LIXIL Corporation

Financial Results Briefing for the Fiscal Year Ended March 2025 for Investors and Analysts

April 30, 2025

Event Summary

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[Participants]		
[Number of Speakers]	3	
	Kinya Seto	Director, Representative Executive Officer, President, and CEO
	Mariko Fujita	Executive Officer, Executive Vice President, CFO, Finance, Treasury, IR, and Risk Management
	Aya Kawai	Senior Vice President, Leader, Investor Relations Office
[Analyst Names]*	Sho Fukuhara	Jefferies
	Hiroki Kawashima	SMBC Nikko Securities
	Ryo Yagi	Morgan Stanley MUFG Securities
	Yoshihiro Nakagawa	Mizuho Securities
	Hideaki Teraoka	Daiwa Securities
	Sachiko Okada	Goldman Sachs

Masahiro Mochizuki CLSA Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

MC: Now that it is the appointed time, we would like to begin the financial results briefing for LIXIL Corporation for the fiscal year ended March 31, 2025.

This briefing is being conducted via live internet streaming. Thank you very much for your cooperation.

Let us begin by introducing today's presenters. Kinya Seto, Director, Representative Executive Officer, President, and CEO.

Seto: Thank you.

MC: Next, Mariko Fujita, Executive Officer, Executive Vice President, and CFO.

Fujita: Thank you very much.

MC: Next, Aya Kawai, Senior Vice President and Leader of the Investor Relations Office.

Kawai: Thank you very much.

MC: My name is Setoguchi from Investor Relations, and I will be the moderator for today's session.

Please refer to the presentation materials posted on our website and in the investor relations section.

I will explain today's proceedings. First, CFO Fujita will give an overview of the financial results and the outlook for the fiscal year ending March 31, 2026. Next, CEO Seto will continue with an explanation of the mid- to long-term direction of the Company. Lastly, there will be time for questions and answers. The question method has been changed to a direct question format using Zoom's audio and camera functions. We will explain it again later. The event is scheduled to end at 6:00 PM.

Ms. Fujita will now give an overview of the financial results and the outlook for the fiscal year ending March 31, 2026. Ms. Fujita, please.

KEY HIGHLIGHTS

Summary of results for the fiscal year ended March 2025

Revenue and profits increased year-on-year for Q4 (3 months) FYE2025

- For the Japan business, a decline in new housing starts continued to impact both LWT and LHT. LWT's renovation sales remained strong, however, while LHT's sales, though below plan, still grew year-on-year
- For the LWT international business, revenue and core earnings increased year-on-year due to revenue increases in Europe and growth in the Middle East and India
- Ongoing international structural reforms included the completion of a transfer of the US bathing business and the closure of a plant in Thailand

Revenue and profits increased for Q4 (12 months) FYE2025

- For Japan, new housing starts were lower than forecast in our initial plan. LWT performed well, however, offsetting decreased sales in new housing with increased renovation sales. LHT's performance was below plan due to lower-than-expected sales for window renovations
- For the LWT international business, revenue and core earnings increased year-on-year due to improved sales in Europe and the Middle East as well as the positive impact of structural reforms. Revenue and core earnings declined in the Americas from continued weak demand and the impact of a system outage from an unauthorized security access by a third-party
- Operating cash flow has continued to improve, and free cash flow increased by JPY53.8billion year-on-year

Fujita: I will explain the financial results for the fiscal year ended March 31, 2025 and the forecast for the fiscal year ending March 31, 2026.

This is the first of today's key highlights. Both in Q4 and for the full year, we are in a situation where sales and profits are increasing YoY and free cash flow is also improving.

As for the Q4 results, the Japan business was affected by the decline in new housing starts, but this was offset by renovation sales. In the international business, revenue and core earnings increased in the areas of revenue increases in Europe and growth in the Middle East and India. As for the ongoing international structural reforms, the transfer of the US bathing business and the closure of a plant in Thailand have been completed.

For the full year, the story is almost the same as in Q4. Free cash flow improved by JPY53.8 billion YoY.

