

LIXIL

**> LIXIL
INTEGRATED REPORT
2021**



➤ MAKE BETTER HOMES A REALITY FOR EVERYONE, EVERYWHERE

The world is evolving, lifestyles are changing, but one thing remains the same: every person on the planet dreams of a better home.

At LIXIL, our purpose is to make better homes a reality for everyone, everywhere.

A better home is made up of surprisingly simple things – showers and faucets to experience water in new ways, kitchens that unleash creativity, toilets that provide cleanliness and comfort, doors and windows that connect you with the world outside, interiors and exteriors that bring spaces to life, and baths to escape in after a long day.

Our purpose is the north star that inspires and guides every decision we make, helping us shape the future of living, achieve sustainable growth and contribute to society.



LIXIL BEHAVIORS

Driven by a strong sense of mission to contribute to society, our employees strive to realize our purpose by practicing the LIXIL Behaviors in their work every day.

DO THE
RIGHT THING

WORK WITH
RESPECT

EXPERIMENT
AND LEARN

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Note:
Due to our decision to divest Permasteelisa in May 2020 (divestment completed in September 2020) and LIXIL VIVA in June 2020 (divestment completed in November 2020), we have classified the operations of Permasteelisa and LIXIL VIVA as discontinued operations. Business results for FYE2020 shown in LIXIL's Integrated Report 2020 have been retroactively restated.

Editorial Policy
This integrated report aims to enhance communication with LIXIL's stakeholders, especially investors, by presenting our initiatives to achieve long-term, sustainable growth. In editing, we focused on key content and aimed for an easy-to-understand structure. Information not included in this integrated report, such as detailed non-financial information, detailed financial information, and our latest news is available on our corporate website.

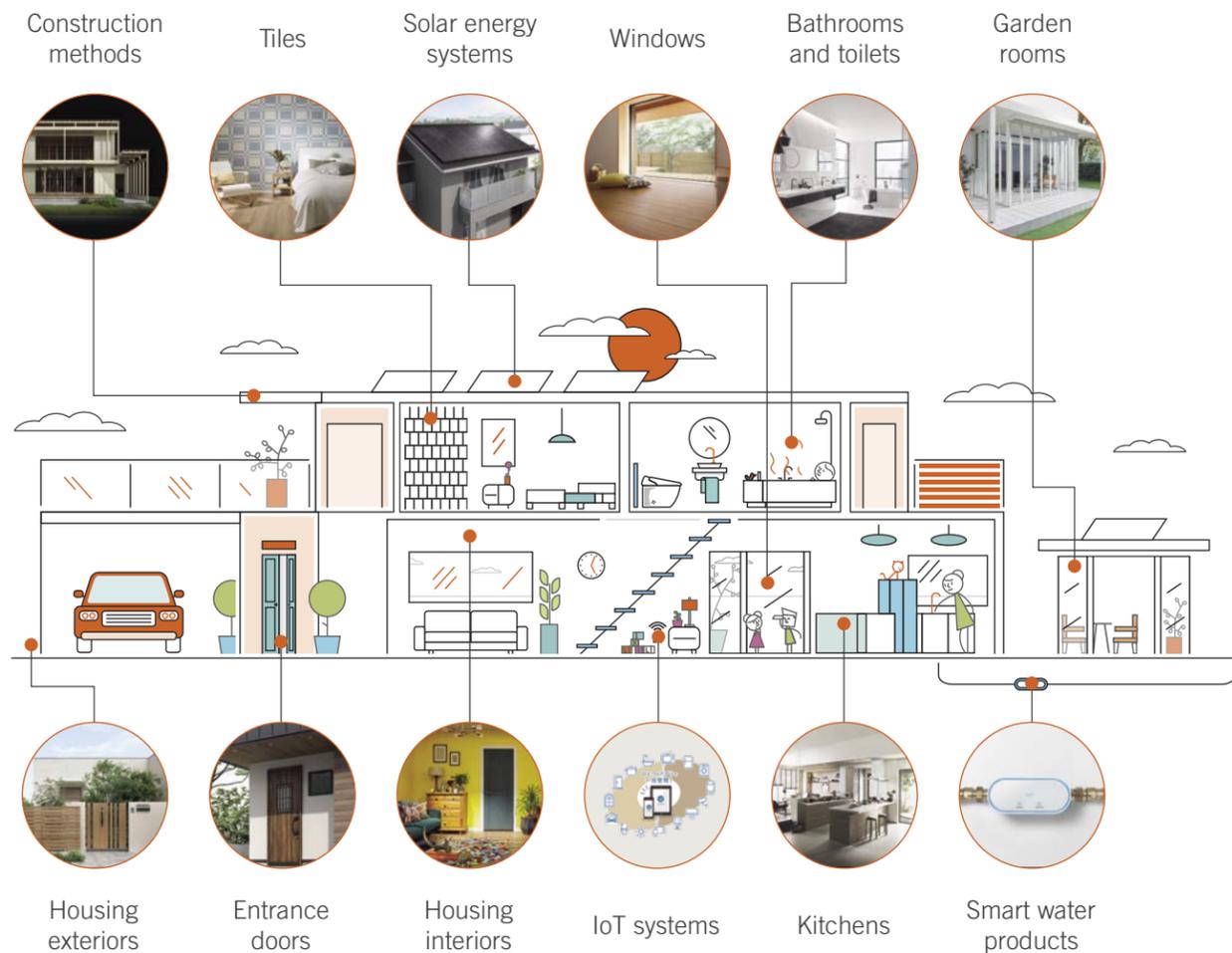
1 OVERVIEW

SECTION

LIXIL AT A GLANCE

This year we celebrate our 10th anniversary as LIXIL. As we accelerate our transformation, we are proud that our products touch the lives of more than a billion people every day and believe we have the potential to do so much more.

> FOR ALL LIFESTYLES <



> A GLOBAL LEADER <

<p>Touching the lives of over 1 billion people every day</p>	<p>Present in over 150 countries</p>	<p>Approx. 55,000 employees around the world</p>	<p>Over 100 years of brand history</p>
<p>¥ 1,378.3 billion consolidated revenue</p>	<p>¥ 57.3 billion core earnings</p>	<p>80 factories</p>	<p>116 showrooms</p>

> A PRODUCT LEADER <

<p>16 household product brands</p>	<p>6 major design studios</p>	<p>¥ 24 billion invested in R&D</p>	<p>12,000+ patents and design applications worldwide</p>
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> A SUSTAINABILITY LEADER <

<p>Enabled access to sanitation for 25 million people in over 38 countries</p>	<p>Products and services helped eliminate 66 million tons in CO₂ emissions</p>	<p>48% of new graduate hires in Japan are women</p>
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LIXIL AT A GLANCE

LIXIL BUSINESS

LWT LIXIL WATER TECHNOLOGY



LWT makes attractive and purposefully designed products for bathrooms and kitchens through powerful global brands such as INAX, GROHE, and American Standard, as well as product brands in Japan such as RICHELLE and SPAGE.

Principal products and services

- | | |
|---|---|
| Plumbing fixtures
Sanitaryware, shower toilets, water faucets, washstands, bathtubs, prefabricated bathrooms, smart products, showerheads, washstand fixtures, washstand cabinet units, kitchen systems, etc. | Tile building materials
Tiles for houses and buildings, interior decorative tiles, etc. |
|---|---|

Direct customers

- | | | |
|--------------------------|-----------------------|---------------------------------------|
| • Dealers | • Architectural firms | • Building material trading companies |
| • Sales agencies | • Developers | • Volume retailers |
| • Construction companies | • Wholesalers | • General consumers |

Competitors

- | | | |
|-----------------|-------------------------|-------------------|
| • Kohler | • Fortune Brands (Moen) | • Takara Standard |
| • Roca | • Geberit | • Cleanup |
| • Hansgrohe | • TOTO | • Panasonic |
| • Masco (Delta) | | |

Product brands



LIXIL BUSINESS

LHT LIXIL HOUSING TECHNOLOGY



LHT's brands such as TOSTEM, EXSIOR, INTERIO, SUPER WALL, and NODEA produce a range of housing-related products, from window sashes to entrance doors, exterior building materials, and interior furnishing materials, helping to make better homes a reality.

Principal products and services

- | | |
|---|--|
| Metal building materials
Housing window sashes, entrance doors, shutters, gates, carports, banisters, high railings, etc. | Other building materials
Siding, roofing materials, etc. |
| Wooden interior furnishing materials
Window frames, wooden furnishing materials, interior decorative materials, etc. | Other
Solar power systems, etc. |

Direct customers

- | | | |
|----------------------------------|-----------------------|--------------------------|
| • Dealers | • Homebuilders | • Construction companies |
| • Sales agencies | • House manufacturers | • Architectural firms |
| • Building materials wholesalers | | • Developers |

Competitors

- YKK AP
- Sankyo Tateyama

Product brands



LIXIL BUSINESS

LBT LIXIL BUILDING TECHNOLOGY



LBT manufactures products and offers services to support the construction of buildings that are environmentally conscious and that provide better spaces to live, work, study, and play.

Principal products and services

- Metal building materials**
Curtain walls, building window sashes, store facades, etc.

Direct customers

- Construction companies
- Architectural firms

LIXIL BUSINESS

H&S HOUSING & SERVICES BUSINESS



H&S offers comprehensive housing and lifestyle support to consumers in Japan throughout all stages of their lives.

Principal products and services

- | | |
|--|---|
| Housing solution businesses
Development of homebuilding franchise chains and construction on order, etc. | Real estate businesses
Land, building, and real estate management services, support for development of real estate franchises, etc. |
| | Financial services business
Housing loans, etc. |

Direct customers

- | | |
|--|---|
| • Housing franchise business: Homebuilding franchise members | • Real estate brokerage franchise business: General consumers |
|--|---|

Product brands



WE ARE ON TRACK TO DELIVER ON OUR KEY GOALS AND WORKING TO FULFILL OUR CORPORATE PURPOSE.

Q1

How are you progressing with your vision for LIXIL and the goals you've put in place?

This year we are celebrating our 10th anniversary as LIXIL, during which time we have seen tremendous change and progress. Simply put, we are a completely different company in all the ways that matter. We have made solid progress toward our corporate vision and long-term strategy this year. But let me first say how proud I am of our employees for how they performed during this difficult and stressful period. We covered significant ground together and I want to thank them for their dedication and resilience.

We are on track to deliver on our key goals and are consistently working to fulfill our corporate purpose of making better homes a reality for everyone, everywhere. To achieve this, we are

transforming LIXIL into a company that can create the profits we need to invest in the future, achieve sustainable long-term growth and, ultimately, contribute to society through our success.

It is clear we must become a more agile, entrepreneurial and purpose-led organization. This is key to developing innovative and differentiated products and solutions for our consumers, and ensuring that we have management processes that are more resilient to the external environment.

At the start of the pandemic, I mentioned that for all its tragic aspects, corporate Japan must also see this as a blessing in disguise; the moment to embrace structural changes long overdue. We have taken this to heart as a corporation. During the pandemic we have accelerated changes that were already underway, helping prepare us for the future.

Building on the progress made under our Medium Term Plan (MTP), we have outlined our new management direction [see page 35](#). We call this the LIXIL Playbook and it is a continuation of the fundamentals laid out in the MTP, focused on four strategic initiatives that we must deliver:

1. Focus and simplify our organization

This was our first goal and has largely been completed, as can be seen with the organizational changes we made to accelerate decision-making, improve productivity and strengthen

Kinya Seto

Director, Representative Executive Officer,
President, and CEO



CEO INTERVIEW



enterprise-wide alignment. We also made divestments to focus on our core businesses, improve our balance sheet, and reduce our risk to external market forces.

2. Improve profitability of Japanese business

Our home market is our largest, and to invest in global expansion, our domestic business must be profitable. We have taken a number of important steps in that area and I am confident the results will be clear within the 2022 fiscal year.

3. Promote growth of international water technology business

With our world-class house of brands, we see this as the best opportunity for immediate business growth. We are maximizing synergies, improving supply chains and leveraging our unique capabilities to expand the product pipeline.

4. Establish foundation for long-term growth through innovation

We are working to establish long-term growth opportunities through innovation, such as digital sales models, water purification products, new building materials, while seeking out new markets.

These four strategies are underpinned by empowering our people and by helping them to become more agile and entrepreneurial. Management is motivated by the rallying power of the LIXIL Playbook, and we have already begun to operationalize actions necessary to realize its goals.

We are confident the LIXIL Playbook sets the right course for us to achieve our corporate vision and purpose.

Q2 | Turning to your finances, how do you evaluate progress against your goals?

Our goal is to achieve a 10% return on invested capital (ROIC), a measure that we think best tracks our overall performance. To achieve this, we need to improve our core earnings (CE)*1. If we can achieve a CE margin of 10%, it will mean that we have established differentiated products and services and will have the capital we need to pursue new opportunities to expand our market share organically.

During FYE2021, we made significant headway toward achieving these targets. Our gross margin

improved by 0.9 points thanks to the progress we have made in the transformation of our production process, which has enabled us to be more resilient against changes in our external environment, and sales of higher value, differentiated products. At the same time, we reduced our selling, general and administrative expenses over the full year by ¥38.4 billion – an 8.5% decrease – thanks to productivity improvements in the organization. Therefore, in spite of the impact of COVID-19 on our operations and markets, we were able to raise our core earnings margin by 0.7 points to 4.2%.

For FYE2022, we are now targeting a CE margin of 5.6%, and believe that in the medium term we can achieve 7.5% before growing the margin to 10%. At that point we believe that we can also achieve a 10% ROIC.

In addition, through our efforts to strengthen our financial foundation, such as through the divestments of several subsidiaries, improving our business profitability, and prioritizing capital investment with an emphasis on ROIC over the years, I am pleased that we improved our ratio of equity attributable to owners of the parent*2 to 31.7% – a 7.7 point improvement – and achieved our MTP target for net debt-to-EBITDA ratio of 3.5 times last year.

*1 Equivalent to operating profit in JGAAP
*2 Equity ratio under JGAAP

Q3 | Sustainable growth also requires success across a range of stakeholder commitments that go beyond financial metrics. What are your ESG goals?

We must start with a clear and simple question: “Why do we exist and where can we have a unique and positive impact on society?” This is where we come back to our corporate purpose: to make better homes a reality for everyone, everywhere.

I believe that our employees, business partners and consumers all want to be associated with a company they can respect and view positively. This is one reason our environmental, social and governance (ESG) program is not peripheral to what we do; it is closely integrated with our core business strategy and

key to our long-term business prospects.

We have a unique Corporate Responsibility Strategy that reflects our business operations and expertise. It focuses on three core pillars: Global Sanitation & Hygiene, Water Conservation & Environmental Sustainability, and Diversity & Inclusion. These activities directly contribute to our Value Creation Process, projecting to all our stakeholders and ultimately helping us to deliver on our corporate purpose.

Q4 | Let me ask further about your recently announced Diversity & Inclusion (D&I) goals. What is your view on how they work together?

I believe that inclusion is where we should focus our attention. If we can create a fully inclusive corporate culture where everyone is respected equally, then we will not only empower our people, but we will also attract talented people keen to be part of a more diverse global workforce. This is necessary for us to continue to innovate and grow.

Gender diversity is an important metric for us because it is central to being consumer focused. And while it is only one form of diversity, it also serves as a proxy for measuring our progress toward becoming a more inclusive culture. We serve a consumer base as diverse as society itself and women are decision makers when it comes to most of our products.

We need a workforce that truly understands the needs of our consumers. That is why D&I is a business imperative. It must be at the heart of our cultural transformation. It is not only the right thing to do, it is strategically important for LIXIL to stay relevant and competitive.

Q5 | D&I is a global issue but is it particularly difficult to bring about change of this kind in Japan?

Japan is of course our largest market and we have worked hard to motivate and empower our people here. We have shifted to a more agile and meritocratic approach to enhance productivity, and now offer more flexible work styles that cater to the individual needs of employees, accommodating to all different stages in life. Gender equity issues are,

CEO INTERVIEW

however, unfortunately prevalent throughout society, including within LIXIL, where we hired and provided opportunities to fewer female employees in the past. While this has been openly recognized for some time, we must aggressively and consciously tackle it to achieve sustainable diversity. We will focus our efforts on building a more inclusive culture but we have also set strong targets for hiring 50% women in our new graduate program. We achieved this goal for the first time this year. We also aim to have women in 30% of leadership positions across the company by 2030 and to achieve a 50:50 gender ratio at the corporate officer and Board levels of the company by 2030.

Q6

While working to empower people as the foundation of your strategy, how are you approaching the shrinking Japan market?

We are seeing a decline in new housing and we expect this trend to continue as the Japanese population shrinks. This is a risk for the traditional business model in the housing technology business but also an opportunity. Despite fewer new houses, there are increasing opportunities for householders to renovate their current homes, especially as they spend more time at home. An increasing range of renovation products cover both our water and housing sectors. It also brings higher profit margins, helping us move out of lower-margin basic goods.

Growth of the renovation market, however, has traditionally been slowed by the declining number of skilled laborers and, compared to new housing, renovation is more labor intensive and less efficient in terms of sales for our business partners. Until now, home renovation has also been predominantly focused on water technology products and not housing products, such as windows, doors and wall exteriors. In response, we are focused on developing products and services that are easier, faster and less complex to install, addressing consumer and business partner pain points through diversified products, and improving the efficiency of the sales process such as through our LIXIL Online Showroom.

At the same time, we are continuing work to reduce costs, such as in our housing business with the creation of a platform manufacturing system, and

aligning this with a more efficient sales structure.

Our overall goal is to turn Japan into a cash generator that can provide the capital we need for investments globally to build a sustainable long-term future.

Q7

Over the past year you have seen strong performance in Europe, the Americas and China, while Asia Pacific is recovering. What are the global opportunities?

Solid, sustainable growth in the global market is probably the most critical element to our long-term success and is a key area of focus for our management team. Our well-known brands in the water sector, such as INAX, GROHE, and American Standard, provide strong platforms for growth. Our strategy is to bridge “portfolio gaps” that we can fill across our markets using our brand and product portfolio, manufacturing assets and advanced technologies.

Not only do these gaps represent new business opportunities, but many are in higher-margin segments that can give us a greater profit impact if properly utilized. To do so, we are looking at technologies and products that have been successful in one geography or brand and utilizing them elsewhere to create true global synergies.

There is clearly strong demand momentum in the Americas, Europe and China, with Asian countries such as India, Vietnam and Indonesia also expected to grow. At the same time, we are watching for potential risks including those related to COVID-19, such as subdued business activity in the hospitality and commercial buildings segments, and potential supply chain shortages.

Q8

LIXIL is a leader in product innovation. How do you see the role of digital in transforming LIXIL and supporting innovation?

In the end, it is about managing the future. In our technology and design labs, innovation is at the core, and we want to expand this throughout the organization. We have implemented a company-wide approach and adopted a common language around

innovation, while conducting new training programs starting with leaders.

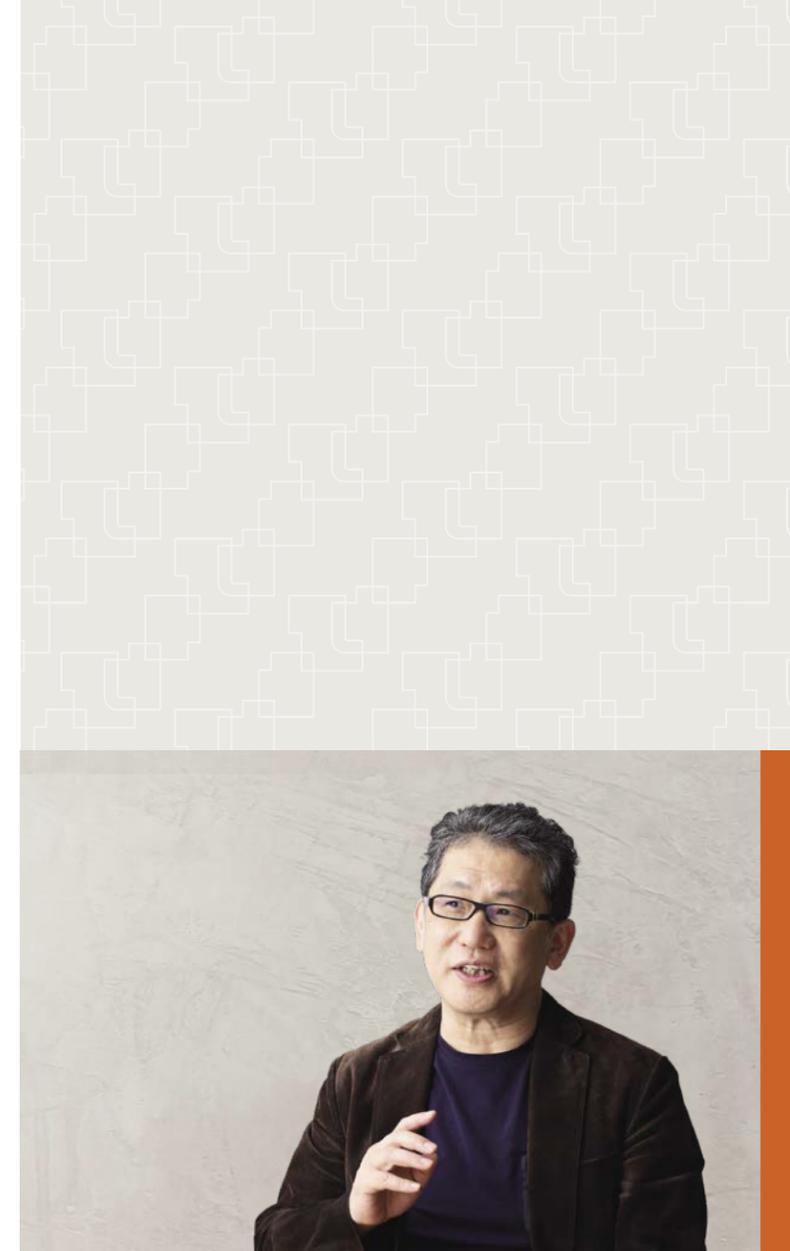
It would be wrong to think we can achieve sustainable growth with only our current resources and technology. We have to think about what kind of businesses we can create in 10 years’ time, and from that standpoint, we need to invest in and develop these new opportunities today.

One of the biggest changes currently underway is the transformation of our entire sales model in an omnichannel retail landscape, which we have greatly accelerated through the implementation of new ideas and innovations as a result of the COVID-19 pandemic. This work was actually underway before COVID-19 and we are now able to digitally interact at a personal level through such innovations as the LIXIL Online Showroom in Japan and *GROHE X*, an online brand platform.

The potential benefits are multi-faceted. For example, the LIXIL Online Showroom overcomes the hesitancy for a consumer to come to a physical showroom, while creating an entirely new digital ecosystem that improves the productivity of our business partners, creating value for all. This is among the most forward-thinking yet challenging work to redefine the consumer journey and our business partner experience in a world being redefined by the pandemic.

Digital is more than a set of tools; it is transforming the way we work together as a company. In the end, it all comes down to enabling our people to work digitally and use digital technology to be more efficient and more innovative. We have been able to quickly adapt our work styles to allow for greater flexibility as employees balance the needs of work and home. This in turn makes us a more attractive employer, enabling us to attract the talented individuals we need as labor markets tighten in many of the countries where we operate.

The world around us is changing in rapid and unprecedented ways, and digital is one of the more important means by which we will transform not just LIXIL, but also our industry.



CFO INTERVIEW

WE WILL IMPROVE CAPITAL EFFICIENCY WHILE SUPPORTING LIXIL'S SUSTAINABLE GROWTH.

Q1 How do you evaluate your business results for FYE2021?

Throughout FYE2021, we continued to operate within an uncertain environment caused by the COVID-19 pandemic. Under these circumstances, we focused on first ensuring cash on hand, followed by prioritizing capital investment projects, rigorously managing inventory and accounts receivable, and controlling selling, general and administrative expenses.

Despite the difficult environment, we made headway in realigning our business portfolio, implementing our voluntary retirement program "New Life," and transitioning to a platform manufacturing approach within LIXIL Housing Technology.

In terms of business performance, therefore, we were able to improve our gross profit margin and increase core earnings for the full year.

Q2 What is your goal, progress, and outlook with regard to strengthening the balance sheet?

Building a stable and strong financial foundation is essential to achieving sustainable growth. With that in mind, we are targeting a net debt-to-EBITDA ratio of no more than 3.5 times as one of our key financial indicators.

In FYE2021, our net interest-bearing debt decreased by ¥252.2 billion, net debt-to-EBITDA ratio improved to reach the target of 3.5 times, and the ratio of equity attributable to owners of the parent*1 also improved by 7.7 points year on year to 31.7%. These are the result of measures that included the divestment of several subsidiaries as part of optimizing our business portfolio, improving our business profitability, and prioritizing capital investment with an emphasis on return on invested capital (ROIC). I

believe that, overall, we have made significant progress in improving our financial fundamentals.

Regarding our future outlook, we will continue to emphasize improving our net debt-to-EBITDA ratio, investing in areas with high ROIC to generate future cash flow, and striving to improve profitability to strengthen our overall financial position. However, ¥60 billion of convertible bonds*2 will mature in the latter half of this fiscal year, so we plan to deal with these in a comprehensive manner while paying close attention to future stock price trends and business conditions.

*1 Equity ratio in JGAAP
*2 Zero Coupon Convertible Bonds due 2022

Q3 We understand the focus will be on growth, but what about your future capital investment policy?

We have reached the point at which we can focus on growth, but I do not think we need to make high-risk investments. While not impossible, in general I do not think large-scale acquisitions such as those made in the past are necessary for the time being. In that sense, we will focus our investments in areas of future growth designed to improve productivity, including our digital transformation.

Since we introduced ROIC as a key performance indicator on a global basis three years ago, LIXIL has placed great importance on investment decisions. Therefore, our policy is to invest efficiently to generate future cash flow. In other words, we are investing in new products, products that set us apart from our competitors, and in digital technology to improve productivity. When it comes to budget formulation for each fiscal year, we identify the amounts, areas, and the ratio of investments in advance. This year's investments are more than before, the next fiscal year's will be more than the



Sachio Matsumoto

Director, Representative Executive Officer, Executive Vice President, Finance, Treasury, and M&A, and CFO

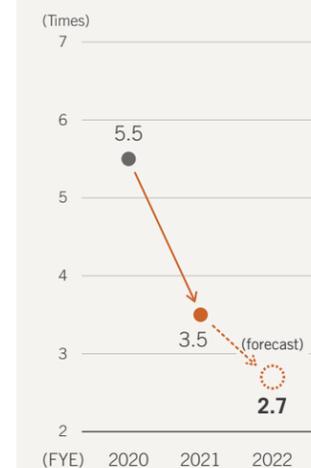
current fiscal year, and with each passing year, we will allocate funds to investments that generate more cash in the years ahead.

Q4 Based on the progress and the results achieved in FYE2021, what is your outlook for the future?

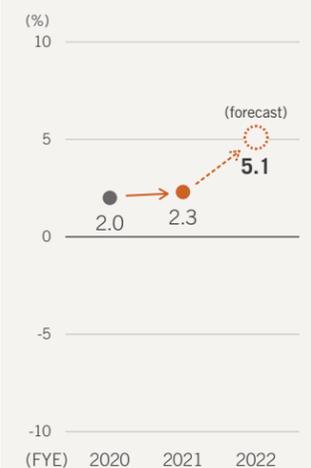
With regard to strengthening our financial position, we achieved our medium-term goals. When it comes to generating reliable returns, however, there are still issues we must address. Above all, I believe that digitalization is the key to improving the productivity of our sales and management departments, and although we have a company-wide asset-light policy, we are increasing investment in IT.

In the years to come, we will continue to reap the benefits from our investments, establishing a stronger system that can continuously generate returns that exceed capital costs. In turn, we will also endeavor to generate higher returns for all our shareholders.

Net debt-to-EBITDA ratio



ROIC*3



*3 Calculation: Operating profit x (1 - Effective tax rate) / (Working capital + Fixed assets)

CR CHAIRPERSON
MESSAGE

WE ARE ACCELERATING CR INITIATIVES BASED ON OUR CLEAR CORPORATE PURPOSE.

At LIXIL, Corporate Responsibility (CR) is directly tied to our core business strategy and forms an integral part of our Value Creation Process. We execute our CR Strategy through our business activities, with the ultimate objective of delivering on our corporate purpose to make better homes a reality for everyone, everywhere. LIXIL's approach is a source of great pride for our employees, who are motivated and engaged by our commitment to make a positive impact on the world.

In FYE2021, we updated our material issues, and defined the 20 issues that matter most to LIXIL and our stakeholders, factoring in the latest sustainability trends and the current social and business environment. We also reaffirmed that the priority areas in which LIXIL can play a significant role by using our unique expertise are in line with the three strategic pillars of our CR Strategy.



Jin Song Montesano

Director, Executive Officer, Executive Vice President, Human Resources and General Affairs, Public Affairs, Investor Relations, External Affairs, and Corporate Responsibility, and Chief People Officer

Global Sanitation & Hygiene

With the significant development of our SATO social business, we are on track to meet our ambitious goal to improve the lives of 100 million people through safe sanitation and hygiene by 2025. We are very proud of our progress, not only because this work is truly unique to LIXIL, but also because it taps into our fundamental expertise and passion for bringing life-changing innovations to those who need them most. SATO's focus now is to expand its product lineup to meet specific local needs and challenges worldwide. Harnessing the power of collaboration, we work closely with valued partners such as UNICEF, USAID, JICA, the Toilet Board Coalition, and local NGOs to strengthen local sanitation ecosystems as well as engage in advocacy to advance the importance of and appreciation for the value of improved sanitation.

In 2020, amid the urgent need for handwashing (the first line of defense against COVID-19), we launched the affordable off-grid handwashing station, *SATO Tap*, and started production in India. Featuring a simple design that uses widely available plastic bottles as its water source, *SATO Tap* was named one of *TIME*'s 100 Best Inventions of 2020, as an innovation that facilitates effective handwashing.

Driving Environmental Sustainability

The world's consumption of energy, water, and other natural resources has been increasing dramatically every year. Against this backdrop, countries worldwide have pledged to accelerate their drive to reach net-zero carbon emissions by 2050.

It is imperative that we recognize and fulfill our responsibility to help protect the planet. Our Environmental Vision 2050 aims for LIXIL to become a leading company that has achieved carbon neutrality through business processes, products, and services, and passes on the benefits of water and other limited resources to future generations. We are focusing on climate change mitigation and adaptation, water sustainability, and circular economy to achieve our goals. We are also formulating environmental milestones for 2030 and will use the TCFD framework to monitor and disclose our climate change progress, analyze risks and

opportunities, formulate strategies, and reflect them in our business plans.

Diversity & Inclusion (D&I) Strategy

As a maker of pioneering water and housing products, LIXIL serves a consumer base as diverse as society itself. To become a company that can achieve sustainable growth and deliver on our purpose, we must become a truly consumer-centric organization that can understand our users and offer innovative products and solutions in anticipation of their needs. D&I is fundamental to achieving this cultural transformation, as new ideas and technologies can only come to life in a truly inclusive working environment.

