

Report for the 82nd Fiscal Year (From April 1, 2023 to March 31, 2024)

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Of the matters to be provided electronically, the following matters are posted on the Company's website and the TSE's website in accordance with laws and regulations and the Company's Articles of Incorporation, and are not included in the delivered documents for shareholders who have requested delivery of the document.

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

The Company's Website:

https://www.lixil.com/en/investor/ir_event/meeting.html

The TSE's Website:

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

The Audit Committee and the Accounting Auditor have audited the documents to be audited, including the above.

Securities Code: 5938

LIXIL Corporation

The following is an English translation of the Report for the 82nd Fiscal Year (the "Report") [as Attachment to the Notice of Convocation of the 82nd Annual Shareholders' Meeting of LIXIL Corporation (the "Company")]. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. If there is any discrepancy between the Japanese version and the English translation, the Japanese version shall prevail.

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

(1) Business developments and their results

This consolidated Fiscal Year, Japan's domestic economy entered a moderate growth phase after strict restrictions on movement were eased following the downgrading of COVID-19 to a Class 5 infectious disease, which paved the way for a return to the normalization of social and economic activity such as a recovery in consumer demand and higher inbound tourist demand. However, Japan's economy still risks being held back by the continuing increase in overall prices, global monetary tightening, and the sharply weaker yen caused by factors such as the expanding interest rate differential between Japan and the United States. As for residential investment, downward trends in number of owned properties and condominiums for sale has been unstoppable due to concerns about rising home loan interest rates, the effect of continuing high prices for construction materials, and the like, and the number of new housing starts are weakening, and consequently the outlook remains unclear. On the other hand, the use of subsidies under the government-led major housing energy support measure of "advanced window renovation business" has created large-scale demand in the window renovation market, particularly for insulation products. This policy will continue in the next fiscal year on an even larger scale.

The global economy continues to stagnate as a consequence of factors such as the protracted conflict between Russia and Ukraine, instability in the Middle East, geopolitical risk such as U.S.-China relations, sustained global monetary tightening to control inflation, stagnation of the real estate market, and concerns over the Chinese economy from lower consumer confidence. The interest rate situation in the U.S. and Europe remains high despite a recent pause, but most recently some expect interest rates to fall, which would greatly impact consumer sentiment, meaning it will be necessary to continue closely observing the situation.

In this context, the revenue of the Company and its consolidated subsidiaries (the "Group") in this consolidated Fiscal Year decreased to 1,483,224 million yen (down 0.9% on year), with the significant impact of continuous decline in new housing starts weighing on the domestic business despite increased revenue from renovation products centering on insulated windows that were subject to government subsidies, and factors in the overseas business such as a significant fall in demand due to higher interest rates in mainly Europe and the U.S. and sustained inflation. Earnings were also down, with continued efforts to execute structural reforms and sales price competitiveness as well as improved profitability policies both domestically and overseas being unable to cover the impact of revenue decrease due to weakening demand and market slowdown in the overseas business in particular, in addition to increased costs from continued high raw material, energy, and component prices. Core earnings decreased to 23,162 million yen (down 10.0% on year). Operating profit fell to 16,351 million yen (down 34.3% on year) due to increased other costs from the implementation of structural reforms, and profit before tax from continuing operations decreased to 6,664 million yen (down 66.3% on year) on an increase in financial expenses and the like arising from higher interest rates.

As well as an increase in corporate income tax expenses due to a temporary deterioration in profitability, a current loss was recorded from the discontinued operation of Permasteelisa S.p.A., previously a consolidated subsidiary, for which the sale was completed in September 2020.

As a result, loss for this Fiscal Year attributable to the owners of the parent (net of non-controlling interests), was 13,908 million yen (15,991 million yen profit attributable to the owners of the parent in FYE2023).

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

Results in This Consolidated Fiscal Year

Revenue	Core earnings	Loss for the year attributable to owners of the parent
1,483,224 million yen	23,162 million yen	(13,908) million yen

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

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

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

Water Technology Business

Principal business

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

In the Water Technology Business, which mainly handles plumbing products, the domestic business secured revenue that was slightly higher than the previous Fiscal Year because, while still suffering from the impact of lower housing construction demand, the businesses benefited from the manifestation of price revision effects for which efforts had been made to date, while sales of renovation-related products remained strong. By contrast, revenue in the overseas business declined compared with the previous Fiscal Year owing to continued high interest rates in Europe and the United States and a significant fall in housing-related investment demand due to sustained high inflation, despite the foreign currency exchange effect from depreciation of the Japanese yen.

As a result, revenue in the Water Technology Business decreased to 896,924 million yen (down 2.0% on year).

Despite both the domestic and overseas business working to secure gross profits through price revision effects and reduce SG&A expenses, this was insufficient to cover the effect of lower sales and fixed expenses, with core earnings falling sharply to 22,717 million yen (down 51.9% on year).



SATIS (Tank-less toilets)



Lidea (Bathroom)



Noct (Kitchen)

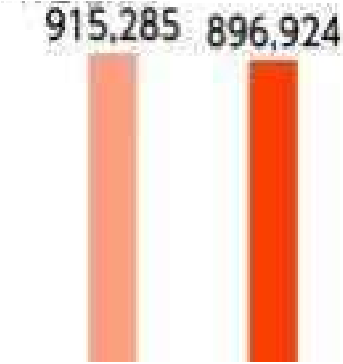


GROHE Everstream (Recycle shower system)

Revenue

896,924 million yen

(unit: million yen)



FYE2023 Consolidated Fiscal Year FYE2024 Consolidated Fiscal Year

Core earnings

22,717 million yen

(unit: million yen)



FYE2023 Consolidated Fiscal Year FYE2024 Consolidated Fiscal Year

Housing Technology Business

Principal business

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

In the Housing Technology Business, which primarily develops housing construction material products domestically, revenue decreased slightly to 596,448 million yen (down 0.3% on year), due to the significant impact of a decline in new housing construction demand like with the Water Technology Business, despite substantial sales growth of renovation products centering on insulated windows from stimulated demand for renovations for the purpose of increasing housing performance and comfort, and environmental conservation, amid the background of the government policy of introducing large-scale subsidies, in addition to the manifestation of price revision effects for which efforts had been made to date.

Meanwhile, core earnings grew sharply to 35,887 million yen (up 85.4% on year), helped by steady progress in improved profitability due to sales growth for renovation-related products, securing gross profits through price revisions, and productivity improvement measures such as "Asset-Light" at production sites, despite the effect of higher costs from protracted high materials and energy prices.



Reform entrance door "Rechent High-size model"



Inplus (Interior window)

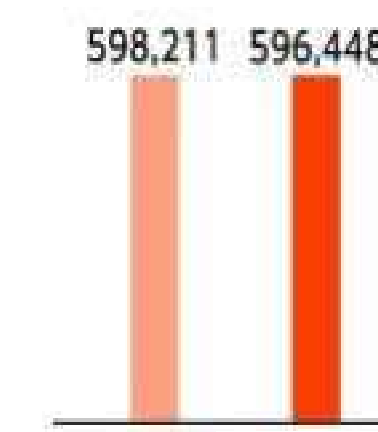


Laboratory of TAISEI CORPORATION using "PremiAL R70" for construction material (perspective drawing)

Revenue

596,448 million yen

(unit: million yen)

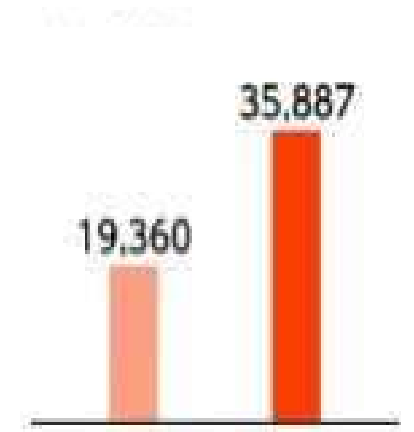


FYE2023 Consolidated Fiscal Year FYE2024 Consolidated Fiscal Year

Core earnings

35,887 million yen

(unit: million yen)



FYE2023 Consolidated Fiscal Year FYE2024 Consolidated Fiscal Year

Revenue and core earnings by business

Business Category	FYE2023 Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)		FYE2024 Consolidated Fiscal Year (April 1, 2023 to March 31, 2024)		Year-on-year increase/decrease	
	Revenue (million yen)	Core Earnings (million yen)	Revenue (million yen)	Core Earnings (million yen)	Revenue (%)	Core Earnings (%)
Water Technology Business	915,285	47,259	896,924	22,717	(2.0)	(51.9)
Housing Technology Business	598,211	19,360	596,448	35,887	(0.3)	85.4
Deletion or Common throughout Company	(17,509)	(40,874)	(10,148)	(35,442)	-	-
Total	1,495,987	25,745	1,483,224	23,162	(0.9)	(10.0)

Note: Operations categorized as discontinued operations are not included.

(2) Status of Capital Investment

The amount of capital investment (including right of use assets) for this consolidated Fiscal Year is 60,955 million yen. Most of the amount was for investment in new product development and for streamlining and investment in facilities update and maintenance.

(3) Status of Financial Arrangements

In this consolidated Fiscal Year, 140,100 million yen was procured through long term loans, to be applied to refinancing funds.

(4) Transfer of Business, Absorption-Type Company Split, or Incorporation-Type Company Split

In this consolidated Fiscal Year, the Company's consolidated subsidiary LIXIL REALTY, Corp. transferred its asset securitization business (real estate purchase and resale business), to Tosei-R Inc., a subsidiary of Tosei Corporation, in the form of an absorption-type company split dated September 1, 2023.

(5) Succession of Rights and Obligations from the Business of another Corporation due to Absorption-Type Merger or Absorption-Type Company Split

In this consolidated Fiscal Year, the Company conducted an absorption-type merger with wholly-owned subsidiary LIXIL Window Products Inc. on March 1, 2024, with the Company as the surviving company.

