

[This is an English translation of the original text written in Japanese]

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LIXIL Group Corporation
Kinya Seto
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(First Section of TSE/NSE, code 5938)

(Contact):
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Notice Concerning the Issuance of New Shares as Compensation in the Form of Shares with Restrictions on Transfer

At a meeting of the Company's board of directors held today, a resolution was passed to issue new shares as compensation in the form of shares with restrictions on transfer ("new share issuance"), details of which are provided below:

1. Overview of the issuance

(1) Contribution date	July 17, 2018
(2) Type and number of shares to be issued	264,904 ordinary shares in the Company
(3) Price	2,237 yen per share
(4) Total amount	592,590,248 yen
(5) Planned recipients of allocation	10 directors of the Company ^{*1} : 44,700 shares 6 executive officers of the Company ^{*2} : 187,522 shares 5 directors of LIXIL Corporation, a wholly-owned subsidiary of the Company: 32,682 shares
(6) Other	The new share issuance will be conditional on the validity of the securities registration statement filed pursuant to the Financial Instruments and Exchange Act.

*1 Includes outside directors but excludes directors also serving as executive officers

*2 Includes directors also serving as executive officers, excluding those who concurrently serve as directors of LIXIL Corporation with compensation paid by LIXIL Corporation

2. Purpose of and reasons for the issuance

The Company and LIXIL Corporation ("LIXIL"), a wholly owned subsidiary of the Company, at a meeting of the Company's compensation committee held today and in the written resolution of the LIXIL board of directors meeting dated today and which is in accordance with Article 370 of the Corporate Act and Article 28 of the Articles of Incorporation of LIXIL, resolved to introduce a new stock compensation scheme ("the scheme"). The scheme will award shares with restrictions on transfer to the Company's directors and executive officers and LIXIL's directors with the aim of sharing the benefits and risks of share-price fluctuations with shareholders, and provide greater incentive to contribute to enhancing the Company's stock price and enterprise value.

Furthermore, the Company and LIXIL, at a meeting of the Company's compensation

committee held today and in the written resolution of LIXIL's board of directors meeting dated today and in accordance with Article 370 of the Corporate Act and Article 28 of the Articles of Incorporation of LIXIL, decided to award 592,590,248 yen in claims for monetary compensation to 10 directors of the Company (including outside directors but excluding directors also serving as executive officers), 6 executive officers of the Company (including directors concurrently serving as executive officers but excluding those who concurrently serve as directors of LIXIL Corporation with compensation paid by LIXIL), and 5 directors of LIXIL (collectively referred to below as "recipients of allocation"). This compensation will take the form of shares with restrictions on transfer for the period from the Company's 76th regular general meeting of shareholders to the Company's 77th regular general meeting of shareholders, scheduled for June 2019, in the case of directors and executive officers of the Company, and the period from LIXIL's 17th regular general meeting of shareholders held on June 20, 2018 to LIXIL's 18th regular general meeting of shareholders, scheduled for June 2019, in the case of directors of LIXIL.

Furthermore, at a meeting of the Company's board of director held today, a resolution was passed to allocate 264,904 ordinary shares to recipients of allocation in the form of shares with restrictions on transfer by providing the Company with investments in kind for the full amount of their claims for monetary compensation.

Note that the amount of claims for monetary compensation for each of the recipients of allocation will be determined after comprehensively taking into account various matters such as the degree of contribution of each recipient of allocation. The claims for monetary compensation will be awarded to the recipients of allocation on the condition that they each conclude a contract with the Company for the allocation of shares with restrictions on transfer (below, the "allocation contract"), which will contain provisions as summarized below.

Also note that by positioning the scheme as an incentive linked to our medium-term management plan, and in order to achieve the purpose of the introduction of the scheme over the medium term, namely, to have the officers share the benefits and risks of share-price fluctuations with our shareholders and provide them with greater incentive than before to contribute to enhancing our stock price and enterprise value, half of the shares with restrictions on transfer allocated to the recipients of allocation will be subject to a transfer restricted period of three years. Furthermore, to achieve the purpose of the introduction of the scheme over the long term, the other half will be subject to a transfer restricted period of 30 years.

