

The following is an English translation of the Notice of Convocation of the 77th Annual General Meeting of Shareholders of LIXIL Group Corporation (the “Company”) to be held on June 25, 2019. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. If there is any discrepancy between the Japanese version and the English translation, the Japanese version shall prevail.

Notice of convocation

(Securities Code 5938)  
June 7, 2019

To our shareholders

LIXIL Group Corporation  
2-1-1 Ojima, Koto-ku, Tokyo  
Hirokazu Yamanashi, Director, Representative Executive Officer  
and President

### Notice of Convocation of the 77<sup>th</sup> Annual General Meeting of Shareholders

You are cordially invited to attend the 77<sup>th</sup> Annual General Meeting of Shareholders (the “AGM”) of LIXIL Group Corporation (the “Company”), the details of which are as follows.

The proposals presented at this AGM include a Company proposal (Proposal 1), a proposal by the Company and shareholders (Proposal 2), and the shareholder proposal (Proposal 3). Details of the proposals are as shown in the “Reference Materials for the AGM”. [The board of directors and the nomination committee of the Company are opposed to Proposal 3 which was proposed by shareholders.](#) Please refer to page 7 and page 24 to page 31 for detailed opinions of the board and the nomination committee on the shareholder proposal.

If you are unable to attend the meeting, [you can exercise your voting rights by either of the following methods.](#) Please review the “Reference Materials for the AGM”, which follows this notice, and [exercise your voting rights in support of the opinions of the board and the nomination committee of the Company.](#)

#### [Exercise of voting rights in writing]

When exercising your voting rights in writing, please indicate whether you approve or disapprove the proposals on the enclosed “Voting Card”, and send the Voting Card back so that we receive it by no later than 3 pm on Monday, June 24, 2019 (Japan time).

[Please also refer to the attached “Instructions on the Exercise of Voting Rights by Shareholders”.](#)

#### [Exercise of voting rights via the Internet, etc.]

When exercising your voting rights via the Internet, etc., please see the “Instructions on the Exercise of Voting Rights by an Electromagnetic Means (e.g., via the Internet, etc.)” (page 4) which follows this notice, and indicate whether you approve or disapprove the proposals by no later than 3 pm on Monday, June 24, 2019 (Japan time).

Yours sincerely

### Details

1. Date and time: June 25, 2019 (Tuesday) at 11 a.m. (Japan time)  
(Reception opens at 9:30 a.m. (Japan time) (Scheduled))

2. Venue: 21-1, 8-chome, Ginza, Chuo-ku, Tokyo  
Sumitomo Fudosan Shiodome Hamarikyu Building  
Bellesalle Shiodome, Hall on Basement 1  
(Please refer to the guide map of the venue of the AGM on the last page)

 Please note that the venue and the time are different from the previous AGM.

3. Purpose of the meeting **Reports**
1. Reporting the contents of the business report, the contents of the consolidated financial statements and the results of the audit of the consolidated financial statements conducted by the accounting auditors and the audit committee for the 77<sup>th</sup> fiscal year (from April 1, 2018 to March 31, 2019).
  2. Reporting the contents of the non-consolidated financial statements for the 77<sup>th</sup> fiscal year (from April 1,

2018 to March 31, 2019).

#### Resolution Matters

[Company Proposal]	Proposal 1	Election of eight directors
[Company Proposal / Shareholder Proposal]	Proposal 2	Election of two directors
[Shareholder Proposal]	Proposal 3	Election of six directors

End

1. Upon attendance, please use the enclosed Voting Card as an attendance slip and submit it to the receptionist at the venue. Please bring this Notice of Convocation and the Report on the 77<sup>th</sup> Fiscal Year to the venue with you as reference materials for the agenda to conserve resources.

2. The business report, consolidated financial statements, non-consolidated financial statements and the audit report are as stated in the attached "Report on the 77<sup>th</sup> Fiscal Year". However, the following items are on the Company's website in accordance with laws and regulations and Article 16 of the Company's Articles of Incorporation, and therefore, they are not included in the "Report on the 77<sup>th</sup> Fiscal Year":

(1) Table of notes on the consolidated financial statements      (2) Table of notes on the non-consolidated financial statements

Address

<https://www.lixil.com/jp/>

The consolidated financial statements and non-consolidated financial statements audited by the accounting auditors and the audit committee include various documents shown in the attached "Report on the 77<sup>th</sup> Fiscal Year" and the table of notes on the consolidated financial statements and table of notes on the non-consolidated financial statements on the Company website.

3. Any amendment to Reference Materials for the AGM, business report, consolidated financial statements and non-consolidated financial statements are on the Company's website (<https://www.lixil.com/jp/>).

**Instructions on the Exercise of Voting Rights, etc.**

Voting rights at a meeting of shareholders are important rights of shareholders. Please exercise your voting rights after reviewing the Reference Materials for the AGM (page 5 to page 31).

**If you are able to attend the meeting:**

**Exercise of your voting rights by attending the general meeting of shareholders**

Please submit the “Voting Card” to the receptionist at the venue. Please bring this Notice of Convocation and the Report on the 77th Fiscal Year to the venue with you as reference materials for the agenda to conserve resources.

[Date and time of the AGM] June 25, 2019 (Tuesday) at 11 a.m. (Japan time)

**If you are unable to attend the meeting:**

**Exercise of your voting rights in writing**

Please indicate whether you approve or disapprove the proposals on your Voting Card and send it back so that we receive it by the following voting deadline. Please also refer to the attached “Instructions on the Exercise of Voting Rights by Shareholders”.

[Voting Deadline] Your Voting Card must arrive by 3 p.m. on June 24, 2019 (Monday) (Japan time).

**Exercise of your voting rights by an electromagnetic means (e.g., via the Internet, etc.)**

Please access the website for exercising voting rights designated by the Company, and follow the on-screen instructions to enter your votes on the proposals by the following voting deadline.

**Please refer to page 4 for details.**

[Voting Deadline] Your votes must be logged by 3 p.m. on June 24, 2019 (Monday) (Japan time).

**(Note) Handling of voting rights that are exercised multiple times**

- (1) If voting rights are exercised in duplicate in writing and via the Internet, votes made via the Internet will be deemed to be valid.
- (2) If voting rights are exercised multiple times via the Internet, the latest votes will be deemed to be valid. Further, if voting rights are exercised multiple times by personal computer / smartphone and mobile phone, the latest votes will be deemed to be valid.

### **Instructions on the Exercise of Voting Rights by an Electromagnetic Means (e.g., via the Internet, etc.)**

If you are exercising your voting rights via the Internet, please access the website for exercising voting rights designated by the Company and follow the on-screen instructions to exercise your voting rights. Please note that the service will be unavailable between 2 and 5 a.m. (Japan time) each day.

Please contact the Help Desk (please see details below) if you have any queries.

Please note that any costs incurred for accessing the website will be the shareholder's responsibility.

#### **Access using your "Log-in ID" and "Temporary Password"**

Please access the following website for exercising your voting rights:

[Website for exercising voting rights]

**<https://evote.tr.mufg.jp/>**

1. Click "Next Screen".
2. Enter your "Log-in ID" and "Temporary Password" shown in the bottom right hand corner of your "Voting Card".
3. Click "Log in".

Please follow the on-screen instructions to enter your vote on each proposal.

**[Voting Deadline] Your votes must be logged by 3 pm on June 24, 2019 (Monday) (Japan time).**

#### **Caution**

- Please note that you may not be able to exercise your voting rights via the Internet depending on your Internet environment.
- We request you to change the "Temporary password" to a new one on the website for exercising voting rights for the purpose of preventing fraudulent access (identity fraud) and tampering with votes.
- Handling of voting rights that are exercised multiple times
  - (1) If voting rights are exercised in duplicate in writing and via the Internet, votes made via the Internet will be deemed to be valid.
  - (2) If voting rights are exercised multiple times via the Internet, the latest votes will be deemed to be valid. Further, if voting rights are exercised multiple times by personal computer / smartphone and mobile phone, the latest votes will be deemed to be valid.

