.



## Introduction of partners

### Bridge Asia Japan (BAJ)

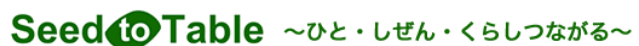


BAJ was established in 1993 for the purpose of conducting international cooperation projects that serve as bridge between Asia and Japan, just like its namesake. BAJ focuses its support in Vietnam on poor children. It commenced preparations for environmental education around 2002 and fully launched these activities from 2004 in Hue in central Vietnam. Thanks to the practical support of BAJ including the collection of valuable resources such as plastic and the installation of septic tanks so that domestic wastewater does not directly flow into rivers, activities in which local children think and act for themselves have spread. LIXIL was conducted environmental education activities together with BAJ since 2007.

\* [Official website of Bridge Asia Japan \(BAJ\)](#)

### Seed to Table (STT)

STT is a Japanese NPO that was established in July 2009 with the aim to protect local seeds,



nature, and culture together with the people of Vietnam and develop the economic base for improving self-sufficiency and earning so that people can enjoy living together with family and friends. STT has created opportunities for people to meet and talk, including the recording and communication of local knowledge such as farming methods as it fosters leaders for the next generation while making efforts in food, farming, and community building. These activities are focused on Hoa Binh Province in northwest Vietnam. Joint activities by LIXIL and STT were started with environmental classes in Nam Sơn Commune in Hoa Binh Province in 2010, and activities were subsequently expanded to Phu Vinh Commune and Dich Giao Commune.

\* [Seed to Table \(STT\)'s official Facebook page](#)



\* [Seed to Table \(STT\)'s official website](#)

## Latest activities July 16 to July 20, 2014

This marked the 15th time that activities were conducted, which consisted of classes on toilets and a survey of local toilets in Thua Thien–Hue Province in central Vietnam and Hoa Binh Province in Northern Vietnam and a tour of the Danang INAX factory in Quang Nam Province bordering Thua Thien–Hue Province. BAJ and STT staff worked with four employees from the local subsidiary LIXIL INAX VIETNAM Corporation (hereinafter “LIXIL VIETNAM”) and LIXIL INAX DANANG Manufacturing Co., Ltd. (hereinafter “Danang INAX”) and two visiting employees from Japan to deepen exchanges with around 120 children through these activities.

### [Details of the activities]

#### ■ Together with BAJ

In cooperation with BAJ, LIXIL provides environmental education throughout the year for all classes of students in grades one to three at Thuy Xuan Elementary School and students in first grade at Lam Mong Quang Junior High School (equivalent to the sixth grade of elementary school in Japan) that elect to take the course. Despite the fact that it was during summer vacation, the three days of activities were participated in by a total of 49 students, consisting of 22 students in grades one to three from Thuy Xuan Elementary School and 21 students from Lam Mong Quang Junior High School that continued environmental activities, as well as 6 students in grade 2 of junior high school and grade 1 of high school from Huong Long Ward of Hue. They were taught by 6 BAJ staff members, 2 Danang INAX employees, 1 LIXIL VIETNAM employee, and 2 LIXIL employees. The Huong Long Ward is an area where BAJ was active from 2008 to 2010, and LIXIL (at the time INAX Co., Ltd.) had conducted classes in that area before. The activities were held at that time because there were requests from the children for BAJ to restart environmental activities.

#### **Environmental activities at Lam Mong Quang Junior High School and toilet survey conducted in Hue City, Thua Thien–Hue Province (July 16)**

Lam Mong Quang Junior High School is a school where environmental activities were conducted before, and the town where the school is located is found in a sandy area sandwiched between the sea and a lagoon approximately one hour from Hue by car. First, the children reported on their activities. The children of Lam Mong Quang Junior High School reported on research comparing the amount of CO<sub>2</sub> absorbed by trees in the schoolyard and the amount of CO<sub>2</sub> exhaust by all students, the progress of vine growth observation and compost making, and a comparison of the amount of CO<sub>2</sub> absorbed by trees in areas where students live and on the streets in the center of town and the amount of CO<sub>2</sub> exhaust by cars on those streets. According to all the research that was reported, the amount of exhaust by people and cars was lower than the absorption amount. The children asked the principal who was listening to the presentation to replant trees in the schoolyard.

After that, classes using textbooks were held. Using this textbook, students learned about the historical background of toilet use, the types and features of toilets, how to use toilets, and how to clean toilets. Danang INAX employees that served as instructors conducted class by soliciting the opinions of students through questions like “Where do you usually urinate?” The children replied with a mix of embarrassment and



Explanation of vine growth records



Conducting class in a quiz format



Children exchanging opinions with friends

enthusiasm about current conditions, with answers such as “I urinate in the garden”, based on which possible problems were studied.

In the afternoon, the children were divided into four groups and a survey was conducted on toilets in Hue. Each group was accompanied by LIXIL employees and BAJ staff members to conduct a survey on the type of toilets, toilet-related issues, etc. The group of elementary school students investigated the toilets at the homes of two friends of group members (a flush toilet and a dry toilet). Both homes were those of typical farmers in the Thuy Xuan area. When visiting each toilet, the students remembered the class on toilets they studied during the morning and thought about the types of toilets. They also recorded impressions such as “The floor of this toilet is kept clean.” and “It must be difficult when it rains.”



**Home of a farmer in the Thuy Xuan**



**Introduction of a toilet at home**



**Outdoor dry toilet**

### **Environmental activities at Thuy Xuan Elementary School and summary of toilet survey conducted in Hue City (July 17)**

Thuy Xuan Elementary School is an elementary school in the suburbs of Hue City that was also visited in previous environmental activities. In the morning, the students of Thuy Xuan Elementary School reported on the activities conducted up until that point by introducing maps drawn on a poster introducing trees growing in the area and their favorite places in the area. After that, we went outside together with the children to see their favorite places they had reported on before. LIXIL employees felt young again as they picked fruit from roadside trees, fished using handmade nets they made together, and looked for antlions under the eaves of homes while deepening interchanges with the children.



**Explaining the trees growing in the region**



**Exploring the back roads together with the children that always use them**



**Gathering antlions together with the children**

In the afternoon, we returned to the elementary school for a summary of the toilet survey conducted in Hue City. The photos taken the day before were organized on a poster while receiving advice from the LIXIL employees who accompanied the survey. The children and employees that had grown familiar with each other over a period of two days had a great time while summarizing the survey results on the poster. In addition to the survey results, children also decorated the poster with memories of the environmental activities, such as “We learned about the structure of toilets that you can’t see.” and “We had an interview together with that lady at the market.”





Advice on the summary



Summarizing the survey results together



Completed with photos and pictures

### Factory tour at Danang INAX (July 18)

On the third day, the children who participated in environmental education and school teachers were invited to Danang INAX to report on the environmental activities and take a factory tour. It is a long journey of a little less than three hours by car from Hue City to the factory. First, the children reported on the environmental activities up until then to the Danang INAX employees. The children gave their report while feeling slightly nervous about having to speak in front of many adults. In the factory tour that followed, students watched water tap hardware being made at an actually operating production site. Factory tours are extremely rare in Vietnam. The children asked questions to LIXIL employees while looking on with great interest at the production site that they normally don't have the opportunity to see. Feedback included: "It's a very clean factory." and "The toilet at the factory was cleaner than any toilets we surveyed." In the end, the children loudly exclaimed that they had a great time, leaving us with the feeling that the environmental activities had left quite an impression on the children.



Employees listening to the presentation



Watching with great interest the completion of water taps, a sight never seen before



Head of the Manufacturing Department explaining products to the children

### ■ Together with STT

#### Environmental activities at Nam Sơn Commune (July 18)

Nam Sơn Commune is a rural community of about 1,500 people that cultivate crops including rice and corn in a mountainous area of northern Vietnam approximately three hours by car from Hanoi. The commune consists of seven scattered settlements where people live while using cropland located on the sides of steep slopes. STT works together with LIXIL to encourage the use of indigenous plant varieties and farming methods that take the local ecosystem into consideration while conducting initiatives including surveys on living creature and making sanitation improvements in cooperation with the local people. In addition, we provide assistance for toilet construction in response to requests from villagers. Sustainable sanitation improvements are aimed for by providing assistance for half of construction costs, and having each household pay the remaining amount and conduct the construction work. This year's visit was the first in three years, and during this visit we conducted a class and workshop on toilets for 66 children and youth group members. First, an original textbook called "Let's Think About Toilets" was used for a class taught by an employee of LIXIL VIETNAM aimed at teaching the participants how to appropriately use the toilets constructed so that they could be continued to be used in the

future. While the class had to be conducted, showing the textbook because there was no projector, the children were all smiles as they gathered close to the teacher and enthusiastically asked questions.



**Residents of Nam Sơn Commune working in the fields while wearing traditional clothing**



**Class using an original textbook**



**Conducting class while encouraging children to speak**

After that, a workshop was held in which the results of a survey on settlement toilets were summarized. The youth group members and other children made a presentation while using the photos and illustrations covering the types of toilets, the role of toilets, and issues with toilets in each settlement. While the ratios differed depending on the settlement, not many settlements had installed flush toilets, and soil saturation toilets (toilets consisting of only a hole in the ground) accounted for 80% of the toilets in some settlements. During the presentation, a future policy of first changing the soil saturation toilets to compost toilets was put forth. Feedback included: “I understood the negative impact of soil saturation toilets.” and “When I go home, I will try talking to my parents about improving the toilet at our home.”



**Workshop on toilets**



**Report on the current state of toilets in the village**



**Commemorative photo with**

Through these activities we were able to see children taking an interest in the environment and enjoying studying about the environment, as well as improvements in the living standards of children, leaving us with the impression that the activities that have been conducted up until now are gradually having a steady effect. Furthermore, these activities have also given our employees in Vietnam an opportunity to feel a sense of accomplishment and fulfillment different from their day-to-day operations, and serving as a source of encouragement in these day-to-day operations.

By conducting environmental activities and education, LIXIL aims to not only encourage the growth of children, but also the continued growth of employees in order to contribute to the sustainable development of Vietnam.

## Environmental activities participants

Thua Thien–Hue Province	22 elementary school children in Thuy Xuan Elementary School, Hue 6 students in Huong Long Ward of Hue 21 students from Lam Mong Quang Junior High School, Vinh My Commune, Phu Loc District
Hoa Binh Province	66 children and youth group members from Nam Sơn Commune, Tan Lac District
BAJ	Vietnam Office : Tokyo Office, Emiko Katayama ,Ly Ba Khuong, Pham Vu Tien Nguyen Dinh Dong, Nguyen Tam Thuy Dung, Yuriko Oshimura Interpretation: Truong Dinh Lam
STT	Vietnam Office : Representative/ Mayu Inou, Nguyen Thanh Tung, Nguyen Thi Thanh Loan, Do Thi Hoa
LIXIL	LIXIL VIETNAM General Affairs Department : Le Thi Tuyet Mai LIXIL VIETNAM Human Resources Department : Nguyen Hong Hanh Danang INAX Technology Department : Nguyen Quoc Vuong Danang INAX Manufacturing Department : Vo Anh Loc CSR and Environmental Affairs Promotion Department : Manager/ Toshihiro Kawakami Asako Tadenuma

## Developments up until now

Active period		Main activities
2007	-	<a href="#"><u>Start of activities with BAJ and Save the Children (three-year contract) (Japanese Only)</u></a>
	April	Creation of original textbooks
	June to August	Environmental education conducted in Yen Bai (north of Hanoi) and Hue
2008	March	Invited children from Yen Bai and Hue to the Eco-Products exhibition in Hanoi and gave a tour of INAX VIETNAM Co., Ltd. *1
	June	<a href="#"><u>Environmental education conducted in Yen Bai and Hue (Japanese Only)</u></a>
	December	Environmental education conducted in Yen Bai, Hue, and Qui Nhon
2009	June	<a href="#"><u>Environmental education conducted in Yen Bai, Hue, and Ho Chi Minh (Japanese Only)</u></a>
2010	-	Launched activities with BAJ and STT
	January	Environmental education conducted in Hue and Qui Nhon. Gave factory tour of VIETNAM TILE Co., Ltd. *2
	July	Environmental education conducted in Nam Sơn Commune, Hoa Binh Province, Hue, and Ho Chi Minh
2011	January	Environmental education conducted in Nam Sơn Commune, Hoa Binh Province, Hue, and Ho Chi Minh
	June to August	<a href="#"><u>Environmental education conducted in Phu Vinh Commune, Hoa Binh Province, Hue, and</u></a>



		<u>Ho Chi Minh (Japanese Only)</u> <u>Activities report by residents of Nam Sơn Commune, Hoa Binh Province and factory tour at INAX VIETNAM Co., Ltd. *1 (Japanese Only)</u>
2012	February	<u>Environmental education conducted in Phu Vinh Commune, Hoa Binh Province and Hue (Japanese Only)</u>
	July	<u>Environmental education conducted in Dich Giao Commune, Hoa Binh Province and Hue</u> <u>Activities report by residents of Phu Vinh Commune, Hoa Binh Province and factory tour at LIXIL INAX VIETNAM Corporation (Japanese Only)</u>
2013	March	<u>Environmental education conducted in Dich Giao Commune, Hoa Binh Province and Hue</u> <u>Activities report by students from Ngoi Sao and factory tour at LIXIL INAX Saigon Manufacturing Co., Ltd. (Japanese Only)</u>
	August	<u>Environmental education conducted in Dich Giao Commune, Hoa Binh Province and Hue</u> <u>Activities report by residents of Dich Giao Commune, Hoa Binh Province and factory tour at LIXIL INAX VIETNAM Corporation (Japanese Only)</u>
2014	February	<u>Environmental education conducted in Dich Giao Commune, Hoa Binh Province and Hue (Japanese Only)</u>
	July	<u>Environmental education conducted in Nam Sơn Commune, Hoa Binh Province and Hue</u> <u>Activities report by children from the suburbs of Hue and factory tour at LIXIL INAX DANANG Manufacturing Co., Ltd. (Japanese Only)</u>

\*1. Currently LIXIL INAX VIETNAM Corporation

\*2. Currently INAX Saigon Manufacturing Co., Ltd.

# Forest Ecosystem Conservation Activities



## Forest preservation activities in Japan

We work with government, NGOs and NPOs to conduct volunteer activities such as thinning forests and woodlands, planting trees and other environmental improvements. We are currently working with local communities in Mie, Nagano and Ibaraki prefectures, where we carry out activities twice each year, in the spring and autumn.

### Activities in Mie Prefecture

In support of the corporate forest-building activities promoted by Mie Prefecture, in 2008 we entered into a forest preservation agreement with Iga City, and began activities in the Kamiawa area. By 2014 we had planted approximately 0.76ha of mountain forest in the Kamiawa area, and we plan to carry out thinning and pruning on a site of approximately 0.5ha. Through the total ten times of activities, we carried out thinning, tree-planting, installation of protective netting, and carpentry for children.

### Activities in Nagano Prefecture

In 2009, we launched activities in Achi Village, Shimoina District as part of Nagano Prefecture's "Adopt a Forest" forest promotion project. By 2014, we had thinned and cleared approximately 16ha of forests in West Ward, Achi Village, and we now plan to clear a 1,400 m work path. Between 2009 and June 2014, we held a total of nine activities sessions. During FY2014, 135 people took part in clearing work paths, and using chain-saws to thin the forest.

### Activities in Ibaraki Prefecture

In 2009, we launched conservation activities to support mountain villages in Shishitsuka, Tsuchiura City, Ibaraki in partnership with the Certified NPO for Nature preservation and History Transmission of Shishitsuka Satoyama. We carried out nature observation in mountain village areas, maintained water resources and carried out maintenance on water channels for wetland areas known as yato, and removed foreign plants known to be harmful to native species. Between 2009 and the end of October 2014, we held a total twelve times of activities sessions.



**Number of participants since FY2011 (Time October 27, 2014)**

Base	Date of activities	Number of participants			Employees' families
		Local community and Local government	Employees	Employees' families	
Mie Prefecture	October 29, 2011	23	93	35	151
	November 3, 2012	28	92	19	139
	April 20, 2013	47	60	17	124
Nagano Prefecture	June 11, 2011	35	28	12	75
	November 3, 2011	13	23	17	53
	July 2, 2012	9	29	15	53
	November 3, 2012	5	22	17	44
	June 1, 2013	10	34	10	54
	June 7, 2014	12	27	23	62
	October 27, 2014	12	28	33	73
Ibaraki Prefecture	June 18, 2011	13	66	7	86
	November 5, 2011	10	58	7	75
	July 7, 2012	7	53	3	63
	November 10, 2012	12	45	0	57
	July 20, 2013	13	45	5	63
	June 14, 2014	13	55	6	74
	October 11, 2014	31	56	2	89
Total		310	859	232	1,401

## Participation in local communities

### Holding dialogs in local communities

Since FY 2012, LIXIL's offices have held dialogs on themes including local exchanges with stakeholders in living in the community, local community contributions, and the activities of local government, residents' associations, and local communities. Dialogs were held at a total of three business locations during FY 2012, namely one factory, one showroom, and one store. During FY 2013, the number of business locations where dialogs were held increased, as dialogs were held at 24 factories, 7 sales offices, and 3 stores in order to conduct various discussions in each local community. During FY 2014, activities will be conducted to deepen ties between offices and local communities.

\* [See here for details such as an overview of dialogs being held](#)



### Other community contribution activities

#### Social contribution spending (donations) for FY2013

Category	Amount	Ratio
Charitable contributions	245,367,578 yen	18.80 %
Community investment	530,329,087 yen	40.70 %
Commercial initiatives	528,000,000 yen	40.50 %
Total	1,303,696,665 yen	—

※Scope of data collection: LIXIL Group and LIXIL Corporation

LIXIL makes donations to local governments, various associations, regional organizations, educational institutions, and other groups that conduct local community activities in Japan and overseas. The contributions are used for purposes such as community revitalization, crime prevention and security maintenance in local communities, and activities aimed at supporting disabled and elderly people.

### Holding Noda Rice Field Wildlife School

Our Noda Office and Nanakodai Office in Chiba Prefecture have conducted the Noda Rice Field Wildlife School in City's citizens' rice field allotments at Egawa, Noda City, Chiba Prefecture that aims to teach the importance of biodiversity by growing rice. In December 2012, Noda City received a pair of oriental storks free of charge from Tama Zoological Park with the aim of helping the species (designated as a species of animal designated for special protection in Japan) to recover in the wild, and Noda City began breeding the birds at facilities located within the city. Over the next few years, the aim is to train chicks born to the pair to feed themselves and then to release them into the wild. Noda Office and Nanakodai Office support the objectives of Noda City's project, aimed at learning the importance of protecting environments where various organisms live by growing rice in fields using limited agrichemicals which provide habitats for the diverse range of creatures (such as sludge worms, frogs, snakes, pond loaches and Japanese common catfish) needed for the oriental stork to survive as a creature at the top of the food chain. Activities were held six times during FY 2013, starting with rice planting in April, and followed by grass cutting, natural observation, firefly observation, and rice harvesting. At the final activity of the year held on September 29 (Sunday), a total 37 employees and their family members held a harvest festival.





## Sponsorship of an International Triathlon Event

Every year LIXIL serves as the main sponsor for the IRONMAN 70.3 Centrair Chita Tokoname Japan race with the aim of supporting local communities through sport. The fifth triathlon held on June 1, 2014 was a high-level race in which athletes from Japan and overseas gathered to compete for a spot in the world championship. The event was a big success this year, as approximately 200 employees took part as competitors and as race operation and support volunteers.



\* [See here for the official website of IRONMAN 70.3](#)

\* [See the news release IRONMAN 70.3 Centrair Chita Tokoname Japan for more details \(Japanese Only\)](#)

## Disaster Recovery Support Activities

Since the Great East Japan Earthquake Disaster in 2011, LIXIL Group has been involved in a variety of activities aimed at helping the Tohoku Region to recover as quickly as possible. These have included the donation of products to the Minna No Ie Toyo Ito Project, volunteering programs such as the IPPO IPPO NIPPON Project, recovery support activities in which the employees volunteer their time, and activities that make use of LIXIL products and services. In support of the Fukushima Sakura Project, LIXIL Tohoku Branch were sent out as Tohoku recovery support engineers as initiatives were launched for working together with local young people to support the local economy while working to reconstruct and achieve sustainable development for damaged communities. This fiscal year, LIXIL also plans to provide water-related products for the facilities at the Children's Village Touhoku that is scheduled to open in October 2014. In addition, in response to damage in the Republic of the Philippines suffered as a result of the major typhoon Haiyan in 2013, reconstruction was supported through the contribution of emergency assistance funds of 10 million yen and the donation of funds and goods made possible through fundraising activities by employees of the LIXIL Group.