In addition, in order to achieve the aim of the scheme, which is to sustainably enhance the Company's corporate value over the medium term, it is important to further strengthen the Company's corporate governance system. We believe that by introducing the new scheme as part the remuneration of non-executive directors, who oversee the management etc. of the entire group as it expands globally, will contribute to the promotion of management that shares the same values as the Company's shareholders.

3. Overview of the allocation contract

(1) Transfer restricted periods

The recipients of transfer may not assign to any third party, pledge, mortgage, give as a donation, bequeath, or make any other disposition of half the shares subject to restrictions on transfer allocated to them (below, "Shares I") during the period from July 17, 2018, to July 16, 2021, (3 years; below, "Transfer Restricted Period I") or do the same for the remaining

half (below, "Shares II") for the period from July 17, 2018, to July 16, 2048 (30 years; below, "Transfer Restricted Period II").

(2) Acquisition without consideration of shares with restrictions on transfer

If a recipient of allocation leaves their post as a director, executive officer, or employee of the Company, or as a director or employee of a subsidiary of the Company (below, "officer etc. of the Company") before the end of Transfer Restricted Period I for Shares I and Transfer Restricted Period II for Shares II, Shares I and Shares II with restriction on transfer allocated to the recipient will, unless the Company's board of directors deems there to be a bona fide reason (e.g. completion of term), be automatically acquired without consideration at the time they leave their post.

Furthermore, if, at the time of the end of Transfer Restricted Period I in the case of Shares I and at the end of Transfer Restricted Period II in the case of Shares II (below collectively referred to as the "end of the period"), restrictions on transfer of some of Shares I and Shares II have not been canceled in accordance with the provisions concerning the cancellation of the restrictions on transfer prescribed in (3) below, the Company will automatically acquire them without consideration immediately after the end of the period. However, if a recipient leaves their post as an officer etc. of the Company before the end of the period for reasons that the Company's board of directors deems to be bona fide (e.g. completion of term) and restrictions on transfer of some of Shares I and Shares II have not been canceled in accordance with the provisions concerning the cancellation of the restrictions on transfer prescribed in (3) below, the Company will automatically acquire them without consideration immediately after the end of the period.

(3) Cancelation of restrictions on transfer

Provided that a recipient of allocation remained an officer etc. of the Company for the period from July 17, 2018, to the day before the first subsequent regular general meeting of shareholders of the Company (or if the recipient of allocation is a director of a subsidiary, for the period from July 17, 2018, to the day before the first subsequent regular general meeting of shareholders of the Company), the Company will, at the end of the period, cancel the restrictions on transfer with respect to all Shares I and Shares II held by the recipient of allocation at that time. However, if a recipient leaves their post as an officer etc. of the Company before the end of the period for reasons that the Company's board of directors deems to be bona fide (e.g. completion of term), the number of months from July 2018 until and including the month in which the recipient of allocation left their post as an officer etc. of the Company will be divided by 12 and the result of this calculation (if the result of this calculation is more than 1, the result will be deemed to be 1) will be multiplied by the number of Shares I and Shares II held by the recipient of allocation at that time (if this calculation results in a fraction of less than 1 share, this fraction will be discarded). With regard to this number of Shares I and Shares II, the restrictions on transfer will be canceled immediately after they leave their post.

(4) Provisions concerning the management of shares

Recipients of allocation will, using a method prescribed by the Company, open an account with SMBC Nikko Securities Inc. for presenting or recording the Shares I or Shares II, and Shares I or Shares II will be managed and maintained in this account until the restrictions on

transfer are canceled.

(5) Treatment in the event of reorganization etc.

If, during Transfer Restricted Period I in the case of Shares I or Transfer Restricted Period II in the case of Shares II, a resolution is adopted at a general meeting of shareholders of the Company (or by the board of directors of the Company if the reorganization etc. does not require approval at a general meeting of shareholders) to approve a merger agreement that will result in the extinction of the Company, a share exchange agreement or share transfer plan that will make the Company a wholly-owned subsidiary, or other form of reorganization etc., the number of months from July 2018 until and including the month in which the resolution was adopted will be divided by 12 and the result of this calculation (if the result of this calculation is more than 1, the result will be deemed to be 1) will be multiplied by the number of Shares I and Shares II held by the recipient of allocation at that time (if this calculation results in a fraction of less than 1 share, this fraction will be discarded). With regard to the number of Shares I and Shares II, the restrictions on transfer will be cancelled immediately before the business day prior to the date the reorganization etc. takes effect.

