

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



May 13, 2019

LIXIL Group Corporation
Yoichiro Ushioda
Director, Representative Executive Officer,
Chairman and CEO (First Section of TSE/NSE, code 5938)

(Contact):

Kayo Hirano
Senior Manager, Investor Relations Office

Notice Regarding Director Candidates

LIXIL Group Corporation (the “**Company**”) has decided in the nomination committee meeting held on May 12, 2019 on the director candidates to be proposed to the annual general meeting of shareholders scheduled to be held in June 2019 (the “**AGM**”), as follows, and therefore gives notice thereof. In addition, the attachment “Decision on Director Candidates and Nomination Reasons and Recommendations” has been submitted to the Company’s board of directors (the “**Board**”), and notice is also provided thereof.

The Company has also decided in the Board meeting held today, after the nomination committee presented its opinion on the shareholder proposal made for the AGM (the “**Shareholder Proposal**”), that the Company affirms the decision made in the nomination committee meeting (please see the attachment “Decision on Director Candidates and Nomination Reasons and Recommendations” for details), and also gives notice thereof.

Details

1. Director Candidates (© indicates new candidates, * indicates outside directors)

- ©* Zenji Miura (Former representative director, president and CEO of Ricoh Co., Ltd.)
- ©* Haruo Kawahara (Former chair of the board of directors and CEO of JVC Kenwood Corporation)
- ©* Kenichi Fukuhara (Representative director and vice chair of Benesse Holdings, Inc.)
- ©* Yo Takeuchi (Former Kanto Local Finance Bureau Director-General, former Development Bank of Japan director)
- ©* Tamio Uchibori (Former director and senior managing executive officer of MinebeaMitsumi Inc., licensed tax accountant)
- ©* Teruo Suzuki (Former deputy chair of KPMG AZSA LLC, certified public accountant)
- ©* Kaoru Onimaru (Former Supreme Court Justice)

© Kazuhiko Otsubo (Current executive officer and vice president of the Company in charge of sales and domestic subsidiaries; current representative director, president and COO of LIXIL Corporation)

2. Expected Composition of Committees

The composition of committees (nomination committee, compensation committee, and audit committee) is currently undecided, and it will be officially decided by the newly appointed directors at the Board meeting held after the end of the AGM in consideration of the relationship with the business execution system.

3. Request for Establishment of Optional Meeting Body by Newly Appointed Director Candidates

To avoid a lack of management and ensure a smooth start for the new management structure, the Company plans to request the candidates for newly appointed outside directors set out in section 1 above to hold an optional meeting in advance of the AGM and begin consideration of the Company's new management structure and CEO appointment process. While this meeting will be an optional meeting body implemented within the scope of public information, it will be positioned with a view to enhancing the functions of independent outside directors in the corporate governance system of the Company following the AGM; specifically, it will be held in light of a "meeting consisting solely of independent directors" under the Corporate Governance Code (Principle 4.8.1) and "sharing of information, etc. between independent directors" under Item 27 of the Company's Corporate Governance Guidelines.

4. Directors Who Will Not Stand For Re-Election

Yoichiro Ushioda (Current director, representative executive officer, chair and CEO) (however, expected to resign on May 20)

Hirokazu Yamanashi (Current director, representative executive officer, president and COO)

Yoshizumi Kanamori (Current director and chair of the Board)

Yoshinobu Kikuchi (Current director, nomination committee member and compensation committee member)

Haruo Shirai (Current director and audit committee member)

Tsutomu Kawaguchi (Current director, nomination committee member and audit committee chair)

Main Kohda (Current director, nomination committee member and compensation committee chair)

Barbara Judge (Current director, nomination committee chair and compensation committee member)

Hiroto Yoshimura (Current director, nomination committee member and audit committee member)

5. Profile of Candidates for New Directors

Zenji Miura (Date of birth: January 5, 1950)

April 1976 Joined Ricoh Co., Limited.

January 1993 President and Chair, Ricoh France S.A.

October 1995 Managing Director, Gestetner Holdings PLC, UK

January 1998	Finance Manager of Finance and Accounting Division, Ricoh, Co., Ltd.
October 2000	Senior Vice President and General Manager of Finance and Accounting Division, Ricoh, Co., Ltd.
June 2003	Executive Vice President and General Manager of Finance and Accounting Division, Ricoh Co., Ltd.
June 2004	Managing Director and General Manager of Finance and Accounting Division, Ricoh Co., Ltd.
June 2005	Director, Corporate Executive Vice President, General Manager of Finance and Accounting Division and CFO, Ricoh Co., Ltd.
April 2006	Director, Corporate Executive Vice President, General Manager of Corporate Planning Division, CFO and CIO, Ricoh, Co., Ltd.
April 2009	Director, Corporate Executive Vice President, General Manager of Corporate Planning Division, CFO, CIO and CSO, Ricoh Co., Ltd.
April 2011	Representative Director, Deputy President and Senior Vice President, Ricoh Co., Ltd.
April 2012	Representative Director and Chair, Pentax Ricoh Imaging, Co., Ltd. Chair and CEO, Ricoh Americas Holdings, Inc.
April 2013	Representative Director, President, Senior Vice President and CEO, Ricoh Co., Ltd.
March 2016	Outside Director, Coca-Cola West Co., Ltd. (currently Coca-Cola Bottlers Japan Inc.)
April 2017	Special Advisor, Ricoh Co., Ltd.
April 2018	Outside Director, Coca-Cola Bottlers Japan Holdings Inc.
August 2018	Representative Director, Tri-Med Co. (incumbent)
January 2019	Director, Polaris Capital Group Co., Ltd. (incumbent) Director and Chair, Polaris Advisors Co., Ltd. (incumbent)
April 2019	Director, Hitachi Automotive Systems Measurement, Ltd. (incumbent)

