

# In the Vanguard

Annual Report 2015

Year Ended March 31, 2015

# The LIXIL Group's transformation

Since its relaunch under a new name in 2012, the LIXIL Group has implemented major change at every level, from identity to business area to business model.

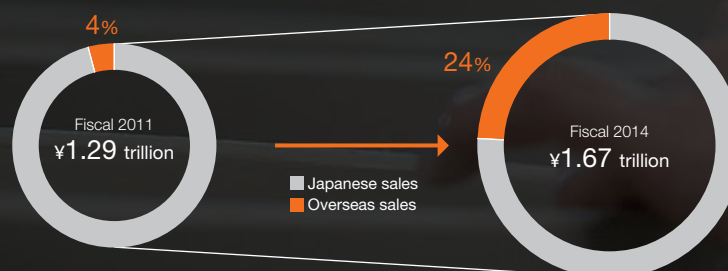
## Identity transformation

The LIXIL Group has evolved from a housing-related company that manufactures and sells a broad range of housing-related products to a technology-driven comprehensive living and housing solutions company. During this transition, however, our corporate philosophy of “contribute to improving people’s comfort and lifestyles” throughout the world has not changed.



## Target market transformation

Overseas company acquisitions made in our drive to become a global leader in the living and housing solutions industry pushed our overseas sales ratio up to about 24% in the fiscal year ended March 2015, from less than 5% in the fiscal year ended March 2012.



## Business model transformation

In place of a Japan-centric business model, we have embraced an operating model pursuing growth as a truly global company. In April 2015, we restructured Group operations under four technology businesses, moving on from our previous manufacturing function-based approach with three businesses.

	LIXIL Water Technology	LIXIL Housing Technology	LIXIL Building Technology	LIXIL Kitchen Technology	Distribution and Retail Business	Housing Services Business
Metal Building Material Business		●	●			
Plumbing Fixtures Business	●			●		
Other Building Materials and Equipment Business		●				
Distribution and Retail Business					●	
Housing, Real Estate and Other Businesses						●



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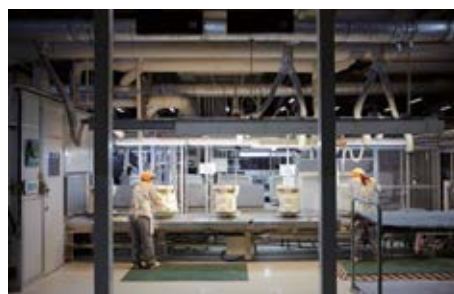
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**LIXIL**

Link to Good Living

The brand name LIXIL is derived from the combination of "LI" in two words that represent our business: "LIVING" and "LIFE."

**Cautionary Statement with Respect to Forward-Looking Statements**  
Statements made in this annual report with respect to plans, strategies, and future performance that are not historical facts are forward-looking statements. LIXIL Group Corporation cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

## About the cover

The cover of this annual report shows the automated sanitary ware line at LIXIL's Enokido plant in Tokoname-shi, Aichi Prefecture, Japan. Finished sanitary fittings emerge from the production line after a wide range of processes, including mixing clay and other materials, forming, drying, glazing, and firing, and quality checking.

## The LIXIL Group in a snapshot

Year ended March 31, 2015

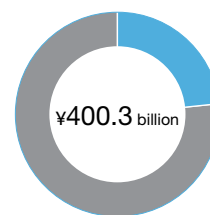
Principal products and services

Net sales

### LIXIL Water Technology (LWT)



Sanitary ware, spa-toilets, water faucets, washstands, bathtubs, unit bathrooms, washstand fixtures, washstand cabinet units, etc.



### LIXIL Housing Technology (LHT)



**Metal building materials**

Housing window sashes, entrance doors, various types of shutters, gates, carports, banisters, high railings, tide barriers, smoke insulated screens, etc.

**Wooden interior furnishing materials**

Window frames, wooden furnishing materials, interior decorative materials, etc.

**Other building materials**

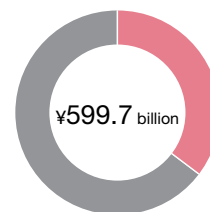
External tiles for houses and buildings, internal decorative tiles, siding, stone materials, roofing materials, precut products, etc.

**Interior fabrics**

Curtains, etc.

**Other**

Solar photovoltaic systems

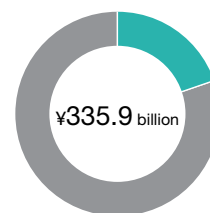


### LIXIL Building Technology (LBT)



Ph.: ©ROCKET-PHOTOS

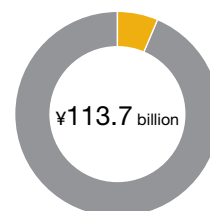
Curtain walls, building sashes, store facades



### LIXIL Kitchen Technology (LKT)



Kitchen systems



### Distribution and Retail Business (D&R)

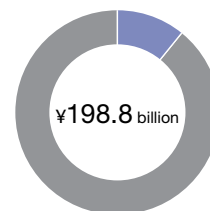


**Home centers**

Household products, DIY products, building materials, etc.

**Comprehensive building material stores**

Building materials, tools, hardware, etc.



### Housing Services Business (H&S)



**Housing solution businesses**

Developing homebuilding franchise chains, construction on order, housing defect warranty liability insurance services, ground inspections and improvements, etc.

**Real estate**

Land, buildings, real estate management services, support for development of real estate franchises, etc.

**Nursing home business**

Nursing homes

**Financial services business**

Housing loans



Major Japanese and global brands of the LIXIL Group

Operating income (loss)

Operating income (loss) margin



¥28.9 billion

7.2%



¥36.6 billion

6.1%



¥9.3 billion

2.8%



¥(1.0) billion

(0.9)%



¥7.1 billion

3.6%



¥4.2 billion

7.0%

## The LIXIL Group's products and market positions



# No. 1

### Global market leader in water technology products

The LIXIL Group's LIXIL Water Technology business is a leader in the field of plumbing fixtures, with annual sales of about US\$5.0 billion. The company's dominant market position derives from its multi-brand range that includes GROHE, the global leader in luxury water faucets, and American Standard Brands, the top sanitary ware brand in North America. It is establishing a powerful presence across global markets with sales channels throughout North America, Asia, Europe, and Africa, meeting local needs with a product portfolio that spans all market segments, from the luxury to the value-for-money ends of the spectrum.

# 21%

### Market leader in North America with a share of roughly 21%

Boasting strong brand recognition and a proud tradition stretching back 143 years, North America-based American Standard Brands has a marketing network that spans the whole of North America and a market share of about 21%. It has been expanding sales of *VorMax* sanitary ware since January 2015, along with the *DXV* luxury portfolio launched in 2014.

## About 70 countries

### Curtain wall operations in about 70 countries

Curtain walls—exterior wall materials with surface materials that include aluminum and other metals, stone, and various types of glass—are the core product at LIXIL Building Technology, which has annual sales in excess of €2.5 billion. Centering on Permasteelisa S.p.A., which has the top market share in the global curtain wall market, LIXIL Building Technology business has been supplying products and technologies for landmark buildings in major cities throughout Europe, the Middle East, North America, and Asia.



Ph.: Wade Zimmerman  
Architect: Christian de Portzamparc



# 19 countries

### Operations in 19 countries in the Asia-Pacific region

The LIXIL Group has operations in the Asia-Pacific region spanning 19 countries. In Vietnam, where it established a joint venture with a local partner in 1996, it now holds top share in the sanitary ware market.





# 0.79<sub>W/(m²·K)</sub>

JAPAN

## Thermal insulation (heat transmission coefficient) of 0.79W/(m²·K)\*1

Housing window sashes are a core product for LIXIL Housing Technology business. The window sash mainstream in Japan is gradually shifting from aluminum products to hybrid windows that combine aluminum and plastic. The LIXIL Group has launched new products offering insulation performance\*2 that is among the best in the world and top-level in Japan in tune with its commitment to conserving energy and meeting consumer needs for comfortable living environments. We are driving innovation as the market leader with a domestic share of about 50%.

\*1 ERSTER X vertical sliding windows, with TF double, Low-E triple-layered glass containing krypton gas; company trial values

\*2 Company data for 2014 comparing plastic windows of domestic sash makers

# No. 1

## Portfolio with top-ranking products in many markets

In areas other than aluminum products, such as sashes and exteriors, including washstands, bathrooms, kitchen systems, tiles, and curtains, the LIXIL Group's portfolio contains many products with top market shares in their fields in Japan, underpinning the Group's competitive leadership as a comprehensive living and housing solutions company.



# 55%

## Japanese market share of 55% for entrance doors and exteriors

The LIXIL Group is the overwhelming leader in entrance doors and aluminum and other exterior products, such as gates, fences, and carports, where it has a market share of approximately 55%.



# 424 outlets

## Nationwide network of 424 LIXIL Reform Shops

The Japanese renovation market is expected to expand to approximately ¥8.5 trillion in the fiscal year ending March 2017\*3. The leading players in this market are local building contractors and renovation specialists. With its LIXIL Reform Shop network, LIXIL has built one of Japan's largest networks in the field, with 424 outlets nationwide\*4.

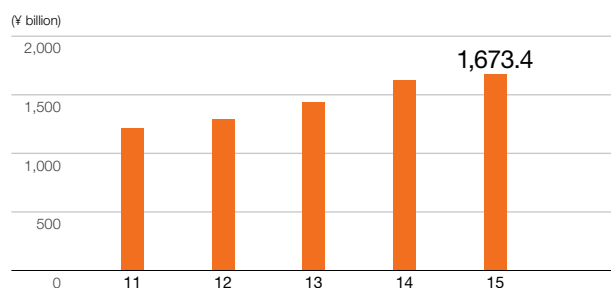
\*3 New Market of Housing Renovation 2013 – Present and Future Potentiality, Fuji Keizai Group

\*4 As of March 31, 2015

## Financial highlights

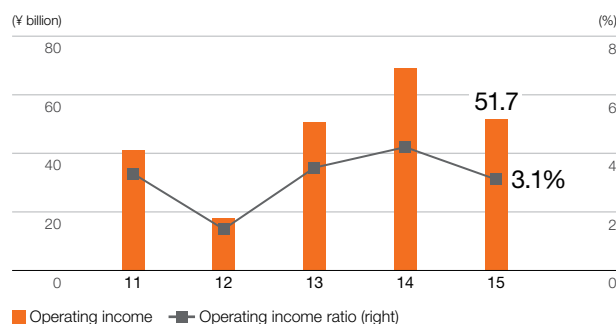
LIXIL Group Corporation and Consolidated Subsidiaries  
Years ended March 31

### Net sales



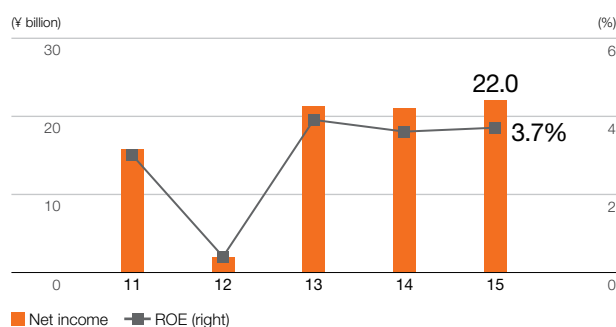
Net sales in the fiscal year ended March 31, 2015 amounted to ¥1,673.4 billion, rising only 2.7% from the previous fiscal year as weakness in the Japanese market offset a good performance overseas that was supported by the full-year sales contribution of American Standard Brands (ASB), a subsidiary acquired in 2013.

### Operating income / Operating income ratio



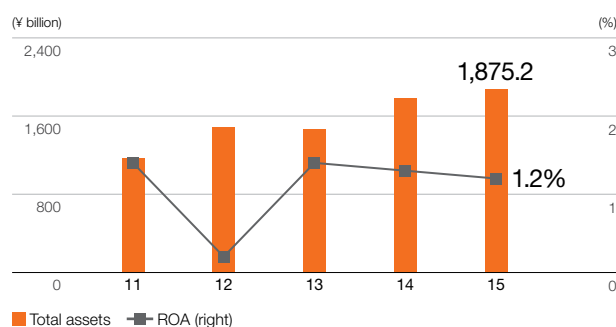
Operating income in the fiscal year ended March 31, 2015 fell 25.2% year on year, to ¥51.7 billion, owing to waning sales in Japan as the market lost momentum and to higher operating expenses as raw material prices rose. The operating income ratio declined 1.2 percentage points, to 3.1%.

### Net income / ROE



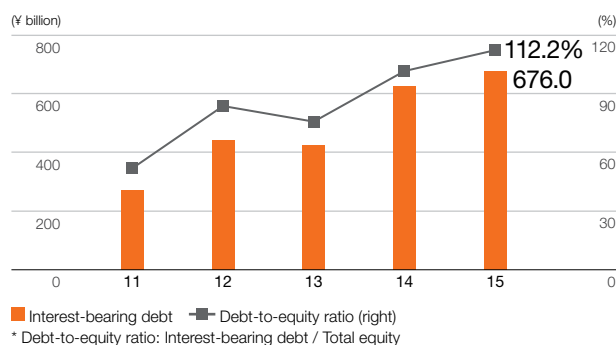
Net income rose 5.1% year on year, to ¥22.0 billion, despite booking in the fiscal years ended March 31, 2014 and 2015 losses associated with the insolvency filing of an overseas subsidiary. ROE increased 0.1 percentage points year on year, to 3.7%.

### Total assets / ROA



Total assets as of March 31, 2015 were up 5.0% from the previous fiscal year-end, reflecting increases in cash and deposits accompanying the issuance of convertible bonds with stock acquisition rights, and other factors. ROA edged down 0.1 percentage points year on year, to 1.2%.

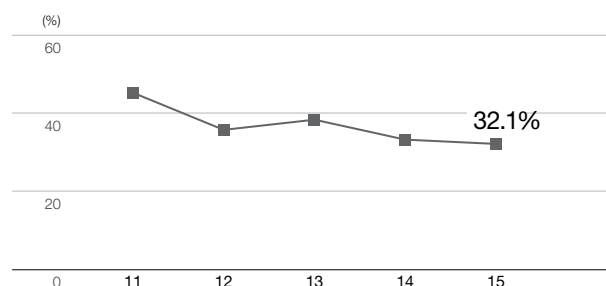
### Interest-bearing debt / Debt-to-equity ratio\*



\* Debt-to-equity ratio: Interest-bearing debt / Total equity

Interest-bearing debt as of March 31, 2015 was up ¥49.5 billion from the previous fiscal year-end, the result of such factors as the issuance of convertible bonds with stock acquisition rights. The debt-to-equity ratio rose 6.6 percentage points year on year, to 112.2%.

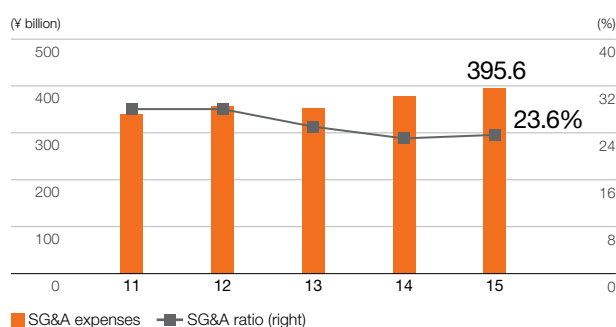
### Equity ratio



The equity ratio as of March 31, 2015 was 32.1%, declining 1.1 percentage points year on year as interest-bearing debt rose and the Company implemented share buybacks of ¥20.0 billion.

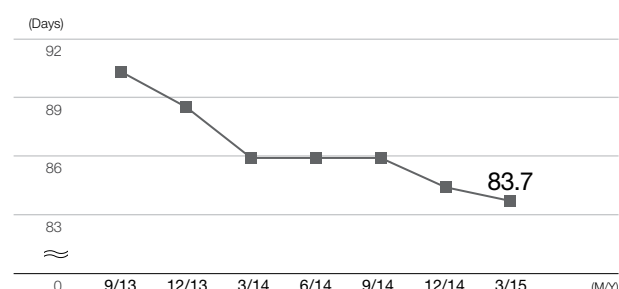


## SG&amp;A expenses / SG&amp;A ratio



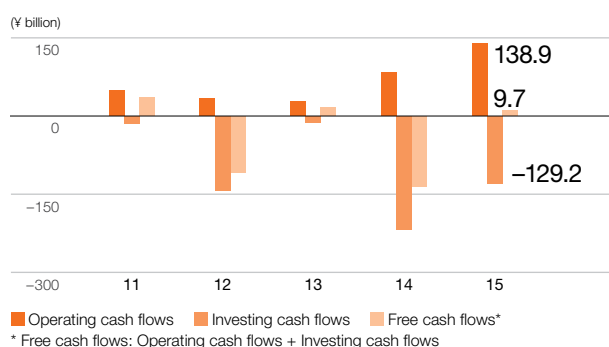
SG&A expenses rose 4.5% year on year in the fiscal year ended March 31, 2015, and the SG&A ratio declined 0.4 percentage points, to 23.6%, despite progress in improving business efficiency and reducing indirect expenses, owing to such factors as upfront investments in the renovation business.

## Cash conversion cycle (CCC)



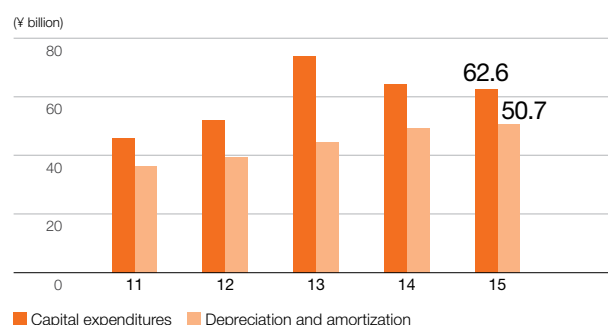
In the 1.5 years since launching its Cash Conversion Cycle (CCC) Project on September 30, 2013, the Company has shortened the amount of time required to convert products into cash through sales by 6.6 days.

## Cash flows



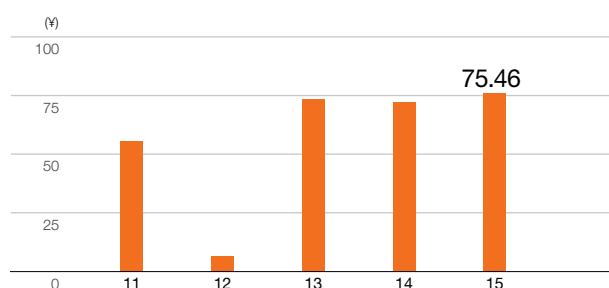
Free cash flow in the fiscal year ended March 31, 2015 rose ¥144.5 billion from the previous fiscal year as net cash provided by operating activities increased chiefly as a result of growth in working capital and a decline in net cash used in investing activities.

## Capital expenditures / Depreciation and amortization



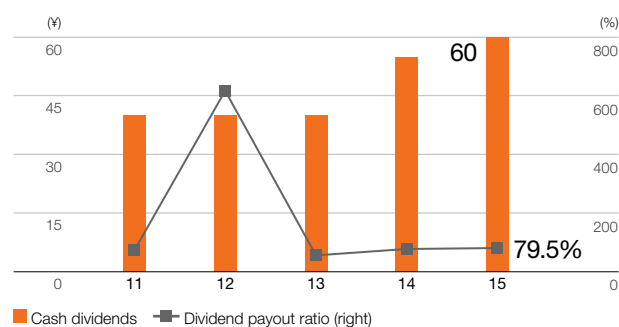
Capital expenditures stood at ¥62.6 billion in the fiscal year ended March 31, 2015, as a result of investments in upgrading core IT systems, expanding production capacity, and consolidating and maintaining production facilities as well as in the opening of new home centers.

## EPS



Net income per share was ¥75.46 in the fiscal year ended March 31, 2015. Excluding effects from the amortization of goodwill, net income per share—the Company's criterion for dividend payments—was ¥111.65.

## Cash dividends / Dividend payout ratio



The Company paid annual dividends in the fiscal year ended March 31, 2015 of ¥60 per share, an increase of ¥5 year on year, and the dividend payout ratio was 79.5%. The dividend payout ratio excluding the impact of goodwill amortization was 53.7%.

(Note) Accounts for the fiscal year ended March 31, 2014 have been revised owing to the discovery of inappropriate accounting practices at an equity-method subsidiary. Figures for the fiscal year ended March 31, 2014 reflect the revisions.

## Market environment

### Industry trends in Japan

#### Trends in the new housing market

Since peaking at 1.63 million units in fiscal 1996, new housing starts in Japan have continued to trend downward over the past 20 years or so. With the size of Japan's population expected to decline further over the long term, housing starts will continue to fall modestly, with a figure of about 800 thousand units projected for fiscal 2016 onward. In fiscal 2014, housing starts fell 10.8% year on year, to 880 thousand units, owing to weak housing investment, particularly in owner-occupied housing, in response to the previous year's surge in demand ahead of the increase in Japan's consumption tax in April 2014. Among new housing, the move toward rental housing is projected to gain momentum going forward, reflecting demographic changes in Japan, such as lower birthrates, an aging population, and growth in the number of single-person households, as well as greater lifestyle diversity among consumers.

#### Current status of housing stock and size of the housing renovation market

In Japan, the total housing stock already exceeds by 15% the total number of households. As of 2013, nearly 8.2 million units were vacant, and this number is expected to rise. However, the market for buying and selling existing homes in Japan is much smaller than comparable markets in Europe, the United States, and other developed countries. Sales of existing houses as a percentage of total house sales were 14.7% in Japan in 2013. Although the ratio has been rising in recent years, it still remains at only about one-sixth the level in countries in Europe and North America.

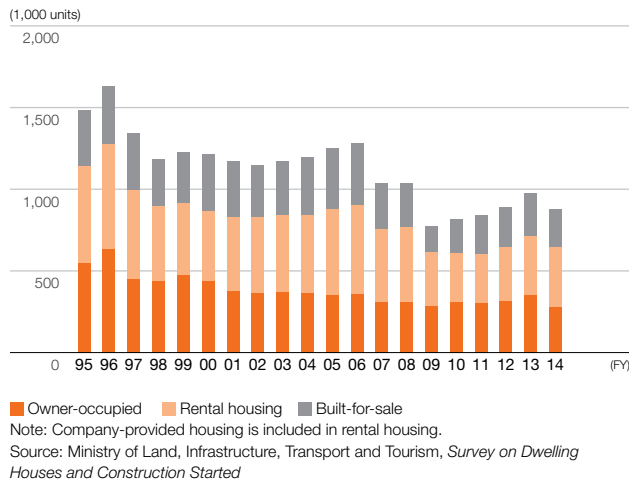
Since the mid-2000s, the Japanese government has backed housing policies that put emphasis on housing stock, with a stated goal of expanding the scale of Japan's existing housing and renovation markets to ¥20 trillion by the fiscal year ending March 2020. To reach this goal, steps are being taken to increase the amount of quality housing stock usable beyond a single generation, coupled with efforts to put in place housing markets for circulating and renovating existing stock.

#### Trends in the commercial building market

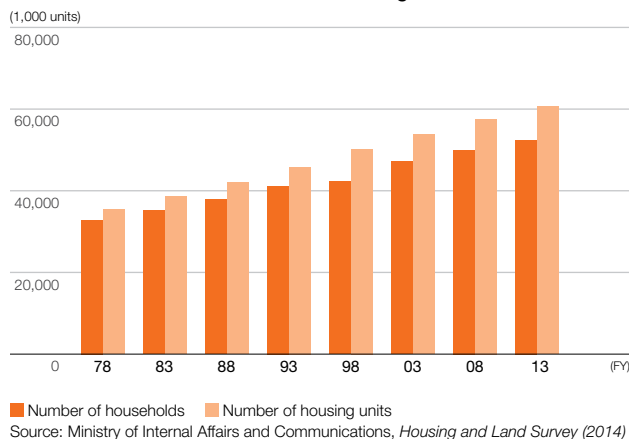
In Japan, total orders for building construction, including office, commercial, industrial, and residential construction, placed with the 50 biggest construction companies in fiscal 2014, rose 3.8% year on year. Overall orders increased for the fourth consecutive year, supported by brisk demand from the private sector—particularly manufacturers—as well as higher orders from public institutions. Most real estate developers are moving ahead with plans for new development projects, spurred on by improved corporate earnings and declines in vacancy rates among large-scale office buildings in central Tokyo. Consequently, in a period of roughly five years from 2015, Tokyo's 23 wards are expected to see the supply of office floor space exceed the average seen between 1986 and 2014\*1.

\*1 Mori Building Co., Ltd., *Market Trend Survey of Large-Scale Office Buildings in Tokyo's 23 Wards*, April 22, 2015

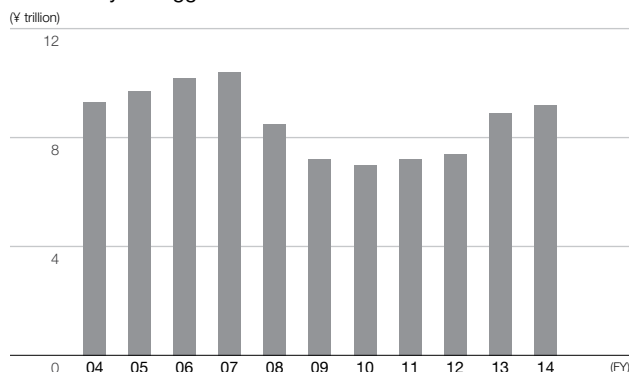
#### Total new housing starts by usage



#### Total numbers of households and housing units



#### Domestic and overseas orders received by 50 biggest contractors



## Industry trends overseas

### U.S. housing market

Housing demand in the United States has gradually been recovering against a backdrop of a higher employment rate and an improved income environment. The housing market as a whole has remained buoyant despite a period of temporary weakness attributable to weather factors, with new housing starts on an uptrend and the number of existing-home sales in May 2015 approaching the level of November 2009. If the Federal Reserve Bank raises interest rates, housing loan interest rates are also likely to rise, but the housing market is expected to remain on a recovery trend as consumer sentiment improves amid growth in employment and incomes. Substantial room for growth in housing investment is also implied by the low ratio of housing investment to real GDP, despite gradual recovery after the sharp decline immediately following the financial crisis.

### European real estate market

European countries have made steady progress with structural reforms and fiscal consolidation to calm the situation after the debt crisis, but recently Greece's debt problems have clouded the outlook. However, real GDP in the Eurozone has gradually been recovering. In addition, monetary easing led by the European Central Bank has been drawing funds into the real estate market, and investment inflows have also been strong from overseas countries, including the United States, emerging economies, and Middle Eastern nations. As a result, the value of transactions of commercial real estate has been growing, while office building vacancy rates in Paris, London, and other leading European cities have been coming down. In London, in particular, the development of several large office buildings has been moving forward since 2014 and the office real estate market has been on a recovery trend supported by growing demand from corporate tenants across a broad spectrum of industries.

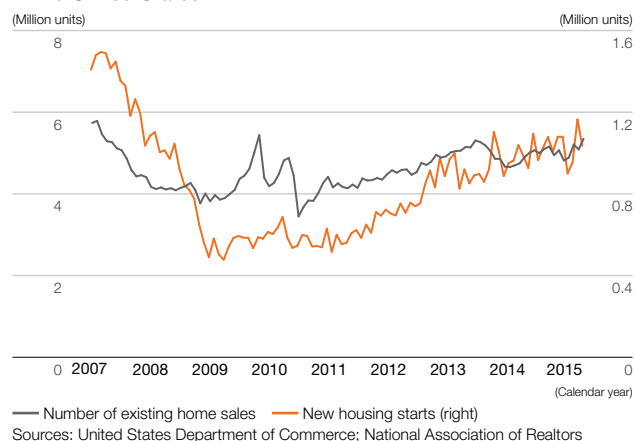
### Asian real estate market

In the ASEAN region<sup>\*2</sup>, where the population had reached around 610 million people in 2012, GDP growth is expected to continue supported by consumers' strong appetite for spending and impetus from the scheduled establishment of the ASEAN Economic Community at the end of 2015. Over the medium term, high population and working-age population growth rates, as well as vibrant corporate activity in the region, are expected to feed through to growth in the housing and office and commercial building markets.

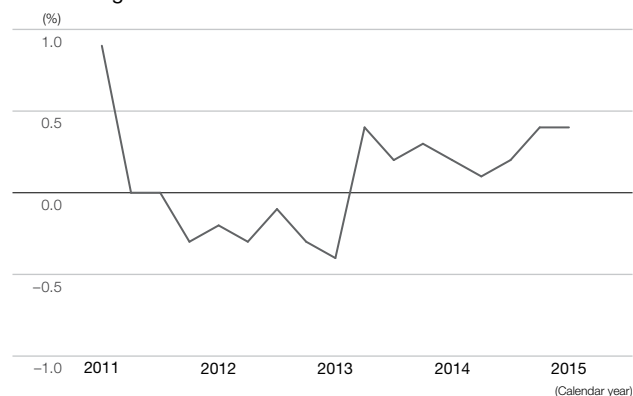
In China, meanwhile, the real estate market contracted in the first half of fiscal 2014 as GDP growth slowed and the government implemented tightening measures. Although conditions remain weak, the market appears to have bottomed, having sustained a gradual recovery since the second half of 2014.

<sup>\*2</sup> ASEAN member countries: Vietnam, Thailand, Singapore, the Philippines, Myanmar, Malaysia, Laos, Indonesia, Cambodia, and Brunei

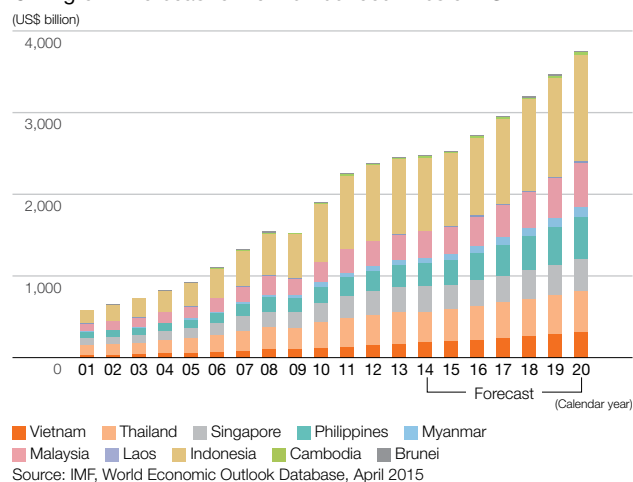
### Number of existing home sales and new housing starts in the United States



### Real GDP growth rates in Eurozone countries



### GDP growth forecast of 10 member countries of ASEAN





## To LIXIL Group stakeholders



# The LIXIL Group continues its evolution toward becoming a truly global technology company

Our new operating model is central to our transformation to globalization, with an emphasis on global synergies, investing in technology leadership and innovation, and maximizing the use of great global talent.