### Main activities

Japan/Great East Japan Earthquake reconstruction assistance	
Charity event sponsorship through employee participation	SMILE AGAIN ~YELL from KASHIMA (2011)
	2nd IRONMAN 70.3 Centrair Chita Tokoname Japan (2011)
	Kids Workshop Carnival (2012, 2013)
	LIXIL Takamatsu Showroom Charity Concert (2013, 2014), etc.
Charity event sponsorship	Michinoku Photo Project (2011)
	Tohoku Rokkonsai (2012, 2013)
	VOICES meets Romantic Beat -Pray for Moon-(2012 年)
	Fukushima Sakura Project (2014), etc.
Human resources dispatching	Human resources dispatching
Product donation	Shirahama Reconstruction House Project in Kitakami Town, Ishinomaki City, Kogakuin University (2011)
	Minna No Ie Toyo Ito Project (2012, 2013)
	Higashi Matsushima City Yamoto Higashi Day Care Center, Save the Children Japan (2012)
	Ishinomaki Kazuma Community Center, Fondation SAKURA du Chateau de Fere (2012)

	Tsukahara District Assembly Hall, Odaka Town, Minamisoma City, Fukushima Prefecture (2014)
	Children's Village Touhoku, SOS Children's Villages Japan (2014), etc.
Donations and sponsorship	IPPO IPPO NIPPON Project (2011 to present)
Overseas/Republic of the Philippines	
Donations	Approximately 10 million yen in assistance funds donated by the LIXIL Group through the authorized NPO Japan Platform (2013)
	LIXIL Philippines donated over USD 2,000 to the Philippine Red Cross (2013)
	Donations from LIXIL Group employees contributed to recipients at the beginning of December (2013)
	LIXIL donated 10,000 bowls, plates, spoons, and children toothbrushes to UNICEF Philippines (2013)
	LIXIL and American Standard Brands jointly donated 10,000 simple pan-type toilets to the UNICEF Philippines office (2014)

\* [See the news release Fukushima Sakura Project \(2014\) for more details \(Japanese Only\)](#)

\* [Tohoku Future Creation Initiative](#)

\* [Minna No Ie Toyo Ito Project \(Japanese Only\)](#)

\* [Children's Village Touhoku \(Japanese Only\)](#)

\* [See the news release Assistance for Damage from Typhoon Haiyan in the Philippines for more details \(Japanese Only\)](#)

## IPPO IPPO NIPPON Project

We have cosponsored the IPPO IPPO NIPPON Project, which is being promoted by 375 companies (as of June 2014) throughout Japan, with the cooperation of the Japan Association of Corporate Executives since 2011. The project supports children in disaster-affected areas through the donation of practical teaching equipment to specialist schools and provides fine-tuned support of activities aimed at training people and revitalizing industry according to the needs of disaster-affected areas. The fifth application period ended on January 31, 2014, and the total assistance provided through this project exceeded 1.3 billion yen. LIXIL will continue supporting this project so that community-based activities and support for the young generation can continue in the future.

\* [\[IPPO IPPO NIPPON Project\] \(Japanese Only\)](#)

## Charity Concert Held to Support Disaster Recovery

A voluntary charity concert was held at LIXIL's Takamatsu Showroom on March 11, 2014, three years after the Great East Japan Earthquake. Continuing from 2013, at this second concert there were even more participants that gathered on the day of the concert to express their hopes for recovery through music. Donations totaling 92,524 yen were collected on the day, and the full amount was donated to the Japanese Red Cross Society.



Practical lessons at a specialist school using teaching materials





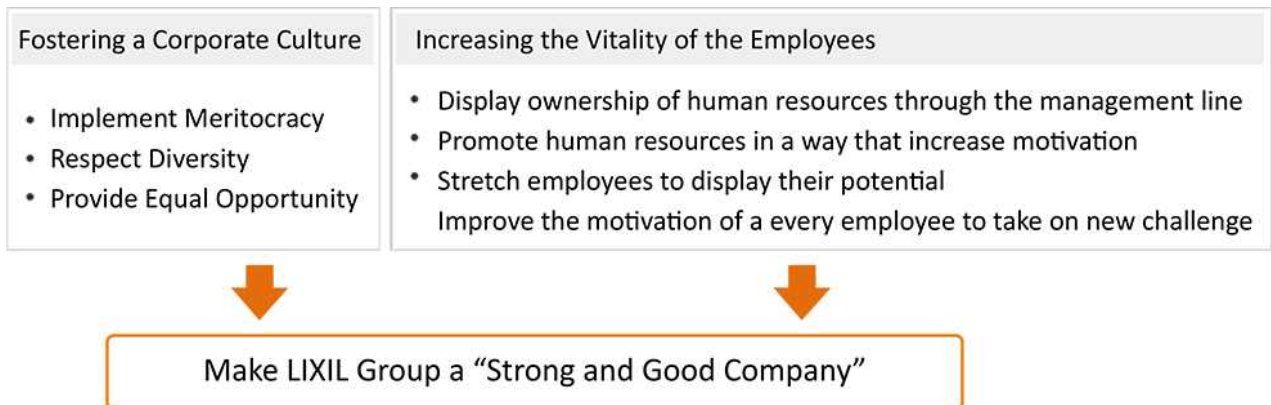
# **In Partnership with Our Employees**

**LIXIL is committed to offering great workplace environments where the individuality of all employees is deeply respected.**

## Basic Approach to Human Resources

In order to achieve our Management Vision of “becoming a global leader in the living and housing solutions industry”, LIXIL Group believes it is necessary to create a corporate culture that is superior to our global competitors and to build a human resources platform that increases the vitality of our employees.

For this reason, we have defined the corporate culture pursued by the LIXIL Group as “Implement Meritocracy”, “Respect Diversity” and “Provide Equal Opportunity”, and promoted the development of human resource platforms and operational improvements with the aim of establishing an advantage over our competitors in the field of human resources.



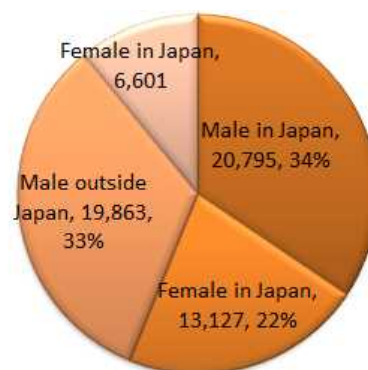
### Approach towards recruitment

LIXIL Group pays close attention to respect for human rights when employing and recruiting employees, and works hard to establish fair selection, employment of diverse human resources irrespective of social group, and a labor platform that allows diverse human resources to display their full potential.

In our recruiting activities, we look to hire people who agree with the values defined in our “LIXIL VALUES” and who are capable of showing this through their behavior. Specifically this means “people who deliver on their commitments”, “people with the passion to improve and take on new challenges”, “people capable of open and honest communication” and “people who are capable of thinking from the customer’s perspective and acting with integrity and fairness”.

We also actively pursue the recruitment of external human resources to increase the global competitiveness of our business, utilize human resources affiliated to our overseas subsidiaries when carrying out our global operations, and recruit and utilize diverse talents, including foreign employees and women, in order to promote diversity.

\* [See here for more details on LIXIL VALUES](#)



**Employee makeup by gender for Japan and outside Japan (only directly employed)**

## Employee makeup by type of employment and by gender

		Gender	Number	%
Regular staff *1	In Japan	Male	17,954	25.70
		Female	5,328	7.60
	Overseas	Male	19,597	28.00
		Female	6,505	9.30
	Regular staff total	Male	37,551	53.70
		Female	11,833	16.90
Subtotal		49,384	70.60	
Non-Regular staff *2	In Japan	Male	2,841	4.10
		Female	7,799	11.20
	Overseas	Male	266	0.40
		Female	96	0.10
	Non-regular staff total	Male	3,107	4.40
		Female	7,895	11.30
Subtotal		11,002	15.70	
Directly employed Total		Male	40,658	58.20
		Female	19,728	28.20
		Subtotal	60,386	86.40
Indirectly employed *3	In Japan		2,691	3.80
	Overseas		6,832	9.80
	Subtotal		9,523	13.60
Group total			69,909	100.00

\*1 Regular staff: Employees under a labor contract without the period of employment

\*2 Non-Regular staff: Employees under a labor contract with the period of employment

\*3 Indirectly employed: Temporary and subcontracted staff

## Changes in the number of employees (Japan only)

### Number of new hires

	FY 2012		FY 2013	
		Of which, LIXIL Corporation		Of which, LIXIL Corporation
Regular staff (of which, new graduates)	564 (336)	243(207)	950(376)	373(237)
Non-Regular staff	2,767	914	2,758	571
Total	3,331	1,157	3,708	944

\*Only in Japan

## Number of resigning staff

		FY 2012		FY 2013	
			Of which, LIXIL Corporation		Of which, LIXIL Corporation
Regular staff		2,206	1,611	697	274
	Turnover rate *	8.90%	8.90%	3.00%	1.60%
Non-Regular staff		2,463	521	2,372	687
Total		4,669	2,132	3,069	961

\*Only in Japan

\*The turnover rate uses the personnel chart for April 1 of the fiscal year as a basis for comparison with the number of resigning staff until March 31 of the same fiscal year

\* [Data on LIXIL Group Employees \(Annual Report, CSR-Related Non-Financial Data\) \(1,664KB\)](#)

(Number of employees by nationality, number of managers and composition, average age, average continuous years of employment, etc.)

### [Scope of Data Collection]

The organization being reported includes a total of groups / companies of the LIXIL Group: LIXIL Group Corporation and 7\*1 of its subsidiaries and LIXIL Corporation's major subsidiaries (10\*2 companies in Japan and 26\*3 groups / companies outside Japan). The number of groups and companies is 43 in total. The scope of the current report covers the majority of the LIXIL Group Corporation's consolidated subsidiaries as of March 31, 2014, but is not equivalent to the scope of consolidation.

\*1 LIXIL Corporation, LIXIL VIVA CORPORATION, Kawashima Selkon Textiles Co., Ltd., LIXIL Housing Research Institute, Ltd., HIVIC CO., LTD., JIO Corporation LIXIL REALTY, Corp.

\*2 LIXIL Total Hanbai Corporation, Asahi Tostem Exterior Building Materials Co., Ltd., G TERIOR Corporation, LIXIL SUZUKI SHUTTER CORPORATION, JAPAN HOME SHIELD CORPORATION, LIXIL Toyo Sash Shoji Co., Ltd., Dinaone Corporation, TM.S Corporation, LIXIL Building Remodeling Sales Co., Ltd, LIXIL Total Service Corporation Japan

\*3 Permasteelisa S.p.A., TOSTEM THAI Co., Ltd., TOSTEM THAI MARKETING Co., Ltd., LIXIL Manufacturing (Dalian) Corporation, A-S CHINA PLUMBING PRODUCTS Ltd., LIXIL INTERNATIONAL Pte. Ltd., PT. LIXIL ALUMINIUM INDONESIA, ASD Americas Holding Corp., LIXIL INAX VIETNAM Corporation, LIXIL INAX DANANG Manufacturing Co., Ltd., LIXIL INAX SAIGON Manufacturing Co., Ltd., LIXIL-Haier Housing Products (Qingdao) Co., Ltd., LIXIL Sanitary Fitting Manufacturing (Suzhou) Corporation, LIXIL (China) Investment Co., Ltd., LIXIL TAIWAN CORPORATION, and 11 other companies consolidated subsidiaries

### [Data Collection Method and Period]

Data collection on numbers of employees is done on an original registration basis for each company. The number of participants in various systems, etc.. is counted based on their usage during the fiscal year from April 1 to March 31. Lost time injuries frequency rate and severity rate use data that is only collected for directly employed staff including employees seconded to another Group companies.

## Internal Communication

The LIXIL Group is actively engaged in internal communication so that employees can openly share their opinions with a critical mind, based on the belief that it is important to continually change and take on challenges on your own.

### Implementation of an employee opinion survey

Continuing from FY 2012, an employee opinion survey called the LIXIL Sunrise Survey was conducted in December 2013. From FY 2013, in addition to the 26 principal operating companies of the LIXIL Group, new companies were added to the scope so that all 42 companies of the LIXIL Group were covered by the survey. Responses were obtained from 29,454 employees (out of 32,365 target employees, response rate of 91.0%) for a total of 60 questions aimed at assessing matters including the degree of penetration of management strategy and employee satisfaction. The purpose of this survey was to confirm the degree of penetration of the management top vision, the degree of penetration of the corporate culture aimed for by LIXIL (respect for diversity, provision of equal opportunities, and the implementation of meritocracy), the degree of practice of LIXIL VALUES (shared values), and the state of engagement (connections between employees and the company) so that this information may serve as a reference point for future personnel policies and systems.

The survey results suggested that the company-wide policies and departmental actions taken in response to the FY 2012 survey results have been effective and that there was a trend of overall improvement. As a result of various efforts including the promotion of active participation of women through LIXIL Women's Network and other efforts, leadership training conducted for all generations, and the promotion of the acquisition of paid leave, there were particularly large improvements in the areas of the penetration of diversity, the provision of opportunities for human resource development and education, and the work-life balance and acquisition of paid leave. In addition, strong results have continuously been received since FY 2012 for the areas of delivering on commitments and acting with integrity and fairness.

The survey results have been summarized in the LIXIL Sunrise Survey Report booklet for distribution to all employees. In addition, we have compiled a chart allowing for comparison of company-wide averages and averages of each department for each question, based on which feedback is being provided to every department. Based on these results, workshops are held for each department and action plans are established through discussions regarding the results and issues within departments. This use of survey results to lead to certain action is one of our frameworks for utilizing the voices of employees in management.

\* [See here for more details on LIXIL VALUES](#)

### Holding internal events

Led by President Fujimori, in November 2013 submissions were accepted within the Company for proposals on the topic of becoming global leaders. The impetus for this was the Creating the Future Leader of Japan Project of the Nihon Keizai Shimbun. LIXIL also participated in the Miraimen serial newspaper column contained in the Nihon Keizai Shimbun, a leading economic newspaper in Japan, every month from November 2012 to March 2014 in which managers of various companies would present topics to students and ask for ideas in response. There were many responses from students to the theme that was presented by President Fujimori.

Internal submissions were accepted for themes LIXIL employees should rightfully address in an aim for globalization, and 380 proposals were received from employees ranging from young employees to executives, out of which three outstanding contributors were decided on. At the awards ceremonies held at the end of the LIXPO 2014 new product exhibition for customers at two locations (Tokyo and Chubu), over a total of 300 employees gathered with contributors as the centerpiece. Talk sessions were also presented by members of top management, and the venue was filled with an atmosphere of enthusiasm.



## Mutually sharing and exchanging information with employees

In order to give employees opportunities to learn more about the LIXIL Group, email magazines and booklet are delivered within the Group on Group-related activities, news, and topics. In terms of email magazines, in addition to the LIXIL TODAY that is distributed every day and the LIXIL MONTHLY that is distributed every month, the LIXIL TIMES that allows each department to freely post news for each individual department was newly launched from December 2013. LIXIL TODAY communicates in timely manner news on other workplaces and projects, such as the opening of showrooms and factory groundbreaking ceremonies, while LIXIL MONTHLY disseminates information to promote an understanding of topics such as the LIXIL brand, culture, and organizational structure. In addition, the quarterly internal newsletter Link is distributed as a booklet. It is distributed so that information on Group trends and messages from the president can be delivered to employees such as those on factory production lines that don't normally have many opportunities to use the intranet. We also ask that employees take this internal newsletter home for use as a tool for sharing LIXIL's activities and the state of workplaces with family members.

The April edition included features on internal brand penetration for FY 2014 and the results of internal submissions on the theme of becoming global leaders. In addition, a dedicated intra-site was launched to promote reconstruction support for the Great East Japan Earthquake and diversity initiatives being implemented by the Group, and efforts were made to share information internally on topics such as the voluntary activities of the LIXIL Women's Network.

In addition, continuing from 2013, the President & CEO held round-table discussions in Japan and overseas to accept candid suggestions and opinions from employees. We actively establish opportunities for meeting with employees at factory visits and events and when visiting branches and sales offices.



▲ Internal newsletter: Link



▲ Email magazine: LIXIL MONTHLY



## Promoting Diversity

LIXIL Group has made a “LIXIL Diversity Declaration” and promised to promote diversity among all employees. As we seek to achieve true globalization and increase the strength of the Group, it is essential that we build a corporate culture that possesses creativity and energy. At LIXIL Group, we promote diversity across the entire Group with the aim of achieving “Respect Diversity”, “Provide Equal Opportunities” and a “Implement Meritocracy.”

### LIXIL Diversity Declaration

The corporate culture of LIXIL drives to become a company that utilizes energy and innovation generated by diversity for the business. We also aim to create an environment where everyone should not be content with the present and will achieve better results by continuously clearing self-imposed hurdles.



#### 1. Respect Diversity

We will welcome differences among genders, ages, races, cultures, nationalities, beliefs, and backgrounds. Energy and creativity generated by the open and passionate discussion can be used as a source of a competitive edge.

#### 2. Provide Equal Opportunity

We will provide equal opportunities and occasions to anyone that tries to demonstrate positive and proactive attitude regardless of background.

#### 3. Implement Meritocracy

We will fairly evaluate how much one puts LIXIL VALUE in practice and how much one performs.

In order to achieve this corporate culture, we will make our Diversity Declaration here and execute the following activities.

#### 1. Human Resources Measures

As our stretch goal, we will aim to reach 30% of diversity talents including female employees among the newly promoted managers in FY2015. (The total numbers of internally promoted and externally hired managers) 30% of new graduate hires in April 2014 will be made up of diversity talents including female employees. We will establish teams and taskforces with diversity including female employees in order to create the opportunity to develop their talents.

#### 2. Human Resources Development

The leadership development programs should include over 15% that are diversity talents including female employees.

#### 3. Improve the Environment

To promote WLF\* (Work-Life-Flexibility) and performance by diversity talents including female employees, we will establish programs such as child-care and Japanese language training.

#### 4. Promote Our Corporate Culture

LIXIL Women's Network will be established to provide forums to help diversity talents and programs to develop themselves while learning from each other. We will work together to promote advancement of future opportunities of diversity talents including female employees. The President and his management will give us a "Diversity Talk" to discuss diversity issues on a monthly basis.

\*WLF: Aimed at achieving flexible ways of working so that high performance can continue to be realized through changing life stages

## Promoting the active participation of women

At LIXIL, we believe that the active use of female employees is essential for promoting diversity. The Human Resources & General Affairs Headquarters has established the Diversity Promotion Office in order to promote the active use of women. In addition, the We Do Action plan was formulated in August 2014 to accelerate the active use of women. We will conduct activities in accordance with this plan going forward. On a non-consolidated basis, while there were 22 female managers (0.9%) at LIXIL in March 2012, this was increased by approximately 5.7 times to 119 female managers (5.1%) in November 2014. These 119 employees can be broken down into 12 department managers or equivalent and above (2.2%), and 107 section managers or equivalent and above (5.9%). In addition, there are 5 female executives (including the LIXIL Group) (4.5%), which can be broken down into 1 director, 2 senior managing executive officers (including 1 non-Japanese employee), and 2 managing executive officers (the percentages are the ratios of the number of women total number of employees in each respective position). We plan to further increase opportunities for women to be active going forward.

\* [News release on the WeDo Action plan \(Japanese only\)](#)

### Number and percentage of women managers

	FY 2012		FY 2013	
		Of which, LIXIL Corporation		Of which, LIXIL Corporation
Number of women managers	77	47	111	76
Total number of managers	2,847	2,189	3,062	2,280
Composition ratio	2.70%	2.15%	3.63%	3.33%

\*Only in Japan

\*Calculated based on the qualification system of each operating company

## Promoting Work-Life-Flexibility

LIXIL aims at achieving flexible ways of working so that high performance can continue to be realized through changing life stages as a policy for establishing a work-life balance. In September 2012, an expert committee including members of the LIXIL Labor Union called the WLF (Work-Life Flexibility) Advisory Committee was launched, and as a result of repeated discussions between labor and management, the following systems were introduced and expanded as of April 2014.

\* [See here for overall work-life balance support policies](#)

Aim	Contents of system revision
Promoting use of paid leave	Introduction of memorial leave, Promoting acquisition of relaxed leave
Reemployment of employees that have resigned due to childbirth, childcare, or nursing care	Introduction of career return system
Childcare support	Extend the childcare leave period from a maximum of one and a half year to a maximum to three years
	Extend the reduced work hours for child care period for a maximum of until completion of third year of elementary school
	Introduction of the adjusted working time system (change work starting and ending time) for employees providing childcare, expand application to pregnant

	women as well
	Formal introduction of extended daycare fee assistance
	Provision of intranet and email environment during leave (will be introduced as soon as ready)
Nursing care support	Assistance for amount equivalent to social insurance contribution during leave
	Accumulated paid leave (lapsed paid leave) applied to absence for bonus calculations

※Conducted by LIXIL Corporation and some operating companies and subsidiaries

## Promoting the employment of people with disabilities

LIXIL employs 392 people with disabilities, and its employment rate of people with disabilities is 2.04%. In addition to the creation of employment opportunities, we also work to create workplace environments that allows for the lively participation of everyone, and we provide ways of working in line with the characteristics of disabilities in a wide range of workplaces such as R&D, production, and various administrative fields.