#### **For inquiries regarding the system for exercising voting rights via the Internet, etc.**

Mitsubishi UFJ Trust and Banking Corporation  
Transfer Agent Division (helpdesk)

**0120-173-027**

(available from 9 a.m. to 9 p.m. (Japan time), toll-free)

#### **The platform of electronic exercise of voting rights for institutional investors**

Nominee shareholders such as custodian trust banks etc. (including standing proxies) who have applied in advance to use the electronic exercise of voting rights for institutional investors operated by ICJ, Inc. may use that platform to electronically exercise their voting rights for the AGM instead of exercising their voting rights via the Internet as described above.

**Proposals to be resolved and matters for reference**

There are proposals from shareholders of the Company at this AGM. Proposal 1 is a Company proposal, Proposal 2 is a proposal pertaining to both a Company proposal and a shareholder proposal, and the Proposal 3 is a shareholder proposal, all of which pertain to proposals on election of each director candidate as a director of the Company.

**The board of directors and the nomination committee of the Company are “opposed” to election of director candidates in Proposal 3 as directors of the Company (please refer to the opinions on the proposal from the board and the nomination committee of the Company for the reasons for our objection).**

We request that shareholders who support the opinions of the board and the nomination committee of the Company vote to “Approve” Proposal 1 and Proposal 2, and “Disapprove” Proposal 3.

**[Decision on Director Candidates by the Nomination Committee of the Company]**

The nomination committee of the Company (the “**Nomination Committee**”) decided in its meetings on May 12, 2019 and May 20, 2019 on the director candidates that the Company proposes to 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 specific shareholders of the Company, etc., 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 made recommendations to the board of directors of the Company (the “**Board**”).

The Company is currently in an extraordinary situation where, among others, some incumbent directors have made a shareholder proposal. 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 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 implemented two-way dialogue between the Company’s outside directors and its largest shareholders that had expressed their opinions on the Company’s governance. During the course of this dialogue, many shareholders communicated the desire for a board of directors 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. The Nomination Committee decided on the Company’s candidates by taking into consideration, among others, such desire communicated by the largest shareholders. Election of the Company’s candidates will transform and significantly enhance the independence of the Board, as well as introduce fresh perspectives.

Based on the above, the reasons for deciding on / nominating director candidates and the specific details of the recommendations by the Nomination Committee are as follows (partial extract of the “Decision on Director Candidates and Nomination Reasons and Recommendations” by the Nomination Committee dated May 13, 2019 that was announced by the Company in the “Notice Regarding Director Candidates” on the same day, and similarly, “Decision to Nominate an Additional Director Candidate and Reasons for Nomination” by the Nomination Committee dated May 17, 2019 that was announced by the Company in the “Notice Regarding Additional Board Candidate” on the same day, as well as “Decision to Nominate an Additional Director Candidate and Reasons for Nomination” by the Nomination Committee dated May 20, 2019 that was announced by the Company in the “Notice Regarding Additional Director Candidate” on the same day, and some additions and amendments have been made as required).

**Decision on Director Candidates and Nomination Reasons and Recommendations**

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 Annual General Meeting of Shareholders (the “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 ten candidates stated in Proposal 1 and Proposal 2 as the Company’s proposal. The Nomination Committee thinks that the appropriate size of the Board should basically be about eight members from the perspective of ensuring effective oversight and prompt decision making as well as eliminating the risk of future internal conflict and management turmoil. However, the Nomination Committee does not think the nomination of the ten director candidates in aggregate is inconsistent with that concept. Rather, the Nomination Committee believes that the nomination is desirable because various

skill sets necessary for the Company are secured considering the composition of the entire Board.

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.

[Names of candidates for outside directors and reasons for nomination] (omitted)

[Name of candidates for inside director and reasons for nomination] (omitted)

(Note by the Company)

A brief personal profile, reasons for nomination, etc. for each of the ten director candidates are as described in Proposal 1 (page 8 to page 18) and Proposal 2 (page 19 to page 22).

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)] (omitted)

(Note by the Company)

Reasons for not nominating each director candidate under the Shareholder Proposal (excluding Ms. Onimaru and Mr. Suzuki) are as described in Proposal 3 (page 24 to page 31).

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.

[Company Proposal]

Proposal 1: Election of Eight Directors

1. Outline of the Proposal

All 11 current members of the Board will resign upon expiration of their term of office as of the close of this AGM. Therefore, based on the decision of the Nomination Committee, the shareholders are requested to elect eight directors. All of the seven outside director candidates satisfy the independence criteria for outside directors prescribed by the Company (page 23).

2. Reasons for the Proposal

With “1. Basic stance towards the structure of the Board” in the above “Decision on Director Candidates and Nomination Reasons and Recommendations” (page 6 to page 7) in mind, the Nomination Committee conducted serious consideration from the perspective of “securing the corporate value and common interest of shareholders” to settle the situation in which the Company is placed as early as possible, and decided the director candidates to be proposed at the AGM.

The Nomination Committee expects that the director candidates to be proposed will not only introduce fresh perspectives to the Board, but will also be able to provide strong and independent oversight over the Company’s management and put into practice mid- to long-term strategies that will create shareholder value.

Candidate Number	Name	Current / Former Position, etc.	
1	Tamio Uchibori	Director and Senior Managing Executive Officer of MinebeaMitsumi Inc. (former) Licensed tax accountant	New appointment / Outside / Independent
2	Haruo Kawahara	Chair, Representative Director of the Board and Executive Officer CEO of JVC Kenwood Corporation (former)	New appointment / Outside / Independent
3	Kurt M. Campbell	Assistant Secretary of State for East Asian and Pacific Affairs, US Department of State (former)	New appointment / Outside / Independent
4	Yo Takeuchi	Director-General of the Custom and Tariff Bureau, Ministry of Finance (former) Director, Managing Executive Officer and CFO of Development Bank of Japan, Inc. (former)	New appointment / Outside / Independent
5	Kenichi Fukuhara	Representative Director and Vice Chair of Benesse Holdings, Inc. (incumbent)	New appointment / Outside / Independent
6	Masatoshi Matsuzaki	Director and Chair of the board of directors of Konica Minolta, Inc. (incumbent)	New appointment / Outside / Independent
7	Zenji Miura	Representative Director, President and CEO of Ricoh Co., Ltd. (former)	New appointment / Outside / Independent
8	Kazuhiko Otsubo	Executive Officer and Vice President of the Company in charge of sales and domestic subsidiaries (incumbent) Representative Director, President and COO of LIXIL Corporation (incumbent)	New appointment

(Note) The outside director candidates are listed in the Japanese alphabetical order.

Outside: “Outside director candidates” as provided for in Article 2, Paragraph 3, Item 7 of the Enforcement Regulations of the Companies Act.

Independent: Director candidates who are to be reported as independent officers to the domestic stock exchanges on which the Company is listed after the election.

Please see Note 4 on page 17 to page 18 for the specific reasons why the Company determined that each candidate is independent.



New appointment / Outside / Independent

[Company Proposal] Candidate Number

**Tamio Uchibori**

**1**

(September 6, 1952)

[Number of shares of the Company owned by the candidate]

0

**Brief personal profile, position and responsibility in the Company, and important concurrently-held positions**

Apr. 1977	Joined MinebeaMitsumi Inc.
Nov. 1982	Seconded to US subsidiary, MinebeaMitsumi Inc.
May 1988	Seconded to European subsidiary, MinebeaMitsumi Inc.
Dec. 2003	Business Administration Manager, MinebeaMitsumi Inc.
Jun. 2007	Executive Officer, General Planning Manager of Business Department, MinebeaMitsumi Inc.
Jun. 2011	Managing Executive Officer, MinebeaMitsumi Inc.
May 2012	Deputy in Charge of Management, Planning and Accounting, and Management Planning Manager, MinebeaMitsumi Inc.
Jun. 2013	Director, Senior Managing Executive Officer and Management Planning Manager, MinebeaMitsumi Inc.
Jun. 2016	Director, Senior Managing Executive Officer and General Manager of Management Planning Department, MinebeaMitsumi Inc.
Jul. 2018	Senior Director, MinebeaMitsumi Inc. (until Mar. 2019)

**Reasons for nominating the candidate as a candidate for outside director**

Based on the following, the Company believes the qualities (skill set) provided by Mr. Uchibori are necessary for the Board to build the best governance structure, so the Company has decided to nominate (as a Company nominee) Mr. Uchibori as a candidate for outside 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.