Yoshiaki Fujimori  
President and CEO

Four years ago, when we embarked on our transformation to globalization following the merger of five operating companies to form LIXIL Corporation, I promised our employees that it would be an exciting journey. I also warned them that the ride might at times be tumultuous or confusing. In saying so, I gave them a preview of the movie of our journey. Now, these employees are front and center in starring roles.

In the fiscal year ended March 31, 2015, we made several landmark changes. We introduced a new operating model, which integrates many of our efforts over the past four years, and a new set of LIXIL Values. In April 2015, we also established a Code of Conduct that underscores the integrity of the LIXIL Group and serves to strengthen governance and risk management. In addition, we accelerated the processes necessary to reshape the LIXIL Group and to turn it into a truly global technology company. I would like to share with you some of our efforts over the past year; however, first I would like to discuss the recent Joyou issue.

In April 2015, inappropriate accounting practices were discovered at Joyou AG, a GROHE subsidiary listed on the Frankfurt Stock Exchange that operated in China, and in May the company filed an application for insolvency proceedings. In this connection, we have revised our accounts for the fiscal year ended March 2014, the year in which we acquired an equity stake in GROHE, and have booked estimated losses for the three-year period from the fiscal year ended March 2014 to the fiscal year ending March 2016 totaling ¥66.2 billion (as of June 2015).

In response to this development, we established an internal investigation committee in June which has been examining the case with the help of external experts. We will prepare and implement measures to prevent recurrence of any such incidents based on the facts disclosed, and we intend to take legal action as appropriate. In addition, LIXIL's Board of Directors has established a special investigation committee consisting of external directors and outside experts to review the results of the aforementioned internal

investigation by executive officers from the perspective of ensuring the appropriate execution of operations.

Based on the findings of the internal investigation committee and the special investigation committee, we are quickly taking comprehensive measures to prevent a recurrence on any such incident and have started to address the shortcomings of our internal system related to financial reporting. These measures include:

- (1) Securing strict global compliance awareness
- (2) Restructuring of internal controls that match risk profiles
- (3) Strengthening of internal audit and monitoring system
- (4) Strengthening LIXIL's management systems over overseas subsidiaries, etc.
- (5) Enhancing education of personnel of overseas subsidiaries, etc.

As specific measures, in August, we are establishing the Corporate Audit Group Office, which is to be responsible for supervising Groupwide business spanning all Group companies at the global level, and we have begun assigning essential staff to the internal control unit.

#### Overview of the fiscal year ended March 31, 2015

In the fiscal year ended March 31, 2015, our net sales grew 2.7%, to ¥1,673.4 billion. Operating income fell 25.2%, to ¥51.7 billion, and net income increased 5.1%, to ¥22.0 billion.

A downturn in the Japanese housing market was the main reason for this drop in operating income. Housing-sector demand was extraordinarily high in the fiscal year ended March 31, 2014, because of a surge ahead of the consumption tax hike in April 2014, but demand has since fallen back in reaction to that rise. As a result, new housing starts fell to around 880 thousand, and the renovation market dropped 18% year on year. Although the Group's sales for renovation outperformed the market, lower sales in Japan and an increase in costs due to higher material prices drove down operating income.

#### Financial results for the fiscal year ended March 2015

(¥ billion)

Years ended March 31	2014 results*1	2015 results	Y/Y		2015 results (excl. Joyou impact)	Joyou impact
			Increase / Decrease	% change		
Net sales	1,628.7	<b>1,673.4</b>	44.7	2.7%	<b>1,673.4</b>	—
Operating income	69.1	<b>51.7</b>	-17.4	-25.2%	<b>51.7</b>	—
Operating income ratio	4.2%	<b>3.1%</b>	—	-1.2 pts	<b>3.1%</b>	—
Recurring income	74.9	<b>57.9</b>	-17.1	-22.8%	<b>58.2</b>	0.3
Income before income taxes	49.1	<b>53.0</b>	3.9	8.0%	<b>62.4</b>	9.4
Net income	21.0	<b>22.0</b>	1.1	5.1%	<b>31.0</b>	9.0
Net income before amortization of goodwill	26.3	<b>32.6</b>	6.3	23.9%	<b>41.5</b>	9.0
EPS before amortization of goodwill (¥)	90	<b>112</b>	21	23.5%	<b>142</b>	31
EBITDA*2	124.8	<b>108.9</b>	-15.9	-12.8%	<b>108.9</b>	—
EBITDA ratio	7.7%	<b>6.5%</b>	—	-1.2 pts	<b>6.5%</b>	—

\*1 Figures are revised reflecting the commencement of insolvency proceedings by Joyou AG.

\*2 EBITDA figures are operating income before depreciation and amortization of goodwill.

In overseas business, American Standard Brands (ASB), which we acquired in August 2013, contributed to consolidated performance for the entire fiscal year. We also enjoyed higher sales and income from our business in Asia. The curtain wall business delivered an operating loss due to the amortization of goodwill, but absent this factor, sales and income were both up. Our overseas business expanded during the year, and now accounts for 23.5% of total sales. This figure represents an increase of more than 20 percentage points from the fiscal year ended March 31, 2011.

Although income was down on an operating basis, we increased our dividend for the fiscal year ended March 31, 2015 by ¥5 from the previous term in line with the original forecast. Dividends for the year consequently amounted to ¥60 per share. Excluding the impact of goodwill amortization, this figure represents a payout ratio of 53.7%.

### Global foundations now in place

Let me explain what I mean when I talk about the LIXIL Group becoming a truly global technology company. Profitable enterprises that have their origins in Japan but are global in nature have a much better chance of transforming themselves and securing sustainable growth than those that are simply Japanese companies with overseas sales.

The acquisitions we have made over the past several years were not only about generating overseas revenues, although we are indeed working to expand overseas sales to ¥1 trillion by March 2020. Ultimately, we have been looking to expand our pool of global talent and to build our brands, and now we have in place a hugely skilled group of global managers and brands with unsurpassed value. Having laid the global foundations, we are now ready to take the next step with our new operating model.

### Our new operating model:

#### A landmark step on our transformation journey

In November 2014, we unveiled a new operating model with three strategic objectives to ensure a shared focus and to drive long-term performance:

- Accelerate globalization
- Fully leverage global talent and human capital
- Maximize core competencies across businesses

The new model, which went into effect in April 2015, created four core businesses under LIXIL Corporation, our main operating company: LIXIL Water Technology, LIXIL Housing Technology, LIXIL Building Technology, and LIXIL Kitchen Technology. These four businesses are also accompanied by LIXIL Japan Company, the Distribution and Retail Business, and Housing Services Business in Japan.

When this transformation became official, I remarked that this is an exciting move for LIXIL—for me personally and for our employees all over the world—and that remains true today. In 2011, we embarked on an ambitious journey, transforming ourselves from what was basically a domestic company to a truly global corporation. What is exciting about this phase of the transformation is that it integrates all the pieces of the puzzle we have steadily been putting in place over the past four years, creating a clearly defined picture that incorporates all of the interlocking parts.

### An ongoing progression

This new operating model is part of the progression that has seen three different management frameworks over the past three years, all of which were important steps helping us move toward this third stage. The first stage was the merging of five independently managed Japanese companies into one. At this stage, we changed the name of the merged company to LIXIL Corporation and integrated our individual HR, financial, and IT systems.

The second stage was to grow. We achieved growth through M&A, which made us the global leader in a number of areas and the owner of diverse companies and brands. In April 2014, we created the Global Management Committee (GMC), which brought together executives from our domestic and overseas operations and transformed our management from an all-Japanese team based in Tokyo to a global one where members hail from the United States, Germany, Italy, China, and Singapore. The GMC helped to integrate and bring closer together a loose confederation of acquired companies, each with their own CEOs, while at the same time retaining the expertise of multi-national leaders.

### Clarifying LIXIL Values

A symbolic benefit of this second stage was the introduction of a new set of LIXIL Values: Work with Respect, Deliver on Commitment, Embrace Quality, Inspire Passion, and Pursue Growth. The drafting of these values—the process of exchanging opinions, understanding differences, shaping convergent ideas, and sharing excitement about the future—was a hugely important initiative after having undertaken a series of M&A in such a short period. Having been closely involved in drafting these values, I am pleased with the result and convinced that they succinctly describe what we stand for.

### Cue the new technology businesses

Most notably, the new operating model created the world's largest business in the sanitary ware industry, LIXIL Water Technology (LWT), headed by David J. Haines. He remains Chairman and CEO of GROHE Group S.à r.l., which became a consolidated subsidiary in April 2015. With sales of approximately US\$5 billion, an operating margin of about 10%,



## LIXIL CORE (Corporate Philosophy)

The Group's superior products and services contribute to improving people's comfort and lifestyles.

## LIXIL VALUES (Shared Values)

One LIXIL for Good Living...Our Values that Unite Us



### Work with Respect

As a global company, we strive for open and honest communication with everyone, internally and externally. We value diversity and respect people from different backgrounds and treat everyone equally with meritocracy. We always act with unquestioned integrity.



### Deliver on Commitment

We "act like owners" to create value for everyone that touches our business. We set ambitious targets which we are committed to achieving. We are accountable for decisions, actions and results.



### Embrace Quality

We are committed to having our customer enjoy a positive experience in every aspect when interacting with us. We are committed to the highest quality products and solutions. We take a *Kaizen* approach to continuously improving our knowledge, products and processes.



### Inspire Passion

We dare to dream big and seek to transform ourselves, our industry and customers experience. We push ourselves to stretch beyond our commitments to exceed expectations. We pursue excellence in everything we do and reward a "Can-do" attitude.



### Pursue Growth

We are striving for growth and innovation. We consistently invest in the growth of our leaders and their teams. We are willing to embrace change & risk with speed in a thoughtful, informed and appropriate way.

roughly 27,000 employees, sales offices in about 150 countries, and 50 production facilities worldwide, LWT is a new global leader in its segment, which includes toilets, shower and bath systems, faucets, and ceramics, boasting several of the industry's top brands and leading market positions across the globe.

LIXIL Housing Technology (LHT) is a significant leader in Japan's housing materials industry, with sales of approximately ¥600 billion and an operating margin of about 6%. LHT's CEO is Toshimasa Iue, previously the Chief Marketing and Sales Officer of LIXIL Corporation.

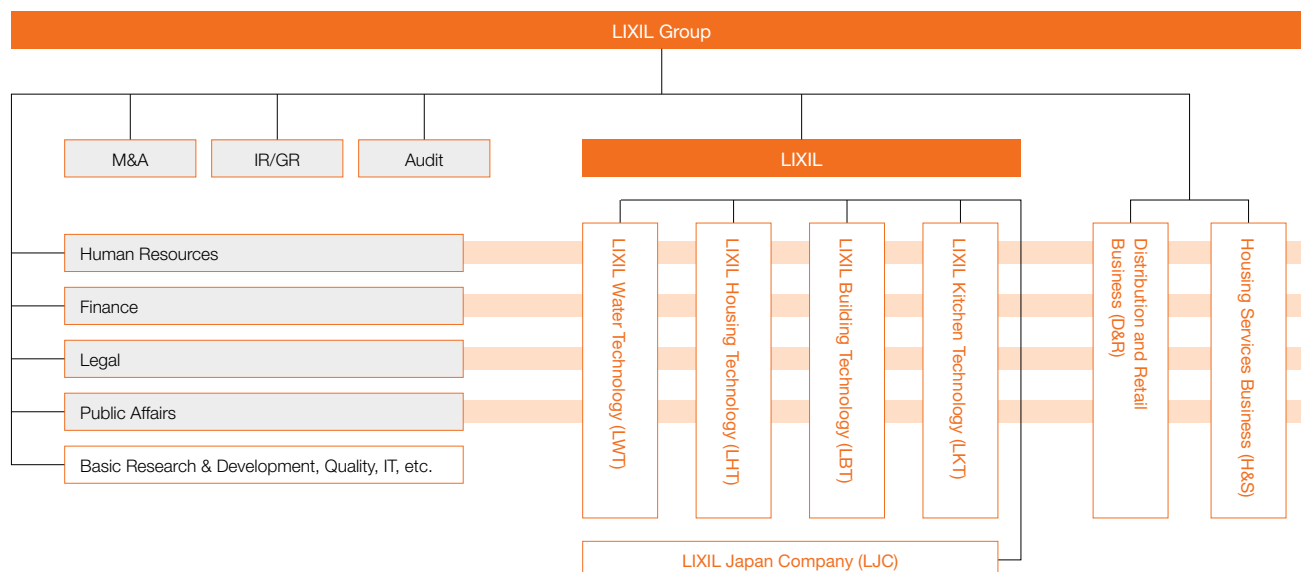
LIXIL Building Technology (LBT), a global leader in building curtain walls, commercial interiors, and windows, manages landmark building projects in more than 50 countries and operates dozens of factories around the world. This

business generates sales of approximately €2.5 billion and has an operating margin of about 3%. LBT's CEO is Nicola Greco, CEO of the Permasteelisa Group.

LIXIL Kitchen Technology (LKT) is a leader in the kitchen systems business in Japan and, through a joint venture with Haier in China, generates sales of about ¥110 billion in these two countries. Although not highly profitable at present, LKT offers strong synergies with LWT. I have acted as interim CEO since our new operating model became official. François-Xavier Lienhart, formerly the president of a French manufacturer of construction materials, has taken over this role in August 2015.

LIXIL Japan Company (LJC)'s primary role is the sales and marketing of all products and services in Japan, operating on a "total solutions" model. Generating sales of approximately

## New operating model (Commenced on April 1, 2015)



¥1 trillion, LJC concentrates on the home renovation market. LJC is the LIXIL business most integrated across product lines, with a combination of specialists dedicated to individual business areas and generalists covering all products. Haruo Shirai remains as CEO of LJC.

Backed by strong governance processes and capabilities managed by best-in-class corporate functions in Human Resources, Finance, Legal, Public Affairs, R&D, and IT, among others, I believe our progress to date demonstrates the compelling value proposition we can create for investors, shareholders, customers, and other key stakeholders.

### Making the synergies work

The new operating model offers a host of opportunities to take advantage of synergies, both vertically within each of the four technology businesses and horizontally across these businesses. The potential to secure vertical synergies are enormous—perhaps 80% of the total—and we will be intensively focused on realizing this potential over the next three years or so.

Over the past few years, we pursued growth by carrying out a succession of acquisitions. We are now focusing on Group integration, aiming for stable, organic growth. The implementation of the new operating model is a transformational step because it will help us to grow by capitalizing on our expertise in each of the verticals, driving segmentation as we go to market, fully recognizing the scale of our customer base, and serving that base in a way we never could before.

At the same time, we have the chance to steadily rationalize our operations.

LWT provides an excellent example of the potential vertical synergies. We have numerous solid global growth brands, including GROHE, ASB, and LIXIL/INAX, ranging from the luxury to the value-for-money ends of the spectrum. The new operating model allows us to reduce costs by consolidating production bases and supply chains. We have already begun this process, such as by combining GROHE's plant in Canada with an ASB plant in Mexico.

Also, we will pare back overlapping product stock-keeping units and clarify brand segmentation in our markets. This move will generate cost savings and enable us to choose the best channels for management across markets. As an example, while it might take time to achieve broad market recognition for spa-toilets in overseas markets under the LIXIL brand, ASB and GROHE already have solid brand reputations in the United States and Europe, as well as established distribution channels, which will make adoption swifter and more successful.

LJC, while being Japan-focused, leads the way in achieving horizontal synergies. We provide LIXIL offerings in all four businesses, and we are particularly strong in Japan right now because of that. In other regions, we have a solid presence in at least one and sometimes three of these businesses, but not yet all four. By taking Japan as our ultimate model for realizing horizontal synergies in markets around the world, we see enormous opportunities to grow.

Talented and globally minded people are the key to making us not merely succeed but truly flourish under our new operating model. Earlier this year, we reduced the number of executive officers and drew on our newly expanded global talent pool to put the best people in the best jobs. Throughout that process, we concentrated on swiftness of execution and the selection of the optimal team for growing the Group's global management over the long term.

### Our Medium-Term Business Plan

In May 2014, we announced LIXIL G-16, a medium-term business plan, which is consistent with our underlying management vision of becoming a comprehensive living and housing solutions provider targeting the global market. The plan reflects the realities of changes in the operating environment as well as the addition of new companies, including ASB and GROHE.

As part of the plan's efficiency initiatives, we aim to generate cash of about ¥100 billion by March 2016 and, by March 2017, slash the time required to generate cash, from purchase of raw materials to collection of income from sales, to 55 days, through the Cash Conversion Cycle (CCC) Project. We are seeing successes here already—the CCC is down from more than 90 days in September 2013 to 84 days in March 2015.

### Home renovation: an “emerging market” opportunity in a mature economy

Housing starts in Japan are likely to remain sluggish over the medium to long term as the population continues to shrink, but we see the renovation business as a silver lining. One reason is a greater awareness of energy savings; whereas the amount of energy being used in such areas as transportation is trending downward, home energy use is increasing, and renovation can help stem that trend.

Also, a growing percentage of the population is middle-aged or older, a core group of the renovation business for LIXIL. The aging population in Japan leads trends we are seeing around the world, including the preference for aging in place. As members of the silver generation in Japan choose to age at home rather than move to an assisted living facility, these homes will be reinvented to accommodate changing needs in the bathroom, shower, or kitchen.

In the year ended March 31, 2015, renovation products generated sales of ¥279.6 billion. This is a more lucrative business than new housing products. We will continue focusing efforts on expansion of the renovation business.

### Bringing the pieces together

Our new operating model is all about consolidating our efforts over the past four years into a well-integrated whole: a truly global technology company that serves the best interests of all its stakeholders by creating value over the medium to long term. We are aware, and have seen first-hand, that greater globalization exposes an entity to all manner of unforeseen risks. Rather than fearing such risks, we will learn from them and grow stronger as we incorporate lessons learned into the ongoing process of value creation.

As I mentioned at the beginning, I gave our employees a preview of the movie that is our transformation journey. I am grateful for their commitment and willingness to withstand temporary discomfort as we pull together toward a common goal. I ask also for your continued support of the LIXIL Group as we build a corporate group that we can all be proud of and that serves in the vanguard of global technology businesses.

August 2015

Yoshiaki Fujimori

President and CEO



## Executive officers

(As of June 26, 2015)



(Back row, from left)  
Sachio Matsumoto, Hwa Jin Song Montesano,  
Katsuhiro Mamenari, Yosuke Yagi, Yoshizumi Kanamori

(Front row, from left)  
Takashi Tsutsui, Yoshiaki Fujimori, Ryuichi Kawamoto,  
Harumi Matsumura, Laurence William Bates

### Yoshiaki Fujimori

President and CEO

Yoshiaki Fujimori has been serving as President and CEO of the Company as well as President and CEO of subsidiary, LIXIL Corporation, since August 2011. He also serves as the Representative Director of GraceA Co., Ltd. Prior to joining the Group, Mr. Fujimori worked for 25 years at General Electric Company (GE), where he was Senior Vice President and a member of the Corporate Executive Council. He served as President and CEO of various business divisions including GE Medical Systems Asia, GE Plastics, and GE Capital Asia, and as Chairman of GE Japan. Prior to joining GE, he worked for Nissho Iwai Corporation (now Sojitz Corporation) for 10 years. He has been Director of Tokyo Electric Power Company, Incorporated, since 2012.

### Ryuichi Kawamoto

Representative Executive Officer and Executive Vice President

Ryuichi Kawamoto has been serving as Representative Executive Officer and Vice President of the Company since June 2012, taking responsibility for quality and technology in April 2015. He is also serving as Senior Executive Vice President and Chief Technology Officer at subsidiary, LIXIL Corporation. Mr. Kawamoto joined INAX Corporation (now LIXIL Corporation) in April 1976.

### Takashi Tsutsui

Executive Officer and Executive Vice President

Takashi Tsutsui has been serving as Executive Vice President and Director of the Company since June 2011, with responsibility for M&A, investor relations, and external affairs. He is also Head of the Company's Compensation Committee and has been serving as Director, Executive Vice President, and Chief External Relations Officer at subsidiary, LIXIL Corporation. Prior to joining the Group in June 2009, Mr. Tsutsui served as President and CEO of Jasdac Securities Exchange, Inc., from 2005. Prior to joining Jasdac Securities Exchange, he worked for Nomura Securities Co., Ltd. (now Nomura Holdings, Inc.), joining the company in 1974 and becoming Director in 2002 and Executive Officer in 2003.

### Yosuke Yagi

Executive Officer and Executive Vice President

Yosuke Yagi has been serving as Executive Vice President of the Company since April 2012, taking responsibility for human resources and general affairs in April 2014. He is also serving as Director, Executive Vice President, and Chief Human Resources Officer at subsidiary, LIXIL Corporation. Prior to joining the Group, he worked for GE Yokogawa Medical Systems Limited (now GE Healthcare Japan) from 1999 to 2012, becoming Director in GE Japan from 2002 and leading all GE business in Japan and Asia as Senior HR Manager from 2002 to 2012. Prior to joining GE, he worked for Nippon Kokan for 19 years from 1980.

### Sachio Matsumoto

Executive Officer and Executive Vice President

Sachio Matsumoto has been serving as Executive Vice President since April 2015, with responsibility for accounting, and Chief Financial Officer (CFO) of the Company since June 2013. He is also serving as Director, Executive Vice President, and Chief Financial Officer at subsidiary, LIXIL Corporation. Prior to joining the Group, he was Corporate Vice President and Head of Finance and Treasury in Fuji Xerox Co., Ltd.

### Yoshizumi Kanamori

Executive Officer and Senior Managing Director

Yoshizumi Kanamori has been serving as Executive Officer and Senior Managing Director and Director of the Company since June 2011, taking responsibility for finance in April 2014. Previously, he also served as Chief Financial Officer of the Company and as Director, Senior Managing Director and Operating Officer at subsidiary, LIXIL Corporation. He joined the Company in 1977.

### Harumi Matsumura

Executive Officer and Senior Managing Director

Harumi Matsumura has been serving as Executive Officer and Senior Managing Director of the Company since June 2013, taking responsibility for housing services business since November 2014. She has also been serving as Senior Managing Director and Operating Officer at subsidiary, LIXIL Corporation, since 2013, and President and representative Director at subsidiary, LIXIL Living Solution Corporation, since 2015. Prior to joining the Group, she was President and Representative Director of Henri Charpentier Co., Ltd. from 2004 to 2011. She also served as a manager at major retailer Seibu Department Stores, Ltd. (now Sogo & Seibu Co., Ltd.), which she originally joined in 1976.

### Laurence William Bates

Executive Officer and Senior Managing Director

Laurence William Bates has been serving as Executive Officer and Senior Managing Director of the Company since July 2014, with responsibility for legal functions. He has also been serving as Director, Senior Managing Director and Operating Officer, and Chief Legal Officer at subsidiary, LIXIL Corporation, since 2014, with responsibility for intellectual property. Prior to joining the Group, Mr. Bates worked for 22 years at General Electric (GE) in the United States, where he held the position of Senior Executive and was on the Global Leadership Council for many years. He served most recently as General Counsel of GE Japan from 1998 until his retirement at the end of 2013. Prior to GE, he worked with international law firms Morrison & Foerster, in Tokyo, and Paul, Weiss, Rifkind, Wharton & Garrison, in New York and Beijing.

### Hwa Jin Song Montesano

Executive Officer and Senior Managing Director

Hwa Jin Montesano has been serving as Executive Officer and Senior Managing Director of the Company since November 2014, with responsibility for public relations, CSR, and environmental strategy. She is also serving as Director, Senior Managing Director and Operating Officer, and Chief Public Affairs Officer at subsidiary, LIXIL Corporation. Prior to joining the Group, Ms. Montesano held various senior positions, including Vice President, Global Public Affairs in GSK Vaccines; Vice President, Corporate & Government Affairs, Asia Pacific in Kraft Foods; Vice President, Communications, Asia Region in GE Money; and Corporate & Government Affairs Director, Asia Pacific in GlaxoSmithKline plc.

### Katsuhiko Mamenari

Executive Officer

Katsuhiko Mamenari has been serving as Executive Officer of the Company since June 2011, with responsibility for home centers. He is also serving as Chairman and CEO, and Representative Director at subsidiary, LIXIL VIVA CORPORATION, since 2014, after serving as President and Representative Director from 2000 to 2014. Mr. Mamenari joined the Company in April 1973.

## Story 1

## The Innovation of operating models

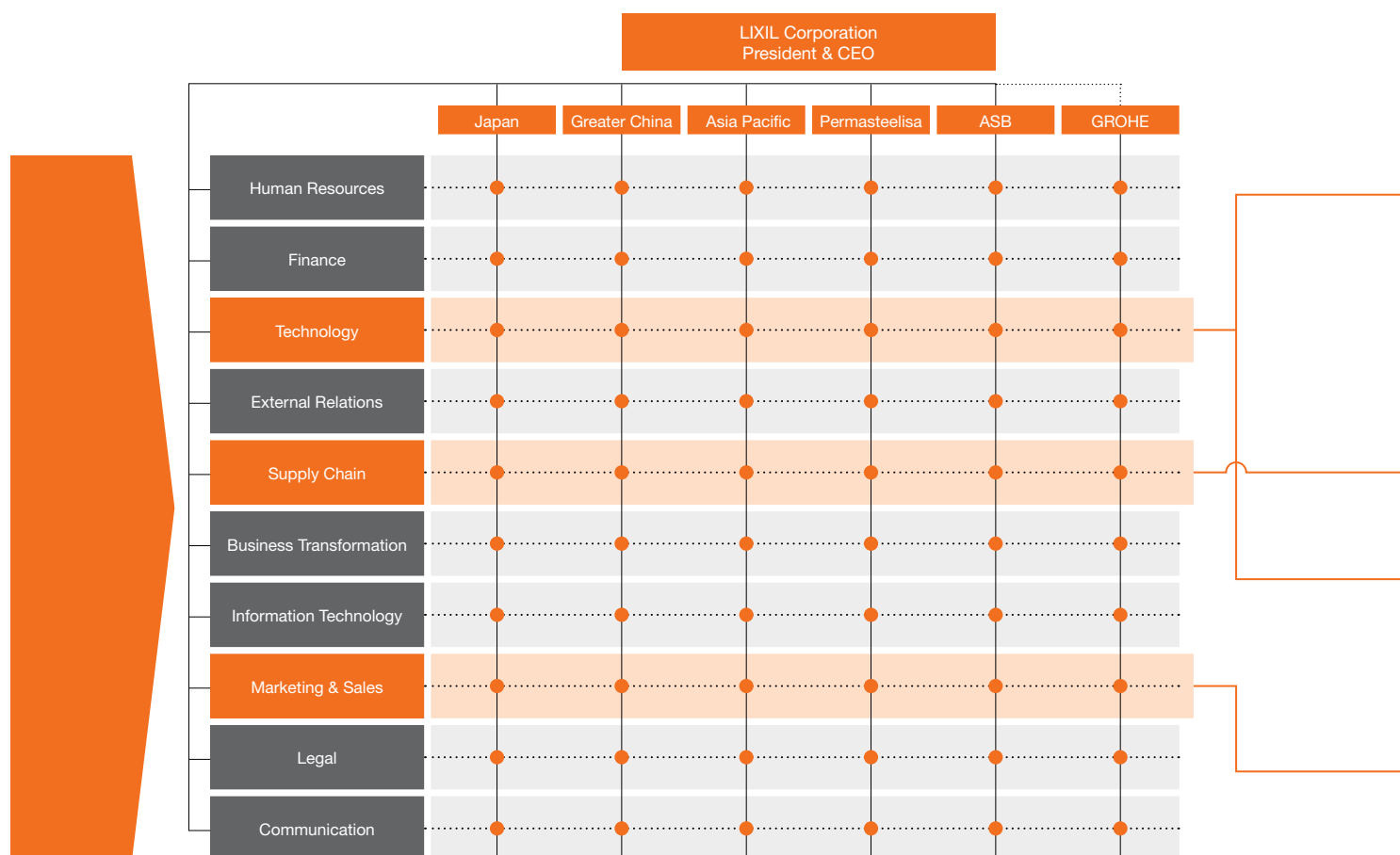
# In the vanguard of global

The LIXIL Group has rapidly pushed ahead with business expansion and operating model reforms following the merger of five operating companies in Japan in 2011 and three large M&A deals. Here, we take a close look at the Group's development and how the situation stands today.

PAST

From April 2014

## The Global Management Committee (GMC): Post-M&A integration management by function



The LIXIL Group made rapid strides in business globalization through major acquisitions and investments during the period from 2011 to 2014. In April 2014, it established the Global Management Committee (GMC) to maximize value from business expansion and management diversification through speedy post-M&A integration (PMI).

The GMC's mission is to promote integration and realize synergies across the Group. The horizontal axes represent various corporate functions in common throughout the Group, while the vertical axes show the management structure by business unit and region. We have sought to optimize "One LIXIL" across the Group by integrating functions while devolving authority to operating companies and regional management leaders and making them responsible for attaining earnings targets.



# technology businesses

PAST

To end-March 2015  
Our achievements

Value chain	Priority issues by function	Key results
<div><div>Development</div></div>	<ul style="list-style-type: none"><li>■ Realization of global development structure</li><li>■ Development of competitive, next-generation global products</li></ul>	<ul style="list-style-type: none"><li>■ Formulation of processes and targets for creating global development platforms</li></ul>
<div><div>Supply chain</div></div>	<ul style="list-style-type: none"><li>■ Cost management based on optimal production, enhanced global procurement and logistics systems, and sharp cuts in inventories</li><li>■ Global adoption of best practices with supply chain management, including LIXIL's innovative technologies</li></ul>	<ul style="list-style-type: none"><li>■ Information aggregation through 98 manufacturing bases and 42 logistics centers and productivity evaluation</li><li>■ Clarification of flows from raw materials to finished products in each operating company and region</li><li>■ Simulating and testing global logistics chain development</li></ul>
<div><div>Manufacturing</div></div>	<ul style="list-style-type: none"><li>■ Consolidation and optimization of production and logistics bases</li><li>■ Standardized components</li></ul>	<ul style="list-style-type: none"><li>■ Examination and common adoption of best practices in manufacturing processes across operating companies and regions</li><li>■ Annual cost savings of about ¥2.3 billion from business integration within Japan and consolidation of manufacturing bases in Asia and North America</li></ul>
<div><div>Marketing and sales</div></div>	<ul style="list-style-type: none"><li>■ Establishment and common use of marketing platforms</li><li>■ Preparation of global sales strategy for the LIXIL Group as a whole</li></ul>	<ul style="list-style-type: none"><li>■ Launching an integration process of the customer relationship management (CRM) system</li><li>■ Joint LIXIL/GROHE displays at ISH, a world-leading trade fair, showcasing the latest bathrooms</li><li>■ Multi-brand presentation programs targeting the top designer/architecture and hospitality firms</li></ul>

Among the GMC's functions, technology, supply chain, and marketing and sales are directly linked to the core manufacturing value chain. In the fiscal year ended March 2015, considerable progress was made in optimizing Group operations across development, procurement and supply chain, manufacturing, and marketing and sales based on functional leadership.

