

The 79th Annual Shareholders' Meeting Q&A Session

Summary

- 3 advance questions (Q1- Q3)
- 1 question at the venue (Q4)
- 5 questions by online attendees (Q5- Q9)

Q1. Would the company consider soliciting proposals for new toilets which could realize the President's message from outside the company or the general public? (Specific proposal from this shareholder is omitted)

CEO Seto answered:

While we do not have a specific system for soliciting proposals for toilets or for any other new products from outside the company or the general public at the present time, we normally always listen to our customers in the course of our sales and marketing activities and reflect them when developing our products. We also would like to consider the shareholder's proposal as a valuable opinion for the future.

We will refrain from introducing the specific proposal we received from this shareholder, as it is not within the purpose of this meeting and it is an issue that pertains to the shareholder's rights.

Q2. Remote working has been implemented to prevent the spread of the coronavirus. What effect has it had other than preventing the spread of infection, what is the financial impact in terms of an amount, and how long will it continue?

CEO Seto answered:

We have promoted remote working as part of our working style reforms since before COVID-19 arose. We also introduced Zoom and other digital tools at an early stage and introduced networks such as EAA, that are more secure than VPN, with the aim of increasing productivity. As a result, in addition to the obvious effect of preventing the spread of infection, we were able to save on office space and consolidate our separate offices in Tokyo. In terms of operational efficiency, as you can imagine, sales people in Shikoku, Hokkaido or other areas used to visit one or two customers per day for customers who are located in remote areas, but by leveraging

online tools, our sales people can now meet with seven or eight clients in a day. In addition, Branch Managers' meetings and meetings with factories are now taking place online. Without the need to move around physically, we can conduct such meetings in a seamless manner. Therefore, remote working is contributing greatly to increase operational efficiency. Furthermore, the online showroom that was introduced at this time also helps to improve business performance thanks to it solving the issues associated with showing prices or products to visitors in a physical showroom, by enabling suppliers, building contractors, and other visitors to gather in the online showroom. We were already moving forward with these digital initiatives before COVID-19, and we will continue to use these digital technologies to increase productivity even if the COVID 19 situation stabilizes earlier than expected.

Q3. LIXIL announced that it would be abolishing the shareholder benefits system on July 20, 2020. I will not discuss the decision itself, but the announcement time was extremely inappropriate considering the specifics of the system. Considering continuity from previous years, if the system had not been abolished, the start date of renovation work covered by the benefits system would have been after June 1, 2020. LIXIL explained the purpose of introducing this system on July 16, 2013 as follows: "the Company will introduce a shareholder benefits system to increase the understanding of the Company's business among more shareholders (...) and to help them lead a fulfilling and comfortable life at home." That is, for your company, one of the purposes of this system was to promote the use of your own products in shareholder renovation work, while for shareholders, one of the benefits that they would consider when deciding whether to carry out renovation work. Therefore, you should have clearly indicated to them in advance whether the benefit was applicable. It must be said that it was extremely inappropriate to announce the abolition of the system on July 20, almost two months after June 1.

CEO Seto answered:

We send information regarding the conditions for the shareholder benefits system to shareholders who held at least one unit of our shares as of September 30 each year around November of that year, and we made it possible to apply for shareholder benefits retroactively for renovation work that had commenced on or after June 1.

Each fiscal year, we consider, decide, and inform our shareholders of the commencement time for renovation to which the shareholder benefit system would apply, and we apologize for causing any misunderstanding for shareholders who continued to hold our shares and expected

the benefits to apply to work commencing on June 1, as in previous years. We will take additional care in the future regarding the timing and our notifications to all shareholders.

Q4. Through the “Kawaranaito LIXIL” initiative, it seems that you have realigned the head-count in an appropriate way, but for those employees who are subject to that program, and also for the motivation level at the front line, what type of effects and benefits have you been able to achieve as a result?

