

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



March 23, 2020

LIXIL Group Corporation
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Notification Regarding Plans for Simplified and Short-Form Merger Between LIXIL Group Corporation and its 100% Subsidiary (LIXIL Corporation), Change of Company Name, and Partial Amendment of Articles of Incorporation

Following the "Notification Regarding Start of Consideration of Merger between LIXIL Group Corporation and its subsidiary" dated January 27, 2020, LIXIL Group Corporation (hereinafter "LGC") hereby announces that its Board of Directors has today approved the merger between LGC, the holding company, and LIXIL Corporation (hereinafter "LIXIL"), its 100% subsidiary. LGC will be the surviving company (hereinafter the "Merger") following the conclusion of the merger contract, which will be effective from December 1, 2020. Since the company is pursuing an absorption-type merger of a fully owned subsidiary of LGC, some of the content and details for disclosure have been abbreviated.

In addition, the Board of Directors today resolved that LGC will submit a request to change the name of the surviving company to LIXIL Corporation through a partial amendment of the Articles of Incorporation at the Annual General Meeting of Shareholders, which will be held in June 2020. The Board of Directors also resolved that LGC will integrate the management of both companies in advance of the Merger. This transition will be effective April 1, 2020.

The details are as follows:

1. Purpose of the Merger

LIXIL Group's aim is to be an entrepreneurial company that can achieve sustainable competitiveness and growth in order to fulfill its corporate purpose to contribute to society by making better homes a reality for everyone, everywhere. To achieve this aim, the company is taking steps to transform its operations,

including strengthening governance, enhancing productivity and efficiency, as well as becoming a more agile organization that enables better decision-making.

Since 2001, under the former Tostem Inax Holding Corporation, LIXIL Group adopted a holding company structure to optimize overall operations while maintaining cooperation between each operating company. This structure was continued when LIXIL was established following the integration of five major operating companies in 2011. However, as LIXIL Group's strategy has evolved, it must now place a greater focus on actively managing its core businesses and driving synergies across these business areas to accelerate growth. This is in line with the announcement of July 22, 2019 ("Announcement Regarding Management's Future Direction"), which stated that the highest priority of the current executive officers and board of directors is to enhance corporate value by focusing on LIXIL's core businesses inside and outside of Japan.

By dissolving the two-tier structure of LGC and LIXIL, LIXIL Group will improve efficiency by eliminating duplication of management, operating costs and human resources. This change will enable faster decision-making, as well as improve corporate governance by simplifying the group management system and increasing the transparency of management.

Based on these considerations, the Board of Directors has today resolved to conduct an absorption-type merger of LIXIL.

2. Method and the timing of the completion of the Merger

(1) Key dates of the Merger

Board resolution	March 23, 2020
Conclusion of the merger contract	March 23, 2020
Schedule date of the merger (Effective date)	December 1, 2020 (Plan) (Note 1)
Change of company name of surviving company	December 1, 2020 (Plan) (Note 2)

(Note 1) According to regulations governing short-form mergers in Item 2, Article 796 for LGC, and Item 1, Article 784 of Japanese corporate law governing simplified mergers for LIXIL, the simplified and short-form merger between LGC and LIXIL, which is a fully owned subsidiary under LGC, can be conducted without seeking approval at the Annual General Meeting of Shareholders.

(Note 2) The change of the company name of the surviving company is subject to the approval of partial amendment of the Articles of Incorporation at the Annual General Meeting of Shareholders of LGC, which will be held in June 2020, and the completion of the procedures required for the Merger.

(2) Method of the Merger

Using the "merger by absorption" method, LGC will become the surviving company and LIXIL will be dissolved.

(3) Details of allocations related to the Merger

The Merger will not result in any allocation of shares or other assets.

(4) Handling of share options and bonds with share options related to the Merger

Not applicable.

