

Action Plan & KPIs(FYE2021)

LIXIL formulated a five-year medium-term action plan spanning FYE2017 to FYE2021 based on material issues selected in FYE2016, and we have worked hard to achieve the plan. We have successfully achieved our targets in the majority of categories, and have been making improvements in the several areas where we fell short of our targets. We have made particularly impressive progress on strengthening corporate governance, ensuring thorough compliance, and reducing environmental impacts across all our operational processes.

Main areas where most impressive progress was noted:

- Governance

Following the merger of the LIXIL Group and LIXIL Corporation in December 2020, we have strengthened our governance of the whole group by reorganizing our regulatory framework and creating new authorization regulations that comprehensively reviewed and itemized the group's distribution of authority. In addition, our Nomination Committee led the formulation of a CEO succession plan, and we announced the outline of the plan.

- Compliance

In order to reduce human rights risks, we established a concern-raising system that can be used by all group employees, including subsidiaries across the globe, and external stakeholders, including suppliers and other business partners. We provide our 24-hour LIXIL Compliance Hotline — Speak Up! concern-raising system and contact routes through an external law firm as the main points of contact. And we have seen a significant improvement in the level of awareness of the concern-raising system.

- Environment

We have reduced CO₂ emissions from our sites to an extent that far exceeds our target by implementing thorough energy-saving measures at our plants and offices, promoting technological development designed to improve energy efficiency, and utilizing renewable energy. We have also significantly improved recycling ratios, particularly in Asia, after actively promoting the recycling of waste to reduce waste at our production sites in all our global regions.

From FYE2022 onward, we plan to formulate a new medium-term plan and promote fresh initiatives that dovetail with our material issues, which were reviewed in FYE2021.

GOVERNANCE

Corporate Governance

Develop Global Standard Governance

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Restructure governance system as a company with nominating committee, and adopt and embrace global best practices. 	<ul style="list-style-type: none"> Following discussion at the Board of Directors, we considered the scope of the authority of the Board of Directors and the Board of Executive Officers and revised various internal authorization regulations in preparation for the merger of the LIXIL Group and LIXIL Corporation that took place in December 2020. The Nomination Committee led the formulation of our CEO succession plan, and we announced the outline. 	○
<ul style="list-style-type: none"> Rebuild governance rules and procedures for all group companies, clarify their execution, regulation, and approval. 	<ul style="list-style-type: none"> Reorganized LIXIL Corporation's regulatory framework following the merger. Created new authorization regulations that comprehensively reviewed and itemized the company's distribution of authority, and our Global Policy for Governance of Group Companies that reviewed and itemized the authority of group companies. Reviewed our approval processes and introduced a new IT system called LIXIL Approval System. Currently gradually expanding the system to group companies. 	○

Compliance

Reorganize group-wide compliance system and clarify compliance rules

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> • Establish a system for conducting compliance reviews of appropriately defined business units at a frequency determined using a risk-based approach (annual or biennial). • Establish an effectively functioning system by creating a framework to operate and improve our group-wide compliance system and allocating appropriate resources (budget and human resources). • Establish a system for holding compliance committee meetings or alternative meetings for each appropriately defined business unit at least twice a year, and reporting the results in a timely manner to the LIXIL compliance committee. 	<ul style="list-style-type: none"> • Conducted the specified number of compliance reviews (at LIXIL Corporation and Japan-based companies with a compliance committee or a compliance manager), and reflected the results in FYE2022 measures. • Established compliance committees or alternative meeting structures in all overseas business units. Distributed compliance guidelines, including fundamental rules. • Held meetings for each committee in Japan and overseas two to four times over the year, submitted meeting agenda and minutes to each compliance department, and built a framework for timely reporting of meeting results to the LIXIL compliance committee. • LIXIL compliance committee met four times over the year. 	○