KEY HIGHLIGHTS

Outlook for the fiscal year ending March 2026

Full-year forecast for FYE2026

- Forecasting revenue of JPY1,540.0 billion, core earnings of JPY35.0 billion, and profit attributable to owners of the parent of JPY8.0 billion
- Forecasting annual dividend of JPY90 per share

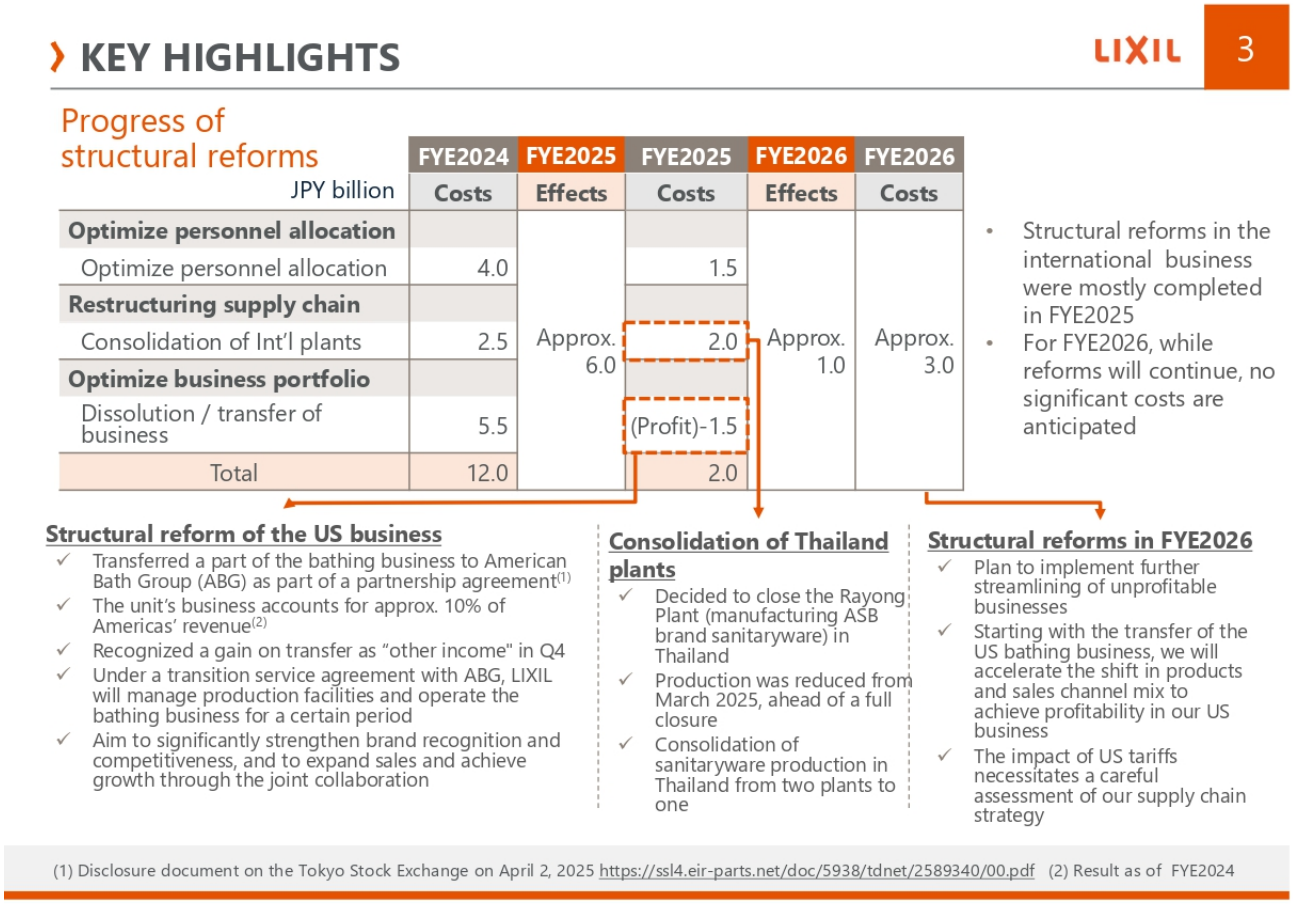
Business environment and outlook

- LWT international business:
  - ✓ While the tariff policies of the US administration are expected to have various impacts, both positive and negative, we are currently assuming a neutral impact
  - ✓ We anticipate the global recession in housing equipment and building materials, driven by high interest rates and rising labor costs, will continue in FYE2026
  - ✓ The rationalization benefits from the sale of the US bathing business are expected to materialize in FYE2027 due to the continuation of transition services
  - ✓ The European business may see an improved business environment due to Germany's fiscal policy shift and the potential resolution of conflicts, although a full recovery is forecasted for FYE2027
  - ✓ The Middle East and India (IMEA) are expected to contribute to our sales, supported by robust demand
- Japan business: New housing starts in Japan are expected to be weak for some time, but renovation business is expected to remain strong
- Some structural reforms will continue into FYE2026

This is the second of today's key highlights. This is the forecast for the full year ending March 31, 2026.

For the fiscal year ending March 31, 2026, we forecast a revenue of JPY1,540 billion, core earnings of JPY35 billion, and profit attributable to owners of the parent of JPY8 billion. The annual dividend is expected to be JPY90 per share.

With regard to the outlook for the current business environment for the full-year forecast, first of all, we expect our international business to be affected by the tariff policies of the US administration and other factors, but at this point, we see the impact as neutral. In the Japan business, the number of new housing starts in Japan is expected to remain weak for the time being. On the other hand, we intend to maintain the direction of further acceleration with respect to sales for renovation. Some structural reforms are expected to continue in FYE2026.

