

› New Management Plan

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Underlying Beliefs

New Management Plan is created based on three key beliefs in mind

DIVERSITY

- LIXIL has accumulated diverse, distinctive, and valuable assets and talents within the company through various stages of evolution
- LIXIL should value and fully leverage its diversity to maximize the group's growth and corporate value

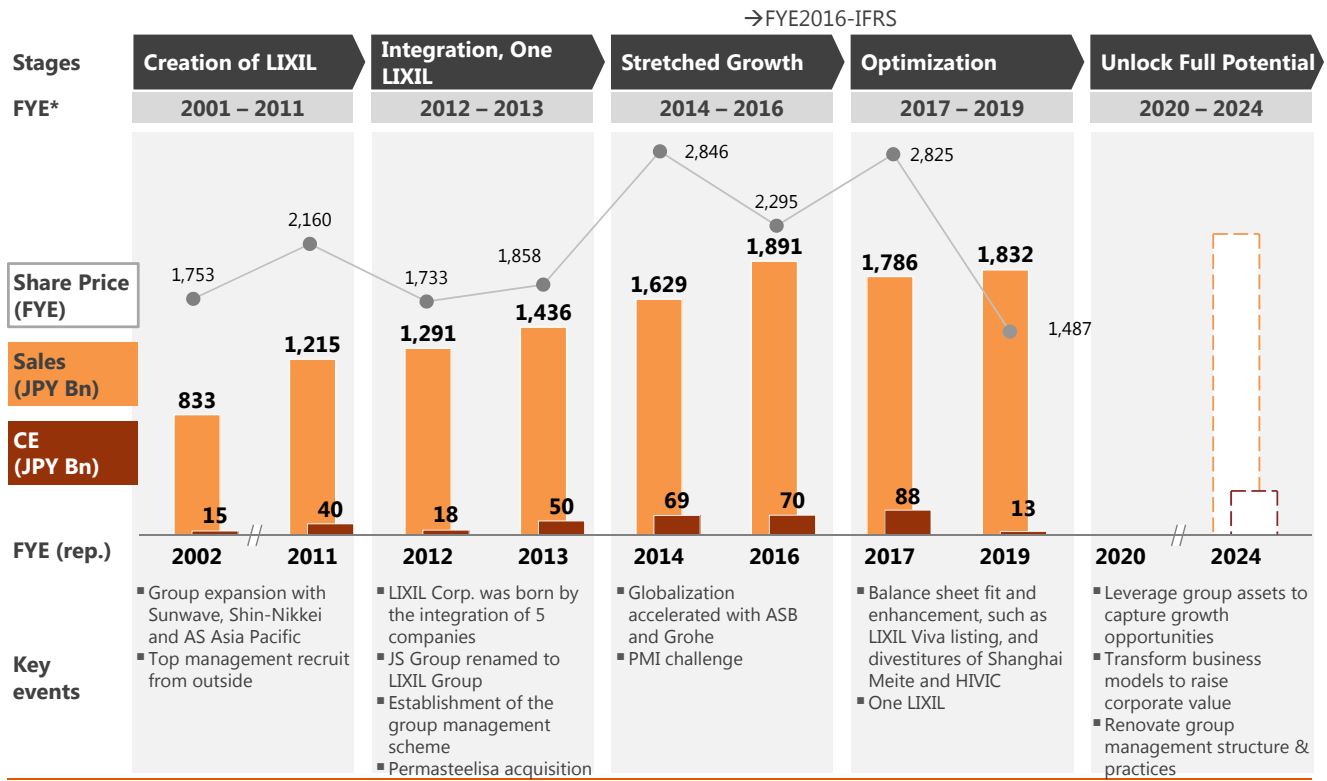
BEYOND

- LIXIL is already progressing with a number of strategies and initiatives that are on the right direction, and they should continue
- LIXIL has vast potential to challenge and achieve what is beyond the ongoing initiatives

