

For Immediate Release**March 23, 2020**
LIXIL Group Corporation

LIXIL Introduces New Transformation Measures to Simplify Organization, Improve Efficiency, and Strengthen Corporate Governance

Tokyo – LIXIL Group Corporation (“LIXIL Group”, TSE Code: 5938), maker of pioneering water and housing products, announced today progress on transformation initiatives designed to meet its strategic goal of becoming an entrepreneurial company that can achieve sustainable growth by contributing to society. These initiatives will enhance LIXIL Group’s ability to execute its corporate strategy and revitalize its operations in Japan, boosted by an effectively designed corporate governance structure.

A Smaller, More Focused Board of Directors

LIXIL Group plans to reduce the size of its Board of Directors from 14 members to nine, pending approval at the next Annual General Meeting of Shareholders, which is scheduled for June 2020. In line with LIXIL Group’s aim to become a more agile company that can respond quickly to external and internal changes, a smaller-sized Board of Directors will improve overall management efficiency by enabling faster and more nimble decision-making.

In developing proposals for an optimal and balanced board composition, LIXIL Group’s Nomination Committee analyzed the merits of different board compositions and, based on this analysis, LIXIL Group has announced the company’s slate of candidates for its Board of Directors. The majority of candidates are independent outside directors, more than the one-third required by LIXIL Group’s Corporate Governance Guidelines. In line with the recommendations of the Governance Committee, which was established last year to monitor and enhance the company’s governance, a majority of independent outside directors is expected to enhance the overall supervision of management.

As part of the company’s measures to strengthen corporate governance, the Nomination Committee also announced details of updated processes for the selection of candidates for the Board of Directors and Executive Officers.

Further information on these updates and the selection of candidates can be found in LIXIL Group’s Timely Disclosure [here](#)¹

Merger between LIXIL Group and LIXIL Corporation

¹ https://www.lixil.com/en/investor/ir_news/

LIXIL Group will dissolve its current two-tier management structure by merging LIXIL Group, the holding company, with LIXIL Corporation, its 100% subsidiary. Following the company's announcement on January 27, 2020, that it started to consider the merger, it today revealed more detailed plans, including the merger structure and timeline.

Through a simplified and short-form merger, LIXIL Group plans to transition from its current holding group structure to become a simplified operating company. This transition reflects the company's evolving strategy. Having previously prioritized establishing and growing its global foothold, LIXIL Group will now place greater focus on actively managing its core businesses and driving synergies across these businesses in order to accelerate growth. While LIXIL Group will be the surviving company of the merger, it will change its name to LIXIL Corporation, pending approval at the next Annual General Meeting of Shareholders, to reflect the simplified operating company it aims to become.

To enable LIXIL Group to better carry out its strategy, the merger will enhance the company's agility by enabling faster decision-making, enhance overall management efficiency by eliminating duplication of resources, and improve group governance by simplifying and increasing the transparency of management.

The merger is scheduled to be completed in December 2020. While both companies will continue to operate as separate entities until the merger is completed, LIXIL Group and LIXIL Corporation will begin to prepare for the merger ahead of time by adopting an integrated management structure from April 1, 2020. As part of this, Executive Officers at LIXIL Group will concurrently serve as Directors of LIXIL Corporation, while decision-making bodies will be consolidated, enabling LIXIL Group and LIXIL Corporation to effectively operate as a single company. On completion of the merger, LIXIL Corporation will be dissolved. The planned merger will not have a significant impact on LIXIL Group's consolidated financial statements.

For more details on the merger, see LIXIL Group's Timely Disclosure [here](#)².

A Flatter and Simpler Structure in Japan

To revitalize its business in Japan, LIXIL Group will flatten and simplify its organization structure, effective April 1, 2020.

Under this initiative, LIXIL Group will reorganize the current three-layer structure of its local sales force into two layers, consolidating into 17 branch offices nationwide.

LIXIL Group will also dissolve LIXIL Japan Company (LJC), an organization that was previously established to oversee the sales branch offices. Instead, these sales activities will be managed directly by LIXIL Water Technology Japan (LWT-J) and LIXIL Housing Technology Japan (LHT-J) to strengthen alignment with the development and manufacturing functions of each business. LJC's remaining functions will be centralized

² https://www.lixil.com/en/investor/ir_news/

within a headquarters team called the Sales Development Division, which will focus on other key activities such as creating and capturing demand for renovation and providing comprehensive solutions to contractors.

The Housing and Services business (H&S), which currently operates under LIXIL Group and provides comprehensive services to enhance the value of homes, including development of homebuilding and real estate brokerage franchises, home inspections, and housing-related financial services, will also be integrated into the new Sales Development Division to leverage synergies.

In addition, LIXIL Group will integrate LIXIL Building Technology Japan (LBT-J) under LHT-J as a division to simplify its organizational structure, improve operational efficiency, and leverage synergies. This transition is expected to improve the competitiveness of the building business in Japan.

By executing these changes, LIXIL Group will speed up decision-making in its businesses in Japan, enabling it to better focus on delivering differentiated products and services to partners and consumers, in response to and reflecting market needs and trends.

Centralized Reporting for Core Functions

LIXIL Group will also vertically integrate core corporate functions - Finance, Legal, HR, and IT -worldwide, by instituting a centralized reporting structure for these functions to HQ in Tokyo. These core functions have until now been managed by the company's regional platforms, providing each of the regions with the agility required to best serve individual markets. Having now established its global foothold, centralized reporting for these key functions will enhance alignment to achieve enterprise goals, as well as strengthen functional excellence. In addition, a strengthened grip of these core functions across the enterprise will enhance transparency and enable the company to better manage risks. Functions will continue to closely coordinate and support regional operations, but now with improved operating efficiency and the elimination of duplicated resources.

Commenting on these strategic initiatives, LIXIL Group CEO Kinya Seto said, "We are extremely proud of what LIXIL Group has become since it was originally formed, evolving from five companies that first integrated in Japan to a global household name in water and housing products. We now look to make significant but necessary changes to our organization that will enable us to become a more modern and agile company, entrepreneurial in mind and energetic in spirit. We believe these strategic steps will be key to transforming LIXIL Group so we can truly deliver on our fundamental purpose: to make better homes a reality for everyone, everywhere."

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About LIXIL

LIXIL makes pioneering water and housing products that solve everyday, real-life challenges, making better homes a reality for everyone, everywhere. Drawing on our Japanese heritage, we create world-leading technology and innovate to make high quality products that transform homes. But the LIXIL difference is how we do this; through meaningful design, an entrepreneurial spirit, a dedication to improving accessibility for all, and responsible business growth. Our approach comes to life through industry leading brands, including INAX, GROHE, American Standard, and TOSTEM. Approximately 75,000 colleagues operating in more than 150 countries are proud to make products that touch the lives of more than a billion people every day.

LIXIL Group Corporation (TSE Code: 5938) is the listed holding company for LIXIL's portfolio of businesses.

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