

**MAKE BETTER  
HOMES A  
REALITY FOR  
EVERYONE,  
EVERYWHERE**



INTEGRATED REPORT 2024



# Our Philosophy

## LIXIL's *PURPOSE*

### MAKE BETTER HOMES A REALITY FOR EVERYONE, EVERYWHERE

LIXIL's Purpose is the north star that guides LIXIL's employees in making decisions and inspires us to become a more agile, entrepreneurial company for sustainable growth. Our people are the ultimate drivers of value creation, and they realize LIXIL's Purpose by putting the LIXIL Behaviors into practice in their work every day.

## LIXIL BEHAVIORS

DO THE  
*RIGHT* THING

WORK WITH  
*RESPECT*

*EXPERIMENT*  
AND LEARN

Our Value Creation Story

# LIXIL's Purpose

Make better homes a reality for everyone, everywhere

01



# The Resources We Rely On



**Diverse and Purpose-led People**



**Meaningfully Designed Products**



**"Monozukuri" Manufacturing Platform**



**Global Sales Infrastructure**



**Unrivalled Portfolio of Brands**



**Sustainable Resource Management**



**Financial Foundation**

We cultivate financial and non-financial capital, which are the sources of value creation

02

# The Way We Create Value

Our people are the ultimate drivers as we take on the challenge of creating value as set out in the LIXIL Playbook



03

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

# The Value We Create

## Outputs

Enhancing corporate value through business activities



## Outcomes

Contributing to the resolution of social and environmental issues

We aim to generate sustainable growth and a positive impact for society through our businesses that bring people comfort and better living

How We Create Value in a Sustainable and Meaningful Way for Our Stakeholders and Society

# 01 LIXIL's Purpose

Make better homes a reality for everyone, everywhere

### LIXIL Behaviors

DO THE  
RIGHT THING

WORK WITH  
RESPECT

EXPERIMENT  
AND LEARN

Our people are the ultimate drivers of value creation

Megatrends and the Current Environment **P.26**

# The Value We Create 04

Outputs	Outcomes
Enhancing corporate value through business activities	Contributing to the resolution of social and environmental issues

LIXIL's Impact **P.28**

**Medium-term targets for sustainable growth**  
 Core earnings margin 7.5%  
 Net interest-bearing debt-to-EBITDA ratio 3.5 times or less  
 Ratio of equity attributable to owners of the parent to total assets 35% or more

**D&I targets**  
 50% female directors and executive officers by FYE2030  
 30% or more female managers by FYE2030

**Social impact targets**  
 Net-zero by 2050  
 100% ratio of high-performance windows sold by FYE2026\*  
 90% waste recycling ratio by FYE2026  
 Contribute to reducing water use by 2 billion m<sup>3</sup> annually by FYE2025  
 Improve access to sanitation for 100 million people by 2025  
\* For new detached houses

LIXIL's Core Businesses **P.43** Impact Strategy **P.46**

Stakeholders



# 02 The Resources We Rely On



Diverse and Purpose-led People

Approx. **49,300** employees worldwide\* \*Number of persons employed



Meaningfully Designed Products

**6** major global in-house design studios



"Monozukuri" Manufacturing Platform

**78** factories worldwide



Global Sales Infrastructure

Present in over **150** countries



Sustainable Resource Management

**34.7%** reduction in CO<sub>2</sub> emissions from FYE2019\*  
\*Scope 1 & 2



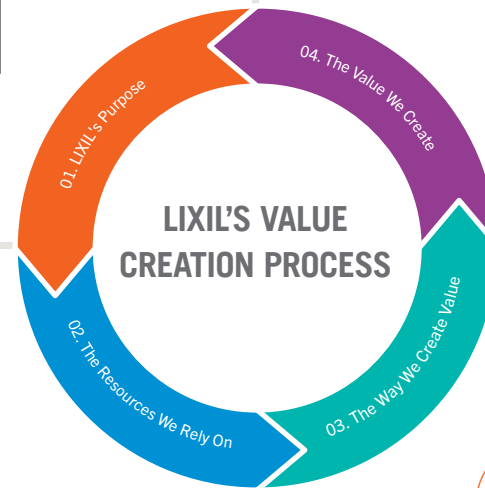
Unrivalled Portfolio of Brands

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



Financial Foundation

Long-term goal of **10%** core earnings margin



# The Way We Create Value 03



### The LIXIL Playbook

Strategic Initiatives **P.31**

Our Foundation **P.36**

Corporate Governance **P.67**

Exemplifying our approach to achieving our purpose, LIXIL is expanding the development of *PremiAL*, a low-carbon aluminum building material. Combining our expertise and technological capabilities cultivated over 25 years, we were able to pioneer this low-carbon aluminum building material. Based on the LIXIL Playbook, we will achieve sustainable growth and support the realization of a decarbonized and circular economy.

## 01 LIXIL's Purpose

Make better homes a reality for everyone, everywhere



**PremiAL**  
*PremiAL* contributes to the reduction of CO<sub>2</sub> emissions, and mitigates the environmental footprint of buildings

## The Value We Create

Outputs	Outcomes
Medium- to long-term sales target <b>¥300 billion</b>	By FYE2031: Scope 3 CO <sub>2</sub> reduction from <i>PremiAL</i> to contribute <b>a third of LIXIL's 30% CO<sub>2</sub> reduction*</b> *1 Compared to FYE2019
	Use of recycled aluminum <b>100%</b>



**LIXIL'S VALUE CREATION PROCESS**

## 02 The Resources We Rely On

-  **Diverse and Purpose-led People**  
Product development that leverages diverse human resources
-  **Meaningfully Designed Products**  
Product design capabilities that resolve social issues
-  **Global Sales Infrastructure**  
A sales base that captures needs worldwide
-  **Unrivalled Portfolio of Brands**  
Brand power that serves diverse customer segments
-  **"Monozukuri" Manufacturing Platform**  
A "monozukuri" platform that utilizes accrued production technologies
-  **Sustainable Resource Management**  
Technologies that make effective use of limited resources
-  **Financial Foundation**  
A financial foundation that supports product development

## The Way We Create Value

Combining our expertise and technological capabilities cultivated over 25 years, we were able to pioneer a low-carbon aluminum building material in response to rapidly growing global demand for aluminum. We will achieve sustainable growth and create an impact on society based on the LIXIL Playbook.



	Focus	Transform	Grow	Innovate
<b>Strategic Initiatives</b>	Divest Non-core Businesses and Simplify Organization	Tackle Inflation and Supply Chain Challenges	Optimize Japan and Drive New Growth   Grow Global Water Business	Embed Robust Environment   Develop New Core Strategy
<b>Our Foundation</b>	Impact Strategy   Global Sanitization & Hygiene   Water Conservation & Environmental Sustainability   Diversity & Inclusion			
	Empower our people to deliver on strategy and create value			



## 01 OVERVIEW

Our corporate purpose, our value creation process, an overview of LIXIL, and management messages

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### SUSTAINABLE DEVELOPMENT GOALS



#### Editorial policy

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

Frameworks referenced



International initiatives LIXIL has joined



#### Organizations covered

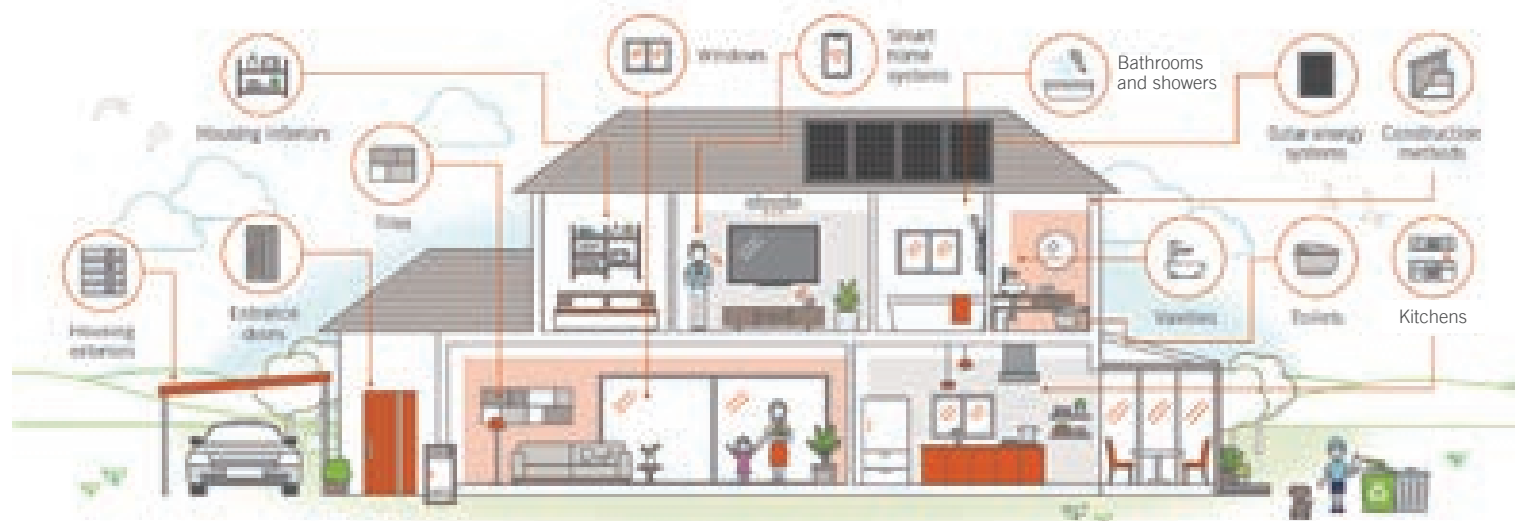
LIXIL Corporation ("the Company") and its consolidated subsidiaries (collectively, "the LIXIL group")

#### Period covered

April 1, 2023 through March 31, 2024  
Note: Some activities from before or after the reporting period are included.

## Our products and services helping people everywhere

Make better homes a reality for everyone, everywhere. LIXIL provides a wide range of high-quality products that resolve issues in everyday life globally by employing world-leading technologies and innovation.



## › AT A GLANCE

As an industry leader, we fully leverage the various forms of capital we have developed over our history to expand our business globally.

Revenue

¥ **1,483.2 billion**

Core earnings

¥ **23.2 billion**

Business in over

**150** countries  
worldwide

Production bases

**78** factories

Employees

Approx. **49,300**

Granted patents  
and design rights

Over **13,000**

Major design centers

**6**

Supporting the daily  
lives of over

**1 billion** people

Ratio of female managers

**17.1%**

Ratio of female directors  
and executive officers

**31.3%**

Outside directors ratio\*

**80.0%**

\* Since June 19, 2024

Ratio of male employees who took  
childcare leave (LIXIL Corporation)\*

**87.3%**

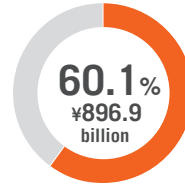
\* Including LIXIL's own paid childcare leave system for male employees

(2024.3.31)

## LIXIL WATER TECHNOLOGY (LWT)



Revenue



Core earnings\*1 ¥22.7 billion  
Employees\*2 29,108 people  
R&D ¥17.1 billion

\*1 Equivalent to operating profit in JGAAP  
\*2 Excluding non-regular employees

### Principal Products and Services

#### Plumbing fixtures

Sanitaryware, shower toilets, water faucets, washstands, bathtubs, prefabricated bathrooms, smart products, showerheads, washstand fixtures, washstand cabinet units, kitchen systems, etc.

#### Tile building materials

Tiles for houses and buildings, interior decorative tiles, etc.

### Direct Customers

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

### Competitors

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

### Product Brands

• Global Brands



• Specialty Brands

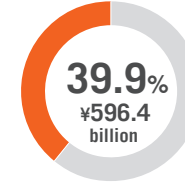


Note: In order to strengthen the foundation of the Japan business, the kitchen, vanity, and interior businesses were consolidated to launch the Living Division in April 2023.

## LIXIL HOUSING TECHNOLOGY (LHT)



Revenue



Core earnings\*1 ¥35.9 billion  
Employees\*2 19,004 people  
R&D ¥7.2 billion

\*1 Equivalent to operating profit in JGAAP  
\*2 Excluding non-regular employees

### Principal Products and Services

#### Metal building materials

Window sashes for houses, buildings, and stores, entrance doors, shutters, gates, carports, banisters, high railings, curtain walls, etc.

#### Wooden interior furnishing materials

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

#### Other building materials

Siding, roofing materials, etc.

#### Housing and services

Development of homebuilding franchise chains and construction on order, real estate management services, support for development of real estate franchises, housing loans, etc.

#### Other

Solar power systems, etc.

### Direct Customers

- Dealers
- Sales agencies
- Construction companies
- Architectural firms
- Developers
- Building materials wholesalers
- Homebuilders
- House manufacturers
- General consumers

### Competitors

- YKK AP
- Sankyo Tateyama
- SHIKOKU CHEMICALS
- Takasho
- Panasonic
- DAIKEN
- Eidai
- NODA
- NICHIIHA
- KMEW

### Product Brands

• Global Brands



• Category Brands



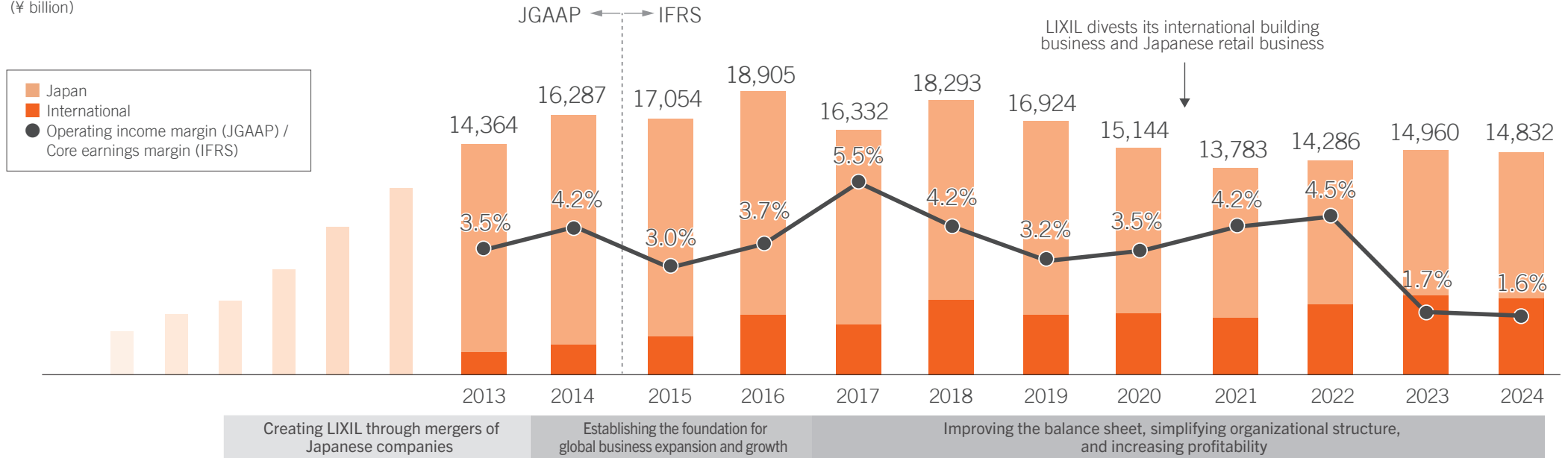
• Specialty Brands





• Group Companies' Brands



**Net Sales (JGAAP) / Revenue (IFRS)** (Years ended March 31)  
 (¥ billion)



### Corporate Developments

<p><b>2001</b></p> <ul style="list-style-type: none"> <li>INAX Corporation and TOSTEM Corporation merge</li> </ul>	<p><b>2011</b></p> <ul style="list-style-type: none"> <li>Five companies merge and establish LIXIL Corporation</li> <li>Overseas building business becomes a subsidiary</li> </ul>	<p><b>2013</b></p> <ul style="list-style-type: none"> <li>American Standard's North American business becomes a subsidiary</li> </ul> 	<p><b>2014</b></p> <ul style="list-style-type: none"> <li>GROHE becomes an equity-method affiliated company</li> </ul> 	<p><b>2015</b></p> <ul style="list-style-type: none"> <li>GROHE becomes a subsidiary</li> </ul>	<p><b>2020</b></p> <ul style="list-style-type: none"> <li>LIXIL focuses on core businesses</li> <li>LIXIL divests its international building business and Japanese retail business</li> </ul>
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### History of Value Creation

<p><b>1967</b></p> <ul style="list-style-type: none"> <li>First made-in-Japan shower toilet launches</li> </ul> 	<p><b>2010</b></p> <ul style="list-style-type: none"> <li>High-performance hybrid window SAMOS launches</li> </ul> 	<p><b>2013</b></p> <ul style="list-style-type: none"> <li>Manufacturing and sales of SATO toilet pans begin</li> </ul> 	<p><b>2014</b></p> <ul style="list-style-type: none"> <li>SPAGE, a prefabricated bathroom, launches</li> </ul> 	<p><b>2016</b></p> <ul style="list-style-type: none"> <li>Corporate Responsibility Strategy* formulated</li> <li>AQUA CERAMIC, an industry leading new material that prevents stains, launches</li> </ul> <p><small>*Became Impact Strategy following update in 2023</small></p> 	<p><b>2020</b></p> <ul style="list-style-type: none"> <li>Environmental Vision 2050 announced</li> <li>SATO Tap handwashing solution for emerging markets launches</li> </ul> 	<p><b>2022</b></p> <ul style="list-style-type: none"> <li>Development of revia, a sustainable material</li> <li>PremiAL, a series of low-carbon aluminum extrusion products, launches</li> </ul>  	<p><b>2023</b></p> <ul style="list-style-type: none"> <li>GROHE Everstream concept announced</li> </ul> 
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# OUR STRENGTHS (SOURCES OF OUR BUSINESS ACTIVITIES)

LIXIL leverages its unique financial and non-financial resources and challenges itself to create new value in line with the LIXIL Playbook with its employees as the driving force to ensure sustainable growth and create an impact on society.



**1**

**Diverse and Purpose-led People**

LIXIL's employees are an important resource that represent the driving force behind our transformation into an innovative and inclusive organization. They represent the very core of the value creation process. By providing an environment where all employees are empowered, we can tap into their dedication and commitment to the long-term improvement of corporate value.

Approx.  
**49,300\***  
employees worldwide

\* Number of persons employed

**2**

**Meaningfully Designed Products**

Innovative, thoughtful and consumer-centric design is the very DNA of LIXIL. Through the exchange of ideas across markets and disciplines, our designers continue to create products that make a tangible difference in peoples' lives. As a result, our products have been globally recognized for their designs.

**6** major global in-house design studios

**3**

**"Monozukuri" Manufacturing Platform**

LIXIL uses the time-honored Japanese tradition of "monozukuri" to create products of the highest quality at competitive costs. Our production sites have shifted to platform-based production to quickly meet changing demands while lowering capital investments. In addition, our global production system and supply chain ensure deliveries without disruption.

**78** factories worldwide

**4**

**Global Sales Infrastructure**

LIXIL features a global footprint of sales channels and numerous brands and does business in over 150 countries worldwide. Coupled with our global capabilities, we are able to tailor our products to meet local demand and expand our gained knowledge and product ideas to other regions.

Present in over **150** countries

**5**

**Unrivalled Portfolio of Brands**

LIXIL features numerous powerful brands in our industry, with each brand having its own voice with consumers. To better leverage this recognition, we have created sub-brands further specialized in niche markets, with the goal of enhancing brand equity for the long term.

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

**6**

**Sustainable Resource Management**

LIXIL plays an important role in combating climate change and preserving the environment. We have launched a wide range of initiatives in procurement, production and operations to reduce carbon emissions, conserve water, and use resources more efficiently. We are also working to achieve a circular economy.

**34.7%** reduction in CO<sub>2</sub> emissions from FYE2019

\* Scope1,2

**7**

**Financial Foundation**

In response to a challenging operating environment, we are implementing structural reforms. In terms of profitability, we are targeting a 10% core earnings margin over the long term. From the perspective of financial soundness, we set a medium-term target of a net debt-to-EBITDA ratio of 3.5 times or less, and implemented return on invested capital (ROIC) management to improve capital efficiency.

Long-term goal of **10%** core earnings margin

# ➤ CEO Message

DIFFERENTIATED PRODUCTS AND STRONG  
BUSINESS FOUNDATIONS TO DRIVE A POSITIVE  
IMPACT FOR SOCIETY AND THE ENVIRONMENT

**Kinya Seto**

Director, Representative Executive Officer,  
President, and CEO



In recent years, the business environment surrounding our company has changed significantly, and while we are working to face many challenges, including global inflation, a logistics crisis and supply chain disruptions, we are working to overcome these adversities to become an even stronger organization. Guided by the LIXIL Playbook, which drives our basic management direction, we continue to make progress toward sustainable growth.

### Defined Challenges Amid Adversity

Most recently, the impact of high interest rates and inflation in Europe and the U.S. has led to a greater-than-expected decline in housing-related demand. Our industry, and our business internationally, were significantly impacted. The slump in the European market, traditionally our largest source of earnings, combined with much lower-than-expected demand for new construction in the domestic Japanese market, led to create very challenging results for FYE2024. The resulting lower sales and profits caused us to fall short of our initial goals.

Weak demand in international housing markets, including Europe and the U.S., has led to a decline in sales and production volumes for LIXIL, and fixed costs now represent a major impediment to profitability. Although we have been facing strong headwinds, we fully recognize that we have lacked the strength to resist them, and we take this seriously.

The most pressing tasks we are facing include improving the profitability of our international business and building a robust business foundation that will keep it secure against sweeping global changes. Since the beginning of the fiscal year, we have steadily carried out structural reforms to optimize personnel

allocation (mainly in Europe and the U.S.), reduce costs by restructuring supply chains and optimize our business portfolio.

We were able to implement these structural reforms earlier than planned. This resulted in higher structural reform expenses in FYE2024 but with the expectation that this will increase our profitability in FYE2025 and beyond. I believe our success in quickly carrying out comprehensive structural reforms despite our dramatically changing business environment is highly significant.

Turning to our business in Japan, the number of new housing starts remained low, but government subsidies to encourage retrofitting with high-performance, energy-efficient windows helped drive renovation demand and profits. In addition to shifts in the remodeling market, flexible price revisions and to optimize our Japanese business have borne fruit and helped to increase profitability.

### FYE2025: New Foundations

I believe that FYE2025 will involve laying new foundations for significant profit growth in the subsequent fiscal years. As of now, it is unclear when an economic recovery will take place in Europe and the U.S., and I am not optimistic about the market outlook for the current fiscal year. I expect international demand to remain at the same level as the previous fiscal year, and that demand for domestic new housing will weaken. To enhance our ability to respond to changes and build a solid business foundation in this challenging environment, in FYE2025 we will focus on completing structural reforms of our international operations.

While doing so, we must remain ready to seize growth opportunities based on differentiated products ahead of a future recovery in market demand. We are expanding our lineup of differentiated products that have a social and environmental impact, and promising new core businesses are already emerging. In FYE2025, we will focus more on creating new innovations and will introduce and expand sales of innovative and differentiated products with high added value.

To improve profitability, I believe that three approaches are paramount: shifting resources to high-margin businesses, expanding sales of differentiated products and reducing costs. We will take these steps and promote reforms, bringing us closer to our medium- to long-term targets of 10% core earnings margin and 10% ROIC.

### Fostering Unity in a Diverse Organization

LIXIL's defining characteristics are its global, multi-brand presence and diverse assets, created through our integration of top brands in our industry. These are the strengths of our



company and we must continue to fully leverage these strengths to develop our business. Meanwhile, we have been divesting or closing non-performing assets as part of our structural reform efforts. We have a global network spanning more than 150 countries, a strength that enables us to rapidly deploy a single product across multiple brands and regions, giving us the opportunity to expand our business exponentially.

Above all, our global employees are the driving force behind our strategy. Accordingly, I am endeavoring to ensure that all our employees are moving together in the same direction. We develop multiple brands that have diverse histories and strengths across a wide range of countries and regions, including GROHE and American Standard. Together as One LIXIL we are working to realize our purpose: "Make better homes a reality for everyone, everywhere."

As a roadmap for achieving this purpose in all of our businesses, we created the LIXIL Playbook in FYE2021, setting out our fundamental management direction, and establishing priorities that we must address. Since then, we have made modifications to create the path towards realizing our purpose by transforming our characteristics into greater strengths and achieving sustainable growth. Even in a business environment where the future is difficult to predict, clearly stating the direction we should follow will enable our employees to focus on our unified priorities as a team.

### The LIXIL Playbook Put into Action

In line with the priorities set forth in the LIXIL Playbook, we have made steady progress in simplifying our complex organization, focusing on core businesses and strengthening

supply chains. I believe we have significantly strengthened our capacity to react to external changes. Nonetheless, challenges remain, particularly in our international business. We will continue to promote structural reforms that make our organization more resilient against changes in the external environment.

In the "Grow" phase, we have seen positive results from our "Optimize Japan and Drive New Growth" initiative. With the market for new construction shrinking by the day, we have accelerated our shift to the remodeling sector. These steps include expanding our business in plumbing fixtures and fittings, along with building materials such as highly insulated windows and doors to capture a broad range of remodeling demand.

While focusing on the Japan remodeling market, we will also deploy domestic development resources to international markets with potential for significant growth. We will also focus on raising productivity and providing new value through digitization, including the use of generative AI. Through AI

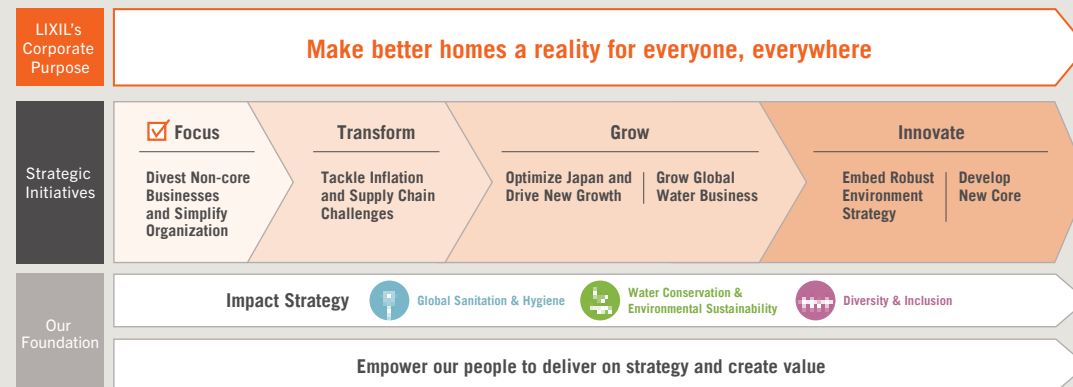
technology, we will improve our ability to respond quickly to market and customer demands, and we will further leverage this technology to stimulate demand.

Regarding our international business, we need to focus on highly profitable categories in each region. For example, in the profitable fittings category, we already boast a strong and sizable market share in Europe, but plan to invest more resources in the U.S., where there is significant room for growth.

Although we have faced the challenge of a significant decline in demand in Europe and the U.S. due to macroeconomic factors, we will strengthen our structure to seize business opportunities without missing opportunities, with an eye on economic recovery in key markets. Furthermore, we will keep capitalizing on demand in growing markets such as the Middle East and India, where there are large population of young people and solid housing demand is expected.

For our "Innovation" phase, we have made "Embed Robust

### LIXIL Playbook







Environment Strategy" and "Develop New Core" priorities and have already successfully expanded the development of environmentally friendly products. In October 2023, we launched *PremiAL R100*, a low-carbon aluminum extrusion product made from 100% recycled aluminum, in Japan. This was made possible by combining the experience and technology we have accumulated.

The *PremiAL series* will make a significant contribution to the realization of a decarbonized and recycling-oriented society. Replacing newly smelted aluminum ingots, which require large amounts of electricity during manufacturing, with *PremiAL*, offers an effective way to reuse aluminum materials.

As modifications to the entire supply chain – including raw material procurement – are required to significantly reduce carbon dioxide emissions, recycled aluminum materials are attracting attention across industries. As societal demands for decarbonization increase around the globe, I am confident our business is developing the potential for future profitable growth. In the future, the *PremiAL series* will not be limited to the domestic market but will be rapidly brought to Asia and other international markets.

### Differentiated Products with Societal and Environmental Impact

To understand end users' changing needs and address their needs in daily life, we continue to develop and launch differentiated products. For example, *KINUAMI*, a foaming shower system with an enthusiastic market reception in Japan, will be rolled out globally, with a China launch under the GROHE brand. *KINUAMI* effortlessly covers the entire body with foam to cleanse the skin gently. This product meets a wide range of consumer needs, including healthcare workers who need assistance in bathing clients, thanks to the shower's capacity to easily switch between foam and hot water at the touch of a button. This product is an outstanding example of how an inclusive perspective has created new social value.

In the area of international plumbing products, the GROHE brand will first launch *Everstream*, a circulatory shower system that saves water and energy, in Europe this year. Water shortages are spreading globally in the face of climate change and population growth, and in many developed countries, showering and bathing account for the majority of home water use. To address this social challenge, *Everstream*, which was born out of our desire to effectively use valuable water resources, uses

cutting-edge technology to reuse water, reducing the amount of water used by up to 75% and the energy used to heat water by 66% compared to conventional showers. We will continue to introduce high value-added, differentiated products rapidly to the market to meet diversifying customer needs and provide new value.

With the coronavirus pandemic subsiding, it is now easier than ever to visit our international bases. The more I speak with our employees in each country, I realize just how much they appreciate LIXIL's drive to develop products that have an impact on society and the environment. Creating social and environmental impact through innovation, with our purpose as our starting point, will further strengthen global collaboration.

Diversity and inclusion (D&I) are essential to engender innovation in an organization. Accordingly, we promote D&I in order to become an organization that can autonomously innovate and support sustainable future lifestyles. It is crucial to create environments where employees with diverse perspectives and values – who truly understand the needs of our diverse customers – can fully demonstrate their abilities. By investing in human resource development and promoting diverse and flexible work styles, our culture fosters the innovation that is key to LIXIL's future.

### Realizing Comfortable, Ideal Homes

Our business environment continues to present specific challenges. Issues such as a high percentage of sales in the Japanese market, capital efficiency and the difficulty of accurate forecasting due to market volatility and declining profit margins, are all issues that can be addressed through corporate initiatives. We are fully committed to focusing our

efforts on overcoming these challenges. Our goal is to build a strong business foundation enabling our continued impact on society and the environment through our products. We must also be able to manufacture our products quickly, efficiently and at a low cost.

Our mid- to long-term goal is to create a world in which buying LIXIL products is perceived as having a positive impact on our planet. Product lines that have a positive social and environmental impact are central to this goal. We are aiming for these products to comprise over half of our sales by 2030. I am increasingly confident that we can achieve our targets of 10% core earnings margin and 10% ROIC by pursuing these initiatives over the medium to long term in accordance with the priorities of the LIXIL Playbook.

We have drawn a picture of how LIXIL, over the long term, can be a company that provides the comfortable, ideal homes everyone desires. Now, we must strengthen our foundation during this preparatory period to ensure future profit growth, focusing on creating innovations that offer new possibilities for living while bolstering our competitiveness.

Helping to resolve social and environmental issues through our business activities is a role LIXIL as a company must fulfill. These activities will benefit society and are also extremely important to boost the sustainability of our business. Moving forward, we will continue to work as a united company in line with the LIXIL Playbook to secure sustainable growth and have a positive impact.



# > CFO Message

CREATING A STRONGER FINANCIAL  
STRUCTURE THROUGH INCREASED  
FREE CASH FLOW AND  
IMPROVED CAPITAL EFFICIENCY

## Mariko Fujita

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



## FYE2024 in Review and Financial Priorities for FYE2025

In April 2024, I assumed the role of CFO at a time when difficult management decisions needed to be made. By working to improve profitability and further enhance our financial soundness and stability, we aim to support the sustainable growth of our business. In FYE2024, we continued to face a challenging business environment from the previous fiscal year, with rising labor costs and soaring component prices in the Japan business and a significant decline in profitability in international operations due to reduced demand in Europe and the U.S.

In the Japan business, while the number of new housing starts decreased, sales for high-performance window renovation products to improve home insulation supported sales revenue. Meanwhile, in the international business, demand for housing-related products in the European and the U.S. markets decreased due to increasing interest rates and long-term inflation. As a result, sales revenue decreased by ¥12.8 billion compared to FYE2023 to ¥1,483.2 billion. The gross profit margin ratio improved 0.5 percentage points to 31.9%. However, due mainly to sluggish global demand core earnings fell ¥2.6 billion from FYE2023 to ¥23.2 billion.

In Japan, rising raw material and component prices continued to be absorbed by price optimizations. In the international business, fixed costs became a significant burden amid softening demand. The challenge to improve profitability requires action to appropriately control variable and fixed costs.

First, to address rising variable costs, such as raw material and component prices, we will continue our efforts to date and work to recover and improve profitability through flexible price optimizations. In addition, we must increase profitability by improving our product mix through sales of more profitable products by offering differentiated products with high added value.

To reduce fixed costs, in FYE2024, we continued efforts to reduce SG&A expenses, such as company expenses, and we promoted structural reforms in our international businesses. In Europe and the U.S., we optimized personnel allocation, restructured the supply chain, and optimized our business portfolio. In FYE2025, we plan to continue structural reforms, streamline excess facilities primarily by optimizing the supply chain, and complete our major structural reforms for this fiscal year.

Amid these circumstances, we plan to achieve sales revenue of ¥1,570.0 billion

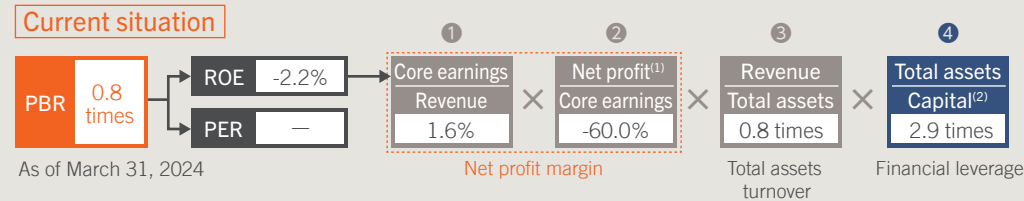
and core earnings of ¥35.0 billion for FYE2025.

As the business environment surrounding LIXIL continues to be challenging, we must take quick and appropriate action. By steadily implementing the measures outlined above, we will ensure financial stability while working to achieve sustainable growth and purpose.

### Actions to Better Focus on Cost of Capital and Share Price

As our mid-term goals, we aim to achieve a core earnings margin of 7.5%, a net interest-bearing debt-to-EBITDA ratio of 3.5 times or less, and a ratio of equity attributable to owners of the parent to total assets of 35% or more. In addition, as our long-term financial indicators, we aim to achieve a core earnings margin of 10% and a return on investment capital (ROIC) of 10%.

As of March 31, 2024, our price-to-book ratio (PBR) remained at 0.8, and we will work on improving profitability to enhance ROE. To achieve this, we will work to improve our core earnings margin by optimizing prices, implementing an asset-light strategy, and improving the profitability of our international operations. In addition, we expect the implementation of structural reforms will improve profitability and boost our net profit figure.



#### Understanding of issues

- Core earnings margin: Profit margins have deteriorated primarily due to sluggish demand in the international markets
- Net profit to core earnings ratio<sup>(3)</sup>: Deteriorated due to the recording of other expenses from structural reforms
- Total assets turnover: No significant change
- Financial leverage: Recently generally stable

#### Countermeasures

1. Improve core earnings margin ——— Optimize prices, lighten assets, and improve profitability of international operations
2. Promote structural reforms ——— Maximize effects after the execution of structural reforms and ensure appropriate tax management
3. Improve asset efficiency ——— Reduce inventory assets and optimize the business portfolio
4. Appropriate financial leverage ——— Maintain appropriate financial leverage

(1) Profit for the year attributable to owners of the parent

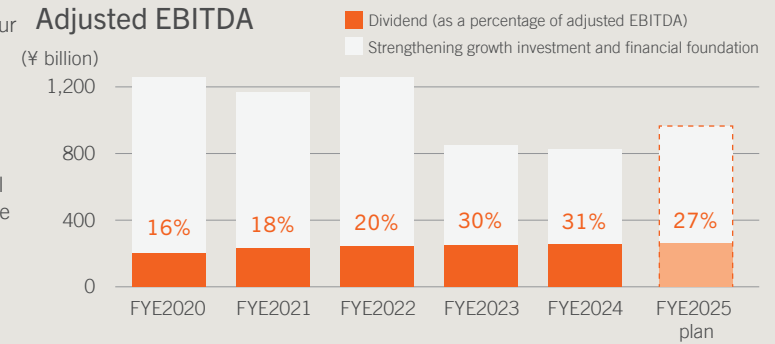
(2) Ratio of equity attributable to owners of the parent to total assets (3) Net profit/Core earnings

### Policy on Capital Allocation and Shareholder Return

In April 2024, the Company announced a new Shareholder Return policy, and modified the contents to be more in line with actual conditions. Based on this policy, the dividend for FYE2025 is expected to be ¥90 per share.

#### Shareholder Return Policy

This is a policy of determining profit distribution based on a comprehensive assessment of various factors pertaining to overall management, including periodic earnings, cash flow, retained earnings, and financial structure. LIXIL determines how to use retained earnings in consideration of the cash flow situation, prioritizing growth investments such as capital investment for the purpose of strengthening competitiveness (including new product development, streamlining, and IT investment), in addition to strengthening the financial structure. Our basic policy is to provide stable dividends to shareholders over the long term and to determine the annual dividend based on the mid-term EBITDA level, while flexibly implementing share buybacks.