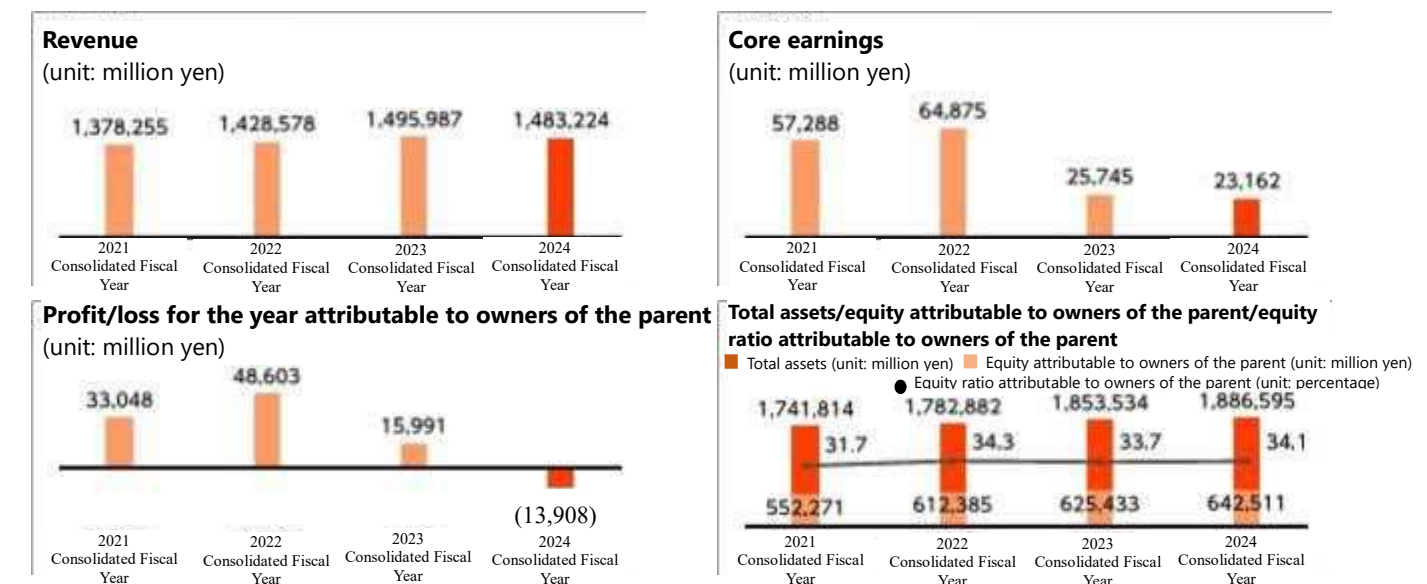
(6) Acquisition or Disposal of Shares, other Equity, or Share Options, etc. in Other Company

In this consolidated Fiscal Year, the Company transferred all its shares in its consolidated subsidiary Sonitech Corporation on December 1, 2023 to Sky Holdings K.K., a special purpose company which is wholly owned by NMC No.4 Investment Limited Partnership and for which Nippon Mirai Capital Co., Ltd. provides investment support services.

(7) Changes in Status of Assets and Income/Losses

Category	FYE2021 Consolidated Fiscal Year (April 1, 2020 to March 31, 2021)	FYE2022 Consolidated Fiscal Year (April 1, 2021 to March 31, 2022)	FYE2023 Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)	FYE2024 Consolidated Fiscal Year (April 1, 2023 to March 31, 2024)
Revenue (million yen)	1,378,255	1,428,578	1,495,987	1,483,224
Core earnings (million yen)	57,288	64,875	25,745	23,162
Operating profit (million yen)	35,842	69,471	24,903	16,351
Profit/Loss for the year attributable to owners of the parent (million yen)	33,048	48,603	15,991	(13,908)
Basic profit/loss per share (yen)	113.92	167.21	55.54	(48.43)
Total assets (million yen)	1,741,814	1,782,882	1,853,534	1,886,595
Equity attributable to owners of the parent (million yen)	552,271	612,385	625,433	642,511
Equity attributable to owners of the parent per share (yen)	1,902.89	2,106.30	2,178.77	2,237.53
Equity ratio attributable to owners of the parent (%)	31.7	34.3	33.7	34.1

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



(8) Issues to be addressed

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

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



[Five strategic initiative areas in the evolved "LIXIL Playbook"]

1. Tackle inflation and supply chain challenges

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

2. Optimize Japan and drive new growth

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

3. Grow global Water Technology Business

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

4. Embed robust environment strategy

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

5. Develop new core

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

[Impact Strategy]

The Group believes that we can have a positive impact on a rapidly changing world through our corporate purpose, which is to “Make Better Homes a Reality for Everyone, Everywhere.” In order to realize this, the Company’s impact strategy has established three core pillars, “Global Sanitation & Hygiene,” “Water Conservation & Environmental Sustainability,” and “Diversity & Inclusion,” that are highly pressing global social issues and areas where it can drive positive impact through its business. The Group leverages its expertise and business scale to better promote initiatives while collaborating with various stakeholders, and measuring progress. Through promoting the Impact Strategy, we aim improvement of our profits, enhancement of our brand equity, and long-term value creation.

Looking ahead to the next Fiscal Year, although we expect the economic environment to continue to recover both domestically and overseas, we expect the outlook to remain unclear based on factors such as the global instability caused by geopolitical risks such as international conflicts and the U.S. presidential election, the downturn in the real estate market, inflation, and interest rates.

Amid this challenging business environment, the Group has continued to take proactive measures based on the strategic initiatives outlined in “LIXIL Playbook” that lays out the basic direction for the management of the Group. These include the urgent issue of continued structural reform to recover profitability in the overseas business, as well as optimization of personnel distribution particularly in Europe and the U.S., further review of the business portfolio such as reorganization of unprofitable businesses, and supply chain reorganization. We believe the outcome of these initiatives will undoubtedly contribute to improved profitability from next fiscal year onwards.

The Group is also seeking to expand differentiated products and create social and environmental impact in order to improve earnings and achieve sustained growth. To date, the Group has continued initiatives for flexible and entrepreneurial organizational reform, and will continue to promote innovation through the acceleration of digitalization and development of an inclusive corporate culture, ensuring new growth opportunities.

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

(9) Principal business

The Group is pursuing its purpose, “Make Better Homes a Reality for Everyone, Everywhere” through business activities, and is developing business activities such as the Water Technology Business and Housing Technology Business as the main businesses as well as other related services. The principal products and goods, etc. of both businesses are as follows respectively:

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

(10) Status of significant subsidiaries

Company Name	Capital	Voting rights ownership of the Company (%)	Principal Business
LIXIL Total Service Corporation	100 million yen	100	Sales of plumbing facilities and metal building materials
LIXIL Total Hanbai Corporation	75 million yen	100	Sales of metal building materials
LIXIL Europe S.à r.l.	57,143 thousand EUR	100	Manufacturing and sales of plumbing facilities
ASD Holding Corp.	412,962 thousand USD	100	Manufacturing and sales of plumbing facilities
LIXIL Vietnam Corporation	743,386 million VND	100	Manufacturing and sales of plumbing facilities
TOSTEM THAI Co., Ltd.	2,767 million THB	100	Manufacturing and sales of metal building materials
LIXIL INTERNATIONAL Pte. Ltd.	274,417 thousand USD	100	Intermediate holding company for overseas subsidiaries in Asia
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.	40,700 thousand USD	100	Manufacturing and sales of metal building materials and housing tiles
LIXIL Manufacturing (Dalian) Corporation	43,500 thousand USD	100	Manufacturing and sales of wood interior building materials

Notes:

1. Voting rights ownership includes indirect ownership by the Company's subsidiaries.
2. There are 137 consolidated subsidiaries of the Company.
3. Based on a resolution at the Board of Executive Officers' Meeting held on February 22, 2024, a decision was made to dissolve Decorative Panels International, Inc., a consolidated subsidiary of the Company owned by ASD Holding Corp.

(11) Principal hubs, etc.

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

(12) Status of employees

Business Category	Number of Employees	Comparison (increase/decrease) with end of previous consolidated Fiscal Year
Water Technology Business	29,108	1,805 decrease
Housing Technology Business	19,004	295 decrease
Sector common throughout the Company	1,198	91 decrease
Total	49,310	2,191 decrease

Notes:

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

(13) Status of principal lenders

Lender	Outstanding Loan Amount
	(million yen)
Sumitomo Mitsui Banking Corporation	114,829
MUFG Bank, Ltd.	103,267
Development Bank of Japan Inc.	60,000
Mizuho Bank, Ltd.	51,468
Sumitomo Mitsui Trust Bank, Limited	30,500

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

The Company has decided to revise its dividend policy following change effective from its interim dividend next consolidated fiscal year to reflect the Company's real circumstances and to make it easier to understand for stakeholders.

(Before change)

The Company's basic policy on shareholder returns is to maintain a consolidated dividend payout ratio of 30% or more, and to return profits to shareholders in a stable manner, taking into consideration financial condition and profit level. In light of its management direction and the progress in strengthening its balance sheet, the company will appropriately consider flexible share buybacks from the perspectives of improving capital efficiency and strengthening shareholder returns.

(After change)

The Company policy on profit allocation is to make decisions based on a comprehensive assessment of all management factors, including periodic earnings, cash flows, retained earnings, and financial strength. With regard to retained earnings, the Company will prioritize investments for growth, such as capital investments (including new product development, rationalization, and IT investments) to strengthen its competitiveness, in addition to strengthening its financial position, taking into consideration the cash flow situation at that point in time. The Company policy on shareholder returns is to pay stable dividends to shareholders over the long term, and to determine the amount of annual dividends based on the medium-term EBITDA level, as well as to buy back shares in a flexible manner.

(Note: EBITDA determined as being stably and continuously achievable: core earnings + depreciation (rectification of recorded amount of depreciation and amortization accompanying cash outflows based on the application of lease accounting pursuant to IFRS).)

With regard to this consolidated Fiscal Year, the year-end cash dividend per share is 45 yen (90 yen for the year, including the midterm cash dividend) as determined based on the dividend policy prior to change.

