

## Report for the 81st Fiscal Year (From April 1, 2022 to March 31, 2023)

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Among the matters to be provided electronically, the following matters are not stated in the documents to be delivered to shareholders who requested the paper-based documents ("Delivery Documents") pursuant to laws and regulations and Article 16, paragraph 2 of the Company's Articles of Incorporation, and are posted on the Company's website and the TSE's website below:

1. Notes to the Consolidated Financial Statement
2. Notes to the Non-consolidated Financial Statements

**The Company's Website:**

[https://www.lixil.com/en/investor/ir\\_event/meeting.html](https://www.lixil.com/en/investor/ir_event/meeting.html)

**The TSE's Website:**

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

Consequently, the Delivery Documents are part of the subject documents audited by the Audit Committee and the Accounting Auditors when they prepare the audit reports.

Securities Code: 5938

**LIXIL Corporation**

The following is an English translation of the Report for the 81st Fiscal Year (the "Report") as Attachment to the Notice of Convocation of the 81st Annual Shareholders' Meeting of LIXIL Corporation (the "Company"). The "Company" provides this translation for your reference and convenience only without any warranty as to its accuracy or otherwise. If there is any discrepancy between the Japanese version and the English translation, the Japanese version shall prevail.

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

### (1) Business developments and their results

This consolidated Fiscal Year, Japan's domestic economy risked being held back by global monetary tightening and the progressively weaker yen caused by factors such as the expanding interest rate differential between Japan and the United States, in addition to the rise in raw material and energy prices, and by extension there are concerns about decreasing consumer confidence due to the rise in inflation. As for residential investment, while rental properties and condominiums seem to have bottomed out, home ownership continues to decline due to concerns about rising home loan interest rates, the effect of continuing high prices for construction materials, and the like, and the number of new housing starts are weakening, and consequently the outlook is unclear. On the other hand, it is expected that demand will be stimulated by housing energy saving assistance measures that are the largest ever seen, such as the creation of a government-led "advanced window renovation business" subsidy system.

The global economy continues to be impacted by the rise in raw material and energy prices that are a consequence of the protracted conflict between Russia and Ukraine. Additionally, there has been no dispelling concerns about a downturn in the economic recovery due to geopolitical risks such as the trend of rapid monetary tightening to control inflation in the United States and European countries, and the slowdown in economic growth and stagnation of the real estate market in China due to the reaction to zero-COVID policies, and it will be necessary to closely observe the situation.

However, while the effect of the COVID-19 pandemic has been fading both in Japan and overseas, the trend towards a relaxation of broad restrictions and the normalization of economic activity is accelerating with the intention of creating a society that is adapted to living with COVID-19 and after COVID-19, and we anticipate an upturn in the economy in the future.

In this context, the revenue of the Company and its consolidated subsidiaries (the "Group") in this consolidated Fiscal Year increased to 1,495,987 million yen (up 4.7% on year), with increased revenue effects due to the permeation of price revisions and the growth in sales of renovation products in the domestic business, as well as the effect of foreign currency exchange as a consequence of the weak yen, despite being impacted by the disruption of supply chains and decreased demand in the United States and China in the overseas business. On the other hand, earnings were down significantly, with continued efforts to execute structural reforms and price competitiveness as well as improved profitability policies both domestically and overseas having been unable to cover adverse effects due to weakening demand in the United States against the backdrop of the steep rise in interest rates and the market slowdown in China, in addition to increased costs from the further rise in raw material, energy, and component prices and restrictions on the logistics system in Europe. Core earnings decreased to 25,745 million yen (down 60.3% on year), operating profit fell to 24,903 million yen (down 64.2% on year), and profit before tax from continuing operations decreased to 19,759 million yen (down 70.6% on year).

As a result, profit for this Fiscal Year attributable to the owners of the parent (net of non-controlling interests), fell to 15,991 million yen (down 67.1% on year).

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

### Results in This Consolidated Fiscal Year

Revenue	Core earnings	Profit for the year attributable to owners of the parent
<b>1,495,987</b> million yen	<b>25,745</b> million yen	<b>15,991</b> million yen

The overall conditions for each business unit are described below. Revenue of each business unit is before elimination of intercompany transactions and core earnings are before deduction of corporate expenses.

Further, from this consolidated Fiscal Year, having revised its business management system, the Group has changed its business segments from a previous format that included the "Housing Technology Business," "Building Technology Business" and the "Housing and Services Business, etc." to the "Housing Technology Business" which is the new segment after this change. Therefore, comparisons with the previous Fiscal Year have been made by reclassifying the figures for the previous consolidated Fiscal Year based on the changed business segments.

**Note 1:** Core earnings are calculated by deducting the cost of sales and selling, general and administrative expenses from revenue.

**Note 2:** For "domestic business" and "overseas business," management-based categories that are defined in the Group's consolidated revenue management are used, and they partially differ from categories based on country of location. Specifically, the Water Technology Business and the Housing Technology Business include some overseas subsidiaries managed domestically in "domestic business."

## Water Technology Business

Principal business

Business breakdown	Principal products and goods, etc.
Plumbing facilities	Sanitation equipment, shower toilets, water faucet clasps, hand wash basin, bathtub, integrated baths, smart products, showers, sinks, countertops, fitted kitchens, etc.
Other	Residential and office building exterior tiles, interior tiles, etc.

In the Water Technology Business, which mainly handles plumbing products, the domestic business secured revenue that were somewhat higher than the previous Fiscal Year because, while the number of new housing starts was weak, in addition to the manifestation of price revision effects, sales of renovation-related products were strong. Also, revenue in the overseas business grew compared with the previous Fiscal Year owing to, for example, the recovery in economic activity in the Asia Pacific, which had been sluggish until now due to the COVID-19 pandemic, as well as the foreign currency exchange effect from the progressively weaker yen, despite there being negative factors in the external environment such as weakening demand against the backdrop of interest rate hikes in the United States and the effect of the delay in the economic recovery in China after zero-COVID policies. As a result, revenue in the Water Technology Business increased to 915,285 million yen (up 6.2% on year).

On the other hand, core earnings decreased to 47,259 million yen (down 38.3% on year), with the disorder in supply chains in Europe and the effect of customer inventory adjustments in the United States, in addition to the rise in raw material, energy, and component prices that has been continuing since the previous consolidated Fiscal Year, despite higher gross profit from the price revision effects both domestically and overseas and an increase in the sales ratio of renovation products and luxury products domestically.



Satis (Tank-less toilets)



SPAGE



RICHELLE SI

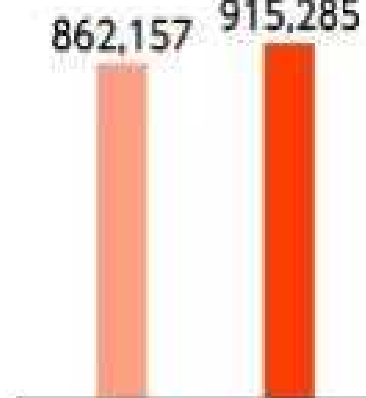


GROHE Atrio Private Collection

### Revenue

915,285 million yen

(unit: million yen)

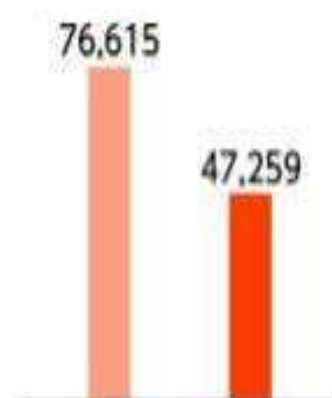


FYE2022 Consolidated Fiscal Year    FYE2023 Consolidated Fiscal Year

### Core earnings

47,259 million yen

(unit: million yen)



FYE2022 Consolidated Fiscal Year    FYE2023 Consolidated Fiscal Year

## Housing Technology Business

Principal business

Business breakdown	Principal products and goods, etc.
Metal building materials	Sashes for residences, buildings, and stores, front doors, various shutters, gates, carports, handrails, bridge railings, curtain walls, etc.
Wood interior building materials	Window frames, fixture materials, interior building materials, etc.
Other building materials Housing and services	Siding, roofing materials etc. Development of franchise chains of builders, building contractor, real estate management, development support of real-estate franchise chain business, home loans, etc.
Others	Solar power systems, etc.

In the Housing Technology Business, which primarily develops housing construction material products domestically, revenue increased to 598,211 million yen (up 2.4% on year), due to firm demand for renovations for the purpose of increasing housing performance and comfort, in addition to the manifestation of price revision effects for which efforts had been made to date.

Meanwhile, core earnings fell to 19,360 million yen (down 38.9% on year). Steady progress in improved profitability, due to securing appropriate gross profits through price revisions as well as growth in sales of high-performance window products and the shift to "Asset-Light" getting on track, was offset by substantially increased costs due to a greater than expected increase in materials prices and further increases in the cost of procuring components from overseas, in addition to the effect of reduced sales volume due to the slowdown in demand for new housing.



Entrance Door XE



Inplus for Renovation (interior window)

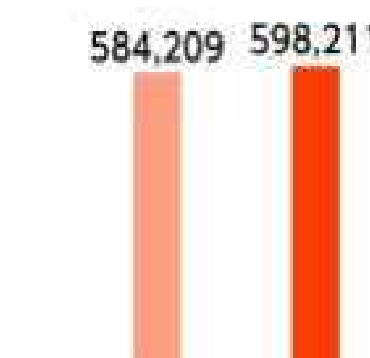


Tokoname City Hall

### Revenue

598,211 million yen

(unit: million yen)



FYE2022 Consolidated Fiscal Year    FYE2023 Consolidated Fiscal Year

### Core earnings

19,360 million yen

(unit: million yen)



FYE2022 Consolidated Fiscal Year    FYE2023 Consolidated Fiscal Year

## Revenue and core earnings by business

Business Category	FYE2022 Consolidated Fiscal Year (April 1, 2021 to March 31, 2022)		FYE2023 Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)		Year-on-year increase/decrease	
	Revenue (million yen)	Core Earnings (million yen)	Revenue (million yen)	Core Earnings (million yen)	Revenue (%)	Core Earnings (%)
Water Technology Business	862,157	76,615	915,285	47,259	6.2	(38.3)
Housing Technology Business	584,209	31,661	598,211	19,360	2.4	(38.9)
Deletion or Common throughout Company	(17,788)	(43,401)	(17,509)	(40,874)	-	-
Total	1,428,578	64,875	1,495,987	25,745	4.7	(60.3)

**Note:** Operations categorized as discontinued operations are not included.

## (2) Status of Capital Investment

The amount of capital investment (including right of use assets) for this consolidated Fiscal Year is 77,597 million yen. Most of the amount was for investment in new product development and for streamlining and investment in facilities update and maintenance.