In particular, the GMC has been focusing on speed, reflecting its perception that PMI management needs to move onto the next stage to maximize integration synergies. (Please look inside the page.)



# technology businesses

PRESENT

From April 2015  
Stepping up global expansion through promoting the technology businesses by product field



In April 2015, the LIXIL Group moved into a new stage of its transition to a truly global technology company. It restructured Group operations by adopting an operating model with four product fields\* under LIXIL Water Technology (LWT), LIXIL Housing Technology (LHT), LIXIL Building Technology (LBT), and LIXIL Kitchen Technology (LKT) while continuing to reap benefits from the GMC's functions.

The CEOs and management teams of the four technology businesses are seeking to maximize business value by applying product development effectiveness, brands, technologies, and sales channels while committing themselves to attaining their earnings targets.

\* Apart from manufacturing-based technology businesses, the new operating model also comprises LIXIL Japan Company (LJC), which provides total customer support, Distribution and Retail Business (D&R), and Housing and Services Business (H&S).



# and value creation



From April 2015  
Value created by a new operating model

Synergies	Results	Targets	Outcome
Shorter development cycles Superior product development	Strengthened product lineup  Higher profit margins  Differentiation from rival products  Enhanced customer satisfaction		Growth through establishing a leading-edge operating model as a global technology company
Lower procurement costs		Accessing new demand and markets  Greater cash generation	
Lower manufacturing costs		Reinforced brand strength  Broader customer base	
Aggregation of customer information			

The new operating model has moved into top gear since its launch on April 1, 2015. The management teams of each technology business have already built shared awareness of management resources and business opportunities helped by extensive discussions in meetings of the GMC.

A priority issue now is to maximize synergies within each technology business. We see great potential for synergies from the perspective of maximizing business opportunities and achieving top line growth as well as for enhancing productivity and efficiency. The realization of that potential will contribute to growth and value enhancement for the Group as a whole.



Story 2

LWT's potential

Please tell us about the scale of LWT operations and its market positions.

LWT is a new global market leader in the water technology business. We are a big organization, with turnover of about \$5 billion and operating profit of just under 10%.

We have the industry's best brands: ASB, GROHE, and LIXIL/INAX, and many others that are regional. We cover the entire spectrum, offering premium products under the GROHE brand, everyday products under ASB, and value-for-money products.

We have leading positions across the globe, in Japan, Asia other than Japan, the Middle East/Africa, North America, and Europe. While not number one in each region, the fact that we have such a wide geographic spread means that we are the largest player in this industry, covering the full range of water technology products. We also enjoy a large and growing market. Around the world, consumers want better facilities.

Although demand is growing at different rates in different parts of the world, fundamentally the market is expanding. Even better is that this trend will continue for years to come.

Brands, global operation, and technology: I don't think any other company can fulfill those three. And these are all underpinned by an outstanding team of people and a proven management team that is itself very diverse.

What are some areas you need to work on?

I would expect platform strategies to be a strong theme for us over the next few years, which is very similar to the process car companies underwent some 20 years ago. The beauty here is that scale matters. LWT's procurement volume is bigger than most of our competitors' revenues. Our investment budget and ability to invest is a huge benefit of scale, because we can quickly roll out new technologies around the globe.



David J. Haines  
CEO  
LIXIL Water Technology

“LWT has two sets of crown jewels: its people and its brands. We are truly global, operating in all corners of the world. We are a technology leader with solid brands, and our people are excited about the idea of working for the global market leader.”

# Interview with the CEO of LWT Pursuing growth with water

The CEO of LIXIL Water Technology (LWT)—the LIXIL Group's most globalized business—shares his views on how LWT will grow as a global entity under the new operating model. He also discusses strengths and strategies for the future.

We are bringing together multiple companies from various cultures and with different histories, and people from diverse backgrounds. Bringing all of this together with a common set of values will deliver benefits—if we do it well—that are sustainable for years to come. These will not be one-time benefits, but enduring and sustainable benefits that increase over time as we move to multiple brands on the front end and integrated production and cost savings at the back end.

I think we will be able to out-innovate most of our competitors by having the resources available—not just in terms of money but also people and ideas.

**What about your value chain now that you have become a single company? Won't this become unmanageably complex?**

Conversely, it will become far more streamlined. We will reduce the number of products in our portfolio through platform strategies. We have

some fantastic engineers around the globe who will help us to rationalize our operations. So quite to the contrary, I think we will see a massive de-complexing of our value chains, while at the same time out-innovating our competitors.

Our biggest opportunity comes from the fact that we have far too many products. In the past, operations in individual regions optimized themselves, but now we have many opportunities for rationalization. Product ranges, how we make them, our supplier base...over the next several years, I am sure we can find numerous opportunities to improve the customer experience and enter areas we are not in, and to reduce our cost base.

**You have mentioned that these changes will bear fruit over time. How are employees responding? What do things look like on the ground, day to day, right now?**

Today I'm in Tokyo. A few days ago I was in China, and in the United States,

and last week I was in Germany.

Wherever I go, talking to our people, our customers, and our suppliers, I sense a great deal of excitement. They love the changes that are taking place.

I sense excitement about the idea of working for the global market leader. Our people sense opportunity, optimism and a good future. Our customers love the changes they see because they sense we will be able to come up with more relevant innovations they can share with their customers, which helps them grow their businesses. Our suppliers see us as a long-term, stable, reliable partner.

I think we are at a crossroads of opportunities that bring multiple benefits: for ourselves, our customers and consumers, our suppliers, and our investors. But this will mean change, not business as usual, and we will all need to accommodate some change.

# technology in the vanguard





## Story 3

## LWT on the ground

# In the vanguard of product development



The LIXIL Group is establishing a leading competitive position in product development, supported by efficiency gains and greater agility thanks to the unification of development platforms while meeting market needs in key regions across the globe.

## New operating model: potential and strengths



Sharing of technologies across brands is leading to innovative product

The LIXIL Group is unrivaled in efficiency and meeting region-specific needs supported by the integration of development processes. Specifically, development-center-led efforts provide a platform targeting well-delineated strategic products, helping both to raise investment efficiency and to speed up development. Meanwhile, design centers in key regions around the world and the Group's various manufacturing bases support innovation rooted in a clear understanding of region-specific needs. These benefits are fed back into the development center, enabling LWT to pin down changing market needs and adopt radically new approaches.

## Priority issues moving forward

In the fiscal year ending March 2016, we plan to enhance our global spa-toilet platform by rolling out products developed on the underlying platform but tailored to individual regions and brands. Although at a glance the platform strategy and brand-based differentiation may appear contradictory, we are pursuing both on the basis of clearly defining the value of each brand. We aim to launch about 300 products annually by 2017, and we have set an ambitious medium-term target of developing 10 global platforms per category. Through well-targeted investment of development resources in our key product lines, we aim to rationalize our inventory management processes. We expect these efforts to reduce the average development cycle from 24 months to 12 months.





# In the vanguard of supply chain management



LWT is providing customers with the highest level of services and support through establishing integrated sales, operations, and inventory planning (SOIP) across all regions and brands.

## New operating model: potential and strengths



Identifying measures to enhance global logistics processes

A key LWT business strength lies in the scale of the company's annual logistics and procurement across all brands of about US\$2.8 billion. With this purchasing clout, we are reinforcing strategic supplier management to gain best-in-class pricing, quality, and service.

We have also started the mutual cross-regional supply of finished products and components leveraging our production network, with its powerful core technologies. Through restructuring and optimizing operations at logistics centers in 28 locations around the world, we are enhancing global logistics efficiency by cutting distribution costs and thereby helping meet our environmental responsibilities by reducing Groupwide energy consumption and CO<sub>2</sub> emissions.

## Priority issues moving forward

We are determined to provide customers with optimal supply capabilities while minimizing operational costs by being the best in the industry in knowing what products are needed when and where and in what amounts. We have already started to integrate our global operations through such initiatives as establishing the LWT Global Commodity Council, which counts among its members procurement professionals from different regions, consolidating our procurement centers in China, and reappraising and in some cases consolidating the functions of different logistics centers. With SOIP processes, we are—along with cutting costs—putting the finishing touches at the regional level around the world. We expect to see benefits from a selectivity and focus-driven approach to suppliers and from the unification of SOIP processes and systems globally within the next two to three years.

## Story 3

## LWT on the ground

# In the vanguard of production



As a leader in comprehensive living and housing solutions, we are applying technological expertise drawn from around the world to offer products tailored to region-specific tastes of customers.

## New operating model: potential and strengths



LWT boasts the industry's broadest network of production bases

LWT, with its outstanding technologies relating to water faucets, showerheads, ceramics, and spa-toilets, is looking to realize productivity gains through applying best practices across the business and pursuing synergies. With best practices, we have assigned Japanese engineers to an ASB Mexico plant, which has already contributed to improved yields and reduced total loss rates. In the realm of synergies, we have closed a ceramics production line at LIXIL BUILDING MATERIALS MANUFACTURING (SUZHOU) in China, transferring production to an ASB plant in China and a LIXIL plant in Vietnam, and shut the GROHE factory in Canada, shifting production to the ASB plant in Mexico. These moves have raised business efficiency through the consolidation of manufacturing bases.

## Priority issues moving forward

Some of the LIXIL Group's brands have a history that dates back more than a century. We aim to push forward with essential reforms while treasuring that time-honored brand value. In the fiscal year ending March 2016, we are focusing on productivity improvements and better use of our existing assets, including plant and distribution centers. In the near term, we intend to pare inventories (stock keeping units; SKUs) by ensuring close cooperation among design, engineering, and sales teams, thereby achieving sustained improvement in productivity. We see the balance between global optimization and region-specific needs as a pivotal issue. While pursuing efficiency gains at the global level, we are creating a product lineup tailored to region and brand-specific needs. Customers in Europe, for example, tend to prioritize product design, while those in Japan tend to focus on quality and functionality and those in the United States and China are typically very price-sensitive.







## In the vanguard of marketing and sales



We aim to show the competitiveness inherent in our portfolio of brands while pursuing a marketing strategy under which brands have their own clear identities.

### New operating model: potential and strengths



Targeting differentiation through top-level before- and after-sales services

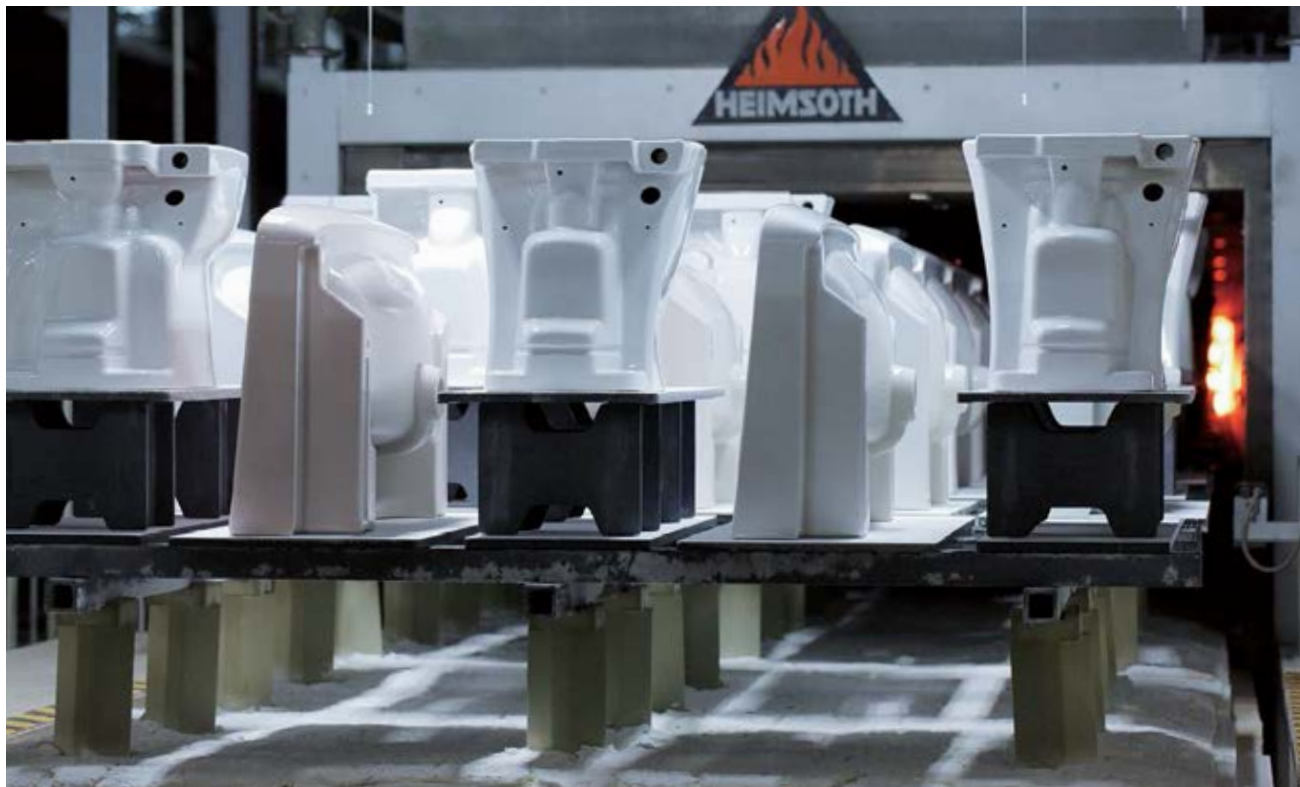
We expect the establishment and use of the sales platform to open up wide-ranging business opportunities for LWT. We have already made clear progress in the Asia Pacific region, while in India and Indonesia we have been attracting new customers through the combined offering of GROHE and ASB products. We are also pushing forward with plans to supply GROHE products through the LIXIL/INAX retail network in Vietnam and to ASB's customers in Australia. Our multi-brand portfolio is steadily winning over customers among end users, sales outlets, and developers.

### Priority issues moving forward

LWT is looking to expand worldwide and establish global market leadership in spa-toilets and spa-type toilet seats while undertaking marketing activities on an individual brand basis. To this end, we are developing a best-in-class product range with clear technology differentiation, sweet spot pricing, and a broad distribution network across all brands. In areas other than spa-toilets, we are developing killer-app products in each category for each brand. We have also started to build a customer relationship management (CRM) system, beginning with the integration of CRM databases across Asia. We are winning increasing support for the brand portfolio as we broaden the LIXIL fan base through the targeted focus of GROHE on architectural designers, ASB on sales outlets, and LIXIL/INAX on plumbers and contractors.

### Story 3

### LWT on the ground



LWT is closely evaluating the capacity of manufacturing plants in every region of the world with a view to creating an optimal global manufacturing system. Investing funds secured from cost savings in the most advanced manufacturing facilities will be key to further improving profitability while supporting accelerated growth.







LWT is making steady progress toward establishing the plumbing products industry's leading production and distribution network. We are enhancing competitiveness through tapping synergies particularly in the adoption of best practices and value chain integration, laying the foundations for accelerated growth.

## Story 4

## HR strategy underpinning the operating model

## Shared “best practices” the bed-rock of our approach to human resources

The LIXIL Group has introduced a “People & Organizational Development (POD)” to human resource processes throughout the Group. This cross-regional and cross-business stance is as valid today as ever, even after M&A-driven business expansion. Our ability to promptly handle human resources processes throughout the Group reflects the global introduction of best practices after the Group embarked on management reforms in 2011.

An example of best practices distinctive to our human resources management is the importance we place on leadership and how we evaluate it. Leaders able to draw out the full potential of staff through giving them fair and meritocratic access to opportunities, and able to execute their own

visions for reform, are essential to a high-performance, winning organization. With that in mind, we seek to pinpoint and nurture managers who are able to think strategically while placing utmost importance on the appropriate evaluation of leadership.

Executive Leadership Training (ELT) is our tool for putting our human resources strategy into practical effect. Under this program, management candidates come together three times a year to participate in LIXIL's own intensive course to learn what growing into a leader is all about, including such aspects as business and financial strategies and organizational culture. Along with the world-renowned ISES Business School of Spain we have been developing an ELT program with a more prominent global aspect—G-ELT—that we plan to offer to staff across all Group businesses worldwide.



Yosuke Yagi

Chief HR Officer  
LIXIL Group Corporation

“The LIXIL Group aims to improve comfort and lifestyles through global, leading-edge technologies. In this effort, we seek to be an organization that reflects the commitment of all our people.”

## Message from the Chief HR Officer

# Creating a dynamic company thro

Human resources, one of the integrated functions across the Group as a whole, is contributing to the creation of enterprise value over the long term as a function driving business strategy development and implementation.





### Creating a company in which staff have confidence and pride

The LIXIL Group has changed dramatically in a little over four years. The number of staff keen to contribute to realizing the Group's vision of contributing to improving people's comfort and lifestyles through leading-edge technology has been steadily growing. The organization has learned to prize such staff. We expect them to be a vital asset for the Group's value creation over the longer term.

After discussions over about six months following the series of major M&A deals, LIXIL in October 2014 set out its new LIXIL Values. The following April, the Group published the "LIXIL Group Code of Conduct," providing guidelines to ensure strict adherence to labor standards and respect for human rights, and it also introduced compliance structures. We intend to continue to take steps to reinforce and unite our "One LIXIL" organization while maintaining the

independence of different businesses, with one priority area being the adoption of an integrated system that brings staff compensation and incentives into alignment with Group business strategy.

We are committed to pushing forward with human resource processes in all its aspects not as a back office operation, but as a function driving the development and implementation of business strategy.



## ugh human resource processes



## LIXIL Group's operations in brief: our four technology businesses

Market conditions

Factors affecting market conditions

## LIXIL Water Technology



see p.34

The global plumbing fixtures market now stands at around \$50 billion and is expected to continue to grow. European and North American markets have been buoyant lately against a backdrop of monetary easing, while in Asia, Africa, and South America markets for widely used value-for-money products have been expanding rapidly.

- Fluctuation of prices for copper, stainless steel, plastics, steel plate, and other materials as demand grows
- U.S. government and European Central Bank (ECB) interest-rate policies; the Chinese government's economic policies
- Economic trends in main markets and stability of financial system

## LIXIL Housing Technology



see p.35

In the core market, Japan, new housing starts have been contracting but there has been a clear growth trend in renovation-related demand for such products as entrance doors. We also anticipate growth in renovation demand related to hotels and commercial facilities in the lead-up to the 2020 Tokyo Summer Olympics and Paralympics.

- Reversal in demand-supply gap for aluminum ingots driving up prices
- Heightened interest in passive and smart functions among consumers
- New statutory regulations for thermal insulation and seismic resistance
- Japanese government taking further measures to invigorate stock and renovation market
- Demand growth ahead of the next consumption tax increase scheduled for April 2017

## LIXIL Building Technology

Ph.: ©Sellar



see p.36

A mild recovery in European economies and a robust U.S. construction market coincided with stable demand conditions in emerging markets, particularly in Southeast Asia. As a result, the non-housing construction market, including hotels, office buildings, and commercial facilities, is forecast over the medium term to grow 37% in China, 21% in North America and the Middle East, and 3% in Europe.

- Reversal in demand-supply gap for aluminum ingots driving up prices
- U.S. government and ECB monetary policy
- Economic trends in main markets and stability of financial system

## LIXIL Kitchen Technology



see p.37

Kitchens, along with bathrooms and toilets, are a product area that holds the key to tapping into renovation demand in the core Japanese market. We expect steady growth in the renovation market leading up to the consumption tax increase scheduled for April 2017.

- Japanese government taking further measures to invigorate stock and renovation market
- Demand growth ahead of the next consumption tax increase scheduled for April 2017

Sales / product strategies	Direct customers	Competitors	Market share (LIXIL Group estimates)
<ul style="list-style-type: none"> <li>Provide a comprehensive lineup of products with innovative designs and leading-edge functionality across multiple brands from the luxury to the value-for-money ends of the spectrum as a global leader in plumbing fixtures; fully leverage the Group's network of sales channels in the world's main markets</li> <li>Meet region-specific needs through design centers located in key markets; enhance efficiency through centralized management at a development center</li> <li>Introduce spa-toilets in the luxury segment</li> <li>Shorten the development cycle and continuously launch new products</li> </ul>	Dealers Sales agencies Construction companies Architectural firms Developers Wholesalers Volume retailers	Kohler Roca Hansgrohe Masco (Delta) Fortune Brands (Moen) TOTO Geberit	Water faucets: <b>No. 1</b> globally Sanitary ware: <b>No. 1</b> in North America Sanitary ware: <b>No. 2</b> in Japan Unit bathrooms: <b>No. 1</b> in Japan Washstand cabinet units: <b>No. 1</b> in Japan
<ul style="list-style-type: none"> <li>Increase sales of SAMOS X high-thermal insulation performance windows</li> <li>Seize growth opportunities in the Japanese market in such areas as renovation demand and construction demand ahead of the 2020 Tokyo Summer Olympics and Paralympics</li> <li>Improve the efficiency of new product development and continuously introduce new products</li> <li>Strengthen the structure of supply and sales to Asian markets such as Vietnam and Thailand</li> </ul>	Dealers Sales agencies Building materials wholesalers Home builders House manufacturers Construction companies Architectural firms Developers	YKK AP Sankyo Tateyama	Window sashes: <b>No. 1</b> in Japan Exteriors: <b>No. 1</b> in Japan Entrance doors: <b>No. 1</b> in Japan Tiles: <b>No. 1</b> in Japan
<ul style="list-style-type: none"> <li>Strengthen overall curtain wall operations that utilize Permasteelisa's business platform</li> <li>Be selective in accepting orders based on gross margins</li> <li>Increase sales weighting of high gross margin and stable North American market</li> <li>Expand interior business</li> </ul>	Construction companies Architectural firms	YKK AP Yuanda Local companies	Curtain wall: <b>No. 1</b> globally <b>No. 1</b> in Japan
<ul style="list-style-type: none"> <li>Capture renovation demand</li> <li>Create synergies with LWT's water faucets and other product lines</li> <li>Strengthen the mid-to-high-end product lineup</li> <li>Expand business in China through the business alliance with leading Chinese home appliance manufacturer Haier, using Haier's distribution network and other resources</li> </ul>	Dealers Sales agencies Building materials trading companies	Takara Standard Cleanup Panasonic TOTO	Kitchen: <b>No. 1</b> in Japan



## Business policy

# LIXIL Water Technology



**David J. Haines**  
CEO  
LIXIL Water Technology

LWT is seizing opportunities offered by market growth in regions around the world as a leading business with a broad product lineup under powerful brands across diverse categories, including water faucets, shower-heads, baths, sanitary ware, spa-toilets, and washstand cabinet units.



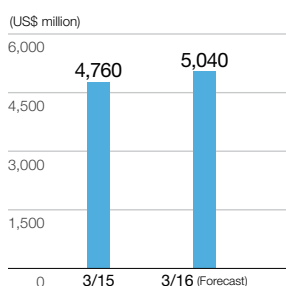
## LIXIL Water Technology: key strengths

The core strengths of LWT lie in its positioning in the growth business of water technology, its wide range of highly regarded brands in different regions across the world and a product portfolio that spans all market segments, from the luxury to the value-for-money ends of the spectrum. While leveraging these well-established strengths, the business is further honing its competitive edge by refining designs and technologies and enhancing efficiencies through business integration.

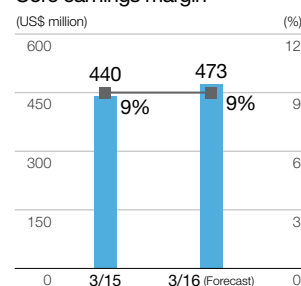
## Priority issues for the fiscal year ending March 2016

- Develop strategic products through the exchange and consolidation of design and technology within LWT, underpinned by a product platform based on Japan's spa-toilet technology.
- Promote the product platform strategy while cutting costs through streamlining the supply chain, including consolidating production and logistics bases within regions.
- Review the production and sales-channel structure in China, rebuilding the framework for supplying products from China to overseas.

### Sales



### Core earnings\* / Core earnings margin



■ Core earnings  
■ Core earnings margin (right)  
\* Core earnings is "Sales - Cost of sales - SG&A" under the International Financial Reporting Standards (IFRS). The figures are before amortization of goodwill and purchase price allocation.





# LIXIL Housing Technology



**Toshimasa Iue**  
CEO  
LIXIL Housing Technology

LHT has a dominant presence in the Japanese market, with a share of about 50% in housing window sashes. The business is moving into its next growth phase driven by an expanding product lineup of home renovation products and stepped-up global expansion.

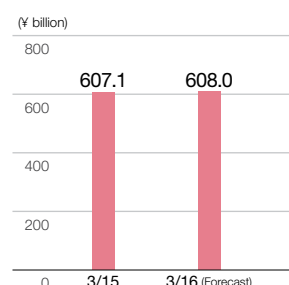
## LIXIL Housing Technology: key strengths

LHT's core strengths lie in three pivotal management resources nurtured by the LIXIL Group in Japan's building materials market, which boasts some of the most advanced products in the world. The first strength is products with high market shares and a portfolio of interior fabrics and other items unmatched by competitors. The second is a nationwide sales network. And the third is technologies and production facilities spanning the whole spectrum, from aluminum melting and castings to end products.

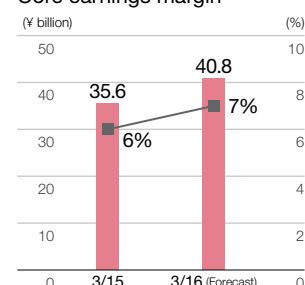
## Priority issues for the fiscal year ending March 2016

- Continue to grasp opportunities offered by renovation demand in Japan while accelerating overseas business expansion to tackle risks associated with contraction in new housing starts and the maturing of the market in Japan.
- Seize opportunities in expected growth in renovation demand related to medium- and low-rise buildings and in such non-residential fields as retail stores and hotels in the lead-up to the 2020 Tokyo Summer Olympics and Paralympics.
- Enhance competitiveness through the optimization of supply chain management and the introduction of automated systems in factories.

### Sales



### Core earnings\* / Core earnings margin



■ Core earnings

■ Core earnings margin (right)

\* Core earnings is "Sales - Cost of sales - SG&A" under the International Financial Reporting Standards (IFRS). The figures are before amortization of goodwill and purchase price allocation.



# LIXIL Building Technology



**Nicola Greco**  
CEO  
LIXIL Building Technology

LBT has a unique business profile within the Group in that commercial distribution of its core curtain wall products\* takes place under contracts on an individual project basis. The business aims to further reinforce its top position in the global curtain wall market as it integrates its curtain wall businesses in Japan and China with those of Permasteelisa.

\* Exterior wall materials for high-rise buildings with surface materials that include aluminum and other metals and stone



©Simon Kennedy

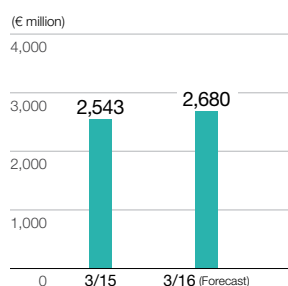
## LIXIL Building Technology: key strengths

Recognized worldwide as a top player in the curtain wall field, LBT commands a competitive advantage in its ability to meet customer demands at the project execution stage. With each project, LBT pinpoints the approach best suited to customer and project needs, makes flexible use of essential resources from the Group network, and dedicates itself to satisfying client demands in terms of quality, scheduling, and cost.

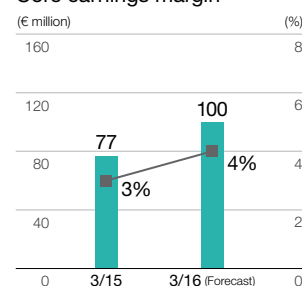
## Priority issues for the fiscal year ending March 2016

- Tighten control over project profit margins by taking a selective approach to new projects and markets and enhancing risk management and other project management capabilities while keeping close track of major new building construction projects in leading cities around the world.
- Apply the business model established for building exteriors to building interior work and tap new business opportunities in conjunction with LWT.
- Pursue opportunities in demand growth in Japan's building market ahead of the 2020 Tokyo Summer Olympics and Paralympics.

### Sales



### Core earnings\* / Core earnings margin



■ Core earnings

■ Core earnings margin (right)

\* Core earnings is "Sales - Cost of sales - SG&A" under the International Financial Reporting Standards (IFRS). The figures are before amortization of goodwill and purchase price allocation.



# LIXIL Kitchen Technology



**François-Xavier Lienhart**  
CEO  
LIXIL Kitchen Technology

LKT's product field is positioned at the heart of renovation demand, the kitchen—high on most people's list of home-remodeling priorities. The business is working to restore profit margins after temporary deterioration caused by snow damage at a key domestic plant in 2014 and is aiming steadily to increase sales by expanding business in China and leveraging synergies with LWT.



## LIXIL Kitchen Technology: key strengths

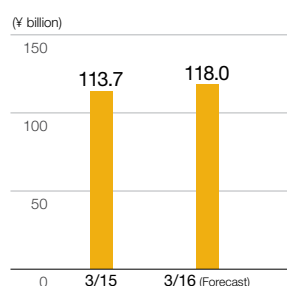
LKT holds top share of Japan's kitchen systems market. In China, it has established a joint venture company with leading home appliance manufacturer Haier. In 2013, the joint venture completed the construction of a manufacturing facility that will produce kitchen systems and kitchen components. LKT sells products throughout China through Haier's extensive nationwide sales network.