2. Matters regarding the current state of the Company

(1) Matters regarding stock

(i) Total number of authorized shares:	1,300,000,000 shares
(ii) Total number of issued shares:	287,152,467 shares (excluding 59,323 shares of treasury share)
(iii) Number of shares in 1 unit:	100 shares
(iv) Capital stock:	68,530,342,826 yen
(v) Total number of shareholders:	171,399
(vi) Top 10 shareholders:	

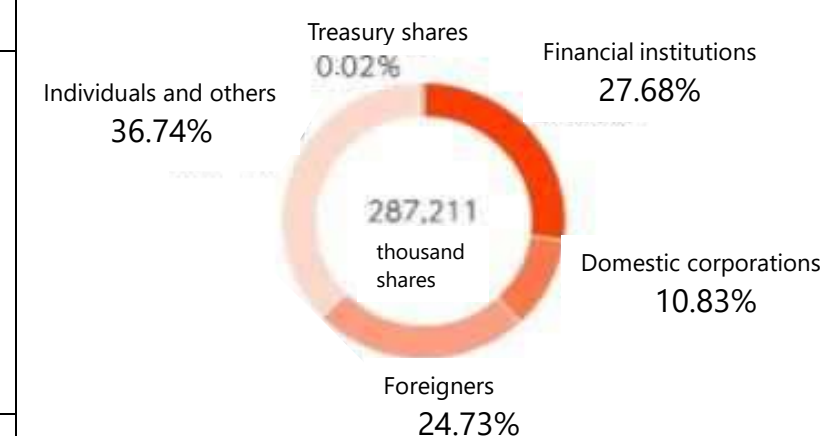
Shareholder Name	Number of shares held (thousand shares)	Ratio of shareholdings
The Master Trust Bank of Japan, Ltd. (Trust Account)	*48,512	16.89%
SSBTC CLIENT OMNIBUS ACCOUNT (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited-Tokyo Branch)	14,887	5.18%
Custody Bank of Japan, Ltd. (Trust Account)	*12,687	4.42%
LIXIL Employee Stock Ownership	7,463	2.60%
JPMorgan Securities Japan Co., Ltd.	6,757	2.35%
NORTHERN TRUST CO.(AVFC) SUB A/C AMERICAN CLIENTS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited-Tokyo Branch)	5,364	1.87%
Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	3,824	1.33%
JP MORGAN CHASE BANK 385781 (Standing Proxy: Mizuho Bank Ltd.-Settlement Sales Department)	3,620	1.26%
STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing Proxy: Mizuho Bank, Ltd.-Settlement Sales Department)	3,248	1.13%
LIXIL Customer Holding Association	3,056	1.06%

Notes:

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

(vii) Distribution of shares by shareholder:

Type	Number of shares held (thousand shares)	Ratio of shareholdings
Financial institutions	79,492	27.68%
Domestic corporations	31,116	10.83%
Foreign investors	71,029	24.73%
Individuals and others	105,514	36.74%
Treasury share	59	0.02%
Total	287,211	100.00%



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

(viii) Status of shares provided to the officers of the Company in consideration of their duties during the Fiscal Year ended March 2024:

The Company resolved to implement restricted stock compensation plan from April 2023 in order to encourage Executive Officers to deepen interest sharing with shareholders during their term of duties and to work to create corporate value from medium- to long-term at the Compensation Committee held on February 16, 2023.

Issuance of new shares as restricted stock compensation

At the Board of Directors' Meeting held on April 28, 2023, the Company resolved to issue new shares as restricted stock compensation and issued 102,131 shares of Common stock of the Company on May 16, 2023. The number of restricted stock allocated to the Company's officers is as follows:

Position Segment	Number of Shares	Number of Allocated Officers
Executive Officers*	102,131 shares	7 persons

Notes:

- The asterisk (*) includes Executive Officers concurrently serving as Directors, and excludes non-residents of Japan.
- The content of the Company's restricted stock compensation plan is described in "2. Matters regarding the current state of the Company (2) Matters regarding company Directors and Executive Officers (3) Compensation Committee policies regarding the decision on the calculation method of the compensation for Directors and Executive Officers."

(ix) Other material matter regarding shares:

Issuance of new shares as restricted stock compensation

At the Board of Directors' Meeting held on April 30, 2024, the Company resolved to conduct the issuance of new shares as restricted stock compensation as follows.

Payment date	May 15, 2024
Class and number of shares to be issued	Common stock of the Company, 128,670 shares
Issuance price	1,923 yen per share
Total issuance price	247,432,410 yen
Planned allottees	*Seven Executive Officers of the Company; 128,670 shares
Other	Regarding the issuance of new shares, an extraordinary report has been submitted pursuant to the Financial Instruments and Exchange Act.

Note: The asterisk (*) includes Executive Officers concurrently serving as Directors, and excludes non-residents of Japan.

(2) Matters regarding company Directors and Executive Officers

(1) Status of Directors (as of March 31, 2024)

Position	Name	Area of Responsibility	Status of Important Concurrently-held Positions
Director	Kinya Seto		
Director	Sachio Matsumoto		
Director	Hwa Jin Song Montesano		Outside Director, Yamaha Motor Co., Ltd.
Director	Jun Aoki	Nomination Committee Member, Compensation Committee Member and Governance Committee Member	Representative Director, JunpuManpan Inc. Outside Director, FIDEA Holdings Co., Ltd.
Director	Shigeki Ishizuka	Audit Committee Member and Governance Committee Member	Outside Director, Marubeni Corporation
Director	Shiho Konno	Audit Committee Member and Governance Committee Member	Attorney-at-law, Shiho Konno Habataki Law Office Outside Director, Monex Group, Inc.
Director	Mayumi Tamura	Audit Committee Member and Governance Committee Member	Outside Director, Shimizu Corporation Outside Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd.
Director	Yuji Nishiura	Nomination Committee Member (Chairperson), Compensation Committee Member and Governance Committee Member	
Director	Daisuke Hamaguchi	Audit Committee Member (Chairperson) and Governance Committee Member	
Director, Chairperson of the Board	Masatoshi Matsuzaki	Governance Committee Member (Chairperson) and Nomination Committee Member	Outside Director, Ushio Inc. External Audit & Supervisory Board Member, Lion Corporation
Director	Mariko Watahiki	Compensation Committee Member (Chairperson), Nomination Committee Member and Governance Committee Member	Attorney-at-law, Okamura Law Office

Notes:

1. Directors Kinya Seto, Sachio Matsumoto and Hwa Jin Song Montesano concurrently hold the positions of Executive Officers. Sachio Matsumoto retired as Executive Officer and Executive Vice President (Representative Executive Officer) due to expiration of term on March 31, 2024.
2. Directors Jun Aoki, Shigeki Ishizuka, Shiho Konno, Mayumi Tamura, Yuji Nishiura, Daisuke Hamaguchi, Masatoshi Matsuzaki and Mariko Watahiki are Outside Directors as prescribed in Article 2(xv) of the Companies Act. In addition, Directors Jun Aoki, Shigeki Ishizuka, Shiho Konno, Mayumi Tamura, Yuji Nishiura, Daisuke Hamaguchi, Masatoshi Matsuzaki, and Mariko Watahiki have been designated as independent officers based on the provisions of each stock exchange in Japan that the Company is listed, and each stock exchange has been notified.
3. Mayumi Tamura, who is a member of the Audit Committee, has served as the chief financial officer (CFO) of multiple companies, including global companies. She has considerable knowledge regarding financial, accounting and tax affairs.
4. All members of the Audit Committee are outside directors (part-time) to improve its independence, transparency and fairness, and the Company maintains close collaboration between the Company's and the Company's subsidiaries' internal audit departments and subsidiaries' Company Auditors and accounting auditors, etc. through the guidance of the Audit Committee, and conducts audits to increase efficiency and effectiveness. The Company has also established an Audit Committee Secretariat to support the activities of the Audit Committee.
5. Masatoshi Matsuzaki retired as an Outside Director of Ichigo Inc. on May 28, 2023.
6. Jun Aoki was appointed to the office of Outside Director of FIDEA Holdings Co., Ltd. on June 23, 2023.
7. Yuji Nishiura retired as an Outside Director of SQUARE ENIX HOLDINGS CO., LTD. on June 23, 2023.
8. Kinya Seto changed his director's position from Director and Chairman to Director of MonotaRO Co., Ltd. on January 1, 2024 and retired as a Director of MonotaRO Co., Ltd. on March 24, 2024.

(2) Status of Executive Officers (as of March 31, 2024)

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

Notes:

1. Based on the Board of Directors' Meeting resolution passed on March 31, 2023, Kinya Seto, Sachio Matsumoto and Hwa Jin Song Montesano were appointed as Representative Executive Officers and assumed the position as of April 1, 2023. In addition, based on the same Board of Directors' Meeting resolution, Kinya Seto was appointed as Executive Officer and President and assumed the position as of April 1, 2023.
2. Sachio Matsumoto retired as Executive Officer and Executive Vice President (Representative Executive Officer) due to expiration of term on March 31, 2024.

[Reference] Status of Executive Officers (as of April 1, 2024)

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

Note:

1. Based on the Board of Directors' Meeting resolution passed on March 31, 2024, Kinya Seto and Hwa Jin Song Montesano were appointed as Representative Executive Officers and assumed the position as of April 1, 2024. Based on the same Board of Directors' Meeting resolution, Kinya Seto was appointed as Executive Officer and President and assumed the position as of April 1, 2024.
2. Mariko Fujita was appointed as Executive Officer and Executive Vice President and assumed the position on April 1, 2024.

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

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

(a) Duties of the Compensation Committee

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

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

(b) Compensation Committee members in the Fiscal Year ended March 2024

From the Annual Shareholders' Meeting in 2023 to the Annual Shareholders' Meeting in 2024, the Compensation Committee comprises four (3) members appointed from among Directors by a resolution of the Board of Directors' Meeting following the Annual Shareholders' Meeting in 2023. All members are Outside Directors.