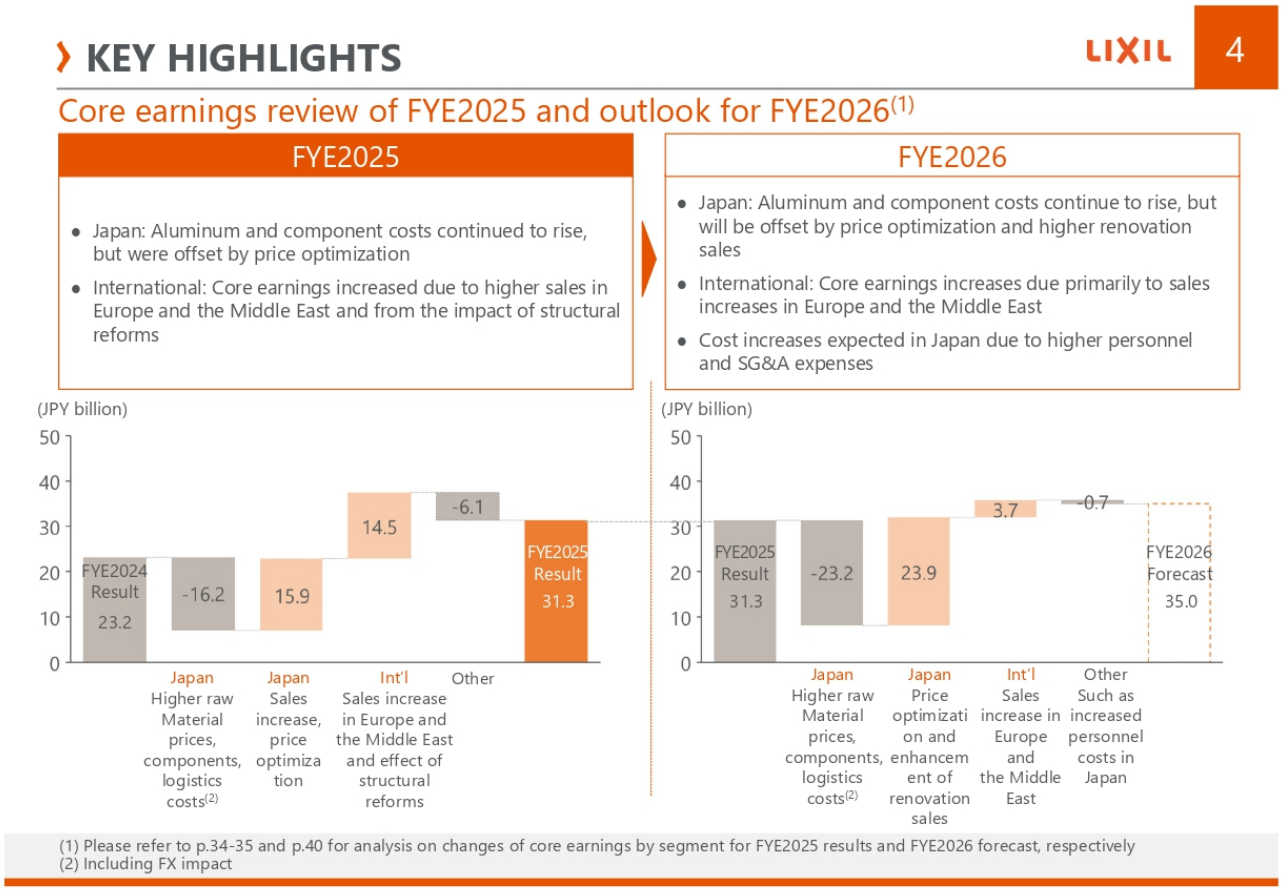


Next, I would like to explain the progress on structural reforms.

Structural reforms in the international business were largely completed in FYE2025. In FYE2025, as part of the restructuring of our US operations, we transferred a portion of our bathing business to American Bath Group (ABG), with whom we have established a strategic partnership agreement. The two companies have signed a contract to provide transition services, and for a certain period of time, LIXIL will be responsible for the management of the production site and the operation of the bathing business. In addition, we will strengthen our brand recognition and competitiveness, and through collaboration between the two companies, we aim to expand sales and achieve growth.

As for Thailand, we have decided to close the Rayong Plant. As a result, the sanitaryware plants in Thailand are to be consolidated from two to one.

For FYE2026, we do not expect any major restructuring expenses. At the same time, however, we plan to implement additional streamlining of unprofitable businesses.



The following is the last page of today's key highlights. I would like to explain the actual core earnings for the fiscal year ended March 31, 2025 and the outlook for the fiscal year ending March 31, 2026.

For the fiscal year ending March 31, 2026, we expect core earnings to grow from JPY31.3 billion in the fiscal year ended March 31, 2025 to JPY35 billion. For the breakdown, in Japan, we expect aluminum and component costs to continue to rise, but this will be offset by price optimization and higher renovation sales.