## (3) Status of Financial Arrangements

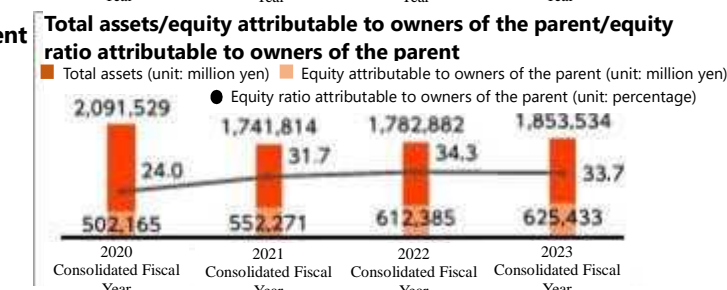
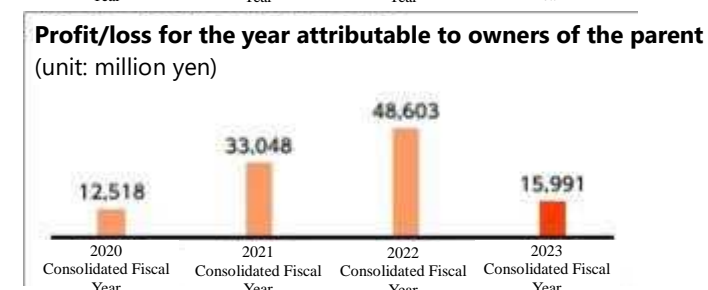
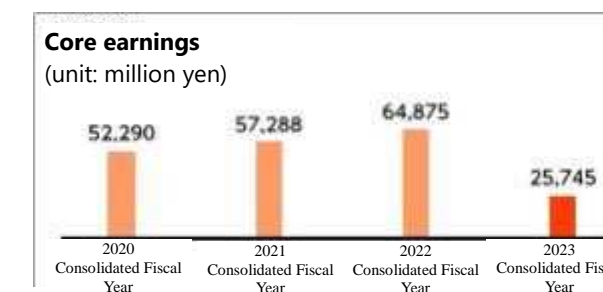
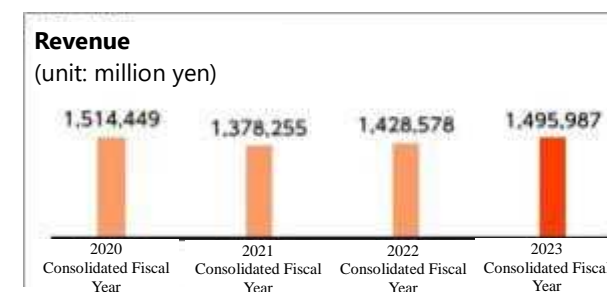
In this consolidated Fiscal Year, 65,820 million yen was procured through long term loans, and 55,000 million yen was procured through the issuance of straight bonds, to be applied to refinancing funds.

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

Category	FYE2020 Consolidated Fiscal Year (April 1, 2019 to March 31, 2020)	FYE2021 Consolidated Fiscal Year (April 1, 2020 to March 31, 2021)	FYE2022 Consolidated Fiscal Year (April 1, 2021 to March 31, 2022)	FYE2023 Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)
Revenue (million yen)	1,514,449	1,378,255	1,428,578	1,495,987
Core earnings (million yen)	52,290	57,288	64,875	25,745
Operating profit (million yen)	32,010	35,842	69,471	24,903
Profit for the year attributable to owners of the parent (million yen)	12,518	33,048	48,603	15,991
Basic profit per share (yen)	43.15	113.92	167.21	55.54
Total assets (million yen)	2,091,529	1,741,814	1,782,882	1,853,534
Equity attributable to owners of the parent (million yen)	502,165	552,271	612,385	625,433
Equity attributable to owners of the parent per share (yen)	1,730.99	1,902.89	2,106.30	2,178.77
Equity ratio attributable to owners of the parent (%)	24.0	31.7	34.3	33.7

### Notes:

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



**(5) Issues to be addressed**

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

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



**[Five strategic initiative areas in the evolved “LIXIL Playbook”]**

1. Tackle inflation and supply chain challenges

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

2. Optimize Japan and drive new growth

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

3. Grow global Water Technology Business

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

4. Embed robust environment strategy

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

5. Develop new core

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

**[Impact Strategy]**

The Group believes that we can have a positive impact on a rapidly changing world through our corporate purpose, which is to “make better homes a reality for everyone, everywhere.” In order to realize this, the Company’s environmental strategy has established three core pillars, “Global Sanitation & Hygiene,” “Water Conservation & Environmental Sustainability,” and “Diversity & Inclusion,” that are highly pressing global social issues and areas where it can drive positive impact through its business. The Group leverages its expertise and business scale to better promote initiatives while collaborating with various stakeholders, and measuring progress. Integrating and promoting the “Impact Strategy” with our business activities will improve our profits, enhance our brand equity, and create long-term value.

Looking ahead to the next Fiscal Year, although we expect the economic environment to continue to recover both domestically and overseas as the impact of COVID-19 wanes, we have concerns about continued negative earnings factors including the global instability caused by geopolitical risks such as the Russian-Ukrainian war, further rises in commodity prices and interest rates, and increased raw material and energy prices, and we expect the outlook to remain unclear.

Amid this business environment, the Group continues to optimize sales prices and reduce costs through changes in materials, and is also proceeding with the transfer to regional procurement and production systems and the localization of manufacturing processes. The Group is also making efforts to further strengthen the capturing of renovation demand and to optimize its business model in its domestic business, and will expand sales of high-value-added products to incorporate demand in overseas markets for plumbing products where growth is expected in the future.

Meanwhile, to date the Group has responded to the recent increase in concern among consumers and society concerning climate change by, for example, expanding environmentally friendly products, but the Group wishes both to integrate its environmental strategy into its business strategy and to develop and sell more attractive high-value-added products as a means of achieving further sustainable growth and corporate value creation.

The results of the business foundation strengthening that the Group has engaged in to date have started to appear, and the path to long-term growth has not changed. We intend to not only be able to increase the value we provide to our stakeholders, but also make progress in achieving the Group’s Purpose, to “Make better homes a reality for everyone, everywhere.”

**(6) Principal business**

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

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

## (7) Status of significant subsidiaries

Company Name	Capital	Voting rights ownership of the Company (%)	Principal Business
<b>LIXIL Total Service Corporation</b>	100 million yen	100	Sales of plumbing facilities and metal building materials
<b>LIXIL Total Hanbai Corporation</b>	75 million yen	100	Sales of metal building materials
<b>LIXIL Europe S.à r.l.</b>	57,143 thousand EUR	100	Manufacturing and sales of plumbing facilities
<b>ASD Holding Corp.</b>	412,961 thousand USD	100	Manufacturing and sales of plumbing facilities
<b>LIXIL Vietnam Corporation</b>	743,386 million VND	100	Manufacturing and sales of plumbing facilities
<b>TOSTEM THAI Co., Ltd.</b>	2,767 million THB	100	Manufacturing and sales of metal building materials
<b>LIXIL INTERNATIONAL Pte. Ltd.</b>	274,417 thousand USD	100	Supply chain controlling company for Asian region
<b>LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.</b>	40,700 thousand USD	100	Manufacturing and sales of metal building materials and interior tiles
<b>LIXIL Manufacturing (Dalian) Corporation</b>	43,500 thousand USD	100	Manufacturing and sales of wood interior building materials

### Notes:

- Voting rights ownership includes indirect ownership by the Company's subsidiaries.
- There are 141 consolidated subsidiaries of the Company.
- The Company absorbed and merged with LIXIL Group Finance Corporation on July 1, 2022, whereby the Company is the surviving company.
- A-S CHINA PLUMBING PRODUCTS Ltd. has been removed from significant subsidiaries from this consolidated Fiscal Year because it no longer satisfies the amount-based judgment standard of having a material impact on the group of companies.

## (8) Principal hubs, etc.

Company Name	Trade Name and Location		
LIXIL Corporation (the Company)	Head Office	Osaki Garden Tower, 1-1 Nishi-Shinagawa 1-chome, Shinagawa-ku, Tokyo	
	Sales Office	LHT Hokkaido Branch	LWT Hokkaido Branch
		LHT Tohoku Branch (Miyagi)	LWT Tohoku Branch (Miyagi)
		LHT Kita Kanto Branch (Tochigi)	LWT Kita Kanto Branch (Tochigi)
		LHT Koshin-etsu Branch (Nagano)	LWT Koshin-etsu Branch (Nagano)
		LHT Saitama Branch	LWT Saitama Branch
		LHT Chiba Branch	LWT Chiba Branch
		LHT Tokyo Branch	LWT Tokyo Branch
		LHT Kanagawa Branch	LWT Kanagawa Branch
		LHT Chubu Branch (Aichi)	LWT Chubu Branch (Aichi)
		LHT Hokuriku Branch (Ishikawa)	LWT Hokuriku Branch (Ishikawa)
		LHT Osaka Branch	LWT Osaka Branch
		LHT Minami-Osaka Branch (Osaka)	LWT Minami-Osaka Branch (Osaka)
		LHT Keiji Branch (Kyoto)	LWT Keiji Branch (Kyoto)
		LHT Hyogo Branch	LWT Hyogo Branch
		LHT Chugoku Branch (Hiroshima)	LWT Chugoku Branch (Hiroshima)
		LHT Shikoku Branch (Kagawa)	LWT Shikoku Branch (Kagawa)
		LHT Kyushu Branch (Fukuoka)	LWT Kyushu Branch (Fukuoka)
			LIXIL Showroom Tokyo
			LIXIL Showroom Osaka
	Factory	Sukagawa Factory (Fukushima)	Shimotsuma Factory (Ibaraki)
		Iwai Factory (Ibaraki)	Tsuchiura Factory (Ibaraki)
		Ishige Factory (Ibaraki)	Fukaya Factory (Saitama)
		Oyabe Factory (Toyama)	Chita Factory (Aichi)
		Enokido Factory (Aichi)	Tokoname Higashi Factory (Aichi)
		Uenomidori Factory (Mie)	Hisai Factory (Mie)
Ariake Factory (Kumamoto)			
Other Office	Tokoname Building (Aichi)		
LIXIL Total Service Corporation	Head Office	Sumida-ku, Tokyo	
LIXIL Total Hanbai Corporation	Head Office	Shinagawa-ku, Tokyo	
LIXIL Europe S.à r.l.	Head Office	Luxembourg	
ASD Holding Corp.	Head Office	U.S.A.	
LIXIL Vietnam Corporation	Factory	Vietnam	
TOSTEM THAI Co., Ltd.	Factory	Thailand	
LIXIL INTERNATIONAL Pte. Ltd.	Head Office	Singapore	

Company Name	Trade Name and Location	
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.	Factory	Vietnam
LIXIL Manufacturing (Dalian) Corporation	Factory	China

**Note:**

- After receiving the approval of Item 2 "Partial Amendments to the Articles of Incorporation" at the Annual Shareholders' Meeting held on June 21, 2022, the head offices of the Company and some subsidiaries relocated from Koto-ku, Tokyo in August 2022 or later. Furthermore, the Company's previous headquarters building (Koto-ku, Tokyo) is being sold in this consolidated Fiscal Year.
- The Company's Maebashi Factory (in Gunma) is removed from the principal hubs because its operations were suspended in this consolidated Fiscal Year.