Haruo Kawahara (Date of birth: March 9, 1939)

June 1996	Director and General Planning Manager, Delegation, TOSHIBA CORPORATION
June 1997	Executive Director, TOSHIBA CORPORATION
July 2000	Advisor, TOSHIBA CORPORATION Senior Advisor, Ripplewood Japan
June 2002	President, Representative Director of the Board and Executive Officer CEO, Kenwood Corporation (currently JVC KENWOOD Corporation)
June 2007	Chair and Representative Director of the Board, Kenwood Corporation (currently JVC KENWOOD Corporation)

October 2008	Chair, Representative Director of the Board and Executive Officer CEO, JVC KENWOOD Holdings, Inc. (currently JVC KENWOOD Corporation) Representative Director of the Board, Victor Company of Japan, Limited (currently JVC KENWOOD Corporation)
June 2009	Chair and President, Representative Director of the Board and Executive Officer CEO, JVC KENWOOD Holdings, Inc.
May 2011	Chair, Representative Director of the Board and Executive Officer Responsible for Integrated Management, JVC KENWOOD Holdings, Inc.
June 2012	Representative Director and Chair of the Board, JVC KENWOOD Corporation
November 2013	Representative Director and Chair of the Board and Executive Officer CEO, JVC KENWOOD Corporation
May 2014	Chair, Representative Director of the Board and Executive Officer CEO, JVC KENWOOD Corporation
February 2017	Senior Industrial Partner, Aspirant Group Inc. (incumbent)
March 2017	Director of the Board Responsible for Management Strategy and Policy, ZMP INC.
February 2018	Director of the Board, SORD CORPORATION

* JVC Kenwood Holdings, Inc., which was established in October 2008, changed its name to JVC KENWOOD Corporation in August 2011, and merged its subsidiaries including Kenwood Corporation and Victor Company of Japan, Limited in October 2011.

Kenichi Fukuhara (Date of birth: April 19, 1951)

April 1976	Joined Nomura Securities Co., Ltd.
December 1980	Assigned to Nomura International Ltd., London
June 1986	Sales Manager of Stocks, Nomura International Ltd., London
June 1988	Manager, Corporate Sector, Nomura Securities Co., Ltd.
June 1991	Assistant General Manager, Business Corporate Department, Nagoya Branch, Nomura Securities Co., Ltd.
June 1995	Office Head, International Projects, Headquarters, Nomura Securities Co., Ltd.
June 1998	Department Head, Sales Department for Institutional Investors, Headquarters, Nomura Securities Co., Ltd.
June 2000	Head of Financial Research Center and Head of Investment Research Department, Headquarters, Nomura Securities Co., Ltd.
July 2000	Director, Nomura Securities Co., Ltd.
June 2003	Executive Officer, Nomura Securities Co., Ltd. Executive Officer, Nomura Holdings, Inc.
April 2004	Corporate Senior Executive Vice President, Benesse Corporation (currently

Benesse Holdings, Inc.)
Vice President and Director, Benesse Style Care Co., Ltd.
June 2004 Corporate Senior Executive Vice President, Benesse Corporation
Representative Director and President of Benesse Style Care Co., Ltd.
April 2007 Representative Director, Vice Chair and Deputy CEO, Benesse Corporation
June 2007 Representative Director, Vice Chair and Deputy CEO, Benesse Corporation
Chair of the Board and CEO, Berlitz International, Inc.
October 2009 Representative Director, Vice President and CFO, Benesse Holdings, Inc.
October 2012 Vice Chair of the Board, Fukutake Foundation
October 2014 Representative Director, Vice President, CAO and CFO, Benesse Holdings,
Inc.
April 2015 Representative Director, Vice President and CAO, Benesse Holdings, Inc.
November 2015 Member of the Board, Benesse Foundation for Children (incumbent)
June 2016 Representative Director, Benesse Holdings, Inc.
Chair of the Board and CEO, Berlitz Corporation
October 2016 Representative Director, Vice Chair and Head of Language Learning
Company, Benesse Holdings, Inc.
Outside Director of the Board, Simul International, Inc. (incumbent)
August 2017 Representative Director and Vice Chair, Benesse Holdings, Inc. (incumbent)
Chair of the Board, Berlitz Corporation (incumbent)