Furthermore, in July 2014 we opened the WING NIJI in the Koto-ku, Tokyo, an employment center for people with disabilities that takes into consideration the characteristics of disabilities as we take on the challenge of further expansion of employment for people with disabilities.

### Number and rate of disabled employees (persons)

	FY 2012		FY 2013	
		Of which, LIXIL Corporation		Of which, LIXIL Corporation
Number of disabled employees	733	375	952	392
Disabled employment rate *(%)	1.84%	1.96%	2.20%	2.04%

Notes: 1. Only in Japan

2. For employees at March 31 of the fiscal year

\* Calculated based on the Employment Rate System for Persons with Disabilities under guidance of the Ministry of Health, Labour and Welfare.

## Promoting reemployment after retirement age

LIXIL has adopted a reemployment after retirement age system. LIXIL offers reemployment for employees that have reached the age of 60 on a request basis so that these employees can continue working using their wealth of experience and skills and pass on technologies to the next generation.

### Reemployment ratio after retirement

	FY 2012		FY 2013	
		Of which, LIXIL Corporation		Of which, LIXIL Corporation
Number of employees retiring	209	165	172	110
Number of employees reemployed	128	98	145	96
Reemployment ratio	61.20%	59.40%	84.30%	87.30%

Notes: Only in Japan

\* [See here for the scope of data collection](#)

## Occupational Safety and Health

The LIXIL Group states in its Group Charter of Corporate Behavior, “The Group promotes the mental and physical well-being of all workers by prioritizing safety to realize an ideal working environment without any work-related accidents.” Accordingly, the group has implemented approaches to protect the safety and health of its employees.

### Occupational safety and health management system

Its active approaches to prevent accidents at work include the introduction of an occupational health and safety management system. Furthermore, a “Health and Safety Committee” has been set up in each business establishment for the purposes of sharing issues relating to the health and safety at work, considering actions to improve and implementing management based on the PDCA cycle.

#### Lost time injuries frequency rate and severity rate (Only in Japan)

	FY 2012		FY 2013	
		Of which, LIXIL Corporation		Of which, LIXIL Corporation
Frequency rate *	1.02	0.36	1.13	0.4
Severity rate *	0.01	0.01	0.01	0.003
LTIFR (Lost time injuries frequency rate) **	0.41	0.36	0.42	0.4

[Scope of data collection] LIXIL Corporation, 10 subsidiaries, and 7 Group operating companies

\*Only in Japan

\*Only directly employed

\* Calculated based on the method used in the Survey on Industrial Accidents of the Ministry of Health, Labour and Welfare

\*\* LTIFR: Lost time injuries frequency rate is the number of deaths and injuries due to industrial accidents divided by the cumulative hours worked multiplied by one million (lost time is defined as any period of one day or more)

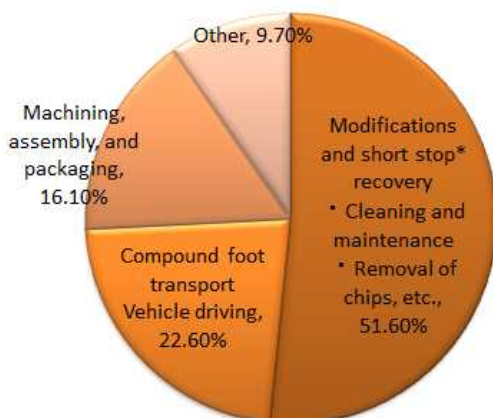
### Production division initiatives

While the production division had been divided into a metals and construction materials company and a housing and construction materials company following the LIXIL integration in April 2011, LIXIL’s seven domestic regions and 40 domestic plants were reorganized in April 2014. Although differing occupational safety and health management systems (independent systems based on OSHMS and OHSAS) for each company had been established up until then, it was decided to integrate these management systems. In addition, practical research seminars are held for each of the seven regions and plants in Japan twice a month in an effort to confirm and inspect actual production sites while expanding and rolling out information aimed at thoroughly eliminating risk

factors for machinery and equipment. Safety management officers have been appointed to all plants to lead the understanding of the cause and the taking of an appropriate response in the event of an accident, and to share the relevant information with all plants within two business days. Based on the shared information, all plants conduct checks to confirm that there are no risks of similar disasters or accidents at each plant as efforts are made to prevent recurrence at all plants.

#### Accident ratio by type of work:

##### LIXIL Corporation’s domestic production division



\*Short stop: A situation in which facilities had to be stopped for a temporary problem although a malfunction did not occur, or the occurrence of a spinning phenomenon (idling without production) for which restoration to the original state was possible through simple processing.

**(Example) Safety and health management system diagram**



**Health management**

LIXIL actively supports the health promotion of employees in cooperation with the LIXIL Health Insurance Society. With a basic policy promoting activities for health maintenance and improvement, the following efforts are made together with the Health Insurance Society.

- Increase the health awareness of every employee and improve awareness of health self-management
- Provide opportunities for disease prevention and health promotion for many people
- Develop comfortable working environments that take into consideration the health of every employee

As a concrete initiative, activities were commenced from FY 2012 to prevent the increased severity of diseases by conducting regular health checks for all employees every year and actively recommending examination by medical institutions in coordination with the human resources department and Health Insurance Society for employees identified to be at high risk for diabetes or hypertension based on these results. During FY 2013, recommendations through interviews with a medical professional were provided to 112 employees, which faithfully led to examination by medical institutions.

In addition, interviews by industrial physicians are faithfully conducted with employees with long working hours as part of preventive health efforts so that no health damage is caused.

Furthermore, the Health Insurance Society encourages not only the insured employees but also dependents to receive clinical surveys, uterine cancer and breast cancer screening, dental checkups, etc., and provides assistance for the medical fees. In addition, specific health guidance for employees age 40 or above was provided for 960 employees during FY 2013.

	FY 2012	FY 2013
Clinical survey consultation	6,426	7,184
Uterine cancer and breast cancer screening consultation	1,082	1,219
Dental checkup consultation	285	179
Specific health guidance personnel Implementation	883	960

\* Only LIXIL Corporation

We are implementing the Health Promotion Campaign so that employees can actively work on improving their health. The system allows participants to acquire points for activities such as walking, dieting, and quitting smoking that can be exchanged for a selection of prizes. During FY 2013, 5,634 employees and family members participated in the campaign.

	FY 2012	FY 2013
Health promotion campaign	5,504	5,634

\* Only LIXIL Corporation

At LIXIL, we believe that mental health initiatives are also important for health promotion. At each business location, we implement mental health seminars and stress checks as part of efforts to ensure that every



employee has a correct understanding of mental health and their own condition in order to encourage them to take preventive measures if needed. Furthermore, mental health management education is also provided for managers that serve as the cornerstone of line care in an effort to create working environments where early detection and early treatment is possible.

	FY 2012	FY 2013
Mental health seminar	204 (implemented eight times)	230 (implemented ten times)
Stress check participants	3,731	84
Mental health management education for managers	129	125

\* Only LIXIL Corporation

Reinstatement support is provided for employees on leave due to mental illness through the Workplace Reinstatement Program. This program is structured so that support can be provided based on the individual conditions of employees on leave, from care during leave to support and follow-up after reinstatement. Furthermore, we have assigned industrial physicians specializing in mental health at five locations nationwide to establish a system that can support reinstatement without difficulty and provide consultations on mental health management.

## Creating a Better Workplace

In order to establish working environments where every employee uses their full capabilities and continually work energetically, the LIXIL Group strives to develop environments that allow for a balance of both work and life.

### Work-life balance support

LIXIL has established systems that support a work-life balance in all of the various life events of employees.

#### Main work-life balance support systems

Name of system		Details
Working structure	Flextime system	Members of applicable departments can start and finish work within the flexible hours on a voluntary or planned basis
	Relaxed leave	Three days a year (can be connected with weekends, national holidays, and consecutive holidays)
Leave	Memorial leave	Two days a year
	Long service leave	Leave and memorial goods presented to employees for long service (10 years, 20 years, and 30 years)
	Childbirth leave	Six weeks before childbirth, eight weeks after childbirth (maternity allowance provided from health insurance)
Childbirth	Spouse childbirth leave	Three days a year (split acquisition possible)
	Childcare leave	Up to the child reaches a maximum of three years old (childcare leave benefit provided from employment insurance until child reaches a maximum of one and a half years old)
Childcare	Reduced working hours	Working hours can be reduced by one hour or two hours per day for employees caring for a child until they reach the third year of elementary school
	Adjusted working time system	The work start time or work finish time can be adjusted by 30 minutes or one hour for employees that are pregnant or caring for a child until they reach the third year of elementary school
	Extended daycare fee assistance	Extended daycare fee assistance provided for employees caring for a child until they begin elementary school if extended daycare is required for business reasons
	Child nursing care leave	Five days per year for each child until they begin elementary school requiring nursing care (maximum of ten days for up two or more people)
	Nursing care leave	Once for every state requiring care for each person requiring nursing care, up to a total of 93 days (split acquisition possible)
Nursing care	Reduced working hours	Working hours can be reduced by one hour or two hours per day
	Monthly salary supplementation	Assistance for amount equivalent to social insurance contribution during leave
	Bonus supplementation	Lapsed days of accumulated paid leave (lapsed paid leave) handled as work attendance for bonus calculations

	Nursing care leave	Five days per year for each person requiring nursing care (maximum of ten days for up two or more people)
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Note : Conducted by LIXIL Corporation and some operating companies and subsidiaries

## Usage of various systems

### Usage of maternity leave system (persons)

	FY 2012		FY 2013	
		Of which, LIXIL Corp.		Of which, LIXIL Corp.
Number of persons who used the plan	291	231	300	228
Number of persons who returned to work	258	205	275	221
Return ratio (%)	88.70%	88.70%	91.70%	96.90%

\*Only in Japan

\*Number of employees under time control: The 12-month average number of regular staff (including managers) and commissioned and part-time staff.

\*Overtime hours of regular staff (including those of managers) according to the systems of individual operating companies

### Usage of childcare leave system (persons)

		Male		Female		Total	
			Of which, LIXIL Corp.		Of which, LIXIL Corp.		Of which, LIXIL Corp.
FY 2012	Number of persons who started using the system	1	1	254	195	255	196
	Number of persons who returned to work	1	1	214	176	215	177
	Number of persons who planned to return to work *	1	1	218	179	219	180
	Return ratio (%)	100.00%	100.00%	98.20%	98.30%	98.20%	98.30%
FY 2013	Number of persons who started using the system	2	2	285	215	287	217
	Number of persons who returned to work	2	2	201	149	203	151
	Number of persons who planned to return to work *	2	2	215	152	217	157
	Return ratio (%)	100.00%	100.00%	93.50%	98.00%	93.50%	96.20%

\*Only in Japan

\*LIXIL Corporation: The acquisition rate of childcare leave by male employees (the rate of childcare leave acquirer accounted for by male employees with spouse that gave birth) was 0.2% in FY 2012 (average number of days acquired: 84) and 0.4% in FY 2013 (average number of days acquired: 41.5).

\* Number of employees planning to return from care leave: The number of employees who use the care leave system and who plan to return in the fiscal year. Return rate = (Number of employees returning from care leave) / (Number of employees planning to return from care leave) (%); provided that when a change in the planned date of return pushes the date into the previous or following fiscal year, the employee planning to return from care leave is accounted for in the number of employees planning to return from care leave (denominator of return ratio) of the previous or following fiscal year.

## Usage of care leave system (persons)

		Female		Male		Total	
			Of which, LIXIL Corp.		Of which, LIXIL Corp.		Of which, LIXIL Corp.
FY 2012	Number of persons who started using the system	2	1	7	5	9	6
	Number of persons who returned to work	1	0	8	6	9	6
	Number of persons who planned to return to work *	1	0	8	6	9	6
	Return ratio (%)	100.00%	-	100.00%	100.00%	100.00%	100.00%
FY 2013	Number of persons who started using the system	3	3	7	5	10	8
	Number of persons who returned to work	2	2	7	5	9	7
	Number of persons who planned to return to work *	2	2	7	5	9	7
	Return ratio (%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Only in Japan

\* Number of employees planning to return from care leave: The number of employees who use the care leave system and who plan to return in the fiscal year. Return rate = (Number of employees returning from care leave) / (Number of employees planning to return from care leave) (%); provided that when a change in the planned date of return pushes the date into the previous or following fiscal year, the employee planning to return from care leave is accounted for in the number of employees planning to return from care leave (denominator of return ratio) of the previous or following fiscal year.

## Prevention of overwork

LIXIL promotes highly efficient and productive ways of working to achieve an optimal number of working hours. Initiatives aimed at reducing overtime include the designation of Wednesday as a no-overtime day and the stipulation that employees should leave the office at the designate time as a general rule, as well as the introduction of an overtime advance notice system as a means for encouraging employees to consciously reduce overtime. In addition, follow-up on employees with long working hours is conducted jointly by the Human Resources & General Affairs Department and the departments the employees belong to.

\* [See "Occupational Safety and Health" for details.](#)

Meanwhile, we aim for a paid leave acquisition rate of 50%. As a measures for promoting this, we have introduced the relaxed leave and memorial leave systems that allow for the acquisition of paid leave for three consecutive operation days once a year.

## Monthly average overtime work hours

	FY 2012		FY 2013	
		Of which, LIXIL Corp.		Of which, LIXIL Corp.
Number of employees under time control*(persons)	27,661	20,358	27,316	19,653
Total overtime work hours ** (hours)	5,860,669	4,391,880	6,274,345	4,511,732
Monthly average overtime work hours / person (hours)	17.7	18.0	19.1	19.1

Only in Japan

\*Number of employees under time control: The 12-month average number of regular staff (including managers) and commissioned and part-time staff. However, LIXIL VIVA CORPORATION contains only regular staff.

\*\* Overtime hours of regular staff (including those of managers) according to the systems of individual operating companies

## Number of days of annual paid leaves taken per person \*

	FY 2012		FY 2013	
		Of which, LIXIL Corp.		Of which, LIXIL Corp.
Number of employees who are entitled to take paid leaves *1(persons)	28,051	16,154	31,780	19,169
Total number of days of paid leaves taken (annualized)*2 (days)	179,285	113,888	236,474	153,371
Number of days of annual paid leaves taken / person(days)	6.4	7.1(36.2%)	7.4	8.0(41.7%)

\*Only in Japan

\*1 The number of regular staff (including managers) and commissioned and part-time staff (registered at March 31 of the fiscal year)

\*2 Total number of days taken by qualified staff (excluding special holidays)

## Social welfare

So that employees and families can live abundant and stable lives, LIXIL cooperates with the Labor Union, Health Insurance Society, and LIXIL Smile Club\* as it works to enhance social welfare centered around initiatives including lifestyle improvements, life stage support, and mutual aid. Specifically, in addition to various systems including group insurance, asset formation savings, employee stock ownership plan, and pensions, LIXIL also operates a long service leave system in which leave and bonuses are provided after consecutive service has reached 10 years, 20 years, and 30 years; a congratulation and condolence money system in which bonuses are paid at the timing of life events including marriage, childbirth, and children entering schools; and various consultation contact points for employees.

\*LIXIL Smile Club: Welfare association for promoting the lifelong welfare of union members and their families

### Main consultation contact points

Details of consultations	Contact point
Sexual harassment power harassment consultation contact point	Human Resources & General Affairs Headquarters, Human Resources Department
Consultations on workplace concerns	LIXIL Workers Union
Legal consultation	LIXIL Workers Union
Consumer finance consultation	LIXIL Workers Union
Legal, tax, and health consultation	LIXIL Smile Club/general affairs section of each office
Loan and savings consultation	LIXIL Smile Club
Insurance consultation	LIXIL Smile Club
Concerns such as nursing care, health, manners, traditions, and human relationships	LIXIL Smile Club/general affairs section of each office

\* [See here for the scope of data collection](#)



# Fostering Human Resources

## Basic stance

LIXIL's basic policy is to develop human resources capable of putting the LIXIL VALUE into practice and full of the spirit of taking on new challenges.

Specifically, this consists of :

1. Developing leaders capable of global management
2. Developing professionals capable of putting the LIXIL VALUE into practice

We are committed to the themes to the right in order to achieve these objectives.

Theme 1: Development of next-generation leaders

- Selection and development of leader candidate at all levels

Theme 2: Professional development

- Planning and promotion of department dedicated education
- Dissemination of philosophy, promotion of OneLIXIL activities

\* [See here for more details on LIXIL VALUES](#)

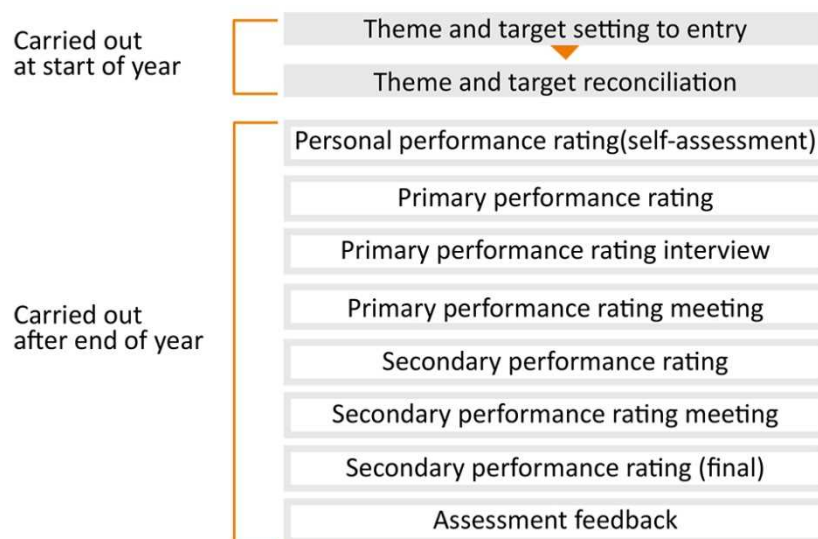
## Assessment framework (human resources performance rating system)

Assessments covering all employees are conducted on the two elements of performance and values based on merit-based practice. An open system is managed in which the employee involved participates in goal-setting and self-assessment and thorough feedback is provided on the assessment results through interviews with superiors.

### The purpose of feedback

1. By reliably providing feedback, improve the level of satisfaction towards assessments and ensure fairness.
2. Aim to develop employees by looking back over past activities and sharing future expectations.

### Human resources performance rating flow



## Education systems

The educational structure of LIXIL Corporation can be divided into two large parts: the development of common, interdepartmental, and basic skills required for all personnel, and technical training focusing on particular functions or a particular company. This educational structure is managed by the company-wide educational committee to promote LIXIL's activities and share and solve issues.

## Development of next-generation management leaders

LIXIL has put its energy into the cultivation of next-generation executive leaders who will show their leadership in future-generation management. In 2012, LIXIL began its “Executive Leadership Training (hereinafter called “ELT”)” for department manager level staff to enhance the leadership of executive candidates. This training is a one-year program to inspire participants from various perspectives, which includes residential workshops at special training facilities and at the Great Wall of China, Beijing, and a half-year of personal coaching. This enables participants to learn about leadership, corporate strategy and global business. Participants take on the program actively with enthusiasm, receiving opportunities to feel the actual expectations of the senior managerial members including the president and CEO. In fiscal 2013, LIXIL established “Senior Leadership Training (hereinafter called “SLT”)” for personnel in mid-level positions to provide them with an opportunity to consider their own leadership at an early stage, and “Junior Leadership Training (hereinafter called “JLT”)” for mid-career personnel. In fiscal 2014, “Fresh Leadership Training (hereinafter called “FLT”)” was started for young personnel in their twenties. Further, LIXIL has organized activities to nurture leaders so as to enable them to conduct business at a more global level, such as the gathering and dispatch of selected ELT graduates and leader candidates of overseas group companies to business schools abroad, and the holding of workshops in Italy.



▲ Executive Leadership Training

▲ Junior Leadership Training

### Categories and usage of various training and education support systems(including overseas business locations)

Item	Training summary	Number of participants
New employee training	Basic training for employees newly entering the company	3,434
Hierarchical training	Training for each job position or level for developing the skills and capacities respectively required	10,465
Executive Leadership Training (ELT)*	Scope: Department head class (executive candidates)	47
	Purpose: Seeking global leadership	
Senior Leadership Training (SLT)*	Scope: Section head class	57
	Purpose: Cultivating values and learning management skills	
Junior Leadership Training (JLT)*	Scope: chief class (middle-level employees)	80
	Purpose: determining to become a leader and training basic skills	
Management training	Training for employees being promoted to management positions	477
Division training	Training for each division for developing the skills and capacities respectively required for development, production, sales, and other divisions	21,392
Other Skill acquisition training, etc.	Special independent training for industries and job categories, including the acquisition of official qualifications	6,198

\*Only LIXIL Corporation

In addition, domestic companies have introduced systems for correspondence course recommendations and the partial provision of participation costs to employees that have completed courses.