### (9) Status of employees

Business Category	Number of Employees	Comparison (increase/decrease) with end of previous consolidated Fiscal Year
Water Technology Business	30,913	266 decrease
Housing Technology Business	19,299	104 increase
Sector common throughout the Company	1,289	23 increase
Total	51,501	139 decrease

**Notes:**

- The number of employees is the number of employed staff and does not include the number of part-time or temporary staff.
- The number of employees described in the sector common throughout the company represents those employees in administrative functions that cannot be assigned to any one business category.

### (10) Status of principal lenders

Lender	Outstanding Loan Amount
	(million yen)
Sumitomo Mitsui Banking Corporation	105,014
MUFG Bank, Ltd.	100,273
Mizuho Bank, Ltd.	45,348
Sumitomo Mitsui Trust Bank, Limited	30,500
Development Bank of Japan, Inc.	30,000

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

The Company standardizes on the preservation of healthy financial strength and has as its policies, to maintain a 30% or higher dividend payout ratio at the consolidated base regarding cash dividends, and to flexibly perform the acquisition of treasury shares. With regard to this consolidated Fiscal Year, the year-end cash dividend per share is 45 yen (90 yen for the year, including the midterm cash dividend).

## 2. Matters regarding the current state of the Company

### (1) Matters regarding stock

- |  |   |
|--|---|
| (i) Total number of authorized shares: | 1,300,000,000 shares  |
| (ii) Total number of issued shares:    | 287,057,667 shares<br>(excluding 51,992 shares of treasury share) |
| (iii) Number of shares in 1 unit:      | 100 shares  |
| (iv) Capital stock:                    | 68,417,794,464 yen  |
| (v) Total number of shareholders:      | 53,606  |
| (vi) Top 10 shareholders:              |   |

Shareholder Name	Number of shares held	Ratio of shareholdings
	(thousand shares)	
The Master Trust Bank of Japan, Ltd. (Trust Account)	※47,895	16.69%
JP MORGAN CHASE BANK 385632 (Standing Proxy: Mizuho Bank Ltd.-Settlement Sales Department)	29,837	10.39%
Custody Bank of Japan, Ltd. (Trust Account)	※14,075	4.90%
SSBTC CLIENT OMNIBUS ACCOUNT (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited-Tokyo Branch)	13,820	4.81%
LIXIL Employee Stock Ownership	6,834	2.38%
BNYM AS AGT/CLTS 10 PERCENT (Standing Proxy: MUFG Bank, Ltd.)	6,596	2.30%
NORTHERN TRUST CO.(AVFC) SUB A/C AMERICAN CLIENTS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited-Tokyo Branch)	5,562	1.94%
STATE STREET BANK CLIENT OMNIBUS OM04 (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited-Tokyo Branch)	5,420	1.89%
STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing Proxy: Mizuho Bank, Ltd.-Settlement Sales Department)	4,740	1.65%
JPMorgan Securities Japan Co., Ltd.	4,496	1.57%

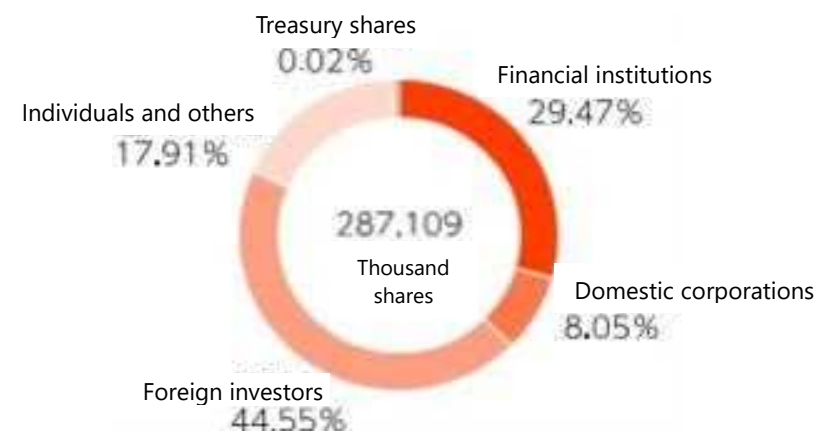
**Notes:**

- The ratio of shareholdings has been calculated after deducting treasury shares.
- ※ indicates those involved in the trust business.



(vii) Distribution of shares by shareholder:

Type	Number of shares held	Ratio of shareholdings
Financial institutions	84,603,000 shares	29.47%
Domestic corporations	23,111,000 shares	8.05%
Foreign investors	127,917,000 shares	44.55%
Individuals and others	51,425,000 shares	17.91%
Treasury share	51,000 shares	0.02%
Total	287,109,000	100.00%



**Note:** The ratio of shareholdings has been calculated including treasury shares.

(viii) Other important matters regarding shares:

Acquisition and cancellation of treasury shares

Based on a resolution at the Board of Directors' Meeting held on April 28, 2022, the Company carried out a repurchase of treasury shares in accordance with the Articles of Incorporation pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act as follows. In addition, the Company cancelled treasury shares pursuant to the resolution of the aforementioned Board of Directors' Meeting as follows.

- (a) Matter regarding repurchase of treasury shares
- |                                     |   |
|-------------------------------------|---|
| Class of shares repurchased:        | Common stock of the Company                       |
| Total number of shares repurchased: | 3,929,500 shares                                  |
| Total repurchase amount:            | 10,000 million yen                                |
| Repurchase period:                  | From May 2 to July 29, 2022                       |
| Repurchase method:                  | Market purchases through the Tokyo Stock Exchange |
- (b) Matter regarding cancellation of treasury shares
- |                                   |                             |
|-----------------------------------|-----------------------------|
| Class of shares cancelled:        | Common stock of the Company |
| Total number of shares cancelled: | 26,209,500 shares           |
| Cancellation date:                | August 31, 2022             |

Issuance of new shares as restricted stock compensation

At the Board of Directors' Meeting held on April 28, 2023, the Company resolved as follows regarding the issuance of new shares as restricted stock compensation.

Payment date	May 16, 2023
Class and number of shares to be issued	Common stock of the Company, 102,131 shares
Issuance price	2,204 yen per share
Total issuance price	225,096,724 yen
Planned allottees	※Seven Executive Officers of the Company; 102,131 shares
Other	This new share issuance is conditional upon the securities registration statement coming into effect pursuant to the Financial Instruments and Exchange Act.

**Note:** ※ includes Executive Officers concurrently serving as Directors, and excludes non-residents of Japan.

**(2) Matters regarding stock acquisition rights, etc.**

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

	The 9th Stock Acquisition Rights
Day of the resolution of issuance	September 20, 2016
Number of stock acquisition rights	394
Class and number of shares that are for the purpose of stock acquisition rights	Common shares 39,400 shares (100 shares per one stock acquisition right)
Amount to be paid in for stock acquisition rights	43,300 yen per one stock acquisition right
Value of properties to be contributed upon exercising stock acquisition rights	225,300 yen per one stock acquisition right
Period during which such right can be exercised	October 8, 2018 to October 7, 2023
Number of holders and number of the acquired stock acquisition rights Director concurrently serving as Executive Officer	1 person 394

### (3) Matters regarding company Directors and Executive Officers

#### (1) Status of Directors (as of March 31, 2023)

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

#### Notes:

- Directors Kinya Seto, Sachio Matsumoto and Hwa Jin Song Montesano concurrently hold the positions of Executive Officers.
- Directors Tamio Uchibori, Shiho Konno, Teruo Suzuki, Mayumi Tamura, Yuji Nishiura, Daisuke Hamaguchi, Masatoshi Matsuzaki and Mariko Watahiki are Outside Directors as prescribed in Article 2(xv) of the Companies Act. In addition, Directors Tamio Uchibori, Shiho Konno, Teruo Suzuki, Mayumi Tamura, Yuji Nishiura, Daisuke Hamaguchi, Masatoshi Matsuzaki, and Mariko Watahiki have been designated as independent officers based on the provisions of each stock exchange in Japan that the Company is listed, and each stock exchange has been notified.
- Teruo Suzuki, who is a member of the Audit Committee (Chairperson), has been providing audit services for many years as a certified public accountant, and Tamio Uchibori who is a member of the Audit Committee is a certified tax public accountant. In addition, Mayumi Tamura, who is a member of the Audit Committee, has served as the chief financial officer (CFO) of multiple companies, including global companies. They each have considerable knowledge regarding financial, accounting and tax affairs.

4. All members of the Audit Committee are outside directors (part-time) to improve its independence, transparency and fairness, and the Company maintains close collaboration between the Company's and the Company's subsidiaries' internal audit departments and subsidiaries' Company Auditors and accounting auditors, etc. through the guidance of the Audit Committee, and conducts audits to increase efficiency and effectiveness. The Company has also established an Audit Committee Secretariat to support the activities of the Audit Committee.

5. Sachio Matsumoto left office as the Director and President of LIXIL Group Finance Corporation (Representative Director) on July 1, 2022.

#### (2) Status of Executive Officers (as of March 31, 2023)

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

#### Notes:

- Based on the Board of Directors' Meeting resolution passed on March 31, 2022, Kinya Seto and Sachio Matsumoto were appointed as Representative Executive Officers and assumed the position as of April 1, 2022. In addition, based on the same Board of Directors' Meeting resolution, Kinya Seto was appointed as Executive Officer and President and assumed the position as of April 1, 2022.
- On October 1, 2022, Sachio Matsumoto's responsibilities changed from Finance, Treasury and M&A, and CFO to Finance, Treasury, M&A and IR, and CFO, and Hwa Jin Song Montesano's responsibilities changed from Human Resources and General Affairs, Public Affairs, IR, External Affairs, and Corporate Responsibility, and Chief People Officer to Human Resources and General Affairs, Public Affairs, External Affairs and Corporate Responsibility, and Chief People Officer.

