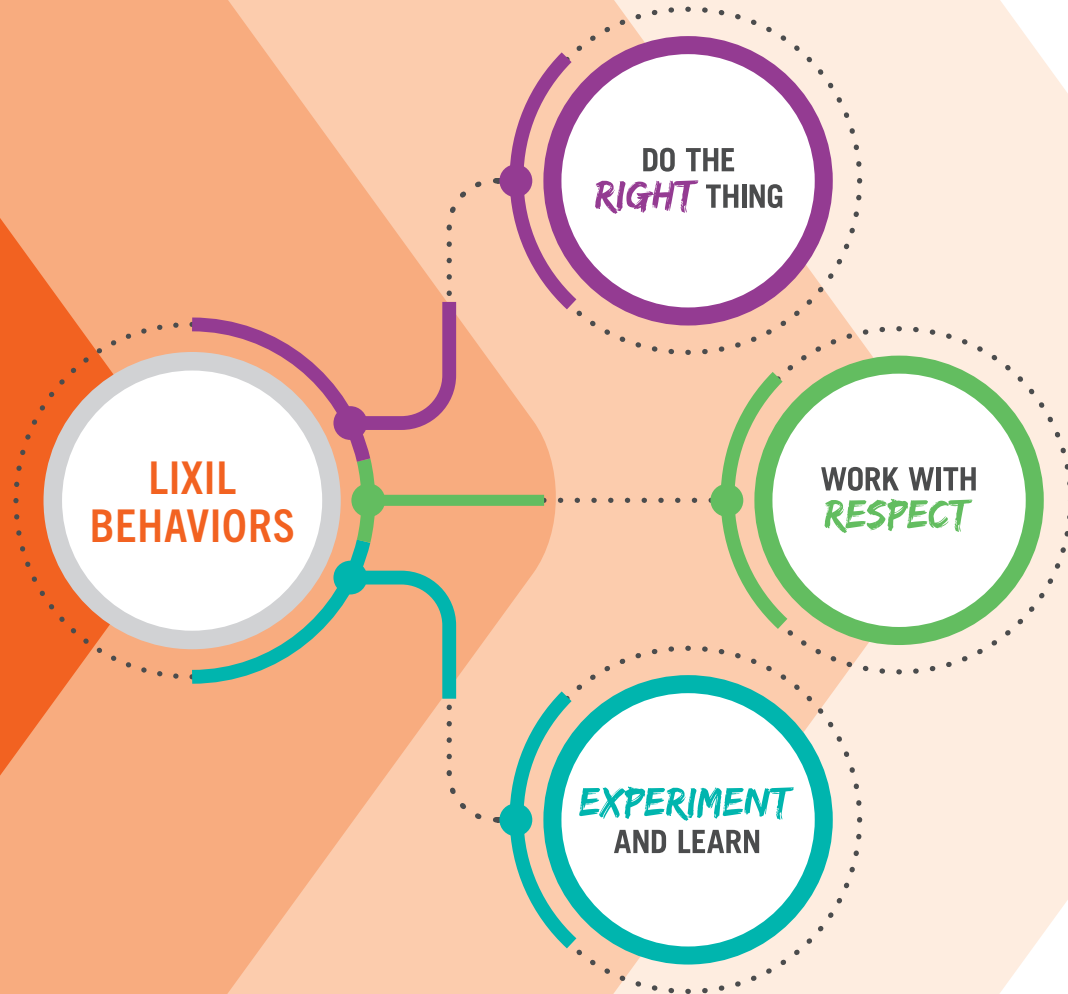


LIXIL

# INTEGRATED REPORT 2026

MAKE BETTER HOMES A REALITY FOR EVERYONE, EVERYWHERE





## LIXIL'S *PURPOSE*

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

LIXIL's Purpose is the north star that guides us to achieve sustainable growth and inspires us to become a more agile, entrepreneurial organization. Every employee, who is the ultimate driver of value creation, embodies the LIXIL Behaviors in their daily work. It is this steady accumulation of actions that leads to the realization of our purpose.

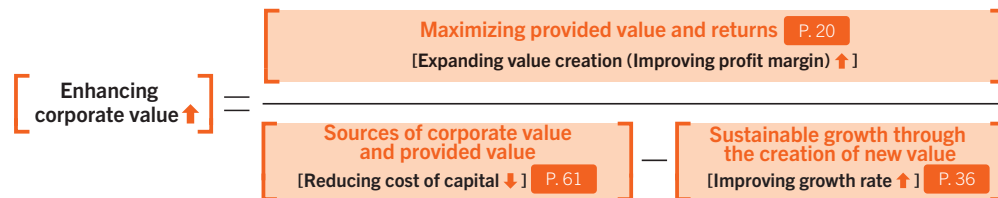
### Our Purpose for Publishing the Integrated Report

This integrated report aims to enhance communication with LIXIL's stakeholders, especially investors, by presenting our initiatives to achieve long-term, sustainable growth.

#### Main Focus of the Integrated Report 2026

This year's report aligns with integrated reporting frameworks while explaining and emphasizing the link between our management strategies, initiatives, and corporate value enhancement through the use of a corporate value formula.

#### Corporate Value Formula (From an Investor's Perspective)



#### Key Points

- We have made our value creation story easier to visualize by structuring the report around the corporate value formula.
- Through dialogue between the CEO and outside directors, we have presented a collaborative approach between supervision and execution aimed at performance recovery.
- Based on the new management structure from April, we introduced messages from the COO and CIO (Chief Impact Officer) to outline our future direction.

#### Frameworks referenced



IFRS Foundation, "International Integrated Reporting Framework"  
Ministry of Economy, Trade and Industry, "Guidance for Collaborative Value Creation"

#### Organizations covered

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

#### International initiatives LIXIL has joined



#### Period covered

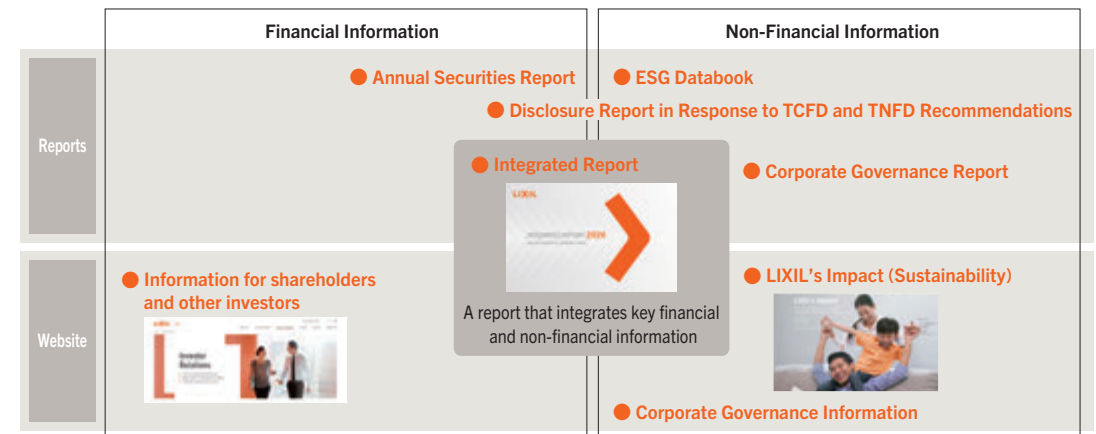
April 1, 2025 through March 31, 2026

Note: Some activities from before or after the reporting period are included.

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 financial and non-financial information, and our latest news.

### 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 forward-looking statements. LIXIL Corporation cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

### 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.

[Corporate Data](#)

#### 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.

[Information for Shareholders and Other Investors](#)

#### Non-Financial Information

Our corporate website introduces LIXIL's Impact Strategy and initiatives around the world in order to contribute to achieving the SDGs.

[LIXIL's Impact](#)

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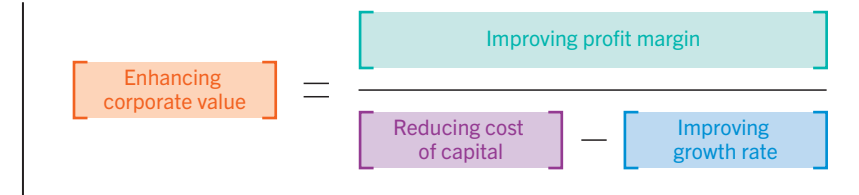
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## 01



## VALUE CREATION STORY

05 LIXIL'S VALUE CREATION PROCESS

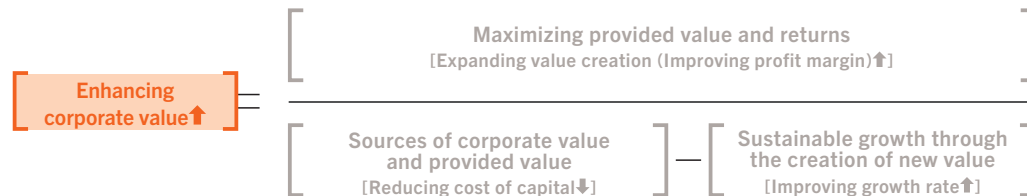
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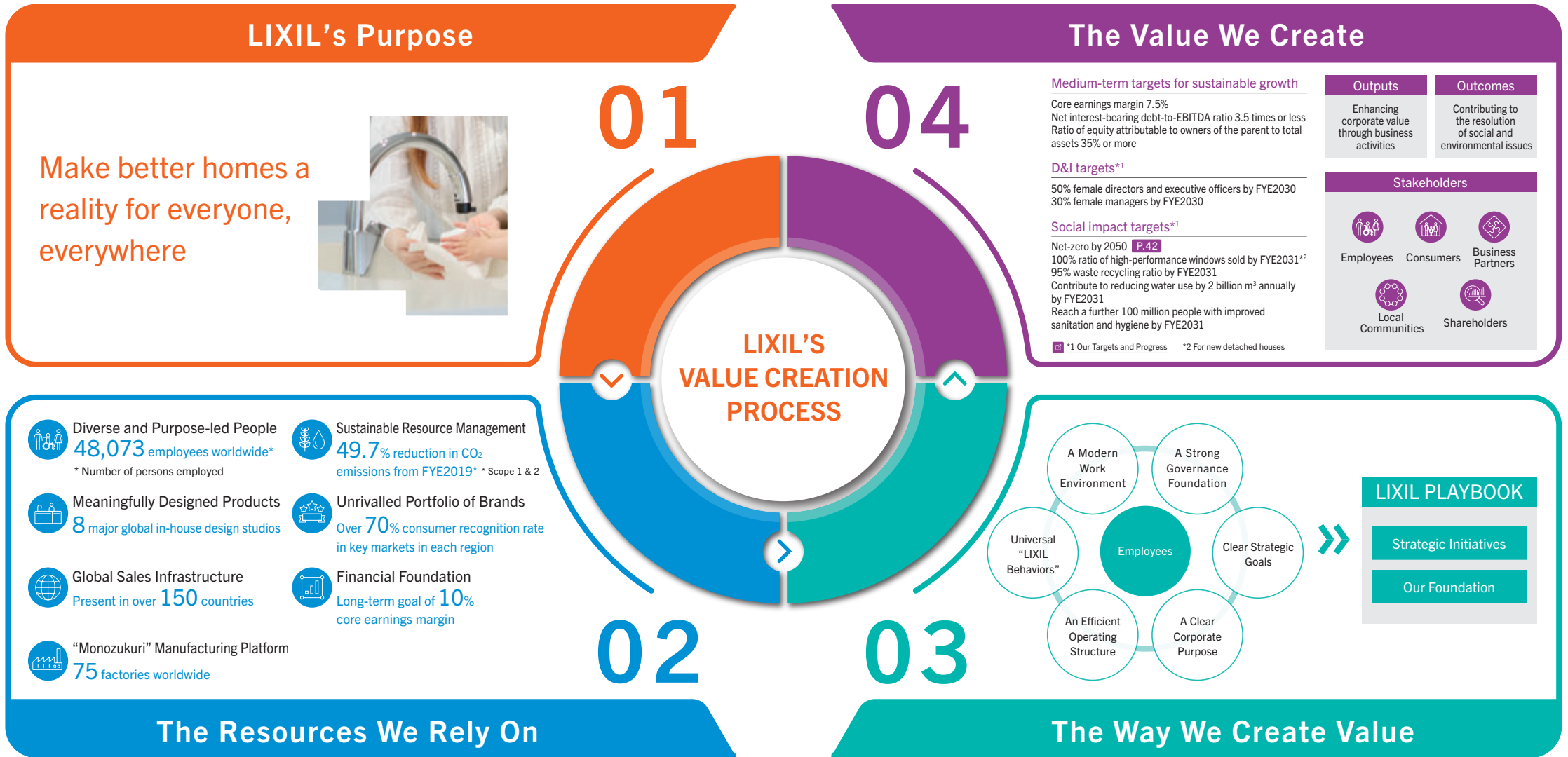
Elements of the corporate value formula highlighted in this section



### VALUE CREATION STORY

Through LIXIL's value creation process, anchored in its Purpose, this section provides a systematic overview of how our financial and non-financial initiatives tie into the sustainable enhancement of corporate value, together with messages from management.

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



# CEO MESSAGE

## Building Resilience and Delivering Profitable Growth

Looking at our performance for the past year and the prospects for FYE2027, it is increasingly clear that externally driven volatility is no longer a series of periodic events. Supply chain disruptions due to geopolitical tensions, inflation and changes in housing patterns will continuously impact the performance of LIXIL as a truly global company.

These are factors that we cannot control. No matter how volatile the external environment becomes, however, one thing remains constant: LIXIL's products and services touch the lives of more than one billion people every day. This immense responsibility is our greatest strength. Our task is to deliver the solutions people truly need to enrich their lives and "make better homes a reality for everyone, everywhere."

### Kinya Seto

Director, Representative Executive Officer,  
President, and CEO



The most important thing we must do as a company is to create products that people will seek out, even in uncertain times. Customers and business partners increasingly look for products and solutions that contribute to the quality of life, offer sustainability, and provide long-term value.

Looking back, we committed to making FYE2026 the turning point for LIXIL—shifting from stabilization to sustainable, profitable growth. Today, I am confident that we are on the right track. LIXIL has emerged stronger amid the volatility of geopolitical tensions, supply disruptions and sharply fluctuating commodity markets. This environment serves to reinforce our consistent priorities: enhancing our profitability, resilience, and agility. Rather than viewing external volatility as a risk, we embrace it as a catalyst to accelerate our transformation and elevate LIXIL to the next stage.

#### Progress in FYE2026

In FYE2026, we effectively translated our strategy into tangible results, achieving year-on-year growth in both revenue and core earnings. This steady profit growth—realized despite persistent headwinds such as sluggish new housing starts in Japan and a slower market recovery in Europe—has reinforced our confidence. It serves as clear evidence that the direction we have taken to strengthen our business foundation, as outlined in the LIXIL Playbook, is correct.

At the same time, our transformation is becoming increasingly visible in our operational resilience. The lessons learned during the COVID-19 pandemic were a turning point for us. We recognized then that an excessive focus on efficiency had compromised our flexibility. In response, we restructured our

supply chain to prioritize redundancy and alternative sourcing. Today, this strategic shift is paying off; despite recent global disruptions, including those in the Middle East, we have been able to maintain stable procurement and supplies by leveraging diversified procurement channels.

Our sustainability initiatives have also emerged as a core pillar of this resilience. In Japan, our circular recycling system for aluminum windows, developed with strategic partners, has become a significant competitive advantage. By reusing aluminum within the same product lifecycle, we have reduced our reliance on imported materials. Today, approximately 80% of the aluminum used in our housing products in Japan is derived from recycled scrap. This not only secures our supply in a resource-constrained environment but also meaningfully reduces our exposure to the volatility of the virgin aluminum market, providing us with a distinct advantage in cost, stability and sustainability.





### Market Environment and Medium-Term Outlook

Looking across our global operations, we see a structural shift in our markets. While the specific dynamics vary by region, the overall landscape is being redefined by two primary forces: a fundamental change in housing demand and an accelerating global commitment to sustainability and energy efficiency.

What is more, the external environment is likely to remain uncertain. Geopolitical developments, supply disruptions, and cost increases will continue to affect our markets. We are closely monitoring developments in the Middle East given the potential implications for raw material supplies, logistics, and energy costs. Even so, we do not believe these conditions fundamentally alter long-term demand trends. Housing affordability challenges, delayed projects, and inflationary pressures may weigh on

activity in the near term, but underlying demand remains intact, and in several regions, including Europe and Japan, we see evidence that markets have bottomed out or are approaching that point, even if recovery is gradual.

In this environment, the key question is whether customers continue to choose our products. In our business, that decision is shaped not only by end users, but also by architects, designers, installers, and governments, each of whom evaluates value through a different lens. We are increasingly seeing the benefits of this broad relevance. Recognition is growing for products such as *PremiAL* and *revia*, which exemplify our circular approach through recycled materials and more sustainable design. As engagement with architects and designers deepens, showroom presence strengthens, and our position in renovation continues to build, we believe that we are moving in the right direction.

### Japan Market: Leading the Transition to Renovation

In Japan, the market shift has been more significant than anticipated. New housing starts declined by 12.9% in FYE2026—a substantial contraction driven by regulatory changes, supply constraints for key materials, and the rising cost of construction materials fueled by inflation. Despite this environment, our Japan business delivered solid performance. This was the direct result of our decision to accelerate our shift toward the renovation market and enhance overall profitability.

We focused on high-value-added solutions that address evolving consumer needs, particularly in thermal insulation and energy efficiency. With rising energy costs becoming a daily concern for households, our high-performance windows, doors,

and water-saving technologies have shifted from optional upgrades to essential investments.

Beyond market positioning, we also have fundamentally enhanced our operational efficiency through digital transformation. We have fully integrated Artificial Intelligence (AI) and digital tools into our daily sales operations. By leveraging AI to analyze customer interactions and optimize sales routes and priorities, our sales force has become more productive and targeted.

Within the water technology business, we further accelerated the reorganization of our sales teams to focus more directly on winning new business while better assisting clients. Under the previous structure, a significant share of sales resources was absorbed by procedural tasks, limiting the capacity to pursue new opportunities. By concentrating on contractors able to manage quotations and orders independently, we have reduced our administrative burden, leading to increased sales activity and higher order volumes.

### International Markets: Strategic Focus and Growth Divergence

In international markets, our strategy is focused on improving profitability through optimizing operations in mature markets while aggressively capturing growth in emerging regions.

In mature economies, particularly Europe and the Americas, the recovery has been slower than originally forecasted due to persistent inflation and high interest rates. However, we have not simply waited for a market rebound. Instead, we have accelerated initiatives to enhance our financial and operational resilience. In Europe, we are focused on improving our margins by leveraging the strong brand equity of GROHE. Despite the

slow economic recovery, GROHE continues to demonstrate its leadership in the premium segment.

Although we have struggled in the Americas, we are beginning to see the tangible benefits of our strategy to optimize the organization. Alongside the positive contributions from optimizing workforce allocation and commercial strategies, the completion of the transfer of our North American bathing business to American Bath Group (ABG) sets the stage for a strong recovery. We expect the turnaround of our Americas business to be a driver of our financial improvement in FYE2027.

Meanwhile, we continue to see immense potential in the IMEA region, which stands at the forefront of our global expansion strategy. While we remain highly vigilant regarding the complex geopolitical situation in the Middle East, we are successfully managing these risks through the operational resilience and diversified supply chains we have established. Rapid urbanization and the expansion of the middle class in India and across Africa are creating steady large-scale demand for high-quality and reliable water and housing products.

Overall, our portfolio strategy is becoming more focused. GROHE is central to our international growth, while we maintain a balanced portfolio that includes American Standard, INAX, and TOSTEM. The key is to compete where we can lead and win. By staying agile and localizing our brand strengths, we are capturing growth where it is most dynamic.

### Market Evaluation and Value Creation

To ensure the sustainable growth of LIXIL, in addition to steadily executing the business strategies discussed above, earning the trust of the market as a listed company is essential. I recognize our current status where there is a gap between EBITDA and core earnings or net profit, as well as the challenges regarding asset efficiency.

These gaps are driven by two main factors, which are within our control. First, the high level of depreciation costs from a heavy base of assets, including some inefficient ones, reduces reported earnings. Second, the flow of funds within our group has not been fully streamlined across the portfolio.

We see three clear levers to improve this.

1. Improving profitability across the business
2. Optimizing or reducing inefficient assets
3. Streamlining the flow of funds within the group

First, the actions already underway across the business are supporting stronger profitability. In Japan, the acceleration of renovation-led growth, greater sales productivity through digital tools, and reforms in transaction relationships are improving commercial effectiveness. In international markets, sharper portfolio focus and disciplined brand management are also helping to strengthen earnings quality.

Second, several measures described earlier are intended to improve asset efficiency over time. The simplification of the organization, optimization of the business portfolio in markets



such as the Americas are all designed to create a leaner operating base. These actions should help reduce inefficiency and improve returns on the assets we deploy.

Third, to close the gap between core earnings and net profit we must streamline the flow of funds within the group by transforming our profit structure. We are already addressing this area with a strong sense of urgency.

Taken together, these actions will close the valuation gap over time.

### Organizational Transformation and Capability Building

We have introduced a new leadership structure to support the next stage of LIXIL's transformation, centered on the establishment of the Chief Operating Officer (COO) and Chief Impact Officer (CIO) roles. This is not simply an organizational update. It reflects our commitment to further transforming our corporate culture, strengthening accountability, and improving execution across the business. Transformation is about building an organization that is faster, clearer in its priorities, and better able to turn strategy into action.

That belief is reflected in the design of the COO role, which brings together our Digital and Human Resource functions. Transformation cannot be driven by technology alone. It depends equally on how we develop our people, build capabilities, and embed new ways of working across LIXIL. Having one person manage these concepts to smoothly advance digitalization, including AI, is the biggest key to improving



productivity. We can improve visibility, accelerate decision-making, and move more quickly from strategy to execution.

I see AI as a “power suit” because it can strengthen individual capability and improve the quality and speed of execution. This is not about reducing people. It is about enabling our employees to contribute at a higher level and equipping them for the future. The objective of this update is not only to raise productivity through tools such as AI, but also to ensure that reskilling, talent deployment, and cultural change move forward together.

The Chief Impact Officer is equally important because this role will help shape how LIXIL creates and communicates impact. Through our Impact Strategy, we have strengthened our sustainability initiatives and demonstrated leadership in reducing negative environmental impact by embedding our three core pillars into our daily operations. To achieve further differentiation, we must not only drive these internal efforts but also ensure that our priorities are reflected in how our value is understood more deeply by the world. That is essential if we are to strengthen our culture, sharpen execution, and be recognized as a partner of choice by customers, employees, governments, and partners.

This new structure is both a practical enabler of better execution and a clear expression of our commitment to continuing LIXIL's transformation.

### Realizing Our Purpose

Our purpose is to make better homes a reality for everyone, everywhere. For me, the most important word is “better.” If we continue to produce and sell the same products, we will not progress as a company. We need to continue to ask ourselves

what “making better” means.

There is growing awareness that choosing LIXIL products can also contribute to addressing social and environmental challenges. This means focusing on where we can make the greatest difference. When we do that, our products are selected not simply because they are available, but because they are valued—for their quality, their relevance, and increasingly, for the broader impact they can deliver.

SATO is one example of this in practice. By improving access to sanitation, we can deliver a meaningful improvement in quality of life for people who previously lacked it. At the same time, products such as *PremiAL* and *revia* show how circular design and the use of recycled materials can create a different kind of value—helping customers and partners meet rising expectations around sustainability, resilience, and resource efficiency.

At the same time, we believe resilience itself is becoming part of sustainable value creation. In a world where supply chains, resources, and costs are increasingly volatile, the ability to secure stable supply, use recycled materials and circular approaches more effectively, and respond flexibly to disruption will become an even greater competitive advantage. The external environment will remain unpredictable. But if we continue to strengthen what we can control—our products, our structure, and our capabilities—we will strive to build a company that is resilient, nimble, and consistently chosen.

### Year Three as CFO: Turning Change into Conviction

This marks my third year as CFO since assuming the role in 2024. Having spent most of my career at multinational companies, I believe I was brought into this long-established organization as a catalyst. There was a clear expectation that I would challenge existing frameworks and accelerate transformation through a fresh perspective.

Today, we are operating in an era of unprecedented uncertainty, marked by escalating geopolitical risks and labor shortages driven by demographic shifts. In times like these, the mission of the finance organization extends far beyond simply acting as a traditional gatekeeper of the numbers. As CFO, my role is to serve as a navigator in the passenger seat, constantly charting the course with data-driven insights, supporting the CEO, who is driving the business, so that decisions can be made quickly and accurately. In other words, my role is to be a true business partner.

At the core of this transformation is the Rolling Forecast, a framework that continuously looks ahead over multiple years. Traditional fixed-term planning approaches common among Japanese companies, such as single-year budgets and medium-term business plans, work well in stable environments. In today's rapidly changing world, however, they often become outdated almost as soon as they are created. Since introducing this continuous forecasting model last year, we have finally begun to establish a framework that enables decision-making based on a clear long-term vision, rather than being distracted by short-term fluctuations.

Instead of waiting until we have some certainty, we read the early signs of change from the data in front of us and adjust course decisively whenever necessary. This sense of speed is essential to executing the LIXIL Playbook. The challenges we faced and overcame at the beginning of my tenure are now leading to tangible change and steadily turning into confidence in our ability to maximize corporate value.

# CFO MESSAGE

**Building Resilience and  
Delivering Profitable Growth  
to Maximize Corporate Value**

## Mariko Fujita

Director, Executive Officer, Executive Vice President,  
CFO, Finance, Treasury, IR, and Risk Management



### Improving Capital Efficiency and Driving Improvement in Share Price and PBR

LIXIL's PBR (price-to-book ratio) currently remains below 1x. As CFO, I view this as a sign that the market has yet to fully recognize or place sufficient confidence in LIXIL's future earnings power and value creation potential.

Through ongoing dialogue with investors on various occasions, I have once again come to appreciate how strongly the market expects management to maintain a clear focus on the cost of capital. Consistently generating returns that exceed the cost of equity, or in other words, sustainably creating a positive equity spread, is the minimum discipline we must uphold. While we cannot directly control our share price, we can establish systems to improve capital efficiency, which underpins that price.

ROE for FYE2026 was 1.3%. This figure includes the impact of one-time costs associated with structural reforms, and we intend to steadily improve from here.

The levers for improving ROE are clear. First, we must increase the ratio of differentiated products and strengthen our earning power so we are not drawn into price competition. Second, we

must fundamentally redesign our cost structure, particularly SG&A expenses, by thoroughly pursuing a "More with Less" approach powered by technologies such as AI, which I will discuss later. Third, we must improve asset efficiency through an asset-light strategy. By combining these three elements, we will steadily and systematically raise ROE toward our target level.

Another factor weighing on LIXIL's bottom line is our high effective tax rate. As we expanded our business globally over the years, some subsidiaries continued to operate at a loss and the group's overall tax structure was not necessarily optimized. I believe there is significant room for structural improvement, and we are therefore working to eliminate loss-making entities, consolidate legal entities, and streamline the flow of funds within the group in line with evolving international tax regulations. Optimizing our accounting tax burden is part of a broader transformation of our earnings structure, closely linked with optimizing our business portfolio. By steadily advancing these finance-driven initiatives, we aim to strengthen the bottom line and maximize the cash flow that supports shareholder returns.

To embed capital efficiency into our company-wide culture, we

have made ROIC (return on invested capital) management at the business division level a central management focus. What I value most here is not highly sophisticated calculations, but the use of ROIC trees that help employees on the ground understand how their actions connect to financial outcomes.

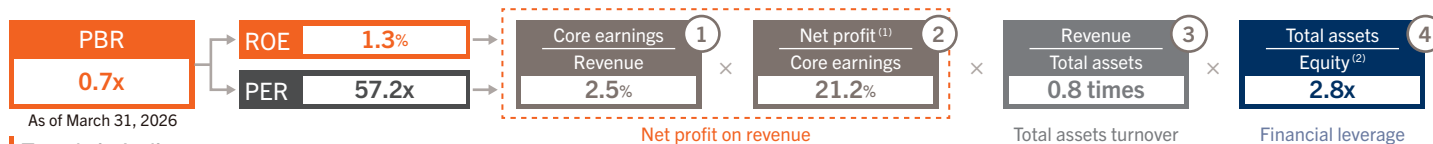
To be candid, our ROIC management in the past tended to focus too heavily on tracking progress against single-year budgets, essentially whether profit, the numerator, was meeting planned targets. However, true improvement in capital efficiency depends not only on growing profit, but also on how effectively we control and optimize invested capital, the denominator. This new perspective has allowed us to establish a framework for understanding capital movement over the medium- to long-term and discussing concrete actions related to the denominator itself.

We have also introduced portfolio-mix perspectives, rather than imposing a uniform ROIC target of 10% across the entire company. Taking into account the characteristics of each segment, we have clarified the role each business should play in achieving our overall targets. Through these reforms and ongoing dialogue, we are aiming to steadily expand our ROIC spread.

### Transforming the Business Portfolio and Advancing an Asset-Light Strategy

LIXIL is not simply pursuing scale for its own sake. Our goal is to transform ourselves into a resilient organization that is capable of sustainable growth while maximizing capital efficiency. At the center of this transformation is a shift away from traditional ownership-based thinking toward an asset-light strategy and strategic partnership model.

In an era of rapid change, holding every asset in-house can sometimes become a risk. Owning fixed assets may appear stable at first glance, but when circumstances change, they can limit



#### Trends in Indicators

(Years ended March 31)	2020	2021	2022	2023	2024	2025	2026
<b>ROE (%)</b>	<b>2.4</b>	<b>6.3</b>	<b>8.3</b>	<b>2.6</b>	<b>-2.2</b>	<b>0.3</b>	<b>1.3</b>
Core earnings margin (%)	3.5	4.2	4.5	1.7	1.6	2.1	2.5
Net profit margin <sup>(3)</sup> (%)	23.9	57.7	74.9	62.1	-60.0	6.4	21.2
Assets turnover (times)	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Financial leverage (times)	4.2	3.2	2.9	3.0	2.9	3.0	2.8

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

flexibility and slow decision-making. That is why LIXIL is carefully reassessing what we should own ourselves and what should be entrusted to partners, taking the entire value chain into account.

From a CFO's perspective, the key question is where to allocate our limited management resources, people, assets, and capital, in order to maximize LIXIL's corporate value. LIXIL's shift toward asset-light strategic partnerships is not simply about cutting costs. It is a proactive decision to concentrate our finite resources on higher value-added areas.

One example that embodies this approach is our strategic partnership with American Bath Group (ABG) in the U.S. bathtub business. By entrusting the American Standard bathtub business to ABG, we have created greater sales opportunities and additional capacity so that both companies can focus more resources on future growth initiatives such as enhancing brand value and developing differentiated products.

At the same time, we will continue to make agile investments where clear synergies can be expected. Examples include the acquisition of AISIN's housing equipment business and the transfer of Asahi Tostem Exterior Building Materials' metal and resin siding operations into the core business following the discontinuation of its ceramic siding business. Our partnership with Schueco in Germany also represents a new model for global strategy. Rather than building large factories ourselves, we are partnering with a world-class brand to establish a presence in the high-end window market. Expanding into markets without taking on significant assets is one strategic option, and we intend to continue managing the business through disciplined and optimized capital allocation.

This portfolio transformation is supported by the governance framework we have established for advancing M&A initiatives. Too often, M&A can become an exercise that ends once the deal closes. In reality, M&A is just the beginning. To ensure acquisitions do not become "buy-and-forget" investments, our finance and risk management specialists work in lockstep with business divisions from the sourcing and deal-structuring stages onward. We do more than simply review surface-level financial statements. We also define how each investment complements the LIXIL Playbook and map out the post-merger integration (PMI) process, including how synergies will be created after the acquisition.

#### Capital Allocation

To sustainably enhance corporate value, LIXIL must maintain discipline in capital allocation, determining how best to redeploy the cash it generates into the most effective areas. LIXIL operates a framework that allocates cash inflows based on medium- to long-term EBITDA across growth investments, maintaining a sound financial foundation and shareholder returns, while carefully balancing each priority.

We have established clear criteria for prioritizing investments. Our highest priority is growth investment, which serves as the source of our future earning power. This includes not only capital investment for new product development and mass production, but also investment in digital and AI fields, which we view as engines of transformation, and in intangible assets such as brands and intellectual property. These investments are not made indiscriminately. By combining investments with asset-light strategic partnerships, we are working to maximize investment efficiency. The essence of capital allocation lies in rigorously assessing the quality of each investment, namely, how much



added value it can generate relative to the capital invested.

As part of our growth investment approach, we currently have no plans for large-scale M&A, although we continue to evaluate M&A opportunities. The key question is how each piece fits into our efforts under the LIXIL Playbook. We will consider allocating capital only to opportunities with clear synergies and expected returns that comfortably exceed our hurdle rate.

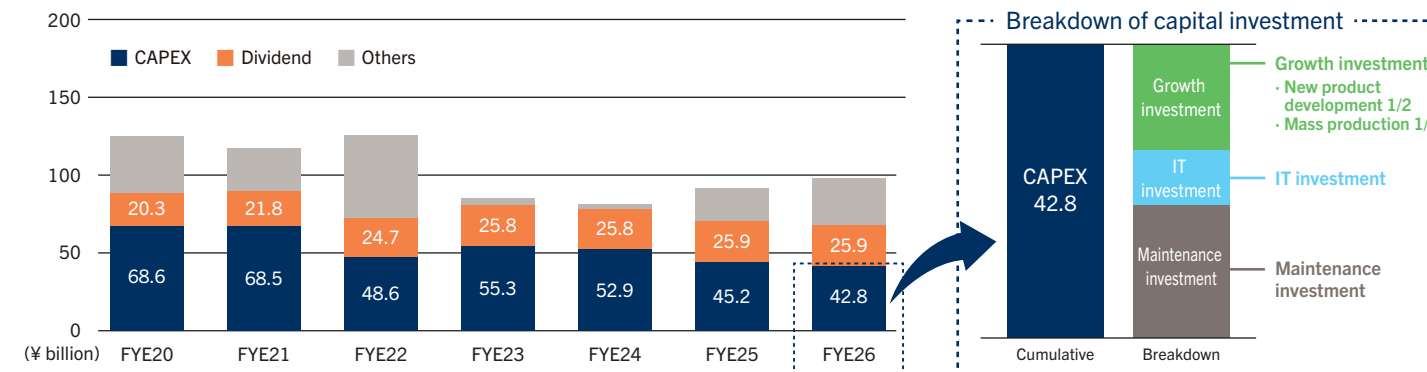
As noted earlier, our finance organization has long been deeply involved from the inception of each deal, and we have established a structure for designing the process end-to-end through post-merger integration (PMI). Rather than fearing risk excessively, we assess it properly from a financial perspective and bring it under control. Increasing transparency in this process ultimately raises the probability of investment success. The risk management function sits within the finance organization, so we are now able to treat risk not simply as something to avoid, but as an issue that can be managed, which allows for agile decision-making even in an uncertain environment.

For shareholder returns, our basic policy is to provide stable dividends over the long term. Rather than reacting to fluctuations in net profit in any single fiscal year, we determine annual dividends based on medium-term EBITDA levels.

Why do we use EBITDA as the basis? We place importance on the cash flow generated by the business itself, excluding non-cash items such as depreciation and amortization, as well as accounting factors arising from past acquisitions. Even amid sharp changes in the external environment, including soaring raw material prices and foreign exchange fluctuations, we will continue to provide returns in line with LIXIL's underlying cash-generating capacity. This consistency is the foundation of trust with our shareholders.

We do not rule out share buybacks either and will consider them flexibly as needed from the perspectives of optimizing our capital structure and improving ROE. We will determine the optimal distribution of profits based on a comprehensive assessment of factors across management, including periodic earnings, cash flow, and financial soundness.

#### Adjusted EBITDA\*



\* Adjusted EBITDA=Core earnings + Depreciation (adjusted for the amount of depreciation recorded as a cash outflow due to the application of lease accounting under IFRS)

#### Transformation Driven by Technology (AI)

In transforming the finance organization, I have consistently emphasized a 10x mindset. This means aiming not for a 10% improvement, but for outcomes that are ten times better, and thinking not about the future that seems possible, but the future we truly want to create. A concrete symbol of this approach is our Moonshot\* goal of "Day 1 Closing."

\* An ambitious and highly challenging goal or plan that is difficult to achieve but would create significant impact and innovation if realized.

If we simply try to close the books one day earlier within the existing process, we end up with nothing more than slightly more efficient versions of the same work. However, by asking what it would take to complete the closing process in a single day, we are forced to fundamentally question and redefine our existing operations. The leap in thinking that comes from removing constraints we may not even realize we are bound by is the key to truly leveraging AI and digital technologies and evolving into a finance organization that can keep pace with the speed of business.

AI is the engine that will accelerate this transformation. We aim to make AI something used not only by a handful of specialists, but by all employees as everyday citizen AI users.

LIXIL's goal is to use AI to eliminate inefficient work that feels tedious or burdensome. In Japan, there is a culture that values effort and time spent as virtues in themselves. That can be a source of pride when it appears as dedication and perseverance, but when taken too far, it can turn into unnecessary endurance. I want to change that. I want people to see efficiency not merely as cost reduction, but as an enjoyable process (Have fun!) that allows them to shift toward higher value-added work. That is the change in mindset I encourage them to embrace. For example, within the department, we regularly hold AI contests where employees compete with tools and ideas they have created using AI. Regardless of position or age, employees on the front lines share examples of how much easier their work has become, inspiring and learning from one another. These grassroots activities are what drive us to reduce operating costs while making the process enjoyable, and to transform the role of finance from "compiling figures" to "providing insights."