\* Please see Note 4 on page 17 for the specific reasons for independence of Mr. Uchibori.

New appointment / Outside / Independent

[Company Proposal] Candidate Number

Haruo Kawahara

2

(March 9, 1939)

[Number of shares of the Company owned by the candidate]

0

**Brief personal profile, position and responsibility in the Company, and important concurrently-held positions**

Apr. 1961	Joined TOSHIBA CORPORATION
Jun. 1996	Director and General Planning Manager, Delegation, TOSHIBA CORPORATION
Jun. 1997	Executive Director, TOSHIBA CORPORATION
Jul. 2000	Advisor, TOSHIBA CORPORATION (until Jun. 2002) Senior Advisor, Ripplewood Japan (until Jun. 2002)
Jun. 2002	President, Representative Director of the Board and Executive Officer CEO, Kenwood Corporation (currently JVC KENWOOD Corporation)
Jun. 2007	Chair and Representative Director of the Board, Kenwood Corporation
Oct. 2008	Chair, Representative Director of the Board and Executive Officer CEO, JVC KENWOOD Holdings, Inc. (currently JVC KENWOOD Corporation)
Jun. 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.
Jun. 2012	Representative Director and Chair of the Board, JVC KENWOOD Corporation
Nov. 2013	Representative Director and Chair of the Board and Executive Officer CEO, JVC KENWOOD Corporation
Jun. 2014	Chair, Representative Director of the Board and Executive Officer CEO, JVC KENWOOD Corporation (until Jun. 2017)
Mar. 2017	Director of the Board Responsible for Management Strategy and Policy, ZMP INC. (until Mar. 2018)

\* 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.

**Reasons for nominating the candidate as a candidate for outside director**

Based on the following, the Company believes the qualities (skill set) provided by Mr. Kawahara are necessary for the Board to build the best governance structure, so the Company has decided to nominate (as a Company nominee) Mr. Kawahara as a 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.

\* Please see Note 4 on page 17 for specific reasons for independence of Mr. Kawahara.

New appointment / Outside / Independent

[Company Proposal] Candidate Number

Kurt M. Campbell

3

(August 27, 1957)

[Number of shares of the Company owned by the candidate]

0

[Important concurrently-held positions]

Founding Partner, Chair and CEO, The Asia Group LLC

**Brief personal profile, position and responsibility in the Company, and important concurrently-held positions**

Sep. 1983	Associate Professor, Assistant Director of the Center for Science and International Affairs, and Director of the South Africa Project, Harvard University, Kennedy School of Government
Sep. 1992	White House Fellow, US Department of Treasury
Sep. 1993– Aug. 2000	Various US Government and Military services including: Deputy Assistant Secretary of Defense for Asia and the Pacific, US Department of Defense; Staff Director, National Security Council (NSC); Deputy Special Counselor to the President for NAFTA
Sep. 2000	Senior Vice President and Henry A. Kissinger Chair, Center for Strategic and International Studies (CSIS)
Sep. 2004	Chair and Founder, StratAsia LLC
Oct. 2007	CEO and Co-Founder, Center for a New American Security
Mar. 2009	Assistant Secretary of State for East Asian and Pacific Affairs, US Department of State
Feb. 2013	Founding Partner, Chair and CEO, The Asia Group LLC (incumbent)
Mar. 2013	Director, Standard Chartered PLC
Apr. 2013	Director, MetLife, Inc.

**Reasons for nominating the candidate as a candidate for outside director**

Based on the following, the Company believes the qualities (skill set) provided by Mr. Campbell are necessary for the Board to build the best governance structure, so the Company has decided to nominate (as a Company nominee) Mr. Campbell as a candidate for outside director.

- Mr. Campbell has deep expertise in the business, politics and national security of the Asia Pacific region. A longstanding friend of Japan in the US, he has spent the last 25 years building deep relationships across the entire region, from Japan to China, Southeast Asia and India.
- He is an expert in US national security issues and has held positions such as Assistant Secretary of State for East Asian and Pacific Affairs, Deputy Special Counselor to the President for NAFTA and White House Fellow, Department of Treasury.
- He is the founder and co-chair of The Asia Group, an advisory and investment company, and has abundant experience and broad knowledge of foreign operations and M&A as well as foreign business risk management, and it can be expected that he will be able to provide advice to the Company's management.
- He fulfills the Company's independence criteria.

\* Please see Note 4 on page 17 for specific reasons for independence of Mr. Campbell.

New appointment / Outside / Independent

[Company Proposal] Candidate Number

Yo Takeuchi

4

(July 14, 1949)

[Number of shares of the Company owned by the candidate]

0

[Important concurrently-held positions]

Representative Director and President, ALL Nippon Asset Management Co., Ltd.

**Brief personal profile, position and responsibility in the Company, and important concurrently-held positions**

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

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

**Reasons for nominating the candidate as a candidate for outside director**

Based on the following, the Company believes the qualities (skill set) provided by Mr. Takeuchi are necessary for the Board to build the best governance structure, so the Company has decided to nominate (as a Company nominee) Mr. Takeuchi as a 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.

\* Please see Note 4 on page 17 for specific reasons for independence of Mr. Takeuchi.

New appointment / Outside / Independent

[Company Proposal] Candidate Number

**Kenichi Fukuhara**

**5**

(April 19, 1951)

[Number of shares of the Company owned by the candidate]

0

[Important concurrently-held positions]

Vice Chair of the Board, Fukutake Foundation

Vice Chair of the Board, Benesse Foundation for Children

**Brief personal profile, position and responsibility in the Company, and important concurrently-held positions**

Apr. 1976	Joined Nomura Securities Co., Ltd.
Jun. 2000	Head of Financial Research Center and Head of Investment Research Department, Headquarters, Nomura Securities Co., Ltd. Representative Director and President, Nomura Research and Advisory Co., Ltd.
Jul. 2000	Director, Nomura Securities Co., Ltd.
Jun. 2003	Executive Officer, Nomura Securities Co., Ltd. and Executive Officer, Nomura Holdings, Inc. (until Mar. 2004)
Apr. 2004	Corporate Senior Executive Vice President, Benesse Corporation (currently Benesse Holdings, Inc.) Vice President and Director, Benesse Style Care Co., Ltd.
Jun. 2004	Corporate Senior Executive Vice President, Benesse Corporation Representative Director and President, Benesse Style Care Co., Ltd.
Apr. 2007	Representative Director, Vice Chair and Deputy CEO, Benesse Corporation
Jun. 2007	Representative Director, Chair and Deputy CEO, Benesse Corporation Chairman of the Board and CEO, Berlitz International, Inc.
Oct. 2009	Representative Director, Vice President and CFO, Benesse Holdings, Inc.
Oct. 2012	Vice Chair of the Board, Fukutake Foundation (incumbent)
Oct. 2014	Representative Director, Vice President, CAO and CFO, Benesse Holdings, Inc.
Apr. 2015	Representative Director, Vice President and CAO, Benesse Holdings, Inc.
Nov. 2015	Vice Chair of the Board, Benesse Foundation for Children (incumbent)
Jun. 2016	Representative Director and President, Benesse Holdings, Inc. Chairman of the Board and CEO, Berlitz Corporation
Oct. 2016	Representative Director, Vice Chair and Head of Language Learning Company, Benesse Holdings, Inc. Outside Director, Simul International, Inc. (incumbent) (scheduled to resign as of Jun. 21, 2019)
Aug. 2017	Representative Director and Vice Chair, Benesse Holdings, Inc. (incumbent) (scheduled to resign as of Jun. 22, 2019) Chairman of the Board, Berlitz Corporation (incumbent) (scheduled to resign as of Jun. 22, 2019)

**Reasons for nominating the candidate as a candidate for outside director**

Based on the following, the Company believes the qualities (skill set) provided by Mr. Fukuhara are necessary for the Board to build the best governance structure, so the Company has decided to nominate (as a Company nominee) Mr. Fukuhara as a 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.

\* Please see Note 4 on page 18 for specific reasons for independence of Mr. Fukuhara.