#### Ensuring Financial Stability

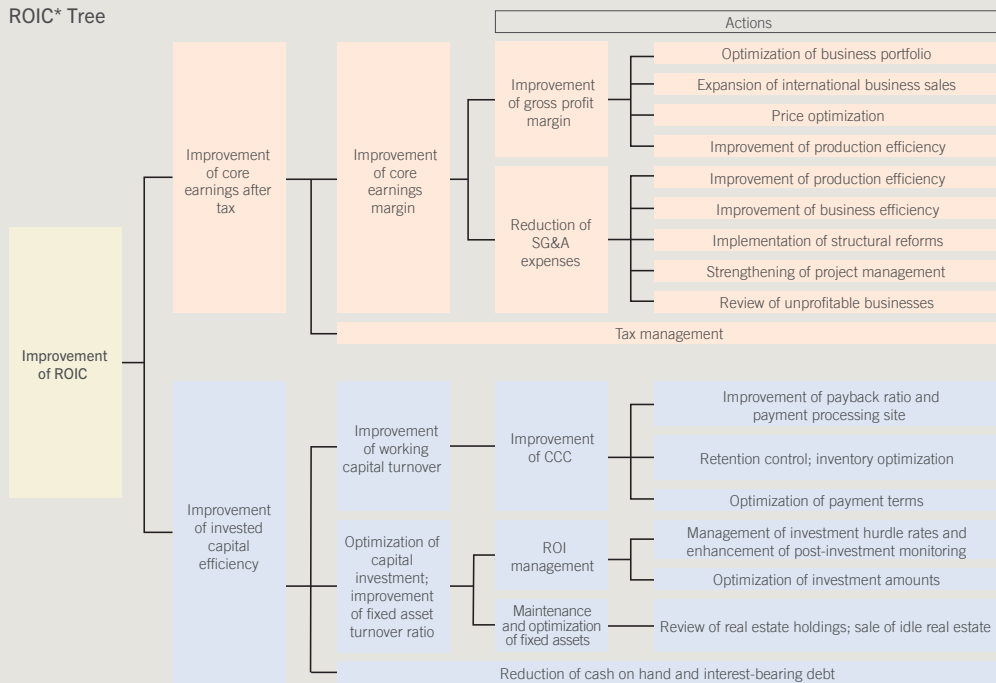
We are currently laying the foundation for future growth through innovation and have no plans for large-scale acquisitions or capital investments. In addition, we have no immediate plans for major borrowing or capital raising and will instead seek to increase operating cash flow through growth investment, including intangible assets such as IT, human resources, design, and brands that can bring long-term sustainable growth. For this we have a target capital expenditure which is set at approximately ¥65.0 billion. We will seek to generate the funds necessary for growth investment by optimizing our asset portfolio.

We are committed to enhancing our capital efficiency and reducing interest-bearing debt through our asset-light strategy, with mid-term targets of a net interest-bearing debt-to-EBITDA ratio of 3.5 times or less and a ratio of equity attributable to owners of the parent to total assets\* of 35% or more.

\*Equity ratio under Japanese GAAP

## Improving Capital Efficiency through ROIC Management

We introduced ROIC management globally in 2019 and have been increasing the incentive to achieve results by incorporating ROIC into performance metrics. Targets are set within each organization by employing ROIC tree diagrams, managing the process and reporting progress monthly.



\* ROIC = Operating profit × (1 – Effective tax rate) / (Working capital + Fixed assets)

### Improvement of gross profit margin:

We are working to improve our gross profit margin to overcome changes in the business environment. In relation to pricing, we are shifting to high-value-added and differentiated products, including an expansion of our lineup of environmentally friendly products. In addition, we are taking steps to be able to set prices in a more flexible manner. On the cost side, we are working to reduce production costs through an asset-light approach to promote the reduction of fixed expenses.

### Reduction of SG&A expenses:

In addition to enhancing productivity through the use of digital technology, we have been consolidating and optimizing showrooms and sales offices, relocated and downsized our headquarters, and optimized personnel allocation, especially in Europe and the U.S. We will continue to reduce fixed costs and improve capital efficiency by further promoting the use of digital tools to increase productivity and utilizing shared services for back-office operations.

### Tax management:

We will ensure fair and appropriate practices in tax payment and tax management.

### Improvement of CCC:

In FYE2024, the cash conversion cycle (CCC) increased by 18.1 days year-on-year to 107.2 days\*, mainly due to a longer inventory turnover period as part of a strategic buildup of inventory to stabilize product supply. In FYE2025, however, in light of the recent resolution of supply chain issues, we will focus on improving inventory turnover by reducing inventory levels to March 31, 2022 levels.

\*As a result of reviewing the CCC calculation method in FYE2024, the figure for FYE2023 has been adjusted accordingly.

### ROI and ROIC management:

We have been introducing investment evaluation guidelines that target improved investment efficiency. We apply hurdle rates for investment decision-making that are calculated for each project and depend on the investment goal. These take into account the differences in country risk and the inflation rate of the relevant market (e.g., for companies in Japan, the hurdle rate is set at 10%).

### Maintenance and optimization of fixed assets:

In line with our policy of adopting an asset-light approach to improve capital efficiency, we implemented the closure of a factory in the Asian region and the liquidation of a business in the U.S. in FYE2024, as part of our broader structural reforms,. In FYE2025, we will continue to pursue an asset-light approach with measures to restructure the supply chain.

### Reduction of cash on hand and interest-bearing debt:

In FYE2024, net interest-bearing debt increased by ¥41.0 billion year-on-year to ¥552.7 billion. The primary factors were an increase in working capital due to an acceleration of payments to suppliers in accordance with our Declaration for Building Partnerships. In FYE2025, we aim to reduce interest-bearing debt and improve our financial position by enhancing free cash flow from the second half of the fiscal year.

# > CPO Message



**ENRICHING HUMAN CAPITAL AND  
FOSTERING INCLUSION TO  
GENERATE BUSINESS RESULTS  
AND LASTING IMPACT**

## Jin Song Montesano

Director, Representative Executive Officer,  
Executive Vice President,  
Human Resources, Communications,  
External Affairs, and  
Impact Strategy, and  
Chief People Officer

LIXIL's corporate purpose of making better homes a reality for everyone, everywhere, governs the decisions and actions not just of our management team but all our employees. We are steadfastly passionate about building better living environments and making a positive impact in the world.

In April last year, we transitioned from a Corporate Responsibility Strategy to our Impact Strategy, to more accurately articulate our proactive, holistic approach and further accelerate our initiatives that go beyond the boundaries of corporate responsibility and obligations. Our Impact Strategy sits at the foundation of our LIXIL Playbook, and the philosophy and commitments are integrated into our core business operations. Focusing on measurable impact and accountability, we aim to have a positive impact for society and the environment while pursuing stronger financial results.

Over the past year, our employees have gradually internalized and embraced the concept of Impact Strategy. The shift has already made a difference in our people and culture as we accelerate our drive to be a proactive, solutions-oriented organization.

## Enriching Human Capital

At LIXIL, our employees are the ultimate drivers in creating long-term corporate value. Thus, enriching human capital is critical for us to become a more innovative and agile organization that can deliver against our goals. With the Global People Strategy as the roadmap, we have been on a journey of transformation, enhancing employee experience, embedding inclusion into our DNA, and elevating talent across the organization.

To enhance employee satisfaction and engagement, we prioritized revamping our people policies, especially in Japan,



where traditional ways had set boundaries to how people worked. We opted to remove the barriers and adopt hybrid, flexible workstyles, allowing our employees to continue contributing to LIXIL while fulfilling their personal responsibilities and interests. At the same time, we created networking and relationship-building opportunities to ensure that employees felt a sense of belonging and that their voices were being heard and valued. We have also been nurturing an inclusive culture by training and enabling managers to activate and foster D&I within their teams. I am pleased that our approach has worked well in promoting greater autonomy and inclusion amongst female employees in Japan, which is evident in the inclusion scores of our employee survey, LIXIL Voice.

Furthermore, we have employed an integrated approach to leadership and succession planning to ensure that we have a strong pipeline of talented people who can play an active role in leading teams and making critical impact. As our employees are our most important asset and engine of our value creation, we must invest in their development to succeed as an organization. We are committed to fostering a culture of learning and providing an environment where all employees, from new graduates to executives, can learn and grow.

## Impact Achieved by Our Employees

It is our diverse workforce that is driving innovation at LIXIL, and enabling the company to have a positive impact. While we continue to enhance diversity and inclusion, and enrich human capital, our progress is evident in generating new innovations and businesses and in furthering our progress against the three core pillars of the Impact Strategy.

## Innovative New Products and Services

Our people strategy offers opportunities for colleagues to learn and grow, creating an environment where everyone is empowered to pursue their ideas and generate new value for LIXIL. For example, Hydrific was born as a direct result of the program that we developed together with Tuck School of Business for our senior executives and high-potential leaders. An incubation venture with the mission to make water conservation easy and fun, Hydrific launched its first product in March, *Droplet*, a state-of-the-art ultrasonic sensor that monitors household water usage from a single location.

We also rolled out a key component of the Tuck program, the Three Box Solution as a common language for innovation across the organization. This intrigued an engineer to apply and present her new product idea - a customizable cat wall. She was given the green light to launch *Nyanpeki* as a new product category for the housing business. She now oversees the entire business, from new product development to marketing and sales development.

## Global Sanitation & Hygiene

Our social business, SATO, continues to expand access to

adequate and equitable sanitation and hygiene solutions with a diverse portfolio of products. SATO has focused on diversifying its footprint through partnerships with local governments and humanitarian organizations. These collaborations have enabled the installation of SATO products in schools, healthcare facilities, community toilets, refugee camps, and other locations used by many people, expanding the impact per product compared to the initial focus on home installations.

Our sanitation initiatives outside SATO are also starting to make an impact. Following years of collaboration with the Bill & Melinda Gates Foundation and a four-year partnership with the Georgia Institute of Technology, LIXIL has been named the first commercial license partner of the *Generation 2 Reinvented Toilet* (G2RT) technologies. G2RT is designed to operate independently of traditional infrastructure, such as sewer systems and latrine pits to dispose of waste and provide an accessible, sustainable sanitation solution.

As for LIXIL Public Partners (LPP), we continue to work with local governments in the U.S. to understand how we can bring novel technologies into communities where current solutions don't work and pair that with our core products, such as water-efficient fixtures and fittings. It is critical that the public and private sectors work together to tackle the global sanitation challenge, so we are delighted that our CEO has joined the Global Leadership Council of the UN's Sanitation and Water for All program, which is working with governments around the world to secure broader political commitment into water and sanitation.

Next year marks the target year for LIXIL's ambitious goal of improving the lives of 100 million people through safe sanitation and hygiene. I am pleased to report that LIXIL's sanitation initiatives have positively impacted approximately 68

million people in 45 countries as of March 31, 2024. We remain committed to achieving our goal and are confident we can make it happen.

## Water Conservation & Environmental Sustainability

To expand the positive impact LIXIL can make on global environmental issues, in FYE2023, we announced mid-term targets towards achieving the LIXIL Environmental Vision 2050. This March, LIXIL became the first Japanese company in the Building Products Sector to receive Net-Zero Standard approval from the Science Based Targets initiative (SBTi), based on our long-term target to reach net-zero carbon emissions by 2050. LIXIL's near- and long-term targets have now been approved by the SBTi, meeting the quantitative and qualitative criteria. We have already made tangible progress against these targets, as outlined in the Strategy section of this report. (p.50 – p.56).

To highlight a couple of examples of our progress in product innovations in environmental sustainability, we launched the *Green Window* initiative in Japan in November 2023. The concept of *Green Window* is to recommend the most suitable and sustainable window option to our customers, factoring in the diverse climates across different regions of Japan, to reduce CO<sub>2</sub> emissions optimally over the entire window lifecycle while catering to customer needs and comfort. We are also launching the water-recirculating shower GROHE *Everstream*, which we announced last year, to select partners in Europe this summer. This innovative technology hygienically treats, reheats, and reuses water to create the shower experience that people expect while consuming only a quarter of the water and a third of the energy typically

required by conventional showers.

## Diversity & Inclusion (D&I)

We have made significant progress in implementing our D&I strategy. As managers shape the culture of the organization and play a central role in driving greater inclusion, it is imperative that they live and own D&I. Therefore, we shifted the accountability of driving D&I at LIXIL from HR to each business from FYE2024. Over the year, 125 workshops were held globally to enhance understanding of how to use the D&I guidebook. These manager-led sessions were attended and well received by approximately 6,000 managers. In Japan, we also rolled out a long-term, self-paced development program designed to help managers become coaches and people developers by developing essential skills to become more inclusive and lead their teams to success.

Our D&I initiatives are clearly making a difference. I am pleased to report that in the People Organizational Development review held in FYE2024, we have identified 187 employees as high-potential successors for key roles across the company, with females constituting 57 (30.5%) of this group. These strategic and forward-thinking actions have resulted in outcomes such as the development of a talent pool for key positions, an increase in the number of successors, and a rise in the promotion rate of women across the company.

## Recognized as a Progressive Organization

LIXIL's drive to foster an inclusive and equitable workplace has been noticed globally. We were incredibly proud to be recognized by Forbes as one of the World's Top Companies for Women in 2023, ranking 46th of the top 400 companies

worldwide, first amongst the companies headquartered in Japan, and second within the Engineering / Manufacturing Industries globally. In Japan, we were selected as one of the Nadeshiko Brands for our excellence in advocating women's empowerment in the workplace for the 8th time and ranked in the TOP 10 Companies in Japan in Equileap's Gender Equality Global Report and Ranking 2024. We were also recognized for the second consecutive year as a constituent of Group 1 (the highest Gender Equality Scores group) of the Morningstar® Japan ex-REIT Gender Diversity Tilt Index<sup>SM</sup> and as a White 500 (large enterprises category) company under the Ministry of Economy, Trade and Industry's Certified Health & Productivity Management Outstanding Organizations Recognition Program.

In other recognition, LIXIL was included in CDP's Climate Change A List this year for the first time. We also received the highest MSCI ESG rating of AAA for the second consecutive year for effectively managing the most significant ESG risks and opportunities in the Building Products industry. Furthermore, LIXIL was included in the Dow Jones Sustainability World Index (DJSI World) for the fifth consecutive year, the DJSI Asia Pacific for the seventh consecutive year, and the S&P/JPX Carbon Efficient Index, for the sixth consecutive year.

Adopting people-centric policies, fostering inclusion, and implementing our Impact Strategy have transformed LIXIL into an organization seen as progressive and forward-thinking. We are committed to continuing this path of becoming an inclusive and agile organization so that we are well positioned to deliver results in our business activities while making a sustainable and lasting impact.





(From the left)

**Yugo Kanazawa**

Executive Officer, Executive Vice President, Marketing and Digital, and Chief Digital Officer  
 Number of shares of the Company owned 33,174  
 Number of phantom stocks held 27,471

**Shoko Kimijima**

Executive Officer, Executive Vice President, Legal, Compliance, and Corporate Audit, and Chief Legal and Compliance Officer  
 Number of shares of the Company owned 6,527  
 Number of phantom stocks held 7,978

**Hiroyuki Oonishi**

Executive Officer, Executive Vice President, LIXIL WaterTechnology (LWT) Japan  
 Number of shares of the Company owned 30,580  
 Number of phantom stocks held 20,903

**Mariko Fujita**

Executive Officer, Executive Vice President, Finance, Treasury, M&A, IR, and CFO  
 Number of shares of the Company owned 3,920  
 Number of phantom stocks held 3,620

**Kinya Seto**

Director, Representative Executive Officer, President, and CEO  
 Number of shares of the Company owned 625,627  
 Number of phantom stocks held 226,017

**Bijoy Mohan**

Executive Officer, Executive Vice President, LIXIL International  
 Number of shares of the Company owned 0  
 Number of phantom stocks held 201,208

**Jin Song Montesano**

Director, Representative Executive Officer, Executive Vice President, Human Resources, Communications, External Affairs, and Impact Strategy, and Chief People Officer  
 Number of shares of the Company owned 99,985  
 Number of phantom stocks held 57,813

**Satoshi Yoshida**

Executive Officer, Executive Vice President, LIXIL HousingTechnology (LHT)  
 Number of shares of the Company owned 27,306  
 Number of phantom stocks held 21,897

\* The number of Company shares and the number of Phantom Stocks held are as of June 1, 2024.

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# MEGATRENDS AND THE CURRENT ENVIRONMENT

The world is faced with numerous social issues, ranging from climate change to water and resource shortages. These issues transcend national boundaries and are increasing in complexity. Furthermore, LIXIL's business environment is changing, and our corporate activities are exposed to various actual and potential risks, including heightened geopolitical risk. We are working to minimize the impact of these risks on our corporate activities, while accurately anticipating long-term megatrends, effectively identifying opportunities for future value creation, and implementing strategies as set out in the LIXIL Playbook.

### Megatrends

- Climate change
- Water and resource shortages
- Heightened geopolitical risk
- Supply chain disruptions
- Growing global middle class
- Maturing Japanese market
- Accelerating digitalization
- The changing world of work

### Opportunities

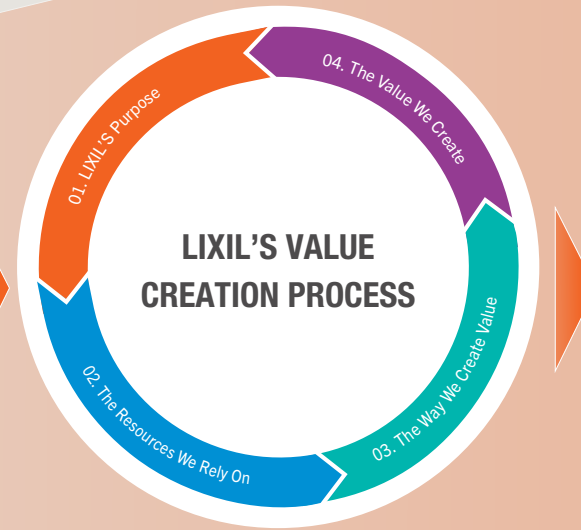
- Demonstrate design and technology leadership
- Growing worldwide consumer demand for water purification technology and innovative water-saving products and services
- Development of platform-based production
- Restructure organization to enhance responsiveness
- Increased demand for improved sanitation and comfortable housing as disposable income increases
- Growth opportunities in the renovation business in Japan
- Create business opportunities for transformation
- Develop into an innovative organization that attracts a diverse range of highly motivated people

### Risks

- Environment (climate change, water, resources)
- Disasters, accidents, and infectious diseases
- Procurement of raw materials
- New product development
- Competition and product pricing
- Information and cybersecurity
- Acquisition and development of human resources and promotion of diversity

## Risks and Opportunities

Principal Risks and Countermeasures **P.27**



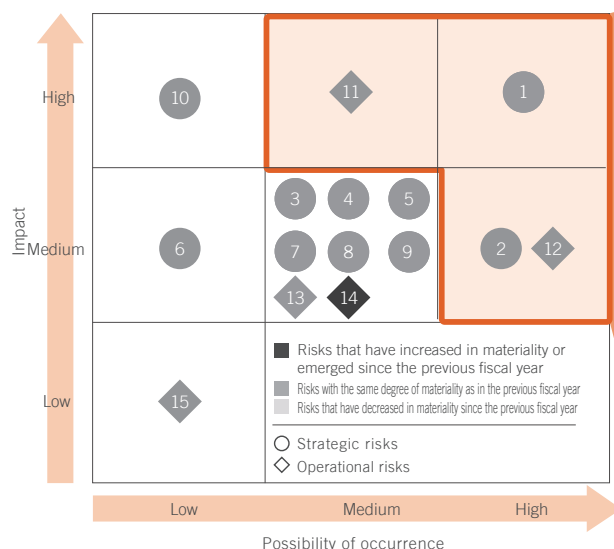
Medium-term Targets **P.29**

### LIXIL's Purpose

**Make better homes a reality for everyone, everywhere**

LIXIL identifies risks that may impact business activities, performs a company-wide risk assessment once a year, and selects material risks for the group based on assessment results. Material risks and assessment results are reported by the Risk Management Department at headquarters to the Risk Management Committee for resolution, and the committee determines the priority of risks to be addressed and performs monitoring. Risks are categorized into strategic risks and operational risks. Strategic risks encompass a wide range of perspectives, including medium- to long-term perspectives such as management policies, business strategies, and Impact Strategy, as well as the perspectives of stakeholders, while for operational risks, risk owners are responsible for promoting measures. Throughout these activities, the group is increasing its transparency of risk management by disclosing its material risks and measures.

## Risk Map and Comments



Business risks	Risks relevant to FYE2024
Strategic risks	(1) Changes in the economic environment, fluctuations in exchange rates and interest rates
	(2) Geopolitics
	(3) Development of new products
	(4) Procurement of raw materials
	(5) Environment (climate change, water, resources)
	(6) Business restructuring
	(7) Competition with competitors and product prices
	(8) Acquisition and development of human resources and promotion of diversity
	(9) Sales channels
	(10) Brands
Operational risks	(11) Disasters, accidents, and infectious diseases
	(12) Information and cybersecurity
	(13) Intellectual property
	(14) Likelihood of deferred tax asset recovery
	(15) Regulatory environment and requirements

Business risks	Risks relevant to FYE2024	Risks	Countermeasures	
Strategic risks	1	Changes in the economic environment, fluctuations in exchange rates and interest rates	<ul style="list-style-type: none"> <li>Impact of fluctuations in global demand and prices</li> <li>Rising raw material prices, logistics costs, and energy costs</li> <li>Significant fluctuations in new housing starts</li> <li>Fluctuations in foreign exchange rates, rising market interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Timely price optimization</li> <li>Increase sales in mid- and high-end product markets, enhance renovation market strategy</li> <li>Structure a stable supply system</li> <li>Monitor foreign exchange rates</li> <li>Efficient and stable financing</li> </ul>
	2	Geopolitics	<ul style="list-style-type: none"> <li>Rapidly rising prices for raw materials, energy and transportation costs, and procurement risks</li> <li>Logistical supply disruptions and delays</li> <li>Increased impact from global inflation and policy interest rates</li> <li>Changes in national policies, laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the supply system within the region</li> <li>Measures to prevent supply chain disruption</li> <li>Utilize and strengthen procurement functions through emergency response relocation and action plan creation for contingency situations</li> <li>Understand political and economic conditions and monitor legal and regulatory changes</li> </ul>
Operational risks	11	Disasters, accidents, and infectious diseases	<ul style="list-style-type: none"> <li>Suspension of production activities in Japan and/or international markets</li> <li>Suspension of production and sales among business partners</li> <li>Workforce contraction due to deteriorating employee health</li> </ul>	<ul style="list-style-type: none"> <li>Formulate and regularly review business continuity plans</li> <li>Establish a crisis management task force in case of emergency</li> <li>Collaborate with external experts to respond to emergency situations</li> </ul>
	12	Information and cybersecurity	<ul style="list-style-type: none"> <li>Business disruptions due to communication network failures</li> <li>Loss of social trust and significant costs due to personal information leaks</li> </ul>	<ul style="list-style-type: none"> <li>Establish an Information Security Committee to develop internal rules and regulations and implement countermeasures</li> <li>Strengthen ransomware countermeasures such as regular backups and employee education</li> <li>Continuously monitor for unauthorized access by a specialized team and establish a rapid initial response and business recovery system in case of emergency</li> <li>Appoint a Data Protection Officer in accordance with the EU General Data Protection Regulation (GDPR) and establish a process for handling personal information</li> </ul>

Please visit our website for more information on LIXIL's strategic and operational risks and countermeasures. <https://www.lixil.com/en/investor/strategy/risks.html>

Committed to achieving our purpose, generating sustainable growth, and creating value, we aim to improve corporate value by pursuing business activities and growth and by contributing to the resolution of social and environmental issues.



Impact on LIXIL  
Increased corporate value

Core earnings margin  
Medium-term target: **7.5%** ▶ Long-term target: **10.0%**

ROIC **10%**

Ratio of equity attributable to owners of the parent to total assets  
**35% or more**

Net interest-bearing debt-to-EBITDA ratio  
**3.5 times or less**

**Diversity & Inclusion** P.57

By FYE2030

- Ratio of female directors and executive officers: **50%**
- Ratio of female managers worldwide: **30%**
- Gender equality in recruiting new graduates in Japan

Impact on society  
Resolution of social issues

Scope 1 & 2 CO<sub>2</sub> emissions **-50.4%**<sup>\*1</sup>

Ratio of energy- and water-saving faucets and toilets sold (Japan) **100%**

Scope 3 CO<sub>2</sub> emissions **-30%**<sup>\*1</sup>

Ratio of high-performance windows sold for new detached houses (Japan) **100%**<sup>\*2</sup>

By 2025 improve access to sanitation for **100 million people**

Use of recycled aluminum **100%**

Total water savings from water-saving products **2 billion m<sup>3</sup> per year**<sup>\*3</sup>

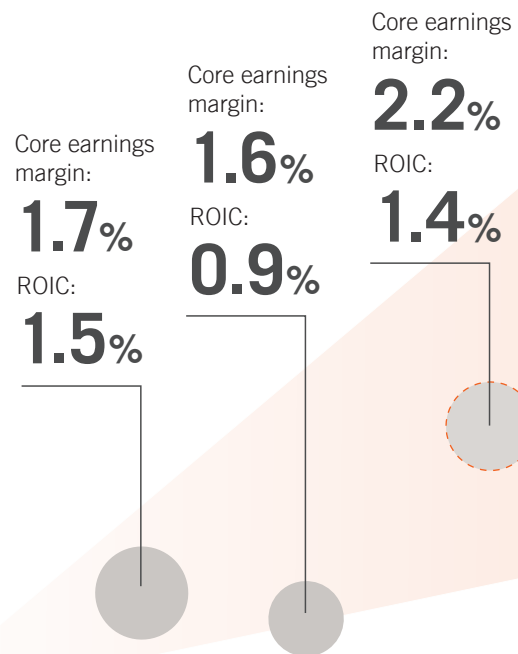
\*1 Baseline year FYE2019 \*2 By FYE2026 \*3 By FYE2025 (All targets are for FYE2031, unless otherwise noted)

## MEDIUM- TO LONG-TERM TARGETS

LIXIL has formulated the LIXIL Playbook as a roadmap (management direction) for achieving medium- to long-term targets. LIXIL is steadily implementing the strategies in the Playbook to enhance its competitive advantages and to transform into a highly profitable company.

These initiatives require us to respond flexibly to changes in the rapidly evolving business environment of recent years by allocating resources appropriately and at the right time.

LIXIL therefore announces the execution of strategies in accordance with the LIXIL Playbook as a forecast for every fiscal year, and conducts reviews to measure progress and confirm validity.



Net interest-bearing debt-to-EBITDA ratio:	<b>3.5 times or less</b>
Ratio of equity attributable to owners of the parent to total assets:	<b>35% or more</b>



(Years ending March 31)

Any successful team requires a shared vision, achievable goals and a clear strategy. The LIXIL Playbook ensures that everyone in the company knows what we want to achieve and how to get there. It provides the roadmap for how we will achieve sustainable growth and value creation, and our corporate purpose of making better homes a reality for everyone, everywhere.

**Updating the LIXIL Playbook**

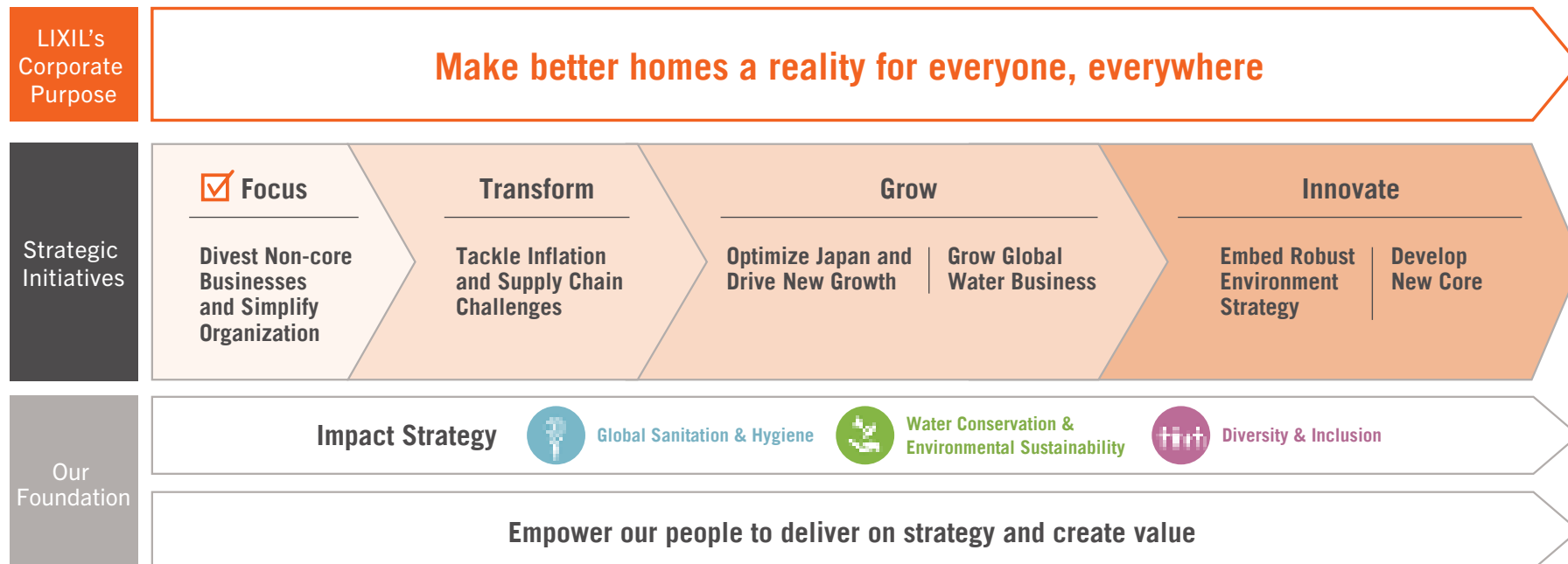
The Playbook is an evolving document. As our operating environment continues to rapidly change, we updated our LIXIL Playbook in FYE2023 to ensure we stay on course to becoming a sustainable company. Today, we are focused on five key strategic initiatives, including “Embed Robust Environment Strategy” and “Tackle Inflation and Supply Chain Challenges,” which were newly added.

**The Foundation of the LIXIL Playbook**

Our Impact Strategy, which forms part of the foundation supporting all five strategic initiatives of the Playbook, clarifies LIXIL’s programs to help address some of the most pressing global issues where we can drive positive change. Integrating our Impact Strategy into our business strategy enables us to focus our efforts on securing growth and enhancing corporate value. The strategy, based on three core pillars, represents not just our commitments as a global corporation

but is fundamental to how we will improve profitability, enhance brand equity, and create long-term value.

In addition to the Impact Strategy, the foundation of the LIXIL Playbook also covers other fundamental aspects of business including our Global People Strategy, as well as digital transformation, intellectual property strategy, focus on design, governance, risk control and compliance as important constituents of ESG.



## Progress on the Key Initiatives of the LIXIL Playbook

Succeeding in a fast-changing world requires more than just the ability to act nimbly. It also requires a steady and consistent strategic approach. In LIXIL's case, that strategy is encapsulated in the LIXIL Playbook, introduced in FYE2021 and updated in FYE2023 based on the changing business environment. The Playbook sets out the steps needed to achieve our medium- to long-term goals and, ultimately, fulfill LIXIL's corporate purpose. It also serves as a critical tool to ensure corporate alignment as we move forward.

The Playbook is built around four stages of strategic direction: Focus, Transform, Grow and Innovate.

### Focus:

- **Divest Non-core Businesses and Simplify Organization**

We saw that the first critical step was to divest non-core businesses that distracted us from our most promising areas for growth, and to simplify the corporate structure. These have been largely completed, allowing us to move on to the next important areas.

### Transform:

- **Tackle inflation and supply chain challenges**

A new area of emphasis is addressing inflation and supply chain. We are optimizing procurement and production to different regions, such as supplying products to the United States from Mexico instead of China due to duties, higher

freight costs, and longer lead-times. The global transportation network is continuously being optimized to reduce costs and improve agility to mitigate disruptions such as the Red Sea crisis.

We achieved cost reductions through changes in the materials we use and by significantly reducing inventories in FYE2024 that were built up as a protection against supply shortages. We continue to optimize supply capabilities to respond to varying and changing demands in different regions.

### Grow:

- **Optimize the business in Japan and drive new growth**
- **Grow Global Water Business**

We have also refined our business strategies for both Japan and global water business to focus on new areas of growth. With the support of government subsidies, sales of insulating products to conserve energy have shown solid growth, becoming an important driver of Japan revenue. In the Japanese bathroom sector, the ratio of renovations now exceeds 50% of all spending as we cater to the growing number of Japanese households seeking to renovate their homes.

We have also enhanced the differentiation within our products to make them stand out and help create the proper level of pricing pressure against other commoditized products in the market.

With two years of high interest rates and inflation in Europe and America, housing demand has been sluggish, reducing demand for new home fixtures.

This has affected both sales and profitability, while subdued economic growth and a real estate downturn in China have affected profits.

In response, we have accelerated planned changes in the work of LIXIL International after a thorough review and are now targeting an upturn for this fiscal year and beyond.

### Innovate:

- **Embed Robust Environment Strategy**
- **Develop New Core**

By weaving our environmental strategy into our core operations and placing a heightened focus on innovation, we aim to establish new game-changing technologies, products, and business models.

The lineup of environmentally friendly products and solutions is expanding on schedule and is making a positive difference in both our profitability and our social and environmental impact.

New product development continues to show the innovations unique to LIXIL. The *Everstream* shower cleans and reuses hot water while showering. The *Droplet* water monitor helps to lower water consumption, while the next generation *Reinvented Toilet* will process waste at the source.





## Taking clear actions to set the international business on a path to recovery

This past year saw continued volatility in key international markets, with cost-push inflation and a rise in interest rates leading to a sharp downturn in the housing construction and home-improvement markets in the United States and Europe. These external headwinds had a severe impact on LIXIL’s global water business, prompting the company to take action in its strategic plan to make the segment a key part of long-term growth.

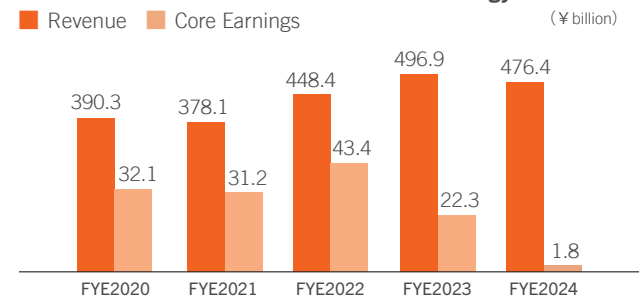


LIXIL International strengthens its shift to Fittings and Faucets

### Advancement of structural reforms and growth strategies

As a part of these new measures, planned changes to the business structure have been accelerated. These include closure of loss-producing business lines, optimization of personnel allocation and reconstruction of the supply chain. A key element is to transform the fixed-cost base to make it more agile to manage future demand volatility with the right level of resources. The measures under this expedited timeline have meant related costs of ¥12 billion in the fiscal year ending March 2024, but will accelerate an expected ¥6 billion in savings to be gained in FYE2025.

#### Performance of International Water Technology Business



An important part of this is on the production side. As One LIXIL, we have enhanced our in-house production capabilities and elevated quality by broadly applying the LIXIL Monozukuri Way. This initiative has unified previously distinct manufacturing groups by product categories, creating a more cohesive production process. Concurrently, under our asset-light model, we are strategically increasing our reliance on global supplier partners to expand our fittings supply. This dual approach allows us to maintain control over key manufacturing processes while optimizing our resource allocation and capital investment.

These moves are part of the broader long-term plan for LIXIL International (LI) that operates our global water business. This supports the Playbook and outlines LI's asset and investment direction. This Long-Term Plan framework sees a stronger focus on more profitable categories, such as faucets in the US market, and drive innovation and technology leveraging the global GROHE brand.

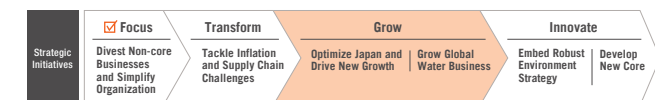
Additionally, LI aims to secure further growth in its core categories within Europe and growth markets like the Middle East. The company is placing a renewed focus on its core markets,

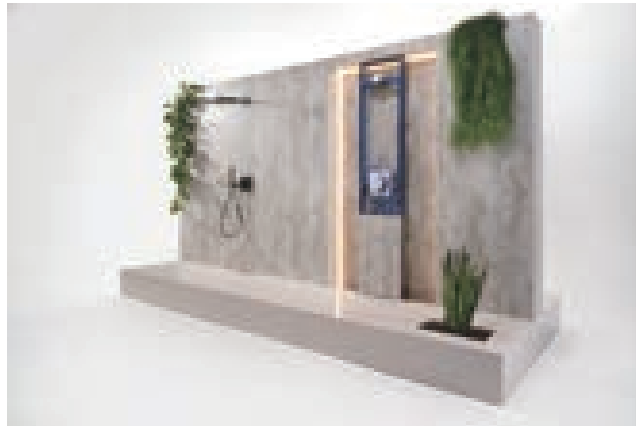
especially the developed economies in Europe including Germany, France, and the Netherlands, as well as the huge potential of the U.S. market. These traditionally strong markets offer the best opportunities for a turnaround in LI's profitability.