TEAM LEADERSHIP

- LIXIL can fully leverage its size and diversity with multiple leadership model
- LIXIL should empower multiple leaders in different businesses with strong ownership and self-discipline

Stages of LIXIL Group Evolution



SOURCE: LIXIL Group Corporation
*FYE = Fiscal Year Ended/Ending

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Business Environment

Business Environment Overview

External Environment

- **The building product industry will continue to grow**
 - Growth of global population (8.5B by 2030) and the middle class
 - Accelerated urbanization, 60%+ living in cities by 2030
 - Strong demand in the Japanese market with Olympics/Paralympics in Tokyo and Expo in Osaka, and government initiatives to boost consumption
- **Industry facing fundamental, structural changes**
 - Digitalization driving shift to consumer-centric market
 - New expectations for living and working spaces with focus on health & wellness, sustainability, lifestyle
 - Need to address low labor productivity
- **Increasing global economic uncertainty**
 - Slow down and instability of growth in China and Middle East
 - Rise in raw materials, transportation & energy costs
 - Increasing uncertainty in core European countries due to Brexit, etc.

Internal Environment

- **Facing business challenges**
 - Declining domestic market share for a certain product
 - Return of Permasteelisa to Group
 - Performance deterioration in North America & South Africa
 - Implementation challenges in key MTP pillars
- **LIXIL Group's diverse asset portfolio**
 - Unique and strong brands
 - Competitive advantages in technologies and quality of flagship products
 - Emerging water management products and businesses
- **Issues in governance, compliance and management**
 - Group governance challenges
 - Permasteelisa performance deterioration
 - Compliance issues at subsidiaries
 - High SGA costs particularly HQ/indirect function costs



SOURCE: LIXIL Group Corporation

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Strategic Directions on Business and Management

Strategic Directions and five key actions to take

 Business Direction	Capture	<ul style="list-style-type: none"> Vast market opportunities through leveraging existing distinctive assets Burning situation turnaround
	Transform	<ul style="list-style-type: none"> Business model transformation Productivity quantum leap Digitalization...customer journey innovation, B2B business creation
	Create	<ul style="list-style-type: none"> Multiple solutions to provide new value in living & working spaces New growth engines with innovative business models
 Management Direction	Re-enhance	<ul style="list-style-type: none"> Governance and compliance reformation Group management scheme to maximize corporate value
	Ahead	<ul style="list-style-type: none"> Next generation leadership New stage of Corporate Responsibility activities Enhancement of group ties



Major Initiatives under Business Direction

Business Direction	Major Initiatives	
 Business Direction	Capture	<ul style="list-style-type: none"> Domestic market share regain Product line-up and production optimization Shower toilet domestic and global growth strategy Grohe brand global expansion Permasteelisa turnaround Africa turnaround
	Transform	<ul style="list-style-type: none"> Japan - Domestic channel enhancement Global - Productivity quantum leap Global - Group-wide Digital Vision Americas - Business model transformation
	Create	<ul style="list-style-type: none"> Japan - New renovation strategy in domestic market Global - Health enhancement solutions Global - Water management businesses Asia - LHT growth strategy



Key financial targets under Strategic Business Direction

	FYE 2019 Actual		FYE 2024 NMP		Key Measures
	JPY 0.1 Bn	%	JPY 0.1 Bn	%	
Sales	18,326	100%	20,000	100%	CAGR* +2%
Core Earnings (Business)	601	3.3%	1,650	8.3%	Business CE >8% Major business CE >10%
HQ & IT consol. adjustments	473	2.6%	400	2.0%	HQ cost cut 20% targeted = 2% of Sales
Core Earnings	128	0.7%	1,250	6.3%	CE 6% or higher, including Permasteelisa







SOURCE: LIXIL Group Corporation
*CAGR = Compound Annual Growth Rate

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Business Direction for the Main Overseas Businesses