New appointment / Outside / Independent

[Company Proposal] Candidate Number

Masatoshi Matsuzaki

6

(July 21, 1950)

[Number of shares of the Company owned by the candidate]

0

**Brief personal profile, position and responsibility in the Company, and important concurrently-held positions**

Apr. 1976	Joined Konishiroku Photo Industry, Inc. (currently Konica Minolta, Inc.)
Nov. 1997	Leader, Development Group No. 2, Color Equipment Development Div., Business Machines Headquarters, Konica Corporation (currently Konica Minolta, Inc.)
May 1998	General Manager, Development Center No. 1, System Technology Development Div., Business Machines Headquarters, Konica Corporation
Oct. 2003	Director, Konica Minolta Business Technologies Inc.
Apr. 2005	Executive Officer, Konica Minolta, Inc., and Representative Director and President, Konica Minolta Technology Center, Inc.
Apr. 2006	Senior Executive Officer, Konica Minolta Holdings, Inc., and President and CEO, Konica Minolta Technology Center, Inc.
Jun. 2006	Director and Senior Executive Officer, Konica Minolta Holdings, Inc. and President and CEO, Konica Minolta Technology Center, Inc.
Apr. 2009	Director, President, Chief Executive Officer and Representative Executive Officer, Konica Minolta Holdings, Inc.
Apr. 2014	Director and Chair of the Board of Directors, Konica Minolta, Inc. (incumbent)
May 2016	Outside Director, Ichigo, Inc. (incumbent)
Jun. 2016	Outside Director, Nomura Research Institute Ltd. (incumbent)
Jun. 2016	Outside Director, Nippon Sheet Glass Co., Ltd. (incumbent)

**Reasons for nominating the candidate as a candidate for outside director**

Based on the following, the Company believes the qualities (skill set) provided by Mr. Matsuzaki are necessary for the Board to build the best governance structure, so the Company has decided to nominate (as a Company nominee) Mr. Matsuzaki as a candidate for outside director.

- At Konica Minolta, Inc., Mr. Matsuzaki has been engaged in the development of global business and management of a listed company for many years, serving in roles such as director, chief executive officer and president, and chair of the board of directors.
- As a business manager, he has deep knowledge of both pure holding companies and operating companies, so he can be expected to offer advice and have a supervisory function for the Board.
- He has been a member since 2014 of the Japan Association of Corporate Directors, which is active in the study and enhancement of corporate governance, and has been vice chair since 2018. Since he is currently serving as chair of the "Committee on the state of boards of directors", it can be expected that he will improve the corporate governance functions of the Board.
- Konica Minolta, Inc. does not constitute a major business partner or major shareholder, and Mr. Matsuzaki is determined to have a high level of independence from the Company.

\* Please see Note 4 on page 18 for specific reasons for independence of Mr. Matsuzaki.

New appointment / Outside / Independent

[Company Proposal] Candidate Number

Zenji Miura

7

(January 5, 1950)

[Number of shares of the Company owned by the candidate]

0

[Important concurrently-held positions]

Representative Director, Tri-Med Co.

**Brief personal profile, position and responsibility in the Company, and important concurrently-held positions**

Apr. 1976	Joined Ricoh Co., Limited.
Feb. 1979	Responsible for Administration Division, Ricoh Europe BV (Netherland)
Jul. 1988	CFO, Ricoh Europe BV (Netherland)
Jan. 1993	Representative Director, President and Chair, Ricoh France S.A.
Oct. 1995	Managing Director, Gestetner Holdings PLC, UK
Jan. 1998	Finance Manager of Finance and Accounting Division, Ricoh, Co., Ltd.
Oct. 2000	Senior Vice President and General Manager of Finance and Accounting Division, Ricoh, Co., Ltd.
Jun. 2003	Executive Vice President and General Manager of Finance and Accounting Division, Ricoh Co., Ltd.
Jun. 2004	Managing Director and General Manager of Finance and Accounting Division, Ricoh Co., Ltd.
Jun. 2005	Director, Corporate Executive Vice President, General Manager of Finance and Accounting Division and CFO, Ricoh Co., Ltd.
Apr. 2006	Director, Corporate Executive Vice President, General Manager of Corporate Planning Division, CFO and CIO, Ricoh, Co., Ltd.
Apr. 2009	Director, Corporate Executive Vice President, General Manager of Corporate Planning Division, CFO, CIO and CSO, Ricoh Co., Ltd.
Apr. 2011	Representative Director, Deputy President and Senior Vice President, Ricoh Co., Ltd.
Apr. 2012	Representative Director and Chair, Pentax Ricoh Imaging, Co., Ltd. Chair and CEO, Ricoh Americas Holdings, Inc.
Apr. 2013	Representative Director, President, Senior Vice President and CEO, Ricoh Co., Ltd. (until Mar. 2017)
Mar. 2016	Outside Director, Coca-Cola West Co., Ltd. (currently Coca-Cola Bottlers Japan Inc.)
Apr. 2017	Special Advisor, Ricoh Co., Ltd.
Apr. 2018	Outside Director, Coca-Cola Bottlers Japan Holdings Inc.
Aug. 2018	Representative Director, Tri-Med Co. (incumbent)
Jan. 2019	Director, Polaris Capital Group Co., Ltd. (incumbent) Director and Chair, Polaris Advisors Co., Ltd. (incumbent)
Apr. 2019	Director and Chair, Hitachi Automotive Systems Measurement, Ltd. (incumbent)

**Reasons for nominating the candidate as a candidate for outside director**

Based on the following, the Company believes the qualities (skill set) provided by Mr. Miura are necessary for the Board to build the best governance structure, so the Company has decided to nominate (as a Company nominee) Mr. Miura as a 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.

\* Please see Note 4 on page 18 for specific reasons for independence of Mr. Miura.

New appointment

Kazuhiko Otsubo

(July 8, 1958)

[Company Proposal] Candidate Number

8

[Number of shares of the Company owned by the candidate]

16,028

[Important concurrently-held positions]

Representative Director, President and COO, LIXIL Corporation

**Brief personal profile, position and responsibility in the Company, and important concurrently-held positions**

Apr. 1981	Joined the Company
Apr. 2003	Executive Officer and Kyushu Branch Manager of Sales Department, TOSTEM Corporation (currently LIXIL Corporation)
Oct. 2006	Executive Officer and Chubu Branch Head of Sales Department, TOSTEM Corporation
Oct. 2008	Executive Officer and Deputy General Manager of Sales Department, TOSTEM Corporation
Apr. 2009	Managing Executive Officer and Deputy General Manager of Sales Department, TOSTEM Corporation
Apr. 2011	Managing Executive Officer and Sash Route General Manager Sales Department, Sales Company, LIXIL Corporation
Oct. 2014	Managing Executive Officer and Kansai Branch Head of LIXIL Japan Company, LIXIL Corporation
Jul. 2016	Senior Officer and Kansai Branch Head of LIXIL Japan Company, LIXIL Corporation
Oct. 2016	Senior Officer and LIXIL Japan Company COO, LIXIL Corporation
Jun. 2017	Director, Vice President and LIXIL Japan Company CEO, LIXIL Corporation
	Executive Officer and Vice President Responsible for Domestic Sales, the Company
Jun. 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)
Nov. 2018	Representative Director, President, COO and LIXIL Japan Company CEO, LIXIL Corporation (incumbent)

**Reasons for nominating the candidate as a candidate for outside director**

Based on the following, the Company believes the qualities (skill set) provided by Mr. Otsubo are necessary for the Board to build the best governance structure, so the Company has decided to nominate (as a Company nominee) Mr. Otsubo as a candidate for outside director.

- Mr. Otsubo is the head of management of LIXIL Corporation, the largest operating company within the group of the Company.
- 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 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.



(Note)

1. The respective candidates and the Company do not share any special interests.
2. The Company has set forth in Article 30, Paragraph 2 of its current Articles of Incorporation that the Company may enter into an agreement with each outside director which limits the liability for damages of each outside director to the Company. If the election of Tamio Uchibori, Haruo Kawahara, Kurt M. Campbell, Yo Takeuchi, Kenichi Fukuhara, Masatoshi Matsuzaki and Zenji Miura is approved at this AGM, the Company plans to enter into liability limitation agreements with each of those candidates. The content of such agreements can be summarized as follows:
  - If any liability for damages to the Company arises as a result of an outside director's negligence in performing his or her duties, such outside director shall be liable to the Company up to the higher of 10 million yen or any amount prescribed by applicable laws and regulations.
  - The aforementioned limitation of liability is applicable only if such outside director has acted in good faith and has not been grossly negligent in performing his or her duties which have caused the liability.
3. If the election of Tamio Uchibori, Haruo Kawahara, Kurt M. Campbell, Yo Takeuchi, Kenichi Fukuhara, Masatoshi Matsuzaki and Zenji Miura is approved at this AGM, the Company plans to notify each domestic stock exchange on which the Company is listed of the names of those candidates as independent officers.