At LIXIL, we are accelerating our transformation to foster a corporate culture in which our employees want to work and thrive. In March, we renewed our D&I vision and goals for 2030, focusing on inclusion as our goal, with the belief that achieving inclusion will lead to sustainable diversity. Based on this enterprise-wide D&I strategy, we have set cross-organizational and region-specific targets to address gender imbalance, which we believe serves as a proxy for measuring our progress toward a more inclusive culture [see pages 44-45](#).

The challenges that COVID-19 has imposed on the world reinforces our belief that we can contribute to society by delivering on our corporate purpose. Active participation of our engaged employees will be vital in achieving this. We will continue to drive our CR Strategy by facilitating our initiatives in a strategic and agile manner.

EXECUTIVE OFFICERS

(As of June 22, 2021)*

*The number of Company shares and Phantom Stocks are as of April 1, 2021.

Profiles and reasons for election of executive officers of LIXIL Corporation are available on our corporate website.

 www.lixil.com/en/about/board/



Kinya Seto

Director, Representative Executive Officer, President, and Chief Executive Officer

Number of Company shares owned	243,308
Number of Phantom Stocks granted	239,988

Bijoy Mohan

Executive Officer, Executive Vice President, LIXIL International

Number of Company shares owned	0
Number of Phantom Stocks granted	200,535



Sachio Matsumoto

Director, Representative Executive Officer, Executive Vice President, Finance, Treasury, and M&A, and Chief Financial Officer

Number of Company shares owned	94,644
Number of Phantom Stocks granted	69,619

Jin Song Montesano

Director, Executive Officer, Executive Vice President, Human Resources and General Affairs, Public Affairs, Investor Relations, External Affairs, and Corporate Responsibility, and Chief People Officer

Number of Company shares owned	8,058
Number of Phantom Stocks granted	33,233



Satoshi Yoshida

Executive Officer, Executive Vice President, LIXIL Housing Technology (LHT) Japan

Number of Company shares owned	10,043
Number of Phantom Stocks granted	21,549

Hiroyuki Oonishi

Executive Officer, Executive Vice President, LIXIL Water Technology (LWT) Japan

Number of Company shares owned	13,910
Number of Phantom Stocks granted	19,576



Yugo Kanazawa

Executive Officer, Executive Vice President, Marketing, Digital, and IT, and Chief Digital Officer

Number of Company shares owned	12,186
Number of Phantom Stocks granted	27,299



Shoko Kimijima

Executive Officer, Executive Vice President, Legal and Compliance, and Chief Legal and Compliance Officer

Number of Company shares owned	100
Number of Phantom Stocks granted	14,409



2

VALUE CREATION

SECTION

MEGATRENDS

THE WORLD SHAPING AND GUIDING LIXIL

1

The COVID-19 Global Crisis

The COVID-19 pandemic represents the worst public health crisis in a century, affecting richer and poorer countries alike. Amid this human tragedy, global policymakers have largely been able to avoid an economic crisis^{*1}, although the prospect of further waves remains. In this new environment, the role of the home as a hygienic and comfortable living space is more important than ever for many people^{*2}.

Opportunity An expected rise in global growth will create higher demand, especially for COVID-related products and improvements to the home

Risk The long-term impact from a health perspective is far from certain. Renewed waves of infection could undermine economic recovery and continue to disrupt supply chains

2

The Rise of the Global Middle Class

The global pandemic is having a disproportionate impact on the global middle class, bringing a temporary halt to the long-term rise in living standards^{*3}. The setback is expected to be temporary, however, with an expected return to the 30-year trend of declining world poverty^{*4}. Those considered to be financially secure are forecast to grow to five billion people by 2030^{*5}.

Opportunity Upgraded hygiene and better housing conditions are among the first priorities for people as they gain more disposable income

Risk Meeting the demands of this segment requires innovation at competitive prices, while ongoing economic problems could affect short-term demand and supply

3

Japan's Maturing Market

Japan's society continues to age at the fastest rate in the world. This will have an ongoing impact on consumption patterns, especially in the housing market, where new construction continues to decline^{*6}. At the same time, with more people working from home, many consumers are showing greater interest in improving their surroundings^{*7}. Growth is being seen in high-quality construction and home renovation.

Opportunity Consumers are more conscious of quality and styling in their purchasing decisions, and open to renovation

Risk COVID-19 has accelerated a longer-term trend of declining new construction. The Company's product line-up must adapt to the changing circumstances

4

All Things Digital

From automated assembly lines using artificial intelligence to virtual offices with video meetings and the ubiquity of e-commerce models for busy consumers^{*8}, the digital revolution has left no stone unturned. The goods we buy and the way we buy them are transforming at Internet speeds. The business challenge is to provide truly personal service in a virtual world.

Opportunity There is a transformative business potential for a company that can move quickly and with confidence

Risk New platforms mean changes in the way our channels operate and require high levels of investment

5

Environmental Sustainability

Consumers around the world are now demanding real and visible action on achieving a carbon-neutral society through the introduction of a circular economy. Nearly eight in ten^{*9} consumers say that sustainability is an important factor in their purchasing decisions. The impact of climate change also affects access to raw materials, supply networks and product life cycles.

Opportunity To show leadership in design and technology, starting from the concept of a product to its daily use by consumers

Risk Adapting to the changing climate brings new technological challenges and may require large investments in the supply chain

6

Water Scarcity

One of the most worrying effects of climate change has been sudden shifts in the supply of water even as global demand is increasing due to demographic trends and the overall improvement in people's living standards. As droughts and floods become more common^{*10}, comprehensive water resource management is a vital priority for nations, companies, agriculture and the individual.

Opportunity Filtration technologies as well as innovative water-saving products and services can become highly valued by consumers and customers globally

Risk The proper use of water impacts our manufacturing processes, requiring new technologies to achieve the sustainable use of water

7

The Changing World of Work

The COVID-19 pandemic has given sudden impetus to longer-term shifts away from large offices and toward more flexible working styles^{*11}. Companies seeking to retain and recruit the best staff will need to offer greater alternatives in their work models to cater to the changing needs of employees. The concept of a "home office" will be a reality for millions more, even after the pandemic.

Opportunity To be a leader in transforming work styles to create an innovation-led culture that attracts highly engaged and diverse team members

Risk Failing to understand the needs of employees and to change the organization could impact the ability to attract and maintain talent

8

What Does a Company Stand For?

ESG-related issues are at the core of a company's purpose and vital to its long-term viability. Contributing to broader social good and demonstrating a clear purpose, beyond profits, is of interest to all stakeholders^{*12}. These factors will also be critical in measuring brand value, establishing public trust, helping to attract and retain talent and strengthening relationships with partners.

Opportunity In a strong position to lead in critical areas driving sustainable growth: environmental, social and governance (ESG)

Risk Socially aware consumers will be unforgiving in how they treat companies that they feel have failed to deliver

*1 OECD, 2021
*2 Nikkei Asia, 2021
*3 Pew Research Center, 2021
*4 The World Bank, 2021
*5 Brookings, 2018
*6 Japan MLIT
*7 Unruly Group, 2020
*8 Hitachi Solutions
*9 IBM, 2020
*10 NASA, 2019
*11 McKinsey Global Institute, 2021
*12 Harvard Law School Forum on Corporate Governance, 2020

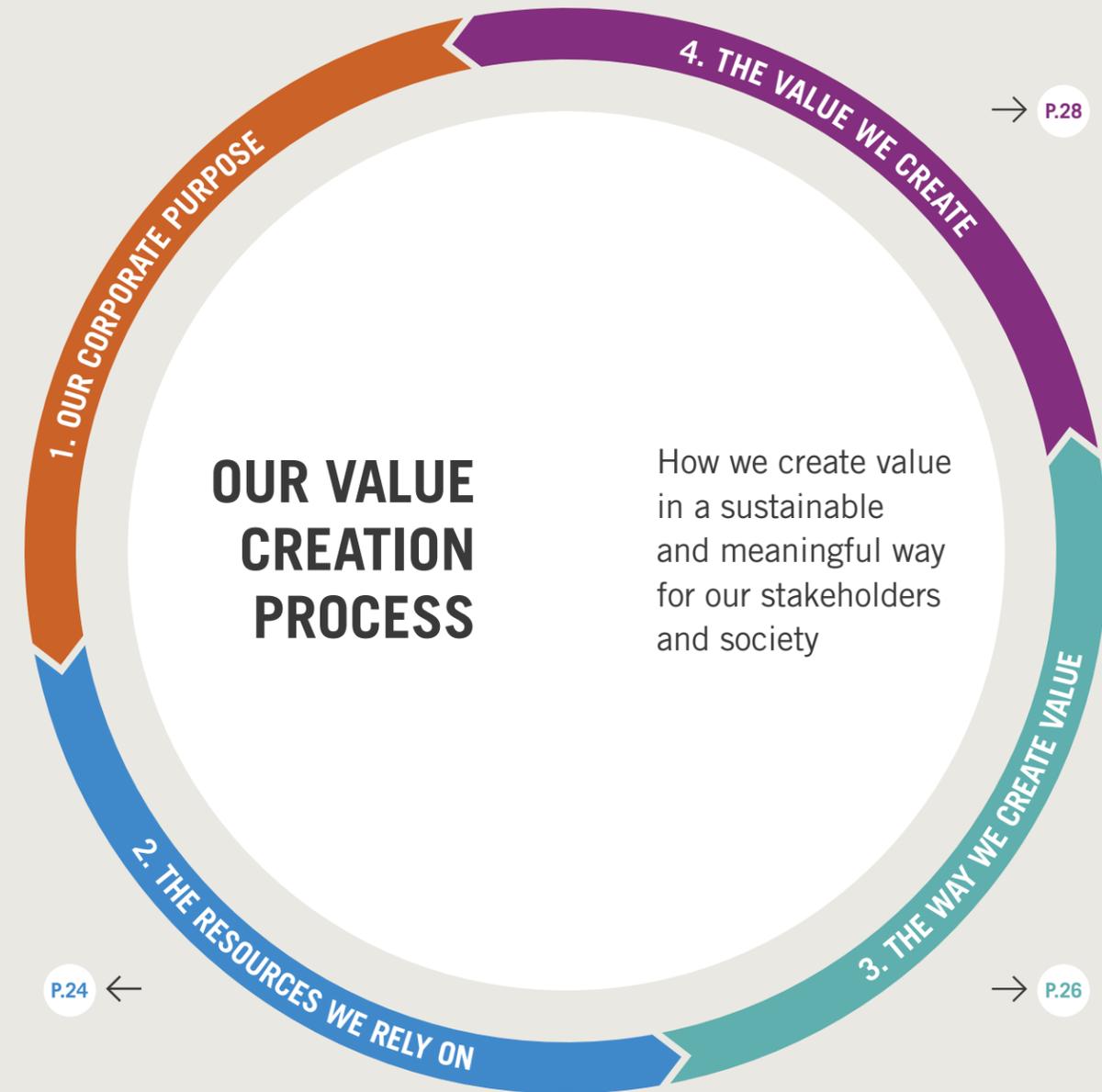
VALUE CREATION PROCESS

1 Make better homes a reality for everyone, everywhere

2

- Diverse and Purpose-Led People**
Approximately 55,000 employees providing the necessary competencies to achieve LIXIL's purpose
- Global Sales Infrastructure**
Established infrastructure in over 150 countries enhanced by new digital business models
- Unrivalled Portfolio of Brands**
16 leading product brands meeting the needs of a broad base of consumers around the world
- Meaningfully Designed Products**
Consumer-centric technology and designs to enhance user experience and solve social issues
- "Monozukuri" Manufacturing Platform**
80 factories worldwide making multi-brand products better, faster, and more responsibly
- Sustainable Resource Management**
Reducing our environmental footprint through innovation in key areas like sanitation and water
- Financial Foundation**
Balanced investment for medium- and long-term sustainable growth and reliable returns

External Environment
Megatrends → P.20

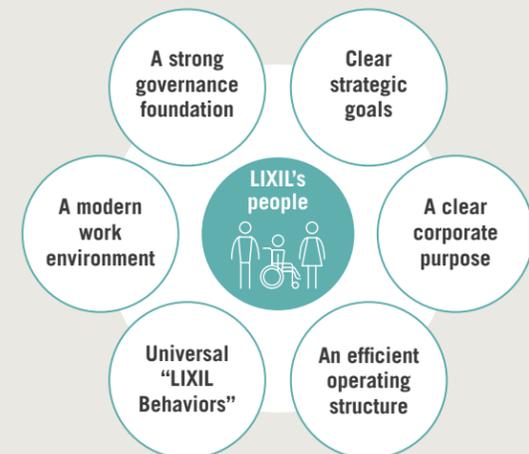


P.24 ←

→ P.26

3

LIXIL's value creation comes from our people, who are empowered to act and create value for stakeholders via six enablers:



4

Outcomes for LIXIL

By following a strategy that prioritizes responsible business, we are increasing profitability through reduced volatility, an improved balance sheet and generating more consistent returns. Combined with our commitment to contributing to society, this will set us on the path to sustainable growth.

Outcomes for Stakeholders

Employees are proud of their company, thriving in an engaging and inclusive workplace that finds shared value in the LIXIL Behaviors and draws competitiveness from its diversity.

Societies benefit from contribution that addresses social issues, including promoting global sanitation, innovating to mitigate climate change, and embodying diversity and inclusion.

Consumers have access to brands and meaningfully designed products for the home which improve comfort in a sustainable and responsible manner.

Shareholders benefit from improved future earnings potential and a strong commitment to ESG principles.

Partners benefit from differentiated and high-quality products provided worldwide on a reliable basis, in addition to industry initiatives that create shared value.

Key SDG goals LIXIL contributes to



THE RESOURCES WE RELY ON



To be successful in building true value for our stakeholders, we have identified seven critical resources. These represent unique capabilities within LIXIL and each plays a role in the Value Creation Process.



Diverse and Purpose-Led People

➤ Approx. 55,000 employees worldwide

LIXIL's people are not only an important part of our strategy, they form the Human Capital that we need to guarantee our future success. This begins with building a fully diverse workforce of the right people that a truly global purpose-driven company like LIXIL requires. To do so, we need to demonstrate that LIXIL is a company built on the principles of contributing to society.

To properly harness this unique and dynamic resource, we must create a unified organization in which every employee is thinking entrepreneurially, charting their own career path and seeing clearly the local and global opportunities for learning and professional growth in the company. Traditional seniority-based employment models must be swept away, to be replaced by a dynamic meritocracy that will engage a workforce that is as diverse as the markets and the consumers we serve.



Global Sales Infrastructure

➤ Present in over 150 countries

LIXIL's global footprint of sales channels and industry-leading brands provide us with the unique ability to identify and act on market opportunities as they emerge virtually anywhere in the world.

To be fully effective in capitalizing on these opportunities, we have created LIXIL International. This common structure ensures that members of our sales force, anywhere in the world, for any of our brands, has the backing of the resources of the entire company. This global presence is also at the center of our strategy to capitalize on specific market opportunities by introducing high-value products from within our portfolio that consumers will appreciate and that can help improve our overall profit margins.

Such initiatives were accelerated during COVID-19, with enhancements to hybrid online-offline business ecosystems that benefit both our consumers and our business partners.



Unrivalled Portfolio of Brands

➤ Over 70% consumer recognition rate in key markets in each region

LIXIL's brands cover all market segments and underpin our global sales strategy. Our brand portfolio has been strategically assembled, leveraging leading regional power brands to offer a gateway into markets and channels for our other brands to be introduced or expanded.

This branding powerhouse is managed as an integrated global portfolio, with key inputs from experts in each area of product creation and delivery to ensure they are the best in class. Through this we are strengthening touch points with consumers, building engagement and creating brand equity for the long term.

Bringing brand identity and design closer together under a single organizational structure ensures the consumer journey is relevant, consistent and a differentiated experience. This ensures our products deliver on their promise set out at the beginning of the consumer journey and create consumers who will recommend our products to their peers.



Meaningfully Designed Products

➤ 6 major global in-house design studios

To be truly unique, each brand and the product portfolio they represent must clearly express its own set of values and insight-driven design. Our design teams, under unified leadership, collaborate and share information, technologies, global trends, and consumer and environmental insights.

Our team of more than 100 in-house design experts in six major design studios worldwide create products and experiences which have been internationally recognized for their quality, innovation and consideration for the environment. LIXIL's brands have won more than 400 design prizes globally, including the Green Good Design, IF and Red Dot Design awards.

Taking into account the long lifecycles of durable products, the vast amount of resources they consume are actually consumed in use. Through our design, for example, we use product psychology to guide consumers to intuitively reduce water consumption by understanding the total process of use.



"Monozukuri" Manufacturing Platform

➤ 80 factories worldwide

Manufacturing top-quality products at competitive prices is another key element to creating value. Once operated by individual regions and product lines, LIXIL's manufacturing is today a globally integrated supply chain network. The value of this approach has been reinforced by recent disruptions to international commerce through COVID-19 and has helped us to meet demand anywhere, anytime.

Our factories today have multi-product and multi-brand production capabilities, giving us the capability to efficiently "go to market" with new and innovative products, and without the need for expensive plant construction and related capital investments. Our shift to platform-based products in our housing business has achieved the same benefits, while improving productivity and resilience against demand fluctuations.

Meanwhile, our "monozukuri" model of paying attention to every part of the manufacturing process translates into products of the highest quality.



Sustainable Resource Management

➤ 1,295kg-CO₂/¥1 million in economic output, down 18.7% compared to base year (FYE2016)

We believe we have an important responsibility to society to ensure that we contribute to the global effort for better environmental management. We are focused on not only the manufacturing processes we use but also the resources our products require in their daily use. As a maker of durable consumer goods with very long life cycles, we understand that 90% of our environmental impact comes from our products in use. We are also looking at procurement and disposal.

Across the company we are accelerating our activities, and we are committed to pursuing a net-zero carbon footprint and helping the world transition to a circular economy through our products by 2050.

One of the biggest areas where we can make a difference around the world is through creating products that use less water, saving this most valuable resource for future generations.



Financial Foundation

➤ Long-term goal of 10% core earnings margin

A healthy return to stockholders and a solid balance sheet to fund investment are two central needs to keep the company prosperous. We have already made important strides in both areas, despite the global economic volatility caused by COVID-19.

To ensure a profitable future, we are targeting core earnings, with a goal of achieving a 10% core earnings margin to revenue. This requires the commitment of everyone in the company and we include specific earnings-linked targets on return on invested capital (ROIC) for each executive officer. We have also strengthened the balance sheet, divesting businesses that were not part of our core business but that were tying up capital resources.

Internally we have consolidated a wide range of treasury operations to improve efficiency, and as of June 30, 2021, we have four Regional Treasury Centers worldwide, along with three Financial Shared Service Centers.

THE WAY WE CREATE VALUE



Our corporate strategy is vital to success, but it cannot on its own create value. Only people can do that, and so at LIXIL, the idea of putting our people first is not just a saying, it is central to what we do every day.

We developed the Value Creation Process model to serve as a roadmap for this process, with our people at the center. We then looked at the most important areas of support to enable their success.

From this discussion, we have identified six core elements to support our teams. These include a shared corporate strategy and a clear vision of what the company stands for at a time when all stakeholders are demanding more from a company than just profitability. With LIXIL's global operations, we also have a set of shared values that govern how employees interact.

In addition, we need an operating structure and work environment that meet today's new world of working, allowing employees the flexibility and empowerment to do their best. This needs to be backed up by strong corporate governance starting from the Board of Directors and spreading out to the entire company.

1 Clear Strategic Goals

Successful companies share one common attribute, a strategy that can be articulated and accepted throughout its operations. At LIXIL, our culturally and geographically diverse workforce needs to share the same vision of where we are going.

We are confident in the management direction that we have outlined [see page 35](#), which builds on our plans to create a purpose-driven entrepreneurial company able to deliver sustained growth. We have also focused on a series of structural reforms for growth, a simplified and more robust balance sheet, and higher profit margins in our businesses to fund future expansion.

Just as important is the Corporate Responsibility Strategy, which is integrated with our management direction. In this, we commit to global sanitation and hygiene, reaching a zero-carbon and circular living environment, and working toward inclusivity for all.

4 Universal "LIXIL Behaviors"

LIXIL brings together experts in design, manufacturing and customer service with a presence in more than 150 markets. Amidst this diverse business, the way we work is based on a universal set of "LIXIL Behaviors," which are simply: Do the Right Thing, Work with Respect, and Experiment and Learn. These straightforward concepts are a critical way to ensure that LIXIL works as one team, under a common set of behavioral expectations, even as our people undertake many types of work.

Together they speak to the notion that every employee is working with an entrepreneurial mindset within the company, with the same privileges and responsibilities of any leader in a start-up. And they apply to all levels within the company. We believe that rather than hierarchies being the path to success, it is the learning opportunities in the form of challenging experiences and stretch assignments that advance professional growth.

2 A Clear Corporate Purpose

At LIXIL, our corporate purpose is to make better homes a reality for everyone, everywhere. We believe that contributing to society through our core business is central to our long-term sustainability. In today's changing corporate environment, our employees, business partners and consumers have all made clear that they want to do business with a company that they can respect. Serving the public good is no longer a "nice to have," it is central to business success.

Through our commitments to improve global sanitation, water conservation and to reduce our environmental impact, we not only help to find solutions for pressing social issues, we also give our employees a sense of pride. And by improving the engagement of our business partners and consumers we can contribute not only to society, but also to our own long-term future.

5 A Modern Work Environment

The last year has seen a revolution in how business is conducted and we have been a leader in offering new and more flexible work styles that cater to the needs of a diverse work force. Remote working helps enhance productivity and engagement and enables employees to better manage their own work and personal life commitments. This in turn helps us to attract a wider range of talented individuals at all stages of their professional lives and makes them able to benefit from equal opportunities in a meritocratic environment.

This shift has accelerated changes to a digital world that have already been underway. Our cutting-edge technologies allow for seamless online meetings with business partners and also offer virtual showrooms that turn consumer meetings into a virtual world that allow families to immediately imagine what their new home will be like.

3 An Efficient Operating Structure

By having a more efficient operating structure, we are able to cut costs through the elimination of needless bureaucratic chores that exist only because of outdated practices and top-heavy layers of management. We have, therefore, simplified our entire organization and sales structures in Japan, while integrating operations elsewhere through LIXIL International. Support functions have been streamlined and centralized to strengthen functional expertise and governance.

By modernizing our working models, we also position ourselves better for the new world of business that has been hastened by the restrictions imposed by COVID-19. We help to motivate employees and, by extension, we can retain and attract desired employees. By making our employees entrepreneurial and consumer-focused, we allow them to focus on the work and further enable their success.

6 A Strong Governance Foundation

LIXIL today is a leader in the critical area of corporate governance. This is at the core of how we run the company in an open and transparent manner with a clear vision. The Board of Directors plays an active role in guiding management. Following global best practice, the Board maintains separate committees for compensation, auditing and nominations for company officers. All are chaired by outside directors, who also make up a majority of the Board.

Beyond the Board level, we maintain a fully open and inclusive corporate culture where anyone can raise issues through our "Speak Up!" platform. The LIXIL Code of Conduct governs all employees while training programs help to ensure compliance with financial and accounting policies. Risk management systems ensure the reliability of operations as well as the accuracy and appropriateness of financial reporting.

THE VALUE WE CREATE



Outcomes for LIXIL – The Results of Our Work

Corporate success is today more complex than ever. A company must stand for more than profits; it must have a clear social purpose and the pursuit of profits is done in concert with the need to benefit society. At the same time, the traditional metrics of financial strength and a capability to generate profits reliably for the long term remain vital, not only to reward shareholders but also to provide the financing needed for further growth. This in turn provides the platform to enable us to create value for all of our stakeholders.

We believe that we are uniquely positioned to fulfill both the financial security we need for long-term growth and, through our products and services, to provide benefits to people around the world. That is why our corporate purpose is in making better homes a reality for everyone, everywhere.

The Value Creation Process has been a central element in preparing us for the future. We have seen employee engagement rise, an important metric when competition for the best people is clearly growing, especially in Japan amid a shrinking population. We believe this is due to the freedom that we give our people to manage their work day, focus on real business needs, and to chart their own career paths.

We are transforming ourselves into a more consumer-centric organization, developing products that improve living while speaking to lifestyle tastes and preferences. To empathize and respond to these changing tastes and preferences, we have made diversity and inclusion an important strategic focus for our future.

We have also made steady progress in removing some of the roadblocks to success. In the company's formation just 10 years ago we assembled an unrivaled lineup of globally recognized brands. More recently we have worked to focus on the core businesses that fit our future missions and to bring down our debt levels to help provide the leverage we need for future investment.

Value creation is the standard against which all companies are evaluated. Only through the generation of capital, both tangible and intangible, can we reward our shareholders and have the financial resources we need to invest for growth in the future.

Employees – The people who contribute to LIXIL's growth



72% engagement score

Within the Value Creation Process, the Human Capital element is an area where we have made considerable progress. We are focused on key areas including diversity and inclusion, coupled with building a meritocracy where anyone in the company has the opportunity and the means to succeed.

One important proxy for diversity is through gender diversity in what has been a traditionally male-dominated industry. In Japan, for the 2022 fiscal year, 48% of newly graduated employees are women, with women constituting 31% of the global workforce. Looking forward, we are targeting a Board and executive team that is each 50% female, with women also to hold at least 30% of manager-level positions.

For all employees, we are focused on improving the employee experience. This has taken many forms, with advancement and reward now based on contribution to the company, not the number of years on the job. With the company's commitment to be more resilient and agile, every employee is encouraged to chart their own career at LIXIL. We are also investing in our manager class to become stronger coaches and enablers of their teams' success. We believe these initiatives have helped us to regularly push up our engagement ratings, with a 72% positive engagement score in January 2021.

Consumers – The end users who enjoy our products



Approx. \$290 million cross sales in FYE2021

The work we have done on our brands means that our consumers now have a wide range of options to suit their lifestyles, from the most basic products for proper sanitation to innovative designs and stylings that can bring a feeling of luxury. We can also offer the consumer the best technology and functionality to help them reduce their environmental impact and to play their part in conserving water, our most precious resource. A global sales network in more than 150 countries, augmented by a strong lineup of digital tools, allows us to provide an unrivaled lineup to consumers anywhere and an innovative sales experience.

Partners – The architects, distributors and builders who help create a home



79% commercial partner satisfaction for products (Japan)

Meeting the needs of consumers requires the help of our business partners and professionals across many disciplines. Our commitment is to provide high-quality products worldwide that are fully compatible and meet all safety and regulatory standards in each market. We help our partners in their own success by providing them with a broad range of differentiated products that will appeal to their consumers. We also work together to meet our shared challenges, with programs ranging from the PATTO Reform initiative to simplify home renovation, to our new LIXIL Online Showroom digital environment that transforms the traditional shopping experience for business partners and consumers alike.

Societies – The communities and social issues we contribute to globally and locally



Improved access to sanitation for 25 million people in over 38 countries

Benefiting society is a central focus for LIXIL. Our Corporate Responsibility Strategy, with a focus on Global Sanitation & Hygiene, Water Conservation & Environmental Sustainability, and Diversity & Inclusion, is integrated into the company's broader strategy. The SATO line of products provides basic sanitation for millions of people, while our environmental strategy focuses on innovations for low-carbon and water-efficient technologies. By pursuing these programs, we meet the concerns of other stakeholders. Our employees want to see LIXIL be a force for good, our consumers want to do business with a company they can believe in, and shareholders want to own a company that puts society at the forefront.

Shareholders – Those who believe in and support us



Listed on the Dow Jones Sustainability World Index and FTSE4Good Index

All of our efforts in value creation accrue to the benefit of our shareholders. These range from the direct benefits of higher profit margins, a more efficient workforce and a robust balance sheet, to the equally important areas of what the brand stands for and a commitment to society. A commitment to ESG principles benefits shareholders in the long term and pushes up valuations. We are today included in respected indices including the Dow Jones Sustainability World Index and the FTSE4Good Index. Our leadership in transparency and strong corporate governance helps to reduce our business risks and protect the interests of our owners.

3 STRATEGY

SECTION

CORPORATE RESPONSIBILITY STRATEGY

PURSuing RESPONSIBLE AND SUSTAINABLE INNOVATIONS

LIXIL's Purpose:
Make better homes a reality for everyone, everywhere

Global Sanitation & Hygiene



Promote and enable access to safe and hygienic sanitation practices, especially for women and girls, while preventing the harmful transmission of diseases for children

Sanitation for All

By 2025, improve the livelihood of 100 million people through sanitation and hygiene initiatives

- Promote research and development of products that actively contribute to resolving sanitation issues
- Expand and ensure self-sustainability of businesses that improve sanitation in developing economies around the world
- Foster a range of initiatives to tackle global sanitation and hygiene issues across LIXIL's global business units

Water Conservation & Environmental Sustainability



Conserve water, energy, and other natural resources utilized in and by LIXIL products and services, including in the supply chain, production, distribution and during end use

Zero Carbon and Circular Living

By 2050, achieve net-zero carbon emissions from housing and lifestyle solutions as well as operations, and become a leading company based on a model that preserves water and natural resources for future generations

- Design products and services with consideration to lifecycle impacts and environmental efficiencies, and increase the sales share of this product portfolio
- Lower environmental impact through efficient energy usage and adoption of recyclable energy to minimize carbon emissions, and realize higher water usage efficiency and resource circulation throughout all of business operations

Diversity & Inclusion



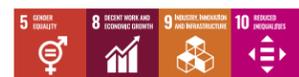
Leverage the knowledge and perspectives of a diverse workforce as a key driver of growth and innovation, and improve quality of life for all people through our products and services, irrespective of their age, gender, and the level of disability

Inclusive for All

By 2030, embed a culture of inclusion across LIXIL and achieve key gender equity goals
By 2030, ensure all products and services* are based on LIXIL's Universal Design concept

- 50% of Board Directors and Executive Officers to be women by 2030
- 30% of our leaders globally to be women by 2030
- Maintain gender parity in new graduate hires in Japan
- Promote the development of Universal Design products and services that are "Good for one, Good for all, Good for a lifetime"

*Scope: Products and services in Japan



Our strategy stands upon a foundational commitment to ethical business practices.

Governance	Fair Business Practices	Human Rights	Labor Practices	Quality and Satisfaction	Supply Chain	Stakeholder Engagement
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Our Approach to Corporate Responsibility

Our corporate purpose is to make better homes a reality for everyone, everywhere. To that aim, we pursue responsible and sustainable innovation and develop safe and comfortable products and services based on our Corporate Responsibility (CR) Strategy. The CR Strategy forms an essential part of our ambition to achieve sustainable growth and corporate value creation in that it is deeply linked to our core business strategy, our material issues [see pages 32-33](#), and our Value Creation Process (VCP), through which LIXIL creates value for all of its stakeholders.