Main Overseas Businesses	Key directions and activities
Grohe 	"Sustain" <ul style="list-style-type: none"> Maintain high profitability at 15% Steadily gain market share and growth with 3% CAGR Create new growth engines around water management
American Standard 	"Transform" <ul style="list-style-type: none"> Streamline investments and costs Shift businesses towards consumer-centric Plan and start full business model transformation
Asia 	"Focus" <ul style="list-style-type: none"> Sharply focus on core country markets Leverage investments to date to raise profitability Build new business models for selected market opportunities
Permasteelisa Group 	"Turnaround" <ul style="list-style-type: none"> Shrink through focusing on core businesses and regions, and profitable projects only Reduce fixed costs significantly Tighten LIXIL's direct control on project selection & performance Enhance project management and operations capabilities



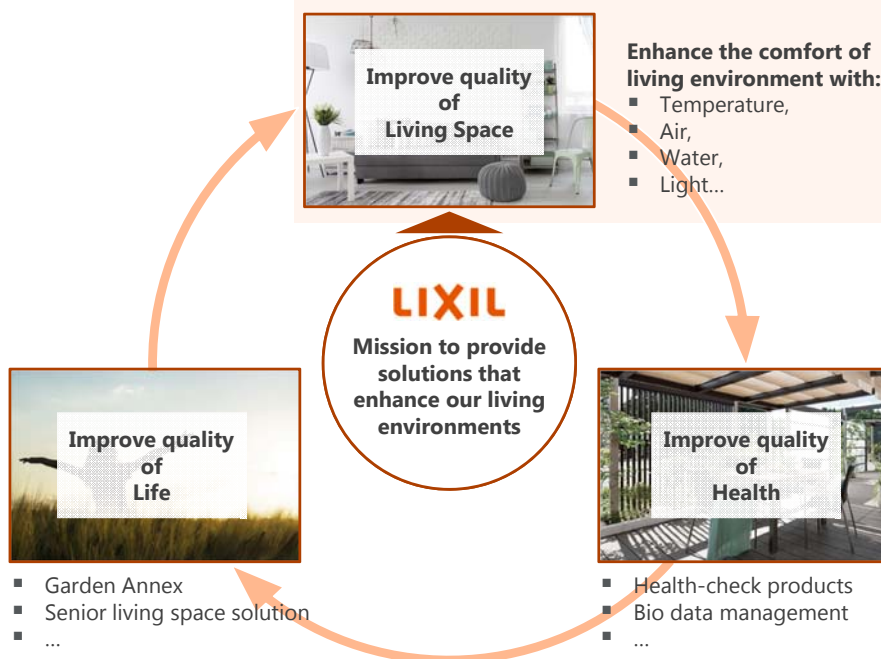
SOURCE: LIXIL Group Corporation

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LIXIL offers solutions that provide new values of living and working spaces

Healthy Living Space Case



Related Products

- **Temperature**
 - Super Wall
 - Samo-Tile
 - In-Plus
- **Air**
 - EcoCarat
 - Aleru-Pure
- **Water**
 - Grohe Blue



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SOURCE: LIXIL Group Corporation

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Re-enhance LIXIL Group management bases

Further enhancement of governance and control

- Reform LIXIL Group corporate governance
- Strengthen governance, performance management, resource allocation and compliance within the group
- Enhance controlling and monitoring infrastructures, such as financial shared service center and regional treasury centers

Enhancement of compliance and risk management

- Rebuild compliance culture through repeated communication and discussions across organizational layers
- Strengthen and improve approaches and capacity of internal audit and compliance committee, etc.
- Review & revise group subsidiary CEO appointment, development, & evolution
- Enhance business continuity planning, risk management process, etc.