Tamio Uchibori, Haruo Kawahara, Kurt M. Campbell, Yo Takeuchi, Kenichi Fukuhara, Masatoshi Matsuzaki and Zenji Miura satisfy the independence criteria for outside directors prescribed by the Company (page 23).

4. The specific reasons for independence of Tamio Uchibori, Haruo Kawahara, Kurt M. Campbell, Yo Takeuchi, Kenichi Fukuhara, Masatoshi Matsuzaki and Zenji Miura are as follows:

Name of Candidate	Reasons
Tamio Uchibori	Mr. Uchibori was a senior director of MinebeaMitsumi Inc., but he left the position in March 2019. The MinebeaMitsumi group and the Company group have transactions involving purchase of electronic components etc. and sale of products; however, such transactions accounted for 0.12% of the MinebeaMitsumi group's sales for the last fiscal year, and for 0.001% of the Company group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other. Therefore, it has been determined that there is no risk that the transactions mentioned above would affect the independence of Mr. Uchibori, and further, as he meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company (page 23), there is no risk that there would be a conflict of interest with general shareholders.
Haruo Kawahara	Mr. Kawahara was the chair, representative director and executive officer CEO of JVC KENWOOD Corporation, but he left those positions in June 2017. The JVC KENWOOD group and the Company group have transactions involving procurement of products and repairs etc.; however, such transactions accounted for 0.000009% of the JVC KENWOOD group's sales for the last fiscal year, and for 0.00001% of the Company group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other. Therefore, it has been determined that there is no risk that the transactions mentioned above would affect the independence of Mr. Kawahara, and further, as he meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company (page 23), there is no risk that there would be a conflict of interest with general shareholders.
Kurt M. Campbell	Mr. Campbell is the founding partner, chair and CEO of The Asia Group LLC. The Asia Group LLC and the Company group have transactions involving consulting and advisory; however, such transactions amounted to less than 8 million yen for the last fiscal year, and therefore, neither amounts to a major business partner for the other. Therefore, it has been determined that there is no risk that the transactions mentioned above would affect the independence of Mr. Campbell, and further, as he meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company (page 23), there is no risk that there would be a conflict of interest with general shareholders.
Yo Takeuchi	Mr. Takeuchi was a director, managing executive officer and CFO of Development Bank of Japan Inc., but he left those positions in May 2013. Development Bank of Japan Inc. and the Company group have transactions involving loans; however, such transactions include two syndicated loans, and Development Bank of Japan Inc. is only one of ten lenders and 19 lenders, respectively, which constitute the syndicate for each such syndicated loan. As a whole, Development Bank of Japan Inc. accounted for 0.91% (6,600 million yen) of the total interest-bearing debt (725,958 million yen) of the Company group as of the end of the last fiscal year, and it cannot be described as a financial institution on which the Company relies on to the extent that there is no alternative in terms of procurement of funds, and therefore, neither amounts to a major business partner for the other. Therefore, it has been determined that there is no risk that the transactions mentioned above would affect the independence of Mr. Takeuchi, and further, as he meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company (page 23), there is no risk that there would be a conflict of interest with general shareholders.

Name of Candidate	Reasons
Kenichi Fukuhara	Mr. Fukuhara is the representative director and vice chair of Benesse Holdings, Inc. However, he is scheduled to leave those positions in June 2019. The Benesse group and the LIXIL group have transactions involving interpreting and translating as well as repairs etc.; however, such transactions accounted for 0.01% of the Benesse group's sales for the last fiscal year, and for 0.0000009% of the Company group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other. Therefore, it has been determined that there is no risk that the transactions mentioned above would affect the independence of Mr. Fukuhara, and further, as he meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company (page 23), there is no risk that there would be a conflict of interest with general shareholders.
Masatoshi Matsuzaki	Mr. Matsuzaki is a director and chair of the board of directors of Konica Minolta Inc. The Konica Minolta group and the Company group have transactions involving purchase of products and repairs etc.; however, such transactions accounted for 0.001% of the Konica Minolta group's sales for the last fiscal year, and for 0.00001% of the Company group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other. Therefore, it has been determined that there is no risk that the transactions mentioned above would affect the independence of Mr. Matsuzaki, and further, as he meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company (page 23), there is no risk that there would be a conflict of interest with general shareholders.
Zenji Miura	Mr. Miura was the representative director, president, senior vice president and CEO of Ricoh Co., Ltd., but he left those positions in March 2017. The Ricoh group and the Company group have transactions involving installation of digital signs as well as purchase and sale of products; however, such transactions accounted for 0.009% of the Ricoh group's sales for the last fiscal year, and for 0.00004% of the Company group's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other. Further, Mr. Miura is a director and the chair of Hitachi Automotive Systems Measurement, Ltd. Hitachi Automotive Systems Measurement, Ltd. and the Company group have transactions involving purchase of products; however, such transactions accounted for 0.003% of Hitachi Automotive Systems Measurement's sales for the last fiscal year, and therefore, neither amounts to a major business partner for the other. Therefore, it has been determined that there is no risk that the transactions mentioned above would affect the independence of Mr. Miura, and further, as he meets both the requirements for an independent officer prescribed by the stock exchange and the independence criteria for outside directors prescribed by the Company (page 23), there is no risk that there would be a conflict of interest with general shareholders.

## Proposal 2: Election of Two Directors

### 1. Outline of the Proposal

In addition to the eight director candidates proposed in Proposal 1, the Nomination Committee decided to nominate two of the outside director candidates from among the director candidates proposed by shareholders as outside director candidates to be proposed by the Company. Therefore, based on the decision of the Nomination Committee, the shareholders are requested to elect such candidates.

As described above, the two outside director candidates are also candidates for outside director in the Shareholder Proposal.

### 2. Reasons for the Proposal

After interviewing all outside director candidates from among the director candidates proposed by shareholders, and with “1. Basic stance towards the structure of the Board” in the above “Decision on Director Candidates and Nomination Reasons and Recommendations” (page 6 to page 7) in mind, of the outside director candidates proposed by shareholders, the Nomination Committee decided to nominate the two candidates proposed in this proposal as outside director candidates. The Nomination Committee expects that these two outside director candidates will, together with the director candidates proposed in Proposal 1, not only introduce fresh perspectives to the Board, but will also be able to provide strong and independent oversight over the Company’s management and put into practice mid- to long-term strategies that will create shareholder value.

For reasons for the proposal with respect to the two outside director candidates in the Shareholder Proposal, please see “2. Reasons for Proposal with Respect to All Candidates” in Proposal 3 as well as “Reasons for nominating the candidate as a candidate for director in the shareholder proposal” below for each of the director candidates.

Candidate Number	Name	Current / former position, etc.	
1	Kaoru Onimaru	Justice of the Supreme Court of Japan	New appointment / Outside / Independent
2	Teruo Suzuki	Deputy Chair of KPMG AZSA LLC , certified public accountant	New appointment / Outside / Independent

Outside: “Outside director candidates” as provided for in Article 2, Paragraph 3, Item 7 of the Enforcement Regulations of the Companies Act.

Independent: Director candidates who are expected to be reported as independent officers to the domestic stock exchanges on which the Company is listed after the election.

(Note) As of May 28, 2019, the Company had not received approval from the two aforementioned outside director candidates regarding their nomination as director candidates proposed by the Company. The Company will continue its efforts to obtain approval by asking them to have discussions with the Company and the Nomination Committee, etc. until the AGM.