**[Reference] Status of Executive Officers (as of April 1, 2023)**

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

**Note:**

Kinya Seto, Sachio Matsumoto, and Hwa Jin Song Montesano were appointed as Representative Executive Officers under the Board of Directors' Meeting resolution of March 31, 2023 and assumed the position as of April 1, 2023. Kinya Seto was appointed as Executive Officer and President under the same Board of Directors' Meeting resolution and assumed the position as of April 1, 2023.

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

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

(a) Duties of the Compensation Committee

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

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

(b) Compensation Committee members in the Fiscal Year ended March 2023

From the Annual Shareholders' Meeting in 2022 to the Annual Shareholders' Meeting in 2023, the Compensation Committee comprises four (4) members appointed from among Directors by a resolution of the Board of Directors' Meeting following the Annual Shareholders' Meeting in 2022. All members are Outside Directors.

Chairperson: Daisuke Hamaguchi

Members: Tamio Uchibori, Yuji Nishiura, Mariko Watahiki

(c) Number of Compensation Committee meetings held and attendance rate in the Fiscal Year ended March 2023

Meetings of the Compensation Committee were held eleven (11) times in the Fiscal Year ended March 2023. The attendance rate of all members is 100%. Three (3) members (Daisuke Hamaguchi, Tamio Uchibori, Yuji Nishiura), who have been members of the Compensation Committee since before the Board of Directors' Meeting following the Annual Shareholders' Meeting in 2022, attended all eleven (11) Compensation Committee meetings, and one (1) member (Mariko Watahiki), who became a member after that Board of Directors' Meeting, attended all nine (9) Compensation Committee meetings held after that Board of Directors' Meeting.

(d) Policy for determining individual Compensation for Directors and Executive Officers for the Fiscal Year ended March 2023

- Policy decision method: The Compensation Committee fairly obtains opinions and examines views of investors, external specialized agencies, and Directors and Executive Officers of the Company on executive compensation, carries out deliberations based on these, and determines the compensation basic policy, compensation system, compensation levels and compensation mix through an objective and transparent procedure. The results of the Compensation Committee's deliberations are reported to the Board of Directors. In addition, the decisions of the Compensation Committee are managed by being expressly stipulated in detail in the Company's Regulations of Compensation Committee and its Regulations of Executive Compensation, and can be viewed at any time by Directors and Executive Officers as well as departments dealing with Company executive compensation.
- Outline of policy contents: Based on the determination of "Compensation basic policies" below, the details of the policies for the compensation system, compensation levels and compensation mix are determined as set out in "Compensation structure" through "Various allowances" in accordance with those basic policies. Regarding the details of the individual Compensation for Executive Officers, the Compensation Committee determines the compensation level and compensation mix based on the role and responsibility, business performance, experience and difficulty of securing personnel, etc. of each Executive Officer, as well as the business targets and ESG action targets, etc. for each of them. In particular, for Executive Officers who are expected to contribute significantly to improving corporate value from a medium- to long-term perspective, the Compensation Committee takes measures such as increasing the ratio of stock-linked compensation to total compensation, etc.

(e) Reasons the Compensation Committee determines that the individual Compensation of Directors and Executive Officers for the Fiscal Year ended March 2023 is in line with the compensation determination policy for the Fiscal Year ended March 2023

As for the determination of the target amount and calculation of the payment amount regarding the individual Compensation for the Company's Fiscal Year ended March 2023, since the Compensation Committee has decided based on its deliberations and objective and transparent procedures in accordance with the policy described in (d) above, the Compensation Committee has determined that the individual Compensation is in line with the compensation determination policy.

(f) Executive summary of the activities of the Compensation Committee

The Compensation Committee deliberated, resolved and so on as shown in the following table, while maintaining the general framework of the compensation structure and the compensation system. It was decided that the compensation of Executive Officers for the Fiscal Year ending March 2024 would not be revised upward in light of the Company's performance for the Fiscal Year ended March 2023.

The Company has been applying the Phantom Stock Plan, which is a stock-linked monetary compensation plan, to Directors and Executive Officers since the Fiscal Year ended March 2020, but the Compensation Committee has resolved to apply a Restricted Stock Compensation Plan to Executive Officers from the Fiscal Year ending March 2024 in order to encourage Executive Officers to deepen their shared interests with shareholders over their term of office and work to create value over medium- to long-term. Furthermore, Stock Ownership Guidelines have been introduced to ensure that Executive Officers strive to hold shares of the Company.

Month and year	Main contents
June 2022	<ul style="list-style-type: none"> <li>Resolved on the determination policy for Compensation for Directors, as well as individual compensation for FYE 2023</li> </ul>
July to October	<ul style="list-style-type: none"> <li>Discussed issues in the overall executive compensation system and formulated an annual plan for the Compensation Committee</li> <li>Deliberated on revisions to the executive compensation system from FYE 2024 onwards</li> </ul>
November to January 2023	<ul style="list-style-type: none"> <li>Discussed the Executive Officer compensation system, compensation levels, compensation mix and various allowances with external specialized agencies</li> <li>Interviewed the CEO regarding the Company's management and the expected role and assessment, etc. of each Executive Officer</li> <li>Deliberated on the determination policy for Executive Officer Compensation, and individual Executive Officer compensation for FYE 2024</li> </ul>
February to March	<ul style="list-style-type: none"> <li>Resolved on the determination policy for Executive Officer Compensation, and individual Executive Officer compensation for FYE 2024</li> <li>Resolved on the introduction of the Restricted Stock Compensation Plan and Stock Ownership Guidelines from FYE 2024</li> </ul>
April	<ul style="list-style-type: none"> <li>Deliberated on the estimated payment amount of, and whether to adjust the calculation method for, performance-linked compensation for FYE 2023</li> <li>Deliberated on the determination policy for Compensation for Directors, etc. for FYE2024</li> <li>Resolved on the amount of monetary compensation claims for allotment of shares as the Restricted Stock Compensation</li> </ul>
May	<ul style="list-style-type: none"> <li>Resolved on the payment amount of performance-linked compensation for FYE 2023</li> <li>Deliberated on the specific figures of business target items for performance-linked compensation for FYE 2024</li> <li>Confirmed handover matters to the Compensation Committee after the Shareholders' Meeting</li> </ul>

**[Compensation basic policies]**

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

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

**[Compensation structure]**

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

**[Compensation system for Directors]**

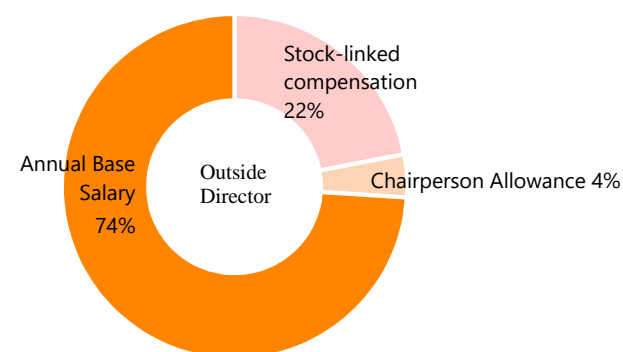
The compensation system for Directors consists of annual base salary and stock-linked compensation as they are required to act to contribute to increase the sustainable corporate value while they are monitoring and supervising the management during their statutory terms. In the event that an Outside Director assumes the role of chairperson of the Board of Directors or chairperson of a Committee, an allowance shall be paid for such duties (the "Chairperson Allowance").

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

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

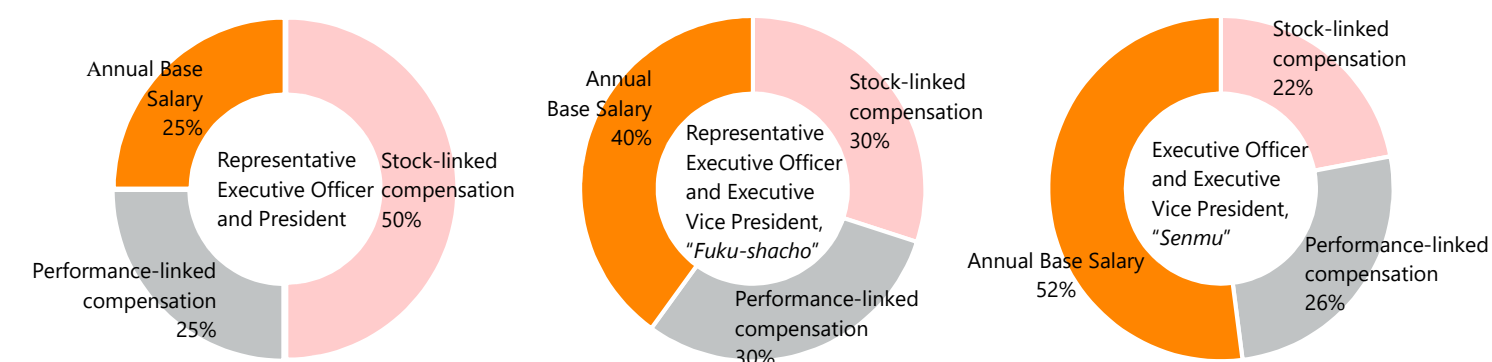
[Compensation mix of Directors]

The base amount is indicated for stock-linked compensation, which is different from the actual amount paid. The chart below shows the median compensation of Outside Directors for the Fiscal Year ended March 2023.



[Compensation mix of Executive Officers]

The base amount is indicated for performance-linked compensation and stock-linked compensation, which are different from the actual amount paid. The compensation for Executive Officer and Executive Vice President (*Senmu*) below is the median value for the Fiscal Year ended March 2023.



[Compensation system for Executive Officers]

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

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

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

[Annual base salary]

Annual base salary of Outside Directors shall be determined, based on the role of Outside Directors at the Company, while referring to the compensation levels of the upper group among domestic companies as reference information in line with the purpose of "Compensation basic policies" of this Report.

Annual base salary of Executive Officers shall be determined individually, based on role and responsibility, business performance, experience and difficulty of securing personnel, etc. of each Executive Officer, while referring to the compensation levels inside and outside Japan as reference information in line with the purpose of "Compensation basic policies" of this Report. As for the referenced compensation levels, the external specialized agencies' data for each country is compared based on criteria such as revenue and market value, mainly in Global Industry Classification Standard categories. The Company intends to eliminate as much as possible any differences in compensation based on the country of residence.