Yo Takeuchi (Date of birth: July 14, 1949)

April 1973 Ministry of Finance
July 2002 Director-General of the Kanto Local Finance Bureau, Ministry of Finance
August 2005 Director-General of the Customs and Tariff Bureau, Ministry of Finance
August 2006 President, Development Bank of Japan Inc.
October 2008 Director, Managing Executive Officer and CFO, Development Bank of Japan
Inc.
June 2013 Outside Director, SHIMIZU CORPORATION
April 2014 Visiting Attorney, Sidley Austin Nishikawa Foreign Joint Law Enterprise, Inc.
(incumbent)
June 2014 Outside Auditor, PRONEXUS INC. (incumbent)
February 2016 Representative Director and President, ALL Nippon Asset Management Co.,
Ltd. (incumbent)
July 2017 Outside Director, Everglory Group Pte, Ltd. (incumbent)

* Mr. Takeuchi is retiring as Director of SHIMIZU CORPORATION at the time of the annual general meeting of shareholders that is scheduled to be held in June 2019.

Tamio Uchibori (Date of birth: September 6, 1952)

April 1977	MinebeaMitsumi Inc.
November 1982	Seconded to US subsidiary, MinebeaMitsumi Inc.
May 1988	Seconded to European subsidiary, MinebeaMitsumi Inc.
December 2003	Business Administration Manager, MinebeaMitsumi Inc.
June 2007	Executive Officer, General Planning Manager of Business Department, MinebeaMitsumi Inc.
June 2011	Managing Executive Officer, MinebeaMitsumi Inc.
May 2012	Deputy in Charge of Management, Planning and Accounting, and Management Planning Manager, MinebeaMitsumi Inc.
June 2013	Director, Senior Managing Executive Officer and Management Planning Manager, MinebeaMitsumi Inc.
June 2016	Director, Senior Managing Executive Officer and General Manager of Management Planning Department, MinebeaMitsumi Inc.
July 2018	Senior Director, MinebeaMitsumi Inc.

Teruo Suzuki (Date of birth: October 21, 1949)

1973	Tokyo Office, Arthur Andersen & Co
1989	Representative Member, Eiwa Audit Corporation (Arthur Andersen)
1993	Representative Member, Asahi Audit Corporation
1997	Manager of Business Accounting Council, Ministry of Finance (until August 1998)
1999	Member of Committee for Second-Stage of Certified Public Accountant Examination, Financial Services Agency (until October 2002)
2003	Headquarters Director, Asahi Audit Corporation
2004	Headquarters Director, AZSA & Co (currently KPMG AZSA LLC)
2005	General Manager of Management Reform Support Department, AZSA & Co Temporary Member of Internal Control Department of Business Accounting Council, Financial Services Agency (until March 2016)
2006	Senior Director and General Manager of RA, AZSA & Co
2010	Deputy Director, AZSA & Co (until August 2011)
June 2012	Retired from AZSA & Co Outside Auditor, Kao Corporation (until March 2016)
June 2013	Outside Auditor, KUBOTA Corporation (until March 2019)

Kaoru Onimaru (Date of birth: February 7, 1949)

1973	Legal Apprentice (27 th class)
1975	Registered as attorney-at-law with Yamanashi Prefecture Bar Association
1978	Registered as attorney-at-law with Tokyo Bar Association
1991	Member of Education Board of Suginami, Tokyo
1994	Instructor of Civil Lawyering, Legal Training and Research Institute of Japan
1997	Member of Board of Review, Pharmaceuticals PL Center
1998	Judicial Commissioner, Tokyo Summary Court Conciliation Commissioner, Tokyo Family Court
1999	Deputy Chair, Japan Women's Bar Association
2001	Director, BOT Lease Servicer Co., Ltd.
2004	Member of Central Minimum Wages Council, Ministry of Health, Labor and Welfare Auditor-secretary, ZEN-NOH
2007	Member of Personnel Council (Chair of Fair Personnel Subcommittee), Ministry of Defense Member of Quality of Life Council, Cabinet Office
2008	Member of Labor Insurance Appeal Committee, Ministry of Health, Labor and Welfare
2013	Justice of the Supreme Court (until February 2019)

Kazuhiko Otsubo (Date of birth: July 8, 1958)

April 1981	Joined the Company
April 2003	Executive Officer and Kyushu Branch Manager of Sales Department, TOSTEM Corporation (currently LIXIL Corporation)
October 2006	Executive Officer and Chubu Branch Head of Sales Department, TOSTEM Corporation
October 2008	Executive Officer and Deputy General Manager of Sales Department, TOSTEM Corporation
April 2009	Managing Executive Officer and Deputy General Manager of Sales Department, TOSTEM Corporation
April 2011	Managing Executive Officer and Sash Route General Manager Sales Department, Sales Company, LIXIL Corporation
October 2014	Managing Executive Officer and Kansai Branch Head of LIXIL Japan Company, LIXIL Corporation
July 2016	Senior Officer and LIXIL Japan Company COO, LIXIL Corporation
October 2016	Executive Officer and Vice President Responsible for Domestic Sales, the Company