The CR Strategy outlines three core pillars of activity where we will use our unique expertise and business operations to drive positive change on global issues that require urgent action: Global Sanitation & Hygiene, Water Conservation & Environmental Sustainability, and Diversity & Inclusion. In pursuing the CR Strategy, we ensure our business activities are built on a fundamental commitment to ethical business practices in the areas of governance, fair business practices, human rights, labor practices, quality and customer satisfaction, supply chain, and stakeholder engagement.

Supporting International Initiatives

As a global company that develops and provides pioneering water and housing products, LIXIL plays an important role in supporting people's healthy and comfortable living. To do our part in resolving a range of social issues through our business activities, we support and participate in various international initiatives.

In addition to addressing the Sustainable Development Goals (SDGs) adopted by the United Nations (UN) General Assembly, LIXIL endorsed the UN Global Compact in full support of the Ten Principles in the four areas of human rights, labor, environment, and anti-corruption. We also conduct scenario analysis in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).



Commitment to SDGs

LIXIL reflects the SDGs approach in our CR Strategy and uses the goals as an important guideline when forming management decisions.

In our commitment to the SDGs, we partner with various stakeholders, including our customers, business partners, local governments and residents, shareholders and investors, international organizations, and non-governmental and non-profit organizations. One such initiative is LIXIL x SDGs NEXT STAGE, launched in December 2020. Focusing on partnership with customers, the next generation, and business partners, we disseminate information and hold events and campaigns related to the SDGs and LIXIL's initiatives in order to accelerate action on the 2030 agenda.

LIXIL'S MATERIAL ISSUES

LIXIL has identified material issues that we, our stakeholders, and society in general consider to be of the highest importance for improving our company's sustainable growth and corporate value for driving progress on sustainable development. We are working to resolve these issues through our business activities while monitoring the progress against our goals.

Our material issues are determined by selecting and evaluating issues from both a risk and opportunity perspective using our determined selection process, taking into consideration LIXIL's Purpose, VCP, Medium Term Plan, CR Strategy, and other business strategies. It also takes into account stakeholder needs and expectations, on top of current social circumstances and issues. We review these material issues to accommodate any changes in LIXIL's immediate environment or society at large.

Positioning of the Material Issues

The process of selecting our material issues is deeply linked to our Value Creation Process (VCP), which creates value for stakeholders and broader society based on LIXIL's corporate purpose and available resources, as well as to our business and CR strategies. By defining a clear strategic direction based on these principles, we aim to build an organization that can achieve sustainable growth and value creation.

Material Issues Selection Process

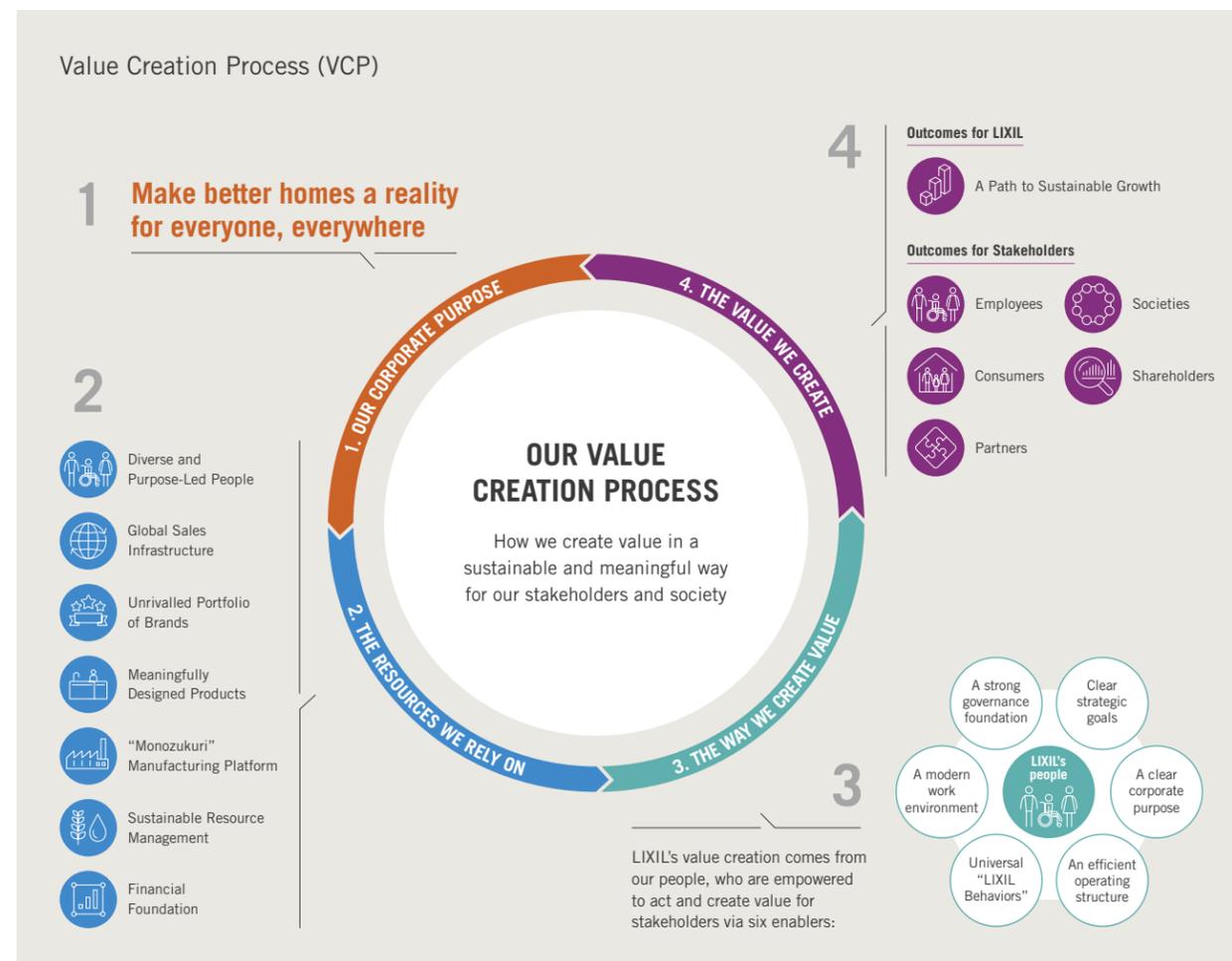


Following the process, we will continuously review the material issues

Material Issues Selected in FYE2021

In FYE2021, we reviewed the material issues selected in FYE2016 and selected 20 new material issues based on the selection process. We categorized these issues into the following priority levels in terms of degree of risk as weighted by ESG evaluation

organizations and their impact on LIXIL, our stakeholders, and society at large. Material issues that are labeled as "Priority" are deeply related to the three pillars of our CR Strategy. We will continue to accelerate our CR activities with a focus on these material issues.



● Priority:

Areas in which LIXIL is able to proactively exploit its unique strengths to greatly help solve issues and have a significant positive impact on stakeholders and society. Areas where initiatives should be strengthened in view of stakeholder needs.

Priority
Global Sanitation & Hygiene
Water Sustainability
Environmental Impact of Product Lifecycle
Climate Change Mitigation and Adaptation
Circular Economy
Environmental Management
Diversity & Inclusion

● High:

Areas that should be addressed from the perspective of responding to stakeholder needs and appropriately managing risks to ensure business continuity.

High
Product Safety
Customer Satisfaction
Employee Safety & Wellbeing
Talent & Development
Ethics & Integrity
Human Rights
Supply Chain Management
Corporate Governance
Risk Management
Stakeholder Engagement

● Medium:

Areas requested by stakeholders and that should be appropriately addressed as the basis for our business activities.

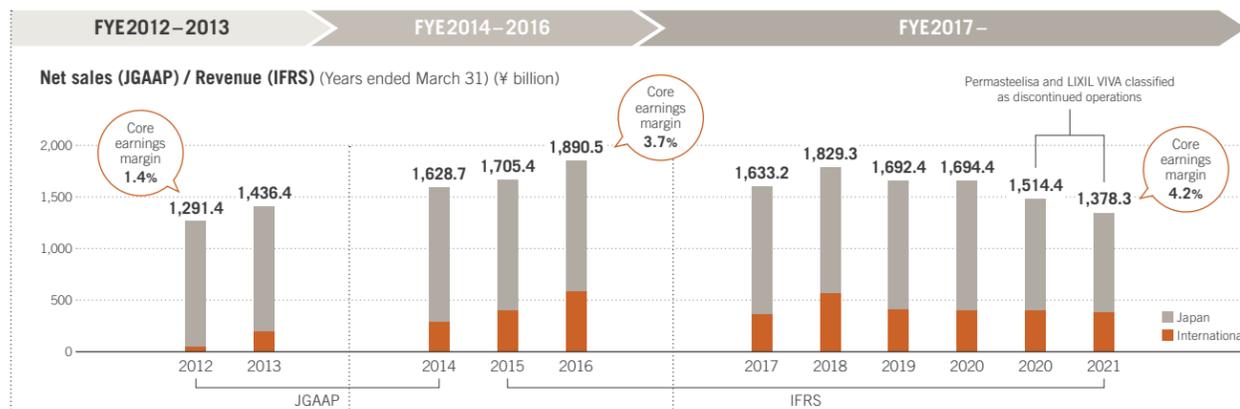
Medium
Information Security
Tax Transparency
Responsible Marketing & Advertising

Three pillars of our CR Strategy

- Global Sanitation & Hygiene
- Water Conservation & Environmental Sustainability
- Diversity & Inclusion

LIXIL'S EVOLUTION AND 10TH ANNIVERSARY

This year we are proud to be celebrating 10 years as LIXIL. Having been formed through the merger of leading global brands, each with their own systems and cultures, we have undergone tremendous change to become One LIXIL, to make better homes a reality for everyone, everywhere.



BUSINESS PHASE		
<p>LIXIL created through the merger of five companies</p> <ul style="list-style-type: none"> Opened the way to delivering a comprehensive lineup of products that cover all aspects of living spaces 	<p>Established the foundation for business expansion and global growth</p> <ul style="list-style-type: none"> Obtained product and brand portfolio, as well as global infrastructure, to establish our foothold in key markets around the world 	<p>Simplifying the balance sheet, improving organizational structure, and strengthening profitability</p> <ul style="list-style-type: none"> Focusing on actively managing our core businesses to enhance productivity and efficiency Driving synergies across our core business areas Optimizing our business portfolio to accelerate growth and strengthen financial conditions

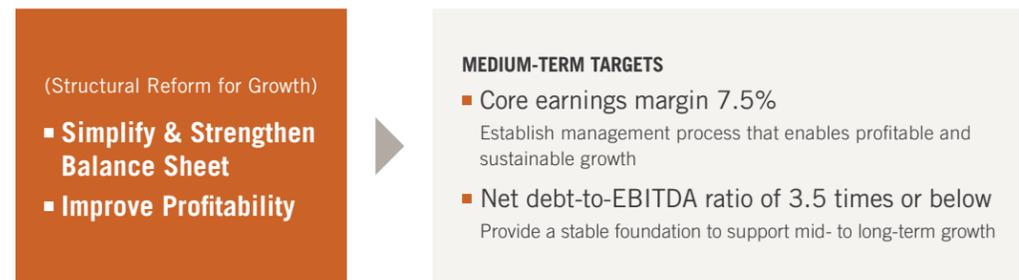
A COMBINATION OF STRUCTURAL AND CULTURAL CHANGE

STRUCTURAL	CULTURAL
<ul style="list-style-type: none"> LIXIL born out of the merger of Tostem, INAX, Shin Nikkei, SUNWAVE, and Toyo Exterior in 2011 Globalize business rapidly through a series of acquisitions and investments (major M&As: American Standard, GROHE) Launch comprehensive initiatives for revitalizing Japan business, "Kawaranaito LIXIL" Integrate global business under LIXIL International Consolidate global headquarters functions into LIXIL's WING campus (Tokyo) Divest Permasteelisa, LIXIL VIVA Shift from holding company to operating company 	<ul style="list-style-type: none"> Start production and sales of the SATO Toilet System (American Standard) Conduct first employee engagement survey globally Establish LIXIL's Corporate Purpose Launch LIXIL Behaviors Simplify titles Rollout Workplace* and other digital tools Embed flexible working styles Set common language around innovation

MANAGEMENT DIRECTION

At LIXIL, we are working to become an agile and entrepreneurial company that can achieve sustainable competitiveness and growth in order to fulfill our corporate purpose. To achieve this, we are taking steps to transform our operations, including optimizing our business portfolio to accelerate growth and strengthen our finances, actively managing our core businesses to enhance productivity and efficiency, driving synergies to create new growth, and strengthening governance to build trust and manage risk.

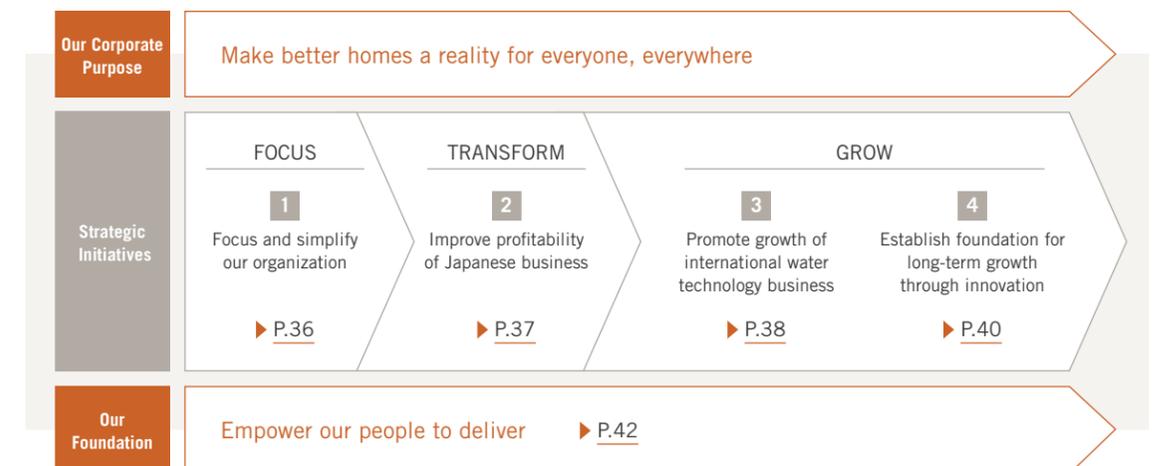
Through these efforts, in the medium term we aim to achieve 7.5% core earnings margin before growing the margin to 10%. At that point we believe, we can also achieve a 10% ROIC.



THE LIXIL PLAYBOOK

Under LIXIL's management direction, we first took measures to simplify and strengthen our balance sheet, establishing the foundation for growth, before shifting our focus to improving profitability. This direction has been shared across the entire organization and is what we call

our LIXIL Playbook, covering four strategic initiatives, as well as a foundation based on empowering our people for sustainable growth.



THE LIXIL PLAYBOOK

1 | FOCUS AND SIMPLIFY OUR ORGANIZATION

Our future depends on having a lean and efficient organization that can respond quickly to market needs. To accomplish this, we are moving away from peripheral businesses, eliminating layers of management and optimizing core businesses to capitalize on growth opportunities.

Divest Non-Core Businesses

We have strengthened our balance sheet this past year through the divestment of two non-core businesses. The sale of the building exteriors group Permasteelisa takes us out of the volatile international curtain wall market. We also completed the divestiture of our holdings in the LIXIL VIVA chain of home improvement centers, an action that has brought two benefits: a lower debt ratio since we were able to eliminate the liabilities of related building leases, and the opportunity to strengthen business ties with other competing retail brands in this sector. These moves have had a positive impact on our balance sheet, with the overall equity attributable to owners of the parent improving to 31.7% of the total from 24.0% in FYE2020. They have also helped management to better focus on the operations central to our future.

Simplify Japan Organization

The creation of LIXIL brought together a unique set of well-known brands. It also

resulted in a highly complex corporate structure in our home market of Japan as we tried to amalgamate five separate companies. We are now building a new structure that radically simplifies the organization, lowers costs and enables faster decision-making. To achieve this, we simplified our management hierarchy, reducing the number of organizational layers and optimizing span of control, and reduced the number of corporate officers by more than 50%. These actions are part of the broader program to empower employees, improve teamwork and to spur greater innovation. This work is a key element in the larger transformation of LIXIL into a truly agile and entrepreneurial company.

Integrate International Business

Driving international business expansion is one of our key strategies for creating long-term sustainable growth for the company. To achieve this, we have brought together all global operations under LIXIL International to accelerate global alignment. This international unit combines the strengths of our brands, technologies and manufacturing assets to create solutions more seamlessly and efficiently in each region and market. A primary area of focus is in our water technology business, which brings together leading global brands. Our global presence also gives us the chance to find new market opportunities that have been previously unexploited, using our technology and design resources from around the world. Backing up global sales and marketing efforts is a centralized support function covering finance, HR, legal and IT, standardizing core functions enterprise-wide and allowing the regions to focus on consumers, partners, and channels to market.



2 | IMPROVE PROFITABILITY OF JAPANESE BUSINESS

As we take advantage of our global opportunities, Japan is the critical financial engine to power our growth. Despite the broader trends of a shrinking population, we believe Japan can be a center of profitability.



LHT Japan Initiatives

The housing technology business has undergone significant transformation to become a more profitable and sustainable business. For example, we have introduced a platform manufacturing model to improve production efficiency, enabling multiple products to be produced using the same line. This has made us more resilient against demand fluctuations amid the economic downturn caused by the COVID-19 pandemic. Our growth strategy is focused on four key areas: growing our renovation and Zero Energy House-related businesses, developing differentiated products that add value, strengthening our power brands, and targeting profitable niche markets. Even as overall home building in Japan declines, we see fresh opportunities through changing lifestyles and greater consumer interest in home renovation. Bringing fundamental innovation to Japan's housing market represents a key opportunity for LIXIL.

LWT Japan Initiatives

LIXIL Water Technology Japan has a twofold mission: transform its business structure and support international growth.

In Japan, people are increasingly looking to upgrade their surroundings as they spend more time at home. It is no longer just about replacing what no longer works but also about a growing desire to improve one's quality of life. To spur and capture demand for renovation, we are capitalizing on this shift, developing business processes that create new value for consumers while strengthening our direct approach to them. In parallel, we are transforming our business structure to enable sustainable growth - optimizing our sales structure and processes, strengthening our supply chain, and implementing cost reduction measures.

Anticipating growth under LIXIL International, we are further leveraging our leading core product technology from Japan in global markets, helping to drive growth through differentiated products and improved cost competitiveness.

"Kawaranaito LIXIL"

Work Consumer-Centrically	Manage Career Paths	Change Working Styles
Create a more consumer-centric organization, enhancing consumer experience	Encourage all employees to own their career journey and embed a meritocratic and agile culture	Enable more flexible working styles, allowing greater efficiency and a more inclusive working environment
To engage consumers more directly, we are investing in digital initiatives to further improve showrooms and sales offices. These efforts also include increased opportunities for employees with strong LIXIL DNA to take up more direct consumer engagement roles.	An entrepreneurial company values empowerment over top-down management and meritocracy over seniority. Each LIXIL employee is encouraged to actively manage their own career through programs meant to build innovation capabilities and accelerate talent development.	Today's workforce seeks and thrives in new working styles. The ability to work at home and structure their day to meet lifestyle needs enables employees to be more productive.

"Kawaranaito LIXIL"

The concept of "LIXIL, We must change" was introduced to create momentum for organizational change, improve employee engagement and bring productivity improvements to Japan operations. By making the company more agile and entrepreneurial, we can unlock our greatest source of value, LIXIL's employees.

THE LIXIL PLAYBOOK

3 | PROMOTE GROWTH OF INTERNATIONAL WATER TECHNOLOGY BUSINESS

With our leading brands such as INAX, GROHE and American Standard, and with a presence across key geographies and markets, LIXIL International provides a strong platform for global growth. We are focused on new market opportunities, improving internal synergies and expanding our product lineup.

Bridging the Gaps

Central to our strategy is to strategically enter competitive gaps in markets around the world. By leveraging our brand portfolio, global manufacturing assets and advanced technologies, we can bring new and innovative products to a market more quickly and efficiently than our competitors.

These “portfolio gaps” exist today because of the traditionally regional focus of water products. With our global outlook, we can take technologies or business models developed for one brand or region and apply them to market opportunities elsewhere. In

addition, our global manufacturing base and supply chain means that we can ramp up production in an asset-light manner that reduces the amount of required capital.

This strategy is bolstered by the fact that while water products have traditionally been unique to specific markets due to different purchase processes, end-use mix and channel structures, the requirements of end users such as architects, builders and consumers are similar around the world. As such, we are working with customers and partners to bring innovative ideas that meet their needs.

Many of these market opportunities

are in high-margin segments for LIXIL, enabling us to enter new segments while pushing up overall profit margins. At the same time, for our own traditional product base, competitors are hampered by the challenge of entering these areas without diluting their profitability.

Synergy Creation Office

The success seen in the work of the Synergy Creation Office demonstrates the much larger potential ahead in this area. The office, created in 2018, takes the technologies and expertise in Japan and applies them overseas to create innovative products for new market

opportunities. For FYE2021, cross sales were at approximately US\$290 million, more than double the level three years ago, a success driven by the company’s multi-year commitment to drive product synergies and best practice sharing. The technologies that have been leveraged more broadly include *AQUA CERAMIC*, a ceramic material that prevents dirt and water stains, and the award-winning *GROHE SmartControl*, a push-button shower control panel offering infinite choices for the perfect shower.

Global House of Brands and Design

Through our original creation and later

acquisitions, LIXIL has amassed some of the best brands in the industry. We have now made them better. This is now the ongoing work of the newly created Brand Identity Team, which works hand-in-hand with LIXIL Global Design, both under the direction of Paul Flowers, as well as with global marketing teams. Under Flowers, each major brand has been positioned to provide a unique offering. Design teams are sharing information, technologies, global trends and consumer insights, ensuring they design and develop products that appeal to different consumer segments and that the brands complement each other while building brand equity over the long term.

> CR SPOTLIGHT

LIXIL Environmental Vision 2050



ZERO CARBON AND CIRCULAR LIVING

Our modern lifestyles use significant energy and other natural resources. In FYE2020, we formulated the LIXIL Environmental Vision 2050, recognizing environmental conservation as one of the priority areas of our Corporate Responsibility Strategy. Based on the environmental vision, we are committed to achieving our Zero Carbon and Circular Living policy with a focus on three areas: promoting climate change mitigation and adaptation to achieve net-zero CO₂ emissions through our business operations, products, and

services; achieving water sustainability to enhance the environmental value of water resources by saving, circulating, and purifying water; and realizing a circular economy across the entire life cycle of our products and services.

Climate Change Mitigation and Adaptation

We have switched to 100% renewable electricity at all our LIXIL International water faucet factories and distribution centers (10 sites) as well as at four offices, including LIXIL’s headquarters, two distribution centers, and 36 sales bases in Japan.

We provide products and services that help reduce household energy use and contribute to the wider adoption of



GROHE’s fitting plants which is 100% operated by renewable energy (Thailand)

net zero energy houses (ZEH) and net zero energy buildings (ZEB). In particular, LIXIL plans to increase the sales ratio of thermal window products with superior insulation performance to 100% by FYE2026.

Sustainable Water Use

At sites that use water for manufacturing, we identify water-related business risks specific to each region and take appropriate steps to improve water efficiency, recycle water, and manage wastewater. In FYE2022, we expanded the scope of management to include risks related to water quality and regulations. We will seek to implement plans and measures to deal with relevant issues in individual countries and regions.

We provide a wide range of water-related products and services that help save water in the home, purify water, or allow early detection of water leakage to create value for our customers. As one such product, our *AQUA CERAMIC*

material maintains cleanliness over a long period of time. We also provide water purification cartridges that use our proprietary ceramic materials. By deploying these technologies globally, we help improve the safety and quality of water while reducing environmental impacts.

Circular Economy

We are striving to reduce waste at our manufacturing sites by closing resource loops. In collaboration with various stakeholders, we are making continued efforts to promote reuse and recycling, and minimize new resource inputs. In FYE2021, we announced our LIXIL Plastics Action Statement and are seeking to accelerate efforts to reuse

plastics and develop alternative materials.

GROHE has recently launched *Cradle to Cradle Certified®* products that promote circular manufacturing. Three GROHE water faucet products and a shower rail set received Gold level certification, meeting criteria in five categories: material health, material reutilization, renewable energy, water stewardship, and social fairness.



Cradle to Cradle Certified® products

THE LIXIL PLAYBOOK

4 | ESTABLISH FOUNDATION FOR LONG-TERM GROWTH THROUGH INNOVATION

Strong short-term performance is not enough to ensure long-term success. The phenomenon is sometimes called the “success trap,” in which a company is focused on what works today at the expense of vital longer-term structural change. At LIXIL, we are deploying our current resources in order to be ready for the changing global market. Applying Three Box Solutions thinking, our executives are focused on managing innovations for the present while creating the future. To do so, we have embraced a common language across LIXIL to talk about innovation to see how we can re-invent our business for long-term growth.

Water Filtration Business

Within the next 100 years, water will be one of the scarcest vital natural resources, one that we have taken for granted for too long. Today, consumers are increasingly concerned about the safety and taste of their water. At the same time, there is growing concern about the vast waste caused by single-use plastic water bottles. Research suggests that by 2050 there will be more plastic waste than fish in our oceans. An important element in solving this environmental problem is in the introduction of differentiated point of use filtration. LIXIL has competencies in developing and integrating filters into kitchen faucets for water safety and space savings, and enhancing water through sparkling, chilled, and hot water systems. These units can not only ensure high-quality drinking water but also improve the taste of tap water. Aside from their lower environmental impact, they are also much more economical

than the purchase of bottled water. Water filtration is also another example of where our expertise and attractive repeat consumable sales models in specific markets can be leveraged globally. In Japan, LIXIL has the capability to develop in-sput filters, which it has built over the past 20 years. This technology has now been exported to American Standard with the introduction of a new filtered kitchen faucet. GROHE has meanwhile introduced a range of water enhancement solutions over the last 10 years. The environmental benefits of GROHE Water Systems have recently been acknowledged by winning the German Sustainability Award in December 2020 for the reduction of plastic waste and CO₂ emissions.

LIXIL Online Showroom

One of the toughest challenges for any business is to change long-standing business practices. For LIXIL, our 88 showrooms were a traditional way to



serve consumers in Japan but they had a high level of associated costs. The disruptive moment came in 2020 with the closure of all our locations at the height of the COVID-19 pandemic. Fortunately, we were already ready with a new sales model. Through the LIXIL Online Showroom, clients, LIXIL staff and our business partners can all work together more efficiently and with

greater levels of customer satisfaction. In the traditional model, a consumer had to make the decision to come to the showroom, often with an installer or contractor. Consumers not certain if they were ready to make a purchase were sometimes reluctant, and not ready to make a purchasing decision. Sitting down with staff also took considerable time and required the presence of architects, designers and builders, the professionals who are vital to good decision-making. After these discussions, a price quote would take another three to four days. In all, it is a laborious and slow process. With the LIXIL Online Showroom application, the consumer experience changes completely. A potential buyer can explore possibilities whenever it is convenient for them, with their builders and designers also able to take part. Pricing information updates in real time, bringing greater certainty to budget-conscious families. The app can also show virtual 3D mockups of what the new space will look like. The approach

helps reduce costs and shorten the sales cycle. Business partners also benefit. Not only can they use the platform to interact with clients, but they can also obtain product specifications and other important information online to make their own work more efficient. The LIXIL Online Showroom has truly been a game changer, one that is perfectly suited for the new social and economic environment.



CR SPOTLIGHT

Filtered Kitchen Faucets that Help Reduce Plastic Bottle Consumption



American Standard's *Saybrook Filtered Kitchen Faucet*, which uses Japanese filtration technology, removes impurities such as lead, chlorine, and small particles contained in tap water to provide safe drinking water at the touch of a button. It comes with a small, innovatively designed filter that can be installed for easy access above deck at countertop level or on the inside wall of the cabinet. The faucet is

equipped with an LED indicator that lets you know when the filter needs to be replaced. The easy-to-use product not only helps to keep families safe but also helps reduce plastic water bottle usage, bringing down a household's environmental footprint. It joins LIXIL's range of safe and environmentally conscious kitchen faucets, including *GROHE Blue* and *INAX's Navish*.

LIXIL Online Showroom: Enhancing Consumer Experience and Supporting Flexible Work Styles for Employees

LIXIL's Online Showroom enables consumers to meet with our showroom coordinators online. The new service has already resulted in more than 14,000 sessions with consumers within a year of launch. Without any time or geographical constraints, the LIXIL Online Showroom is more convenient for consumers, making it easier for families with small children or family

members living apart to participate, while preventing the spread of COVID-19. We also launched a new evening service, which is popular among working couples, who make up 20% of evening service users, satisfying the diverse needs of consumers. At the same time, the LIXIL Online Showroom has enabled coordinators to work from home and allowed for more flexible

working styles, leading to higher satisfaction levels of employees. Going forward, we will continue to further enhance our services.

THE LIXIL PLAYBOOK

5 | EMPOWER OUR PEOPLE TO DELIVER

Our employees are at the center of everything we do and are also the vital element in our ability to transform the organization. Through our measures, we can turn everyone in the organization into an agent of change.

A Common Foundation

Supporting the four strategic initiatives of The LIXIL Playbook is a foundation focused on empowering our people. We are taking a multi-faceted approach to help foster a more purpose-driven, agile and entrepreneurial workforce.

Bringing us together is our purpose to make better homes a reality for everyone, everywhere. Contributing to society is key to how we operate, building pride among our employees and forming a basis for long-term growth. The SATO social business serves as a symbol of what we stand for.

A more inclusive, employee-focused culture must be at the heart of our transformation. By creating an inclusive culture, we can ensure that everyone

feels equal and able to speak their minds. This is vital to fostering the views and ideas that will generate the innovations we need to drive us forward.

Agile work styles also require new technical solutions. As LIXIL was born through mergers and acquisitions, we had inherited multiple mainframe legacy systems. We are now harmonizing and consolidating our data processes to establish a truly global IT and digital infrastructure that make it easier for employees to collaborate and innovate.

Combined with common goals, a clear financial framework and a robust compliance culture, we are building a common foundation to underpin our strategy.

A Shared Framework for Innovation

We must ensure that innovation is not left to chance. Innovation is the product of methodology and structure as much as it is the embodiment of vision. To transform LIXIL into a more entrepreneurial company, we are working to align how we talk about innovation across our geographically dispersed and diverse colleagues.

In 2020, award-winning Professor Vijay “VG” Govindarajan from the Tuck School of Business was invited to run a tailored program for 90 LIXIL leaders from around the world, focusing on his Three Box Solutions framework for managing innovation. A shared language around transformation and innovation took shape very quickly and the company

is now reviewing and advancing ideas that emerged from the program. This methodology is now being cascaded across the organization to strengthen conversations and collaborations on potential new sources of growth for LIXIL.

Another important framework for innovation that was introduced in Japan is LIXIL Housing Technology Japan’s Business Incubation Center. Established in 2019 to quickly bring new and unique products and solutions that may not currently exist in markets, it adopts a collaborative approach to ensure targeted product development. Many of its latest products are first released on crowdfunding site Makuake to gauge demand: *ATMO*, a delivery box attached to entrance doors, and *Nyanpeki*, a wall designed for cats to climb and rest,

surpassed their targets within 24 hours.