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

**[Performance-linked compensation]**

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

There is no performance-linked compensation in the compensation system for Outside Directors, as they are in the position of monitoring and supervising the management.

- (a) Evaluation period and payment timing: The evaluation period of performance-linked compensation shall correspond to the Fiscal Year. The payment shall be made in a single payment within one (1) month from the date on which the Company reports the contents of the financial statements for the evaluation period to the Annual Shareholders' Meeting.
- (b) Calculation formula: To encourage Executive Officers to work together to achieve single-year management goals and to ensure that they are fairly and equitably rewarded in accordance with the results of their performance, performance-linked compensation is calculated based on only company-wide performance.

Performance-linked compensation	=	Base amount of performance-linked compensation ( (c) below )	×	Payment rate according to business target achievement rate ( (d) and (e) below )
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- (c) Base amount of performance-linked compensation: The base amount in the evaluation period shall be determined individually by the Compensation Committee as a certain percentage of annual base salary according to the role and responsibility, etc. of subject officers compared with the compensation level of companies inside and outside Japan with a business scale similar to that of the Company, based on the survey report on executive compensation by the external specialized agencies in line with the purpose of "Compensation basic policies" of this Report.

- (d) Business target achievement rates: Business targets achievement rates shall be set by calculating the ratio based on the actual figures disclosed in the Annual Securities Report versus the forecast figures disclosed in the flash reports or the like at the beginning of each evaluation period for performance-linked compensation. If there is more than one business target, the achievement of each target is multiplied by the percentage of each target in the total business target, and then aggregated.

Business target items selected are return on invested capital ("ROIC"), which is a capital efficiency improvement indicator that is one of the important management goals, core earnings which is a business management indicator, and profit attributable to the owner of the parent company ("Net Profit").

Business targets items	Ratio versus all business targets	Target figure	Actual figure	Business target achievement rate (Actual figure/target figure×100)	Business target achievement rate × each business target item as a ratio of overall targets
ROIC	40%	5.0%	1.5%	30.0%	12.0%
Core earnings	30%	81,000 million yen	25,745 million yen	31.8%	9.5%
Net Profit	30%	51,000 million yen	15,991 million yen	31.4%	9.4%
Business target achievement rate of all items	-	-	-	-	30.9%

Business target achievement rate of all items (%) = ROIC achievement rate (%) × 0.4 + core earnings achievement rate (%) × 0.3 + Net Profit achievement rate (%) × 0.3

ROIC and core earnings were calculated as follow.

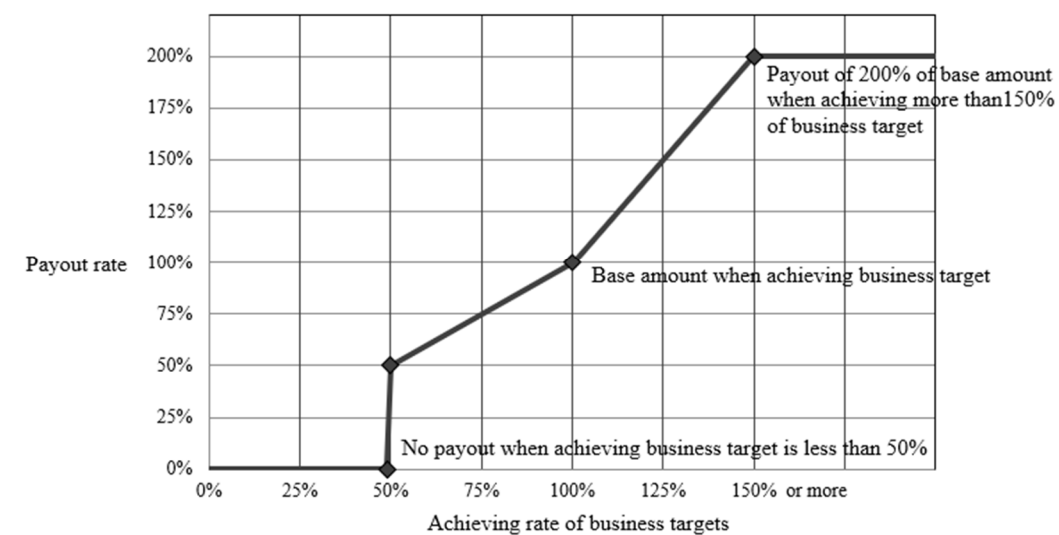
ROIC = operating profit × (1 – effective tax rate) ÷ (operating receivables and other receivables + inventory + fixed assets (including goodwill and intangibles) – operating liabilities and other liabilities)

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

(e) The relationship between achievement rate of business targets and payout rate

The payout rate shall be set as follows, which is designed comprehensively considering the difficulty of the achievement of business goals and the effect of motivation, in accordance with the business targets achievement rate for all items calculated in (d) above. The payment rate based on the achievement level for the Fiscal Year ended March 2023 is 0%. All of the calculations shown in (d) above and (e) shall be rounded off to one decimal place upon calculation of the payout rate.

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



(f) Adjustment of the method of calculating performance-linked compensation

The Compensation Committee may determine whether to adjust the method of calculating performance-linked compensation based on the impact on earnings of events that occur during the evaluation period.

**[Stock-linked compensation]**

The Company has been applying the Phantom Stock Plan, which is a stock-linked monetary compensation plan, to Directors and Executive Officers since the Fiscal Year ended March 2020. The Compensation Committee has confirmed that the Phantom Stock Plan has indeed been having the desired effect from its introduction until the present. On the other hand, in recent years when Japan's corporate governance reforms have been progressing remarkably, the Compensation Committee has been deliberating on the revision of the medium- to long-term incentive compensation plan for Executive Officers in view of the increasing emphasis on the significance of management's ownership of their own company's shares. As a result, the Compensation Committee resolved on February 16, 2023 that the current Phantom Stock Plan shall be 50% of the overall stock-linked compensation plan for Executive Officers and the Restricted Stock Compensation Plan shall be the remaining 50% from April 2023, in order to encourage Executive Officers to deepen their shared interests with shareholders over their term of office and work to create value over medium- to long-term.

**[Stock-linked compensation I: Phantom Stock Plan]**

The Company has been applying the Phantom Stock Plan, which is a stock-linked monetary compensation plan, since the Fiscal Year ended March 2020, with the aim of encouraging Directors and Executive Officers to monitor, supervise and make management decisions for achieving improvement of the sustainable corporate value of the Company over the medium-to-long-term, further promoting shared corporate value with shareholders of the Company, and attracting and retaining superior personnel from around the globe by standardizing the global officer compensation system. The Phantom Stock Plan is in the form of monetary compensation, but it is a mechanism for the compensation amount to increase or decrease in accordance with changes in the Company's stock price and it encourages Directors and Executive Officers to act with awareness of the impact on the Company's stock price, and is thus substantially similar to a restricted stock compensation system, etc. In addition, the numbers of shares of the Company and Phantom Stock ("PS") owned by each officer are posted on the Company's website.

(a) Grant date

In principle, the Company grants PS to Directors on the day of each Annual Shareholders' Meeting and to Executive Officers on the first day of each Fiscal Year.

(b) Number of PS

The number of PS granted to each Outside Director shall be the number calculated by dividing the base amount (which is calculated by multiplying the annual base salary by the coefficient that is set based on the role and responsibility of each Outside Director) by the average closing price of the Company's stock for the 30 business days preceding the grant date in line with the purpose of "Compensation basic policies" of this Report. The number of PS granted to each Executive Officer shall be the number calculated by dividing the base amount (which is calculated by multiplying the annual base salary by the coefficient that is set individually according to the role and responsibility, business performance, experience and difficulty of securing personnel, etc. of each Executive Officer) by the average closing price of the Company's stock for the 30 business days preceding the grant date in line with the purpose of "Compensation basic policies" of this Report.

The average closing price of the Company's stock over the 30 business days prior to the grant date will be rounded up to the nearest yen.

For the share prices pertaining to the accounting from the Fiscal Year ended March 2023, the share prices at the time of granting under this system were 1,468 yen for the grants to Executive Officers on April 1, 2020, 1,562 yen for the grants to Directors on June 30, 2020, 1,562 yen for the grants to Executive Officers on August 24, 2020, 3,075 yen for the grants to Executive Officers on April 1, 2021, 2,942 yen for the grants to Directors on June 22, 2021, 2,397 yen for the grants to Executive Officers on April 1, 2022, 2,501 yen for the grants to Directors on June 21, 2022 and 2,204 yen for the grants to Executive Officers on April 1, 2023.

The number of shares granted in the Fiscal Year ended March 2023 was, based on base amount, 200% of the annual base salary for the Representative Executive Officer and President, 75% of the annual base salary for the Representative Executive Officer and Executive Vice President (*Fuku-shacho*) and 44% of the annual base salary for Executive Officer and Executive Vice Presidents (*Senmu*) (median value). As of April 1, 2023, the cumulative number of PS held was 242,315 for the Representative Executive Officer and President and 41,368 for Representative Executive Officer and Executive Vice President (*Fuku-shacho*).

(c) The period from the grant date to the vesting date of PS (the "Holding Period")

The Holding Period shall be one (1) year for Directors in line with the statutory term of office, considering their role in enhancing corporate value and in monitoring and supervising management. The Holding Period for Executive Officers shall be set at three (3) years, from the perspective of their role in enhancing sustainable corporate value and retention for medium- to long-term management. Officers do not have voting rights or other shareholder rights (including, but not limited to, the right to receive dividends from surplus) at the Company's Shareholders' Meeting during the Holding Period of PS. Officers shall not assign, provide as security or otherwise dispose of all or part of this right to a third party, nor have a third party succeed to this right from the grant date to the vesting date, excluding, however, succession by an heir following the death of an officer.

(d) Vesting date

Upon the expiration of the Holding Period of PS, all PS held by an officer will be confirmed and paid in by the Company. In the event that an officer leaves the Company due to grounds not attributable to the officer (including retirement age and death) or leaves as a result of a merger with or acquisition by a third party in which the Company is dissolved, all PS held by such officer shall be confirmed and paid at the time of leaving office.

(e) Vesting amount

The vesting amount shall be calculated by multiplying the number of PS held by the officer on the vesting date by the average closing price of the Company's stock for the 30 business days prior to the vesting date, provided that the amount shall be limited to 500% of the base amount. The average closing price of the Company's stock for the 30 business days prior to the vesting date shall be rounded up to the nearest yen. The vesting amount shall be paid to the officer within one (1) month of the vesting amount being confirmed.