## Employee career development support

As part of career development support measures, LIXIL has introduced an MBA acquisition system for young employees. This system aims to provide employees with the opportunity for learning leadership, management skills, and an international way of thinking in order to develop passionate young employees committed to constant self-improvement and contribution to the expansion of LIXIL's business. In response to internal application, ten, eight, and five employees were selected in FY 2011, FY 2012, and FY 2013, respectively, and the sending of these employees to universities in Japan and overseas to study for an MBA has been commenced.

### Significant career development systems and voluntary self-development systems at major companies

Item	System introducing organization	Number of participants
Internal application system	LIXIL Corporation PT American Standard Indonesia LIXIL Manufacturing (Dalian) Corporation LIXIL-Haier Housing Products (Qingdao) Co., Ltd.	15
Qualification acquisition recommendation system	LIXIL SENIOR LIFE Kawashima Selkon Textiles Co., Ltd. LIXIL VIVA CORPORATION LIXIL Total Service Corporation Japan LIXIL SUZUKI SHUTTER CORPORATION Asahi Tostem Exterior Building Materials Co., Ltd. LIXIL Manufacturing (Dalian) Corporation	222
MBA system	LIXIL Corporation	22
Self-report system* (Career building report)	LIXIL Corporation Kawashima Selkon Textiles Co., Ltd. Asahi Tostem Exterior Building Materials Co., Ltd. JAPAN HOME SHIELD CORPORATION G TERIOR Corporation HIVIC CO., LTD.	14,263

## Labor-management relations

The LIXIL Group believes that it is important to aim for business development and the stability and improvement of the lives of employees and to create an equal and responsible trust relationship between labor and management.

### Labor-management relations

Along with the integration of five companies at LIXIL (Tostem, INAX, Shin Nikkei, Sun Wave Corporation, Toyo Exterior) in April 2011, the labor unions of each of the former companies were united to form the LIXIL Labor Union (scope of membership: only regular staff at business locations in Japan). The LIXIL Labor Union has a union shop system, and as of the end of March 2014, 85.4% of the total numbers of regular staff in Japan, or 14,031 employees, were union members. Labor-management negotiation meetings and group negotiations are regularly held for labor-management discussions in an aim to share information on issues such as working conditions and the working environment so that issues can be resolved together by labor and management. In addition, the Labor-Management Advisory Committee has been formed for important themes such as the revision of major working conditions so that decisions are made after sufficient consideration and discussion. Management and labor work together to communicate the working conditions and various systems introduced through this process through means such as dissemination efforts that include system introduction through the internal intranet and employee follow-up provide by the supervising general affairs departments. In addition, the union independently compiles and distributes the Union Guide to all employees that contains information on the main points of systems. In an aim to further deepen the trust relationship that has been established between labor and management and improve the corporate performance with labor and management in harmony, we will strive to make further improvements to achieve working conditions befitting of a leading company in the housing and construction materials industry.

#### **Basic Labor-Management Agreement (excerpt)**

##### **Chapter 1. General provisions**

###### *Article 5. Rights of the company and the union*

*The company and the union shall mutual respect labor rights and management rights, and not interfere with the legitimate exercise of these rights.*

##### **Chapter 4. Collective bargaining**

###### *Article 34. Principles of collective bargaining*

*Collective bargaining shall seek the peaceful and smooth conclusion of the matters being negotiated in a spirit of sincerity and good faith with the company and the union on equal footing.*

##### **Chapter 5. Dispute resolution**

###### *Article 48. Peace obligation*

*The company and the union shall achieve peaceful and smooth resolution of issues by discussing all labor and management issues based on a spirit of mutual trust.*

###### *Article 49. Labor dispute adjustments*

*Both the company and the union shall work to smoothly resolve issues through discussions or group negotiations with a spirit of sincerity, and for disputes for which no compromise can be reached, the labor relations committee shall be applied to for mediation or arbitration, and the company and the union shall work to achieve a peaceful resolution to the dispute through that mediation or arbitration.*

#### **Main labor-management discussion and labor union meeting bodies**

1. Year-End Bonus Negotiations: group negotiation agenda consists of bonuses only; total of 4 times
2. Spring Labor Offensive: group negotiation agenda consists of wages, bonuses, and working conditions; total of 4 times
3. Central Labor Relations Committee: 9 times per year sharing information on company policies, sharing information on union policies;
4. Central Executive Committee: confirmation of progress of union activities, considering policy, sharing information on company policies; 10 times per year
5. Central Committee: approval of union activities, sharing information on company policies; 9 times per year
6. Safety and Health Committee: sharing information and considering policy for each business location; 12 times per year

## Labor union activities

The LIXIL Labor Union that was established in 2012 has implemented activities based on the slogan “ALL LIXIL: Creating rewarding and motivating workplaces.” As LIXIL has undergone rapid transformations in its second year this fiscal year, the significance of the labor union was considered once again in the Central Executive Committee and Central Committee, and it was decided to base all union activities on the mission of “The union will strive to create, protect, and develop smiles for everyone.” The activity policy for the coming fiscal year will be formulated in a manner that reflects this mission. A committee was held once again to confirm and further consider a system (extended daycare fee assistance) that was established on a trial basis in the WLF Advisory Discussion. During the committee, the formal adoption of the trial system and partial system revisions (shorter working hours for childcare, etc.) were discussed, and as a result partial revisions were conducted from April 2014. Union activities will be advanced based on the cooperation of all union members to achieve even more rewarding and motivating workplaces.

\* [See here for details on work-life balance support](#)

## Issuance of a labor union newsletter

The labor union newsletter ALL LIXIL that the LIXIL Labor Union has published since FY 2012 for the purpose of harmonizing union members after the integration and deepening the understanding of union members towards the new working conditions was renewed under the title TUNE with the start of the new system in FY 2012 for distribution to all union members. The newsletter contains not only introduction of exchange events and functions for union members and explanations on LIXIL’s new personnel system, but also enhance content including articles focusing on branch office activities and new feature articles in order to enhance the sense of unity among members of the LIXIL Labor Union.



## LIXIL Smile Club

The LIXIL Smile Club was established independently from the labor union in October 2001 as a specialized organization for handling welfare systems for the purpose of working to promote the lifelong overall welfare of union members and their families. By becoming an independent organization, the club has been able to expand membership beyond the union framework and stably provide a high-quality social welfare system utilizing these scale advantages. Currently (as of the end of March 2014), the LIXIL Smile Club has approximately 15,000 members consisting of members of the LIXIL Labor Union and six labor unions of companies within the Group. The membership fees collected from these members and business revenues will be used as resources for working to further enhance social welfare systems while supporting the stable and fulfilling living of members.

### Introduction of main systems

Congratulation and condolence money:	Wedding bonus, childbirth bonus, entering school bonus, condolence money, recovery bonus, housing disaster relief money, etc.
Mutual aid and insurance	National Federation of Workers and Consumers Insurance Cooperative Insurance, Japan Post Life Insurance, Group Long Term Disability Income Indemnity Insurance (Mamorukun), etc.
Savings and financing:	Workers’ credit union (mortgages, car life loans, etc.)
Other forms of life support	Various discount systems for ceremonial occasions, leisure, shopping, etc. (Magic Kingdom Club, Benefit One, Zwei, funeral services nationwide, etc.)



# **Environmental Activities**

**The LIXIL Group continually engages in proactive efforts toward the environment in all processes related to homebuilding with the hope of achieving harmony between people's lives and our natural environment.**

## Environmental Principles

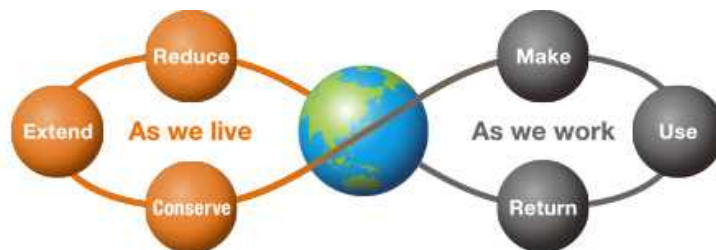
### Commitment to the Earth

Environment and energy – these global issues continue to intensify.

To ensure that our way of living remains in harmony with the global environment,

we the LIXIL Group wholeheartedly embrace the challenge of reducing the burden on our planet.

While holding dear the gifts that nature provides, we also aim to develop even higher expertise to protect nature and all living things.



To the manufacturing perspective of Make, Use, Return;  
We intersect the viewpoint of daily living: Reduce, Extend, Conserve;  
This is our commitment to harmony with the Earth.

### **Our Vision and Promise**

*We the LIXIL Group believe in achieving harmony between how humankind lives and the earth that we live on. We will conscientiously apply our environmental awareness across the entirety of what we do: what, how, and for whom we create a better living setting.*

### **The Principles We Apply**

*We the LIXIL Group are committed to achieving this vision. We will continuously improve our environmental management systems, we will employ ecologically responsible practices throughout our operations, and we will embrace vigorous communication with all of our direct and potential stakeholders.*

*Each of us, for our customers, undertakes to provide products and services that reflect and optimize the full bounty of nature. We will fully evaluate and explore, along with our customers, what should be the appropriate living setting for the times ahead.*

*Each of us, in the regular course of business, accepts a duty to uphold environmental regulations and prevent pollution. We will pursue actions to reduce carbon emission, enhance recycling of resources, and promote harmonious coexistence with nature.*

*Each of us, as part of a given area or society, seeks a deeper mutual understanding with the individual, civic, nongovernmental and nonprofit entities that are among us. We will, by emphasizing cooperation and dialogue, advance together our own unique activities for preserving the environment.*

## Environmental Vision

### Corporate citizens of the Earth

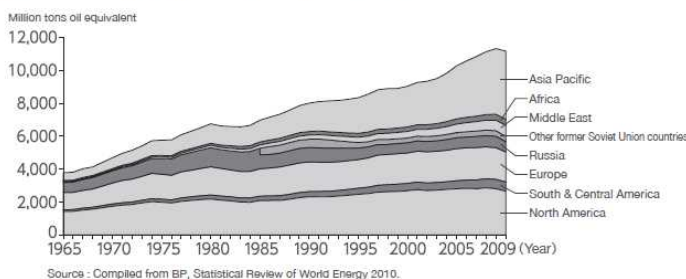
Energy consumption and CO<sub>2</sub> emissions continue to rise in nations worldwide, newly emerging as well as established. With the world's populace seeking richer living, the Earth bears an ever-increasing burden. We clearly see our mission to spread across the globe the world-leading environmental technologies, products and services developed in Japan. We will fundamentally change living styles to reduce energy consumption and CO<sub>2</sub> emissions for the entire planet.

*We the LIXIL Group seek by 2050 the net zero balance between a full, bountiful way of living and an acceptable burden on the earth's environment, leading the world in the housing and living amenities industry.*

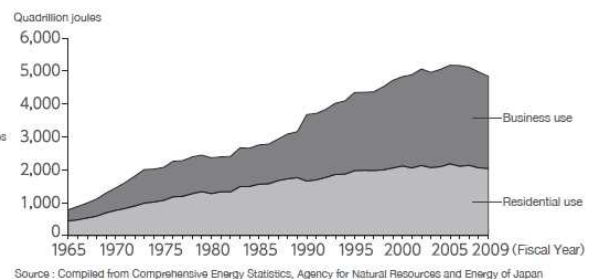
***We will introduce technical innovations that will achieve net zero balance energy use in residences and buildings as a total provider of housing and living requirements, and contribute to global energy conservation and CO<sub>2</sub> reduction.***

*As a global leader in our industry, for the products that we offer to all peoples of the world, we must be relentless in reducing the direct or indirect environmental burden of all our business activities. And we will also implement activities for the preservation and recovery of water resources and forestry ecosystems throughout the world.* Environmental Management

● Energy consumption by geographic region



● Energy consumption for private sector in Japan



## Environmental Strategy

### Intelligence for Living, for harmony with the Earth

A truly rich and fulfilled way of living needs to establish harmony with the global environment. In our mission to become a global leader in the housing and living amenities industry, we will offer products that create a way of living in harmony with the planet, while reducing as much as possible the environmental burden resulting from our business activities. We will also work with our various stakeholders to reduce the environmental burden on society as a whole, across all borders.

Based on our Environmental Principles, we have prioritized three themes in our Environmental Strategy, and will achieve these without fail through execution of concrete actions.

#### **Theme 1**

*As we offer products and services that reflect and optimize the full bounty of nature, we will also consider future ways and standards of living, together with our customers.*

#### **Theme 2**

*We will conduct our regular business activities in a manner that will reduce carbon emission, enhance recycling of resources, and promote harmonious coexistence with nature.*

#### **Theme 3**

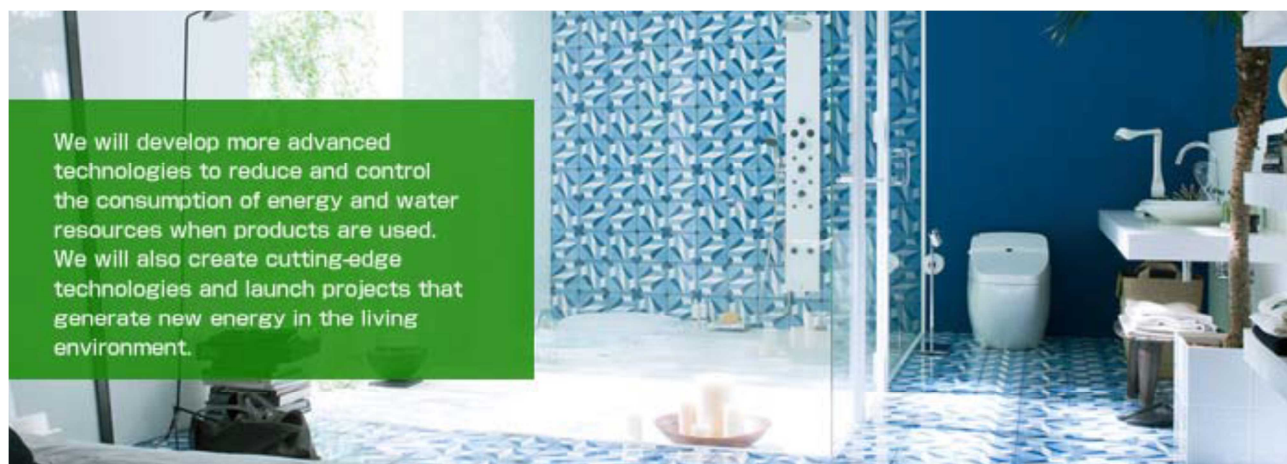
*We will work to further mutual understanding with our stakeholders, and collaborate with them to take actions in our own, original way.*

In direct LIXIL business activities, we will focus on raising production efficiency and launching renewable forms of energy, to reduce CO2 emissions below 2010 levels (prior to corporate integration). Moreover, in areas that we impact indirectly, such as the procurement of raw materials and the use and disposal of products, we will work on technical innovations for reducing, extending and conserving resources, and for the conservation and creation of energy, insulation and passive technologies. By doing so we will help to reduce energy consumption throughout the entire product lifecycle to below 2010 levels (prior to corporate integration).



### ***Environmental Strategy: Theme 1***

***As we offer products and services that reflect and optimize the full bounty of nature, we will also consider future ways and standards of living, together with our customers.***



***We will make widespread a product line that reduces energy consumption per residence or building to a zero-sum balance, through control technologies that enable a comfortable living environment.***

Residences and buildings in the future will demand high-performance insulating window sashes and doors, in tandem with other products with enhanced energy-saving functionality, we can significantly reduce energy consumed in housing, including air conditioning and heating energy. And by combining this with solar power generation systems, we are offering a product line-up that reduces overall energy consumed per residence or building to a net of zero.



***Our product line, incorporating control technologies for water needed in daily living, greatly reduces the amount of water used per residence or building.***

Residences and buildings use vast amounts of water daily in baths, toilets, kitchens and the like. We have a wealth of proven experience in developing and selling toilets, baths, showers and other items with advanced water-saving functionalities. Building even further on this base, we are committed to a product line with even more advanced water control technologies, to protect our precious water resources.



***We will also introduce proprietary technologies related to renewable energy, and launch new environmental projects.***

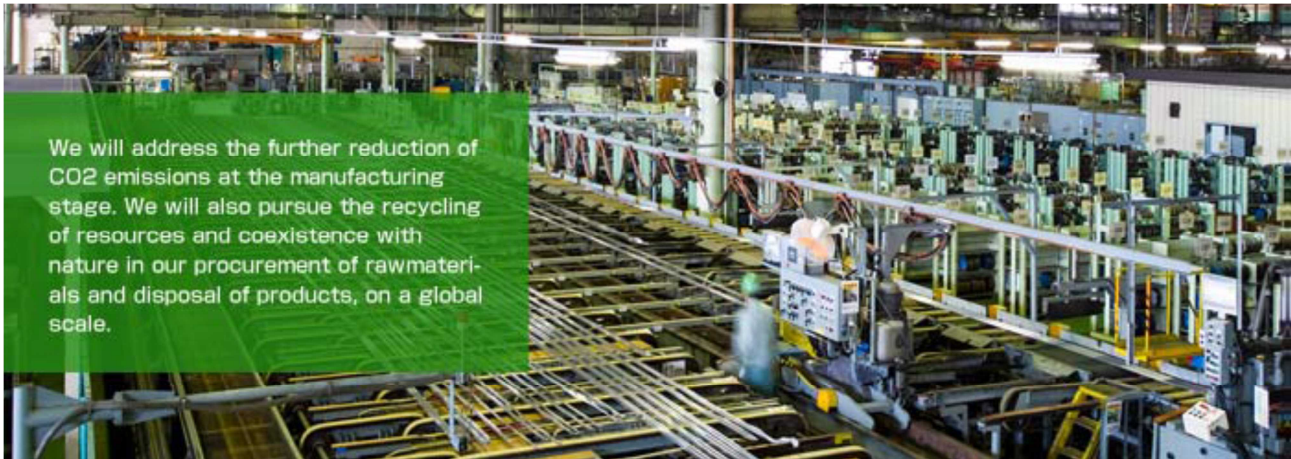
To achieve a low-carbon society, we must reduce the dependency on fossil energy sources, and work proactively on the introduction of renewable energies, including that generated by wind and solar power, as well as solar and geothermal heat. Furthermore, we will introduce proprietary, state-of-the-art technologies for next-generation residential solar power generation and wind power generation – technologies that go beyond current technical boundaries. We will broadly popularize these among the general public as new environmental projects.





## ***Environmental Strategy: Theme 2***

***We will conduct our regular business activities in a manner that will reduce carbon emission, enhance recycling of resources, and promote harmonious coexistence with nature.***



We will address the further reduction of CO2 emissions at the manufacturing stage. We will also pursue the recycling of resources and coexistence with nature in our procurement of raw materials and disposal of products, on a global scale.

***We will increase the number of self-sufficient plants that adopt environmentally-friendly 'green' power by introducing renewable energy into the manufacturing process.***

A great deal of the energy used at manufacturing sites to date has been supported by fossil energy. By proactively introducing renewable energy into our production activities, we aim to reduce to zero the amount of fossil energy consumed. When introducing such energies, we will consider the possibility of wind power generation, solar power generation and geothermic power generation, taking account of regional characteristics. By establishing power storage systems concurrently, we will also realize stable self-sufficiency for power generation.



***We will reduce the amount of virgin raw materials used in procurement through advanced recycling systems for the disposal of products.***

Using our experience in the regeneration and reuse of waste materials produced when renovating residences and other buildings, we will accelerate closed recycling processes, in which products made mainly from metals such as aluminium and copper are disposed by returning them as is to the original production process. This will reduce the energy required for the procurement of raw materials.



***We will reduce the amount of water resources used in manufacturing processes by establishing a recycling system for water used in factories.***

Large amounts of water of varying levels of purity are used at manufacturing sites. At the same time, there are global concerns that water resources will be depleted. We are working on the construction of water recycling systems and more efficient use of water in manufacturing processes to reduce the amount of water used.