At the same time, successfully driving technology-led transformation requires patience from management. With new technologies such as AI in particular, we must create the answers ourselves. Not every AI investment produces a visible ROI the following month. To fully adopt new tools and embed them into our organizational culture, we need time, education, and above all, a long-term commitment to fostering a culture where people have the psychological safety to experiment and fail.

We have no intention of slowing the pace of transformation. At the same time, we are placing importance on building genuine

understanding so employees can take on challenges without fear of failure and put “Experiment & Learn”, one of the LIXIL Behaviors, into practice. Rather than imposing new systems from the top down, we share why they are needed through dialogue and move forward with the right balance. I am convinced that this process, which may seem indirect at first, ultimately strengthens organizational resilience and lays the foundation for discontinuous growth.

AI should not take work away from people. It should create an environment where people can fully demonstrate their capabilities and focus on creative decision-making. That is the future of finance I am working to build.

### Proactive Risk Management and Governance

In today’s increasingly volatile environment, we must avoid missing opportunities due to delayed decisions. With geopolitical risks and sudden market shifts, the risk of standing still until perfect certainty is available has never been greater. I emphasize speed: making the best possible decision based on the numbers and data available, rather than waiting until we can be completely certain. Of course, a decision made at one point in time will not always prove to be correct. What matters is having the management speed to detect changes quickly and, when necessary, change direction without hesitation. We must make decisions quickly, translate them into action, and immediately take the next step if assumptions prove wrong or something fails. I believe this agility will strengthen LIXIL’s resilience in a rapidly changing external environment.

To support rapid decision-making, we are exploring new forms of governance enabled by technology. As LIXIL actively incorporates AI into its business, we have established an AI Governance Committee to properly mitigate the associated risks. The

committee is developing operational rules from multiple perspectives, including the ethical use of AI and security. We are also working to automate and enhance the audit and internal control processes themselves through AI. By using data to detect early signs of change that human eyes may overlook, we can respond before risks materialize. My goal is to see governance evolve from a simple brake into a sensor that helps us keep moving faster and more safely. We will continue using AI as we work to build a governance framework that maintains discipline while responding flexibly to change.

### Message to Investors

In transforming the finance organization, I place great importance on the philosophical concept of “*Shu-Ha-Ri*” (Preserve, Break Away, New Phase). We will preserve the strong governance built by our predecessors (*Shu*), while using digital technologies and AI to fundamentally break away from existing business processes (*Ha*). Now, we aim to move into the phase of creating new value that does not simply extend from the past (*Ri*).

Through this process, we need to change the values of the finance organization itself. For many years, accounting and finance work has tended to be evaluated through a fault-finding lens, where avoiding mistakes was considered the top priority. What LIXIL needs going forward is not a passive keeper of the numbers, but a business partner that actively commits to business growth.

What I value in driving transformation is ensuring that reform does not become insular or detached from reality. As a leader, I do not claim to know every detail of what is happening on the front lines. That is why I deeply respect the wisdom of the specialists working hard on the front lines and combine it with the financial solutions I can bring to the table.

We translate the thoughts and challenges of the front lines into the language of numbers and connect them to concrete action. I believe that accumulating this kind of dialogue strengthens resilience across the organization and leads to the maximization of corporate value.

The transformation of the finance organization that I am pursuing has no endpoint. While further strengthening the systems we have built, we will continue moving steadily forward so that the finance organization can keep evolving into a function that truly navigates the business. I hope our investors and other stakeholders will continue to follow this journey from a medium- to long-term perspective.





# COO MESSAGE

**Driving Transformation to the  
Next Stage: Unifying our digital  
and human capabilities to build  
a resilient and agile organization**

## Yugo Kanazawa

Director, Representative Executive Officer,  
Executive Vice President, and COO  
and Human Resources, Digital, and CX

We are operating in a business environment of almost permanent volatility, driven also by profound structural shifts. From labor shortages and heightened competition for global talent to the rapid rise of generative AI amidst growing geopolitical volatility, the challenges we face are becoming more complex. The pace of change is accelerating at a rate that demands a fundamental rethink of how we operate. In this landscape, the ability to execute our business strategy with speed as well as agility is critical for our sustainable growth.

Having stepped into the newly established role of COO in April, I have taken on a mandate that is distinct from traditional operational roles. At LIXIL, the COO encompasses dual responsibility for our Digital and Human Resource functions—a unique structure that reflects our core strategic priorities in navigating these evolving challenges.

As outlined in the LIXIL Playbook, Digital and HR serve as the critical foundations for executing our strategy and driving transformation across the entire organization. I am deeply committed to creating a powerful synergy between digital intelligence and human potential, establishing a competitive advantage that sets LIXIL apart in our industry. This conviction is built on my track record of leading enterprise-wide digital transformation as the former Chief Digital Officer. We have championed the “democratization of digital capabilities,” putting digital tools and AI directly into the hands of our people. I have seen firsthand that technology delivers its truest value when embraced with the ingenuity and ownership of our employees. By making digital ability a common language, we have empowered our teams to solve problems independently and maximize their capabilities.



My role is to harness this collective energy and power to translate our CEO's strategic vision into rigorous action. I view myself as a catalyst for the entire organization, leveraging my broad remit to ensure we are not only efficient but also agile and innovative in everything we do.

At the heart of this work is a unique partnership with CEO Kinya Seto. Having worked closely with Kinya for much of my professional career, I have developed an instinctive understanding of his vision. This long-standing relationship allows me to both augment and challenge him in ways that few others can. Together, we are focused on steering through an uncertain external environment by building an organization that is resilient enough to perform in any climate and sustain a long-term growth trajectory.

#### **Synergy of Digital and HR: Elevating Human Potential**

At LIXIL, unifying Digital and HR is not a change in direction, but a rational evolution to accelerate our strategy. While these teams remain distinct in their expertise, aligning them under a single leadership allows us to break down silos and leverage our strengths across our diverse global footprint, creating a powerful engine for our transformation.



I believe we must move past the idea that human effort and technological advancement are opposing forces. Instead, digital tools are an integral part of our "Workforce." My extensive dialogues with employees across our regions over the past few months have reinforced my belief that our most complex HR challenges, from talent development to organizational agility, are intrinsically linked to how we utilize technology. When we equip our people with both the right strategies and digital capabilities, they become the ultimate catalyst for our growth.

### Empowering Our People

I am honored to take the baton from my predecessor Jin Montesano, whose leadership was instrumental in transforming LIXIL's culture and our HR function. Over the past years, she established a robust Global People Strategy, with a profound focus on fostering an inclusive environment where every individual feels empowered to contribute their best. I am committed to advancing this strategy, ensuring that inclusion remains the bedrock of our high-performing organization.

Building on this foundation, we view our employees as our most valuable asset and the primary drivers of value creation. To amplify their impact and accelerate our transformation, we are leveraging digital tools to streamline our complex processes and traditional workflows. This allows our people to shift their focus toward higher-value, human-centric tasks—a transition that is not just about



efficiency, but about unlocking full potential and enhancing the employee experience.

To remain resilient and competitive, continuous reskilling and a shift in mindset are essential. We will embrace AI agents as a critical partner to optimize our operations, freeing our talent to engage in more creative and meaningful work. LIXIL has always thrived on a culture that embraces changes and challenges, and we will fully back those who take the initiative toward new ways of working.

### One LIXIL: Accelerating Our Transformation

By further enhancing our digital and HR strengths and reinforcing the foundations of the LIXIL Playbook, we are building a more agile, profitable, and resilient organization. My priority is to turn our digital and people capabilities into tangible value, ensuring that our transformation translates directly into results for all our stakeholders.

As I embark on this journey as COO, I am mindful that our success depends on the collective strength of our people. I am committed to staying grounded in the reality of our operations, listening to our teams worldwide, and leading as “One LIXIL” to solve the challenges of today and tomorrow. Together, I am confident that we will deliver sustainable growth and fulfill our purpose: Make better homes a reality for everyone, everywhere.





(Pictured left to right)

### Kinya Seto

Director, Representative Executive Officer, President, and CEO

Number of shares of the Company owned 767,844  
Number of phantom stocks held 207,220

### Yugo Kanazawa

Director, Representative Executive Officer, Executive Vice President, and COO and Human Resources, Digital, and CX

Number of shares of the Company owned 66,798  
Number of phantom stocks held 39,885

(Pictured left to right)

### Erin McCusker

Executive Officer, Executive Vice President, Chief Impact Officer, Communications, External Affairs, and Impact Strategy

Number of shares of the Company owned 0  
Number of phantom stocks held 15,324

### Bijoy Mohan

Executive Officer, Executive Vice President, LIXIL International

Number of shares of the Company owned 0  
Number of phantom stocks held 278,081

### Satoshi Yoshida

Executive Officer, Executive Vice President, LIXIL Housing Technology (LHT) and Living

Number of shares of the Company owned 46,850  
Number of phantom stocks held 27,803



(Pictured left to right)

### Hiroyuki Oonishi

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

Number of shares of the Company owned 48,263  
Number of phantom stocks held 25,567

### Hanseul Kim

Executive Officer, Executive Vice President, Chief Transformation Officer, Corporate Transformation and M&A

Number of shares of the Company owned 24,421  
Number of phantom stocks held 22,421

### Mariko Fujita

Director, Executive Officer, Executive Vice President, CFO, Finance, Treasury, IR, and Risk Management

Number of shares of the Company owned 15,448  
Number of phantom stocks held 14,148

## 02



## MAXIMIZING PROVIDED VALUE AND RETURNS

- 21 MANAGEMENT DIRECTION
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Elements of the corporate value formula highlighted in this section

$$\left[ \begin{array}{c} \text{Enhancing} \\ \text{corporate value} \uparrow \end{array} \right] = \frac{\left[ \begin{array}{c} \text{Maximizing provided value and returns} \\ \text{[Expanding value creation (Improving profit margin) \uparrow]} \end{array} \right]}{\left[ \begin{array}{c} \text{Sources of corporate value} \\ \text{and provided value} \\ \text{[Reducing cost of capital \downarrow]} \end{array} \right] - \left[ \begin{array}{c} \text{Sustainable growth through} \\ \text{the creation of new value} \\ \text{[Improving growth rate \uparrow]} \end{array} \right]}$$

### MAXIMIZING PROVIDED VALUE AND RETURNS

To achieve steady growth even in an uncertain, rapidly changing external environment, we analyze the current state of LIXIL's earning power and the challenges it faces. We also provide a detailed explanation of how we are maximizing returns by executing strategies based on the Playbook to improve profitability and by building an efficient operating structure.

Changes in the dynamic global population, bringing higher numbers of people and an increase in disposable income in international markets, is creating an expectation for better sanitary conditions and a more pleasant home experience. On the other hand, LIXIL's business environment is changing, and our corporate activities are exposed to various actual and potential risks, including heightened geopolitical risk. The world is faced with social issues ranging from climate change to water and resource shortages. These issues continue to increase in complexity. We are working to minimize the impact that risk may have 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.

## Opportunities

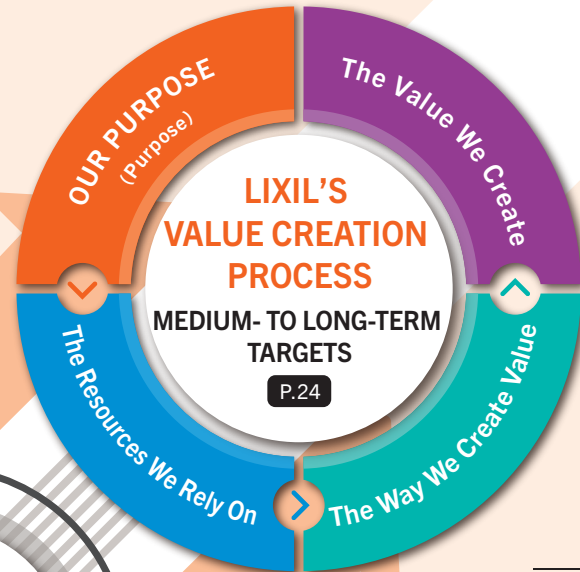
- Growth of the insulation and energy-saving renovation market in Japan
- Continued government policy support to promote high-performance housing renovations in Japan
- Recovery in housing demand in international markets
- Establishment of a circular economy due to resource shortages
- Increased demand for water purification technology and innovative water-saving products and services
- Develop into an innovative organization that attracts a diverse range of highly motivated people
- Increased demand for improved sanitation and comfortable housing

## Megatrends

- Escalating geopolitical risk and deepening divisions
- Climate change and biodiversity
- Water and resource shortages
- Supply chain disruptions and resilience
- Growing global middle class
- Maturing Japanese market
- Accelerating digitalization and the spread of generative AI

## Risks and Opportunities

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## Risks

- Persistently high costs of raw materials and energy due to geopolitical risks
- Suppressed housing investment due to macroeconomic uncertainty
- Slowdown in housing demand due to foreign exchange fluctuations and rising interest rates
- Supply chain disruptions and suspension of production activities due to conflicts, disasters, and accidents
- Increased incident risks associated with accelerating digitalization
- Delays in adapting R&D to technological innovation and market changes
- Intensifying competition with competitors

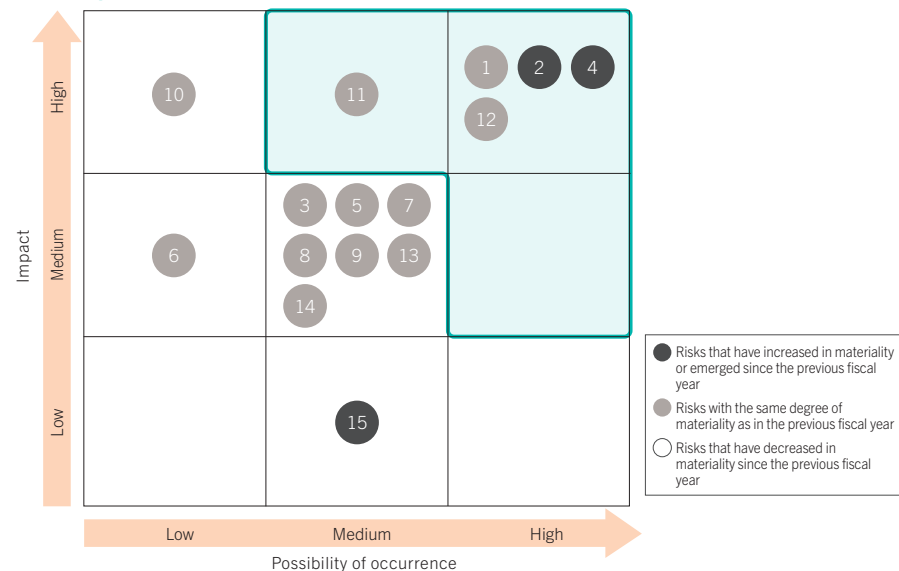
LIXIL's Purpose

# Make better homes a reality for everyone, everywhere



LIXIL is driving the development of Enterprise Risk Management (ERM) across the group to ensure business continuity and stable development. We have established a Risk Management Committee overseen by the CFO as the chairperson to monitor the progress of ERM, responses to risks, and the occurrence of major incidents, and to make decisions related to risk management. Important matters are reported to the Board of Executive Officers, while the Board of Directors receives regular reports from the CFO 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 Map and Comments



Risks relevant to FYE2026	Possibility of occurrence	Impact	Change in materiality from the previous year
(1) Changes in the economic environment, fluctuations in exchange rates and interest rates	High	High	Same level
(2) Geopolitics	High	Medium → High	Increased
(3) Development of new products	Medium	Medium	Same level
(4) Procurement of raw materials	Medium → High	Medium → High	Increased
(5) Environment (climate change, water, resources)	Medium	Medium	Same level
(6) Business restructuring	Low	Medium	Same level
(7) Competition with competitors and product prices	Medium	Medium	Same level
(8) Acquisition and development of human resources and promotion of diversity	Medium	Medium	Same level
(9) Sales channels	Medium	Medium	Same level
(10) Brands	Low	High	Same level
(11) Disasters, accidents, and infectious diseases	Medium	High	Same level
(12) Information and cybersecurity	High	High	Same level
(13) Intellectual property	Medium	Medium	Same level
(14) Likelihood of deferred tax asset recovery	Medium	Medium	Same level
(15) Regulatory environment and requirements	Low → Medium	Low	Increased

Please visit our website for more information on LIXIL's strategic and operational risks and countermeasures.

### Response status to materialized risks from the recent situation in the Middle East

**Uncertain Business Environment:** Market prices for crude oil, aluminum ingots, and others are soaring due to the prolonged conflict in the Middle East. We are currently assessing the negative cost impact on domestic operations and scrutinizing mitigation measures, including global production optimization and price revisions

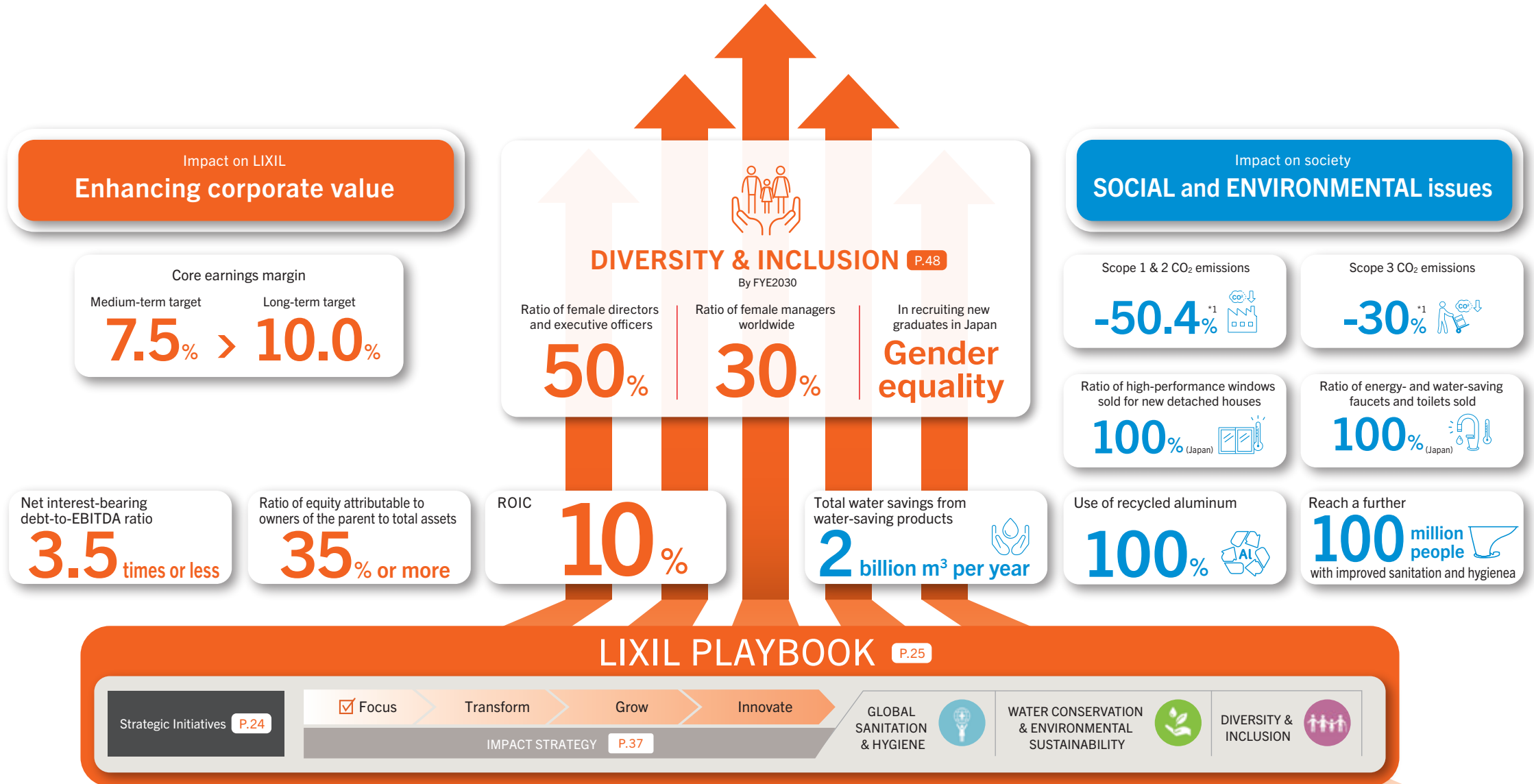
**Supply Constraint Risk:** The outlook for raw material procurement (particularly resins, plastics, chemicals, and packaging materials) and product supply, as well as the potential for various cost increases, remains highly uncertain. At this stage, it is difficult to incorporate these factors into a financial forecast in a reasonable manner

	Main Risk Factors	Response Directions
<b>Manufacturing and Supply</b>	<ul style="list-style-type: none"> <li>Soaring prices and supply concerns for petroleum-based raw materials</li> <li>Soaring aluminum prices</li> <li>Copper prices remaining at elevated levels, alongside rising costs and supply concerns for other MRO materials</li> </ul>	<ul style="list-style-type: none"> <li>Additional price revisions</li> <li>Diversification of procurement sources</li> <li>Increasing the ratio of recycled scrap for aluminum</li> </ul>
<b>Cost Inflation and Supply Concerns (Fuel and logistics costs)</b>	<ul style="list-style-type: none"> <li>Soaring fuel and electricity costs at each plant</li> <li>Rising freight rates across ocean, land, and air transport</li> </ul>	<ul style="list-style-type: none"> <li>Mitigating price fluctuation risks through hedging</li> <li>Flexibly determining shipping priorities</li> </ul>
<b>Product Lead Times</b>	<ul style="list-style-type: none"> <li>Shipment delays and extended lead times for delivery commitment due to supply instability of certain parts and materials</li> </ul>	<ul style="list-style-type: none"> <li>Mitigating the impact on revenue by prioritizing shipments of core products, despite delivery adjustments and supply concerns</li> </ul>

As of the publication of this integrated report (June 2026), we are carefully evaluating both the cost-increasing factors and the offsetting effects of our price revisions.

Regarding the future impact and earnings forecasts, please refer to the information to be disclosed by the Company following the release of this report.

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.



\*1 Baseline year FYE2019  
\* All targets are for FYE2031, unless otherwise noted

Introduced in FYE2021, the LIXIL Playbook ensures sustainable growth and value creation, providing the roadmap toward LIXIL's purpose of making better homes a reality for everyone, everywhere. By clearly defining what we aim to achieve and how we will get there, it serves as a compass that enables employees around the world to unite behind a shared direction and accelerate transformation.

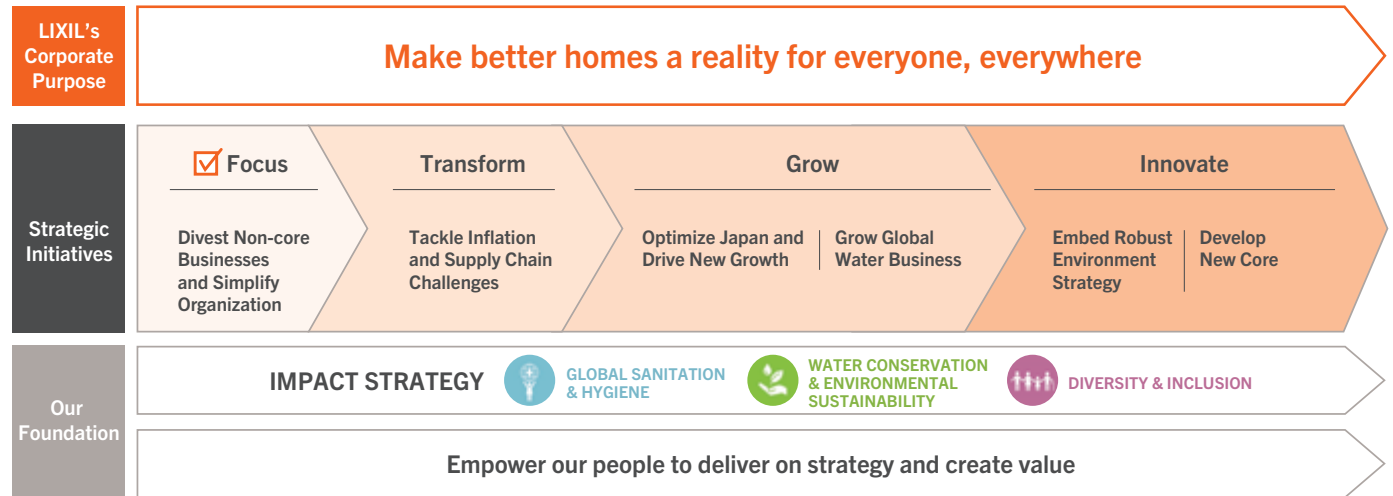
## LIXIL PLAYBOOK

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.

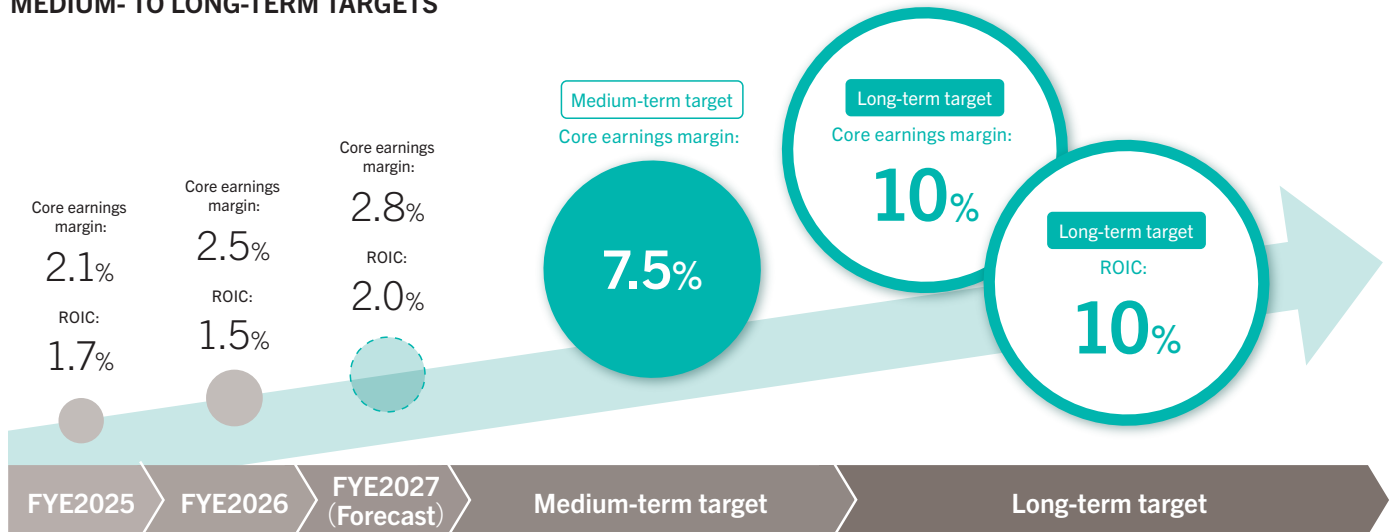
## Our Foundation

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 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.



## MEDIUM- TO LONG-TERM TARGETS



For more details on the progress of the Medium- Term Roadmap [Financial Results Briefing Materials for FYE2026](#)

## LIXIL PLAYBOOK PRIORITIES: PROGRESS UPDATE

Over the past year, we have continued to make steady progress on the priorities set out in our Playbook. While the external environment has remained challenging, particularly due to inflationary pressures, geopolitical risks and uneven market conditions across regions, the actions we have taken over the past several years are strengthening the foundation of our business. In addition to improving profitability through the expansion of differentiated products in our key markets, we are mapping out a clear pathway toward sustainable growth by nurturing new core businesses.

### Focus Divest Non-core Businesses and Simplify Organization

We have continued to simplify our organizational structure and portfolio, focusing on areas where we can maximize value. Following the progress of our structural reforms, we have improved the quality of earnings by allocating management resources from business areas with limited differentiation to high-value and high-growth segments.

### Transform Tackle inflation and supply chain challenges

While the impact of rising commodity prices and unstable supply chains continues, our procurement strategies have improved our ability to respond quickly even in highly volatile situations. Building on lessons learned that overly efficient supply chains are vulnerable to changes when issues such as geopolitical risks surface, we are continuously developing a system that balances supply stability with cost structure optimization. These efforts have allowed us to maintain consistent product availability and minimize the impact of supply uncertainties, even under challenging conditions.

### Grow Optimize the business in Japan and drive new growth

Japan remains an important core market and, through years of structural reforms and strategic measures, is now one of our most stable and robust profit generators.

In particular, the renovation business is the driver for achieving future sustainable growth. By prioritizing our focus on renovation early on, we have maintained a solid performance even as new housing starts declined significantly. We aim to further enhance profitability by actively stimulating renovation demand leveraging government subsidies while improving productivity through digital tools and expanding holistic proposals that integrate products across multiple categories.

### Grow Grow Global Water Business

Our international business is steadily returning to a growth trajectory. Profitability has improved through structural reforms and strategic initiatives. Europe is leading this recovery; despite continued market headwinds, we are seeing steady sales of the GROHE brand and continued expansion of market share. While the Americas business remains affected by weak demand, we have laid the foundation to improve performance through restructuring and portfolio optimization. Under our strategic partnership with American Bath Group, we completed the transfer of our North American bathing business to the company in FYE2026. We also continue to focus on growth markets, including the Middle East and India.

### Innovate Embed Robust Environment Strategy

Our environmental strategy is a core part of our Playbook and a source of differentiation for sustainable growth. We operate our



business by incorporating an environmental perspective into every aspect, from product development to manufacturing and supply chains. By building production systems that utilize resources effectively and pursuing circular business models, we can reduce our environmental impact and strengthen our business foundation resilient to external disruption. The importance of these efforts is growing in a business environment that simultaneously demands both sustainability and supply stability. Starting in FYE2027, we have established the Chief Impact Officer (CIO) role to further accelerate our initiatives for social and environmental challenges and to pursue both impact creation and business growth.

### Innovate Develop New Core

We are continuing to invest in new growth areas that align with our environmental strategy and long-term vision. Products such as *PremiAL*, a circular low-carbon aluminum, and *revia*, made primarily from waste plastic, represent LIXIL's commitment to developing advanced, environmentally friendly solutions. At the same time, we are building the next generation of core businesses through innovations such as *bathtope*, a bathroom space equipped with a foldable fabric bath. By fusing technology, design, and sustainability to develop and nurture differentiated products that meet diverse and evolving customer needs, while simultaneously strengthening our existing core, we will achieve sustained growth for LIXIL over the medium- to long-term.

## ‘GROW’ FOCUS AREA

### Recovering Profitability Through Rebuilding the Business Foundation in a Challenging Market Environment

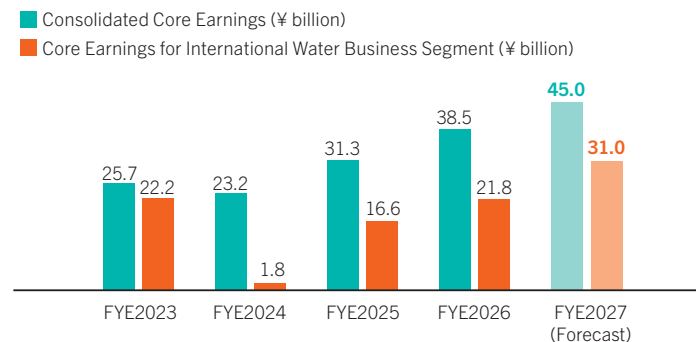
While the operating environment remains challenging across many markets, our profitability is steadily recovering and the business is on track for a full rebound. Although performance declined temporarily mainly in our international businesses, consolidated core earnings for FYE2026 recovered to ¥38.5 billion, up 23 percent year on year. The recovery in Europe, expansion in growth markets, and continued progress in Japan demonstrate that the strategic initiatives we implemented over the past several years are producing tangible results.

#### Recovery of Profitability in the International Businesses Centered on Europe

In our international water business, profitability has improved significantly from the low point reached in FYE2024 following the COVID-19 pandemic. Since then, we have focused on rebuilding the business on a more stable and resilient foundation, drawing on the lessons learned during that challenging period.

One of the most important changes has been the transformation of our production and operational systems to better align with market demand. At the same time, we reorganized the EMENA region into Europe and IMEA (India, the Middle East and Africa) to sharpen management focus and improve responsiveness to local market conditions.

#### Continued Profitability Improvement in International Water Business



This has contributed to the significant improvement in core earnings for LIXIL International, which rose significantly to ¥21.8 billion in FYE2026 from ¥1.8 billion in FYE2024. Europe remains the main driver of this improvement. Alongside the recovery in Western and Central Europe, supported by the continued strength of the GROHE brand, we also expanded sales in Eastern Europe.



Expansion of Sales for Showers and Faucets

These results were achieved in a difficult market environment affecting the entire industry. Our continued recovery shows that our resilience and competitiveness have strengthened even ahead of a broader market rebound. “The market is not going to make it any easier for us and, in fact, we expect to see continued headwinds in many of our major markets,” commented Bijoy Mohan, Leader of LIXIL International. “But if there is one good thing that comes out of

any crisis, it is that it gives us focus. It gives us clarity on what really matters and leads us to improve profitability.”

A major factor behind this progress in Europe has been our continued focus on strengthening relationships with professional installers. In the European market, installers play a critical role in product selection and recommendation. In addition to offering product designs that make on-site installation easier, we have invested in tools and services specifically designed to improve installer engagement and convenience. One example is the launch of the “GROHE+” loyalty program. This strategy of building strong support among installers has deepened our relationships with them and increased support for the GROHE brand across the region. To help nurture the next generation of artisans, we continue the “GIVE” program to train younger installers and build brand loyalty.



Launched the “GROHE+” loyalty program for installers



## 'GROW' FOCUS AREA: Recovering Profitability Through Rebuilding the Business Foundation in a Challenging Market Environment

### Emerging Markets Offer a Path to Future Growth

Outside Europe, we continue to expand in growth markets. In India and the Middle East, where we achieved particularly strong growth, we are capturing demand by strengthening local partnerships and evolving our business model to focus on high-end products. While geopolitical risks and market fluctuations remain, we continue to view the Middle East as an important long-term growth market and will keep working to expand demand and strengthen our position in the region.

In the United States, market conditions remain difficult, particularly in the housing sector. However, additional structural reforms, including the strategic partnership with American Bath Group, have already begun to positively affect our results, with the region returning to profitability in March 2026. We are continuing to optimize our sales strategy and advance other initiatives to further improve efficiency and strengthen competitiveness. We also plan to launch key products in the higher-end segment as part of our strategy to expand our portfolio of value-added products.

### Building a Foundation for Profitability in Japan

In Japan, the business environment has also been more challenging than expected. Housing starts declined by 12.9% in FYE2026, reaching their lowest level. Despite this, the Japan business continued to deliver solid performance across all segments of the water, housing, and living technology businesses, supported by the steady expansion of the renovation business.

Within our water technology business, which delivered significant profit growth in FYE2026, reforms to the sales structure over the past several years have become an important driver of profitability.

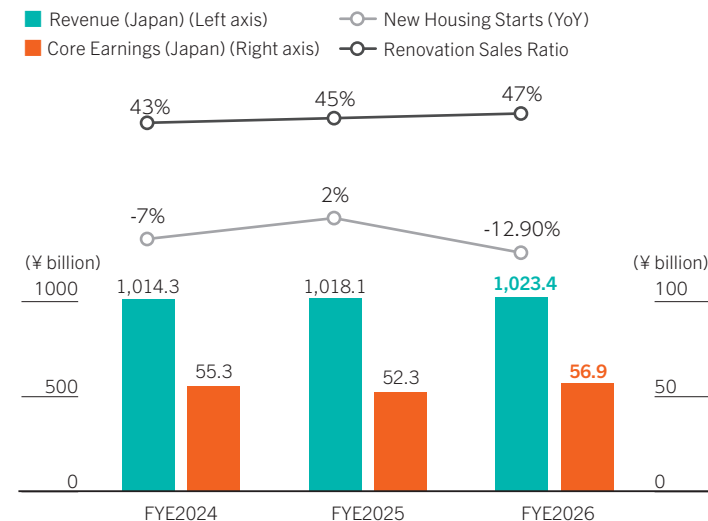
Under the conventional structure, sales teams frequently spent a large amount of time on procedures such as cost estimates and orders. Since 2023, we have accelerated the reorganization of transaction relationships in order to allow our sales teams to focus more directly on acquiring and expanding the business targeting renovation projects. By focusing our relationships on contractors capable of handling cost estimates and orders independently, we reduce administrative burdens and improve operational efficiency. This initiative has strengthened relationships with partners, increased orders particularly for renovations, and improved profitability.

The renovation sales ratio for the Japan business increased to 47%, while the ratio for the water technology business reached 57%. Although demand for new housing is declining as rising material prices push up construction costs, we continue to see growth

potential in the renovation business. Supported by government subsidy programs and the shift toward energy-efficient housing, demand for high insulation windows is expected to remain robust.

Looking ahead, improving profitability in the renovation business remains a key priority. We will continue expanding the use of digital tools, including AI, in daily sales operations to improve productivity. In addition, we will use high insulation windows as an entry point to increase the number of products included in each renovation project and strengthen LIXIL's distinctive spatial proposals that combine windows, doors, and water technology products. Through these initiatives we can both improve our profitability, while enhancing customer satisfaction.

