

(Appendix for Financial Results Announcement)

Appendix: Our Earnings Structure



LIXIL Corporation
January 30, 2026

TSE Code: 5938

- The apparent discrepancies in our PER, PBR, and ROA are attributed to inefficient assets and tax costs resulting from past acquisitions
- As the above factors represent past cash outflows, our corporate value is more accurately reflected by EBITDA ⁽¹⁾
- Our EBITDA (cash-generating capability) remains at a high position compared to the industry level

Cash-generating capability is a critical indicator for enterprise value



Discrepancy between EBITDA and Core Earnings (CE)

While the business maintains strong cash generation, substantial D&A (both tangible and intangible) arising from past acquisitions tends to result in lower CE



Excessive accounting tax costs

An unoptimized corporate entity structure has resulted in excessive tax costs, which continue to weigh down net profit



Sustainable EBITDA growth

With assets at sufficient levels, future CAPEX is expected to remain limited, enabling stable growth in EBITDA

KPIs and Strategic Direction for Improvement

Due to our company's characteristics, valuation based on common PER and PBR metrics is as follows:

Metrics	Current Assessment	Factors
PER	Overrated (Overpriced)	Net profit is understated due to excessive accounting tax costs
PBR ROA	Depressed	Inflated asset base resulting from past investments

*The low PBR is not attributable to the possession of non-core surplus assets; all assets are actively utilized in our core business operations

Direction for Improvement

- Enhancing asset efficiency through asset rationalization
- Normalization of tax rate

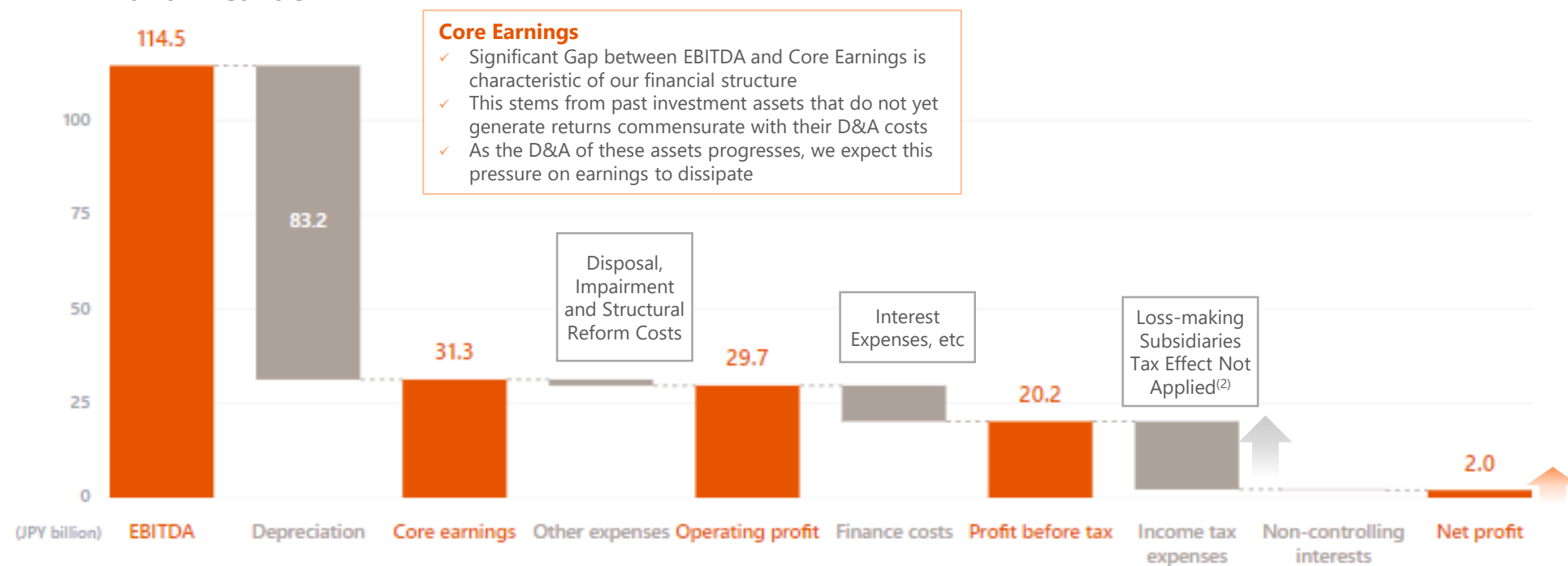
Considerations

Even low-efficiency assets contribute to corporate value as long as their cash returns exceed D&A expenses. Reported accounting losses are primarily driven by sunk costs (non-cash D&A expenses from past investments). **In practical terms, the cash return remains positive**

(1) Definition of EBITDA: Earnings before Interest, Taxes, a Depreciation, and Amortization. LIXIL calculates EBITDA as: Core Earnings + Depreciation + Amortization