In the international business, we expect to increase earnings mainly through sales increases in Europe and the Middle East.

FYE2025 PERFORMANCE HIGHLIGHTS

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Revenue and core earnings increased year-on-year

- **Revenue: JPY1,504.7 billion, up JPY21.5 billion year-on-year**
  - Q4 (3 months) YoY: +3% in Japan and -2% in international markets (-2% excluding foreign exchange impact)
  - Q4 (12 months) YoY: Flat in Japan and +3% in international markets (-1% excluding foreign exchange impact)
- **Core earnings: JPY31.3 billion, up JPY8.2 billion year-on-year**
  - Q4 (3 months) YoY: +JPY6.0 billion in LWT, -JPY1.1 billion in LHT, and -JPY1.2 billion for consolidation adjustment/other factors
  - Q4 (12 months) YoY: +JPY18.2 billion in LWT, -JPY6.7 billion in LHT, and -JPY3.3 billion for consolidation adjustment/other factors
- **EBITDA(1): JPY114.5 billion, up JPY10.0 billion year-on-year**
- **Profit(2): JPY2.0 billion, up JPY15.9 billion year-on-year**
  - Q4 (3 months): Increased by JPY18.4 billion YoY due to an increase in core earnings and a decrease in structural reform costs
  - Q4 (12 months) : Increased by JPY15.9 billion YoY due to an increase in core earnings and a decrease in structural reform costs, despite increase in tax expenses

(1) EBITDA=Core earnings + Depreciation + Amortization
(2) Profit = Profit attributable to owners of the parent

Next is the performance highlights for the fiscal year ended March 31, 2025.