New appointment / Outside / Independent

[Company Proposal / Shareholder Proposal]

Candidate Number

**Kaoru Onimaru**

**1**

(February 7, 1949)

[Number of shares of the Company owned by the candidate]

0

**Brief personal profile, position and responsibility in the Company, and important concurrently-held positions**

1973	Legal Apprentice (27 <sup>th</sup> 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 and 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, and 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)

**Reasons for nominating the candidate as a candidate for outside director**

Based on the following, the Company believes the qualities (skill set) provided by Ms. Onimaru are necessary for the Board to build the best governance structure, so the Company has decided to nominate (as a Company nominee) Ms. Onimaru as a 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.

**Reasons for nominating the candidate as a candidate for outside director in the Shareholder Proposal**

Ms. Onimaru was a judge of the Supreme Court who was previously a lawyer. It is very difficult to find another candidate who has more experience and expertise than her for providing opinions on legal issues of the Company and monitoring the entire management. She is an essential candidate from the perspective of diversity as a female candidate.

(Note by the Company)

"Reasons for nominating the candidate as a candidate for director in the Shareholder Proposal" were copied directly from the reasons for the proposal submitted by the proposing shareholders. Please see also "2. Reasons for Proposal with Respect to All Candidates" in Proposal 3 for the reasons for the Shareholder Proposal.

New appointment / Outside / Independent

[Company Proposal / Shareholder Proposal]

Candidate Number

Teruo Suzuki

2

(October 21, 1949)

[Number of shares of the Company owned by the candidate]

0

**Brief personal profile, position and responsibility in the Company, and important concurrently-held positions**

1973	Joined 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, and 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)
Jun. 2012	Retired from AZSA & Co
	Outside Auditor, Kao Corporation (until March 2016)
Jun. 2013	Outside Auditor, KUBOTA Corporation (until March 2019)

**Reasons for nominating the candidate as a candidate for outside director; reasons for determining that the candidate is able to perform his duties as an outside director appropriately**

Based on the following, the Company believes the qualities (skill set) provided by Mr. Suzuki are necessary for the Board to build the best governance structure, so the Company has decided to nominate (as a Company nominee) Mr. Suzuki as a candidate for outside director.

- 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.
- AZSA & Co (currently KPMG AZSA LLC, 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 yen or more from the Company 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).
- 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.

**Reasons for nominating the candidate as a candidate for outside director in the Shareholder Proposal**

Mr. Suzuki is a certified public accountant and worked as a deputy director of AZSA & Co. Mr. Suzuki is an expert of internal control and is also known as an author of a number of books such as “Methods of Overseas Business Administration” and “Basic Knowledge of Corporate Governance for Newly Appointed Officers.” He is expected to supervise management of the Company as well as the overseas subsidiaries, and provide advice to the Company based on his high degree of expertise in finance, accounting and internal control as a director.

(Note by the Company)

“Reasons for nominating the candidate as a candidate for director in the Shareholder Proposal” were copied directly from the reasons for the proposal submitted by the proposing shareholders. Please see also “2. Reasons for Proposal with Respect to All Candidates” in Proposal 3 for the reasons for the Shareholder Proposal.

(Note)

1. The respective candidates and the Company do not share any special interests.
2. The Company has set forth in Article 30, Paragraph 2 of its current Articles of Incorporation that the Company may enter into an agreement with each outside director which limits the liability for damages of each outside director to the Company. If the election of Kaoru Onimaru and Teruo Suzuki is approved at this AGM, the Company plans to enter into liability limitation agreements with each of those candidates. The content of such agreements can be summarized as follows:
  - If any liability for damages to the Company arises as a result of an outside director's negligence in performing his or her duties, such outside director shall be liable to the Company up to the higher of 10 million yen or any amount prescribed by applicable laws and regulations.
  - The aforementioned limitation of liability is applicable only if such outside director has acted in good faith and has not been grossly negligent in performing his or her duties which have caused the liability.
3. If the election of Kaoru Onimaru and Teruo Suzuki is approved at this AGM, the Company plans to notify each domestic stock exchange on which the Company is listed of the names of those candidates as independent officers.

[Reference] Independence Criteria for Outside Directors of the Company

The Company prescribes the below criteria for the purpose of securing the independence of outside directors.

1. The Company considers an outside director to be independent unless he or she is:
  - (1) a shareholder, or an executive officer of such shareholder (an executive officer means an “executive officer” provided in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act; the same shall apply hereafter), who holds 10% or more of the voting rights of the Company;
  - (2) an executive officer of a company of which the Company holds 10% or more of the voting rights;
  - (3) a business partner whose transactions with the Company group exceed an amount of 2% or more of the consolidated gross revenue of either the Company group or such business partner in a fiscal year, or an executive officer of such business partner;
  - (4) a financial institution or other major creditor which is essential for the financing of the Company group and on which such financing is irreplaceably dependent, or an executive officer thereof;
  - (5) a member, partner or employee of the audit firm or tax accountant firm which is an accounting auditor or accounting advisor of the Company group;
  - (6) a person receiving a donation or subsidy of 10 million yen or more from the Company group in a fiscal year, or if the person receiving the donation or subsidy is a corporation, partnership or other organization (the “Juridical Persons, etc.”), an executive officer of the Juridical Persons, etc. receiving a donation or subsidy of more than 2% of the consolidated gross revenues of such Juridical Persons, etc. from the Company group in a fiscal year;
  - (7) a person receiving monetary payments or other financial assets of 10 million yen or more from the Company group as a lawyer, accountant, tax accountant, consultant or other professional advisor, besides the director compensation, or if a person receiving such financial assets is a juridical person, partnership or other organization such as a legal professional corporation, law firm, audit corporation, tax accountant corporation or consulting firm (the “Law Firm, etc.”), a person belonging to the Law Firm, etc. receiving monetary payments or other financial assets of more than 2% of the Law Firm, etc.’s annual gross revenues from the Company group;
  - (8) a person whose spouse, a relative within the second degree of kinship or a relative who lives with such person corresponds to any of subsections (1) through (7) of this paragraph;
  - (9) a person who corresponded to any of subsections (1) through (8) of this paragraph in the past five years; or
  - (10) an executive officer of a company to which an executive officer (meaning an executive director, executive officer, corporate officer, manager or other employees, notwithstanding subsection (1) in this paragraph) of the Company group serves as an officer of such company.
2. The Board shall monitor on an ongoing basis whether persons serving as outside directors continue to satisfy the criteria set forth in the preceding paragraph.

## [Shareholder Proposal]

### Proposal 3: Election of Six Directors

#### 1. Outline of the Proposal

The shareholders propose that the six candidates below (a total of eight candidates including the candidates in Proposal 2) be elected together as directors of the Company.

(Note by the Company)

With regard to the election of all eight candidates together under the Shareholder Proposal, the proposing shareholders have informed the Company to the effect that, even if the resolution results in some, but not all, of the candidates being elected, they will not find the resolution of the proposal to lack legal effect (i.e., the election of all eight candidates is not a condition precedent to the proposal).

#### 2. Reasons for Proposal with Respect to All Candidates (Note by the Company: includes the candidates in Proposal 2)

##### (1) Failure of governance due to Mr. Ushioda's influence

Governance issues arose in connection with the procedures pertaining to the replacement of the Company's CEO which occurred on October 31, 2018, creating a situation in which institutional shareholders, etc. came to demand convocation of an extraordinary general meeting of shareholders seeking to remove Yoichiro Ushioda and Hirozaku Yamanashi as directors.

The attorneys who conducted an investigation into this matter at the Company's request noted, "[E]ven if there is a difference in degree, many directors, including the outside directors, deferred to some extent to Mr. Ushioda. This is considered one of the causes or part of the background of the situation where the directors could not discuss the personnel changes Mr. Ushioda proposed in a proper manner from a governance perspective." It cannot be expected that the candidates set forth in the Company proposal, who have been nominated by the Nomination Committee under the influence of Mr. Ushioda and Mr. Yamanashi, would, going forward, take actions that go against the wishes of Mr. Ushioda, who is the CEO and a director and a member of the founding family.

##### (2) Need for all eight candidates (including the candidates in Proposal 2) of the Shareholder Proposal to be appointed as directors

Each candidate set forth in the Shareholder Proposal has abundant experience, knowledge and professional expertise as a director candidate. Each candidate is expected to participate in important decision-making as a director and increase the corporate value of the Company.