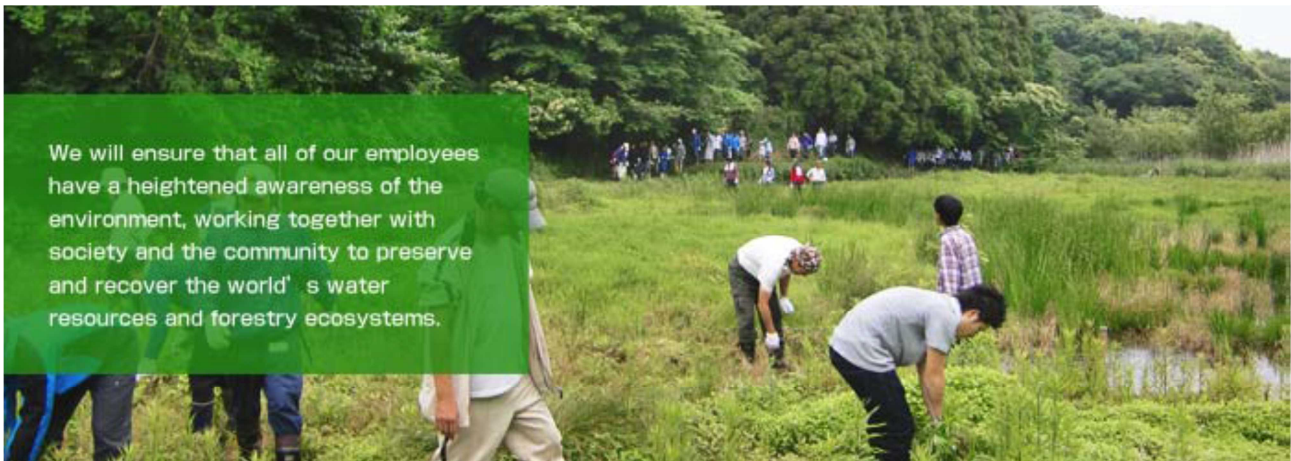
***We will optimize our utilization of forestry resources, preserving forestry ecosystems by creating guidelines and developing technologies for procurement.***

We use large amounts of timber resources as materials for kitchens, interiors and other products, thus we will develop guidelines for their procurement and use, and ensure that we use timber from forestry resources that are recycled in a sustainable manner. We will also develop technologies for material modification and substitution.



### ***Environmental Strategy: Theme 3***

***We will work to further mutual understanding with our stakeholders, and collaborate with them to take actions in our own, original way.***



***We will raise the environmental literacy level of all employees through an environment awareness training program for employees.***

With the set of common values based on our Environmental Principles and Environmental Vision, we are building a corporate culture where each employee transcends job boundaries and takes personal action for the benefit of society. Employees will also be proactive in regional communities in Japan and overseas. The mark for our training program shown here symbolizes this spirit.



***We promote environmental contribution activities that lead to cleaner water through on-site employee classes and workshops.***

LIXIL conducts educational activities for children in Japan and Asian nations to communicate the importance of water in our daily life. In Japan, employees will visit elementary schools to communicate directly with children in on-site classes using original teaching materials. Overseas, we collaborate with local NPOs to provide educational support to children so that they can understand, think and take action themselves.



***We implement activities that will lead to the creation of beautiful forests through preservation of local mountainous regions and tree-planting by employees.***

At LIXIL, we understand the importance of preserving our ecosystems and the multi-faceted functions of forests including water conservation. We work together with local NPOs and municipalities through a volunteer program that promotes forestry awareness and conservation activities. And at our manufacturing sites in Japan and overseas, we have a tree-planting program where our employees and their families work together with neighboring communities, authorities and others.





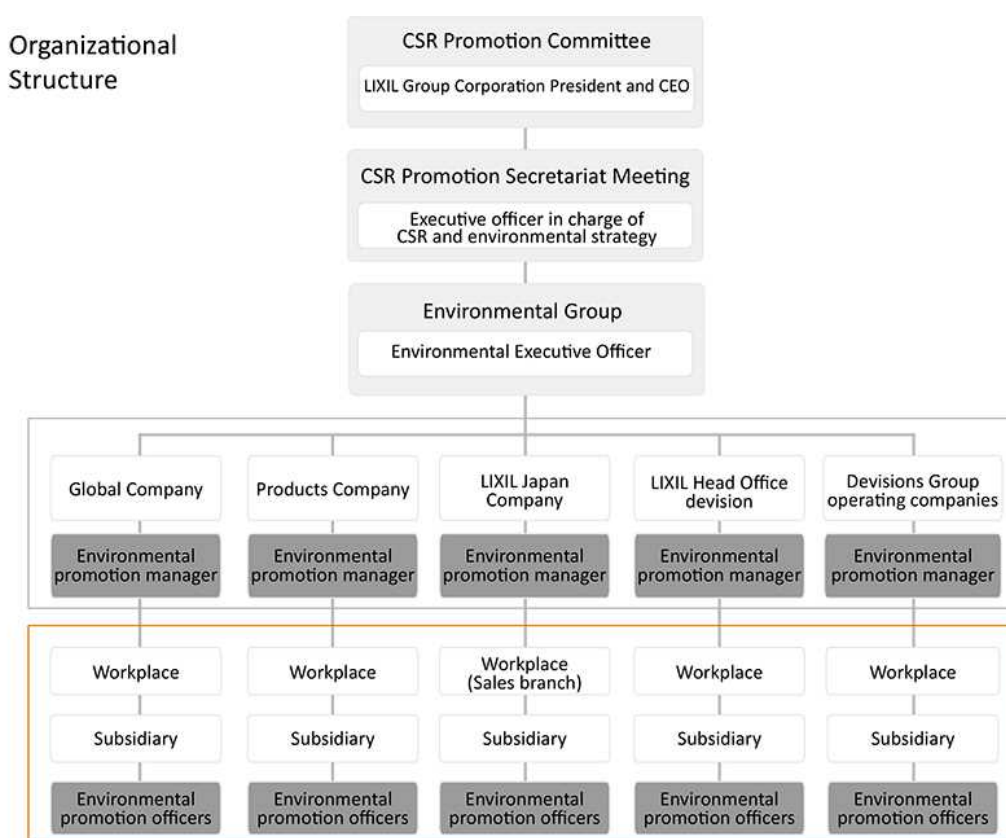
## Environmental Management

The LIXIL Group established the LIXIL Group Environmental Management Rules during FY 2012, and it has implemented an environmental management system aimed at achieving the medium-term environmental targets established in 2015 based on the LIXIL Environmental Vision. The LIXIL Group Environmental Management Rules were applied to global companies, group companies, and subsidiaries in FY 2013. In addition, ISO14001 certification that was individually acquired by Product Company factories was consolidated as Product Company certification, and ISO14001 certification has successively been acquired for Global Company factories that had not acquired ISO14001 yet.

### Environmental Promotion System

In July 2012, the LIXIL Group Environmental Strategy Committee (chaired by the President and CEO and composed of all executive officers) was reorganized into the CSR Promotion Committee. Environmental management has been promoted at all group companies, including associated companies, under the new system.

\* [Please see here for CSR Promotion Structure](#)



\*The timing for the deployment of the environmental management system is at the discretion of each company and operating company.

\*The organizational structure diagram above displays the organizational structure as of FY 2013. The Products Company was abolished as of FY 2014 and the SC Headquarters has been responsible for the production division.

### Internal Auditing

Internal audits based on ISO14001 are conducted on the effectiveness and legal compliance of the environmental management system at the production facilities of LIXIL's Products Company and Global Company. At departments and operating companies other than production facilities, internal audits are conducted based on the LIXIL Group's unique environmental management system, the scope of which is gradually being expanded to include subsidiaries. In addition, legal compliance education and legal compliance audits were commenced by the Head Office Environmental Department. While there were no major violations found in the audits, follow-up is conducted in response to audit suggestions and improvements are confirmed.

## Activities to Raise Employee Awareness

With the aim of improving the environmental literacy of all LIXIL Group employees, we endeavor to raise awareness of and share information on the eco-friendly initiatives being implemented by workplaces and individual employees through the use of posters and an intranet website titled Our Eco Actions on which all employees may post messages. During FY2013, the intranet website received a total of 126,693 visits and 2,484 messages. By promoting the intranet website as a forum where our employees can learn about the activities of LIXIL Corporation facilities in distant regions and share their thoughts and actions regarding the environment, we aim to increase the scope of internal communication and build a corporate culture that encourages employees to act for themselves on environmental issues. We have also worked to raise awareness by distributing a pamphlet to all employees explaining the LIXIL Group's Environmental Vision.



▲Poster and Intranet website "Our Eco Actions"

## Awards and Recognitions

### Recipient of a Prize at the Eco Products Awards

LIXIL was honored with the Chairperson's Award, Eco-Products Awards Steering Committee, in the Eco-Products Category at the 11th Eco Products Awards sponsored by the Eco-Products Awards Steering Committee. LIXIL's prize-winning products included the EcoAir 90, a high efficiency heating and ventilating unit that uses the heat of indoor air being exhausted outdoors to keep the temperature of outside air as close to room temperature as possible, and Koko Eco, a novel method that can improve a home's heat insulation performance from a single room in as little as one day by installing inner windows or insulation panels on the windows, walls, and floors.

LIXIL has also been honored with the Minister's Prize, the Ministry of Environment, in the Eco-Services Category at the 9th Eco Products Awards for its Tsufu-Sofu Design Support Service.



▲ left: EcoAir 90, Right:Koko Eco

- \* [Click here to learn more about the high efficiency heating and ventilating unit EcoAir 90 \(Japanese Only\)](#)
- \* [Click here to learn more about the Koko Eco eco-friendly renovation method \(Japanese Only\)](#)
- \* [Click here for the news release about our prize at the 11th Eco Products Awards \(Japanese Only\)](#)
- \* [Click here for the news release about our prize at the 9th Eco Products Awards \(Japanese Only\)](#)

### Highest Financing Rating Obtained, Resulting from Environmental Ratings System

In January 2012, in recognition of our efforts to reduce CO2 emissions, generate renewable energy through mega-solar plants and other initiatives, recover resources from housing renovation waste materials and actively promote biodiversity, the Development Bank of Japan (DBJ) granted LIXIL Group the highest environmental rating for our "particularly progressive environmental initiatives" and provides financing based on this rating.



- \* [See the following news release on the Environmental Ratings System for more details. \(Japanese Only\)](#)

## LIXIL Corporation's Eco-First Commitment.

Under the Eco-First program, companies make a commitment to the Minister of the Environment to promote independent environmental conservation initiatives in relation to global warming, waste and recycling etc., with the aim of promoting initiatives by industry-leading companies in the field of environmental conservation.

\* [See the Eco-First System section on the Ministry of the Environment website for more details \(Japanese Only\)](#)

LIXIL Corporation has committed itself to actively promoting detailed initiatives and activities with clear targets based on the priority themes for our environmental strategy set out in the LIXIL Environmental Vision, and accordingly been accredited by the Ministry of the Environment as an "Eco-First Company".



地球環境のためにLIXILは  
業界トップランナーとして  
先進的な取組をしています。



201 Minister of the Environment, Hiroyuki Nagahama (left) with Representative Executive Officer & Vice President of Lixil Corporation and Lixil Japan Company President, Toshio Ohtake at the Eco-First Accreditation Ceremony held on October 29, 2012

## LIXIL Corporation's Eco-First Commitment

LIXIL Corporation and its subsidiaries shall implement the following activities with the goals of minimizing the consumption of energy through our business activities, aspiring to net zero balance energy use in the residential and commercial sector, and contributing to future improvements in people's comfort and lifestyles.

### ***1. As we offer products and service that reflect and optimize the full bounty of nature, we will also consider future ways and standards of living, together with our customers.***

•By developing and selling highly effective heat-proof sashes and doors and products with enhanced power saving and hot water saving functions, we will contribute to reductions in CO2 emissions in the residential and commercial sector, including homes and office buildings, etc. In addition to maximizing energy use reductions in Japan through LIXIL products, we shall promote reductions in CO2 emissions and reduce emissions by 50% by FY2015 compared with FY2010.

### ***2. We will conduct regular business activities in a manner that will reduce carbon emissions, enhance recycling of resources, and promote harmonious coexistence with nature.***

•In order to promote a low-carbon society, we will work to minimize energy consumption in all business activities from procurement through to production and disposal and by FY2020 we will reduce CO2 emissions at our Japanese offices by 60% in comparison to FY1990.

•In order to promote the recycling of resources, we will promote the commercialization of advanced sorting technology for metal resources, such as aluminum found in disposed products, through participation in industry-academic-government joint developments and promote technological innovations in the product manufacturing process. We will increase the ratio of recycled raw materials used in our raw materials overall, an area where we are already an industry leader. As part of our responsibility as a large-scale manufacturer, in FY2012 we launched an Eco-Center in the Tohoku Region for collecting housing renovation waste to recover resources to complement the centers already opened in the Chubu and Kanto regions, and by FY2015 we will handle an annual 5,000m3 of waste materials in the Tohoku Region.

•In order to promote harmonious coexistence with nature, by FY2015 we will increase to 80% the ratio of procured wood materials accounted for by processed materials made using raw wood materials accredited by

Japanese and overseas third party accreditation organizations, materials produced through afforestation, Japanese wood materials and wood offcuts and waste. We have contributed to reductions in forest clearing by promoting the effective use of wood resources through the commercialization of advanced technologies for wood materials, including “bagasse board” (made using the fibrous remains of sugarcane after it has been crushed), which we have made compatible with stringent quality specifications and spread from Japan to other parts of Asia, “reinforced wood”, which is made through the combined molding of wood flour with resin, and wood material modifications with aim of promoting use of underutilized materials and fast-growing trees, etc.

**3. As a member of local communities and society, we will work to further mutual understanding with our stakeholders and collaborate with them to take actions in our own, original way.**

•We will promote “Learning from Water” activities with the aim of teaching children both in Japan and overseas the import role of water in our lives. In Japan, our employees will travel to elementary schools to give lessons using original teaching materials in various regions, and overseas we will work in partnership with local NPOs to support education while communicating with local children. By 2015, we will add one new overseas bases to expand the scope of these activities.

•In order to conserve biodiversity and forests in the regions where our production bases are located, we will promote “Caring for Forests” and “Bringing Forests to Factories” projects in which we carry out environmental projects and the thinning and planting of forests in partnership with our employees, their family members, local residents, local government and NPOs. By FY2015 we will add one new base to expand the scope of these activities.

LIXIL Corporation will check the progress of the above initiatives and make regular public announcements of the results, in addition to reporting to the Ministry of the Environment.

The Eco-first Promotion Council was established as an organization on December 9, 2009 with the aim of encouraging “Eco-First Companies” (officially accredited by the Ministry of the Environment as leaders in the field of environmental conservation) to make steady progress in the implementation of individual Eco-First Commitments made to the Minister of the Environment and to work in strong partnerships with other Eco-First Companies in order to develop and strengthen leading and unique environmental conservation activities.



The organization was established a little over a year after the creation of the “Eco-First System” with the aim of promoting the development of the system by encouraging ongoing environmental initiatives by Eco-First Companies and strong partnerships both with the environmental authorities and between Eco-First Companies.

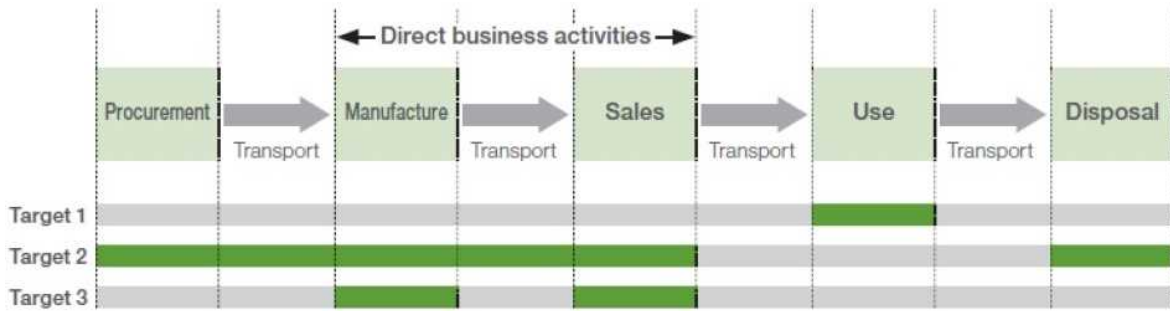
\* [See The Eco-first Promotion Council website \(Japanese Only\)](#)



## Medium-term environmental Targets

To achieve the mission that we set forth in our Environmental Vision, we switched from reducing carbon dioxide emissions to reducing our energy consumption itself, setting ourselves the goal of reducing energy consumption across the entire life cycle of our products. In other words, we will strive to reduce not only the energy consumed directly by our business activities, but also the energy consumed indirectly across the entire spectrum of influence of our products, from procurement of raw materials for manufacturing to the use and eventual disposal of our products by our customers. Leading up to 2015, we have set ourselves the following three medium-term environmental targets.

### Product and Service Life Cycle



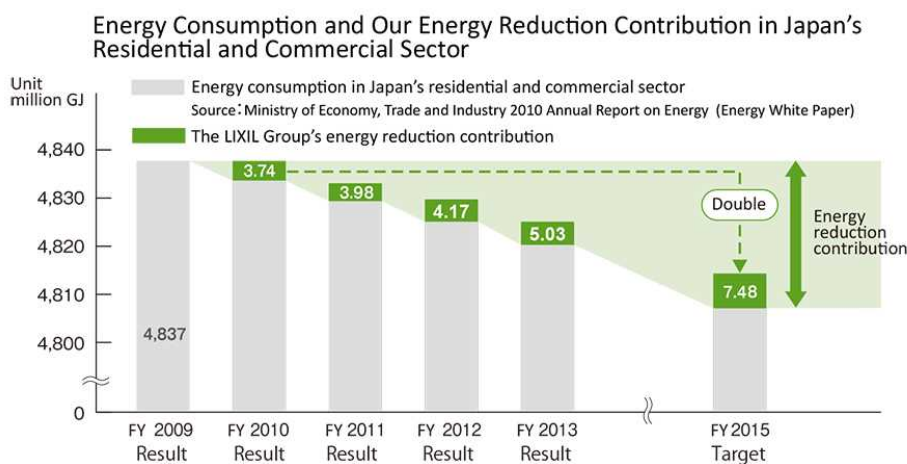
## Target 1

To achieve zero energy balance in the residential and commercial sector, we have set ourselves the target of boosting our contribution to energy consumption reduction in Japan's homes, offices and commercial buildings for fiscal 2015 to double the level of fiscal 2010.

Energy consumption in the residential and commercial sector in Japan has risen steadily, reaching 4.837 billion GJ in 2009. Poorly insulated houses with older fittings and equipment make up the majority of Japan's estimated 58 million existing houses, and are thought to account for most of the energy consumed by the residential sector.

Based on our assumption that the average energy efficiency of such houses stands at the 1990 level, we have defined the amount of energy that could be saved by replacing the products fitted in 1990 with the latest of our products as "energy reduction contribution," and use this as a measure of our efforts to reduce energy in the household sector. We aim to boost our energy reduction contribution for fiscal 2015 to double the fiscal 2010 level through further raising product performance and broader use of those products in the market. Our energy reduction contribution in fiscal 2013 was 5.03 million GJ, a 134% increase against fiscal 2010.

Moreover, since energy generation/saving products and water-conserving products continue to reduce energy consumption until they are replaced or decommissioned, we estimate that our cumulative energy reduction contribution for the years from fiscal 2010 to fiscal 2015 will eventually reach 30 million GJ. By applying our technologies to our growing overseas products business, we will also help to reduce energy consumption on a global scale.



### [The LIXIL Group's Energy Reduction Contribution Calculation Method]

Energy reduction contribution = (annual electricity/gas/water consumption reduction derived from all energy generation/saving products and water saving products\*1 sold in Japan each year compared with 1990 products) × (energy conversion coefficient\*2) × (number of each product type sold)

#### <For Windows>

Window product energy reduction contribution = (reduction in annual HVAC electricity consumption through improved window insulation compared with 1990 windows\*3) × (energy conversion coefficient) × (number of windows sold annually (per home))

\*1 Applicable products: Detached home sashes, entrance doors (excluding those for prefabs), apartment/condominium sashes, house insulation panels, solar power systems, kitchen units, bathroom units, washstands, toilets, plumbing fixtures, humidity control building materials

\*2 Electricity, gas: heat value per unit per energy source as specified in Law Concerning the Rational Use of Energy Water: conversion coefficient calculated from Japan Environmental Management Association for Industry (JEMAI) Carbon Footprint Database Ver.1

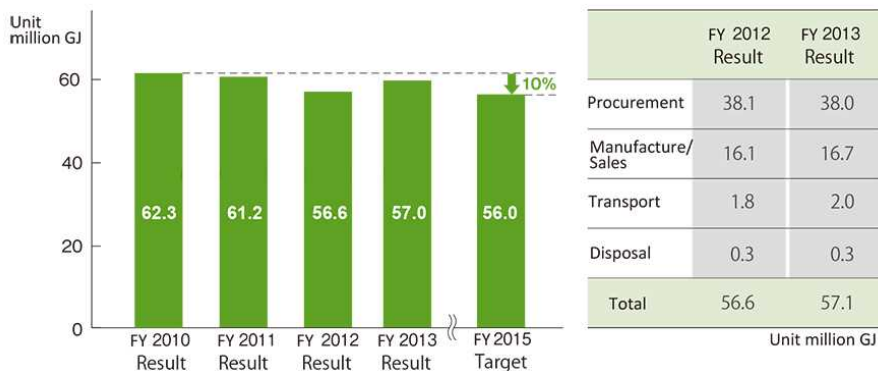
\*3 Annual heating and cooling load for a standard home converted into electricity using a home heat load calculation program, called SMASH (Simplified Analysis System for Housing Air Conditioning Energy) for Windows, developed by Institute for Building Environment and Energy Conservation (IBEC)

## Target 2

**We will reduce our total domestic and overseas energy consumption related to procurement, manufacture/sales, and disposal by 10% from the fiscal 2010 level by fiscal 2015.**

We will implement policies to manage the energy consumed at each product life cycle stage, including improving the ratio of recycled raw materials at the procurement stage, improving production efficiency and making greater use of renewable energy at the production and sales stages, improving the efficiency of the transportation stage through the use of returnable packaging and compact packaging and improving product recycling at the disposal stage. We aim to reduce our total energy consumption by 10% from the fiscal 2010 level by fiscal 2015. Our total energy consumption for fiscal 2013 was 57.0 million GJ, a 8.5% reduction from fiscal 2010. Our total energy consumption for fiscal 2013 was 57.0 million GJ, a 8.5% reduction from fiscal 2010.