Revenue was JPY1,504.7 billion, an increase of JPY21.5 billion YoY. Core earnings were JPY31.3 billion, an increase of JPY8.2 billion YoY. EBITDA was JPY114.5 billion, an increase of JPY10 billion YoY. Profit was JPY2 billion. This is an increase of JPY15.9 billion.

For the full year, despite an increase in tax expenses, the improvement in earnings and a decrease in structural reform costs resulted in a JPY15.9 billion YoY.

FYE2025 CONSOLIDATED BUSINESS RESULTS

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JPY billion	Q4 (12 months) FYE2024	FYE2025	Increase/ decrease (YoY)	%	Q4 (3 months) FYE2025	Increase/ decrease (YoY)	%
Revenue	1,483.2	**1,504.7**	+21.5	+1.4%	**364.2**	+4.0	+1.1%
Gross Profit	472.7	**498.1**	+25.4	+5.4%	**121.1**	+10.6	+9.6%
(%)	31.9%	**33.1%**	+1.2pp	-	**33.2%**	+2.6pp	-
SG&A	449.6	**466.8**	+17.2	+3.8%	**120.8**	+6.9	+6.1%
Core Earnings (CE) (1)	23.2	**31.3**	+8.2	+35.3%	**0.3**	+3.7	-
(%)	1.6%	**2.1%**	+0.5pp	-	**0.1%**	+1.0pp	-
Profit for the year including Discontinued Operations (2)	-13.9	**2.0**	+15.9	-	**-2.3**	+18.4	-
EPS (JPY)	-48.43	**6.97**	+55.40	-	**-7.94**	+64.11	-
EBITDA (3)	104.5	**114.5**	+10.0	+9.6%	**20.8**	+3.3	+18.7%
(%)	7.0%	**7.6%**	+0.6pp	-	**5.7%**	+0.8pp	-

- **Gross profit margin:** Increased by 1.2pp YoY
- **SG&A expenses:** Increased by JPY17.2 billion YoY (Japan JPY12.4 billion increase, International JPY2.1 billion decrease, forex effect JPY6.9 billion increase) due mainly to higher personnel costs in Japan and an increase in SG&A expenses for int'l businesses as a result of foreign exchange impacts. SG&A ratio increased by 0.7pp
- **CE margin:** Increased by 0.5pp YoY

(1) Equivalent to "Operating profit" of JGAAP
(2) Profit attributable to owners of the parent
(3) EBITDA=Core earnings + Depreciation + Amortization

This page displays the consolidated business results for the fiscal year ended March 31, 2025.

The gross profit margin improved by 1.2 points YoY, while SG&A ratio increased by 0.7 points due to the impact of foreign exchange rates, and the core earnings margin improved by 0.5 points.

FYE2025 BUSINESS RESULTS BY SEGMENT

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Revenue and core earnings increased year-on-year for both LWT Japan and LWT International. Revenue and core earnings decreased year-on-year for LHT, despite increased sales for window renovations, partially offsetting the drop in sales of new housing

		Q4 (12 months)			Q4 (3 months)	
	JPY billion	FYE2024	FYE2025	Increase/ decrease(YoY)	FYE2025	Increase/ decrease(YoY)
LWT	Revenue	896.9	**927.8**	+30.9	**229.1**	+0.7
	CE	22.7	**40.9**	+18.2	**9.0**	+6.0
LHT	Revenue	596.4	**586.8**	-9.6	**137.1**	+3.2
	CE	35.9	**29.2**	-6.7	**1.9**	-1.1
Consolidation, Adj. & Other	Revenue	-10.1	**-10.0**	+0.2	**-2.0**	+0.1
	CE	-35.4	**-38.8**	-3.3	**-10.7**	-1.2
LIXIL	Revenue	1,483.2	**1,504.7**	+21.5	**364.2**	+4.0
	CE	23.2	**31.3**	+8.2	**0.3**	+3.7

Forex impact(1)