### Robust Profit Growth Despite Sharp Decline in New Housing Demand



Renovation Revenue Growth Contributes to Higher Profitability

## 'INNOVATE' FOCUS AREA

### Turning Constraints into Opportunities to Drive Differentiation and Innovation

Across industries worldwide, companies are being called on to respond to a complex set of structural shifts in their operating environment, including the need to reduce their environmental impact and address severe labor shortages. At first glance, these challenges may seem to limit growth. However, LIXIL sees them as catalysts for innovation and long-term sustainable growth. By applying unique technologies and rethinking conventional processes, we continue to create value through distinctive and differentiated products. By turning constraints into momentum for growth, we are continuously driving innovation, strengthening our competitive position, and building a foundation for sustainable profit expansion.

#### Capturing the Opportunity of Environmental Responsibility

As environmental standards continue to rise, industries are under growing pressure to reduce emissions, minimize waste, and improve resource efficiency. LIXIL has responded by taking a leading role in developing circular products and systems that minimize the input of virgin resources and rethink how materials are sourced, used, and reused.

A key example is the development of innovative materials such as *PremiAL*, made from aluminum scrap, and *revia*, produced primarily from recycled plastic. By viewing environmental constraints not simply as regulatory requirements but as major opportunities to create new forms of value, we have generated these innovations by embedding circular thinking into product development. We are also building a distinctive market position in which choosing LIXIL products helps customers address their own environmental challenges. This in turn supports the achievement of sustainable goals for both our company and our stakeholders.



*revia* Expands Its Product Lineup

#### Building a Circular Ecosystem for Aluminum


One of the most significant opportunities lies in expanding the aluminum recycling ecosystem. In Japan, a large share of aluminum scrap has traditionally been exported overseas, creating a barrier to advancing domestic recycling. While government measures will be essential to solving this challenge, corporate initiatives are equally important.

Through ongoing discussions with key partners, we have collaborated with Daiwa Lease, a company specializing in building leases, to create a circular model for collecting aluminum sashes used in lease properties and recycling them into *PremiAL*. This initiative not only reduces waste but also promises a significant reduction in annual carbon emissions of approximately 272 tons\* compared to using 100% primary aluminum profiles.

By creating a system in which materials continuously circulate within the value chain, we are reducing CO<sub>2</sub> emissions



Expanding the Recycled Aluminum Ecosystem Through Diverse Partnerships

 \* LIXIL and Daiwa Lease Establish a Circular System to Achieve Horizontal Recycling of Aluminum Sashes (Japanese only)



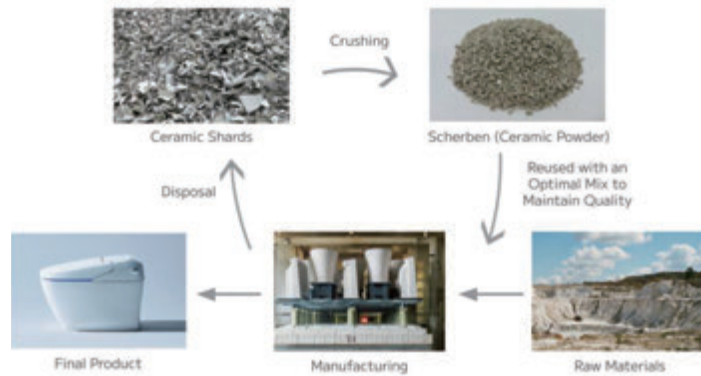
and curbing the extraction of new natural resources while strengthening supply stability and cost efficiency.

#### Advancing Recycling in Ceramic Production


LIXIL is also turning environmental challenges into opportunities within its own manufacturing processes.

At the Enokido Factory in Aichi Prefecture, one of our main manufacturing sites for ceramic sanitary ware, approximately 200 tons of ceramic shards are generated each year as part of the manufacturing process. That volume is equivalent to roughly 8,000\* toilet units annually. Historically, these materials were treated as industrial waste and repurposed for secondary uses such as roadbed materials. However, the onsite team continued refining raw material composition and blending techniques to enable reuse within our own manufacturing processes without compromising product quality. As a result, we successfully established a system that now allows 100% of these ceramic shards to be recycled back into sanitary ware production. Looking ahead, we plan to expand this recycling technology to other sanitary ware factories in Japan and globally, further scaling its impact.

## 'INNOVATE' FOCUS AREA: Turning Constraints into Opportunities to Drive Differentiation and Innovation



100% of ceramic shards to be recycled back into sanitary ware production

 \* LIXIL Establishes and Launches a Manufacturing Method That Recycles 100% of Ceramic Shards Generated in the Manufacturing Process into Raw Materials for Sanitary Ware at Its Enokido Factory (Japanese only)

### Circular Energy Solutions

Beyond materials, LIXIL is also advancing solutions that address energy use. Shower products such as the *GROHE Rapido Heat Recovery* system are designed to capture and reuse waste energy, improving overall efficiency in hot water usage.

These innovations strengthen brand recognition by contributing to environmental performance. At the same time, with persistently high energy prices, they enhance our added value and reinforce our competitive advantage.

### Addressing Labor Shortages Through Innovation

Alongside environmental challenges, skilled and unskilled labor shortages are becoming an increasingly critical issue across society. This pressure is especially acute at construction sites and in building management operations. LIXIL is responding by developing products and solutions that improve operational efficiency.

### IoT Solutions: Expanding Beyond Products

One of the most promising developments in this area is the application of IoT technology to sanitary products. *LIXIL Toilet Cloud*, an IoT-enabled toilet solution, can monitor usage patterns in real time and detect issues at an early stage, such as clogs, which are among the most time-consuming maintenance problems. At a time when labor shortages are putting significant strain on the cleaning industry, these solutions help facility operators optimize cleaning schedules and direct resources where they are needed most.

This not only helps solve customers' labor-related challenges, but also marks a shift for LIXIL from traditional one-time product sales to solution-based offerings. Although these products require a higher initial investment, they reduce operational costs over the long term, and adoption is growing, particularly in non-residential settings such as railroad stations and commercial buildings.



LIXIL's IoT-enabled toilets can monitor usage patterns in real time

This serves as an example, showing how, by combining hardware with digital services, we can create new business models and deepen customer relationships.

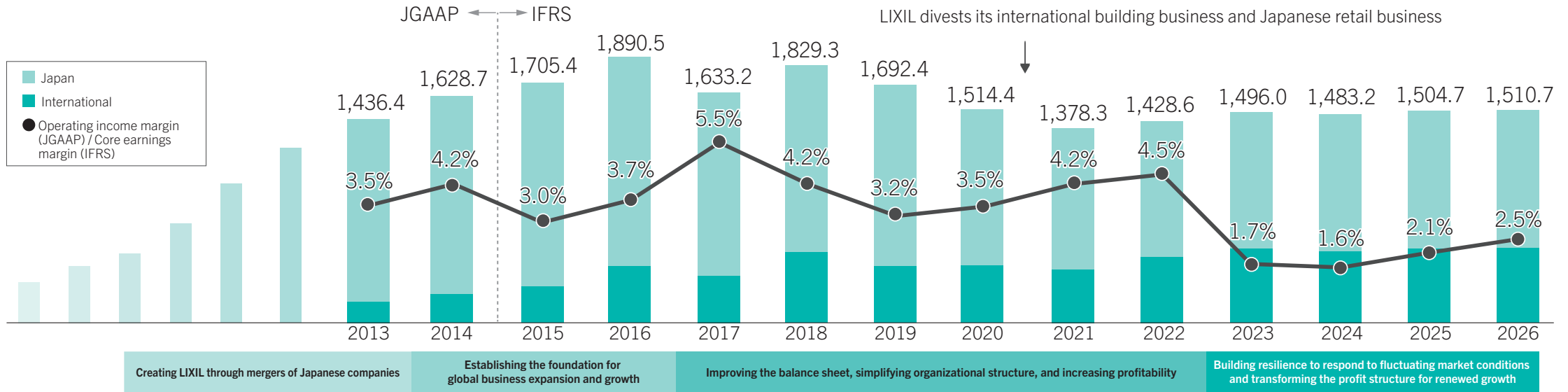
### Simplifying Installation to Overcome Skill Constraints

Another important response to labor shortages is the development of products that simplify installation. Across the housing industry, the shortage of skilled installers is becoming a major bottleneck, with products sometimes unable to be installed onsite even after they are sold.



To address this issue, LIXIL is focusing on easy-to-install solutions such as the GROHE brand's shower frame systems. By incorporating installer feedback and minimizing complex on site piping work, these products lower the skill threshold required for installation and reduce labor time. The result is more consistent quality, improved customer experience, and stronger brand value.

Many of the initiatives outlined above can be deployed globally across regional and business lines, and we expect further expansion ahead. As new challenges emerge, we will continue evolving our approach to turn constraints into catalysts for innovation. Our goal is to enhance corporate value through two mutually reinforcing priorities: expanding our positive social and environmental impact and driving long-term growth.










**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>International 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> | <p><b>2025</b></p> <ul style="list-style-type: none"> <li>Partial divestment of international bathing business</li> </ul> |
|--|---|---|--|---|---|---|

## 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 circular material</li> <li>PremiAL, a low-carbon building material using recycled aluminum, launches</li> </ul>   | <p><b>2024</b></p> <ul style="list-style-type: none"> <li>bathope, a bathroom featuring a fabric bathtub launches</li> </ul>  |
|---|--|--|--|---|---|---|--|

LIXIL's ability to generate earnings is not based solely on business advantages and product development capabilities. We benefit from our "Monozukuri" Manufacturing Platform, outstanding design, strong brands, and a global sales infrastructure. These multi-layered forms of capital interact organically through our human capital, which drives transformation and forms sustainable sources of corporate value.



## Water Technology Business (LWT) - Japan

Driving innovation and creating renovation demand through the pursuit of core technologies and monozukuri, balancing social and environmental contributions

Amid a challenging business environment, including sluggish demand for new housing, we will accelerate innovation based on core technologies to provide better living for all.

Placing the highest priority on growth in the renovation market, we will focus on strengthening the non-residential market and proposing high-value-added spaces. We will continue to develop new categories and grow our international business, while also enhancing sales productivity through AI and strengthening our environmental initiatives, thereby addressing social issues while 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 procurement structure with suppliers

### Challenges

- Strengthening of core technologies and monozukuri manufacturing capabilities, and global business expansion
- Extending product lifespans and promoting circular use through material recycling
- Strengthening renovation construction capabilities
- Full utilization of digital technologies and AI in all processes, including sales, manufacturing, and operations
- Structuring a stable supply system based on BCP

### Opportunities

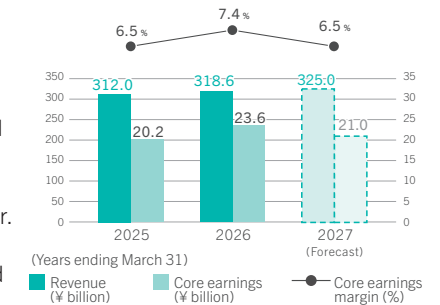
- Continued growth in the renovation market
- Increasing need for environmentally friendly products, reflecting growing awareness of ethical consumption
- Evolving customer needs driven by growing health consciousness and changing lifestyles
- Increasing demand for new products and services that are aligned with an increasingly aging and urbanized society
- Increasing demand for the shower toilet in international markets

### Risks

- Decrease in new housing construction in Japan
- Further increases in human resources costs and logistics, material, and energy prices
- Supply chain disruptions due to changes in the global situation
- Shortage of logistics drivers and skilled laborers

### Summary of Results for FYE2026

For LWT Japan, which handles water-related products, although it was impacted by the decline in new housing demand, it successfully captured renovation demand for sanitaryware and bathroom products. Supported also by the effects of price revisions, revenue was ¥318.6 billion, up 2.1% year-on-year. Core earnings rose ¥3.4 billion year-on-year to ¥23.6 billion, driven by increased renovation sales and the realization of price revision effects. The core earnings margin was 7.4% (a 0.9-point improvement).



\*Figures reflect post-segment reclassification.

### Strategy and Countermeasures

Amid a persistently uncertain business environment, including sluggish demand for new housing and stubbornly high material prices, our shift to the renovation market, introduction of new products, and structural reforms are steadily yielding results under the new Medium-Term Strategic Plan launched in the previous fiscal year.

In FYE2027, we will place the highest priority on growth in the renovation market and accelerate initiatives to develop new categories and grow our international business.

In the renovation sector, we will provide new added value to customers by strengthening our presence in the non-residential market and shifting from proposing individual products to entire spaces (such as femcare toilet spaces or coordinating living spaces that connect the kitchen and vanity).

In developing new categories, we will roll out the *Greentap* mineral water purifier faucet, the new concept bathroom *bathtope*, and the *LIXIL Toilet Cloud*, which optimizes cleaning operations utilizing AI, nurturing them as future pillars of revenue.

In our international business, we will accelerate the development of global shower toilets in particular to enhance our competitive advantage through an integrated research and development structure with our international LWT business.

We will also improve sales productivity through AI and advance environmental initiatives such as material recycling of ceramics and FRP (fiber-reinforced plastics), striving to balance the resolution of social issues with sustainable business growth. In terms of talent, we will enhance our competitiveness by developing young, high-potential, and global personnel, while also leveraging the expertise of senior employees.

## Water Technology Business (LWT) - International

Delivering long-term value through operational efficiency, robust brand positioning, and a consumer-centric innovation strategy across international markets.

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, Europe, IMEA, 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
- Leveraging global competence centers for a strong innovation pipeline focused on consumer experience and sustainability
- Award-winning in-house design team delivering superior aesthetics and functionality

### Challenges

- Addressing the challenge of operational flexibility including further cost variabilization
- Reducing time-to-market for innovative products to maintain competitive advantage
- Strengthening internal change management practices to ensure seamless organizational transitions
- Successfully competing for top-tier talent during periods of lower performance-linked compensation
- Accelerating AI and digitization to optimize customer touchpoints and administrative efficiencies
- Evolving brand reputation and GROHE's appeal across diversifying global sales channels

### 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
- Robust construction activities in high-growth regions like Middle East and Southeast Asia

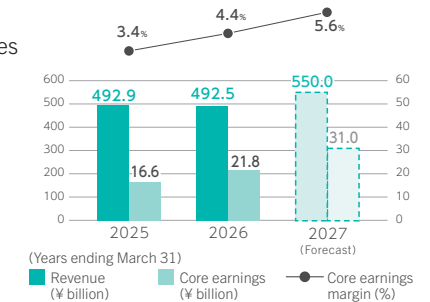
### Risks

- Middle East conflicts and US policy uncertainty disrupting supply chains and global economic growth
- Continuously challenged housing markets in the core regions Americas and China
- Ongoing increases in material, energy and labor costs
- Increasing commoditization of products leading to intensified price-based competition
- Persistent skilled labor shortages affecting installation services and manufacturing capacity
- Navigating increasingly stringent and diverse local regulations regarding sustainability and compliance

### Summary of Results for FYE2026

In the LWT International Business, sales recovered across most product categories in Europe, including water faucets, with sales volumes increasing. Sales also expanded in the Middle East and India, where demand remained firm. In the U.S., however, revenue declined due to the transfer of the bathtub business in the previous fiscal year, and demand in the renovation market did not recover.

In China, the real estate market also remained sluggish. As a result, revenue decreased 0.1% year on year to ¥492.5 billion. Core earnings increased ¥5.2 billion year on year to ¥21.8 billion, supported by improved revenue in Europe and the Middle East as well as the effects of structural reforms. The core earnings margin was 4.4%, improving by 1.1 points.



### 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 such as GROHE SPA, 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. Supporting this is a transition toward an agile supply base and a streamlined footprint to ensure competitive, resilient operations.

Moreover, we remain committed to reducing our environmental footprint across products, services, and operations, with a specific focus on reducing water consumption across our portfolio. Leveraging LIXIL's global competence centers and cutting-edge technologies, we continually bolster global innovation platforms to drive transformative growth and shape a brighter tomorrow.

## Housing Technology Business (LHT)

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

To contribute to decarbonization and resource recycling, we are continuously proposing products with high environmental value, such as our high-performance windows, circular materials, *PremiAL*, and *revia*. With the tailwind of large-scale government subsidies, we have focused on the energy-saving renovations and decarbonization of homes, achieving a 100% sales rate for high-performance windows in the new detached housing sector. Furthermore, we have started standardizing the use of *PremiAL* in all products that incorporate LIXIL-manufactured aluminum profiles, and we will continue to pursue both reduced environmental impact and business growth.

**Satoshi Yoshida** Executive Officer, Executive Vice President, LIXIL Housing Technology (LHT) and Living



### Key Strengths

- Leading market share in residential window sash and door, and exterior product market sectors in Japan
- Leadership in low-carbon, circular 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 procurement structure with suppliers

### Challenges

- Cultivating an even stronger “challenger” mindset to create new value
- Strengthening our ability to shift from mass production to meeting a diversity of needs
- Flexibly shifting resources towards growth areas
- Establishing new workstyles and promoting digital transformation

### Opportunities

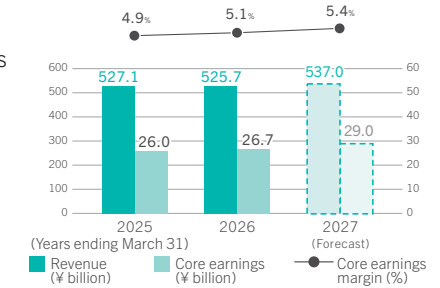
- Growing demand for environmentally responsible products, reflecting growing awareness of ethical consumption
- Increasing interest in high-performance housing, driven by government subsidy projects and more stringent energy-saving standards
- Growing demand for new products and services suitable for 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
- Growing demand for renovation-related products for openings (doors and windows) and exteriors due to increased awareness of crime prevention and disaster preparedness

### 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 FYE2026

At LHT, which handles housing and building materials, while renovation-related sales of highly insulated products (particularly windows) performed steadily, supported by the government’s subsidy program aimed at realizing a low-carbon society, new housing sales were sluggish due to the low number of new housing starts. As a result, revenue decreased 0.3% year-on-year to ¥525.7 billion. Despite the impact of lower revenue and the recording of expenses related to the withdrawal of the ceramic siding business, core earnings increased ¥0.7 billion year-on-year to ¥26.7 billion, as these factors were offset by price revisions and cost reduction effects. The core earnings margin improved by 0.1 points to 5.1%.



\*Figures reflect post-segment reclassification.

### Strategy and Countermeasures

Using platform-based production that requires a low investment for ongoing product development, and leveraging our technical and design capabilities to create superior digital devices, we will focus on steadily growing opportunities both within and outside of the housing sector. Also, we will further cultivate international markets such as the strong-performing Indian market, 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. We will continue investing in new businesses such as *revia* and *NODEA*, which serve as future growth drivers, striving to offer customers entirely new value propositions.

## Living Business (Living)

**More freedom in living and space. Taking on the challenge of creating differentiated living values and solving social issues required in an increasingly diverse society**

LIXIL launched its new “Living Business” in 2025, following a two-year integration process combining our kitchen, vanity, and interior building materials businesses. This new division represents a key pillar of future growth for LIXIL. We are committed to creating differentiated solutions for consumers through product innovation and by curating living spaces to meet evolving lifestyles. We will achieve this through high value-added spaces that harmonize beautifully with diverse lifestyles and allowing for personal expression, all leveraging LIXIL's unique design capabilities.

**Yusuke Ueda** Senior Vice President, Living Business



### Key Strengths

- High recognition and trust in the kitchen, vanity, and interior building material fields
- Advanced technical and design capabilities for delivering high-value-added products
- Innovative product development driven by diverse employees and flexible thinking
- A product lineup that enables coordinated options for entire living spaces
- Extensive nationwide sales and distribution network in Japan
- Strong procurement structure with suppliers

### Challenges

- Creating compelling value for customers
- Transforming toward a stable and competitive supply chain
- Establishing a sustainable business foundation
- Streamlining installation, addressing environmental considerations, and improving loading efficiency to solve social issues

### Opportunities

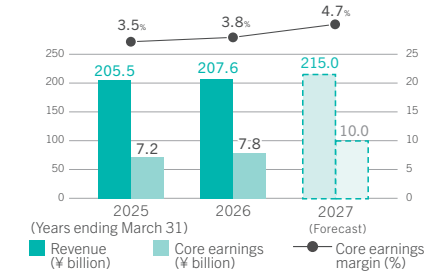
- Continued growth in the renovation market
- Growing demand for environmentally responsible products, reflecting growing awareness of ethical consumption
- Evolving customer needs stemming from diversified lifestyles
- Increasing demand for new products and services that are aligned with an increasingly aging and urbanized society

### Risks

- Decrease in new housing construction in Japan
- Further increases in human resources costs and logistics, material, and energy prices
- Deterioration of the component procurement environment
- Shortage of logistics drivers and skilled laborers
- Rapid foreign exchange fluctuations

## Summary of Results for FYE2026

In the Living Business, which handles kitchen, vanity, and interior building materials in Japan, revenue rose 1.0% year-on-year to ¥207.6 billion, as renovation-related sales remained steady and new housing sales for kitchens maintained a strong performance. Core earnings increased ¥0.6 billion year-on-year to ¥7.8 billion. While we experienced the impact of rising raw material and component costs, this was offset by the effects of price revisions and increased sales of renovation-related products. The core earnings margin was 3.8% (a 0.3-point improvement).



## Strategy and Countermeasures

Amid a sluggish new housing market, we will focus on maximizing synergistic effects through the integration of our kitchen, vanity, and interior building materials businesses to accelerate our shift toward growth markets such as the renovation market. We will drive a two-pronged strategy focused on creating differentiated customer value and building an efficient and environmentally friendly supply chain.

As a specific example of creating customer value, with *Lasissa*—a core wooden interior material product launched in October 2025—we eliminated visual noise and enhanced the design by making the hinges, which are essential for fittings, invisible from the outside. At the same time, we introduced an original design that allows a single skilled laborer to install the product, reducing the burden at the installation site. We also embraced the growing trend of custom-built washstands in the vanity market by launching the *Custom Vanity* in April 2025. We add more variations in April 2026 and continue to invest in this growth market. Moreover, to maximize the benefits of integration, we will promote business efficiency and rationalization by adopting common materials and construction methods across kitchens, vanities, and interior building materials, and by optimizing production and development processes. We will continue to strengthen our competitiveness and take on the challenge of sustainable manufacturing.

## 03



## SUSTAINABLE GROWTH THROUGH THE CREATION OF NEW VALUE

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#### 37 IMPACT STRATEGY AND MATERIAL ISSUES

#### 40 GLOBAL SANITATION & HYGIENE

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#### 54 INTELLECTUAL PROPERTY STRATEGY

### Elements of the corporate value formula highlighted in this section

$$\left[ \begin{array}{c} \text{Enhancing} \\ \text{corporate value} \uparrow \end{array} \right] = \frac{\left[ \begin{array}{c} \text{Maximizing provided value and returns} \\ \text{[Expanding value creation (Improving profit margin) \uparrow]} \end{array} \right]}{\left[ \begin{array}{c} \text{Sources of corporate value} \\ \text{and provided value} \\ \text{[Reducing cost of capital \downarrow]} \end{array} \right] - \left[ \begin{array}{c} \text{Sustainable growth through} \\ \text{the creation of new value} \\ \text{[Improving growth rate \uparrow]} \end{array} \right]}$$

### SUSTAINABLE GROWTH THROUGH THE CREATION OF NEW VALUE

Positioning the Impact Strategy as a critical foundation supporting the Playbook, this section outlines our initiatives to drive sustainable growth by addressing environmental and social issues. In addition, we explain how we are strengthening our management foundations, including people, digital transformation (DX), and intellectual property, to accelerate the execution of these initiatives.

## IMPACT STRATEGY AND MATERIAL ISSUES

LIXIL’s Impact Strategy is built upon three strategic pillars: Global Sanitation & Hygiene, Water Conservation & Environmental Sustainability, and Diversity & Inclusion. These pillars represent areas where LIXIL can leverage its core business and expertise to address the most pressing global challenges and drive significant, positive impact. To ensure sustainable growth and enhance corporate value, we also define key sustainability challenges as our material issues. These issues are identified and assessed from a double materiality perspective—considering both their impact on society and the environment, and their impact on our financial performance over the short, medium, and long term.



### LIXIL’s Material Issues

At LIXIL, we identify our material issues by considering current social and environmental challenges, our Purpose, value creation process, management direction, Impact Strategy, and stakeholder expectations. Each issue is evaluated through the lens of Impact, Risks, and Opportunities (IROs), enabling a comprehensive assessment of business-related and broader social impacts. Furthermore, to ensure a robust, continuous evaluation of our Impact Strategy initiatives, we are taking a comprehensive approach that maximizes the complementary nature of our enterprise risk management (ERM) and material issue review processes.

Our material issues are reviewed at least annually, with a focus on key IROs, and are fully identified and reassessed approximately every three years. In FYE2025, we enhanced this process by incorporating the double materiality approach guided by the European Sustainability Reporting Standards (ESRS). The assessment reflects insights gathered through interviews and surveys with both internal and external stakeholders, and the results were validated by the Impact Strategy Committee and approved by the Board of Executive Officers, and reported to the Board of Directors.




### Governance Structure

At LIXIL, the Impact Strategy Committee, chaired by the Chief Impact Officer, oversees progress across our three strategic pillars and leads strategic discussions on material issues and related disclosures. The committee convenes quarterly in principle. In FYE2026, key agenda items included updating KPIs, reviewing the human rights survey, and ESG evaluations.



## IMPACT STRATEGY AND MATERIAL ISSUES

### Targets and Progress

Three Core Pillars of Impact Strategy	Target Year	Metrics	FYE2024	FYE2025	FYE2026	Target
 <b>Global Sanitation &amp; Hygiene</b>	2025	Improve sanitation and hygiene for 100 million people around the world	Approximately 68	Approximately 82	103 <sup>*9</sup>	100 million people
 <b>Water Conservation &amp; Environmental Sustainability</b>	FYE2031	Scope 1 & 2 CO <sub>2</sub> emissions reduction rate (vs. FYE2019)	-34.2 <sup>*7</sup>	-46.5 <sup>*7</sup>	-49.7 (560 thousand t-CO <sub>2</sub> <sup>*10</sup> )	-50.4%
	FYE2031	Scope 3 CO <sub>2</sub> emissions reduction rate (vs. FYE2019)	-21.6	-18.5	— <sup>*11</sup>	-30%
	FYE2031	Ratio of energy- and water-saving faucets sold (Japan) <sup>*1</sup>	94.1	94.5	96.4	100%
	FYE2031	Ratio of water-saving toilets sold (Japan) <sup>*2</sup>	99.4	99.4	99.4	100%
	FYE2026	Ratio of high-performance windows sold for new detached houses (Japan)	93	97	100	100%
	FYE2031	Improve water use efficiency at our business sites (vs. FYE2019)	23.6	33.3	— <sup>*11</sup>	20%
	FYE2031	Total water savings from energy- and water-saving faucets and water-saving toilets (annual)	1.2 <sup>*8</sup>	1.5 <sup>*8</sup>	— <sup>*11</sup>	2 billion m <sup>3</sup>
	FYE2026	Waste recycling rates from business sites	92.8	95.3	— <sup>*11</sup>	90%
	FYE2031	Ratio of used recycled aluminum <sup>*3</sup>	78	80	86	100%
 <b>Diversity &amp; Inclusion</b>	FYE2030	Ratio of female directors and executive officers <sup>*4</sup>	31.3	37.5	31.3	50%
	FYE2030	Ratio of female managers <sup>*5</sup>	17.1	17.4	17.0 <sup>*10</sup>	30%
	FYE2030	Maintaining gender parity in new graduate recruitment (Japan) <sup>*6</sup>	44.8	47.8	41.0 <sup>*10</sup>	50%

<sup>\*1</sup> Excluding products used for hot tub filling or full-body bathing that are not intended for use as energy- and water-saving faucets <sup>\*2</sup> Excluding products designed for housing complexes <sup>\*3</sup> Aluminum alloy 6063 <sup>\*4</sup> As of March 31 <sup>\*5</sup> Directly hired employees only (Global), excluding domestic subsidiaries with less than 100 employees <sup>\*6</sup> New college and graduate school graduates directly hired by LIXIL Corporation (new employees joining the company on April 1 of the following fiscal year) <sup>\*7</sup> Variances from previously disclosed data arise from reflecting the impact of organizational scope changes that fall below our recalculation criteria into the figures for the reporting fiscal year. This change does not affect our reduction targets <sup>\*8</sup> Variances from previously disclosed data arise from the partial automation of the data aggregation process in FYE2026 to reflect actual business conditions more accurately; consequently, historical performance data for prior fiscal years have been recalculated and updated. This change does not affect our target <sup>\*9</sup> The data covers the period through the end of December 2025, representing the actual performance against the 2025 targets. For details, please refer to the ["Global Sanitation & Hygiene: LIXIL's Impact Methodology"](#) (June 25, 2024); for the latest data, please see the ["LIXIL Sanitation and Hygiene Impact: FYE2026 Annual Report"](#) <sup>\*10</sup> Verified by an independent third party in June, 2026 <sup>\*11</sup> Progress in FYE2026 will be publicly available in August 2026 on our website

### Elevating Impact Strategy to the Next Phase

In April 2026, LIXIL updated the targets of its three strategic pillars, further reinforcing its commitment to solving social and environmental challenges through its business. We strive to create a positive impact while driving sustainable corporate growth. For a comprehensive overview of these renewed targets and our strategic approaches, please refer to the following pages.

## IMPACT STRATEGY AND MATERIAL ISSUES



## CIO MESSAGE

**Creating a positive impact is the essence of LIXIL's Purpose. It not only benefits the society in which we live but also serves as a powerful catalyst for innovation that drives resilience, value creation, and sustainable growth.**

## Erin McCusker

Executive Officer, Executive Vice President, Chief Impact Officer, Communications, External Affairs, and Impact Strategy

At LIXIL, our Purpose serves as our north star. It is embedded at the core of our business through our Impact Strategy. As an integral part of our Playbook, the Impact Strategy challenges us to rethink our business, products, and services. It also guides how we empower stakeholders to create positive societal impact. This unique perspective is what truly sets LIXIL apart.

## Key Milestones and Next Targets

As I take on this newly established role as Chief Impact Officer (CIO), I am fortunate to have witnessed us making significant progress on our impact journey. In FYE2026, LIXIL reached critical milestones:

- **Global Sanitation & Hygiene** – We achieved our goal of improving access for 100 million people globally.
- **Water Conservation & Environmental Sustainability**
  - We reached 100% high-performance window sales for new detached houses in Japan; and
  - We exceeded our 90% global recycling target, two years ahead of schedule.

These accomplishments, however, are not the finish line. We set a new goal of improving access to sanitation and hygiene for another 100 million people by FYE2031. We are also accelerating environmental value creation with updated FYE2031 targets of 100% high-performance window sales, a 95% waste

recycling rate across our business sites, and CO<sub>2</sub> emissions reduction through the procurement of green aluminum, including recycled aluminum. Further, we reaffirmed our commitment to Diversity & Inclusion to unlock employee potential and drive innovation, aiming for broad societal ripple effects across the value chain.

## Entering a New Phase for Further Impact

Our ambition goes beyond simple metrics: we are entering a new stage of greater accountability, transparency, and integration into our entire organization. Establishing the CIO role ensures impact is weighed alongside financial value and fosters mutual accountability across all decision-making. For LIXIL, integrating impact considerations into our core business strategy is a powerful competitive advantage. Applying the “impact lens” to our core businesses helps us drive innovation in product categories and business models, further strengthening LIXIL’s resilience and reinforcing our ability to meet current and future challenges. Failing to do so, however, leaves us vulnerable to rapidly evolving societal and regulatory environments, compliance risks, and higher adaptation costs.

At LIXIL, we place ownership of impact targets within businesses to ensure alignment with their strategies. And now, with impact fully embedded, a more integrated way of working will enable us to unlock synergies across our three strategic pillars, strengthen governance and disclosure, and build a more agile and effective workforce. It will also deepen a culture of impact across the organization, fostering employee pride and engagement, while reinforcing LIXIL’s reputation as both an employer and partner of choice.

## Scaling Impact through Ecosystem Development

LIXIL alone cannot change society. The scale of challenges we face requires collective action, and to deliver meaningful impact, we must invest in the broader ecosystem. Each of our pillars now reflects our impact across three phases: Our Operations, Our Value Chain, and Expanding Our Impact. Ecosystem development is critical to achieving our milestones and through this approach, we will continue to strengthen partnerships and collaborations to maximize our collective, truly holistic impact on society.

As Executive Officer and CIO, I am deeply committed to advancing LIXIL’s impact, working alongside our employees to make a meaningful difference. By ensuring that impact is truly integrated into LIXIL’s decision-making across every business, we will continue to accelerate our drive to build our business as a force for good, and make better homes a reality for everyone, everywhere.

## IMPACT STRATEGY AND MATERIAL ISSUES | GLOBAL SANITATION & HYGIENE

In 2025, we achieved our ambitious goal of improving sanitation and hygiene for 100 million people. Building on this milestone, we are now committed to reaching a further 100 million by FYE2031, accelerating our impact in developing sustainable sanitation and hygiene solutions.

### Governance

LIXIL has established the Global Sanitation & Hygiene Council to oversee strategies and initiatives aimed at addressing global sanitation and hygiene challenges. The council, in principle, convenes quarterly to discuss and assess public policy trends, emerging social issues, and regional initiatives. Progress is reported quarterly to the Board of Executive Officers through the Impact Strategy Committee and, subsequently, to the Board of Directors on a semiannual basis to ensure robust oversight and accountability.



### Strategy

LIXIL recognizes sanitation and hygiene as among the world's most pressing challenges. Accordingly, we positioned it as a material issue and one of the three core pillars of our Impact Strategy.

The goal we set ourselves was deliberately ambitious: improving sanitation and hygiene for 100 million people by 2025. Since launching SATO in 2013, we continue to provide affordable and innovative sanitation and hygiene solutions to underserved communities. SATO has successfully developed sanitation markets across Africa and Asia. Its reach extends beyond households to critical societal settings, including schools, healthcare facilities, and, most recently, humanitarian settings such as refugee camps, expanding our impact to wider society.

SATO shipped over 10 million units of toilets and handwashing solutions to 59 countries and territories worldwide. We exceeded our ambitious 2025 target, successfully improving access to sanitation and hygiene for 103 million people. LIXIL alone did not achieve this milestone: strong collaboration with a diverse ecosystem of partners possessing local expertise and networks is indispensable. Our "Make a Splash!" global partnership with UNICEF, as an example, collaborated with various NGOs, local manufacturers, and retailers, enabling a comprehensive approach spanning supply chain development, financing support, and community education.

Despite progress, access to safe sanitation and hygiene remain one of the most urgent global challenges. Approximately 3.4 billion people still lack access to safely managed sanitation, and 1.7 billion

people do not have basic hygiene services at home\*. UN SDG Target 6.2, which aims to achieve access to adequate and equitable sanitation and hygiene for all by 2030, demands unprecedented acceleration of efforts.

LIXIL remains committed to accelerating progress and announced a new goal: to improve access to sanitation and hygiene for a further 100 million people by FYE2031. Our approach to reaching the next 100 million will combine direct impact generated through our products and services and indirect impact achieved by building and strengthening ecosystems through partnerships. By reinforcing our commitment to deliver private-sector innovation and market-driven models, LIXIL will continue to expand its social impact and contribute to solving global sanitation and hygiene challenges.

\* "Progress on household drinking water, sanitation and hygiene 2000-2024: special focus on inequalities" by UNICEF and WHO's Joint Monitoring Programme for Water Supply, Sanitation and Hygiene



## IMPACT STRATEGY AND MATERIAL ISSUES | GLOBAL SANITATION & HYGIENE

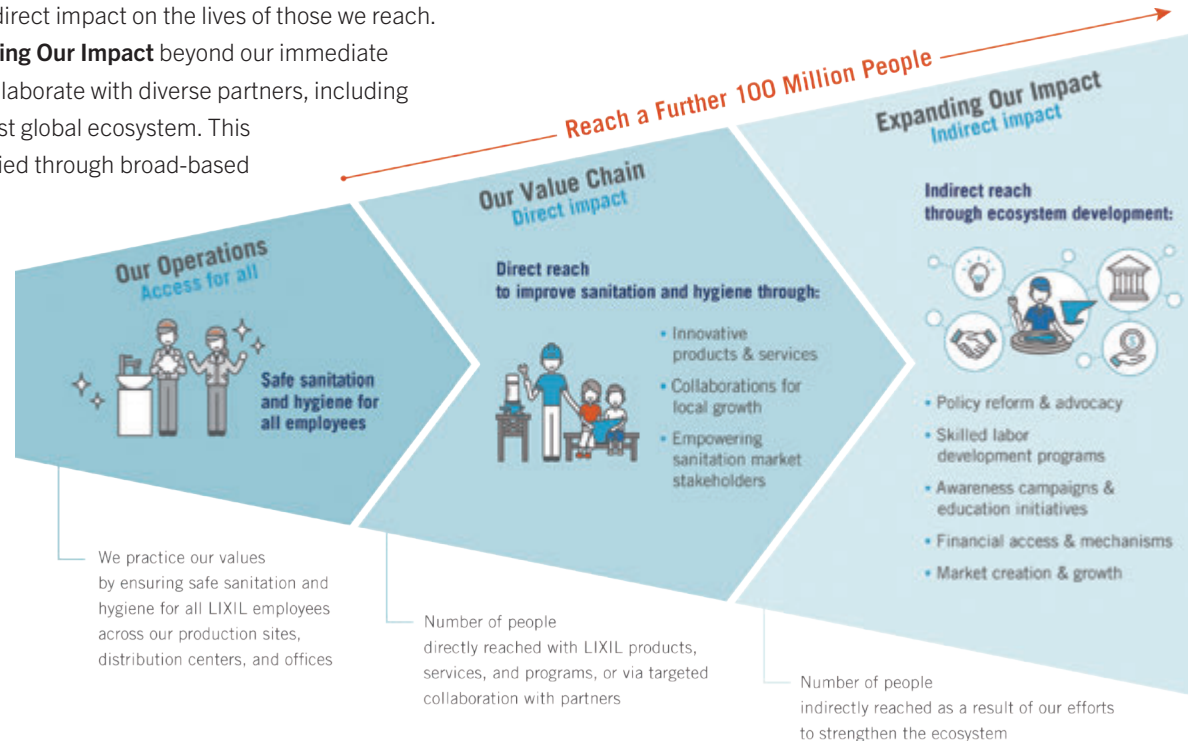
### Three-Phase Approach

To reach the next 100 million people, we are driving our initiatives through a strategic three-phase approach.