In such a case, on the business day prior to the date the reorganization etc. takes effect, all Shares I and Shares II for which restrictions on transfer have not been cancelled on the date prescribed above will be automatically acquired without consideration by the Company.

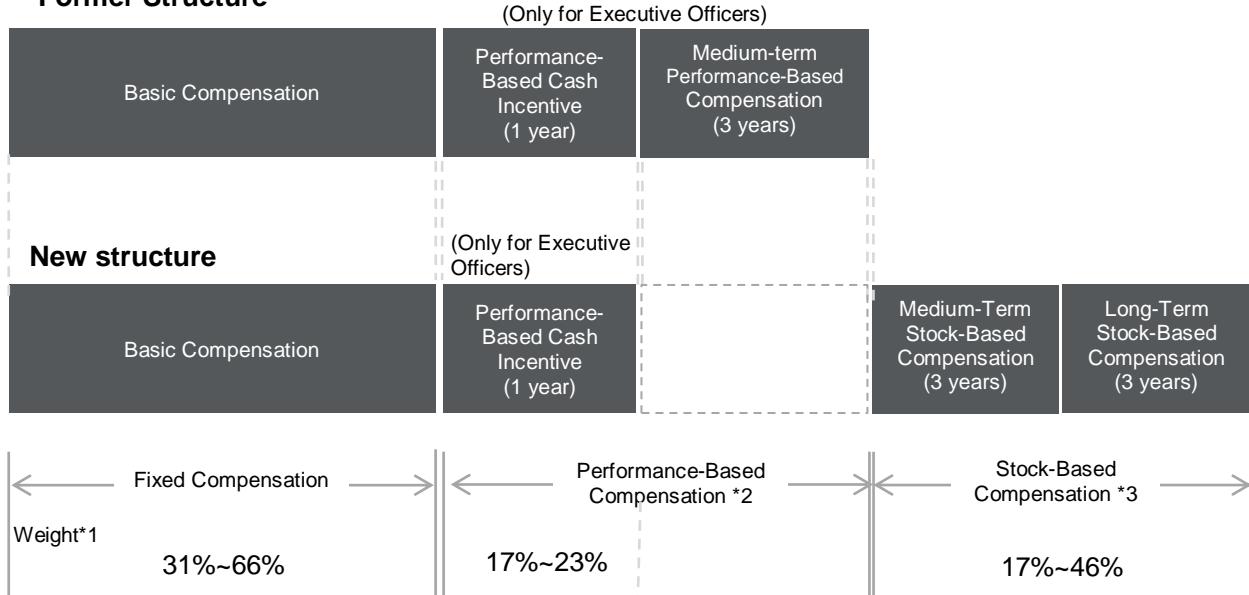
4. Basis for calculation of the contribution amount and specific details thereof

To prevent the price applied to the new share issuance being determined arbitrarily, it will be 2,237yen, the closing price of ordinary shares in the Company on the Tokyo Stock Exchange on the business day (June 22, 2018) prior to the day of the resolution by the Company's board of directors. This is the market price immediately prior to the resolution by the Company's board of directors, and we therefore regard it as a reasonable and not particularly advantageous amount.

(Reference)

Compensation Structure of Board of Directors and Executive Officers of LIXIL Group Corporation

Former Structure



*1 Weight: Percentage of total compensation of Executive Officers (estimate for when target is achieved). This percentage varies by title.

*2 KPI (financial indicators) for short-term performance-based compensation

The Compensation Committee will determine KPIs based on business targets (financial indicators) for the financial year.

For the current financial year, compensation will be determined based on the achievement rate of the following (Consolidated Group Results):

- (1) Revenue (2) Core Earnings (3) Profit for the year attributable to the owners of the parent

*3 Stock-based compensation: restricted stock based compensation

※By introducing the stock-based compensation scheme to non-executive directors, we aim to achieve a higher level of corporate value.

End