Reformation of group management scheme

- Establish a holding company focusing on mid-to-long term shareholder value maximization
- Make major businesses and subsidiaries more self-disciplined and self-managed
- Build multiple leadership model



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SOURCE: LIXIL Group Corporation

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Initiate activities to move LIXIL to the next stage



> APPENDIX



Major Initiatives by businesses and regions

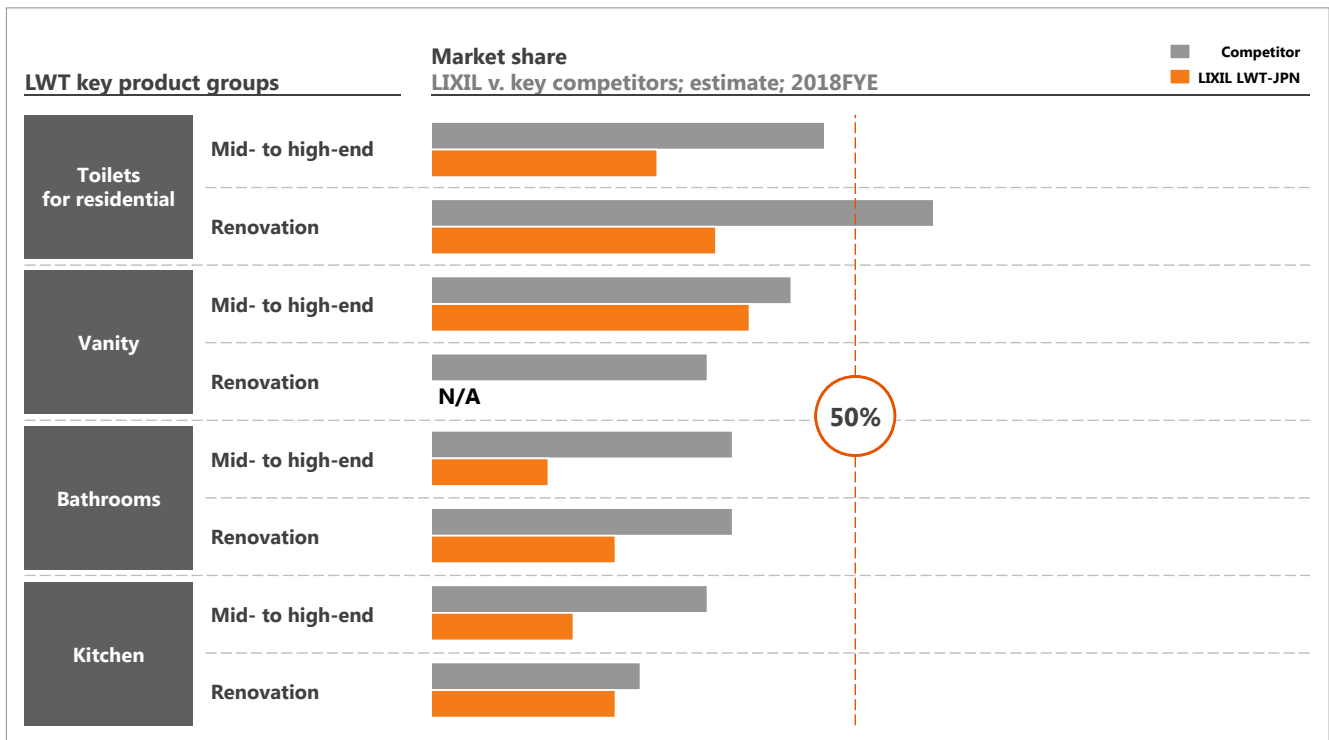
	Japan	Americas	EMENA	Asia
Cross-region	LIXIL Digital Vision			
	Innovation Pipeline – 4 platforms			
	Water Management and Quality Business Expansion			
	Domestic Channel Enhancement			
Region specific	Japan (LHT & LWT) <ul style="list-style-type: none"> Reform market strategy Health & Wellness 	LWT - Americas <ul style="list-style-type: none"> Drive online, DTC and projects channel Cost structure improvement Brand equity enhancement (American Standard, Grohe) Product portfolio optimization 	LWT - EMENA <ul style="list-style-type: none"> Brand strategy Market portfolio strategy New category development Pull channel strategy Plant productivity increase via new techs and upgrades 	LHT - Asia <ul style="list-style-type: none"> Accelerate growth of Asian sash business through new channels Leverage unique manufacturing footprint End to end solutions
	LHT-Japan <ul style="list-style-type: none"> Production transformation Stretch market share Overseas expansion 		Permasteelisa <ul style="list-style-type: none"> Focus on core business Strengthen project execution and control Leverage synergies across LIXIL companies 	LWT - Asia <ul style="list-style-type: none"> Capitalize on investments made in past 3 years Gain share in China, India and Indonesia Increase focus on e-comm.
	LWT-Japan <ul style="list-style-type: none"> Mid/High market expansion INAX global brand roll-out GROHE brand strategy 			