Within **Our Operations**, we are committed to providing safe and appropriate sanitation and hygiene facilities for every employee across all production, distribution centers, and office sites. By ensuring proper sanitation and hygiene as a top priority internally, we lay the essential foundation for sustainable value creation. Extending this commitment through **Our Value Chain**, we drive sanitation and hygiene improvements through direct interventions, leveraging LIXIL’s innovative products and services—most notably the SATO toilet systems—alongside strategic collaborations with partners, including the Toilet Board Coalition. These initiatives allow us to deliver a tangible, direct impact on the lives of those we reach. Furthermore, by **Expanding Our Impact** beyond our immediate product offerings, we collaborate with diverse partners, including UNICEF, to foster a robust global ecosystem. This indirect impact is amplified through broad-based

initiatives aimed at systemic strengthening, including policy advocacy, skilled labor development programs, and the cultivation of sustainable sanitation markets.

This approach is closely linked to the creation and growth of new sanitation markets in emerging economies. Widespread access to safe sanitation and hygiene improves local economies and quality of life, forming the essential foundation for future demand for LIXIL’s products and services. By positioning the creation of impact through solving social issues as a core driver of growth, LIXIL will achieve a sustainable enhancement of corporate value, including medium- to long-term profitability and strengthened brand equity.



### Risk Management

Access to safe sanitation and hygiene is increasingly recognized as a fundamental human right, with growing expectations that national and local governments, as well as the private sector in local communities, provide it. Improved sanitation and hygiene not only enhance public health—particularly for women and children—but also contribute significantly to the development of the regional economy and human dignity.

Rising geopolitical instability, insufficient public funding, and fragile market ecosystems, including intellectual property rights and partnership opportunities, are dampening private companies’ willingness to invest in innovations that address sanitation and hygiene challenges in these markets. In recent years, concerns have arisen that natural disasters may damage both the existing and improved sanitation and sanitation facilities, risking a return to old practices.

LIXIL will mitigate these potential risks through sustained investment in both our business operations and the broader sanitation and hygiene ecosystem, helping to build community resilience to withstand these challenges and reduce negative impacts on local communities and ensure long-term, sustainable outcomes.

### Metrics and Targets

Target year	Metrics and targets
FYE2031	Reach a further 100 million people directly and indirectly with improved sanitation and hygiene

## IMPACT STRATEGY AND MATERIAL ISSUES | WATER CONSERVATION & ENVIRONMENTAL SUSTAINABILITY

LIXIL has established the LIXIL Environmental Vision 2050, which sets out our commitment to “Zero Carbon and Circular Living.” To deliver on this vision, we are integrating environmental strategy into our core business strategy and advancing these initiatives as a strategic management priority. We aim not only to meet our corporate environmental responsibilities but also to create new value that maximizes our positive impact on the global environment and society. At the same time, we will reduce environmental risks and capture business opportunities to drive sustainable growth.

### Governance

LIXIL has established the Environmental Strategy Council (ESC), chaired by the head of the corporate environmental management division, to formulate policies, monitor risks and opportunities, and track progress toward targets. The ESC reports quarterly to the Impact Strategy Committee. In FYE2026, the ESC managed and monitored targets across the three focus areas of our environmental strategy: Climate Change, Water Sustainability, and Circular Economy. It also reviewed updates to upcoming targets and specific measures in each area, including the introduction of new mid-term targets to address climate change-related risks and strengthen strategy execution. In addition, the ESC deliberated on and reported the environmental governance structure required to advance these measures, as well as the development of a water scarcity risk management policy.



### Strategy

#### LIXIL Environmental Vision 2050

Under the LIXIL Environmental Vision 2050, we aim to achieve net-zero\* carbon emissions across our business operations, products, and services by 2050, while conserving water and finite resources for future generations. We have identified three focus areas to deliver this vision, based on LIXIL’s material issues: Climate Change, Water Sustainability, and Circular Economy. As a common foundation across these areas, we are reducing our environmental

footprint, including CO<sub>2</sub> emissions and water use, throughout the product lifecycle through innovation, while strengthening company-wide environmental management. We also prioritize biodiversity conservation, which underpins each of these areas.

\* Our net-zero target has received SBTi Net-zero approval. This entails a 90% reduction in Scope 1, 2, and 3 greenhouse gas emissions by 2050, using permanent carbon removal and storage to counterbalance the final 10% or more of residual emissions that cannot be eliminated.

#### New Mid-term Targets to Achieve Our Vision

Among our mid-term targets, we have achieved a 100% ratio of high-performance windows sold for new detached houses in Japan by FYE2026, as planned. In addition, our 90% waste recycling rate target has already been achieved ahead of schedule. In light of this progress, and to further support delivery of our vision, we have updated and introduced the following targets for FYE2031.

Ratio of high-performance windows sold for new detached houses in Japan

Maintain **100%**

High-performance windows contribute to reducing energy consumption for heating and cooling by improving residential insulation in Japan. To sustain our progress and maximize our positive impact on society, we will continue to promote their widespread adoption by maintaining the 100% target.

Recycling rate of waste generated from business sites

Increase to **95%**

We achieved our waste recycling target for business sites ahead of schedule, driven by significant progress at overseas production sites. Going forward, we will expand successful initiatives beyond production sites to other business activities, accelerating our efforts toward a circular society by setting a higher target ratio.

Reduce emissions through the procurement of green aluminum, including recycled aluminum

**CO<sub>2</sub>**  
emissions reduction

Green aluminum refers collectively to recycled aluminum and aluminum produced using non-fossil energy sources. By maximizing the use of recycled aluminum and promoting the replacement of conventional virgin aluminum with non-fossil-energy-sourced aluminum, we will accelerate the reduction of Scope 3 CO<sub>2</sub> emissions, while remaining firmly committed to our target of 100% recycled aluminum usage. At the same time, we aim to build a stable procurement base and contribute to the realization of a low-carbon society.

## IMPACT STRATEGY AND MATERIAL ISSUES | WATER CONSERVATION & ENVIRONMENTAL SUSTAINABILITY

### Three-Phase Approach

LIXIL strives not only to fulfill its corporate responsibility by reducing the negative environmental impacts of its business activities and products, but also to create new value and maximize its positive impact. We pursue this through a comprehensive, strategic approach that addresses our three focus areas across three phases—Our Operations, Our Value Chain, and Expanding Our Impact—with mid-term targets set for each phase.

#### ● Our Operations

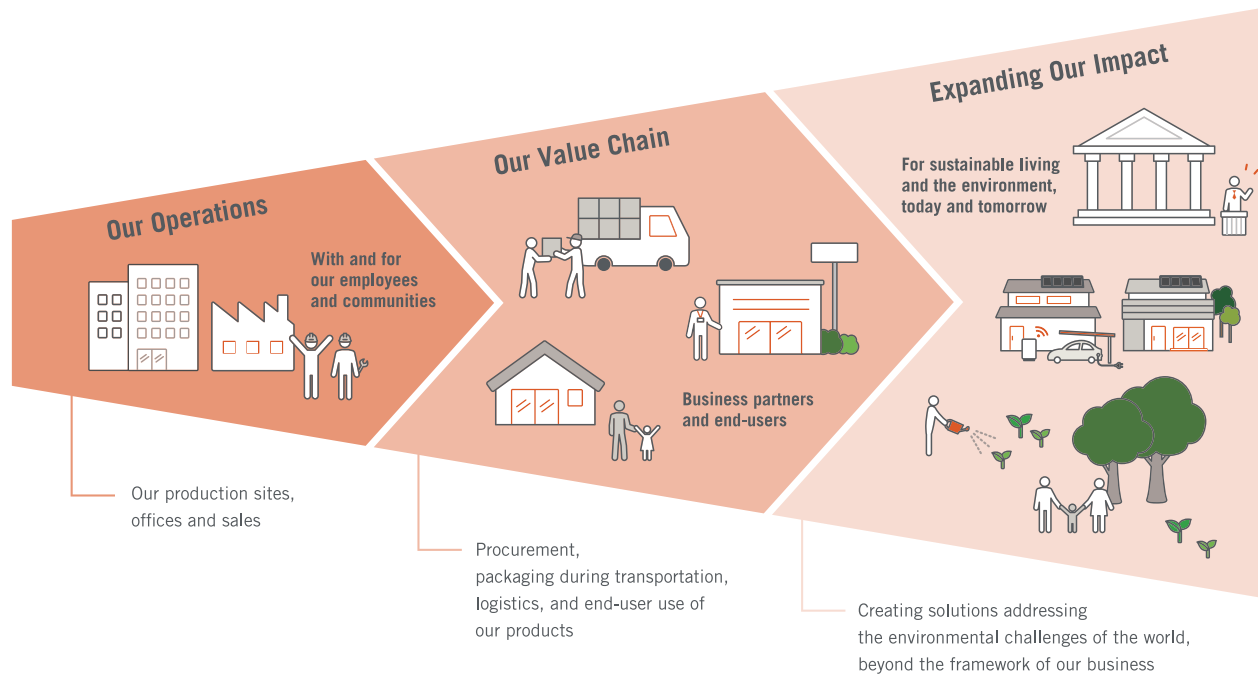
Business processes at our production sites, offices, and sales bases, involving our employees and residents in the surrounding areas.

#### ● Our Value Chain

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 across our whole value chain.

#### ● 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 existing business.



### CLIMATE CHANGE

Achieve Net-Zero GHG Emissions through Our Business Operations, Products, and Services

LIXIL believes it is important not only to reduce the environmental footprint of its business activities, but also to contribute to CO<sub>2</sub> emissions reductions across society as a whole. We are also advancing climate change adaptation by providing products and services that help mitigate the impacts of natural disasters and rising temperatures.

In **Our Operations**, we are reducing CO<sub>2</sub> emissions and the environmental footprint of our activities through comprehensive energy-efficiency measures at production sites and offices, increased use of renewable energy, and a transition to lower-carbon fuels compared to conventional fossil fuels or to electrification.

In **Our Value Chain**, we are strengthening collaboration with suppliers and other partners across procurement and logistics, while promoting energy efficiency in our products. We are also working to reduce CO<sub>2</sub> emissions across our value chain by using lower-carbon raw materials and components, increasing the use of recycled materials, conserving resources, extending product lifespans, and incorporating design for reuse.

In addition, given that heating, cooling, and water heating account for approximately 60% of energy consumption in typical Japanese homes, we are advancing climate change mitigation and adaptation in **Expanding Our Impact**. This includes providing windows and doors that enhance insulation, water products that improve energy and water efficiency, and solutions that help prepare for natural disasters, such as typhoons and heavy rainfall, as well as heat-related risks from extreme temperatures.

## IMPACT STRATEGY AND MATERIAL ISSUES

## WATER CONSERVATION &amp; ENVIRONMENTAL SUSTAINABILITY



## WATER SUSTAINABILITY

Enhance the Environmental Value of Water Resources by Saving, Circulating, and Purifying Water

LIXIL is advancing efforts toward global water sustainability to maximize the benefits of water today and for future generations. We promote responsible water use across all business activities and create environmental value, including the conservation of water resources.

In **Our Operations**, we identify water-related risks by region at sites that use water in manufacturing and work to reduce company-wide water consumption through measures such as water recycling and effective wastewater management.

In **Our Value Chain**, we aim to reduce end-user water consumption through products and services with higher water efficiency than conventional models, as well as solutions that support leak prevention using IoT technologies, such as smart controllers.

In pursuit of **Expanding Our Impact**, LIXIL is broadening its contribution to water sustainability by providing sanitary water services. We also work to reduce the risk of groundwater contamination and improve access to safely managed sanitation and safer water. In regions with access to tap water, we provide safer and better-tasting water through purification faucets and cartridges.



## CIRCULAR ECONOMY

Help Transition to a Circular Economy and Preserve Natural Resources for Future Generations

LIXIL promotes sustainable resource use and circularity across all stages of the product lifecycle—from the procurement of raw materials such as metals, timber, resins, and ceramics to manufacturing, product use, and end-of-life management. To secure raw material sourcing and business continuity as well as societal resilience, we are advancing resource-efficient and circular manufacturing. This includes increasing the use of recycled materials and incorporating design for reuse to maximize the value of limited resources.

In **Our Operations**, we are working to achieve sustainable resource use and reduce waste by lowering raw material consumption compared with conventional products through improved design and production processes, while also increasing recycling rates.

In **Our Value Chain**, we advance sustainable resource use and reduce waste by minimizing the use of virgin materials and increasing the share of recycled and renewable materials, such as aluminum, recycled resins, and recycled wood, compared with conventional levels. In addition, we are reducing single-use plastics in packaging, enhancing product resource efficiency by extending lifespans and incorporating design for reuse, and building closed-loop product-to-product recycling systems.

Furthermore, guided by the LIXIL Plastics Action Statement, we focus not only on reducing plastic use and closing the loop on plastics, but also on developing alternative materials. Aiming for **Expanding Our Impact**, we are developing circular materials that effectively utilize difficult-to-recycle waste plastics.

## Risk Management / Metrics and Targets

Under the ESC, LIXIL identifies material risks and opportunities related to climate change, natural capital, and biodiversity, and assesses the magnitude of their impact on its business. We also integrate transition risks arising from market changes and physical risks driven by extreme weather and ecosystem changes into our strategic and operational risk management processes. We evaluate these risks against company-wide criteria, including their potential impact on business plans and their likelihood of occurrence. Top management determines risk priorities through a holistic assessment that accounts for differences in business scale across the organization and changes in the global landscape.

LIXIL has established the LIXIL Environmental Sustainability Principles to guide all employees, executive officers and directors, in maintaining rigorous compliance across its operations. To support the effective implementation of these principles, we have also established an Environmental Management System (EMS) based on ISO 14001. We conduct annual internal audits covering all production sites, as well as non-production sites and consolidated subsidiaries in Japan, and are advancing ISO 14001 certification across our production sites. As of FYE2026, 90.4% of production sites have obtained certification.

## IMPACT STRATEGY AND MATERIAL ISSUES | WATER CONSERVATION & ENVIRONMENTAL SUSTAINABILITY

Value Chain	Climate	Nature	Risks and opportunities related to environmental issues	Strategic Responses	Related Targets
Upstream Procurement			<p><b>Transition risk</b>   Policy   Market</p> <p>Increased raw material and component procurement costs due to market changes</p>	<p><b>Strengthening the Operational Foundation</b></p> <p>■ <b>Environmental Management</b> We operate Environmental Management Systems (EMS) aligned with ISO 14001 at all production sites. By conducting internal audits to assess their effectiveness and implement remedial measures, we minimize the risk of compliance violations of environmental laws and regulations (ISO 14001 certification rate at manufacturing sites: 90.4%).</p> <p>■ <b>Supply Chain Management &amp; Supplier Engagement</b> We continue to conduct risk assessments and provide support for remedial measures (100% improvement rate) based on the Supplier Code of Conduct and Green Procurement Guidelines, while supporting suppliers who account for the top 80% of our procurement-related GHG emissions in calculating and reducing their GHG emissions. Moving forward, by introducing a centralized environmental data management system and expanding its scope, we aim to enhance resilience through the establishment of environmental data traceability in the supply chain.</p>	<p></p> <p>Scope 3 CO<sub>2</sub> emissions: -30%* by fiscal year ending March 2031</p>
			<p><b>Transition risk</b>   Policy</p> <p>Procurement disruptions due to supplier non-compliance with environmental laws and regulations</p>		
			<p><b>Physical risk</b>   Chronic</p> <p>Disruption of sourcing activities due to ecosystem degradation associated with raw material extraction</p>		
			<p><b>Opportunity</b>   Policy   Market</p> <p>Enhancing supply chain resilience through improved traceability of environmental data</p>		
Our Company Manufacturing			<p><b>Transition risk</b>   Policy</p> <p>Damaged corporate value due to non-compliance with environmental laws and regulations at the Company's manufacturing sites</p>	<p><b>Circular Economy</b></p> <p>■ <b>Minimizing New Resource Use through Recycled Materials</b> We have developed aluminum recycling technology over 30 years and, through strong partnerships with our suppliers, achieved an industry-leading average recycled aluminum usage ratio of 86%. Leveraging this environmental value as a competitive advantage, we drive revenue through our proprietary low-carbon aluminum extrusion, called <i>PremiAL</i>. At our GROHE brand, we have internalized the alloy refining processes used in our faucet fixtures, switching to 80% recycled brass for our raw materials.</p> <p>■ <b>Expanded Lineup of Resource-Efficient Products</b> By introducing designs that allow for parts replacement and upgrades, and by deploying service models that shift from "ownership to use," we are reducing resource inputs across the entire product lifecycle. Simultaneously, we are strengthening mid- to long-term relationships with customers and creating new revenue opportunities through increased touchpoints.</p> <p>■ <b>Recycling Waste Previously Considered Non-recyclable</b> We aim to balance expanding our social impact with achieving business growth by developing and creating markets for circular materials using our proprietary manufacturing technologies, such as "revia," which utilizes difficult-to-recycle waste. As part of this effort, alongside mass-producing "revia" as a growth investment, we are promoting the establishment of regional circular systems for waste plastics in collaboration with local governments, thereby building a sustainable business foundation to execute a differentiation strategy driven by environmental value.</p>	<p></p> <p>Use of 100% of recycled aluminum: 100% by fiscal year ending March 2031</p>
			<p><b>Transition risk</b>   Policy</p> <p>Increased operating costs due to introduction of carbon taxes</p>		
			<p><b>Transition risk</b>   Policy</p> <p>Increased costs associated with installing equipment to reduce environmental impact</p>		
			<p><b>Opportunity</b>   Policy   Market</p> <p>Strengthened mid-to-long-term earnings base due to technological innovation investments and new technology introduction aimed at resource efficiency and decarbonization</p>		
			<p><b>Physical risk</b>   Acute</p> <p>Loss of revenue opportunities due to damage to the Company's manufacturing sites caused by typhoons and floods.</p>		
			<p><b>Physical risk</b>   Chronic</p> <p>Loss of revenue opportunities due to the suspension of operations at the Company's manufacturing sites caused by drought, etc.</p>		
Downstream Products			<p><b>Opportunity</b>   Policy   Market</p> <p>Increased demand for energy-saving products and services due to expanding ZEH and renovation markets</p>	<p><b>CO<sub>2</sub> Emission Reductions from Manufacturing Sites</b></p> <p>■ <b>Promoting Energy Efficiency &amp; Renewable Energy</b> In addition to deepening on-site energy-saving measures and shifting fuels to natural gas, we are driving substantial emission reductions by streamlining our production processes through structural reforms. For our transition to renewable electricity, we prioritize self-investment and on-site Power Purchase Agreements (PPAs) to ensure economic viability and stable procurement, while advancing an optimal transition tailored to regional characteristics. Through these initiatives, we have achieved a 49.7% reduction in Scope 1 and 2 emissions, maintaining healthy cash flows within our standard investment frameworks.</p> <p>■ <b>Investing in Technological Innovation</b> We are advancing the verification of innovative decarbonization technologies, including fuel conversion to hydrogen in high-temperature furnaces and the introduction of thin, lightweight solar panels that overcome installation constraints. Furthermore, we are working on initiatives for future hydrogen procurement, such as building a hydrogen supply chain through corporate partnerships and recovering our own by-product hydrogen.</p>	<p></p> <p>Scope 1+2 CO<sub>2</sub> emissions: -50.4%* by fiscal year ending March 2031</p>
			<p><b>Opportunity</b>   Market</p> <p>Increased demand for products using low-carbon, eco-conscious materials or resources</p>		
			<p><b>Opportunity</b>   Market</p> <p>Increased demand for products that address natural disasters and health risks caused by rising temperatures</p>		
			<p><b>Opportunity</b>   Market</p> <p>Increased demand for products that help conserve water or improve water quality</p>		
			<p><b>Climate Change Solutions through Products and Services</b></p> <p>■ <b>High-Performance Housing &amp; Promoting Renovation</b> In addition to expanding high-performance products, we are establishing a multifaceted downstream market base by providing energy-saving housing design tools, launching our "Sumai Studio" experiential showrooms, and deploying Japan's largest renovation network. Our unique value chain—which goes beyond the framework of a manufacturer to support everything from demand creation to installation—directly converts growing renovation demand into revenue.</p> <p>■ <b>Creating Solar-Related Business Models</b> We are contributing to the ZEH conversion of houses and enhanced resilience by deploying services that combine solar power generation and electricity supply through our joint venture, LIXIL TEPCO Smart Partners. Furthermore, we have established a unique ecosystem that balances customer value with our own decarbonization by utilizing the renewable energy value generated by this model as credits for our own use, allowing us to reduce Scope 2 emissions while curbing additional costs.</p> <p>■ <b>Expanding Climate Adaptation Products</b> In addition to residential window shutters that protect homes from severe storms and "Style Shade" exterior screens that prevent heatstroke, we are contributing to enhanced resilience for both homes and society by expanding products such as toilets and mobile amenity booths that provide a safe and hygienic environment even during water cutoffs and evacuations.</p>		
			<p><b>Water Sustainability through Products and Services</b></p> <p>■ <b>Reduced Water Use through Water-Saving Products</b> We are deploying solutions tailored to regional characteristics, such as energy- and water-saving faucets, water-saving toilets, water-recirculating shower systems, and IoT leak detection systems, through our strong, deeply rooted brands worldwide. Additionally, by introducing wastewater treatment systems in areas lacking sewerage infrastructure through collaboration with governments and the public sector, we aim to improve public sanitation and hygiene and prevent groundwater pollution, while establishing a foundation for our next growth markets driven by the resolution of social issues.</p>	<p></p> <p>Ratio of high-performance windows sold for new detached houses: 100% by fiscal year ending March 2031 (Japan)</p> <p></p> <p>Ratio of energy- and water-saving faucets and water-saving toilets sold: 100% by fiscal year ending March 2031 (Japan)</p>	

\*benchmark: fiscal year ended March 2019

## IMPACT STRATEGY AND MATERIAL ISSUES | WATER CONSERVATION & ENVIRONMENTAL SUSTAINABILITY

### Creating a Positive Impact through Product Innovation

To realize the LIXIL Environmental Vision 2050, LIXIL has set quantitative mid-term targets in three focus areas: Climate Change; Water Sustainability; and Circular Economy. Our product innovation is the driving force behind achieving our goals. Beyond fulfilling our corporate responsibility to reduce the environmental footprint of our own operations, we are also maximizing our impact on society as a whole, the global environment, and people's lives by globally deploying innovative products that contribute directly to reducing CO<sub>2</sub> emissions and water consumption during the product use phase.




#### CLIMATE CHANGE

Achieve Net-Zero GHG Emissions through Our Business Operations, Products, and Services

LIXIL has set a target in Japan to achieve a 100% ratio for high-performance windows sold for new detached houses and a 100% ratio for energy- and water-saving faucets and water-saving toilets sold by FYE2031. We are focusing on heating, cooling, and hot water supply, which account for the majority of energy consumption in typical Japanese homes. By expanding our product portfolio through a dual approach of enhancing insulation performance and reducing hot water usage, we are accelerating the reduction of CO<sub>2</sub> emissions during the product use phase and increasing our impact on climate change mitigation. Furthermore, we contribute to climate change adaptation by providing solutions that prepare for natural disasters, such as typhoons and torrential rains, as well as heatstroke caused by extreme heat waves.

#### ● High-Performance Windows Sold for New Detached Houses

The *TW* high-performance hybrid window significantly contributes to the reduction of CO<sub>2</sub> emissions during the product use phase by minimizing energy demand for heating and cooling. By combining a composite structure—durable, high-strength aluminum for the exterior and highly insulating resin for the interior—with advanced triple-glazing technology, the *TW* reduces heat loss by approximately 80% compared to conventional single-glazed windows. This translates to an estimated 37% reduction in CO<sub>2</sub> emissions for new detached houses, while simultaneously enhancing occupant comfort through superior thermal performance and reduced condensation.

 [Product performance \(Japanese only\)](#)

#### ● Reducing Energy Consumption with Energy- and Water-Saving Faucets

The “Navish Hands-Free” touchless kitchen faucet with an integrated water purifier features advanced sensor technology to optimize water usage. Its automatic sensors provide precise flow control, while the “Eco Sensor” facilitates efficient switching between hot and cold water to prevent the unconscious consumption of hot water. This technology enables an estimated 37% reduction in energy use and a 30% reduction in water consumption compared to conventional models, contributing significantly to the reduction of both energy and water footprints in the home.

 [Product performance \(Japanese only\)](#)

#### ● Adaptation to Climate Change

As part of our commitment to climate change adaptation, LIXIL offers products that enhance housing resilience and safeguard lives. Our “Style Shade” external sun blinds effectively block solar heat and suppress indoor temperature rises, reducing the risk of heatstroke while improving cooling efficiency for energy savings. To protect against increasingly severe weather, our residential window shutters mitigate damage from high winds and flying debris, securing both homes and people. Furthermore, the “PV Roll Screen System”—a retrofittable indoor solar power solution—provides daily comfort through shading and enhanced insulation, while also serving as a vital emergency power source. Through these diverse solutions, we continue to strengthen the resilience of homes and society against the evolving risks of climate change.



PV Roll Screen System: Award-Winning Innovation in Japan

## IMPACT STRATEGY AND MATERIAL ISSUES | WATER CONSERVATION & ENVIRONMENTAL SUSTAINABILITY

### WATER SUSTAINABILITY

Enhance the Environmental Value of Water Resources by Saving, Circulating, and Purifying Water

LIXIL has set a target to contribute to an annual reduction of 2 billion m<sup>3</sup> in water consumption through its products and services by FYE2031. To achieve this target, we are focusing on the promotion and broader uptake of products and services with superior water-saving performance and expanding the implementation of leak prevention solutions utilizing IoT technology.

#### ● Reducing Water Consumption with Water-Saving Toilets


The *SATIS* series combines exceptional flushing capability with superior water-saving performance, reducing water usage by up to 49% compared to conventional models.

Furthermore, by incorporating our unique *AQUA CERAMIC* material, the toilet prevents waste from adhering to the surface, maintaining high levels of hygiene and its original shine with minimal water and routine cleaning.



 [Product performance \(Japanese only\)](#)

The *STUDIO S* for the U.S. market meets the rigorous standards of the U.S. Environmental Protection Agency (EPA) WaterSense program, achieving water savings of more than 20% compared to conventional models. In addition, we offer products that comply with the California Green Building Standards (CALGreen), which mandates water conservation.

 [Product performance](#)

### CIRCULAR ECONOMY

Help Transition to a Circular Economy and Preserve Natural Resources for Future Generations

LIXIL is promoting the use of recycled and renewable materials to ensure the sustainable use of resources and waste reduction across its entire value chain. We have set a target to achieve a 100% recycled aluminum ratio for aluminum extrusions used in our housing business by FYE2031, aiming to minimize the input of virgin resources. We are also expanding our portfolio of resource-efficient products by reducing single-use plastic packaging, extending product lifespans, and integrating considerations for reuse into the design phase. Furthermore, we are working to establish circular systems that enable product-to-product recycling.

LIXIL possesses leading aluminum recycling technologies. In February 2026, we received our first Circular Economy Award in the Environmentally Sustainable Company category at the ESG Finance Awards Japan, created by the Ministry of the Environment. This recognition was awarded for our aluminum recycling initiatives, which were highly praised for successfully balancing resource circularity with economic value.



#### ● *PremiAL* Low-Carbon Recycled Aluminum Profile Series


LIXIL has spent nearly 30 years developing unique technologies that increase the use of recycled aluminum while maintaining quality equivalent to new ingots. Our *PremiAL R100*, which uses 100% recycled aluminum as its raw material, reduces CO<sub>2</sub> emissions by approximately 80% compared to production from new ingots. Since October 2025, we have been rolling out *PremiAL*—which uses over 60% recycled aluminum and reduces CO<sub>2</sub> emissions by approximately 50%—as the standard specification for all products using LIXIL-manufactured aluminum extrusions at no additional cost.

These products have obtained the SuMPO EPD certification, a third-party verification that quantitatively demonstrates the environmental footprint of building materials. By transforming the environmental value of CO<sub>2</sub> emissions reduction and resource circulation into a competitive advantage rather than a cost, we will further evolve our circular business and create a greater impact on society.

 [Product performance \(Japanese only\)](#)

#### ● *revia*, a Circular Material

*revia* is a circular material developed by combining nearly all types of waste plastics—including composite plastics previously considered difficult to recycle—with waste wood generated from building demolition and repairs. By recycling waste plastics that were previously incinerated, landfilled, or processed for thermal recovery, *revia* contributes to both CO<sub>2</sub> emissions reduction and resource circulation compared to conventional disposal methods. Since commencing mass production in FYE2025, we have been working to establish local resource circulation systems through partnerships with local governments.

 [Product performance \(Japanese only\)](#)

## IMPACT STRATEGY AND MATERIAL ISSUES | DIVERSITY & INCLUSION

LIXIL fosters a fair and inclusive environment that embraces diversity, unlocking the full potential of our global workforce to drive sustainable growth.

### Governance

LIXIL's approach to Diversity & Inclusion has evolved from formulating enterprise-wide strategies to division-led execution. The D&I Council, composed of all division heads, leads initiatives tailored to each division's needs. Guided by our D&I strategy, the Council considers D&I measures and facilitates active dialogue and the sharing of best practices to drive D&I initiatives across the organization. Key discussions are reported quarterly to the Board of Executive Officers via the Impact Strategy Committee, with resolutions made as needed. The Board of Directors receives semiannual updates, discusses developments, and supervises progress in this area to ensure effective oversight and accountability.



### Strategy

To fulfill our Purpose of making better homes a reality for everyone, everywhere, LIXIL is committed to delivering innovative products and services that meet diverse customer needs. This requires a relentlessly customer-oriented mindset driven by a diverse, empowered workforce. D&I is deeply integrated into our Global People Strategy, which features “Embed Inclusion into Our DNA” as a core strategic pillar. We aim to cultivate a fair and inclusive culture where diverse perspectives are valued, and every individual can perform at their best. Our goal is to embed inclusion across many dimensions, and across all aspects of our organization in our workforce but also in our value chain and beyond.

While we have made steady progress, we recognize ongoing challenges, including the gender pay gap and the current ratio of women in management positions. To address these challenges, we are systemically embedding inclusive principles into our personnel systems, talent development initiatives, and workplace practices. A diverse workforce strengthens our ability to innovate by bringing a broad range of perspectives and skills that fuel the creativity needed to solve complex challenges. By continuously improving our work environment, we enhance employee engagement, attract and retain top talent, and reinforce our long-term competitive advantage.

### Three-Phase Approach

To advance inclusion within LIXIL, across the entire value chain, and throughout society, we are driving initiatives across three interconnected phases: Our Operations, Our Value Chain, and Expanding Our Impact.

• **Our Operations:** Through embedding inclusion into our leadership behaviors and employee lifecycle, we aim to create “A home for everyone” for our team members, an empowering and inclusive culture that fosters belonging and innovation and where every employee can thrive.

• **Our Value Chain:** By leveraging user-centric innovation and strategic partnerships, we deliver inclusive, differentiated, premium solutions that anticipate global demographic shifts—such as aging societies—capturing emerging market segments and driving sustainable growth.

• **Expanding Our Impact:** By strengthening a pipeline of diverse skilled tradespeople and collaborating with community partners, we cultivate a resilient ecosystem that future-proofs the industry and advances inclusive living space design for all.

### Increasing Representation of Women in Management

LIXIL is strongly committed to achieving gender equity across the company by 2030. As of March 2026, women represent 31.3% of our directors and executive officers, and 17.0% of our managers. To accelerate progress, we have embedded a D&I lens into our People and Organizational Development (POD) reviews, strengthening succession planning for key roles. In FYE2026, we conducted 26 POD sessions, resulting in the identification of 195 female successors and 76 female high-potential talent, representing 38.7% of the 196 high-potential individuals identified company-wide.

To build our long-term talent pipeline, we are implementing dedicated career development programs such as the Female Career Advancement Program (FCAP). FCAP accompanies mid-level female talent in building their own brand of leadership ahead of becoming managers, helping them to redefine expectations around people management and building their confidence. In contrast, the Female Talent Outreach Program (FTOP) targets established leaders, enhancing their visibility with senior executives while supporting their growth through assessment, individualized development planning, and mentorship.

## IMPACT STRATEGY AND MATERIAL ISSUES | DIVERSITY & INCLUSION

### Gender Parity in New Graduate Recruitment

We maintain an annual rolling target of gender parity in new graduate recruitment in Japan, achieving 41.0% in our most recent round. To strengthen our employer brand, we are enhancing targeted outreach and storytelling—highlighting female employees building successful careers within the organization. Since FYE2025, we have hosted external networking events connecting students with working women. The events feature inspiring speeches from female executives detailing their career journeys, dynamic panel discussions with female employees, and opportunities for direct interactions with participants, successfully helping position LIXIL as an employer of choice for diverse talent.

### Enabling the Enablers: Elevating Our Employee Resource Groups (ERGs) Impact

Our ERGs were launched in FYE2021 across five dimensions (Multi-cultural, Ability, Better Together (gender equality), Working Parents & Caregivers, and LGBTQ+) and are key enablers and amplifiers of our inclusive culture. These groups provide essential spaces for employees to connect, share experiences, and foster community, engagement, and allyship. In FYE2026, we revised the governance of the ERGs and adopted a new calendar for activities, which supported the ERGs in their planning and implementation, leading to well-attended regular events and strengthened internal communication efforts.

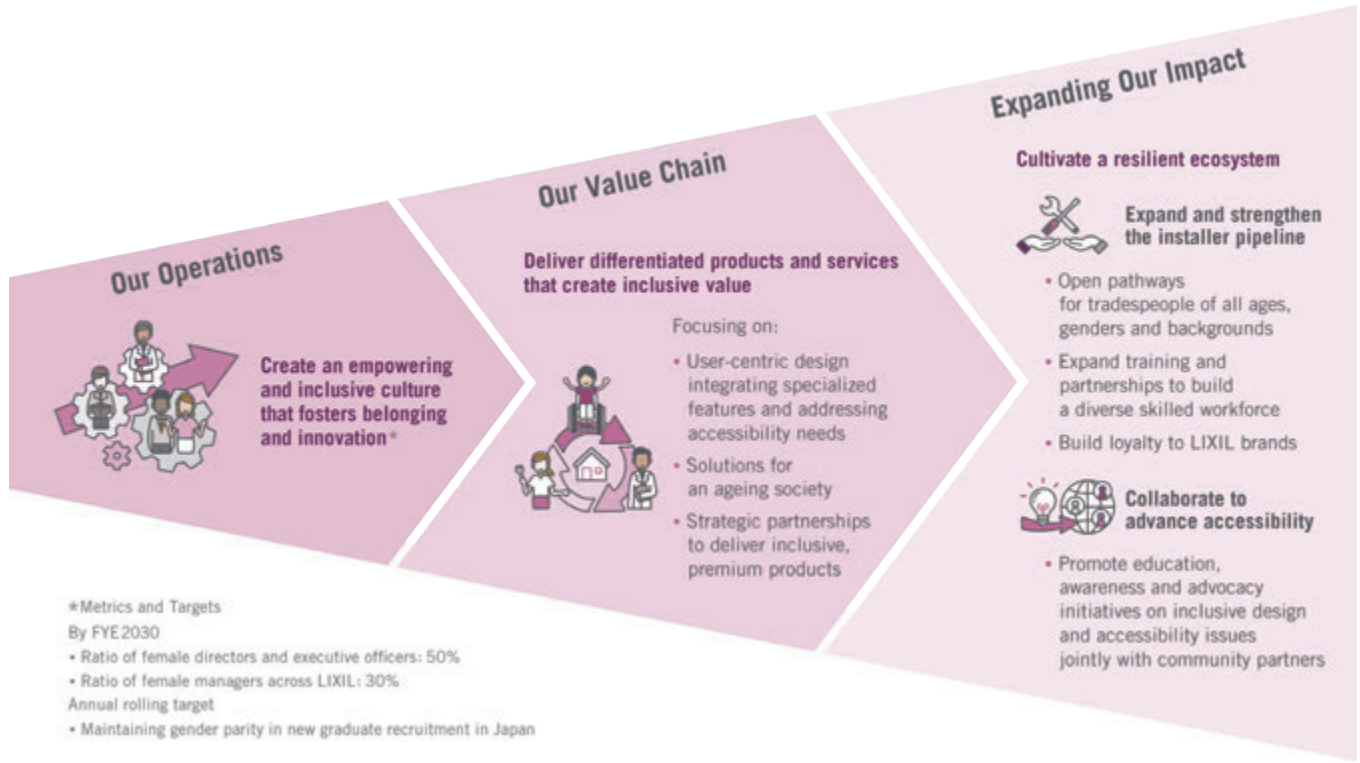
### Risk Management

Sustained growth of our business depends on our ability to attract, develop, and retain highly skilled talent, including technical experts and strong business leaders. In particular, the labor shortage caused by Japan’s declining birth rate and aging population poses a significant risk for LIXIL. To address this, we are advancing our Global People Strategy to strengthen talent pipelines, enhance capability development, and secure the diverse and inclusive workforce needed to support long-term business growth.