June 2017 Director, Vice President and LIXIL Japan Company CEO, LIXIL Corporation
Executive Officer and Vice President Responsible for Domestic Sales, the Company

June 2018 Representative Director, Vice President and LIXIL Japan Company CEO, LIXIL Corporation
Executive Officer and Vice President Responsible for Sales and Domestic Subsidiaries, the Company (incumbent)

November 2018 Representative Director, President, COO and LIXIL Japan Company CEO, LIXIL Corporation (incumbent)

End

(Attachment)

May 13, 2019

To the board of directors of LIXIL Group Corporation

LIXIL Group Corporation Nomination Committee

Decision on Director Candidates and Nomination Reasons and Recommendations

The LIXIL Group Corporation nomination committee (below, the “**Nomination Committee**”) has decided in its meeting held on May 12, 2019 on the director candidates for the Company’s board of directors (the “**Board**”) to be proposed to the annual general meeting of shareholders scheduled to be held in June 2019 (below, the “**AGM**”). The Nomination Committee has reached this decision through the selection of director candidates from the perspective of maintaining and improving the Company’s medium to long-term corporate value from a viewpoint fully independent from the management and majority shareholders of the Company and in consideration of the results of independent engagement with institutional shareholders as necessary.

Further, in making this decision, the Nomination Committee considered the basic views on the Company’s business execution framework including the representative executive officers (president and CEO) following the AGM, and it also makes the following recommendation accordingly.

The Company has received a shareholder proposal from incumbent directors and is currently in an extraordinary situation where a struggle for management power is intensifying. We would like to note that in making a decision on the director candidates, each member of the Nomination Committee fully recognized the importance of his/her responsibility and mission as a director and conducted serious consideration from the perspective of “securing the corporate value and common interest of shareholders” to disperse the turmoil as early as possible.

After serious deliberation, the Nomination Committee has concluded that the Company’s proposed director candidates should be renewed with no incumbent directors being included. This decision was made as a result of robust corporate governance reform initiatives, which seek to enhance governance practices and structure at the Company. Among these initiatives, the Nomination Committee has implemented two-way dialogue between the Company’s outside directors and its largest shareholders that have expressed their opinions on the Company’s governance. During the course of this dialogue, many shareholders communicated the desire for a Board that is able to provide strong and independent oversight over the Company’s management and the execution of a long-term strategy that will create shareholder value. Election of the Company’s candidates will transform and significantly enhance the independence of the Board, as well as introduce fresh perspectives.

Details

1. **Basic stance towards the structure of the Board**

➤ Separation of supervision and business execution

Because the Company has adopted the structure of a company with three committees, it is important to observe the mutual allocation of authority between each organization that has adopted this governance structure while thoroughly enforcing the separation between the supervision function and business execution function and establishing a structure that can effectively achieve the Company's Corporate Governance Guidelines.

➤ Increasing the ratio of outside directors

Because it is currently important to promptly gain control over the series of disturbances related to the Company's management and necessary to establish an objective and powerful oversight structure for management to maintain and improve the Company's medium to long-term corporate value, a Board composed of a majority of outside directors should be formed at this AGM.

➤ Size of the Board

In terms of the appropriate size of the Board, it should basically be about eight members from the perspective of ensuring effective oversight of the Company's global business expansion and prompt decision making as a pure holding company as well as eliminating the risk of future internal conflict and management turmoil which may result from an oversized Board.

➤ Selection of director candidates in consideration of engagement with institutional shareholders and stakeholders

In the selection of director candidates at the AGM, an approach should be taken of adopting a composition of the Board that takes into sufficient consideration the Company's specific management challenges and qualities (skill sets) required to address these challenges. At that time, it is preferable to select director candidates while also taking into consideration engagement with major institutional shareholders in sufficient consideration of the intent to ensure effective governance through engagement between companies and investors under the Corporate Governance Code.

The Nomination Committee has received reports as appropriate on results of engagement with investors conducted by the Company's Investor Relations Office and also independently conducted engagement with major institutional shareholders that have expressed opinions regarding the Company's governance. In addition, internal engagement has been conducted within the scope necessary with key executives and officers from the perspective of the continuity and stability of management.

In addition, the results of the self-assessment on the effectiveness of the Board that the Company has conducted annually (the latest was the director survey with respect to the fiscal year ended March 31, 2018) should be utilized.

Considering the unique management challenges the Company is currently facing and the results of the shareholder engagement and the self-assessment on the effectiveness of the Board described above, the Nomination Committee believes that the following points are particularly important as the functions required of the Board and qualities (skill sets) required of director candidates.