### Focusing on measurements aligned with market characteristics and needs

Each of these markets is different and LIXIL's global reach gives the company a unique understanding of the best strategies to pursue in each case.

In Europe, professional designers and installers are often key influencers in the purchase decision for water-related products. The company has been strengthening its relationship with this important stakeholder group through commercial loyalty as well as training programs to help develop clear advocacy for GROHE products amongst this audience.





GROHE has launched a pre-installed behind the wall shower frame (image: GROHE Everstream)

As part of this relationship-building, this stakeholder group has been involved in the development of new product design to overcome potential installation issues and speed up the installation process. As just one example, installers in Europe and elsewhere are currently facing labor shortages, especially for trained technicians.

To help alleviate this problem, LIXIL's GROHE brand has recently launched a new, pre-installed behind the wall shower frame which can be installed quicker, but also with a lower skill level, while still guaranteeing proper functioning and durability.

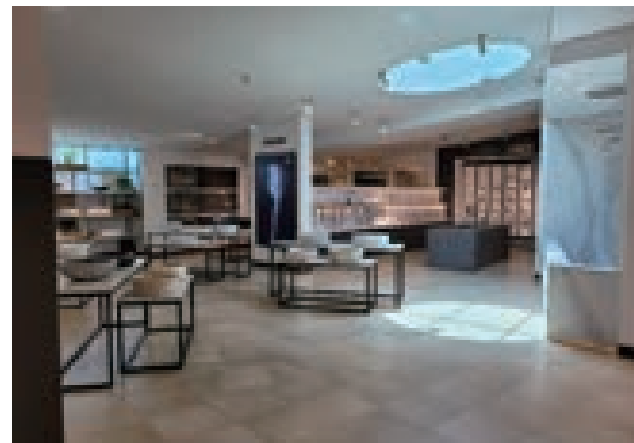
By delivering a shower frame part to the customer site in a pre-assembled state, the required installation time is reduced by up to three hours, a valuable saving for an installation business lacking personnel.

For the critically important U.S. market, a different approach is required. In addition to the outreach to professional installers, a strong retail strategy is necessary to help tap into the consumer home development market. Brand recognition is of course vital, and under the "One LIXIL"

program we can offer the differentiated but complementary brands of GROHE and American Standard, a powerful lineup that cannot be matched by the competition.

American Standard is traditionally strong in sanitary ceramics, such as toilets. In the fittings sector, offering new and bold colors are increasingly important to meet consumer tastes.

Meanwhile, faucet sales have historically been lower in the US market, representing just under 20% of total revenue, as opposed to more than 70% in the European market. This represents a solid, long-term opportunity to leverage LIXIL's brand portfolio to make further inroads into this high-margin business area. It is also a prime example of how the European style of GROHE can be brought in to attract a new set of North American customers.

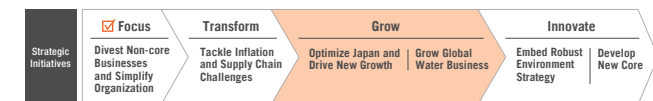


LIXIL is expanding sales of fittings and faucets in the U.S.

### Intensifying business expansion in Asia-Pacific and Middle East emerging markets

While ensuring a strong base of core markets, opportunities in emerging markets are also being nurtured. For the fast-growing economies of Asia Pacific, our uniqueness lies in our multi-brand, multi-category strength. We provide all our leading global brands, GROHE, INAX and American Standard. For the Middle East, we are looking at an expansion of production capacity and the development of showrooms.

The target is to turn the global water business from a core earnings contribution of ¥1.8 billion in FYE2024 to ¥18.5 billion in FYE2025 on the way to a full recovery. "We will proceed to establish an organization that quickly collects the needs of the end-consumer and delivers products that meet demand promptly," said Bijoy Mohan, Leader, LI.



## Accelerating Growth through Innovation for a Sustainable Future

New innovative products that can improve the lives of people around the world are the lifeblood of LIXIL and the key to our long-term prosperity. We have already brought to market a wide range of products that only LIXIL could create. We aim to have a positive impact on society and the environment, while also achieving sustainable growth.



Production process of PremiAL, a low-carbon aluminum extrusion

### Advancing circular economy with the expansion of PremiAL low-carbon recycled aluminum material

Long before the urgency of climate change became a daily concern, LIXIL was pioneering the production of structural aluminum. This is a vital component of modern construction, but its production consumes a large amount of electricity and therefore carries a heavy environmental cost.

The solution to this dilemma is *PremiAL*. With over 25



Laboratory of one of the biggest Japanese construction companies using *PremiAL R70* for construction material (perspective drawing)

years of innovation in recycling technology and a strong network of partners, we've excelled in the lifecycle management of aluminum. Introduced just two years ago in 2022, it was initially able to employ 70% recycled aluminum, producing a high-quality product that attracted considerable attention from a range of industries, driven by the urgent need to reduce CO<sub>2</sub> emissions across the entire supply chain.

In 2023, we introduced *PremiAL R100* that is 100% recycled, a notable achievement in any use of recycled products. The result is a significant reduction in CO<sub>2</sub> emissions and the strong support for its use by a wide range of companies, including one of Japan's biggest construction companies and a major convenience store group. Automakers and industrial parts manufacturers have also expressed a strong interest in *PremiAL* in order to help in their own programs for decarbonization.

To meet this increasing demand, production sites have been expanded. Initially limited to the Oyabe factory in Toyama Prefecture, *PremiAL* production has expanded to five

separate plants, including three in Japan and two more located in Thailand and Vietnam.

### “Mineral in water” from the faucet with Greentap

To drive innovations that address rapidly changing societal and environmental challenges, collaboration with specialized partners is increasingly critical. Our dedication to environmental sustainability is reflected in our innovative 'X-Water' project. Developed from INAX's extensive expertise in ceramics, this incorporates advanced ceramic filters and activated carbon technology directly into our faucets. By using this sophisticated water purification system, we minimize our ecological footprint by reducing the need for bottled water and lowering plastic waste and CO<sub>2</sub> emission of transportation.





Greentap

Building on our established expertise in water purification technology, LIXIL has collaborated with the beverage giant Suntory Group to further elevate the water experience through *Greentap*.

LIXIL provides the high-performance water filter-equipped plumbing fixtures, while Suntory has developed the mineral bottles and cartridge units containing botanical mineral extracts to deliver mineral water from the faucet.

*Greentap* offers clear benefits to all of the stakeholders. For consumers, delicious and healthy pure water is available at just ¥33 per liter. For LIXIL and Suntory, additional cartridge sales represent an ongoing revenue stream. In order to combat counterfeiting, all cartridge sales take place only through LIXIL's official online store. This approach is augmented by the employment of IoT, in which the faucet signals when it is low on mineral extract and automatically generates an order for a new cartridge, with the timing set to arrive before supplies run out.

Sales take place mainly through national electronics

stores, an increasingly popular venue for purchase of many types of small home appliances.

### GROHE *Everstream* shower

Showers and baths account for a significant portion of household water consumption, putting a strain on municipal water supplies and leading to usage cutbacks in many urban areas. Under our GROHE brand, we have developed the *Everstream* shower system, which allows for guilt-free showering.

*Everstream* can reduce the amount of water used by 75% and the energy to heat water by 66% compared to conventional showers. This new approach to showering shows that adapting to climate change can come without compromising on comfort.

*Everstream* will be launched in Europe in 2024, with subsequent rollouts in other markets now being planned.

### An exciting new era

These innovative products are just a few of the exciting new developments taking place at LIXIL.

Others include the *KINUAMI* showering system, which uses foaming soap to provide a simple and satisfying showering experience for the elderly. It also helps improve lifestyles in an aging society. Excess water usage in the home is spotted through the *Droplet* water monitoring device, helping to promote water conservation while also saving on water bills.

Each product offers benefits to society and the environment through better use of precious resources. For

consumers, ongoing consumption costs are lowered, and for LIXIL, each represents a new revenue stream that offers pricing power due to the high level of product differentiation. We are confident that the expansion of these unique products and lifestyle solutions will improve profitability in a sustainable manner.



*Droplet*, a smart home water monitor



## GLOBAL PEOPLE STRATEGY

At LIXIL, we believe that our people are the ultimate driver of our value creation. Our Global People Strategy is our roadmap to empower our employees, transforming into a more innovative, agile LIXIL, capable of delivering against our goals.

Since its establishment in 2021, the Global People Organization (GPO) Strategy has been instrumental in driving transformation at LIXIL. This strategy is designed to empower our employees to effectively execute the strategies outlined in our LIXIL Playbook. Our mission is to transform LIXIL into an innovative and inclusive community that empowers everyone, everywhere. To achieve this, we have identified five strategic pillars that guide our efforts.

### I. Embed inclusion into our DNA

We implement holistic, strategic, and leader-led efforts across LIXIL. Our belief is that inclusion is the goal and that diversity will be the result that follows. Everyone from senior executives to managers and employees must understand why Diversity & Inclusion (D&I) matters to LIXIL's future competitiveness and recognize the close relationship between an active D&I culture and an innovation culture.

### II. Elevate talent across the enterprise

We will more effectively enable LIXIL's transformation and establish the innovation culture we need to build for our future. Our efforts to build foundational infrastructure for our talent programs will enable us to leverage our global scale through the harmonization of human resource systems and processes.

### III. Enhance employee experience

We put people at the heart of our work to enhance the employee experience. This process starts with our effective employee listening program, LIXIL Voice. Direct access to timely data, analytics, and reporting will empower people managers to leverage insights to support the Career Journey of their teams and to proactively discuss their development.

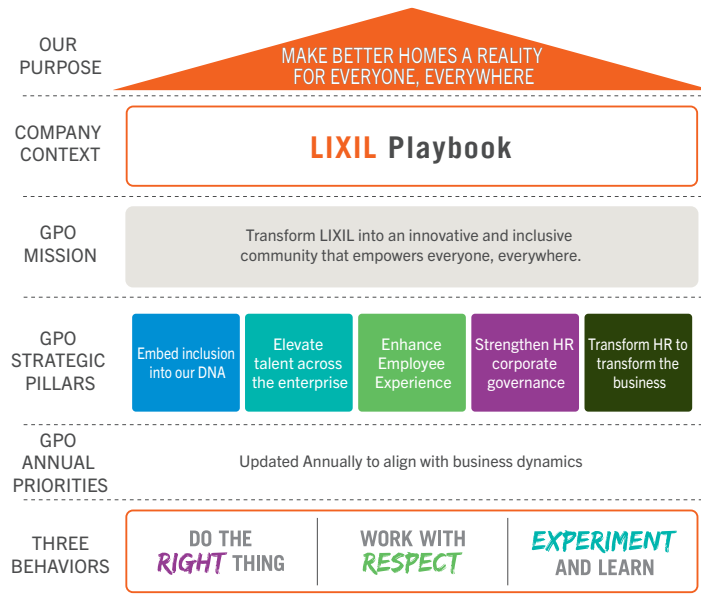
### IV. Strengthen HR corporate governance

We are building a stronger model and framework for people data and governance at LIXIL. Key to this is establishing global systems and processes that will enable consistent and transparent reporting and decision-making.

### V. Transform HR to transform the business

We redefine the evolving role of HR at LIXIL as the Company's needs evolve, and prioritize specific HR competencies that will deliver a world-class employee experience.

Among all these 5 pillars, Embed inclusion into our DNA, Elevate talent across the enterprise, and Enhance employee experience are specifically designed to strengthen our human capital and ensure the continued success of our organization.



## Enhance Human Capital: Embed inclusion into our DNA

We believe that inclusion is the goal and that diversity will be the result that follows. While we are committed to achieving gender equity at LIXIL by setting KPIs, we also take proactive measures to implement targeted programs for managers to activate Diversity and Inclusion (D&I) in their teams.

### Enabling managers to foster inclusion

To promote a culture of true inclusion at LIXIL, we have embarked on a new phase of our D&I journey in FYE2024. This phase involves shifting the accountability of fostering inclusion from HR to the broader business and business leaders. A key aspect of this transition is the introduction of our own Leader's Guide to Advancing D&I, accompanied by a series of targeted workshops led by business / function leaders, for managers.

#### Leader's Guide to Advancing D&I



We have chosen to focus on managers because they play a pivotal role in shaping the organizational culture. Only inclusive managers can effectively cultivate an inclusive culture within their teams. All 125 workshop sessions were facilitated by managers themselves, utilizing real-life case studies from LIXIL. Over the course of eight months, we successfully trained around 6,000 managers, and the feedback received was overwhelmingly positive.

#### D&I Workshop



This workshop was conducted as part of the 'GROW: Great Managers at LIXIL' program, which was initially launched in Japan in October 2023. Recognizing the critical role that our managers play in fostering team culture and their significant impact on employee engagement, this long-term and self-paced program aims to transform managers into coaches and people developers. The program provides a comprehensive learning experience that focuses on seven core practices, including 'Building an Inclusive Workplace Environment.' It equips managers with essential skills to promote inclusion and drive team success.

#### GROW: 7 Skills



## Enhance Human Capital: Elevate talent across the enterprise

To enable LIXIL's transformation and cultivate the innovation culture, we are committed to investing in our people by establishing a robust infrastructure for our talent programs and fostering a learning culture.

### Integrated Approach to Leadership & Succession Planning

In addition to creating an inclusive culture, what truly sets sustainable companies apart is the presence of a strong pool of talented individuals who are prepared to assume critical leadership positions. It is vital to ensure that our top talent is placed in roles where they can thrive, supported by the necessary structures for success. Managers, as custodians of their teams, play a crucial role in recognizing and nurturing talent within their ranks.

At LIXIL, we have implemented a rigorous process called People and Organization Development (POD), which involves collaboration with executive officers and leaders from around the world. This talent mapping initiative is of utmost importance for the resilience of our organization. Our CEO, CPO and other executive officers devote a significant amount of time to delve deeply into talent reviews and engage in robust discussions with leaders to align our people strategy with the ever-evolving needs of our organization.

Through the POD process, we gain valuable insights into the distribution of talent across all aspects of our business and identify areas where talent gaps exist. This enables us to discuss the succession pipeline, high-potential talent, and female talent nominations. In FYE2024, 712 successors and 187 high-potential talents were identified in LIXIL globally. Through this POD process, we are seeking to create an inclusive working environment, and promote talent

development that considers diversity of all types including gender, nationality, race, and career.

This enables us to ensure business continuity even in times of emergency and to build a future-fit system for strategically selecting successors. We devise and implement training plans for each of the listed successors that are designed to build their individual strengths and address development areas by providing business assignments and job transfer opportunities and by offering leadership training.

### Building a learning culture

The insights gained through the POD process inform our learning and development efforts, which are essential for fostering organizational growth and cultivating innovation. At LIXIL, we recognize that a culture of learning is integral to building a stronger talent base and navigating change with

agility. We are committed to cultivating a workforce that is eager to learn, evolve, and develop by providing them with the flexibility and tools necessary for learning and development.

To support our learning culture, we offer a range of innovative programs, such as our collaboration with the Tuck School of Business at Dartmouth and our manager-focused training program called GROW. Additionally, a growing proportion of our employees have access to LinkedIn Learning, which provides self-paced learning modules and collaborative cohort-based sessions. These programs cover a wide range of topics, from foundational skills to advanced career accelerator programs. This targeted approach to learning not only enhances our resilience but also strengthens our competitive edge.



## Enhance Human Capital: Enhance the employee experience

Employee experience starts with effective employee listening. Our hybrid and flexible work styles promote greater autonomy and inclusion for all, especially female employees in Japan.

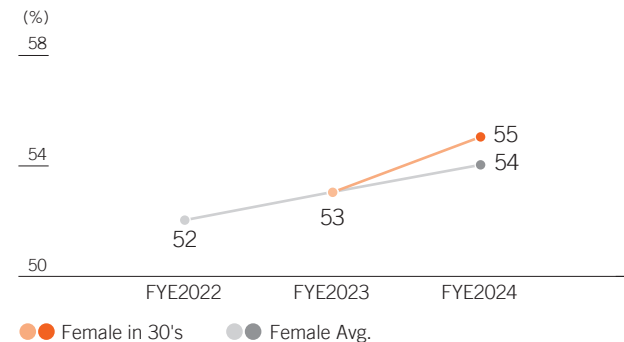
### Removing barriers to work

In response to the seismic shifts in workplace dynamics brought about by the COVID pandemic it is crucial that every individual feels represented and valued within our community. Employee expectations have evolved, necessitating companies to adapt to new paradigms. At LIXIL, we have carefully examined the needs of our workforce through employee listening. In order to foster a more enriching employee experience, we have revamped our people policies, especially in Japan, which is our largest market in terms of sales and employee presence, placing a strong emphasis on engagement, well-being, and a sense of belonging.

After thorough consideration, we have embraced a hybrid model as the optimal solution for our globally dispersed teams. By offering greater flexibility, we are able to accommodate our employees' diverse lifestyles and life stages, empowering them to maintain their contributions while managing personal responsibilities such as caregiving. Importantly, this shift is not about compromising productivity or performance; rather, it is about ensuring that our workforce remains engaged and motivated to perform at their best.

Employee feedback indicates that we are moving in the right direction. A survey conducted in Japan revealed that 80% of desk-based employees were coming to the office less than once per week. Additionally, approximately 9 out of 10 female employees in their 30s and 40s, when childcare and senior caregiving duties are most prevalent, expressed a desire to continue working remotely. Furthermore, we have observed a clear increase in the inclusion score for this demographic through LIXIL Voice, our employee survey, with the inclusion score for our female talent in their 30s in Japan rising by 3 percentage points over the past two years.

### Female Inclusion Score Trend in Japan



By championing people-centric policies, we have positioned LIXIL as a progressive and forward-thinking workplace, setting us apart as a unique employer of choice. While remote work offers undeniable benefits, we also recognize the importance of in-person interaction for building relationships and networks. To address this, we have implemented targeted initiatives to facilitate physical networking and connection-building opportunities, particularly for new hires and recent graduates.





## Digital Transformation (DX)

LIXIL is improving the customer experience through digital transformation. To that end, we believe it is crucial to proactively incorporate digital technology into the way we work to also enhance the employee experience.

### Transforming existing businesses

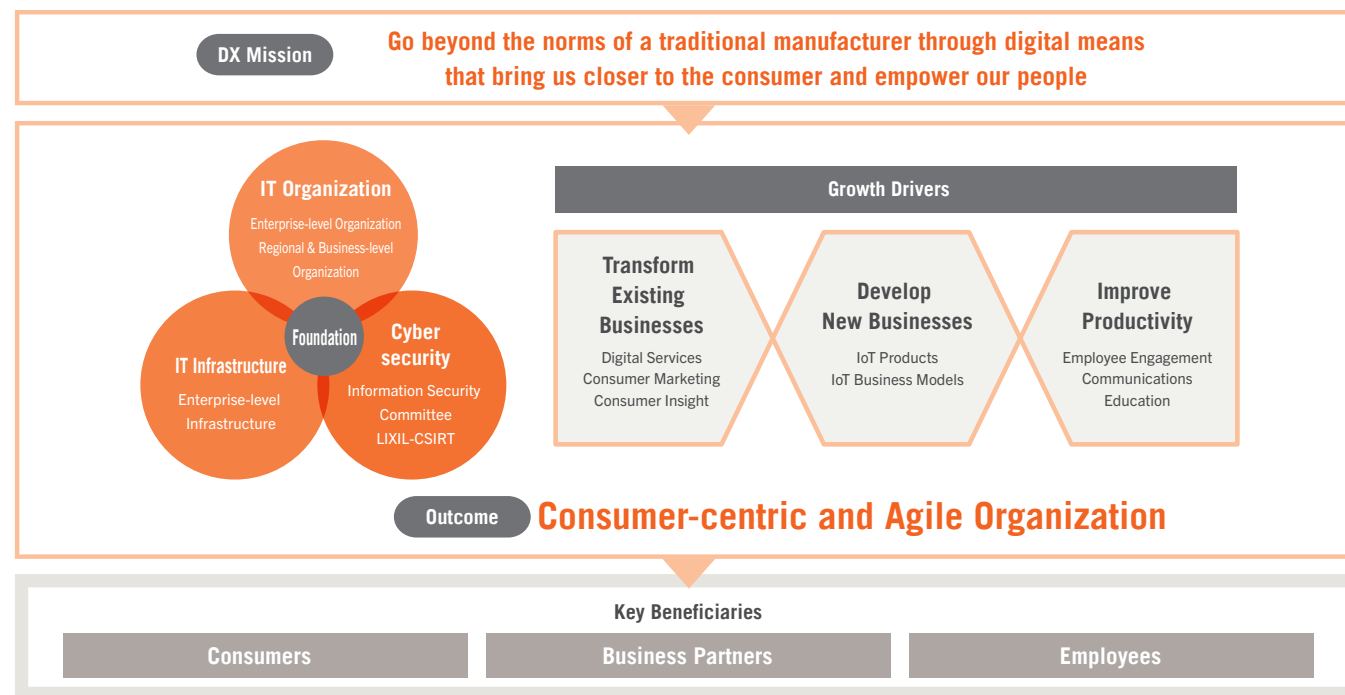
Through the effective use of advanced digital technology, we can enhance the customer experience, streamline the processes for sales and distribution, and realize greater efficiency from dealer to customer.

With further customer convenience in mind, the LIXIL Online Showroom has started offering customer service using AI voice recognition for people who are hearing impaired or whose native language is not Japanese. Also, the Easy Plan Selection online service quickly creates a personalized project plan and cost estimate along with 3D images. In our call centers, we have introduced AI technology that automatically recognizes and summarizes interactions with customers, improving productivity. By developing automatic response services, such as creating FAQs and chatbots, we plan to further improve our services.

### Developing new businesses

LIXIL is working to develop new businesses utilizing digital technology.

The *LIXIL Toilet Cloud*, an IoT service that enhances the efficiency of public toilet cleaning, continues to evolve and help to reduce facility management costs.



In our housing division, we are offering an increasing number of applications of technology in detached houses, such as electric shutters, front doors, and self-cleaning bathtubs connected to our *Life Assist 2* smart home system. We also added IoT services to our new Greentap mineral water purifier system launched in April 2024.

### Increased engagement and productivity

At LIXIL, we are advocates for the democratization of digital technology, and we are working to enable employees without expertise to transform the way they work. We are accelerating these activities by implementing the LIXIL Ai Portal, which uses generative AI technology to improve the quality and efficiency of operations. We also offer a no-code development

tool for developing unique business applications, as well as DEJIRAKU, a digital educational program accessible to anyone.

### Cybersecurity initiatives

With a basic policy of providing a flexible working style that includes working from home, we are strengthening information security measures and protection of personal and confidential information under the leadership of the Information Security Committee headed by the Chief Digital Officer. As cyberattacks targeting the Company continue to increase, we are also implementing a Zero Trust model to strengthen security.

**Initiatives to Improve Customer Experience (CX)**

**Using IoT for more comfortable living** CX

Our new household water tap purifier system, *Greentap*, which allows the user to enjoy cold water with added minerals and was developed in collaboration with Suntory Beverage & Food Limited, also makes use of digital technology.

This service frees you from having to buy bottled water, storing the containers, and cooling in the refrigerator. By linking the system with the Greentap app, it detects the remaining amount of minerals available and allows the user to order a replacement set automatically. In this way, IoT can be used to support a smart lifestyle for our customers.



**Solution for more efficient public toilet maintenance** CX

The *LIXIL Toilet Cloud* service is an innovative toilet maintenance solution that uses IoT technology to help facility managers with maintaining public toilets. AI technology developed by LIXIL is used to monitor restroom usage and design and direct the optimal cleaning work process in real-time based on facility characteristics. This enables a significant reduction in cleaning costs and also helps alleviate labor shortages.

Since the initial launch, its features have been significantly upgraded. Current systems can detect toilet clogs, be centrally controlled via an app, and provide instructions to refill liquid soap. In addition to enhancing cleaning efficiency, it improves the employee experience of workers to help

prevent turnover. This innovative sanitary equipment with new features is being introduced in an increasing number of facilities, and by employing digital technology to transform operations and maintenance tasks, we are helping create more comfortable and clean public toilet spaces while reducing maintenance costs.



**Initiatives to Improve Employee Experience (EX)**

**Fully utilizing generative AI in work** EX

At LIXIL, we are promoting the use of digital technology including generative AI to enhance organizational agility. Our work in this area includes an in-house team of engineers developing generative AI tools to improve productivity. These tools are embedded in everyday office applications to improve the quality and efficiency of tasks, such as an autocomplete tool in email software. Over 4,500 employees use these tools on an everyday basis. We also offer a full range of educational content and have created an environment where employees of all levels of digital literacy can use AI with confidence. Our DEJIRAKU digital education program, in particular, provides employees with digital technology and knowledge. These are important in improving productivity and business transformation through a training menu developed by the Digital Department with business needs in mind.



**Citizen developers fostering**

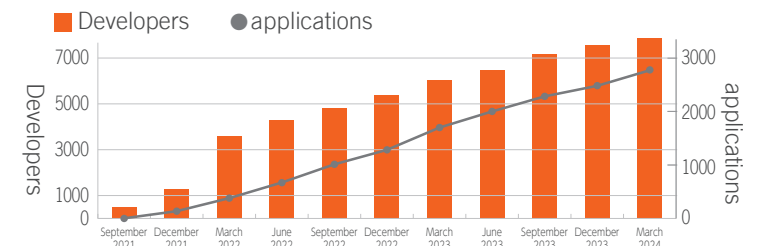
**a new corporate culture** EX

At LIXIL, we have introduced no-code tools that enable development of applications without the need for programming languages. This provides an environment where employees with no expertise can develop and operate their own business tools as citizen developers. The democratization of digital technology, where individuals review their own work and promote digitalization through ingenuity and creativity, is rapidly spreading.

For example, our aluminum profile inventory app, which uses image recognition AI, can recognize images taken in the aluminum profile storage area and count and tally the number of profiles, thereby greatly improving productivity.

To promote the democratization of digital technology to the frontline, all executives at LIXIL have taken the lead in developing their own app and shared it with our employees. This sparked a realization among employees that they could contribute as well, leading to a shift in corporate culture. Three years after its introduction, both the number of developers and applications continues to increase, and as of March 31, 2024, there were 7,854 developers and 2,778 applications in operation.

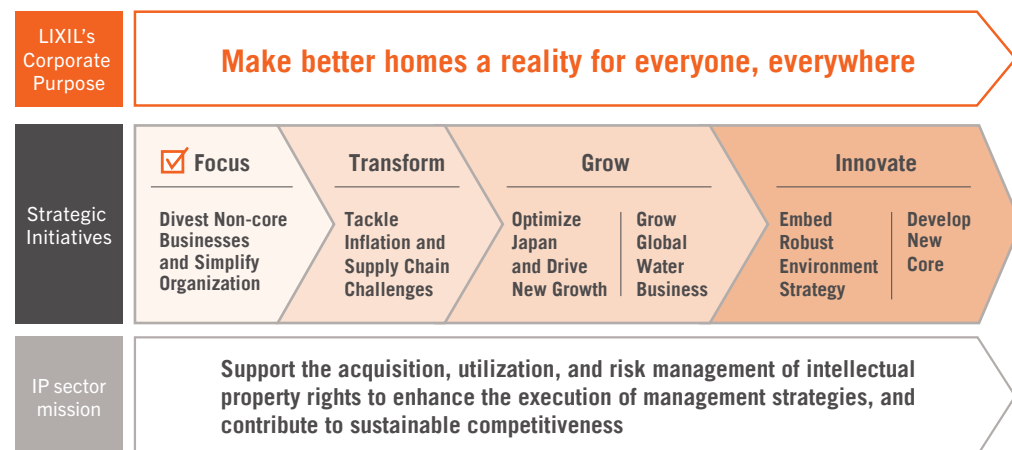
**Number of developers and applications of No-Code Tool**



## INTELLECTUAL PROPERTY STRATEGY

At LIXIL, we have implemented our intellectual property (IP) strategy to support the execution of management strategies through the acquisition, utilization, and risk management of IP rights, with the aim to maintain competitiveness realizing a long-term business advantage and high profitability.

### LIXIL's approach to intellectual property strategy



Please visit our website for more information on our intellectual property strategy.  
[https://www.lixil.com/jp/investor/strategy/ip\\_index.html](https://www.lixil.com/jp/investor/strategy/ip_index.html)

### Intellectual Property and Standardization

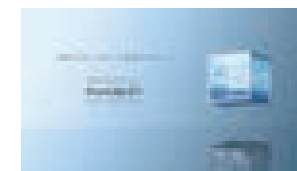
While LIXIL protects its unique, differentiated values by safeguarding its intellectual property rights, it also works to achieve industry-wide standardization of advanced technologies that are important for society.\*1 These include areas such as antibacterial technology.

\*1 To build an environment that helps various businesses enter new markets through the openness of technology and know-how by standardization. One of the measures to maximize Total Addressable Market (TAM: the entire market size that a business may acquire). Reference: Ministry of Economy, Trade and Industry, "Market Formation Guidance," published in March 2022.

### Initiatives to strategically protect and exploit intellectual property

At LIXIL, we respect the intellectual property of others and have established mechanisms to avoid and prevent significant business risks associated with third parties' IP rights. We are also continually investing in our technology, design, brand and other intellectual properties and protecting the differentiated value that is the source of our competitive advantage. Through this we can ensure our business success and high profitability over the long term.

One such product, *PremiAL R100*, has enabled us to achieve use of 100% recycled aluminum backed by over 25 years of research. *PremiAL* is expected to contribute to market growth and significant revenue in the future. Our company works to protect the differentiated value of our recycled aluminum manufacturing technology by keeping its relevant intellectual property confidential as a trade secret. Furthermore, *KINUAMI* is a groundbreaking product transforming the water from the showerhead into a dense silk foam with the simple press of a switch. Our company lawfully leveraged the intellectual property of another company to expedite product commercialization.



Additionally, our IP strategies have been formulated to strengthen our business strategy by analyzing the market and IP information.

### Building a global framework to strengthen IP strategy

Our company possesses intellectual property capabilities not only in Japan but also at key locations in international markets. In line with the expansion of our business in international markets and to implement IP strategies from a global perspective, we have established a global organization that integrates international IP functions with the headquarters' Intellectual Property Division. This will strengthen the execution of our IP strategy in international markets where long-term growth is expected.

### External Evaluation of Intellectual Property Strategy

Our past intellectual property strategy efforts have been highly praised, and we received the Commissioner of the Japan Patent Office Award at the FY2024 Intellectual Property Achievement Awards, as a company that actively utilizes the IP rights system.



## LIXIL WATER TECHNOLOGY - JAPAN



Evolving the core technologies that we have developed over a century of history, and developing monozukuri manufacturing to offer a completely new experiential value

In 2024, LIXIL's Japan water and tile business celebrated its 100th anniversary since the establishment of Ina Seito Co., Ltd. This century of history is the history of innovation, and LWT Japan Business remains committed to delivering new value to our customers. We will maximize our collection of core technologies and monozukuri (craftsmanship) manufacturing capabilities, and continue to create innovations. We will keep on contributing to the environment and society, while also achieving sustainable business growth.

Hiroyuki Oonishi

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

### Key Strengths

- Combined global capabilities managed by core global team
- Highly regarded and clearly differentiated house of brands
- Comprehensive portfolio of products that are ideal for renovation
- Extensive nationwide sales and distribution network in Japan
- Strong cooperative structure with suppliers

### Challenges

- Continue to strengthen core technologies and monozukuri manufacturing capabilities, and expand our businesses globally
- Create designs that extend a product's life and recyclability
- Promote the circular use of resources
- Use digital technologies and AI in each operational process
- Structure a stable supply system based on BCP

### Opportunities

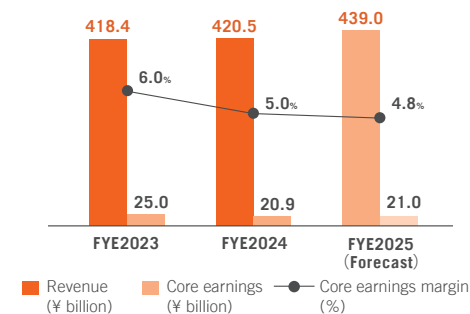
- Continued growth in the renovation market
- Increasing need for environmentally friendly products, reflecting growing awareness of ethical consumption
- Evolving needs and lifestyle practices relating to bathing and water purification
- Increasing demand for new products and services that are aligned with an increasingly aging and urbanized society
- Increasing demand for the shower toilet in international markets such as China and Asian countries

### Risks

- Decrease in new housing starts in Japan
- Further increases in human resources costs and logistics, material, and energy prices
- Deterioration of the component procurement environment
- Supply chain disruptions due to changes in the global situation
- Shortage of logistics driver and skilled labor

## Summary of results for FYE2024

Revenue of the Japan business of LIXIL Water Technology (LWT), which provides water-related products, grew slightly year-on-year to ¥420.5 billion. This was impacted by a slump in the number of new housing starts, despite the effects of price optimizations and an increase in sales of renovation-related products. Core earnings fell 16.4% to ¥20.9 billion, and the core earnings margin was 5.0% (down 1.9 percentage points). This was attributable to a decrease in gross profit due to stagnant demand in new housing starts, which outweighed the benefits of price optimizations and a reduction in fixed costs.



## Strategy and Countermeasures

We have been steadily progressing with strengthening our business foundation, with ongoing measures to improve operational efficiency. We will strive to further strengthen our business foundation, and move forward with structural reforms in manufacturing and the supply chain. As for sales, we think the stagnant demand in Japan for new housing will continue, and so we will shift our focus to housing renovations. We are creating new value through innovations that add environmentally conscious elements to our core technologies. These new technologies, combined with the traditional core technologies. Once we have developed these new technologies, together with the core technologies we have developed throughout our history, we will accelerate the expansion of their use both in Japan and worldwide. Working with LWT international businesses, we will move forward with the development of key priority technologies, expand sales of the shower toilet in the Asia region, promote the use of international suppliers, and expand the export of tiles, among other initiatives.

## LIXIL WATER TECHNOLOGY - INTERNATIONAL



An unparalleled portfolio of brands, agile manufacturing capability, and innovation continue to drive LIXIL's global growth. With a clear strategy in place, we are well-positioned to grow sustainably in international markets.

**Bijoy Mohan**

Executive Officer, Executive Vice President, LIXIL International

### Key Strengths

- Truly international market coverage with significant sales in more than 150 countries across the Americas, EMEA, APAC, and Greater China
- Highly regarded and clearly differentiated house of brands that can fill product gaps in each region
- Comprehensive product portfolio covering luxury to entry segments
- A global supply chain and production footprint
- Strong innovation pipeline with focus on enhancing consumer experience and sustainability
- Award-winning in-house design team

### Challenges

- Addressing the challenge of operational flexibility including stronger cost variabilization
- Reduce time-to-market for innovative products
- Strengthen change management practices
- Successfully competing in the war for talent during a period of low performance and short-term incentive (performance-linked compensation) payouts

### Opportunities

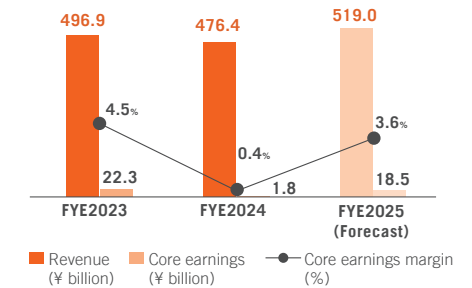
- Increased demand for sustainable products due to heightened environmental awareness, cost of energy, and water scarcity
- Design, colors, and finishes to leverage the individualization and personal home spa themes
- Growing demand for solutions that improve health, hygiene, and well-being and allow for "aging in place"
- Increasing need for easy-to-install sanitary products or inclusion of installation services

### Risks

- Deteriorating housing markets in the core regions Europe, the Americas and China
- Increase in material and labor costs
- Supply chain challenges
- Commoditization of products
- Skilled labor shortages

## Summary of results for FYE2024

In FYE2024, LIXIL's international business saw a 4.1% year-on-year revenue decline to ¥476.4 billion, attributed to subdued demand amid elevated interest rates and inflation. All regions, including Americas, EMEA, APAC, and Greater China, experienced reduced revenue in local currency terms. Core earnings dropped by ¥20.1 billion to ¥2.2 billion due to decreased volumes, albeit partially mitigated by cost-saving efforts. FYE2024 witnessed the initiation of various profitability improvement measures, encompassing operational enhancements, with plans for further implementation in FYE2025 to bolster performance.



## Strategy and Countermeasures

Our strategic focus revolves around robust measures aimed at expanding our market share while fostering sustainable growth. We prioritize enriching our multi-brand portfolio by strategically expanding into profitable product categories and bridging any existing gaps in every region we operate in. Moreover, we strive to elevate our average sales price by continually innovating, delivering high-value offerings, and ensuring product differentiation.

Recognizing the diverse needs of each region, we tailor our brand and channel strategies accordingly, optimizing consumer engagement and satisfaction at every touchpoint. We aim to captivate consumers early in their buying journey, enhancing their overall experience through seamless interactions and personalized solutions.

By strengthening market segmentation, we ensure precise alignment with the unique needs and desires of each segment, thereby maximizing customer satisfaction and loyalty. Moreover, we remain committed to reducing our environmental footprint across products, services, and operations, fostering a sustainable future for all. Leveraging LIXIL's cutting-edge technologies, we continually bolster global innovation platforms to drive transformative growth and shape a brighter tomorrow.