### Metrics and Targets

Target year	Metrics and targets
FYE2030	Ratio of female directors and executive officers: 50%*1
	Ratio of female managers across LIXIL: 30%*2
Annual rolling target	Maintaining gender parity in new graduate recruitment in Japan*3

\*1 As of March 31  
 \*2 Directly hired employees only (Global), excluding domestic subsidiaries with less than 100 employees  
 \*3 New college and graduate school graduates directly hired by LIXIL Corporation (new employees joining the company on April 1 of the following fiscal year)



\*Metrics and Targets  
 By FYE2030  
 • Ratio of female directors and executive officers: 50%  
 • Ratio of female managers across LIXIL: 30%  
 Annual rolling target  
 • Maintaining gender parity in new graduate recruitment in Japan

## GLOBAL PEOPLE STRATEGY

Our Global People Strategy is a roadmap to unlock the full potential of every employee and achieve our business goals by transforming LIXIL into an innovative and agile organization.

LIXIL has strengthened its HR transformation since FYE2022 under the Global People Organization (GPO) mission: to transform LIXIL into an innovative and inclusive community that empowers everyone, everywhere. Building on this foundation, and incorporating stakeholder feedback and evolving business needs, we updated our Global People Strategy framework—the GPO Strategy House. Our strategy centers on three strategic pillars for strengthening human capital, supported by two enablers for effective execution, aiming to maximize employee potential and drive sustainable growth.

### Our Three Strategic Pillars

**Embed Inclusion into Our DNA:** We believe that inclusion is the action that leads to diversity as an outcome. Accordingly, D&I is embedded into business strategies through the Impact Strategy. The D&I Council, comprising all division heads, drives tailored initiatives to reflect the needs of each function. Inclusion is tracked through our global employee feedback survey, LIXIL Voice, enabling a data-driven approach to promote accountability and behavioral change.

**Elevate Talent across the Enterprise:** To address future business needs, we foster a culture of continuous learning that unlocks individual potential and strengthens organizational capability. We support both company-led strategic career development and employee-driven career ownership and systematically identify and develop next-generation leaders through People & Organizational Development (POD). Our GROW leadership training program and digital skills training also provide diverse learning opportunities. These efforts cultivate a workforce that can respond effectively to change.

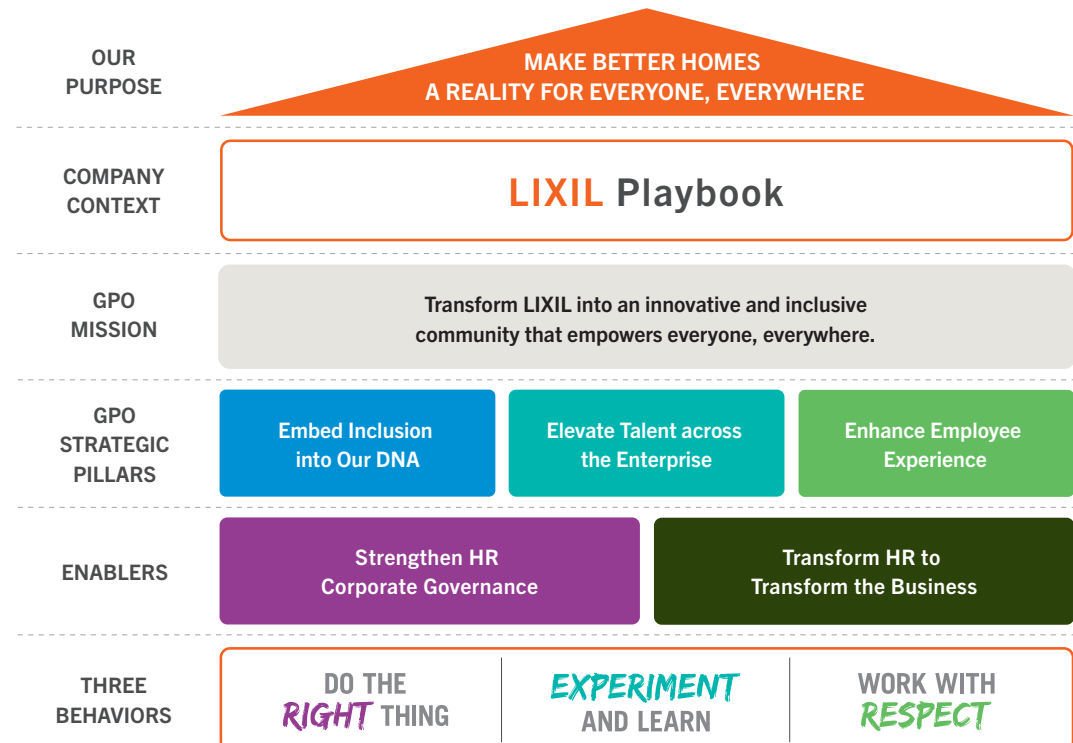
**Enhance Employee Experience:** We aim to create a highly engaged workplace by enriching the employee journey and supporting physical, mental, and emotional wellbeing. Insights from LIXIL Voice are directly reflected in management decisions and translated into concrete actions. By promoting flexible work arrangements, supporting career development across different life stages, and advancing health and productivity management, we are cultivating an environment where all employees can maximize their potential.

### Two Enablers to Realize Our Strategy

**Strengthen HR Corporate Governance:** We are integrating HR data and processes globally to enable data-driven HR initiatives and support transparent, agile decision-making.

**Transform HR to Transform the Business:** By strengthening our HR business partnering capabilities and improving operational efficiency, we are building an HR structure that can respond to continuously evolving business needs.

### GPO Strategy House

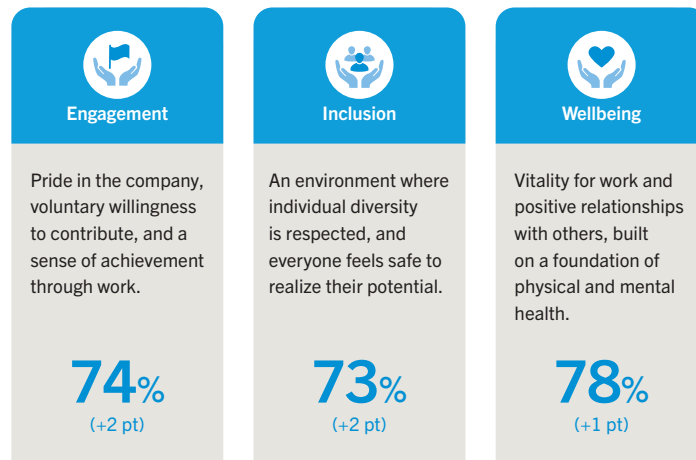


## GLOBAL PEOPLE STRATEGY

## Driving HR Strategy and Value Creation through LIXIL Voice

LIXIL Voice, held annually, serves as a cornerstone for enhancing employee experience (EX). More than a traditional employee satisfaction survey, it functions as a strategic tool that visualizes three KPIs: Engagement, Inclusion, and Wellbeing. These insights equip leaders at all levels to promptly assess team conditions, encourage constructive dialogue, and implement targeted improvements. In FYE2026, the response rate reached a record high of 92%, with scores for all three KPIs improving. By managing our organization based on employee voice, we foster a workplace where everyone can thrive, maximize our human capital and build an agile corporate culture.

## KPI and Definition | FYE2026 Survey Results (YoY)



## Improving Employee Engagement and Career Support

Engagement score increased by two points, largely driven by a three-point improvement in “career goal attainment”—a key driver of engagement. Guided by our My Career Journey concept, which empowers employees to proactively shape their career paths, we utilize our internal job posting system and strengthened 1-on-1 dialogue between managers and employees.

In FYE2026, dedicated sessions for younger employees in Japan helped clarify LIXIL’s career philosophy, providing opportunities to reflect on their aspirations and take ownership of their development.



## Embedding Inclusion through ERG Activities

Inclusion score rose by two points from last year. A culture of inclusion is steadily taking root across the enterprise, including at production and frontline sites, with notable improvements seen particularly within LHT.

During FYE2026, Employee Resource Groups (ERGs) hosted dedicated awareness months featuring a range of events, including LGBTQ+ awareness sessions, personal storytelling by employees

with disabilities, and networking lunches for working parents and caregivers. The Better Together ERG further strengthened collaboration with business divisions and frontline sites by using LIXIL Voice results in interactive workshops to build a more inclusive workplace.



## Advancing Wellbeing

The wellbeing score also increased by one point. Open-ended comments in LIXIL Voice highlighted that remote work and flexible working hours tailored to job requirements have significantly reduced stress and improved work-life balance.

In FYE2026, our CEO issued a company-wide message in Japan encouraging the use of paid annual leave to further promote wellbeing. We also reinforced a system in which department heads monitor team leave utilization and actively encourage time off. In parallel, we continue to expand support programs tailored to diverse life stages, including childcare, nursing care, and medical needs. We remain committed to providing an environment where all employees can thrive both physically and mentally, continuously advancing health and productivity management and supporting the realization of wellbeing.

## DIGITAL TRANSFORMATION (DX)

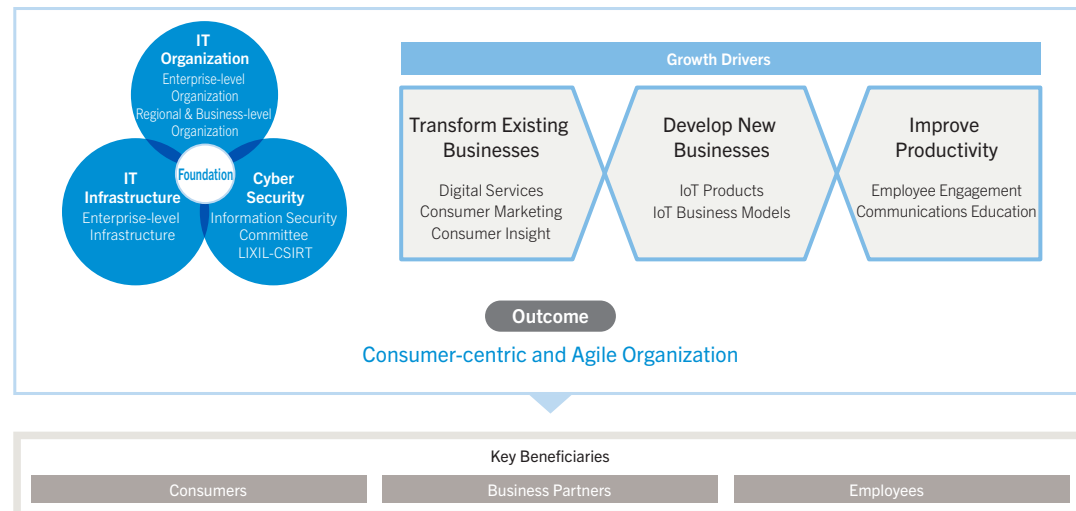
LIXIL is improving the customer experience through digital transformation.

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

Through digital transformation, LIXIL seeks to fundamentally innovate the consumer experience for end users. To achieve this, we aim to lead and drive innovation in the experiences of all stakeholders. The housing equipment industry has a complex value stream spanning manufacturing, distribution, and installation. As a manufacturer operating in the B2B space, digitizing and streamlining this entire process end-to-end is essential to achieve true CX improvements. We are convinced that only by enhancing the experiential value not only for our company but also for our distributors and contractors can we ultimately deliver true value to consumers. By fully leveraging digital technologies and AI, we will raise the satisfaction of everyone involved in the value chain and make better homes a reality for everyone, everywhere.

## DX Mission

Go beyond the norms of a traditional manufacturer through digital means that bring us closer to the consumer and empower our people



## IT Infrastructure and Cybersecurity Initiatives

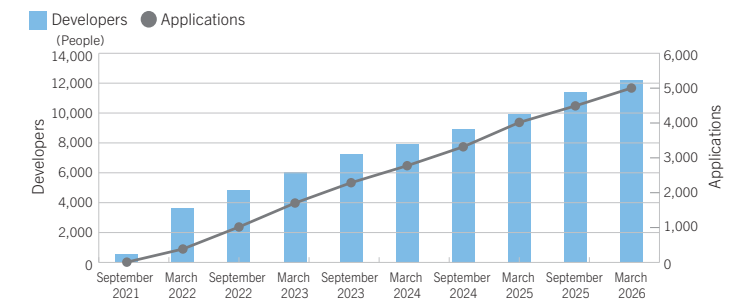
Strengthening data management for the brand portfolio is essential to accelerate growth in international operations. LIXIL is working to standardize master data management for products and materials globally, implementing master data governance to optimize production systems and the supply chain.

In addition, LIXIL's Information Security Committee is leading efforts to enhance information security measures and protect personal and confidential information. As cyberattacks targeting corporations continue to increase, LIXIL is implementing a Zero Trust model to strengthen security and ensure business continuity.

## Increased Engagement and Productivity

At LIXIL, we advocate for the democratization of digital technology, and we have been working to enhance organizational agility so that even employees without expertise can transform the way they work using digital technologies. We provide no-code development tools and the digital educational program DEJIRAKU. Five years after their introduction, both the number of developers and applications continue to increase. This has now evolved into the “democratization of AI.” We have promptly established an environment where the latest generative AI, such as Gemini and NotebookLM\*, can be used safely, while ensuring appropriate risk management through the formulation of usage guidelines. Furthermore, by accumulating internal knowledge on its utilization and widely publishing and sharing specific success stories, we are fostering a culture where all employees can master the use of AI in their daily operations. In addition, LIXIL has established the “AI Governance Committee,” anticipating a future where AI evolves from a conventional tool into an autonomous “AI agent” that makes decisions and acts independently. We will promote responsible AI company-wide so that everyone can use it safely, ethically, and effectively, thereby enhancing the overall productivity of the organization and the experiential value of our employees.

Number of developers and applications of No-Code Tool



\*Gemini and NotebookLM are trademarks or registered trademarks of Google LLC.

## DIGITAL TRANSFORMATION (DX)

## Transform Existing Businesses

By effectively leveraging advanced digital and AI technologies, we can enhance the customer experience, streamline sales and distribution processes, and achieve greater efficiency with our sales agencies across the value chain.

In the traditional sales model, customers needed to visit a showroom with a contractor, which could be a hurdle if they were still undecided about making a purchase. The LIXIL Online Showroom, however, allows them to explore options virtually from home at their convenience and instantly visualize their desired plans with 3D imagery. This has dramatically reduced the burden on customers.

Customers can also consult on renovations with showroom coordinators along with their families, including parents caring for children, and even measure the dimensions of their homes during consultations. These online consultations significantly benefit customers by freeing them from time and geographic constraints.

We also offer a service for customers visiting our showrooms, allowing them to consult online on tablets without an appointment. While freely exploring and interacting with the products in the showroom, customers can ask questions about displays of interest or consult about products, with seamless support through to proposals for original plans tailored to their needs. The introduction of reservations for the tablet guidance service has also significantly eased the difficulty of booking consultations during busy periods such as weekends, improving convenience.

This online showroom model provides flexible work options for employees seeking shorter or limited workdays, while creating a work environment that is not bound by place of residence. This has enabled optimal personnel placement on a nationwide scale, improving the turnover rate from over 15% at one point to below 5%, and significantly contributing to employee engagement and the securing of our talent.

Furthermore, at contact centers, a key post-purchase customer touchpoint, we are aiming to improve service, quality, and productivity by leveraging generative AI. For example, during repair request calls, AI provides operators with recommended phrases and advice. This helps prevent opportunity losses caused by variations in operator skill and improves service quality.



The sales division is also strategically promoting the use of AI to improve productivity. AI analyzes vast amounts of information and suggests the optimal visit route for the day, along with proposal content tailored to customers' interests. In addition, when sales representatives dictate meeting details to AI even from inside of a vehicle while away from the office, the AI automatically generates daily reports in the prescribed format. This enables them to complete administrative work in the field without returning to the office. This effective use of time enables thorough follow-up with key customers and improves visit rates. It also allows more customer information to be accumulated than manually created reports, accelerating a positive cycle of AI-driven data utilization.

## 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, helps to reduce facility management costs. Based on usage data, AI presents optimal cleaning workflows to cleaning staff through an app. This enables operations with fewer cleaning staff. IoT toilets that detect clogs and notify facility managers have been well received, and floor-standing toilets for small- to medium-sized facilities have now been added to the lineup. Orders for sensors and IoT toilets have exceeded 2,000 units, with more than 20,000 units under specific consideration for installation. Installations are advancing at train stations, airports, shopping malls, and office buildings, serving as a differentiating factor from competitors.

In the residential sector, adoption of the *Life Assist2* smart home system is growing, with major homebuilders now using the technology. With rising interest in home security, more installations now include electric shutters, smart locks, and surveillance cameras. We have also newly introduced integration functions with water-related products such as kitchens and bathrooms, leveraging LIXIL's comprehensive strengths.

## LIXIL Toilet Cloud



## INTELLECTUAL PROPERTY STRATEGY

At LIXIL, we have implemented our intellectual property (IP) strategy to support the execution of management strategies by optimizing the acquisition, utilization, and risk management of IP rights in close collaboration with the business divisions. This approach aims to maintain competitiveness, realize sustainable business advantages, and achieve high profitability.



At LIXIL, we are advancing our IP strategy that strengthens the execution of our management strategies. Furthermore, by integrally promoting our IP strategy and technology standardization strategy, we help shape market rules for environmentally friendly products, digital products, and more—driving growth in the global market.

### Masaki Kataoka

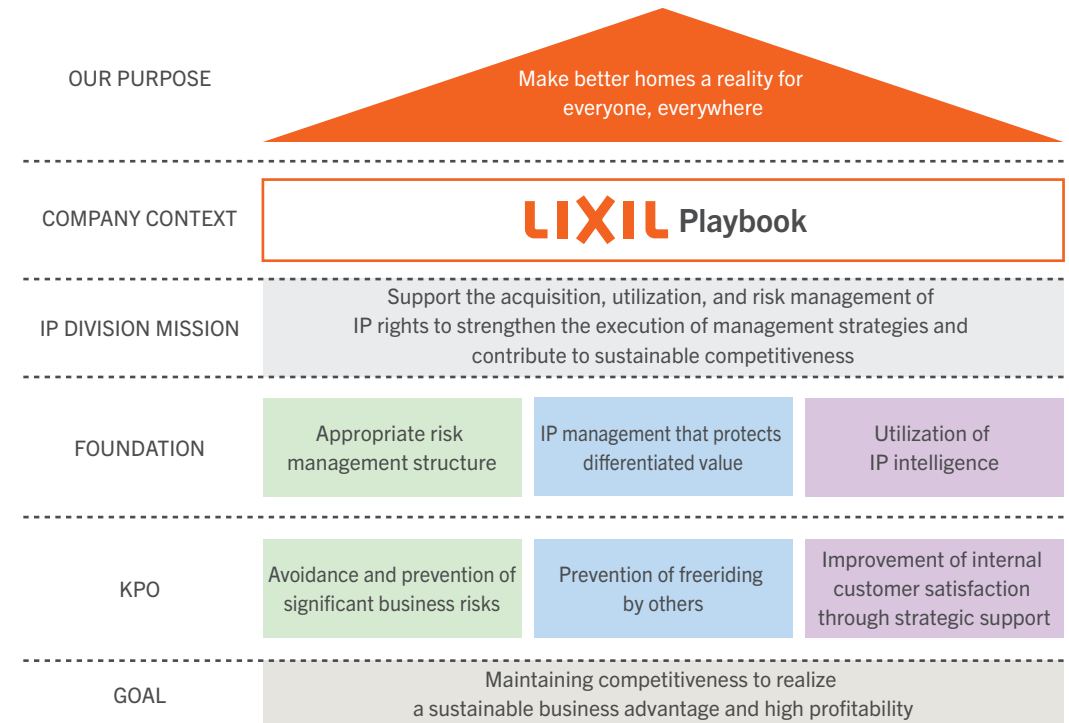
Chief Intellectual Property Officer (CIPO) and  
Chief Standardization Officer (CSO),  
Intellectual Property and Standardization Function

To date, LIXIL has steadily advanced an IP strategy linked to its management strategies, building an IP portfolio of approximately 20,000 IP rights worldwide.\* Building on this foundation, in April 2026, we established the new positions of CIPO and CSO as Senior Vice President reporting directly to the CEO and launched a new structure to lead the Intellectual Property and Standardization Function. Currently, the housing industry is undergoing significant changes, such as further improvements in energy-saving performance, the realization of a circular economy, and the global standardization of IoT devices, including smart home equipment. Under this new structure, our goal is to become a leader that pioneers the formation of market rules by comprehensively promoting our IP and technology standardization strategies, while utilizing LIXIL's unique technologies and value globally to realize LIXIL's Purpose.

\* The portfolio includes currently pending (published) applications in addition to registered rights such as patents, designs, and trademarks.

### LIXIL's Global Intellectual Property Strategy

As a global organization integrating our headquarters and international IP divisions, we focus on strengthening sustainable competitiveness through three core pillars: establishing an appropriate risk management structure to avoid and prevent significant business risks, implementing IP management that protects differentiated values to prevent freeriding by third parties, and utilizing IP intelligence to support the formulation of management and business strategies. In close collaboration with the business, R&D, and brand divisions, the execution of our IP strategy—formulated in line with the LIXIL Playbook and business policies—is regularly reported to the Board of Directors and Executive Officers for progress updates, ensuring highly effective oversight.



## INTELLECTUAL PROPERTY STRATEGY

## Protection and Utilization of IP to Achieve Sustainable Growth

We view IP, including technologies and designs generated through our business activities, as essential capital for sustainable growth and impact creation, leading to our continued investment in these efforts. By strategically utilizing our global portfolio of approximately 20,000 IP rights, we enhance the differentiated value of our products, drive solutions to social and environmental issues, and achieve high profitability.

## IP Intelligence Linked to Business Strategy

By utilizing IP intelligence—which analyzes IP risks and strengths for both LIXIL and other companies to enhance the precision of formulating and executing strategies at each layer, such as management, business, and development strategies—we strengthen our business competitiveness and freedom to operate (FTO). In addition to core technologies like water purification, we continuously analyze technology and standardization trends for future business themes, both domestically and internationally. Through collaboration with our development divisions, we aim to strengthen the acquisition of IP in anticipation of new value creation via innovation and next-generation business strategies. For circular products such as *PremiAL* and *revia*, we evaluate our long-standing resource management expertise and technological capabilities from a trade secret perspective, building a management system that combines the protection of trade secrets with the acquisition of exclusive rights such as patents.

## IP Activities Supporting the Expansion of Our Impact Strategy

To develop and grow our SATO business, which addresses global sanitation and hygiene challenges, we have built an IP portfolio for each product lineup. Licensing to local partner companies and implementing anti-counterfeiting measures based on this portfolio helps support local job creation and promote stable business operations. Additionally, LIXIL joined WIPO GREEN\* as a partner in 2023. Through the registration of *revia* and SATO in the WIPO GREEN database, we are working toward the further dissemination of environmental and sanitation technologies.

\* A platform established by the World Intellectual Property Organization (WIPO), consisting of a database that serves as a global innovation catalog for environmental technologies and networks that promote the dissemination of such technologies.

## Value Creation through the Protection of Brands and Designs

Our diverse and unique house of brands is LIXIL's greatest strength, and we are committed to sustainably enhancing brand value through robust brand security functions. To prevent product commoditization, we comprehensively protect the value of our thoughtfully designed products and brands—shaped by concepts like comfort and user experience—through the utilization of design rights and trademarks.

Furthermore, we rigorously enforce measures against acts of infringement and freeriding on our IP that lead to LIXIL's brand dilution, including actions against counterfeit water purifier cartridges that could endanger customer safety.



## Strengthening the Foundation for Innovation

In addition to ongoing IP education for employees, we host the annual LIXIL Inventor Award to recognize inventors who have contributed to our business. By live-streaming the ceremony company-wide, where the CEO personally presents the awards, we stimulate the drive for innovation internally. Through these activities, we strengthen the foundation linked to human capital investment, which serves as the source of sustainable value creation.



# Determining What to Preserve and What to Change Amid Environmental Shifts

## Decision-Making and Management with a Focus on Medium- to Long-Term Value

In line with the Medium-Term Roadmap, how will the Board of Directors strengthen its oversight of value creation and growth initiatives, and how will it continue to evolve going forward? CEO Kinya Seto joined Outside Director Jun Aoki, who has served as Chief People Officer at a publicly listed company, and Outside Director Mayumi Tamura, who has held CFO positions at the Japanese subsidiaries of several global companies, for a discussion on decision-making aimed at enhancing corporate value over the medium- to long-term, beyond short-term performance evaluations.

# SPECIAL INTERVIEW



**Mayumi Tamura**

Outside Director,  
Member of Audit Committee

**Kinya Seto**

Director,  
Representative Executive Officer,  
President, and CEO

**Jun Aoki**

Outside Director, Chairperson of  
Compensation Committee, and  
Member of Nomination Committee



### Management Challenges Emerging Amid a Changing Environment

**Seto:** Overall, our results for FYE2026 were largely in line with the plan set out in the Medium-Term Roadmap. I believe these results reflect a series of decisions we have made over the past several years, including our shift toward the renovation market in Japan, efforts to move up the value chain in Europe, and upfront investments in the Middle East and India. At the same time, the reality of how things unfolded was very different from what we had originally envisioned. Rather than simply being a year that went according to plan, it was a year sustained by our ability to respond to changes in the external environment. In that sense, it was also a year that tested our approach to medium- and long-term management.

**Tamura:** I feel that the structural reforms that began with the turnaround in Europe, along with efforts to build a stronger business foundation for growth, are beginning to deliver tangible results one by one. We still face difficulties in markets such as the Americas and China, but steady progress is being made toward improvement. From the perspective of an Outside Director, discussions have become more substantive, focusing not only on short-term numbers

but also on how to build medium- to long-term strategic initiatives over time. To build on this momentum, I believe we need to continue deepening those discussions even further going forward.

**Aoki:** FYE2026 was marked by major geopolitical risks and dramatic changes in the external environment, beginning with the impact of U.S. tariffs and ending with escalating tensions in the Middle East. Achieving the targets we set amid that level of disruption deserves significant credit. That said, what matters even more is not assuming that conditions will return to what they once were. Management needs to be reassessed with the understanding that we have already entered an entirely different phase. Restoring performance is important, but even more important is using a medium- to long-term perspective to decide where to invest, what to preserve, and what to change. It is essential that discussions around decision-making extend beyond the boundaries of business. One thing I highly value is that this mindset has been gaining momentum within the Company.

**Seto:** Looking back, since the COVID-19 pandemic began in 2020, every year has brought unexpected events that we had to respond to. Historically, our structure has not necessarily been resilient to shifts in external demand conditions, and that remains a challenge even today. To build a company that can withstand changes in the demand environment over the medium- to long-term, we need to tackle three key issues: how we reassess our asset levels, how we rebuild our supply chain, and how we improve profitability through product differentiation. Of those, improving profitability is fundamentally the most important. Today, one of the challenges shared by manufacturers around the world is how to avoid commoditization. I believe the key to long-term success lies in whether a company can build a brand recognized for high added value, that customers will continue to choose even when demand weakens. At the same time, the most difficult challenge is achieving

our Asset-Light strategy. An approach focused on producing attractive short-term numbers, such as a so-called V-shaped recovery, could ultimately undermine shareholder value. That is precisely why I believe this issue needs to be addressed over an appropriate time horizon. The question is not what to discard in the short term, but what to preserve with medium- to long-term value in mind. That is the foundation of our decision-making today.

**Aoki:** Many of our upcoming challenges, including supply chain and asset-related issues, are extremely complex. They cannot all be solved overnight. Instead, we must keep the appropriate time horizon in mind and steadily see each initiative through, while continuing to make bold investments for the future. The true essence of the Medium-Term Roadmap lies in balancing short-term recovery with medium- to long-term investment. Conventional medium-term business plans often focus on committing to highly probable numerical targets three years out. In contrast, the Medium-Term Roadmap is about continuing to invest in medium- and long-term value creation while also pursuing short-term performance recovery. It is not about sacrificing future investment simply to deliver numbers three years from now. As Outside Directors, it is our responsibility to rigorously oversee this progress and provide strategic support whenever necessary.

**Tamura:** Achieving sustainable growth and consistently enhancing corporate value are also critically important. To that end, capital allocation is equally essential. We must continuously monitor whether the necessary investments, including R&D, capital expenditures, IT investment, human capital investment, and shareholder returns, are being allocated appropriately and executed with the correct balance. I also want to closely monitor whether those investments are aligned with the direction LIXIL aims to pursue over the medium- to long-term, and whether they are generating appropriate returns.

### Dialogue and Information Foundations for High-Quality Decision-Making

**Tamura:** Since last year, the Executive Officers have begun working together as a team to thoroughly discuss the initiatives outlined in the Medium-Term Roadmap and build the plan collaboratively. This valuable initiative has been shaping strategies and measures from a medium- to long-term perspective, and by sharing those discussions with the Outside Directors as well, I feel both the quality and quantity of information brought to the Board of Directors have improved significantly. As a result, I feel that the effectiveness of the Board of Directors itself has also increased considerably.

**Aoki:** Through these strategic planning dialogues under the Medium-Term Roadmap, the executive leaders are now able to engage in discussions that go beyond the boundaries of their own businesses. In a sense, “stepping into another function's territory” is encouraged, allowing for open and constructive discussions not only about the direction of the Medium-Term Roadmap, but also about what lies beyond it. I see this as a major step toward improving the quality of decision-making aimed at enhancing corporate value over the medium- to long-term. Even in my interactions with individual leaders as a member of the Nomination Committee, I have noticed more and more situations where they speak about challenges facing LIXIL as a whole as issues personally relevant to them. I feel this reflects a broadening of perspectives and a growing sense of ownership across the organization, which is also leading to better medium- and long-term decision-making.

**Tamura:** I serve on the Audit Committee, and each quarter, we exchange views with Mr. Seto and the Executive Officers. We then share the issues and insights that emerge from those discussions at the Outside Directors Opinion Exchange Meetings, where they are discussed further and fed back to the Board of Directors as appropriate. Since the initiatives of the Outside Directors Opinion Exchange Meetings began in FYE2026, both the quantity and quality

of information available to Outside Directors have improved. This has allowed the executive side and the Board of Directors to operate from the same baseline understanding and engage in more concrete discussions around issues tied to sustainable growth. As a result, discussions at the Board of Directors level have evolved beyond simply confirming direction and are now reaching a depth that directly informs decision-making.

**Seto:** This is something I see as a personal challenge as well. I tend to be very hands-on in making decisions, so there were areas where we fell short in terms of discussing issues as an entire team. I received some tough feedback from the Outside Directors, and over the past two years, I have made a conscious effort to improve in that area. If the process of discussing issues and making decisions as a team is functioning better today than before, I see that as the result of the feedback and guidance provided by all of you, which helped us rethink the very nature of how decisions are made.

### The Essentials of Managing and Overseeing Global Businesses

**Seto:** Global businesses are one of the topics the Outside Directors have been actively discussing at Board of Directors meetings. We are currently addressing two major themes in our global businesses. One is the US business turnaround, where the direction has now been set, and we expect to begin delivering results this fiscal year. The other is improving profitability in the GROHE business. GROHE has been a major driver of sales growth in the Middle East and India, and it continues to grow in China as well. The business recovery is now gaining traction. With the launch of GROHE SPA, we have entered a phase where we are working to improve profit margins while further strengthening brand equity.

**Aoki:** I think all the Board of Directors members share the view that global businesses are a medium- to long-term growth driver. Since I became an Outside Director in 2023, the management of global

business has been an issue I have continued to monitor closely. I have gained a strong recognition that it is extremely important for the Board of Directors at headquarters to have a firm grasp of global businesses. This remains an ongoing challenge, but I feel steady progress has been made compared with where we were before.

**Tamura:** As mentioned in last year's integrated report roundtable among Outside Directors, reports from Executive Officers alone do not always make it easy to understand the reality on the ground. Following the on-site audit in Europe by the outside members of the Audit Committee the year before last, Outside Directors visited China last year. This demonstrates the ongoing progress of dialogue with frontline teams in Japan and international sites. Taking opportunities to visit local sites, speak with employees, and understand local markets is extremely important for identifying issues that cannot be seen in the numbers, and I believe it is also essential from the perspective of enhancing corporate value.

**Aoki:** Previously, when the GROHE business faced difficult conditions, the Board of Directors clarified where the issues lay, and the executive side responded quickly based on that understanding,



which led to improvement. From that experience, I recognize that how we oversee the leadership, or the management layer, is extremely important in global businesses. Specifically, that means sharing targets, understanding the numbers, and managing people. The “people” aspect is especially difficult, but we are seeing progress, including the Global Leadership Conference, which has recently been held every year and brings together leaders from around the world to share challenges and goals.

**Tamura:** From a financial perspective, there are three major issues. The first is correcting financial distortions within the Group. There is room for improvement from the perspective of optimizing the Group as a whole, including differences in profitability by region and the tax structure. In terms of capital policy as well, dividends are based on EBITDA, but there is a gap between EBITDA and core earnings, and structural distortion can be seen here, too. We are working to sort out these issues and move closer to the way the Group should be. The second is financing. In a rising interest rate environment, we need a financial strategy that also accounts for the possibility of higher funding costs going forward. The third is investor relations. We have



spent the past two to three years carrying out large-scale structural reforms, and reforms related to implementing an Asset-Light strategy and driving medium- to long-term growth may continue going forward. When one-time costs arise in that process, careful communication will be needed to gain investor understanding and prevent the market from overreacting. In that sense as well, I believe strengthening day-to-day investor relations is important.

**Seto:** I think you have raised important issues for strengthening the foundation of our global businesses. On the executive side, we would also like to further develop concrete measures to enhance GROHE’s brand equity, such as strengthening our approach to architects and designers. We will continue deepening discussions on these issues and improving the quality of our decision-making.

#### Impact Strategy as a Major Driving Force for LIXIL

**Seto:** Finally, I would like to hear your candid views on what is important for sustainably enhancing corporate value.

**Aoki:** I believe there are three key points. The first is brand strategy. If we were to create a matrix of markets and product categories, LIXIL does not need to provide an answer for every single box, but it does need to have a clear intention about which customers it will target with which products. GROHE has exceptional strength, but I feel that how we develop second and third brands to follow it will be an important decision-making theme going forward. The second is expanding the Impact Strategy. I see particularly significant room for expansion in the area of Water Conservation & Environmental Sustainability. With distinctive materials of high environmental value, such as *PremiAL* and *revia*, LIXIL has significant potential to establish an advantage as a company that leads the circular economy. We need to continue discussing in depth how to leverage that advantage and which markets we should compete in. The third is transformation through AI. This is an area where LIXIL is ahead, but it also presents

a major opportunity to improve productivity, and I feel there is still room to go further.

**Tamura:** The Impact Strategy sets KPIs and discloses progress against them, but achieving those indicators is not the end goal. It is also important to help society understand and spread awareness of the impact we are creating, the value generated as a result, and the story and process behind it. Personally, “consortium” may sound a bit grand, but I do hope this will become a major initiative that involves other companies. Of course, it is also essential that this leads to earnings. In that sense, I would like to see continued efforts to strengthen the human capital that will drive the Impact Strategy.

**Aoki:** Just to jump in on human capital, when we consider AI transformation (AX), organizational structures will change and the profiles of the people needed will also change. One of the strengths of LIXIL’s management is that decision-makers are very close to the frontline. I feel LIXIL has significant potential in how it leverages that strength to develop people who can create value on the ground and cultivate the profiles that will be needed going forward.

**Seto:** For instance, the Impact Strategy that both of you raised is truly important. There are not many companies that are so deeply committed to solving sanitation challenges on a global scale. LIXIL continues to provide new value in order to make better homes a reality for everyone, everywhere. That is why I believe the Impact Strategy, and LIXIL’s Purpose itself, are fueling employee engagement and becoming a driving force for the business. At the same time, differentiation is essential to realizing value, and if the accumulation of that differentiation is what becomes a brand, then we still have significant room to grow. We will continue working so that customers feel LIXIL is worth choosing even if it costs a little more, and that it is a worthwhile investment.

To promote active discussions that contribute to sustainable growth and enhanced corporate value in the medium- to long-term, we continuously implement the following initiatives at Board of Directors and Committee meetings.

### Discussions at the Outside Directors Opinion Exchange Meeting

We hold the “Outside Directors Opinion Exchange Meeting” as needed to bridge information gaps among Outside Directors, foster shared understanding, and exchange views on topics requiring deliberation by the Board of Directors. In FYE2026, Outside Directors engaged in open discussions on topics including updates on each Committee’s activities (such as the status of the CEO succession plan, and details and issues of the executive compensation system), aligning the understanding of matters deliberated at the Board of Directors (such as medium- to long-term strategies for enhancing corporate value), and organizing key points for future discussions by the Board of Directors.

### Group Training for Directors and Executive Officers

To foster shared understanding of key management themes and improve the effectiveness of discussions at the Board of Directors, we hold training sessions with external lecturers for Directors and Executive Officers at least once a year. Most recently, we invited the Chairperson of the Board of another company to speak on the theme of corporate governance.