Functions required of the Board and qualities (skill sets) required of director candidates:

- ✓ Board structure centered around outside directors (independence from business execution, elimination of the influence of the founding family, decrease of the number of non-executive internal directors)
- ✓ Appointment of people with management experience at listed companies, particularly in the manufacturing industry (people with experience as president or CEO)
- ✓ Knowledge and experience concerning risk management related to overseas M&A, overseas businesses and overseas subsidiaries
- ✓ People with experience as president or CEO of a major holding company
- ✓ Securing continuity of management
- ✓ Knowledge concerning finance and accounting
- ✓ Revamping internal control (enhancing cooperation between members of the audit committee, internal audit division and statutory auditors of subsidiaries in light of the occurrence of inappropriate transactions at one of the Company's subsidiaries)
- ✓ Diverse composition of the Board (diversity in terms of gender, areas of expertise and other background aspects)

2. Names of director candidates for the AGM selected by the Nomination Committee and reasons for the nomination

- Director candidates for the AGM (the Company's proposal)

In light of section 1 above, the Nomination Committee has decided to propose the eight candidates stated in Appendix 1 as the director candidates to be proposed by the Company to the AGM. In the process of selecting these candidates, the Nomination Committee independently held interviews with all candidates in the Company's proposal and all candidates for outside directors in the shareholder proposal in preparation for the AGM (the "**Shareholder Proposal**").

- Names of candidates for outside directors and reasons for nomination

➤ Zenji Miura (candidate for outside director)

- Mr. Miura has served in positions including president and CEO at Ricoh Company, Ltd., and as director, president, chair and CEO at its overseas affiliates, and has been involved in the management of a listed company engaged in a global business for many years.
- In addition to abundant experience and a broad range of insight as a corporate manager, he also has a track record as a CFO (Chief Financial Officer) and CSO (Chief Strategy Officer).
- Ricoh Company, Ltd. does not constitute a major business partner or major shareholder, and Mr. Miura is determined to have a high level of independence from the Company.
- Based on the above, the Nomination Committee believes the aforementioned qualities (skill set) provided by Mr. Miura are necessary for the Board to build the best governance structure, so the Nomination Committee has decided to nominate (as a Company nominee) Mr. Miura as a director candidate to be proposed by the Company at the AGM.

➤ Haruo Kawahara (candidate for outside director)

- Mr. Kawahara has served in positions including director, chair, president of the board of directors and chief executive officer at JVC KENWOOD Corporation, and has been involved in the management of a listed company engaged in a global business for many years.
- He has abundant experience and a broad range of insight as a corporate manager, and he can be expected to provide recommendations to the Board and contribute to the oversight function.
- JVC KENWOOD Corporation does not constitute a major business partner or major shareholder, and Mr. Kawahara is determined to have a high level of independence from the Company.
- Based on the above, the Nomination Committee believes the aforementioned qualities (skill set) provided by Mr. Kawahara are necessary for the Board to build the best governance structure, so the Nomination Committee has decided to nominate (as a Company nominee) Mr. Kawahara as a director candidate to be proposed by the Company at the AGM.

➤ Kenichi Fukuhara (candidate for outside director)

- Mr. Fukuhara has served in positions including representative director, president and vice chair, as well as chair of the board of overseas group companies at Benesse Holdings, Inc., and has been involved in the management of a listed company engaged in a global business for many years.

- In addition to abundant experience and a broad range of insight as a corporate manager, he also has a track record as a CFO and experience in overseas business strategy and overseas business risk management.
- Benesse Holdings, Inc. does not constitute a major business partner or major shareholder, and Mr. Fukuhara is determined to have a high level of independence from the Company.
- Based on the above, the Nomination Committee believes the aforementioned qualities (skill set) provided by Mr. Fukuhara are necessary for the Board to build the best governance structure, so the Nomination Committee has decided to nominate (as a Company nominee) Mr. Fukuhara as a director candidate to be proposed by the Company at the AGM.

➤ Yo Takeuchi (candidate for outside director)

- Mr. Takeuchi has served in public positions including Director-General of the Kanto Local Finance Bureau and Director-General of the Customs and Tariff Bureau, and has been involved with financial administration for many years.
- He has served as director, managing executive officer and CFO at the Development Bank of Japan Inc., and has abundant experience and advanced knowledge concerning financial policy and finance as well as corporate risk management.
- Because the Company group's loan balance with the Development Bank of Japan Inc. was minimal as of March 31, 2019, it is not recognized as a financial institution the Company group is reliant on due to the lack of alternative means of financing, and Mr. Takeuchi is determined to have a high level of independence from the Company.
- Based on the above, the Nomination Committee believes the aforementioned qualities (skill set) provided by Mr. Takeuchi are necessary for the Board to build the best governance structure, so the Nomination Committee has decided to nominate (as a Company nominee) Mr. Takeuchi as a director candidate to be proposed by the Company at the AGM.

➤ Tamio Uchibori (candidate for outsider director)

- As director and senior managing executive officer at MinebeaMitsumi, Inc., he has a wealth of knowledge and experience in the management of global manufacturers such as being responsible for the key corporate planning and M&A strategies at the company.
- Mr. Uchibori has expertise as a licensed tax accountant (*zeirishi*) in tax matters.
- MinebeaMitsumi, Inc. also does not constitute a major business partner or major shareholder, and Mr. Uchibori is determined to have a high level of independence from the Company.