Total Domestic and Overseas Electricity Consumption



### [Total Energy Consumption Calculation Method]

- Energy consumption (procurement)\*1 = (amount of purchased raw materials) × (energy conversion coefficient\*2) + (cost of purchasing parts/materials) × (energy conversion coefficient\*3)
- Energy consumption (manufacture/sales)\*4 = (electricity/fuel consumption, water intake) × (energy conversion coefficient\*5)
- Energy consumption (disposal) = (landfilled/incinerated quantity when products are disposed) × (energy conversion coefficient\*2)
- Energy consumption (transport) = (transported weight) × (transportation distance) × (energy conversion coefficient\*6)

\*1 .Energy consumption in procuring raw materials includes energy consumed in mining, sorting, blending, refining and other raw material processing including transport to Japan. Energy consumption in manufacturing parts/materials includes energy consumed in mining, refining and other raw material processing including transport to Japan and assembly/processing in Japan

\*2 .Conversion coefficient calculated from Japan Environmental Management Association for Industry (JEMAI) Carbon Footprint Database Ver.1

\*3 .Architectural Institute of Japan (AIJ) LCA Database (1995 Input-Output Table)

\*4. Manufacture/sales energy consumption includes energy calculated by multiplying quantity of waste products processed during manufacture/sales by energy conversion coefficient\*2

\*5. Electricity, fuel: heat value per unit per energy source as specified in Law Concerning the Rational Use of Energy  
Water: conversion coefficient calculated from Japan Environmental Management Association for Industry (JEMAI) Carbon Footprint Database Ver.1

\*6 .Conversion coefficient calculated from unit fuel consumption and unit calorific value using improved tons x distance method as specified in the Law Concerning the Rational Use of Energy (Measures Pertaining to Consigners)

### [Scope of Data Coverage]

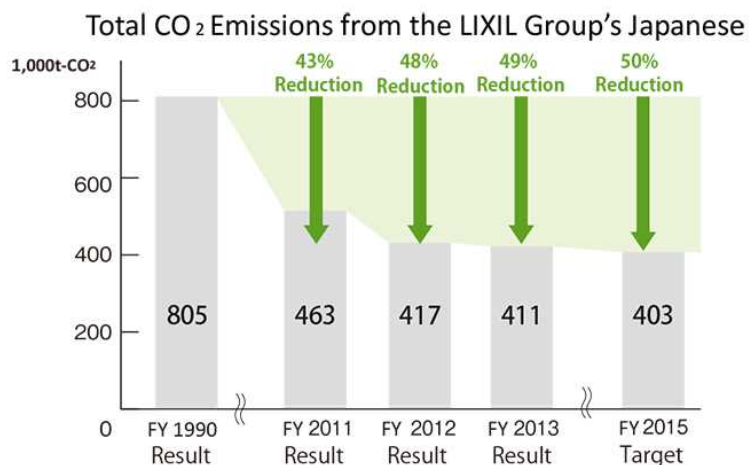
LIXIL Group operating companies in Japan and overseas, together with their consolidated subsidiaries and non-consolidated subsidiaries under the management of operating companies, as of April 2013

### Target 3

**We will reduce the CO<sub>2</sub> emissions of our Japanese sites to 50% of their fiscal 1990 level by the end of fiscal 2015.**

Reducing our energy consumption to achieve Target 2 will also help to reduce the direct CO<sub>2</sub> emissions from our business activities in Japan. Our total CO<sub>2</sub> emissions from Japanese sites in fiscal 2013 amounted to 411,000 t-CO<sub>2</sub>, a reduction of 49% from fiscal 1990 emissions.

#### Total CO<sub>2</sub> Emissions from the LIXIL Group's Japanese Sites



#### [CO<sub>2</sub> Conversion Coefficients Used to Convert CO<sub>2</sub> Emissions]

- Purchased electricity: Japan 0.378, China 0.764, Korea 0.489, Thailand 0.567, Vietnam 0.427, and Indonesia 0.653(kg-CO<sub>2</sub>/kWh),
- Natural gas: 2.108 (kg-CO<sub>2</sub>/m<sup>3</sup>),
- LPG: 3.002 (kg-CO<sub>2</sub>/kg),
- Kerosene: 2.492 (kg-CO<sub>2</sub>/L),
- Fuel oil: 2.71 (kg-CO<sub>2</sub>/L),
- Diesel : 2.624 (kg-CO<sub>2</sub>/L),
- Gasoline: 2.322 (kg-CO<sub>2</sub>/L),
- Purchased steam: 0.06 (kg-CO<sub>2</sub>/MJ)

Sources : Guidelines for Calculating Greenhouse Gas Emissions for Businesses (Ministry of the Environment), 2005, GHG-emissions-from-purchased-electricity (Version-4\_4\_Aug-2012)

# Material Balance

## Scope of Data Collection

In principle, with the exclusion of some consolidated subsidiaries in consideration of their business size and content, the scope of the organization for which environmental impact data is reported comprises all operating companies and their consolidated subsidiaries as of April 2013. Among non-consolidated companies, only a few of the manufacturing and logistics companies have been included in the scope of reporting (LIXIL Logistics Corporation and LIXIL BUILDING MATERIALS MANUFACTURING (SHANGHAI) CORPORATION); when their buildings are either owned or managed by operating companies of the LIXIL Group, non-consolidated subsidiaries are considered to be under management by the LIXIL Group. Please note that the scope differs from the group of companies that are consolidated for financial reporting purposes. The calculation method used for energy-savings contribution by product is given on page 12. Items outside the scope stated above are reported on in separate notes on an individual basis.

### ■ Affiliates of the LIXIL Group

LIXIL Corporation, LIXIL VIVA CORPORATION, Kawashima Selkon Textiles Co., Ltd., LIXIL Housing Research Institute, Ltd., HIVIC CO., LTD., JIO Corporation LIXIL REALTY, Corp., CLASSIS Corporation, LIXIL Group Finance Corporation

### ■ LIXIL Corporation's Major subsidiaries

#### • Major subsidiaries and affiliates in Japan

SUN WAVE CORPORATION, LIXIL Total Hanbai Corporation, Asahi Tostem Exterior Building Materials Co., Ltd., GTERIOR Corporation, LIXIL SUZUKI SHUTTER CORPORATION, JAPAN HOME SHIELD CORPORATION, LIXIL Toyo Sash Shoji Co., Ltd., Dinaone Corporation, TM.S Corporation, Kuwata Co., Ltd., SUN WAVE KITCHEN TECHNO CORPORATION, Oita Tostem Co., Ltd., Nishi Kyushu Tostem Co., Ltd., LIXIL Online Corporation, Tostem Management Systems Co., Ltd., LIXIL Total Service Corporation, LIXIL ENERGY Co., Ltd., LIXIL RENEWAL Corporation, LIXIL INFORMATION SYSTEMS CORPORATION

#### • Non-consolidated subsidiaries in Japan : LIXIL Logistics Corporation

#### • Major subsidiaries and affiliates outside Japan

TOSTEM THAI Co., Ltd., LIXIL Manufacturing (Dalian) Corporation, LIXIL INAX VIETNAM Corporation, LIXIL INAX DANANG Manufacturing Co., Ltd., LIXIL INAX SAIGON Manufacturing Co., Ltd., LIXIL-Haier Housing Products (Qingdao) Co., Ltd., LIXIL BUILDING MATERIALS MANUFACTURING (SUZHOU) CORPORATION, LIXIL Sanitary Fitting Manufacturing (Suzhou) Corporation, Four consolidated companies and one non-consolidated company outside Japan

### 【Procurement and Logistics Data】

■ **Procurement:** The scope of data calculation includes all bases and companies manufacturing products under the environmental management systems of the LIXIL Group. All raw materials, parts, and packaging materials used in the products are included in the calculations. However, manufacturing facilities and office consumables are excluded. The data covers 43 bases in Japan and 16 companies overseas.

■ **Logistics:** The scope of data calculation extends only to those facilities designated by LIXIL Logistics Corporation under the Law Concerning the Rational Use of Energy (Specified Shipper). The scope includes 17 of LIXIL Logistics' facilities.

### 【Newly Integrated Companies】

In accordance with the LIXIL Group's environmental regulations, taking into account the time required to analyze the state of data collected before integration and to introduce environmental management systems, the LIXIL Group does not begin to include environmental impact data until three years after a company is integrated into the Group. For that reason, the data for Permasteelisa S.p.A. and ASD Americas Holding Corp. are not included in the data for fiscal 2013.

【Data Collection Period】 From April 1, 2013 to March 31, 2014

## Material Balance (INPUT)

### ■ Procurement

The amount used		FY 2012		FY 2013			
Raw materials	Aluminum raw materials	157,875	t	148,882	t		
	Other metals	78,204	t	86,567	t		
	Plastics raw materials	32,231	t	39,765	t		
	Wood raw materials	214,084	t	268,735	t		
	Ceramics raw materials	393,829	t	531,006	t		
	Others	11	t	8	t		
Parts/ materials	Metal parts	100,815	t	117,407	t		
	Plastic parts	129,925	t	126,232	t		
	Wood parts	103,503	t	102,051	t		
	Ceramic parts	236,986	t	262,207	t		
	Packaging materials	14,789	t	17,692	t	Quantity of reduction	Compared with previous year
Others	149,471	t	254,086	t			
<b>Energy consumption</b>		<b>38,095</b>	thousand GJ	<b>37,983</b>	thousand GJ	<b>112</b>	thousand GJ <b>0.3%</b> decrease

Notes:

1. The weight of parts / materials is calculated based on purchase costs.
2. Data covers the manufacturing bases of LIXIL Corporation and its subsidiaries overseas, Kawashima Selkon Textiles Co., Ltd., and HIVIC CO., LTD.

### ■ Manufacture/sales

The amount used		FY 2012		FY 2013			
Electricity		953,977	thousand kWh	969,360	thousand kWh		
City gas		91,009	thousand m <sup>3</sup>	100,084	thousand m <sup>3</sup>		
LNG		14,318	t	16,645	t		
LPG		16,700	t	14,758	t		
Kerosene		6,741	kL	3,766	kL		
Fuel oil		14,045	kL	11,928	kL		
Diesel		2,858	kL	2,528	kL		
Gasoline		8,434	kL	9,655	kL		
Steam		161,757	GJ	167,590	GJ	Quantity of reduction	Compared with previous year
Photovoltaic power generation *		8,080	thousand kWh	26	thousand kWh		
<b>Energy consumption</b>		<b>16,409</b>	thousand GJ	<b>16,808</b>	thousand GJ	<b>— 400</b>	thousand GJ <b>2.4%</b> increase

\* Data only covers facilities within the premises of our factories (in-house use only).

Water intake		FY 2012		FY 2013			
Potable water		1,103	thousand m <sup>3</sup>	1,552	thousand m <sup>3</sup>		
Industrial water		8,589	thousand m <sup>3</sup>	6,484	thousand m <sup>3</sup>	Quantity of reduction	Compared with previous year
Ground water		5,657	thousand m <sup>3</sup>	5,040	thousand m <sup>3</sup>		
<b>Energy consumption</b>		<b>20.4</b>	thousand GJ	<b>19.0</b>	thousand GJ	<b>1.3</b>	thousand GJ <b>6.6%</b> decrease

Note: Data excludes a portion of LIXIL Corporation's head office, branches, and sales-related consolidated companies, LIXIL Housing Institute, Ltd., HIVIC CO., LTD., JIO Corporation, and CLASSIS Corporation.

Volume handled		FY 2012		FY 2013		Quantity of reduction	Compared with previous year
Chemicals		6,669	t	6,681	t	— 12 t	0.2% increase

Note: Data covers LIXIL Corporation and LIXIL VIVA CORPORATION.

### ■ Logistics

The amount used		FY 2012		FY 2013		Quantity of reduction	Compared with previous year
Fuel(Crude oil equivalent)		46,451	kL	52,631	kL		
<b>Energy consumption</b>		<b>1,800</b>	thousand GJ	<b>2,040</b>	thousand GJ	<b>— 240</b>	thousand GJ <b>13.3%</b> increase

Note: Data covers LIXIL Logistics Corporation.



## Material Balance (OUTPUT)

### ■ Procurement (Scope 3)

CO <sub>2</sub> emissions		FY 2012		FY 2013			
Raw materials	Aluminum raw materials	961	thousand t-CO <sub>2</sub>	788	thousand t-CO <sub>2</sub>		
	Other metals	148	thousand t-CO <sub>2</sub>	162	thousand t-CO <sub>2</sub>		
	Plastics raw materials	78	thousand t-CO <sub>2</sub>	86	thousand t-CO <sub>2</sub>		
	Wood raw materials	171	thousand t-CO <sub>2</sub>	214	thousand t-CO <sub>2</sub>		
	Ceramics raw materials	84	thousand t-CO <sub>2</sub>	97	thousand t-CO <sub>2</sub>		
	Others	0.2	thousand t-CO <sub>2</sub>	0.1	thousand t-CO <sub>2</sub>		
Parts/ materials	Metal parts	499	thousand t-CO <sub>2</sub>	501	thousand t-CO <sub>2</sub>		
	Plastic parts	308	thousand t-CO <sub>2</sub>	302	thousand t-CO <sub>2</sub>		
	Wood parts	87	thousand t-CO <sub>2</sub>	82	thousand t-CO <sub>2</sub>		
	Ceramic parts	48	thousand t-CO <sub>2</sub>	47	thousand t-CO <sub>2</sub>		
	Packaging materials	33	thousand t-CO <sub>2</sub>	40	thousand t-CO <sub>2</sub>	Quantity of reduction	Compared with previous year
	Others	249	thousand t-CO <sub>2</sub>	329	thousand t-CO <sub>2</sub>		
<b>Total</b>		<b>2,667</b>	<b>thousand t-CO<sub>2</sub></b>	<b>2,648</b>	<b>thousand t-CO<sub>2</sub></b>	<b>19 thousand t-CO<sub>2</sub></b>	<b>0.7% decrease</b>

Note: Data covers the manufacturing bases of LIXIL Corporation and its subsidiaries overseas, Kawashima Selkon Textiles Co., Ltd., and HIVIC CO., LTD.

### ■ Manufacture/sales (Scope 1 2)

CO <sub>2</sub> emissions		FY 2012		FY 2013			
Electricity	430	thousand t-CO <sub>2</sub>	439	thousand t-CO <sub>2</sub>			
City gas	193	thousand t-CO <sub>2</sub>	211	thousand t-CO <sub>2</sub>			
LNG	39	thousand t-CO <sub>2</sub>	45	thousand t-CO <sub>2</sub>			
LPG	50	thousand t-CO <sub>2</sub>	44	thousand t-CO <sub>2</sub>			
Kerosene	17	thousand t-CO <sub>2</sub>	9	thousand t-CO <sub>2</sub>			
Fuel oil	38	thousand t-CO <sub>2</sub>	32	thousand t-CO <sub>2</sub>			
Diesel	7	thousand t-CO <sub>2</sub>	7	thousand t-CO <sub>2</sub>			
Gasoline	20	thousand t-CO <sub>2</sub>	22	thousand t-CO <sub>2</sub>			
Steam	10	thousand t-CO <sub>2</sub>	10	thousand t-CO <sub>2</sub>			
<b>Total</b>		<b>804</b>	<b>thousand t-CO<sub>2</sub></b>	<b>820</b>	<b>thousand t-CO<sub>2</sub></b>		
The amount compensation of cogeneration credit assumption *	— 15	thousand t-CO <sub>2</sub>	— 14	thousand t-CO <sub>2</sub>	Quantity of reduction	Compared with previous year	
<b>Total (After compensation)</b>		<b>789</b>	<b>thousand t-CO<sub>2</sub></b>	<b>806</b>	<b>thousand t-CO<sub>2</sub></b>	<b>— 17 thousand t-CO<sub>2</sub></b>	<b>2.2% increase</b>

\* Based on Rule of the Japan Voluntary Emissions Trading Scheme (JVETS) of the Ministry of Environment, Ver. 1 (Feb. 21, 2005)

Waste products emissions		FY 2012		FY 2013			
Recycled	88,985	t	109,574	t			
Land filled	50,184	t	49,982	t	Quantity of reduction	Compared with previous year	
<b>Total</b>		<b>139,169</b>	<b>t</b>	<b>159,556</b>	<b>t</b>	<b>— 20,387 t</b>	<b>14.6% increase</b>

Note: Data excludes HIVIC CO., LTD., JIO Corporation, and CLASSIS Corporation.

Wastewater volume		FY 2012		FY 2013		Quantity of reduction	Compared with previous year
Wastewater	14,456	thousand m <sup>3</sup>	10,851	thousand m <sup>3</sup>	3,604	thousand m <sup>3</sup>	24.9% decrease

Note: Data excludes a portion of LIXIL Corporation's head office, branches, and sales-related consolidated companies, LIXIL Housing Institute, Ltd., JIO Corporation and CLASSIS Corporation.

Amount of chemicals moved		FY 2012		FY 2013		Quantity of reduction	Compared with previous year
Chemicals	377	t	348	t	30	t	7.9% decrease

Note: Data covers LIXIL Corporation and LIXIL VIVA CORPORATION.

### ■ Logistics (Scope 3)

CO <sub>2</sub> emissions		FY 2012		FY 2013		Quantity of reduction	Compared with previous year
Fuel(Crude oil equivalent)	123	thousand t-CO <sub>2</sub>	140	thousand t-CO <sub>2</sub>	— 16	thousand t-CO <sub>2</sub>	13.3% increase

Note: Data covers LIXIL Logistics Corporation.

### **[Total Energy Consumption Calculation Method]**

- Energy consumption(procurement)\*1 =(Amount of purchased raw materials)×(Energy conversion coefficient\*2)  
+(Cost of purchasing parts/materials)×(Energy conversion coefficient\*3)
- Energy consumption(manufacture/sales)\*4=(Electricity/Fuel consumption, water intake)×(Energy conversion coefficient\*5)
- Energy consumption(disposal)=(Land filled/incinerated quantity when products are disposed)×(Energy conversion coefficient\*2)
- Energy consumption(transport)=(Transported weight)×(Transportation distance)×(Energy conversion coefficient\*6)

\*1. Energy consumption in procuring raw materials includes energy consumed in mining, sorting, blending, refining and other raw material processing including transport to Japan. Energy consumption in manufacturing parts/materials includes energy consumed in mining, refining and other raw material processing including transport to Japan and assembly/processing in Japan.