As LIXIL pivots toward becoming an entrepreneurial and consumer-centric company, our shared framework for innovation will be critical to driving new sources of growth in both the short and long term.

CR SPOTLIGHT

Driving initiatives to improve Global Sanitation & Hygiene



Two billion people, or about one-quarter of the global population, live without access to safe and sanitary toilets, while three billion people do not have basic handwashing facilities at home. LIXIL is committed to improving the livelihood of 100 million people by 2025 through improved hygiene and sanitation. Since 2013, our SATO social business has shipped 5.1 million SATO toilet products to over 38 countries (as of April 2021), and last year, it developed the SATO Tap in response to the COVID-19 pandemic, providing access to a handwashing solution for people without access to running water. With their simple design, SATO



products are affordable and accessible for all. We are working to further expand SATO’s production and sales ecosystem in regions that lack access to water and sewage systems.

Committed to improving sanitation for children around the world, we entered the MAKE A SPLASH! partnership with UNICEF in 2018. The

partnership combines UNICEF’s WASH sector leadership with our global expertise in toilet design and innovation. Through this shared value partnership, LIXIL and UNICEF are working to expand market-driven programs to build markets for sanitation and hygiene products such as toilets and handwashing stations, by ensuring the availability of affordable products in developing economies.

End users, business partners and employees join us in our commitment through a series of initiatives. Last year, GROHE introduced a campaign designed to make a donation for every shower or thermostat sold, raising a

total of €140,000. Accelerating our contributions, we expanded this program to 13 countries with the Energy for Life Campaign in 2021.



SPECIAL FEATURE

GLOBAL PEOPLE ORGANIZATION STRATEGY

Becoming an agile and entrepreneurial organization requires us to reinvent how we manage our people. Breaking from our older, established ways of human capital management, we have a new vision to create a more empowered, inclusive community of people at LIXIL – proud of what we do and innovative with how we do it.



Committee, chaired by CEO Kinya Seto, supervises the process to ensure top-level business commitment, while the GPO and its partners ensure our D&I strategy is directly embedded into our HR policies and practices, from recruitment and training to promotions and performance management.

Progress requires clear metrics globally and locally. With gender equity serving as a proxy for progress toward inclusive culture, our enterprise aims to achieve 50% representation of women at the Board and executive officer levels, and 30% ratio of female managers across the company, by 2030.

Key initiatives through FYE2025 include improving the hiring and promotion processes by designing policy and processes to remove bias and promote D&I considerations, and rolling out education programs for employees, managers and executives to help them understand and embed in their actions D&I concepts and behaviors.

2. Accelerate cultural transformation
Enterprise Center of Excellence organizations have been established to accelerate transformation into a more agile and innovative culture. We have enhanced LIXIL's in-house change management capabilities, established enterprise-wide manager effectiveness programs, initiated harmonization of performance management, and invested in tailored leadership development initiatives such as with the TUCK faculty. We started a multi-year plan toward organization simplification with initiatives

Activating LIXIL's Transformation

Enabling this transformation is our Global People Organization (GPO), which is designing and delivering an ambitious change agenda in line with the company's strategy. We are working to create a radically simplified organization, a transparent and meritocracy-based performance management system, and an agile and inclusive culture. The GPO strategy is built around three interlinked pillars: culture and engagement, developing more effective managers who can enable and support their people, and

empowering employees to manage their own career paths at LIXIL. Building on this foundation, the GPO is now implementing clear actions to further accelerate the next phase of LIXIL's global strategy.

Key Actions

1. Create an inclusive workplace
Our approach is rooted in the belief that we must create a truly inclusive workplace to attract and enable a diverse workforce. The Diversity & Inclusion (D&I)

such as title harmonization, early retirement programs and review of global grading structures. Also, as the lifespan of skills is shortening due to technology, we are focused on upskilling and reskilling our existing workforce while focusing our talent acquisition efforts to close critical skill gaps in areas such as digital and brand.

3. Enhance employee experience

To enable employees to fully realize their potential and enhance engagement, we need to improve our listening skills. Key initiatives in FYE2022 include sharpening our employee listening strategy, leveraging digital tools to provide insight and analysis on current sentiment across cohorts. From frontline staff to salaried employees, we have set targeted actions that will enhance engagement at all stages of our employees' journey with the company. This includes designing a system to capture, analyze and improve the "moments that matter," from onboarding and promotion to life events (such as marriage or having a baby), to personalized employee experiences. Such insights will help managers to tailor career development options for their team members.

4. Strengthen governance and capabilities

To strengthen governance at enterprise level, we are designing and implementing global and regional compensation and benefits standards across employee, managerial and executive levels worldwide. Historical inconsistencies are being addressed through the newly formed Compensation and Benefits Committee, chaired by Chief People Officer Jin Song Montesano. We are also strengthening oversight over the GPO itself to ensure transparency and fairness in HR operations, while taking important steps to build capabilities within the GPO to be more responsive to the company's needs.

CR SPOTLIGHT

Fostering Inclusion through Gender Equity Practices and Policies

By setting goals and measures focusing on gender equity, we are implementing our D&I strategy to create an inclusive working environment and culture where all employees can perform to their full potential no matter what life stage they are in.

To date, we have established a range of systems that support working parents, including financial support for employees who wish to return to work early after maternity or childcare leave, and a paternity leave system for male employees. We also introduced shorter working hours, and subsidies for extended daycare fees or the use of a

broader range of childcare facilities. Furthermore, we support employees at different life stages through our extended paid leave system in managing personal priorities such as childcare or nursing. We set up a Self-Care Leave system that covers morning sickness and fertility treatment in addition to the existing menstruation leave. All these systems are designed to support women in developing their careers.

Agile Development of Inclusive Products and Services

In September 2020, we launched *DOAC*, a front door electric opening system. *DOAC* enables people to lock and unlock, as well as open and close, their front door with a remote control. This helps people with physical impairments, wheelchair users, elderly people, and others get in and out of the house easily.

DOAC was developed by our new Business Incubation Center, which is focused on agile development of value-added products and services. Our team adopted an inclusive design approach when developing this product, inviting potentially interested users who are having troubles with existing products to act as advisors. In recognition of our agile development approach based on a clear understanding of the needs of potential users and contribution to the

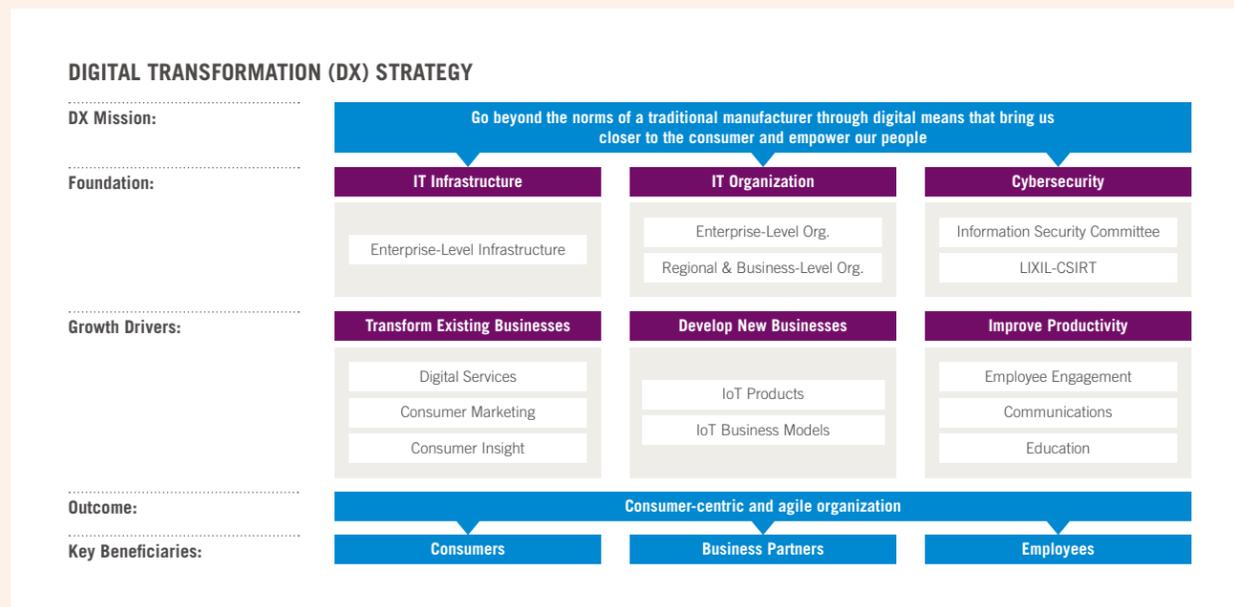
improvement of the lives of diverse people, *DOAC* won the 8th Social Products Award in 2021.



SPECIAL FEATURE

DIGITAL TRANSFORMATION

Now is the time to embrace structural change. Our rapid digitalization during the COVID-19 outbreak is transforming our business, answering new consumer needs, and enhancing productivity and employee engagement. Digitalization is about more than a set of tools, it is at the core of our transformation.



Strengthening Global Infrastructure

A focus on transformation is at the core of our digital strategy. Rather than attempting incremental changes that would be time-consuming and expensive, we have leapfrogged into the new world. This includes the concept of “Zero Trust” in Japan. Instead of ring-fencing the entire network, users connect only to the parts of the network that they need, helping to increase overall agility and security. Another example is globally migrating our ERP system from our legacy mainframe servers to Google Cloud, enabling us to keep up with the times while maintaining the freedom to customize.

To further enhance our infrastructure and create a seamless global experience, we established the Global Infrastructure Team, reporting into headquarters and with a presence in all regions. The new team designs LIXIL's infrastructure at enterprise level, from security to networks, identity management and server systems, reducing lag in decision making and driving efficiency.

Transform Existing Businesses

Through advanced digital capabilities, we can enhance our consumer experience and make the sales process more efficient. In Japan, for example, we

launched the LIXIL Online Showroom, a digital ecosystem that unlocks a wealth of opportunities: online encounters can save travel time and provide consumers with real-time estimates, while distributors and architects can join to offer professional guidance, creating value for all. Another example is our new *GROHE X* platform, which creates an entire brand experience online, offering tailored content for consumers and a platform for business partners to engage directly with representatives.

Develop New Businesses

Digital technology opens a new world of

products that are suited to busy lifestyles. These include products that harness the power of the Internet such as the *IoT-Enabled Smart Delivery Box*, which enables users to remotely manage pickups and deliveries to suit their needs. *GROHE Sense Guard* is a home monitoring system that automatically detects water leakages and shuts off incoming water lines before damage can be done, even if the householder is away. This innovation has attracted interest from the insurance industry, demonstrating new areas of potential partnership.

Improving Productivity and Engagement

Digital tools are also being deployed to drive productivity. Workplace, an internal social network, enables our people to collaborate faster across regions and departments, avoiding the need for information to travel vertically. To enhance engagement, for example, we leverage applications that facilitate real-time employee feedback, enabling us to continuously course correct policies to demonstrate our commitment to our people. We also enable people to empower themselves, using digital solutions such as LinkedIn Learning to enable employees to raise their skills.

To fully leverage digital technology and agile ways of working, however, we must invest in reskilling and upskilling our people. That means investing in talent, from Data Analysts who can uncover new levels of insight to inform business decisions to Business Process Developers who can create the digital tools that improve business models and processes. Becoming an agile organization also means democratizing digital capabilities by going beyond the specialists. We are raising the bar by investing in Citizen Developers, enabling our people to develop their own tools and improve processes through low-code and no-code.

CR SPOTLIGHT

IoT-Enabled Smart Delivery Box

The growth of online shopping in recent years is driving up the number of home deliveries. However, it is increasing the number of redeliveries as well, a cause of reduced labor productivity and increased CO₂ emissions. LIXIL's *IoT-Enabled Smart Delivery Box* can be unlocked with a smartphone, notify the user when a parcel arrives, and send a pickup request to available shipping companies, allowing users to receive or send multiple parcels even when not home. A demonstration experiment conducted in 2019 in the Koto and

Edogawa districts of Tokyo helped reduce the redelivery rate from 41.7% to 14.9%, cutting CO₂ emissions and reducing working hours of staff of delivery companies.



Accelerating Work-Style Transformation and Consumer-Centric Approach



To expedite our commitment to work-style transformation and to accelerate consumer-centricity we introduced SAP's digital transformation (DX) solution Qualtrics® in FYE2021. By using this tool, we aim to understand and respond to the needs of our consumers and employees in a quicker and more accurate manner. Our new LIXIL VOICE employee opinion survey uses Qualtrics to gather a large number of survey responses in just two weeks and conduct advanced analysis

of uncovered issues and potential countermeasures. We increased the frequency of the surveys from every two years to four times a year, which allows us to implement solutions more swiftly and enhance employee engagement. We also use the DX tool to collect and analyze end user feedback and examine how we can further improve consumers satisfaction at our showrooms. In recognition of these DX efforts, we received the SAP Japan Customer Award in 2020.

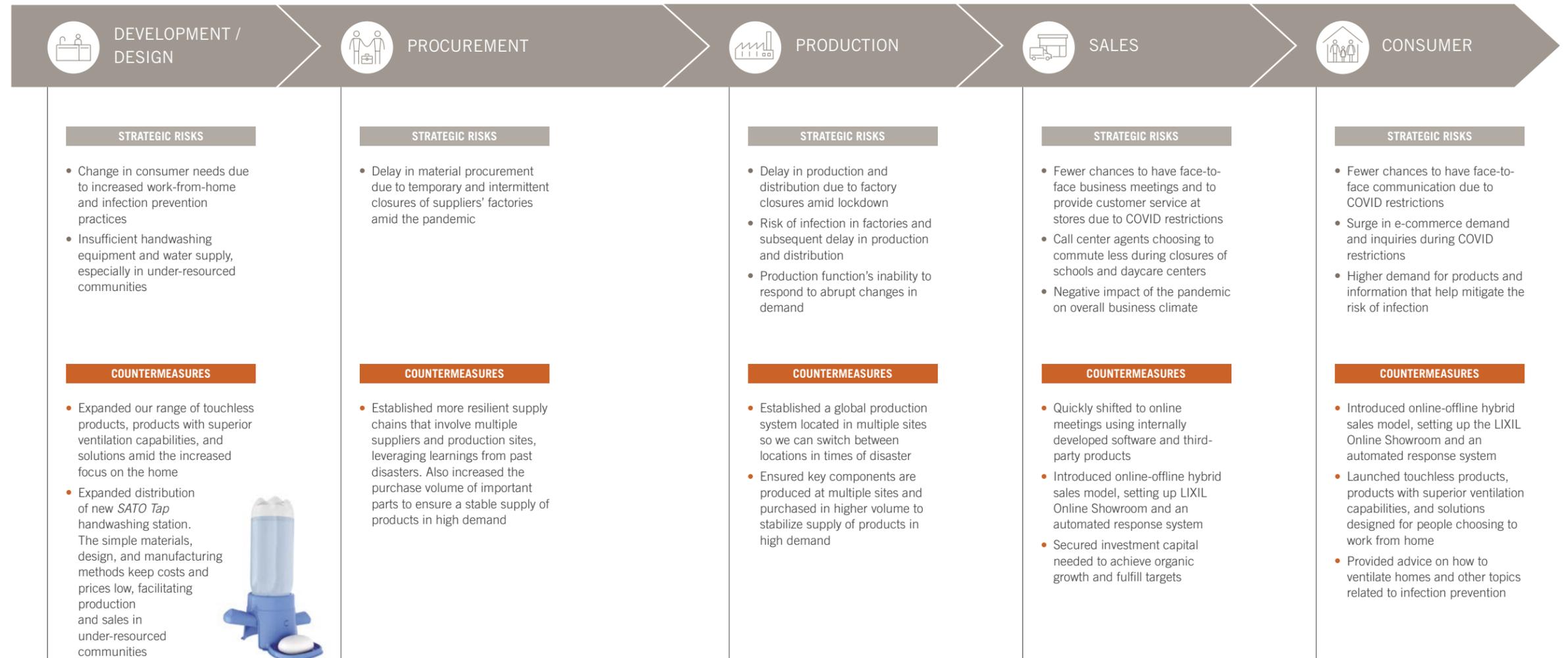
Bolstering Information Security

Chaired by the Chief Digital Officer, the Information Security Committee determines and approves information security policies, shares global trends, and reports on the status of security measures. Based on reports and audits from its sub-committees, the Committee formulates further information security plans, confirms the progress against LIXIL's strategy, and

works to strengthen security measures. In addition, the LIXIL Computer Security Incident Response Team (LIXIL-CSIRT) works to prevent and minimize the impact of cyberattacks. We constantly monitor computers and networks to detect problems at an early stage and analyze the impact and cause of the problems in order to respond quickly.

RESPONSE TO COVID-19

The COVID-19 pandemic is upending entire industries, but at the same time it is accelerating the adoption of new ideas and changes long overdue. At LIXIL, we established a global team to mitigate the impact of the pandemic, enacting countermeasures across the entire value chain to protect our consumers, business partners, employees, and communities. Building on changes already underway, we have rapidly pursued initiatives that encourage work-style transformation, digitalization, product development, and globalization to help shape our post-COVID world.



EMPLOYEES

- Introduced Superflex and work-from-home systems, a flexible shift system at manufacturing sites, and expanded the use of digital tools to promote better internal communication and raise productivity
- Defined clear guidelines for COVID-19 vaccinations to ensure our employees are provided correct information and necessary support
- Provided employees ongoing advice and guidance through internal social media on relevant topics such as infection prevention, mental wellbeing, and remote work communication



Message offering guidance on how to communicate while working remotely



LOCAL COMMUNITIES

- Established a working group of employee volunteers to discuss ideas and create products and services to help prevent the spread of COVID-19 infections
- Developed and produced medical masks, face shields, and foot-operated sanitizer pumps using 3D printing technology and donated them to healthcare workers and schools
- Donated sanitary products such as sanitizers, soap, masks, and handwashing equipment to local communities



Healthcare workers show appreciation for face shields made and donated by LIXIL employee volunteers

LIXIL'S CORE BUSINESSES

LWT

LIXIL WATER TECHNOLOGY



GROHE Sensia Arena

Strategic Goals

Japan

- 1 Improve profitability and create new renovation business to strengthen cost competitiveness and achieve sustainable growth
- 2 Merge Japanese technology with global design to develop competitive products, and leverage global production and procurement to lower cost

International

- 1 Leverage global portfolio of brands, products and assets to enter into profitable market segments in each geography and grow global market share
- 2 Accelerate the development process for synergy creation, including for products and technologies from Japan

Market Overview

- Global plumbing fixtures and fittings market worth five trillion yen today, forecast to continue growing
- Demand for new housing in Japan forecast to decrease over the medium to long term due to population decline
- COVID-19 pandemic driving new demand for health and hygiene-related products, home improvements, while growing share of the consumer journey and transactions are moving online

Key Strengths

- Combined global capabilities managed by core global team
- Sales network in more than 150 countries, with strong market position in each region
- Highly regarded and clearly differentiated house of brands
- Comprehensive product portfolio covering luxurious to base-of-pyramid market segments
- Global in-house design organization
- Globally integrated supply chain network

Growth Opportunities and Management Strategy

Growth Opportunities

- Increased demand for solutions related to health, hygiene, wellness and wellbeing due to COVID-19
- Changing lifestyles in the new normal
- Growing population and increasing income levels driving international market growth
- Advanced technology developed in Japan enables product differentiation
- Increased environmental awareness is driving new demand for sustainable products

Management Strategy

- Expand sales and accelerate development of health and hygiene-related products
- Respond to new demand in the new normal with sales expansion of renovation products
- Leverage digital platforms to increase reach of sales channels
- Enter into profitable market segments while using strength of brands, products and services to gain market share
- Leverage platform-based, global product pipeline across all brands to achieve synergies and enter new market segments
- Create more sustainable products and materials

Risks and Countermeasures

Risks

- Decrease in new housing starts in Japan
- Increase in labor cost, material and shipping costs, including also shortages of certain materials or sourced components
- Shortage of skilled labor
- Rapid commoditization due to new business models
- Rise of highly cost-competitive manufacturers from developing countries
- Slower-than-forecast recovery from COVID-19 including temporary setbacks

Countermeasures

- Create and drive new demand by strengthening renovation and new business strategy
- Improve productivity through platform-based production, optimize global sourcing and manufacturing footprint, and utilize digital tools to improve margins
- Develop easy-to-install and prefabricated products and expand installer network
- Develop new business models
- Continue targeted investment in innovation, brands, and design
- Allocate resources to growth markets and pursue reverse innovation
- Provide clearly differentiated value
- Respond to market needs while leveraging our global operations footprint

Progress on Major Initiatives

Responding to demand in the new normal

In response to growing interest in health and hygiene, the demand for “hands-free” applications in the home has increased worldwide. Japan sales of INAX’s *Navish* increased by 76% year on year in FYE2021, while sales of vanities equipped with touchless faucets also increased steadily in the second half. LIXIL currently owns 43 patents*1 and has an 77% share of the touchless faucet market in Japan*2, and we are now growing this opportunity through our faucet businesses in more than 150 countries. Internationally, we also continue to expand our product lineup to meet new demand, including touchless toilets that can be easily installed by consumers.



INAX Navish Touchless faucet

American Standard Cadet Suite Touchless toilet

*1 Touchless faucets for residential and kitchen; according to Company research (as of March 2021)
 *2 Calculated from valve industry association data and Company shipping data (as of March 2021)

LIXIL'S CORE BUSINESSES

Developing products with greater social applications

During natural disasters, when water and other lifeline services are often disrupted, securing sanitary toilets as well as water and food is vital to protecting people's health and wellbeing. After the 2011 Japan earthquake and tsunami, LIXIL developed the *Resilience Toilet*, which can continue to be used during disasters. The volume of water required to flush can be switched from five liters to one liter without compromising its functionality, helping adapt to water supply disruptions and other issues. We are not only promoting the installation of these toilets in schools and public buildings that serve as disaster response bases, but are also providing them for local community disaster response training in Japan.



INAX *Resilience Toilet* Outdoor toilet at Yoyogi National Stadium first gymnasium



INAX's *Aqua Power Showerhead* packaging made from paper

Developing solutions contributing to circular economy

At LIXIL, we promote circular manufacturing across the entire value chain, from material procurement through production, end use, and product disposal. LIXIL's GROHE brand launched the Less Plastics Initiative in 2018 and achieved reduction of approximately 23.5 million pieces of plastic packaging. The INAX brand has also significantly reduced plastic use by replacing plastic with paper in packaging for its hand shower product destined to the global market.

In line with our company-wide LIXIL Plastics Action Statement announced in FYE2021, we will continue to develop environmentally conscious products and services.

Innovating for sustainable growth

As an example of a new business in Japan, LIXIL is developing new applications for *withCUBE*, a mobile and modular bathroom that is available for rent. Originally designed to improve access to toilets in distribution centers and other facilities, it can now also be used to set up temporary isolation rooms, on-site clinics, and private spaces for disaster evacuees at medical facilities.

In international markets, LIXIL launched *GROHE X*, an online platform providing a new digital brand experience*. In addition to introducing products and technologies to consumers, business partners can engage directly with sales representatives over the platform. *GROHE X* has been well received by visitors and we are planning to expand it to Japan.

* www.grohe-x.com/



withCUBE external appearance



GROHE X

LHT

LIXIL HOUSING TECHNOLOGY



EXSIOR *Plus G* Exterior

Strategic Goals

- 1 Shift to a business model focused on profitability
- 2 Create demand to establish a foundation for growth

Market Overview

- Demand for new housing in Japan forecast to decrease over the medium to long term due to population decline
- Building material manufacturers shifting focus to the home renovation sector due to decline in new housing demand
- The COVID-19 pandemic and, in recent years, a higher number of natural disasters are increasing interest in new ways of living as well as in safe and secure homes
- Building materials markets, particularly in Asia, continue to expand as a result of mid- to long-term economic, population, and income growth

Key Strengths

- Leading market share in residential window sashes and exterior product market segments in Japan
- Extensive nationwide sales and distribution network in Japan
- Wide range of products and product categories, enabling coordination for the entire home
- Simple organization structure that facilitates the rapid development, manufacture, and sale of products
- Business alliances with companies that possess differentiated technology and know-how

LIXIL'S CORE BUSINESSES

Growth Opportunities and Management Strategy

Growth Opportunities	Management Strategy
<ul style="list-style-type: none"> Increasing need for highly functional products with high insulation due to increasing awareness of environmental and health factors Growing demand for new products and services suitable for Japan's aging society Changing lifestyles due to the COVID-19 pandemic Growing market for highly affluent consumers Increasing need for differentiated products due to population growth and rising income levels in Asian markets 	<ul style="list-style-type: none"> Develop differentiated products and business models Expand market share in net zero energy houses (ZEH)* Provide products and services that meet social needs Respond to changing lifestyles by expanding range of products and materials as well as sales in home renovation market Develop differentiated and high value-added products to meet consumer needs (by working with companies that have advanced technologies) Develop products to meet market needs, utilizing technologies and resources from Japan Strengthen sales structure to meet market characteristics for each country <p><small>*Homes that have a net energy consumption of zero, achieved through a combination of energy efficiency – using highly insulated and highly efficient materials and products – and energy generation, such as through solar power systems.</small></p>

Risks and Countermeasures

Risks	Countermeasures
<ul style="list-style-type: none"> Decrease in new housing starts in Japan Increase in material prices 	<ul style="list-style-type: none"> Create new demand by strengthening renovation and new business strategies Improve material procurement methods Pricing products in line with market conditions

Progress on Major Initiatives

Responding to demand in the new normal

Demand for products that reduce close interaction, are touchless, or improve ventilation in the home increased during the “new normal” in Japan. This led to strong revenue growth in FYE2021 for our *IoT-Enabled Smart Delivery Box*, up 53% year on year, and for screen doors, up 61% year on year. In addition, stronger typhoons making landfall in Japan in recent years have been causing more extensive damage. This boosted demand for renovation-related shutters, for which sales rose 55% year on year. Moreover, we are rapidly responding to new demand such as increasing interest in products that enable spaces to be utilized for both work and personal life, as well as products for home office space.



TOSTEM *Rechent Entrance Door 3* (with ventilation function)

Launch of luxury brand NODEA

In FYE2021 we launched luxury brand NODEA, targeting the highly affluent market in Japan, which is ranked the second largest in the world.* Through NODEA's brand concept, “Openness, Space, Encounters,” we are introducing to the Japan market a range of large-scale windows that deliver a completely new level of indoor-outdoor connectivity, as well as other interior and exterior products. NODEA's large panoramic windows were jointly developed with Swiss company Sky-Frame. We will continue to expand our product range through tie-ups with companies with leading technologies in Japan and international markets.



NODEA SKY-FRAME window

*¥63 billion market as of 2019 (based on LIXIL research)

Promoting ZEH by installing solar panels and energy storage systems

LIXIL TEPCO Smart Partners Inc. (LTSP), a company jointly established by LIXIL and TEPCO Energy Partner, launched a new service called *Tatetoku Denchi*. Designed for consumers building a new ZEH-type home that uses designated LIXIL products, the service allows consumers to install a solar-power generation and energy storage system at a reduced initial cost in exchange for any revenue generated from surplus energy sales for a period of 10 years. The service helps boost the construction of ZEHs while reducing energy consumption through building materials and equipment with higher environmental performance, cutting energy bills, and improving preparedness for blackouts and other disruptions in times of natural disasters.

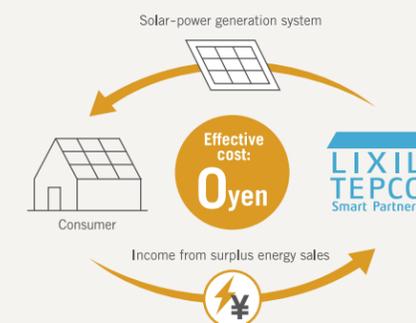
THINK HEAT initiative to promote climate change mitigation and adaptation

LIXIL is working on an awareness-raising initiative called “THINK HEAT: Let's THINK about Eco- and People-Friendly Temperatures,” to help mitigate and adapt to climate change. We work with local authorities and business partners on a wide range of activities: building awareness of the importance of indoor temperature and the efficient use of heaters and air conditioners, as well as how to prevent indoor heatstroke; donating sunshades funded by a portion of the revenue earned from sales of our products that help reduce CO₂ emissions; and conducting educational programs for future generations, including our original outreach classes at elementary schools. In recognition of these efforts, THINK HEAT was awarded the 2020 Japanese Minister of the Environment Award for Climate Change Action.



Installed sunshades at a classroom in a joint experiment with an elementary school

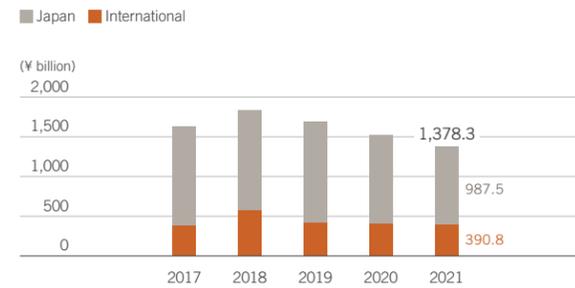
A service example: Tatetoku Value that combines high-performance building materials, a solar-power system, and surplus energy sales



FINANCIAL HIGHLIGHTS

LIXIL Corporation and Consolidated Subsidiaries (Years ended March 31)

Revenue



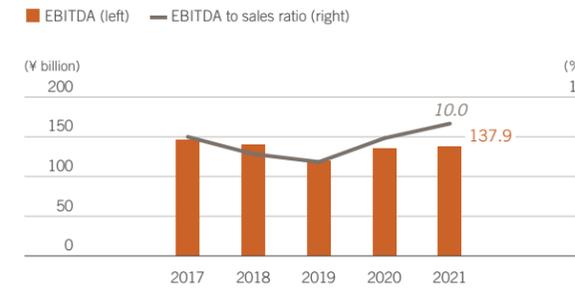
Revenue decreased by 9.0% year on year to ¥1,378.3 billion due to the impact of the COVID-19 pandemic in the first half. Demand, however, showed signs of recovery in the second half, especially in US and European markets.

Core earnings / Core earnings margin



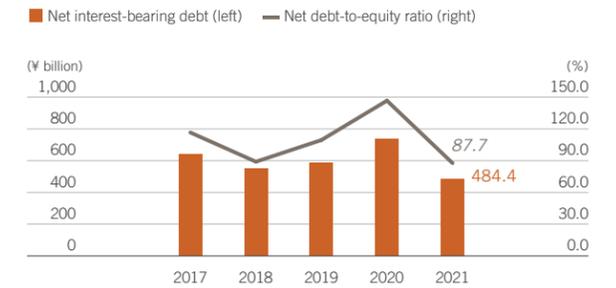
Core earnings increased by 9.6% year on year to ¥57.3 billion due to lower SG&A expenses, the result of productivity improvements and cost control efforts in response to the COVID-19 situation, and an improved gross profit margin resulting from a higher ratio of revenue from renovation-related products.