## LIXIL HOUSING TECHNOLOGY



### Make better homes and reduce environmental impact through innovation

We will continue with initiatives to realize decarbonization and the recycling of resources, and offer products and solutions with a high environmental value such as *GREEN WINDOW*, *PremiAL*, and *revia*. Backed by large-scale government subsidies for window renovations, we have also been moving forward with energy-saving housing renovation, as well as focusing on making houses more low-carbon. For new detached houses, we have set a target to achieve a 100% ratio in the sale of high-insulation windows. We are striving to reduce our environmental impact while also achieving business growth.

Satoshi Yoshida

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

### Key Strengths

- Leading market share in residential sash and door, and exterior product market sectors in Japan
- Leadership in low-carbon, sustainable materials for housing and buildings
- Products and technical capabilities to improve the insulation of doors and windows and throughout the entire building of existing houses
- Innovative product development made possible through advanced technologies and global design capabilities
- Simple organizational structure that facilitates the rapid development, manufacture, and sale of products
- Strong cooperative structure with suppliers

### Challenge

- Cultivate an even stronger “challenger” mindset to create new value
- Strengthen our ability to shift from mass production to meeting a diversity of needs
- Flexibly shift resources toward growth areas
- Establish new workstyles and promote digital transformation

### Opportunities

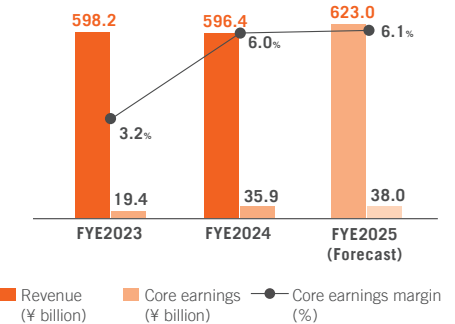
- Growing demand for environmentally responsible products, reflecting growing awareness of ethical consumption
- Increasing interest in high-performance housing, driven by government subsidy projects and more stringent energy-saving standards
- Growing demand for new products and services suitable for Japan's aging population
- Growing market for highly affluent consumers
- Increasing need for differentiated products due to population growth and rising income levels in Asian markets

### Risks

- Decrease in new housing construction in Japan
- Further increases in human resources costs and logistics, material, and energy prices
- Deteriorating component procurement environment due to the depreciation of the yen and geopolitical risks
- Shortage of workers as skilled labor ages

## Summary of results for FYE2024

LIXIL Housing Technology (LHT), which provides housing and building materials, remained generally flat at ¥596.4 billion. While LHT successfully captured growing demand for renovation, its revenue was affected by the downturn in new housing starts. Core earnings significantly increased by 85.4% from the previous fiscal year, reaching ¥35.9 billion, reflecting the impact of price optimization measures to mitigate rising costs. Additionally, sales of high-insulation windows, bolstered by government subsidies, contributed considerably to the increase in profit. The core earnings margin stood at 6.0%, representing a 2.8 percentage points increase from the previous year. The proportion of sales attributed to domestic renovations climbed by 3.5 percentage points year-on-year, accounting for 38% of total sales.



## Strategy and Countermeasures

Built on our technical and design capabilities developed and superior digital devices, and with ongoing product development that requires a low investment based on platform-based production, we will focus on both the housing market and also outside of the housing sector in areas that are steadily growing. Also, we will further cultivate the international markets, expand sales in the renovation market, and accelerate business development-oriented initiatives that offer products with a high environmental value such as *PremiAL* and *GREEN WINDOW*. To speedily implement these initiatives, we will carry out a detailed evaluation of the strengths and weaknesses of LHT in achieving growth, and be even more proactive in collaborating with partner companies to develop products and services, as we continue to transform and innovate our businesses. Furthermore, we will continue to invest in new businesses such as *revia*, which we believe will be a future source of our business, and remain dedicated to providing our customers with completely new proposals.

## IMPACT STRATEGY

LIXIL's Impact Strategy outlines three core pillars: Global Sanitation & Hygiene, Water Conservation & Environmental Sustainability, and Diversity & Inclusion. These areas represent the most pressing global issues where we can drive significant impact by leveraging our expertise. Reflecting on what we can do now and in the future, we decided to incorporate our Impact Strategy into our broader business strategies, utilize our expertise and scale in water and housing products, and explore ways to cooperate with employees, partners, local communities, and other stakeholders.

Commitment


**LIXIL's Purpose is to make better homes a reality for everyone, everywhere.**

**We do this through actions and innovations designed to create positive impact in the world, today and tomorrow.**


Three Strategic Pillars

GLOBAL SANITATION & HYGIENE

Sanitation and Hygiene for All




We innovate viable products, solutions, and business models to elevate standards of living through improved sanitation and hygiene.



WATER CONSERVATION & ENVIRONMENTAL SUSTAINABILITY

Zero Carbon and Circular Living



We promote the responsible use of energy, water and natural resources. From our operations and throughout our product lifecycle, we minimize our ecological footprint and scale innovation to help our partners and consumers protect the environment today and for generations to come.



DIVERSITY & INCLUSION

Inclusive for All



We promote diversity and inclusion, starting with building an equitable workplace. By leveraging the knowledge and perspectives of our diverse employee base and together with stakeholders, we stimulate innovation and collaboration that enables everyone to live more comfortably and healthily and reach their full potential.



Metrics and Targets

● Global Sanitation & Hygiene

Improve sanitation and hygiene for **100 million people** around the world by 2025

● Climate Change Mitigation and Adaptation

- Scope 1 & 2 CO<sub>2</sub> emissions **-50.4%**<sup>\*1</sup>
- Scope 3 CO<sub>2</sub> emissions **-30%**<sup>\*1</sup>
- Product ratio of energy- and water-saving faucets and toilets in Japan **100%**
- Product ratio of high-performance windows for new detached houses in Japan **100%**<sup>\*2</sup>

● Water Sustainability

- Water use efficiency **+20%**<sup>\*1</sup>
- Total water savings from water-saving products **2 billion m<sup>3</sup>/year**<sup>\*3</sup>

● Circular Economy

- Waste recycling rate **90%**<sup>\*2</sup>
- Use of recycled aluminum **100%**

● Diversity & Inclusion

By FYE2030

- **50:50** for Board & Executive Officers
- **30%** female managers across LIXIL
- Maintaining **gender parity** in newly graduate recruitment (Japan)

\*1 Baseline year: FYE2019 \*2 By FYE2026 \*3 By FYE2025 (All targets are for FYE2031, unless otherwise noted)

Material Issues

	● Global Sanitation & Hygiene	● Climate Change Mitigation and Adaptation	● Water Sustainability	● Circular Economy	● Diversity & Inclusion		
		● Environmental Impact of Product Lifecycle	● Environmental Management				
	● Conservation of Biodiversity	● Talent & Development	● Product Safety	● Customer Satisfaction	● Employee Safety & Wellbeing	● Ethics & Integrity	● Human Rights
	● Supply Chain Management	● Corporate Governance	● Risk Management	● Stakeholder Engagement	● Information Security	● Tax Transparency	● Responsible Marketing & Advertising

01 OVERVIEW

02 STRATEGY

03 GOVERNANCE

04 DATA

## LIXIL'S MATERIAL ISSUES

LIXIL has identified material issues that we and our stakeholders consider to be of the highest importance, and we are working to resolve these issues.

### Positioning of Our Material Issues and Our Approach

At LIXIL, we pursue our purpose to “make better homes a reality for everyone, everywhere.” To that end, we have determined material issues that we, our stakeholders, and society in general consider to be of the highest importance for achieving our company’s sustainable growth and improving corporate value for driving progress on sustainable development. We are working to resolve these issues through our business activities while monitoring the progress against our goals.

LIXIL’s material issues are determined by selecting and evaluating issues from both a risk and opportunity perspective, taking into consideration LIXIL’s Purpose, Value Creation Process (VCP), management direction, Impact Strategy, stakeholder needs and expectations as well as current social circumstances and challenges, via the assessment process described on page 48. We regularly review these material issues to accommodate any changes in LIXIL’s immediate business environment and our society’s expectations at large.

#### Three Pillars of Our Impact Strategy



Global Sanitation & Hygiene



Water Conservation & Environmental Sustainability



Diversity & Inclusion

### Our Material Issues

In August 2024, we plan to publish the full LIXIL ESG Databook including environmental and social performance data for FYE2024 with another third-party assurance. For more information, visit <https://www.lixil.com/en/impact/data/performance.html>

Key priorities	Target year	Metrics and targets (quantitative targets only)	FYE2024 results
Global Sanitation & Hygiene	By 2025	Improve sanitation and hygiene for 100 million people around the world by 2025	Approx. 68 million people*1
Climate Change Mitigation and Adaptation	By FYE2031 *10 By FYE2026 *11 By FYE2025	<ul style="list-style-type: none"> <li>• Scope 1 &amp; 2 CO<sub>2</sub> emissions: -50.4%*2</li> <li>• Scope 3 CO<sub>2</sub> emissions: -30%*2</li> <li>• Ratio of energy- and water-saving faucets*3 and toilets*4 sold (Japan): 100%</li> <li>• Ratio of high-performance windows sold for new detached houses (Japan): 100%*10</li> </ul>	<ul style="list-style-type: none"> <li>• -34.7%</li> <li>• -15.2% (FYE2023)</li> <li>• Faucets: 94.1%</li> <li>• Toilets: 99.4%</li> <li>• 93%</li> </ul>
Water Sustainability		<ul style="list-style-type: none"> <li>• Water use efficiency: +20%*2</li> <li>• Total water savings from water-saving products: 2 billion m<sup>3</sup>/year*11</li> </ul>	<ul style="list-style-type: none"> <li>• +16.0% (FYE2023)</li> <li>• 1.5 billion m<sup>3</sup> (FYE2023)</li> </ul>
Circular Economy		<ul style="list-style-type: none"> <li>• Improved waste recycling rates: 90%*10</li> <li>• Use of recycled aluminum: 100%*5</li> </ul>	<ul style="list-style-type: none"> <li>• 88.1% (FYE2023)</li> <li>• 78%</li> </ul>
Environmental Impact of Product Lifecycle		Included in the above	—
Environmental Management		—	—
Diversity & Inclusion	By FYE2030	<ul style="list-style-type: none"> <li>• 50:50 for Board &amp; Executive Officers*6</li> <li>• 30% female managers across LIXIL*7</li> <li>• Maintaining gender parity in new graduate recruitment (Japan)</li> </ul>	<ul style="list-style-type: none"> <li>• 31.3%</li> <li>• 17.1%*8</li> <li>• 44.8%*9</li> </ul>

\*1 Refer to the updated 'Global Sanitation & Hygiene: LIXIL's Impact Methodology (June 25, 2024)'

\*2 Baseline year FYE2019 \*3 Excluding products used for hot tub filling or full-body bathing that are not intended for use as energy- and water-saving faucets

\*4 Excluding products designed for housing complexes \*5 Aluminum alloy 6063 \*6 As of March 31

\*7 Directly hired employees only (Japan and overseas) However, this excludes sold subsidiaries and domestic subsidiaries with less than 100 employees

\*8 Verified by an independent third party in June 2024 in the 'LIXIL ESG Databook 2024 (Preliminary Data Disclosure: Environmental and Social Performance Data)'

\*9 New college and graduate school graduates who joined LIXIL Corporation on April 1, 2024

#### Other Material Issues

- Conservation of Biodiversity
- Talent & Development
- Product Safety
- Customer Satisfaction
- Employee Safety & Wellbeing
- Ethics & Integrity
- Human Rights
- Supply Chain Management
- Corporate Governance
- Risk Management
- Stakeholder Engagement
- Information Security
- Tax Transparency
- Responsible Marketing & Advertising



### Material Issues Assessment

In FYE2021, we renewed our materiality assessment conducted in FYE2016 and identified our material issues based on the process to the right. LIXIL endeavors to conduct the renewal of its materiality assessment approximately every three years. To ensure a robust and regular evaluation of our approaches to our Impact Strategy, LIXIL takes into account the complementary nature of its enterprise risk management and material issue review processes. We review our material issues, particularly the associated impact, risks and opportunities at least once a year and update them where and when necessary.

LIXIL positions its most material issues as priority issues. These include issues in which LIXIL can have a significant impact on stakeholders and society at large by leveraging our strengths and taking proactive measures. They also include issues where we need to double our efforts based on stakeholder needs. The risks and opportunities are assessed in accordance with the evaluation criteria of ESG-rating organizations.

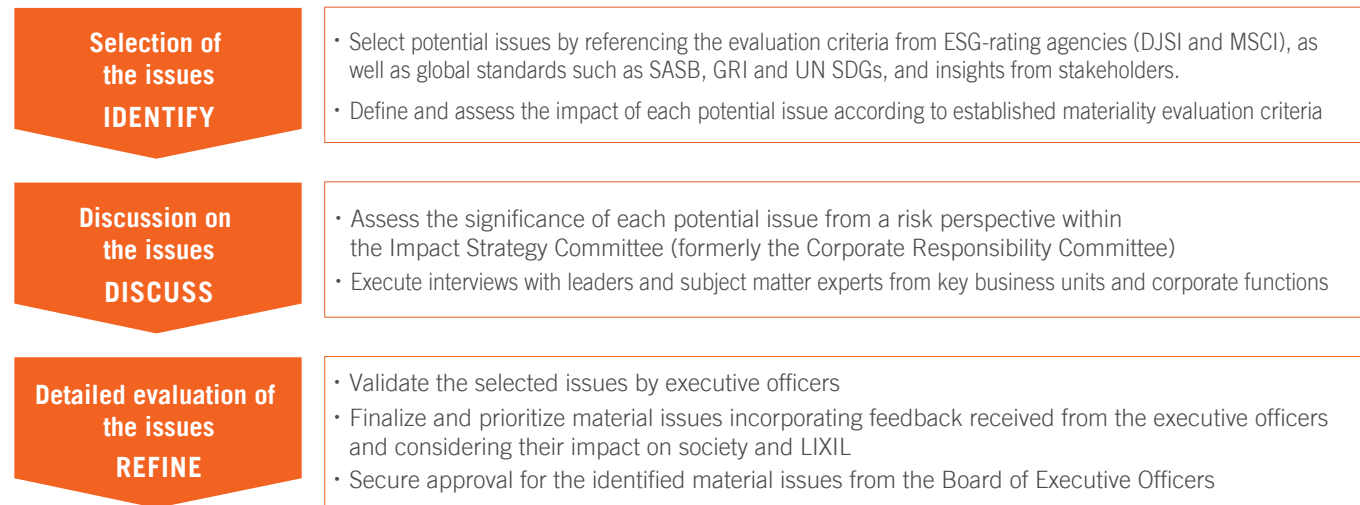
Our most material issues are deeply related to the three pillars of our Impact Strategy, and we will continue to advance various initiatives with a focus on these ‘priority’ material issues.

### Preparing for Mandatory ESG Reporting

Our Europe business will be required to adhere to the Corporate Sustainability Reporting Directive (CSRD) and present the material data and information in line with the European Sustainability Reporting Standards (ESRS). This comprehensive set of disclosure requirements encompass a variety of environmental, social, and governance issues that our Europe business will annually report on from the fiscal year ending (FYE) March 2026.

To align with these new reporting mandates, LIXIL initiated a significant project at the beginning of last year to prepare for the CSRD implementation. We are currently finalizing the double materiality assessment and are taking the essential next steps to meet the reporting requirements for our Europe business in accordance with the CSRD guidelines.

#### Material Issues Assessment Process



As part of our periodic materiality assessment renewal, we will consistently review and update our material issues in accordance with the process outlined above.

## GLOBAL SANITATION & HYGIENE

Promote and enable access to safe sanitation and hygiene for all by offering innovative viable products, solutions, and business models.

### Our Strategy and Progress

An estimated 3.5 billion people lack access to safely managed sanitation services, including 419 million people practicing open defecation. Roughly 2 billion people lack basic handwashing facilities at home. The current rate of progress in solving this issue would need to be quadrupled in order to meet the UN SDG 6 (i.e., clean water and sanitation for all) by 2030.\*

\* Progress on household drinking water, sanitation and hygiene, 2000-2020, WHO/UNICEF Joint Monitoring Programme <https://data.unicef.org/resources/progress-on-household-drinking-water-sanitation-and-hygiene-2000-2020/>

LIXIL set the target of improving sanitation and hygiene for 100 million people around the world by 2025 through the introduction of innovative and affordable toilet and handwashing solutions. As of March 31, 2024, an estimated 8.6 million SATO products have been distributed across 45 countries, improving the sanitation and hygiene conditions of approximately 68 million people. Our SATO brand, along with the LIXIL Public Partners (LPP) and other collaborative initiatives, is one of the primary drivers for achieving our ambitious goal. SATO products' deployment that was initially targeted for household use, has expanded to areas including schools, public toilets, and refugee camps. SATO's affordable solutions are complemented by value-added products that help improve quality of life over time, while creating market demand for products. The progress of SATO business activities is reported to the Global Sanitation &

Hygiene Council, which oversees the strategies and initiatives to address global sanitation and hygiene issues. The Council reports to LIXIL's Board of Executive Officers through the Impact Strategy Committee.



Installing of SATO products.

### LIXIL Public Partners (LPP)

LIXIL Public Partners is LIXIL's first dedicated public sector engagement platform, established to explore synergies and expand collaboration with the public sector. Building on our existing SATO initiatives, LPP works with governments, NGOs, and academic institutions to deliver innovative products and solutions in sanitation.

### Scaling-up Impact through Collective Partnership

To maximize our impact, we work closely with influential international and local organizations, specialized agencies, NGOs, and business partners that have expertise in water and sanitation, including UNICEF, USAID, and FINISH Mondial. Through these

partnerships, we are developing products that meet local needs, establishing local production facilities and sales hubs, and facilitating skills development, while creating demand through sales promotion and awareness-raising activities.

### Fostering Cross-sector Partnerships

LIXIL partners with Georgia Institute of Technology (Georgia Tech) and the Bill & Melinda Gates Foundation to bring a game-changing solution to communities that lack access to sanitation infrastructure. The *Generation 2 Reinvented Toilet* (G2RT) developed by Georgia Tech is an accessible, sustainable sanitation solution that does not require connection to traditional sanitation infrastructure such as public sewerage or septic tank systems. In FYE2024, LIXIL has been granted the first commercial license by Georgia Tech to bring the G2RT, into affordable, durable, and practical products ready for real-world use.



The G2RT neutralizes waste within the appliance itself without the need to be connected to a traditional sewage treatment infrastructure

## WATER CONSERVATION & ENVIRONMENTAL SUSTAINABILITY

LIXIL is driving efforts to conserve energy, water, and other natural resources across procurement, production, distribution processes, and in the end use, and disposal of its products and services.

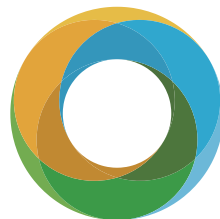
LIXIL has designated Water Conservation and Environmental Sustainability as one of the strategic pillars of the Impact Strategy, and the following six have been included as its material issues.

- **Climate Change Mitigation and Adaptation**
- **Water Sustainability**
- **Circular Economy**
- **Environmental Impact of Product Lifecycle**
- **Environmental Management**
- **Conservation of Biodiversity**




### LIXIL Environmental Vision 2050

The LIXIL Environmental Vision 2050 declared a commitment to Zero Carbon and Circular Living. By 2050, we set the target to achieve net-zero carbon emissions and preserve water and natural resources in operations, housing, and lifestyle solutions for future generations to become a leading company in environmental sustainability.

Among the material issues listed above, LIXIL established Climate Change Mitigation and Adaptation, Water Sustainability, and Circular Economy as focus areas in realizing its vision. As a springboard for promoting these focus areas, we have been striving to reduce our environmental burden across the product lifecycle and to strengthen our company-wide environmental management. We are also advancing initiatives to conserve biodiversity, that serves as a common foundation for the three focus areas.



## ZERO CARBON AND CIRCULAR LIVING

- 
**CLIMATE CHANGE MITIGATION AND ADAPTATION**  
 Achieve Net-Zero GHG Emissions through Our Business Operations, Products, and Services
- 
**WATER SUSTAINABILITY**  
 Enhance the Environmental Value of Water Resources by Saving, Circulating, and Purifying Water
- 
**CIRCULAR ECONOMY**  
 Help Transition to a Circular Economy and Preserve Natural Resources for Future Generations

### Three Phase Approach

To further accelerate our efforts to achieve the LIXIL Environmental Vision 2050, we have included the embedding of our robust environmental strategy into our business as a key strategic management initiative. This goes beyond fulfilling our corporate responsibilities by reducing the environmental burden of our business and product in use, but also in creating new value and maximizing LIXIL's impact. In line with this approach, we have formulated comprehensive and strategic approaches for the focus areas and defined three phases - Our Operations, Our Value Chain, and Expanding Our Impact - setting mid-term targets for each.

#### 1. Our Operations:

Business processes that include activities at our production sites, offices, and sales bases, and involve our employees and residents in the surrounding areas.

#### 2. Our Value Chain:

Our value chain refers to a series of processes including activities related to products and services that we procure, such as mining and processing of raw materials, as well as activities related to products and services that we sell, such as packaging for transportation, logistics, and end use of our products. This involves interaction with external stakeholders, such as our business partners and end users.

#### 3. Expanding Our Impact:

This goes beyond the production and end-use phase of our products in the value chain, and extends to providing solutions that address the environmental challenges of the world. It also means contributing to the future of the planet by going beyond the framework of our business.

LIXIL has set mid-term targets by phase for each of the three focus areas.

### Environmental Governance

LIXIL Environmental Vision 2050 seeks to strengthen company-wide management to reduce environmental risks and expand environmental benefits we offer to society.

LIXIL has established a governance system in which the Board of Directors oversees the entire sustainability process. We have also established an Environmental Strategy Committee (ESC), chaired by the Chief Environmental Impact Officer (CEIO) who is appointed by the Board of Executive Officers. At regular

meetings held at least once a quarter, the ESC formulates and implements environmental strategies, including determining rules and policies relating to environmental governance, deliberating and deciding measures to address risks and opportunities due to climate change and other environmental issues, and managing and monitoring company-wide environmental targets. The details of the debate and any resolutions are reported to the Impact Strategy Committee. Decisions on matters of significance or special importance are elevated to the Board of Executive Officers

for discussion and approval, and then elevated to the Board of Directors for discussion and oversight.

Furthermore, in addition to establishing the LIXIL Environmental Sustainability Principles as a guideline for all employees and senior managers, including directors and executive officers, we are also working to strengthen our environmental governance through internal environmental audits, employee education, and internal evaluation systems.

\* The Environmental Strategy Council from FYE2025.

Environmental Medium-Term Targets	OUR OPERATIONS	OUR VALUE CHAIN	EXPANDING OUR IMPACT	
<b>Climate Change Mitigation and Adaptation</b>	Scope 1 & 2 CO <sub>2</sub> emissions <b>-50.4%</b> <sup>*1</sup>	Scope 3 CO <sub>2</sub> emissions <b>-30%</b> <sup>*1</sup>	Ratio of energy- and water- saving faucets and toilets sold <b>100%</b> <sup>(Japan)</sup>	Ratio of high-performance windows sold for new detached houses <b>100%</b> <sup>*2 (Japan)</sup>
<b>Water Sustainability</b>	Water use efficiency <b>+20%</b> <sup>*1</sup>	Reduce water use at water-scarce sites	Total water savings from water-saving products <b>2 billion m<sup>3</sup> per year</b> <sup>*3</sup>	Provide safer and better tasting water
<b>Circular Economy</b>	Improved waste recycling rates <b>90%</b> <sup>*2</sup>	Promote use of recycled and renewable materials	Enhance resource efficient products and solutions	Reduce difficult-to-recycle waste plastics
	Use of recycled aluminium <b>100%</b>	Reduce single-use plastics in packaging	Build take-back systems for 'product to product' use	

\*1 Baseline year Fiscal year ended 2019 \*2 By the fiscal year ending March 2026 \*3 By the fiscal year ending March 2025 \*(All targets are for the fiscal year ending March 2031, unless otherwise noted)

## CLIMATE CHANGE MITIGATION AND ADAPTATION

We are promoting climate change mitigation and adaptation through company-wide initiatives across our business processes, products and services to achieve LIXIL's net-zero CO<sub>2</sub> emissions target and by solutions that contribute to energy efficiency and CO<sub>2</sub> emissions in end-use.

### Our Approach

Nineteen percent of global energy-related CO<sub>2</sub> emissions are from direct emissions by the building and construction materials industries, and another 18% are due to indirect emissions from the use of buildings and homes in use.<sup>\*1</sup> LIXIL set long-term targets to reduce CO<sub>2</sub> emissions to net zero by 2050 by reducing the environmental burden of our operations and providing environmentally sound products and services. This long-term target became the first in the Japanese building materials industry to receive SBT Net Zero approval in March 2024.<sup>\*2</sup> We announced our Transition to a Low-Carbon Society in April 2024, defining measures and actions by phase: Our Operations, Our Value Chain, and in Expanding Our Impact.

Furthermore, LIXIL's commitment to reducing CO<sub>2</sub> emissions is not limited to its business processes, products and services, but extends across society. We provide solutions for users to take measures against natural disasters or to prevent heat stroke, helping them adapt to climate change.

<sup>\*1</sup> United Nations Environment Programme  
(<https://globalabc.org/our-work/tracking-progress-global-status-report>)

<sup>\*2</sup> LIXIL Becomes First Japanese Building Products Company to Receive SBT Net-Zero Approval for 2050 Zero CO<sub>2</sub> Emissions Target  
([https://newsroom.lixil.com/20240403\\_sbt\\_netzero](https://newsroom.lixil.com/20240403_sbt_netzero))

### Our Operations

By FYE2031, LIXIL set the target of reducing CO<sub>2</sub> emissions from our

business sites (Scope 1 & 2) by 50.4% (vs. FYE2019). Aside from thorough energy-saving measures at our plants and offices, we are working to improve energy efficiency and reduce energy consumption by encouraging electrification, or to 100% renewable electricity, or from petroleum-based fuels to natural gas, and converting to hydrogen fuel. In addition, we have solar power generation facilities operating at six factories in Japan and a total of 15 including overseas. These facilities use on-site Power Purchase Agreements (PPAs) with additionality, which encourages further investment for new renewable energy facilities. In 2024, our renewable energy ratio reached 28.3%.

### Our Value Chain

By FYE2031, we set the target for reducing CO<sub>2</sub> emissions from our supply chain (Scope 3) by 30% (SBT WB-2°C level<sup>\*3</sup>) (vs. FYE2019). With the increasing demand to reduce CO<sub>2</sub> emissions throughout the lifecycle of buildings, which include direct emissions related to building construction and indirect emissions during building use, we are working with our suppliers to cut emissions in procurement and logistics, and by designing energy-efficient products. We are also shifting towards the use of low-carbon raw materials and components, recycled materials, and by further promoting reusable product designs.

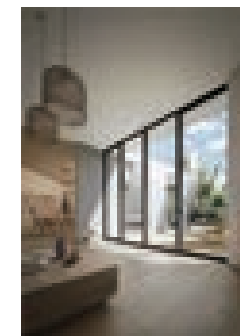
In FYE2024, with the aim of cutting CO<sub>2</sub> emissions in our procurement, we held briefings on calculating emissions for approximately 400 major suppliers in Japan, and additional sessions to

provide emissions calculation tools to those interested in starting carbon emissions calculations.

<sup>\*3</sup> A Science Based Target (SBT) level of well below 2°C to keep global temperature rise to well below 2°C above pre-industrial levels

### Expanding Our Impact

LIXIL has set targets for increasing the product ratio of high-performance windows for new detached houses to 100% by FYE2026, and the product ratio of energy- and water-saving faucets and toilets to 100% by FYE2031. We are seeking to expand our impact to mitigate climate change by providing highly insulated windows and front doors; introducing high-performance construction methods for reinsulating entire homes including walls, ceilings, and floors; providing water-saving products; offering products with energy-creating functions and associated services; and with our IoT-driven delivery boxes. In FYE2024, we launched *GREEN WINDOW*, a sales strategy that provides recommendations on energy-saving window products to match regional climate characteristics in Japan. Using a lifecycle assessment, we can calculate the product's total CO<sub>2</sub> emissions.



TW, a triple-glazed high-performance hybrid window (TOSTEM brand)

## WATER SUSTAINABILITY

LIXIL leads the water industry by elevating and creating environmental value for water through its conservation, circulation, and purification technologies.

### WATER SUSTAINABILITY

Approximately 2.2 billion people currently lack access to safe drinking water at home\*<sup>1</sup> and it is estimated that by 2050, more than 5 billion people worldwide will face water shortages.\*<sup>2</sup> Due to the growing population among other factors, total household use of water has increased six-fold since the 1960s.\*<sup>3</sup> LIXIL seeks to promote water sustainability by encouraging the responsible use of water in business processes and providing safe, better-tasting water for everyone to enjoy the full benefits of water, today and tomorrow.

\*1 Progress on household drinking-water, sanitation and hygiene 2000-2022: Special focus on gender(<https://www.who.int/publications/m/item/progress-on-household-drinking-water--sanitation-and-hygiene-2000-2022---special-focus-on-gender>)

\*2 「2021 State of Climate Services: Water」(<https://library.wmo.int/idurl/4/57630>)

\*3 World Resources Institute.(WRI) : Domestic Water Use Grew 600% Over the Past 50 Years (<https://www.wri.org/insights/domestic-water-use-grew-600-over-past-50-years>)

### Our Operations

LIXIL set targets for improving water use efficiency (water intake/production output) by 20% until FYE2031 (vs. FYE2019). At water-scarce sites, we take appropriate steps to improve water efficiency, recycle water, and manage wastewater. In FYE2023, we used approximately 660,000m<sup>3</sup> of recycled water. In addition, we conduct annual surveys to identify water risks at all 83 of our production sites that use water in their manufacturing processes and take measures

based on the survey results at each site. We also participate in the Corporate Engagement Program by the Science Based Targets Network (SBTN) and help formulate guidelines for water risk assessments. At our factory in Thailand, where the risk of water shortages is high, we adopted a water circulation system for recycling rainwater and factory wastewater. We continually optimize our water consumption at our sites, and reduced our annual industrial water usage by approximately 72,700m<sup>3</sup> in FYE2024 (vs. FYE2023).

### Our Value Chain

LIXIL has set the target to contribute to a global reduction of 2 billion m<sup>3</sup> per year in water consumption by FYE2025. We help reduce the water consumption by end users through various products and services such as energy- and water-saving faucets and toilets, and IoT-enabled water leakage prevention solutions such as smart controllers.

### Expanding Our Impact

LIXIL is working to reduce the risk of groundwater contamination by increasing access to safe sanitation facilities and safer water. LIXIL Public Partners (LPP) is an organization that seeks to strengthen cooperation between the public and private sectors, and is currently conducting trials to introduce wastewater-treatment facilities and water-efficient fixtures and fittings in rural areas of the U.S. that lack access to public

sewage systems. In areas with access to tap water, we are introducing water purification faucets and cartridges to provide safer and better-tasting water. With the aim to introduce differentiated filtration products that are tailored to each market, we conduct water-purification research and development at X-Water Fab Tokoname (Tokoname, Aichi) and X-Water Lab Tokyo (Tokyo) in Japan and at other sites and bases around the world.



GROHE *Everstream*, a shower system that makes it possible to recycle water

## CIRCULAR ECONOMY

LIXIL is expanding company-wide sustainability and circularity of raw materials throughout the entire lifecycle of products across its procurement, production, end-use and disposal.

### Our Approach

It is estimated that the world’s consumption of resources will double by 2050.\* At LIXIL, we carry out circular production and waste reduction across the entire product lifecycle, from procurement of raw materials, including metals, timber, resin, and ceramics, through to manufacturing, product use, disposal, and recycling. We do this through the sustainable use of raw materials and a design design approach geared toward reducing resource use or considerate of product reuse. While the amount of plastic waste has more than doubled worldwide over the past 20 years, the recycling rate remains at a stubbornly low 9%. Fueled by the LIXIL Plastics Action Statement announced in FYE2021, we are working to reduce plastic use, recycle plastics, and develop alternative materials.

\* With resource use expected to double by 2050, is better natural resource use essential for a pollution-free planet, UN Environment Programme (<https://www.unep.org/news-and-stories/press-release/resource-use-expected-double-2050-better-natural-resource-use>)

### Our Operations

By FYE2026, LIXIL has set a target for increasing the recycling rate of its waste generated from in business sites to 90%, globally. We are enhancing the resource efficiency at our plants by improving manufacturing processes for raw material use and waste reduction, by promoting the recycling of waste generated, and by converting wood chips into biomass fuel.

### Our Value Chain

With the goal of promoting the sustainable use of resources and reducing waste across our entire value chain, we are working to minimize the use of new resources by increasing the ratio of recycled or renewable materials used in our products, such as aluminum, recycled resin and wood.

LIXIL has set a target for increasing the ratio of recycled aluminum used in the housing business to 100% by FYE2031. In FYE2024, we launched *PremiAL R100*, which is made from 100% recycled aluminum, as well as *GREEN WINDOW*, a sales strategy proposing window products focusing on resource efficiency and energy savings that effectively reduce CO<sub>2</sub> emissions by matching regional climate characteristics in Japan.

We are also working to reduce single-use plastic packaging, expand our supply of resource-efficient products designed for durability and reuse, and creating circular systems that encourage product-to-product recycling.

### Expanding Our Impact

As part of our efforts to develop circular materials, and to promote the effective use of difficult-to-recycle waste plastics, in FYE2023, we developed a circular material called *revia*, that combines most types of waste plastics, including composite plastics, and waste wood generated from the demolition and repair of buildings. To contribute to the

realization of a circular economy, we working to build ecosystems that spans across procurement to production, sales construction and collection of waste plastics through collaboration with stakeholders, including public partnerships.



*PremiAL R100*, a low-carbon aluminum profile made from 100% recycled aluminum

## RESPONSE TO TCFD AND TNFD RECOMMENDATIONS

LIXIL announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) in March 2019. Since FYE2022, we have been publishing disclosures based on the TCFD recommendations. In December 2023, LIXIL endorsed the Task Force on Nature-related Financial Disclosures (TNFD) recommendations and joined the TNFD Forum.\* We also registered as a TNFD Early Adopter in January 2024.

In FYE2024, we integrated our environmental disclosures based on TCFD and TNFD recommendations to include climate change, natural-capital and biodiversity which were previously part of our disclosures in association with environmental issues.

\*TNFD Forum: <https://tnfd.global/engage/tnfd-forum/>

	Overview	Reference
<b>Governance</b>	<p>LIXIL's Board of Directors receives biannual reporting on progress against targets and action plans for environmental issues and other material issues from the Board of Executive Officers for discussion and oversight. Deliberations on measures to address risks and opportunities associated with climate change and loss of nature and biodiversity, as well as discussions on the management and monitoring of company-wide targets are conducted by the Environmental Strategy Council (ESC) *. Decisions on these matters are made by the Impact Strategy Committee, and the Board of Executive Officers then discusses and approves targets and action plans.</p> <p>*Former Environmental Strategy Committee</p> <p>Recognizing the link between human rights and environmental issues, including natural capital and biodiversity, the LIXIL Human Rights Principles was established to show our commitment to build business activities on a fundamental respect for human rights. We spare no effort to engage all our stakeholders in dialogue on human rights issues connected to our business activities, including our employees and customers, suppliers and other business partners, shareholders and investors, and people living in the local communities where we operate.</p>	<p>Corporate Governance at LIXIL <b>P.67</b></p> <p>Human rights <b>P.59</b></p> <p>Stakeholder Engagement <b>P.93</b></p>
<b>Strategy</b>	<p>LIXIL conducts scenario analyses to identify the risks and opportunities that climate change poses to its value chain. Under the 1.5°C and 4°C scenarios, we identified the transition risks due to changes in policies, regulations, and markets brought about by climate change, as well as the physical risks such as extreme weather events, to determine their financial impact. Recognizing that climate change issues are connected to water and recycling of resources, biodiversity, and other environmental issues, we are working on initiatives that reflect them in our environmental strategies.</p> <p>To identify the dependencies and impacts on natural capital and biodiversity across our value chain, as well as the risks and opportunities, we carried out assessments based on the LEAP approach recommended by TNFD. The key risks and opportunities identified by the LEAP approach have been found to be associated to our climate initiatives, and we have confirmed that our efforts to address nature-related issues have already been reflected in our strategies.</p>	<p>Climate change, water and resources <b>P.50</b></p>
<b>Risk and Impact Management</b>	<p>For climate- and nature-related dependencies, impacts, risks, and opportunities, LIXIL identifies key risks and opportunities and assesses their impact under the direction of the ESC. After judging the importance of each business risk, we plan and implement countermeasures at all levels of organization and monitor their progress for continuous improvement.</p>	<p>Risk Management <b>P.76</b></p>
<b>Metrics and Targets</b>	<p>LIXIL discloses its performance according to its set metrics to assess and manage climate- and nature-related dependencies, impacts, risks, and opportunities. We also disclose our performance by the indicators set for our medium-term targets toward achieving the LIXIL Environmental Vision 2050.</p>	<p>Environmental Medium-Term Targets <b>P.51</b></p> <p>ESG Data</p>

Please see this disclosure report for more details.