For the share prices pertaining to the accounting from the Fiscal Year ended March 2023, the stock prices at the time of vesting under this system were 2,501 yen for the vesting for Directors and Executive Officers on June 21, 2022 and 2,204 yen for the vesting for Executive Officers on April 1, 2023.

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

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

(a) Allotment date

In principle, the Company allots shares to Executive Officers within two months of the first day of each Fiscal Year. The allotment date for the Fiscal Year ending March 2024 is May 16, 2023.

(b) Number of shares allotted

The number of shares of restricted stock allotted to each Executive Officer shall be the number calculated by dividing the base amount (which is calculated by multiplying the annual base salary by the coefficient that is set individually according to the role and responsibility, business performance, experience and difficulty of securing personnel, etc. of each Executive Officer) by the average closing price of the Company's stock for the 30 business days preceding the first day of the Fiscal Year in line with the purpose of "Compensation basic policies" of this Report.

The average closing price of the Company's stock over the 30 business days prior to the first day of the Fiscal Year will be rounded up to the nearest yen.

This share price is same as the share price used to calculate the number of granted PS in the Phantom Stock Plan, which is another plan that makes up the stock-linked compensation of Executive Officers, and it is believed to be reasonable and not particularly advantageous.

(c) Transfer restriction period

The transfer restriction period (the "Transfer Restriction Period") is from the allotment date until the person subject to the allotment leaves office from every position as Director or Executive Officer of the Company.

During the Transfer Restriction Period, the person subject to the allotment shall not transfer, pledge, create a security interest in, make a living gift, bequest or otherwise dispose of the restricted shares he or she was allotted (the "Allotted Shares") to any third party (the "Transfer Restriction").



(d) Lifting of the Transfer Restriction

The Company shall lift the Transfer Restriction on all of the Allotted Shares at the time the person subject to the allotment leaves office from every position as Director or Executive Officer of the Company, on the condition that the person subject to the allotment has continuously held the position of Executive Officer of the Company until the last day of the first Fiscal Year of the Company that falls after the commencement date of the Transfer Restriction Period.

However, in the event that the person subject to the allotment leaves office from the position of Executive Officer of the Company due to reasons that the Board of Directors of the Company determines to be justified by the day before the last day of the first Fiscal Year of the Company that falls after the commencement date of the Transfer Restriction Period, the Company shall lift the Transfer Restriction on the number of the Allotted Shares that is obtained by dividing the number of months from April of the Fiscal Year to which the commencement date of the Transfer Restriction Period belongs to the month including the day on which the person subject to the allotment leaves office from the position of Executive Officer of the Company by 12 (if the result of the calculation exceeds one, it shall be one), multiplied by the number of the Allotted Shares held by the person subject to the allotment as of such time (any fraction resulting from the calculation that is less than one share shall be rounded down), at the time the person subject to the allotment leaves office from every position as Director or Executive Officer of the Company.

(e) Acquisition of the restricted shares by the Company without consideration

In the event that the person subject to the allotment leaves office from the position of Executive Officer of the Company by the day before the last day of the first Fiscal Year of the Company that falls after the commencement date of the Transfer Restriction Period, unless there are reasons that the Board of Directors of the Company determines to be justified, the Company shall automatically acquire the Allotted Shares without consideration at the time the person subject to the allotment leaves office from every position as Director or Executive Officer of the Company. In the event that there are the Allotted Shares for which the Transfer Restriction has not lifted based on the provisions for reasons for lifting of the Transfer Restriction set out in (d) above at the time of the expiration of the Transfer Restriction Period (the "Time of Expiration"), the Company shall automatically acquire those Allotted Shares without consideration immediately after the Time of Expiration.

(f) Treatment in the event of organizational restructuring, etc.

In the event that a proposal concerning a merger agreement whereby the Company becomes the dissolving company, a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary, or any other reorganization is approved at the Shareholders' Meeting of the Company (or at the Board of Directors of the Company in the case that approval by the Shareholders' Meeting of the Company is not required regarding that organizational restructuring, etc.) during the Transfer Restriction Period for the Allotted Shares, the Company shall lift the Transfer Restriction on the number of the Allotted Shares that is obtained by dividing the number of months from April of the Fiscal Year to which the commencement date of the Transfer Restriction Period belongs to the month including the approval date by 12 (if the result of the calculation exceeds one, it shall be one), multiplied by the number of the Allotted Shares held by the person subject to the allotment as of such approval date (any fraction resulting from the calculation that is less than one share shall be rounded down), at the time immediately preceding the business date prior to the effective date of the organizational restructuring, etc., based on a resolution by the Compensation Committee of the Company. In that event, on the business date prior to the effective date of the organizational restructuring, etc., the Company shall automatically acquire all of the Allotted Shares for which the Transfer Restriction has not lifted on that date without consideration pursuant to the provisions set forth above.

**[Stock Ownership Guidelines]**

The Company has established Stock Ownership Guidelines from the Fiscal Year ending March 2024, under which Executive Officers shall strive to hold the Company's shares in a number that is at least equivalent to the amount set forth below during their term of office.

Representative Executive Officers: Three times the amount of annual base salary; other Executive Officers: One time the amount of annual base salary

**[Malus and claw back provisions]**

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

**[Various allowances]**

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

(4) Total amount of Compensation of Directors and Executive Officers for the Fiscal Year ended March 2023

The total amount of Compensation based on the category of officers, the total amount of Compensation by type and the number of relevant officers in the Fiscal Year ended March 2023 is as follows. The compensation was paid as determined by the Compensation Committee based on the Compensation policy described in "Compensation basic policies" through "Various allowances" of "(3) Compensation Committee policies regarding the decision on the calculation method of the compensation for Directors and Executive Officers."

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

**Notes:**

1. Amounts based on Japan standard.
2. The Compensation amounts shown above include Compensation paid by the Company's subsidiaries, in addition to Compensation paid by the Company. Of the above Compensation amounts, the amount of Compensation paid by the Company is 1,301 million yen (175 million yen for the eight Outside Directors and 1,126 million yen for the eight Executive Officers).
3. The amount of annual base salary for Outside Directors includes the Chairperson Allowance as stated in "Compensation system for Directors" in "(3) Compensation Committee policies regarding the decision on the calculation method of the compensation for Directors and Executive Officers."
4. Regarding performance-linked compensation and stock-linked compensation, the amounts that should be recorded as expenses for the Fiscal Year ended March 2023 are stated.
5. Cost-of-living allowances and income tax allowances, etc. were paid as "Various allowances" set out in "(3) Compensation Committee policies regarding the decision on the calculation method of the compensation for Directors and Executive Officers."

(5) Outline of indemnity agreement details

The Company has executed indemnity agreements, as stipulated in Article 430-2, Paragraph 1 of the Companies Act, with all of Directors and Executive Officers, under which the Company shall indemnify the expenses set out in Item 1 of the same Paragraph (defense costs such as attorney's fees) to the extent stipulated by law. However, together with setting an upper limit on the amount of indemnification, by providing that the decision to implement indemnification, etc. is carried out through deliberations by the Board of Directors, measures are taken to ensure that the appropriateness of the performance of duties by the indemnified party is not impaired.

(6) Outline of officer liability insurance contract details

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

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

(7) Matters regarding Outside Directors

a. Status of main activities of each Outside Director

Category	Name	Status of Main Activities
Director	Tamio Uchibori	Attended 14 of 15 Board of Directors' Meetings, all 14 Audit Committee meetings and all 11 Compensation Committee meetings held this Fiscal Year, and has accordingly made remarks necessary for discussing agenda, etc. based on his abundant experience and professional insight as a management of a global manufacturing company, and high expertise regarding accounting and taxation as a tax accountant. Also proactively gave comments and advice, etc. in Board of Directors' Meetings that grasp the essence of matters for important decision-making of the Company for material M&A decisions and capital policy, etc. Contributed to Audit Committee meetings and Compensation Committee meetings through the early detection of issues and understanding risks, etc.
Director	Shiho Konno	Attended all 15 Board of Directors' Meetings and all 14 Audit Committee meetings held this Fiscal Year, and all 10 Nomination Committee meetings held after assuming her position as a Nomination Committee member on June 21, 2022; has accordingly made remarks necessary for discussing agenda, etc. based on her extensive knowledge regarding corporate governance and diversity gained through her career as an attorney-at-law. Also provided important corporate governance perspectives in Board of Directors' Meetings. Provided perspectives for promoting the replacement plan for Outside Directors and bolstering the audit system at a company with a nomination committee, etc., and contributed to identifying risk from a legal and compliance viewpoint in Nomination Committee meetings and Audit Committee meetings.

Category	Name	Status of Main Activities
Director	Teruo Suzuki	<p>Attended all 15 Board of Directors' Meetings and all 14 Audit Committee meetings held this Fiscal Year; has accordingly made remarks necessary for discussing agenda, etc. based on his high expertise in the field of financial accounting obtained through his work for many years as a certified public accountant engaged in the auditing of listed companies etc. in a major auditing firm.</p> <p>Also proactively proposed improvements for business risk and issues and gave comments and advice, etc. that grasp the essence of matters for important decision-making of the Company for M&amp;A and capital policy, etc., in Board of Directors' Meetings. As the Chairperson of the Audit Committee, led the examination of what appropriate organizational audits at the Company should be, and also led various efforts to ensure the effectiveness of the Company and group companies audits in Audit Committee activities.</p>
Director	Mayumi Tamura	<p>Appointed at the Annual Shareholders' Meeting held on June 21, 2022, and attended all 12 Board of Directors' Meetings and all 9 Audit Committee meetings held after inauguration on the aforementioned date; has accordingly made remarks necessary for discussing agenda, etc. based on her abundant management experience at global companies over many years and valuable knowledge of finance and accounting.</p> <p>Also proactively proposed improvements for business risk and issues and gave comments and advice, etc. that grasp the essence of matters for important reports and deliberations. on the status of permeation of personnel policies and on marketing policies, etc. in Board of Directors' Meetings.</p> <p>Contributed to Audit Committee meetings through proposals for the improvement of the organizational audit system, the early detection of issues, and understanding risks, etc.</p>
Director	Yuji Nishiura	<p>Attended all 15 Board of Directors' Meetings, all 13 Nomination Committee meetings, and all 11 Compensation Committee meetings held this Fiscal Year; has accordingly made remarks necessary for discussing agenda, etc. based on his management experience in multiple companies and his abundant insight and experience regarding the restructuring of corporate governance in many corporate revitalization projects.</p> <p>Also proactively gave comments and advice, etc. that grasp the essence of matters for important decision-making of the Company for management and capital policy, etc., and various topics raised in business segment reports, etc. from Executive Officers in Board of Directors' Meetings. Contributed to qualitatively improving corporate governance by implementing measures for improving corporate value in the medium- to long-term in Nomination Committee and Compensation Committee activities. As Chairperson of the Nomination Committee, led initiatives to establish an officer appointment and replacement process and Outside Director evaluation system that improved corporate governance transparency.</p>