## Priority issues for the fiscal year ending March 2016

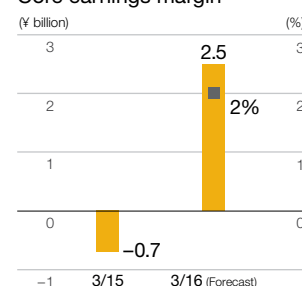
- Continuously introduce new products that raise the value of living environments covering not just kitchens, but all living room, dining room, and kitchen spaces
- Achieve a 50:50 sales mix between products for new-build homes and renovation and raise profit margins.
- Expand business in China by leveraging the joint venture with Haier.



### Sales



### Core earnings (loss)\* / Core earnings margin



■ Core earnings  
■ Core earnings margin (right)

\* Core earnings is "Sales - Cost of sales - SG&A" under the International Financial Reporting Standards (IFRS). The figures are before amortization of goodwill and purchase price allocation.



## LIXIL Japan Company (LJC)



Haruo Shirai  
CEO  
LIXIL Japan Company

The mission of LJC, as the embodiment of the LIXIL Group's commitment to being a comprehensive living and housing solutions company, is to offer optimal products and services—total solutions—on the foundations of a powerful domestic sales network. The company aims to achieve growth in scale and profits spurred by competitiveness deriving from comprehensive strength and sales capabilities.

## Distribution and Retail Business



Katsuhiro Mamenari  
CEO  
Distribution and Retail Business

The Distribution and Retail Business—unique within the LIXIL Group in having general consumers as its core customer base—offers a wide array of housing- and lifestyle-related products, materials, and construction and other services and plays a key role in raising the name-recognition of LIXIL.

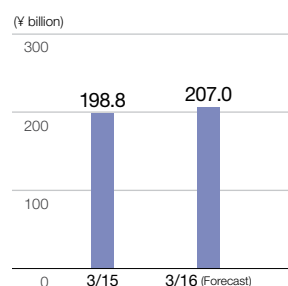


Market conditions	Weak demand as a result of sharp yen depreciation and deterioration in consumer sentiment following the consumption tax increase
Direct customers	<b>Home center business:</b> General consumers, construction professionals <b>Ken Depot business:</b> Construction professionals, small- and medium-sized homebuilders
Competitors	DCM Japan Holdings, Cainz, Komeri, Kohnan Shoji

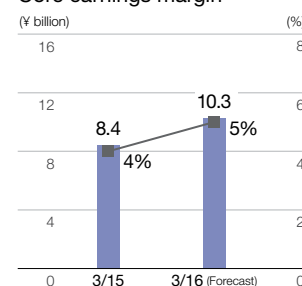
### LIXIL Group's strengths and business strategy

- The business has been differentiating itself from rivals and gaining a competitive lead by reinforcing its lineup of DIY merchandise and materials and equipment for professionals and going beyond product sales to also focus on providing total renovation and other services, including equipment replacement and installation work.
- Besides establishing a leading presence in the approximately ¥4 trillion market for home centers, the business has also entered the approximately ¥7 trillion renovation market.
- Set sights on global expansion while further reinforcing its leading presence in Japan as a member of the LIXIL Group.

### Sales



### Core earnings\* / Core earnings margin



■ Core earnings

■ Core earnings margin (right)

\* Core earnings is "Sales – Cost of sales – SG&A" under the International Financial Reporting Standards (IFRS). The figures are before amortization of goodwill and purchase price allocation.



### LIXIL Japan Company: key strengths

LJC's competitive advantage lies in a broad array of products and services spanning the whole spectrum of housing-related fields. Able to provide total solutions through a business structure offering specialist products under four technology businesses, the company can respond promptly to customer needs. Its close relations with distributors and building contractors nurtured over many years are also a key asset providing a gateway to renovation demand.

### Priority issues for the fiscal year ending March 2016

- Accelerate sales growth with renovation-related applications through cooperation with distributors and building contractors.
- In cooperation with LHT and LBT, seize opportunities to tap into building development and hotel renovation demand ahead of the 2020 Tokyo Summer Olympics and Paralympics.
- Constantly enhance total solutions capabilities by offering spaces incorporating product combinations and providing solutions integrating services.

## Housing Services Business



Harumi Matsumura  
CEO  
Housing Services Business

The Housing Services Business offers services to enhance the value of homes and living environments with its focus on housing- and lifestyle-related B2B2C business. The business provides comprehensive housing and lifestyle support to customers through all stages of their lives.

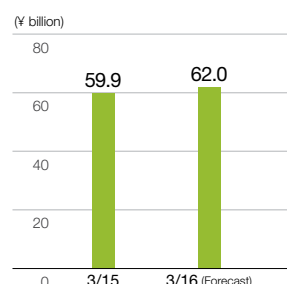


Market conditions	Expectation that demand will spike and then tail off around the consumption tax increase scheduled for April 2017
Direct customers	<b>Housing franchise business:</b> Homebuilding franchise members <b>Housing structural defects liability insurance business and housing site ground inspection business:</b> Construction companies, real estate transaction agents <b>Real estate brokerage:</b> General consumers

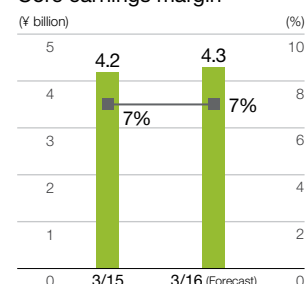
### LIXIL Group's strengths and business strategies

- The business has an industry-leading track record in its key services businesses, including housing site ground inspection and analysis, housing defect warranty liability insurance services, business support for home builders, and home planning support.
- The business established the operating holding company LIXIL Living Solution in June 2015, reinforcing its housing service business platform.

#### Sales



#### Core earnings\* / Core earnings margin



■ Core earnings  
■ Core earnings margin (right)  
\* Core earnings is "Sales - Cost of sales - SG&A" under the International Financial Reporting Standards (IFRS). The figures are before amortization of goodwill and purchase price allocation.

## Review of operations

# Groupwide initiatives

### Enhancing business efficiency through BT-16

The LIXIL Group has been pushing forward with its Business Transformation 16 (BT-16) action program under its three-year medium-term business plan covering the period from April 2014 to March 2017. Over the term of the business plan, BT-16 aims to reduce costs in core businesses in Japan by ¥77.0 billion compared with the fiscal year ended March 2014.

In the fiscal year ended March 2015, the first year of BT-16, the company realized cost savings of ¥17.3 billion, ahead of the

target of ¥13.0 billion at the start of the fiscal year, as the result of efforts to boost gross profits by cutting costs through reinforcing supply chain management (SCM) and streamlining business processes. In addition, we made a start during the fiscal year in streamlining operations chiefly through the consolidation of overseas production bases. We plan to step up these activities from the fiscal year ending March 2016 onwards.

### Business efficiency gains under BT-16

(¥ billion)

Categories	Major measures	3/2015 target	3/2015 results on P/L	3/2015-3/2017 cumulative target
SCM	<ul style="list-style-type: none"> <li>Integrate sales and construction information</li> <li>Optimize production sites and logistic centers</li> <li>Improve logistics</li> <li>Conduct strategic purchasing</li> <li>Pursue CCC improvement</li> </ul>	3.0	11.6	55.0
Improvement of gross profit	<ul style="list-style-type: none"> <li>Reduce cost leakage with process visualization</li> <li>Optimize product portfolio</li> </ul>	4.0	8.5	35.0
Indirect costs and others	<ul style="list-style-type: none"> <li>Improve process of sales support</li> <li>Realize more efficient product development</li> <li>Cut SG&amp;A expenses</li> </ul>	6.0	2.2	20.0
Internal target		13.0	22.3	110.0
Contingency		—	−5.0	−33.0
Core Businesses in Japan		13.0	17.3	77.0

### Streamlining operations

Implementation	Terms of implementation	Measures / Purpose
Sales of SUN WAVE KITCHEN TECHNO CORPORATION	April 2014	Select and concentrate businesses
Closure of production line for ceramics at LIXIL BUILDING MATERIALS MANUFACTURING (SUZHOU) CORPORATION in China	August 2014	Shift production to an ASB plant in China and a LIXIL plant in Vietnam
Shutdown of GROHE factory in Canada	December 2014	Shift production to ASB plant in Mexico

### Reinforcing marketing activities overseas

In August 2014, the LIXIL Group opened its largest flagship showroom in the Asia-Pacific region, at the Crystal Design Center (CDC) near Bangkok, Thailand. CDC is one of the largest complexes in the ASEAN region displaying housing fixtures, architectural materials, and related products, and with more than 500 showrooms is a key information hub. The LIXIL Group's showroom covers an area of more than 2,200 square meters and displays a comprehensive range of products, including kitchens, sanitary ware, plumbing fixtures, and aluminum windows.

LIXIL and GROHE also presented a joint display at the ISH international trade fair for bathrooms, building services, and air conditioning technology in Frankfurt, Germany, in March 2015. The show space of 2,300 square meters highlighted new bathroom solutions and drew the attention of many visitors to the comprehensive strengths of the LIXIL Group.

### Launch of LIXIL Reform Shop

In Japan, the renovation market has been steadily expanding as demand for remodeling existing homes grows while new housing starts remain on a long-term downtrend. The leading players meeting demand in this market are local building contractors and renovation specialists. LIXIL launched the LIXIL Reform Shop in April 2015 as a franchise chain for such contractors and renovation specialists, integrating two nationwide franchise chains previously operated by the company. Backed by one of the largest networks in Japan, with 424 outlets as of March 31, 2015, we are stepping up efforts to tap opportunities in the renovation market by leveraging the strengths of contractors and renovation specialists with in-depth local knowledge together with the scale merits and brand strength of LIXIL, while also bolstering our solutions-proposal effectiveness.

# Metal Building Material Business

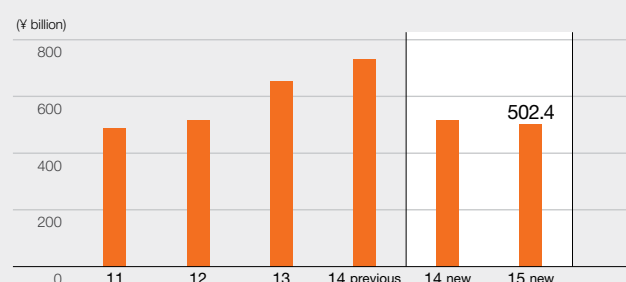


## Highlights for the fiscal year ended March 31, 2015

- Net sales declined ¥15.4 billion, or 3.0%, year on year, to ¥502.4 billion, and operating income fell ¥6.9 billion, or 16.8%, to ¥34.4 billion. In addition to lower sales stemming from a decline in new housing starts, costs rose owing to such factors as higher material prices.
- We launched *ERSTER X* plastic windows, realizing insulation performance that is among the best in the world and top-level in Japan, and *SAMOS X*, a hybrid window made of a combination of aluminum and plastic materials that offers top-in-class thermal insulation performance. These new products are positioned to capture demand for greater energy efficiency in the home, having been developed based on the design concept of maximizing the area of the glass by using thin window sash frames.
- Toranomon Hills, a 247-meter-high multifunction tower with 52 floors above ground that opened in June 2014, uses about 63,000 square meters of LIXIL's curtain walls as well as many other LIXIL products, including wall and floor tiles, heavy shutters, fireproof screens, and bathtubs.

Note: Sales, operating income, and the operating income ratio for the fiscal year ended March 2015 reflect reporting segment changes implemented in that fiscal year. For comparative purposes, we have provided figures for sales, operating income, and the operating income ratio for the fiscal year ended March 2014 under the new as well as the previous segmentation. Segment operating income shown is before amortization of goodwill and purchase price allocation.

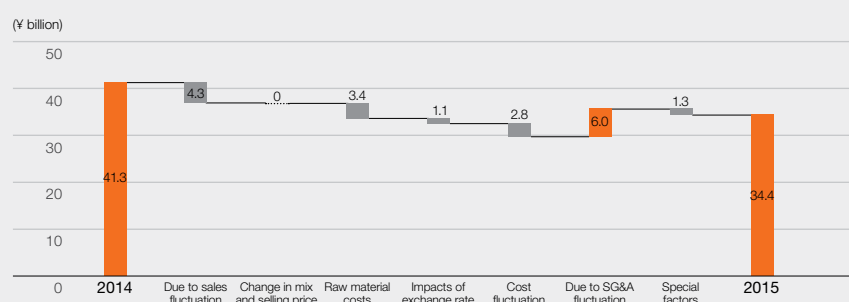
## Net sales



## Operating income / Operating income ratio

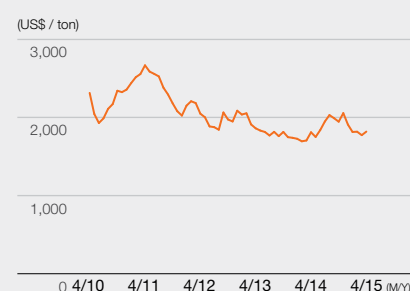


## Increase / decrease breakdown of operating income



Note: Years ended March 31

## Aluminum prices



Note: Data charted up from April 1, 2010 to April 1, 2015  
Source: London Metal Exchange statistics

# Plumbing Fixtures Business



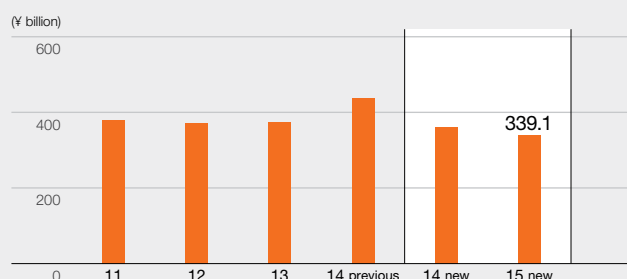
## Highlights for the fiscal year ended March 31, 2015

- Net sales contracted ¥20.6 billion, or 5.7%, from the previous fiscal year, to ¥339.1 billion. Operating income declined ¥5.5 billion, or 21.3%, to ¥20.2 billion. Lower sales and operating income reflected supply constraints owing to roof damage caused by heavy snowfall in February 2014 at the core kitchen system plant and expenses related to repairing the damage at the plant, as well as upfront investments.
- We launched *SPAGE* system bathrooms that bring to the home the kind of refreshing experience of bathrooms in luxury hotels and spa resort facilities. The bathrooms are designed to satisfy people looking for the highest-grade renovation work with such features as a system providing a 4mm-wide cascade of hot water over the neck and shoulders and an overhead shower system.

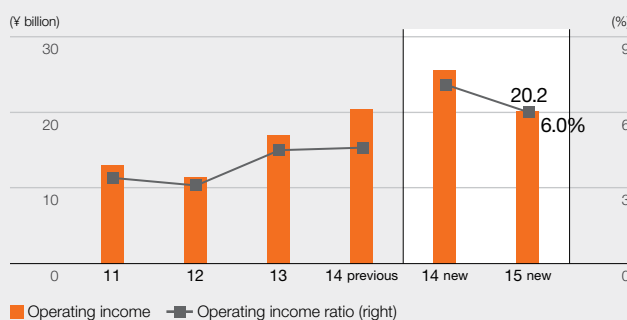
- As of the end of May 2014, cumulative sales of *SATIS*, a tank-less spa-toilet, had exceeded 1 million units. Our *SATIS* products have continued to evolve in terms of both function and design since the launch of the line in 2001 and we expect them to drive growth in the plumbing fixtures business as solutions for comfortable and appealing toilet spaces.

Note: Sales, operating income, and the operating income ratio for the fiscal year ended March 2015 reflect reporting segment changes implemented in that fiscal year. For comparative purposes, we have provided figures for sales, operating income, and the operating income ratio for the fiscal year ended March 2014 under the new as well as the previous segmentation. Segment operating income shown is before amortization of goodwill and purchase price allocation.

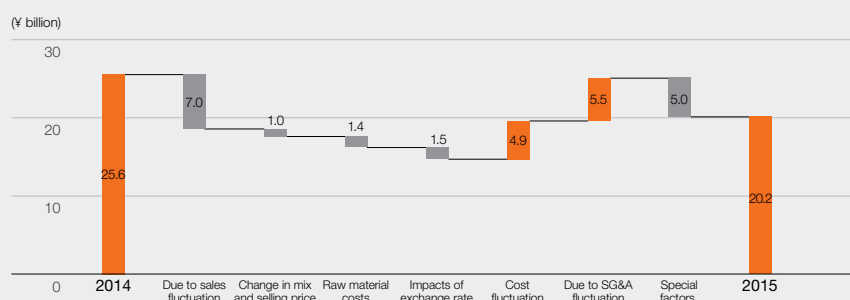
## Net sales



## Operating income / Operating income ratio



## Increase / decrease breakdown of operating income



System bathroom *SPAGE*'s cascading hot water

Note: Years ended March 31



# Other Building Materials and Equipment Business



## Highlights for the fiscal year ended March 31, 2015

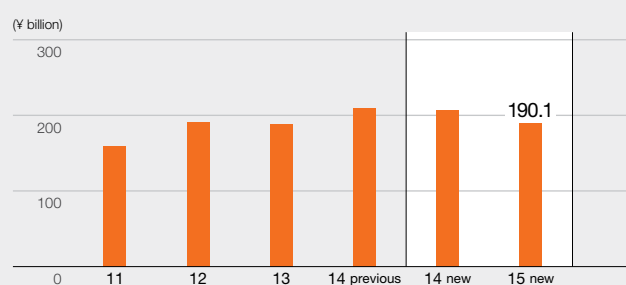
- Net sales fell ¥16.7 billion, or 8.1%, from the previous fiscal year, to ¥190.1 billion. Operating income declined ¥3.3 billion, or 28.5%, to ¥8.3 billion. Despite efforts to expand sales by enhancing the product lineup, market weakness led to lower sales and operating income.
- The thermal insulation renovation method *COCOECO* has received several awards that recognize products contributing to energy saving and safe living environments for children. *COCOECO*'s innovative approach allows insulation to be improved in as little as one day by adding interior windows and insulation panels to existing windows, walls, and floors one room at a time. The awards were given to *COCOECO* in acknowledgment of its contribution to popularizing thermal insulation renovation and lowering energy

consumption in the home through the development of new methods and materials.

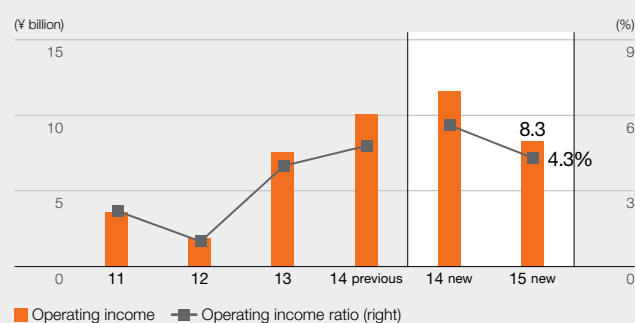
- We have reinforced our core *FAMILY LINE* range of interior furnishing materials with additional variations, as part of efforts to provide a product lineup tailored to diversifying customer tastes.

Note: Sales, operating income, and the operating income ratio for the fiscal year ended March 2015 reflect reporting segment changes implemented in that fiscal year. For comparative purposes, we have provided figures for sales, operating income, and the operating income ratio for the fiscal year ended March 2014 under the new as well as the previous segmentation. Segment operating income shown is before amortization of goodwill and purchase price allocation.

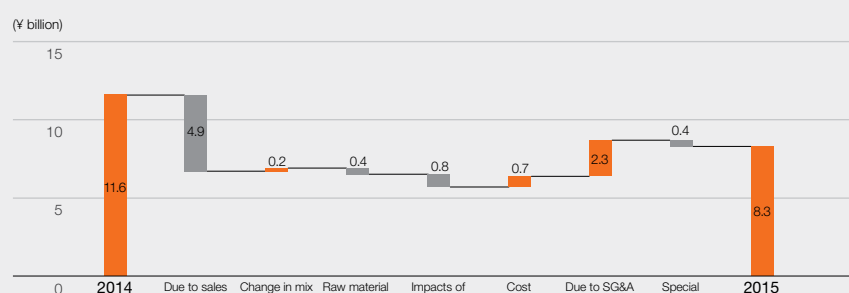
## Net sales



## Operating income / Operating income ratio



## Increase / decrease breakdown of operating income



Interior furnishing materials WoodyLine D. Spec

Note: Years ended March 31

# Distribution and Retail Business



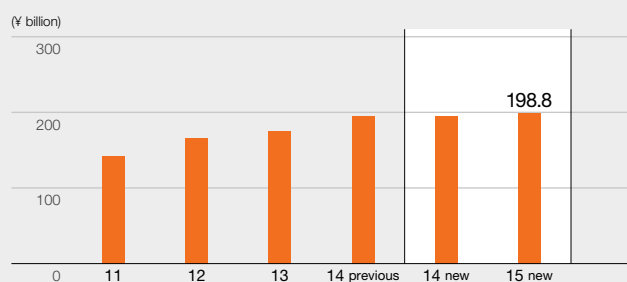
## Highlights for the fiscal year ended March 31, 2015

- Net sales rose ¥3.8 billion, or 1.9%, from the previous fiscal year, to ¥198.8 billion, as sales expanded 9.6% at Ken Depot, our membership-based wholesale building materials business for professional users of housing-related materials. Operating income increased ¥2.9 billion, or 67.7%, to ¥7.1 billion as lower SG&A expenses offset new outlet opening costs. The operating income ratio improved 1.4 percentage points, to 3.6%.
- One store was opened in the Super Viva Home large-scale home center business, and two stores were opened in the Ken Depot business. At the end of March 2015, the total number of stores across all formats stood at 148, up two compared with the end of the previous fiscal year.
- The flagship Super Viva Home Saitama Shintoshin store,

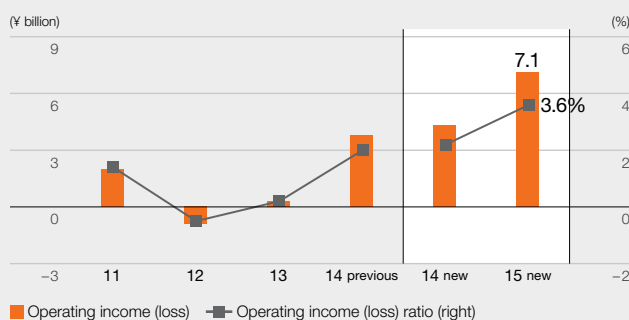
which opened in December 2014, is one of the largest home centers in Saitama Prefecture, offering a full range of construction materials and tools as it stakes its claim as the region's go-to center for housing and renovation solutions. Supported also by the on-the-premises Reform & Design Center, with its track record of more than 500,000 renovation projects, the business is looking to tap opportunities for growth in the renovation market with its unique position within the LIXIL Group directly targeting general consumers.

Note: Sales, operating income, and the operating income ratio for the fiscal year ended March 2015 reflect reporting segment changes implemented in that fiscal year. For comparative purposes, we have provided figures for sales, operating income, and the operating income ratio for the fiscal year ended March 2014 under the new as well as the previous segmentation. Segment operating income shown is before amortization of goodwill and purchase price allocation.

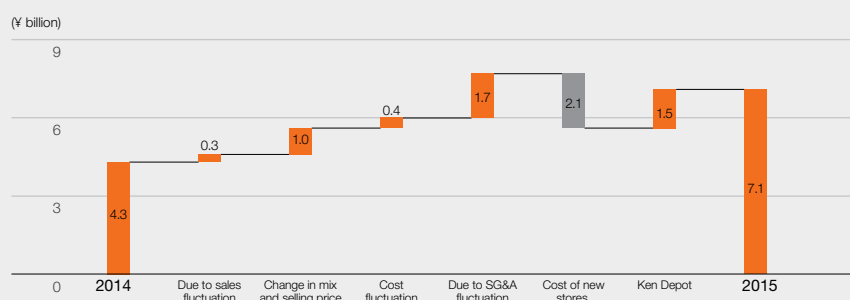
### Net sales



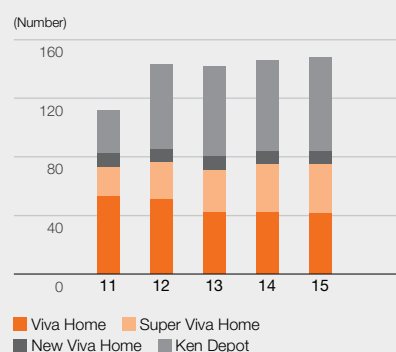
### Operating income (loss) / Operating income (loss) ratio



### Increase / decrease breakdown of operating income



### Number of stores



Note: Years ended March 31

# Housing, Real Estate and Other Businesses

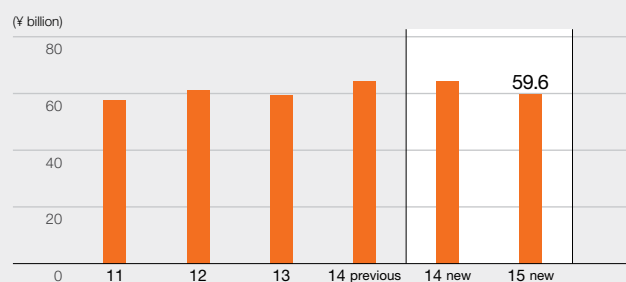


## Highlights for the fiscal year ended March 31, 2015

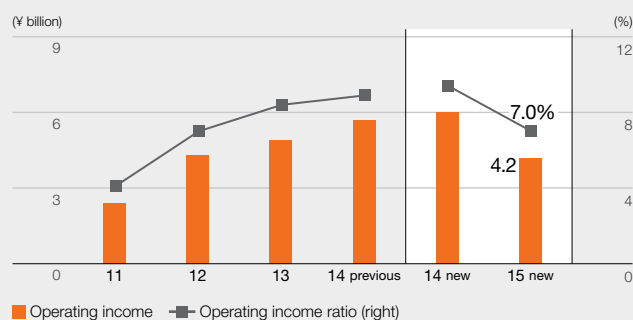
- Net sales contracted ¥4.7 billion, or 7.3%, year on year, to ¥59.6 billion, and operating income fell ¥1.9 billion, or 30.9%, to ¥4.2 billion, in reaction to the decline in new housing starts.
- Sales and operating income declined at LIXIL Housing Research Institute, Ltd., which handles homebuilding franchise chain operations, JIO Corporation, which provides insurance for warranty against housing defects, and JAPAN HOME SHIELD CORPORATION (JHS), which undertakes ground inspections and improvement services. However, sales and operating income both rose at LIXIL REALTY, Corp., which handles real estate transactions and rental property brokerage, real estate management, and renovation businesses.
- LIXIL Home Finance Corporation, which started operations in March 2015, has been reinforcing its housing finance business, which includes Flat 35 long-term fixed-rate housing loans, targeting construction companies and homebuilders that are partnering with the Group. The company provides not only housing finance but also a broad array of services tailored to various funding needs related to housing acquisitions.

Note: Sales, operating income, and the operating income ratio for the fiscal year ended March 2015 reflect reporting segment changes implemented in that fiscal year. For comparative purposes, we have provided figures for sales, operating income, and the operating income ratio for the fiscal year ended March 2014 under the new as well as the previous segmentation. Segment operating income shown is before amortization of goodwill and purchase price allocation.

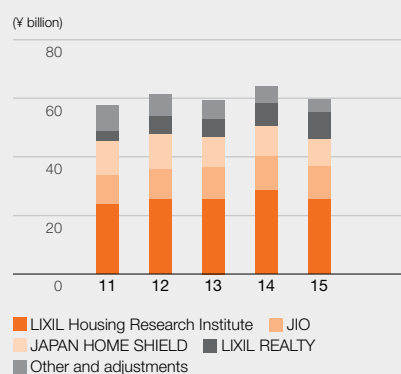
## Net sales



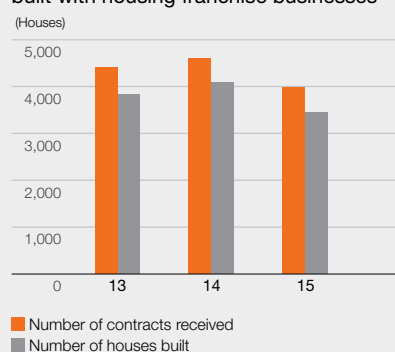
## Operating income / Operating income ratio



## Sales by company



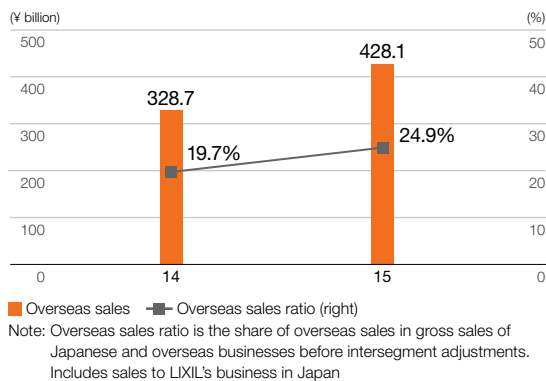
## Number of contracts received and houses built with housing franchise businesses



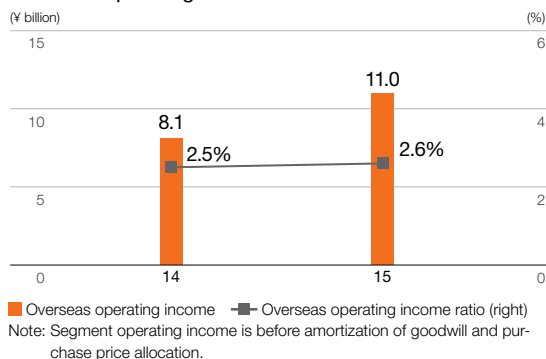
Note: Years ended March 31

# Overseas Business

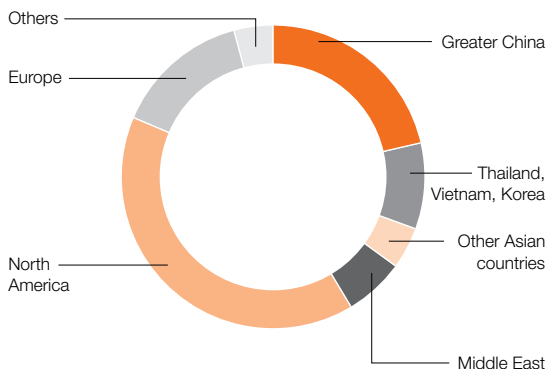
## Overseas sales / Overseas sales ratio



## Overseas operating income / Overseas operating income ratio



## Overseas sales by region (2015)



Note: Breakdown of ¥393.4 billion overseas sales. Excludes sales to LIXIL's business in Japan

Note: Years ended March 31

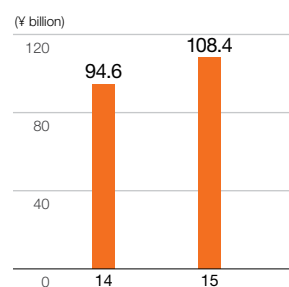
## Asia



### Highlights for the fiscal year ended March 31, 2015

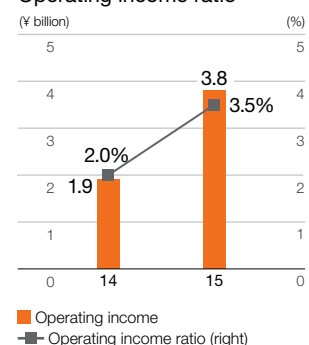
- Net sales rose ¥13.7 billion, or 14.5%, year on year, to ¥108.4 billion and operating income increased ¥1.9 billion, or 98.1%, year on year, to ¥3.8 billion, as the result of efforts to make the most of opportunities amid growth in the housing market accompanying economic growth across Asia.
- We opened the LIXIL Group's largest flagship showroom in the Asia-Pacific region in August 2014 (see page 40).
- We began full-scale operations at an extrusion facility at a LIXIL GLOBAL MANUFACTURING VIETNAM CO., LTD. plant on which construction was completed in January 2014, which is already providing stable supplies of aluminum products to Japan and ASEAN countries.