All outside director candidates have expressly stated that their acceptance of the appointment is subject to becoming members of the board from which Mr. Ushioda's influence has been sufficiently removed. As such, the Shareholder Proposal proposes that all of these eight candidates (including the candidates in Proposal 2) be appointed, together, as directors of the Company at the 77<sup>th</sup> AGM.

(Note by the Company)

The foregoing reasons were copied directly from the reasons for the proposal submitted by the proposing shareholders. Similarly, the descriptions submitted by the proposing shareholders have been copied in the "Reasons for nominating the candidate as a candidate for director" for each of the candidates listed below.

Candidate Number	Name
1	Yuji Nishiura
2	Daisuke Hamaguchi
3	Keiichiro Ina
4	Ryuichi Kawamoto
5	Satoshi Yoshida
6	Kinya Seto

#### ● Opinion of the Board and the Nomination Committee

The Board and the Nomination Committee are "opposed" to election of the director candidates set forth in Proposal 3.

Of the eight candidates in the Shareholder Proposal, the Nomination Committee decided not to include six candidates (with the exception of Kaoru Onimaru and Teruo Suzuki) in the slate of director candidates (Company nominees) for the reasons set forth from the next page. Based on this decision made by the Nomination Committee, the Board, after deliberation, resolved to support the decision of the Nomination Committee.



# 1 Yuji Nishiura

(January 3, 1953)

## Number of shares of the Company owned by the candidate

0

## Important concurrently-held positions

Outside Director, SQUARE ENIX HOLDINGS CO., LTD.  
Chair and CEO, Sumitomo Mitsui Trust Club Co., Ltd. (until December 2018)  
Advisor, Sumitomo Mitsui Trust Bank, Limited

## Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

2000	Representative Director and President, Booz Allen Hamilton Inc.
2006	Representative in Japan, AlixPartners LLP
2011	Vice Chair, US Headquarters, AlixPartners, LLP
2012	Director and Chair, AXA Life Insurance, Co., Ltd.
2014	Outside Director, SQUARE ENIX HOLDINGS CO., LTD. (incumbent)
2015	Chair and CEO, Sumitomo Mitsui Trust Club Co., Ltd. (until Dec. 2018)
2015	Advisor, Sumitomo Mitsui Trust Bank, Limited (incumbent)

## Special Interests

None

## Reasons for nominating the candidate as a candidate for outside director

Mr. Nishiura is a management professional who has engaged in the management of several corporations and been involved in a number of corporate restructuring matters. He has a wealth of experience related to corporate governance reform at companies facing challenging situations. He is expected to supervise overall management of the Company and provide expert advice to the Company given his rich knowledge of business execution.

## Opinion of the Board and the Nomination Committee

The Board and the Nomination Committee of the Company are “opposed” to the election of Mr. Nishiura.

The Nomination Committee decided not to include Mr. Nishiura in the slate of director candidates (Company nominees) for the reasons set forth below, in addition to the “Reasons for not nominating some of the director candidates under the Shareholder Proposal (six of the eight excluding Ms. Onimaru and Mr. Suzuki)” in the “Decision on Director Candidates and Nomination Reasons and Recommendations” (page 6 to page 7) by the Nomination Committee. The Board resolved to support this decision of the Nomination Committee.

- Sumitomo Mitsui Trust Club, where Mr. Nishiura was 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 March 2019, the Company’s debt balance to Sumitomo Mitsui Trust Bank stood at 205 hundred million yen. 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 Bank since 2015 until now.
- Based on the above, there are concerns regarding the independence of Mr. Nishiura as an outside director.

## 2 Daisuke Hamaguchi

(June 5, 1953)

### Number of shares of the Company owned by the candidate

0

### Important concurrently-held positions

Management Execution Director and Chief Investment Officer, Pension Fund Association (until April 2, 2019)  
Director, Securities Analysts Association of Japan  
Executive Director, Institutional Investors Collective Engagement Forum

### Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

1976	Non-ferrous Metal Division, Mitsubishi Corporation
1987	Finance and Capital Market Division, Mitsubishi Corporation, and President, Subsidiary of Mitsubishi Corporation in England
1999	Managing Director and Management Execution Director, Corporate Pension Fund of Mitsubishi Corporation
2005	Operations Manager, Pension Fund Association
2009	Management Execution Director and Chief Investment Officer, Pension Fund Association (until April 2, 2019)
2013	Director, Securities Analysts Association of Japan (incumbent)
2019	Director, Institutional Investors Collective Engagement Forum (incumbent)

### Special Interests

None

### Reasons for nominating the candidate as a candidate for outside director

Mr. Hamaguchi is an expert of corporate governance, having served as Management Execution Director of the Pension Fund Association for several years, as well as a member of, among others, “The Companies Act Subcommittee, Legislative Council” and “The Corporate Governance System Study Group”. He is expected to correct the existing problematic corporate governance of the Company from the perspective of shareholders, and supervise the management of the Company and provide advice to the Company based on a wealth of experience and high degree of expertise, in order to achieve the Company’s mid- to long-term growth.

### Opinion of the Board and the Nomination Committee

The Board and the Nomination Committee are “opposed” to the election of Mr. Hamaguchi.

The Nomination Committee decided not to include Mr. Hamaguchi in the slate of director candidates (Company nominees) for the reasons set forth below, in addition to the “Reasons for not nominating some of the director candidates under the Shareholder Proposal (six of the eight excluding Ms. Onimaru and Mr. Suzuki)” in the “Decision on Director Candidates and Nomination Reasons and Recommendations” (page 6 to page 7) by the Nomination Committee. The Board resolved to support this decision of the Nomination Committee.

- The Pension Fund Association (PFA), where Mr. Hamaguchi had worked for ten 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 are 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 an executive director 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 perspective 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 appropriateness of Mr. Hamaguchi as an outside director.

## 3 Keiichiro Ina

(March 24, 1949)

### Number of shares of the Company owned by the candidate

403,582

### Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

1974	Joined Ina Seito Co., Ltd. (currently LIXIL Corporation)
1998	Director, INAX Corporation (currently LIXIL Corporation)
2001	Director, Tostem Inax Holding Corporation (currently the Company)
2003	Director in charge of audit, IR and public relations and accounting and finance, Tostem Inax Holding Corporation
2006	Director in charge of IR and public relations, JS Group Corporation
2008	Director in charge of CSR, JS Group Corporation
2009	Director, JS Group Corporation
2017	Director and Compensation Committee Member, the Company
2018	Director, the Company (incumbent)

### Special Interests

None

### Reasons for nominating the candidate as a candidate for director

Mr. Ina, one of the proposing shareholders, is a current director of the Company and one of the few people in the current management who has continued striving to prevent or correct problems in the corporate governance of the Company. Although he does not hold an executive position today, he was engaged in IR/public relations matters and management of the Company for many years, and is expected, as a non-executive director, to supervise and provide advice to executive members.

### Opinion of the Board and the Nomination Committee

The Board and the Nomination Committee are “opposed” to the election of Mr. Ina.

The Nomination Committee decided not to include Mr. Ina in the slate of director candidates (Company nominees) for the reasons set forth below, in addition to the “Reasons for not nominating some of the director candidates under the Shareholder Proposal (six of the eight excluding Ms. Onimaru and Mr. Suzuki)” in the “Decision on Director Candidates and Nomination Reasons and Recommendations” (page 6 to page 7) by the Nomination Committee. The Board resolved to support this decision of the Nomination Committee.

- 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-executive 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.