SOURCE: LIXIL Group Corporation



LWT-Japan will close the gap in the market share v. key competitors, and become the market leader in all categories

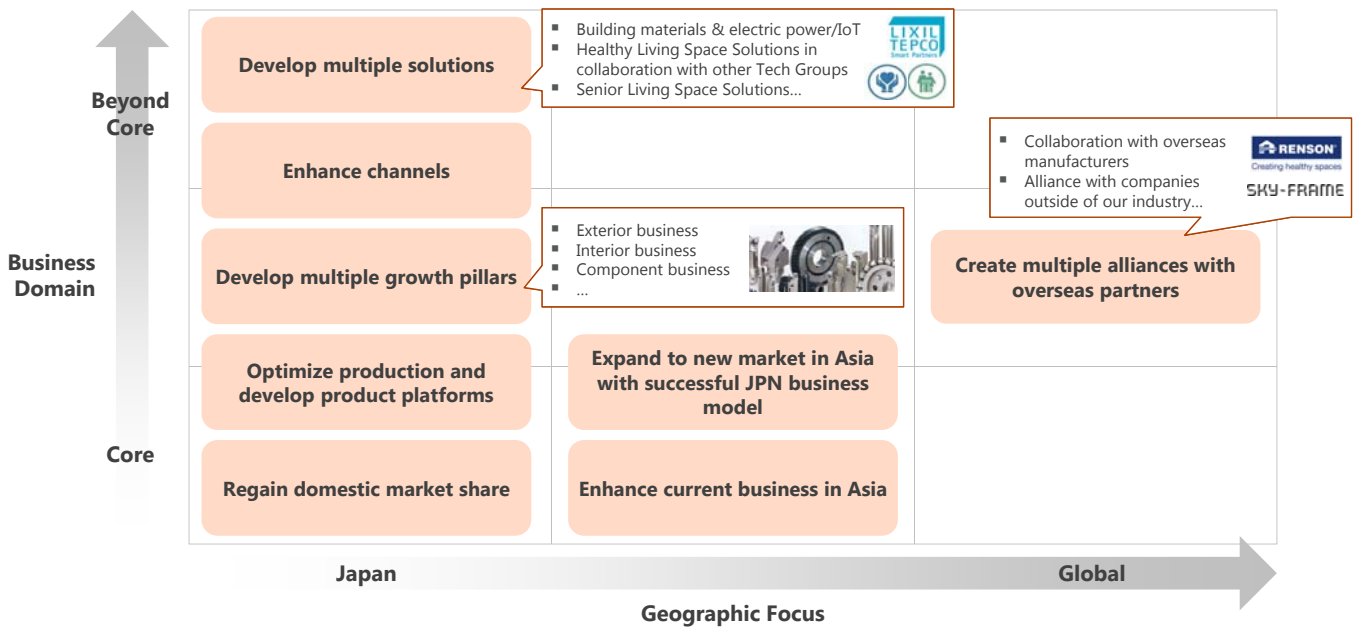


SOURCE: LIXIL Group Corporation



LHT Value Creation Opportunities

Capturing opportunities by going beyond our core products and market

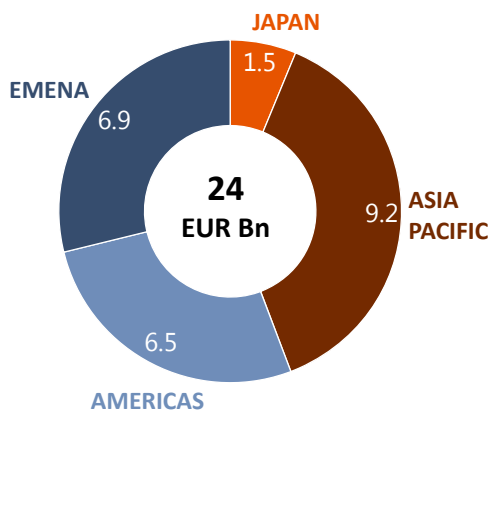


SOURCE: LIXIL Group Corporation

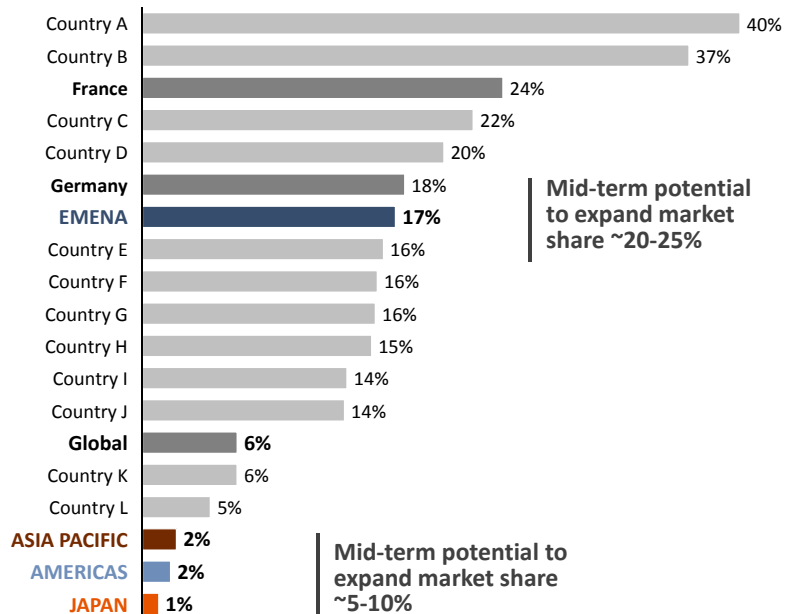


LWT-EMENA's existing core products have immense growth potentials to be captured through effective expansion in countries with low market shares

Water Technology market (in EURbn)



GROHE brand market shares (in %)