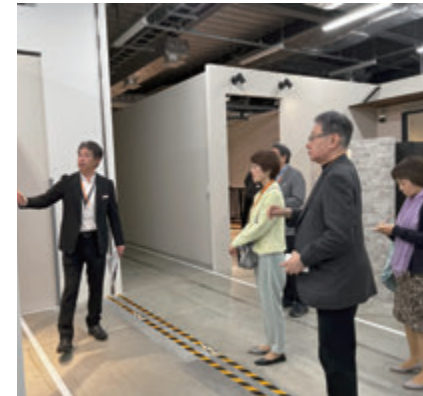
### Site Visits by Outside Directors

To deepen their understanding of our businesses, Outside Directors visit production sites as well as exhibitions of technologies and new products developed by each business. During these visits, they also participate in roundtable meetings with employees, etc. to foster mutual understanding on the front lines. (In FYE2026, an aggregate total of 65 Outside Directors visited 13 sites.) Additionally, to better understand the industry landscape, they visit distributor exhibitions and actively gather diverse information.

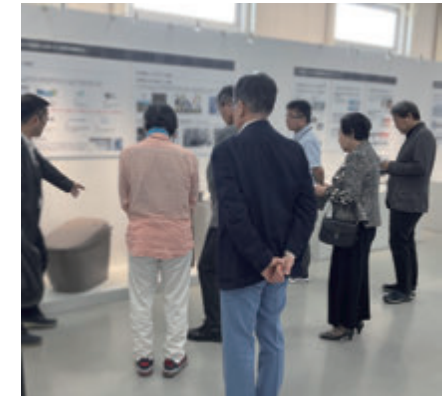
### Initiatives by Dedicated Secretariats to Enhance Effectiveness

To facilitate more active discussions and enhance the effectiveness of the Board of Directors and each Committee, we have established dedicated secretariats for each body. Alongside close collaboration among secretariats to ensure smooth meeting operations, we focus on strengthening our support system through the following initiatives, such as providing appropriate information essential for deliberations and efficiently onboarding new officers.

- (1) Preliminary Board of Directors briefings on important topics
- (2) Provision of basic information about the LIXIL group, including internal glossary, production systems, personnel composition, etc.
- (3) Information support for newly appointed Outside Directors (including a total of 10 hours of guidance from all Executive Officers on areas under their supervision, and inspections of a total of 9 key facilities in Japan, such as major manufacturing sites, R&D centers, and showrooms), etc.



Visit to LHT’s New Product Exhibition



Visit to LWT Japan’s New Product Preview



Discussion Session Held During a Site Visit for LWT Overseas Business Innovation Day



New Outside Director orientation (Chita Factory)

## 04



Elements of the corporate value formula highlighted in this section

$$\left[ \begin{array}{c} \text{Enhancing} \\ \text{corporate value} \uparrow \end{array} \right] = \frac{\left[ \begin{array}{c} \text{Maximizing provided value and returns} \\ \text{[Expanding value creation (Improving profit margin) \uparrow]} \end{array} \right]}{\left[ \begin{array}{c} \text{Sources of corporate value} \\ \text{and provided value} \\ \text{[Reducing cost of capital \downarrow]} \end{array} \right] - \left[ \begin{array}{c} \text{Sustainable growth through} \\ \text{the creation of new value} \\ \text{[Improving growth rate \uparrow]} \end{array} \right]}$$

### SOURCES OF CORPORATE VALUE AND PROVIDED VALUE

We explain how we are building a sound management foundation that supports the sustainable enhancement of corporate value by advancing corporate governance, risk management, and a firm commitment to respect for human rights. We also provide a detailed account of our initiatives to reduce the cost of capital and strengthen the resilience of our medium- to long-term growth.

## SOURCES OF CORPORATE VALUE AND PROVIDED VALUE

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## MESSAGE FROM THE CHAIRPERSON OF THE BOARD OF DIRECTORS

We will further enhance the effectiveness of the Board of Directors to continue supporting the Company's sustainable growth.



Yuji Nishiura Chairperson of the Board of Directors

### Review of the Board of Directors' Operations

Based on the analysis results of the annual Board of Directors' effectiveness evaluation, we operated the Board with a focus on the following themes during FYE2026.

- 1) Focusing on key agenda items: We have made deliberation time more structured and dynamic, allocating the majority of our time to important agenda items such as confirming the progress of management strategies and business plans.
- 2) Further strengthening cooperation between the Board of Directors and each Committee: Sharing of activity reports from each Committee at Board of Directors meetings has become a regular practice. In addition, we established the Outside Directors Opinion Exchange Meeting to facilitate free exchange of opinions while promoting cross-functional alignment among Committee activities.
- 3) Strengthening mutual understanding between Directors and Executives: We are deepening mutual understanding not only

through activity reports from Executive Officers at Board of Directors meetings, but also by observing Executive Officers' meetings and holding social gatherings.

### Focus of Board of Directors' Deliberations

The Company's Impact Strategy lies at the core of our deliberations. Under this strategy, we continue to steadily create new value to help build more prosperous lives. Each Director actively visits factories and technology exhibitions to experience firsthand the creation of new value.

To drive the creation of this new value, extremely active Q&A sessions and advisory discussions with the executive team occur during Board of Directors meetings. Beyond Board of Directors meetings, Directors proactively conduct site visits and engage in dialogue with the executive team.

Despite the challenging business environment, we strive to proactively support the executive team from a medium- to long-term perspective, without deferring painful or front-loaded cost initiatives. I believe that aiming for sustainable growth is the very mission of the Board of Directors.

### Future Focus of Board of Directors' Operations

Building on the results of the latest Board of Directors' effectiveness evaluation (April 2026), we plan to address the following issues.

- 1) Further improvement of the quality of discussions.
- 2) Enhancement of the sophistication and efficiency of operations.
- 3) Deepen discussions on succession planning.

In addition, the Financial Services Agency announced this year a proposed revision to the "Corporate Governance Code," the first update in five years. The aim of this revision is to "accelerate the shift from form to substance and maximize the enhancement of corporate value." Taking this intent into account and verifying the current situation through the annual effectiveness evaluation, we will continue to solidify the foundation that supports the Company's sustainable growth.

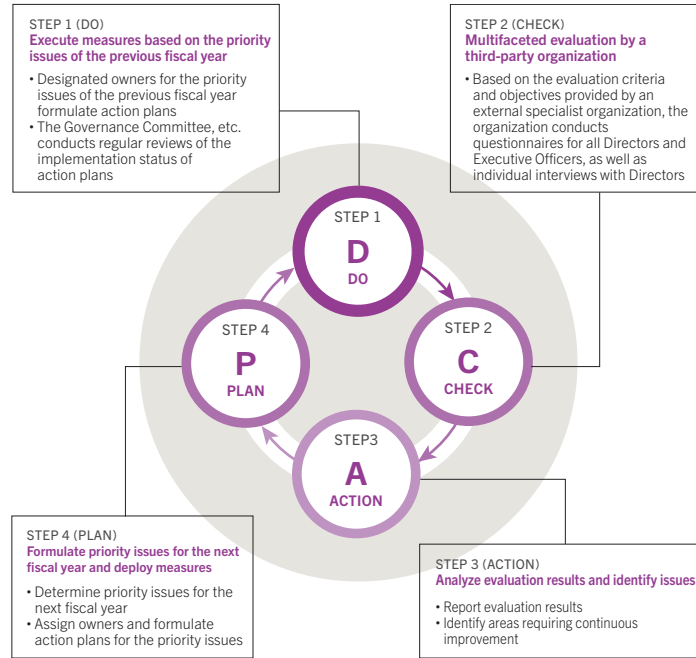
### Main Agenda Items of Board of Directors for FYE2026

Key Oversight Themes	Main Agenda Items
(i) Oversight of Next-Generation Value Creation Drivers	<ul style="list-style-type: none"> <li>• Capital allocation</li> <li>• Overall picture and challenges in human resource management (such as measures to improve employee engagement)</li> <li>• Progress of Impact Strategy</li> <li>• Design/Brand strategy</li> <li>• Progress of the "LIXIL Playbook" for each business (confirmed in monthly reports from Executive Officers)</li> </ul>
(ii) Oversight of Growth Strategy and Performance Progress	<ul style="list-style-type: none"> <li>• Single-year performance and progress toward achieving the "Medium-Term Roadmap"</li> <li>• Long-term growth strategy, management vision</li> </ul>
(iii) Oversight of Business Structure Transformation	<ul style="list-style-type: none"> <li>• Progress of Asset Light strategy</li> <li>• Progress of M&amp;A deals</li> </ul>
(iv) Oversight of Major Risks	<ul style="list-style-type: none"> <li>• Status of cyber security risk response</li> <li>• Status of initiatives regarding key business risks and company-wide risk management</li> </ul>
(v) Others	<ul style="list-style-type: none"> <li>• Committee reports, reports on IR and SR activities, and agenda items concerning financial results</li> </ul>

BOARD OF DIRECTORS EFFECTIVENESS EVALUATION: IMPLEMENTATION OF THE PDCA CYCLE AND INITIATIVES TO IMPROVE EFFECTIVENESS

Led by the Governance Committee, which consists of all Directors, this evaluation is conducted to confirm the effectiveness of the Board of Directors and each Committee, and to identify and address medium- to long-term issues in improving their effectiveness.

Diagram of the PDCA Cycle



Progress on the Three Priority Issues from FYE2025

We are continuously implementing improvement measures for the following three priority issues.

Priority Issues and Improvement Measures
<p><b>Priority issue 1: Focusing on key agenda items</b></p> <p>&lt;Action plans&gt;</p> <ul style="list-style-type: none"> <li>Enhance agenda items and streamline operations to support oversight of the Medium-Term Roadmap</li> <li>Revise operational rules to ensure adequate time for deliberating on important agenda items</li> </ul>
<p><b>Priority issue 2: Further strengthening of collaboration between the Board of Directors and each Committee</b></p> <p>&lt;Action plans&gt;</p> <ul style="list-style-type: none"> <li>Address information gaps and hold open discussions by utilizing the Outside Directors Opinion Exchange Meeting</li> <li>Review the effectiveness evaluations conducted by each Committee and secretariat, and consider actions for FYE2026</li> </ul>
<p><b>Priority issue 3: Strengthening mutual understanding between Directors and Executives</b></p> <p>&lt;Action plans&gt;</p> <ul style="list-style-type: none"> <li>Improve access to the Guidelines for Outside Director Conduct and conduct regular reviews</li> <li>Create opportunities for communication between Directors and Executives (e.g., through study sessions and networking events regarding businesses)</li> </ul>

Evaluation Results for FYE2026

A third-party external specialized agency outlined the following evaluation criteria and objectives, and we have received their survey report.

Main Evaluation Criteria and Objectives
<ol style="list-style-type: none"> <li>Whether the three priority issues from FYE2025 are progressing smoothly</li> <li>How well the Board of Directors is operating, with a focus on improving corporate value from a medium- to long-term perspective</li> <li>As certain the issues pertaining to the composition of the Board of Directors and Committees from a medium- to long-term perspective</li> </ol>
Summary of Results (by Specialized External Agency)
<p>It was confirmed that our Board of Directors has made noticeable progress through various measures, continues to accumulate efforts contributing to enhancing the effectiveness of its oversight function, and is generally operating effectively.</p> <p>The report also indicated that we are at a stage requiring continued efforts to address issues from FYE2025.</p>

Initiatives and Priority Issues for FYE2027

Following deliberations by the Governance Committee, the following priority issues were identified to further enhance the effectiveness of the Board of Directors and Committees.

To address each issue, we will select responsible owners and develop and implement action plans, further improving the Board of Directors' effectiveness.

Priority Issues for FYE2027
<ol style="list-style-type: none"> <li>Improving the quality of discussion at the Board of Directors</li> <li>Enhance the sophistication and efficiency of the Board of Directors' operations</li> <li>Deepen discussions on succession planning</li> </ol>

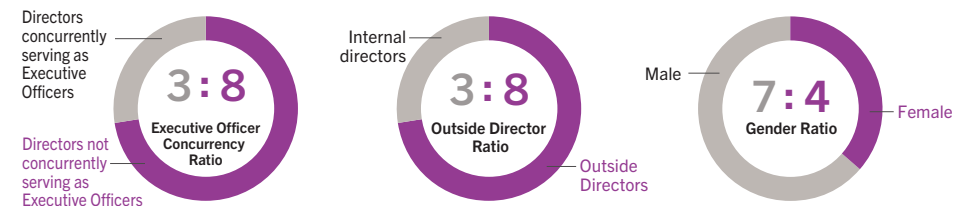
COMPOSITION OF THE BOARD OF DIRECTORS

Attitudes, Perspectives, and Skills Required of the Company's Directors

The Nomination Committee has identified the attitudes, perspectives, and skills that are particularly important for the Board of Directors to oversee resolution of the issues defined in the LIXIL Playbook and implementation of the Impact Strategy, including both "attitudes and perspectives that all Directors should share" and "skills that the Board of Directors as a whole should possess." The Company believes that "sustainability" and "risk management" are attitudes and perspectives that all Directors should share, and the other nine skills are those that the Board of Directors as a whole should possess by combining the highly specialized skills of Outside Directors. In selecting Director candidates, the Nomination Committee confirms that each candidate possesses the aforementioned attitudes and perspectives, and discusses the composition of the Board of Directors while considering the balance of highly specialized skills possessed by each Outside Director candidate. Since the attitudes, perspectives, and skills required for the Board of Directors may change depending on the Company's management strategy and the business environment, the Nomination Committee will continue to review as needed and disclose those changes.

Board of Directors' Members in FYE2027

(Since June 18, 2026)



## SKILL MATRIX EVALUATION PROCESS FOR OUTSIDE DIRECTORS

The Company defines “Sustainability” and “Risk Management” as fundamental attitudes and perspectives required of all Directors. In contrast, the “Skill Matrix for the Board of Directors as a whole” identifies specific areas of high expertise where the Nomination Committee has particularly high expectations for each Outside Director. This approach ensures a robust framework for supervising decisive business execution by the management team. Consequently, this matrix focuses exclusively on Outside Directors and does not include the skills of Internal Directors.

The specific skills expected of each individual have been shared with the respective Outside Directors. Through this process, the Nomination Committee identifies priority skills to enhance Board effectiveness and engages in rigorous discussions regarding the definition of requirements and succession planning for future Outside Director candidates.

\*The skills listed in the matrix above do not represent all the expertise possessed by each Outside Director.

## Skills Matrix

● Skill items possessed by each Outside Director

Member	Years of service as Director <sup>1)</sup>	Skills required the Board of Directors as a whole									Experience, etc. serving as the basis for the identified skills
		Corporate Management	Global Business	Government Agencies/Public Policy	Finance/Accounting/M&A	Legal/Compliance	Human Resources Development	Sales/Marketing	Manufacturing/Technology/R&D	IT/Digital	
Kinya Seto	10 years	—	—	—	—	—	—	—	—	—	<p><b>Corporate Management:</b> Experience as representative director of Shiseido Company, Limited, experience as founder and CEO at Cardif Life and Non-life Insurance</p> <p><b>Global Business:</b> Experience as executive officer as BNP Paribas Cardif</p> <p><b>Human Resource Development:</b> Experience as CPO at Shiseido Company, Limited</p> <p><b>Sales/Marketing:</b> Experience as Chief Creative Officer (Responsible for Advertising and Design) at Shiseido Company, Limited</p> <p><b>Manufacturing/Technology/R&amp;D:</b> First-class architect with knowledge of urban planning, buildings, and building materials, etc.</p>
Yugo Kanazawa	—	—	—	—	—	—	—	—	—	—	<p><b>Corporate Management:</b> Experience as Vice Chairman and Representative Corporate Executive Officer at Sony Corporation (currently Sony Group Corporation)</p> <p><b>Global Business:</b> Experience in business execution at a global company (Sony Group Corporation)</p> <p><b>Human Resource Development, Sales/Marketing, Manufacturing/Technology/R&amp;D, IT/Digital:</b> Experience as general manager of all electronics businesses at Sony Corporation, including practical experience in technology development and as a manufacturing plant manager</p>
Mariko Fujita	—	—	—	—	—	—	—	—	—	—	
Jun Aoki*	3 years	●	●				●	●	●		<p><b>Corporate Management:</b> Experience as Representative Director and President at Kansai Paint Co., Ltd.</p> <p><b>Global Business, Sales/Marketing:</b> Experience of leading global expansion at Kansai Paint Co., Ltd.</p> <p><b>Government Agencies/Public Policy:</b> Experience in negotiations with foreign government agencies, etc.</p> <p><b>Manufacturing/Technology/R&amp;D:</b> Experience as head of development, manufacturing, and technology for Asian cars at Isuzu Philippines</p>
Shigeki Ishizuka*	3 years	●	●				●	●	●	●	<p><b>Government Agencies/Public Policy:</b> Experience as a committee member for METI's "Ito Review of Competitiveness and Incentives for Sustainable Growth—Building Favorable Relationships between Companies and Investors—" and other various councils and committees</p> <p><b>Finance/Accounting/M&amp;A:</b> Knowledge as Certified Member Analyst of the Securities Analysts Association of Japan, experience as Head of JPM Investment Department and Chief Investment Officer for Japanese Equities at JP Morgan Asset Management (Japan) Limited</p> <p><b>Legal/Compliance:</b> Experience as Head of JPM Investment Department and Chief Investment Officer for Japanese Equities at JP Morgan Asset Management (Japan) Limited</p> <p><b>Human Resource Development:</b> Experience in training analysts and fund managers as Head of JPM Investment Department at JP Morgan Asset Management (Japan)</p>
Hiroshi Ishino*	1 year	●	●	●				●	●		
Ryusuke Ohori*	2 years			●	●	●	●				<p><b>Government Agencies/Public Policy:</b> Experience as member of the National Police Agency's Comprehensive Security Measures Council and member of the Kawasaki City Saiwai Ward Private Sector Utilization Promotion Committee</p> <p><b>Legal/Compliance:</b> Experience as Attorney-at-law</p> <p><b>Human Resource Development:</b> Experience as a member of the Committee on Realization of Gender-Equal Society of Japan Federation of Bar Associations</p>
Shiho Konno*	5 years			●		●	●				
Mayumi Tamura*	4 years	●	●		●	●					<p><b>Corporate Management:</b> Experience in business plan formulation at multiple global companies (including Johnson Company, Limited)</p> <p><b>Global Business:</b> Experience in business execution at multiple global companies</p> <p><b>Finance/Accounting/M&amp;A:</b> Experience as CFO at a global company (Walmart Japan Holdings G.K.)</p> <p><b>Legal/Compliance:</b> Experience as auditor at multiple listed companies</p>
Yuji Nishiura*	7 years	●		●	●		●	●		●	<p><b>Corporate Management, Government Agencies/Public Policy, Finance/Accounting/M&amp;A, Human Resource Development, Sales/Marketing:</b> Experience with numerous corporate restructuring projects as a consultant at AlixPartners, experience as Vice Chairman of that company's U.S. headquarters, and experience as Director and Chair at AXA Life Insurance (Japan)</p> <p><b>IT/Digital:</b> Experience as an outside director at multiple IT companies</p>
Mariko Watahiki*	5 years			●		●	●				<p><b>Government Agencies/Public Policy:</b> Experience handling civil cases related to administrative and labor issues</p> <p><b>Legal/Compliance:</b> Experience as judge, attorney, and chairperson of multiple third-party committees, etc.</p> <p><b>Human Resource Development:</b> Experience in personnel management and talent development as High Court Chief Judge, etc.</p>

\* Outside Director



\* As of June 18, 2026

- ☑ Attitudes and Perspectives That All Directors Should Share, and the Reasons Why They Are Deemed Necessary
- ☑ Skills That the Board of Directors as a Whole Should Possess, and the Reasons Why They Are Deemed Necessary
- ☑ Reasons for Nomination and Expected Role of Directors

## LIXIL BOARD OF DIRECTORS (As of June 18, 2026)\*1



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

 <p><b>Kinya Seto</b> Director, Representative Executive Officer, President, and CEO Number of shares of the Company owned: 767,844 Number of phantom stocks held: 207,220</p>	 <p><b>Yugo Kanazawa</b> Director, Representative Executive Officer, Executive Vice President, and COO, and Human Resources, Digital, and CX Number of shares of the Company owned: 66,798 Number of phantom stocks held: 39,885</p>	 <p><b>Mariko Fujita</b> Director, Executive Officer, Executive Vice President, CFO, Finance, Treasury, IR, and Risk Management Number of shares of the Company owned: 15,448 Number of phantom stocks held: 14,148</p>	 <p><b>Jun Aoki</b> Outside Director, Chairperson of Compensation Committee and Member of Nomination Committee First-class architect Number of shares of the Company owned: 3,074</p>	 <p><b>Shigeki Ishizuka</b> Outside Director, Member of Compensation Committee Number of shares of the Company owned: 3,074</p>	 <p><b>Hiroshi Ishino</b> Outside Director, Member of Nomination Committee and Member of Audit Committee Number of shares of the Company owned: 3,074</p>
 <p><b>Ryusuke Ohori</b> Outside Director, Chairperson of Audit Committee and Member of Nomination Committee Number of shares of the Company owned: 3,074</p>	 <p><b>Shiho Konno</b> Outside Director, Member of Audit Committee Lawyer Number of shares of the Company owned: 3,074</p>	 <p><b>Mayumi Tamura</b> Outside Director, Member of Audit Committee Number of shares of the Company owned: 3,074</p>	 <p><b>Yuji Nishiura</b> Outside Director, Chairperson of the Board of Directors and Chairperson of Governance Committee*2 Number of shares of the Company owned: 3,074</p>	 <p><b>Mariko Watahiki</b> Outside Director, Chairperson of Nomination Committee and Member of Compensation Committee Lawyer Number of shares of the Company owned: 8,074</p>	

\*1 The number of Company shares is as of May 19, 2026 and Phantom Stocks are as of April 1, 2026.

\*2 The voluntary Governance Committee is composed solely of Directors.

## GOVERNANCE REFORM AND DEEPENING OF DISCUSSIONS AT THE BOARD OF DIRECTORS

## Initiatives to Enhance the Effectiveness of Governance Functions

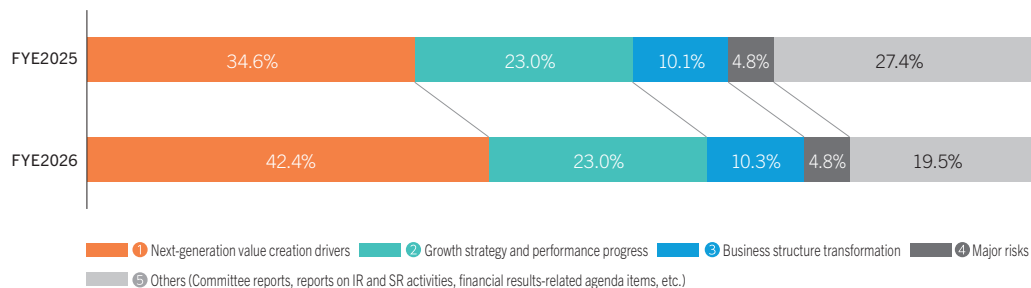
	Until FYE2024	FYE2025	Through May 2026	After June 2026
Initiatives	<ul style="list-style-type: none"> <li>Changed the composition of the three statutory committees and the Governance Committee to solely independent Outside Directors</li> <li>Established CEO succession plan</li> <li>Established structured executive training system</li> <li>Established guidelines for outside director conduct</li> <li>Revised basic internal control system, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Reorganized the Governance Committee (now composed of all Directors)</li> <li>Decision to establish a new Outside Directors Opinion Exchange Meeting</li> <li>Ranked 1st in the JCGR Corporate Governance Survey sponsored by the Japan Corporate Governance Research Institute</li> </ul>	<ul style="list-style-type: none"> <li>Launch of the Governance Committee under the new structure</li> <li>Started regular meetings of the Outside Directors Opinion Exchange Meeting</li> <li>Ranked 1st in the JCGR Corporate Governance Survey for the second consecutive year</li> </ul>	<ul style="list-style-type: none"> <li>Further improving the quality of discussions on medium- to long-term strategies and other matters that contribute to enhancing corporate value</li> <li>Respond to the revised “Corporate Governance Code”</li> </ul>

## Evolution of Key Oversight Themes at Board of Directors Meetings

In the Board of Directors meetings for FYE2026, we examined the prioritizing of agenda items for discussion, and focused our deliberation time on strategic themes that drive future growth, thereby enabling more robust discussions.

	Until FYE2024	FYE2025	Through May 2026	After June 2026
① Oversight of next-generation value creation drivers			Capital Allocation	
		Overall picture and challenges in human resource management (such as measures to improve employee engagement)		
		Progress of initiatives in priority areas based on the Impact strategy		
		Design and Brand strategy		
		Progress of the LIXIL Playbook for each business		
② Oversight of growth strategy and performance progress			Progress toward achieving the Medium-Term Roadmap	
		Long-term growth strategies and management vision		
③ Oversight of business structure transformation			Progress of the Asset-light strategy	
			Progress of M&A projects	
④ Oversight of major risks			Status of cyber security risk response	
			Status of initiatives regarding key business risks and company-wide risk management	

## Trend in the Ratio of Deliberations on Key Oversight Themes in FYE2026



## &lt;Key Points for FYE2026&gt;

## Deepening of discussions toward enhancing medium- to long-term corporate value

The proportion of deliberations on “Next-generation value creation drivers” has significantly increased, enabling us to focus even more on essential discussions for future growth.

## Optimal balance between medium- to long-term strategy and short-term performance management

The ratio for “Growth strategy and performance progress” remained at the same level as the previous fiscal year, maintaining a consistent, stable proportion.

## Refining agenda items and allocating time to strategic themes

By reducing the proportion of discussions on routine reports and financial results and increasing the proportion of strategic theme discussions, we are exercising a more effective oversight function.

## ACTIVITY REPORT FROM THE CHAIRPERSON OF THE NOMINATION COMMITTEE



## Nomination Committee Members\* in FYE2027

Member

Mariko Watahiki (Chairperson)

Jun Aoki

Hiroshi Ishino

Ryusuke Ohori

\* Since June 18, 2026

**Mariko Watahiki** Chairperson of the Nomination Committee

## Specific Initiatives and Progress in FYE2026

In FYE2026, amid a challenging business environment, the Nomination Committee focused on a generational transition among Executive Officers and formulation of a CEO succession plan to achieve a robust recovery in performance. Specifically, from the perspective that advancing generational change is crucial to sustainably enhance LIXIL's corporate value, we engaged in repeated discussions with the current CEO, formulated an action plan for a smooth CEO transition, and established a framework to monitor its progress. In addition, to accelerate strategy execution and transformation, we appointed a new Representative Executive Officer and COO, as well as a CIO in charge of the Impact Strategy, which is pivotal to LIXIL's medium- to long-term corporate value enhancement. In reappointing the CEO, we provided a document reviewing FYE2026 and outlining our expectations for FYE2027, requesting further recovery in company performance and the promotion of management structure transformation from the next term onward. Also, during the Executive Officers selection process, we held individual interviews with Executive Officers, reviewed their self-evaluations, and carefully conveyed the Nomination Committee's assessments and expectations for the next term, thereby ensuring transparency in our evaluations and expectations for execution and sharing these with the Executive Officers. Through these activities, we were able to advance the transition to a stronger executive team structure and promote generational change. As for the Board of Directors structure, we redefined the skills matrix to further enhance the oversight of resolving issues defined in the LIXIL Playbook and executing the Impact Strategy, thereby further strengthening the Board of Directors' supervisory function. We are confident that a Board of Directors composed of individuals with diverse experience, knowledge, and expertise can contribute to building a structure that supports LIXIL's corporate value enhancement and sustainable growth.

## Key Initiatives and Future Direction

The Nomination Committee will continue to actively advance the plans formulated this term to enhance the sustainable effectiveness of the corporate governance built thus far, further strengthen the executive structure, and facilitate a smooth generational transition.

## ACTIVITY REPORT FROM THE CHAIRPERSON OF THE AUDIT COMMITTEE



## Audit Committee Members\* in FYE2027

Member

Ryusuke Ohori (Chairperson)

Hiroshi Ishino

Shiho Konno

Mayumi Tamura

\* Since June 18, 2026

**Ryusuke Ohori** Chairperson of the Audit Committee

## Specific Initiatives and Progress in FYE2026

At regular Audit Committee meetings, we received regular reports from the Corporate Audit division (internal audit division), dedicated group auditors (domestic subsidiary auditors), the Compliance & Ethics division, and other related parties, and provided appropriate guidance and advice as needed in response to issues and concerns. During the current fiscal year, we reviewed the reappointment process for accounting auditors and worked to ensure transparency in their reappointment and to maintain and improve audit quality by introducing an objective comparison method based on information collected from each audit firm via Requests for Information (RFIs) and individual interviews. We also verified whether the risk management system is functioning adequately by confirming, through interviews with executive divisions, the progress of information security measures against cyberattacks, a risk that has grown in recent years, and the management status of material risks in key business areas. Furthermore, in response to growing non-financial disclosure requirements, we monitored the status of initiatives related to third-party assurance of ESG data. Additionally, by working closely with the internal audit division, dedicated group auditors, and the internal control division to strengthen organizational auditing, and by continuously monitoring the appropriateness of internal controls at domestic and international subsidiaries, we implemented highly effective audit activities from an independent, multifaceted perspective.

## Key Initiatives and Future Direction

The composition of the FYE2027 Audit Committee was decided at the Board of Directors' meeting that took place after the Annual Shareholders' Meeting held on June 18, 2026. The Audit Committee aims to further strengthen organizational auditing and will continue to work closely with the internal audit division, accounting auditors, and others to solidify the domestic and international group audit framework, carrying out transparent, efficient, and highly effective audit activities.

## ACTIVITY REPORT FROM THE CHAIRPERSON OF THE COMPENSATION COMMITTEE



**Jun Aoki** Chairperson of the Compensation Committee

#### Compensation Committee Members\* in FYE2027

Member
Jun Aoki (Chairperson)
Shigeki Ishizuka
Mariko Watahiki

\* Since June 18, 2026

#### Specific Initiatives and Progress in FYE2026

In FYE2026, we focused on “strengthening the performance-linkage of the compensation system.” Following the “enhancement of rationality, fairness, and transparency in the process of determining compensation levels (commensurate with personnel)” implemented in the previous fiscal year, we addressed the “enhancement of the appropriateness of incentive compensation (commensurate with performance)” as our next challenge.

In light of the feedback from the shareholders on the day of last year’s Shareholders’ Meeting and thereafter, the Compensation Committee closely examined and analyzed the points that we felt a sense of incongruity regarding the actual calculation results of the performance-linked compensation (STI, i.e. short-term incentive) plan, and focused on improving the STI plan this fiscal year.

The Company is currently in a “performance recovery phase,” aiming to emerge from a period of stagnation and make a leap forward, having just formulated our Medium-Term Roadmap. 1) Steadily and reliably strengthen the revenue base of our core businesses. 2) Ensure that necessary medium- to long-term investments are not hindered. 3) Meanwhile, seize opportunities to execute bold structural reforms from a perspective that emphasizes capital efficiency. We improved the STI plan with the aim of balancing these three points.

In making these improvements, we surveyed approximately 100 companies, including competitors and companies with nomination committees, etc., and received advice from external specialized agencies and exchanged opinions with the executive side. The specific changes are as follows.

- 1) Weighting of KPIs
- 2) Calculation method for target achievement rate
- 3) Payout rate curve
- 4) Additional payments based on individual evaluations

#### Key Initiatives and Future Direction

Although the business environment this fiscal year is filled with highly uncertain factors, our overarching principles remain entirely consistent. We will continue to work on improving the stock-linked compensation (LTI, i.e. long-term incentive) plan as part of our efforts to “enhance the appropriateness of incentive compensation (commensurate with performance).”

## ACTIVITY REPORT FROM THE CHAIRPERSON OF THE GOVERNANCE COMMITTEE



**Yuji Nishiura** Chairperson of the Governance Committee

#### Governance Committee Members\* in FYE2027

Member	
Yuji Nishiura (Chairperson)	Mayumi Tamura
Jun Aoki	Mariko Watahiki
Shigeki Ishizuka	Kinya Seto
Hiroshi Ishino	Yugo Kanazawa
Ryusuke Ohori	Mariko Fujita
Shiho Konno	

\* Since June 18, 2026

#### Our Journey to Date

Although our corporate governance framework experienced a period of instability in the past, it has since evolved into a robust system that has been highly evaluated by external institutions. We conduct an annual effectiveness evaluation of the Board of Directors and then use the analysis results as the baseline for deliberations by the Governance Committee. We have also progressively established and updated internal rules, including reviewing each Committee’s operational policies, formulating the CEO succession plan, and developing the outside director succession plan.

#### Initiatives in FYE2026

Based on the results of the effectiveness evaluation, we sought to further strengthen our governance framework during FYE2026 by reflecting on the year’s activities and improving the Board of Directors’ operations. Since FYE2026, all Internal and Outside Directors have participated in the Governance Committee’s deliberations. This has allowed us to examine our approach to governance from an increasingly diverse range of perspectives.

#### Deliberation Policy for FYE2027

We will continue to base our deliberations on the analysis results of the effectiveness evaluation. For FYE2027, we have set the following items as priority themes:

- 1) Further improve the quality of discussions at the Board of Directors
- 2) Enhance the sophistication and efficiency of the Board of Directors’ operations
- 3) Deepen discussions on succession planning

The Financial Services Agency has announced a proposed revision to the Corporate Governance Code in 2026. We will also conduct deliberations and implement improvements that reflect the intent of this revision.

While our governance framework continues to become more robust, we will be content with the status quo. We will continue to solidify our governance framework, which serves as the “foundation of our management,” and steadily build corporate value upon that foundation. I firmly believe that creating a foundation aimed at achieving sustainable growth is the true purpose of governance reform.

## EXECUTIVE COMPENSATION

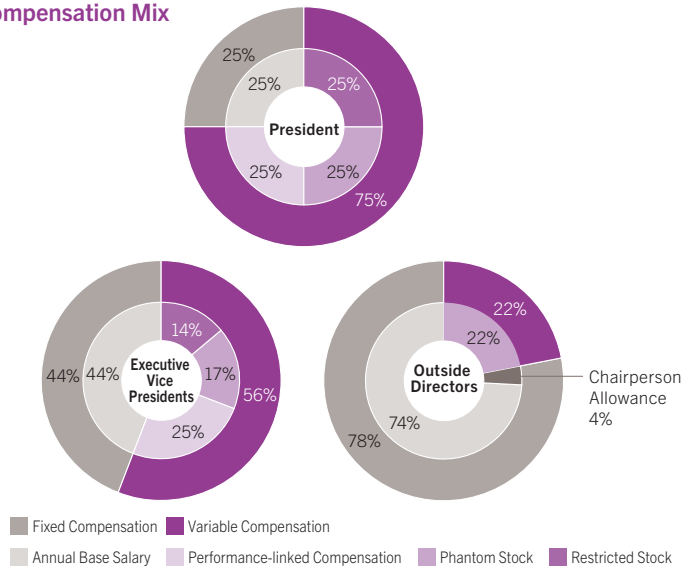
## Our Approach to the Executive Compensation System

To meet the expectations of enhancing corporate value from shareholders and other stakeholders, our executive compensation system is a highly effective mechanism that strongly motivates officers to undertake initiatives aligned with the LIXIL Playbook toward the realization of our Purpose.

## Basic Policy of Compensation

- Foster improvement of short-, medium-, and long-term business results and sustainable corporate value.
- Attract and retain the best talent necessary to foster business growth globally.
- Determine compensation through a fair and reasonable decision-making process that ensures accountability to shareholders, employees, and all stakeholders.
- Consider and discuss compensation at the Compensation Committee, based on economic and social situation, the Company's business condition, objective benchmark data from surveys conducted by external specialized agencies, and advice from such agencies.
- Manage individual compensation in consideration of roles and responsibilities, business performance, experience, difficulty of securing personnel, and other relevant factors.

## Compensation Mix



Note: Performance-linked Compensation, Phantom Stock, and Restricted Stock are shown as the base amount in FYE2026.

## Compensation System for Directors and Executive Officers

Note: Executive Officers who also serve as directors are subject to the compensation system for Executive Officers.

Type	Applicable To	Overview	Results in FYE2026
Fixed	Directors Executive Officers	In view of the importance of attracting management talent globally from a variety of industries to realize our Purpose, annual base salary shall be determined individually based on the roles and responsibilities, experience, and difficulty of securing personnel, and other relevant factors for each officer, after referring to objective benchmark data from a wide range of domestic and foreign companies of similar business scale.	The annual base salary for some Executive Officers was revised to reflect an expansion of their roles and responsibilities, and other relevant factors.
Variable	Executive Officers	<FYE2026> 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 their performance results, performance target items are limited to company-wide indicators: ROIC, core earnings, and net profit. If the business target achievement rate exceeds 150%, the payout rate is 200% (the maximum); if it falls below 50%, the payout rate is 0%. <FYE2027> As stated in the earlier message from the Chairperson of the Compensation Committee, we are revising the plan. Please refer to the description of "Performance-linked Compensation" below.	Business target achievement rate: 98.83% Payout rate: 98.8%
	Directors Executive Officers	This plan is introduced for Directors and Executive Officers to deepen their shared interests with shareholders and to work toward enhancing corporate value over the medium- to long-term during their term of office. Restricted Stocks are allotted once a year, and the transfer restrictions are lifted at the time of the officer's retirement.	Following the Annual Shareholders' Meeting in 2025, we introduced the Restricted Stock Compensation Plan for Directors, replacing the Phantom Stock Plan, thereby further encouraging them to deepen their shared interests with shareholders and work toward enhancing corporate value over the medium- to long-term.
	Executive Officers	In addition to the same objectives as the Restricted Stock described above, this plan allows for flexibility and agility in global hiring and transfers. Phantom stocks are granted once a year, and a cash amount is paid based on the stock price three years after the grant date.	