Chairperson: Mariko Watahiki

Members: Jun Aoki, Yuji Nishiura

(c) Number of Compensation Committee meetings held and attendance rate in the Fiscal Year ended March 2024

Meetings of the Compensation Committee were held fourteen (14) times in the Fiscal Year ended March 2024. The attendance rate of all members appointed by a resolution of the Board of Directors' Meeting following the Annual Shareholders' Meeting in 2023 is 100%. Two (2) members (Mariko Watahiki, Yuji Nishiura), who have been members of the Compensation Committee since before the Board of Directors' Meeting following the Annual Shareholders' Meeting in 2023, attended all fourteen (14) Compensation Committee meetings, and one (1) member (Jun Aoki), who became a member after that Board of Directors' Meeting, attended all ten (10) Compensation Committee meetings held after that Board of Directors' Meeting.

(d) Policy for determining individual Compensation for Directors and Executive Officers for the Fiscal Year ended March 2024

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

(e) Reasons the Compensation Committee determines that the individual Compensation of Directors and Executive Officers for the Fiscal Year ended March 2024 is in line with the compensation determination policy for the Fiscal Year ended March 2024

As for the determination of the target amount and calculation of the payment amount regarding the individual Compensation for the Company's Fiscal Year ended March 2024, since the Compensation Committee has decided based on its deliberations and objective and transparent procedures in accordance with the policy described in (d) above, the Compensation Committee has determined that the individual Compensation is in line with the compensation determination policy.

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

The Compensation Committee deliberated, resolved and so on as shown in the following table, while maintaining the general framework of the compensation structure and the compensation system.

Month and year	Main contents
June 2023	<ul style="list-style-type: none"> • Resolved on the determination policy for Compensation for Directors, as well as individual compensation for FYE2024
July to October	<ul style="list-style-type: none"> • Discussed issues in the overall executive compensation system and formulated an annual plan for the Compensation Committee • Deliberated on revisions to the executive compensation system from FYE2025 onwards
November to January 2024	<ul style="list-style-type: none"> • Discussed the Executive Officer compensation system, compensation levels and compensation mix based on objective indexes and advice of external specialized agencies • Interviewed the CEO regarding the Company's management and the expected role and assessment, etc. of each Executive Officer • Deliberated on the determination policy for Executive Officer Compensation, and individual Executive Officer compensation for FYE2025
February to March	<ul style="list-style-type: none"> • Resolved on the determination policy for Executive Officer Compensation, and individual Executive Officer compensation for FYE2025
April	<ul style="list-style-type: none"> • Deliberated on the estimated payment amount of, and whether to adjust the calculation method for, performance-linked compensation for FYE2024 • Deliberated on the determination policy for Compensation for Directors for FYE2025 • Resolved on the amount of monetary compensation claims for allotment of shares as the Restricted Stock Compensation
May	<ul style="list-style-type: none"> • Resolved on the payment amount of performance-linked compensation for FYE2024 • Deliberated on the specific figures of business target items for performance-linked compensation for FYE2025 • Confirmed handover matters to the Compensation Committee after the Shareholders' Meeting

[Compensation basic policies]

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

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

[Compensation structure]

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

[Compensation system for Directors]

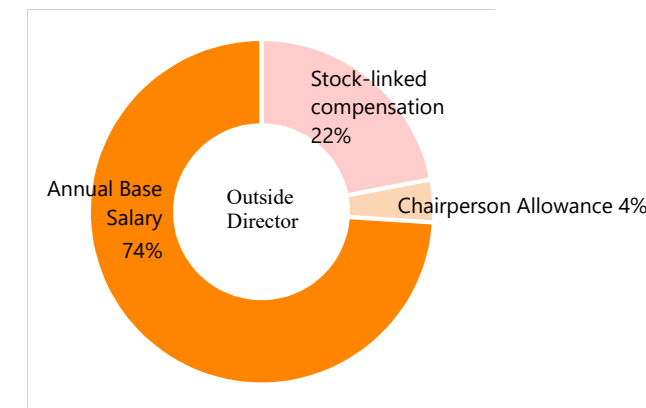
The compensation system for Directors consists of annual base salary and stock-linked compensation as they are required to act to contribute to increase the sustainable corporate value while they are monitoring and supervising the management during their statutory terms. In the event that an Outside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

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

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

[Compensation mix of Directors]

The chart below shows the median compensation of Outside Directors for the Fiscal Year ended March 2024. Stock-linked compensation is indicated for a ratio based on the base amount.



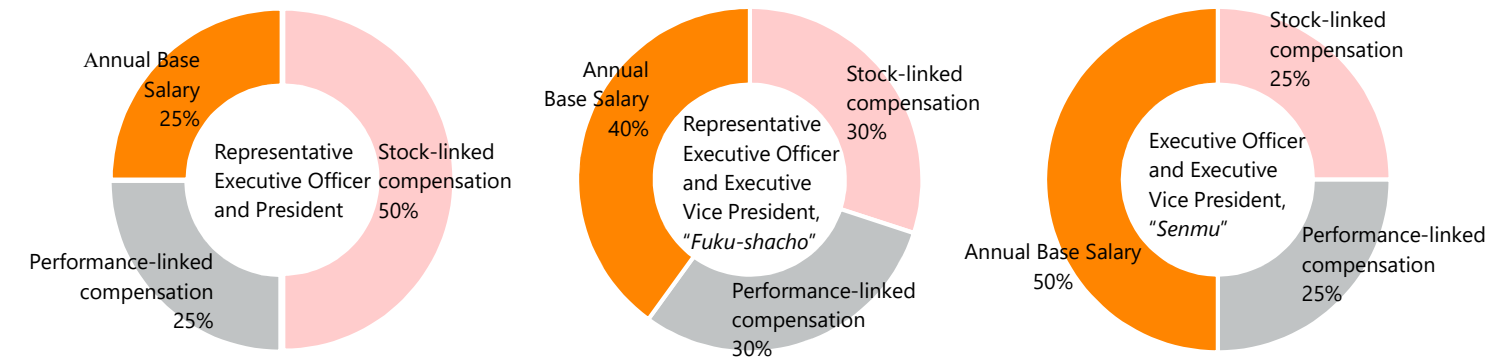
[Compensation system for Executive Officers]

The compensation system for Executive Officers consists of annual base salary, performance-linked compensation and stock-linked compensation, based on the policy of retaining talented human resources that are essential for accelerating business growth, rewarding Executive Officers fairly and equitably in accordance with their performance and properly reflecting the trust and evaluation of shareholders and other stakeholders in the compensation. If an Executive Officer performs duties at a location other than their country of nationality or in other cases deemed necessary for the execution of business, the Company may bear the costs and expenses set by the Company separately as allowance, taking into consideration the laws, practices, and standards, etc. relating to compensation in the relevant country.

The determination policy for the timing and conditions for granting and paying of annual base salary, performance-linked compensation, stock-linked compensation and various allowances for Executive Officers are set out in “Annual base salary,” “Performance-linked compensation,” “Stock-linked compensation I: Phantom Stock Plan,” “Stock-linked compensation II: Restricted Stock Compensation Plan” and “Various allowances” of this Report.

[Compensation mix of Executive Officers]

The chart below shows compensation mix of Executive Officers for the Fiscal Year ended March 2024. The compensation for Executive Officer and Executive Vice President (*Senmu*) below is the median value. Performance-linked compensation and stock-linked compensation are indicated for ratios based on the base amount.



[Annual base salary]

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

Annual base salary of Executive Officers shall be determined individually, based on role and responsibility, business performance, experience and difficulty of securing personnel, etc. of each Executive Officer, while referring to the compensation levels of domestic and foreign companies as reference information in line with the purpose of "Compensation basic policies" of this Report.

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

[Performance-linked compensation]

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

There is no performance-linked compensation in the compensation system for non-executive Directors.

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

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

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

Business target items for the Fiscal Year ended March 2024 are return on invested capital ("ROIC"), which is a capital efficiency improvement indicator that is one of the important management goals, core earnings which is a business management indicator, and profit attributable to the owner of the parent company ("Net Profit").

Business target items	Ratio versus all business targets	Target figure	Actual figure	Business target achievement rate (Actual figure/target figure×100)	Business target achievement rate × each business target item as a ratio of all business targets
ROIC	40%	1.6%	0.9%	56.25%	22.50%
Core earnings	30%	40,000 million yen	23,162 million yen	57.91%	17.37%
Net Profit	30%	11,000 million yen	(13,908) million yen	(126.44) %	(37.93) %
Business target achievement rate of all items	-	-	-	-	1.94%

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

ROIC and core earnings were calculated as follow.