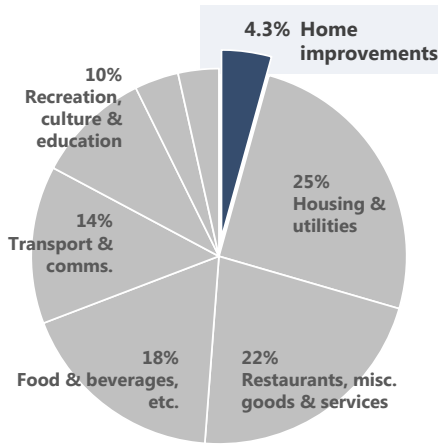


SOURCE: LIXIL Group Corporation

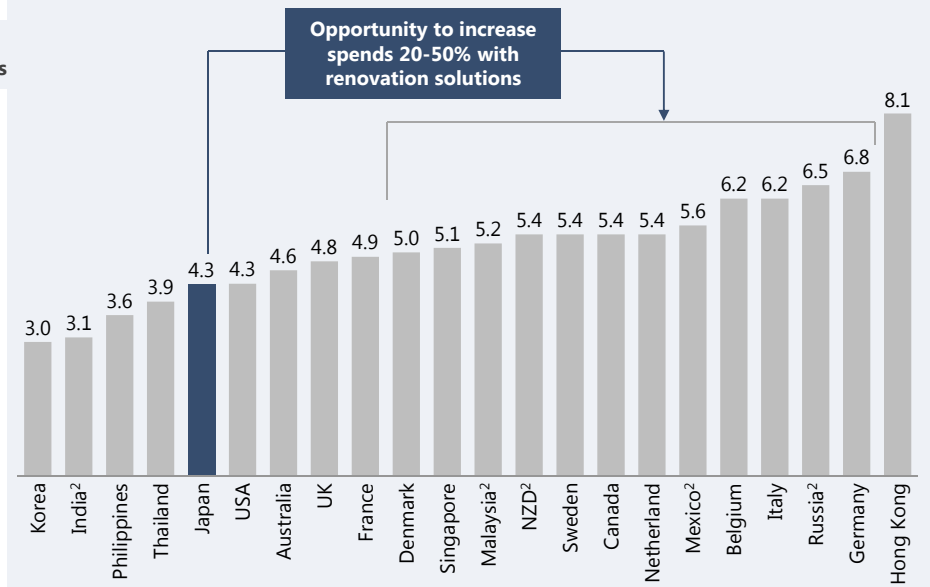
LIXIL's renovation business in Japan has a room to grow by providing right solutions for the end-users to improve their living spaces



Japan consumer spends ~4% of total expenditures on home improvements¹
Japan; 2016FY; %



Compared to other OECD countries, Japan consumers tend to spend less on improving homes, posing a growth potential in renovation business with the right solutions
2016FY; 100% = total consumption expenditure