Strengthen compliance education and training across the group

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> • Maintain and improve Group Code of Conduct basic training and pledge mechanism. • Create a central framework for planning and tracking history of compliance education and training. • Basic training completion and pledge rate: 100% • Training completion rate by region and employee level: 100% 	<ul style="list-style-type: none"> • Basic training completion and pledge rate: 95.7% 93.4% in Japan, 97.3% overseas (EMENA: 99.7%, Americas: 95.7%, APAC: 97.4%, Africa: 90.6%, four LHT companies (G2J): 99.9%) <p>* G2J is the abbreviation for Global to Japan. G2J factories are manufacturing facilities located outside Japan that manufacture products for the Japanese market.</p> <ul style="list-style-type: none"> • Training completion rates by region and employee level were uneven; the target not achieved. Continue to implement in FYE2022. <p>* The impact of COVID-19, the absence of a group-wide common learning management system (LMS) platform, and a shortage of legal and compliance personnel outside Japan all contributed to the shortfall against the target. We are working on provisional alternative LMS operations and continue to proactively recruit compliance personnel.</p>	<p>△</p>

Unify group-wide concern-raising system and ensure familiarity

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> • Ensure LIXIL Compliance Hotline — Speak Up! is well known and used as a common system across the group to track and manage concerns raised (100% familiarity). • Use Speak Up! as a point of contact for customers and business partners to raise compliance-related concerns. • Disclose important compliance indicators, including number and summary of concerns raised. 	<ul style="list-style-type: none"> • Familiarity with the internal concern-raising system: 79.6% in Japan (incl. G2J), 84.3% overseas (from compliance survey conducted FYE2021). Number of concerns raised: 236 in Japan, 107 overseas (Total: 343) • Conducted compliance events in each region principally in October and November to promote education and build awareness. • Accepting reports from external stakeholders, including suppliers and other business partners through our LIXIL Compliance Hotline — Speak Up! We also accept reports through an independent external law firm in Japan. • Plan to publish the number of concern-raising reports and number of cases considered serious compliance violations. 	<p>△</p>

Risk Management

Establish a risk management framework that seeks to reduce the frequency and minimize the damage of critical events

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Foster a culture in which risks are owned by respective executives (risk owners) in all global organizations. Encourage risk owners and the risk management, financial, and audit functions to cooperate in the promotion of risk countermeasures to control enterprise risks on a daily basis. 	<ul style="list-style-type: none"> Developed risk management systems in all group companies. Reassessed important group risks at the beginning of the year, regularly evaluating them by region, and monitoring response. 	○
<ul style="list-style-type: none"> Cultivate a risk management culture across all global organizations to ensure timely escalation of incidents, and formulate timeline-driven action plans to ensure appropriate initial countermeasures. 	<ul style="list-style-type: none"> Crisis management systems developed in all group companies. Based on the crisis management system, crisis events that occurred in Japan and overseas were escalated in a timely manner to the group HQ. Created a handbook for local companies to ensure thorough initial response and group-wide implementation of the escalation rules. Distributed this to local managers via the risk manager stationed in each region worldwide. 	○

Information Security

Formulate and instill Group Information Security Policy

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> • Ensure the ability to manage and measure activities formulated under the Group Information Security Policy. • Ensure the security incident response framework is functioning across the group. • Ensure prompt responses to changes in security-related environments. • Ensure an up-to-date and fully acknowledged policy that complies with all local laws and suits individual company circumstances. • Update the content of security training for employees to reflect changes in the surrounding environment. • Implement an auditing and improvement PDCA cycle as a means of assessing security. 	<ul style="list-style-type: none"> • Implemented Capability Maturity Model Integration (CMMI) (that evaluates an organization's ability to improve its processes) at the maximum level of 5 to check our security level. Improved by 0.07 point at the BM level. • Reworked a number of detailed information security rules. • Enforced global teleworking security guidelines. • Performing security assessments of five of our Japan-based group companies. 	○
	<ul style="list-style-type: none"> • Completed outline for LJSS incident response framework. • Targeted email attack training: conducted twice for 20,000 employees* • Information security pledge: conducted for 30,000 employees* • Information security awareness training (e-learning): conducted four times for 30,000 employees* <p>* Targets: LIXIL Corporation, group companies in Japan, Dalian factory, TOSTEM Thailand, and LIXIL Vietnam.</p> <ul style="list-style-type: none"> • CSIRT security incident response training: conducted three times • Information security incidents: 0 incidents that caused real harm, 4 incidents of ID fraud 	△