EBITDA / EBITDA to sales ratio



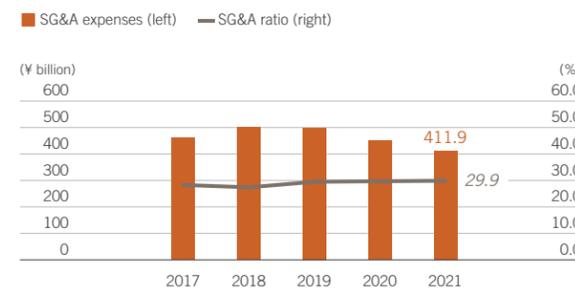
EBITDA to sales ratio increased by 1.1 percentage points year on year to ¥137.9 billion due to increased core earnings, which made up for the impact of decreased revenue.

Net interest-bearing debt / Net debt-to-equity ratio



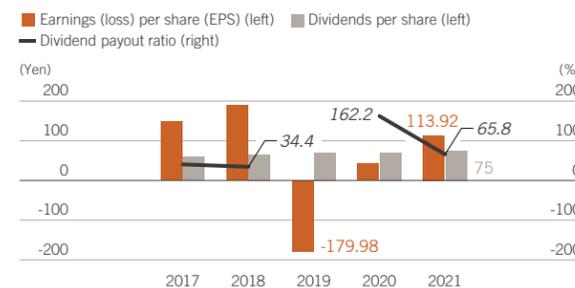
Net interest-bearing debt as of March 31, 2021 decreased by ¥252.2 billion year on year to ¥484.4 billion due to the deconsolidation of major subsidiaries*. *Major subsidiaries include Permasteelisa and LIXIL VIVA

SG&A expenses / SG&A ratio



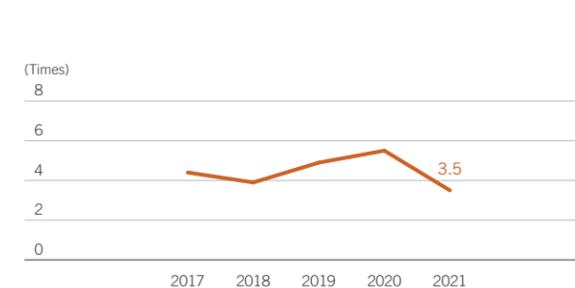
SG&A expenses decreased by 8.5% year on year to ¥411.9 billion due to productivity improvements; the SG&A ratio increased by 0.2 percentage points, however, due to the impact of decreased revenue.

Earnings (loss) per share (EPS) / Dividends per share / Dividend payout ratio



Earnings per share increased year on year by ¥70.77 to ¥113.92 while annual dividends increased by ¥5 to ¥75 per share.

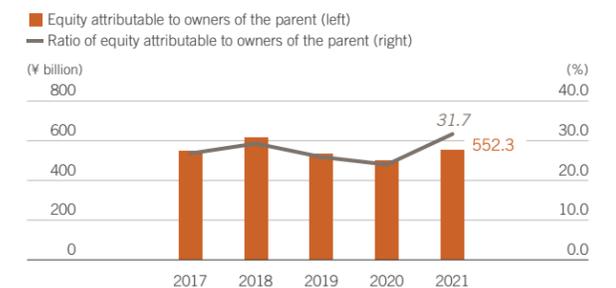
Net debt-to-EBITDA ratio



Achieved net debt-to-EBITDA ratio of 3.5 times, a key medium-term financial indicator, due to the deconsolidation of major subsidiaries*, improvement in business profitability, and the result of measures such as prioritizing investments by focusing on ROIC.

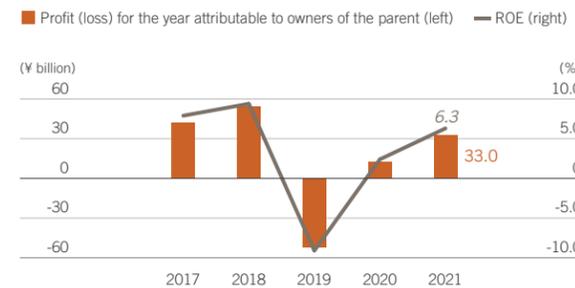
*Major subsidiaries include Permasteelisa and LIXIL VIVA

Equity attributable to owners of the parent / Ratio of equity attributable to owners of the parent



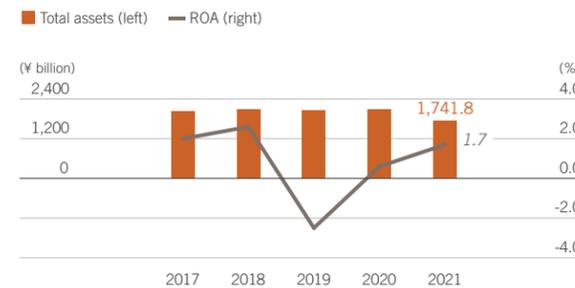
Net interest-bearing debt decreased by ¥252.2 billion and the ratio of equity attributable to owners of the parent as of March 31, 2021 was 31.7%, increasing 7.7 percentage points year on year due to the improvement of business profitability and measures such as prioritizing investments by focusing on ROIC.

Profit (loss) for the year attributable to owners of the parent / ROE



Profit for the year attributable to owners of the parent increased by ¥20.5 billion year on year to ¥33.0 billion due to a recovery in business in the second half and progress on structural reforms.

Total assets / ROA



Total assets decreased by ¥349.7 billion year on year to ¥1,741.8 billion due to the deconsolidation of major subsidiaries* upon the completion of divestiture of shares.

*Major subsidiaries include Permasteelisa and LIXIL VIVA

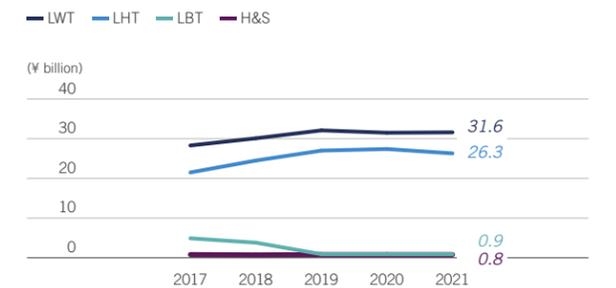
Capital expenditures by business segment



Expenditures derived mainly from investment in new product development, business rationalization, and maintenance costs in core businesses. Capital expenditures decreased due to limited expenditure during the COVID-19 pandemic and improved production efficiency in LIXIL Housing Technology (LHT).

Notes: 1. Excluding the impact of IFRS 16 "Leases" applied from FYE2020
2. LWT: LIXIL Water Technology, LBT: LIXIL Building Technology, H&S: Housing & Services Business

Depreciation by business segment



Depreciation was mainly attributable to developing LIXIL's group-wide IT systems and maintaining facilities. For LWT, depreciation remained flat due to initiatives to develop products for the Japan and international markets, while for LHT, depreciation decreased due to progress of initiatives to improve efficiencies of production processes.

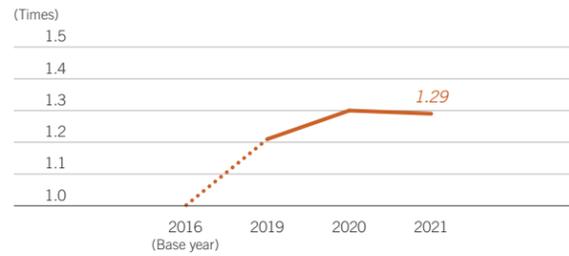
Note: Excluding the impact of IFRS 16 "Leases" applied from FYE2020

NON-FINANCIAL HIGHLIGHTS

(Years ended March 31)

Environment

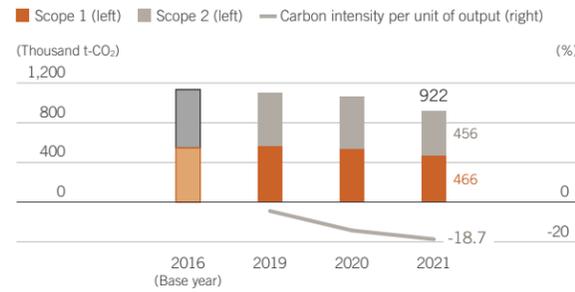
Contribution to reduction in CO₂ emissions from products and services (Ratio of decline from 1.0 level in FYE2016)



We conduct environmental assessments on products at every stage of the development process to make our products and services more energy efficient, achieving 1.29 times greater reduction in CO₂ emissions from FYE2016.

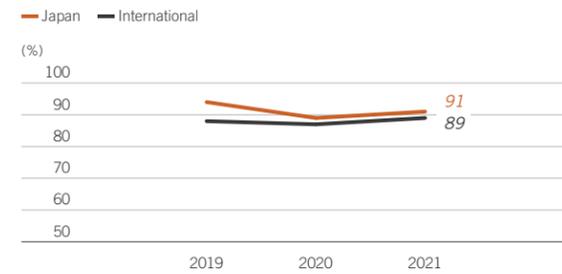
We updated past data based on the review of calculation this year.

CO₂ emissions from Group activities (Scope 1 and 2)*1



By seeking to increase energy efficiency and utilize renewable energy to further reduce CO₂ emissions, we achieved a 18.7% reduction in carbon intensity per unit of output.

Responsible Procurement Survey (conformity rate)*5



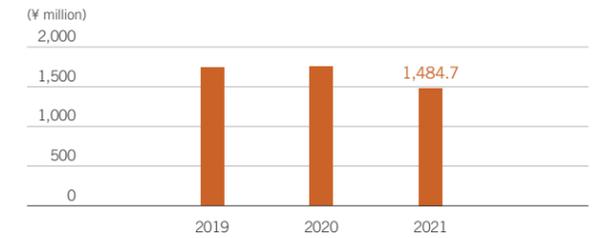
We conduct surveys of suppliers to promote responsible procurement. We achieved the target of 90% conformity rate in Japan.

*Targets for companies outside Japan are not determined yet as the scope is now under review.

LIXIL's sustainability policies and initiatives are on pages 30-33. For more information on ESG-related data, please visit our corporate website.

www.lixil.com/en/sustainability/data/

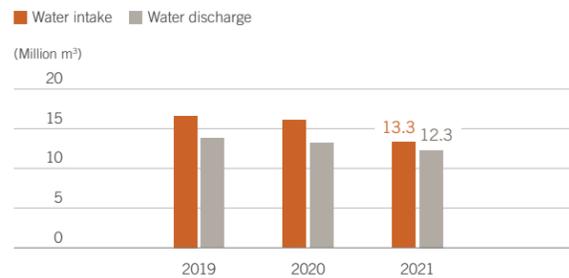
Community development expenditures*6



We are working to return LIXIL assets appropriately and efficiently to society and pursuing various initiatives to help solve problems as a responsible member of the community.

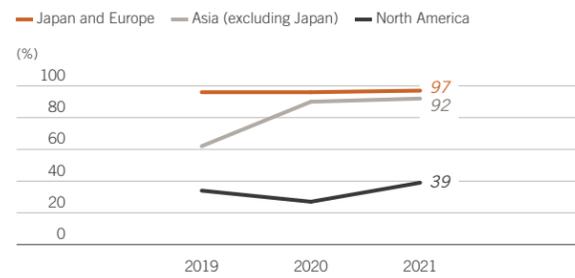
In FYE2021, social contribution activities and scale decreased due to the impact of the COVID-19 pandemic.

Water intake and discharge**2



By promoting water recycling, we reduced water intake to 13.3 million m³ and water discharge to 12.3 million m³.

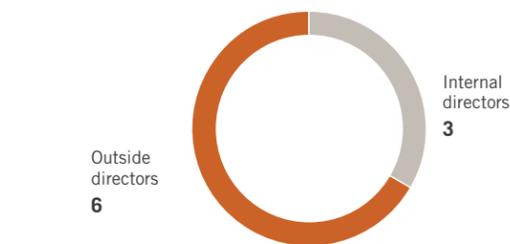
Waste recycling ratio*1



By working with stakeholders to minimize the use of newly introduced resources and by promoting reuse and recycling, we achieved waste recycling ratios of 97% in Japan and Europe, 92% in Asia (excluding Japan), and 39% in North America.

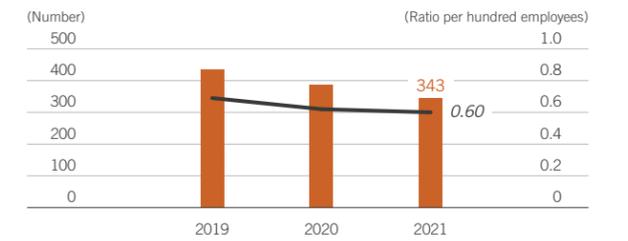
Governance

Number and ratio of outside directors



The Board of Directors consists of nine members including six outside directors and three internal directors (including two women). The ratio of independent outside directors was 66.6%.

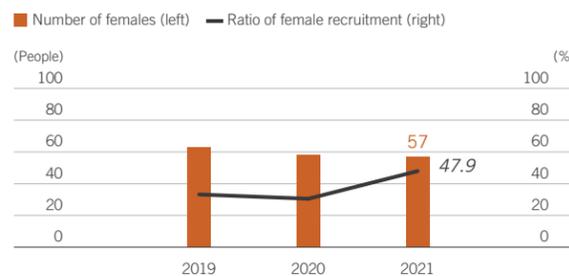
Reports of possible compliance issues



We collect information on any compliance violations, ensure early action on any wrongdoings and violations, and implement preventive measures. No serious violations of laws and regulations occurred.

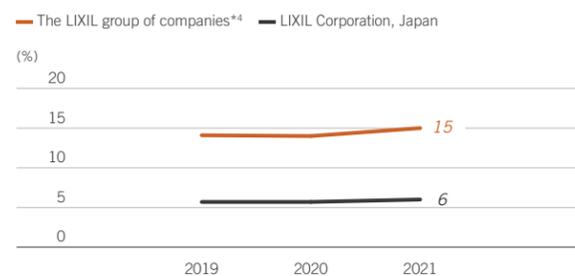
Social

Ratio of female new graduate recruitment*3



We have achieved the FYE2021 target of 30% and set a new 50% target.

Ratio of female managers



We have updated our Diversity & Inclusion strategy and set a target of 30% female managers across the organization by 2030.

Attendance rate at Board of Directors' meetings (in FYE2021)



The Board of Directors met 17 times in FYE2021. The attendance rate for the meetings was 98.6%.

*1 "Scope of coverage: The LIXIL group of companies (production and non-production bases in Japan, and production bases outside Japan)"
 *2 "Scope of coverage: The LIXIL group of companies (production and non-production bases in Japan, and production bases outside Japan.) Excludes tenanted properties, etc. that we cannot access to assess the water intake."
 *3 Scope of coverage: LIXIL Corporation, Japan
 Ratio of female new graduates employed (incl. those who completed graduate studies)
 *4 Directly hired employees only, FYE2020 data excludes consolidated subsidiaries in Japan with 100 or less directly hired employees.
 *5 Scope of coverage: Suppliers to LIXIL Corporation and its subsidiaries
 Japan: Procurement by operating sites in Japan
 International: Procurement by operating sites in international markets, excluding GROHE Group and American Standard brands
 FYE2019 excludes GROHE Group and American Standard Brands
 FYE2020 excludes American Standard Brands
 *6 FYE2019 and FYE2020 include Permasteelisa Group, FYE2021 includes China and Asia Pacific

REVIEW AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

During the consolidated fiscal year ended March 31, 2021 (FYE2021), the Japanese economy remained in a weakened state. Consumer spending and corporate profits rapidly deteriorated due to the impact of the COVID-19 pandemic. While observing signs of an economic recovery toward the end of the year as socio-economic activities resumed and expectations grew for the early rollout of COVID-19 vaccines, following a renewed spread of COVID-19, Japan declared a third state of emergency at the start of FYE2022. Therefore, Japan's economic outlook remains uncertain. Regarding the housing sector, the level of investment in houses for rent and for sale stayed below the previous year's level. Furthermore, while seeing signs of growth in owner-occupied houses, the number of new housing starts is still expected to decline over the medium to long term. Therefore, LIXIL Corporation ("LIXIL") and our consolidated subsidiaries (together, the "LIXIL group") face an overall challenging business environment in Japan.

In terms of the global economy, the COVID-19 pandemic has had a significant impact on many international markets, where lockdowns and curfews in major cities have greatly restricted socio-economic activities. While various fiscal policies and other measures are gradually helping these economies recover, the outlook of the global economy remains no less uncertain as there is still no clear resolution to the COVID-19 pandemic in sight. The LIXIL group will need to continuously monitor economic trends closely, while recognizing other factors of uncertainty, including the rate of demand recovery in each country and region brought by easing of socio-economic restrictions and other economic policies, tightening of maritime logistics due to a global container shortage, soaring material prices, and a shortage of wooden materials supply.

Status of Operating Results

Since we decided to divest our shares in consolidated subsidiaries Permasteelisa S.p.A. (Permasteelisa) and LIXIL VIVA CORPORATION (LIXIL VIVA) in May 2020 and June

2020, respectively (share transfer completed in September 2020 and November 2020, respectively), the operations of Permasteelisa and its subsidiaries and LIXIL VIVA have been classified as discontinued operations. Accordingly, revenue, core earnings*, operating profit, and profit (loss) before tax stated in this section are for continuing operations only and exclude discontinued operations. The results of the previous fiscal year have also been revised to reflect the stated reclassifications.

*Equivalent to operating profit in JGAAP

Overall Business Results in FYE2021

In FYE2021, LIXIL operated in an uncertain business environment due to the COVID-19 pandemic. Under these circumstances, we first focused on securing liquidity on hand, followed by prioritizing investments, thoroughly managing inventory and accounts receivable, and controlling selling, general and administrative (SG&A) expenses. Moreover, despite the challenging business environment, we made progress reviewing our business portfolio, implementing HR initiatives such as the voluntary retirement program "New Life," and transitioning to a platform-based production system in LIXIL Housing Technology (LHT). As a result, the LIXIL group achieved a higher gross profit margin and increased core earnings for the full year.

Operating Results in FYE2021

The LIXIL group's business results for FYE2021 deteriorated significantly in the first half of the fiscal year due to the impact of the COVID-19 pandemic on global economic activities. Although demand in international businesses recovered in the second half of the fiscal year, especially in the Americas and Europe, consolidated revenue for the full fiscal year decreased to ¥1,378.3 billion (down by 9.0% year on year).

Despite lower revenue, however, core earnings increased to ¥57.3 billion (up by 9.6% year on year). Continuous improvements to the Japan businesses' gross profit margin,

initiatives to improve employee productivity, and cost control efforts to reduce SG&A expenses all contributed to improving the core earnings margin and covered the impact of reduced revenue.

Operating profit also increased to ¥35.8 billion (up by 12.0% year on year). While LIXIL recorded a one-time expense in relation to the "New Life" voluntary retirement program implemented in March 2021 as part of the Company's comprehensive HR program, "Kawaranaito LIXIL," launched to revitalize the LIXIL group's Japan businesses, this was offset by the gain on the sale of subsidiaries and other profit factors.

Profit before tax from continuing operations, on the other hand, decreased to ¥33.8 billion (down by 17.4% year on year) due to the absence of ¥11.0 billion profit from disposal of share of associates recorded in the previous fiscal year. Profit for the year from continuing operations also declined to ¥16.4 billion (down by 41.0% year on year). Profit for the year from discontinued operations stood at ¥21.2 billion (¥14.1 billion loss recorded in the previous fiscal year), which included profit and loss from the sale of Permasteelisa and LIXIL VIVA.

As a result of the above, profit for the year attributable to owners of the parent, which excludes that attributable to non-controlling interests, significantly rose to ¥33.0 billion (2.6 times year on year).

An overview of operating results by segment is shown in the table below. In accordance with LIXIL's decision to transfer its shares in Permasteelisa, the operations of Permasteelisa and its subsidiaries, which were part of LIXIL Building Technology (LBT), have been classified as discontinued operations. Also, in accordance with the decision to transfer shares of LIXIL VIVA, the operations of LIXIL VIVA, which had been included in Distribution & Retail Business, have been classified as discontinued operations. Accordingly, the figures for the previous fiscal year have been revised to reflect the stated reclassification.

Overview of Financial Results by Segment

(¥ billion)

		FYE2020	FYE2021	Increase / decrease	Rate of change
LIXIL Water Technology	Revenue	828.5	783.8	-44.7	-5.4%
	Core earnings	61.5	62.1	0.6	1.0%
	(%)	7.4%	7.9%	+0.5pp	—
LIXIL Housing Technology	Revenue	542.2	474.3	-67.9	-12.5%
	Core earnings	28.3	31.4	3.1	11.1%
	(%)	5.2%	6.6%	+1.4pp	—
LIXIL Building Technology	Revenue	112.8	93.4	-19.4	-17.2%
	Core earnings	2.7	2.6	-0.1	-2.2%
	(%)	2.4%	2.8%	+0.4pp	—
Housing & Services Business	Revenue	54.0	46.6	-7.5	-13.8%
	Core earnings	3.0	2.1	-0.8	-28.4%
	(%)	5.5%	4.6%	-0.9pp	—
Adjustment	Revenue	-23.1	-19.8	3.3	-14.3%
	Core earnings	-43.2	-41.0	2.1	-4.9%
	(%)	—	—	—	—
Total	Revenue	1,514.4	1,378.3	-136.2	-9.0%
	Core earnings	52.3	57.3	5.0	9.6%
	(%)	3.5%	4.2%	+0.7pp	—

Overview of Financial Results for the Fiscal Year Ended March 2021

(¥ billion)

Year	FYE2020	FYE2021	Increase / decrease	Rate of change
Revenue	1,514.4	1,378.3	-136.2	-9.0%
Gross profit	502.6	469.2	-33.4	-6.6%
(%)	33.2%	34.0%	+0.9pp	—
Selling, general and administrative expenses	450.3	411.9	-38.4	-8.5%
Core earnings	52.3	57.3	5.0	9.6%
(%)	3.5%	4.2%	+0.7pp	—

REVIEW AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

LIXIL Water Technology

LIXIL Water Technology (LWT) faced a challenging business environment as the COVID-19 pandemic significantly affected both Japan and global operations throughout FYE2021. Demand in Japan especially declined due to the drop in new housing starts and the absence of demand generated prior to the consumption tax hike in the previous fiscal year. On the other hand, international businesses saw a rapid recovery in demand in the Americas, EMEA, and China regions in the second half of the fiscal year. As a result, revenue decreased to ¥783.8 billion (down by 5.4% year on year). In contrast, core earnings increased to ¥62.1 billion (up by 1.0% year on year) due to product price adjustments and controlled SG&A expenses offsetting the decrease in gross profit from lower revenue.

LIXIL Housing Technology

LHT's operations were severely affected by the decrease in demand due to the impact of the COVID-19 pandemic, sluggish new housing starts and the absence of demand generated prior to the consumption tax hike in the previous fiscal year. As a result, revenue decreased to ¥474.3 billion (down by 12.5% year on year). On the other hand, core earnings rose to ¥31.4 billion (up by 11.1% year on year) due to a higher gross profit margin, which resulted from improved production efficiency achieved through the ongoing implementation of

platform-based production, the increase in the sales ratio of renovation products, and the reduction in SG&A expenses.

LIXIL Building Technology

LBT faced a severely challenging business environment not only due to the effect of the COVID-19 outbreak, but also due to reduced domestic demand related to the Tokyo 2020 Olympic and Paralympic Games. As a result, revenue decreased to ¥93.4 billion (down by 17.2% year on year). Core earnings also declined, despite measures to improve order gross profit margins and the restriction of SG&A expenses, to ¥2.6 billion (down by 2.2% year on year).

Housing & Services Business

H&S experienced growth in new business areas such as the B-to-C business, which continues to be a prioritized area. However, due to the absence of demand generated prior to the consumption tax hike in the previous fiscal year, in addition to the impact of the COVID-19 pandemic, both revenue and core earnings dropped to ¥46.6 billion and ¥2.1 billion, respectively (down by 13.8% and 28.4%, respectively).

Revenue by segment is before elimination of inter-segment transactions, and core earnings is before deduction of corporate expenses.

Financial Position as of March 31, 2021

LIXIL aims to build a solid and stable financial base in order to achieve sustainable growth. Thus, we are working to strengthen our balance sheet through various measures. In FYE2021, we made significant progress in this area, including our decision to divest shares in Permasteelisa and LIXIL VIVA in May 2020 and June 2020, respectively (share transfer completed in September 2020 and November 2020, respectively). As a result, the assets and liabilities comprising discontinued operations are classified as "assets held for sale" and "liabilities directly associated with the assets held for sale," respectively.

Assets, Liabilities, and Equity as of March 31, 2021

Total assets as of March 31, 2021 amounted to ¥1,741.8 billion, down by ¥349.7 billion from the previous fiscal year end. Current assets decreased by ¥105.0 billion year on year to ¥637.8 billion. Although cash and cash equivalents increased due to the procurement of short-term funds to secure liquidity on hand, this was exceeded by factors such as decreases in trade and other receivables and inventories reflecting the decline in revenue, as well as decreases in assets held for sale and other accounts due to the removal of Permasteelisa and LIXIL VIVA from the scope of consolidation as the share transfers of these subsidiaries had been completed. Non-current assets

also declined by ¥244.7 billion from the previous fiscal year end to ¥1,104.0 billion. The increase generated by foreign currency translation was offset by decreases in various accounts due to the removal of LIXIL VIVA from the scope of consolidation as same as in current assets.

Total equity as of March 31, 2021 was ¥554.8 billion, and the ratio of equity attributable to owners of the parent was 31.7% (up by 7.7 percentage points year on year). Regarding the net debt-to-EBITDA ratio, LIXIL achieved the target of 3.5 times as one of the indicators of financial soundness, as a result of measures such as the review of the business portfolio followed by the divestment of subsidiaries, the improvement in the profitability of businesses, and the prioritization of investments with an emphasis on ROIC.

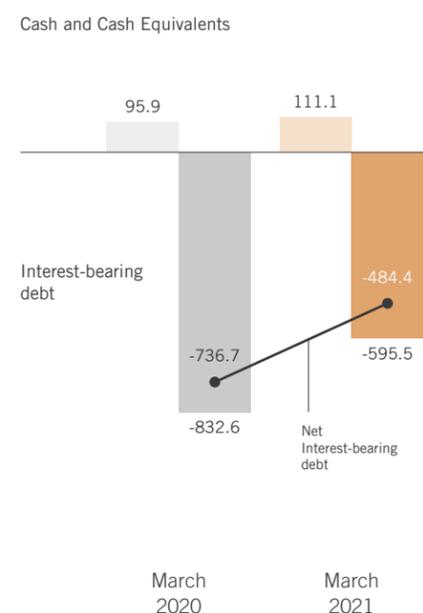
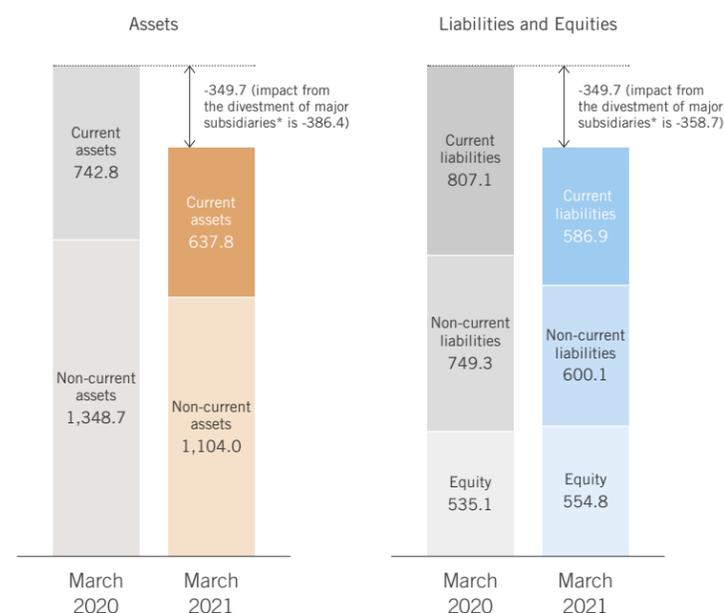
Cash Flows in FYE2021

Cash and cash equivalents as of March 31, 2021 amounted to ¥111.1 billion, up by ¥15.2 billion year on year.

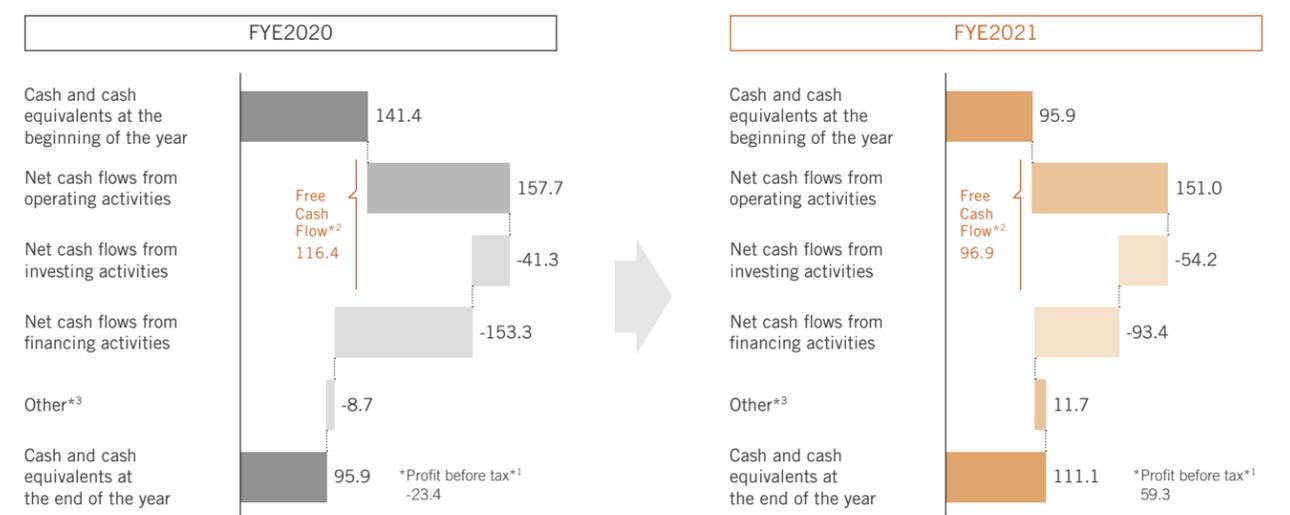
Cash Flows from Operating Activities

Net cash provided by operating activities for FYE2021 amounted to ¥151.0 billion, down by ¥6.7 billion year on year. Major factors of this decrease were the fluctuations in working capital, including inventories, trade and other receivables, and

Consolidated financial position (¥ billion)



Cash flow status and cash balance*1 (¥ billion)



*1 Includes discontinued operations

*2 Free cash flow = Net cash flows from operating activities + Net cash flows from investing activities

*3 Other = Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies + Net increase (decrease) in cash and cash equivalents included in assets classified held for sale

REVIEW AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

trade and other payables; the decrease in profit before tax from continuing operations; and the increase in income taxes paid.