- Based on the above, the Nomination Committee believes the aforementioned qualities (skill set) provided by Mr. Uchibori are necessary for the Board to build the best governance structure, so the Nomination Committee has decided to nominate (as a Company nominee) Mr. Uchibori as a director candidate to be proposed by the Company at the AGM.

➤ Teruo Suzuki (candidate for outside director)

- AZSA & Co (a member of the KPMG Group), where Mr. Suzuki previously held multiple key roles, has a business relationship with the Company such as in the advisory business for the finance and tax areas, so Mr. Suzuki corresponds to the definition of “a person receiving monetary payments or other financial assets of ¥10 million or more from the Group as a professional advisor” prescribed in the independence criteria of Item 28 of the Company’s Corporate Governance Guidelines. However, Mr. Suzuki left AZSA & Co in June 2012, so seven years will have lapsed since he left office as at the time of the AGM (in the Company’s Corporate Governance Guidelines, a person is considered to be independent in accordance with the independence criteria unless such a position has been held during the past five years).
- Mr. Suzuki has a high level of expertise in financial accounting, having been engaged in working on the audits of listed companies for many years at major auditing corporations. He is expected to strengthen the function of the Board.
- While the Shareholder Proposal proposed that “the eight director candidates all be nominated as candidates in one batch without any candidate being omitted”, the proposals regarding election of directors comprise independent items for each respective candidate for approval by a majority of those with voting rights, which requires a legally valid resolution.
- Based on the above, the Nomination Committee believes the aforementioned qualities (skill set) provided by Mr. Suzuki are necessary for the Board to build the best governance structure, so the Nomination Committee has decided to nominate (as a Company nominee) Mr. Suzuki as a director candidate to be proposed by the Company at the AGM.

➤ Kaoru Onimaru (candidate for outside director)

- On top of a long career as a lawyer and as a legal specialist, she has been involved in important matters as a judge of the Supreme Court (from 2013 to February 2019).
- She has independence as an outside director and is expected to fully fulfill the supervisory function.
- She is expected to strengthen the function of the Board from perspectives such as her complete awareness of the Company’s compliance requirements and for securing diversity on the Board.

- While the Shareholder Proposal proposed that “the eight director candidates all be nominated as candidates in one batch without any candidate being omitted”, the proposals regarding election of directors comprise independent items for each respective candidate for approval by a majority of those with voting rights, which requires a legally valid resolution.
 - Based on the above, the Nomination Committee believes the aforementioned qualities (skill set) provided by Ms. Onimaru are necessary for the Board to build the best governance structure, so the Nomination Committee has decided to nominate (as a Company nominee) Ms. Onimaru as a director candidate to be proposed by the Company at the AGM.
- Name of candidates for inside director and reasons for nomination
- Kazuhiko Otsubo (candidate for inside director)
 - Mr. Otsubo is the head of management of LIXIL Corporation, the largest operating company within the group of LIXIL Group Corporation.
 - Mr. Otsubo has continuously occupied important positions of the Company since he joined as full-time employee in 1981 and is known by a wide range of our customers in relation to the Company’s two core businesses (water technology and housing technology). Mr. Otsubo is a candidate who is anticipated to make the biggest contribution to the continuity and stabilization of the Company’s sales activities and business environment.
 - Since Mr. Otsubo was appointed president and COO of LIXIL Corporation in November 2018, he has successfully turned around earnings that had deteriorated in the first half.
 - Based on the above, the Nomination Committee believes the aforementioned qualities (skill set) provided by Mr. Otsubo are necessary for the Board to build the best governance structure, so the Nomination Committee has decided to nominate (as a Company nominee) Mr. Otsubo as a director candidate to be proposed by the Company at the AGM.

3. Reasons for not nominating some of the director candidates under the Shareholder Proposal (six of the eight excluding Ms. Onimaru and Mr. Suzuki)

- **Reasons for not nominating some of the director candidates under the Shareholder Proposal (general statement)**

Regarding six out of the eight director candidates under the Shareholder Proposal, they will not be included in the Nomination Committee’s director candidates for the below reasons:

- The Shareholder Proposal, which is pre-supposing that from the current point in time, a specific director candidate would be appointed / selected as CEO etc., has caused doubts to be raised regarding the fundamental comprehension of the state of governance in a company with committees.

(In light of the relevant laws, the management system of the Company including the CEO after the AGM, should be appointed / selected under the responsibility of the Nomination Committee and the newly formed Board.)

- The Shareholder Proposal is pre-supposing that “the eight director candidates, without exception will all become company nominees”; however, under due diligence, a director should bear an individual and independent obligation towards a company, and further there is a premise that from the current point in time the CEO appointed / selected will be a specific director candidate (a shareholder that is making the Shareholder Proposal). Thus, concerns about collusion cannot help being felt for this proposal, which almost seems as if solidarity was planned from the start.
- The director candidates and the composition of the board under the Shareholder Proposal have many sections that can be seen to not match with section 1 above.
- It can be seen that there is not sufficient rational reasoning to nominate the director candidates under the Shareholder Proposal as Company-proposed candidates.