Intellectual Property Strategy

Introduce a Group Intellectual Property Management Guideline and an IP sharing system, and strengthen the global reach and function of the IP Committee

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Maximize the value of the group's intellectual property by conducting PDCA for the global IP governance structure and processes. Hold Global IP conferences to share strategies (at least twice a year). 	<ul style="list-style-type: none"> Established and enforced basic rules for global intellectual property management. Strengthened global governance of intellectual property protection and utilization based on these rules (February 2021). 	○

Launch and explore an IP strategy pilot project and form a group IP strategy

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Determine a global IP strategy based on the growth strategies of each technology business. Prepare an IT infrastructure for implementing the global IP strategy. 	<ul style="list-style-type: none"> Strengthened IP portfolio management systems in Japan and overseas. Held monthly IP meetings with global IP leaders (year round). Introduced ANAQUA platform as a global IP operation foundation in January 2021. Created an environment for collectively managing and visualizing the group's intellectual property. 	○

FAIR BUSINESS PRACTICES

Anti-Corruption, Transparent Political Relations, and Fair Business

Determine group-wide compliance policies, and conduct compliance reviews and compliance education and training

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> • Create, communicate, and implement regional and national policies for areas that require them based on global policies and guidelines. • Establish appropriate review and application frameworks for procedures based on regional and national policies. • Establish frameworks for conducting compliance reviews by technology business or other appropriate operational unit at the annual or biennial interval determined using a risk-based approach. Uncover, analyze, and respond to risks in corresponding policy areas. • Establish fixed programs to help minimize the risk of corruption in the supply chain and distributors. 	<p>(1) Global compliance policies and guidelines</p> <ul style="list-style-type: none"> • Achieved 100% coverage of global compliance policies and guidelines. Coverage ratios by overseas business unit were uneven; the target not achieved. Continue to implement in FYE2022. • Training completion rates were uneven by region/specific compliance policy; the target not achieved. • Number of serious compliance violations: 0 <p>* The impact of COVID-19, the absence of a group-wide common learning management system (LMS) platform, and a shortage of legal and compliance personnel outside Japan all contributed to the shortfall against the target. We are working on provisional alternative LMS operations and continue to proactively recruit compliance personnel.</p> <p>(2) Compliance reviews</p> <ul style="list-style-type: none"> • Conducted the specified number of compliance reviews (at LIXIL Corporation and Japan-based companies with a compliance committee or a compliance manager), and reflected the results in FYE2022 measures. <p>(3) Fixed program</p> <ul style="list-style-type: none"> • Determined global guidelines for implementing business partner and supplier due diligence. Plan to continue training in FYE2022 and beyond. 	<p>△</p>

OUR PEOPLE

Diversity and Equal Opportunity

Promote the active participation of women in the workplace

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Achieve at least 30% ratio of women among new graduate and post-graduate hires (in Japan, excluding group companies). 	<ul style="list-style-type: none"> Ratio of women among new graduate and post-graduate hires: 47.9% 	○
<ul style="list-style-type: none"> Achieve at least 8% ratio of women among managers (in Japan, excluding group companies). 	<ul style="list-style-type: none"> Ratio of women among managers: 6.0% 	△
<ul style="list-style-type: none"> Achieve female participation rate in leadership training programs of at least 20% (in Japan, excluding group companies). 	<ul style="list-style-type: none"> Female participation rate in our NEXT program: 25% 	○

A Rewarding Workplace

Conduct regular employee opinion surveys across the group targeting approximately 65,000 employees

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Achieve engagement index of 39% (10% increase on the 35% score achieved in FYE2018). 	<ul style="list-style-type: none"> Replaced the original survey (conducted every two years) with the LIXIL VOICE quarterly survey in September 2020, which uses new digital tools. Engagement index: 72%* <p>* It proved difficult to compare the result with the engagement index target since the survey content and questions differed from those in the former survey.</p>	-*
<ul style="list-style-type: none"> Achieve favorable response rate in the work-life balance category of 46% (10% increase on the 42% score achieved in FYE2018). 	<p>* It proved difficult to compare the result with the engagement index target since the survey content and questions differed from those in the former survey.</p>	-*