3. Overview of the companies to be merged

(1) Name of the company	LIXIL Group Corporation	LIXIL Corporation
(2) Major business	1) To control and manage the operations of the companies operating businesses relating to living spaces in Japan and foreign countries by obtaining and holding the shares or the equities in such companies. 2) To control and manage the operations of the companies operating business relating to the urban environment in Japan and foreign countries by obtaining and holding the shares or the equities in such companies.	To manufacture and sell building materials and housing equipment for housing and buildings, operate housing-related businesses as well as related services.
(3) Year of foundation	September 1949	October 2001
(4) Headquarters	Ojima 2-1-1, Koto-ku, Tokyo, JAPAN	Ojima 2-1-1, Koto-ku, Tokyo, JAPAN
(5) Representative	Kinya Seto	Kazuhiko Ootsubo
(6) Capital	JPY68,418 million	JPY34,600 million
(7) Outstanding shares	313,319,159 shares	650,649 shares

(8) Major shareholders and its % of shareholding (As of September 30, 2019) (Note) excluding treasury stock of 23,215 thousand shares.	The Master Trust Bank of Japan, Ltd. (Trust account)	6.17%	LIXIL Group Corporation	100%
	Japan Trustee Services Bank, Ltd. (Trust Account)	4.91%		
	State Street Bank Client Omnibus OM04	3.72%		
	(Standing Proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch) Other			
(9) Financial position and operating results for the latest fiscal year (March 2019)	IFRS (Consolidated)		JGAAP (Stand-alone)	
	Total equity (JPY million)	567,167	Total equity (JPY million)	134,964
	Total asset (JPY million)	2,059,544	Total asset (JPY million)	829,446
	Equity attributable to owners of the parent per share (BPS) (JPY)	1,839.59	Net asset per share (JPY)	207,430.08
	Revenue (JPY million)	1,832,608	Net Sales (JPY million)	883,231
	Operating loss (JPY million)	-15,029	Operating income (JPY million)	6,019
			Ordinary income (JPY million)	8,470
	Loss for the year attributable to owners of the parent (JPY million)	-52,193	Net loss (JPY million)	-79,642
	Basic loss per share (JPY)	-179.98	Loss per share (JPY)	-122,404.19

4. Change of the company name of the surviving company

(1) New company name

LIXIL Corporation

(2) Reason for the change

LGC will change its name to LIXIL Corporation, effective December 1, 2020 (plan), the effective date of the Merger. The Merger reflects the Company's strategic intent to place greater focus on actively managing its core businesses and driving synergies across these business areas to accelerate growth. Therefore, whereas the current name of LGC reflects the current holding group structure of the company, the new company name, LIXIL Corporation, more suitably reflects the simplified operating company it desires to become as a result of the Merger. LIXIL has been widely recognized as a reliable corporate brand because of its achievements in providing high-quality products and services that improve people's comfort and lifestyles, helping to make better homes a reality for everyone, everywhere.

(3) Effective date of the change

December 1, 2020 (Plan) (Note)

(Note) The change of the company name of the surviving company is subject to the approval of partial amendment of the Articles of Incorporation at Annual General Meeting of Shareholders, which will be held in June 2020, and the completion of the procedures required for the Merger.

5. Partial Amendment of the Articles of Incorporation

(1) Reason for the change

LGC will amend the Article 1 (Corporate Name) of the current Articles of Incorporation to change the company name as stated in "4. Change of the company name of the surviving company."

The change will take place on the effective date of the Merger (scheduled December 1, 2020), subject to the Merger becoming effective.

(2) Details of the amendment of the Articles of Incorporation

The details of the amendment are as follows:

(Underline denotes amendments)

Current	After amendment
Chapter 1 General Provisions (Corporate Name) Article 1 The name of the Company shall be <u>Kabushiki Kaisha LIXIL Group</u> . In English, the Company shall be called <u>LIXIL Group Corporation</u> .	Chapter 1 General Provisions (Corporate Name) Article 1 The name of the Company shall be <u>Kabushiki Kaisha LIXIL</u> . In English, the Company shall be called <u>LIXIL Corporation</u> .

6. Overview after the Merger (plan)

Due to the Merger, LGC will inherit the business of LIXIL as of the effective date. There will be no change to headquarters, representatives, capital and accounting period related to the Merger.

7. Shifting to integrated operations ,effective April 1, 2020, in advance of the Merger (future plan)

By dissolving the two-tiered structure of LGC and LIXIL, the company will accelerate its decision-making and business operations, along with its ability to respond to the rapidly changing business environment. Also, in order to improve corporate governance by increasing the transparency of management prior to the legal effect of the Merger scheduled for December 1, 2020, LIXIL Group will move away from its current holding group structure, which includes LIXIL as its core operating company, and begin operating a more agile integrated management structure with LIXIL from April 1, 2020.