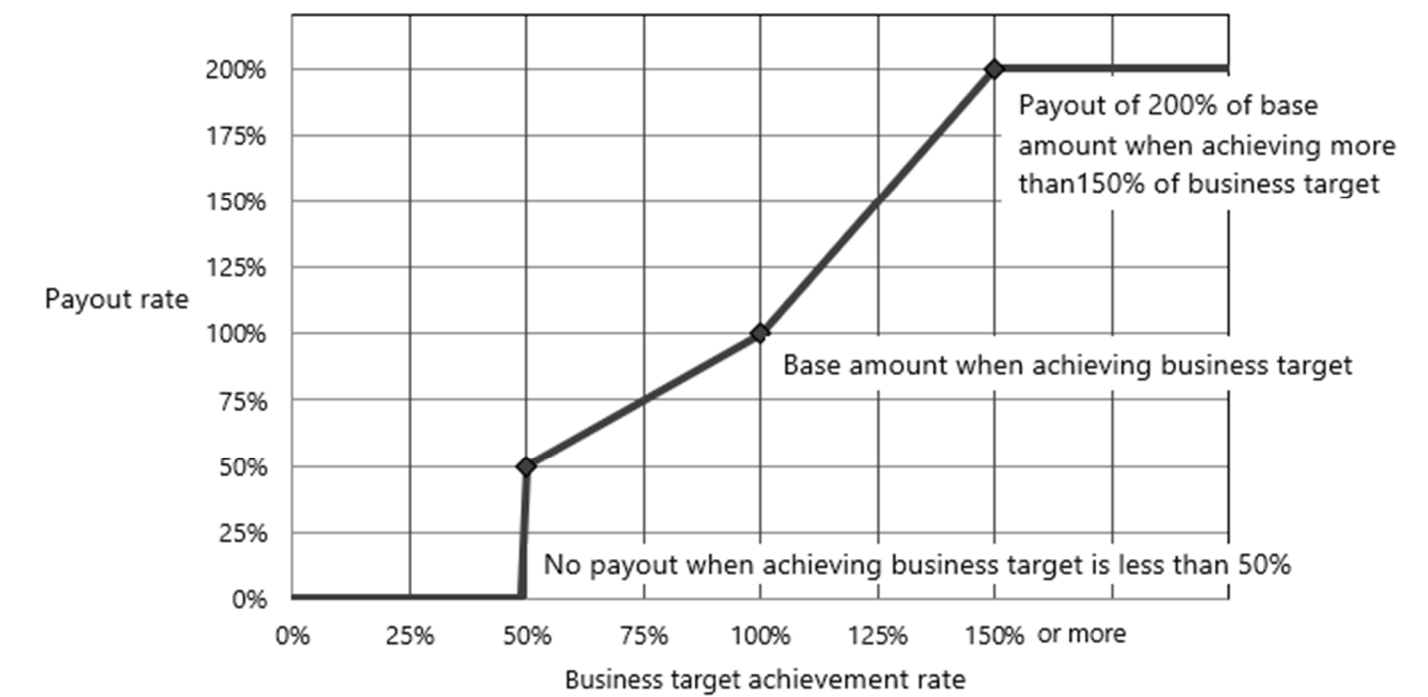
ROIC = operating profit × (1 – effective tax rate) ÷ (operating receivables and other receivables + inventory + fixed assets (including goodwill and intangibles) – operating liabilities and other liabilities)

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

(e) The relationship between Business target achievement rate and payout rate

The payout rate shall be set as follows, which is designed comprehensively considering the difficulty of the achievement of business goals and the effect of motivation, in accordance with the business target achievement rate for all items calculated in (d) above. The payout rate based on the achievement level for the Fiscal Year ended March 2024 is 0%. The calculations in (d) and (e) above shall be rounded off to the first decimal place at the time of calculation of the payout rate, which is the final step in the calculation.

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



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

[Stock-linked compensation]

The Company has been applying stock-linked compensation in order to encourage Directors and Executive Officers to deepen their shared interests with shareholders and work to create corporate value over medium- to long-term. Stock-linked compensation consists of the Phantom Stock Plan, which is a stock-linked monetary compensation plan applied for Directors and Executive Officers from the Fiscal Year ended March 2020, and the Restricted Stock Compensation Plan, which is applied for Executive Officers from the Fiscal Year ended March 2024. The ratio of the Phantom Stock Plan and the Restricted Stock Compensation Plan for Executive Officers is, in principle, 50% for each.

[Stock-linked compensation I: Phantom Stock Plan]

The Phantom Stock Plan is in the form of monetary compensation, but it is a mechanism for the compensation amount to increase or decrease in accordance with changes in the Company's stock price and it encourages Directors and Executive Officers to act with awareness of the impact on the Company's stock price, and is thus substantially similar to a restricted stock compensation system, etc. The numbers of shares of the Company and Phantom Stock ("PS") owned by each officer are posted on the Company's website.

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

- (b) Number of PS
The number of PS granted to Outside Directors shall be the number calculated by dividing the base amount, which is set based on the role and responsibility of Outside Director in line with the purpose of "Compensation basic policies" of this Report, by the average closing price of the Company's stock for the 30 business days preceding the grant date. The number of PS granted to each Executive Officer shall be the number calculated by dividing the base amount, which is calculated by multiplying the annual base salary by the coefficient that is set individually according to the role and responsibility, business performance, experience and difficulty of securing personnel, etc. of each Executive Officer in line with the purpose of "Compensation basic policies" of this Report, by the average closing price of the Company's stock for the 30 business days preceding the grant date. The average closing price of the Company's stock over the 30 business days prior to the grant date shall be rounded up to the nearest yen.
The share prices at the time of granting under this plan pertaining to the Fiscal Year ended March 2024 and subsequent accounting period are 3,075 yen for the grants to Executive Officers on April 1, 2021, 2,397 yen for the grants to Executive Officers on April 1, 2022, 2,501 yen for the grants to Directors on June 21, 2022, 2,204 yen for the grants to Executive Officers on April 1, 2023, 1,905 yen for the grants to Directors on June 21, 2023, and 1,923 yen for the grants to Executive Officers on April 1, 2024.
The number of shares granted in the Fiscal Year ended March 2024 was, based on base amount, 100% of the annual base salary for the Representative Executive Officer and President, 37.5% of the annual base salary for the Representative Executive Officer and Executive Vice President (*Fuku-shacho*) and 25% of the annual base salary for Executive Officer and Executive Vice Presidents (*Senmu*) (median value). As of April 1, 2024, the cumulative number of PS held was 226,017 for the Representative Executive Officer and President.
- (c) The period from the grant date to the vesting date of PS (the "Holding Period")
The Holding Period for Directors shall be set at one (1) year in line with the statutory term of office, considering their role in enhancing corporate value and in monitoring and supervising management. The Holding Period for Executive Officers shall be set at three (3) years, from the perspective of their role in enhancing sustainable corporate value and retention for medium- to long-term management. Officers do not have voting rights or other shareholder rights (including, but not limited to, the right to receive dividends from surplus) at the Company's Shareholders' Meeting during the Holding Period of PS. Officers shall not assign, provide as security or otherwise dispose of all or part of this right to a third party, nor have a third party succeed to this right from the grant date to the vesting date, excluding, however, succession by an heir following the death of an officer.
- (d) Vesting date
Upon the expiration of the Holding Period of PS, all PS held by an officer shall be confirmed and paid in by the Company. In the event that an officer leaves the Company due to grounds not attributable to the officer (including retirement age and death) or leaves as a result of a merger in which the Company is dissolved or acquisition of the Company by a third company, all PS held by such officer shall be confirmed and paid at the time of leaving office.

(e) Vesting amount

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

The share prices at the time of vesting under this plan pertaining to the Fiscal Year ended March 2024 and subsequent accounting period are 2,204 yen for the vesting for Executive Officers on April 1, 2023, 1,905 yen for the vesting for Directors on June 21, 2023, and 1,923 yen for the vesting for Executive Officers on April 1, 2024.

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

Executive Officers subject to Restricted Stock Compensation Plan include Executive Officers who concurrently serve as Directors and exclude non-residents of Japan. For non-residents of Japan, the Phantom Stock Plan set out in "Stock-linked compensation I: Phantom Stock Plan" of this Report shall be applied.

(a) Allotment date

In principle, the Company allots shares to Executive Officers within two months of the first day of each Fiscal Year. The allotment date for the Fiscal Year ended March 2024 is May 16, 2023, and for the Fiscal Year ending March 2025 is May 15, 2024.

(b) Number of shares allotted

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

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

However, if the Board of Directors determines that there is a concern that the average price would be particularly favorable to Executive Officers, the closing price of the Company's stock on the business day prior to the day on which the Board of Directors resolves to issue new shares shall apply.

The number of shares allotted in the Fiscal Year ended March 2024 was, based on base amount, 100% of the annual base salary for the Representative Executive Officer and President, 37.5% of the annual base salary for the Representative Executive Officer and Executive Vice President (*Fuku-shacho*) and 25% of the annual base salary for Executive Officer and Executive Vice Presidents (*Senmu*) (median value).

(c) Transfer restriction period

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

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

(d) Lifting of the Transfer Restriction

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

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

Provided, however, that with respect to the end of the Transfer Restriction Period, unless the transfer restriction is lifted in accordance with the Company's Regulations of Executive Compensation, if the date on which the Executive Officer retires from either the position of Director or Executive Officer of the Company is within 3 months after the end of the Fiscal Year that includes the date of allotment, the date of restriction lifting shall be the first day of the month that falls after the elapse of 3 months.

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

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

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

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

[Stock Ownership Guidelines]

Executive Officers shall strive to hold the Company's shares in a number that is at least equivalent to the amount set forth below during their term of office.

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

[Malus and claw back provisions]

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

[Various allowances]

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

(4) Total amount of Compensation of Directors and Executive Officers for the Fiscal Year ended March 2024

The total amount of Compensation based on the category of officers, the total amount of Compensation by type and the number of relevant officers in the Fiscal Year ended March 2024 is as follows. The compensation was paid as determined by the Compensation Committee based on the compensation determination policy described in "Compensation basic policies" through "Various allowances" of "(3) Compensation Committee policies regarding the decision on the calculation method of the compensation for Directors and Executive Officers."

Officer category	Total amount of Compensation (million yen)	Total amount of Compensation by type (million yen)					Number of Officers receiving
		Annual Base Salary	Performance-linked Compensation	Stock-linked Compensation		Others	
				Phantom Stock	Restricted Stock		
Outside Directors	178 (178)	144 (144)	—	34 (34)	—	—	10
Executive Officers	1,060 (955)	621 (516)	—	213 (213)	225 (225)	1 (1)	8
Total	1,238 (1,133)	765 (660)	—	247 (247)	225 (225)	1 (1)	18

Notes:

1. Amounts based on Japan standard.
2. The total amount of Compensation shown above are stated as consolidated compensation, which are the total amount of Compensation paid by the Company and the Company's subsidiaries. The amount in parentheses is the total amount of Compensation paid by the Company.
3. The amount of annual base salary for Outside Directors includes the Chairperson Allowance as stated in "Compensation system for Directors" in "(3) Compensation Committee policies regarding the decision on the calculation method of the compensation for Directors and Executive Officers."
4. Regarding performance-linked compensation and stock-linked compensation, the amounts that should be recorded as expenses for the Fiscal Year ended March 2024 are stated.