→ Subject to malus and clawback

## Total amount of compensation of Directors and Executive Officers for FYE2026

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		
				Restricted Stock	Phantom Stock	
Outside Directors	182 (182)	144 (144)	—	30 (30)	8 (8)	9
Executive Officers	1,964 (1,939)	638 (613)	613 (613)	266 (266)	378 (378)	9
Total	2,146 (2,121)	782 (757)	613 (613)	296 (296)	386 (386)	18

Notes: 1. Amounts are based on Japanese accounting standards.

2. The total amount of compensation shown above represents consolidated compensation, which is the total amount paid by the Company and its subsidiaries. The amount in parentheses is the total amount of compensation paid by the Company.

3. For directors who concurrently serve as Executive Officers, Compensation is paid in their capacity as Executive Officers.

4. The amount of annual base salary for outside directors includes the chairperson allowance.

5. Regarding Performance-linked Compensation and Stock-linked Compensation, the amounts shown reflect the expenses recorded for FYE2026.

## EXECUTIVE COMPENSATION

## Performance-linked Compensation

The base amount of Performance-linked Compensation shall be calculated by multiplying the annual base salary by a coefficient set individually based on the roles and responsibilities, and other relevant factors of each Executive Officer, after referring to objective benchmark data of domestic and foreign companies of similar business scale. The calculation method, business target items, and achievement levels for performance-linked Compensation in FYE2026 are shown in the table below.

## Calculation

$$\text{Performance-linked Compensation} = \text{Base amount of Performance-linked Compensation} \times \text{Payout Rate According to Business Target Achievement Rate}$$

<FYE2027> To support sustainable growth and value creation, if initiatives that do not immediately appear in single-year financial figures but are expected to lead to future enhancement of corporate value produce particularly strong results, a personal performance-based incentive shall be added to the above calculation formula.

## Business Target Achievement Rate for FYE2026

Business target items	Ratio versus all business targets	Target	Result	Business target achievement rate ((Result ÷ Target) × 100)
ROIC	40%	1.7%	1.5%	88.24%
Core earnings	30%	¥35,000 million	¥38,500 million	110.00%
Net profit	30%	¥8,000 million	¥8,143 million	101.79%
Business target achievement rate for all items (Total of each business target achievement rate multiplied by ratio versus all business targets)				98.83%

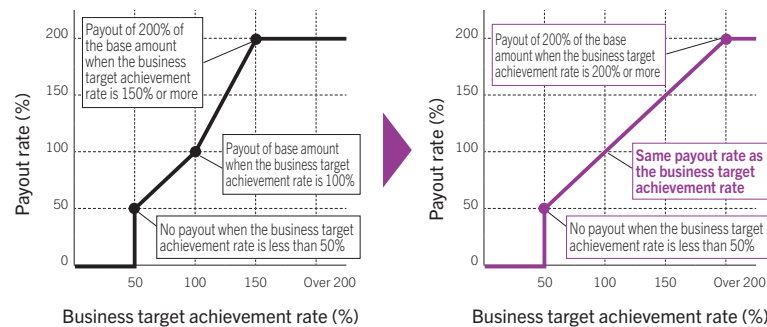
<FYE2027> To drive the steady generation of core earnings with the aim of achieving high capital efficiency and net profit, the composition of business target items shall be “Core earnings: 50%, Net profit: 30%, ROIC: 20%.” In addition, to create an environment where structural reforms essential for improving capital efficiency can be carried out without hesitation, if the achievement rate for any business target item is negative, that figure shall be calculated as zero.

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

The Company allots restricted stocks to Directors and Executive Officers once a year. The number of shares allotted shall be determined by dividing the base amount (calculated by multiplying the annual base salary by a coefficient set according to the roles and responsibilities, and other relevant factors of each officer, after referring to objective benchmark data of domestic and foreign companies of similar business scale) by the stock price\* at the time of allotment. Transfer restrictions for directors and Directors and Executive Officers are lifted at the time of retirement.

\* In principle, the average closing price of the Company's stock for the 30 business days prior to the appointment date shall be used.

## Payout Rate According to Business Target Achievement Rate



<FYE2027> In light of the recent business environment and the Company's performance trends, the payout rate applied when the business target achievement rate exceeds 100% is revised as shown in the figure above on the right.

## Stock-linked Compensation II: Phantom Stock Plan

The Company grants phantom stocks to Executive Officer on the first day of the fiscal year. The number of phantom stocks granted shall be determined by dividing the base amount (calculated by multiplying the annual base salary by a coefficient set according to the roles and responsibilities, and other relevant factors of each executive officer, after referring to objective benchmark data of domestic and foreign companies of similar business scale) by the stock price\* at the time of grant. The holding period is three years, and the vesting amount shall be determined by multiplying the stock price\* at the time of vesting by the number of phantom stocks held. In summary, the amount of compensation increases or decreases in accordance with changes in the Company's 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 date and the vesting date shall be used.

## Malus and Clawback Provisions

With regard to the Performance-linked Compensation and Stock-linked Compensation, in the event of material accounting misstatements by the Company, or if the Board of Directors determines that a material violation of duties or internal regulations has occurred on the part of the relevant officer, the Compensation Committee may decide to reduce or extinguish pre-vested compensation or request the repayment of compensation already vested.

## Stock Ownership Guidelines

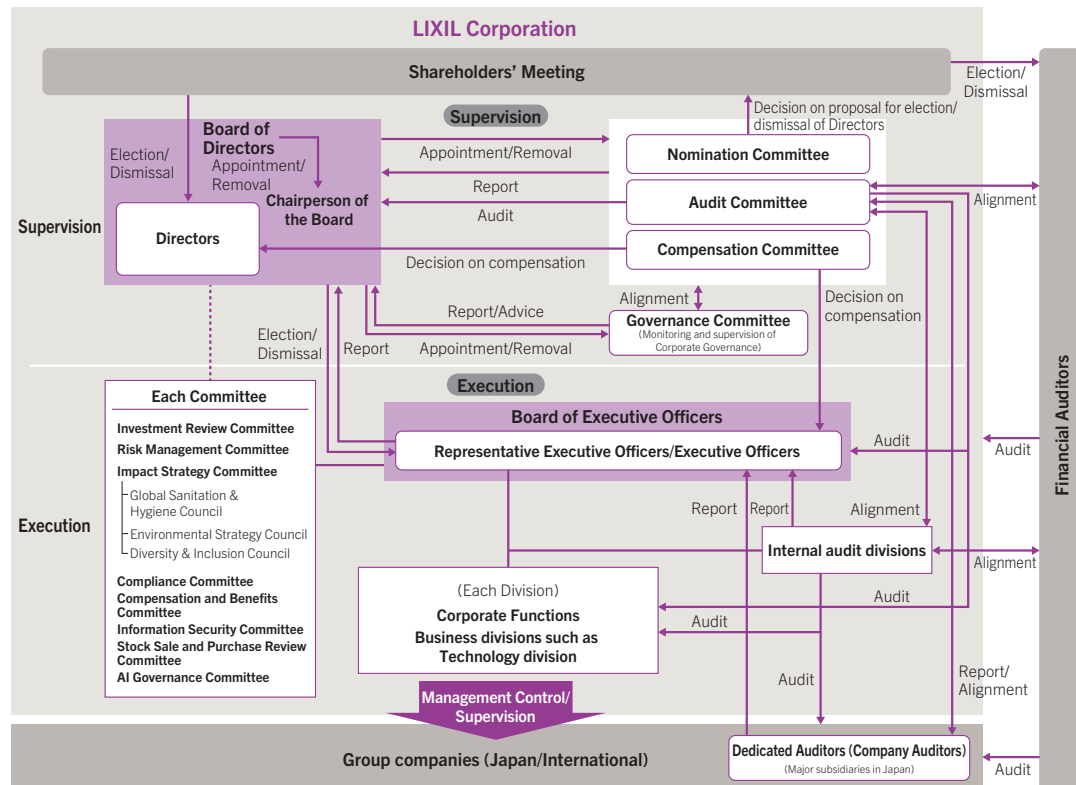
Executive Officers shall strive to hold the Company's shares with a value at least equivalent to the multiples of their annual base salary set forth below during tenure:

- Representative Executive Officers: Three times the amount of the annual base salary
- Other Executive Officers: One time the amount of the annual base salary

## CORPORATE GOVERNANCE AT LIXIL

At LIXIL, corporate governance is founded on execution of management by management personnel and oversight of management by the Board of 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 appropriate risk-taking by the management and to ensure decision-making is transparent, fair, quick, and decisive. During this fiscal term, with a view to contributing to the sustainable improvement of the corporate value of the Company, the Board of Directors has clarified the prioritization of agenda items and focused its supervision on strategic themes that will drive future growth. In addition, as a company with a nominating committee, etc., the Company has established the Nomination Committee, Audit Committee, and Compensation Committee as required by law, as well as the Governance Committee, which is an optional committee, and has clearly defined the roles of each Committee, and has continued working to build a strong corporate governance system.

## Corporate Governance Structure



For more details Number of meetings held during FYE2026

## POLICY AND STATUS OF CROSS SHAREHOLDINGS

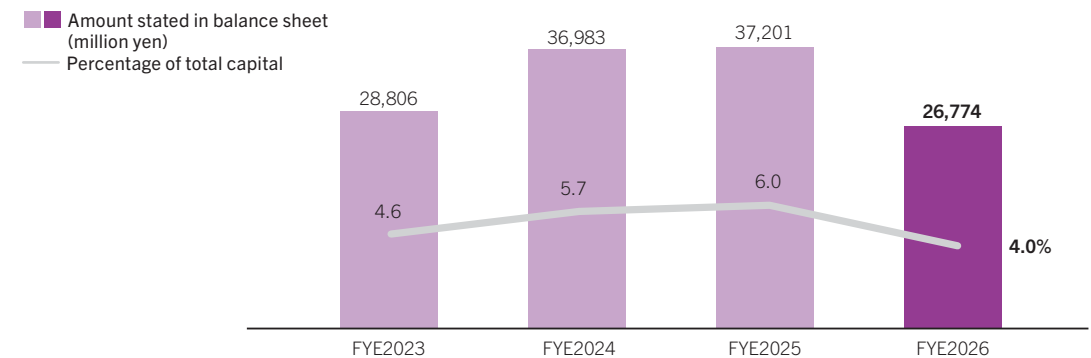
The Company holds shares on a cross shareholding basis in a case where it has been recognized to be necessary in order to facilitate sales or as part of an external business alliance necessary for business activities. Every year, the Company conducts for each stock a comprehensive assessment of matters such as the status of business with that company, the total amount of investment, and whether the benefits and risks associated with such holdings are commensurate with the capital cost, and the content of such assessment is verified by the Board of Directors. The Company re-verifies the holding purpose from time to time in connection with changes to the operating environment of the LIXIL group and endeavors to reduce cross shareholdings. Consequently, the Company had cross shareholdings (listed shares) in 40 companies as of the end of March 2026.

## Companies with Cross Shareholdings and Amount Stated in the Balance Sheet\*

Classification		FYE2023	FYE2024	FYE2025	FYE2026
Number of companies	Listed shares	47	44	44	40
	Unlisted shares	88	82	79	76
	Total	135	126	123	116
Amount stated in balance sheet (million yen)	Listed shares	27,236	35,670	35,859	25,454
	Unlisted shares	1,570	1,313	1,342	1,320
	Total	28,806	36,983	37,201	26,774

\*Lists the total strategic shareholdings of the Company

## Trends in Cross Shareholdings



## MESSAGE FROM OUTSIDE DIRECTORS

**Shigeki Ishizuka**

Outside Director  
Member of Compensation  
Committee



My three years of service as a Director of the Company have helped me gain a deeper understanding of the current state of global operations. In the face of an increasingly uncertain and severe domestic and international business environment, it seems to me that adaptability to change and rapid execution of reforms have become more important than ever before. I have been monitoring the execution status of the path to early performance recovery and the Medium-Term Roadmap formulated last year. Going forward, I intend to encourage the Board of Directors to maintain a strong awareness that enhancing medium- to long-term corporate value and market capitalization is the most important priority. To that end, I hope to contribute to further enhancing the effectiveness of the Board of Directors by leveraging the open and active discussions at the Outside Directors Opinion Exchange Meeting, which I have chaired since last year.

**Hiroshi Ishino**

Outside Director  
Member of Nomination Committee  
and Member of Audit Committee



As I was learning more about the Company during my first year as an Outside Director, I discussed the structural factors behind its low profitability at Audit Committee and Board of Directors meetings and presented directions for improvement from the perspective of capital efficiency. Through the Nomination Committee, I supported the creation of a pathway for rejuvenating the management team. I also focused on building momentum for developing next-generation Executive Officer candidates. Visits to domestic factories and R&D divisions, and interviews with Executive Officers helped me to better understand new product development, manufacturing, and sales, and to provide better advice. Through international audit visits and other activities in the coming term, I will strengthen my oversight of execution and offer recommendations aimed at financial structure reform and corporate value enhancement, based on the structural root causes from a shareholder perspective.

**Shiho Konno**

Outside Director  
Member of Audit Committee  
Lawyer



I carry out my daily duties with an awareness of two different perspectives of oversight: as a member of the Board, whose primary responsibility is to oversee the executive side, and as a member of the Audit Committee. As a Board member, in an increasingly unpredictable business and social environment, I strive to provide advice and oversight drawing on my experience as a Director at other companies, my practical experience as a lawyer, and my experience in organizational management, with a focus on whether the executive team is taking timely and appropriate measures. As an Audit Committee member, I perform my duties with an awareness of risk response in both normal and emergency situations, drawing on my legal background. Over the past year, I have leveraged my experience as an Audit Committee Chairperson at another company as I dedicated my efforts to further increasing the effectiveness of structured, organization-wide auditing. I will continue striving to contribute to the enhancement of the Company's corporate value.

**Mayumi Tamura**

Outside Director  
Member of Audit Committee



Structural reforms such as the Company's Asset Light strategy are advancing step by step, but their speed has not caught up with market shifts. A key challenge is to build greater resilience, particularly in how the Company responds to recent changes in social conditions and the economic environment. The Company plans to pay stable dividends based on EBITDA, but it must continue taking a medium- to long-term perspective in order to drive business growth and improve profitability. The Company will work to steadily improve profit margins by leveraging its strengths in product development capabilities, its Impact Strategy, and other initiatives. Past corporate integrations have left the Company with a financial and tax structure that is not ideal, so I would also like to focus my efforts on this area. As the Board of Directors, we will make every effort to ensure that the new executive structure can formulate and execute strategic measures more effectively, consistently generate returns that exceed the cost of capital, and ultimately enhance corporate value.

## Compliance

Our Group has established and operates a compliance program across the group to clarify the group-wide compliance policy and ethical standards.

We have established the LIXIL Code of Conduct, and policies and guidelines based on the Code of Conduct for specific fields posing a high risk to the LIXIL group of companies and conduct regular training and reviews. We have worked to enhance compliance risk management and further solidify the compliance culture and system of the group to promote efficiency and standardization of compliance programs at the global level.

### Corporate Culture

To raise compliance awareness and instill a culture of compliance, management delivers video messages on compliance, and we host educational events such as contests in Japan and abroad to encourage employees to learn about compliance in a fun and proactive way.

We have also rolled out a compliance culture-building program to translate senior management's compliance philosophy into effective measures tailored to the actual conditions and front-line voices, embedding them through the actions of middle leaders.



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

To collect information on compliance breaches, take measures to prevent fraudulent and unlawful behavior, and respond quickly where action is required, we operate the concern-raising system Speak-Up! Reports can be submitted anonymously. We ensure strict confidentiality regarding the reported content and respond appropriately to protect the reporter from any disadvantageous treatment. We also simultaneously conduct regular awareness campaigns for our employees.

[LIXIL Code of Conduct / Education and Training Programs / Concern-Raising \(Whistleblowing\) System and Grievance Handling System / Compliance System / Review Process / Corporate Culture](#)

[LIXIL Human Rights Principles](#)

## Risk Management

The group utilize enterprise risk management (ERM) across the group to ensure business continuity and stable development. We are enhancing the effectiveness of risk management through the establishment of the Risk Management Global Policy, applicable to all employees and officers, along with various operational rules and detailed regulations, the implementation of regular risk assessments, and the promotion of business continuity management (BCM). In addition, the Risk Management Committee monitors the status of company-wide risk management efforts and the occurrence of major incidents, and makes decisions related to ERM accordingly.

### ERM Initiatives

The group selects company-wide key risks once a year, from both a top-down risk perspective based on changes in the external environment and a bottom-up risk perspective based on risk assessments for each business, and determines the priority of risks to be addressed. We also review risk countermeasures and check on their progress through regular monitoring of key risks by the Risk Management Committee.

### BCM and BCP Initiatives

To ensure business continuity and swift recovery in the event of an emergency while minimizing damage, the group promotes business continuity management (BCM), establishing relevant rules and guidelines, and periodically reviewing our business continuity plans (BCP). Furthermore, if a crisis exceeds a certain threshold, a Crisis Management Task Force is established at the head office to ensure a prompt initial response and escalation in coordination with related departments.

More information is available on our website.

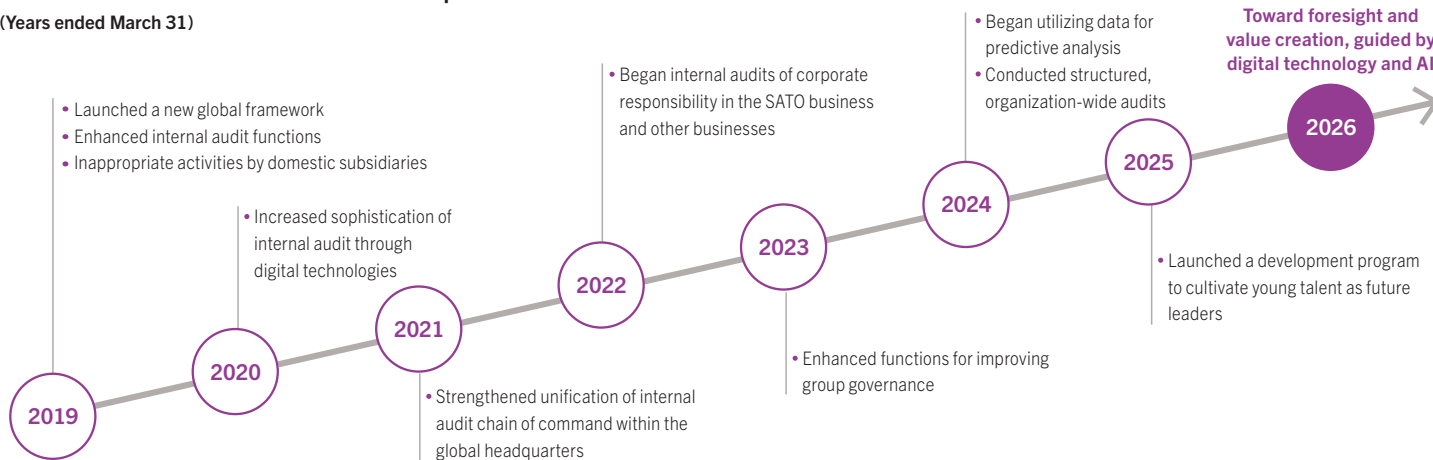
[Risk Management](#)

[Business Risks](#)

### Positioning and Evolution of Internal Audit within LIXIL and Group Companies

At LIXIL and its group companies, Corporate Audit (CA) operates under a “One CA” framework, globally overseeing internal audit organizations and conducting comprehensive group-wide audits. To ensure the independence and objectivity of audits, we have applied global standards (IPPF) since 2021, and as of April 2025, CA transitioned to an organization reporting directly to the Group CEO. This transition has steadily deepened direct dialogue with top management and the Audit Committee, moving beyond formal reporting to the sharing of essential management issues. As a result, the dual reporting line has become truly robust, ensuring the effectiveness of “structured, organization-wide audits” at the highest levels. Furthermore, positioning the CA division as a development hub for future leaders, we blend experienced personnel from inside and outside the company with direct hires of new graduates—an unusual approach for an operating company’s audit department—to accelerate the development of global audit leaders with a company-wide perspective.

### The Evolution of Internal Audit and the Leap to the Next Dimension (Years ended March 31)



### Expanding Audits into Non-Financial Information and ESG Areas

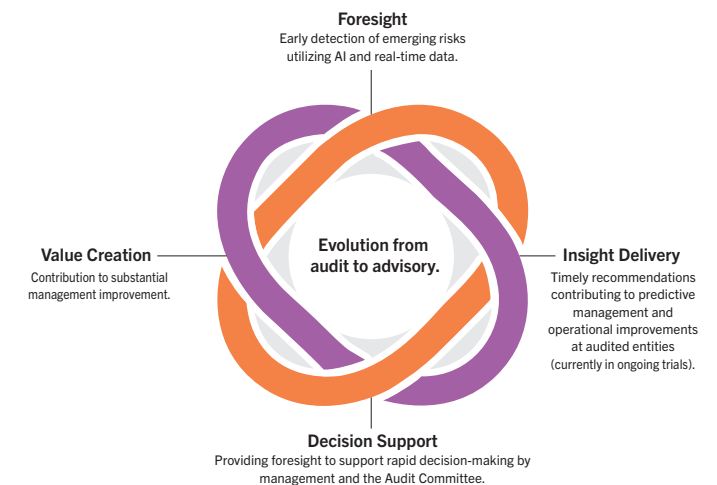
We are further strengthening ESG risk monitoring while continuing and expanding on past efforts, such as preventing fraud through cooperation with the Compliance Department and piloting EHS (Environment, Health, and Safety) audits primarily in Europe. We will also focus on building audit processes aimed at ensuring the reliability of non-financial information.

### Strengthening Cybersecurity and Data Governance

In response to the growing risk of cybersecurity threats such as Business Email Compromise (BEC), we will conduct cross-sectional audits and progress tracking across LIXIL as a whole, rather than on a region-by-region basis. In addition, as the importance of general IT controls increases, we are establishing a global foundation to aggregate and visualize audit data, thereby strengthening data governance.

### Advancing Audits Using Digital Technologies (Foresight and Value Creation)

In response to recent rapid changes in the operating environment, Internal Audit is undergoing a forward-looking transformation that goes beyond traditional “after-the-fact” checks. Currently, we have completed the separation and consolidation of J-SOX evaluation tasks that were previously dispersed across sites, shifting to comprehensive verification using digital tools and significantly reducing on-site workload. We are reallocating the capacity generated through these efforts toward “foresight,” which uses generative AI and real-time data to address risks before they materialize, as well as non-routine, consulting-type audits that directly address management issues. Going beyond mere assurance, we continue to evolve as a strategic partner that provides management with advice, insight, and foresight, practicing value creation that directly contributes to the enhancement of corporate value.



## Respect for Human Rights

For LIXIL, respect for human rights is fundamental to realizing our corporate purpose. Guided by the LIXIL Human Rights Principles, we conduct business in a manner that respects the human rights of all stakeholders including customers, employees and business partners.

### LIXIL Human Rights Principles

LIXIL has established the LIXIL Human Rights Principles in alignment with international standards, including the United Nations (UN) Guiding Principles on Business and Human Rights. We have also identified key human rights issues as areas where our business may have significant adverse impacts and where focused efforts are required to mitigate potential risks. Prioritizing these areas, we are furthering our efforts to strengthen our human rights due diligence.

### Human Rights Due Diligence

We identify potential human rights risks primarily through surveys and other initiatives led by our Human Rights Due Diligence Task Force, composed of representatives from multiple departments. We have expanded the scope of human rights due diligence beyond LIXIL's own operations to include our suppliers. Furthermore, our internal guidelines also require that human rights risks be considered in decision-making related to mergers and acquisitions.

Since FYE2023, we have incorporated questions related to our key human rights issues into LIXIL Voice, our employee feedback survey conducted worldwide. This enables us to carry out annual human rights impact assessments from the perspective of our workforce. In FYE2026, we achieved a 92% response rate among targeted employees.

### Addressing and Remediating Human Rights Risks

Risks and issues identified through our employee human rights surveys are addressed through ongoing awareness-building and training initiatives. In close collaboration with the Human Resources department, we also analyze underlying causes and develop appropriate response measures, strengthening preventive efforts.

LIXIL operates a global concern-raising (whistleblowing) system underpinned by internal rules that ensure confidentiality, prohibit retaliation, and define procedures for reporting concerns. Annually, we receive 300 to 400 reports, which serve as a vital mechanism for identifying organizational issues at an early stage and driving improvements. All reported cases are reviewed and investigated, and where violations are confirmed, appropriate corrective actions and preventive measures are implemented to support continuous improvement.

## Supply Chain Management

LIXIL implements responsible procurement that respects human rights and the environment while ensuring a stable supply of products. Through continuous engagement and dialogue, we strive to build resilient and sustainable partnerships across our supply chain.

### LIXIL Procurement Principles and Supplier Code of Conduct

LIXIL has established its Procurement Principles and Global Policy on Third Party Compliance for Suppliers to conduct sustainable procurement grounded in strong, trust-based partnerships with suppliers worldwide. These frameworks define our expectations for ethical and responsible business conduct. In addition, our Supplier Code of Conduct sets out minimum standards for sustainable business operations required of our suppliers, including respect for human rights, compliance with international labor standards, environmental protection, and fair business practices. Adherence to these standards is essential for doing business with LIXIL.

### Management Framework for Responsible Procurement

We have implemented a management framework to ensure responsible procurement that respects human rights and the environment. New suppliers are evaluated against our Supplier Code of Conduct during the selection process, while existing suppliers are subject to ongoing monitoring.

To strengthen supply chain risk identification and mitigation, we conduct annual responsible procurement surveys. In FYE2026, we surveyed 898 suppliers in Japan and 426 overseas suppliers, achieving a conformity rate of 93% and 95%, respectively. Where improvement needs are identified, we engage with the supplier through site visits and online dialogues to develop corrective action plans and support their implementation.

### Addressing High Risk Areas

At LIXIL, we have identified wood as a raw material with a high risk of negatively impacting human rights and the environment. To ensure a sustainable and ethical supply chain, we are taking proactive steps to prevent and mitigate these risks. We also plan to expand this framework to include other high-risk raw materials, further strengthening responsible procurement across our supply chain.

## Our Approach



LIXIL pursues both business growth and the creation of a positive impact by ensuring that impact considerations are integrated into all decision-making processes. Because the scale of the challenges we face requires collective action, we are committed to driving engagement with our stakeholders, from customers and business partners to the local communities where we operate, shareholders, investors, and our employees and their families.

## Basic Policy for Investor Relations

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.

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

With the aim of implementing management that is conscious of capital costs and share price, we first accurately assess our own capital cost and capital profitability. The current status and market evaluations are then analyzed and assessed by the Board of Directors, based on which improvement plans are formulated and disclosed. These initiatives are continuously updated through dialogue with investors.

Insights gained through dialogue with investors and analysts are reported as needed by the IR Department to the Board of Directors and other relevant internal stakeholders. A structure is in place whereby the responsible departments then review and consider the feedback. Our external communications are developed collaboratively with internal stakeholders.



Quarterly earnings briefings



Impact Briefing session in April 2026

For more details  [Investor Relations](#)

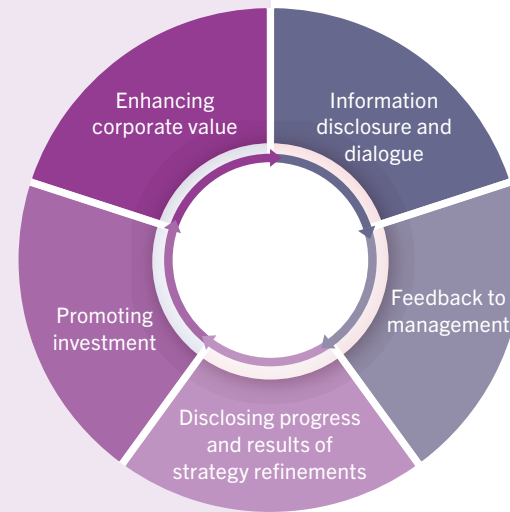
## Dialogue with Shareholders and Investors

## Dialogue with Investors (FYE2026)

Earnings briefing sessions (quarterly)	4
Briefing sessions regarding management strategy and business strategy	3
Investor meetings (IR)	420
Shareholder engagement (SR)	11
Of which, meetings with Outside Directors	1
Of which, meetings with management	3
Small meetings with management	2
Small meetings with the Leader of the IR Office	2
Investor conferences participated in	6

## Main Questions and Requests from Shareholders and Investors

- **Evaluation of financial results and likelihood of achieving the full-year plan**
  - ✓ Internal evaluation of results, and upside/downside factors
  - ✓ Variable factors and likelihood of achieving the full-year plan
- **Improvement of international business profitability**
  - ✓ Progress of the US business turnaround
  - ✓ Demand trends and outlook for each international region
- **Response to changes in the external environment**
  - ✓ Impact of soaring raw material prices and countermeasures
  - ✓ Actualized risks due to the Middle East situation and countermeasures
- **Growth trajectory from FYE2027 onward**
  - ✓ Approach to profit growth and drivers of increased earnings
  - ✓ Approach to shareholder returns upon achieving core earnings targets



## Internal Feedback

## Key Feedback Opportunities (FYE2026)

Reports to the Board of Directors	Regularly, as well as 4 times/year
Reports to the Board of Executive Officers	Regularly, as well as 4 times/year

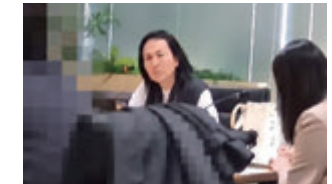
We regularly conduct opinion exchanges with Outside Directors and business divisions regarding performance and market trends, share information management through email and direct dialogue, and provide ongoing IR activity updates via the internal intranet.

## Major Improvements Based on Feedback from Shareholders and Investors

- **Improved disclosures aligned with market needs**
  - ✓ Conducted perception study and improved disclosures regarding international business based on the results
- **Normalized opportunities for dialogue with management**
  - ✓ Normalized small meetings with management, which are highly requested by the capital markets. Highlighted future potential
- **Held business briefings and factory tours to deepen business understanding**
  - ✓ Held a tour of the main factory for *PremiAL*
  - ✓ Held a Living Business briefing and factory tour
- **Initiatives to cultivate institutional investors and attract shareholder fans**
  - ✓ Deepened dialogue through international conferences attended by management



May 2025 CEO small meeting



November 2025 CFO small meeting



November 2025 international conference

## 05



## CORPORATE INFORMATION AND DATA

This section contains an overview and history of LIXIL's businesses, financial and non-financial data, and various indicators. With this information, we provide an objective, quantitative view of the results and progress of our business activities, supporting informed investment decisions.

## CORPORATE INFORMATION AND DATA

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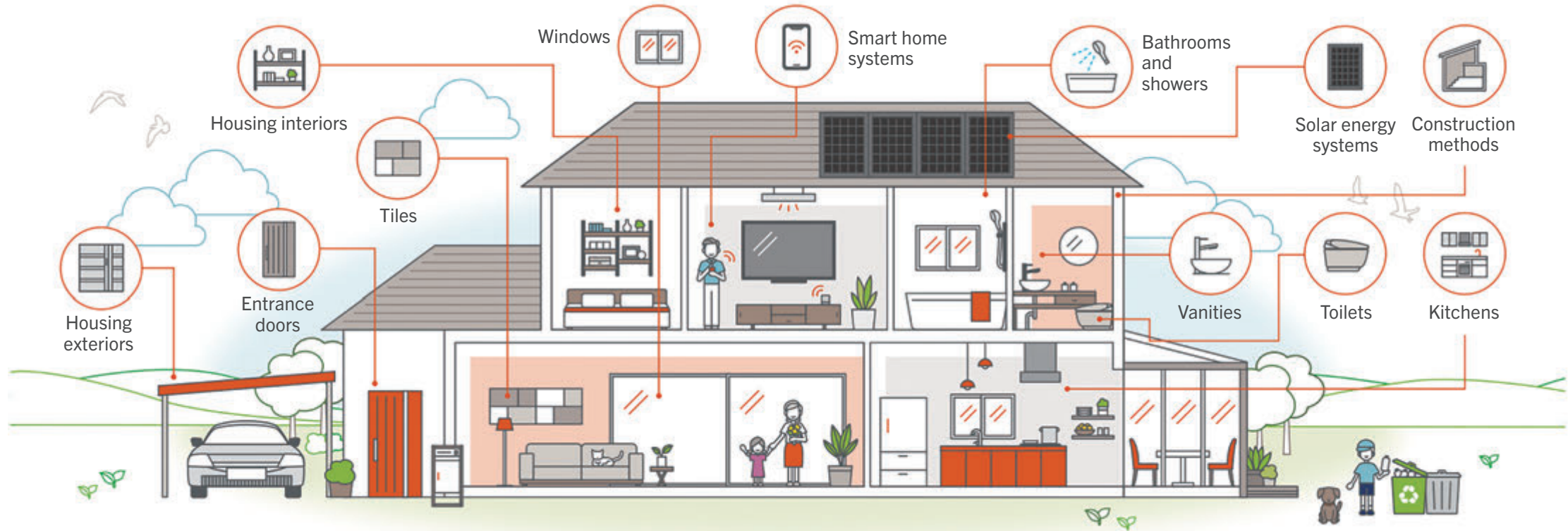
91 CORPORATE DATA

Products and services that help people everywhere

Making better homes a reality for everyone, everywhere.

LIXIL provides a wide range of high-quality products that resolve issues in everyday life.

We do this through innovation and world-leading technologies.



## 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

**¥1,510.7** billion

Core earnings

**¥38.5** billion

Business in over

**150** countries  
worldwide

Production bases

**75** sites

Employees

**48,073**

Granted patents and design rights

Over **13,000**

Major design centers

**8** sites

Supporting the daily lives of over

**1.0** billion

Ratio of female managers

**17.0%**

Ratio of female Directors and Executive Officers\*

**31.3%**

\* Since June 18, 2026

Outside Directors ratio\*

**72.7%**

\* Since June 18, 2026

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

**86.9%**

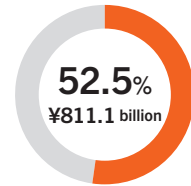
\* Including LIXIL's own paid childcare leave system for male employees

(Figures current as of March 31, 2026, unless otherwise noted.)

## Water Technology Business



## Revenue



Core earnings<sup>\*1</sup> ¥45.4 billion  
Employees<sup>\*2</sup> 26,440  
R&D ¥16.0 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, 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

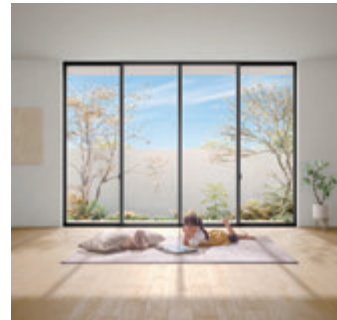
## Competitors

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

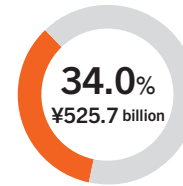
## Product Brands



## Housing Technology Business



## Revenue



Core earnings<sup>\*1</sup> ¥26.7 billion  
Employees<sup>\*2</sup> 16,183  
R&D ¥6.5 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.

## Other building materials

Window frames, wooden furnishing 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, smart products, 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
- NICHIHA
- KMEW

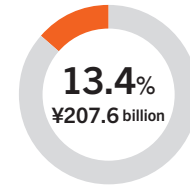
## Product Brands



## Living Business



## Revenue



Core earnings<sup>\*1</sup> ¥7.8 billion  
Employees<sup>\*2</sup> 4,116  
R&D ¥2.6 billion

\*1 Equivalent to operating profit in JGAAP

\*2 Excluding non-regular employees

## Principal Products and Services

## Plumbing fixtures

Kitchen systems, sectional kitchens, vanities, vanity cabinet units, etc.

## Interior materials

Interior doors and sliding doors, interior windows, flooring, counters and wooden furnishing materials, staircases, storage, etc.

## Direct Customers

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

## Competitors

- TOTO
- Takara Standard
- Cleanup
- Panasonic
- TOCLAS
- DAIKEN
- Eidai
- NODA

## Product Brands



Note: In order to strengthen the foundation of the Japan business, the kitchen, vanity, and interior businesses were consolidated to launch the Living Business in April 2025.