Cash Flows from Investing Activities

Net cash used for investing activities was ¥54.2 billion, up by ¥12.8 billion year on year. Major cash-flow factors included purchase of property, plant and equipment; purchase of intangible assets; payments for sale of subsidiaries; and proceeds from sale of subsidiaries.

Cash Flows from Financing Activities

Net cash used for financing activities was at ¥93.4 billion, down by ¥59.9 billion year on year. While there were cash outflow factors such as payments of dividends and lease liabilities, flexible fund procurement, and repayment of interest-bearing debt, including the issuance of new bonds, were successful.

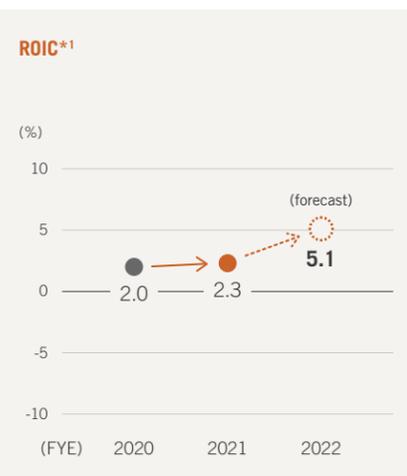
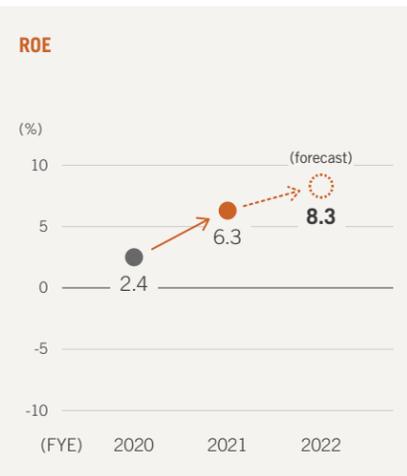
Outlook for FYE2022

The economic environment is expected to continue to improve as vaccinations and other measures to prevent the spread of COVID-19 are implemented both in Japan and international markets. However, we continue to expect an uncertain operating environment due to risk factors such as price hikes caused by shortages in the supply of semiconductors, resin materials, and lumber, as well as rising transportation costs reflecting container shortages.

Under these business circumstances, we will continue to transform our organization in order to become less susceptible to our external environment and to achieve profitable and sustainable growth. With LWT and LHT positioned as our core businesses, we will concentrate our management resources in both businesses, while working to improve the profitability of our Japan businesses in order to generate higher cash. In addition, we will invest the cash flow generated into the growth of the international businesses to increase the profits of the entire group and strengthen our financial position.

At the LIXIL group, we have now achieved our medium-term goal of strengthening our financial structure. However, we still recognize issues to be addressed in terms of capital efficiency. In particular, we believe that digitalization is the key to improving the productivity of sales and administrative departments. Accordingly, we have been increasing our investment in our digital transformation (DX) while continuing to apply an asset-light policy across the Company.

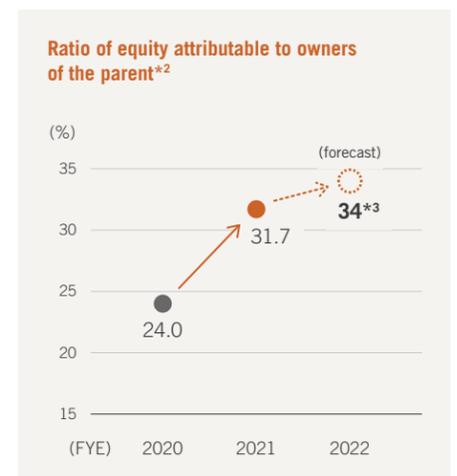
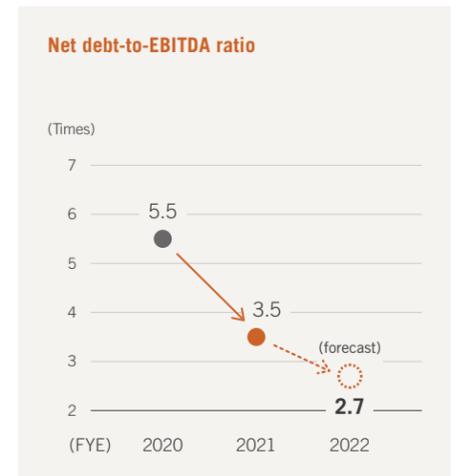
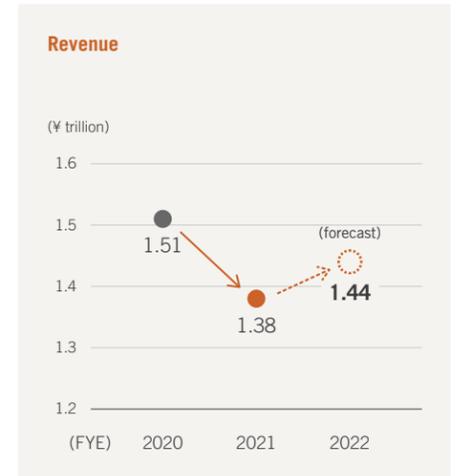
Going forward, we will strive to continue benefitting from investments in the business and from strengthening our organizational structure, which will enable us to continuously generate returns in excess of cost of capital and, as a result, provide higher returns to our shareholders.



FYE2022 Forecasts

- Revenue: ¥1,440.0 billion (up by 5% year on year)
- Core earnings: ¥80.0 billion (up by 40% year on year; core earnings margin 5.6%)
- Operating profit: ¥78.0 billion (up by 118% year on year)
- Profit before tax: ¥75.5 billion (up by 123% year on year)
- Profit for the year attributable to owners of the parent: ¥47.0 billion (up by 42% year on year)
- Cash dividends: Planned to be increased to ¥80 per share for the full year, with interim and year-end dividends of ¥40 each

The above forecasts for FYE2022 state the judgment of LIXIL based on the information available as of the date of publication, and include risks and uncertainties. Actual results may differ materially from the forecasts above due to various factors.



*1 Calculation: Operating profit x (1-Effective tax rate) ÷ (Working capital + Fixed assets)

*2 Equity ratio under Japanese GAAP

*3 Calculated on the premise of "redemption" for the Zero Coupon Convertible Bonds due 2022

PRINCIPAL RISKS AND COUNTERMEASURES

To achieve our business objectives, we regularly identify, assess, and monitor risks according to criteria common across LIXIL and its group companies. This enables us to better understand the nature of the world we operate in and make informed management decisions, ensuring we continue to generate value for our stakeholders.

LIXIL regularly monitors strategic and operational risks and implements countermeasures at each level of the business to manage them. In addition, the Audit Committee monitors whether effective measures are being taken to address high-priority risks through participation in the Board of Directors and other committees.

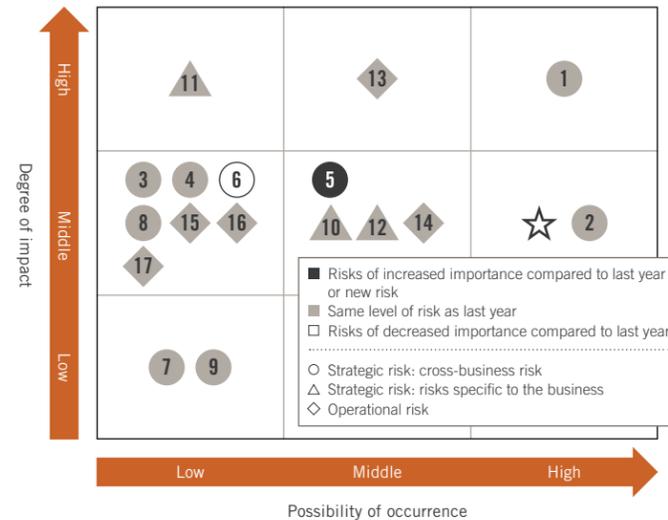
Note: For a full description of LIXIL's strategic and operational risks and countermeasures, please visit: www.lixil.com/en/investor/strategy/risks.html

Risks Related to the COVID-19 Pandemic

While the COVID-19 pandemic has undeniably impacted LIXIL's business activities, both domestic and international businesses are, despite regional differences, generally on a path to recovery. Overall, failure to protect employees through Occupational Health and Safety (OH&S) safeguards could result in their personal harm. At the same time, if the pandemic worsens and governments implement further regulations, such as lockdown measures, this could impact business activities in various locations, delay in supply of raw materials, and slow down or halt production. Moreover, with respect to the impact of the COVID-19 pandemic on economic activity, there are many uncertainties and any changes in the situation could negatively affect our business performance and financial position.

Countermeasures:

- Coordinating global HR policies and implementing OH&S protocols and communications processes to prioritize people first
- Leveraging IT infrastructure to transition operations online
- Managing flexible global supply chains to maintain product and material supply



Business Risk	
	★ Risks related to COVID-19
Strategic risk	(1) Risks related to changes in the economic environment
	(2) Risks related to fluctuations in exchange rates and interest rates
	(3) Risks related to the development of new products
	(4) Risks related to the supply of raw materials
	(5) Environmental risk
	(6) Risks related to business restructuring
	(7) Risks related to tie-ups with other companies and corporate acquisitions
	(8) Risks related to the acquisition and development of human resources and the promotion of diversity
	(9) Risks related to the capacity of facilities
Cross-business risk	(10) Risks related to sales channels
	(11) Brand risk
Business-specific risk	LWT* (12) Risks related to competition with competitors and product prices
	LHT* (13) Risks related to disasters, accidents and infectious diseases
Operational risk	(14) Risks related to information security
	(15) Risks related to litigation and other legal proceedings
	(16) Risks related to product liability and claims
	(17) Recoverability risk of deferred tax assets

*LWT: LIXIL Water Technology, LHT: LIXIL Housing Technology

Strategic Risks

Strategic risks can affect the implementation of LIXIL's business strategy. The following strategic risks were determined to have a moderate to high degree of impact or possibility of occurrence.

Strategic risks		Countermeasures
Group-wide	Changes in economic environment	<ul style="list-style-type: none"> • Growing share in the new construction market, expanding sales in the mid- to high-end market, and strengthening the renovation strategy in Japan • Monitoring geopolitical and social developments through external third parties, etc., to identify signs of emerging risks • Operating a stable supply chain system by maintaining appropriate inventory levels, including products and raw materials by securing alternative suppliers
	Fluctuations in exchange rates and interest rates	<ul style="list-style-type: none"> • Operating a system in the Japan Treasury Unit to identify working capital and capital needs for investments and loans, and screening all transactions through the Investment Review Committee • Operating Regional Treasury Centers in China, Singapore, Germany, and the US to monitor foreign exchange rates, hedge transactions, and consolidate fund management operations regionally to more efficiently raise funds
	Climate change and environmental regulations	<ul style="list-style-type: none"> • Developing and utilizing Environmental Performance Data Reporting Guidelines; promoting a reduction in environmental impact across the group; and effectively operating the Company's environment management system by conducting internal audits • Conducting research on manufacturing technology and product materials toward achieving a decarbonized society
LWT	Sales channels	<ul style="list-style-type: none"> • Strengthening sales plans with authorized distributors and expanding sales channels to include construction companies • Utilizing our own e-commerce platform to capture direct demand from end users • Implementing management systems to ensure information security and prevent disruptions to digital platforms
	Brands	<ul style="list-style-type: none"> • Investing to maintain the brand value and develop differentiated products • Monitoring and analyzing sales prices of GROHE and competitors globally to implement consistent pricing strategy and maintain optimal price corridor • Maintaining brand value and differentiating from other brands in LWT's portfolio through brand and design signature elements
LHT	Competition and competitive pricing	<ul style="list-style-type: none"> • Promoting the launch of value-added and differentiated products, including through tie-ups with global manufacturers to launch products in growing market segments • Further implementing platform strategy using general purpose facilities for production of common parts, and working to increase efficiency of invested capital as well as to reduce timeframes for launching new products

*Note: Risks and countermeasures related to Permasteelisa S.p.A. are no longer included from this fiscal year as a result of all shares in the previously consolidated subsidiary being transferred as of September 2020.

4 GOVERNANCE

SECTION

MESSAGE FROM THE CHAIRPERSON OF THE BOARD OF DIRECTORS



WE ARE ENHANCING CORPORATE VALUE WITH ACTIVE OVERSIGHT.

Masatoshi Matsuzaki

Chairperson of the Board of Directors

As the Chairperson of the Board of Directors, I believe the Board's role is to actively oversee management and its execution of the business. In other words, we proactively ascertain what actions are being taken by management, where the risks are, and what the opportunities are. If I feel a decision makes sense, I will support the executive team, and if I believe it needs to be revised, I will encourage modifications. In other words, I lead the Board's activities in the belief that helping the executive team understand potential risks will lead to increased corporate value.

Here is an overview of how the Board of Directors was involved in the corporate transformation initiatives of the executive team over the past year. The LIXIL executive team provides the Board with information in advance on important matters or initiatives that require the Board's approval. The goals of an initiative are confirmed by the Board and a Q&A session is held on the discussion points that require a decision. If we can determine that an initiative will contribute to the sustainable growth of LIXIL, the Board will support it even if the initiative's goals are challenging. One example was the voluntary retirement program for employees who have been at LIXIL for 10 or more years and who are 40 years of age or older. There was, of course, a need to take a cautious approach,

especially during the COVID-19 pandemic. The Board decided to approve and support the initiative, however, as the intention of the CEO – to transform LIXIL into a company where an entrepreneurial younger generation can thrive – is to overcome an issue common to Japanese corporations.

The Board of Directors also approved the ambitious goal of having an equal number of male and female directors and executive officers by 2030. The Board decided to support this goal, despite some initial concerns over the level of difficulty, after confirming the milestones that will enable us to achieve it. We concluded this is a challenge LIXIL, a company that makes products used in many people's daily lives, should systematically work to achieve over the next 10 years.

Regarding the reorganization of governance, outside directors have actively led the work of creating a framework suited to LIXIL. Based on LIXIL's past, we have worked to emphasize the importance of building systems that ensure power does not accumulate in the hands of individuals such as the CEO, the Chairperson of the Board of Directors, or the Chairperson of the Nomination Committee. We have established a CEO succession plan and criteria for the election and removal of the CEO. We will continue to review and to update these criteria.

Board of Directors' Effectiveness Evaluation

To strengthen and improve the governance systems needed to support the sustainable growth and the creation of medium- and long-term corporate value of LIXIL and its group companies, the Company conducts an evaluation and analysis of the effectiveness of its Board of Directors at least once a year.

In FYE2021, we conducted separate evaluations for the Board of Directors' operation and its composition.

Evaluation of Operation of the Board of Directors

The Governance Committee led the evaluation. The evaluation included a questionnaire survey of all directors and executive officers.

Main Categories of Evaluation of Effectiveness of the Board of Directors Conducted by Directors	<ol style="list-style-type: none"> 1. Items relating to operation of Board of Directors' meetings 2. Items relating to the agenda of Board of Directors' meetings 3. Items relating to the system that supports Board of Directors' meetings 4. Items relating to dialogue between the Board of Directors and stakeholders 5. Items relating to outside directors
Main Categories of Evaluation of Effectiveness of the Board of Directors Conducted by Executive Officers	<ol style="list-style-type: none"> 1. Items relating to the agenda of Board of Directors' meetings 2. Items relating to the system that supports Board of Directors' meetings 3. Items relating to dialogue with stakeholders

Evaluation Scoring Method: The evaluation used by both directors and executive officers consisted of five choices (4 points [Sufficiently appropriate] to 0 points [Not appropriate at all]). The average of all the ratings for each question was then calculated.

Overview of Evaluation Results

As the Company's Board of Directors, we have concluded that the Board of Directors "functioned effectively" during FYE2021.

Moreover, the overall average of all ratings evaluated by directors was 3.3 points, an increase of 0.5 points from the average of 2.8 points in FYE2020.

Future Efforts

The Board of Directors will improve the effectiveness of the Board of Directors, setting the following two points as the priority issues for FYE2022:

- 1) To ensure sufficient time to improve and discuss the management structure of the Board of Directors
- 2) To define stakeholders, and organize the Board of Directors' communication

Evaluation of Composition of the Board of Directors

The Nomination Committee led the evaluation. The questionnaire survey of all directors covered primarily the following perspectives, which have been used as the basis for discussing the composition of the Board of Directors and committees from June 2021 onward, and for identifying new outside director candidates.

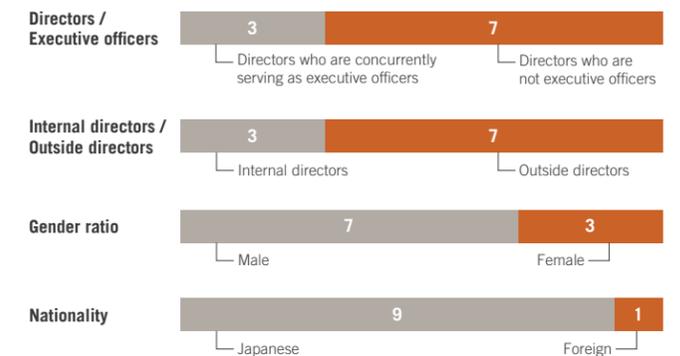
- Appropriate number of directors in the Board of Directors
- Appropriate allocation of persons to internal directors concurrently serving as executive officers, non-executive internal directors, and outside directors
- Views on independence criteria of outside directors
- Appropriate number of outside directors to be replaced
- Whether or not concurrent posts of outside directors shall be limited
- Whether there should be any limitations on the number of terms outside directors can serve
- Whether there should be any limitation on the age of outside directors when they are appointed (when newly appointed or reappointed)
- Diversity of outside directors

Board of Directors' members, meetings convened, and attendance in FYE2021

Directors	Independent Directors	Meetings convened	Attendance
Kinya Seto		17	17
Sachio Matsumoto*		11	11
Jin Song Montesano*		11	11
Tamio Uchibori	○	17	17
Kaoru Onimaru	○	17	16
Teruo Suzuki	○	17	16
Yuji Nishiura	○	17	17
Daisuke Hamaguchi	○	17	17
Masatoshi Matsuzaki	○	17	17

*Appointed June 30, 2020

Board of Directors' members in FYE2022 (As of June 22, 2021)



Appointment Process of Director Candidates

A. Evaluation of the composition of Board of Directors	• Summary of directors' responses to survey on the composition of the Board of Directors (October 2020)	
B. Review of criteria for election of outside directors	• As part of our evaluation of the composition of the Board of Directors, we summarized the responses of all directors to a survey on the need for age limitations for outside directors on their appointment (newly appointed or reappointed), terms of office, and the number of concurrent posts they can hold (October 2020)	
C. Appointment of director candidates	Internal directors	Outside directors
	<ul style="list-style-type: none"> • Organization of perspectives and key points for election • Assessments by external specialized agency (including evaluations as executive officers) • Evaluation of activities related to Nomination Committee • Review of skills required by directors (experience, knowledge, and expertise), and examination based on the skills matrix • Exchange of opinions by the Chairperson of the Board of Directors, Chairperson of the Nomination Committee, and CEO (January 2021) • Discussions by the Nomination Committee on proposals from the Chairperson of the Nomination Committee (February–March 2021) 	<ul style="list-style-type: none"> • Organization of perspectives and key points for election • Review of election criteria for outside directors • Organization of outside director candidate list • Interviews of newly appointed candidates by all Nomination Committee members (January 2021) • Review of skills required by directors (experience, knowledge, and expertise), and discussion of diversity based on the skills matrix (February–April 2021) • Organization and consideration of outside director election plan (January 2021–ongoing)

Based on the process above, the Nomination Committee deliberates and determines director candidates. Moreover, we continue to deliberate our plan to elect directors as we recognize the importance of not only the composition but also the continuity of the Board of Directors.

Skills Matrix

The Nomination Committee defines the experience and knowledge that is particularly important for directors as

"Experience/knowledge/expertise needed for LIXIL" in the following skills matrix, taking the following two perspectives into consideration:

- 1) From the point of view of our corporate purpose, "make better homes a reality for everyone, everywhere," which is core to LIXIL's business.
- 2) From the point of view of improving management efficiency and strengthening group governance in the present and into the future.

Composition of the Board of Directors and Committees in FYE2022*

Experience / knowledge / expertise needed for LIXIL

	Kinya Seto	Sachio Matsumoto	Jin Song Montesano	Tamio Uchibori *	Teruo Suzuki *	Yuji Nishiura *	Daisuke Hamaguchi *	Masatoshi Matsuzaki *	Shiho Konno *	Mariko Watahiki *
Corporate management	●	●	●			●		●		
Overseas operations and management	●	●	●	●	●		●	●		
Negotiation with admin. and regulatory agencies	●	●	●	●	●	●	●		●	●
Accounting, finance, and M&A	●	●		●	●	●	●			
Legal and compliance	●	●		●	●	●	●		●	●
Risk management	●	●	●	●	●	●	●	●	●	●
Human resources development and labor	●		●			●		●	●	●
Sales and marketing	●			●		●				
Manufacturing, technology, and R&D	●			●				●		
IT and digital	●			●	●			●	●	

Chairperson of the Board / Committee members

Chairperson of the Board of Directors								○		
Nomination Committee						○	●	●		●
Audit Committee				●	○				●	
Compensation Committee				●		●	○			
Governance Committee				●	●	●	●	○	●	●

*Since June 22, 2021

★ Independent Director ○ Chairperson ● Member

LIXIL BOARD OF DIRECTORS

(As of June 22, 2021)*

*The number of Company shares and Phantom Stocks are as of April 1, 2021.



Kinya Seto
 Director, Representative Executive Officer, President, and Chief Executive Officer
 Number of Company shares owned: 243,308
 Number of Phantom Stocks granted: 239,988



Sachio Matsumoto
 Director, Representative Executive Officer, Executive Vice President, Finance, Treasury, and M&A, and Chief Financial Officer
 Number of Company shares owned: 94,644
 Number of Phantom Stocks granted: 69,619



Jin Song Montesano
 Director, Executive Officer, Executive Vice President, Human Resources and General Affairs, Public Affairs, Investor Relations, External Affairs, and Corporate Responsibility, and Chief People Officer
 Number of Company shares owned: 8,058
 Number of Phantom Stocks granted: 33,233



Tamio Uchibori
 Outside Director, Member of Audit Committee, Member of Compensation Committee, and Member of Governance Committee
 Licensed tax accountant
 Director and Senior Managing Executive Officer of MinebeaMitsumi Inc. (former)
 Number of Company shares owned: 0
 Number of Phantom Stocks granted: 1,921



Teruo Suzuki
 Outside Director, Chairperson of Audit Committee and Member of Governance Committee
 Certified public accountant
 Deputy Managing Director of AZSA & Co (current KPMG AZSA LLC) (former)
 Number of Company shares owned: 0
 Number of Phantom Stocks granted: 1,921



Yuji Nishiura
 Outside Director, Chairperson of Nomination Committee, Member of Compensation Committee, and Member of Governance Committee
 Chairman and CEO, Sumitomo Mitsui Trust Club Co., Ltd. (former)
 Number of Company shares owned: 0
 Number of Phantom Stocks granted: 1,921



Daisuke Hamaguchi
 Outside Director, Chairperson of Compensation Committee, Member of Nomination Committee, and Member of Governance Committee
 Senior Executive Director and Chief Investment Officer, Pension Fund Association (former)
 Number of Company shares owned: 0
 Number of Phantom Stocks granted: 1,921



Masatoshi Matsuzaki
 Outside Director, Chairperson of the Board, Chairperson of Governance Committee, and Member of Nomination Committee
 Director and Chairman of the Board of Directors of Konica Minolta, Inc. (incumbent)
 Number of Company shares owned: 0
 Number of Phantom Stocks granted: 1,921



Shiho Konno
 Outside Director, Member of Audit Committee, and Member of Governance Committee
 Lawyer
 Representative at Shiho Konno Habataki Law Office (incumbent)
 Number of Company shares owned: 0
 Number of Phantom Stocks granted: 0



Mariko Watahiki
 Outside Director, Member of Nomination Committee, and Member of Governance Committee
 Lawyer
 Sapporo High Court Chief Judge, Nagoya High Court Chief Judge (former)
 Number of Company shares owned: 0
 Number of Phantom Stocks granted: 0

Profiles and reason for nomination of directors of LIXIL Corporation are available on our corporate website.

www.lixil.com/en/about/board/

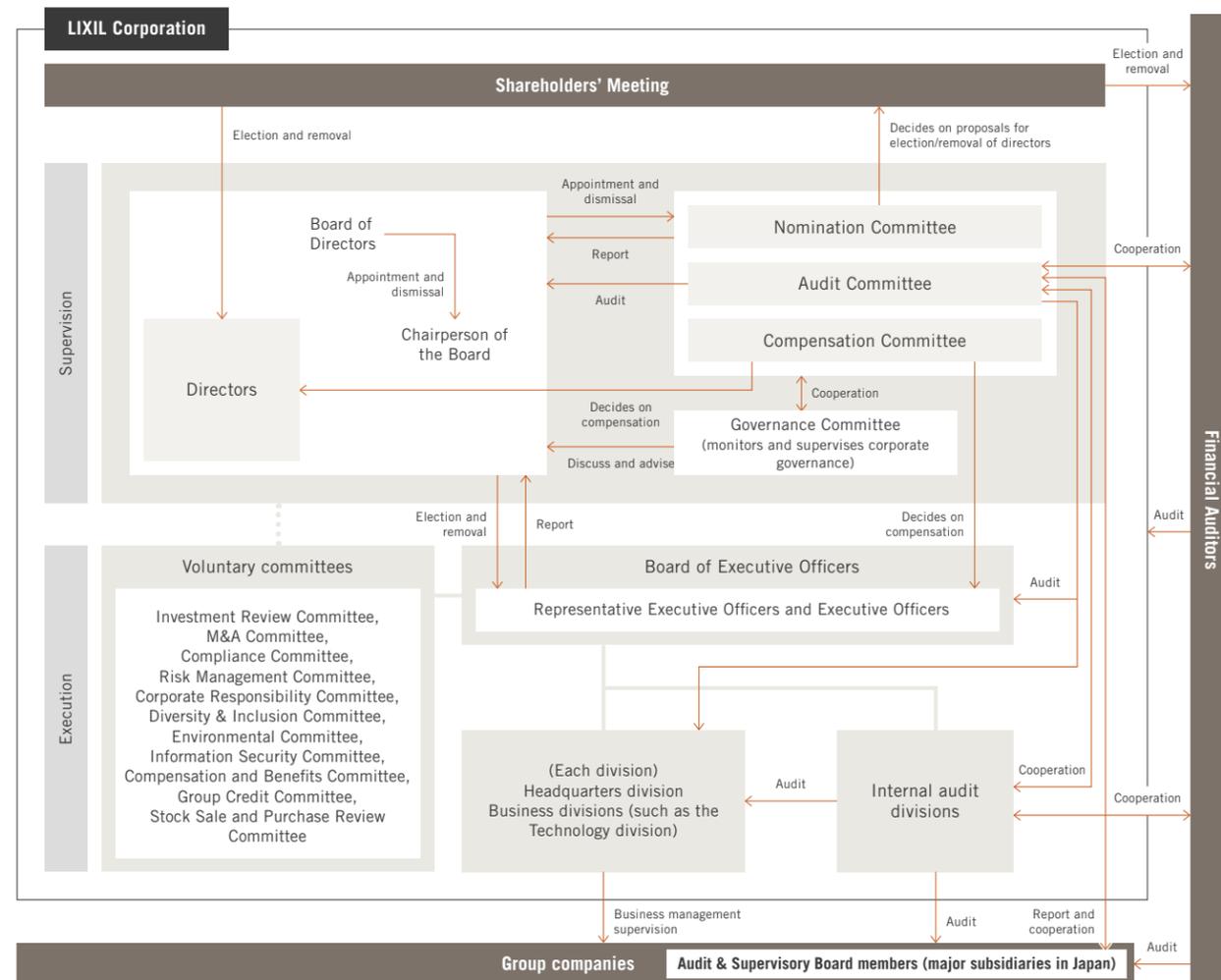
CORPORATE GOVERNANCE AT LIXIL

LIXIL Corporation has adopted the corporate governance structure of a “Company with Nomination Committee, etc.” as outlined in Japan’s Companies Act. Under this governance system, the Company separates the conduct of management from the supervision of management. This enables it to leverage a system where its executive officers can make management decisions quickly and decisively while securing management transparency.

In order to enhance the Company’s corporate governance the Company has established the Governance Committee

within the Board of Directors as a voluntary committee, and also convenes meetings under the Investment Review Committee, M&A Committee, Compliance Committee, Risk Management Committee, and Corporate Responsibility Committee, among other voluntary committees. These committees discuss management strategies, medium- and long-term policies, and investment-related matters in order to accelerate decision-making while enhancing the effectiveness of its governance.

Governance Structure (As of June 22, 2021)



For further details regarding the Company’s corporate governance, internal control systems, and other related matters, please refer to our corporate website

www.lixil.com/en/about/governance/

Number of meetings held during FYE2021

■ Board of Directors	17
Made decisions on matters specified by law, basic management policies, and important management matters, while monitoring the conduct of duties of directors and executive officers.	
■ Nomination Committee	14
Made decisions on the content of proposals to be submitted to the Shareholders’ Meeting regarding the election and removal of directors. Reported its opinion to the Board of Directors when requested, such as on the election, appointment, removal, and dismissal of candidates for executive officer and Representative Executive Officer (CEO), and on the appointment and dismissal of the Chairperson of the Board, members, and chairpersons of each committee, etc.	
■ Audit Committee	16
In addition to auditing the conduct of duties by directors and executive officers, discussed and made decisions on auditing policy, auditing plans, and the content of proposals to be submitted to the Shareholders’ Meeting regarding the election and removal of financial auditors.	
■ Compensation Committee	13
Made decisions regarding the compensation of directors and executive officers and their individual compensation received from the Company as consideration for duties.	
■ Governance Committee	7
Continually enhances the Company’s corporate governance, discusses or advises the Board of Directors on matters such as reviewing and amending the LIXIL Corporate Governance General Policy, and manages the implementation of the evaluation of the effectiveness of the Board of Directors.	
■ Board of Executive Officers	21
As the decision-making body responsible for the execution of business activities in accordance with the basic policies approved by the Board of Directors, this committee decided on important matters relating to the execution of business in the Company and the LIXIL group of companies as a whole. All executive officers attended all the Board of Executive Officers’ meetings held.	
■ Investment Review Committee	32
Deliberated and made decisions on material investments (excluding those relating to M&A), financing, and matters relating to the establishment, reorganization, and restructuring of subsidiaries (conducted by the Company and its subsidiaries) within the authority delegated by the Board of Executive Officers.	
■ M&A Committee	20
Deliberated and made decisions on matters relating to M&A (including divestment of business) conducted by the Company and its subsidiaries, within the authority delegated by the Board of Executive Officers.	
■ Compliance Committee	4
Resolved the important compliance strategy and plans as well as reported on training and promotional activities of the LIXIL group of companies.	
■ Risk Management Committee*	0
Endeavors to improve the ability to deal with future risks by predicting extraordinary risks of the Company and the LIXIL group of companies and establishing systems to address them in advance.	
■ Corporate Responsibility Committee	4
Selected and reviewed material issues for the overall LIXIL group of companies, formulated the targets as well as the initiatives of the CR Strategy, and provided oversight and guidance for the implementation of priority themes and activities.	
■ Diversity & Inclusion Committee	3
Supervised formulation and implementation of basic diversity and inclusion policies and roadmaps throughout the LIXIL group of companies.	