(5) Outline of indemnity agreement details

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

(6) Outline of officer liability insurance contract details

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

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

(7) Matters regarding Outside Directors

a. Status of important concurrently-held positions at other companies, etc. and ties between the Company and such other companies, etc.

- Director Jun Aoki is a Representative Director of JunpuManpan Inc. and an Outside Director at FIDEA Holdings Co., Ltd. There are no special ties between the Company and the companies at which he currently serves.
- Director Shigeki Ishizuka is an Outside Director at Marubeni Corporation. There are no special ties between the Company and the company where he concurrently serves.
- Director Shiho Konno is an attorney-at-law at Shiho Konno Habataki Law Office, and an Outside Director at Monex Group, Inc. There are no special ties between the Company and the companies where she concurrently serves.
- Director Mayumi Tamura is an Outside Director at Shimizu Corporation and an Outside Audit & Supervisory Board Member at Kyowa Kirin Co., Ltd. There are no special ties between the Company and the companies where she concurrently serves.
- Director Masatoshi Matsuzaki is an Outside Director at Ushio Inc. and an External Audit & Supervisory Board Member, at Lion Corporation. There are no special ties between the Company and the companies where he concurrently serves.
- Director Mariko Watahiki is an attorney-at-law at Okamura Law Office. There are no special ties between the Company and the law firm where she concurrently serves.

b. Status of main activities of each Outside Director

Category	Name	Status of Main Activities
Director	Jun Aoki	Appointed at the Annual Shareholders' Meeting held on June 21, 2023, and attended all 12 Board of Directors' Meetings, all 10 Nomination Committee meetings, and all 10 Compensation Committee meetings held after assuming his position on the aforementioned date, and has accordingly made remarks necessary for discussing agenda, etc. based on his knowledge of building construction, etc. technology as a first-class architect, extensive knowledge on diversity and inclusion at global companies, and practical experience in corporate management. Also gave comments and advice, etc. in Board of Directors' Meetings that grasp the essence of matters for important decision-making for M&A and capital policy, and supervision of promotion of human capital management. Contributed to Nomination Committee meetings and Compensation Committee meetings through the promotion of the Outside Director replacement plan and review of the officer compensation structure, etc.
Director	Shigeki Ishizuka	Appointed at the Annual Shareholders' Meeting held on June 21, 2023, and attended all 12 Board of Directors' Meetings and all 9 Audit Committee meetings held after assuming his position on the aforementioned date; and has accordingly made remarks necessary for discussing agenda, etc. based on his practical experience in management over many years at companies with global businesses, and his high-level expertise in manufacturing, technology development, and quality control. Also proactively gave improvement proposals in Board of Directors' Meetings from the perspective of effective supervision of business risks and issues, as well as proactive comments and advice, etc. that grasp the essence of the supervision of strategy and measures for medium and long-term growth strategy and management issues resolution. Contributed to the strengthening, etc. of information security and quality management in the Audit Committee.
Director	Shiho Konno	Attended all 15 Board of Directors' Meetings held this Fiscal Year, all 3 Nomination Committee meetings held prior to her resigning from her position as a Nomination Committee Member on June 21, 2023; and all 14 Audit Committee meetings held this Fiscal Year, and has accordingly made remarks necessary for discussing agenda, etc. based on her extensive knowledge regarding corporate governance and diversity gained through her career as an attorney-at-law. Also provided important corporate governance perspectives and advice on the permeation of personnel policies for diversity and inclusion in Board of Directors' Meetings. Provided perspectives for promoting the replacement plan for Outside Directors and bolstering the internal audit department system, and contributed to identifying risk from a legal and compliance viewpoint in Nomination Committee meetings and Audit Committee meetings.

Category	Name	Status of Main Activities
Director	Mayumi Tamura	<p>Attended all 15 Board of Directors' Meetings and all 14 Audit Committee meetings held this Fiscal Year; has accordingly made remarks necessary for discussing agenda, etc. based on her abundant management experience at global companies over many years and valuable knowledge of finance and accounting.</p> <p>Also proactively proposed improvements for business risks and issues and gave comments and advice, etc. that grasp the essence of matters for important M&A decisions and important reports and deliberations on marketing strategy in Board of Directors' Meetings.</p> <p>Contributed to Audit Committee meetings through proposals for the improvement of the organizational audit system, the early detection of issues, information exchange with accounting auditors, and the enactment of accounting auditor reappointment rules, etc.</p>
Director	Yuji Nishiura	<p>Attended all 15 Board of Directors' Meetings, all 13 Nomination Committee meetings, and all 14 Compensation Committee meetings held this Fiscal Year; has accordingly made remarks necessary for discussing agenda, etc. based on his management experience in multiple companies and his abundant insight and experience regarding the restructuring of corporate governance in many corporate revitalization projects.</p> <p>Also proactively raised issues and gave advice, etc. that grasp the essence of matters for important decision-making of the Company for management and capital policy, etc., and various topics raised in business segment reports, etc. from Executive Officers in Board of Directors' Meetings. Contributed to qualitative improvement of corporate governance by implementing measures for improving corporate value in the medium- to long-term in Nomination Committee and Compensation Committee activities. In particular, as Chairperson of the Nomination Committee, led initiatives to establish an officer appointment and replacement process and an Outside Director evaluation system to improve corporate governance transparency.</p>
Director	Daisuke Hamaguchi	<p>Attended all 15 Board of Directors' Meetings, all 3 Nomination Committee meetings prior to his resigning from his position as a Nomination Committee Member on June 21, 2023; all 4 Compensation Committee meetings prior to his resigning from his position as a Compensation Committee Member on June 21, 2023; and all 9 Audit Committee meetings held after assuming his position as an Audit Committee Member on June 21, 2023; has accordingly made remarks necessary for discussing agenda, etc. based on his deep insight into corporate governance obtained through many years of service as a management execution director of the Pension Fund Association.</p> <p>Also proactively raised issues and gave advice on important themes such as capital policy and management policy reviews, etc. in Board of Directors' Meetings. Contributed to various efforts to qualitatively improve corporate governance by implementing measures for improving corporate value in the medium- to long-term in Nomination Committee and Compensation Committee activities. As Chairperson of the Audit Committee, led efforts to review, etc. the form of an appropriate organizational audit for a company with nominating committee, etc., and the restructuring of the internal control system.</p>

Category	Name	Status of Main Activities
Director, Chairperson of the Board of Directors	Masatoshi Matsuzaki	<p>Attended all 15 Board of Directors' Meetings and all 13 Nomination Committee meetings held this Fiscal Year; has accordingly made remarks necessary for discussing agenda, etc. based on his deep insight into corporate governance obtained through many years of experience in the management of a listed company with global operations.</p> <p>Also responsible as Chairperson of the Board of Directors for selecting agenda topics and proceedings in Board of Directors' Meetings, and led the creation of a structure to ensure the Board of Directors continued to have sufficient supervisory functions by dealing with important agenda items raised by the evaluation of the effectiveness of the Board of Directors. Proactively contributed to the implementation of various measures to establish an officer selection and replacement process using his experiences at multiple corporations in Nomination Committee activities.</p>
Director	Mariko Watahiki	<p>Attended 14 of 15 Board of Directors' Meetings, all 13 Nomination Committee meetings, and all 14 Compensation Committee meetings held this Fiscal Year; has accordingly made remarks necessary for discussing agenda, etc. based on her experience in handling many cases as a judge and her experience in organization management as the chief judge of a high court.</p> <p>Also used her expertise in personnel development and labor to provide important perspectives on personnel development and diversification for the Group in Board of Directors' Meetings, as well as actively supervising whether there are material risks, mainly from a legal perspective, during decisions on management policies and material decisions such as M&A.</p> <p>At the Nomination Committee and Compensation Committee, implemented measures for improving corporate value in the medium- to long-term and contributed to initiatives qualitatively improving corporate governance. In particular, as Chairperson of the Compensation Committee, while repeatedly exchanging opinions with Executive Officers, led efforts to revise the officer compensation system so that officer compensation functions as motivation to achieve management targets and improve medium- to long-term corporate value</p>

Note:

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

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

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

(Agreements limiting the liability of Outside Directors)

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

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

Category	Number of Recipients	Amount of Compensation, etc. (million yen)
Directors	10	178

(3) Matters regarding the Accounting Auditor

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

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

Amount of compensation, etc. involved in audit certification services that the Company should pay	420 million yen
Total amount of money and other profits on property that the Company and the Company's subsidiaries should pay	492 million yen

Notes:

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

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

The contents of non-auditing services are the financial training related duties for employees.

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

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

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

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

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

a. System to ensure that the performance of duties by Executive Officers and employees of the Company and Directors, etc. and employees of each Group Company complies with the laws and regulations and the Articles of Incorporation

The Company and the Company's subsidiaries (the "Group Companies," and collectively with the Company, the "Group") will establish guidelines for actions as a code of ethics for the entire Group, communicate it to the Group's officers and employees, review it periodically, and conduct a read-through and an oath to comply once per year.

The Group will institute a common concern raising (whistleblowing) system to enable the Group's officers and employees to directly make reports to the Company's Legal / Compliance department or outside lawyers.

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

The Company will appropriately retain materials and meeting minutes of the Board of Executive Officers and committees set up as subordinate bodies of the Board of Executive Officers, and information on the execution of the duties of Executive Officers, such as records of resolutions of the Executive Officers and employees that have been delegated authority by the Executive Officers, etc. based on the laws and regulations and the internal company rules.

Based on the internal company rules, the Directors may access such information at any time. Such information will be managed according to the internal company rules for document management, the internal company rules for information security, and the internal company rules for personal information protection, etc.

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

The Group will set out internal company rules for risk management, appropriately manage risks that may affect business activities, and create a system necessary to minimize losses for the Group in emergencies.

Risks that may affect business activities will be classified into strategic risks and operational risks. Relevant departments will coordinate to identify and evaluate risks that may impede the achievement of goals for key issues so that risks that need to be addressed can be ranked to create a broad framework that covers the medium/long-term perspective and the stakeholder perspective, including management policies, business strategies, and impact strategies.