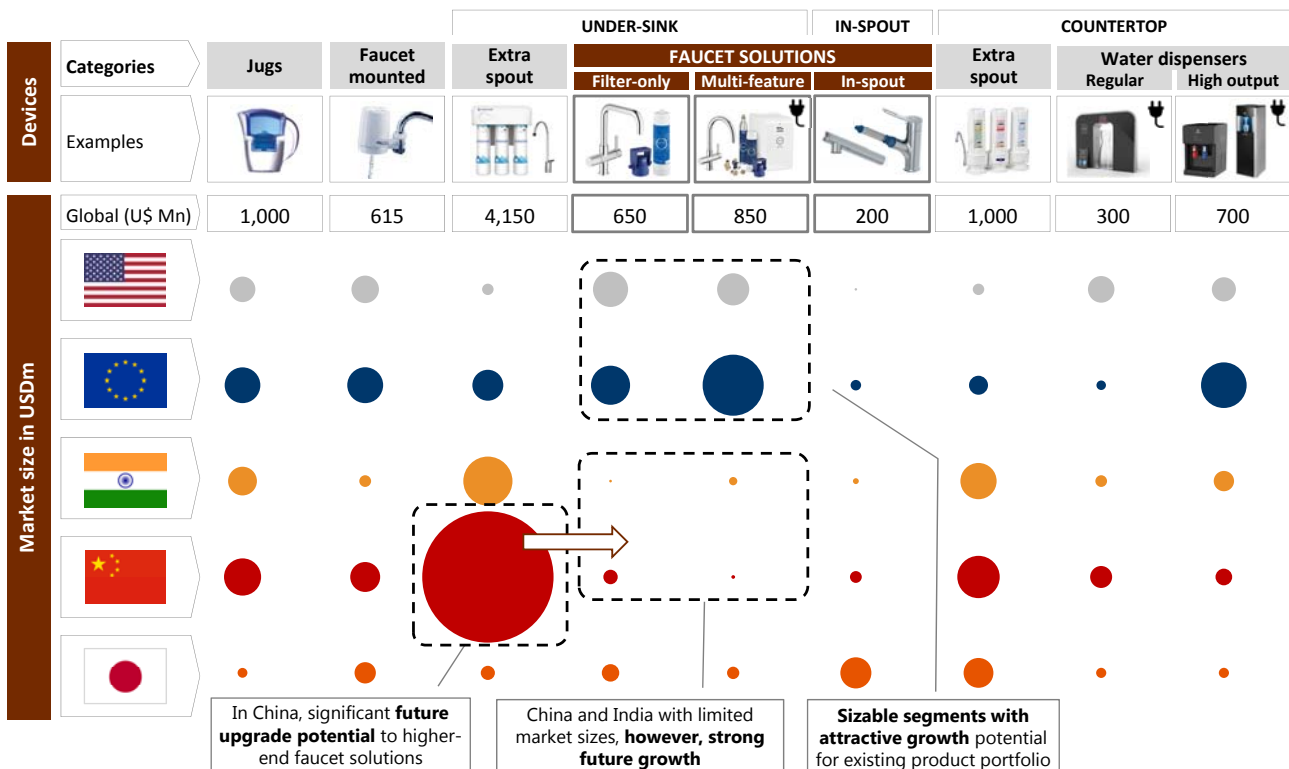


¹ Expenditures on home improvements include spends on furnishings, households equipment, and routine house maintenance; Basis for System of National Accounts may differ per country
² Jan - Dec 2015; For India, Apr 2014 - Mar 2015



SOURCE: 日本：内閣府 (2017.12) 「2016年国民経済計算確報」 OECD諸国及びロシア：OECD Database (<http://stats.oecd.org/>) 2018年1月現在
その他の国：UN Database (<http://data.un.org/>) 2018年1月現在; LIXIL Group Corporation

LIXIL first targets the faucet solutions segment of the water quality/filter business, an ~USD 1.7 Bn opportunity

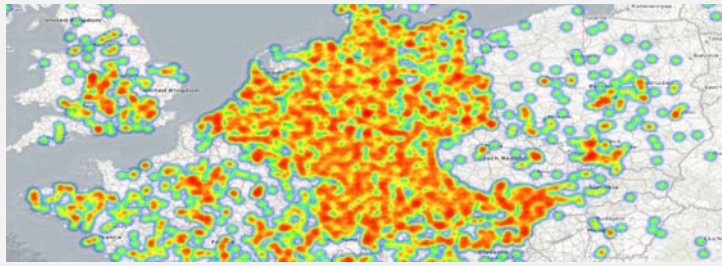


SOURCE: LIXIL Group Corporation; literature search; management estimates



Water Management System market has a promising untapped potential for LIXIL

Water management systems provide us clearer insights how people use water...



Data is analyzed to generate insights to create newer and better products & services; e.g.,

- Data points collected per day = 1,000,000
- # water events recognized = 16,000,000
- Volume of water tracked (Ltr) = 107,000,000

...and our product and data service portfolio is rapidly expanding

Smart Leak Sensors			Smart Water Controllers		Data Services		
Sense	Sense Flex	Sense Plus	Sense Guard	S. Guard Pro	Sense App	S. Partner API	S. Dashboard
Launched	Mid 2020	Mid 2020	Launched	Mid 2020	Launched	June 2019	June 2019



SOURCE: LIXIL Group Corporation



New potential Corporate Responsibility activities under development

› Enhance CR activities by leveraging LIXIL's strengths all across the businesses and regions

EMENA

- Develop "smart faucet" that visualizes water consumption
- Position us as an innovation leader in the market

Japan

- Commercialize the simple screen window for developing countries' BOP market
- Broaden our customer base to BOP market

Americas

- Promote Universal Design by 4 steps of education, engagement, innovation and sharing activities
- Position us as an thought and innovation leader for Universal Design

Asia

- Enable access to clean water by developing and installing water filtration system to rural areas
- Position us as a leading company for global water conservation



SOURCE: LIXIL Group Corporation



Cautionary Statements with Respect to Forward-Looking Statements

Statements made in these materials with respect to plans, strategies and future performance that are not historical facts are forward-looking statements. LIXIL Group Corporation cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.