\*2. Conversion coefficient calculated from Japan Environmental Management Association for Industry (JEMAI) Carbon Footprint Database Ver.1

\*3. Architectural Institute of Japan (AIJ) LCA Database (2005 Input-Output Table)

\*4. Manufacture/sales energy consumption includes energy calculated by multiplying quantity of waste products processed during manufacture/sales by energy conversion coefficient\*2

\*5. Electricity, fuel: heat value per unit per energy source as specified in the Law Concerning the Rational Use of Energy, 2010

• Water: conversion coefficient calculated from Japan Environmental Management Association for Industry (JEMAI) Carbon Footprint Database Version 1

\*6. Conversion coefficient calculated from unit fuel consumption and unit calorific value using improved tons × distance method as specified in the Law Concerning the Rational Use of Energy (Measures Pertaining to Consigners)

### **[CO2 Conversion Coefficients Used to Convert CO2 Emissions]**

- Purchased electricity: Japan 0.378, China 0.764, Korea 0.489, Thailand 0.567, Vietnam 0.427, and Indonesia 0.653(kg-CO2/kWh),
- Natural gas: 2.108 (kg-CO2/m3), LPG: 3.002 (kg-CO2/kg), Kerosene: 2.492 (kg-CO2/L) , Fuel oil: 2.71 (kg-CO2/L),
- Diesel : 2.624 (kg-CO2/L),
- Gasoline: 2.322 (kg-CO2/L), Purchased steam: 0.06 (kg-CO2/MJ)
- Sources : Guidelines for Calculating Greenhouse Gas Emissions for Businesses (Ministry of the Environment), 2005, GHG-emissions-from-purchased-electricity (Version-4\_4\_Aug-2012)

# Products and services

## Eco-friendly design

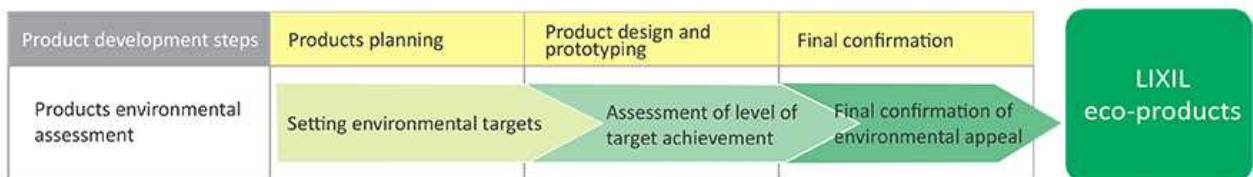
### Design for environment initiatives

# Design for Environment

Design for environment (DfE) refers to design that has been conducted while giving consideration to the environment. This form of manufacturing aims to reduce the environmental impact as much as possible while giving consideration to the life of the product.

By conducting unique assessments from the product planning phase, LIXIL complies with environmental laws and regulation as it works to develop eco-friendly products with even better environmental performance.

Stance towards design for environment (DfE)



In product development, LIXIL conducts unique design for environment (DfE) assessments based on the stance of DfE. In addition to compliance with environmentally-related laws and regulations, LIXIL assesses products at the three stages of make, use, and return and aims to minimize the impact of products on the environment. Products with high environmental performance are designated as LIXIL eco-products, and their characteristics are emphasized to customers through the Eco Mark that is displayed in the catalog and on the official homepage.

In product planning, LIXIL sets environmental targets for products being developed, and in design and prototyping, the level of target achievement is assessed. In final confirmation, LIXIL conducts final confirmation of the environmental information being emphasized.

The assessment details are periodically reviewed in an aim for even higher level design for environment.

\* [Please see here for LIXIL eco-products](#)











## Eco Mark

The Eco Mark is displayed on products that meet the public standards and LIXIL standards in design for environment assessments.

## Public standards conformity marks

These marks are displayed on products that meet legal standards, the standards of business organizations, or third-party certification.






## Major public standard marks

	<p>Products that meet the designated procurement item standards designated by the Act on Promoting Green Purchasing.</p>
	<p>Indicates the energy-saving performance based on the top runner standards of the Energy Saving Act. A green mark indicates products that have attained at least 100% of energy-saving standards, while an orange mark is displayed for products with less than 100% attainment together with the energy-saving standard achievement rate and annual power consumption.</p>
	<p>Products that meet the highest standards for formaldehyde dissipation rate designated in the Building Standards Act (countermeasures to the sick-house syndrome).</p>
	<p>Products that meet the dissipation rate standards from the 4 VOC (toluene, xylene, ethylbenzene, and styrene) designated by the Committee for Standardization of Emission Rate of VOC From Building Products.</p>
	<p>Products that meet the Housing Component VOC Display Guidelines formulated in compliance with the dissipation rate standards from the 4 VOC (toluene, xylene, ethylbenzene, and styrene) designated by the Committee for Standardization of Emission Rate of VOC From Building Products.</p>
	<p>Products that meet the humidity control building materials standards designated by the Japan Construction Material &amp; Housing Equipment Industries Federation.</p>
	<p>Products for which quality control information was published in the guidelines of the Society of International Sustaining Growth for Antimicrobial Articles based on results assessed in accordance with ISO22196 defined by the International Standards Organization.</p>
	<p>Products that meet standards that contribute to environmental conservation through means such as reducing the impact of everyday life on the environmental as designated by the Japan Environment Association.</p>
	<p>Products that meet the definition of hot water-saving taps as defined in the housing and building energy-saving standards of the Energy Saving Act.</p>
	<p>Products that meet the definition of hot water-saving taps as defined in the housing and business builder judgment standards of the Energy Saving Act.</p>












## LIXIL standards conformity mark

This mark is displayed on products that meet assessment standards for the reduction of environmental impact at the three stages of make, use, and return through the life of products designated by LIXIL.



### Make

	Products that meet usage amount standards for recycled raw materials designated by LIXIL.
	Products that meet usage amount standards for environmentally-friendly wood such as certified wood and plantation forest wood designated by LIXIL.
	Products that meet standards for raw material reductions through means such as revised manufacturing methods and raw materials, and weight reduction as designated by LIXIL.
	Products that meet usage amount standards for energy saving in construction through means such as revised construction methods and reductions in construction materials as designated by LIXIL.
	Products that meet waste lumber reduction standards through means such as revised construction methods and improvements in packaging as designated by LIXIL.

### Use

	Products that meet the concentration standards for dissipation of harmful VOC (volatile organic chemicals) such as formaldehyde as designated by LIXIL.
	Products that meet the energy-saving standards at the time of use as designated by LIXIL.
	Products that meet the water-saving standards at the time of use as designated by LIXIL.
	Products that meet the heat-resistance standards designated by LIXIL through means such as improving the thermal insulation of housing and contributing to a reduction in energy used for heating or cooling.
	Products that meet thermal barrier standards including heat ray absorption and heat ray barriers as designated by LIXIL.
	Products that meet solar shading standards including reducing the indoor solar penetration rate through sunlight avoidance as designated by LIXIL.
	Products that meet lighting standards including being able to adjust lighting in the winter and shade in the summer as designated by LIXIL.
	Products that meet ventilation standards including enabling efficient ventilation while giving consideration to trespassing and privacy.
	Products that meet zero energy standards for features and materials that improve comfort and convenience without using energy as designated by LIXIL.
	Products that meet energy creation standards for features and materials that create energy every time they are used as designated by LIXIL.
	Products that meet antifouling standards including the enabling of long-term use in clean conditions while reducing the amount of cleaning water and cleanser used as designated by LIXIL.

## Return

	<p>Products that meet recycling standards such as facilitating disassembly and separation in order to recycle resources as designated by LIXIL.</p>
	<p>Products that meet reusable standards for reusing parts and materials to eliminate resource waste as designated by LIXIL.</p>

## Laws and systems

Refer to the link below for laws and systems concerning products and the environment.

- \* [Please see here for information on public incentives \(Japanese Only\)](#)
- \* [Please see here for data related to laws and systems \(LIXIL business information\) \(Japanese Only\)](#)











## Eco-product database

### List of supported products

Lists information regarding compliance to public standards and LIXIL standards for eco-products that meet design for environment standards.

- \* [Please see here for information on the Eco Mark](#)

\*The following Eco-product databases and informations are all only Japanese.

<p><b>Windows and shutters</b> <a href="#">Thermos X</a></p> 	 <p>Thermal insulation performance equivalent to conventional resin has been achieved with a hybrid structure of conventional resin. [Eco-standards compliance information]</p> <ul style="list-style-type: none"> <li>• <a href="#">Windows and shutters</a></li> <li>• <a href="#">Building, store design, curtain walls</a></li> </ul>
<p><b>Entrance doors, sliding doors</b> <a href="#">Grandel</a></p> 	    <p>The flow of heat from doors is controlled with excellent thermal insulation performance (1.5 specifications) that supports even cold areas. [Eco-standards compliance information]</p> <ul style="list-style-type: none"> <li>• <a href="#">Entrance doors, sliding doors</a></li> </ul>
<p><b>Interiors</b> <a href="#">Woody line</a></p> 	  <p>Timber materials in compliance with F☆☆☆☆ and 4VOC standards are used. [Eco-standards compliance information]</p> <ul style="list-style-type: none"> <li>• <a href="#">Interior construction materials</a></li> </ul>



**Exteriors** [Carport Archifield](#)



省エネ LED  
 遮熱 熱吸収・熱線遮断樹脂材  
 防汚 アクアシャイン

Possible to select the roofing material depending on the purpose, such as heat ray absorption or blocking or dirt resistance.

[Eco-standards compliance information]

・ [Exteriors](#)

**Tiles** [Ecocarar Granas Visto](#)



調湿建材  
 ホルムアルデヒド低減建材  
 ゼロエネ

Breathes in and out the air in the house to keep a comfortable humidity level whatever the season and reduces unpleasant odors and harmful substances.

[Eco-standards compliance information] ・ [Tiles](#)

[Eco-effect] ・ [Tiles](#)

**Kitchen** [Kitchen Richelle SI](#)



レンシフード/レンシフード照明  
 省エネ  
 ビルトインコンロ  
 ハンスフリー水栓  
 節水 A1 C1 節水 AB  
 キャビネット(木質)  
 F☆☆☆☆ (4VOC基準適合木質建材)

This tap that features available water stopping, small-flow water discharge, and priority water discharge enables water consumption reduction without you even being aware of it.

[Eco-standards compliance information] ・ [System kitchen](#)

[Eco-effect] ・ [System kitchen](#)

**Bathroom** [Unit Bathroom Spage](#)



シャワー  
 節水 A1 節水 B1 節水 AB  
 断熱浴槽  
 省エネ

This eco-shower with a hand switch achieves significant water savings through comfortable low water flow.

[Eco-standards compliance information] ・ [Unit bathroom](#)

[Eco-effect] ・ [Unit bathroom](#)

**Wash and dressing room** [Wash and Dressing Room Lumisis](#)



ミラーキャビネット  
 省エネ ゼロエネ  
 水性金具  
 節水 C1 グリーン購入法  
 キャビネット(木質)  
 F☆☆☆☆ (4VOC基準適合木質建材)

The mirror cabinet is equipped with an anti-fogging coat that eliminated fogging without using any energy.

[Eco-standards compliance information] ・ [Wash and dressing room](#)

[Eco-effect] ・ [Wash and dressing room](#)

**Toilet** [Shower-toilet single unit toilet Satis G Type](#)



This toilet achieves significant water-saving, using 4 L of water for large flushes and 3.3 L of water for small flushes, and is compliant with the Act on Promoting Green Purchasing.

[Eco-standards compliance information]

- [Residential toilets](#)
- [Public toilets](#)
- [Toilet hand washing](#)

[Eco-effect] • [Residential toilets](#) • [Public toilets](#)

**Water tap hardware** [Sink Water Tap Cubia](#)



Hot water and standard water savings are achieved through an eco-handle that prevents wasteful hot water supply and water-saving foam for comfortable washing.

[Eco-standards compliance information]

- [Water tap hardware](#)
- [Accessories](#)

[Eco-effect] • [Water tap hardware](#)

**High-performance residential construction methods** [Thermal Insulation Modification Method Coco Eco](#)



Makes it possible to improve insulation for some rooms by simply attaching internal windows and insulation panels without having to destroy existing windows, walls, or floors.

[Eco-standards compliance information]

- [High-performance residential construction methods](#)

**Specified facility equipment** [Ostomate Pack](#)



The sink is SIAA bacteria-resistant in compliance with international standards. Bacteria growth is controlled with the power of silver ion.

[Eco-standards compliance information]

- [Specified facility equipment](#)

## Eco-effect calculation basis

Trial calculation conditions

\* [Trial calculation conditions for the eco-effect of products](#)

### Water, electricity, and gas charges

Calculated based on representative information for Japan according to research from July 2014.

Could differ depending on factors such as region, time differences, and conditions.

Item		Charge unit	Source (data)	Remarks
Water supply and sewage charge	For homes	265 yen per m <sup>3</sup> (including tax)	Bureau of Waterworks Tokyo Metropolitan Government	Pipe diameter of 20mm, 30 m <sup>3</sup> used per month
	For public use	700 yen per m <sup>3</sup> (including tax)	Bureau of Waterworks Tokyo Metropolitan Government	Pipe diameter of 50mm, 300 m <sup>3</sup> used per month
Electricity charges	For homes	27 yen per kWh (including tax)	New power charge guideline unit price	Home Electric Appliances Fair Trade Conference
	For public use	13 yen per kWh (including tax)	Agency for Natural Resources and Energy (special high voltage)	Average for January to March 2011
Town gas charge	For homes	181 yen per m <sup>3</sup> (including tax)	Tokyo Gas	32 m <sup>3</sup> used per month
	For public use	121 yen per m <sup>3</sup> (including tax)	Tokyo Gas	Commercial seasonal contract charges
LP gas charge		665 yen per m <sup>3</sup> (including tax)	Japan LP Gas Association	Retailer ⇒ retail price for final consumer
Kerosene charge		112 per L (including tax)	Oil Information Center	National average kerosene (delivery) retail price

\*Consumption tax rate of 8%

### CO2 emission factors

Item	Emission factors	Unit	Source
Electricity	0.43	kgCO <sub>2</sub> /kWh	Ministry of Economy, Trade and Industry, average emission factor for all power sources
Town gas	2.23	kgCO <sub>2</sub> /m <sup>3</sup>	Act on Promotion of Global Warming Countermeasures
LP gas	5.98	kgCO <sub>2</sub> /m <sup>3</sup>	Act on Promotion of Global Warming Countermeasures, Japan LP Gas Association
Lamp oil	2.49	kgCO <sub>2</sub> /L	Act on Promotion of Global Warming Countermeasures
Water	0.23	kgCO <sub>2</sub> /m <sup>3</sup>	Estimates based on industry related tables (tap water only)

### Product CO<sub>2</sub> reduction effect (Example of mark display)

Displays the annual CO<sub>2</sub> reductions for the latest LIXIL products that achieve reductions in CO<sub>2</sub> during use due to functions that reduce the environmental footprint through means such as energy-saving and water-saving in comparison to products that were standard around 1990.



## Proposals to Our Customers

### Launch of New “Living Solutions” Service

We have launched a new service (TsuFu-Sofu Design Support Service\*2) through which we use comfort index PMV\*1 to make optimum window size, type and layout proposals to builders across Japan based on the design blueprints and locations of the planned buildings with the aim of making summertime more energy-efficient and comfortable. We regard wind as part of nature’s bounty and make proposals for more comfortable living in a way that makes full use of wind in order to achieve energy savings. The energy-saving effects and innovative initiatives offered by this service have been recognized outside the company, and at the 9th Eco Products Awards (hosted by the Eco-Products Awards Steering Committee) we were awarded the Minister's Prize, which is one of the top prizes (Eco-Services Category).

\* [See “TsuFu-Sofu Design Support Service” for more details \(Japanese only\)](#)

\*1 PMV (Predicted Mean Vote): a well-known index for measuring cool temperature sensation in order to assess comfort in spaces. The level of comfort (PMV value) can be identified through a combination of six elements related to the temperature environment (air temperature, mean radiation temperature, wind speed, relative humidity, volume of clothing worn and metabolic rate).

\*2 Sofu stands for “wind generation”; temperature differences in the air are utilized to generate the natural movement of air even when there is no air current.

### Development of Energy Savings and Water Savings Simulation Tool

We have released a web application containing an energy-saving and water-saving simulator which allows people to make simple simulations of the savings in heating and lighting costs and CO2 reductions they can achieve by upgrading their windows, doors and plumbing to the latest models. By making this available on our website, we have made the facility available to all customers. We make use of the application on tablet computers in our showrooms during sales discussions and proposals with our customers.



\* [See here for more details on our energy-saving and water-saving simulator \(Japanese only\)](#)

### We propose the stance of “passive first” as a way to get ahead in energy-efficient housing.

We have issued two types of eco-housing proposal pamphlets, namely “Wisely Using Nature, Passive First” for professional users including builders and “Getting Ahead Living Proposal Achievable With No Waste” for general constructors. These two pamphlets are based on the new eco-housing concept of passive first proposed by LIXIL that encourages people to achieve comfortable living by wisely using nature, and support the housing and building energy-saving standards established in October 2013.



▲ PASSIVE FIRST



▲ Getting Ahead Living Proposal

\* [Please see here for the Passive First news release \(Japanese only\)](#)

## Business Activities

### Reducing Global Warming

We strive to carry out our daily business activities in a way that reduces carbon emissions, recycles resources, and protects the environment. The entire company works hard to make improvements, including reductions in CO<sub>2</sub> emissions, in every process from procurement through to manufacturing and disposal.

#### Generating Solar Power at Our Factories

We have teamed up with local authorities (Nagasu Town in Kumamoto Prefecture and Bando City in Ibaraki Prefecture) to build solar power generation facilities on idle land at our Ariake and Iwai factories. Each site is equipped with 500 kW power conditioners that can generate 3.75 MW. Generated electricity has been sold to the local power utility since March 2013. In addition, our Sukagawa Factory (located in Sukagawa City in Fukushima Prefecture) has constructed the Tohoku region's first ever solar power generation facility called LIXIL Sukagawa SOLAR POWER next to the factory and in May 2014 the facility began full-scale operations. The facility has a maximum generating capacity of 6.35MW and estimates suggest the facility will generate upwards of 7.8MW of electricity every year (enough to power about 1,400 homes for one year). All of the power generated by this facility will be sold to Tohoku Electric Power Co., Inc.



\* [Please see here for the news release about our solar power generation facilities \(Japanese only\)](#)

#### Utilizing Energy More Effectively

LIXIL's Dalian Factory is working to utilize surplus energy more effectively. Its initiatives include using waste wood from the factory to burn as fuels in its boilers, with excess steam used to heat water that is used not only within the factory but also sold to local vendors for use in production processes, swimming pools and showers. Additionally, powdered wood waste is made into granulated fuel, which reduces the amount of waste the factory generates. The results of similar environmental activities carried out in Japan and LIXIL's factories overseas (energy conservation and waste reduction) are reported to senior management of the Production Division during the Eco Factory Results Presentation held internally. Results are also used to improve the quality of future environmental activities and rolled out at other sites within the company.

#### Eco-friendly Stores and Showrooms

We are fitting new showrooms, including our Kanazawa showroom that opened in November 2011, with insulated glazing in all windows, the latest water-conserving toilets, high-efficiency HVAC systems, solar panels (outdoor, rooftop) LED base and spotlights (c), motion sensor-controlled lighting in toilets, and other eco-friendly equipment. Our Super Viva Home chain of home centers are also being similarly equipped with mist-cooling systems, waterless urinals, water-saving toilets, gas air conditioners that do not consume electricity, electricity demand monitors, solar panels, wind turbines (d), LED lighting, and other equipment to create even more eco-friendly stores.



▲ LED lighting in showroom



▲ Solar panels and wind turbines at Super Viva Home



### Saving Electricity in the Summer of 2013

We made thorough efforts to save electricity by setting air conditioning to 28°C at all our sites (except for certain showrooms, etc.), cutting lighting by 50%, switching factories to nighttime operation, installing generators, and other measures. Furthermore, we encouraged workplaces throughout Japan to participate in our LIXIL Green Curtain Project by growing green curtains. In FY2013 the number of participating sites rose to 60. We also held an in-house competition.



▲ Tsukuba Factory: emergency generator for water supply

▲ Green curtains at our Hukaya Factory (left) and Atsugi Showroom (right) (winners of the FY2013 in-house competition)

### Recycling Resources

At LIXIL Corporation, we collect and sort all industrial waste products generated in our production processes according to the 3R principle. Our development departments lead efforts to promote the recovery of resources from waste, and reduce waste product generation at the manufacturing stage. In the future, we plan to pursue resource recycling on a global scale from the procurement of raw materials through to disposal of the product.

#### Waste materials recycling volume and landfill volume

	FY2012	FY2013
Recycling	88,985t	109,574t
Landfill	50,184t	49,982t
Toal	139,169t	159,556t

#### Ratio of waste materials recycled

	FY2012	FY2013
Reduction volume (year on year)	7,573t (5.2% increase in reductions)	20,387t (14.6% increase in reductions)
Recycling rate	77.3% (LIXIL's Japanese factories only:98.9%)	80.6% (LIXIL's Japanese factories only:98.5%)

\*10 companies aggregate Organizations covered from fiscal 2012 (in Japan 8 companies, two overseas companies) has been added.

\*The recycling rate is the ratio of waste material volume turned back into resources, including valuable materials.

\* [See here for the targets and scope of the below data](#)



### Use of Recycled Aluminum Materials

The manufacturing process for aluminum parts and materials used in products such as sash windows is what uses most energy in LIXIL Group business. We are implementing thorough initiatives aimed at reducing energy consumption and we work hard to recycle resources so as to reduce energy consumption from the procurement of raw materials. LIXIL actively seeks to use as raw materials the recycled aluminum materials collected from items such as sash windows disposed of when dismantling housing, etc.