The department in charge of risk management will provide appropriate support to the Group Companies according to how the risk is being addressed to ensure the quality of overall group risk management.

The Group will develop and maintain a system that enables the Group to make timely decisions on specific measures by establishing a Risk Management Committee which will examine whether measures are necessary for uncertain events that may constitute opportunities for, or threats to, the Group's business goals, as well as the departments in charge of these, and report examination results to the Board of Executive Officers, the Board of Directors, or other organizations as necessary.

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

The Board of Directors of the Company will establish the division of duties of the Executive Officers and clarify the areas for which each Executive Officer is responsible before delegating decision-making authority to each such Executive Officer.

In addition, a Board of Executive Officers attended by all Executive Officers will be convened regularly and conduct flexible decision-making for basic and important matters regarding the business of the Group.

Furthermore, various committees, etc. will be set up as subordinate bodies of the Board of Executive Officers, with the responsible Executive Officer according to the division of duties acting as chairperson, and effectively discuss each special area to streamline and optimize management decisions. Important investment items, M&A and organizational restructuring items, etc. that may affect the entire Group will be examined by the Investment Review Committee and other relevant committees, while the Impact Strategy Committee and other relevant committees will conduct strategic and flexible decision-making for sustainability related management issues.

The Company will share its basic management policy with the Group Companies as well as ensure the efficiency in execution of duties of the Directors, etc. of the Group Companies by clarifying which decisions on execution of duties of the Group Companies require the approval of the Company or need to be reported to the Company.

- e. System to report to the Company about matters regarding the execution of duties of the Directors, etc. of the Group Companies

The Company will set out important matters of the Group Companies that require the approval of the Company and matters that need to be reported to the Company in the internal company rules for the governance of the Group Companies and affiliates and make them widely known within the Group.

A system will be developed for major subsidiaries among the Group Companies requiring them to make regular business reports to the Executive Officers of the Company to ensure appropriate operations of the Group.

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

The Company will establish the Audit Committee Office as a dedicated organization to support the duties of the Audit Committee. The Audit Committee Office will be the secretariat for the Audit Committee and perform duties in accordance with instructions from the Audit Committee and Audit Committee Members.

In order to enhance the system that supports audits of the Group and to strengthen the internal control of the Group, the "Audit & Supervisory Board Member" which exclusively performs audit activities at subsidiaries, is assigned to major domestic subsidiaries.

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

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

Appointments, personnel changes, and performance evaluations, etc. of the employees and Audit & Supervisory Board Members belonging to the Audit Committee Office will be resolved by the Audit Committee after advance discussion with the head of the Personnel Department of the Company.

In addition, instructions from the Audit Committee and Audit Committee Members to such employees will be properly handled by each department of the Group to ensure the effectiveness of such instructions.

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

If a Director or an Executive Officer discovers a fact that is likely to cause substantial damages to the Company, he/she will immediately report it to an Audit Committee Member.

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

The Representative Executive Officers and the Audit Committee Members will periodically exchange opinions regarding findings from an audit.

The Legal/Compliance department will periodically report to the Audit Committee regarding the status of concern-raising (whistleblowing).

The Audit Committee Members elected by the Audit Committee shall have the authority to request that the Directors, the Executive Officers, and the employees report on the execution of their duties at any time and the authority to request that the Directors, the Executive Officers, and the employees accept investigation with respect to the Company's business and the status of its assets at any time.

Audit & Supervisory Board Members will hold regular meetings with the Audit Committee and report the status of audits.

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

If material events occur at the Group Companies, the Directors, etc. of such Group Companies shall report the related facts to the Audit Committee of the Company, and if there is any instruction on said report from the Audit Committee, they shall attend the Audit Committee and report the facts.

The Audit Committee Members elected by the Audit Committee shall have the authority to request that the Group Companies report on their businesses, or that they accept investigation with respect to their businesses and status of their assets.

- j. System to ensure that a concern-raising person (whistleblower) and a person reporting to the Company's Audit Committee do not receive disadvantageous treatment on the grounds of having made such whistleblowing and/or report

The Company will create a concern raising (whistle-blowing) system of the Group based on the internal company rules for concern raising that specifies maintenance of confidentiality, prohibition of retaliation, and concern-reporting procedures, and make that method of reporting, etc. widely known within the Group. The Company's Legal and Compliance departments will report the status of the concern-raising (whistleblowing) to the Audit Committee in a timely manner. Concern raised against the Directors and Executive Officers, etc. of the Company shall be appropriately treated by developing a system for independent investigation and action by the Audit Committee or the Executive Officer, etc. in charge of the Legal/Compliance department.

The Company prohibits disadvantageous treatment of the person raising the concern with the Audit Committee (including persons raising concerns indirectly through another person) based on (i.) above on the grounds of such concern-raising.

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

When an Audit Committee Member makes a claim for the repayment of expenses under Article 404, Paragraph 4 of the Companies Act against the Company with respect to its execution of duties, the Company will bear such expenses upon deliberation with the department in charge.

In addition, a budget of a certain amount will be established every year to disburse the expenses for execution of such duties.

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

The Audit Committee will periodically receive reports regarding the contents of the audit from the Accounting Auditors of the Company and the Group Companies, and the Company's Internal Audit Division.

The Internal Audit Division will comply with instructions or orders of the Audit Committee or an Audit Committee Member elected by the Audit Committee. The consent of the Audit Committee is required for the election/removal and personnel evaluation of the person in charge of the Internal Audit Division, as well as the budget for the activities of the Internal Audit Division.

2) Operation status of system to ensure adequacy of business

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

a. Initiatives concerning compliance

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

b. Initiatives concerning the management of the risk of loss

Set out internal rules for risk management and appropriately manage risks that may affect business activities to minimize any loss to the Group in the event of an emergency. A Risk Management Committee will be also be established, which will determine whether measures are required for uncertain events with respect to the attainment of business goals for the Group, and to verify, etc. departments, report such verification results to the Board of Executive Officers, Board of Directors and other bodies as necessary, and develop a structure that enables the Group to decide on specific measures in a timely manner.

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

c. Initiatives concerning appropriateness and efficiency of executing duties

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

d. Initiatives concerning the Audit Committee audits

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

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

(5) Basic policy regarding governance of a stock company

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

◎ This Report is stated as follows:

1. Amounts stated in million yen units are rounded to the nearest million yen unless otherwise stated.
2. The numbers of shares in thousand share units are shown by omitting the digits that are less than one thousand shares.
3. If there is nothing in particular to state for "1. Matters regarding the current state of the Group" and "2. Matters regarding the current state of the Company," the conditions as of March 31, 2024 are stated.

Consolidated Statement of Financial Position

(As of March 31, 2024)

(Millions of yen)

ASSETS		LIABILITIES AND EQUITY	
Account	Amount	Account	Amount
CURRENT ASSETS	730,778	CURRENT LIABILITIES	594,592
Cash and cash equivalents	124,485	Trade and other payables	248,800
Trade and other receivables	300,179	Bonds and borrowings	208,893
Inventories	248,300	Lease liabilities	19,468
Contract assets	16,816	Contract liabilities	8,982
Income tax receivables	5,982	Income tax payables	9,454
Other financial assets	13,025	Other financial liabilities	4,334
Other current assets	21,991	Provisions	2,559
		Other current liabilities	92,102
NON-CURRENT ASSETS	1,155,817	NON-CURRENT LIABILITIES	647,665
Property, plant and equipment	378,056	Bonds and borrowings	406,523
Right-of-use assets	60,619	Lease liabilities	42,308
Goodwill and other intangible assets	561,473	Other financial liabilities	28,928
Investment property	2,084	Net defined benefit liabilities	78,950
Investments accounted for using the equity method	7,709	Provisions	6,578
Other financial assets	59,698	Deferred tax liabilities	73,716
Deferred tax assets	83,284	Other non-current liabilities	10,662
Other non-current assets	2,894		
		TOTAL LIABILITIES	1,242,257
		EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	642,511
		Share capital	68,530
		Capital surplus	221,632
		Treasury shares	(126)
		Other components of equity	125,578
		Retained earnings	226,897
		NON-CONTROLLING INTERESTS	1,827
		TOTAL EQUITY	644,338
TOTAL ASSETS	1,886,595	TOTAL LIABILITIES AND EQUITY	1,886,595

Consolidated Statement of Profit or Loss

(Year Ended March 31, 2024)

(Millions of yen)

Account	Amount	
CONTINUING OPERATIONS		
REVENUE		1,483,224
COST OF SALES		(1,010,512)
GROSS PROFIT		472,712
Selling, general and administrative expenses	(449,550)	
Other income	13,813	
Other expenses	(20,624)	(456,361)
OPERATING PROFIT		16,351
Finance income	3,661	
Finance costs	(13,195)	
Share of loss of associates and joint ventures accounted for using the equity method	(153)	(9,687)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		6,664
Income tax expenses		(16,119)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(9,455)
DISCONTINUED OPERATIONS		
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS		(5,159)
LOSS FOR THE YEAR		(14,614)
Loss for the year attributable to:		
Owners of the parent		
Continuing operations		(8,749)
Discontinued operations		(5,159)
Total		(13,908)
Non-controlling interests		(706)
Loss for the year		(14,614)

Consolidated Statement of Changes in Equity

(Year Ended March 31, 2024)

(Millions of yen)

	Equity attributable to owners of the parent						
	Share capital	Capital surplus	Treasury shares	Other components of equity			
				Net fair value gain (loss) on equity instruments measured through other comprehensive income	Remeasurements of defined benefit pension plans	Exchange differences on translation of foreign operations	Net fair value gain (loss) on hedging instruments entered into for cash flow hedges
Balance as of April 1, 2023	68,418	221,812	(113)	9,839	–	56,772	1,522
Loss for the year							
Other comprehensive income				6,756	(386)	50,618	(79)
Total comprehensive income for the year	–	–	–	6,756	(386)	50,618	(79)
Purchase of treasury shares		–	(15)				
Disposal of treasury shares		(0)	2				
Share-based payment transactions	112	(30)					
Dividends							
Changes in interests in subsidiaries that do not result in the Group losing control over the subsidiaries		(150)					
Transfers from other components of equity to retained earnings				148	386		
Total transactions with owners	112	(180)	(13)	148	386	–	–
Balance as of March 31, 2024	68,530	221,632	(126)	16,743	–	107,390	1,443