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

(¥ million)

Years ended March 31	IFRS										
	2016	2017	2018	2019	2020 <sup>5</sup>	2021 <sup>5</sup>	2022	2023	2024	2025	2026
<b>Results of Operations</b>											
Revenue	¥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	¥1,504,697	¥1,510,704
Core earnings	70,069	89,781	76,046	54,485	52,290	57,288	64,875	25,745	23,162	31,337	38,500
Core earnings margin (%)	3.7	5.5	4.2	3.2	3.5	4.2	4.5	1.7	1.6	2.1	2.5
Operating profit	39,011	69,251	59,107	49,011	32,010	35,842	69,471	24,903	16,351	29,687	28,403
Profit (loss) for the year attributable to owners of the parent	(25,605)	42,503	54,581	(52,193)	12,518	33,048	48,603	15,991	(13,908)	2,001	8,143
Research and development expenses	25,523	26,089	27,875	28,188	27,508	23,975	22,864	23,536	24,339	25,323	25,092
Capital expenditures	72,083	68,215	69,953	67,639	68,635	68,498	48,634	55,349	52,873	45,170	42,824
Depreciation and amortization	62,205	60,701	64,661	68,502	105,557	84,786	80,722	81,900	81,330	83,193	83,083
EBITDA <sup>1</sup>	132,274	146,441	140,707	120,053	134,832	137,895	145,597	107,645	104,492	114,530	121,583
<b>Cash Flows</b>											
Cash flows from operating activities	121,085	132,531	116,362	69,351	157,701	151,043	118,296	15,005	47,990	100,002	82,689
Cash flows from investing activities	19,122	(58,052)	(52,606)	(72,328)	(41,314)	(54,151)	(24,805)	(29,319)	(29,876)	(28,127)	(23,593)
Cash flows from financing activities	(154,403)	(79,899)	(43,843)	1,579	(153,285)	(93,425)	(108,094)	19,839	(3,673)	(72,470)	(72,468)
Cash and cash equivalents, end of year	129,646	121,563	138,751	141,421	95,862	111,061	100,404	106,677	124,485	123,527	115,624
<b>Financial Position</b>											
Total assets	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	1,830,804	1,883,927
Equity attributable to owners of the parent	524,806	547,244	616,897	533,656	502,165	552,271	612,385	625,433	642,511	617,886	664,838
Total equity	537,308	559,431	649,573	567,167	535,137	554,767	614,968	627,720	644,338	620,070	668,361
Net interest-bearing debt	697,413	638,345	549,159	584,537	736,689	484,444	424,299	511,723	552,707	534,273	531,588
<b>Per Share Data</b>											
Earnings (loss) per share (EPS) (¥)	¥(89.33)	¥148.01	¥189.13	¥(179.98)	¥43.15	¥113.92	¥167.21	¥55.54	¥(48.43)	¥6.97	¥28.33
Equity attributable to owners of the parent per share (BPS) (¥)	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	2,150.86	2,312.94
Dividends per share (¥)	60	60	65	70	70	75	85	90	90	90	90
<b>Key Indicators</b>											
EBITDA to sales ratio (%)	7.0	9.0	7.7	7.1	8.9	10.0	10.2	7.2	7.0	7.6	8.0
ROE (%)	(4.6)	7.9	9.4	(9.1)	2.4	6.3	8.3	2.6	(2.2)	0.3	1.3
ROA (%)	(1.3)	2.0	2.6	(2.5)	0.6	1.7	2.8	0.9	(0.7)	0.1	0.4
Total assets turnover (times)	0.9	0.8	0.9	0.8	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Ratio of equity attributable to owners of the parent to total assets (%)	24.6	26.8	29.3	25.9	24.0	31.7	34.3	33.7	34.1	33.7	35.3
Dividend payout ratio (%)	—	40.5	34.4	—	162.2	65.8	50.8	162.0	—	1,291.2	317.7
Dividend to adjusted EBITDA ratio (%) <sup>2</sup>	—	—	—	—	16	18	20	30	31	28	26
Net debt-to-equity ratio (%) <sup>3</sup>	132.9	116.6	89.0	109.5	146.7	87.7	69.3	81.8	86.0	86.5	80.0
Number of employees <sup>4</sup>	60,677	59,248	61,140	62,940	61,634	51,879	51,640	51,501	49,310	48,660	48,073
<b>Stock Indicators</b>											
Stock price (closing), end of year (¥)	¥2,295	¥2,825	¥2,376	¥1,478	¥1,345	¥3,075	¥2,290	¥2,177	¥1,877	¥1,728	¥1,622
Number of shares issued at end of fiscal year	—	—	—	313,319,159	313,319,159	313,319,159	313,319,159	287,109,659	287,211,790	287,340,460	287,514,957
Market capitalization	718,459	884,378	743,817	463,086	421,414	963,456	717,501	625,038	539,097	496,381	466,206
Price earnings ratio (times)	—	19.1	12.6	—	31.2	27.0	13.7	39.2	—	247.9	57.2
Price book-value ratio (times)	1.25	1.49	1.12	0.80	0.78	1.62	1.09	1.00	0.84	0.80	0.70

\*1 EBITDA is calculated as core earnings + depreciation and amortization.

\*2 Newly established in 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).

\*3 The net debt-to-equity ratio is calculated as net interest-bearing debt ÷ equity attributable to owners of the parent.

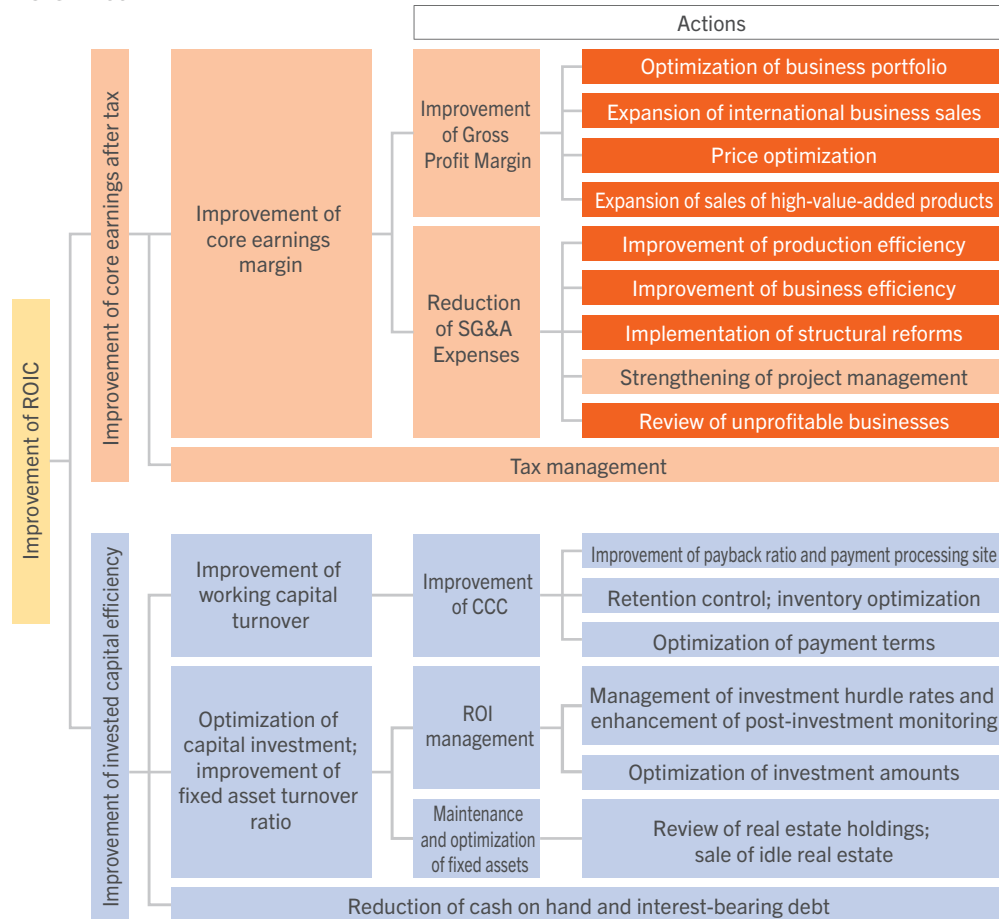
\*4 The number of employees from FYE2016 is on an IFRS basis.

\*5 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: Figures of less than ¥1 million are rounded.

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\* Tree



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

### Key Initiatives in FYE2026

#### Improvement of Gross Profit Margin

Optimization of business portfolio	• Dissolution of ceramic siding business
Expansion of international business sales	• Increased sales volume in Europe and recovery in shower-related product sales • Sales growth in India and the Middle East
Price optimization	• Implementation of agile price revisions in Japan in response to rising costs

#### Reduction of SG&A Expenses

Implementation of structural reforms	• Additional personnel allocation optimization in the U.S. • Reorganizing the logistics network in the U.S.
Review of unprofitable businesses	(See “Optimization of business portfolio” above)

### Medium-term Initiatives

#### Improvement of Gross Profit Margin

Expansion of international business sales	• Achievement of steady sales recovery during the rebound phase in the European and U.S. markets • Capturing demand in growing international markets (India and the Middle East)
Expansion of sales of high-value-added products	• Accelerating shift in product mix and sales channels in the U.S. • Expansion of sales of high-value-added products in international markets, such as shower toilets and <i>PremiAL</i> line

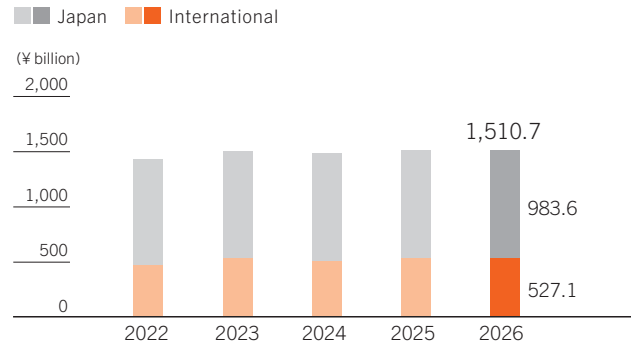
#### Reduction of SG&A Expenses

Improvement of production efficiency	• Reduction of fixed costs by restructuring the supply chain • Driving transformation of the U.S. business after optimizing the business portfolio
Improvement of business efficiency	• Improvement of operational efficiency by leveraging AI and other digital technologies • Continuous reduction of costs through workforce reallocation and other efforts

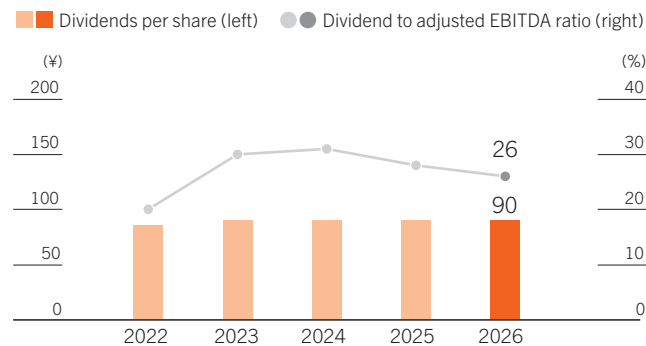
See CFO message [P.11](#)

Financial Results for the Fiscal Year Ending March 31, 2026 [ IFRS ]

## Revenue



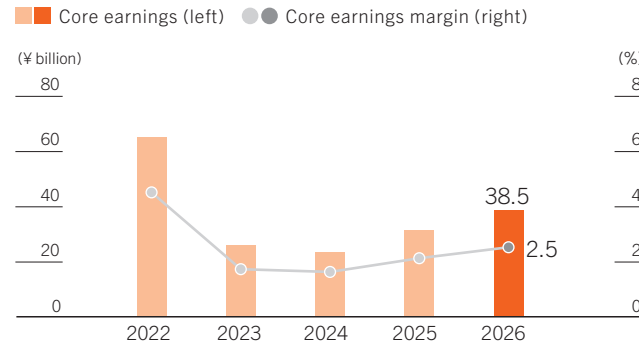
Revenue increased 0.4% year-on-year to ¥1,510.7 billion, driven by the growth of renovation sales in Japan and the impact of yen depreciation on the foreign currency translation of international sales.

Dividends per share /  
Dividend to adjusted EBITDA ratio

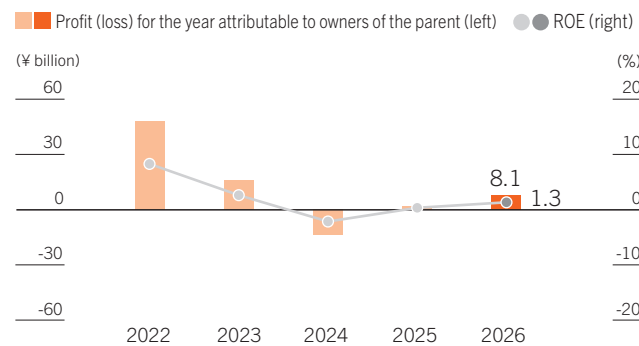
Annual dividends remained at ¥90 per share. Dividend to adjusted EBITDA ratio was 26%.

\* 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).

## Core earnings / Core earnings margin

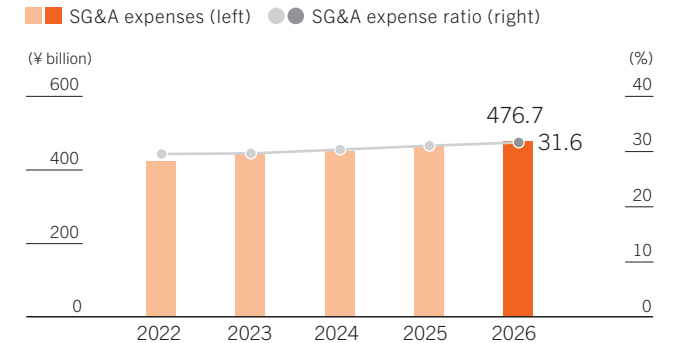


Core earnings rose 22.9% year-on-year to ¥38.5 billion, mainly due to increased renovation sales and price revisions in Japan, as well as a shift toward high-value-added products in Europe and the Middle East for international business.

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

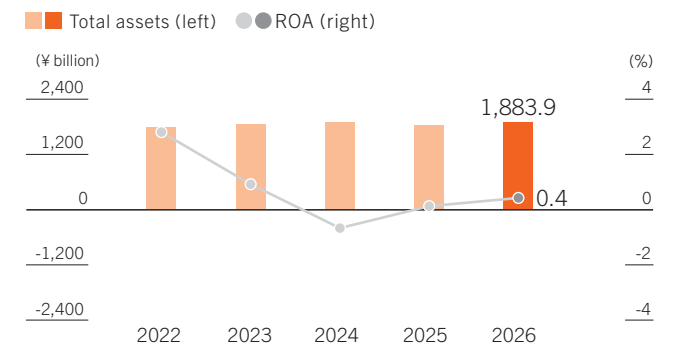
Profit attributable to owners of the parent was ¥8.1 billion, an improvement of ¥6.1 billion from the previous fiscal year. Despite higher other expenses and finance costs, profit improved due to higher core earnings and lower corporate income tax expenses.

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



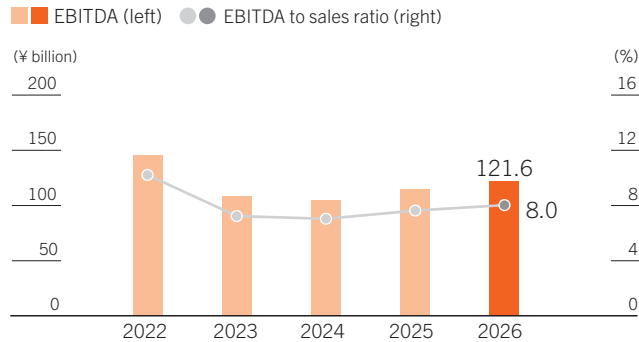
SG&A expenses rose 2.1% year-on-year to ¥476.7 billion, reflecting higher personnel costs in Japan and increased international SG&A expenses due to foreign exchange impacts. The SG&A expense ratio increased by 0.5 points year-on-year to 31.6%.

## Total assets / ROA



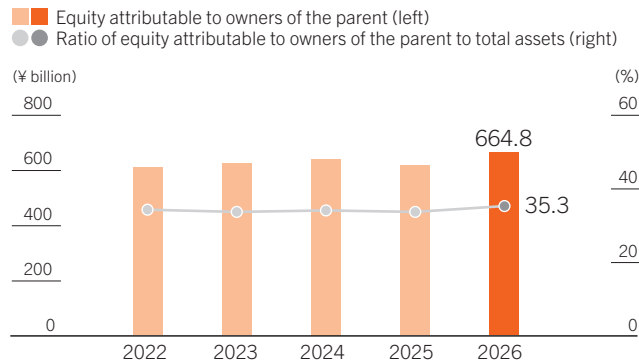
Total assets increased by ¥53.1 billion year-on-year to ¥1,883.9 billion, mainly due to foreign currency translation effects.

## EBITDA / EBITDA to sales ratio



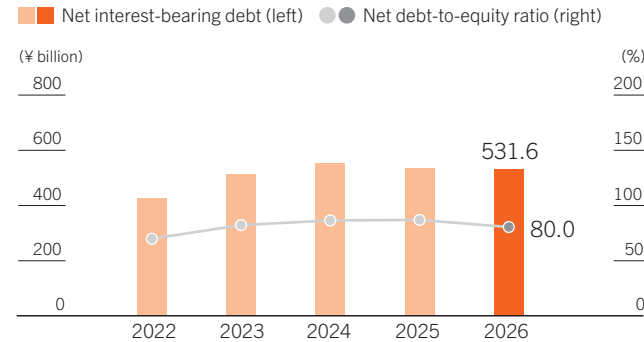
The EBITDA to sales ratio increased by 0.4 points year-on-year to 8.0%, primarily because of higher core earnings amid the challenging external environment.

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



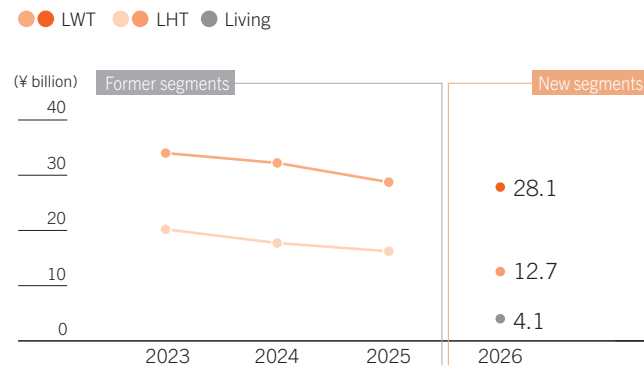
Ratio of equity attributable to owners of the parent to total assets increased by 1.6 points year-on-year to 35.3%, driven by a ¥10.6 billion reduction in interest-bearing debt from the end of the previous fiscal year and an increase in net assets due to foreign currency translation differences.

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



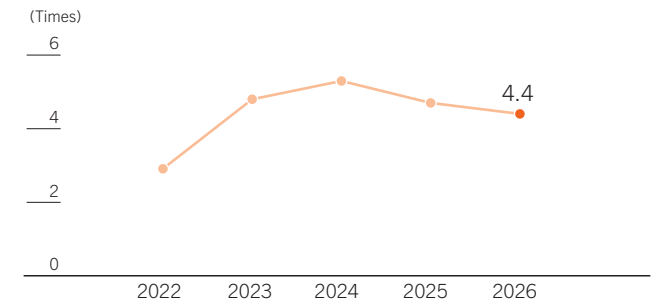
Net interest-bearing debt decreased by ¥2.7 billion year-on-year to ¥531.6 billion.

## Capital expenditures by business segment



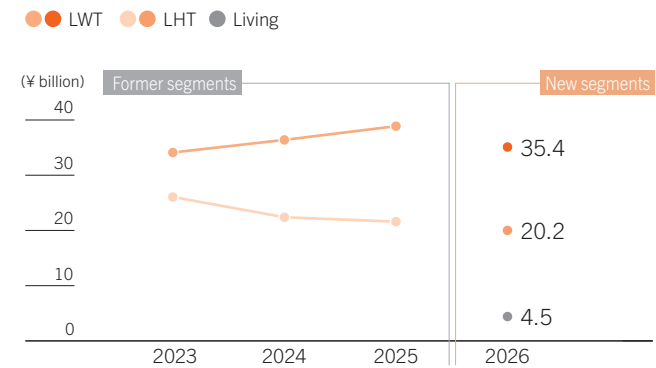
Capital expenditures decreased due to improved investment efficiency, while IT investments remained unchanged from the previous year.  
\* Changed from two reporting segments to three reporting segments from FYE2026  
\* Capital expenditures by business segment are listed for four years starting from FYE2023

## Net interest-bearing debt-to-EBITDA ratio



Net interest-bearing debt-to-EBITDA ratio improved from 4.7 times to 4.4 times. Factors were the decrease in net interest-bearing debt and the improvement in profitability.

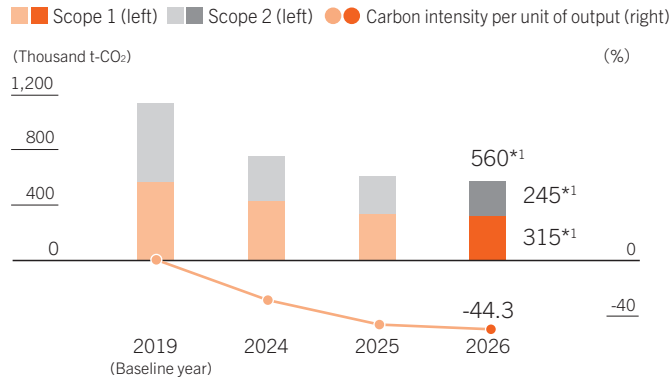
## Depreciation by business segment



Depreciation remained unchanged from the previous year.  
\* Changed from two reporting segments to three reporting segments from FYE2026  
\* Depreciation by business segment is listed for four years starting from FYE2023

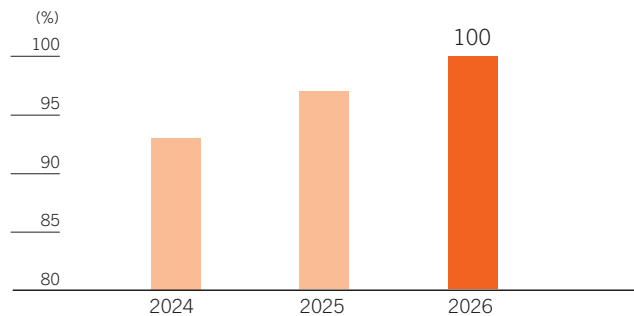
## Environment

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



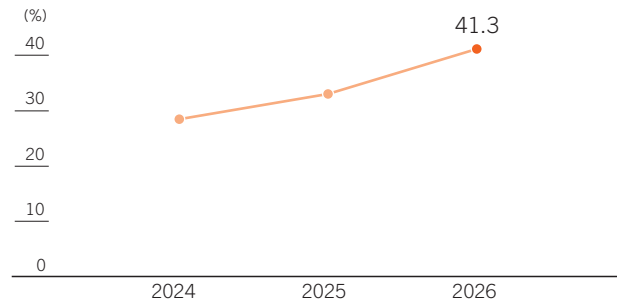
By seeking to increase energy efficiency and utilize renewable energy to further reduce CO<sub>2</sub> emissions, we achieved a 49.7% reduction in CO<sub>2</sub> emissions and a 44.3% reduction in emission intensity per unit of output. (Baseline year: FYE2019)

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



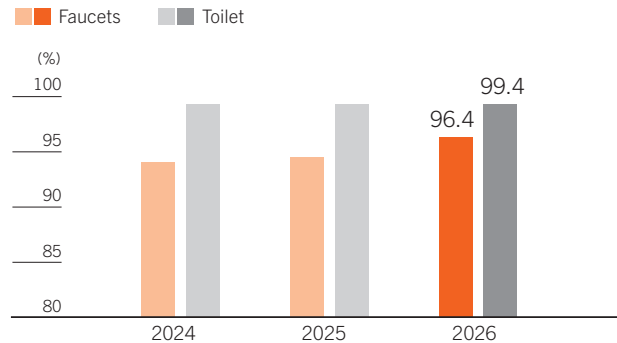
In FYE2022, we revamped all window lineup. We have achieved our target of a 100% ratio of high-performance windows sold for new detached houses in Japan by FYE2026.

### 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 41.3% as of FYE2026.

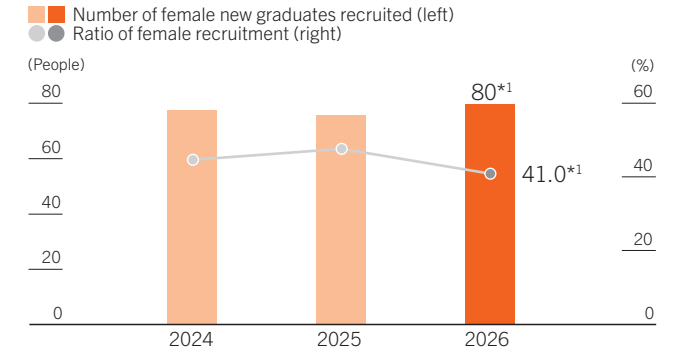
### Ratio of energy- and water-saving faucets\*<sup>3</sup> and toilets\*<sup>4</sup> sold (Japan)



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.

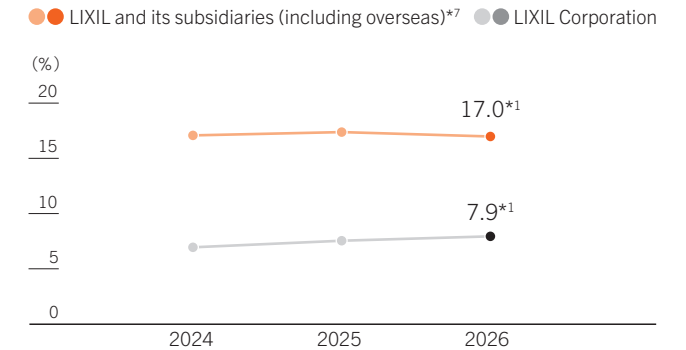
## Social

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



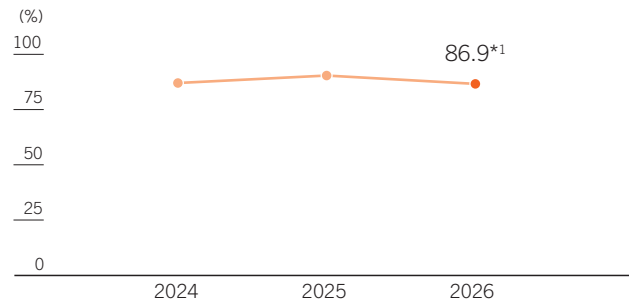
We continue to focus on attracting high potential females and aim to achieve the gender parity in new graduate recruitment in Japan.

### 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



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

## Gender pay gap\*1

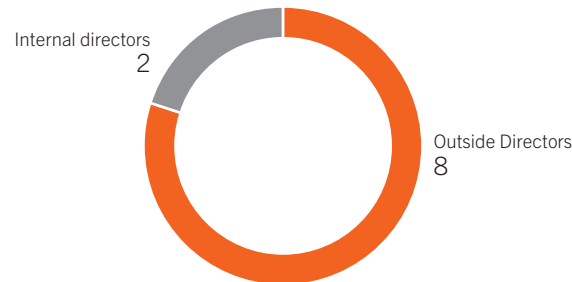
	2026
All employees of LIXIL Corporation	62.7%
Regular employees	68.4%
Contract employees	93.0%

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 employees include part-time and temporary employees. Temporary staff hired through agencies are excluded.

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.

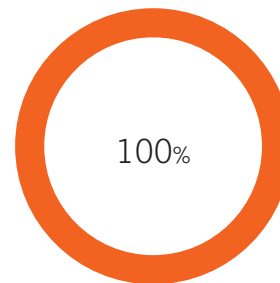
## Governance

## Number and ratio of Outside Directors (FYE2026)



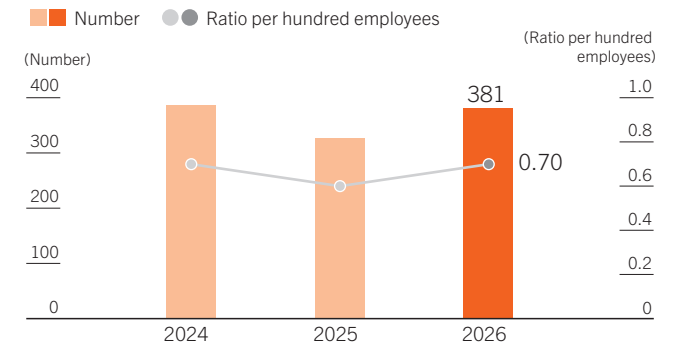
The Board of Directors consists of ten members including eight outside directors and two internal directors (including four female directors). The ratio of independent outside directors was 80%.

## Attendance rate at Board of Directors' meetings (FYE2026)



The Board of Directors met 15 times in FYE2026. 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 2026.

\*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. Regarding historical data, variances from previously disclosed data arise from reflecting the impact of organizational scope changes that fall below our recalculation criteria into the figures for the reporting fiscal year.

\*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: New college and graduate school graduates directly hired by LIXIL Corporation (new employees joining the company on April 1 of the following fiscal year.)

\*6 Directly hired employees only.

\*7 Exclude subsidiaries with less than 100 employees (Calculated based on the job grade system of each operating company.)

## 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 482,958	100	LWT
16 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.	Pathumthani, Thailand	THB million 383	99	LWT
LIXIL AFRICA HOLDINGS (Pty) Ltd.*1	South Africa Krugersdorp	ZAR million 3,676	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 1,406 millions in excess of assets as of March 31, 2026.

\*4 The company submits securities reports.

\*5 "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, 2026.

Name	Location	Paid-in capital (¥ million)	Equity owned by the holding company (%)	Business segment
LIXIL Renewal Corporation	Sumida-ku, Tokyo	100	100	LHT
LIXIL TEPCO Smart Partners Inc.	Koto-ku, Tokyo	450	60	LHT
Kuwata Co., Ltd.	Suma-ku, Kobe, Hyogo	30	100	LHT
LIXIL REALTY, Corp.	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 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, Living
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
LIXIL Toyo Sash Shoji Co., Ltd.	Sumida-ku, Tokyo	100	100	Living
38 other companies*2,3				

## Equity-Method Affiliates

Name	Location	Paid-in capital (¥ thousand)	Equity owned by the holding company (%)	Business segment
Sanyo Homes Corporation*4	Nishi-ku, Osaka, Osaka	6,223,793	24*5	LHT
34 other companies				

## Europe

Number of factories LWT **5**

Number of showrooms **6**

## Japan

Number of factories LWT **13**

LHT **16**

Living **7**

Number of showrooms **85**

## Americas

Number of factories LWT **8**

Number of showrooms **1**

## IMEA

Number of factories LWT **2**

LHT **1**

Number of showrooms **5**

## China/Asia Pacific

Number of factories LWT **19**

LHT **4**

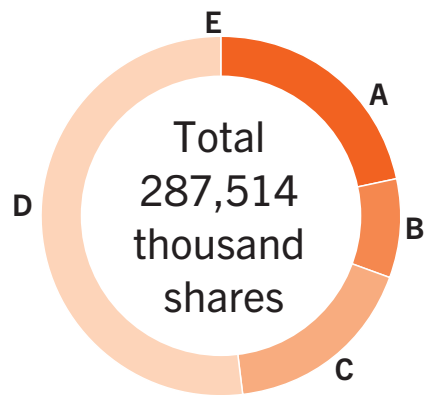
Number of showrooms **14**

Total	Japan	International	Total
Factories	36	39	<b>75</b>
Showrooms	85	26	<b>111</b>

## Number of Shares and Shareholders

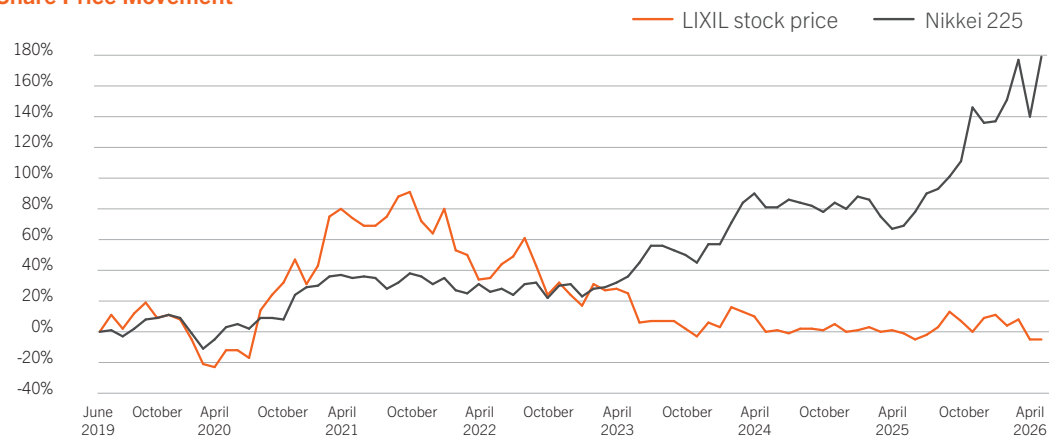
Number of shares authorized	1,300,000,000
Number of shares outstanding (Excluding treasury stock of 71,473 shares)	287,443,484
Number of shareholders	257,823

## Distribution of Ownership Among Shareholders (Thousand shares)



A Financial institutions	62,922
B Domestic companies	25,245
C International investors	50,316
D Individuals and others	148,959
E Treasury stock	71
Total	287,514

## Share Price Movement\*



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

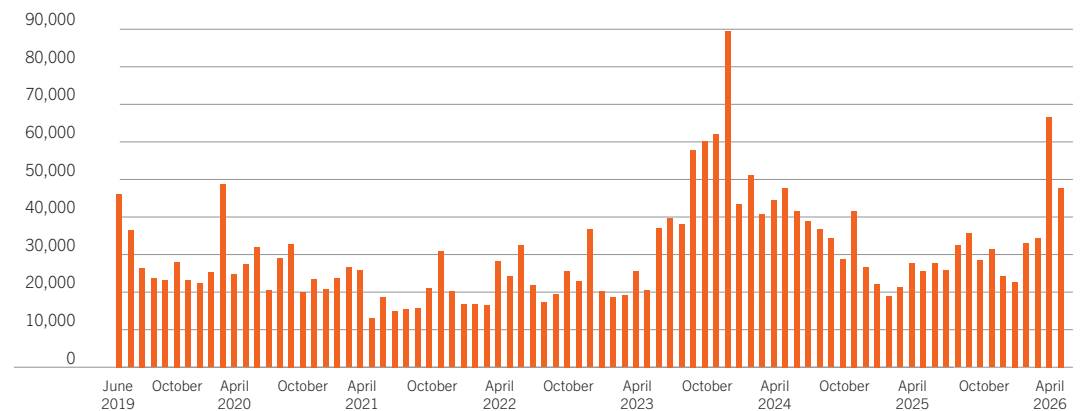
## Major Shareholders (Thousand shares)

Name of shareholder	Number of shares held	Ratio of shareholdings
The Master Trust Bank of Japan, Ltd. (Trust Account)	35,006*	12.18%
Custody Bank of Japan, Ltd. (Trust Account)	10,221*	3.56%
LIXIL Employee Stock Ownership	8,661	3.01%
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS (Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch)	5,371	1.87%
THE BANK OF NEW YORK MELLON 140044 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	4,672	1.63%
JP MORGAN CHASE BANK 385781 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	3,999	1.39%
Nippon Life Insurance Company (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	3,824	1.33%
STATE STREET BANK AND TRUST COMPANY 505103 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	3,784	1.32%
LIXIL Client Stock Ownership	3,417	1.19%
STATE STREET BANK AND TRUST COMPANY 505001 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	3,139	1.09%

Notes: 1. In addition to the above, LIXIL Corporation holds 71 thousand shares of treasury stock. Shareholding calculations exclude treasury stock.

2. \* indicates a trust service arrangement.

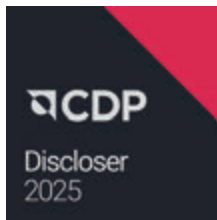
## Stock Trading Volume (Thousand shares)



## Major External Recognition: Global



Earned “Top 10% S&P Global Corporate Sustainability Assessment (CSA) 2025 Score” in the S&P Global Sustainability Yearbook 2026. (February 2026)



Achieved an A- score in both the Climate Change and Water Security categories of the CDP 2025 assessment (January 2026)  
Selected as a Supplier Engagement Leader, CDP’s highest rating for supplier engagement, in the CDP 2025 Supplier Engagement Rating (April 2026)



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)  
Baseline Year: FYE2019

**Long-term Net-Zero Targets:** reduce absolute scope 1, 2, and 3 90% by 2050 and use permanent carbon removal and storage to counterbalance the final 10% of residual emissions

**Near-Term Targets:** reduce absolute scope 1 and 2 50.4% and absolute scope 3 30% by FYE2031

SBTi CORPORATE NET-ZERO STANDARD

\*As of April 3, 2024. Applies to the Buildings Products Sector as defined by the SBTi guidance.

## Major External Recognition: Japan



Selected as a “DX Platinum Company 2025-2027,” jointly awarded by the Ministry of Economy, Trade and Industry, the Tokyo Stock Exchange, and the Information-Technology Promotion Agency, Japan. (April 2025)



Selected as a component of the Nadeshiko Brand initiative for the tenth time, jointly conducted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (March 2026)



Certified as the “Health and Productivity Management Outstanding Organization” for the tenth consecutive year under the “Certified Health and Productivity Management Outstanding Organization Recognition Program”, jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, Japan. Also selected as the “White 500” for the fourth consecutive year, recognized among the top 500 under the large enterprise category (March 2026)



Selected for the Circular Economy Award and as an Environmentally Sustainable Company at the 7th ESG Finance Awards Japan (February 2026)



## Major Selected Indices

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



**FTSE JPX Blossom Japan Index**



**FTSE JPX Blossom Japan Sector Relative Index**



**2025 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX**

**2025 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)**

(continuously selected as of the end of March 2026)  
Please refer to our website for disclaimers.

**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**

¥68,807 million

**Fiscal Year End**

March 31

**Employees**

Consolidated employees: 48,073

**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**

TSE Securities Code: 5938

**LIXIL Corporation** [www.lixil.com](http://www.lixil.com)

2026.06.22