Category	Name	Status of Main Activities
Director	Daisuke Hamaguchi	<p>Attended all 15 Board of Directors' Meetings, all 11 Compensation Committee meetings, as well as all 13 Nomination Committee meetings held this Fiscal Year; has accordingly made remarks necessary for discussing agenda, etc. based on his deep insight into corporate governance obtained through many years of service as an investment management director of the Pension Fund Association.</p> <p>Also proactively raised issues and gave advice on important themes such as capital policy and management policy studies, etc. in Board of Directors' Meetings. Contributed to various efforts to improve corporate governance by implementing measures for improving corporate value in the medium- to long-term in Nomination Committee and Compensation Committee activities. In particular, as Chairperson of the Compensation Committee, led efforts to review, etc. the officer compensation system so that officer compensation functions as motivation to achieve management targets and improve medium- to long-term corporate value.</p>
Director, Chairperson of the Board of Directors	Masatoshi Matsuzaki	<p>Attended all 15 Board of Directors' Meetings and all 13 Nomination Committee meetings held this Fiscal Year; has accordingly made remarks necessary for discussing agenda, etc. based on his deep insight into corporate governance obtained through many years of experience in the management of a listed company with global operations.</p> <p>Also responsible as Chairperson of the Board of Directors for selecting agenda topics and proceedings in Board of Directors' Meetings, and led the creation of a structure to ensure the Board of Directors continued to have sufficient supervisory functions by dealing with important agenda items raised by the evaluation of the effectiveness of the Board of Directors. Proactively contributed to the implementation of various measures to establish an officer selection and replacement process using his experiences at multiple corporations in Nomination Committee activities.</p>
Director	Mariko Watahiki	<p>Attended all 15 Board of Directors' Meetings and all 13 Nomination Committee meetings held this Fiscal Year, and all 9 Compensation Committee meetings held after assuming her position as a Compensation Committee member on June 21, 2022; has accordingly made remarks necessary for discussing agenda, etc. based on her experience in handling many cases as a judge and her experience in organization management as the chief judge of a high court.</p> <p>Also used her expertise in personnel training, development and labor to provide important perspectives on personnel training and diversification for the Group in Board of Directors' Meetings, as well as actively supervising whether there are material risks, mainly from a legal perspective, during decisions on management policies and material decisions such as M&amp;A.</p> <p>Contributed to the promotion of a replacement plan for Outside Directors and the review, etc. of the officer compensation system in the Nomination Committee and the Compensation Committee.</p>

**Note:**

In addition to the number of Board of Directors' Meetings above, there was one written resolution deemed to be a resolution of the Board of Directors pursuant to Article 370 of the Companies Act and the Company's Articles of Incorporation.

b. Overview of the content of the agreement limiting the liability

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

(Agreements limiting the liability of Outside Directors)

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

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

Category	Number of Recipients	Amount of Compensation, etc. (million yen)
Directors	8	175

**(4) Matters regarding the Accounting Auditor**

1) **Name:** Deloitte Touche Tohmatsu LLC

2) **Amount of compensation, etc. of Accounting Auditor**

<b>Amount of compensation, etc. involved in audit certification services that the Company should pay</b>	428 million yen
<b>Total amount of money and other profits on property that the Company and the Company's subsidiaries should pay</b>	503 million yen

**Notes:**

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

3) **Content of non-auditing services**

The content of non-auditing services includes advisory and guidance services regarding the building of a system for strengthening of governance in the Asia-Pacific region, and services regarding the preparation of comfort letters relevant to the issuance of bonds.

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

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

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

### 1) System to ensure the adequacy of business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company values the autonomy of the operations of the group companies and will periodically receive reports of the business conditions and conduct authorizations of important matters.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2) Operation status of system to ensure adequacy of business

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

- a. Initiatives concerning compliance

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

- b. Initiatives concerning the management of the risk of loss

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

- c. Initiatives concerning appropriateness and efficiency of executing duties

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

- d. Initiatives concerning the Audit Committee audits

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

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

## (6) Basic policy regarding governance of a stock company

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

◎ This Report is stated as follows:

1. Amounts stated in million yen units are rounded to the nearest million yen unless otherwise stated.
2. The numbers of shares in thousand share units are shown by omitting the digits that are less than one thousand shares.
3. If there is nothing in particular to state for "1. Matters regarding the current state of the Group" and "2. Matters regarding the current state of the Company," the conditions as of March 31, 2023 are stated.

## Consolidated Statement of Financial Position

(As of March 31, 2023)

(Millions of yen)

ASSETS		LIABILITIES AND EQUITY	
Account	Amount	Account	Amount
<b>CURRENT ASSETS</b>	<b>744,533</b>	<b>CURRENT LIABILITIES</b>	<b>652,202</b>
Cash and cash equivalents	106,677	Trade and other payables	320,388
Trade and other receivables	291,736	Bonds and borrowings	209,028
Inventories	276,645	Lease liabilities	18,692
Contract assets	19,218	Contract liabilities	8,962
Income tax receivables	3,884	Income tax payables	8,698
Other financial assets	20,972	Other financial liabilities	4,860
Other current assets	25,401	Provisions	1,894
		Other current liabilities	79,680
<b>NON-CURRENT ASSETS</b>	<b>1,109,001</b>	<b>NON-CURRENT LIABILITIES</b>	<b>573,612</b>
Property, plant and equipment	376,964	Bonds and borrowings	345,478
Right-of-use assets	63,102	Lease liabilities	45,202
Goodwill and other intangible assets	507,732	Other financial liabilities	28,274
Investment property	4,898	Net defined benefit liabilities	70,102
Investments accounted for using the equity method	8,633	Provisions	7,281
Other financial assets	51,844	Deferred tax liabilities	66,685
Deferred tax assets	93,066	Other non-current liabilities	10,590
Other non-current assets	2,762	<b>TOTAL LIABILITIES</b>	<b>1,225,814</b>
		<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>625,433</b>
		Share capital	68,418
		Capital surplus	221,812
		Treasury shares	(113)
		Other components of equity	68,154
		Retained earnings	267,162
		<b>NON-CONTROLLING INTERESTS</b>	<b>2,287</b>
		<b>TOTAL EQUITY</b>	<b>627,720</b>
<b>TOTAL ASSETS</b>	<b>1,853,534</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,853,534</b>

## Consolidated Statement of Profit or Loss

(Year Ended March 31, 2023)

(Millions of yen)

Account	Amount	
<b>CONTINUING OPERATIONS</b>		
<b>REVENUE</b>		<b>1,495,987</b>
<b>COST OF SALES</b>		<b>(1,027,362)</b>
<b>GROSS PROFIT</b>		<b>468,625</b>
Selling, general and administrative expenses	(442,880)	
Other income	9,790	
Other expenses	(10,632)	(443,722)
<b>OPERATING PROFIT</b>		<b>24,903</b>
Finance income	3,142	
Finance costs	(8,276)	
Share of loss of associates and joint ventures accounted for using the equity method	(10)	(5,144)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>19,759</b>
Income tax expenses		(2,871)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>16,888</b>
<b>DISCONTINUED OPERATIONS</b>		
<b>LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS</b>		<b>(873)</b>
<b>PROFIT FOR THE YEAR</b>		<b>16,015</b>
<b>Profit (Loss) for the year attributable to:</b>		
Owners of the parent		
Continuing operations		16,864
Discontinued operations		(873)
Total		15,991
Non-controlling interests		24
Profit for the year		16,015

## Consolidated Statement of Changes in Equity

(Year Ended March 31, 2023)

(Millions of yen)

	Equity attributable to owners of the parent						
	Share capital	Capital surplus	Treasury shares	Other components of equity			
				Net fair value gain (loss) on equity instruments measured through other comprehensive income	Remeasurements of defined benefit pension plans	Exchange differences on translation of foreign operations	Net fair value gain (loss) on hedging instruments entered into for cash flow hedges
Balance as of April 1, 2022	68,418	278,635	(47,542)	13,327	–	28,613	2,867
Hyperinflation adjustment							
Adjusted balance as of April 1, 2022	68,418	278,635	(47,542)	13,327	–	28,613	2,867
Profit for the year							
Other comprehensive income				237	4,984	28,159	(1,345)
Total comprehensive income for the year	–	–	–	237	4,984	28,159	(1,345)
Purchase of treasury shares		(22)	(10,018)				
Disposal of treasury shares		0	2				
Cancellation of treasury shares		(56,902)	56,902				
Share-based payment transactions		151	543				
Dividends							
Changes in interests in subsidiaries that do not result in the Group losing control over the subsidiaries		(50)					
Changes associated with loss of control of subsidiaries							
Transfers from other components of equity to retained earnings				(3,725)	(4,984)		
Total transactions with owners	–	(56,823)	47,429	(3,725)	(4,984)	–	–
Balance as of March 31, 2023	68,418	221,812	(113)	9,839	–	56,772	1,522

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total		
	Other	Total				
Balance as of April 1, 2022	147	44,954	267,920	612,385	2,583	614,968
Hyperinflation adjustment			543	543		543
Adjusted balance as of April 1, 2022	147	44,954	268,463	612,928	2,583	615,511
Profit for the year		–	15,991	15,991	24	16,015
Other comprehensive income	(15)	32,020		32,020	47	32,067
Total comprehensive income for the year	(15)	32,020	15,991	48,011	71	48,082
Purchase of treasury shares		–		(10,040)		(10,040)
Disposal of treasury shares		–		2		2
Cancellation of treasury shares		–		–		–
Share-based payment transactions	(111)	(111)		583		583
Dividends		–	(26,001)	(26,001)		(26,001)
Changes in interests in subsidiaries that do not result in the Group losing control over the subsidiaries		–		(50)	(367)	(417)
Changes associated with loss of control of subsidiaries		–		–	(0)	(0)
Transfers from other components of equity to retained earnings		(8,709)	8,709	–		–
Total transactions with owners	(111)	(8,820)	(17,292)	(35,506)	(367)	(35,873)
Balance as of March 31, 2023	21	68,154	267,162	625,433	2,287	627,720



## Nonconsolidated Balance Sheet

(As of March 31, 2023)

(Millions of yen)