(Millions of yen)

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total		
	Other	Total				
Balance as of April 1, 2023	21	68,154	267,162	625,433	2,287	627,720
Loss for the year		–	(13,908)	(13,908)	(706)	(14,614)
Other comprehensive income	(2)	56,907		56,907	36	56,943
Total comprehensive income for the year	(2)	56,907	(13,908)	42,999	(670)	42,329
Purchase of treasury shares		–		(15)		(15)
Disposal of treasury shares		–		2		2
Share-based payment transactions	(17)	(17)	17	82		82
Dividends		–	(25,840)	(25,840)		(25,840)
Changes in interests in subsidiaries that do not result in the Group losing control over the subsidiaries		–		(150)	210	60
Transfers from other components of equity to retained earnings		534	(534)	–		–
Total transactions with owners	(17)	517	(26,357)	(25,921)	210	(25,711)
Balance as of March 31, 2024	2	125,578	226,897	642,511	1,827	644,338

Nonconsolidated Balance Sheet

(As of March 31, 2024)

(Millions of yen)

ASSETS		LIABILITIES	
Account	Amount	Account	Amount
CURRENT ASSETS	394,153	CURRENT LIABILITIES	345,953
Cash and deposits	62,891	Notes payable – trade	122
Notes receivable – trade	11,636	Electronically recorded obligations - operating	209
Electronically recorded monetary claims - operating	54,324	Accounts payable – trade	86,565
Accounts receivable	94,006	Contract liabilities	4,479
Contract assets	11,580	Short-term borrowings	151,145
Other receivables	16,039	Lease liabilities	794
Merchandise and finished goods	53,560	Accounts payable – other	36,392
Work in process	21,074	Accrued expenses	27,191
Raw materials and supplies	32,122	Income taxes payables	1,369
Short-term loans receivable	27,440	Provision for bonuses	15,457
Other current assets	12,738	Provision for bonuses for directors (and other officers)	404
Allowance for doubtful accounts	(3,259)	Asset retirement obligations	54
		Other current liabilities	21,768
NON-CURRENT ASSETS	779,401	NON-CURRENT LIABILITIES	403,993
PROPERTY, PLANT AND EQUIPMENT	229,592	Bonds	95,000
Buildings	72,118	Long-term borrowings	260,600
Structures	5,339	Lease liabilities	2,755
Machinery and equipment	25,660	Provision for bonuses for directors (and other officers)	297
Vehicles	356	Provision for retirement benefits	3,673
Tools, furniture and fixtures	6,940	Provision for loss on business of subsidiaries and associates	4,643
Land	111,137	Provision for loss on factory restructuring	71
Leased assets	3,306	Asset retirement obligations	6,077
Construction in progress	4,732	Other non-current liabilities	30,874
		TOTAL LIABILITIES	749,946
		EQUITY	
INTANGIBLE ASSETS	42,753	EQUITY	405,166
Leasehold interests in land	1,158	SHARE CAPITAL	68,530
Software	29,698	CAPITAL SURPLUS	268,570
Software in progress	11,820	Legal capital surplus	12,591
Other intangible assets	75	Other capital surplus	255,978
		RETAINED EARNINGS	68,192
INVESTMENTS AND OTHER ASSETS	507,055	Legal retained earnings	4,847
Investment securities	36,983	Other retained earnings	63,344
Investments in subsidiaries and associates	357,011	Provision of reserve for special disaster	6
Long-term accounts receivable – other	33,947	Reserve for tax purpose reduction entry	1,198
Long-term loans receivable	14,148	Retained earnings brought forward	62,139

ASSETS		LIABILITIES	
Account	Amount	Account	Amount
Guarantee deposits	7,118	TREASURY SHARES	(126)
Prepaid pension costs	21,163	VALUATION AND TRANSLATION ADJUSTMENTS	18,441
Deferred tax assets	64,437	Valuation difference on available-for-sale securities	17,914
Other investments	1,023	Deferred gains or losses on hedges	526
Allowance for doubtful accounts	(28,777)		
		TOTAL EQUITY	423,608
TOTAL ASSETS	1,173,554	TOTAL LIABILITIES AND EQUITY	1,173,554

Nonconsolidated Statement of Income

(Year Ended March 31, 2024)

(Millions of yen)

Account	Amount	
NET SALES		825,171
COST OF SALES		573,387
GROSS PROFIT		251,784
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		239,537
OPERATING PROFIT		12,247
NON-OPERATING INCOME		
Interest income	2,267	
Dividend income	8,788	
Rental income	297	
Other non-operating income	2,871	14,226
NON-OPERATING EXPENSES		
Interest expenses	3,493	
Interest expenses on bonds	445	
Rental costs	234	
Provision for loss on business of subsidiaries and associates	2,852	
Foreign exchange losses	2,050	
Loss on disposal of non-current assets	548	
Other non-operating expenses	3,390	13,014
ORDINARY PROFIT		13,458
EXTRAORDINARY INCOME		
Gain on sale of non-current assets	6,606	
Gain on sale of investment securities	1,779	
Gain on sale of shares of subsidiaries and associates	2,507	
Gain on extinguishment of tie-in shares	133	
Gain on reversal of share acquisition rights	17	11,044
EXTRAORDINARY LOSS		
Impairment losses	314	
Loss on investment of subsidiaries and associates	7,073	7,387
PROFIT BEFORE INCOME TAXES		17,114
Income taxes – Current	(1,611)	
Income taxes – Deferred	8,352	6,741
NET INCOME		10,372

Nonconsolidated Statement of Changes in Equity

(Year Ended March 31, 2024)

(Millions of yen)

	Equity								
	Share capital	Capital surplus			Legal retained earnings	Retained earnings			Total
		Legal capital surplus	Other capital surplus	Total		Other Retained earnings			
						Provision of reserve for special disaster	Reserve for tax purpose reduction entry	Retained earnings brought forward	
Balance as of April 1, 2023	68,417	12,478	255,979	268,458	4,847	6	1,251	77,553	83,658
Changes during the year									
Issuance of new shares	112	112		112					
Dividends								(25,839)	(25,839)
Net income								10,372	10,372
Reversal of reserve for tax purpose reduction entry							(53)	53	–
Purchase of treasury shares									
Disposal of treasury shares			(0)	(0)					
Net changes of items other than shareholders' equity									
Total changes during the year	112	112	(0)	112	–	–	(53)	(15,413)	(15,466)
Balance as of March 31, 2024	68,530	12,591	255,978	268,570	4,847	6	1,198	62,139	68,192

(Millions of yen)

	Equity		Valuation and translation adjustments			Subscription rights to shares	Total equity
	Treasury shares	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total		
Balance as of April 1, 2023	(112)	420,421	11,600	19	11,619	17	432,058
Changes during the year							
Issuance of new shares		225					225
Dividends		(25,839)					(25,839)
Net income		10,372					10,372
Reversal of reserve for tax purpose reduction entry		–					–
Purchase of treasury shares	(15)	(15)					(15)
Disposal of treasury shares	1	1					1
Net changes of items other than shareholders' equity			6,314	507	6,821	(17)	6,804
Total changes during the year	(13)	(15,255)	6,314	507	6,821	(17)	(8,450)
Balance as of March 31, 2024	(126)	405,166	17,914	526	18,441	–	423,608

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 15, 2024

To the Board of Directors of
LIXIL Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Taiji Suzuki

Designated Engagement Partner,
Certified Public Accountant:

Takenao Ohashi

Designated Engagement Partner,
Certified Public Accountant:

Masayuki Furukawa

Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of LIXIL Corporation and its consolidated subsidiaries (the "Group"), namely, the consolidated statement of financial position as of March 31, 2024, and the consolidated statement of profit or loss and consolidated statement of changes in equity for the fiscal year from April 1, 2023 to March 31, 2024, and the related notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance for the year then ended in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under IFRS Accounting Standards.

Basis for Opinion

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

(TRANSLATION)

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

(TRANSLATION)

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

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

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

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

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

Notes to the Readers of Independent Auditor's Report

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

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 15, 2024

To the Board of Directors of
LIXIL Corporation:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Taiji Suzuki

Designated Engagement Partner,
Certified Public Accountant:

Takenao Ohashi

Designated Engagement Partner,
Certified Public Accountant:

Masayuki Furukawa

Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements of LIXIL Corporation (the "Company"), namely, the nonconsolidated balance sheet as of March 31, 2024, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity for the 82nd fiscal year from April 1, 2023 to March 31, 2024, and the related notes and the accompanying supplemental schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

(TRANSLATION)

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

(TRANSLATION)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Notes to the Readers of Independent Auditor's Report

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

Audit Report

The Audit Committee has audited the performance of duties by the Directors and Executive Officers for the 82nd fiscal year from April 1, 2023 to March 31, 2024, and we report the methods and results of the audit as follows:

1. Methods and content of the audit

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

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

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

2. Results of the audit

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

In our opinion:

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

(2) Results of the audit of financial statements and annexed detailed statements
In our opinion, the audit methods used and the results reported by Deloitte Touche Tohmatsu LLC, the Accounting Auditor, are appropriate and reasonable.

(3) Results of the audit of consolidated financial statements
In our opinion, the audit methods used and the results reported by Deloitte Touche Tohmatsu LLC, the Accounting Auditor, are appropriate and reasonable.

May 16, 2024

Audit Committee, LIXIL Corporation

Audit Committee Member: Daisuke Hamaguchi

Audit Committee Member: Shigeki Ishizuka

Audit Committee Member: Shiho Konno

Audit Committee Member: Mayumi Tamura

(Note) Daisuke Hamaguchi, Shigeki Ishizuka, Shiho Konno and Mayumi Tamura are Outside Directors, as prescribed in Article 2, Item 15, and Article 400, Paragraph 3 of the Companies Act.

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