- **Reasons for not nominating some of the director candidates under the Shareholder Proposal (reasons by candidate)**

- Kinya Seto (candidate for internal director)
 - The mid-term business plan (from fiscal year 2019 to 2021) instituted / promoted while Mr. Seto was CEO placed increasing profit margins as top priority; however, net operating profit for the second quarter of April 2018 to September 2018 (six months) was ¥13.8 billion, a significant year-on-year reduction of ¥26.9 billion (66.1%). This in turn lead to the Company’s share price, TSR (Total Shareholder Return) and other key performance indicators to fall well below market averages.
 - As of the present moment in time directors have not been newly assigned at the AGM; however, Mr. Seto has made remarks with the premise that he himself will be assigned / selected as CEO, which has caused doubts to be raised regarding the fundamental comprehension of the state of governance in a company with committees. (In light of the relevant laws, the management system of the Company, including the CEO after the AGM, should be appointed / selected under the responsibility of the Nomination Committee and the newly formed Board.)
 - Based on the above, the Nomination Committee has decided not to propose Mr. Seto as a director candidate (Company nominee) at the AGM.
- Keiichiro Ina (candidate for internal director)
 - As stated in section 1 above, reflecting on the current conditions surrounding the Company, having a board composition focused on highly independent outside directors will display a

strong supervisory function, and is strongly expected to bring order to the management chaos; therefore, the need to appoint an internal non-management director is decreasing relatively.

- Although directors are not prohibited from expressing opinions regarding management within a certain scope, or from exercising rights as shareholders, based on consideration at the board level and other accepted rights as directors, they are seen as having responsibility for the fulfillment of governance and to work to increase corporate value. However, Mr. Ina has made public statements several times regarding the internal situation of the Board, as well as his own thoughts regarding the Company's governance, which has fueled management chaos. Mr. Ina cannot necessarily be evaluated as someone who fulfilled his duties as a director. Due to support for a certain person as a representative executive officer, breaching the duty of confidentiality as a director and widely stating his opinion to outside sources to overturn the conclusion made at a Board meeting comprised of directors that have gained the confidence of shareholders, this has caused doubts to be raised as to Mr. Ina's capacity as a director.
- Mr. Ina has held office as a director of the Company for 18 years; in accordance with the standard number of years in office requested by typical institutional shareholders to guarantee the effectiveness of supervisory functions (around 8–12 years), there are doubts as to whether Mr. Ina can fulfill a supervisory function.
- Based on the above, the Nomination Committee has decided not to propose Mr. Ina as a director candidate (Company nominee) at the AGM.

➤ Ryuichi Kawamoto (candidate for internal director)

- As stated in section 1 above, reflecting on the current conditions surrounding the Company, having a board composition focused on highly independent outside directors will display a strong supervisory function, and is strongly expected to bring order to the management chaos; therefore, the need to appoint an internal non-management director is decreasing relatively.
- Although directors are not prohibited from expressing opinions regarding management within a certain scope, or from exercising rights as shareholders, based on consideration at the board level and other accepted rights as directors, they are seen as having responsibility for the fulfillment of governance and to work to increase corporate value. However, Mr. Kawamoto has made public statements several times regarding the internal situation of the Board, as well as his own thoughts regarding the Company's governance, which has fueled management chaos. Mr. Kawamoto cannot necessarily be evaluated as someone who fulfilled his duties as a director. Due to support for a certain person as a representative executive officer, breaching the duty of confidentiality as a director and widely stating his opinion to outside sources to overturn the conclusion made at a Board meeting comprised of directors that have gained the confidence of shareholders, this has caused doubts to be raised as to Mr. Kawamoto's capacity as a director.

- Based on the above, the Nomination Committee has decided not to propose Mr. Kawamoto as a director candidate (Company nominee) at the AGM.

➤ Satoshi Yoshida (candidate for internal director)

- It has only been one year since Mr. Yoshida was newly appointed as vice executive director of the operating company (LIXIL Corporation). In this position, there have been no remarkable contributions to date, and Mr. Yoshida's global business integration experience is seen as insufficient. When comparing Mr. Yoshida's career and skill set with that required of a director candidate as outlined in section 1 above, it can be seen that this is not necessarily a suitable appointment.
- Based on the above, the Nomination Committee has decided not to propose Mr. Yoshida as a director candidate (Company nominee) at the AGM.

➤ Yuji Nishiura (candidate for outside director)

- Sumitomo Mitsui Trust, where Mr. Nishiura has been chair and CEO for three years since 2015, is a related company of, and 100% financed by, Sumitomo Mitsui Trust Bank, which is the principal creditor of the Company. As of the end of fiscal year 2019, the Company's debt balance to Sumitomo Mitsui Trust Bank stands at ¥205 hundred million. Sumitomo Mitsui Trust Bank is essential to the Company's fund-raising and is a financial institution which the Company is irreplaceably dependent on.
- Mr. Nishiura has been an advisor of Sumitomo Mitsui Trust since 2015 until now.
- In other words, there are concerns regarding the independence of Mr. Nishiura as an outside director.
- Based on the above, the Nomination Committee has decided not to propose Mr. Nishiura as a director candidate (Company nominee) at the AGM.