### Net sales



Note: Years ended March 31

### Operating income / Operating income ratio





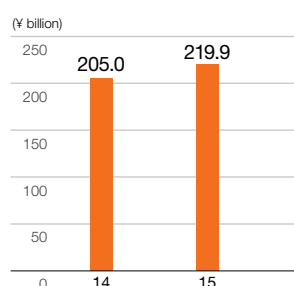
## Curtain Walls



### Highlights for the fiscal year ended March 31, 2015

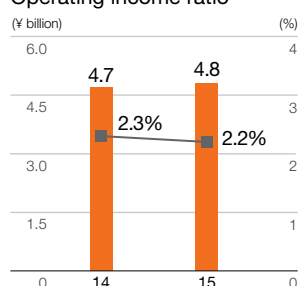
- Net sales rose ¥14.9 billion, or 7.3%, year on year, to ¥219.9 billion, and operating income increased ¥0.1 billion, or 1.8%, year on year, to ¥4.8 billion, supported by growth in the number of high-margin building projects in the US and UK and foreign exchange translation effects. On an accounting basis after goodwill amortization the business incurred an operating loss of ¥96 million (a loss of ¥1.2 billion in the previous fiscal year) owing to amortization expenses.
- The gross margin on ordered projects has been improving supported not only by tightened project control, but also improvements in project analysis effectiveness at the time of bidding and moves to use production bases in Asia to supply products for projects in the United States.

#### Net sales



Note: Years ended March 31

#### Operating income / Operating income ratio



■ Operating income  
■ Operating income ratio (right)



Ph.: ©Sellar

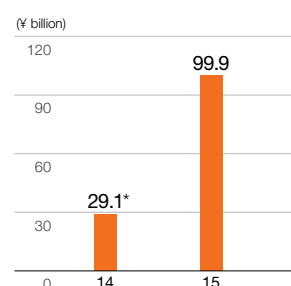
## ASB



### Highlights for the fiscal year ended March 31, 2015

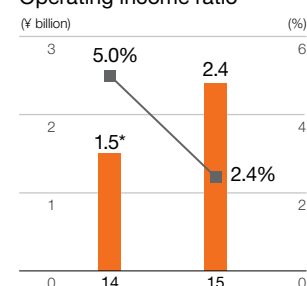
- Net sales expanded ¥70.8 billion, or 243.1%, year on year, to ¥99.9 billion and operating income rose ¥0.9 billion, or 60.5%, to ¥2.4 billion. Having been consolidated during the previous fiscal year, ASB business made a full contribution in the fiscal year under review with an additional contribution of eight months of sales in the fiscal year ended March 2015.
- The operating income ratio was negatively affected by intensifying price competition as the result of increased supply by manufacturers against a backdrop of expectations of recovery in U.S. housing demand.
- ASB has put in place the foundations for growth in sales of luxury brand *DXV* products, having entered a partnership with Ferguson Enterprises Inc., North America's largest wholesale distributor of plumbing supplies, which has completed the remodeling of its showrooms.

#### Net sales



\* Four months  
Note: Years ended March 31

#### Operating income / Operating income ratio



■ Operating income  
■ Operating income ratio (right)  
\* Four months



## Message from the Chairman of the Board

# Report on governance

It has been about four years since Yoshiaki Fujimori took over the management of the LIXIL Group. Looking back on this period, Fujimori spent the first half of that time guiding the organization toward a unified LIXIL. He consolidated all the major domestic operating companies into one company. Also, he determined an appropriate corporate philosophy for the times and engrained an understanding of that philosophy among all employees. During this process of unification, LIXIL was adversely affected by a series of major natural disasters, resulting in frequent disruptions in the supply chain. Such disasters included the Great East Japan Earthquake, the flooding in Thailand where a major plant is located, and the damage suffered by plants in the North Kanto region because of unusually heavy snowfall. As a result, various unforeseen conditions arose. Rationalization plans fell behind schedule. The lack of product supply caused market share to drop temporarily, while research and development was delayed. How to recover this lost ground

and how to improve profitability in Japan were major issues for the Group during this period.

During the second half of his time as CEO, Fujimori had the major task of making our operations global. This endeavor was undertaken based on the view that there is limited scope for continued business growth in Japan given its declining population. Through M&A deals, Fujimori added major multinational companies one after the other, expanding LIXIL's markets into more than 150 nations in one fell swoop. Companies included Italy's Permasteelisa, the global leader in the curtain wall market; American Standard Brands, the most widely known sanitary ware company around the world; GROHE, a highly profitable German specialist in premium sanitary fittings; and South Africa's GROHE DAWN WaterTech, a powerhouse in the sanitary ware and fitting markets of Sub-Saharan Africa. With these strategic moves, he opened up an abundant range of business growth opportunities to a degree far beyond that afforded to other companies in our industry.



Yoichiro Ushioda  
Chairman of the Board

At the same time, the Group's global expansion also meant a sharp increase in business risks, as evidenced by the recent unfortunate incident involving Joyou AG, a subsidiary of GROHE with operations in China. We will conduct a broad investigation to determine why the problem was not discovered and rectified at an early stage and work to prevent any such reoccurrence.

Products and services that are limited to their home markets cannot truly be considered top-ranking. Recognition in global markets is the real proof of being a top-ranking product or service. In a workplace populated with people of different nationalities and backgrounds, working with others based on a mutual understanding of those differences is not an easy task. However, there has been a marked emergence of a positive attitude to these working conditions among employees. They are determined to take advantage of the flexibility and richly creative thinking that diversity offers, and the in-house atmosphere has changed greatly. This adaptation is only natural because resisting change when you come to a historical turning point is the greatest risk of all. LIXIL is moving forward with great care but without fear of making mistakes, learning extensively as it goes.

The selection of talented managers who can help achieve LIXIL's ambitious vision is the role of the governance system implemented through the Company's Board of Directors. The CEO we appoint boldly takes risks and makes swift decisions, and the Board of Directors oversees how these actions proceed and their results from a long-term perspective. When it is determined that a critical point has been reached in growth or that overcoming the problem will be difficult with current management, it is the governance system's function to consider new management to address the issue.

For that purpose, we carefully select directors who will enable the board to conduct its meetings without reacting excessively to temporary situations or small problems and to not lose sight of the big picture. We have invited directors on to the board who have well-balanced perspectives based on

such attributes as extensive experience and a rich historical perspective and outlook on life. Exceptional people are flexible in their thinking and can accept diversity and grasp the essence of matters. I do not consider it necessary that a director have practical experience in multiple fields. On the other hand, the selection of directors with diversity in terms of such elements as gender and international perspective is important in refining the governance system. In that spirit, we proposed Lady Barbara Judge as a candidate for directorship at our General Meeting of Shareholders in June 2015. We plan to make full use of her expertise and experience in pursuing the expansion of our overseas operations to realize growth potential and in minimizing business risks.

Beginning in 2015, at the suggestion of our CEO, top management is holding early morning breakfast meetings with the outside directors before each monthly board meeting. The questions outside directors ask at these meetings serve to provide greater insight into our business operations. In this manner, we will continue to enhance deliberations of the Board of Directors.

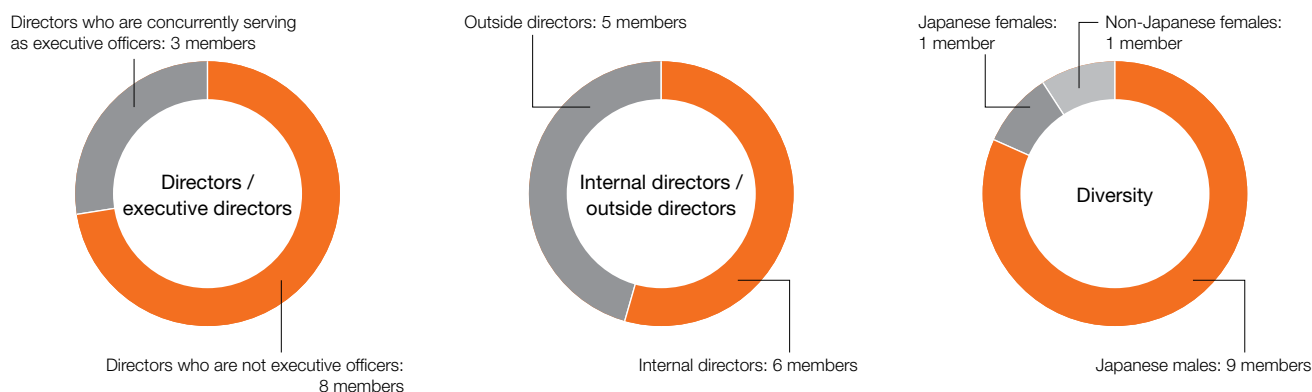
From April 2015, LIXIL has changed its business model from a regional management system to a global management system that is organized broadly by businesses in core product areas. In addition, we will be escalating the realization of synergies in our operations on an individual business basis. We also will be proceeding with the adoption of International Financial Reporting Standards (IFRS) and the consolidation of GROHE. In these endeavors, I look forward to the support of our shareholders.

August 2015

Yoichiro Ushioda

Chairman of the Board

#### Composition of the Board of Directors (11 members)



## Board of Directors

(As of June 26, 2015)

### Nomination Committee

Fumio Sudo (Head)

Yoichiro Ushioda

Hidehiko Sato

### Compensation Committee

Takashi Tsutsui (Head)

Fumio Sudo

Main Kohda

### Audit Committee

Yoshinobu Kikuchi (Head)

Tsutomu Kawaguchi

Hidehiko Sato



**Yoichiro Ushioda**

Director, Chairman of the Board

Mr. Yoichiro Ushioda has been serving as Chairman of the Board of the Company since June 2012. He previously served as Executive Vice President in the Company from 2001 and as Chairman, CEO, and Representative Director from 2006. He also served as Chairman and CEO of Tostem Corporation (now LIXIL Corporation) and LIXIL Corporation in the past. Mr. Ushioda originally joined the Company in 1977 and became Director and General Manager of the Sales Planning Department in 1980.



**Yoshiaki Fujimori**

President and CEO\*

Mr. Yoshiaki Fujimori has been serving as President and CEO of the Company as well as President and CEO at subsidiary, LIXIL Corporation, since August 2011. He also serves as the Representative Director of GraceA Co., Ltd. Prior to joining the Group, Mr. Fujimori worked for 25 years at General Electric Company (GE), where he was Senior Vice President and a member of the Corporate Executive Council. He served as President and CEO of various business divisions including GE Medical Systems Asia, GE Plastics, and GE Capital Asia, and as Chairman of GE Japan. Prior to joining GE, he worked for Nissho Iwai Corporation (now Sojitz Corporation) for 10 years. He has been Director of Tokyo Electric Power Company, Incorporated, since 2012.



**Keiichiro Ina**

Director

Mr. Keiichiro Ina has been serving as Director in the Company since June 2001. From 1998, he served as Director in INAX Corporation (now LIXIL Corporation), originally joining the company in 1974.



**Fumio Sudo**

Director (Outside)

Mr. Fumio Sudo has been serving as Outside Director in the Company since June 2010. He has also been Head of the Company's Nomination Committee since June 2012 and a member of the Company's Compensation Committee since June 2011. Mr. Sudo also serves as Chairman of Tokyo Electric Power Company, Incorporated, as a Consultant of JFE Holdings, Inc., and as Director in Takeda Pharmaceutical Company Limited and Taisei Corporation. He was President and Representative Director of JFE Holdings from 2005 to 2010.



**Hidehiko Sato**

Director (Outside)

Mr. Hidehiko Sato has been serving as Outside Director in the Company since June 2011. He is also a member of the Company's Audit Committee and Nomination Committee, serves as Director in Dainippon Sumitomo Pharma Co., Ltd., and is registered as a lawyer. Previously, Mr. Sato was the Commissioner General of the National Police Agency from 2002 to 2004, having held a variety of positions since joining the agency in 1968.



\* Indicates a director who serves as an executive officer

**Takashi Tsutsui**

Executive Officer and Executive Vice President\*

Mr. Takashi Tsutsui has been serving as Executive Vice President and Director of the Company since June 2011, with responsibility for M&A, investor relations, and external affairs. He is also Head of the Company's Compensation Committee and has been serving as Director, Executive Vice President, and Chief External Relations Officer at subsidiary, LIXIL Corporation. Prior to joining the Group in June 2009, Mr. Tsutsui served as President and CEO of Jaspac Securities Exchange, Inc., from 2005. Prior to joining Jaspac Securities Exchange, he worked for Nomura Securities Co., Ltd. (now Nomura Holdings, Inc.), joining the company in 1974 and becoming Director in 2002 and Executive Officer in 2003.

**Yoshizumi Kanamori**

Executive Officer and Senior Managing Director\*

Mr. Yoshizumi Kanamori has been serving as Executive Officer and Senior Managing Director of the Company since June 2011, taking responsibility for finance in April 2014. Previously, he also served as Chief Financial Officer of the Company and as Director, Senior Managing Director and Director and Operating Officer at subsidiary, LIXIL Corporation. He joined the Company in 1977.

**Yoshinobu Kikuchi**

Director

Mr. Yoshinobu Kikuchi has been serving as Director in the Company since June 2012 and is also Head of the Company's Audit Committee. Previously, he also served as Executive Vice President in a subsidiary, LIXIL Corporation. He joined the Company in 1969.

**Tsutomu Kawaguchi**

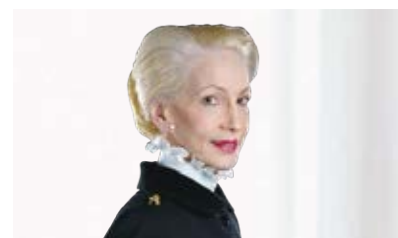
Director (Outside)

Mr. Tsutomu Kawaguchi has been serving as Outside Director in the Company since June 2011. He is also a member of the Company's Audit Committee and serves as an auditor of FreeBit Co., Ltd., and as Director in VINX Corp. and Cybernet Systems Corporation. Mr. Kawaguchi has been a registered certified public accountant since March 1974 and used to serve as Representative Partner for Grant Thornton Taiyo ASG.

**Main Kohda**

Director (Outside)

Ms. Main Kohda has been serving as Outside Director in the Company since June 2013. She is also a member of the Company's Compensation Committee. She has been a member of the NHK Management Committee since June 2010 and Outside Director in Japan Tobacco Inc. since June 2012. She is also a bestselling writer. Prior to joining the LIXIL Group, she worked for U.S. banks and securities companies and she has also served as a member of public advisory committees.

**Barbara Judge**

Director (Outside)

Lady Barbara Judge has been serving as Outside Director in the Company since June 2015. She also serves as National Chairman of the UK's Institute of Directors, and Chairman of the UK's Pension Protection Fund. In addition, she currently holds a position as a Director of Portmeirion Group plc, NV Bekaert SA, and Magna International Inc. She served, among her other appointments, as a Non-Executive Director of the UK Atomic Energy Authority from 2002 to 2004, and subsequently as Chairman from 2004 to 2010. She was a Commissioner of the United States Securities and Exchange Commission from 1980 to 1983. In June 2010, she was awarded Commander of the Order of the British Empire for services to the nuclear and financial services industries.

## Messages from outside directors



Barbara Judge

### Applying experience gained in pursuing best governance practices and promoting more active roles for women

I feel very honored to have been elected as an outside director—and the first non-Japanese director—of LIXIL Group Corporation at the General Meeting of Shareholders held in June 2015. I am committed to fulfilling my responsibilities as a director by acting in the best interests of all investors and other stakeholders.

I consider LIXIL Group Corporation to be an exceptional Japanese company. During the past year, LIXIL has strengthened its corporate practices and procedures, enhanced its governance standards, and introduced a unified global operating structure based around its core technology businesses.

While the Company may have its roots firmly in Japan, it is undertaking a courageous and significant transformation to become a truly global company.

In order to be a truly global company, however, LIXIL will need to be fit for purpose in this new era of globalization. As such, it will need a board of directors that is diverse and has substantial international expertise and experience.

As we shift our view to the world of international business, it is critical that we consider how best to secure sustained value-creation at a global level, as well as to continue to enhance our corporate governance.

I have been involved in corporate governance for many years, both as a regulator and as a practitioner, and have always strived to bring best corporate practice to both the United Kingdom and the United States. My involvement in corporate governance began in the 1980s when I was a Commissioner of the United States Securities and Exchange Commission. Over the intervening years I have been an independent director of numerous international companies, as well as having been Deputy Chairman of the UK Financial Reporting Council. In addition, I was recently elected as the first woman National Chairman of the UK's Institute of Directors.

Another reason that I am looking forward to working as an outside director with the Company and the LIXIL Group is the fact that they are implementing measures to promote a more active role for women in business. This is an issue about which I feel very strongly. Nothing would please me more than to be able to lend my support to assist in career development programs for women of the LIXIL Group.

As an outside director, I would like to support both the directors and executives of LIXIL Group as it seeks to adopt global best practice in all areas of its business, across the regions of the world in which it operates.



Fumio Sudo

Head of the Nomination Committee and  
Member of the Compensation Committee

### LIXIL Group needs to meet the challenge of creating new values. I intend to take a strict approach to supervision and advice

The vitality of a business stems from the continuous creation of new value.

There is a need to encourage diversity. Reform and innovation are necessary for any business, and that involves risk. Over the past two to three years, LIXIL Group Corporation has created this type of environment for itself, and it is determined to find a way to thrive.

LIXIL Group Corporation is making concerted efforts to broaden its outlook for the future. While expressing my respect for these efforts, I am acutely aware that, particularly at times such as these, questions can arise over one's value as an outside director.

I strongly intend to contribute to LIXIL's efforts by providing advice and recommendations on oversight in terms of governance and management from a different perspective to that of the other directors and executive officers. My standpoint is clear. That is, I am a representative of all stakeholders, including shareholders, customers, and employees. I will carry out my responsibilities wholeheartedly.



Hidehiko Sato

Member of the Nomination Committee and  
the Audit Committee

### Enhancing the structure of LIXIL as a global company through the group governance system and Code of Conduct

With its rapid integration of group companies, LIXIL Group has moved onto the global stage and for the year ending March 2016, it will deploy a new governance system. With the first stage of domestic company reorganization complete, LIXIL has now solidified the inter-company structure and integrated its domestic and global activities into four technology businesses.

A global company has to manage the activities of disparate units and personnel who have differing conceptions of corporate culture, the company history, compliance issues, and so on. To address this challenge, in April 2015, LIXIL Group established its Code of Conduct in order to ensure all employees pursue their business with a shared philosophy, ethic and principles. I will monitor progress closely to confirm that the new governance system is functioning effectively and that the Code of Conduct is taking hold.



**Tsutomu Kawaguchi**  
Member of the Audit Committee

### **I will support the Group as it enhances risk control systems in its drive for global growth**

Rapid growth and globalization of a company is attended by risk. Additionally, major organizational changes like the adoption of the new technology business structure in April 2015 can also entail risk. The Group has discussed various measures to mitigate these factors, including the early adoption of International Financial Reporting Standards (IFRS) from this fiscal year. Upon the revision of Japan's Companies Act, the Board of Directors acted to enhance the level of group-wide control, resolving on April 20 to widen the scope and strengthen the functions of the internal control system. I will continue to supervise and give advice to ensure these measures are implemented effectively. I wish to see LIXIL Group grow on the basis of strengthened internal controls.



**Main Kohda**  
Member of the Compensation Committee

### **Working to support management that brings out the strength, passion and dignity of employees as the potential of the organization is realized**

Any company wishing to operate on a global level will face global scale risk. The key here is to react flexibly but with resolve to manage and control whatever situations occur.

In order to achieve this the potential of the organization must be realized, and this in turn depends on the pride and dignity of LIXIL group employees as they contribute their strength and passion to the workplace.

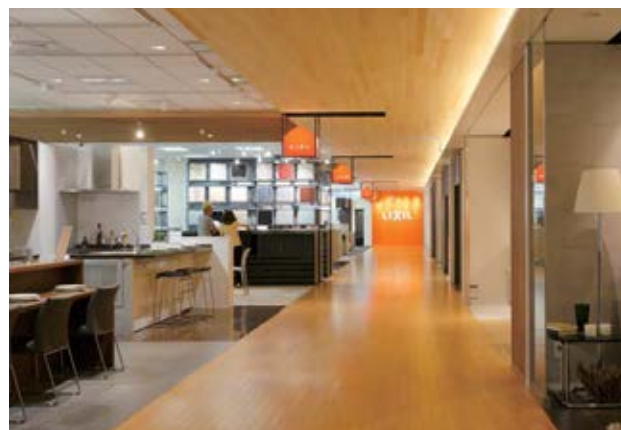
In an increasingly volatile global business environment, I will continue to support the LIXIL Group as it seeks to fulfill its potential.

### **Support structure for outside directors**

The Company has provided the following support and opportunities to help ensure the active participation of outside directors in management.

- Prior distribution of materials on topics for discussion at Board of Directors' meetings; the Board of Directors' office responds to individual inquiries at all times
- Early morning breakfast meetings with the Chairman of the Board and CEO. Three such meetings were held from January 2015, when they were introduced, through to the end of March
- Held showroom visit for outside directors
- Held LIXIL Museum visit for outside directors
- Observation by three outside directors of GMC\* meeting (once)

\* See P18



LIXIL Showroom Tokyo

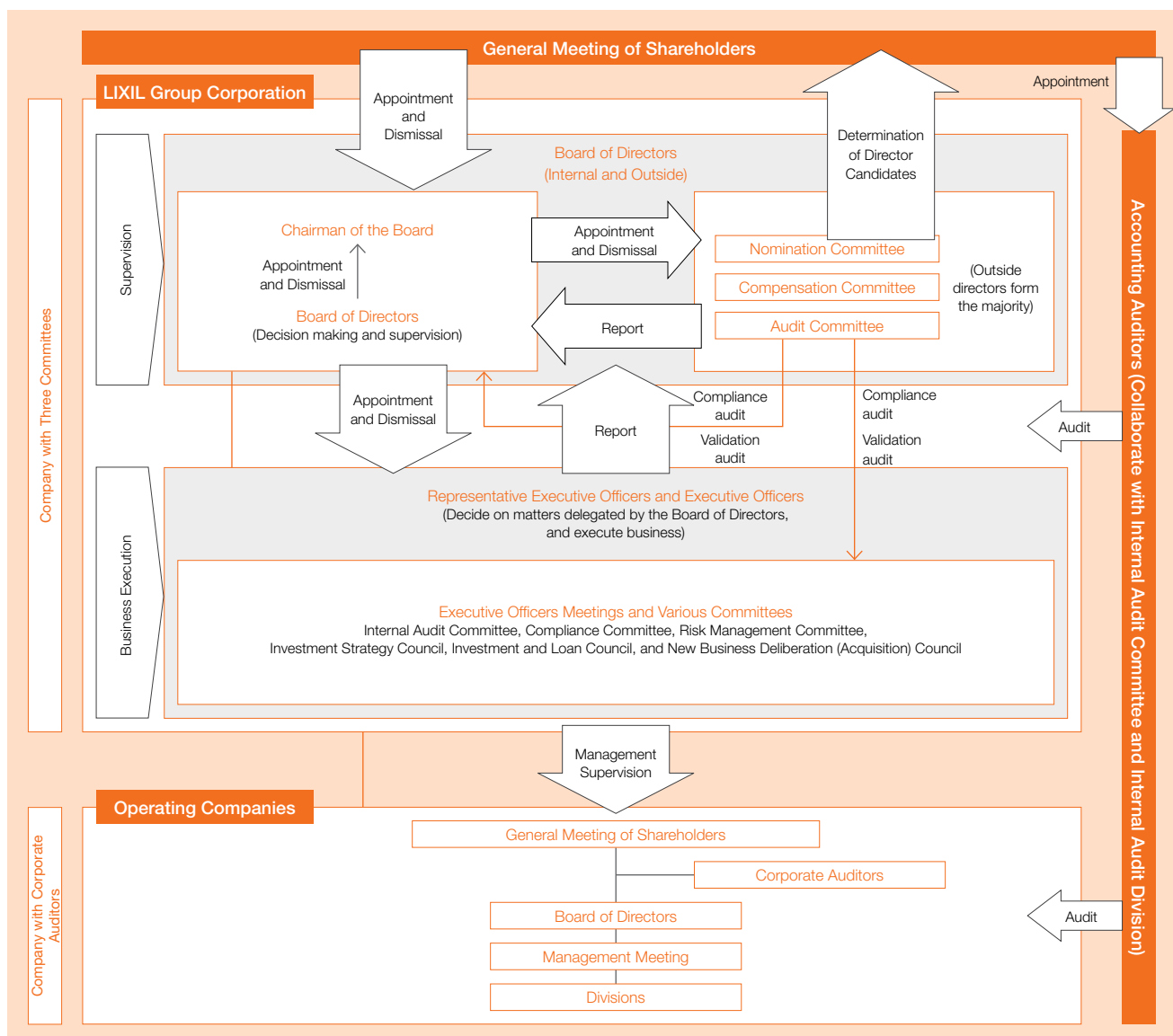
## Status of corporate governance

### Corporate governance at the LIXIL Group

LIXIL Group Corporation has adopted the company with three committees corporate governance model as provided for under Japan's Companies Act. Under this governance system, the Company separates the conduct of management from the surveillance of management with the objectives of creating a system where the executive officers can make management decisions quickly and efficiently while achieving and maintaining management transparency.

As a pure holding company, the Company has formed the following meetings, committees, and councils to strengthen governance over Group companies: Internal Audit Committee, Compliance Committee, Risk Management Committee, Investment Strategy Council, Investment and Loan Council, and New Business Deliberation (Acquisition) Council. These committees discuss corporate strategy, consider medium-to-long-term policies, deliberate investments, and work to accelerate decision making while enhancing the effectiveness of governance.

Governance structure (As of June 2015)



For further details regarding the Company's corporate governance system, internal control systems, and other related matters, please access the following URL:

<http://www.lixil-group.co.jp/e/about/governance/system.htm>

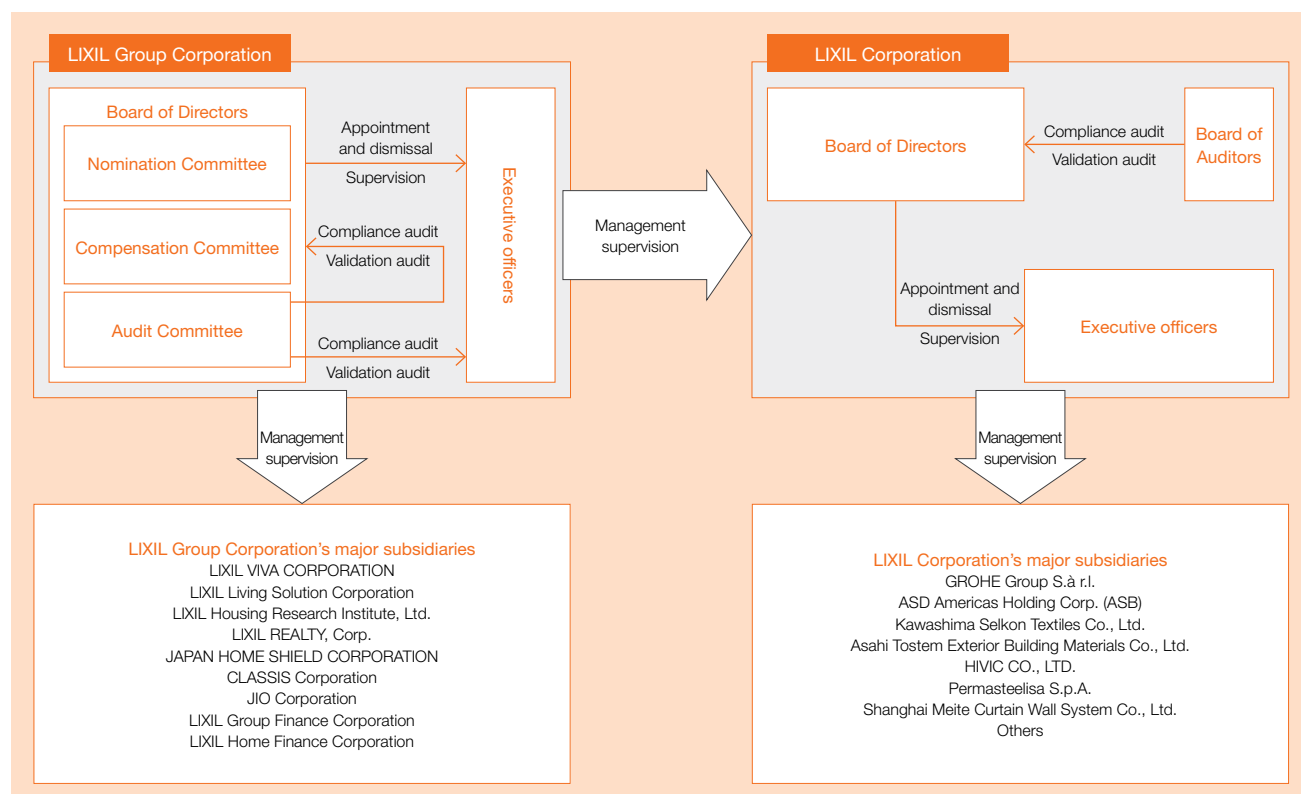


## Group governance system

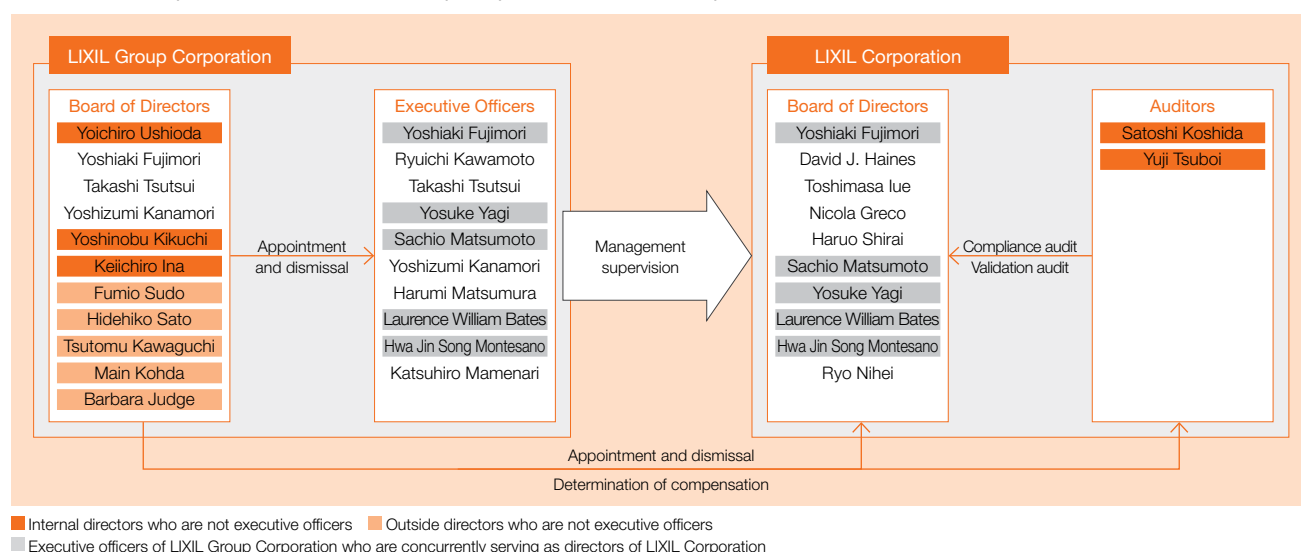
The Company, while respecting the independence of each Group company, including LIXIL Corporation, regarding its business management, receives periodic reports on the status of business and gives approval to important matters. Additionally, the Audit Committee of the Company

periodically receives reports on the details of audits by the accounting auditors of the Company and the Company's internal audit department, while at the same time strengthens the cooperation with the Corporate Auditors of each Group company by holding periodic Group Corporate Auditors meetings.