CEO Seto answered:

I believe that through the “Kawaranaito LIXIL” initiative we have changed employee awareness with respect to improving productivity, changing how work is performed within the company, and their own duties. As part of that initiative, we have introduced the New Life program, which is a program that accommodates employees who, due to new developments at LIXIL, feel that LIXIL is no longer for them or who perhaps might be looking for opportunities more suited to them outside LIXIL, while paying respect to their service to LIXIL and giving the maximum consideration to employees who apply for the program. For those remaining employees, we have tried to implement an environment to enable them to work productively and in a comfortable way, and we have also introduced career development programs to help them to learn and develop new skills. In a nutshell, changes are occurring and necessary – not only within the company, but also in the society at large. I think that changes could be encouraging for employees in a certain sense. There are negative aspects, but also positive aspects, so from our perspective, we feel that the New Life program is necessary, and we do not think or feel this has had negative impact on our employees’ morale so far.

Q5. Since March, the share price has been at its highest level in a decade. What is the target share price of President Seto? You do not need to commit, but I would like to hear your frank view on the share price and the market capitalization of the company.

CEO Seto answered:

I am responsible for the execution of operations, so I am not in a position where I should be commenting on the share price. For our part, as far as possible, we want to meet the expectations of shareholders that we will increase the share value, so in that sense, the higher the target the better. That is all I can say.

Q6. I am disappointed that the shareholder benefit system was eliminated. It does not have to be in a form of a gift certificate, but is there any way to provide a discount when purchasing LIXIL products?

CEO Seto answered:

I fully understand the point of the question. We have considered various options, but the reality is that there are many different types of shareholders – those living abroad and institutional investors etc., so when certain systems are available in Japan, those outside of Japan are not able to take advantage of the system and they are at a disadvantage. In order to ensure fairness, we identified certain issues and we had multiple discussions internally. Consequently, we arrived at the conclusion that reflecting profits in the form of dividends was the best option for shareholders, and following that policy, profits will be returned to shareholders in the form of dividends. Therefore, we are not considering introducing a new shareholder benefit system to replace the old one. In that sense, I must apologize for being unable to fulfill your expectations.

Q7. The Notice of Convocation [Note: Business Report, page 16] states that the year-on-year decrease in the number of employees is mostly due to exclusion from the scope of consolidation. How much of the decrease was due to the voluntary retirement program? Do you intend to run the voluntary retirement program in the future as well?

CEO Seto answered:

The program was available for 1,200 people, and 965 people applied. As to whether we are going to run a similar program going forward, the company is not able to make a decision at this point in time.

Q8. In this day and age, especially overseas, Directors are responsible for ESG, for example climate change and emissions reduction, and these are also linked to compensation KPIs. What kind of initiatives are being undertaken at LIXIL?

CEO Seto answered:

This is something that is constantly being discussed at meetings of the Board of Directors and it also gets discussed by the Compensation Committee. Even though this is a matter to be decided by the Compensation Committee, I will provide an explanation because it is also

discussed at meetings of the Board of Directors. Basically, to the extent possible, we want ESG and SDGs (sustainable development goals supporting such issues) to be approached with a focus on activities that support corporate growth and increasing company profits. Therefore, we are not separating them at this point in time. In regards to sustainability, each company's interest in such initiatives is increasing, and measures for the revised Corporate Governance Code are also needed, so we are going to proactively push forward with discussions by the Board of Directors.

(When asked whether he had any additional comments, Mr. Hamaguchi, the Chairperson of the Compensation Committee, stated that he is of the same understanding as CEO Seto.)

Q9. From next year, will the Shareholders' Meeting be held only online, and will shareholders not be able to attend at the venue?

CEO Seto answered:

As I said before, nothing has been decided. In reality, we would like to ask the opinions of shareholders and consider the interests of the shareholders before making any decisions. We just have this available as an option. Therefore, my answer is that nothing has been decided

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