## 4 Ryuichi Kawamoto

(October 8, 1952)

### Number of shares of the Company owned by the candidate

16,752

### Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

1976	Joined Ina Seito Co., Ltd. (currently LIXIL Corporation)
2000	Director, INAX Corporation (currently LIXIL Corporation)
2003	Managing Director, INAX Corporation
2004	Director and Managing Executive Officer, INAX Corporation
2006	Director and Senior Managing Executive Officer, INAX Corporation
2007	Director and President, President Executive Officer (Representative Director), INAX Corporation
2011	Executive Officer and Vice President in charge of Metal & Architectural Materials, JS Group Corporation (currently the Company) Director, Senior Vice President and Executive Officer, Metal & Architectural Materials Company President (Representative Director), LIXIL Corporation Representative Executive Officer and Vice President in charge of Metal & Architectural Materials, the Company
2012	Director, Senior Vice President and Executive Officer, Metal & Architectural Materials Company President (Representative Director), LIXIL Corporation Representative Executive Officer and Vice President in charge of Product Development / Production, the Company
2013	Director, Senior Vice President and Executive Officer, Products Company President (Representative Director), LIXIL Corporation Representative Executive Officer and Vice President in charge of Product Development, the Company
2014	Director, Senior Vice President and Executive Officer and CTO (Representative Director), LIXIL Corporation
2015	Representative Executive Officer and Vice President in charge of Quality, Technology and Environment, the Company Senior Vice President and Executive Officer and CTO, LIXIL Corporation
2016	Director, Representative Executive Officer and Vice President in charge of Technology, Quality and Production, the Company Director, Vice President and CTO, LIXIL Corporation LIXIL Water Technology Chief Manufacturing Optimization Officer, LIXIL Corporation
2017	Representative Executive Officer and Vice President in charge of Production Optimization, the Company
2018	Director, the Company (incumbent)

### Special Interests

None

### Reasons for nominating the candidate as a candidate for director

Mr. Kawamoto is a current director of the Company and, as a member of the current management, has continued striving to prevent or correct problems in the corporate governance of the Company. He has a wealth of experience, including serving as representative director of LIXIL Corporation. He is expected, as a non-executive director, to supervise and provide advice to executive members.

### Opinion of the Board and the Nomination Committee

The Board and the Nomination Committee are “opposed” to the election of Mr. Kawamoto.

The Nomination Committee decided not to include Mr. Kawamoto in the slate of director candidates (Company nominees) for the reasons set forth below, in addition to the “Reasons for not nominating some of the director candidates under the Shareholder Proposal (six of the eight excluding Ms. Onimaru and Mr. Suzuki)” in the “Decision on Director Candidates and Nomination Reasons and Recommendations” (page 6 to page 7) by the Nomination Committee. The Board resolved to support this decision of the Nomination Committee.

- 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-executive 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.

Candidate Number [Shareholder Proposal]

## 5 Satoshi Yoshida

(May 11, 1963)

### Number of shares of the Company owned by the candidate

5,000

### Important concurrently-held positions

Director, Senior Managing Officer and LIXIL Housing Technology Japan CEO, LIXIL Corporation

### Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

1986	Joined Toyo Sasaki Co., Ltd. (currently LIXIL Corporation)
1992	Saku Office Manager, Tostem Corporation
2000	Gunma Branch Manager, Tostem Corporation
2005	Managing Director and Chubu Branch Head, Tostem Corporation
2007	Managing Director, Production Planning and Overseas Management Manager of Production Department, Tostem Corporation
2008	Managing Director, Housing Equipment Business Head, Tostem Corporation
2010	Seconded Managing Director, Manager of Business Innovation Promotion Office, LIXIL Corporation
2011	Managing Director and Product Manager of Marketing Division, LIXIL Corporation
2013	Senior Managing Director, Sales Planning Manager, LIXIL Corporation
2015	Managing Director, Manager of Sales and Marketing Division, LIXIL Corporation
2016	Senior Managing Director, Manager of Japan Marketing Division, LIXIL Corporation
2017	Senior Managing Director, LIXIL Housing Technology Japan CEO, LIXIL Corporation
2018	Director, Senior Managing Director and LIXIL Housing Technology Japan CEO, LIXIL Corporation (incumbent)

### Special Interests

None

### Reasons for nominating the candidate as a candidate for director

Mr. Yoshida has deep insight into the entire Japan business of the Company as he is currently responsible for the housing business in Japan and previously presided over marketing for the entire Japanese market. He is expected to supervise and provide advice to executive members utilizing such in-depth knowledge.

### Opinion of the Board and the Nomination Committee

The Board and the Nomination Committee are “opposed” to the election of Mr. Yoshida.

The Nomination Committee decided not to include Mr. Yoshida in the slate of director candidates (Company nominees) for the reasons set forth below, in addition to the “Reasons for not nominating some of the director candidates under the Shareholder Proposal (six of the eight excluding Ms. Onimaru and Mr. Suzuki)” in the “Decision on Director Candidates and Nomination Reasons and Recommendations” (page 6 to page 7) by the Nomination Committee. The Board resolved to support this decision of the Nomination Committee.

- It has only been one year since Mr. Yoshida was newly appointed as Director and Senior Managing 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, it can be seen that this is not necessarily a suitable appointment.

## 6 Kinya Seto

(June 25, 1960)

### Number of shares of the Company owned by the candidate

239,708

### Important concurrently-held positions

Director and Chair, MonotaRO Co., Ltd. (part-time)  
Director, Representative Executive Officer, President (until March 2019) and CEO (until October 2018), the Company  
Representative Director, President and CEO, LIXIL Water Technology CEO and LIXIL Housing Technology CEO, LIXIL Corporation (until October 2018)

### Brief personal profile, position and responsibility in the Company, and important concurrently-held positions

1983	Joined Sumitomo Corporation
1990	Product Manager for Special Steel Products, Detroit Office, Sumitomo Corporation of America (currently Sumitomo Corporation of Americas)
1992	Vice President, Precision Bar Service, INC.
1997	Representative Director and President, Iron Dynamics Process International LLC
1999	Business Planning Dept., Iron & Steel Division, No.1 e-Commerce Team Head and Manager, Sumitomo Corporation
2000	Director, MonotaRO Co., Ltd.
2001	Representative Director and President, MonotaRO Co., Ltd.
2006	Director, Representative Executive Officer and President, MonotaRO Co., Ltd.
2010	Director, Zoro Tools, Inc. (currently Zoro, Inc.)
2011	Representative Director and President, K-engine Corp.
2012	Representative Director and President, Grainger Asia Pacific Co., Ltd. Director, Representative Executive Officer and Chair, MonotaRO Co., Ltd. Vice President, W. W. Grainger, Inc.
2013	Senior Vice President, W. W. Grainger, Inc. CEO, GWW UK Online Ltd. (currently Razor Occam, Ltd.)
2014	Director and Chair, MonotaRO Co., Ltd.
2016	Director, Representative Executive Officer, President and CEO, the Company Representative Director, President and CEO, LIXIL Water Technology CEO and LIXIL Housing Technology CEO, LIXIL Corporation Director and Chair, MonotaRO Co., Ltd. (part-time)
2018	Director, Representative Executive Officer, President (until March 2019) and CEO (until October 2018), the Company
2019	Director, the Company (incumbent)

### Special Interests

None

### Reasons for nominating the candidate as a candidate for director

Mr. Seto, one of the proposing shareholders, has continued striving to prevent or correct problems in the corporate governance of the Company, together with Mr. Ina and Mr. Kawamoto. Mr. Seto was deeply engaged in the execution of important business matters until he was forced to resign as CEO of the Company on October 31, 2018 due to the misleading statements made by Mr. Ushioda, who was then a member of the Nomination Committee and a director. Therefore, Mr. Seto has intimate knowledge of the management and execution issues facing the Company. Mr. Seto is expected to increase the corporate value of the Company by being involved in material decision-making as a director even after the AGM in June 2019.

### Opinion of the Board and the Nomination Committee

The Board and the Nomination Committee are “opposed” to the election of Mr. Seto.

The Nomination Committee decided not to include Mr. Seto in the slate of director candidates (Company nominees) for the reasons set forth below, in addition to the “Reasons for not nominating some of the director candidates under the Shareholder Proposal (six of the eight excluding Ms. Onimaru and Mr. Suzuki)” in the “Decision on Director Candidates and Nomination Reasons and Recommendations” (page 6 to page 7) by the Nomination Committee. The Board resolved to support this decision of the Nomination Committee.

- 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 yen, a significant year-over-year reduction of 26.9 billion yen (66.1%). This in turn led 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 appointed at the AGM; however, Mr. Seto has made remarks with the premise that he himself will be appointed / selected as CEO, which has caused doubts to be raised regarding the fundamental comprehension of the state of governance in a company with committees (i.e., in light of the relevant laws, the management system of the Company, including Representative Executive Officer (President and CEO), after the AGM should be appointed / selected under the

responsibility of the newly formed Board and Nomination Committee).