Hold regular discussions between the union and the company

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Hold nine meetings of the Central Labor Relations Committee annually (in Japan, excluding group companies). 	<ul style="list-style-type: none"> Maintain cooperation by promoting regular communication between the union and the company. Held nine meetings of the Central Labor Relations Committee over the year. 	○

Create a staffing plan that encourages local employment and talent development

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Achieve 100% fulfillment of our recruitment plan that aims to increase the number of local factory employees (LIXIL manufacturing subsidiaries). 	<ul style="list-style-type: none"> Achieved 87.9% fulfillment of the plan (210 people recruited, incl. 2 university graduates, 39 specialist high school graduates, 15 junior college (two-year college)/technical college graduates, 154 high school graduates). 	△

Talent Development

Continue programs for training next-generation leaders and optimize training programs

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Achieve 1,300 participants in the programs for training next-generation leaders (in Japan). 	<ul style="list-style-type: none"> NEXT program participants: 64 Number of participants to date: 1,329 	○
<ul style="list-style-type: none"> Achieve 100% uptake of initial three-year basic education (in Japan). 	<ul style="list-style-type: none"> Percentage uptake: 100% Introduction for new employees, individual department training, peer networking: 190 Follow-up training for young employees (for first to third year employees): 559 	○

Occupational Health and Safety

Build a common group-wide occupational health and safety management system

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Achieve 100% coverage of the occupational health and safety management system across the group. 	<ul style="list-style-type: none"> Achieved 100% acquisition of the occupational health and safety performance data (based on number of employees). Conducted regular internal audits of occupational health and safety management frameworks and their operation at each business unit. 	○

ENVIRONMENT

Environmental Management System

Build a common group-wide environmental management system

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Achieve 100% coverage of the environmental management system across the group. 	<ul style="list-style-type: none"> Achieved 100% acquisition of environmental performance data (offices covered). Conducted annual internal audits of environmental management frameworks and their operation at each business unit. Acquired the environmental management system certification (ISO 14001) at four of LIXIL International's Mexican plants. In process of obtaining the certification for three of our sites in the US. 	○

Climate Change Mitigation and Adaptation, Water Sustainability, and Circular Economy

Improve environmental value our products and services can offer and reduce environmental impacts across the entire process of our business

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> • CO₂ emissions reduction attributable to products and services across the group: expand by 1.36 times v. FYE2016 • Pursue environmentally-conscious designs that consider the entire product lifecycle. • Promote the sales expansion of environment-conscious products and services. 	<ul style="list-style-type: none"> • CO₂ emissions reduction attributable to products and services: expanded by 1.29 times (amount of CO₂ emissions reduced: 65,565 thousand t-CO₂) • Sales of INAX and EMENA brand touchless faucets grew. • Sought to improve the proportion of high-performance windows. Plan to continue relevant initiatives to achieve the CO₂ emissions reduction target. 	△
<ul style="list-style-type: none"> • CO₂ emission intensity from places of business across the group: reduce by 8% v. FYE2016 • CO₂ emission intensity from transportation carried out in Japan by LIXIL as the consigner: reduce by 5% v. FYE2016 • Improve water usage efficiency at high-water risk bases. • Achieve waste recycling ratio from places of business of at least 95% in Japan and Europe, 66% in Asia, and 40% in North America. 	<ul style="list-style-type: none"> • CO₂ emission intensity from places of business: reduced by 18.7% (Total volume down 18.2%) • CO₂ emission intensity from transportation: reduced by 2.6% • Fulfilled plans in two of our high-water risk bases. • Waste recycling ratios: 97.1% in Japan and Europe, 91.5% in Asia, and 39.3% in North America • Began procuring 100% renewable energy at all 8 LIXIL International water faucet factories, 36 sales bases in Japan, Kanto distribution center, etc. • Promoted waste recycling at LIXIL International's Mexican plants (Aguascalientes, Tlaxcala, and Santa Clara) 	○