<b>ASSETS</b>	
Account	Amount
<b>CURRENT ASSETS</b>	<b>446,388</b>
Cash and deposits	56,657
Notes receivable – trade	11,286
Electronically recorded monetary claims - operating	70,441
Accounts receivable	98,338
Contract assets	13,001
Other receivables	31,749
Merchandise and finished goods	56,307
Work in process	22,851
Raw materials and supplies	34,940
Short-term loans receivable	42,530
Other current assets	18,744
Allowance for doubtful accounts	(10,459)
<b>NON-CURRENT ASSETS</b>	<b>784,108</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>231,755</b>
Buildings	71,620
Structures	5,483
Machinery and equipment	26,862
Vehicles	331
Tools, furniture and fixtures	6,659
Land	112,168
Leased assets	3,697
Construction in progress	4,931
<b>INTANGIBLE ASSETS</b>	<b>38,840</b>
Leasehold interests in land	1,158
Software	20,207
Software in progress	17,392
Other intangible assets	83
<b>INVESTMENTS AND OTHER ASSETS</b>	<b>513,512</b>
Investment securities	28,806
Investments in subsidiaries and associates	360,427
Long-term accounts receivable – other	33,506
Long-term loans receivable	22,229
Guarantee deposits	7,208
Prepaid pension costs	12,587
Deferred tax assets	75,986
Other investments	1,293
Allowance for doubtful accounts	(28,532)
<b>TOTAL ASSETS</b>	<b>1,230,496</b>

<b>LIABILITIES</b>	
Account	Amount
<b>CURRENT LIABILITIES</b>	<b>424,349</b>
Notes payable – trade	966
Electronically recorded obligations - operating	1,044
Accounts payable – trade	139,462
Contract liabilities	4,420
Short-term borrowings	139,046
Current portion of bonds payable	25,000
Lease liabilities	859
Accounts payable – other	49,299
Accrued expenses	31,962
Income taxes payables	879
Provision for bonuses	11,907
Provision for bonuses for directors (and other officers)	342
Provision for loss on factory restructuring	1,249
Asset retirement obligations	72
Other current liabilities	17,834
<b>NON-CURRENT LIABILITIES</b>	<b>374,089</b>
Bonds	95,000
Long-term borrowings	229,692
Lease liabilities	3,186
Provision for bonuses for directors (and other officers)	475
Provision for retirement benefits	4,691
Provision for loss on business of subsidiaries and associates	4,203
Provision for loss on factory restructuring	71
Asset retirement obligations	6,698
Other non-current liabilities	30,069
<b>TOTAL LIABILITIES</b>	<b>798,438</b>
<b>EQUITY</b>	
<b>EQUITY</b>	420,421
<b>SHARE CAPITAL</b>	<b>68,417</b>
<b>CAPITAL SURPLUS</b>	<b>268,458</b>
Legal capital surplus	12,478
Other capital surplus	255,979
<b>RETAINED EARNINGS</b>	<b>83,658</b>
Legal retained earnings	4,847
Other retained earnings	78,810
Provision of reserve for special disaster	6
Reserve for tax purpose reduction entry	1,251
Retained earnings brought forward	77,553
<b>TREASURY SHARES</b>	<b>(112)</b>
<b>VALUATION AND TRANSLATION ADJUSTMENTS</b>	<b>11,619</b>
Valuation difference on available-for-sale securities	11,600
Deferred gains or losses on hedges	19
<b>SUBSCRIPTION RIGHTS TO SHARES</b>	<b>17</b>
<b>TOTAL EQUITY</b>	<b>432,058</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,230,496</b>

## Nonconsolidated Statement of Income

(Year Ended March 31, 2023)

(Millions of yen)

Account	Amount	
<b>NET SALES</b>		811,842
<b>COST OF SALES</b>		573,952
<b>GROSS PROFIT</b>		<b>237,890</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>		244,081
<b>OPERATING LOSS</b>		<b>6,190</b>
<b>NON-OPERATING INCOME</b>		
Interest income	1,266	
Dividend income	5,389	
Rental income	716	
Other non-operating income	3,593	10,966
<b>NON-OPERATING EXPENSES</b>		
Interest expenses	2,198	
Interest expenses on bonds	350	
Bond issuance costs	253	
Rental costs	408	
Provision for loss on business in subsidiaries and associates	1,100	
Loss on disposal of non-current assets	1,739	
Other non-operating expenses	2,389	8,441
<b>ORDINARY LOSS</b>		<b>3,666</b>

Account	Amount	
<b>EXTRAORDINARY INCOME</b>		
Gain on sale of investment securities	6,203	
Gain on extinguishment of tie-in shares	4,829	11,032
<b>EXTRAORDINARY LOSS</b>		
Impairment losses	944	
Loss on factory restructuring	144	
Provision for loss on factory restructuring	52	
Loss on investment of subsidiaries and associates	1,117	2,258
<b>PROFIT BEFORE INCOME TAXES</b>		<b>5,107</b>
Income taxes – Current	(1,335)	
Income taxes – Deferred	(6,746)	(8,082)
<b>NET INCOME</b>		<b>13,189</b>

## Nonconsolidated Statement of Changes in Equity

(Year Ended March 31, 2023)

(Millions of yen)

	Equity								
	Share capital	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total	Legal retained earnings	Other Retained earnings			Total
						Provision of reserve for special disaster	Reserve for tax purpose reduction entry	Retained earnings brought forward	
Balance as of April 1, 2022	68,417	12,478	312,738	325,217	4,847	6	1,303	90,312	96,470
Changes during the year									
Dividends								(26,000)	(26,000)
Net income								13,189	13,189
Reversal of reserve for tax purpose reduction entry							(51)	51	-
Purchase of treasury shares									
Disposal of treasury shares			0	0					
Cancellation of treasury shares			(56,902)	(56,902)					
Exercise of subscription rights to shares			142	142					
Net changes of items other than shareholders' equity									
Total changes during the year	-	-	(56,759)	(56,759)	-	-	(51)	(12,759)	(12,811)
Balance as of March 31, 2023	68,417	12,478	255,979	268,458	4,847	6	1,251	77,553	83,658

(Millions of yen)

	Equity		Valuation and translation adjustments			Subscription rights to shares	Total equity
	Treasury shares	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total		
Balance as of April 1, 2022	(47,541)	442,563	15,676	1,989	17,666	127	460,357
Changes during the year							
Dividends		(26,000)					(26,000)
Net income		13,189					13,189
Reversal of reserve for tax purpose reduction entry		-					-
Purchase of treasury shares	(10,018)	(10,018)					(10,018)
Disposal of treasury shares	2	2					2
Cancellation of treasury shares	56,902	-					-
Exercise of subscription rights to shares	542	685					685
Net changes of items other than shareholders' equity			(4,075)	(1,970)	(6,046)	(110)	(6,156)
Total changes during the year	47,428	(22,141)	(4,075)	(1,970)	(6,046)	(110)	(28,298)
Balance as of March 31, 2023	(112)	420,421	11,600	19	11,619	17	432,058

**INDEPENDENT AUDITOR'S REPORT**

May 17, 2023

To the Board of Directors of  
LIXIL Corporation:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement  
Partner,  
Certified Public Accountant:

Taiji Suzuki

Designated Engagement  
Partner,  
Certified Public Accountant:

Takenao Ohashi

Designated Engagement  
Partner,  
Certified Public Accountant:

Masayuki Furukawa

**Opinion**

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of LIXIL Corporation and its consolidated subsidiaries (the "Group"), namely, the consolidated statement of financial position as of March 31, 2023, and the consolidated statement of profit or loss and consolidated statement of changes in equity for the fiscal year from April 1, 2022 to March 31, 2023, and the related notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023, and its consolidated financial performance for the year then ended in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under International Financial Reporting Standards.

**Basis for Opinion**

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

**Other Information**

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

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

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

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

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

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

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

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

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

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

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

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

(TRANSLATION)

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

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

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

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

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

#### Notes to the Readers of Independent Auditor's Report

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

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

May 17, 2023

To the Board of Directors of  
LIXIL Corporation:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement  
Partner,  
Certified Public Accountant:

Taiji Suzuki

Designated Engagement  
Partner,  
Certified Public Accountant:

Takenao Ohashi

Designated Engagement  
Partner,  
Certified Public Accountant:

Masayuki Furukawa

#### Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements of LIXIL Corporation (the "Company"), namely, the nonconsolidated balance sheet as of March 31, 2023, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity for the 81st fiscal year from April 1, 2022 to March 31, 2023, and the related notes and the accompanying supplemental schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

#### Basis for Opinion

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

#### Other Information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

### Notes to the Readers of Independent Auditor's Report

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

## Audit Report

The Audit Committee has audited the performance of duties by the Directors and Executive Officers for the 81st fiscal year from April 1, 2022 to March 31, 2023, and we report the methods and results of the audit as follows:

### 1. Methods and content of the audit

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

- (a) attended important meetings, received reports on matters regarding the execution of their duties from the Directors and Executive Officers, etc., requested further explanations as necessary, inspected important approval documents, etc., and investigated the status of the business operations and assets of the head office and principal place of business in accordance with the policies and division of duties, etc. established by the Audit Committee and upon coordination with the company's internal auditing department and internal control governing department. With respect to the subsidiary companies, the Audit Committee took steps to facilitate communications and the exchange of information with the Directors and Auditors, etc. of the subsidiary companies and received reports on the business operations from the subsidiary companies as necessary.
- (b) while monitoring and verifying that the Accounting Auditor has maintained its independence and conducted appropriate audits, the Audit Committee received reports from the Accounting Auditor regarding the execution of its duties and requested further explanations as necessary. Furthermore, the Audit Committee received notification from the Accounting Auditor that it was taking steps to prepare the "system for ensuring proper execution of duties" (as set forth in the items of Article 131 of the Rules of Company Accounting) in accordance with the "Quality Control Standards for Audits" (adopted by the Business Accounting Council on November 16, 2021), etc., requesting further explanations as necessary.

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

### 2. Results of the audit

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

In our opinion:

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

#### (2) Results of the audit of financial statements and annexed detailed statements

In our opinion, the audit methods used and the results reported by Deloitte Touche Tohmatsu LLC, the Accounting Auditor, are appropriate and reasonable.

#### (3) Results of the audit of consolidated financial statements

In our opinion, the audit methods used and the results reported by Deloitte Touche Tohmatsu LLC, the Accounting Auditor, are appropriate and reasonable.

May 18, 2023

Audit Committee, LIXIL Corporation

Audit Committee Member Teruo Suzuki

Audit Committee Member: Tamio Uchibori

Audit Committee Member: Shiho Konno

Audit Committee Member: Mayumi Tamura

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

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