Governance of LIXIL Group Corporation, LIXIL Corporation and major operating companies (As of June 2015)



Directors and corporate officers of LIXIL Group Corporation and LIXIL Corporation (As of June 2015)



## Composition of committees and position of the chairman

	Number of members	Internal directors	Outside directors	Chairman (of the Committee)
Board of Directors	11	6	5 (all 5 are independent directors)	Internal Director
Nomination Committee	3	1	2	Outside Director
Compensation Committee	3	1	2	Internal Director
Audit Committee	3	1	2	Internal Director

## Number of meetings held during the fiscal year ended March 31, 2015

Board of Directors	15	Made decisions on matters specified by law, basic management policies, and important management matters as well as monitored the conduct of duties by the directors and executive officers (Meets once a month in principle)
Nomination Committee	5	Made decisions on the content of proposals to be submitted to the General Meeting of Shareholders regarding the election and dismissal of directors (Meets one or more times a year, as necessary)
Compensation Committee	7	Discussed and made decisions regarding the content of compensation of individual directors and executive officers (Meets one or more times a year, as necessary)
Audit Committee	14	In addition to auditing the conduct of duties by the directors and executive officers, discussed and made decisions on auditing policy, auditing plans, and the content of proposals to be submitted to the General Meeting of Shareholders regarding the selection and dismissal of the independent accounting firm (Meets once a month or more, as necessary, in principle)
Executive Officers Meetings	18	As the decision-making body responsible for the execution of business activities in accordance with the basic policies approved by the board of directors, decided on important matters related to the execution of business in the Company and the Group as a whole (Meets once a month in principle; holds extraordinary meetings as necessary)
Investment Strategy Council	0	Discussed Group strategy (investments, funding, M&A, overseas strategy, etc.) and set directions with the objective of increasing the LIXIL Group's corporate value
Investment and Loan Council	13	Deliberated proposals made by the holding company and the operating companies that (1) are investments that are closely involved with Group strategy, (2) investments that are related to more than one Group operating company, and (3) investments that exceed the approval authority of the president of the relevant operating company
New Business Deliberation (Acquisition) Council	2	Deliberated proposals made by the holding company and the operating companies that are (1) investments that involve the establishment of a new company or are investments in an existing company and (2) investments for the acquisition, etc., of a business partner company of an operating company
Risk Management Committee	3	In addition to forming a risk management committee in the holding company, also monitored the formation of such committees for risk management in Group companies and confirmed the status of risk management
Compliance Committee	5	Provided guidance for structuring and operational management of compliance systems in Group companies and monitoring of the status of requiring compliance with laws and regulations
Internal Audit Committee	4	Undertook inspections and checks of legal compliance and appropriateness of corporate activity and of management conformity not only with legal requirements but also with standards as determined by the company

## Status of auditing activities

Internal Audit Division	The holding company and principal Group companies have formed internal auditing departments that periodically conduct audits internally, including audits of subsidiaries. The Meeting of Persons Responsible for Internal Auditing in Group Companies has been formed to share information on Group companies as well as the uniform auditing policies of the Group. This meeting is held, in principle, once a year in Japan and once every two years overseas.
Accounting Auditors	Deloitte Touche Tohmatsu LLC

## Corporate officer compensation

Compensation paid to the Company's corporate officers in the year ended March 31, 2015 was as per the following tables.

### 1. Total amount of compensation by corporate officer title, by type of compensation, and number of officers receiving

Corporate officer title	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)				Number of corporate officers eligible for compensation
		Basic compensation	Performance-based compensation	Stock option	Other	
Directors (excluding Outside Directors)	315	172	—	143	—	3
Executive Officers	1,449	787	118	494	48	16
Outside Directors	76	48	—	28	—	4

## 2. Total compensation of officers receiving ¥100 million or more

Name	Corporate officer title	Company	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)		
				Basic compensation	Performance-based compensation	Stock option
Yoichiro Ushioda	Director	LIXIL Group Corporation	229	120	—	109
	Director	LIXIL INTERNATIONAL Pte. Ltd.	5	5	—	—
Yoshiaki Fujimori	Executive Officer	LIXIL Group Corporation	312	142	60	109
Yosuke Yagi	Executive Officer	LIXIL Group Corporation	103	60	6	36

## 3. Policy for determining the amount and method of calculation of corporate officers' compensation and decision-making method

### Basic policy on compensation, etc.

The Company's policy on the compensation plan for corporate officers is to implement a fair compensation structure that will motivate each corporate officer to execute his or her duties in order to meet shareholders' expectations and fulfill the Company's business policy.

- Performance accountability of individuals and companies shall be clearly established, and a system shall be devised that will reward corporate officers with appropriate compensation upon the achievement of a goal in order to motivate corporate officers to attain the goals set.
- A stock option plan shall be provided to allow for the reflection of continual enhancement of corporate value, in addition to which a medium-to-long term cash plan shall be adopted to provide incentives to executive officers, who are responsible for the execution of business operations, to attain medium-term business plan targets.
- The compensation system shall be performance-based compensation to allow for appropriate reflection of the Group's consolidated performance.
- In order to ensure the objectivity and transparency of directors' compensation, the Compensation Committee shall assess the Company's compensation level by comparing it with objective external indicators and manage it to ensure that the level is commensurate with the relevant duties and performance.
- Compensation levels shall be set to be sufficient to retain, for the long-term, competent, worldwide human resources who are indispensable to the Company's sustainable growth.

### Compensation structure

Under the corporate officers' compensation structure, there shall be separate structures for directors, who are responsible for governance, and executive officers, who are responsible for the execution of business operations, in order to reflect the differences in their roles. In the case of a director who is concurrently serving as an executive officer, the compensation plan for executive officers shall be applied.

[Compensation structures for directors and executive officers]

- A director's compensation shall consist of basic compensation and stock options.
- An executive officer's compensation shall consist of basic compensation, performance-based compensation linked to single fiscal year-end and medium-to-long term earnings, and stock options. For personnel recruited to senior positions among overseas nationals, an expatriate package will be provided with tax equalization and other incidental conditions generally offered at global companies.

[Description of compensation by type]

- Basic compensation, as a fixed compensation, shall be maintained at an appropriate level through comparison with objective external indicators. The basic compensation for executive officers shall be structured such that a certain percentage thereof fluctuates in accordance with the level of achievement of business targets set for the relevant department in order to reward executive officers for achieving goals.
- Performance-based compensation shall be determined on the basis of corporate performance for the current fiscal period and over the medium-to-long term reflecting the attainment of medium-term plan targets.
- Performance-based compensation linked to a single fiscal year shall be allocated as an annual bonus reflecting earnings in the current fiscal period. Performance-based compensation based on corporate performance over the medium-to-long term is to be allocated after the end of a specified period conditional on the attainment of medium-term business plan targets within previously specified limits.
- Stock options, provided as a medium-to-long-term incentive in line with the interest of shareholders, shall be determined on the basis of corporate performance, the position of the relevant corporate officer, and other criteria.
- With personnel recruited to senior positions from overseas, an allowance may be made to make up for disparities in compensation compared with previous positions and such factors as cost of living assistance and medical insurance associated with overseas postings.

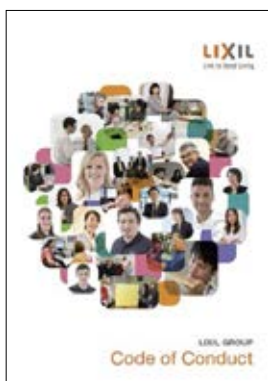
## Compliance and internal control system

### Compliance Committee

The LIXIL Group has established the Compliance Committee to ensure the broad and thorough understanding of compliance at the Company and Group companies. The Committee receives reports of compliance-related initiatives and issues from Group companies, provides guidance for Group companies' structuring and operational management of compliance systems, and monitors the status of strict compliance with laws and regulations.

### LIXIL Group Code of Conduct

In addition to activities centering on the Compliance Committee, the LIXIL Group has been working to establish a new compliance structure appropriate to the Group as it now stands, allowing for the major changes in its profile over the past four years\*. One example of this is adoption of a unified LIXIL Group Code of Conduct in April 2015.



The LIXIL Group Code of Conduct is a common set of rules for LIXIL Group members' business activities, to be strictly followed by all directors and employees, with the goal of achieving ethically sound attitudes and behavior. We have been distributing a Code of Conduct booklet to all directors and employees, prepared in many languages. We have also been implementing training sessions to deepen understanding of the Code, and directors and employees commit to strict adherence to its principles. We ensure that these activities are also carried out at companies when they newly join the LIXIL Group.

\* LIXIL Corporation, the main subsidiary within the LIXIL Group, was launched in May 2011 on the integration of five domestic operating companies. The Group assumed its current form after the consolidation of a number of overseas companies, including Permasteelisa, ASB, and GROHE, between 2011 and 2015.

LIXIL Group Code of Conduct

 [http://www.lixil-group.co.jp/e/pdf/LIXIL\\_CoC2015\\_en.pdf](http://www.lixil-group.co.jp/e/pdf/LIXIL_CoC2015_en.pdf)

### Internal control system

The LIXIL Group has established an internal control system to ensure the appropriate and efficient operations of the Company and Group companies, and accurate and appropriate consolidated financial statements. However, inappropriate accounting practices were uncovered in the financial accounts with audit certification for the fiscal year ended December 2014 at Joyou AG, which became a consolidated subsidiary in April 2015. LIXIL Group's financial statements from January 2014, when Joyou became an equity-method affiliate, have also been revised through to March 2015.

Joyou's inappropriate accounting practices and revision of financial statements have already been notified to the Frankfurt Stock Exchange, on which the company was listed, and other relevant institutions, and work is now proceeding to clarify responsibility and take follow-up action. In addition, we have established an internal investigation committee and a special investigation committee to examine the Joyou issue as part of our efforts to investigate the incident and its causes in order to take measures to prevent a recurrence, while also working to reinforce governance throughout the LIXIL Group.



## Investor relations

### Basic investor relations policy

LIXIL Group Corporation regards investor relations as facilitating communication with capital markets in Japan and overseas and thereby helping enhance corporate value. Accordingly, the Company's investor relations activities convey messages from senior management to markets while providing senior management with feedback from markets in an unflagging effort to boost corporate value.



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



IR Team (from left):

Shizuka Fukushima, Emiko Ota, Keishi Saito (Operating Officer, Investor Relations Office), Takashi Tsutsui (Executive Officer in charge of M&A, Investor Relations, and External Affairs), Yukiyo Uto, Rina Narita

Investor relations site: <http://www.lixil-group.co.jp/e/ir/>

### External evaluations (From April 2014 to March 2015)

#### LACP Vision Awards held by the League of American Communications Professionals LLC (LACP)

- Bronze award for the March 2013 fiscal year-end annual report category (July 2014)



#### Daiwa Investor Relations Co., Ltd.

- "Internet IR Commendation Award" 2014 (November 2014)



#### Morningstar-Socially Responsible Investment Index (MS-SRI)

- Selected from among about 4,000 domestic listed companies for inclusion in the Morningstar-Socially Responsible Investment Index (MS-SRI) (December 2014)

#### NIKKEI Annual Report Awards 2014

- Honorable mention, January 2015

#### RobecoSAM CSR Rating

- LIXIL Group Awarded "Bronze Class" and "Industry Mover" in the CSR ratings by the Global SRI assessment company RobecoSAM (January 2015)



**ROBECOSAM**  
Sustainability Award  
Bronze Class 2015



**ROBECOSAM**  
Sustainability Award  
Industry Mover 2015

#### Prime Minister / Minister of State Award to companies "where women shine"

- Received award in inaugural Minister of State Award as a "leading company where women shine" (January 2015)

#### Designated as Diversity Management Selection 100 enterprise and Nadeshiko Brand by METI / TSE

- Selected as one of the companies promoting diversity in the Diversity Management Selection 100 project (March 2015)
- Awarded "Nadeshiko Brand" designation as among "enterprises that are exceptional in encouraging women's success in the workplace" (March 2015)



Web page on awards:

<http://www.lixil-group.co.jp/about/evaluation.htm>  
(Available only in Japanese)

## Business risks and risk management

The LIXIL Group Corporation, as a pure holding company, constantly and closely monitors the risks faced by the Group companies, verifies how well they are hedging those risks, and offers guidance. As part of its management functions the Company has established a Risk Management Committee that regularly verifies the state of risk in each of the Group companies. The Company has also made the establishment of risk management meetings mandatory at all of the Group companies in Japan, and when necessary, Group companies are requested to make reports to the committee. In addition,

companies are required to report on risk at the regular quarterly results discussion meetings.

The Company seeks to anticipate risks that may emerge and adopt flexible and appropriate risk management in the awareness that risk profiles are constantly changing. The Company is implementing the management measures set out below with respect to the main risks relating to operating model reforms and business strategies currently being pursued. For an overview and details of the business risks facing the Company, please see pages 70-71.

### Operating model and business strategies: Main risks and risk management measures

LIXIL Group operating model and strategies	Main risks	Risk management measures
Management based on a value chain running through all internal business units by product field	■ Divergence between Group management strategy and the strategies of technology businesses	<ul style="list-style-type: none"> <li>■ Ensure close communications between the Company's Board of Directors and Executive Officers and the technology business CEOs; align strategies between the two</li> <li>■ Monitor progress of business plans at each technology business with a view to realizing the medium-term business plan</li> </ul>
	■ Inadequate synergies between technology businesses	<ul style="list-style-type: none"> <li>■ Strengthen the Company's business and regional portfolio management</li> <li>■ Share marketing and project information across the entire Group</li> <li>■ Maintain Groupwide control through management with shared finance, human resource, and other functions across the whole Group</li> </ul>
	■ Higher management costs at technology businesses with two or more main Group companies	<ul style="list-style-type: none"> <li>■ Clarify management policies and decision making processes under the new operating model</li> <li>■ Delegate authority to technology businesses and Group companies</li> </ul>
	■ Product development and procurement delays stemming from globalization of the value chain	<ul style="list-style-type: none"> <li>■ Optimize the supply chain through consolidating production bases, sharing parts and materials, and reviewing the development and existing lineup of global strategic products</li> </ul>
	■ Higher management costs accompanying value chain expansion	<ul style="list-style-type: none"> <li>■ Establish platforms in each technology business for product development and the procurement of parts and materials</li> <li>■ Clarify decision making processes in technology businesses and transfer authority to them</li> <li>■ Ensure tight cost controls through such means as monitoring progress with Business Transformation 16 (BT-16) and the Cash Conversion Cycle (CCC) Project</li> </ul>
	■ Inadequate internal control systems and declining earnings at companies the Group has acquired or in which it has taken an equity stake	<ul style="list-style-type: none"> <li>■ Ensure careful selection of prime investment candidates</li> </ul>
		<ul style="list-style-type: none"> <li>■ Promote integration of companies the Group has acquired or in which it has taken an equity stake</li> </ul>
		<ul style="list-style-type: none"> <li>■ Maintain constant monitoring of technology business and Group company management information</li> </ul>
		<ul style="list-style-type: none"> <li>■ Retain top management at technology businesses and Group companies with outstanding performance</li> </ul>
		<ul style="list-style-type: none"> <li>■ Undertake regular inspections by the Company of the status of technology businesses' and Group companies' internal control systems and financial management</li> </ul>
		<ul style="list-style-type: none"> <li>■ Clarify investment, management and exit rules</li> </ul>
		<ul style="list-style-type: none"> <li>■ Ensure compliance understanding and strict observance among all Group employees</li> <li>■ Ensure full understanding of the LIXIL Group Code of Conduct by such means as holding training sessions for Group employees and obtaining pledges from all employees to adhere strictly to the Code</li> </ul>
Business globalization		

LIXIL Group operating model and strategies	Main risks	Risk management measures
	<ul style="list-style-type: none"> <li>■ Major exchange rate and interest rate fluctuations owing to changes in currency and interest rate policies</li> <li>■ Effect on yen equivalents of plant, equipment, inventory, and other assets and liabilities of exchange rate and interest rate fluctuations</li> </ul>	<ul style="list-style-type: none"> <li>■ Maintain constant analysis of exchange rate and interest rate information by those responsible for financial affairs, centering on the Chief Financial Officers of the Company, technology businesses and main Group companies, and make shared responses</li> <li>■ Aim for Groupwide exchange-rate neutral financial management</li> <li>■ At the individual Group company level, undertake hedging through such means as local currency-denominated procurement of materials and sales and forward exchange contracts</li> </ul>
	<ul style="list-style-type: none"> <li>■ International tax risks, such as transfer pricing legislation</li> </ul>	<ul style="list-style-type: none"> <li>■ Ensure constant monitoring of international tax systems by Company, technology business and main Group company staff responsible for financial and legal matters, centering on Chief Financial Officers and Chief Legal Officers, and make shared responses</li> </ul>
	<ul style="list-style-type: none"> <li>■ Responding to different countries' legal and regulatory requirements and related cost increases</li> </ul>	<ul style="list-style-type: none"> <li>■ Ensure constant analysis of information on legal and regulatory matters by staff responsible for legal matters at the Company, technology businesses and main Group companies centering on Chief Legal Officers and make shared responses</li> </ul>
	<ul style="list-style-type: none"> <li>■ Higher costs for human resource and business counterparty management accompanying value chain expansion</li> </ul>	<ul style="list-style-type: none"> <li>■ Select high-quality material suppliers and business partners</li> <li>■ Regularly review the status of personnel and labor management at suppliers and business partners</li> </ul>
	<ul style="list-style-type: none"> <li>■ Rapid market and demand changes triggered by such factors as financial system instability</li> </ul>	<ul style="list-style-type: none"> <li>■ Diversify sources of earnings across multiple main markets centering on Europe, North America, China, Southeast Asia, and Japan</li> </ul>
	<ul style="list-style-type: none"> <li>■ Value chain disruption caused by changes in geopolitical risk resulting from international conflict and other developments and major natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>■ Require each technology business and Group company to prepare and manage a business continuity plan (BCP), which is to be inspected periodically in light of the Groupwide BCP</li> </ul>
	<ul style="list-style-type: none"> <li>■ Diminished effectiveness in strategy implementation owing to divergence between management strategy and the views of employees</li> </ul>	<ul style="list-style-type: none"> <li>■ Promote understanding of business strategies through enhanced communications between management of the Company and technology businesses, the Board of Directors and executive officers of each Group company, and staff</li> <li>■ Promote understanding of LIXIL Values and diversity awareness; raise employees satisfaction through fair evaluation/promotion systems</li> <li>■ Realign attitudes of staff through training programs to develop leaders able to excel in a global context</li> </ul>
	<ul style="list-style-type: none"> <li>■ Slowdown in renovation-related demand owing to changes in interest rate policy, increases in the consumption tax rate, and changes in government housing policies</li> <li>■ Growth in demand for rental housing in tandem with reductions in the inheritance tax basic deduction</li> </ul>	<ul style="list-style-type: none"> <li>■ Reinforce renovation-related services such as renovation loans and other financial services and business support systems for renovation contractors</li> <li>■ Develop and provide products and renovation processes to enhance seismic resistance and thermal insulation efficiency</li> </ul>
Growth in Japanese business as a result of taking opportunities in the renovation market	<ul style="list-style-type: none"> <li>■ Lower profitability resulting from intensifying competition</li> </ul>	<ul style="list-style-type: none"> <li>■ Develop and sell high-value-added products through pursuing product quality and design appeal. Establish a differentiated product lineup by introducing the products of overseas Group companies to the Japanese market</li> <li>■ Reinforce service and technology quality through strengthening support services for renovation contractors</li> </ul>

For detailed information on business risks, please see the Business Risks section of this report on pages 70-71.

## Message from the CFO



As a truly global company, we are committed to growth and sustained improvement in corporate value through applying the full benefits of integrated Groupwide financial and accounting management not only to risk management, but also to promoting business strategies.

**Sachio Matsumoto**

Executive Officer and Executive Vice President  
Chief Financial Officer

### The Joyou issues: background and lessons

To begin with, I would like to go over the inappropriate accounting practices discovered at consolidated subsidiary Joyou AG and its subsequent filing of an application for insolvency proceedings, and what action we have taken in response.

Joyou was a subsidiary of GROHE Group S.à r.l., which itself became a consolidated subsidiary of LIXIL Corporation on April 1, 2015, having previously been an equity-method affiliate. Joyou handled the production and sale of plumbing-related products in China and was listed on the Frankfurt Stock Exchange. We discovered the inappropriate accounting practices in late April. Our investigations to date appear to indicate that Joyou's top management, who were also its founders and leading shareholders, had been deliberately perpetrating inappropriate accounting practices over many years.

LIXIL Corporation, when it invested in GROHE, also undertook rigorous due diligence with respect to Joyou as a consolidated subsidiary of GROHE. Subsequent developments, however, have revealed how difficult it was to uncover inappropriate accounting practices through due diligence of what might be considered a usual scope bearing in mind that Joyou received regular external audits as a listed company, that its financial reports received audit certification, and given the apparently sophisticated steps taken to disguise the accounting manipulation.

Avoiding a recurrence of inappropriate accounting practices at any Group company is a top priority, and we are determined to apply fully the lessons from this case to the management of the Group. With candidates for acquisitions or equity investments, we intend to undertake more-comprehensive prior inspections going deeper than established screening procedures. Subsequent to acquisitions or equity investments, we also intend to determine management policies in light of country risk, and, where appropriate, to assign accounting and financial management personnel to the companies involved.

### Tackling this issue highlights strengths of our new operating model

The process of dealing with this difficult issue demonstrated the effectiveness of our new operating model. Over the year preceding the launch of that operating model, the LIXIL Group, through the Global Management Committee (GMC), held repeated discussions between personnel responsible for financial and accounting issues at LIXIL Corporation and main Group companies. The close mutual understanding this fostered, and the setting out of Groupwide financial and accounting policies, enabled the rapid response once the Joyou issue had come to light. If the LIXIL Group had struggled with post-acquisition integration processes, and if the management of companies it had acquired or in which it had invested had remained compartmentalized, the special inquiry into the Joyou issue would probably have had much less room to maneuver and the sharing of information been much slower. That, in turn, could have had a serious impact on LIXIL Group Corporation's results announcement and the convening of the General Meeting of Shareholders. Through dealing with the issue, I believe we were able to deepen confidence and enhance expectations for the Group's management going forward based on our new operating model.

The integrated Groupwide financial and accounting management under a new operating model will form a risk control structure to prevent such incidents in the future, and will also demonstrate its real value in implementing the Group's business strategies and achieving growth. We have already made progress in putting in place management structures with business strategies for different technology businesses that go beyond individual operating companies while adopting financial and accounting management tailored to this approach. LIXIL Water Technology, for instance, has established a parts and materials procurement base in Singapore, which we expect to generate annual cost savings of about ¥15 billion. LIXIL Housing Technology, meanwhile, has consolidated the procurement of aluminum ingots and established a structure for supplying manufacturing bases in Japan, Thailand, and Vietnam. In all such cases, Groupwide



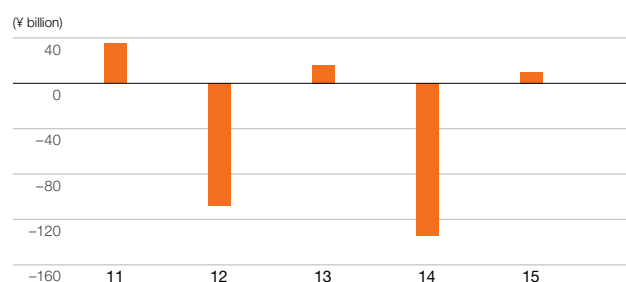
financial and accounting structures open the way to the pursuit of economies of scale.

### Ensuring financial soundness

The scale of the LIXIL Group's business, and particularly its global operations, has expanded rapidly through a succession of M&A deals since the fiscal year ended March 2012. On March 31, 2015, the equity ratio stood at 32%. However, it has recently decreased to around 26% as the result of an increase in interest-bearing debt accompanying the inclusion of GROHE in consolidation. In my assessment, nonetheless, the Company's financial leverage relative to cash flow generated by LIXIL Water Technology and other businesses remains at a healthy level. In the fiscal year ended March 2015, net cash provided by operating activities rose ¥55.4 billion year on year to ¥138.9 billion. As a result, free cash flow increased ¥144.5 billion year on year to ¥9.7 billion.

In the fiscal year ended March 2015, as we kept a close eye on developments in the bond market, we demonstrated our agility through the issuance of ¥120 billion in convertible bonds with stock acquisition rights based on a simplified method that does not require the issuance of a prospectus and other related documents. Some of the funds raised were allocated to repay nonrecourse loans, and some for share buybacks, thereby reducing the interest burden while also raising capital efficiency.

### Free cash flows\*



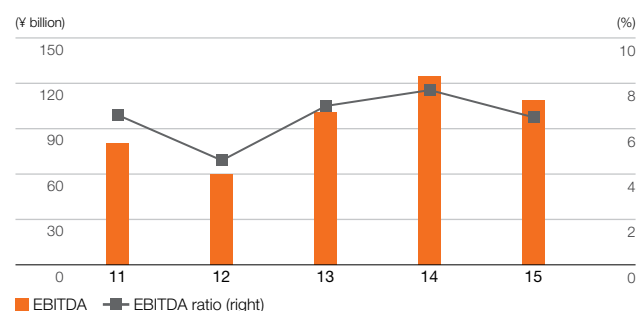
\* Free cash flows: Operating cash flows + Investing cash flows

### Reinforcing cash flow generating power and enhancing corporate value

In the fiscal year ending March 2016, we aim to boost our cash flow generating power on the back of growth in operating cash flow stemming from the consolidation of GROHE as well as efforts to improve our operating income ratio through benefits of scale in our technology businesses. With our businesses in Japan, we are making sustained efforts as part of our business strategy to shift our emphasis toward the renovation market and implement purchasing reforms. We introduced IT systems to part of our operations in the fiscal year ended March 2015 with a view to optimizing supply chain management and we expect these to lead to significant improvements in inventory management efficiency and strategic purchasing from the fiscal year ending March 2016. In addition, we intend to realize ongoing improvements in business efficiency by optimizing the product portfolio, appropriately reflecting yen depreciation and changes in material costs in prices, and reducing indirect costs.

We intend to put the cash from these efforts toward strategic investments targeting growth as well as toward such financial measures as reducing debt and flexibly implementing share buybacks as part of efforts to raise our EBITDA ratio to 15% and improve ROE over the medium term.