SOCIETY

Human Rights

Create LIXIL Human Rights Policy and promote awareness among all group employees

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Implement human rights due diligence globally, and define and reduce LIXIL business-related human rights risks for customers, employees, business partners, and other stakeholders. 	<ul style="list-style-type: none"> Introduced various means to facilitate a better understanding and handling of potential human rights risks. Complemented existing measures by conducting a human rights risk assessment for all staff at leader level or higher who work in departments closely linked to LIXIL's key human rights issues and who can provide global support. Implemented countermeasures based on the assessment results. Conducted compliance education and information security awareness-raising training directed at all employees. Conveyed information on human rights on internal social media that all employees can access. 	<p style="text-align: center;">○</p>

Create a framework for human rights due diligence

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Respond swiftly and sincerely to any human rights violations and instigate improvements, regularly review human rights due diligence frameworks, and ensure highly transparent disclosure of due diligence activities and processes. 	<ul style="list-style-type: none"> Utilized the existing concern-raising system. Maintained the Human Rights Due Diligence Task Force’s process decision-making approach and exchanged opinions at least once a year. Determined seven key human rights issues requiring a focused effort to reduce potential human rights risks. Expanded disclosure of information about relevant initiatives. 	○

Stakeholder Engagement

Help solve sanitation issues

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Improve the sanitary environments of 100 million people by 2025. 	<ul style="list-style-type: none"> Shipped 5.1 million units of our SATO Toilet Solutions to 41 countries to date, reaching 25 million people. Successfully shipped 1.25 million units in FYE2021, the second consecutive year above 1 million units. 	○

Research and develop products that can help solve social issues

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Conduct 10 or more research activities using digital or other technologies. Contribute to society by publicly announcing some of our research results. 	<ul style="list-style-type: none"> Research activities: Conducted 23 activities through FYE2021 (incl. 8 in FYE2021) 	○

CUSTOMERS & SUPPLY CHAIN

Responsible Supply Chain Management

Extend our CR procurement process from Japan to the entire Group

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> CR survey of group-wide suppliers Achieve coverage ratio of 90% in Japan, 90% overseas (based on purchased amount). Achieve 90% conformity rate*1 <p>Scope: Suppliers to LIXIL and its subsidiaries Japan: Procurement at domestic operations, overseas: procurement at overseas operations</p> <p>*1 Overseas data undetermined as coverage area undergoing review.</p>	<ul style="list-style-type: none"> Coverage ratio 94% in Japan, 85% *2overseas*3 Gradually expanding the coverage to include suppliers to our Asian sites, which were added to the target scope in FYE2021. Average conformity rate 91% in Japan, 89% *4overseas*3 <p>*2 If we exclude LWT Asia from the scope, which we have started to cover in the survey by stages in FYE2021, the result goes up to 92%.</p> <p>*3 Excluding American Standard Brands.</p> <p>*4 Overseas reference value (currently expanding targets, so target value not yet set).</p>	○

Product Safety and Quality

Make continuous improvements to the product quality management system

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Maintain zero cases of serious product accidents across the group. 	<ul style="list-style-type: none"> Serious product-related accidents: 2 (Sliding entrance door: 1, automatic faucet: 1) Conducted product-related crisis management meetings to make reports and discuss corrective actions. Filed information on accidents in the database and reviewed them one by one to determine if any corrective actions were necessary. Carried out product improvements and awareness-raising on safe use as necessary. 	△

Monitor customer satisfaction levels and re-evaluate collected data for further improvements

FYE 2021 targets	FYE2021 progress	Progress level
<ul style="list-style-type: none"> Conduct customer satisfaction surveys on products and services across the group, and continuously monitor and disclose results. Satisfaction level for support: 70% 	<ul style="list-style-type: none"> Satisfaction level for support: 67.7% (Comprehensive assessment of following four services) Showrooms; call centers; after-sales maintenance; and sales representatives * Survey target: Professional users * In FYE2021, our response rate declined due to a shortage of call center personnel during the COVID-19 pandemic, so we are strengthening our online support and other avenues of response. 	△