While maintaining the independent legal status of LGC and LIXIL during this transition period, the business will operate with management holding concurrent positions and managing consolidated decision-making bodies. This approach allows the company to use the transition period of April 1, 2020 to December 1, 2020 to finalize all necessary integration details required to operate smoothly and effectively on the effective date of the Merger.

(Reference: Executive Officers of LIXIL Group Corporation and Directors and Corporate Auditors of LIXIL Corporation, Effective April 1, 2020)

Name	LIXIL Group Corporation			LIXIL Corporation	
	Directors	Executive Officers	Roles and Committees, etc.	Directors /Corporate Auditors	Roles, etc.
Kinya Seto	Director	Representative Executive Officer and President	Chief Executive Officer (CEO)	Representative Director, Chairman, President and CEO, Chairperson of the Board	
Sachio Matsumoto		Representative Executive Officer and Executive Vice President	Finance, Treasury, and M&A, Chief Financial Officer (CFO)	Representative Director and Executive Vice President	CFO
Hwa Jin Song Montesano		Executive Officer and Senior Managing Director	Human Resources, Public Affairs, Investor Relations, External Affairs, and Corporate Responsibility, Chief People Officer (CPO)	Director, Senior Managing Director	CPO
Yugo Kanazawa		Executive Officer and Senior Managing Director	Marketing, Digital, and IT, Chief Digital Officer (CDO)	Director, Senior Managing Director	CDO
Bijoy Mohan		Executive Officer and Senior Managing Director	LIXIL International	Director, Senior Managing Director	LIXIL International CEO

Name	LIXIL Group Corporation			LIXIL Corporation	
	Directors	Executive Officers	Roles and Committees, etc.	Directors /Corporate Auditors	Roles, etc
Satoshi Yoshida	Director	Executive Officer and Senior Managing Director	LIXIL Housing Technology (LHT) Japan	Director, Senior Managing Director	LHT Japan CEO
Hiroyuki Oonishi		Executive Officer and Senior Managing Director	LIXIL Water Technology (LWT) Japan	Director, Senior Managing Director	LWT Japan CEO
Shoko Kimijima		Executive Officer and Senior Managing Director	Legal and Compliance, Chief Legal & Compliance Officer (CLCO)	Director, Senior Managing Director	CLCO
Yuji Tsuboi				Corporate Auditor	
Zenji Miura	Outside Director		Chairperson of Audit Committee, Member of Compensation Committee	Corporate Auditor	
Teruo Suzuki	Outside Director		Chairperson of Governance Committee, Member of Audit Committee	Corporate Auditor	

Name	LIXIL Group Corporation			LIXIL Corporation	
	Directors	Executive Officers	Roles and Committees, etc.	Directors /Corporate Auditors	Roles, etc.
Daisuke Hamaguchi	Outside Director		Chairperson of Compensation Committee, Member of Audit Committee	Corporate Auditor	
Tamio Uchibori	Outside Director		Member of Audit Committee	Corporate Auditor	
Ryuichi Kawamoto	Director		Member of Audit Committee	Corporate Auditor	

(Note) The Directors and Executive Officers of LIXIL Group Corporation and LIXIL Corporation above constitute the management structure effective April 1, 2020, until the end of Annual General Meeting of Shareholders of LGC to be held in June 2020. Regarding the new management structure, which is directors and executive officers (proposal) after the Annual General Meeting of Shareholders of LGC to be held in June, please see "Notification Regarding Determination of Director Candidates, Election of Executive Officers, Change of Representative Executive Officer, and Partial Amendment of the Articles of Incorporation (Change in Term of Office of Executive Officers)" separately announced today.

8. Future outlook

(1) Impact on LIXIL Group's consolidated financial performance

As the considered merger is between LGC and its fully owned subsidiary, there will be no negative impact on LIXIL Group's consolidated financial performance.

(2) Impact on LIXIL Group's non-consolidated financial performance

At the timing when LGC conducts the absorption-type merger of LIXIL, LGC will record a "Gain / loss on extinguishment of tie-in shares" in LGC's individual accounts. The specific amount is unknown at this time because it varies depending on LIXIL's net assets immediately before the absorption-type merge.

However, the profit and loss will be eliminated in the consolidated financial statements, so there is no effect on LIXIL Group's consolidated financial statements.