### EBITDA / EBITDA ratio



## Consolidated 11-year summary

LIXIL Group Corporation and Consolidated Subsidiaries

Years ended March 31	2005	2006	2007	2008	2009
<b>Results of Operations</b>					
Net sales	¥ 986,214	¥1,057,699	¥1,124,078	¥1,103,839	¥1,046,854
Operating income	37,863	43,805	57,026	35,737	25,603
Operating income ratio	3.8%	4.1%	5.1%	3.2%	2.4%
Net income (loss)* <sup>1</sup>	30,624	22,124	35,199	17,709	475
Research and development expenses	13,928	16,181	15,438	15,656	15,978
Capital expenditures	56,459	41,747	37,521	35,418	35,088
Depreciation	30,876	33,000	31,773	32,570	35,158
EBITDA* <sup>2</sup>	68,740	76,806	89,505	68,398	61,013
<b>Cash Flows</b>					
Cash flows from operating activities	43,970	31,357	61,710	60,177	63,927
Cash flows from investing activities	(71,473)	(36,519)	(37,682)	(47,480)	(63,082)
Cash flows from financing activities	17,375	15,397	(6,602)	(40,359)	21,914
Cash and cash equivalents, end of year	49,065	62,748	80,602	52,679	73,973
<b>Financial Position</b>					
Total assets	1,013,774	1,086,015	1,149,660	1,061,036	1,048,838
Total equity* <sup>3</sup>	531,157	561,408	594,265	556,118	533,073
Interest-bearing debt	192,692	224,060	225,943	229,575	263,770
<b>Per Share Data</b>					
Net income (loss) per share* <sup>1</sup>	¥ 104.92	¥ 75.80	¥ 119.64	¥ 61.20	¥ 1.70
Total equity per share* <sup>3</sup>	1,828.20	1,913.12	1,998.58	1,983.79	1,903.69
Dividends per share	40	40	40	40	40
<b>Key Ratios</b>					
EBITDA ratio* <sup>2</sup>	7.0%	7.3%	8.0%	6.2%	5.8%
ROE* <sup>3</sup>	5.8	4.1	6.1	3.1	0.1
ROA	3.1	2.1	3.1	1.6	0.04
Total assets turnover (times)	1.0	1.0	1.0	1.0	1.0
Equity ratio* <sup>3</sup>	52.4	51.7	51.4	52.1	50.6
Dividend payout ratio	38.1	52.8	33.4	65.4	2,352.9
Debt-to-equity ratio* <sup>4</sup>	36.3	39.9	38.2	41.5	49.7
Number of employees	29,682	30,252	31,212	31,838	32,700
<b>Stock Indicators</b>					
Stock price (closing), end of year (yen)	¥ 1,968	¥ 2,530	¥ 2,555	¥ 1,497	¥ 1,106
Market capitalization (millions of yen)	655,451	842,627	799,854	468,642	346,238
Price earnings ratio (times)	18.8	33.4	21.4	24.5	650.6
Price book-value ratio (times)	1.08	1.32	1.28	0.75	0.58

\*<sup>1</sup> Figures are after amortization of goodwill.\*<sup>2</sup> EBITDA is calculated by Operating income + Depreciation + Amortization\*<sup>3</sup> "Total equity," "Total equity per share," and "Equity ratio" until March 31, 2006 are the figures for previous "Shareholders' equity," "Shareholders' equity per share," and "Shareholders' equity ratio." Figures for "ROE" until March 31, 2006 are the figures calculated based on the previous consolidated financial statement regulations.\*<sup>4</sup> Debt-to-equity ratio is calculated by Interest-bearing debt / Total equity.\*<sup>5</sup> Accounts for the fiscal year ended March 31, 2014 have been revised owing to the discovery of inappropriate accounting practices at an equity-method subsidiary. Figures for the fiscal year ended March 31, 2014 reflect the revisions.\*<sup>6</sup> U.S. dollar amounts have been converted at US\$1=¥120.17, the rate on March 31, 2015.

### Recent M&As (figures as of the acquisition)

July 2009		April 2010		April 2010		January 2011		August 2011	
American Standard Asia Pacific (Group)		Shin Nikkei Company, Ltd.		SUN WAVE CORPORATION		Shanghai Meite Curtain Wall System Co., Ltd.		Kawashima Selkon Textiles Co., Ltd.	
Sales	¥23.5 billion	Sales	¥110.0 billion	Sales	¥85.0 billion	Sales	¥12.0 billion	Sales	¥34.3 billion*
Acquisition cost	¥17.6 billion	Acquisition cost	¥0.7 million	Acquisition cost	¥13.7 billion	Acquisition cost	¥3.2 billion	Acquisition cost	¥2.2 billion and share exchange
Equity owned	100%	Equity owned	100%	Equity owned	100%*	Equity owned	75%	Equity owned	100%
Goodwill	¥2.1 billion (net) Intellectual property: ¥3.5 billion	Goodwill	¥5.4 billion	Goodwill	¥6.1 billion (negative)	Goodwill	¥0.5 billion	Goodwill	¥1.7 billion

\* 80% at the time of the acquisition

\* Excludes interior fabric business for vehicles which the company separated from the main business

					Millions of yen	Millions of U.S. dollars*
2010	2011	2012	2013	2014*	2015	2015
¥ 982,607	¥1,214,939	¥1,291,396	¥1,436,395	¥1,628,658	<b>¥1,673,406</b>	<b>\$13,925</b>
25,984	40,409	17,915	50,485	69,080	<b>51,674</b>	<b>430</b>
2.6%	3.3%	1.4%	3.5%	4.2%	<b>3.1%</b>	
(5,332)	15,780	1,868	21,347	20,952	<b>22,013</b>	<b>183</b>
14,756	13,688	15,350	14,025	17,380	<b>18,199</b>	<b>151</b>
30,844	45,779	52,107	73,795	64,321	<b>62,622</b>	<b>521</b>
32,916	36,289	39,370	44,736	49,168	<b>50,724</b>	<b>422</b>
60,485	80,106	59,887	100,627	124,822	<b>108,887</b>	<b>906</b>
68,074	48,680	33,979	28,432	83,533	<b>138,931</b>	<b>1,156</b>
(27,334)	(13,543)	(142,067)	(12,397)	(218,333)	<b>(129,228)</b>	<b>(1,075)</b>
(27,825)	(41,687)	138,348	(31,753)	153,144	<b>10,010</b>	<b>83</b>
89,302	92,329	127,351	114,662	139,039	<b>160,378</b>	<b>1,335</b>
1,033,504	1,166,834	1,481,063	1,465,689	1,786,294	<b>1,875,249</b>	<b>15,605</b>
516,322	536,408	538,776	566,312	601,795	<b>613,651</b>	<b>5,107</b>
257,484	272,516	441,874	424,035	626,475	<b>676,008</b>	<b>5,625</b>
					Yen	U.S. dollars*
¥ (19.12)	¥ 55.50	¥ 6.49	¥ 73.42	¥ 72.06	<b>¥ 75.46</b>	<b>\$ 0.63</b>
1,842.78	1,850.34	1,817.34	1,930.02	2,041.34	<b>2,104.27</b>	<b>17.51</b>
40	40	40	40	55	<b>60</b>	<b>0.50</b>
					%	
6.2%	6.6%	4.6%	7.0%	7.7%	<b>6.5%</b>	
(1.0)	3.0	0.4	3.9	3.6	<b>3.7</b>	
(0.5)	1.4	0.1	1.4	1.3	<b>1.2</b>	
0.9	1.0	1.0	1.0	0.9	<b>0.9</b>	
49.7	45.2	35.7	38.3	33.2	<b>32.1</b>	
—	72.1	616.3	54.5	76.3	<b>79.5</b>	
50.1	51.7	83.6	75.6	105.6	<b>112.2</b>	
35,976	41,090	48,163	45,602	51,419	<b>52,427</b>	
¥ 1,903	¥ 2,160	¥ 1,733	¥ 1,858	¥ 2,846	<b>¥ 2,847</b>	
595,742	676,197	542,523	540,221	827,426	<b>891,265</b>	
(99.5)	38.9	267.0	25.3	39.5	<b>37.73</b>	
1.03	1.17	0.95	0.96	1.39	<b>1.35</b>	

**October 2011**  
HIVIC CO., LTD.

Sales	¥24.4 billion
Acquisition cost	Share exchange
Equity owned	100%
Goodwill	¥1.4 billion

**December 2011**  
Permasteelisa S.p.A.

Sales	¥116.0 billion
Acquisition cost	¥60.8 billion
Equity owned	100%
Goodwill	¥34.3 billion
Intangible assets:	¥35.0 billion

**August 2013**  
ASD Americas Holding Corp.  
(ASB)

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

**January 2014**  
GROHE Group S.à r.l.

Sales	¥144.8 billion
Acquisition cost	¥80.1 billion
Equity owned	44%*
Goodwill	To be determined

**October 2014**  
GROHE DAWN WaterTech  
Holdings Pty Ltd

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

\* 56% as of April 1, 2015

## Management's discussion and analysis

LIXIL Group Corporation and Consolidated Subsidiaries

### Business environment

In the fiscal year ended March 31, 2015, real GDP in the Japanese economy contracted amid weakness in consumer spending prompted by falling real wages and a reactive fall in demand in response

to rush demand ahead of the consumption tax increase.

New housing starts declined 10.8% year on year, to 880 thousand units, with ongoing contraction in starts

particularly of owner-occupied housing. Renovation demand also fell slightly in reaction to rush demand the previous year, creating a very difficult business environment overall.

### Business performance

In response to this business environment, the LIXIL Group steadily advanced the various measures set out in its Medium-Term Business Plan LIXIL G-16, launched in May 2014. In Japanese operations, we focused on developing products targeting the renovation market, which is expected to see strong growth over the medium-to-long term, though with short-term fluctuations in demand. We also made progress in broadening our service offerings, launching financial service businesses handling such products as Flat 35 loans, which offer housing loans with fixed interest rates for up to 35 years, and renovation loans. While continuing the rapid expansion of our global operation through M&A activities, we revised our management structure with the inauguration of the Global Management Committee (GMC) as the highest management body of LIXIL. We also acquired South African company GROHE DAWN WaterTech Holdings through a newly established joint venture between LIXIL and GROHE Group.

As a result of these activities, in the fiscal year ended March 31, 2015, the Group recorded consolidated net sales of ¥1,673.4 billion, up ¥44.7 billion, or 2.7%, year on year. This increase largely reflected

growth in overseas sales accompanying the full-year earnings contribution of a U.S. subsidiary newly consolidated during the previous fiscal year. Other individual factors were as follows:

In the Japanese business, sales decreased ¥15.3 billion, or 3.0%, in the Metal Building Material Business amid weakness in new housing starts; fell ¥20.6 billion, or 5.7%, in the Plumbing Fixtures Business mainly on supply constraints caused by heavy snowfall damage to a key plant; and declined ¥16.7 billion, or 8.1%, in the Other Building Materials and Equipment Business as the market slowed. In the Distribution and Retail Business, growth in the home center business and the Ken Depot business drove a rise in sales of ¥3.7 billion, or 1.9%. Meanwhile, the Housing, Real Estate and Other Businesses saw sales decline ¥4.6 billion, or 7.3%, owing to weak housing investment.

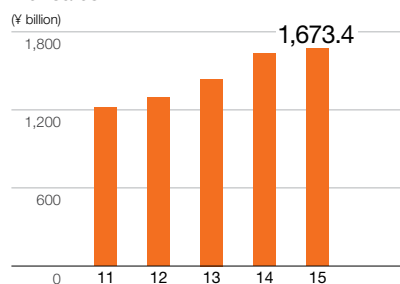
In the overseas business, sales in the Asia Business increased ¥13.7 billion, or 14.5%, spurred by stepped-up sales activities, while in the Curtain Wall Business sales expanded ¥14.9 billion, or 7.3%, supported by foreign exchange translation gains and an increase in the number of highly profitable building

projects in the U.S. and the U.K. In the ASB Business, sales jumped ¥70.7 billion (243.1%), driven by the full-year booking of sales from the fiscal year ended March 31, 2015 as well as efforts to expand sales of the AT200 spa-toilet, a tankless toilet with enhanced specifications for the North American market.

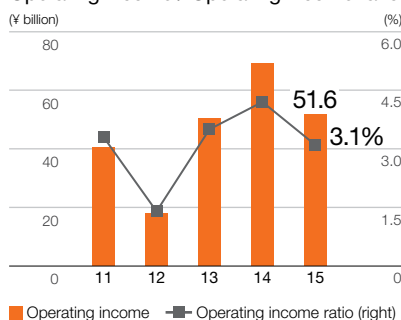
Gross profit decreased ¥0.5 billion, or 0.1%, to ¥447.3 billion as raw material costs rose and sales in Japan fell as the market lost momentum. The gross margin declined 0.8 percentage points, to 26.7%. Despite efforts to cut costs and improve selling prices, operating expenses rose chiefly owing to the decline in sales in the Japanese business, higher raw material prices, costs incurred in dealing with snow damage at a core plant, and strategic upfront investments. As a result, operating income declined ¥17.4 billion, or 25.2%, year on year, to ¥51.6 billion, and the operating income ratio fell from 4.2% to 3.1%.

Net income rose ¥1.0 billion, or 5.1%, to ¥22.0 billion. This reflected losses incurred in the previous fiscal year related to a filing of an application for the commencement of insolvency proceedings at an overseas subsidiary.

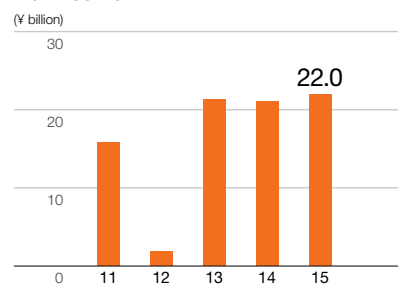
#### Net sales



#### Operating income / Operating income ratio



#### Net income





## Year-on-year comparison of net sales in fiscal year ended March 31, 2015

A breakdown of the change in net sales by business area is as follows:

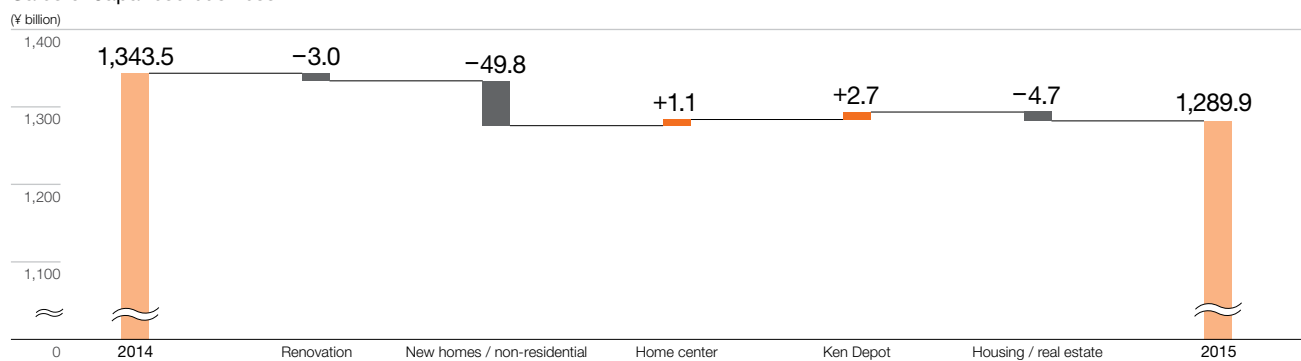
In the new homes and non-residential business, sales declined ¥49.8 billion, or 6%, year on year. This chiefly reflected lower sales in the Metal Building Material Business and Other Building Materials and Equipment Business as new housing starts slowed in reaction to the April 2014 increase in the consumption tax, as well as to lower sales in the Plumbing Fixtures Business owing to some supply constraints stemming from damage to a

core kitchen system plant caused by heavy snowfall in February 2014. Sales in the home center business rose ¥1.1 billion, or 1%, and at Ken Depot increased ¥2.7 billion, or 10%. Sales in the renovation business declined ¥3.0 billion, or 1%, and in the Housing, Real Estate and Other Businesses fell ¥4.7 billion, or 7%. As a result of the above, sales in Japan declined ¥53.6 billion, or 4%.

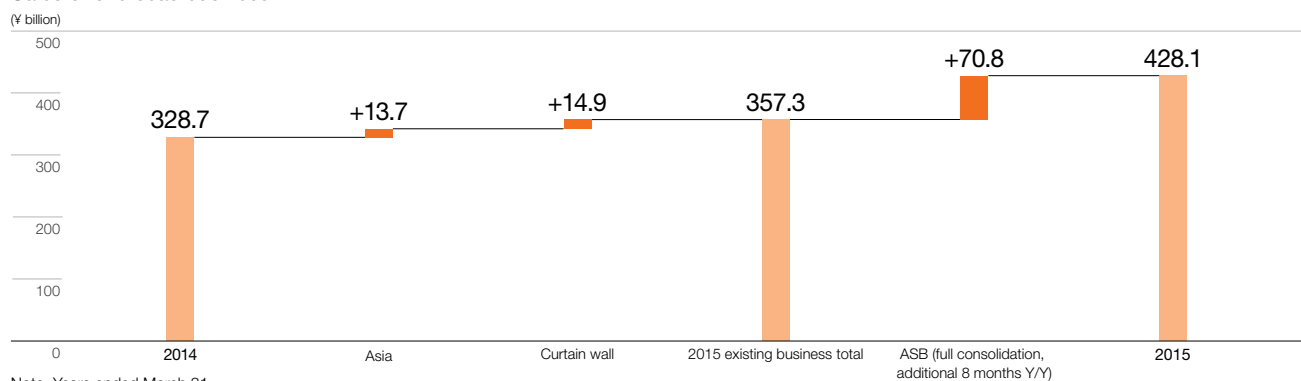
In overseas business, sales in existing businesses rose ¥28.6 billion, or 9%. This reflected sales growth of ¥13.7 billion, or

15%, in the Asia Business, where the Group undertook aggressive sales activities, as well as a ¥14.9 billion, or 7%, increase in sales in the Curtain Wall Business supported by growth in the number of high-margin building projects and foreign exchange translation effects. In addition, the ASB Business saw a large ¥70.8 billion increase in sales from the contribution of an additional eight months of sales. As a result, sales in the overseas business overall rose ¥99.4 billion, or 30%.

### Sales of Japanese business



### Sales of overseas business



## Year-on-year comparison of operating income in fiscal year ended March 31, 2015

A breakdown of the change in operating income by business area is as follows:

In Japanese business, operating income fell ¥16.2 billion accompanying lower sales, negative effects of ¥5.2 billion and ¥3.4 billion, respectively, from

higher raw material costs and yen depreciation, and a negative impact of ¥0.8 billion from changes in the product mix and declines in selling prices. These negative effects were offset by a ¥16.6 billion decline in operating expenses, a

¥1.3 billion increase in operating income in the home center business, and a ¥1.5 billion increase in operating income at the Ken Depot business. However, operating income in Japanese business declined ¥14.7 billion owing to a ¥1.9

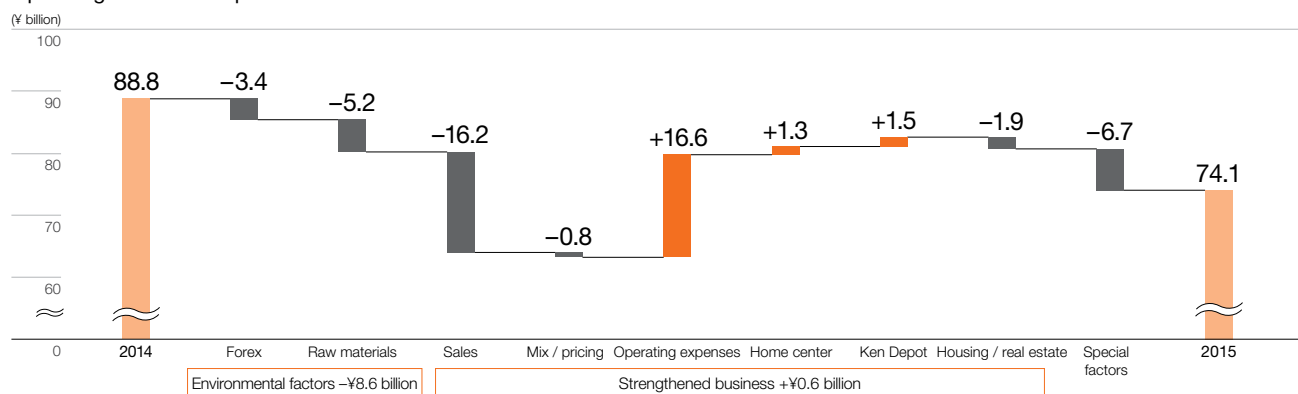
billion fall in earnings in the Housing, Real estate and Other Businesses and a ¥6.7 billion negative impact from such special factors as repairing snow damage to a core plant and strategic upfront

investments in the renovation business.

In overseas business, proactive sales activities supported growth in operating income in the Asia Business of ¥1.9 billion, while operating income in the

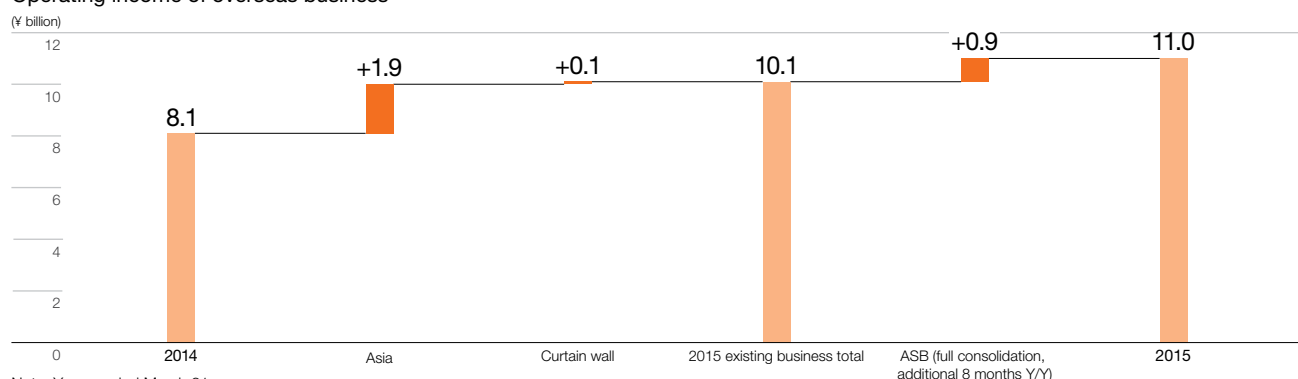
Curtain Wall Business rose ¥0.1 billion, and at the ASB Business increased ¥0.9 billion. As a result, overseas operating income expanded ¥2.9 billion.

### Operating income of Japanese business



Note: Years ended March 31

### Operating income of overseas business



Note: Years ended March 31

## Financial position

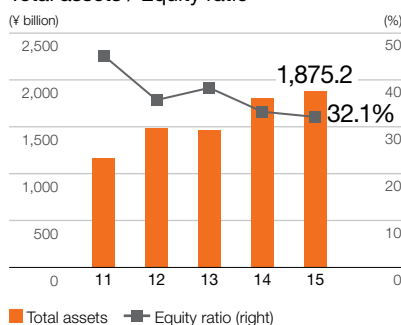
Total assets at March 31, 2015 stood at ¥1,875.2 billion, up ¥88.9 billion from the end of the previous fiscal year.

Current assets increased ¥63.4 billion, to ¥1,005.9 billion, due to an increase in cash and deposits accompanying the issuance of convertible bonds with stock acquisition rights, a decline in accounts receivable, and higher inventories. Noncurrent assets were up ¥25.5 billion from the end of the previous fiscal year, to ¥869.2 billion, as the result of the upgrading of core IT systems and increases in machinery and transportation equipment assets in tandem with production capacity expansion.

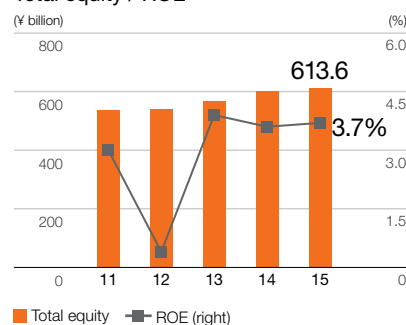
Total equity amounted to ¥613.6 billion, compared with ¥601.7 billion at the end of the previous fiscal year, and

the equity ratio was 32.1%, compared with 33.2% in the previous fiscal year.

### Total assets / Equity ratio



### Total equity / ROE



## Cash flows

Net cash provided by operating activities increased ¥55.3 billion from the end of the previous fiscal year, to ¥138.9 billion. This chiefly reflected efforts to reduce working capital, which offset higher income taxes and others.

Net cash used in investing activities amounted to ¥129.2 billion, a decrease of ¥89.1 billion from the previous fiscal

year, resulting from the purchase of property, plant and equipment and the one-time use of time deposits.

Net cash provided by financing activities amounted to ¥10.0 billion, compared with ¥153.1 billion in the previous fiscal year. This was the result of the repayment and redemption of interest-bearing debt, and the issuance

of convertible bonds with stock acquisition rights.

As a result, after taking into account the effect of changes in the accounting terms of consolidated subsidiaries, cash and cash equivalents at the end of the fiscal year stood at ¥160.3 billion, up ¥21.3 billion from the end of the previous fiscal year.

Trends in the principal indicators of financial position are shown in the following table.

As of and years ended March 31	2011	2012	2013	2014	2015
Shareholders' equity ratio (%)*	45.2	35.7	38.3	33.2	<b>32.1</b>
Shareholders' equity ratio on a market value basis (%)**	52.7	34.0	36.9	46.3	<b>43.5</b>
Interest-bearing debt divided by cash flow (times)***	5.6	13.0	14.9	7.5	<b>4.9</b>
Interest coverage ratio (times)****	11.4	8.6	5.9	18.5	<b>24.6</b>

\* Shareholders' equity ratio: Shareholders' equity / Total assets

\*\* Shareholders' equity ratio on a market value basis: Market capitalization / Total assets

\*\*\* Interest-bearing debt divided by cash flow: Interest-bearing debt / Cash flow

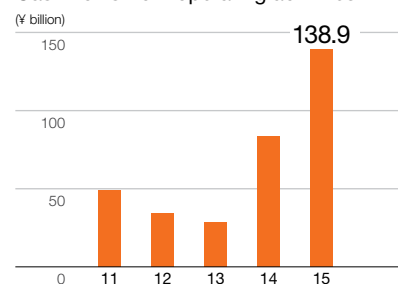
\*\*\*\* Interest coverage ratio: Cash flow / Interest payments

Notes: 1. All indicators are based on figures from the consolidated accounts.

2. Market capitalization is calculated by multiplying the closing stock price at the end of the period and the total number of shares outstanding at the end of the period (excluding treasury stock).

3. Cash flow is the cash flows from operating activities that is presented in the Consolidated Statements of Cash Flows. Interest-bearing debt is the value of all liabilities and convertible bonds with stock acquisition rights presented in the Consolidated Balance Sheets on which the Group pays interest. Interest payments are the figures presented in the item Interest payments in the notes to Consolidated Statements of Cash Flows in the Company's Financial Report (*Yuka Shoken Hokokusho*).

### Cash flows from operating activities



## Liquidity

The LIXIL Group strives to generate operating cash flows and consider a wide range of fund-raising methods to procure a stable and flexible supply of funds necessary for its business activities while maintaining a sound financial position. Regarding cash on hand, the Group, in principle, maintains funds adequate to cover the settlement of its liabilities in an emergency. To ensure financial flexibility, the Group works to

diversify sources of funds, including bank borrowings and funds from other financial institutions, by arranging for a commercial paper issuance line, establishing commitment lines, and implementing initiatives for the securitization of trade notes and accounts of receivables.

As of March 31, 2015, cash and deposits totaled ¥257.2 billion. Interest-bearing debt stood at ¥676.0 billion at

the fiscal year-end, following a decrease in short-term loans payable of ¥31.1 billion, the repayment of long-term loans payable of ¥62.5 billion, and the procurement of ¥54.5 billion in funds through long-term borrowing. During the fiscal year, ¥15.0 billion in corporate bonds were repaid and ¥119.9 billion was raised through the issuance of convertible bonds with stock acquisition rights.

## Outlook for fiscal year ending March 31, 2016

For the fiscal year ending March 31, 2016, the Japanese economy is expected to recover, led by private-sector demand as buoyant corporate earnings support corporate capital investment and consumer spending increases against a backdrop of an improving labor and income environment. Steady recovery in housing investment is also anticipated.

Bearing this in mind, the LIXIL Group will advance the measures set out in its Medium-Term Business Plan LIXIL G-16, launched in May 2014, which

include expanding sales, increasing market shares, and drastically reducing costs and improving efficiency.

As for the medium-to-long-term outlook, Japan's housing stock market is expected to see higher demand. Overseas, the Group is continuing to expand the range of markets in which it participates through M&A activities and other means, including turning GROHE Group into a consolidated subsidiary from the fiscal year ending March 2016. We expect that the Group's diverse

business portfolio will present substantial opportunities for growth.

In this environment, the LIXIL Group intends to focus on developing operations in the renovation market and expanding its business globally. The Group will pursue earnings growth accompanied by operational excellence as it works toward the realization of the LIXIL VISION management target of becoming a global leader in our industry.

## Business risks

LIXIL Group Corporation and Consolidated Subsidiaries

This annual report contains information about business conditions, the financial situation, and other factors that may influence investor decisions. Forward-looking statements are based on the judgments of the LIXIL Group's management as of March 2015. Statements concerning the future and assumptions are subject to uncertainty and risks, and actual results may vary significantly.

### 1. Economic Risk

Operating revenues of most companies in the LIXIL Group are significantly affected by domestic demand in Japan. In particular, major fluctuations in new housing starts or the level of construction orders received could have a negative effect on business performance and financial positions of the LIXIL Group.

### 2. Competitive Risk

The LIXIL Group faces severe competition in most of the markets in which it operates. For this reason, it is difficult to always set prices at levels that are advantageous to the LIXIL Group. Although the Group takes pride in its superior products and services that contribute to improving people's comfort and lifestyles, there is no guarantee that it will enjoy a competitive advantage in terms of pricing. The LIXIL Group's products and services are exposed to intense price competition, which could have a negative effect on business performance and financial positions of the LIXIL Group.

### 3. New Product Development Risk

In its operations, the LIXIL Group is committed to providing exceptional products and services to satisfy its customers around the globe. The Group creates high-quality living spaces that are healthy, comfortable, and safe by continually developing attractive products based on an accurate understanding of available technology and consumer needs. However, the Group's business performance and financial positions could be adversely affected if a failure to respond appropriately to changes in market or industry needs were to result in a decline in growth and earning potential.

### 4. Procurement Risk

The LIXIL Group procures materials, parts, services, and other supplies as required for its production activities. There is a possibility that the amounts paid for these supplies will rise because of increased industry demand or increasing raw material prices. There is also a possibility that the reliability or reputation of the LIXIL Group's products will be adversely affected by defects in or stock-outs of materials, parts, services, or other supplies. These factors could, in turn, adversely affect the Group's business performance and financial positions.

### 5. Overseas Market Risk

The LIXIL Group engages in production and sales activities overseas, in such countries as China and Thailand in Asia as well as countries in Europe and North America. The following latent risks exist in these countries.

- 1) Major exchange rate fluctuations caused by currency policies
- 2) Changes in export or import regulations
- 3) Dramatic increases in labor costs and prices, etc.
- 4) Interruption of production activities due to strikes, etc.
- 5) Unanticipated changes to legislation or financial regulation and international tax risks, such as transfer pricing legislation
- 6) Other economic, social, and political risks
- 7) Risks of the effects of natural disasters

These factors could have an adverse impact on the business performance and financial positions of the LIXIL Group.