Q4 12 months:
Revenue +JPY22.6 billion, CE -JPY0.1 billion

Q4 3 months:
Revenue -JPY0.1 billion, CE -JPY0.1 billion

(1) Forex translation effect gain(loss) from international subsidiaries

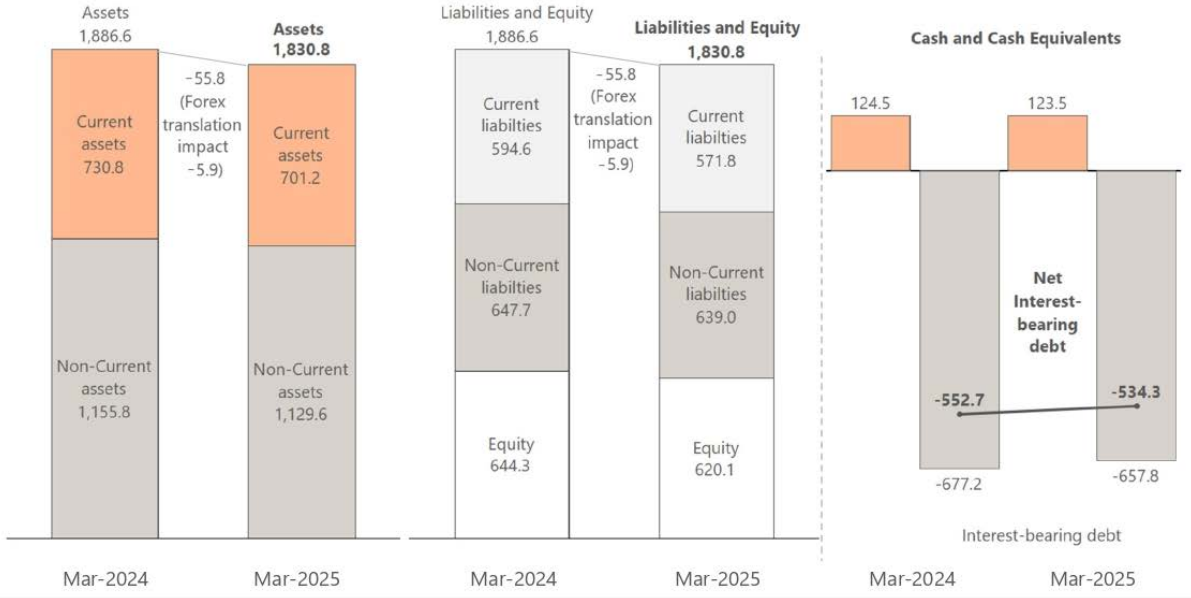
Next is a summary of our financial results for the fiscal year ended March 31, 2025.

As for LWT, both revenue and core earnings increased in both Japan and international businesses. As for LHT, revenue and core earnings declined, despite increased sales for window renovations, partially offset by the drop in sales of new housing.