LGC will announce any significant amounts that should be disclosed in the future regarding the impact on LIXIL Group's non-consolidated financial performance (JGAAP) once they are determined.

End

(SUPPLEMENTARY MATERIAL)
› REGARDING THE MERGER OF
LIXIL GROUP CORPORATION AND LIXIL CORPORATION



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STRENGTHENING GOVERNANCE THROUGH MERGER

■ Strengthen Monitoring and Supervision by the Board of Directors

✓ Pursue effectiveness of monitoring and supervision

In addition to monitoring and supervising the portfolio management of the holding company, the Board of Directors will also monitor and supervise the business operations

✓ Improve management transparency

By dissolving the two-tier structure, the Board of Directors will support the decisive management executions of LIXIL, the largest operating company in the Group

■ Strengthen Group companies' management and improve management efficiency

✓ Enable faster decision-making

✓ Eliminate duplication of management and human resources (reduce additional operating costs)

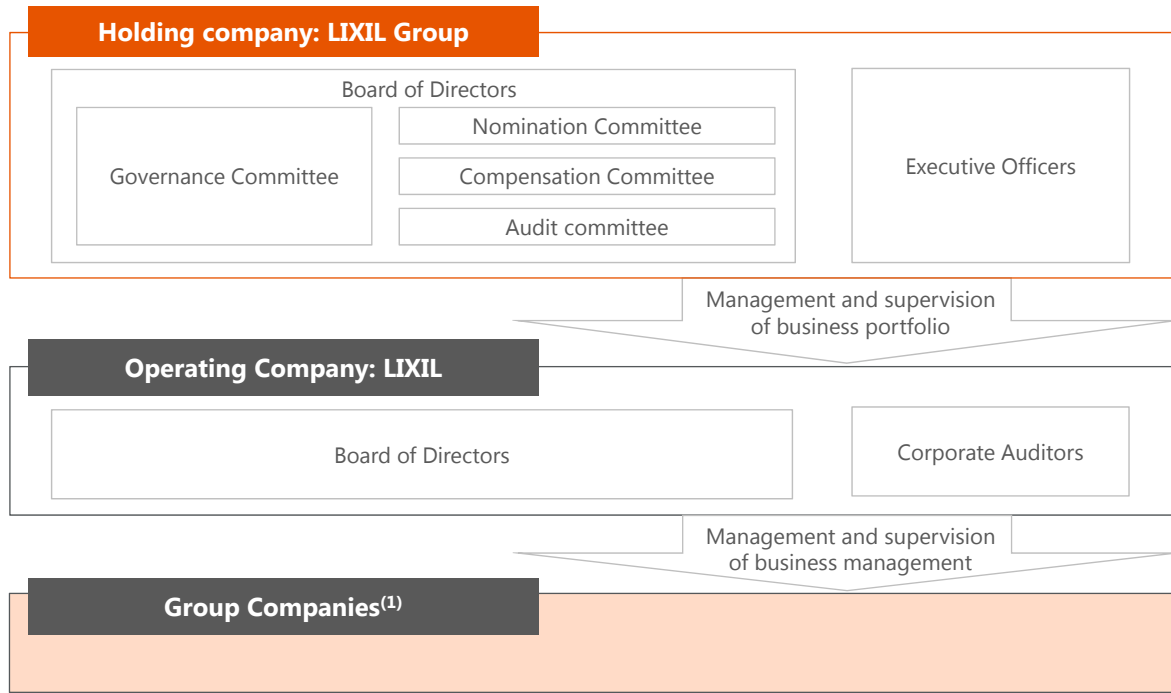
✓ Improve management control and supervision across the Group by headquarter function

› Significance and purpose of the merger

The new management team, which was established after the Annual General Meeting of Shareholders held in June 2019, will eliminate the current two-tiered structure. **Each Director and Executive Officer** will thereby monitor and supervise the business more actively and **respond to the Company's shareholder mandate, including achieving performance targets and ensuring thorough compliance.**