While the recognition of “Other Expenses” is decreasing due to the completion of structural reforms, the tax burden remains high due to the impact of loss-making subsidiaries. Normalizing the effective tax rate to maximize net profit is an urgent priority

I EBITDA and Breakdown



Other Expenses

- Structural reforms are largely concluded
- Recurring disposal and impairment losses of approximately JPY3.0 billion are expected to occur even under normal operating conditions

Financial Expenses

- Interest expenses of approximately JPY12.0 billion are incurred annually
- Foreign exchange losses and other costs associated with hedging activities

Tax Expenses

- The effective tax rate has increased due to unrecognized tax effects from loss-making subsidiaries
- We aim to normalize the tax rate by returning ASB to profitability

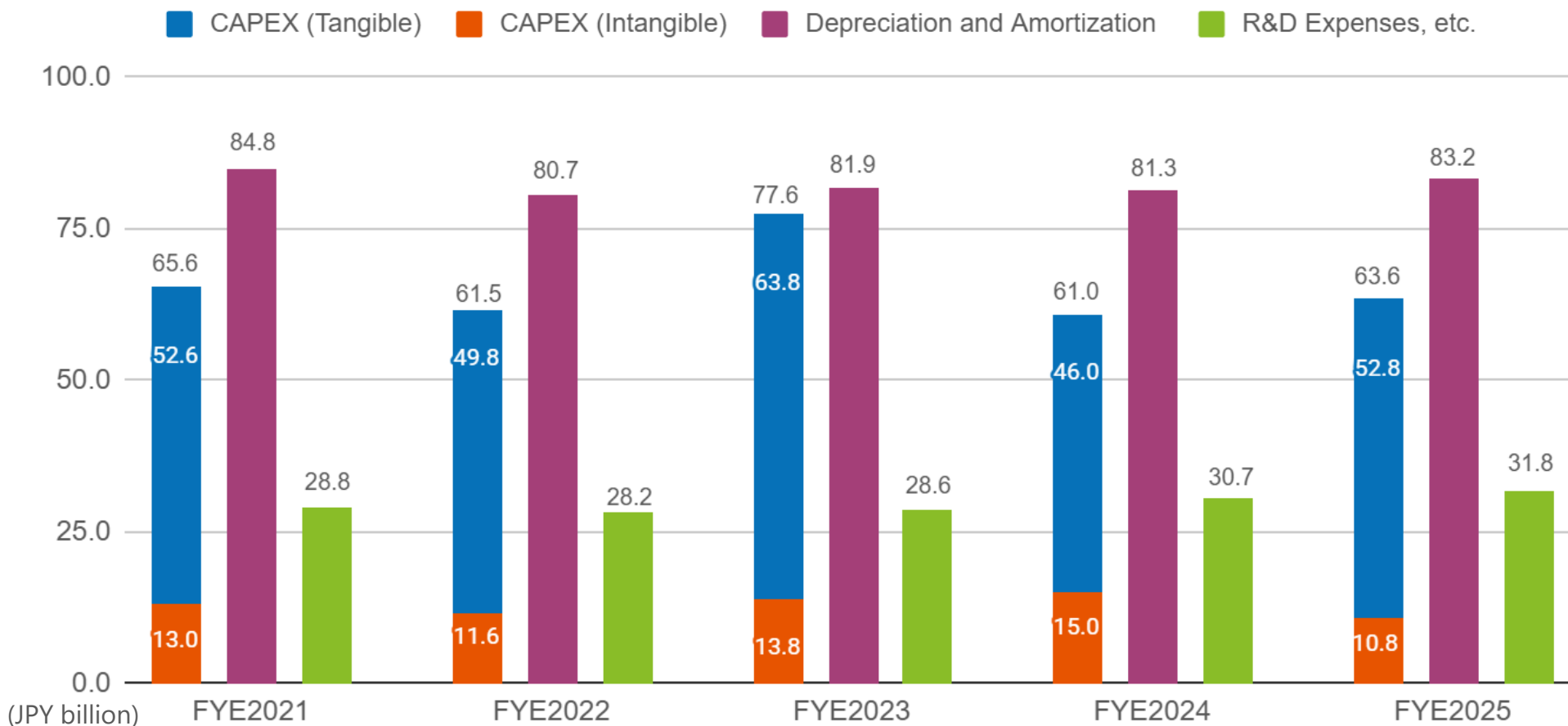
Net Profit

- Expansion of net profit through the normalization of tax rate

(1) Net Profit: Refers to profit attributable to owners of the parent

(2) Income Tax Expense: "Income tax expense" is an accounting measure and does not necessarily involve a direct cash outflow

Our CAPEX has been on a downward trend in recent years due to our asset-light strategy, with investment levels remaining below D&A. Conversely, we are actively investing in intangible assets (recorded as expenses), primarily focusing on brand enhancement, intellectual property, and R&D. While these investments weigh down Core Earnings in the short term, they are critical for enhancing our future profitability and long-term competitiveness.





Cautionary Statements with Respect to Forward-Looking Statements

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

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