■ Environmental Committee	2
Discussed and decided on the overall LIXIL group of companies’ environmental strategy and important measures as well as monitored and reviewed its plans to enhance environmental management and performance.	
■ Information Security Committee	3
This committee makes decisions related to information security issues. It made decisions and approved information security policies, and reported on the status of security measures throughout the LIXIL group of companies.	
■ Compensation and Benefits Committee	7
Made decisions regarding compensation structures for executives of the Company and the LIXIL group of companies and their individual compensation, except for the matters to be exclusively resolved by the Compensation Committee.	
■ Group Credit Committee	5
Resolved and deliberated on credit management related to business transactions with third parties conducted by the Company and its subsidiaries in order to accelerate decision-making and enhance effectiveness of governance.	
■ Stock Sale and Purchase Review Committee	8
Conducted reviews and examined insider trading regulations in order to prevent rule violations as well as to fulfill the Company’s social responsibilities as a business in the event that officers or employees give prior notification they will be engaging in the sale or purchase of the Company’s shares, etc.	

*There was no meeting in FYE2021 due to the establishment of a task force for risk management in each region and the flexible cooperation between headquarters and the task force.

Policy on Holding and Reduction of Cross Shareholdings

LIXIL and its group companies hold cross shareholdings in cases where it is recognized as necessary to facilitate sales activities or as part of an alliance with an outside company required for the Company’s business activities. Every year, the Company comprehensively evaluates each cross shareholding in terms of total amount invested, whether the cost of capital matches the benefits and risks of each the holding, and the status of business dealings with the company. The Board of Directors subsequently verifies the content of these evaluations. Due to changes in the operating environment of the Company, efforts are being made to reduce cross-held shares by reevaluating whether the purpose of holding the cross shareholding is appropriate. As a result, as of the end of March 2021, the total number of (listed) cross shareholdings was 53.

Track record of sale of cross-held shares over past three years*

Year	Number of cross shareholdings sold
FYE2019	1 cross shareholding (all shares sold)
FYE2020	1 cross shareholding (partial sale)
FYE2021	5 cross shareholdings (all shares sold)

*The number of sold (reduced) listed cross shareholdings that were held by LIXIL or the former LIXIL Corporation.

NOMINATION COMMITTEE REPORT



Yuji Nishiura

Chairperson of the Nomination Committee

Issues and Initiatives in FYE2021

To strengthen the Company's corporate governance, the Nomination Committee primarily focused on the following five areas:

1. Revision of the Nomination Committee's regulations, which has been ongoing for the previous two fiscal years
2. Analysis of summaries of all directors' opinions on the composition of the Board of Directors for the next fiscal year
3. Taking into consideration the results of this analysis, clarification of election criteria for outside directors and searching for new outside director candidates
4. Formulation of a CEO Succession Plan, which had remained unresolved
5. Implementation of executive officer assessments, and based on the results of these assessments, deliberate and resolve the draft report on the system for executive officers for the next fiscal year in alignment with the processes stipulated in our regulations

Nomination Committee members, meetings convened, and attendance in FYE2021

Member	Meetings convened	Attendance
Yuji Nishiura (Chairperson)	14	14
Kaoru Onimaru	14	14
Daisuke Hamaguchi*1	11	11
Masatoshi Matsuzaki	14	14

*1 Appointed June 30, 2020

Progress on Issues in FYE2021

The Nomination Committee addressed the five areas as planned, which significantly advanced the Company's corporate governance reforms. First, completion of the Company's very first CEO Succession Plan is an important milestone toward establishing a strong and sustainable governance system. We will annually review and update the CEO Succession Plan and our candidate pipeline. Second, two new outside directors were elected as a result of the search for new outside director candidates. We believe this will create a more diverse Board of Directors, including wider perspectives in areas of expertise and gender. Furthermore, the Nomination Committee considered how to make the most of the lessons learned from this search process. Third, as a result of the thorough implementation of the executive officer assessments – including gathering the opinions of relevant parties – by a third-party organization, we deliberated the executive officer system and developed a draft report based on a deeper understanding of executive officer candidates.

Issues to Address in FYE2022

The activities undertaken so far have generally achieved the Company's original intent of restructuring its corporate governance system. This fiscal year we will comprehensively review the results of our activities in order to strengthen our management foundation. Specifically, we aim to further qualitatively improve corporate governance through ongoing initiatives such as reviewing regulations and updating the CEO Succession Plan, as well as new initiatives such as introducing a system for evaluating outside directors and verifying the development and operation of committees. We will continue to make every effort to strengthen the form of corporate governance we have established while reacting to changes in the environment and new demands.

Nomination Committee members*2 in FYE2022

Member
Yuji Nishiura (Chairperson)
Daisuke Hamaguchi
Masatoshi Matsuzaki
Mariko Watahiki

*2 Since June 22, 2021

Formulation of CEO Succession Plan and Process to Draft Reports for the Board of Directors on the System for Executive Officers

Until June 2020	(At the Nomination Committee held before the Annual Shareholders' Meeting in June 2020) As part of the formulation of the CEO Succession Plan, examined the requirements and qualities for the CEO of the Company
From July 2020	Newly restructured Nomination Committee commenced examination of the CEO Succession Plan
August–September 2020	Examined implementation method for the executive officer assessment
October 2020	Nomination Committee passed a resolution on the CEO Succession Plan → Reported to the Board of Directors and shared with relevant departments
October–December 2020	Specialized external agency implemented executive officer assessment (360-degree evaluation of and in-depth interviews with all seven executive officers, excluding CEO)
December 2020	Specialized external agency that implemented the assessment shared results with the Nomination Committee and CEO, and gave feedback to executive officers CEO Kinya Seto confirmed the policy for CEO succession CEO Kinya Seto agreed to receive proposals for an executive officer system next fiscal year
January 2021	CEO Kinya Seto proposed a draft executive officer system to start April 2021 to the Nomination Committee
February 2021	Board of Directors discusses and tentatively resolves the draft report on the executive officer system
February–March 2021	Chairperson of the Nomination Committee, Chairperson of the Compensation Committee, and executive officer candidates held meeting (to confirm that candidates intend to accept appointment, provide notification of compensation, etc.)
March 2021	Board of Directors resolves the draft report on executive officer system

The Nomination Committee followed the above process to establish the CEO Succession Plan, assess executive officers, and formulate the draft report on the executive officer system for the Board of Directors.

Main Items and Concept of CEO Succession Plan

Clarification of the roles of the Nomination Committee and current CEO

Key roles of Nomination Committee	Key roles of current CEO
Role 1: Active monitoring of formulation, revision, and operation of the CEO Succession Plan	Role 1: Prepare CEO succession candidate pipeline (lead election, addition and change of succession candidates)
Role 2: Definition and periodical review of qualities and requirements LIXIL looks for in a new CEO	Role 2: Formulate and implement development plan for CEO succession candidates
Role 3: Evaluation of the CEO succession candidates, maintenance of pipeline, monitoring of development plan, etc.	Role 3: Implement new CEO appointment process in collaboration with Nomination Committee during normal times
Role 4: Monitoring of the CEO replacement process during normal times, formulation of Board of Directors' proposals for CEO appointment, etc.	
Role 5: Implementation of CEO appointment and approval process if urgent CEO replacement is required	

NOMINATION COMMITTEE REPORT

CEO Appointment Process and Basic Concept

1. The basic concept for the CEO term of office is the required time for LIXIL to achieve the management plan (including the quantitative target value) agreed upon by the CEO at the Board of Directors' meeting. The Nomination Committee will regularly monitor progress on the plan and targets held by the CEO, and discuss the continuation and reappointment of the CEO.
2. The appointment process for a new CEO is considered separately during normal times and in the case of an emergency. During normal times, the appointment process shall commence based on the current CEO's proposal or the decision made by the Nomination Committee. CEO succession candidates are appointed based on the pipeline of candidates and an order of priority as discussed in advance between the CEO and the Nomination Committee. After the appointment process, the Nomination Committee submits a recommendation for the new CEO to the Board of Directors, which it will then discuss and decide upon. In the case of an emergency, the Nomination Committee shall undertake appointment and approval of a new CEO according to the predetermined process.
3. Future CEO candidates of LIXIL will, as a rule, be appointed from within the Company.

The current CEO will prepare a CEO succession candidate pipeline categorized by the following timeframes, and will subsequently update it annually based on the advice of the Nomination Committee.

- Measures to take in an emergency and to whom they apply
- Medium-term CEO succession candidates (internal)
- Personnel who could become CEO candidates in the future

Provision of Development Opportunities for CEO Succession Candidates

The Nomination Committee oversees the implementation of the CEO's development plan for CEO succession candidates. The CEO reports to the Nomination Committee once every six months on the development status (progress) of the succession candidates, and the Nomination Committee advises the CEO on the provision of development opportunities and training statuses.

Executive Officer Assessment

As one of the measures to evaluate and understand CEO succession candidates, we conduct executive officer assessments for all seven executive officers, excluding the CEO. The method adopted was for an external specialized agency to conduct the assessment to ensure objectivity, with individual interviews conducted with the executive officers themselves, other executive officers, and their subordinates.

Each officer is evaluated based on the requirements and qualities for a CEO of the Company, and the results are shared with the officer under assessment, the Nomination Committee, and the CEO. While taking the assessment results into consideration, the Nomination Committee is examining the executive officer system from April 2021 onward, and formulating draft reports on the executive officer system for the Board of Directors. The results are also being used as reference material to consider the development plan for CEO succession candidates.

AUDIT COMMITTEE REPORT



Teruo Suzuki

Chairperson of the Audit Committee

Initiatives in FYE2021

The Function of the Audit Committee

The Company's Audit Committee aims to conduct efficient and effective audits while collaborating closely with the internal auditors of the Company and its subsidiaries. The Company is strengthening corporate governance with more effective auditing by assigning corporate auditors ("Kansayaku") to key subsidiaries as part of a system to strengthen internal control within the group of companies. The Audit Committee Office was established to provide support to the Audit Committee. The Audit Committee is responsible for deciding on personnel changes and performance evaluations for Audit Committee Office members and corporate auditors to ensure independence from executive officers.

The Activities of the Audit Committee

The Audit Committee convenes in the month before Board of Directors' meetings, as well as whenever necessary. This fiscal year, the committee met 16 times. The Audit Committee took sufficient precautions under the COVID-19 pandemic-induced limitations on activities, and during the state of emergency most

activities were conducted using online meeting platforms. Under the annual auditing plan, there were four opportunities for exchanging opinions with the Representative Executive Officer and six hearings were held with executive officers during the year. At the monthly Audit Committee meetings, the internal auditors and directly appointed corporate auditors gave audit reports and the committee members gave directions as appropriate. Also, three meetings of group company corporate auditors were held to share information on each subsidiary and group-wide auditing policies.

Site inspections of four subsidiaries and two factories in Japan were also partially conducted using online meeting platforms. Due to travel restrictions, site inspections of international business premises were unable to be conducted. However, hearings on the results of international audits from internal audit departments and hearings with LIXIL International representative executive officer with Asian and North American offices were held via online meetings.

Eight information-exchange sessions were held with financial auditors, and discussions took place regarding the financial auditors' management letter, reports on the status of audits, and key audit matters (KAM).

Initiatives in FYE2022

Membership of the FYE2022 Audit Committee was decided at the Board of Directors' meeting that took place after the Annual Shareholders' Meeting held on June 22, 2021. The committee, in continuation from FYE2021, will aim to establish and further develop group-wide audit frameworks within and outside Japan, as well as conduct effective and efficient auditing activities.

Audit Committee members, meetings convened, and attendance in FYE2021

Member	Meetings convened	Attendance
Teruo Suzuki (Chairperson)	16	15
Tamio Uchibori	16	16
Kaoru Onimaru*1	9	9
Daisuke Hamaguchi*2	7	7

*1 Appointed June 30, 2020 *2 Resigned June 30, 2020

Audit Committee members*3 in FYE2022

Member
Teruo Suzuki (Chairperson)
Tamio Uchibori
Shiho Konno

*3 Since June 22, 2021

COMPENSATION COMMITTEE REPORT



Daisuke Hamaguchi

Chairperson of the Compensation Committee

Issues and Initiatives in FYE2021

In FYE2021, the Compensation Committee operated in line with the Company's management strategy to strongly promote extensive structural reforms and optimize the Company's business portfolio despite challenging circumstances, including uncertainty surrounding results due to the COVID-19 pandemic. The Compensation Committee deliberated and made decisions with a particular focus on the following issues:

1. Is the executive compensation system consistent with the direction of our management strategy and does it strongly motivate the management to work together toward achieving management goals?
2. In order to retain leading talent and promote change, does the compensation system take into account not just compensation levels at Japanese corporations, but is it also competitive in a global context?
3. Are compensation systems enabling the proactive participation of highly experienced executives from within and outside the Company, including foreign executives, to promote a diverse and inclusive organization with a corporate culture of change?

Compensation Committee members, meetings convened, and attendance in FYE2021

Member	Meetings convened	Attendance
Daisuke Hamaguchi (Chairperson)	13	13
Tamio Uchibori*1	11	11
Yuji Nishiura	13	13

*1 Appointed June 30, 2020

Compensation levels, the compensation mix, and various allowances were reviewed, and in FYE2021 special measures were implemented for performance-linked and stock-linked compensation based on these perspectives.

Progress on Issues in FYE2021

First, as a special measure in FYE2021, the disbursement of performance-linked compensation as a proportion of total compensation was decreased and the proportion of stock-linked compensation was increased. This measure was passed to strongly incentivize the promotion of structural reforms by the management and to mitigate the impact of performance-linked compensation on total compensation because of the possibility of performance results fluctuating significantly due to the impact of the COVID-19 pandemic. Moreover, regarding performance targets of performance-linked compensation, it was decided to only use core earnings – which best reflect business conditions – as a target because temporary factors such as structural reforms were expected to have a significant impact on business performance.

Furthermore, when deciding on the executive officer compensation system, we gave consideration to each individual's role and responsibilities, business performance, experience, and the priority of attracting and retaining personnel, regardless of the position. Greater consideration was also given to more closely matching global compensation levels and maintaining competitiveness.

We also took into account the possibility that competition for leading talent will increase and deliberated necessary revisions to compensation for outside directors.

Issues to Address in FYE2022

We will continually monitor whether the executive compensation structure is functioning appropriately in relation to the management strategy and in response to changing economic and social conditions, and consider revising the structure as necessary.

Compensation Committee members*2 in FYE2022

Member
Daisuke Hamaguchi (Chairperson)
Tamio Uchibori
Yuji Nishiura

*2 Since June 22, 2021

EXECUTIVE COMPENSATION

Compensation Basic Policies for Directors and Executive Officers

The compensation for directors and executive officers is determined in accordance with the following basic policies:

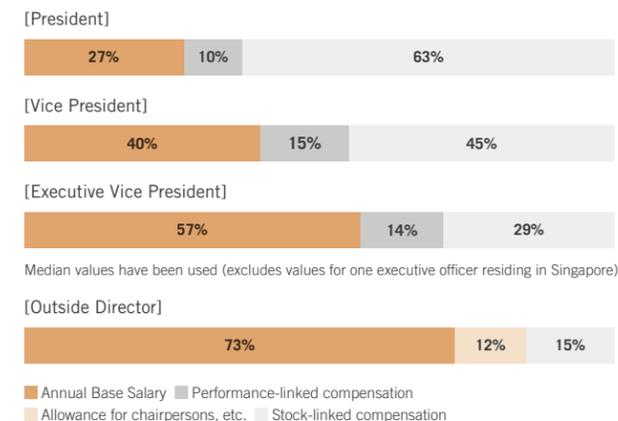
- Foster improvement of short-, medium-, long-term, and sustainable business results and corporate value
- Attract and retain the best talent necessary to foster business growth globally
- Ensure a fair and reasonable decision-making process with regards to compensation that will provide accountability to shareholders, employees, and all stakeholders
- Based on the economic and social situation, consider and discuss our business condition, objective indexes, and advice of external specialized agencies in the Compensation Committee
- Manage individual compensation in consideration of each individual's responsibilities, performance, experience, and the priority of attracting and retaining personnel, etc.

Compensation System

The compensation structure for directors, who monitor and supervise the Company's management, shall be separate from that for executive officers, who are responsible for the performance of the business. In principle, when a director concurrently serves as an executive officer, the compensation system for executive officers shall be applied.

Compensation Structure and Compensation Mix

The previous compensation mix for each position shall be abolished and changed to the following system. Based on the previously mentioned compensation basic policies, the base amount for performance-linked compensation, and the grant amount for stock-linked compensation, is determined in consideration of each individual's duty, performance, experience, and the priority of attracting and retaining



personnel, etc. In the diagram, the compensation mix for executive officers reflects the FYE2021 special measure (mentioned later on in the report). The base amount for performance-linked compensation and the grant amount for stock-linked compensation shown in the diagrams may differ from the actual disbursement amounts.

Annual Base Salary

Annual Base Salary is determined based on compensation basic policies, taking into consideration responsibilities, performance, experience, and the priority of attracting and retaining personnel, etc., while referring to the compensation levels inside and outside Japan as reference information.

Performance-Linked Compensation

To encourage the executive officers to work together to achieve single-year management goals – and to ensure that they are rewarded fairly and equitably in accordance with the results of their performance – performance-linked compensation is calculated only on company-wide performance.

$$\text{Performance-linked compensation} = \text{Base amount of performance-linked compensation} \times \text{Payout rate according to achievement rate of performance targets}$$

The base amount of performance-linked compensation is determined as a certain ratio of the Annual Base Salary for each executive officer in consideration of their responsibilities and related factors. Moreover, for FYE2021, because of the possibility of performance results fluctuating significantly due to the impact of the COVID-19 pandemic, it was decided at the August 2020 Compensation Committee meeting – in order to mitigate the impact on total compensation – to halve the base amount of performance-linked compensation set at the start of the fiscal year, and to maintain minimum and maximum limits on payout rates that are dependent on the rate of achievement of business targets.

[Payout rates according to achievement rate of business targets]

Achievement level of performance target	Payout rate
If 50% or less	0%
If more than 50% but less than 100%	Same as achievement level
If 100% or more but less than 150%	$\frac{(\text{Achievement level of performance target} - 100)}{2} + 100\%$
If 150% or more	200%

EXECUTIVE
COMPENSATION**Achievement Level of Performance Targets for FYE2021**

As a special measure in FYE2021, because temporary factors such as structural reforms were expected to have a significant impact on operating profit and net profit, it was decided to limit performance targets to core earnings, which best reflect business conditions. The performance target was the core earnings forecast of ¥25,000 million, as announced in the first quarter earnings briefing session. Performance results for core earnings were ¥57,288 million, therefore the achievement level of performance target was 229.2%. Thus, the payout rate was 200%.

Moreover, because investment efficiency continues to be an important performance target, ROIC will be included again as a performance target for FYE2022.

Clawback Clause and Others

In the event that the Company has to correct its accounts after the fact due to a serious accounting error or illegality, the Compensation Committee could decide to amend a compensation amount or demand the return of compensation already paid to an eligible executive officer. Either action would be taken on the basis of the cause arising and after deliberating any revision to planned performance-linked compensation in the future or any return of paid performance-linked compensation. Furthermore, in the case of an unexpected event at the beginning of the applicable period for the evaluation of performance-linked compensation, the Compensation Committee would be able to adjust the method of calculating performance-linked compensation. Any adjustment would be carried out based on an internal verification of the facts and, if necessary, the views of external specialized agencies, and after

comprehensively considering the event and the management responsibilities of the eligible executive officer(s).

Stock-Linked Compensation

The Company has been applying a stock-linked monetary compensation plan ("Phantom Stock") since FYE2020. The aim is threefold: to encourage directors and executive officers to monitor, supervise, and make management decisions to achieve a sustained improvement in the Company's corporate value over the medium to long term; to further promote shared value between the directors and executive officers and shareholders of the Company; and, by standardizing global executives' compensation, attract and retain personnel from around the world who will contribute to raising corporate value. This compensation plan grants shares of Phantom Stock but substantially has the same effect as granting shares.

Furthermore, Phantom Stock shall be granted to executive officers on the day the business year starts and directors on the day of the Annual Shareholders' Meeting. The amount of the grant is determined as a ratio of the Annual Base Salary for each position, and the number of shares of Phantom Stock granted to officers is calculated by dividing by the average closing price of the Company's stock price for 30 business days prior to the grant date. The holding periods for Phantom Stock are three years for executive officers and one year for outside directors.

Information on the amounts of compensation for those officers with total compensation of ¥100 million or more is posted on the Company's website.

<https://www.lixil.com/en/about/governance/compensation.html>

Total amount of compensation by officer title, by compensation system, and number of officers receiving (FYE2021)

Officer title	Total amount of the compensation (¥ millions)	Total amount of the compensation by type (¥ millions)			Number of officers receiving
		Annual Base Salary	Performance-linked compensation	Stock-linked compensation	
Directors (excluding Outside Directors)	34	18	—	16	3
Executive Officers	2,153*	429	293	1,250	8
Outside Directors	154	120	—	34	9
Total	2,341	567	293	1,300	20

Notes: 1. The total compensation shown above, which are amounts calculated under JGAAP, consists of both the compensation paid by the Company and the compensation paid by the Company's subsidiaries.

2. The amount of compensation for Outside Directors includes chairperson allowances.

*The total compensation amount for Executive Officers includes additional payments, and therefore does not match the total amount of the compensation by type.

Each executive officer's compensation is determined by the Compensation Committee based on the above compensation system and takes into consideration the performance targets and ESG issues for which the executive officer is responsible. Moreover, the results for these targets and issues are reflected when revising Annual Base Salary. Adjustments, such as

increasing the ratio of stock-linked compensation within total compensation, are made to the compensation mix of executive officers who are expected to contribute significantly to increasing corporate value from a medium- to long-term perspective, especially through structural reform or initiatives related to ESG issues.

GOVERNANCE
COMMITTEE REPORT**Masatoshi Matsuzaki**

Chairperson of the Governance Committee

Initiatives in FYE2021

The Governance Committee's objective is to continuously strengthen corporate governance at LIXIL. Taking into account the interests of all stakeholders, we aim to enhance management transparency and fairness, as well as increase corporate value. In FYE2021, we primarily focused on the following four initiatives.

First, we evaluated the effectiveness of the Board of Directors. As part of this, we oversaw the implementation of an action plan developed to resolve issues that had become evident during its previous evaluation. We also proactively carried out our supervisory duty, which involved activities such as advising the executive team when necessary and providing the Board of Directors with proposals. Based on opinions received from the Board of Directors and executive officers in the previous fiscal year, we further aimed to conduct a more effective evaluation by revising our questionnaire.

Second, we aimed to strengthen collaboration between the Board of Directors and each committee. Since all outside

directors participate in the Governance Committee as of FYE2021, we have established a system to hold comprehensive discussions on corporate governance that encompasses all the committees and the Board of Directors. The Chairperson of the Board and the chairpersons of each committee share information on their respective issues and initiatives with the chairperson of the Governance Committee, ensuring the exchange of opinions is not confined to just structured meetings.

Third, we revised the Company's Corporate Governance General Policy. We proceeded to lay the groundwork for governance to function in accordance with the actual corporate structure of the Company, collaborating with each committee and executive team, and through a thorough analysis at the time of the merger with the former LIXIL Corporation in December 2020.

Fourth, we provided a supervisory function to ensure information is disclosed appropriately and in a timely manner. We receive reports on the policies and schedules of various information disclosure items such as securities reports. In addition to supervising the appropriateness and timeliness of information disclosure, we also advise on how to achieve greater transparency.

Reference Board of Directors' effectiveness evaluation on page 69

Initiatives in FYE2022

The Governance Committee continues to be composed of only outside directors in order to fulfill its most important role: to continuously enhance corporate governance across the Board of Directors and each committee.

This fiscal year, we will continue to perform our supervisory function both to resolve issues uncovered in the Board of Directors' effectiveness evaluation and to improve the effectiveness of the Board of Directors and each committee. We will also continue to work toward strengthening collaboration between the Board of Directors, each committee, and executive team to support the sustainable growth of the entire group of companies.

Governance Committee members, meetings convened, and attendance in FYE2021

Member	Meetings convened	Attendance
Kaoru Onimaru (Chairperson)	7	7
Tamio Uchibori*1	4	4
Teruo Suzuki (Former chairperson)	7	7
Yuji Nishiura	7	7
Daisuke Hamaguchi*1	4	4
Masatoshi Matsuzaki	7	7

*1 Appointed June 30, 2020

Governance Committee members*2 in FYE2022

Member
Masatoshi Matsuzaki (Chairperson)
Tamio Uchibori
Shiho Konno
Teruo Suzuki
Yuji Nishiura
Daisuke Hamaguchi
Mariko Watahiki

*2 Since June 22, 2021

INTERNAL CONTROL SYSTEMS AND COMPLIANCE

Risk Management

Internal Control Systems

LIXIL and its group companies build, operate, and evaluate internal control systems to ensure the reliability of operations as well as the accuracy and appropriateness of financial reporting in order to enhance corporate value. In addition, we are strengthening our group-wide operational management system through risk awareness and, as a corporate group that emphasizes compliance management, building various systems that comply with laws and regulations.

Enterprise Risk Management (ERM)

The LIXIL group strives to stably and continuously develop its business through the implementation and operation of ERM for the entire group. Risks related to crises that require immediate response when they occur are also controlled through crisis management as part of ERM.

Risk Management (RM)

The LIXIL group promotes a system of managing risks whereby leaders identify risks to management targets and become a risk owner responsible for responding to each risk so that the system helps to nurture an entrepreneurial spirit. Their role is to analyze the risk and risk response from the perspective of its impact and likelihood, and then to share, report on, and respond to the risk. Risks are largely categorized into strategic risks and operational risks. For strategic risks, efforts are made to collaborate with various relevant departments to ensure the framework encompasses a wide range of perspectives. This includes medium- to long-term perspectives such as management policies, business strategies, and Corporate Responsibility Strategy, as well as the perspectives of stakeholders. The risk management system established for operational risks is autonomous, whereby each organization and region holds meetings or sets agendas regularly, or as necessary, to discuss and respond to risks, which they then

report to headquarters.

The LIXIL group takes both a top-down and bottom-up approach to respond to various risks. Also, risk managers in major regions ensure efficient coordination among those at headquarters, regional operations, and local business operations. Through these kinds of coordinated activities and visualized risks, we aim to increase the risk awareness of LIXIL officers and employees, and establish and implement ERM where agile and appropriate decisions for risks to take or avoid can be made as part of strategy implementation. A further result of these activities is the internal and external disclosure of important group risks and countermeasures.

Crisis Management (CM)

A crisis management framework has been established in each group company. Crisis management policies and a handbook have been created and distributed so that a swift initial response and escalation is possible when a crisis occurs. Also, frameworks are in place for crisis headquarters to be established whenever necessary at various levels within group companies such as at headquarters, departments, or at local business premises. Moreover, quick decision-making at the crisis management task force at headquarters is supported through, in addition to the risk management reporting during normal times, the establishment of the Issue Assessment Team (IAT) that enables timely communication of crisis information to management.

Understanding the importance of cybersecurity, the LIXIL group has established and operates the LIXIL Computer Security Incident Response Team (LIXIL-CSIRT) to minimize the impact of cyberattacks. We constantly monitor computers and networks to detect problems at an early stage and analyze the impact and cause of the problems in order to respond quickly.

Information concerning "Business Risks" is available on our corporate website.

<https://www.lixil.com/en/investor/strategy/risks.html>

Compliance

LIXIL Code of Conduct

The LIXIL Code of Conduct (the "Code of Conduct") is a set of rules to be adhered to by all employees worldwide in order to undertake business activities appropriately and with a shared sense of values and ethics. The Code of Conduct is available in 19 languages and is regularly updated. Every year, the Company requires all group company officers and employees to participate in training on the Code of Conduct and acknowledge they will comply with its terms. Furthermore, global policies and detailed rules aligned with the Code of Conduct have been put in place for specific fields posing a high risk to the LIXIL group of companies.

For further details regarding the Code of Conduct, please refer to our corporate website.

www.lixil.com/en/about/governance/pdf/LIXIL_CoC_en.pdf

Corporate Culture

The LIXIL group management is working to raise compliance awareness and embed a culture of compliance by discussing compliance issues. We also plan educational events such as online quizzes and contests in Japan and globally so that employees can increase their compliance awareness in a fun setting on their own accord.

Compliance Committees

In addition to the compliance committees of the LIXIL group and within affiliates in Japan, compliance committees have been established in each region. They provide a platform for reviewing initiatives and discussing countermeasures.

Education and Training Programs

The LIXIL group holds education and training programs for new employees, new managers, and executives to develop its compliance culture. Programs are also held for all officers and

employees on global policies. The LIXIL group has developed effective education and training programs – suited to the risks of each area in which the group operates – utilizing e-learning, webinars, and short videos. In addition, the LIXIL group publishes newsletters both in and outside of Japan, and has been striving to increase as well as cultivate employees' knowledge and awareness of compliance.

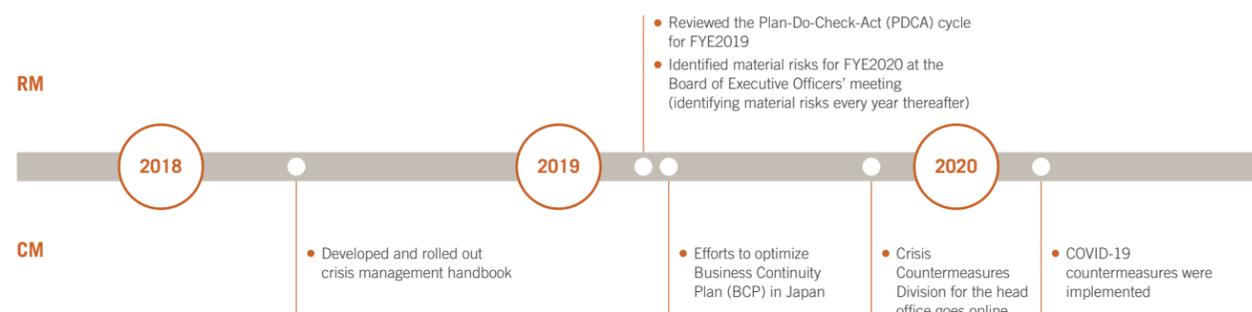
Review Process

Compliance reviews are conducted regularly by management to check the compliance systems of their own organizations. Compliance questionnaires are also undertaken by all officers and employees to understand to what extent the compliance culture has been embraced within the LIXIL group. An effective approach is taken by reporting the results of the above to the compliance committees and the results are reflected in initiatives.