Strategies to address environmental issues including climate change, natural capital and biodiversity

Risk and opportunity category			TCFD		TNFD		Estimated financial impact		Strategic response	Strategic response Metrics and targets	
							1.5°C scenario	4°C scenario			
Risk	Transition	(1) Increased operating costs due to introduction of carbon taxes	●		¥10 billion*1	No additional tax burden	<ul style="list-style-type: none"> <li>Improve energy use efficiency</li> <li>Expand the use of renewable energy</li> <li>Strategic capital investment</li> <li>Verify implementation of decarbonization technologies</li> </ul>	<ul style="list-style-type: none"> <li>CO2 emissions reductions by FYE2031 (vs. FYE2019)</li> <li>Scope 1 &amp; 2 CO2 emissions: -50.4%</li> <li>Scope 3 CO2 emissions: -30%</li> </ul>	<ul style="list-style-type: none"> <li>Net Zero Scope 1, 2 and 3 emissions by 2050</li> </ul>		
		(2) Increased raw material and component procurement costs due to market changes	●		Financial impact not calculated due to lack of parameters necessary for quantification					<ul style="list-style-type: none"> <li>Procurement of low-carbon materials and components</li> <li>Promote resource-conscious design</li> <li>Supplier engagement</li> <li>Effective and circular use of resources at our plants</li> </ul>	<ul style="list-style-type: none"> <li>Recycling rate of waste to 90% globally by FYE2026</li> </ul>
		(3) Lack of compliance in regard to introduction and tightening of laws and regulations related to the environmental impact of our plants		●	—						
	Physical (acute)	(4) Loss of sales opportunities arising from damage to our plants due to typhoons, floods, etc. caused by climate change	●	●	¥1.5 billion*2		<ul style="list-style-type: none"> <li>Promote business continuity planning (BCP)</li> <li>Systematic facility investments and upgrades</li> </ul>	—			
	Physical (chronic)	(5) Loss of sales opportunities arising from the suspension of operations at the Company's plants due to a decrease in available water resources, such as from droughts, water pollution, etc.	●	●	Financial impact not calculated due to lack of parameters necessary for quantification				<ul style="list-style-type: none"> <li>Improve efficiency of water usage and introduce water circulation systems</li> <li>Promote water risk management at our plants</li> </ul>	<ul style="list-style-type: none"> <li>Improve water use efficiency at our business sites by 20% by FYE2031 (vs. FYE2019)</li> </ul>	
Opportunities	(6) Increased demand for energy-saving products and services for new ZEH construction and energy-efficiency remodeling	●		¥20 billion*3	Maintain current trends	<ul style="list-style-type: none"> <li>Develop and promote eco-friendly products (high-performance windows, solar photovoltaic systems, high-efficiency housing, energy- and water-saving faucets and showers, etc.)</li> <li>Develop and promote low emission products using recycled materials (resin window frames, artificial wood decks, etc.)</li> <li>Same as (5)</li> <li>Develop and promote disaster prevention and mitigation products (storm shutters, sun blinds, storage of electricity, Resilience Toilet, etc.)</li> <li>Develop and expand sales of water-saving and water-purifying products</li> <li>Help provide safe water and reduce the risk of water pollution</li> </ul>	<ul style="list-style-type: none"> <li>100% product ratio of high-performance windows for new detached houses in Japan by FYE2026</li> <li>100% product ratio of energy- and water-saving faucets and toilets in Japan by FYE2031</li> </ul>				
	(7) Increased demand due to changes in consumer preferences regarding environmentally friendly initiatives, such as products using low-carbon materials, increasing the percentage of recycled materials used and raising the water recycling rate	●	●	Financial impact not calculated due to lack of parameters necessary for quantification				<ul style="list-style-type: none"> <li>Ratio of recycled aluminum used to 100% by FYE2031</li> </ul>			
	(8) Increased demand for products related to disaster preparation, response, and recovery	●							—		
	(9) Increased demand for products and services that help conserve water or improve water quality	●								<ul style="list-style-type: none"> <li>Through water-saving products, global reduction of 2 billion m<sup>3</sup> per year in water consumption by FYE2025</li> </ul>	

\* Based on TCFD's scenario analysis

\*1 Financial impact calculation is based on the assumption that a carbon tax (using IEA's estimates of carbon prices considered necessary to achieve the 1.5°C target) is imposed on Scope 1 and 2 carbon emissions.

\*2 Average loss is calculated based on the following steps: (1) identified any production sites with flood risks (based solely on production site location; risk mitigation measures set forth in our business continuity plans (BCP) are not incorporated), using the World Resources Institute's (WRI) Aqueduct Floods tool and hazard maps provided by Japanese municipalities; and (2) multiplied two factors: the number of days of stalled operations for sites in each inundation height zone indicated in Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) Manual for Economic Evaluation of Flood Control Investment; and the daily production volume of each site.

\*3 Profit calculated based on the share, price, and profit margin of key products. This calculation assumes an increased ZEH percentage of new and existing housing in 2030 to achieve the Japanese government's 66% CO2 reduction target for the residential sector by 2030.

\*4 Excluding use-phase emissions from products that indirectly consume energy such as hot water supply during use.

## DIVERSITY & INCLUSION

LIXIL aims to help realize an inclusive society by meeting diversifying customer needs through innovations that leverage the knowledge and perspectives of our diverse workforce, and by taking initiatives on awareness-raising activities to promote understanding of diversity & inclusion (D&I).

### Our Strategy

LIXIL is committed to providing innovative products and services that meet the diverse needs of customers in order to realize its goal of making better homes a reality for everyone, everywhere. To achieve sustainable growth by ensuring a truly customer-centric approach and realizing innovation that meets diverse needs, we believe it is important to build inclusive environments that enable a diverse range of employees to demonstrate their true potential. To that aim, we actively promote D&I.

In March 2020, we established a global department responsible for developing company-wide measures for promoting D&I. In FYE2021, we set up the D&I Committee consisting of our CEO as chairperson and other executive officers and leaders, and updated our D&I Strategy and promotion measures. Our D&I promotion has now shifted away from the formulation of company-wide strategies and measures into a new phase of activity led by individual departments. Therefore, from FYE2025, we decided to change the members of the committee, including the chairperson, from executive officers to department heads who will participate in lively discussions and promote initiatives based on the latest situation in each of their departments. To mark this changed format, the name of the organization will be changed from the D&I Committee to the D&I Council.

On a quarterly basis, updates on the initiatives driven by our D&I strategy that are discussed and deliberated in the D&I Council, are then reported to the executive officers through the Impact Strategy Committee. This facilitates timely resolutions to accelerate the momentum of D&I initiatives within LIXIL.

Our D&I Strategy seeks to embed a culture of inclusion across LIXIL and to achieve gender equity by FYE2030. Recognizing the challenges our company faces, such as the gender pay gap and low proportion of female managers, we formulated an action plan to achieve our targets, and we are implementing measures that incorporate D&I perspectives into our HR policies, talent development, and improvement of workplaces.

LIXIL's Global People Strategy focuses on three main pillars designed to strengthen human Embed inclusion into our DNA, Elevate talent across the enterprise, and Enhance employee experience. These initiatives are also important for achieving the medium-term goals for our D&I strategy.

Our employees are the major driving force behind our value creation. LIXIL aims to meet diversifying customer needs by leveraging any innovations generated by employees demonstrating their true potential through these initiatives. We will also promote numerous internal and external collaborations to help ensure everyone can live a healthy and

comfortable life regardless of age, gender, and level of disability.

Aiming to create an inclusive society that enables diverse groups of people to live invigorating lives while respecting those around them, we promote Universal Design (UD) that is easy for everyone to use, and conduct awareness-building activities that foster understanding of D&I.



### Working to Establish an Inclusive Culture

We added inclusion as one of the outcome indicators in our LIXIL Voice employee opinion surveys, and are visualizing progress and implementing measures based on the results of the survey to help achieve our declared goal of establishing an inclusive culture.

- Employee Resource Groups (ERGs): We launched five ERGs on a global scale focusing on gender equality, multiculturalism, disabilities, working parents and caregivers, and LGBTQ, and implemented various activities to help build an inclusive environment. We assigned an executive officer to each group to support the group’s activities as an executive sponsor.
- D&I Promotion Program: We conduct workshops on utilizing the Leaders’ Guide to Advancing D&I.

### Empowering Women and Ensuring Meritocracy in the Workplace

Since April 2022, in pursuit of further empowering women and establishing a merit-based workplace where individuals are evaluated regardless of age, gender, or nationality, we have been implementing a new human resources system that adopts a job-based grade system in Japan.

For managers, we have revised the grade system based on duties and responsibilities, and introduced a system that more strongly reflects individual contributions and performance in compensation decisions. In addition, we have abolished the work location-specific employment system (regional wages), which had typically been utilized by more female employees than male employees. LIXIL is accelerating efforts to correct gender imbalances through these changes

by, for example, eliminating wage differences that reflect the possibility of future job transfers and adopting a merit-based compensation system that corresponds to individual job duties and responsibilities.

Meanwhile, we have incorporated a D&I perspective into our People & Organizational Development (POD) process to help develop better succession plans for key positions, and are working to identify and nurture promising female talent throughout the company. As a follow-up POD measure, we launched the Female Talent Outreach Program in FYE2024 that seeks to improve the leadership skills of specifically selected talents.

### Promoting Diverse and Flexible Work Styles

We are working to expand mechanisms for supporting flexible workstyles, childbirth, childcare, and nursing care and to cultivate the right atmosphere to enable employees to maintain a high level of performance throughout different life stages.

In Japan, we are implementing various measures to achieve a 100%\* rate for paternity leave among male employees by 2025. We distribute relevant information on the 19th day of each month, designated as the day for promoting better understanding of childcare leave. We are also working to promote awareness and understanding of male childcare leave. In FYE2024, we implemented some decisive measures that included setting up an advice desk and encouraging eligible male employees to take childcare leave.

\* The target only covers directly hired employees and encompasses our internal Spouse Birth or Childcare Leave (Papa’s Childcare Leave) system.

### Promoting Universal Design (UD)

LIXIL defines our UD concept as “Good for One, Good for All, Good for a Lifetime,” and provides housing and water-related products, such as the Body Hug Shower, that suit diverse ways of living. We are also conducting research and making proposals for public toilet systems that everyone can use comfortably and with peace of mind, and offer an A-SPEC cloud-based service that leverages our expertise and proposal experience to public toilets free of charge which are designed automatically.

### Promoting Broader Understanding of D&I

In addition to providing training on UD for our employees, we offer outreach classes for elementary school students and participatory classes where students get to learn about diversity through parasport activities. We also share information on our UD website and LIXIL Public Toilet Lab website as part of our effort to help create an inclusive society.



Universal Run participatory class: Learning about diversity through sports

## HUMAN RIGHTS

Based on the LIXIL Human Rights Principles, we strive to uphold the human rights of all stakeholders, including customers, suppliers and other business partners, residents living near our factories and offices, and our employees.

### Human Rights Principles

LIXIL’s business activities are built on a fundamental respect for human rights. The LIXIL Human Rights Principles are founded in accordance with international standards, including the International Bill of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the United Nations (UN) Guiding Principles on Business and Human Rights. We also promote efforts to respect the rights of all humans, including those of children based on the approach of the Children’s Rights and Business Principles developed by UNICEF. If there are any discrepancies between the internationally recognized standards and local laws and regulations, we adhere to the higher commitment. If any contradictions exist, we seek a way of respecting international standards while complying with local laws and regulations.

LIXIL Human Rights Principles stipulate key human rights issues, such as prohibiting discrimination, forced labor and child labor, respecting freedom of association and collective bargaining, and ensuring decent wages and working hours. The principles also clearly state that we comply with laws and regulations regarding human trafficking, equal pay for equal work, immigrant labor, etc. In addition, the principles state that we also expect our business partners, including suppliers, to support and adopt similar principles.

LIXIL periodically reviews and updates the principles to continue to become a better protector of human rights. In

FYE2022, we revised the Human Rights Principles with the approval of the Board of Executive Officers and approval of the Board of Executive Officers, which were then signed by the CEO. Within this, we specified in more detail the establishment of our governance structure, the key human rights issues identified in FYE2021, and our human rights due diligence process. We also implemented the concern-raising system for people to raise concerns and demonstrated our overall commitment to reducing human rights risks.

 [LIXIL Human Rights Principles >](#)

### LIXIL’s Key Human Rights Issues

In addition to establishing our Human Rights Principles, LIXIL has identified key human rights issues as ‘areas of focus’ to manage and mitigate potential risks. We are intensifying our efforts to advance these key areas of focus by establishing a well-defined priority order. This is derived from regular human rights risk surveys conducted with our employees, ensuring that our strategies are informed and focused.

- Provide equal opportunities and prohibit discrimination
- Prohibit forced and child labor
- Respect freedom of association and collective bargaining
- Ensure decent wages and working hours
- Ensure occupational health and safety
- Prohibit harassment
- Legal, fair, and transparent acquisition and use of personal data

### Our Governance

LIXIL has established the Human Rights Due Diligence Task Force, comprising members from a broad range of departments. In addition, the executive officer in charge of legal, compliance, and corporate auditing oversees progress on human rights issues through a governance structure. We are using these systems to strengthen our company-wide human rights due diligence and promote transparent reporting. Any important policies and measures relating to human rights due diligence are reported to the Impact Strategy Committee when required and, in turn, the Impact Strategy Committee reports to the Board of Executive Officers and the Board of Directors.

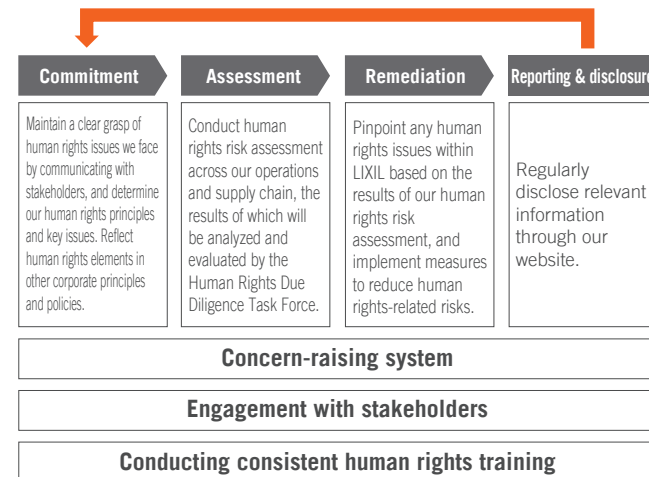
### Key Activities Designed to Strengthen Our Commitment

FYE2016	Formulated the LIXIL Human Rights Principles
FYE2018	Established Human Rights Due Diligence Task Force
FYE2021	Identified LIXIL’s seven key issues as focus areas for mitigating potential human rights risks
FYE2022	<ul style="list-style-type: none"> <li>• Appointed the executive officer in charge of legal, compliance, and corporate audit to oversee human rights issues</li> <li>• Revised the Human Rights Principles, which were approved by the Board of Executive Officers and signed by the CEO</li> <li>• Conducted a human rights survey of all global employees (including indirect employees)</li> </ul>
FYE2023	Implementation of “Questionnaire on Human Rights and Compliance”
FYE2024	Implementation of “Questionnaire on Human Rights and Compliance”

## Our Human Rights Due Diligence Process

We seek to mitigate human rights risks by analyzing and assessing potential risks using the following human rights due diligence process.

### Human Rights Due Diligence Process



In FYE2022, we conducted a human rights survey of all global employees, including indirect employees, and, from FYE2023, we included some questions on key human rights focus areas in the LIXIL Voice, our annual global employee opinion survey. These surveys have helped confirm potential human rights risks, such as discrimination, excessive overtime work, harassment, and the handling of personal information. We have analyzed the causes of such risks and taken preventative

measures. In FYE2024, we continued the good work started in FYE2023 by implementing the following initiatives to strengthen in-house education and training. We also focused on enhancing measures to optimize working hours and prevent overworking, and encourage employees to take holidays and annual leave.

- Members from the Human Rights Due Diligence Task Force who are responsible for promoting business and human rights at LIXIL took part in UNDP Business and Human Rights Academy training and an individual guidance session with human rights experts (in October 2022 and January 2023).
- Conducted business and human rights training with an external expert for directors and executive officers, from which videos and materials (in Japanese and English) were made available to all employees via internal social media (in March 2023)
- Published a video montage of messages about human rights from our global leaders, including the CEO (in November 2022)
- Strengthened communication via internal social media where all employees can access by sharing information and knowledge about human rights more frequently (now done once per month on average throughout the year)
- Regularly conducted awareness-building and/or training programs for all employees on topics such as compliance, information security, D&I, and harassment (throughout the year)


In addition to surveys on human rights, we also conduct occupational safety audits, employee opinion surveys and responsible procurement surveys as part of our efforts to identify and mitigate potential human rights risks in our own business and our wider supply chain.

## Concern-Raising System and Grievance Mechanism

LIXIL has established a concern-raising system that is operated in accordance with its policies on confidentiality, prohibition of retaliation, and procedures for reporting concerns.

We receive concerns through the LIXIL Compliance Hotline – Speak Up!, which is available online in 18 languages and accessible to all group employees, including those at subsidiaries outside Japan, and external stakeholders such as suppliers and other business partners. In Japan, we also provide a reporting channel with external lawyers serving as contacts. We accept anonymous reporting through either channel.

 Concern-Raising System>

 Data on reports of possible compliance issues: See p.84

## RESPONSIBLE SUPPLY CHAIN MANAGEMENT

We are committed to promoting responsible procurement that upholds the environment and human rights, and strengthening partnerships with suppliers.

### Our Approach

We base our procurement on the Ten Principles of the United Nations Global Compact (UNGC) in the four areas of human rights, labor, environment, and anti-corruption. In accordance with the UNGC principles as well as our Procurement Principles and our Global Policy on Third Party Compliance for Suppliers, we seek to build sound partnerships with global suppliers to carry out procurement activities. Based on the LIXIL Human Rights Principles, we strive to ensure that our business partners and suppliers uphold human rights within their own organizations.

Our Supplier Code of Conduct has been translated into multiple languages and distributed to suppliers, requiring them to respect human rights, observe international labor standards, conserve the global environment, and ensure fair business conduct.

Additionally, we created Green Procurement Guidelines outlining our policy and standards for procuring parts and materials that exert the least impact on the environment. In Japan, we endorsed the objectives of the “Conference on Promoting Partnership Building for the Future” promoted by the Cabinet Office and the Small and Medium Enterprise Agency, and announced the “Declaration for Building Partnerships.” Following guidelines set by the Japan Fair Trade Commission and other government agencies, we established our Policy on Arrangements for Appropriate Transaction Prices in January 2024 to share with our business partners and throughout the company. Going forward, we plan to monitor the policy’s implementation on an ongoing basis to ensure its proper use.

Please click on the links below for related policies and guidelines:

- [LIXIL Procurement Principles >](#)
- [Supplier Code of Conduct >](#)
- [Green Procurement Guidelines >](#)
- [Declaration for Building Partnerships \(Japanese only\) >](#)

### Management Framework for Responsible Procurement

To select new suppliers and monitor existing suppliers, we assess their status on the required sustainability initiatives in our Supplier Code of Conduct. For suppliers determined from the assessment to require remediation, we conduct site visits, online interviews, and provide other opportunities for dialogue to discuss remediation plans and offer support in carrying them out. If remedial action has not been taken within a given time period, or if it has proven to be difficult to mitigate or prevent negative impacts on human rights or the environment, we may consider the option of ending our business relationship.

### Responsible Procurement Survey, Remediation, and Support

At LIXIL, we identify important suppliers based on whether they provide a critical component/product, the difficulty of getting substitutes, the scale of transactions in monetary terms and other factors. For the suppliers we have identified, we give priority to conducting a responsible procurement survey and monitoring, as well as providing remediation and offering support. Survey results form part of the basis for selecting suppliers or determining whether to continue business with an existing partner. For suppliers that are classified as high risk because their conformity rates are substandard, we provide site visits, education, and other forms of individual guidance.

### Cutting Carbon Emissions Across the Supply Chain

In FYE2024, we held briefings on LIXIL’s procurement activities and emissions accounting for approximately 400 of our major suppliers in

Japan, who are collectively responsible for the top 80% of our total CO<sub>2</sub> emissions. At the same time, we provided Scope 1, 2, and 3 calculation tools and held briefing sessions on how to use them for suppliers intending to start calculating CO<sub>2</sub> emissions. Going forward, we intend to continue providing support for further carbon reductions through discussions with individual suppliers. We are also planning to collaborate with our suppliers outside Japan.

### Company Training - Human Resource Development for Buyers

Members of LIXIL’s headquarters procurement department oversee purchasing compliance training session for buyers at operating sites in Japan and overseas three times a year. At least one of these training sessions is focused on human rights.

### Responsible Procurement Survey Results

Activities	KPI	FYE2024	
		Targets	Results
Distribute Procurement Principles, follow up on survey results and related activities	Coverage ratio (based on purchased amount)	Japan	90% (1,200)
		Overseas	90% (427)
	Total conformity rate	Japan	90%
		Overseas	—*1 91%
Improvement rate	Japan	100%	

Scope: Suppliers to LIXIL Corporation and its subsidiaries.

Figures in parentheses represent the number of applicable companies.

Japan: Procurement by operating sites in Japan

Overseas: Procurement by operating sites outside Japan

\*1 Not fixed yet as the scope is now under reconsideration.

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We will engage in deliberations aimed at sustainable growth while valuing the fundamental principles of our approach.



**Yuji Nishiura**  
Chairperson of the Board of Directors

We will continue our deliberations at the Board of Directors, while sharing the following perspectives with our stakeholders.

**Continuous evolution of governance**

Corporate governance is the foundation for the sustainable growth in corporate value. For several years, the Board of Directors has worked on establishing and strengthening this foundation. As a result, our governance has received increasing recognition from external parties. However, rather than being complacent with the status quo, we are working to further solidify and evolve our foundation.

**Further growth over the medium- to long-term**

The business environment surrounding LIXIL is drastically

changing, and this is also affecting our current performance. We will pay close attention to the response of the executive team to these changes, and we will make sure that the measures are not merely short-term.

Our goal is to improve sustainable corporate value. However, even if it affects short-term performance, we will not neglect investment necessary for sustainable growth. We will also consider an approach to dividends based on medium- to long-term performance outlooks.

**Fostering innovative product sectors**

In recent years, LIXIL has focused on bringing to market innovative products and services unique to our company. While the sales volume may be small at the present, we expect significant growth in the future, and these materials and products could potentially become our driving force and core businesses in years to come. The Board of Directors will exercise its supervisory function from the perspective of fostering medium- and long-term business and assess the potential of those new businesses.

**Embodying human capital management**

The idea a human capital strategy that views human resources as capital instead of a cost is gaining traction. Rather than just paying lip service, the Board of Directors is moving forward with concrete discussions about the action to take and the changes to be made. In

addition, we are increasingly focusing on diversity and inclusion from the perspective of enhancing our capital.

**Creating an impact on society and the environment**

The Board of Directors will pay close attention to its efforts to realize a decarbonized, recycling-oriented society, including significantly reducing CO<sub>2</sub> emissions and energy consumption in housing as well as utilizing recycled materials. In other words, we will work to solve societal issues through our business activities.

**Main Agenda Items of Board of Directors for FYE2024**

Note: Excludes agenda items related to financial results

Themes	Main agenda items
Growth Strategy and Improving Corporate Value	<ul style="list-style-type: none"> <li>Discussions on the progress of the LIXIL Playbook for each business (confirmed in monthly executive officer reports)</li> <li>Discussions on initiatives for achieving mid-term growth strategy and goals (November and March)</li> <li>Discussions on challenges and opportunities for achieving long-term growth (March)</li> </ul>
Corporate Governance	<ul style="list-style-type: none"> <li>Periodic reports and discussions from three statutory committees and the Governance Committee (CEO succession plan, outside director succession plan, response to the Board of Directors' effectiveness evaluation, etc.) (monthly)</li> </ul>
Impact Strategy Promotion	<ul style="list-style-type: none"> <li>Reports on progress of initiatives in priority areas based on impact strategy (global sanitation and hygiene, water conservation and environmental sustainability, diversity and inclusion) (September and March)</li> </ul>
Other Key Themes	<ul style="list-style-type: none"> <li>Status of material management risks and risk management initiatives (October)</li> <li>Status of cyber risk response (December)</li> <li>Direction of shareholder return (September, February, March, etc.)</li> </ul>



## THE BOARD OF DIRECTORS' EFFECTIVENESS EVALUATION

The evaluation is performed to confirm the effectiveness of the Board of Directors and the committees, and to identify medium- to long-term issues with regard to improving their effectiveness.

### Evaluation Results for FYE2024

Implemented an evaluation carried out by an external specialized agency (distribution of questionnaire to Directors and Executive Officers and individual interviews of Directors)

<b>Main focuses and objectives during evaluation</b>	<ul style="list-style-type: none"> <li>① Whether progress on the three priority issues of the previous fiscal year has been achieved</li> <li>② How well the Board of Directors is operating, with a focus on improving corporate value from a medium- to long-term perspective</li> <li>③ Assessment of issues related to the composition of the Board of Directors and committees from a medium- to long-term perspective</li> </ul>
<b>Results summary (evaluation by outside specialist)</b>	<p>It was confirmed that the effectiveness of LIXIL's Board of Directors is ensured. However, it was also confirmed that there is room for improvement to discuss how to improve corporate value, such as by holding substantive discussions and ensuring adequate communication between supervisors (directors) and executives (executive officers, etc.)</p>

### Initiatives and Priority Issues for FYE2025

As a result of deliberations by the Governance Committee, the following priority issues were set for further improving the effectiveness of the Board of Directors and its committees. The Company will move forward with measures to resolve these issues.

Priority issues
① Secure and materialize the established oversight system
② Further support to integrate outside directors
③ Enhance communication among directors and between directors and executive officers

### Board of Directors' Members, Meetings Convened, and Attendance in FYE2024

Member	Independent directors	Meetings convened	Attendance
Kinya Seto		15	15
Sachio Matsumoto		15	15
Jin Song Montesano		15	14
Masatoshi Matsuzaki	○	15	15
Jun Aoki*	○	12	12
Shigeki Ishizuka*	○	12	12
Shiho Konno	○	15	15
Mayumi Tamura	○	15	15
Yuji Nishiura	○	15	15
Daisuke Hamaguchi	○	15	15
Mariko Watahiki	○	15	14

\* Appointed June 21, 2023

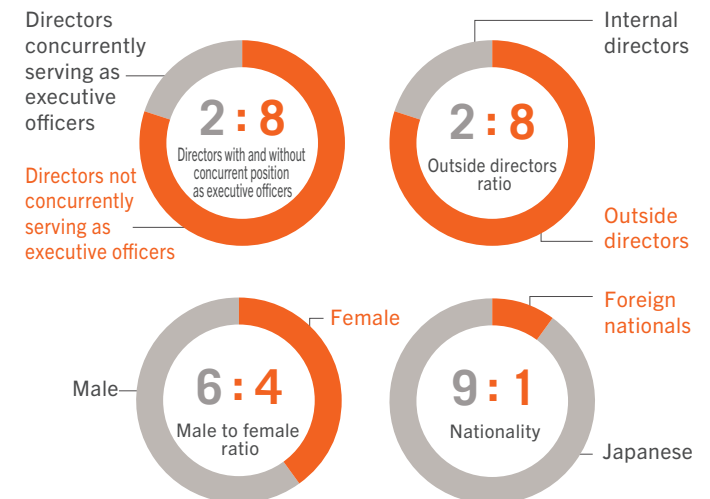
## COMPOSITION OF THE BOARD OF DIRECTORS

### Skills Required of Directors

The Board of Directors needs to be comprised of personnel who have abundant experience and specialized knowledge, etc. in order to appropriately supervise the Company's execution of business. The Nomination Committee has determined the experience, knowledge, and expertise that it believes to be particularly important, as set forth on page 16 and below under "Skill Item" ("Skills") for the reasons set forth in " Reason for Choice of Skill Item" below, and it believes that it is important for the Board of Directors as a whole to be provided with those skills. Under its corporate Purpose of "making better homes a reality for everyone, everywhere", the Company is proceeding with initiatives aimed towards both society and achieving sustainable growth through the strategic initiatives and Impact Strategy laid out in the "LIXIL Playbook," which is its medium-to-long-term management direction. Toward that end, the Company believes that in order for the Board of Directors to effectively fulfill its supervisory function with respect to the execution of business, from the perspective of "sustainability" should be considered as the "attitude or perspective" that all directors should possess, rather than considered to be "skills." We expect that the supervisory function will be demonstrated through all expert skills such as "Practical Experience in Corporate Management," "Accounting, Finance, or M&A," "Risk Management," and "Human Resources, Development, or Labor."

### Board of Directors' Members in FYE2025

(As of June 19, 2024)



## COMPOSITION OF THE BOARD OF DIRECTORS

### Experience, knowledge and expertise required of the Company's directors

The Company clarifies the skills possessed by each director candidate based on the following criteria and identifies those skills that the Nomination Committee particularly expects the candidate to demonstrate with respect to outside directors.

● : The following criteria are used to identify the skills items that each director possesses.

■ (Background color) : Indicates the skills that the Nomination Committee expects outside directors to demonstrate in particular.

Skills	Criteria	Reason for Selecting Skills	Kinya Seto	Jin Song Montesano	Jun Aoki	Shigeaki Ishizuka	Ryusuke Otori	Shiho Konno	Mayumi Tamura	Yuji Nishiura	Daisuke Hamaguchi	Marko Wataniki
Practical experience in corporate management	Experience in an executive role such as a CEO in a business corporation	To ensure sustainable growth of the Company and improvement of corporate value from a medium- to long-term perspective, we provide effective oversight based on high-level corporate management experience to implement strategies set out in the LIXIL Playbook and promote management through appropriate risk taking while considering profitability and growth based on the cost of capital	●	●	●	●			●	■		
Experience in global business and management	Experience in an overseas business for a certain period of time (about three years)	To ensure sustainable growth of the Company and improvement of corporate value from a medium- to long-term perspective, we provide effective oversight based on high-level corporate management experience to implement strategies set out in the LIXIL Playbook and promote management through appropriate risk taking while considering profitability and growth based on the cost of capital	●	●	●	●			●		●	
Experience in negotiating with government agencies	Experience in external affairs with government agencies and as a policy committee member for national or various organizations	To aim to resolve social issues through our products, services, and business processes and support governance, which is the foundation of our corporate activities	●	●	●		●	●		●	●	●
Knowledge of accounting, finance, and M&A	Sufficient knowledge to offer recommendations and advice to the Board of Directors on activities such as accounting, finance, M&A, etc.	To ensure sustainable growth of the Company and improvement of corporate value from a medium- to long-term perspective, we provide effective oversight on formulating financial strategies to build a strong financial base, promote growth investments (including M&A) based on the cost of capital, and achieve stable profit returns	●				●		●	●	●	
Knowledge of legal and compliance	Sufficient knowledge to offer recommendations and advice to the Board of Directors on activities such as legal affairs, compliance, etc.	To build and oversee a fair and transparent governance and compliance system, which forms the foundation for sustainable growth of the Company and improvement of corporate value from a medium- to long-term perspective	●				●	●	●		●	●
Knowledge of risk management	Sufficient knowledge to offer recommendations and advice to the Board of Directors on activities such as risk management, etc.	To ensure sustainable growth of the Company and improvement of corporate value from a medium- to long-term perspective, we accurately identify apparent and latent risks and provide effective oversight to support appropriate risk taking and decisive decision-making in management execution	●	●	●	●	●	●	●	●	●	●
Knowledge of human resources training, development, and labor	Sufficient knowledge to offer recommendations and advice to the Board of Directors on activities such as human resources training, development, labor, etc.	To oversee the advancement of our global human resources strategy from the perspective of human capital management by focusing on incorporating inclusion into the foundation of the Company, investing in human resources development, and enhancing the employee experience	●	●	●	●	●	●		●		●
Knowledge of sales and marketing	Sufficient knowledge to offer recommendations and advice to the Board of Directors on activities such as sales, marketing, etc.	To provide effective oversight on responding to changes in market and customer trends, utilizing a wide brand portfolio, and optimizing business operations	●		●	●				●		
Knowledge of manufacturing, technology, and R&D	Sufficient knowledge to offer recommendations and advice to the Board of Directors on activities such as manufacturing, technology, R&D, etc.	To provide effective oversight of the steady implementation of strategies set out in the LIXIL Playbook, value creation through innovation, development and manufacture of products and services, and promotion of quality improvement	●		●	●						
Knowledge of IT and digital	Sufficient knowledge to offer recommendations and advice to the Board of Directors on activities such as IT, digital, etc.	To provide appropriate oversight of information security systems, digital transformation (DX) of existing business, development of new businesses, and implementation of management strategies contributing to improved productivity.	●			●		●	●	●		

\* The number of Company shares and Phantom Stocks held are as of June 1, 2024.

Profiles and reasons for nomination of directors are available on our corporate website.

[www.lixil.com/en/about/board/](http://www.lixil.com/en/about/board/)



**Kinya Seto**

Director, Representative Executive Officer, President, and Chief Executive Officer  
Number of Company shares owned: 625,627  
Number of Phantom Stocks held: 226,017



**Jin Song Montesano**

Director, Representative Executive Officer, Executive Vice President  
Human Resources, Communications, External Affairs, and Impact Strategy, and Chief People Officer  
Number of Company shares owned: 99,985  
Number of Phantom Stocks held: 57,813



**Jun Aoki**

Outside Director  
Chairperson of Compensation Committee, Member of Nomination Committee, and Member of Governance Committee  
First-class architect  
Number of Company shares owned: 0  
Number of Phantom Stocks held: 2,625



**Shigeki Ishizuka**

Outside Director  
Member of Audit Committee, Member of Compensation Committee, and Member of Governance Committee  
Number of Company shares owned: 0  
Number of Phantom Stocks held: 2,625



**Ryusuke Ohori**

Outside Director  
Member of Nomination Committee, Member of Audit Committee, and Member of Governance Committee  
Number of Company shares owned: 0  
Number of Phantom Stocks held: 0



**Shiho Konno**

Outside Director  
Member of Audit Committee, and Member of Governance Committee  
Lawyer  
Number of Company shares owned: 0  
Number of Phantom Stocks held: 2,625



**Mayumi Tamura**

Outside Director  
Member of Audit Committee, and Member of Governance Committee  
Number of Company shares owned: 0  
Number of Phantom Stocks held: 2,625



**Yuji Nishiura**

Outside Director  
Chairperson of the Board of Directors, Member of Nomination Committee, Member of Compensation Committee, and Member of Governance Committee  
Number of Company shares owned: 0  
Number of Phantom Stocks held: 2,625



**Daisuke Hamaguchi**

Outside Director  
Chairperson of Audit Committee and Chairperson of Governance Committee  
Number of Company shares owned: 0  
Number of Phantom Stocks held: 2,625



**Mariko Watahiki**

Outside Director  
Chairperson of Nomination Committee, Member of Compensation Committee, and Member of Governance Committee  
Lawyer  
Number of Company shares owned: 5,000  
Number of Phantom Stocks held: 2,625

At LIXIL, corporate governance is founded on execution of the business by management and oversight of management's actions by the Board of Directors. Directors. However, the Board of Directors' role goes beyond resolving important policies and simply supervising management execution. The board facilitates the construction of a framework to establish an environment that supports risk-taking by management and to ensure decision-making is transparent, fair, quick, and decisive. During this fiscal term, the Board of Directors has been working to create a common understanding of the "ideal way of oversight" for the Board of Directors. Subsequently, the Board of Directors prioritizes topics that contribute to improving corporate value from a medium- to long-term perspective as agenda items, oversees the appropriateness of risk management and implementation of reforms and other aspects, and provides guidance as needed to ensure sustainable growth and improved corporate value of the Company.

### Impact Strategy Promotion and Risk Management Structure

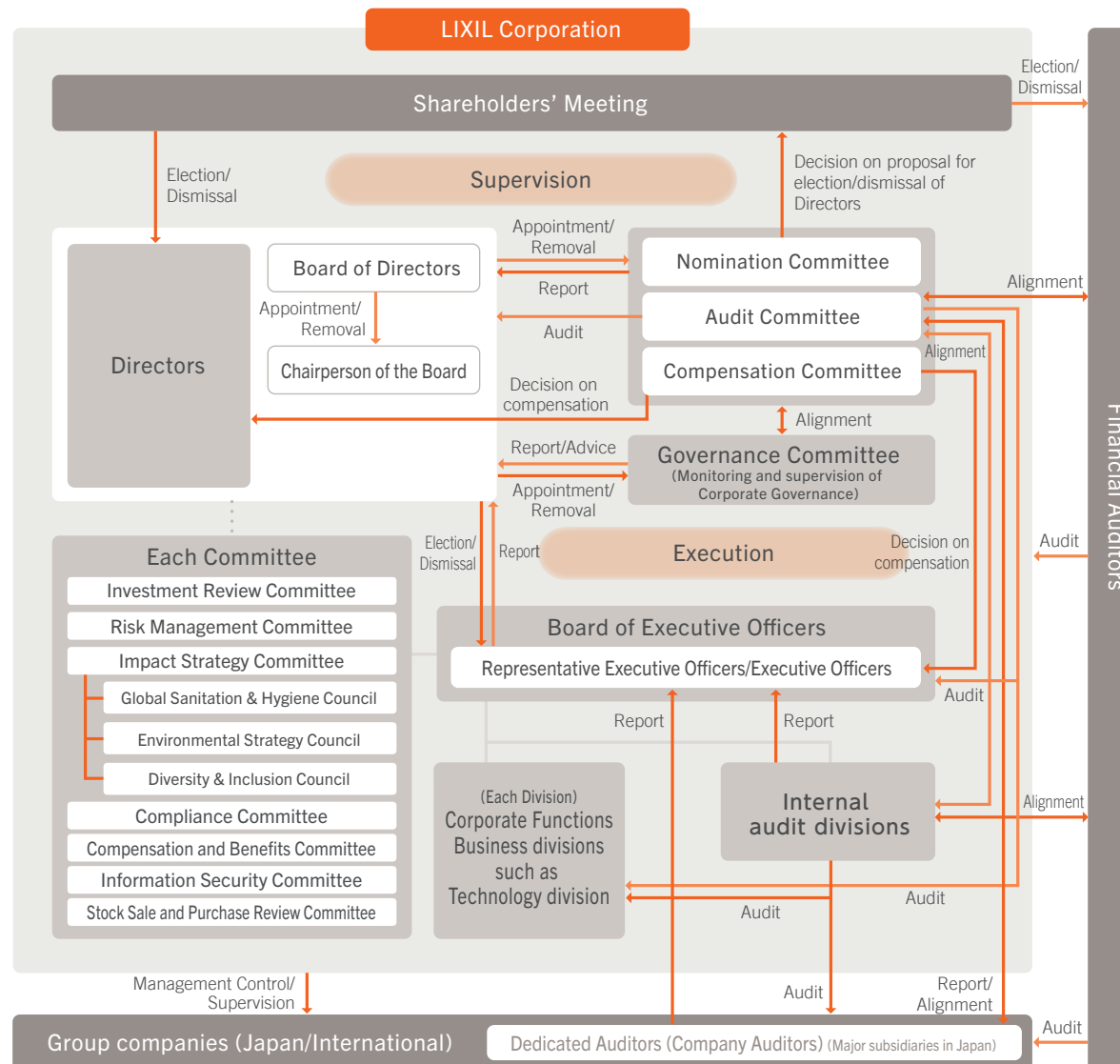


The Board of Directors is responsible for reviewing the Impact Strategy formulated by the executive team and approving it as a policy, and verifies whether this policy is aligned with LIXIL's management strategies (in terms of allocation of management resources to priority areas such as investments in human capital or intellectual property; business portfolio composition; and other aspects).