### LIXIL Eco Centers

Following on from the launch of housing renovation waste collection with the goal of recovering resources at our Eco-Center Tokoname in 2007 and Eco-Center Ibaraki in 2011, we recently launched a new business in Sendai City, Miyagi Prefecture. We have received the cooperation of housing renovation businesses in the areas surrounding Aichi Prefecture, Tokyo City, Chiba Prefecture, Kanagawa Prefecture, Ibaraki Prefecture and Miyagi Prefecture, and promoted the recycling of household equipment such as bidet toilets and water faucets, in addition to window sashes, doors and carpets, etc.

### Background to the Launch of LIXIL Eco Centers

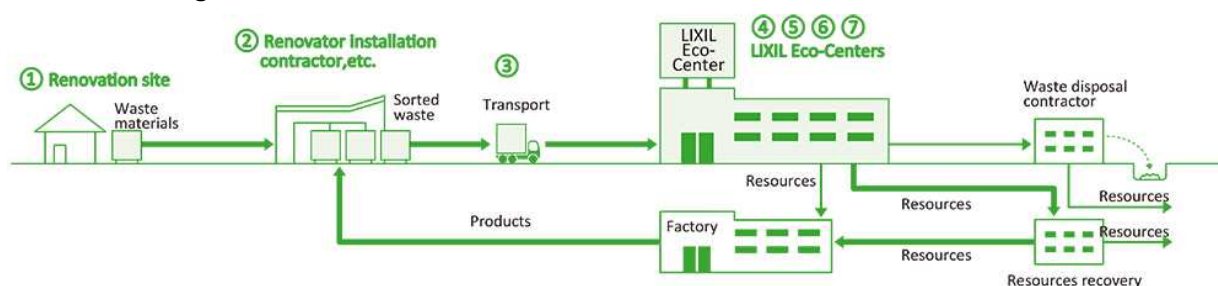
In recent years, there has been an increase in efforts to recycle waste materials arising from the new construction of housing or renovation work. However, scrapped household equipment often combines glass, waste plastic and wood waste, making it difficult to dismantle and sort. For this reason, it has often been sent to landfill or thermal recycling (through which heat energy is collected) and initiatives in material recycling (through which waste materials are recycled as resources) have been slow to develop. In an attempt to find a solution to this challenge, we were the first housing equipment manufacturer to obtain a business permit for paying to collect waste materials from housing renovations and using this to recycle materials.

In May 2007, we launched an industrial waste materials processing business in Aichi Prefecture at our INAX Eco-Center Tokoname (now LIXIL Eco-Center Tokoname). In January 2011, we opened LIXIL Eco-Center Ibaraki and in December 2012 we opened LIXIL Eco-Center Sendai, with the goal of accelerating measures aimed at building a recycling society.

### Role of LIXIL Eco Centers

We pay to collect waste materials, such as used products from new construction or renovation work, and transport these to our LIXIL Eco-Centers. At the Eco-Centers we utilize the know-how we have accumulated as manufacturers of housing equipment and building materials, such as plumbing products and sash windows. Our experienced employees work by hand to dismantle and sort the wide variety of waste materials we collect. The manual work carried out at LIXIL Eco Centers prevents materials from being sent to thermal recycling or landfill sites and we have achieved a materials recycling rate of more than 90%.

### The flow of housing renovation waste at LIXIL Eco-Center





### History of Our Eco-Centers

April 2005	Launched initiatives aimed at construction and commercialization of recycling systems for waste materials from renovations
June 2006	Started demonstration tests recycling renovation waste materials at a pilot facility
April 2007	Relocated from the pilot facility to a single plot at the former Tokoname factory
May 2007	Opened INAX Eco-Center Tokoname (now LIXIL Eco-Center Tokoname). Started full-scale collection of renovation waste materials from outside the company.
September 2007	Selected by Aichi Prefecture as a “business that promotes the formation of a recycling society” (a status awarded to leading recycling operators)
February 2008	Introduced volume reduction facilities for waste plastics
March 2008	Our housing renovation waste materials recycling business received “Ecotown Business” accreditation
July 2008	Acquired a waste disposal business permit from Aichi Prefecture
January 2011	Opened LIXIL Eco-Center Ibaraki
June 2011	Acquired a waste disposal business permit from Ibaraki Prefecture. Started business as INAX Eco-Center Ibaraki.
December 2011	Intermediate processing (selection) added to waste disposal business at the INAX Eco-Center Tokoname.
April 2012	Changed name from INAX Eco-Center to LIXIL Eco-Center
December 2012	Opened LIXIL Eco-Center Sendai. Acquired a waste disposal business permit from Sendai City, Miyagi Prefecture. Acquired a waste transportation business permit from Sendai City, Miyagi Prefecture.
January 2013	Opened LIXIL Eco-Center Sendai.
August 2013	Acquired a waste transportation business permit from Gifu Prefecture.
December 2013	Intermediate processing (compression) added to waste disposal business at the INAX Eco-Center Tokoname.
October 2013	Acquired a waste transportation business permit from Ibaraki Prefecture, Gunma Prefecture, Chiba Prefecture, and Tochige Prefecture.
November 2013	Acquired a waste transportation business permit from Tokyo, Saitama Prefecture, and Kanagawa Prefecture.
February 2014	Acquired a waste transportation business permit from Iwate Prefecture.

## Preventing Pollution

At LIXIL Corporation, we manage and monitor our factories in strict compliance with the Soil Contamination Countermeasures Law and other environmental laws and regulations to ensure that soil and waterways in the vicinity of our factories are not affected by our operations. No infringements of laws and regulations occurred in fiscal 2013.

### Preventing Soil Contamination

We continue to manage our sites autonomously in strict compliance with the Soil Contamination Countermeasures Law as our constituent businesses did before merging to create LIXIL Corporation. In conjunction with the revision of the Soil Contamination Countermeasures Law, we have ensured legal compliance at sites entailing preparation of over 3000m<sup>2</sup> of land for the purposes of reconstruction and new construction. No cases of soil contamination were found in FY2013.

### Reducing Water Usage and Maintaining Water Quality

LIXIL Corporation's factories use a great amount of water in aluminum product surface finishing and other processes. In order to reduce overall usage, we promote efficient use of water by carrying out detailed water usage surveys at each factory (water intake, usage per process and water circulation system deployment), installing water circulation systems, and implementing various other water conservation measures. We also strictly manage wastewater, and are implementing various measures to minimize the impact of wastewater on the natural environment.

### Water usage in our production activities

Water intake	FY2012	FY2013
Tap water	996,000 m <sup>3</sup>	1,056,000 m <sup>3</sup>
Industrial water	8,544,000 m <sup>3</sup>	6,391,000 m <sup>3</sup>
Groundwater	5,645,000 m <sup>3</sup>	5,033,000 m <sup>3</sup>
Energy consumption (GJ)	19,800GJ	16,400GJ
Energy consumption year on year (GJ)	—	3,400GJ (17.2 % decrease)

\* Excludes sales divisions and stores.

\* [See here for the targets and scope of the below data](#)

### List of Major Water Systems

		Region	Major Water System
Japan		Hokkaido	Ishikari River
		Tohoku	Mogami River / Abukuma River
		Kanto	Tone River / Tsurumi River / Ara River
		Chubu	Kiso River / Yahagi River Oyabe River / Shō River
		Kinki	Yodo River / Yamato River / Kumozu River
		Chugoku	Yoshii River
		Kyushu	Echigo River
Overseas	China	Northern China	Biliuhe River / Hai River
		Central China	Yangtze River Lake Tai Huai River
		Southern China	Pearl River
	Vietnam	Red River Hàn River Mekong River	
	Thailand	Chao Phraya River	

# Compliance

## Basic Approach and Promotion System

LIXIL Group believes that the word “compliance” means more than just observing laws, internal regulations and social rules; it also includes behaving in a moral way that considers other people’s points of view. In order to put this form of compliance into action in a thorough way, we have enacted “Group Principles” and worked hard to spread awareness so that all employees continue to uphold this approach. We have established a Compliance Committee at the Group level with the aim of raising awareness and strengthening implementation of compliance. We give advice on the construction and operation of compliance systems by Group companies, and implement measures such as the monitoring of legal compliance.

## Compliance Education

LIXIL Group provides training based on our Group Principles so that each and every employee increases his or her understanding of compliance. Specifically, all employees are given an A4-sized booklet and a pocket-sized booklet containing the Group Principles, and are asked to keep these in an accessible location. In addition, every October, personnel at all workplaces are asked to read the Group Principles aloud together and all employees are asked to make an oath that they will uphold the Group Principles. In this way we aim to increase awareness of the content of the Group Principles.

Other initiatives include compiling case studies showing correct behavior in the many situations employees are faced with in their day-to-day work, and making these case studies available on the company’s intranet.

## Internal Reporting System

LIXIL Group has established an internal reporting system with the aims of collecting information on compliance violations and acting promptly to prevent improper or illegal behavior.

In addition to building systems that allow direct reporting to managers via the intranet, a reporting system is also operated using external lawyers as a consultation service. Both routes protect the privacy of the reporter, and are managed so as to prevent reporters from receiving adverse treatment.

## Receiving Compliance Reports from Suppliers (materials suppliers and subcontractors)

Through our corporate activities, LIXIL Group aims to be a socially useful company that is trusted by society at large. For this reason, we collect information from our suppliers (materials suppliers and subcontractors) about compliance violations committed by LIXIL Group. We have established a consultation service at an external legal office, and we try to prevent any additional violations by collecting information and acting appropriately.

\* [See here for more information \(Japanese only\)](#)

## **Intellectual Property Activities**

### **Basic Approach to Intellectual Property Activities**

LIXIL's Group Charter of Corporate Behavior, which acts as a code of conduct for LIXIL Group companies, states that "The Group protects and makes appropriate use of its intellectual property as well as respecting the intellectual property rights of others" and LIXIL Corporation has set out its Intellectual Property Management Rules based on this goal. The aim of the rules is to "Contribute to the development of the business and to improvements in results at the same time as encouraging creative work at the company and preventing infringements of the intellectual property rights of third parties," and these rules form the basis for all intellectual property activities at LIXIL Corporation.

### **Intellectual Property Activities System**

LIXIL Corporation has established an Intellectual Property Division at its Head Office corporate divisions and has established specialist units (or appointed specialist personnel) responsible for matters relating to the protection of intellectual property rights at each strategic business unit and research facility. We hold a twice-yearly regular meeting, and work to promote company-wide intellectual property activities in our day-to-day work in partnership with the Intellectual Property Division.

### **Promoting the Acquisition of Intellectual Property Rights**

LIXIL Corporation investigates whether there is prior art in the inventions created at its development departments, and then makes a judgment on whether there is value, from a business point of view, in submitting a patent application. This process has been set out under the Internal Rules on Patent Applications. We aim to create high-quality intellectual property rights through the thorough operation of these rules.

### **Preventing the Infringement of Our Intellectual Property Rights by Third Parties**

If the intellectual property rights of third parties are infringed during the process of carrying out our business, there is a risk of lawsuits from third parties resulting in the suspension of sales or claims for compensation for damages. In order to prevent this risk, LIXIL Corporation has set out internal rules for carrying out surveys and investigating third party intellectual property rights when starting out a new business, and we implement these rules thoroughly.

### **Education Regarding the Protection of Intellectual Property**

In addition to the thorough implementation of rules, as part of the intellectual property activities described in the above sections ("Promoting the Acquisition of Intellectual Property Rights" and "Preventing the Infringement of Our Intellectual Property Rights by Third Parties"), LIXIL Corporation actively pursues education that improves the intellectual property knowledge and skills of employees whose work involves intellectual property. The curriculum focuses on patents and design in the case of developers and researchers, and on trademarks in the case of product planning staff. Training is also given to newly-hired employees.



# Risk Management

## LIXIL Group Promotion System

LIXIL Group regards all uncertain factors with the potential to hinder the achievement of our management goals as risks. For this reason, we have built a risk management system at each Group company. In order to promote this system we have established the LIXIL Group Risk Management Committee chaired by the LIXIL Group President as the highest decision-making body. Each Group company is managed under the same system. We have established a controlling department at LIXIL Group Head Office with the aim of carrying out centralized management of risk across the Group, and we have established risk management offices at each company. When major risks arise, the LIXIL Group Risk Management Council handles the situation and provides instructions.

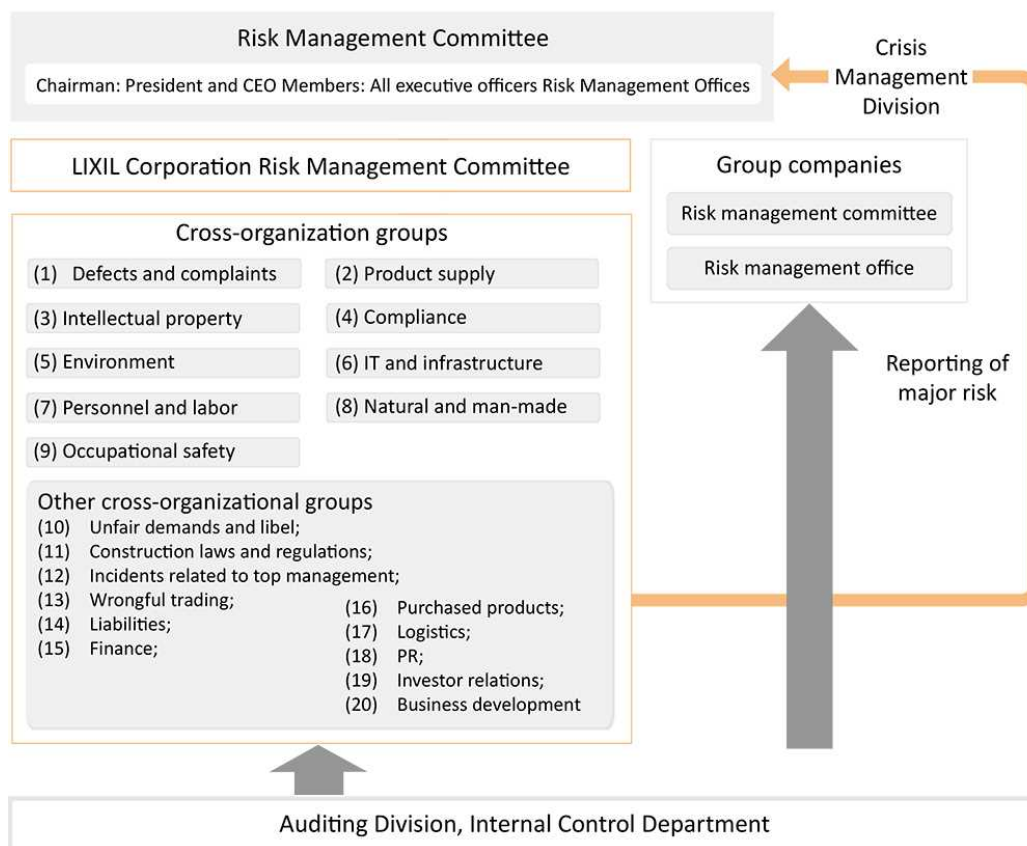
## LIXIL Corporation Promotion System

Besides establishing a controlling department at Head Office, LIXIL also manages risk horizontally through 20 risk management groups. As part of our risk management promotion activities, risks are selected on a yearly basis and assessments are carried out (assessments of impact, frequency and any weaknesses in prevention and follow-up measures), targets are set, measures are proposed and an implementation schedule is formulated. PDCA management is carried out on a quarterly basis with the aim of implementing measures, making assessment and giving feedback.

## Business Continuity Plans

In the light of the Great East Japan Earthquake, the flooding in Thailand, and the increased risk of future natural disasters, we will continue to promote the formulation and development of business continuity plans across all Group companies.

## Outline of Risk Management Promotion System



\* reference : Latest Annual Report “ [Business Risks / Principal Group Companies / Bases / History](#) ”

## Information Security

LIXIL Group places particular importance on the protection of information assets as part of our risk management, and with this goal in mind we have prescribed the Information Security Management Rules and promoted proper information management.

We have centralized our information systems administration and management functions at the IT Promotion Division and Group company LIXIL INFORMATION SYSTEMS CORPORATION (“LIS”).

### Management System

LIXIL Group includes a diverse range of businesses and companies. We carry out self-assessments on the information security challenges that we are likely to face as part of our information management using check-sheets based on the Information Security Management System (ISMS), and we use this as the basis for implementing improvement activities. We have built a management system that includes monitoring by the IT Promotion Division and LIS.

In the unlikely event that a problem arises, the IT Promotion Division, LIS, the Risk Management Promotion Division, and the general affairs departments at each business and company work together to minimize the damage, carry out a company-wide inspection to identify the cause of the problem, and promote improvements to ensure the same problem does not happen again.

### Information Security Initiatives

In order to protect information assets, we have implemented technological measures, such as security measures on our networks and automatic updates for anti-virus software. In order to prevent leaks of information from the iPads distributed to our sales representatives for use outside the company, we have developed a system for the remote deletion of data contained in iPads in order to forestall potential leaks.

Furthermore, in order to ensure full compliance by our employees with information management rules, all employees are obliged to undergo annual training through an e-learning program and to sign a “Pledge to Uphold Information Security Management Rules”. In FY2013, these measures were successfully implemented for 100% of eligible employees.

### Protection of Personal Information

LIXIL Group believes that the protection of personal information is an important responsibility, and we have disclosed our philosophy and policies in relation to the protection of personal information under the Privacy Policy on our website. By adhering to this policy and our internal rules, we seek to ensure that all our employees handle personal information safely and appropriately.

Furthermore, in November 2005, LIS obtained Privacy Mark accreditation from the Japan Information Processing Development Corporation (JIPDEC) as proof to our operating companies and suppliers of its ability to provide a reliable service. As part of its ongoing management activities, LIS later passed its biannual renewal inspection without any problems, and continues to maintain Privacy Mark accreditation.



## Editorial Policy

LIXIL Group has set out a CSR Policy that incorporates “Priority Themes” and “Planned Activities” in the field of CSR, and we promote activities that contribute to the development of a sustainable society. We have established the following priority theme -“Promote speedy and transparent disclosure and share social contribution visions with our stakeholders”, and planned activities -“To win and maintain the trust of our shareholders and investors and achieve sustainable growth in society, we will promote speedy and transparent disclosure of information and share our visions and plans for social contributions with our stakeholders to facilitate mutual understanding on this issue.”

The entire Group will provide appropriate and proper disclosures and reports, both within and outside the company, and build up a track record of dialog in order to construct ongoing relationships with our stakeholders and use this as a way of achieving progress in our CSR activities.

We have decided to release information online only, and we will not be publishing a booklet. To replace the booklet we have set up a CSR activities report page as part of the annual report provided to institutional investors and we have merged our financial report with our non-financial report. Disclosures of information made on this website will be used as the main tool for disclosing information so that we are able to communicate information to a broad range of stakeholders. In addition to annual updates we will publish up-to-date information as necessary. Significant information and activities related to the corporate governance of LIXIL Group as a whole are reported on the LIXIL Group Corporation website.

\* [See here for the FY2014 annual report](#)

\* [See here for the CSR and environmental activities of LIXIL Corporation Group](#)

### Organizations Covered in This Report

Activities of affiliated companies, including LIXIL Group Corporation and LIXIL Corporation.

When the scope of application is limited for a particular item, this is pointed out in the notes, etc.

### Period Covered by This Report

Information relating to the period from April 1, 2013 to March 31, 2014 has been updated and announced as of August 12, 2014.

### Major Organizational Changes in the Reporting Period (April 2013 to March 31, 2014).

In August 2013, ASD Americas Holding Corp. was welcomed as a new member of LIXIL Group as a subsidiary of LIXIL Corporation. Financial information has been merged, but non-financial data of the Permasteelisa Group and ASD Americas Holding Corp. has not been included in the FY2013 report.

### Inquiries on the Content of CSR Reports

LIXIL Corporation, Corporate Communications Division (Group Public Relations Department)

E-Mail: [pr\\_hd@lixil.co.jp](mailto:pr_hd@lixil.co.jp)

\* [See here for the LIXIL Group inquiries form](https://www.lixil-group.co.jp/e/contact.htm) (https://www.lixil-group.co.jp/e/contact.htm)

Please enter “CSR Reporting Inquiry” in the question field.

A questionnaire survey is carried out in related to the content disclosed on this website.

Please feel free to provide any opinions or impressions you have in relation to the CSR management and CSR activities of the LIXIL Group. We will refer to your opinions in our future corporate activities and when disclosing information.

\* [Click here](#)

The LIXIL Group Corporation has received independent assurance from Deloitte Tohmatsu Evaluation and Certification Organization in order to ensure the reliability of “Annual Report 2014, Supplementary Data Book: CSR-Related Non-Financial Data.”

•“Independent Third Party Assurance Report” on p. 13 of “Annual Report 2014, Supplementary Data Book: CSR-Related Non-Financial Data” (1,618KB) : [http://www.lixil-group.co.jp/e/pdf/ar\\_e\\_csrdeta.pdf](http://www.lixil-group.co.jp/e/pdf/ar_e_csrdeta.pdf)