➤ Daisuke Hamaguchi (candidate for outside director)

- The Pension Fund Association (PFA), where Mr. Hamaguchi has worked for 10 years as management execution director and chief investment officer since 2009, is a large pension fund which holds / manages shares through internal investment management and outsourced investment management institutions. Through the internal investment management and outsourced investment management it also holds / manages shares of the Company.
- According to the PFA's Management Status Explanatory Document (the latest version publicly available on the PFA's website, 2017 version), seven management institutions are selected as outsourcers for management of domestic stocks, and it was confirmed that three of the

aforementioned management institutions were institutional shareholders that are currently investing in the Company's shares.

- The retirement of Mr. Hamaguchi from the PFA was a recent event that occurred in April 2019.
- Mr. Hamaguchi has been the chair of the Institutional Investors Collective Engagement Forum (IICEF) since 2019. The purpose of the IICEF is to preside over “institutional investor collective engagement programs.” From the viewpoint of presiding over joint engagement of institutional investors who participate in the forum with companies, it cannot be denied that there is concern regarding the possibility of conflicts of interest with certain institutional shareholders as well as the possibility of conflicts of interest arising between general shareholders.
- In view of the above, taking into comprehensive consideration the investment performance and investment management structure of the PFA, the timing of retirement from the PFA and relationships of interest with specific institutional investors through activities in the IICEF etc., the Nomination Committee, while highly evaluating the knowledge and expertise of Mr. Hamaguchi in the capital market, cannot dismiss the possibility of conflicts of interest occurring between the position of Mr. Hamaguchi and general shareholders, or the possibility that the Company may not be able to ensure objectivity and fairness in decisions on the exercise of voting rights of investment institutions to which the PFA entrusts business. Therefore, the Nomination Committee believes there are questions concerning the appointment of Mr. Hamaguchi as an outside director, and has made a decision to refrain from selecting him as a director candidate (Company nominee) at the AGM.

4. Basic views on the executive framework including representative executive officers (president and CEO) following the AGM

- Bearing in mind that the Company is a company with committees including the Nomination Committee, the executive framework of the Company including the representative executive officers (president and CEO) following the AGM should be nominated and elected at the responsibility of the newly formed Board and Nomination Committee. Further, making decisions on this new executive framework is a task that should be given the highest priority by the Board and Nomination Committee following the AGM.
- In addition, from the perspective of maintaining and improving the Company's corporate value, it is necessary to have a smooth transition from the current executive framework to the new executive framework and to ensure continuity and stability of the Company's execution of business. Therefore, the Nomination Committee, while engaging in discussions with the director candidates (Company nominees) decided by the Nomination Committee, also intends to proceed with a review at the same time and to pass on the results of that review to the newly formed Board and Nomination Committee.

Candidates Proposed by the Company

Name	Outside/Internal	Current Position & Former Position	Note
Zenji Miura	Outside Director	Former representative director, president and CEO of Ricoh Co., Ltd.	
Haruo Kawahara	Outside Director	Former chair of the board of directors and CEO of JVC Kenwood Corporation	
Kenichi Fukuhara	Outside Director	Representative director and vice chair of Benesse Holdings, Inc.	
Yo Takeuchi	Outside Director	Former Kanto Local Finance Bureau Director-General; former Development Bank of Japan director	
Tamio Uchibori	Outside Director	Former director and senior managing executive officer of MinebeaMitsumi Inc., licensed tax accountant	
Teruo Suzuki	Outside Director	Former deputy chair of KPMG AZSA LLC, certified public accountant	*
Kaoru Onimaru	Outside Director	Former Supreme Court Justice	*
Kazuhiko Otsubo	Internal Director	Current executive officer and vice president of the Company in charge of sales and domestic subsidiaries; current representative director, president and COO of LIXIL Corporation	

* Mr. Teruo Suzuki and Ms. Kaoru Onimaru are candidates proposed by both the Company and the shareholders.

Candidates Proposed by Shareholders

Name	Outside/Internal	Current Position & Former Position	Note
Yuji Nishiura	Outside Director	Former chair of Sumitomo Mitsui Trust Club Co., Ltd.	
Kaoru Onimaru	Outside Director	Former Supreme Court Justice	*
Teruo Suzuki	Outside Director	Former deputy chair of KPMG AZSA LLC, certified public accountant	*
Daisuke Hamaguchi	Outside Director	Previous chief investment officer of the Pension Fund Association	
Keiichiro Ina	Internal Director	Current director of LIXIL Group Corporation	
Ryuichi Kawamoto	Internal Director	Current director of LIXIL Group Corporation	
Satoshi Yoshida	Internal Director	Current director and senior managing director of LIXIL Corporation	
Kinya Seto	Internal Director	Current director and previous CEO of LIXIL Group Corporation	

* Mr. Teruo Suzuki and Ms. Kaoru Onimaru are candidates proposed by both the Company and the shareholders.

End