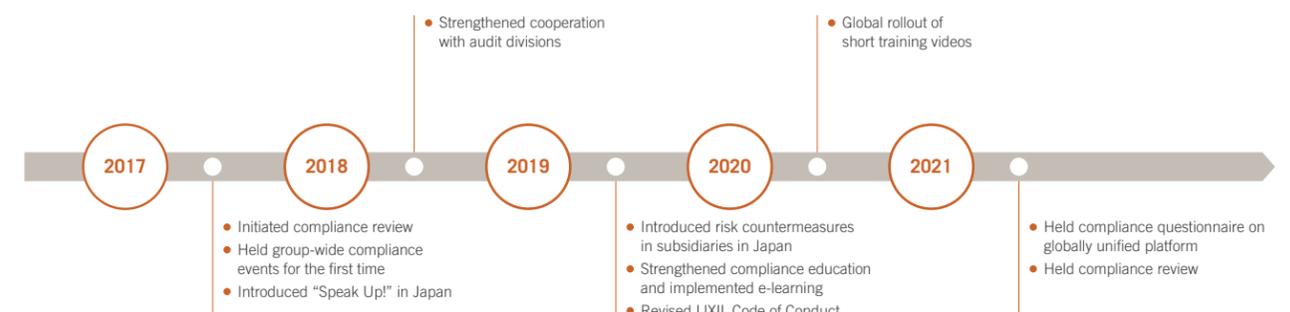
Concern-Raising System "Speak Up!"

An internal concern-raising system has been established with the aim of gathering information on compliance breaches, taking measures to prevent fraudulent and unlawful behavior, and responding quickly where action is required. The 24-hour, multilingual concern-raising system "Speak Up!" was introduced in all international subsidiaries in 2016, and in Japan it was established in 2017 in addition to the traditional internal reporting system. The system has received more than 300 reported compliance concerns since 2017. In 2019, we created a global management structure for compliance information by dissolving and merging the former internal reporting system in Japan with the "Speak Up!" system. Regular awareness activities are conducted to raise awareness of correct usage of the system and reported compliance concerns are investigated by appropriate divisions and analyzed for trends. This work helps with the development of the compliance structure and the employees' education to prevent fraudulent and unlawful behavior.

Risk Management Initiatives (Years ended March 31)



Compliance Initiatives (Years ended March 31)



INTERNAL CONTROL SYSTEMS AND COMPLIANCE

Internal Audit

How LIXIL and its Group Companies See Internal Audit

Corporate Audit, a corporate function, is responsible for managing all of the LIXIL group of companies' internal audit organizations in Japan and international markets, and ensures all group companies' audits are conducted in a unified and comprehensive manner. (At the end of April 2021, the LIXIL group of companies' internal audit organizations consisted of 51 people in total.) Corporate Audit is responsible for carrying out traditional internal audit processes such as accounting audits, operational audits, and assessment of internal controls. Additionally, it continuously reviews internal audit systems and processes in order to help achieve sustainable group-wide growth, strengthen governance as well as internal control, and contribute to the development of human resources.

Strengthening Internal Audit System to Achieve Sustainable Growth

All audit organizations of the LIXIL group companies, including our global teams, report to the leader of Corporate Audit, who, in turn, ensures detailed information is shared in a timely manner with each global team. Additionally, the leader of Corporate Audit reports directly to the Director, Representative Executive Officer, President, and CEO of LIXIL Corporation, and as the corporate function's representative, to the Audit Committee of the Board of Directors.

This system unifies the internal audit chain of command globally and strengthens information sharing.

Under this system, the mission of Corporate Audit is to continuously provide value through internal auditing practices that enable top management to respond quickly to internal and external environmental changes. Operations are carried out thoroughly in accordance with the clearly defined roles and responsibilities for each department and the whole group in Japan and internationally.

Accelerating Sophistication of Internal Audit through Digital Technologies

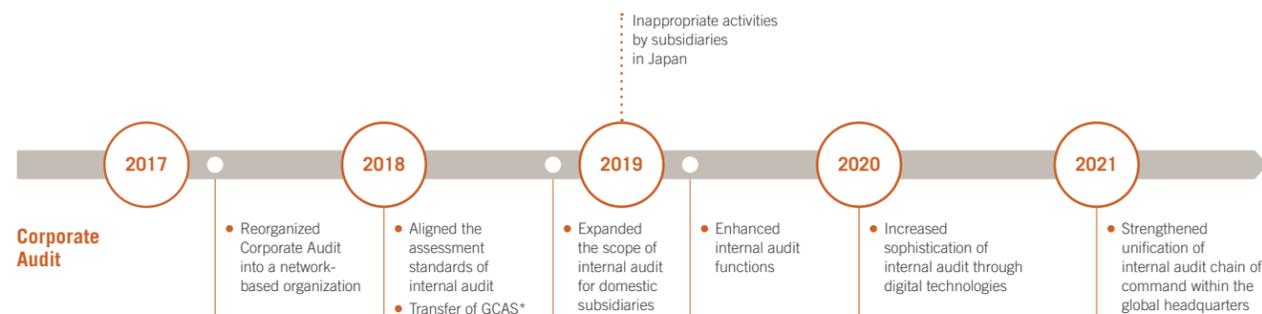
In order to make forecasts and provide value-added insights in rapidly changing business environments, which now include remote work and online showrooms, we are actively working to integrate advanced technology into internal auditing practices – by utilizing not only the expertise of accounting experts traditionally used in internal auditing, but also digital technologies and data science. To achieve this, the LIXIL group is advancing a comprehensive IT reform project to enhance internal audit activities with the establishment of an IT department within Corporate Audit in April 2020. This IT department is utilizing digital tools to improve efficiency and strengthen auditing work through 1) the timely visualization of auditing work; 2) the aggregation and unification of audit data; and 3) data analysis, while also aiming to expand the area of group-wide IT-related auditing.



Nurturing Global Internal Auditors Focused on Diversity and Inclusion

LIXIL's internal auditors are a diverse team in terms of nationality, culture, gender, and experience, and are based in eight locations across five countries. Particularly in these times of rapid change, we will focus on nurturing employees who can respect diverse thinking, listen to the viewpoints of others without bias, and be global leaders.

Internal Audit Initiatives (Years ended March 31)



*Global Corporate Audit Staff

5 DATA

SECTION



CONSOLIDATED 11-YEAR SUMMARY

(LIXIL Corporation and Consolidated Subsidiaries)

(Millions of yen)

Years ended March 31	JGAAP						IFRS						
	2011	2012	2013	2014	2015	2016	2015	2016	2017	2018	2019	2020**	2021**
Results of Operations													
Net sales (JGAAP) / Revenue (IFRS)	¥1,214,939	¥1,291,396	¥1,436,395	¥1,628,658	¥1,673,406	¥1,845,117	¥1,705,427	¥1,890,450	¥1,633,229	¥1,829,344	¥1,692,432	¥1,514,449	¥1,378,255
Operating income (JGAAP) / Core earnings (IFRS)	40,409	17,915	50,485	69,080	51,674	56,259	51,722	70,069	89,781	76,046	54,485	52,290	57,288
Operating income margin (JGAAP) / Core earnings margin (IFRS) (%)	3.3	1.4	3.5	4.2	3.1	3.0	3.0	3.7	5.5	4.2	3.2	3.5	4.2
Operating profit (loss) (IFRS)							48,041	39,011	69,251	59,107	49,011	32,010	35,842
Profit (loss) for the year attributable to owners of the parent*1	15,780	1,868	21,347	20,952	22,013	(18,664)	30,864	(25,605)	42,503	54,581	(52,193)	12,518	33,048
Research and development expenses	13,688	15,350	14,025	17,380	18,199	—	18,211	25,523	26,089	27,875	28,188	27,508	23,975
Capital expenditures	45,779	52,107	73,795	64,321	62,622	76,403	61,454	72,083	68,215	69,953	67,639	68,635	68,498
Depreciation and amortization	36,289	39,370	44,736	49,168	50,724	60,451	50,404	62,205	60,701	64,661	68,502	105,557	84,786
EBITDA**2	80,106	59,887	100,627	124,822	108,887	128,692	102,126	132,274	146,441	140,707	120,053	134,832	137,895
Cash Flows													
Cash flows from operating activities	48,680	33,979	28,432	83,533	138,931	137,012	98,563	121,085	132,531	116,362	69,351	157,701	151,043
Cash flows from investing activities	(13,543)	(142,067)	(12,397)	(218,333)	(129,228)	16,547	(119,041)	19,122	(58,052)	(52,606)	(72,328)	(41,314)	(54,151)
Cash flows from financing activities	(41,687)	138,348	(31,753)	153,144	10,010	(171,758)	46,618	(154,403)	(79,899)	(43,843)	1,579	(153,285)	(93,425)
Cash and cash equivalents, end of year	92,329	127,351	114,662	139,039	160,378	138,801	147,708	129,646	121,563	138,751	141,421	95,862	111,061
Financial Position													
Total assets	1,166,834	1,481,063	1,465,689	1,786,294	1,875,249	2,060,873	1,915,427	2,130,120	2,042,165	2,107,131	2,059,544	2,091,529	1,741,814
Equity attributable to owners of the parent**3	526,973	528,414	561,161	593,487	602,564	543,750	583,747	524,806	547,244	616,897	533,656	502,165	552,271
Total equity	536,408	538,776	566,312	601,795	613,651	637,517	590,855	537,308	559,431	649,573	567,167	535,137	554,767
Net interest-bearing debt	175,487	266,771	307,089	463,479	418,720	528,386	559,971	697,413	638,345	549,159	584,537	736,689	484,444
Per Share Data													
Earnings (loss) per share*1 (EPS) (yen)	¥ 55.50	¥ 6.49	¥ 73.42	¥ 72.06	¥ 75.46	¥ (65.11)	¥ 105.80	¥ (89.33)	¥ 148.01	¥ 189.13	¥ (179.98)	¥ 43.15	¥ 113.92
Equity attributable to owners of the parent per share (BPS) (yen)	1,850.34	1,817.34	1,930.02	2,041.34	2,104.27	1,894.55	2,038.56	1,828.84	1,902.18	2,128.77	1,839.59	1,730.99	1,902.89
Dividends per share (yen)	40	40	40	55	60	60	60	60	60	65	70	70	75
Key Ratios													
EBITDA to sales ratio**2 (%)	6.6	4.6	7.0	7.7	6.5	7.0	6.0	7.0	9.0	7.7	7.1	8.9	10.0
ROE (%)	3.0	0.4	3.9	3.6	3.7	(3.3)	5.3	(4.6)	7.9	9.4	(9.1)	2.4	6.3
ROA (%)	1.4	0.1	1.4	1.3	1.2	(0.9)	1.7	(1.3)	2.0	2.6	(2.5)	0.6	1.7
Total assets turnover (times)	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.8	0.9	0.8	0.7	0.7
Equity ratio (JGAAP) / Ratio of equity attributable to owners of the parent (IFRS) (%)	45.2	35.7	38.3	33.2	32.1	26.4	30.5	24.6	26.8	29.3	25.9	24.0	31.7
Dividend payout ratio (%)	72.1	616.3	54.5	76.3	79.5	—	56.7	—	40.5	34.4	—	162.2	65.8
Net debt-to-equity ratio**4 (%)	33.3	50.5	54.7	78.1	69.5	97.2	95.9	132.9	116.6	89.0	109.5	146.7	87.7
Number of employees**5	41,090	48,163	45,602	51,419	52,427	—	—	60,677	59,248	61,140	62,940	61,634	51,879
Stock Indicators													
Stock price (closing), end of year (yen)	¥ 2,160	¥ 1,733	¥ 1,858	¥ 2,846	¥ 2,847	¥ 2,295	¥ 2,847	¥ 2,295	¥ 2,825	¥ 2,376	¥ 1,478	¥ 1,345	¥ 3,075
Market capitalization	676,197	542,523	540,221	827,426	891,265	718,459	891,265	718,459	884,378	743,817	463,086	421,414	963,456
Price earnings ratio (times)	38.9	267.0	25.3	39.5	37.7	—	26.9	—	19.1	12.6	—	31.2	27.0
Price book-value ratio (times)	1.17	0.95	0.96	1.39	1.35	1.21	1.40	1.25	1.49	1.12	0.80	0.78	1.62

*1 Figures are after amortization of goodwill (JGAAP).

*2 EBITDA is calculated under JGAAP as operating income + depreciation and amortization + goodwill amortization, and under IFRS as core earnings + depreciation and amortization.

*3 Equity attributable to owners of the parent is calculated under JGAAP as total net assets - stock acquisition rights - non-controlling interests.

*4 The net debt-to-equity ratio is calculated as net interest-bearing debt / total equity based on the fiscal year-end.

*5 The number of employees from FYE2016 is on an IFRS basis, the definition of which differs from the number under JGAAP.

*6 Permasteelisa and LIXIL VIVA's business is classified as "discontinued operations" due to the decision to divest. For comparison, FYE2020 results are also rearranged in the same way.

Note: Under JGAAP, figures of less than ¥1 million are truncated, while under IFRS, figures of less than ¥1 million are rounded.

RECENT M&AS (Figures as of the acquisition)

July 2009

American Standard Asia Pacific

Sales	¥23.5 billion
Acquisition cost	¥17.6 billion
Equity owned	100%
Goodwill	¥2.1 billion (net)
Intellectual property	¥3.5 billion

April 2010

Shin Nikkei Company, Ltd.

Sales	¥110.0 billion
Acquisition cost	¥0.7 million
Equity owned	100%
Goodwill	¥5.4 billion

April 2010

SUNWAVE CORPORATION

Sales	¥85.0 billion
Acquisition cost	¥13.7 billion
Equity owned	80%*7
Goodwill	¥6.1 billion (negative)

August 2013

ASD Holding Corp. (ASB)

Sales	¥82.0 billion
Acquisition cost	¥30.5 million
Equity owned	100%
Goodwill	¥14.7 billion
Intangible assets	¥21.7 billion

January 2014

GROHE Group S.à r.l.**8

Sales	¥157.5 billion
Acquisition cost	¥80.1 billion
Equity owned	44%*9
Goodwill	¥157.3 billion
Intangible assets	¥209.3 billion

October 2014

GROHE DAWN WaterTech Holdings Pty Ltd*10

Sales	¥12.9 billion
Acquisition cost	¥8.6 billion
Equity owned	51%*11
Goodwill	¥1.2 billion
Intangible assets	¥7.8 billion

*7 100% in March 2013

*8 Currently LIXIL Europe S.à r.l.

*9 100% in September 2016

*10 Currently LIXIL AFRICA HOLDINGS (Pty) Ltd.

*11 100% in December 2017

PRINCIPAL GROUP COMPANIES

(As of March 31, 2021)

Consolidated Subsidiaries

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company (%)	Business segment
LIXIL Total Service Corporation	Koto-ku, Tokyo	100	100	LWT, LHT
Dinaone Corporation	Tokoname, Aichi	90	100	LWT
TM.S Corporation	Chiyoda-ku, Tokyo	60	100	LWT
LIXIL Europe S.à r.l.*1	Luxembourg	€ thousand 57,143	100	LWT
Grohe AG	Düsseldorf, Germany	€ thousand 60,885	100	LWT
48 affiliate companies of LIXIL Europe S.à r.l.	—	—	—	LWT
ASD Holding Corp.	New Jersey, USA	US\$ thousand 412,955	100	LWT
10 affiliate companies of ASD Holding Corp.	—	—	—	LWT
A-S CHINA PLUMBING PRODUCTS Ltd.	Cayman Islands	US\$ thousand 24,907	100	LWT
A-S (China) Co., Ltd.	Shanghai, China	US\$ thousand 30,000	100	LWT
LIXIL Vietnam Corporation	Hanoi, Vietnam	VND million 743,386	100	LWT
LIXIL (China) Investment Co., Ltd.	Shanghai, China	CNY thousand 298,975	100	LWT
LIXIL Building Materials Manufacturing (Suzhou) Corporation	Suzhou, Jiangsu, China	CNY thousand 356,036	100	LWT
LIXIL Sanitary Fitting Manufacturing (Suzhou) Corporation	Suzhou, Jiangsu, China	1,730	100	LWT
Taiwan Inax Corporation	Taipei, Taiwan	NT\$ thousand 282,677	72	LWT
LIXIL India Sanitaryware Private Limited	Andhra Pradesh, India	INR thousand 69,823	98	LWT
LIXIL AFRICA HOLDINGS (Pty) Ltd.	Krugersdorp, South Africa	ZAR million 2,444	100	LWT
LIXIL Total Hanbai Corporation	Koto-ku, Tokyo	75	100	LHT
G TERIOR Corporation	Setagaya-ku, Tokyo	316	100	LHT
Asahi Tostem Exterior Building Materials Co., Ltd.	Koto-ku, Tokyo	2,000	80	LHT
LIXIL Toyo Sash Shoji Co., Ltd.	Koto-ku, Tokyo	100	100	LHT
Sonitech Corporation	Koto-ku, Tokyo	66	100	LHT
Kuwata Co., Ltd.	Suma-ku, Kobe, Hyogo	30	100	LHT
Oita Tostem Co., Ltd.	Oita, Oita	50	100	LHT
Nishi Kyushu Tostem Co., Ltd.	Saga, Saga	30	100	LHT
LIXIL TEPCO Smart Partners Inc.	Koto-ku, Tokyo	450	60	LHT
LIXIL INTERNATIONAL Pte. Ltd.	Singapore	30,565	100	LHT
TOSTEM THAI Co., Ltd.	Pathumthani, Thailand	Baht million 2,767	100	LHT
LIXIL Manufacturing (Dalian) Corporation	Dalian, Liaoning, China	US\$ thousand 43,500	100	LHT
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.	Dong Nai, Vietnam	US\$ thousand 40,700	100	LHT, LWT
PT. LIXIL ALUMINIUM INDONESIA	Cileungsi, Indonesia	IDR million 173,617	75	LHT
LIXIL WINDOW SYSTEMS PRIVATE LIMITED	Haryana, India	INR thousand 858,318	100	LHT
LIXIL Renewal Corporation	Koto-ku, Tokyo	100	100	LBT
LIXIL Living Solution Corporation	Koto-ku, Tokyo	450	100	H&S
LIXIL Housing Research Institute, Ltd.	Koto-ku, Tokyo	1,250	100	H&S
LIXIL REALTY, Corp.	Taito-ku, Tokyo	160	100	H&S
GHS Corporation	Koto-ku, Tokyo	100	100	H&S

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company (%)	Business segment
LIXIL Home Finance Corporation	Chiyoda-ku, Tokyo	500	100	H&S
LIXIL Group Finance Corporation	Koto-ku, Tokyo	3,475	100	(Financing services for Group companies)
89 other companies*2, 3, 4, 5, 6, 7, 8				

Equity-Method Affiliates

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company (%)	Business segment
Sanyo Homes Corporation*9	Nishi-ku, Osaka	5,945	27*10	—
59 other companies*11				

*1 GROHE Group S.à r.l. changed its name to LIXIL Europe S.à r.l. in April 2020.

*2 Of the other companies, LIXIL AFRICA HOLDINGS (Pty) Ltd. is insolvent with excess liabilities over assets by ZAR1,407 million as of March 31, 2021.

*3 LIXIL Corporation has completed the merger between the Company (surviving company) and its 100% subsidiary LIXIL Corporation (absorbed company), effective December 1, 2020. In addition, the Company has changed its name from LIXIL Group Corporation to LIXIL Corporation, also effective December 1, 2020. The number of other companies includes the former LIXIL Corporation.

*4 Of the other companies, Permasteelisa S.p.A. and its 33 subsidiaries are no longer subsidiaries of the Company due to the transfer of shares of Permasteelisa S.p.A.

*5 Of the other companies, LIXIL VIVA Corporation is no longer a subsidiary of the Company due to the transfer of its shares.

*6 Of the other companies, Kawashima Selkon Textiles Co., Ltd. and its three subsidiaries are no longer subsidiaries of the Company due to the transfer of shares of Kawashima Selkon Textiles Co., Ltd.

*7 Of the other companies, JAPAN HOME SHIELD CORPORATION and its subsidiary JHS Engineering Corporation and two other companies are no longer subsidiaries of the Company due to the transfer of shares of Japan Home Shield Co., Ltd.

*8 The number of other companies includes 47 subsidiaries of former LIXIL, Permasteelisa S.p.A., LIXIL VIVA Corporation, Kawashima Selkon Textiles Co., Ltd., JAPAN HOME SHIELD CORPORATION, and JHS Engineering Corporation, which were excluded from the scope of consolidation in the current consolidated fiscal year due to absorption-type merger or share transfer.

*9 The company submits securities reports.

*10 "Equity owned by the holding company" shows the ratio of the number of shares owned by the Company to the total number of issued shares (excluding treasury stock) of Sanyo Homes Corporation as of March 31, 2021.

*11 The number of other companies includes nine affiliated companies that were excluded from the scope of application of the equity method in the current consolidated fiscal year due to the transfer of shares, etc.

GLOBAL MANUFACTURING AND SALES SITES

(As of March 31, 2021)



*Seven of the LHT factories also manufacture commodities for LBT.

Domestic home reform shops and reform network members **11,913** storesDomestic homebuilding franchise members (H&S) **207** stores

BASIC POLICY FOR INVESTOR RELATIONS

LIXIL Corporation's investor relations (IR) activities facilitate communication with capital markets in Japan and international markets and thereby help enhance corporate value. Accordingly, the Company's IR activities convey messages from senior management to markets while providing senior management with feedback from markets in an unflagging effort to boost corporate value.

The Company discloses important information that affects investment judgments, such as decisions, events, or information regarding accounts settlement, based on the timely disclosure rules enacted by the Tokyo Stock Exchange. It is also the Company's policy to disclose information that does not fall under the timely disclosure rules as proactively and fairly as possible, in order to better meet investors' needs.

Investor relations

www.lixil.com/en/investor/

Activities for the Fiscal Year Ended March 31, 2021

- Communicated management message to the market (for institutional investors and analysts)
 - Earnings briefing sessions—four times (every quarter)
 - Individual meetings—298 times
 - Briefing session regarding management strategy and business strategy—two times
 - Small meeting—three times
 - Participated in investor conferences—once in Japan and once outside of Japan
- Provided feedback from the market to the Company
 - Reported IR activities at meetings of the Board of Directors—done regularly, in addition to four times per year after the earnings briefing sessions
 - Exchanged opinions on the business condition and market outlook with business divisions—done regularly
 - Shared information with the management via e-mail—done regularly

External Recognition (from April 1, 2020 to May 31, 2021)



Gomez IR Site Ranking 2020

Awarded silver prize in the overall IR site ranking and second place in the "Metal Products" industry category from Morningstar Japan K.K. (December 2020)

Member of Dow Jones Sustainability Indices

Powered by the S&P Global CSA

DJSI Asia Pacific Index

Selected for four consecutive years as a component of the Dow Jones Sustainability Indices (DJSI) Asia Pacific Index, created by S&P Dow Jones Indices and RobecoSAM (November 2020)

Member of Dow Jones Sustainability Indices

Powered by the S&P Global CSA

DJSI World

Selected for Dow Jones World Index (DJSI World) for the second time, created by S&P Dow Jones Indices and RobecoSAM (November 2020)

S&P Japan 500 ESG

Selected as a component of the S&P Japan 500 ESG, created by S&P Dow Jones Indices (May 2020)

DISCLAIMER

The inclusion of LIXIL Corporation in any MSCI index, and the use of MSCI logos, trademarks, service marks, or index names herein, does not constitute a sponsorship, endorsement or promotion of LIXIL Corporation by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI Japan Empowering Women Index

Selected for four consecutive years as a constituent of the MSCI Japan Empowering Women Index (WIN), created by MSCI Inc. (June 2020)



FTSE4Good Index Series, FTSE Blossom Japan Index

Selected for four consecutive years as a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index, created by FTSE Russell (June 2020)



Nadeshiko Brand

Selected for four consecutive years as a component of the Nadeshiko Brand initiative, jointly conducted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (March 2021)



CDP Supplier Engagement Leaderboard

Earned a place on the 2020 Supplier Engagement Leaderboard by CDP (February 2021)

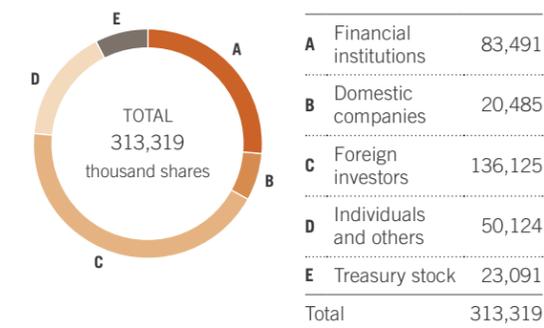
SHAREHOLDER INFORMATION

(As of March 31, 2021)

Number of shares and shareholders

Number of shares authorized	1,300,000,000
Number of shares outstanding (excluding treasury stock of 23,091,431 shares)	290,227,728
Number of shareholders	44,877

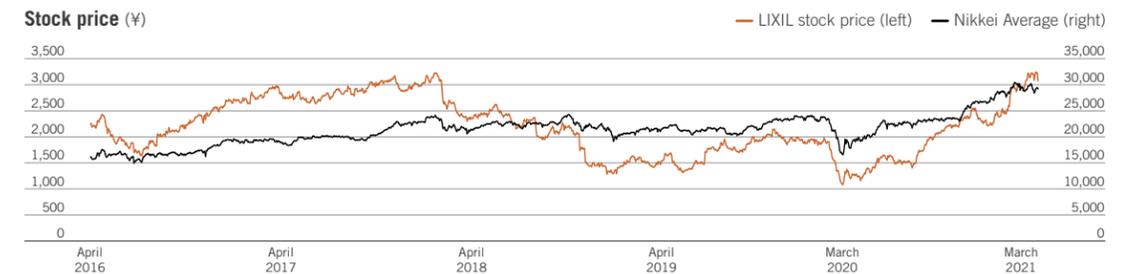
Distribution of ownership among shareholders (thousand shares)



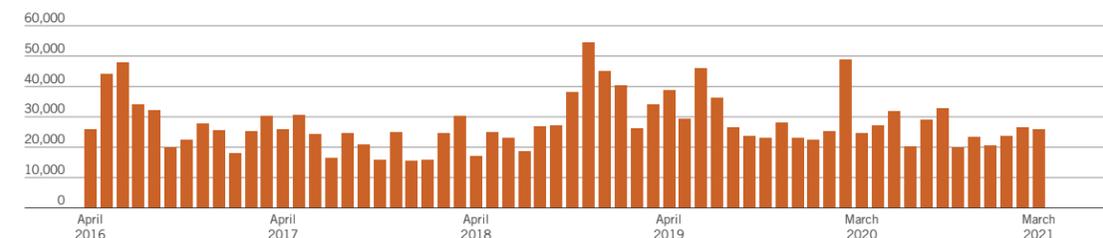
Monthly stock price range (Tokyo Stock Exchange)

For the years ended March 31	2017	2018	2019	2020	2021
High*2 (¥)	2,999	3,255	2,639	2,156	3,280
Low*2 (¥)	1,593	2,285	1,270	1,065	1,147

*2 High and low share prices are from the First Section of the Tokyo Stock Exchange.



Stock trading volume (thousand shares)



Major shareholders (thousand shares)

Name of shareholder	Number of shares held	Ratio of shareholdings
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,981*1	7.23%
JP MORGAN CHASE BANK 385632 (Standing Proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	18,286	6.30%
Custody Bank of Japan, Ltd. (Trust Account)	11,026*1	3.80%
SSBTC CLIENT OMNIBUS ACCOUNT (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	9,941	3.43%
LIXIL Employee Stock Ownership	6,595	2.27%
Daiichi Life Insurance Company, Limited (Standing Proxy: Custody Bank of Japan, Ltd.)	6,561	2.26%
State Street Bank Client Omnibus OMO4 (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	5,781	1.99%
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	5,453	1.88%
BNYM AS AGT/CLTS 10 PERCENT (Standing Proxy: MUFG Bank, Ltd.)	5,375	1.85%
STATE STREET BANK AND TRUST COMPANY 505001 (Standing Proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	4,648	1.60%

Notes: 1. In addition to the above, LIXIL Corporation holds 23,091 thousand shares of treasury stock. Shareholding calculations exclude treasury stock.
2. *1 indicates a trust service arrangement.

CORPORATE DATA

(As of March 31, 2021)

Company Name

LIXIL Corporation

Established

September 19, 1949

Registered Office

2-1-1 Ojima, Koto-ku,
Tokyo 136-8535, Japan

Paid-In Capital

¥68,418 million

Fiscal Year End

March 31

Employees

Consolidated employees: 51,879

Accounting Auditors

Deloitte Touche Tohmatsu LLC

Overview of Major Businesses

The Company manufactures and sells building materials and housing equipment for housing and buildings, and operates housing-related businesses as well as related services.

Securities Traded (Common stock)

Tokyo Stock Exchange
Nagoya Stock Exchange

Transfer Agent and Special

Management of Accounts

Mitsubishi UFJ Trust and Banking Corporation

Annual Shareholders' Meeting

Normally held in June

LIXIL Online Information

Corporate Website

In addition to the Company profile, CR activities, and the latest news, our corporate website also contains sections covering recent business initiatives within the Company and insights from the Company's CEO.

 www.lixil.com

Financial Information

Our IR website offers enriched content for shareholders and other investors, including information regarding financial results, audio streaming of results briefings, and market data.

 www.lixil.com/en/investor

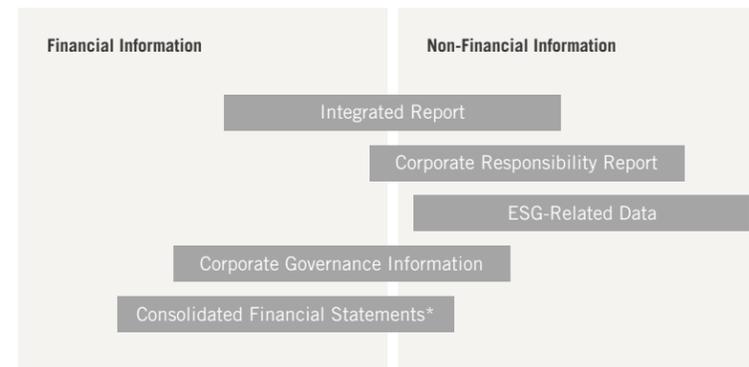
Non-Financial Information

Our sustainability website introduces LIXIL's Corporate Responsibility Strategy and initiatives around the world in order to contribute to SDGs with its purpose to "make better homes a reality for everyone, everywhere."

 www.lixil.com/en/sustainability

Overview of Information Disclosure

Please see our website for more information on these subjects.



*Please refer to the Supplementary Data Book of the Integrated Report on our website.

Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this integrated report with respect to plans, strategies, and future performances that are not historical facts are forward-looking statements. LIXIL Corporation cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

