



LIXIL Tax Principles

LIXIL believes that a consistent and proactive approach to taxation is an essential part of a company's sustainability strategy. All officers and employees realize our Purpose (Make Better Homes a Reality for Everyone Everywhere) by practicing the LIXIL Behaviors ("Do the Right Thing, Work with Respect, & Experiment and Learn") in our daily work and paying taxes in accordance with the LIXIL Code of Conduct and this Principles, which is inseparable from our business activities.

Basic Position on Taxes

At LIXIL one of our most basic and important social responsibilities is our position to pay taxes appropriately in order to comply with the spirit and letter of tax laws and regulations, to build trust with related parties, and to further contribute to the economic development in the countries and regions in which we operate.

● Tax Compliance

We will appropriately file tax returns and pay taxes in accordance with the applicable laws and regulations in the countries in which we operate and do business (hereinafter referred to as 'tax-related rules and regulations').

In conducting business activities in each country, we will comply with international tax rules such as OECD laws, tax-related laws and regulations as well as the company's internal tax rules as we continue to maintain and improve our tax compliance.

With cross-border transactions with overseas subsidiaries we will utilize the arm's length principle to calculate transfer prices by analyzing the functions, assets and risks of each trading party, appropriately distributing profits according to their contributions, and by performing regular evaluations.

● Tax Governance

We will inform all officers and employees about the importance of taxes regularly and educate and disseminate the company's internal tax rules to all officers and employees in order to practice the tax compliance.



Practicing tax governance is indispensable for our business activities, and our Corporate Taxes Department (which reports directly to the CFO) is responsible for early detection of information on tax issues, system revisions and for establishing a communication network that allows for flexible cooperation with related departments to provide appropriate responses in a timely manner. Critical issues and tax strategies as required are then brought to the Board of Directors for approval.

In addition, in order to monitor appropriate tax treatment, a tax manager is assigned in each region to work closely with the Corporate Taxes Department to build and operate a global tax governance system.

- **Dealing with Tax Risks**

We conduct business activities globally, and in the process of dealing with tax systems that are becoming more and more complex year over year, there may be cases where tax relationships are unclear. In such cases, we will strive to adopt appropriate tax treatment policies by thorough analysis and consideration, will consult with external tax experts and make preliminary inquiries to tax authorities as necessary.

- **Tax Planning**

We recognize that the economic value must be allocated to the country where the value is created, following domestic and international rules and standards regarding arm's length principles (including the OECD Transfer Pricing Guidelines), and thus will never transfer income to low tax rate jurisdictions just for the purpose of reducing our tax liabilities.

We declare that we will never attempt to avoid taxes by engaging in artificial structuring or tax structures without business rationale and commercial substance or by using "Tax Haven" countries.

If there are more than one option that meet our business objectives, in a comprehensive manner we will examine tax costs as one of our considerations.

We will actively adopt and utilize the avoidance of double taxation and the use of preferential tax treatment that is deemed to contribute to economic and social development. If there is a net operating loss carryforward, we will attempt to make effective use of it to optimize consolidated cash flow and maximize corporate value, but we will never consider or adopt artificial structuring



for the sole purpose of utilizing any net operating loss carryforward.

- **Relationship with Tax Authorities**

We will disclose relevant facts and documents to tax authorities and engage in open and constructive dialogue.

We will endeavor to establish and maintain sound and normal relationships with tax authorities in each country and region in which we operate and will provide explanations and responses in good faith that is accurate and based on the facts. In the event that we receive specific instructions or guidance from tax authorities, we will clarify the cause, take appropriate corrective and remedial measures, and work to prevent recurrence thereafter.

On the other hand, if there is a dispute with authorities due to a difference of opinion, we will not easily accept irrational claims, but will clearly assert our viewpoint in accordance with applicable tax laws and regulations. We will never bribe or pay off inspectors.

- **Transparency**

We will ensure transparency in tax matters and fulfill our social responsibility by making appropriate disclosures to tax authorities and stakeholders in each country in accordance with relevant laws and regulations, disclosure standards, and accounting standards (such as IFRS and JGAAP).