GOVERNANCE-RELATED CHALLENGES AND THE PURPOSE OF MERGER

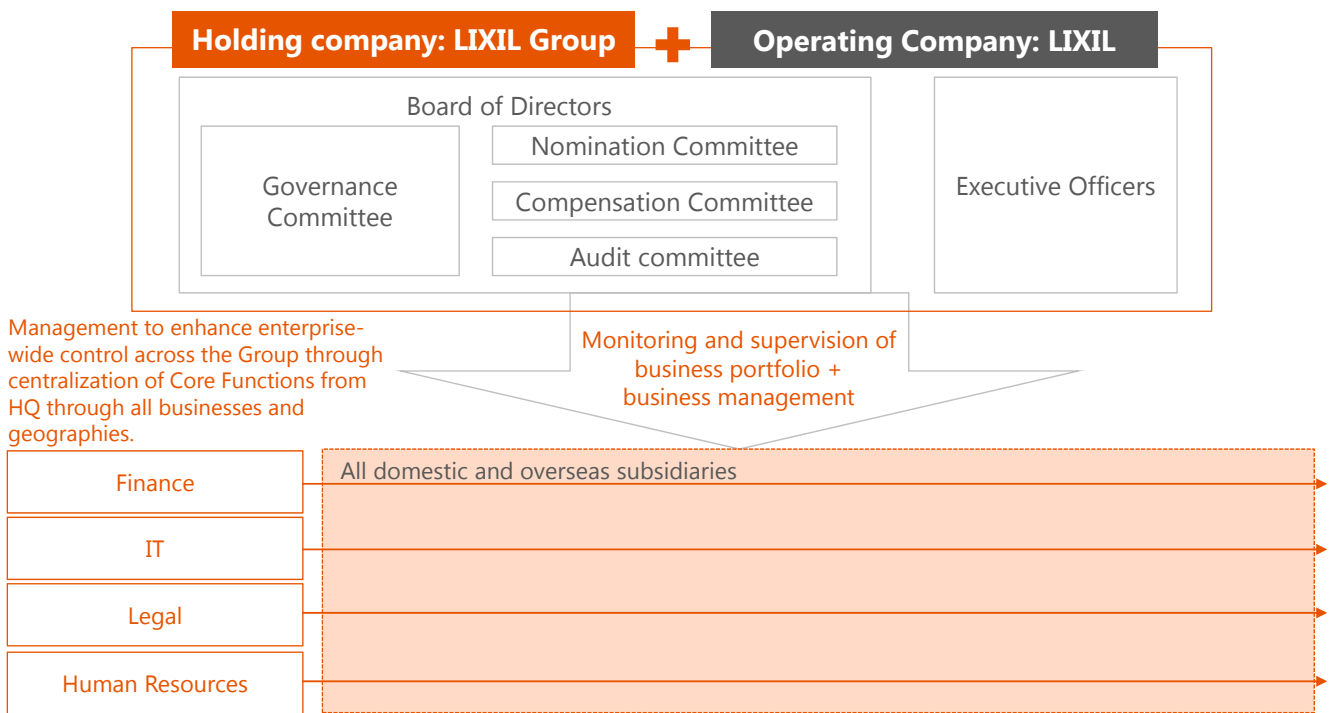
> Governance structure of LIXIL Group Corporation, LIXIL Corporation, and other operating companies (as of March 23; before the merger)



LIXIL (1) As of March 23, 2020, LIXIL Group or LIXIL is the parent company of the Group companies

IMPROVING MANAGEMENT TRANSPARENCY AND GROUP GOVERNANCE

> Governance structure of LIXIL Group Corporation, LIXIL Corporation, and operating companies other than LIXIL (from December 1 (plan); after the merger)



ADVANCE INTEGRATION AS OF APRIL 1, 2020

› Purpose, Background, and Overview

- We believe it is desirable to **strengthen LIXIL Group Corporation's corporate governance as soon as possible** by dissolving the two-tier structure of LGC and LIXIL.
- Prior to the conclusion of legal proceedings, planned for December 1, 2020, **LIXIL Group Corporation will adopt an integrated management structure with LIXIL Corporation** (advance integration), enabling agile operations in a unified manner, **effective April 1.**
- **While maintaining the independent legal status of LGC and LIXIL during this transition period, the business will operate with management holding concurrent positions and managing consolidated decision-making bodies⁽¹⁾.**

(1) Please refer to the timely disclosure "Notification Regarding Plans for Simplified and Short-Form Merger Between LIXIL Group Corporation and its 100% Subsidiary (LIXIL Corporation), Change of Company Name, and Partial Amendment of Articles of Incorporation", which was announced today on March 23, for details of the management holding post concurrently and decision-making bodies consolidated.