### 6. Foreign Exchange Risk

Exchange rate fluctuations have the potential to affect the yen equivalents of assets and liabilities resulting from the foreign currency denominated transactions of the LIXIL Group. Where transactions are denominated in foreign currencies, the prices of goods and amounts of sales could also be affected. These factors could have an adverse impact on the business performance and financial positions of the LIXIL Group.

### 7. Acquisition / Merger Risk

The LIXIL Group may plan to expand its business operations through investments, including corporate acquisitions and capital participation. To maximize the benefits of these acquisitions, the LIXIL Group seeks to integrate them into its corporate cultures and management strategies. However, there is no guarantee that the anticipated returns and synergy benefits will be realized. In addition, while the LIXIL Group makes every endeavor to avoid risk in the execution of acquisitions by undertaking detailed prior assessments of the financial conditions, contractual relationships, and other matters relating to the company involved, it is possible that contingent liabilities and unrecognized financial obligations may be revealed following acquisitions. As a result, it is possible that the business performance and financial positions of the LIXIL Group will be adversely affected by these acquisitions and capital participation activities.

### 8. Business Restructuring Risk

In order to enhance management efficiency and competitiveness, the LIXIL Group may conduct business restructuring, including withdrawal from unprofitable businesses; the realignment of subsidiaries and affiliates, manufacturing bases, and sales and logistics networks; and the rightsizing of the workforce. These measures could have an adverse impact on the business performance and financial positions of the LIXIL Group.

### 9. Regulatory Risk

The LIXIL Group is subject to various official regulations, including the need to obtain approvals and permits from the government or official agencies for its business and investment activities, as well as patents and other intellectual property rights, environmental regulations, and other requirements. Such official regulations can be expected to change over time, possibly creating obstacles to business activities or imposing additional costs relating to compliance with new official regulations. These factors could have an adverse impact on the business performance and financial positions of the LIXIL Group.



### 10. Product Liability Risk

There is a risk that defects will occur in products and services supplied by the LIXIL Group, or that product recalls may be required. Major compensation claims or product recalls relating to manufacturers' liability issues could result in substantial payments and have a negative effect on the reliability and reputation of the LIXIL Group's products. Such situations could have an adverse impact on the business performance and financial positions of the LIXIL Group.

### 11. Risks of Lawsuits and Other Legal Proceedings

The LIXIL Group conducts its business activities in Japan and in countries overseas. Accordingly, there is a risk that it may face lawsuits and legal proceedings. If the LIXIL Group becomes the object of such legal action, there is a possibility that this may result in major payments for damages. These circumstances could have an adverse impact on the business performance and financial positions of the LIXIL Group.

Joyou AG, which became a consolidated subsidiary on April 1, 2015, and was listed on the Frankfurt Stock Exchange, on May 22, 2015 filed an application for the commencement of insolvency proceedings with the competent local court of Hamburg in Germany. The losses judged to require recognition have already been disclosed and reflected in the consolidated financial statements but it is possible that additional losses could be incurred if the insolvency of the subsidiary leads to lawsuits or other legal proceedings.

### 12. Disaster and Accident Risk

Natural disasters, such as earthquakes and typhoons, could cause substantial damage to the LIXIL Group's production, distribution, sales, and information management facilities. Also, in the occurrence of major workplace disasters or equipment accidents, there is the possibility that business activities will be discontinued or restricted. The LIXIL Group conducts regular disaster prevention activities and facility inspections. However, there is no guarantee that it will be possible to prevent or alleviate the effects of natural

disasters. In particular, many of the domestic production facilities for plumbing fixtures of LIXIL Corporation, a consolidated subsidiary, are located in the Tokai region of Japan, where a major earthquake could occur. While earthquake countermeasures have been implemented at these facilities, a major earthquake in the Tokai region could cause a suspension in production, delays in product deliveries, and other problems. These factors could have an adverse impact on the business performance and financial positions of the LIXIL Group.

### 13. Environmental Preservation Risk

The LIXIL Group, based on the Group Environmental Policy, engages in a wide range of activities aimed at global environmental preservation. However, the Group cannot guarantee that it will be able to completely prevent or mitigate any risk of environmental pollution. Should serious environmental pollution occur as a result of the Group's business activities, it could have an adverse impact on the Group's business performance and financial positions.

### 14. Risk of Default on Receivables

In order to prepare for losses due to default on receivables by business partners, the LIXIL Group examines the recoverability of general receivables based on historical default rates, and of specific doubtful accounts on a case-by-case basis, and records the amount considered to be uncollectible as an allowance for doubtful accounts. Should the actual default level significantly exceed these assumptions, the allowance for doubtful accounts could be insufficient. Moreover, as a result of reviewing these assumptions due to the worsening of overall economic conditions and uncertainty in the credit standing of business partners, the Group could make additional provisions to this allowance. These developments could have an adverse impact on the Group's business performance and financial positions.

### 15. Risk of Fixed Asset Value Reduction

The LIXIL Group has applied fixed asset impairment accounting. The Group will

continue to calculate future cash flows relating to its assets and to recognize and estimate the impairment of those assets. It is therefore possible that the Group's business performance and financial positions will be adversely affected if fixed asset impairment losses are shown in the accounts.

### 16. Retirement Benefit Risk

The employee retirement benefit obligations and costs of the LIXIL Group are calculated primarily using actuarial assumptions, such as discount ratios and long-term expected rates of return on plan assets. These actuarial assumptions must be reviewed annually. Any changes in the ratios could cause fluctuation in business performance and financial positions. The Group has taken steps to minimize this effect, including the return to the government of the substitutional portion of the pension funds that it previously administered, and the adoption of defined contribution pension plans and cash balance pension plans. However, the potential effect cannot be entirely eliminated. Further declines in discount ratios or deteriorating investment returns could have a negative effect on the business performance and financial positions of the LIXIL Group.

### 17. Risk of Personal Information Leaks

The LIXIL Group handles a variety of personal information, including customer information, in the course of its business operations, and stringent information management is essential. Initiatives to strengthen personal information management include the establishment of an organizational unit dedicated to personal information management, the formulation of related rules and regulations, and the ongoing provision of appropriate training. However, the LIXIL Group could suffer damage to its public reputation and incur substantial financial costs if unforeseen circumstances result in the leakage of personal information. Such a situation could adversely affect the business performance and financial positions of the LIXIL Group.

## Principal Group companies

(As of March 31, 2015)

### Consolidated subsidiaries

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company (%)	Operations
LIXIL Corporation*1	Koto-ku, Tokyo	34,600	100	Manufacture and sales of metal building materials, plumbing fixtures, other building materials and housing structures
LIXIL VIVA CORPORATION	Urawa-ku, Saitama, Saitama	20,000	100	Sales of daily necessities, DIY and home improvement products
LIXIL Housing Research Institute, Ltd.	Koto-ku, Tokyo	1,250	100	Strategic planning for homebuilding franchise chain businesses, operation of homebuilding franchise chains
JIO Corporation	Chiyoda-ku, Tokyo	1,000	100	Insurance for warranty against housing defects
LIXIL REALTY, Corp.	Chuo-ku, Tokyo	160	100	Real estate business and agency of company housing
CLASSIS Corporation	Chuo-ku, Tokyo	100	100	Residential real estate brokerage and sales
LIXIL Group Finance Corporation	Koto-ku, Tokyo	3,475	100	Financing services for group companies
LIXIL Total Hanbai Corporation	Koto-ku, Tokyo	74	100	Sales of metal building materials, plumbing fixtures, other building materials and equipment, and housing structures
SUN WAVE CORPORATION*1	Fukaya, Saitama	90	100	Manufacture of plumbing fixtures
Kawashima Selkon Textiles Co., Ltd.	Sakyo-ku, Kyoto, Kyoto	9,381	100	Manufacture and sales of interior fabrics
LIXIL Total Service Corporation	Koto-ku, Tokyo	100	100	Installation, sales and after-sales service of metal building materials, plumbing fixtures, other building materials and equipment
G TERIOR Corporation	Setagaya-ku, Tokyo	315	100	Sales of exterior products
Asahi Tostem Exterior Building Materials Co., Ltd.	Koto-ku, Tokyo	2,000	80	Manufacture and sales of other building materials
HIVIC CO., LTD.	Oyama, Tochigi	551	100	Manufacture and sales of precut lumber
LIXIL SUZUKI SHUTTER CORPORATION	Toshima-ku, Tokyo	1,989	100	Manufacture and sales of shutters and related parts
LIXIL Building Remodeling Sales Co., Ltd.*2	Koto-ku, Tokyo	100	100	Sales of metal building materials
LIXIL Toyo Sash Shoji Co., Ltd.	Chiyoda-ku, Tokyo	100	100	Sales of metal building materials, plumbing fixtures, other building materials and equipment
TM.S Corporation	Chiyoda-ku, Tokyo	60	100	Sales of plumbing fixtures and other building materials
JAPAN HOME SHIELD CORPORATION	Sumida-ku, Tokyo	205	100	Ground investigation for houses and improvement work for foundation of houses
Dinaone Corporation	Tokoname, Aichi	90	100	Sales of other building materials
Kuwata Co., Ltd.	Suma-ku, Kobe, Hyogo	30	100	Sales of metal building materials, plumbing fixtures, other building materials and equipment
Oita Tostem Co., Ltd.	Oita, Oita	50	100	Sales of metal building materials, plumbing fixtures, other building materials and equipment
LIXIL ENERGY Co., Ltd.	Koto-ku, Tokyo	100	100	Sales of solar energy providing systems
Nishi Kyushu Tostem Co., Ltd.	Saga, Saga	30	100	Sales of metal building materials, plumbing fixtures, other building materials and equipment
LIXIL RENEWAL Corporation*2	Koto-ku, Tokyo	50	100	After-sales services of residential homes, commercial buildings, etc.
Tostem Management Systems Co., Ltd.*3	Koto-ku, Tokyo	450	100	System and management support for sales agencies
GHS Corporation	Koto-ku, Tokyo	100	100	Operation of homebuilding franchise chains
LIXIL Home Finance Corporation	Chiyoda-ku, Tokyo	500	100	Housing loan-related agency service
LIXIL INFORMATION SYSTEMS CORPORATION	Koto-ku, Tokyo	100	100	Development, operation and management of information systems
Limited private company SUPER VIVA ASSET and 3 other companies	Urawa-ku, Saitama, Saitama	—	100	Acquisition and management of beneficiary right for real-estate trusts
INAX SUNWAVE Marketing Corporation	Tokoname, Aichi	10	100	—
Permasteelisa S.p.A.	Veneto, Italy	€6,900 thousand	100	Manufacture and sales of curtain walls
39 affiliate companies of Permasteelisa S.p.A.	—	—	—	Manufacture and sales of curtain walls
ASD Holding Corp.	New Jersey, USA	US\$300,933 thousand	100	The holding company of North American Business of American Standard Brands
17 affiliate companies of ASD Holding Corp.	—	—	—	Manufacture and sales of plumbing fixtures
TOSTEM THAI Co., Ltd.	Pathumthani, Thailand	Bt2,767 million	100	Manufacture of metal building materials
LIXIL Manufacturing (Dalian) Corporation	Dalian, Liaoning, China	US\$43,500 thousand	100	Manufacture of wooden interior furnishing materials
A-S CHINA PLUMBING PRODUCTS Ltd.	Cayman Islands	US\$24,906 thousand	100	The holding company of Chinese Business of American Standard
5 affiliate companies of A-S CHINA PLUMBING PRODUCTS Ltd.	—	—	—	Manufacture and sales of plumbing fixtures

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company (%)	Operations
LIXIL GLOBAL MANUFACTURING VIETNAM CO., LTD.	Dong Nai, Vietnam	US\$40,700 thousand	100	Manufacture of metal building materials
AMTRONIC Pte. Ltd.	Singapore	US\$19,115 thousand	100	The holding company of Chinese business of Shanghai Meite Curtain Wall System Co., Ltd.
Shanghai Meite Curtain Wall System Co., Ltd.	Shanghai, China	US\$21,310 thousand	75	Manufacture and sales of curtain walls
LIXIL INTERNATIONAL Pte. Ltd.	Singapore	US\$94,480 thousand	100	The holding company of Asian Business of American Standard
8 affiliate companies of LIXIL INTERNATIONAL Pte. Ltd.	—	—	—	Manufacture and sales of plumbing fixtures
LIXIL Vietnam Corporation	Hanoi, Vietnam	US\$38,100 thousand	100	Manufacture and sales of plumbing fixtures
LIXIL-Haier Housing Products (Qingdao) Co., Ltd.	Qingdao, Shandong, China	CNY¥194,082 thousand	51	Manufacture of plumbing fixtures
LIXIL BUILDING MATERIALS MANUFACTURING (SUZHOU) CORPORATION	Suzhou, Jiangsu, China	4,000	100	Manufacture of plumbing fixtures and other building materials
LIXIL Sanitary Fitting Manufacturing (Suzhou) Corporation	Suzhou, Jiangsu, China	1,730	100	Manufacture of plumbing fixtures
LG Tostem BM Co., Ltd.*4	Seoul, Korea	Won15,355 million	50	Sales of metal building materials
LIXIL TAIWAN CORPORATION	Hsinchu, Taiwan	NT\$282,677 thousand	51	Manufacture and sales of other building materials
Star Alubuild Private Ltd.	Haryana, India	INDRp22,817 thousand	70	Manufacture, installation and sales of curtain walls
LIXIL (China) Investment Co., Ltd.	Shanghai, China	US\$34,500 thousand	100	Sales of plumbing fixtures and other building materials
LIXIL Building Materials Manufacturing (Shenyang) Corporation	Shenyang, Liaoning, China	1,300	100	Manufacture of other building materials
PT. LIXIL ALUMINIUM INDONESIA	Cileungsi, Indonesia	IDR42,772 thousand	75	Manufacture and sales of metal building materials
TOSTEM THAI MARKETING Co., Ltd.	Pathumthani, Thailand	Bt103 million	100	Sales of metal building materials

#### Equity-method affiliates

	Location	Paid-in capital (¥ million)	Equity owned by the holding company (%)	Operations
Sanyo Homes Corporation*5	Osaka, Osaka	5,945	24	Designing and installation management of houses and apartments
Fukui Computer Inc.*5	Fukui, Fukui	1,631	27	Development and sales of designing systems
K-engine Corporation	Shinjuku-ku, Tokyo	2,779	49	Provide IT cloud service and mobile network service for the housing industry
GraceA Co., Ltd.	Koto-ku, Tokyo	103,893	50	Management and operation of GROHE Group S.à r.l
Grohe Luxembourg Four S.A.	Heienhaff, Luxembourg	€71,629 thousand	49	Manufacture and sales of faucets, sanitary ware, etc.

\*1 As of April 1, 2015, SUN WAVE CORPORATION was acquired by and merged with LIXIL Corporation.

\*2 As of April 1, 2015, LIXIL Building Remodeling Sales Co., Ltd acquired and merged with LIXIL RENEWAL Corporation, and the name was changed to LIXIL RENEWAL Corporation.

\*3 As of June 15, 2015, the name of Tostem Management Systems Co., Ltd. was changed to LIXIL Living Solution Corporation.

\*4 The holding of shares in LG TOSTEM BM Co., Ltd. is less than 50%, but it is treated as a subsidiary because it is effectively controlled by the Group.

\*5 The company submits financial reports.

## Number of sales and manufacturing bases

(As of March 31, 2015)

	Hokkaido	Tohoku	Kanto, Koshinetsu	Chubu, Hokuriku	Kansai	Chugoku, Shikoku	Kyushu, Okinawa	Total
<b>Sales network</b>								
LIXIL Corporation	5	7	29	13	13	10	10	87

### Factories\*

LIXIL Corporation	1	2	13	15	2	2	4	39
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\* Decrease of one in number of factories in fiscal year ended March 2015 resulting from organizational change

### Showrooms

LIXIL Corporation	6	7	35	14	13	11	12	98
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### Home centers

Home centers (Super Viva Home, New Viva Home, Viva Home)	7	9	56	7	5	0	0	84
Ken Depot	3	5	39	4	3	3	7	64

### Homebuilding franchise members

Eyeful Home Technology Inc.	3	32	43	36	13	25	8	160
FIACE HOME	0	2	3	6	4	3	0	18
GL Home	0	5	7	2	1	0	0	15
Total	3	39	53	44	18	28	8	193

### Renovation franchise members

	2012	2013	2014	2015
LIXIL Reform Chain	414	377	376	424
LIXIL Reform Net	8,896	9,356	10,203	11,708
Total	9,310	9,733	10,579	12,132

### Overseas factories

	China	Thailand	Vietnam	South Korea	Indonesia	India	Middle East	North America	Latin America	Europe	Total
Shanghai Meite Curtain Wall System Co., Ltd	1										1
LIXIL Building Materials Manufacturing (Shenyang) Corporation	1										1
LIXIL-Haier Housing Products (Qingdao) Co., Ltd.	2										2
LIXIL Sanitary Fitting Manufacturing (Suzhou) Corporation	1										1
LIXIL Building Materials Manufacturing (Suzhou) Corporation	1										1
LIXIL Manufacturing (Dalian) Corporation	1										1
LIXIL HOUSING PRODUCTS MANUFACTURING (SHANGHAI) CORPORATION	1										1
WUXI MORITEC SPECIAL DOOR Co., Ltd	1										1
LIXIL SUZUKI Shutter Manufacturing (SH) Corporation	1										1
LIXIL SUZUKI (Hong Kong) Company, LTD.	1										1
LIXIL Vietnam Corporation			3								3
LIXIL GLOBAL MANUFACTURING VIETNAM CO., LTD.			1								1
PT LIXIL ALUMINIUM INDONESIA					1						1
TOSTEM THAI Co., Ltd.		1									1
LG TOSTEM BM Co., Ltd.				1							1
Star Alubuild Private Ltd.						1					1
Permasteelisa Group	2	2				1	1	3		5	14
American Standard Asia Pacific	4	2	1	1	1						9
American Standard Brands								7	4		11
Total	17	5	5	2	2	2	1	10	4	5	53

Note: Excluding factories of unconsolidated subsidiaries

## History

TOSTEM		INAX	
1923	The company is founded.	1924	Ina Seito Co., Ltd.* is established as a producer of tiles, ceramic pipe, and terra cotta.
1949	Nihon Tategu Kogyo Co., Ltd. (now LIXIL Group Corporation) is established.		
1966	Housing aluminum sash business commenced.	1945	Production of sanitary ware commenced.
1971	Toyo Sash Co., Ltd., is established after absorbing Toyo Door and four other companies.	1958	Production of Polybath commenced.
1974	Toyo Exterior Co., Ltd.* is established. Housing exterior business commenced.	1967	Production of first integrated-type Japanese shower toilet.
1977	Viva Home Corporation (later TOSTEM VIVA CORPORATION) is established. Home center business commenced.	1968	Production of unit bathrooms commenced.
1984	Eyeful Home Technology Inc. (now LIXIL Housing Research Institute, Ltd.) is established. Homebuilding franchise chain operation commenced.	1985	Company name is changed to Inax Corporation*.
1985	Dai-ichi Mokko Co., Ltd. (later Bright Home and now LIXIL Housing Research Institute, Ltd.), Mitsui Light Metal Processing Co., Ltd., Nittetsu Curtainwall Corporation, and Nittetsu Sash Sales Corporation join the Group.	1996	VINAX (now LIXIL INAX VIETNAM Corporation), manufacturing joint venture for sanitary ware in Vietnam, is established.
1987	TOSTEM THAI Co., Ltd., is established. Overseas production of sashes commenced.		Suzhou Inax Sanitary Fitting Co., Ltd. (now LIXIL Sanitary Fitting Manufacturing (Suzhou) Corporation), is established in China.
1990	American Home Shield Japan Co., Ltd. (now JAPAN HOME SHIELD CORPORATION), is established.		
1992	Toyo Sash Co., Ltd., is renamed to Tostem Corporation. Tostem Foundation for Construction Materials Industry (now LIXIL JS Foundation) is established.	1998	Suzhou Inax Building Materials Co., Ltd. (now LIXIL BUILDING MATERIALS MANUFACTURING (SUZHOU) CORPORATION), a tile manufacturing company in China, is established.
1999	JIO Corporation is established.		
2000	Toyo Exterior Co., Ltd.*, Eyeful Home Technology Inc. (now LIXIL Housing Research Institute, Ltd.), and Suzuki Shutter Manufacturing Co., Ltd. (now LIXIL SUZUKI SHUTTER CORPORATION), become wholly owned subsidiaries.		
2001	Tostem Corporation is renamed to Tostem Inax Holding Corporation, becomes a pure holding company, and swaps stocks with Inax Corporation*. Tostem Corporation*, an operating company, is established through a corporate separation.		
2002	Jyu-Tsu Corporation (now LIXIL REALTY, Corp.) joins the Group. Inax Corporation* establishes the investment fund Inax (China) investment Co., Ltd. (now LIXIL (China) Investment Co., Ltd.), in China. Production of wooden interior furnishings commenced at subsidiary Tostem Housing Products (Dalian) Co., Ltd. (now LIXIL Manufacturing (Dalian) Corporation), in Dalian, China. Century 21 Housing Research Institute Ltd. (now LIXIL Housing Research Institute, Ltd., after becoming Tostem Housing Institute) is inaugurated.		
2004	Tostem Inax Holding Corporation is renamed to JS Group Corporation.		
2005	Asahi Tostem Exterior Building Materials Co., Ltd., is established as a result of integration of Tostem Corporation* and Asahi Glass Co., Ltd.		
2006	JS Group Senior Life Corporation (now a business of LIXIL Corporation) founded and enters fee-based senior citizens assisted-living home business.		
2007	Inax Corporation* establishes the overseas tile company Inax Vietnam Co., Ltd. (now LIXIL INAX SAIGON Manufacturing Co., Ltd.).		
2008	Inax Corporation* establishes Inax Vietnam Plumbing Fixtures Co., Ltd. (now LIXIL INAX DANANG Manufacturing Co., Ltd.), in Vietnam, which manufactures and sells water faucet fixtures. Jaxson S.P.I. Inc. becomes a subsidiary of Inax Corporation*.		
2009	Tostem Corporation* establishes LG-TOSTEM BM Co., Ltd., jointly with LG Chem, Ltd., a LG group company in South Korea. American Standard Asia Pacific becomes a subsidiary of Inax Corporation*. LIXIL ENERGY Co., Ltd., is established, and solar photovoltaic systems business commenced.		
2010	New Group brand "LIXIL" is introduced. SUN WAVE CORPORATION* and Shin Nikkei Company, Ltd.* become subsidiaries. Business alliance is formed with the Haier Group, of China.		
2011	Shanghai Meite Curtain Wall System Co., Ltd., in China becomes a subsidiary of Tostem Corporation*. Tostem, Inax, Shin Nikkei, SUN WAVE (not including the production division), and Toyo Exterior are integrated and LIXIL Corporation is born. Kawashima Selkon Textiles Co., Ltd., and HIVIC CO., LTD., become a subsidiary. Permasteelisa S.p.A., of Italy, becomes a subsidiary of LIXIL Corporation.		
2012	JS Group Corporation renamed as LIXIL Group Corporation.		
2013	INAX ENGINEERING Corporation and six other companies merge. The company is renamed LIXIL Total Service Corporation. ASD Americas Holding Corp., of the United States, and Star Alubuild Private Ltd., of India, become subsidiaries of LIXIL Corporation.		
2014	GROHE Group S.à r.l., of Europe, becomes an equity-method affiliated company of LIXIL Corporation. (The company acquires 87.5% of GROHE Group shares jointly with the Development Bank of Japan.) LIXIL Corporation acquires shares in GROHE DAWN WaterTech Holdings Pty Ltd of South Africa.		
2015	LIXIL Corporation converts GROHE Group S.à r.l. into a consolidated subsidiary.		

\* Currently LIXIL Corporation



## Shareholder information

(As of March 31, 2015)

### Number of shares and shareholders

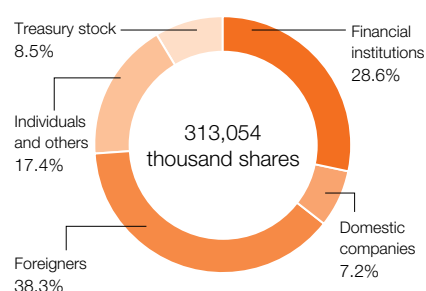
Number of shares authorized	1,300,000,000
Number of shares outstanding	286,352,099
	(excluding treasury stock of 26,702,156 shares)
Number of shareholders	45,750

### Major shareholders

Name of shareholder	Number of shares held (thousand shares)	Percentage held
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,312*	3.60%
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	9,641	3.37%
Japan Trustee Services Bank, Ltd. (Trust Account)	9,249*	3.23%
The Nomura Trust & Banking Co., Ltd. (Trust Account)	8,896*	3.11%
Goldman Sachs & Co. (Regular Account)	6,937	2.42%
State Street Bank and Trust Company (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement & Clearing Services Department)	6,831	2.39%
The Dai-ichi Life Insurance Company, Limited	6,561	2.29%
LIXIL Employee Stock Ownership Plan	6,503	2.27%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,798	2.02%
Sumitomo Mitsui Banking Corporation	5,543	1.94%

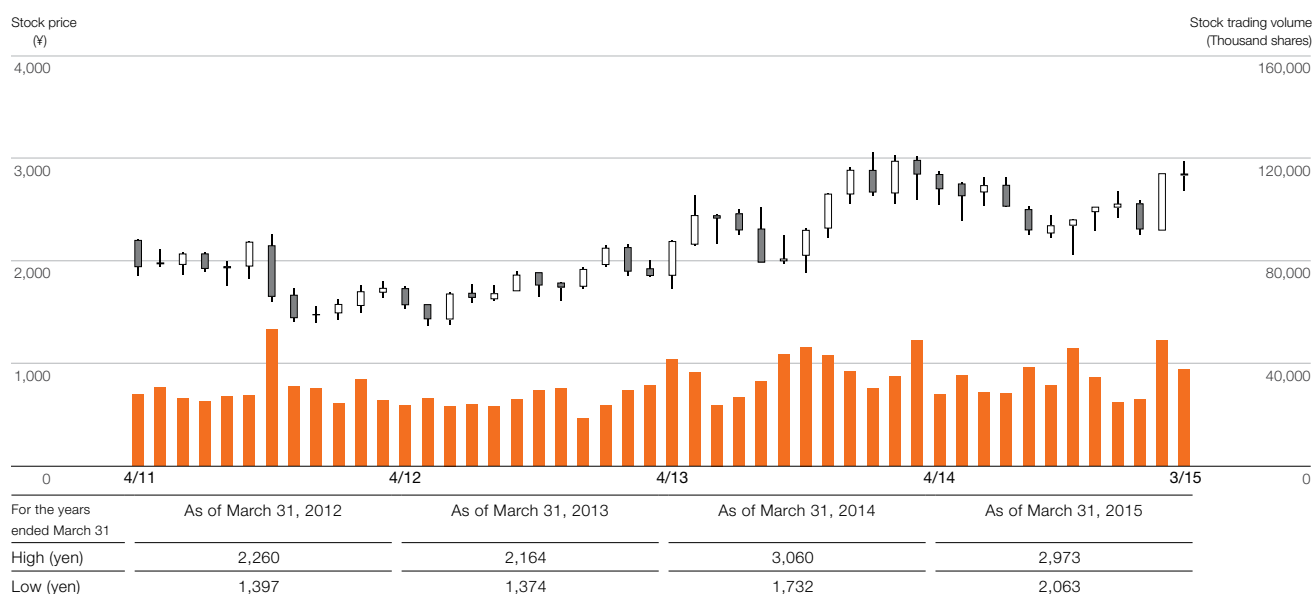
Notes: 1. In addition to the above, LIXIL Group Corporation holds 26,702 thousand shares of treasury stock.  
Shareholding calculations exclude treasury stock.  
2. \* indicates a trust service arrangement.  
3. 8,896 thousand shares entrusted to The Nomura Trust & Banking Co., Ltd., are the trust property of  
Mr. Yoichiro Ushioda, who has voting rights for these shares.

### Distribution of ownership among shareholders



	Thousand shares
Financial institutions	89,599
Domestic companies	22,579
Foreigners	119,849
Individuals and others	54,323
Treasury stock	26,702
Total	313,054

### Monthly stock price range (Tokyo Stock Exchange)



Note: High and low share prices are from the First Section of the Tokyo Stock Exchange.

## Corporate data

(As of March 31, 2015)


### Company profile

Company name	LIXIL Group Corporation (JS Group Corporation renamed as LIXIL Group Corporation on July 1, 2012.)	Overview of major businesses	The Company controls and manages domestic and overseas companies that operate housing-related businesses and urban environment-related businesses through acquisition or holding of stocks.
Established	September 19, 1949		
Registered office	2-1-1 Ojima, Koto-ku, Tokyo 136-8535, Japan	Securities traded (Common stock)	Tokyo Stock Exchange Nagoya Stock Exchange
Head office	36F, Kasumigaseki Building, 3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo 100-6036, Japan	Transfer agent and special management of accounts	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan
Paid-in capital	¥68.1 billion		
Fiscal year closing	March 31		
Employees	97 (Consolidated Employees: 52,427)	Annual Meeting of Shareholders	Normally held in June in Tokyo, Japan

LIXIL Corporation owns the copyrights for the product and installment example photographs on P2 (Housing Technology, and Kitchen Technology), P4 (bottom left), P5, P32 (Housing Technology, and Kitchen Technology), P34 (top right and bottom left), P35, P37, P41 to 43.

### LIXIL Group online information


In addition to a Group profile, CSR activities, and the latest news, the LIXIL Group's corporate website also contains such features as sections covering recent business initiatives within the Group and insights from the Company's president.

 <http://www.lixil-group.co.jp/e/>



### Investor relations (IR) site


LIXIL Group Corporation's IR website offers enriched content for shareholders and other investors, including information regarding financial results, audio streaming of shareholder information meetings, and market data. A PDF version of the most recent annual report and an online version containing a video interview with the president are also available on the site.

 <http://www.lixil-group.co.jp/e/ir/>



### The LIXIL Group CSR site

Our corporate website introduces the LIXIL Group's CSR activities. These activities center on the priority themes of innovation, sustainability, and integrity, which underpin our commitment to realizing our management philosophy.

 <http://www.lixil-group.co.jp/e/sustainability/>





## LIXIL Group Corporation

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<http://www.lixil-group.co.jp/e/>



This annual report is printed with vegetable oil ink  
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