For further details regarding the Company's corporate governance, internal control systems, and other related matters, please visit our corporate website.

[www.lixil.com/en/about/governance/](http://www.lixil.com/en/about/governance/)

### Governance Structure As of June 19, 2024



		Promoting sustainability		
		2021	2022	2023
			<ul style="list-style-type: none"> <li>Approved Corporate Responsibility Strategy policy<sup>*3</sup></li> </ul>	<ul style="list-style-type: none"> <li>Approved transition to Impact Strategy</li> </ul>
Strengthening the perspective of “effectiveness and transparency”				
<b>Construction of governance structure</b>	<ul style="list-style-type: none"> <li>Introduced and disclosed skills matrix for the Board of Directors</li> <li>Established the Governance Committee</li> <li>Changed the composition of three statutory committees and the Governance Committee to solely independent outside directors</li> <li>Established CEO succession plan</li> </ul>	<ul style="list-style-type: none"> <li>Increased the number of outside directors to seven (ratio of outside directors: 70%)</li> </ul>	<ul style="list-style-type: none"> <li>Increased the number of outside directors to eight (ratio of outside directors: 73%)</li> </ul>	<ul style="list-style-type: none"> <li>Guidelines for the action of outside directors established as internal regulations</li> </ul>
	<b>Initiatives to strengthen Board effectiveness</b>	<ul style="list-style-type: none"> <li>Conducted mutual nomination ballot of outside directors (overseen by an external organization)</li> <li>Approved annual budget for Board of Directors and committees’ activities<sup>*1</sup></li> <li>Implemented training for directors and executive officers (training sessions, site visits, and others) and systematized orientation for directors and executive officers at the time of their appointment<sup>*1</sup></li> <li>Implemented assessment of executive officers by an outside professional organization</li> </ul>	<ul style="list-style-type: none"> <li>Outsourced evaluation of the effectiveness of the Board of Directors to a specialized external organization<sup>*2</sup></li> </ul>	<ul style="list-style-type: none"> <li>Revised basic policy on internal control systems (strengthening the authority of the audit committee over the internal audit department, etc.)</li> </ul>

\*1 Conducted annually since then \*2 Outsourced at least once every three years thereafter \*3 Transitioned from Corporate Responsibility Strategy to Impact Strategy in 2023

## Support System for Outside Directors

The following activities are regularly held to deepen the understanding of LIXIL’s various businesses and important management issues.

### Site Visits and Training Sessions

We hold training sessions given by outside lecturers for all officers at least once a year. In addition, we conducted site visits for outside directors, such as presentations on new technology and product exhibitions in various business areas, as well as visits to our IoT showcase home “MILAIE LABO.” The home is built based on the concept of future living spaces.

### Providing Information for Substantive Discussions by the Board of Directors

We are implementing the following measures to deepen understanding of LIXIL’s businesses and promote substantive Board

discussions.

- (1) Preliminary briefings on important topics
- (2) Provision of basic information about the LIXIL group, including internal glossary, production systems, personnel composition, etc.

### Providing Information to Newly Appointed Outside Directors

Shortly after assuming office, outside directors receive guidance about their responsibilities from executive officers. In addition, outside directors participate in inspections of key facilities, such as primary factories in Japan and flagship showrooms.



Outside directors at the LWT Japan new technology review meeting

## Number of Meetings Held during FYE2024\*1

<b>Board of Directors</b>	15
Made decisions on matters specified by law, basic management policies, and important management matters, while deliberating on medium- to long-term growth strategies and strategies to improve corporate value. In addition, oversaw the conduct of duties of directors and executive officers.	
<b>Nomination Committee</b>	13
Made decisions on the content of proposals to be submitted to the Shareholders' Meeting regarding the election and removal of directors. Reported its opinion to the Board of Directors after due consideration and deliberation, such as on the election, appointment, removal, and dismissal of candidates for executive officer, executive officer with responsibility, and Representative Executive Officer, and on the appointment and dismissal of the Chairperson of the Board, members, and chairpersons of each committee.	
<b>Audit Committee</b>	14
In addition to auditing the conduct of duties by directors and executive officers, discussed and made decisions on auditing policy, auditing plans, and the content of proposals to be submitted to the Shareholders' Meeting regarding the election and removal of financial auditors.	
<b>Compensation Committee</b>	14
Made decisions regarding the compensation of directors and executive officers and their individual compensation received from the Company as consideration for duties.	
<b>Governance Committee</b>	8
Continually enhances the Company's corporate governance, discusses or advises the Board of Directors on matters such as reviewing and amending the LIXIL Corporate Governance General Policy, and manages the implementation of the evaluation of the effectiveness of the Board of Directors.	
<b>Board of Executive Officers</b>	15
As the decision-making body responsible for the execution of business activities in accordance with the basic policies approved by the Board of Directors, this Board decided on important matters relating to the execution of business in the Company and the LIXIL group of companies as a whole.	
<b>Investment Review Committee*2</b>	27
Deliberated and made decisions on material investments (excluding those relating to M&A), financing, and matters relating to the establishment, reorganization, and restructuring of subsidiaries (conducted by the Company and its subsidiaries) within the authority delegated by the Board of Executive Officers.	
<b>M&amp;A Committee*3</b>	24
Deliberated and made decisions on matters relating to M&A (including divestment of business) conducted by the Company and its subsidiaries, within the authority delegated by the Board of Executive Officers.	
<b>Risk Management Committee</b>	1
Deliberated on uncertain events (risks) that could present opportunities or threats to the achievement of our business objectives, considered the need for measures and formulated response strategies, and also reported on company-wide risk management to the Board of Directors and the Board of Executive Officers.	

<b>Impact Strategy Committee</b>	4
Coordinated the advancement of LIXIL's sustainability commitments by overseeing the execution of priority initiatives and ensuring the development, alignment and achievement of goals within the Impact Strategy. The Committee also led the management of LIXIL's material issues and maintained robust communication with the Board of Directors, the Board of Executive Officers and relevant councils.	
<b>SATO Advisory Board*4</b>	4
Reviewed and provided guidance on SATO's overall business strategy and key operational issues such as annual targets and strategic plans, internal and external partnerships, and risk management. The SATO Advisory Board was dissolved at the end of FYE2024. A new governance structure was put in place, with business review occurring under LIXIL's business governance, and the impact progress and other LIXIL initiatives happening in this area reported through the Global Sanitation & Hygiene Council.	
<b>Environmental Strategy Committee*5</b>	4
Established and implemented environmental strategies, including the formulation of regulations and policies related to environmental governance, deliberation and decision-making on measures to address environment-related issues, and management and monitoring of group-wide environmental targets.	
<b>Diversity and Inclusion Committee*6</b>	1
Supervised formulation and implementation of basic diversity and inclusion policies and roadmaps throughout the LIXIL group of companies.	
<b>Compliance Committee</b>	4
Resolved the important compliance strategy and plans as well as reported on training and promotional activities of the LIXIL group of companies.	
<b>Compensation and Benefits Committee</b>	6
Made decisions regarding compensation and benefits structures for executives as well as employees of the Company and the LIXIL group of companies and executives' individual compensation, except for the matters to be exclusively resolved by the Compensation Committee, while monitoring HR policies in terms of compensation and benefits.	
<b>Information Security Committee</b>	4
As the committee responsible for decision-making on fundamental matters related to group-wide information security and data privacy, decided on and approved relevant policies, resolved issues, approved implementation of countermeasures, and conducted measures to ensure awareness.	
<b>Group Credit Committee*3</b>	5
Resolved and deliberated on credit management related to business transactions with third parties conducted by the Company and its subsidiaries in order to accelerate decision-making and enhance effectiveness of governance.	
<b>Stock Sale and Purchase Review Committee</b>	6
Conducted reviews and examined insider trading regulations in order to prevent rule violations as well as to fulfill the Company's social responsibilities as a business in the event that officers or employees give prior notification they will be engaging in the sale or purchase of the Company's shares and others.	

## Status of Cross-Shareholdings

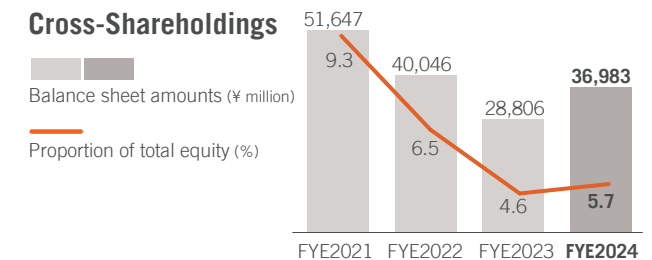
The Company maintains cross-shareholdings in cases where it is deemed necessary in terms of facilitating sales activities or as part of external alliances required for the Company's business activities. Every year, we conduct a comprehensive evaluation of each cross-held stock in terms of the status of business dealings between the issuer and the Company, the total amount invested, and whether the cost of capital matches the benefits and risks of the holding. The Board of Directors subsequently verifies the content of these evaluations. Due to changes in the LIXIL group's operating environment, we are working to reduce cross-shareholdings in cases where reevaluation indicates that the rationale for the cross shareholding is no longer valid. As a result, as of March 31, 2024, the total number of (listed) cross-held stocks was 44.

## Cross-Shareholdings and Balance Sheet Amounts\*

Category		FYE2021	FYE2022	FYE2023	FYE2024
Number of cross-held stocks	Listed	53	49	47	44
	Unlisted	102	98	88	82
	Total	155	147	135	126
Balance sheet amounts (¥ million)	Listed	50,317	38,733	27,236	35,670
	Unlisted	1,330	1,313	1,570	1,313
	Total	51,647	40,046	28,806	36,983

\* Cross-shareholdings held by the Company related to listed shares

## Cross-Shareholdings



\*1 We hold the committees not only in-person but also through appropriate methods such as the use of web-conferencing system.

\*2 As of April 2024, the functions of the M&A Committee and the Group Credit Committee have been consolidated. \*3 As of April 2024, merged into the Investment Review Committee.

\*4 Currently the Global Sanitation & Hygiene Council. \*5 Currently the Environmental Strategy Council. \*6 Currently the Diversity & Inclusion Council.



**Mariko Watahiki**  
Chairperson of the Nomination Committee

### Outlook on Long-term Issues and Direction of Initiatives

The Nomination Committee implemented initiatives to realize a transformation of the management team for the next generation to ensure sustainable growth of the Company.

- (1) Smooth replacement of chairpersons based on the succession plan for outside directors
- (2) Smooth transition to a new executive structure
- (3) Deliberations regarding the appointment of the CEO and dialogue with the current CEO
- (4) Confirmation of understanding of the next generation of human resources and status of their development

### Specific Initiatives and Progress in FYE2024

The initiatives to realize a transformation of the management team for the next generation proceeded as planned. In FYE2024, we particularly focused on the smooth replacement of chairpersons based on the succession plan for outside directors and the smooth transition to a new executive structure. One specific example is the implementation of a succession plan with an emphasis on maintaining the strong corporate governance structure developed over the years. This is based on the plan for the smooth replacement of outside

directors that was formulated in the previous fiscal year. Another example is the smooth transition of our structure to transform the management team for the next generation. This has been facilitated through dialogue between executives and next-generation talent. We have also monitored the development of next-generation leaders. Through these activities, we have built the foundation for transforming the management team for the next generation and further improved the quality of the Board of Directors and each committee. In FYE2024, these initiatives resulted in the retirement of the Representative Executive Officer (Vice President CFO), appointment of a new executive officer, succession of the Chairperson of the Board of Directors and a committee chairperson, and appointment of one new outside director candidate (retirement of one outside director).

### Key Initiatives and Future Direction

The Nomination Committee will implement activities to achieve sustainable qualitative improvement of corporate governance and realize a transformation of the management team for the next generation. Specifically, we will take the following actions:

- (1) Deliberate regarding the appointment of the CEO and monitor next-generation talent development based on the CEO succession plan
- (2) Identify management personnel who will lead the next generation and expand the list of executive officer successor candidates
- (3) Formulate a succession plan for outside directors to implement further qualitative improvement of the Board of Directors

### Nomination Committee Members, Meetings Convened, and Attendance in FYE2024

Member	Meetings convened	Attendance
Yuji Nishiura(Chairperson)	13	13
Jun Aoki* <sup>1</sup>	10	10
Masatoshi Matsuzaki* <sup>2</sup>	13	13
Mariko Watahiki	13	13

\*1 Appointed June 21, 2023 \*2 Resigned June 19, 2024

### Nomination Committee Members\* in FYE2025

Member
Mariko Watahiki(Chairperson)
Jun Aoki
Ryusuke Otori
Yuji Nishiura

\* Since June 19, 2024



**Daisuke Hamaguchi**  
Chairperson of Audit Committee

**Outlook on Long-term Issues and Direction of Initiatives**

The role of the Audit Committee encompasses various tasks including auditing the execution of duties of directors and executive officers, ensuring the proper establishment and operation of internal control systems, and overseeing the audit procedures and reappointment assessment of accounting auditors. Since the start of the new audit committee in July last year, we have been working to strengthen organizational audits with the aim of enhancing the efficiency and effectiveness of our audit procedures. To accelerate these efforts, we have individually established priority themes, leveraging the expertise of each Audit Committee member, and are working to realize an ideal system through discussions with internal and external stakeholders.

**Specific Initiatives and Progress in FYE2024**

The Audit Committee convenes on a monthly-basis prior to the Board of Directors' meeting, and in FY2024, the committee met 14 times. Under the annual auditing plan, there were four opportunities for exchanging opinions with the representative executive officer and CEO and four interviews were held with executive officers. Members of the committee also attended

important internal meetings, such as those of the Board of Executive Officers.

At the monthly Audit Committee meetings, the Corporate Audit Division and the Compliance & Ethics Division presented reports, and the committee members gave directions as appropriate. Also, four meetings of company auditors assigned to group companies were held to confirm the status of internal control implementation by each subsidiary and to share group-wide auditing policies. During discussions with accounting auditors, we exchanged detailed information on the trends in sustainability information disclosure standards and Key Audit Matters (KAM), and deepened our understanding of goodwill assessment procedures and the audit situation overseas.

In addition to the above audit activities, each Audit Committee member proactively worked on priority themes, such as establishing rules for reappointing accounting auditors, strengthening the internal audit system, and reviewing the effectiveness assessment process for internal control systems, with the aim to strengthen organization audits. As a result, we were able to achieve positive results.

**Key Initiatives and Future Direction**

The composition of the FYE2025 Audit Committee was decided at the Board of Directors' meeting that took place after the Annual Shareholders' Meeting held on June 19, 2024. We will continue to develop and enhance our group audit framework both domestically and internationally and conduct transparent, efficient, and effective audit activities in order to strengthen our organizational auditing.

**Audit Committee Members, Meetings Convened, and Attendance in FYE2024**

Member	Meetings convened	Attendance
Daisuke Hamaguchi*(Chairperson)	9	9
Shigeki Ishizuka*	9	9
Shiho Konno	14	14
Mayumi Tamura	14	14

\* Appointed June 21, 2023

**Audit Committee Members\* in FYE2025**

Member
Daisuke Hamaguchi(Chairperson)
Shigeki Ishizuka
Ryusuke Ohori
Shiho Konno
Mayumi Tamura

\* Since June 19, 2024





**Jun Aoki**  
Chairperson of Compensation Committee

**Outlook on Long-term Issues and Direction of Initiatives**

For LIXIL, which has a global footprint in the housing materials and equipment sectors through multiple brands, it is crucial to have a competitive advantage in each market. Therefore, executive compensation plays a part in “strategic choices” to ensure the acquisition of talented personnel across diverse markets.

As executive compensation is an important management choice, it is required to function as a key lever in corporate management. For this reason, it is crucial for the Compensation Committee to fully understand the CEO’s expectations and evaluation of each officer and to confirm that executive compensation is conducive to increase corporate value which is a common objective for all stakeholders. In addition, it is extremely important to ensure transparency in the decision-making process and to be accountable for the fairness of the treatment.

Therefore, the Compensation Committee, based on objective data on compensation levels in each market and advanced case studies of executive compensation provided by external specialized agencies, engages in discussions with management and revises the executive compensation system

as necessary, and determines the individual compensation for each director and executive officer after verifying its validity and fairness.

**Specific Initiatives and Progress in FYE2024**

In FYE2024, we have deliberated from the perspective of whether the compensation system is fair and reasonable and accountable to all stakeholders.

In particular, the Compensation Committee has recognized the importance of motivation to achieve performance targets, and deliberated and made revisions as necessary after discussions with management on the nature of compensation mix and incentive compensation.

In FYE2024, Performance-linked Compensation was not provided to executive officers, and due to the severe performance in FYE2024, we have decided not to increase the Annual Base Salary for executive officers and outside directors in FYE2025, with the exception of certain executive officers with changes in role and responsibility.

**Key Initiatives and Future Direction**

Amid drastically changing economic and social conditions, we will continue our activities while monitoring whether the executive compensation system is functioning appropriately as a strong motivator for the management team to work together to create sustainable corporate value.

**Compensation Committee Members, Meetings Convened, and Attendance in FYE2024**

Member	Meetings convened	Attendance
Mariko Watahiki(Chairperson)	14	14
Jun Aoki* <sup>1</sup>	10	10
Yuji Nishiura	14	14

\*1 Appointed June 21, 2023

**Compensation Committee Members\* in FYE2025**

Member
Jun Aoki(Chairperson)
Shigeki Ishizuka
Yuji Nishiura
Mariko Watahiki

\* Since June 19, 2024

# EXECUTIVE COMPENSATION

## Compensation Basic Policies

The compensation for directors and executive officers shall be determined in accordance with the following basic policies.

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

## Compensation Structure

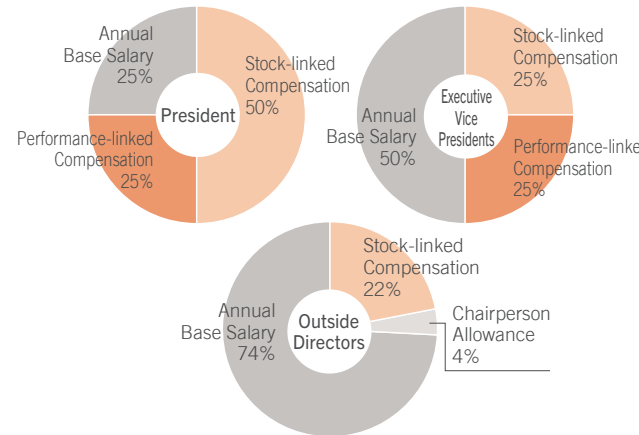
The compensation structures for directors who monitor and supervise the Company's management, and for executive officers who are responsible for the performance of business, shall be separate. When a director concurrently serves as an executive officer, the compensation system for executive officers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

## Compensation Mix

The Compensation Committee determines compensation for each officer based on the role and responsibility, business performance, experience and difficulty of securing personnel, etc. for each individual, as well as ESG action targets, etc. for each individual in line with the purpose of the compensation basic policies. The committee sets a higher ratio of Stock-linked Compensation to total compensation for officers who are expected to contribute significantly to improving corporate value from a medium- to long-term perspective, especially through structural

reform or initiatives related to ESG issues.

The chart below shows the base amount for Performance-linked Compensation and Stock-linked Compensation, which are different from the actual amount paid.



Note: The compensation of executive vice presidents and outside directors are the median values.

## Annual Base Salary

Annual Base Salary shall be determined individually, based on role and responsibility, business performance, experience and difficulty of securing personnel, etc. of each officer, while using the survey results conducted by external specialized agencies and comparing compensa-

tion levels with domestic and foreign companies of similar business scale, in line with the purpose of the compensation basic policies.

## Performance-linked Compensation

To encourage executive officers to work together to achieve single-year management goals and to ensure that they are fairly and equitably rewarded in accordance with the results of their performance, Performance-linked Compensation is calculated based on the company-wide performance targets as a basis for calculating the payout rate.

$$\text{Performance-linked Compensation} = \text{Base amount of Performance-linked Compensation} \times \text{Payout rate according to business target achievement rate}$$

The base amount of Performance-linked Compensation shall be calculated by multiplying the Annual Base Salary by the coefficient that is set based on the role and responsibility, etc. of each executive officer, in line with the purpose of the compensation basic policies. Business targets in FYE2024 included ROIC, core earnings, and profit for the year attributable to owners of the parent (net profit), the same as in FYE2023. In accordance with the table below, the payout rate for FYE2024 was 0% as business target achievement rate did not reach 50%.

There is no Performance-linked Compensation in the compensation system for non-executive directors.

## Business Target Achievement Rate for FYE2024

Business target items	Ratio versus all business targets	Target	Result	Business target achievement rate ((Result ÷ Target) × 100)
ROIC	40%	1.6%	0.9%	56.25%
Core earnings	30%	¥40,000 million	¥23,162 million	57.91%
Net profit	30%	¥11,000 million	¥-13,908 million	- 126.44%
Business target achievement rate for all items ( Total of each business target achievement rate multiplied by ratio versus all business targets )				1.94%

## Payout Rate According to Business Target Achievement Rate

Business target achievement rate	Payout rate
Less than 50%	0%
50% or more but less than 100%	Same as business target achievement rate
100% or more but less than 150%	((Business target achievement rate - 100) × 2 + 100)%
150% or more	200%

### Stock-linked Compensation

The Company has been applying Stock-linked Compensation in order to encourage directors and executive officers to deepen their shared interests with shareholders and work to create corporate value over the medium- to long-term. Stock-linked Compensation consists of the Phantom Stock Plan, which is a stock-linked monetary compensation plan applied for directors and executive officers from FYE2020, and the Restricted Stock Compensation Plan, which is applied for executive officers from FYE2024. The ratio of the Phantom Stock Plan and the Restricted Stock Compensation Plan for executive officers is, in principle, 50% for each.

### Stock-linked Compensation I: Phantom Stock Plan

In this compensation plan, the Company grants Phantom Stock to directors on the day of the Annual Shareholders' Meeting, and to executive officers on the first day of the fiscal year. The number of Phantom Stock granted shall be determined by dividing the base amount (which is calculated by multiplying the Annual Base Salary by the coefficient set based on the role and responsibility, etc. of each officer) by the stock price\* at the time of grant in line with the purpose of the compensation basic policies. The holding period of Phantom Stock is one year for directors and three years for executive officers, and the vesting amount shall be determined by multiplying the stock price\* at the time of vesting by the number of Phantom Stock held. In summary, the amount of compensation increases or decreases in accordance with changes in the stock price during the holding period.

\* The average closing price of the Company's stock for the 30 business days prior to each of the grant dates and the vesting date shall be used.

### Stock-linked Compensation II: Restricted Stock Compensation Plan

In this compensation plan, the Company allots, in principle, shares of restricted stock within two months of the first day of the fiscal year. The number of shares allotted shall be determined by dividing the base amount (which is calculated by multiplying the Annual Base Salary by the coefficient set based on the role and responsibility, etc. of each officer) by the stock price\* at the time of allotment in line with the purpose of the compensation basic policies. The transfer restriction shall be, in principle, lifted when the executive officer leaves office. However, if the executive officer remains an officer under the Companies Act, the transfer restriction shall be lifted when the person retires from that position.

\* In principle, the average closing price of the Company's stock for the 30 business days prior to April 1, the first day of the fiscal year, shall be used.

### Stock Ownership Guidelines

The Company has introduced Stock Ownership Guidelines from FYE2024, which provide recommendations for the number of the Company's shares to be held by executive officers during their term of office.

Representative executive officers: Three times the amount of Annual Base Salary  
Other executive officers: One time the amount of Annual Base Salary

### Malus and Clawback Provisions

With regard to Performance-linked Compensation and Stock-linked Compensation, if there has been any material accounting error by the Company or the Board of Directors determines that there has been a material violation, etc. by the officer concerned, the Compensation Committee may decide to reduce or cancel pre-vested compensation and/or demand the return of post-vested compensation based on such reasons.

### Total amount of compensation of Directors and Executive Officers for the Fiscal Year ended March 2024

Officer title	Total amount of compensation (¥ million)	Total amount of compensation by type (¥ million)					Number of officers receiving
		Annual Base Salary	Performance-linked Compensation	Stock-linked Compensation		Other	
				Phantom Stock	Restricted Stock Compensation		
Outside directors	178 (178)	144 (144)	—	34 (34)	—	—	10
Executive officers	1,060 (955)	621 (516)	—	213 (213)	225 (225)	1 (1)	8
Total	1,238 (1,133)	765 (660)	—	247 (247)	225 (225)	1 (1)	18

Notes:

- Amounts based on Japan standard.
- The total amount of Compensation shown above are stated as consolidated compensation, which are the total amount of Compensation paid by the Company and the Company's subsidiaries. The amount in parentheses is the total amount of Compensation paid by the Company.
- The amount of Annual Base Salary for outside directors includes chairperson allowance.
- Performance-linked Compensation and Stock-linked Compensation are the amounts that should be recorded as expenses for FYE2024.

## MESSAGE FROM THE CHAIRPERSON OF THE GOVERNANCE COMMITTEE



**Daisuke Hamaguchi**  
Chairperson of the Governance Committee

### Outlook on Long-term Issues and Direction of Initiatives

The Governance Committee complements the Board of Directors and the three statutory committees and works with them to enhance the Company's corporate governance. Furthermore, the Governance Committee leads the effectiveness evaluation of the Board of Directors. This evaluation is conducted to ascertain the Board's efficiency and that of each committee, as well as to identify areas for improvement (follow-up issues) to further enhance their effectiveness. As the Governance Committee is composed entirely of outside directors, it also provides a forum for free discussion to promote mutual understanding among outside directors, such as sharing an awareness of issues within the Board of Directors and committees.

### Specific Initiatives and Progress in FYE2024

The Governance Committee is a non-statutory standing committee that meets at least once a quarter and as

necessary based on the annual agenda. In FYE2024, the committee met a total of eight times.

In response to the previous fiscal year's follow-up issue of establishing ideal oversight of LIXIL's Board of Directors, the outside directors discussed and reached a consensus on what is expected of outside directors. Based on this, they deliberated on key topics requiring oversight and established these as agenda items for the Board of Directors.

In planning and implementing the effectiveness evaluation of the Board of Directors in the current fiscal year, the committee identified key items to confirm the progress of follow-up issues from the previous year and the progress on how well the Board of Directors is operating with a focus on improving corporate value from a medium- to long-term perspective, and all committee members reviewed the content of the questionnaire.

### Key Initiatives and Future Direction

During the effectiveness evaluation of the Board of Directors in the current fiscal year, the Governance Committee identified the need to enhance communication among directors and between directors and executive officers, and to establish and concretize a supervisory system. This year, the Governance Committee will further accelerate the development of a shared understanding to contribute to improved company governance, especially with a foundation for enhanced communication. In this way, outside directors with different areas of expertise can engage more fully in discussions at Board of Directors meetings.

### Governance Committee Members, Meetings Convened, and Attendance in FYE2024

Member	Meetings convened	Attendance
Masatoshi Matsuzaki* <sup>1</sup> (Chairperson)	8	8
Jun Aoki* <sup>2</sup>	7	7
Shigeki Ishizuka* <sup>2</sup>	7	7
Shiho Konno	8	8
Mayumi Tamura	8	8
Yuji Nishiura	8	8
Daisuke Hamaguchi	8	8
Mariko Watahiki	8	8

\*1 Resigned June 19, 2024 \*2 Appointed June 21, 2023

### Governance Committee Members\* in FYE2025

Member
Daisuke Hamaguchi(Chairperson)
Jun Aoki
Shigeki Ishizuka
Ryusuke Ohori
Shiho Konno
Mayumi Tamura
Yuji Nishiura
Mariko Watahiki

\* Since June 19, 2024

Risk Management

Approach and Structure

LIXIL and its group companies utilize enterprise risk management (ERM) across the group to ensure business continuity and stable development. As part of this drive, we have compiled our Risk Management Global Policy for all employees and executive officers that are broadly based upon the international ISO 31000 standard for risk management systems and the international COSO ERM Framework. We have also established various operational rules and regulations to build an effective risk management system.

The Chief Legal & Compliance Officer (CLCO) oversees the management and development of the group's risk management frameworks and systems. The CLCO chairs the Risk Management Committee, which reports any important matters that emerge during its deliberations to the Board of Executive Officers as the immediate supervising group. The Board of Directors receives regular reports from the CLCO and oversees the progress of risk management initiatives. The Audit Committee also receives reports from the Risk Management Department as part of its role in overseeing effective risk management.

Risk Management Initiatives

The group identifies risks that might impact its business activities and conducts annual group-wide risk assessments. Based on the assessment results, we then select risks that are important to us as a group. The results of the risk assessments and the list of material risks are reported by the head office Risk Management Department to the Risk Management Committee for resolution. The Committee places

Risk Management Initiatives (Years ended March 31)



the risks in order of priority and monitors them.

These risks are classified into strategic risks and operational risks. Strategic risks are broadly scrutinized from a medium- to long-term perspective in terms of management policy, business strategy, and Impact Strategy, as well as from the perspective of our stakeholders. In the case of operational risks, The risk owners are presumably responsible the measures to respond to these risks. The group strives to enhance the transparency of its risk management by disclosing information on material risks and countermeasures with due consideration of the level of risk appetite and tolerance.

Business Continuity Management and Planning

The group recognizes the importance of business continuity and promotes business continuity management (BCM) to ensure the continuation and swift recovery of business in the event of an emergency while minimizing damages. We have also compiled rules and guidelines that serve as our basic crisis management policy, and have strengthened the business continuity plans (BCP) to be followed in the event of

a crisis, such as a large-scale natural disaster or cyberattack. These policies and plans are reviewed and updated periodically. If a crisis were to occur that was considered to exceed a specific level in terms of scale or significance, a crisis response headquarters would be established at the head office to guarantee a prompt initial response and escalation.

The following information is available on our website. Business Risks

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

## Compliance

### LIXIL Code of Conduct

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

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

[https://www.lixil.com/en/about/governance/pdf/LIXIL\\_CoC\\_en.pdf](https://www.lixil.com/en/about/governance/pdf/LIXIL_CoC_en.pdf)

### LIXIL Human Rights Principles

The LIXIL group reviewed the LIXIL Human Rights Principles in June 2021, and made revisions to strengthen governance and efforts to respect human rights, and to improve the transparency of processes for addressing human rights issues and fulfilling accountability responsibilities.

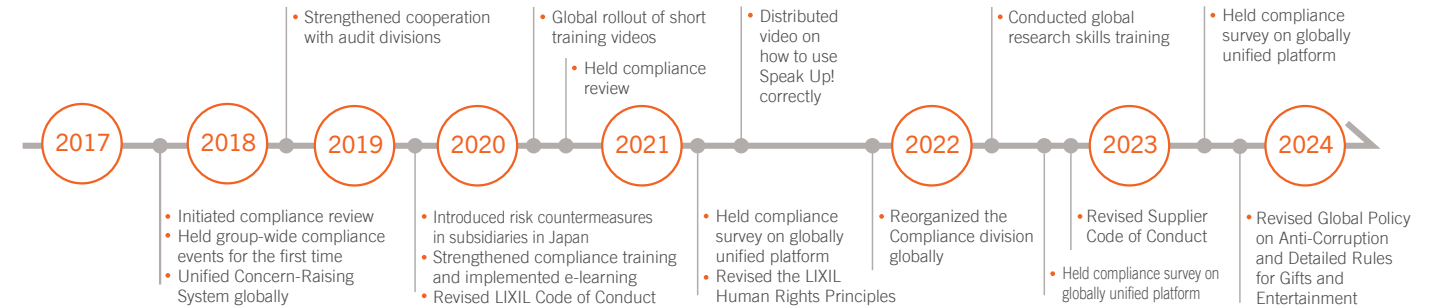
For further details regarding the Code of Conduct, please visit our corporate website.

[https://www.lixil.com/en/impact/society/h\\_rights.html](https://www.lixil.com/en/impact/society/h_rights.html)

### Compliance System

In addition to the Compliance Committees of the LIXIL group and affiliates in Japan, Compliance Committees have been established in each region. These committees provide a platform for reviewing initiatives and discussing countermeasures. LIXIL has worked to enhance risk management and further solidify the compliance culture and system of LIXIL and its group companies. The new system promotes efficiency and standardization of programs at the global level.

### Compliance Initiatives (Years ended March 31)



### Corporate Culture

LIXIL group management is working to raise compliance awareness and embed a culture of compliance through measures such as video messages about compliance from management. We also conduct educational events such as contests in Japan and globally so that employees can increase their compliance awareness in an engaging setting at their own pace.

### Education and Training Programs

The LIXIL group provides training on compliance and on laws and regulations for new employees, new managers, and executives. Programs are also conducted for all officers and employees on global policies. The LIXIL group has developed effective education and training programs suited to the risks of each area. In addition, the LIXIL group publishes newsletters and distributes information via the Workplace platform, and strives to continue cultivating employees' knowledge and awareness of compliance.

### Review Process

Employee awareness surveys (LIXIL Voice) with questions on compliance and human rights are completed annually by employees worldwide to gain an understanding of the permeation of the group's

compliance measures and human rights initiatives. The results are reported to both the Compliance Committee and the Impact Strategy Committee to promote efforts to cultivate a compliance culture and reduce human rights risks.

### Concern-Raising (Whistleblowing) System and Grievance Handling System

We operate the 24-hour concern-raising system Speak Up! with the aim of gathering information on compliance breaches, taking measures to prevent fraudulent and unlawful behavior, and responding quickly where action is required. Since 2017, the number of compliance concerns received has totaled between 300 and 400 per year for Japan and international operations combined. To facilitate greater understanding of how to use it and how the process works after a report is made, we produced animated videos, and we also periodically conduct programs to publicize the system. When a concern is reported, depending on the nature of the concern, the relevant department conducts an investigation, analyzes trends, and takes proactive measures such as organizational improvements and employee education to prevent wrongdoing and violations.

Human Rights: See P.59

Responsible Supply Chain Management: See p.61

## Internal Audit

### How LIXIL and Its Group Companies See Internal Audit

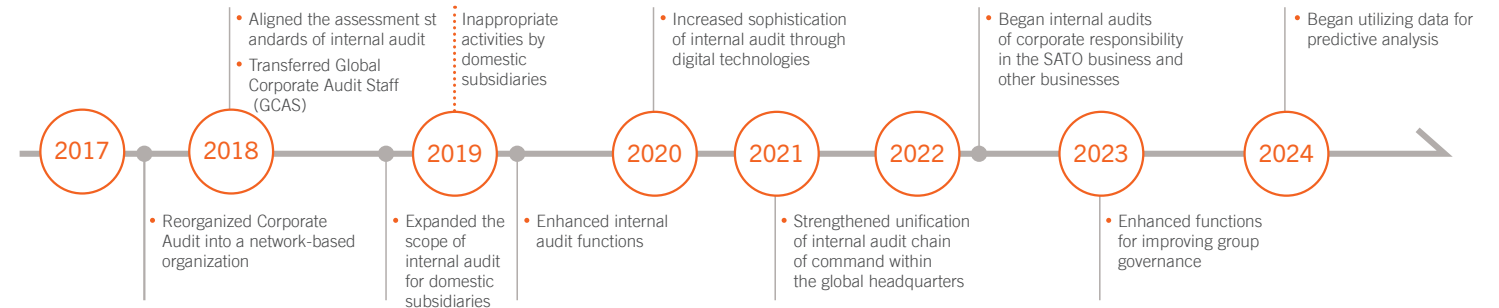
Corporate Audit, a corporate function, is responsible for managing the internal audit organizations of all LIXIL group companies in Japan and international markets, and ensures that all audits are conducted in a unified and comprehensive manner by integrating the internal audit chain of command. (At the end of March 2024, the number of people involved in the internal audit organizations of all LIXIL group companies totaled 62.) Corporate Audit is responsible for carrying out traditional internal audit processes such as accounting audits, operational audits, and assessments of internal controls. Additionally, it reviews internal audit systems and processes in order to help achieve sustainable group-wide growth, strengthen governance as well as internal controls, and contribute to the development of human resources.

Corporate Audit's overall mission is to provide quantitative value that contributes to strengthening the management foundation and quickly addresses changes in the internal and external environment through internal audit operations.

### Initiatives to Ensure the Effectiveness of Internal Audits

All audit organizations of LIXIL group companies, including our global teams, report to the leader of Corporate Audit, who, in turn, ensures detailed information is shared in a timely manner. Furthermore, Corporate Audit reports audit results each quarter to the Board of Executive Officers (management meeting comprised of executive officers) and attends regular meetings of the Audit Committee (comprised of outside directors), reporting on audit results, specific risk information, awareness of issues relating to group governance, and other

### Internal Audit Initiatives (Years ended March 31)



matters directly to the Audit Committee. In terms of organization, Corporate Audit operates under the executive officer in charge of internal audit, acts in close cooperation with the Audit Committee while taking into account the committee's instructions and advice, and makes regular reports directly to the external auditors. This structure ensures the independence and objectivity of audit functions. We plan to further improve group governance by increasing opportunities for internal audits to evaluate effectiveness at the request of the Audit Committee.

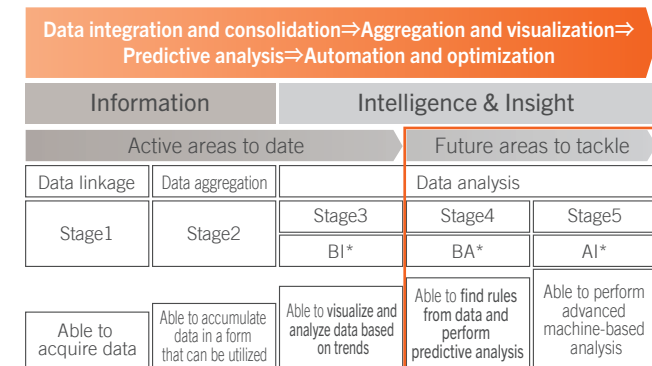
### Initiatives Launched to Audit Compliance and Non-financial Information

Corporate Audit has been emphasizing internal audit programs related to compliance in recent years. This has involved enhanced cooperation with the Compliance Department to confirm that group companies are properly managed to preclude violations of laws and regulations, reduce corporate risks and increase reliability. In addition, Corporate Audit in Europe has been piloting an Environment, Health and Safety (EHS) program. To supplement designated third-party external certification, local members are

conducting trials of sample-based audits. Initiatives in these areas require a medium- to long-term outlook, and will help prevent fraudulent acts and corruption, improve the integrity of operations, and enhance compliance awareness among management and employees.

### Further Accelerating the Digitalization of Internal Audits

To improve the sophistication and efficiency of audits, audit processes that leverage digitalization are becoming more important. To achieve this, we are strengthening data visualization and trend analysis, and we are venturing into data-based predictive analysis.



\* BI: Business intelligence BA: Business analytics AI: Artificial intelligence

# DATA

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04



# CONSOLIDATED 11-YEAR SUMMARY (LIXIL Corporation and Consolidated Subsidiaries)

Years ended March 31	JGAAP		IFRS								
	2014	2015	2016	2017	2018	2019	2020 *7	2021 *7	2022	2023	2024
<b>Results of Operations</b>											
Net sales (JGAAP) / Revenue (IFRS)	¥1,628,658	¥1,705,427	¥1,890,450	¥1,633,229	¥1,829,344	¥1,692,432	¥1,514,449	¥1,378,255	¥1,428,578	¥1,495,987	¥1,483,224
Operating income (JGAAP) / Core earnings (IFRS)	69,080	51,722	70,069	89,781	76,046	54,485	52,290	57,288	64,875	25,745	23,162
Operating income margin (JGAAP) / Core earnings margin (IFRS) (%)	4.2	3.0	3.7	5.5	4.2	3.2	3.5	4.2	4.5	1.7	1.6
Operating profit (IFRS)		48,041	39,011	69,251	59,107	49,011	32,010	35,842	69,471	24,903	16,351
Net income (loss) (JGAAP) / Profit (loss) for the year attributable to owners of the parent (IFRS)*1	20,952	30,864	(25,605)	42,503	54,581	(52,193)	12,518	33,048	48,603	15,991	(13,908)
Research and development expenses	17,380	18,211	25,523	26,089	27,875	28,188	27,508	23,975	22,864	23,536	24,339
Capital expenditures	64,321	61,454	72,083	68,215	69,953	67,639	68,635	68,498	48,634	55,349	52,873
Depreciation and amortization	49,168	50,404	62,205	60,701	64,661	68,502	105,557	84,786	80,722	81,900	81,330
EBITDA*2	124,822	102,126	132,274	146,441	140,707	120,053	134,832	137,895	145,597	107,645	104,492
<b>Cash Flows</b>											
Cash flows from operating activities	83,533	98,563	121,085	132,531	116,362	69,351	157,701	151,043	118,296	15,005	45,794
Cash flows from investing activities	(218,333)	(119,041)	19,122	(58,052)	(52,606)	(72,328)	(41,314)	(54,151)	(24,805)	(29,319)	(27,680)
Cash flows from financing activities	153,144	46,618	(154,403)	(79,899)	(43,843)	1,579	(153,285)	(93,425)	(108,094)	19,839	(3,673)
Cash and cash equivalents, end of year	139,039	147,708	129,646	121,563	138,751	141,421	95,862	111,061	100,404	106,677	124,485
<b>Financial Position</b>											
Total assets	1,786,294	1,915,427	2,130,120	2,042,165	2,107,131	2,059,544	2,091,529	1,741,814	1,782,882	1,853,534	1,886,595
Net assets (Net of non-controlling interests) (JGAAP) / Equity attributable to owners of the parent (IFRS)*3	593,487	583,747	524,806	547,244	616,897	533,656	502,165	552,271	612,385	625,433	642,511
Net assets (JGAAP) / Total equity (IFRS)	601,795	590,855	537,308	559,431	649,573	567,167	535,137	554,767	614,968	627,720	644,338
Net interest-bearing debt	463,479	559,971	697,413	638,345	549,159	584,537	736,689	484,444	424,299	511,723	552,707
<b>Per Share Data</b>											
Net income (loss) per share (JGAAP) / Earnings (loss) per share (IFRS) (EPS) (¥)*1	¥72.06	¥105.80	¥(89.33)	¥148.01	¥189.13	¥(179.98)	¥43.15	¥113.92	¥167.21	¥55.54	¥(48.43)
Net assets per share (JGAAP) / Equity attributable to owners of the parent per share (IFRS) (BPS) (¥)	2,041.34	2,038.56	1,828.84	1,902.18	2,128.77	1,839.59	1,730.99	1,902.89	2,106.30	2,178.77	2,237.53
Dividends per share (¥)	55	60	60	60	65	70	70	75	85	90	90
<b>Key Indicators</b>											
EBITDA to sales ratio (%)*2	7.7	6.0	7.0	9.0	7.7	7.1	8.9	10.0	10.2	7.2	7.0
ROE (%)	3.6	5.3	(4.6)	7.9	9.4	(9.1)	2.4	6.3	8.3	2.6	(2.2)
ROA (%)	1.3	1.7	(1.3)	2.0	2.6	(2.5)	0.6	1.7	2.8	0.9	(0.7)
Total assets turnover (times)	0.9	0.9	0.9	0.8	0.9	0.8	0.7	0.7	0.8	0.8	0.8
Equity ratio (JGAAP) / Ratio of equity attributable to owners of the parent to total assets (IFRS) (%)	33.2	30.5	24.6	26.8	29.3	25.9	24.0	31.7	34.3	33.7	34.1
Dividend payout ratio (%)	76.3	56.7	—	40.5	34.4	—	162.2	65.8	50.8	162.0	—
Dividend to adjusted EBITDA ratio (%)*4							16	18	20	30	31
Net debt-to-equity ratio (%)*5	78.1	95.9	132.9	116.6	89.0	109.5	146.7	87.7	69.3	81.8	86.0
Number of employees*6	51,419	—	60,677	59,248	61,140	62,940	61,634	51,879	51,640	51,501	49,310
<b>Stock Indicators</b>											
Stock price (closing), end of year (¥)	¥2,846	¥2,847	¥2,295	¥2,825	¥2,376	¥1,478	¥1,345	¥3,075	¥2,290	¥2,177	¥1,877
Market capitalization	890,952	891,265	718,459	884,378	743,817	463,086	421,414	963,456	717,501	625,038	539,097
Price earnings ratio (times)	39.5	26.9	—	19.1	12.6	—	31.2	27.0	13.7	39.2	—
Price book-value ratio (times)	1.39	1.40	1.25	1.49	1.12	0.80	0.78	1.62	1.09	1.00	0.84

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

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

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

\*4 Newly established from 2024. Adjusted EBITDA is core earnings + depreciation (adjusted for the amount of depreciation recorded as a cash outflow due to the application of lease accounting under IFRS)

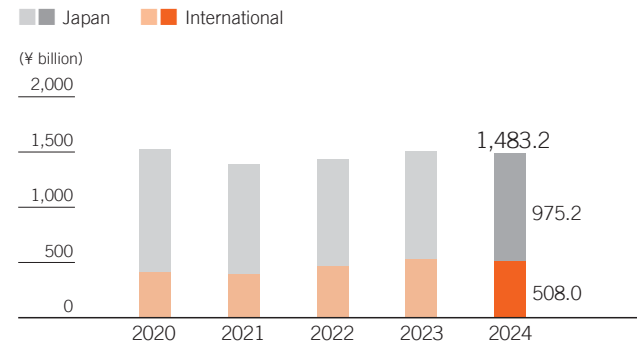
\*5 The net debt-to-equity ratio is calculated as net interest-bearing debt ÷ total equity based on the fiscal year-end.

\*6 The number of employees from FYE2016 is on an IFRS basis, the definition of which differs from the number under JGAAP.

\*7 Permasteelisa S.p.A and LIXIL VIVA's business is classified as "discontinued operations" due to the decision to divest. For comparison, FYE2020 results are also rearranged in the same way.

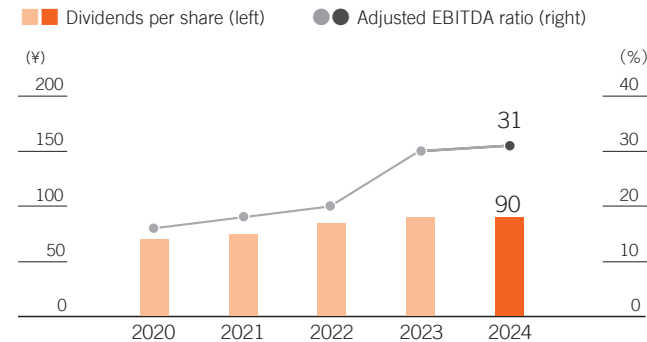
Note: Under JGAAP, figures of less than ¥1 million are truncated, while under IFRS, figures of less than ¥1 million are rounded.

### Revenue



Revenue decreased by 0.9% year-on-year to ¥1,483.2 billion. Factors included sluggish demand in global markets despite foreign-currency translation gains due to a weaker Japanese yen.

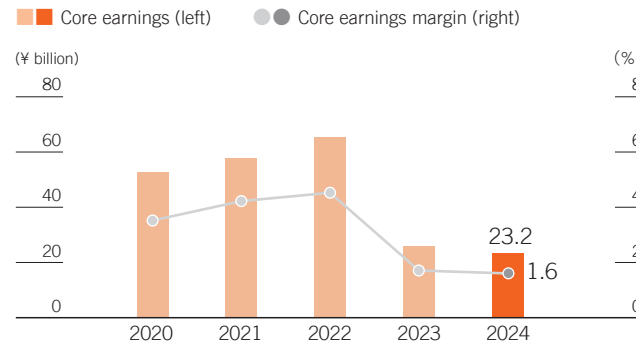
### Dividends per share / Dividend to adjusted EBITDA ratio



Annual dividends remained at ¥90 per share. Dividend to adjusted EBITDA ratio was 31%

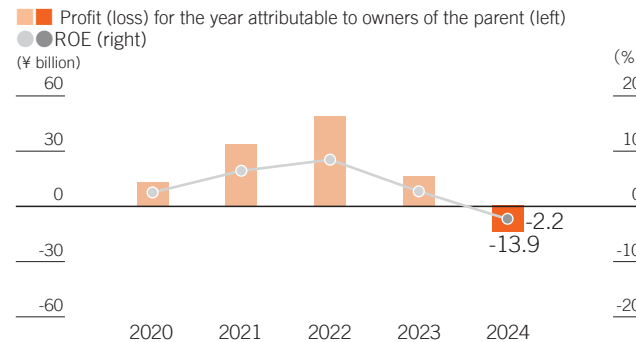
\* Adjusted EBITDA is core earnings + depreciation and amortization (adjusted for the amount of depreciation and amortization recorded due to cash outflows related to the application of lease accounting under IFRS).

### Core earnings / Core earnings margin



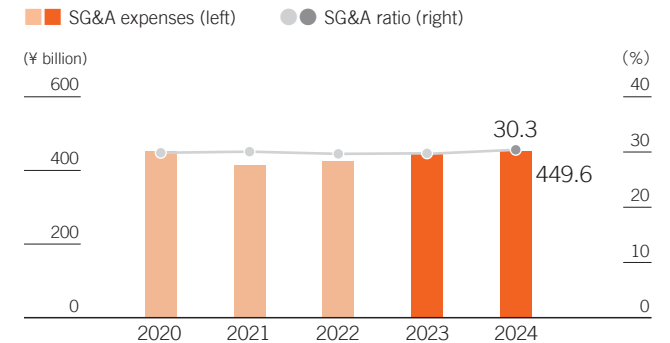
Core earnings decreased by 10.0% year-on-year to ¥23.2 billion. Factors included rising costs due to inflation and the effect of a decrease in revenue especially in international business.

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



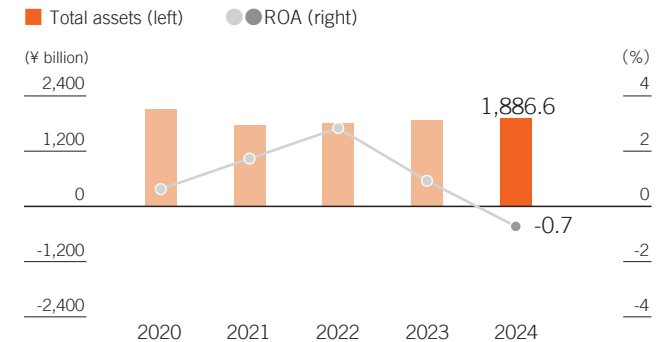
Profit for the year attributable to owners of the parent decreased by ¥29.9 billion year-on-year to a deficit of ¥13.9 billion, primarily due to the recording of restructuring costs, an increase in financial expenses, and higher tax expenses.

### SG&A expenses / SG&A ratio



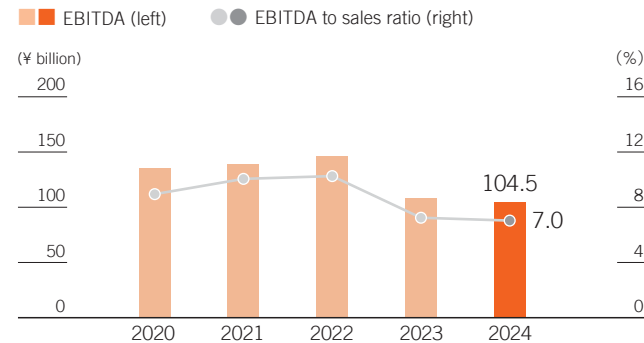
SG&A expenses increased by 1.5% year-on-year to ¥449.6 billion, and the SG&A ratio increased slightly. Factors included the effect of higher personnel costs, including the foreign currency impact, despite various cost-reduction initiatives.

### Total assets / ROA



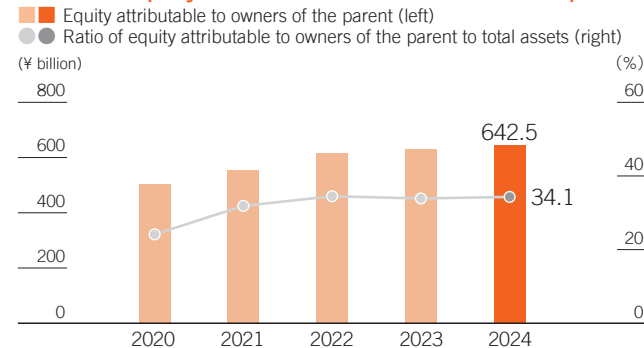
Total assets increased by ¥33.1 billion year-on-year to ¥1,886.6 billion. Factors included the effect of foreign currency translation resulting from the weaker Japanese yen despite progress in inventory reduction.

### EBITDA / EBITDA to sales ratio



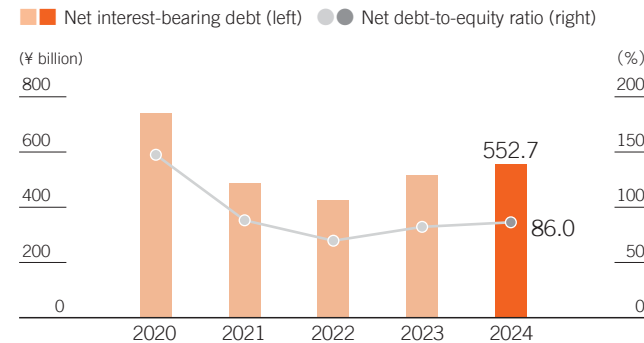
EBITDA to sales ratio decreased by 0.2 percentage points year-on-year to 7.0%, primarily because of lower core earnings amid the challenging external environment.

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



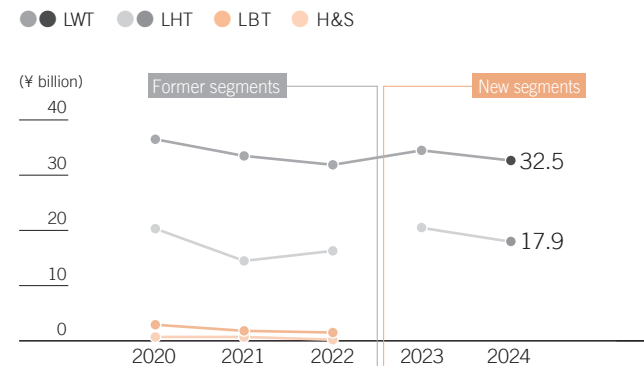
Ratio of equity attributable to owners of the parent to total assets increased by 0.3 percentage points to 34.1%. Factors included the effect of foreign currency translation resulting from the weaker Japanese yen despite a ¥58.8 billion increase in interest-bearing debt.

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



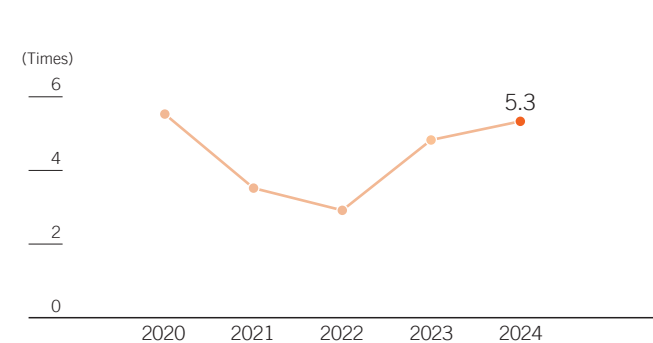
Net interest-bearing debt increased by ¥41.0 billion year-on-year to ¥552.7 billion due to factors including an increase in working capital.

### Capital expenditures by business segment



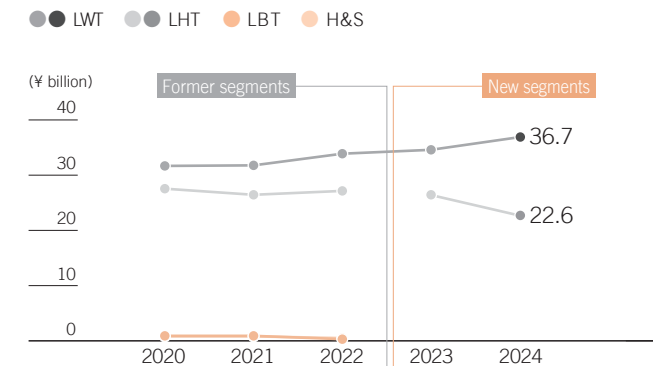
While IT investment increased, capital expenditures decreased due to improved investment efficiency and a drop in investment in distribution facilities in international markets in the previous fiscal year.  
Notes: 1. Excluding the impact of IFRS 16 Leases applied from FYE2020  
2. Changed reporting segments from FYE2023

### Net debt-to-EBITDA ratio



Net interest-bearing debt-to-EBITDA ratio increased from 4.8 times to 5.3 times. Factors were the increase in net interest-bearing debt and the decrease in profitability.

### Depreciation by business segment



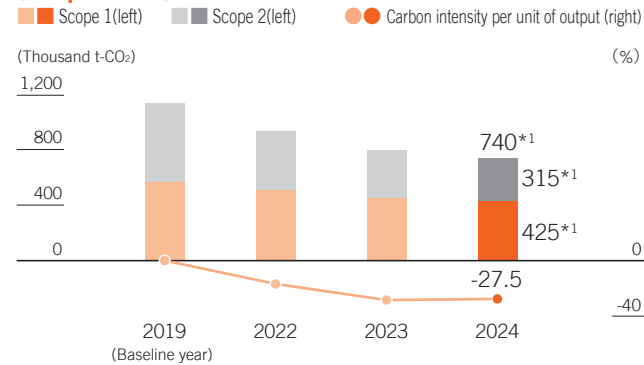
Depreciation was mainly associated with developing LIXIL's groupwide IT systems and maintaining and upgrading facilities. Depreciation at LWT increased due to the foreign currency impact of depreciation and amortization in international markets, and decreased at LHT because of the consolidation of production bases in the previous fiscal year.  
Notes: 1. Excluding the impact of IFRS 16 Leases applied from FYE2020  
2. Changed reporting segments from FYE2023

LIXIL's sustainability policies and initiatives are on p.46. In August 2024, we plan to publish the full LIXIL ESG Databook including environmental and social performance data for FYE2024 accompanied by additional third-party assurance.

<https://www.lixil.com/en/impact/data/performance.html>

## Environment

### CO<sub>2</sub> emissions from operational activities (Scope 1 & 2)<sup>\*2</sup>



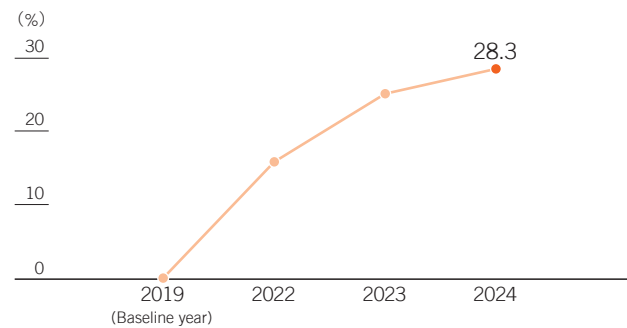
By seeking to increase energy efficiency and utilize renewable energy to further reduce CO<sub>2</sub> emissions, we achieved a 34.7% reduction in CO<sub>2</sub> emissions and a 27.5% reduction in emission intensity per unit of output. (Baseline year: FYE2019)

### Ratio of high-performance windows sold for new detached houses (Japan)

	FYE2023	FYE2024
High-performance windows	90.0%	93.0%

In FYE2022, we revamped all window lineup in our effort to reach a 100% product ratio of high-performance windows for new detached homes by FYE2026.

### Ratio of electricity usage from renewable energy sources<sup>\*2</sup>



By switching to renewable energy for electricity used at our business sites, we achieved a ratio of 28.3% at the end of FYE2024.

### Ratio of energy- and water-saving faucets<sup>\*3</sup> and toilets<sup>\*4</sup> sold (Japan)

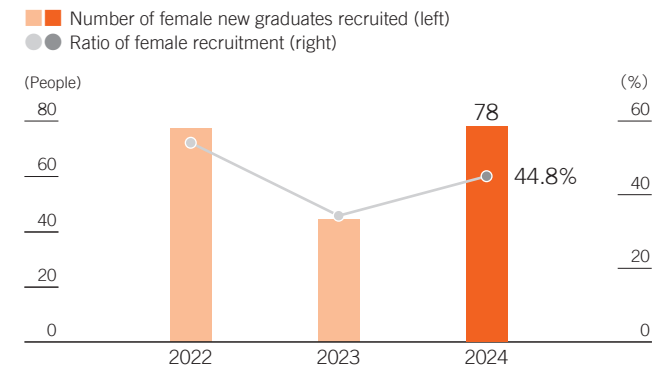
	FYE2023	FYE2024
faucets	92.3% <sup>*</sup>	94.1%
toilets	99.2%	99.4%

LIXIL's energy- and water-saving faucets, water-saving showers, toilets, and other products contributes to efficient daily use. In Japan, we have set targets to reach 100% product ratio for energy- and water-saving faucets and toilets by FYE2031.

<sup>\*</sup> Updated with finalized data collection through retroactive recalculation that we conduct as part of accurately assessing the impact of our environmental activities

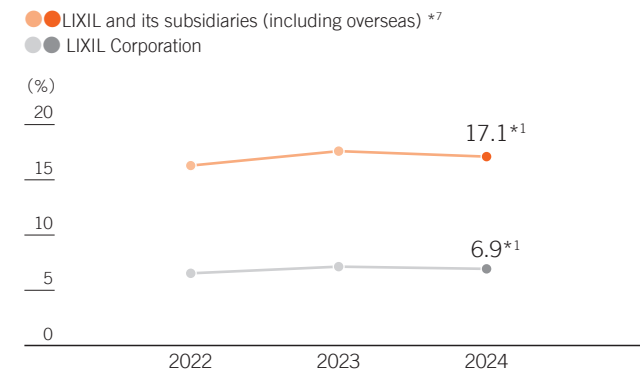
## Social

### Ratio of female new graduate recruitment (Regular employees)<sup>\*5</sup>



We continue to focus on attracting high-potential women and aim to achieve gender parity in new graduate recruitment in Japan

### Ratio of female managers<sup>\*6</sup>



We have set a target of 30% female managers across the organization by FYE2030.

Ratio of male employees who took childcare leave\*6

	2023	2024
LIXIL Corporation	77.3%	87.3%*1

Note: Including LIXIL's own paid childcare leave system for male employees

We are aiming to achieve a 100% acquisition rate for paternity and male parental leave by FYE2025.

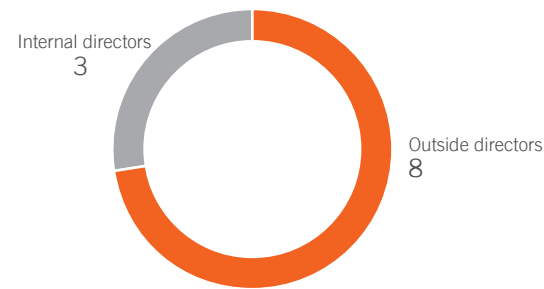
Gender pay gap\*1

	2024
All workers of LIXIL Corporation	59.8%
Regular employees	66.1%
Contract workers	91.6%

Note: Pay includes base salary, overtime, other allowances and bonus. Regular employees include managers, non-managers, senior employees, and employees assigned from LIXIL to other companies. Employees assigned from other companies to LIXIL are excluded. Contract workers include part-time and temporary employees. Temporary staff hired through agencies are excluded. The gender pay gap at global-basis is 80.3%. We are replacing the existing system with our new personnel system in a phased manner from April 2022 and aiming to bring about a compensation scheme that reflects job value.

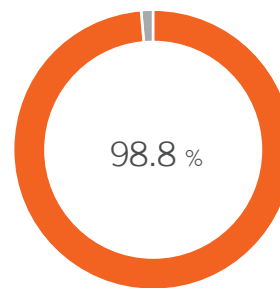
Governance

Number and ratio of outside directors (FYE2024)



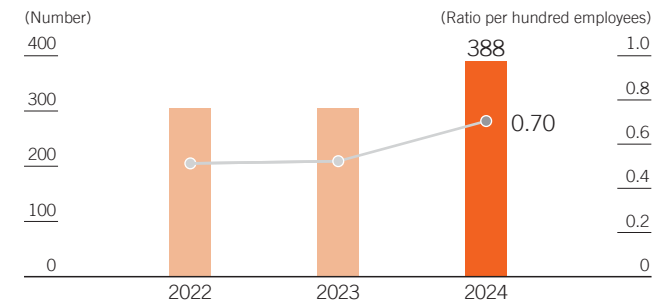
The Board of Directors consists of eleven members including eight outside directors and three internal directors (including four women). The ratio of independent outside directors was over 70%.

Attendance rate at Board of Directors' meetings (FYE2024)



The Board of Directors met 15 times in FYE2024. LIXIL sets a minimum attendance rate of 75% in its Corporate Governance General Policy.

Reports of possible compliance issues



We collect information on any compliance violations, ensure early action on any wrongdoings and violations, and implement preventive measures. No compliance violations that have a significant impact on the Company, including serious violations of laws and regulations occurred.

\*1 Verified by an independent third party in June 2024. Refer to the 'LIXIL ESG Databook 2024 (Preliminary Data Disclosure: Environmental and Social Performance Data)

\*2 Scope of coverage: LIXIL Corporation and its consolidated subsidiaries (production and non-production bases in Japan, and production bases outside Japan) With regard to non-consolidated subsidiaries, subsidiaries operating in buildings owned and managed by LIXIL's operating company are treated as being part of LIXIL.

\*3 Excluding products used for hot tub filling or full-body bathing that are not intended for use as energy- and water-saving faucets

\*4 Excluding products designed for housing complexes

\*5 Scope of coverage: LIXIL Corporation, Japan Ratio of female new graduates employed (incl. those who completed graduate studies)

\*6 Directly hired employees only.

\*7 Excludes companies sold during FYE2024 and consolidated subsidiaries with less than 100 employees in Japan. (Calculated based on the job grade system of each operating company.)

In the fiscal year ended March 31, 2024 (FYE2024), the Japanese economy showed signs of a gradual recovery, as severe behavioral restrictions eased with the shift of the classification of COVID-19 to category 5. At the same time, social and economic activities continued to normalize, including a recovery in personal consumption, as well as rising inbound demand. However, ongoing inflation in the economy overall as well as the continuing rapid depreciation of the Japanese yen, which is partly attributable to the widening interest rate gap between Japan and the United States, and monetary tightening measures worldwide remain risks that may put downward pressure on the Japanese economy. The outlook for the housing sector remains uncertain, with the number of new housing starts continuing to be weak. Concerns over the level of housing investment from rising mortgage interest rates and the impact of price increases for construction materials and components have led to a continued decline in the number of new housing starts, particularly in owner-occupied and detached houses. At the same time, the use of the subsidy system in the Advanced Window Renovation Project, which is a government-created measure to support large-scale energy savings in housing, has created substantial demand in the window renovation market centering on insulation products. This program will continue to expand in scale and be applied in the next fiscal year.

In the global economy, a sense of economic stagnation remains due to geopolitical risks, such as the prolonged Russia-Ukraine conflict, an unstable situation in the Middle East, and difficult US-China relations. Within economic policy, there are concerns over the prolonged global monetary tightening

measures to curb inflation, sluggish real estate markets, and concerns about the economic outlook in China due to a decline in consumer confidence. Meanwhile, in Europe and the U.S., high interest rates remain even though there has been an easing in rate increases. Recent speculation about rate cuts, which could provide a boost to consumer sentiment necessitates a close monitoring of the situation.

## Overview of Operating Results

### Overall Business Results in FYE2024

In FYE2024, we continued to face a challenging business environment from the previous consolidated fiscal year, with rising labor costs and soaring material prices in Japan businesses and a significant decline in profitability in international businesses due to reduced demand in Europe and the U.S.

In the Japan business, while the number of new housing starts decreased, demand for renovations including high-performance insulated windows supported sales revenue. Meanwhile, in the international business, demand was sluggish for housing-related products in the European and U.S. markets due to higher interest rates and prolonged inflation. As a result, revenue decreased by ¥12.8 billion compared to FYE2023 to ¥1,483.2 billion. The gross profit margin ratio improved 0.5 percentage points to 31.9%; however, due mainly to sluggish demand in international markets, core earnings fell ¥2.6 billion compared to FYE2023 to ¥23.2 billion.

For the Japan business, rising raw material and component prices continued to be absorbed by price optimizations. As for the international business, fixed costs became a significant burden amid softening demand. The challenge to improve profitability requires action to appropriately control variable and

### Overview of Financial Results for FYE2024

(¥ billion)

	FYE2023	FYE2024	Increase/Decrease	Rate of change
Revenue	1,496.0	1,483.2	-12.8	-0.9%
Gross profit (%)	468.6 31.3%	472.7 31.9%	+4.1 +0.5pp	+0.9% —
Selling, general and administrative expenses	442.9	449.6	+6.7	+1.5%
Core earnings*1 (%)	25.7 1.7%	23.2 1.6%	-2.6 -0.2pp	-10.0% —

\*1 Equivalent to operating profit in JGAAP

fixed costs.

First, to address rising variable costs, such as raw material and component prices, we will continue our efforts to recover and improve profitability through flexible price optimizations. Additionally, we need to increase profitability by improving our product mix through sales of differentiated products that offer higher profit margins.

To reduce fixed costs, in FYE2024, we continued our efforts to reduce SG&A expenses, such as head office expenses, and we promoted structural reforms in our international businesses. In Europe and the Americas, we streamlined staffing, restructured the supply chain, and optimized our business portfolio. In FYE2025, we plan to continue structural reforms, streamline excess facilities primarily by optimizing the supply chain, and complete our major structural reforms.

As the business environment surrounding the LIXIL Corporation and its consolidated subsidiaries (together, “the LIXIL group”) continues to be challenging, we must take quick and appropriate action. By steadily implementing the measures outlined above, we will ensure financial stability while working to achieve the Company’s sustainable growth and purpose.

#### Overview of Operating Results for FYE2024

The financial results FYE2024 were as follows: In the Japan business, despite higher sales for renovation products that are centered on higher insulation for windows and supported by subsidy programs, the decline in the number of new housing starts continued to significantly impact results. In the international business, particularly in Europe and the U.S., there

was a substantial decline in demand due to higher interest rates and prolonged inflation. Due to these and other factors, revenue declined to ¥1,483.2 billion (down 0.9% year-on-year). In relation to profitability, the Company continued its efforts to implement structural reforms, sales price optimization, and measures to improve profitability both in the Japan and international businesses. However, these efforts were not enough to offset the negative impacts of further cost increases from sustained high material and component costs and rising energy prices, and reduced revenue from weakened demand and stagnant market conditions, particularly in the international business. Due to these and other factors, core earnings totaled ¥23.2 billion (down 10.0% year-on-year). Due to various factors such as an increase in other expenses associated with structural

reforms, operating profit was ¥16.4 billion (down 34.3% year-on-year). Profit before tax from continuing operations was ¥6.7 billion (down 66.3% year-on-year), which was also due to the impact of increased financial expenses from rising interest rates, among other factors.

In addition to an increase in income tax expenses due to a temporary decline in profitability, the Company posted a loss for the year from discontinued operations related to Permasteelisa S.p.A., a previous consolidated subsidiary of the Company that was sold in September 2020. As a result, the loss for the year attributable to owners of the parent, after deducting non-controlling interests, amounted to ¥13.9 billion (compared with a profit of ¥16.0 billion in the previous fiscal year).

#### Overview of Financial Results by Segment

(¥ billion)

		FYE2023	FYE2024	Increase/Decrease	Rate of change
Water Technology Business (LWT)	Revenue	915.3	896.9	-18.4	-2.0%
	Core earnings	47.3	22.7	-24.5	-51.9%
	(%)	5.2%	2.5%	-2.6pp	—
Housing Technology Business (LHT) <sup>*1</sup>	Revenue	598.2	596.4	-1.8	-0.3%
	Core earnings	19.4	35.9	+16.5	+85.4%
	(%)	3.2%	6.0%	+2.8pp	—
Consolidation adjustments, etc. <sup>*2</sup>	Revenue	-17.5	-10.1	+7.4	—
	Core earnings	-40.9	-35.4	+5.4	—
<b>Total</b>	<b>Revenue</b>	<b>1,496.0</b>	<b>1,483.2</b>	<b>-12.8</b>	<b>-0.9%</b>
	<b>Core earnings</b>	<b>25.7</b>	<b>23.2</b>	<b>-2.6</b>	<b>-10.0%</b>
	<b>(%)</b>	<b>1.7%</b>	<b>1.6%</b>	<b>-0.2pp</b>	<b>—</b>

\*1 Following a review of the management system, profits and losses of overseas subsidiaries, which were previously attributed only to LHT, have been reclassified to LWT starting from the fiscal year ended March 2024.

\*2 “Consolidation adjustments, etc.” correspond to the difference between the total of Japan and international revenue/core earnings, and the figure shown in the “Total” row.

### Water Technology Business

For the Water Technology Business, despite the continued impact from a decline in new housing demand, revenue in the Japan business rose slightly from the previous year due to effective price optimizations and continued strong sales of renovation-related products, among other factors. Meanwhile, revenue in the international business declined year-on-year. Despite the impact of currency translation due to the depreciation of the Japanese yen, there was a significant decline in demand due to the prolonged high levels of interest rates, particularly in Europe and the U.S., and continued inflation, which led to a worsening investment appetite in housing. As a result, revenue decreased to ¥896.9 billion (down 2.0% year-on-year).

Despite reductions in SG&A expenses and an increase in gross profit from price optimizations both in the Japan and international businesses, these efforts were not enough to offset the impact of a decline in sales and the burden of fixed costs. As a result, core earnings decreased significantly to ¥22.7 billion (down 51.9% year-on-year)

### Housing Technology Business

For the Housing Technology Business, revenue declined slightly to ¥596.4 billion (down 0.3% year-on-year). This was due to the substantial impact of the decline in new housing demand, similar to the Water Technology Business, and resulted despite the effectiveness of continued price optimization and the significant growth in renovation-related demand to make homes more efficient and enhance people's lifestyles, and to protect the

environment from the introduction of a national large-scale subsidy program.

Core earnings significantly increased to ¥35.9 billion (up 85.4% year-on-year) from a stronger gross profit margin on the back of renovation-related sales and timely price optimization. Costs were controlled by an "asset-light" approach at production sites and measures to tackle sustained increases in component costs and energy prices.

#### Overview of Financial Position (As of March 31, 2024)

We need to establish a stable financial foundation in order to achieve medium-to-long term and sustainable growth.

In striving to improve profitability and strengthen our financial structure, we are committed to enhancing our capital efficiency and

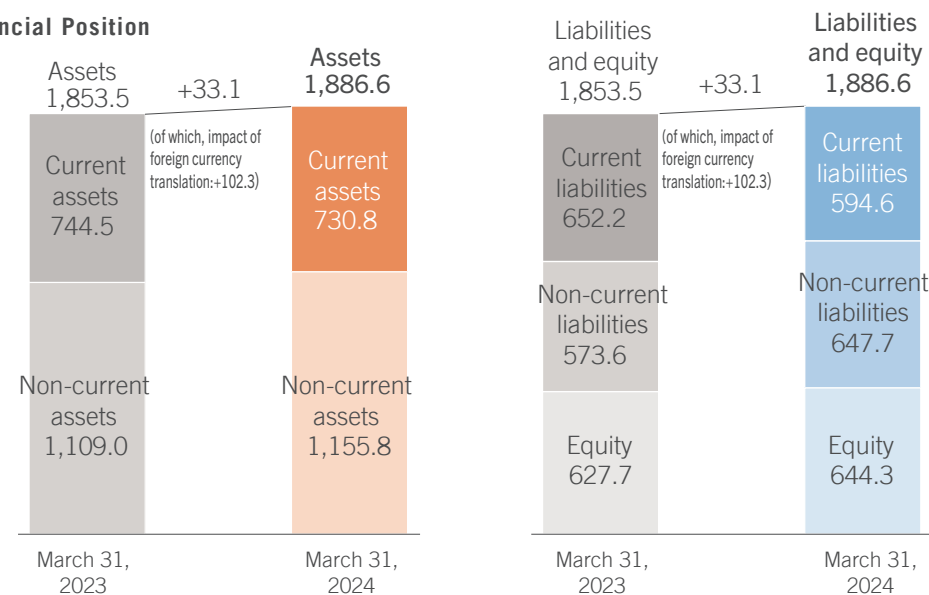
reducing interest-bearing debt through an asset-light approach, with our mid-term targets of a net interest-bearing debt-to-EBITDA ratio of 3.5 times or less and a ratio of equity attributable to owners of the parent to total assets of 35% or more.

#### Assets, Liabilities, and Equity as of March 31, 2024

Total assets as of March 31, 2024 were ¥1,886.6 billion, an increase of ¥33.1 billion from the end of the previous consolidated fiscal year. Current assets decreased by ¥13.8 billion from the end of the previous consolidated fiscal year to ¥730.8 billion. This decline was due to a strategic adjustment of inventories, offsetting the positive impact of foreign currency translation, an increase in cash on hand, and an increase in trade and other receivables associated with the end-of-period holidays. Meanwhile, non-current assets increased by

#### Consolidated Financial Position

(¥ billion)





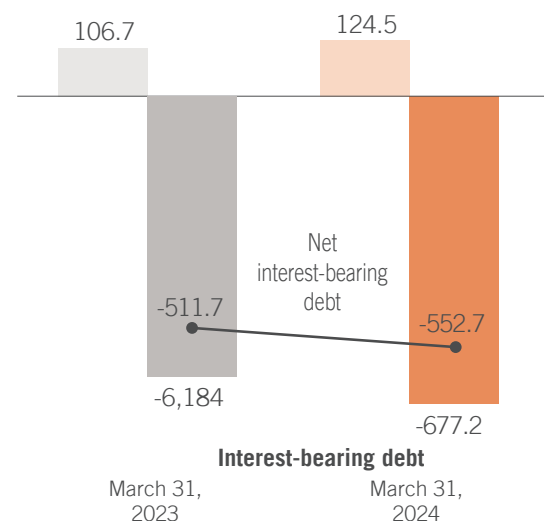
¥46.8 billion from the end of the previous consolidated fiscal year to ¥1,155.8 billion. This was mainly attributable to an increase in goodwill and other intangible assets resulting from the effect of foreign currency translation.

Equity amounted to ¥644.3 billion and the ratio of equity attributable to owners of the parent to total assets was 34.1% (up 0.4 percentage points from the end of the previous consolidated fiscal year).

**Overview of Cash Flows** (As of March 31, 2024)

Cash and cash equivalents as of March 31, 2024 were ¥124.5 billion, an increase of ¥17.9 billion from the end of the previous consolidated fiscal year, after accounting for exchange rate differences and other factors.

**Cash and cash equivalents** (¥ billion)



**Cash Flows from Operating Activities**

Net cash provided by operating activities increased to ¥48.0 billion (up ¥33.0 billion year-on-year). Major factors included a decrease in taxes paid and changes in working capital (including changes related to inventories, trade and other payables, and trade and other receivables), despite a decrease in profit before tax from continuing operations.

**Cash Flows from Investing Activities**

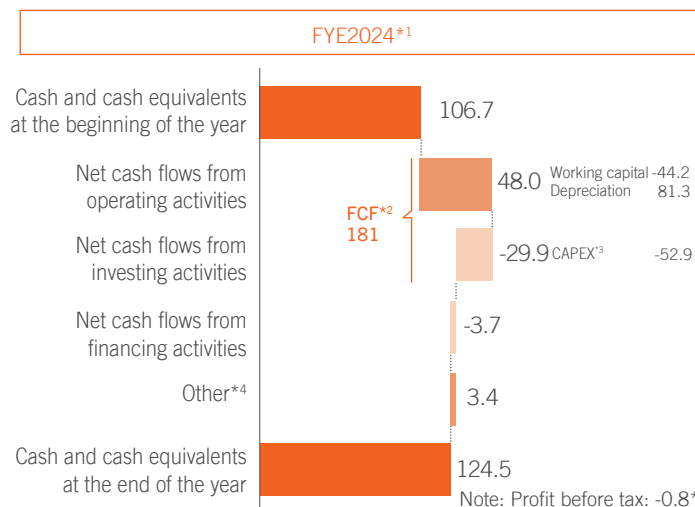
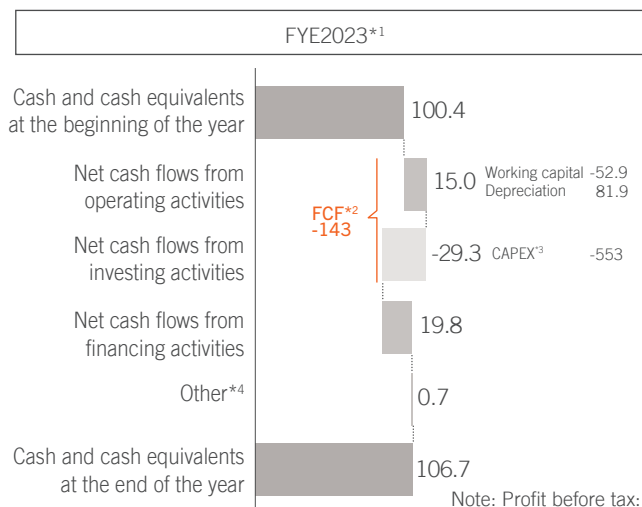
Net cash used in investing activities decreased to ¥29.9 billion (down ¥0.6 billion year-on-year). Major factors included the purchase of property, plant and equipment and intangible assets associated with capital investments. This was partially offset by

the positive impact of temporary income from the sale of cross-shareholding shares and the absorption-type split of a subsidiary.

**Cash Flows from Financing Activities**

Net cash used in financing activities decreased to ¥3.7 billion (down ¥23.5 billion year-on-year). Factors for this included the proactive procurement and repayment of interest-bearing debt, both short-term and long-term, as well as the payment of dividends and lease liabilities.

**Cash Flow Status and Cash Balance** (¥ billion)



\*1 Includes discontinued operations \*2 Free cash flow = Net cash flows from operating activities + Net cash flows from investing activities  
 \*3 CAPEX = Purchase of property, plant and equipment + Purchase of intangible assets (Excluding the purchase of assets classified as right of use assets under IFRS 16 Leases)  
 \*4 Other = Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies + Net increase (decrease) in cash and cash equivalents included in assets classified held for sale

### Outlook for FYE2025

While the economic environment is expected to continue to pick up for both Japanese and international markets, uncertainties remain from issues including geopolitical risks, such as international conflicts and the presidential election in the United States, as well as sluggish real estate markets, inflation, and the direction of interest rates. Consequently, the future outlook remains uncertain.

In this business environment, the LIXIL group has taken decisive actions aligned with the strategic initiatives outlined in the “LIXIL Playbook.” The LIXIL group has continued structural reforms, especially aimed at the pressing issue of recovering the profitability of its international business operations. These include optimizing personnel allocation in Europe and the United States, further reviewing the business portfolio such as the streamlining of loss-making entities, and restructuring the supply chain. We anticipate these initiatives will further improve profitability from FYE2025.

To enhance financial performance and achieve sustainable growth, the LIXIL group remains focused on serving consumers with more differentiated products while also delivering a positive impact for society and the environment. Concurrently, a transformation is underway to turn the Company into an agile, entrepreneurial organization, through accelerated digital transformation and the building of

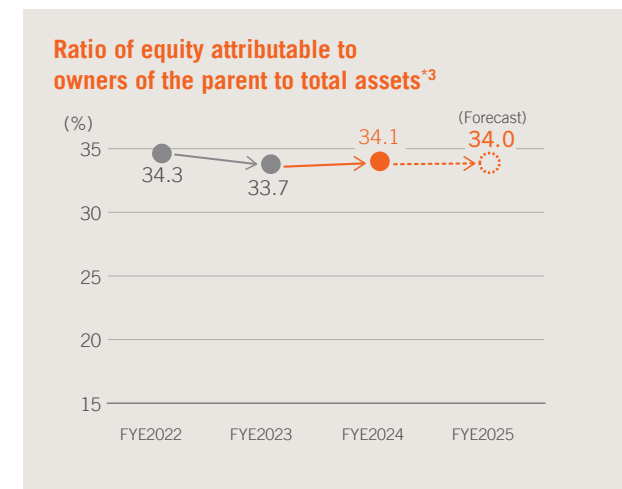
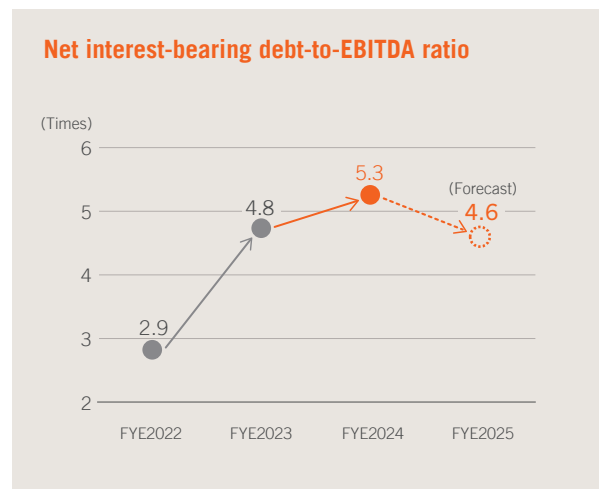
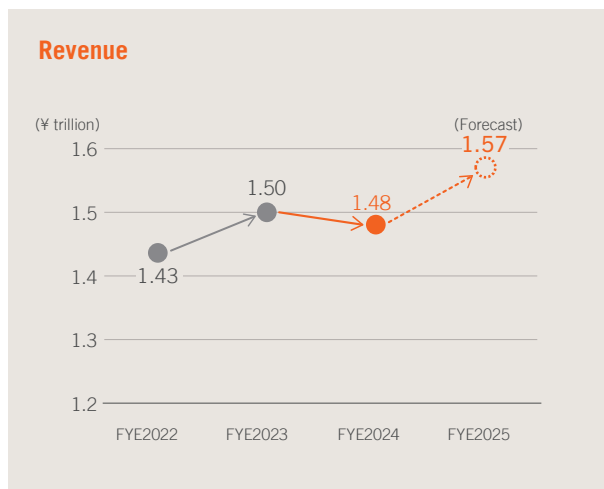
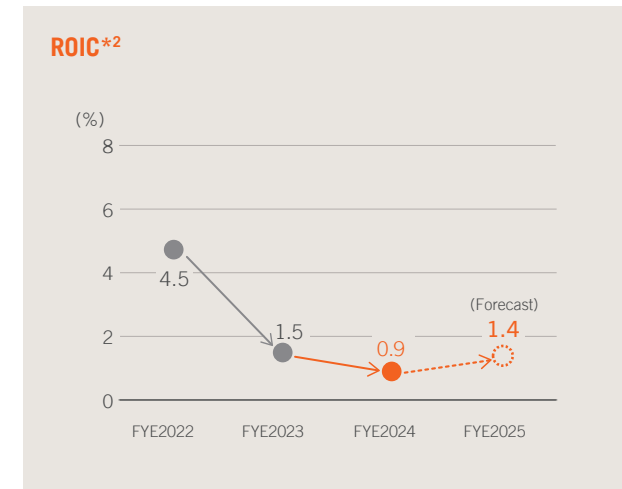
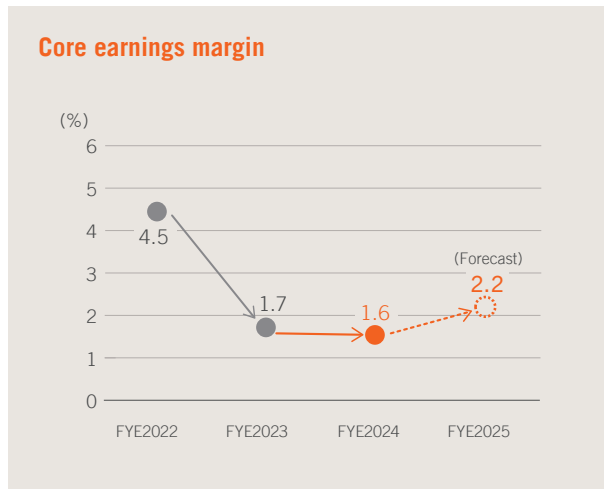
an inclusive culture that can drive innovation and seeks new avenues for growth.

We are beginning to see the results of our efforts to strengthen our business foundation, and our path to long-term growth remains unchanged. We will further enhance the value we provide to our stakeholders, and ultimately realize our group’s purpose of making better homes a reality for everyone, everywhere.

### Forecast for the FY Ending March 2025

- Revenue: ¥1,570.0 billion (up 6% year-on-year)
- Core earnings: ¥35.0 billion (up 51% year-on-year: Core earnings margin 2.2%)
- Operating profit: ¥25.0 billion (up 53% year-on-year)
- Profit before tax: ¥15.0 billion (up 125% year-on-year)
- Profit attributable to owners of the parent ¥8.0 billion(- year-on-year)
- Dividends: The Company plans to pay an annual dividend of ¥90 per share, consisting of interim and year-end dividends of ¥45 each

The above forecasts for FYE2025 are based on the information available to the Company as of the date of publication, and include risks and uncertainties. Actual results may differ from the forecasts above due to various factors.



\*1 Figure before the effect of share buybacks announced on April 30, 2024 \*2 Calculation: Operating profit × (1 – Effective tax rate) / (Working capital + Fixed assets) \*3 Equivalent to “equity ratio” under JGAAP

**Consolidated Subsidiaries**

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company(%)	Business segment
LIXIL Total Service Corporation	Sumida-ku, Tokyo	100	100	LWT, LHT
TM.S Corporation	Shinagawa-ku, Tokyo	60	100	LWT
Dinaone Corporation	Chuo-ku, Tokyo	90	100	LWT
LIXIL Europe S.à r.l.*1	Luxembourg	€ thousand 57,143	100	LWT
Grohe AG*1	Düsseldorf, Germany	€ thousand 60,885	100	LWT
Other 47 affiliate companies of LIXIL Europe S.à r.l.	—	—	—	LWT
ASD Holding Corp.*1	USA New Jersey	US\$ thousand 412,962	100	LWT
15 affiliate companies of ASD Holding Corp.	—	—	—	LWT
A-S (China) Co., Ltd.	China Shanghai	US\$ thousand 30,000	100	LWT
LIXIL Vietnam Corporation	Vietnam Hanoi	VND million 743,386	100	LWT
LIXIL (Thailand) Public Co., Ltd.	Thailand Pathumthani	THB million 277	99	LWT
LIXIL AFRICA HOLDINGS (Pty) Ltd.*1	South Africa Krugersdorp	ZAR million 2,926	100	LWT
LIXIL (China) Investment Co., Ltd.*1	China Shanghai	CNY thousand 450,605	100	LWT
Taiwan LIXIL Water Technology Corporation	Taiwan Taipei	NT\$ thousand 282,677	100	LWT
LIXIL Living Technology (Suzhou) Corporation	China Suzhou, Jiangsu	CNY thousand 395,464	100	LWT
LIXIL Sanitary Fitting Manufacturing (Suzhou) Corporation	China Suzhou, Jiangsu	1,730	100	LWT
LIXIL India Sanitaryware Private Limited	Andhra Pradesh, India	INR thousand 81,787	100	LWT
LIXIL Total Hanbai Corporation	Shinagawa-ku, Tokyo	75	100	LHT
G TERIOR Corporation	Shinagawa-ku, Tokyo	316	100	LHT
LIXIL Housing Research Institute, Ltd.	Shinagawa-ku, Tokyo	100	100	LHT

\*1 Specified subsidiary

\*2 Among other companies, LIXIL India Private Limited is a specified subsidiary.

\*3 LIXIL Africa (Pty) Ltd. is an insolvent company with liabilities of ZAR 1,455 millions in excess of assets as of March 31, 2024.

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company(%)	Business segment
Asahi Tostem Exterior Building Materials Co., Ltd.	Shinagawa-ku, Tokyo	100	80	LHT
LIXIL Renewal Corporation	Sumida-ku, Tokyo	100	100	LHT
LIXIL TEPCO Smart Partners Inc.	Sumida-ku, Tokyo	450	60	LHT
LIXIL Toyo Sash Shoji Co., Ltd.	Sumida-ku, Tokyo	100	100	LHT
Kuwata Co., Ltd.	Suma-ku, Kobe, Hyogo	30	100	LHT
LIXIL REALTY, Corp.*2	Taito-ku, Tokyo	160	100	LHT
Oita Tostem Co., Ltd.	Oita, Oita	50	100	LHT
Nishi Kyushu Tostem Co., Ltd.	Saga, Saga	30	100	LHT
GHS Corporation	Shinagawa-ku, Tokyo	100	100	LHT
LIXIL Living Solution Corporation	Shinagawa-ku, Tokyo	100	100	LHT
LIXIL Home Finance Corporation	Chiyoda-ku, Tokyo	500	100	LHT
LIXIL INTERNATIONAL Pte. Ltd.*1	Singapore	30,565	100	LHT, LWT
TOSTEM THAI Co., Ltd.*1	Pathumthani, Thailand	THB million 2,767	100	LHT
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.	Dong Nai, Vietnam	4,310	100	LHT, LWT
LIXIL Manufacturing (Dalian) Corporation	China Dalian, Liaoning	US\$ thousand 43,500	100	LHT
LIXIL WINDOW SYSTEMS PRIVATE LIMITED	Haryana, India	INR thousand 858,318	100	LHT
PT. LIXIL ALUMINIUM INDONESIA	Jakarta, Indonesia	IDR million 173,617	75	LHT
40 other companies *2,3,4				

\*4 Among other companies, Sonitech Corporation is no longer a subsidiary of the Company due to the transfer of its shares on December 1, 2023.

### Equity-Method Affiliates

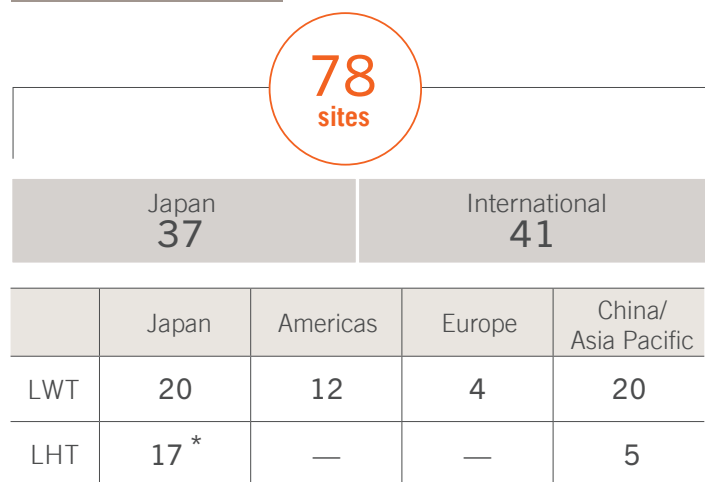
Name	Location	Paid-in capital (¥ million)	Business segment	Equity owned by the holding company (%)	Business segment
Sanyo Homes Corporation*1	Nishi-ku, Osaka, Osaka	5,945	Housing Technology	27 *2	—
39 other companies					

\*1 The company submits securities reports.

\*2 "Equity owned by the holding company" shows the ratio of the number of shares owned by the Company to the total number of issued shares (excluding treasury stock) of Sanyo Homes Corporation as of March 31, 2024.

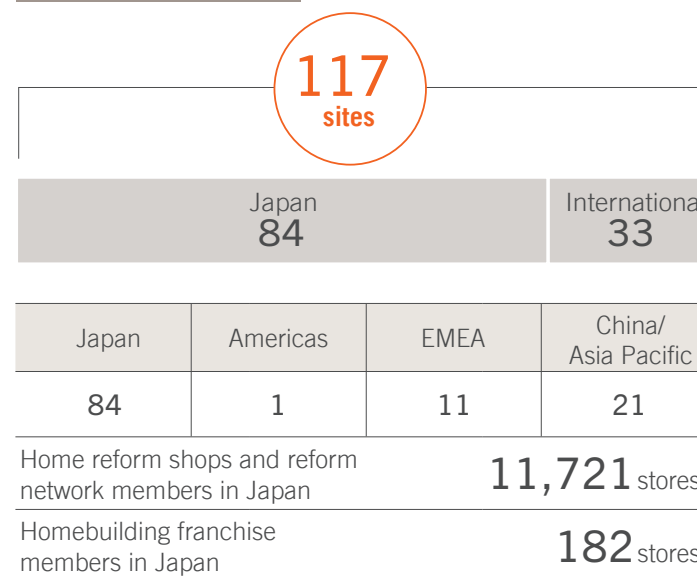
### GLOBAL MANUFACTURING AND SALES SITES (As of March 31, 2024)

Number of factories

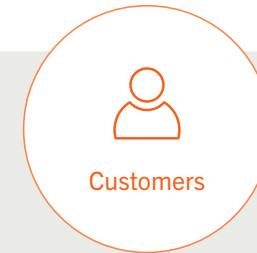


\* Seven of the LHT factories also manufacture commodities for buildings.

Number of showrooms



LIXIL has positioned improving the quality of people’s lives and solving social issues through proactive and active engagement with stakeholders as one of our material issues. We are committed to proactively engaging in dialogue with all of our stakeholders, including customers, business partners, members of the communities where our operational facilities are located, shareholders and investors, and our employees and their families, and engaging in business activities that have a greater positive impact on society.



We incorporate customer opinions into our products, services, and business operations and provide timely and appropriate disclosure on our products and services. We offer customer support by phone, email, at 117 showrooms worldwide, and via online showrooms globally.

[Customer Satisfaction >](#)



We strive to build and maintain strong relationships with our suppliers by facilitating two-way communication. Based on the results of our responsible procurement surveys, we share our Procurement Principles, recognize current circumstances, and follow through on promised improvements. We also hold regular meetings with suppliers to share information on regulatory trends and new procurement strategies.

[Supply Chain Management >](#)



Shareholders and Investors

We held 397 discussions this year with investors around the world to help promote sustainable growth and enhance corporate value. Every year, we hold an online ESG briefing for investors, where we explain our strategies to sustainably enhance our corporate value, including our Value Creation Process, Impact Strategy, and governance structure, as well as answer questions from the audience. We disclose timely and transparent information in English and Japanese through our Integrated Report, our investor relations web pages, and the Tokyo Stock Exchange website.

[Shareholders and Investor Relations >](#) [LIXIL ESG Briefing \(2024\) >](#)



Local Communities

LIXIL operates 78 factories worldwide. As a responsible corporate citizen, in addition to respecting local cultures and customs and creating responsible products and jobs, we also contribute to the development of the communities in which we operate. We hold community dialogues at factories and sales bases in Japan as well as community briefings and in-person and online factory visits to encourage communication with local residents. LIXIL employees also teach classes on social issues such as sanitation, the environment, and diversity at local schools. In addition, in response to the growing social interest in the SDGs, we are implementing the LIXIL x SDGs NEXT STAGE initiative that seeks to convey information about LIXIL's SDGs activities to people in Japan.

[LIXIL x SDGs NEXT STAGE \(Japanese only\) >](#)



Employees

LIXIL boasts approximately 49,300 employees. We strive to create an inclusive and inspiring working environment that incorporates employee opinions expressed through regular global employee opinion surveys or discussions between the labor union and the company.

[Diversity & Equal Opportunity >](#) [A Rewarding Workplace >](#)



NPOs, NGOs, and Educational and Research Institutions

We partner with non-profit organizations (NPOs), nongovernmental organizations (NGOs), and educational and research institutions to facilitate research and solution development as well as to give seminars.



Government Authorities and Industrial Associations

Engaging in vigorous and transparent dialogue with government authorities and municipalities is necessary to shape a sustainable society. As part of this process, we are involved in several industrial and business associations whose missions include engaging with public authorities on behalf of their respective industries, including building materials equipment and housing-related products. Participating in these associations helps keep us up-to-date with current and pending changes in laws and international agreements that may affect our business.

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

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

Investor Relations

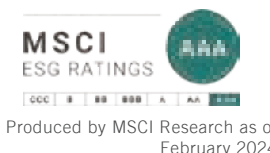
[www.lixil.com/en/investor/](http://www.lixil.com/en/investor/)

## Activities for FYE2024

- Communicated management messages to the markets (for institutional investors and analysts)
  - Earnings briefing sessions: 4 (quarterly)
  - One-on-one meetings: 397
  - Briefing sessions regarding management strategy and business strategy: 3
  - Small meetings: 2
  - Investor conferences participated in: 5
  - Social gathering with shareholders: 1
- Feedback from markets to the Company
  - Reported on IR activities at Board of Directors: Regularly, as well as 4 times/year after earnings briefing sessions
  - Exchanged opinions with business divisions on business condition and market outlook: Regularly
  - Shared information with management via email: Regularly

## External Recognition (From April 2023 to June 2024)

### Major External Recognition: Global



Received a rating of AAA in the MSCI ESG Ratings (March 2024, two consecutive years)

\*Please refer to our website for disclaimers.



LIXIL's 2050 long-term net-zero targets verified by the Science Based Targets initiative (SBTi), first in Japan's building materials industry (March 2024)



Earned a place in CDP's Climate Change A List (February 2024)



Received 'Top 10% S&P Global CSA Score' in the S&P Global Sustainability Yearbook 2024 (February 2024)

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

### Major External Recognition: Japan



Selected as the "DX Grand Prix Company 2024" jointly awarded by the Ministry of Economy, Trade and Industry, the Tokyo Stock Exchange, and the Information-Technology Promotion Agency, Japan. (May 2024)



Selected as an Environmentally Sustainable Company at the ESG Finance Awards Japan sponsored by the Ministry of the Environment (February 2023, two consecutive years)



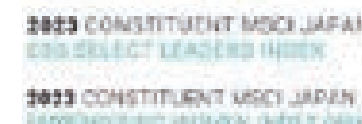
Selected as a component of the Nadeshiko Brand initiative for the eighth time, jointly conducted by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (March 2024)



Certified as a Health & Productivity Management Outstanding Organization under the Certified Health & Productivity Management Outstanding Organizations Recognition Program, a joint initiative of the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, Japan; selected as a White 500 enterprise, recognized among the top 500 under the large enterprise category (March 2023, two consecutive years)

### Major Selected Indices

Selected for all six ESG indices adopted by Japan's Government Pension Investment Fund (GPIF)



(consecutively selected as of June 2024)

\*Please refer to our website for disclaimers.

## Member of Dow Jones Sustainability Indices

Powered by the S&P Global CSA

Selected as a constituent of the DJSI World for five consecutive years and the DJSI Asia Pacific for seven consecutive years, created by S&P Global (December 2023)



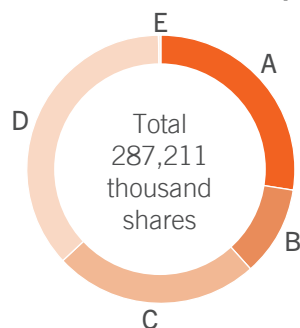
Selected as a constituent of the FTSE4Good Index by FTSE Russell (June 2023, seven consecutive years)



**Number of Shares and Shareholders**

Number of shares authorized	1,300,000,000
Number of shares outstanding (Excluding treasury stock of 59,323 shares)	287,152,467
Number of shareholders	171,398

**Distribution of Ownership Among Shareholders** (Thousand shares)



A Financial institutions	79,492
B Domestic companies	31,116
C Overseas investors	71,029
D Individuals and others	105,514
E Treasury stock	59
Total	287,211

**Major Shareholders** (Thousand shares)

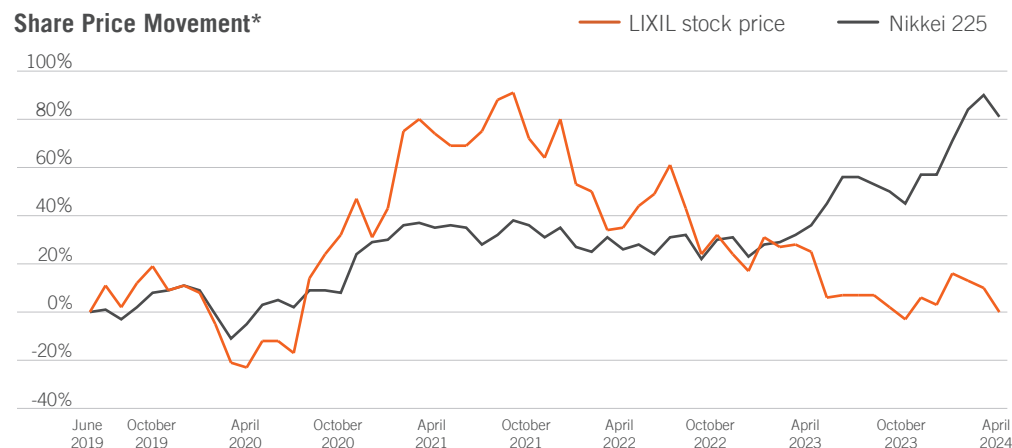
Name of shareholder	Number of shares held	Ratio of shareholdings
The Master Trust Bank of Japan, Ltd. (Trust Account)	48,512*	16.89%
SSBTC CLIENT OMNIBUS ACCOUNT (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	14,887	5.18%
Custody Bank of Japan, Ltd. (Trust Account)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

Notes: In addition to the above, LIXIL Corporation holds 59 thousand shares of treasury stock.

Shareholding calculations exclude treasury stock.

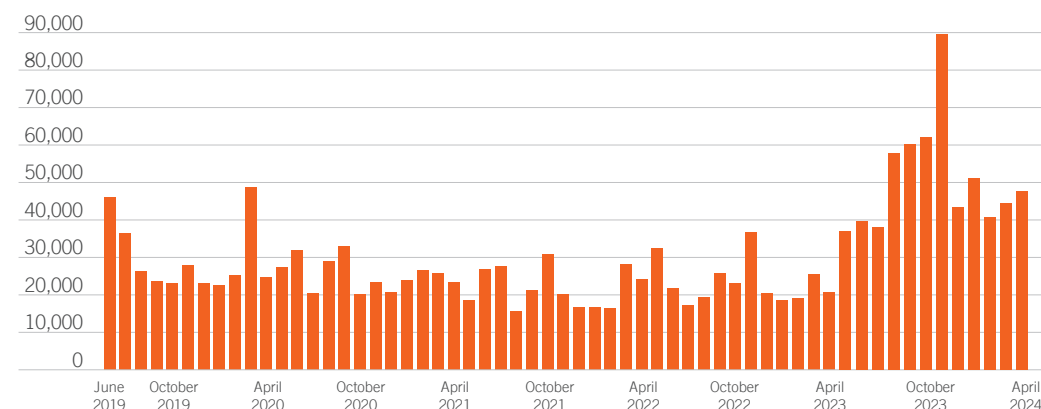
\* indicates a trust service arrangement

**Share Price Movement\***



\* Relative stock price trend based on the closing stock price as of June 30, 2019.

**Stock Trading Volume** (Thousand shares)



**Company Name**

LIXIL Corporation

**Established**

September 19, 1949

**Registered Office**

Osaki Garden Tower, 1-1 Nishi-Shinagawa 1-chome, Shinagawa-ku, Tokyo 141-0033, Japan

**Paid-In Capital**

¥68,530 million

**Fiscal Year End**

March 31

**Employees**

Consolidated employees: 49,310

**Financial Auditors**

Deloitte Touche Tohmatsu LLC

**Overview of Major Businesses**

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

**Common Stock Listings**

Tokyo Stock Exchange Prime Market  
Nagoya Stock Exchange Premier Market

**Transfer Agent and Special Management of Accounts**

Mitsubishi UFJ Trust and Banking Corporation

**Annual Shareholders' Meeting**

Normally held in June

**LIXIL Online Information**

**Corporate Website**

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

 <https://www.lixil.com/>

**Financial Information**

Our IR website offers comprehensive content for shareholders and other investors, including information regarding financial results, streaming video of results briefings, and performance data.

 <https://www.lixil.com/en/investor/>

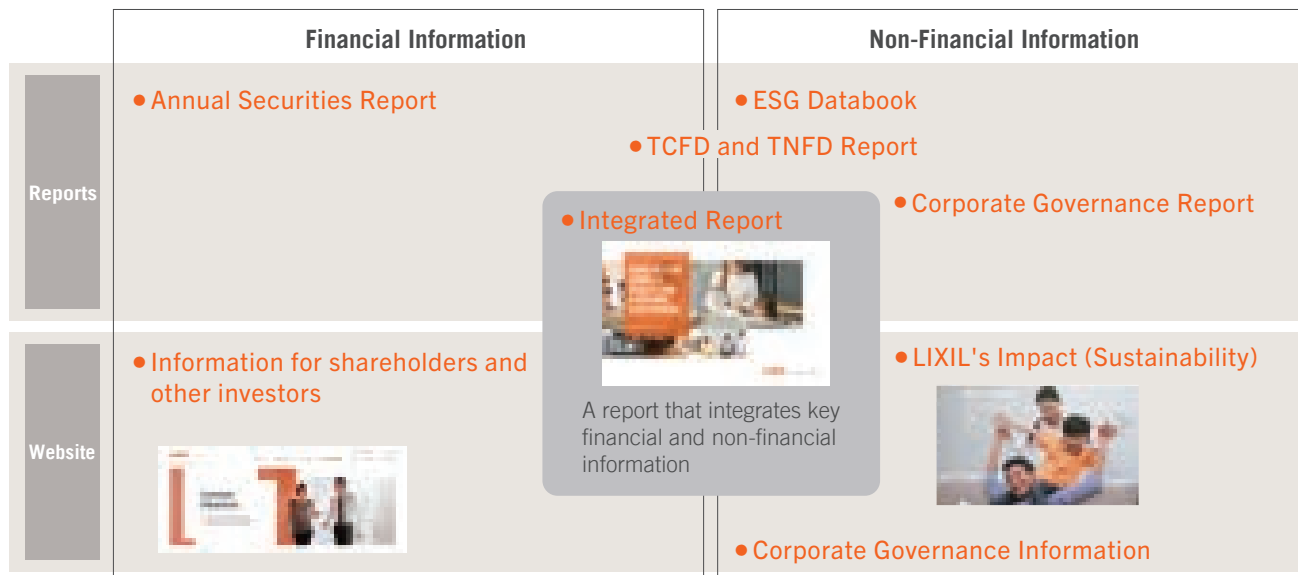
**Non-Financial Information**

Our corporate website introduces LIXIL's Impact Strategy and initiatives around the world in order to contribute to achieving the SDGs, under our corporate purpose: "make better homes a reality for everyone, everywhere."

 <https://www.lixil.com/en/impact/>

**Overview of Information Disclosure**

Please visit our website for more information on these subjects.



**Cautionary Statement with Respect to Forward Looking Statements**

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



**LIXIL Corporation**  
[www.lixil.com](http://www.lixil.com)

TSE Securities Code: 5938