CONSOLIDATED FINANCIAL POSITION

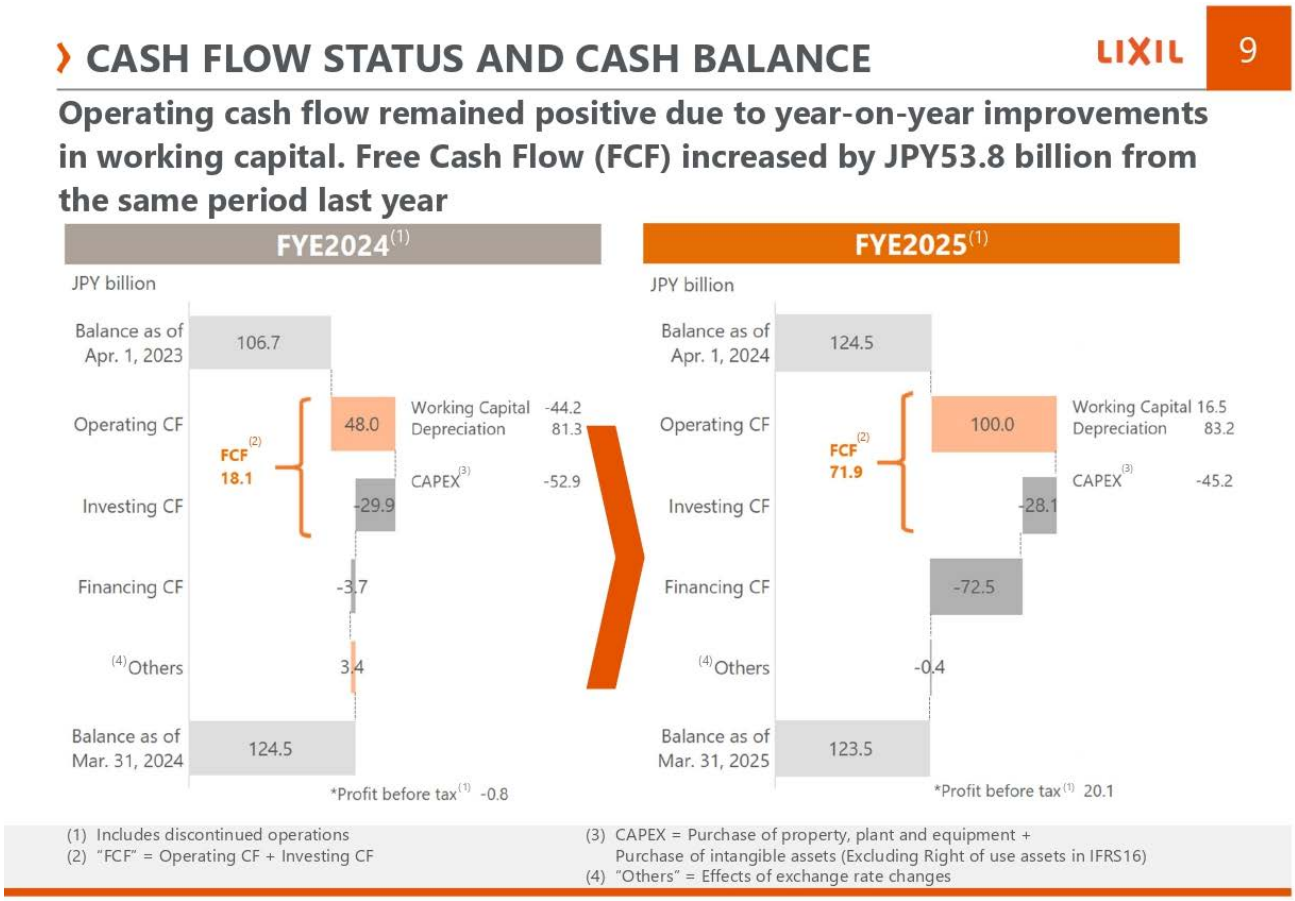
Equity decreased due primarily to completion of the business transfer of the bathing business in the US. Net Debt/EBITDA improved by 0.6 year-on-year to 4.7x. Equity ratio is 33.7%

JPY billion



Next is the consolidated financial position.

Equity decreased mainly due to the completion of the transfer of the US bathing business. Net debt/EBITDA improved by 0.6 YoY. The result is 4.7 times. The equity ratio was 33.7%.



I will now explain the cash flow status and cash balance.

Free cash flow improved by JPY53.8 billion YoY. This is largely due to the operating cash flow remaining positive, which is the result of YoY improvements in working capital.

This concludes my explanation of the financial results for the previous fiscal year and our forecast for the current fiscal year.

MC: Mr. Seto will then explain the mid- to long-term direction of the Company. Mr. Seto, please.

Seto: Hello, everyone. I am going to talk about the direction of the Company for about three years from this term.

But before that, in the form of the LIXIL Playbook in the fall of 2021, I talked about our medium-term direction at that point.

I also presented a figure of 10% core earnings margin in the long term and 7.5% in the medium term, but the plan that was the premise for this was, to put it very simply, a portfolio strategy. In our portfolio, our international business is making more money than in Japan. Japan is the least profitable business, but make up about 67% of our sales.

On the other hand, there were also some international businesses with high core earnings margins, such as faucets, which were highly profitable, but ceramics and bathtubs were particularly unprofitable. One of the main pillars of the Company's growth was to shift the focus of the business in the direction of a better portfolio.

The imbalance of international profits by region, and the imbalance of sales of products with relatively low earnings margins, such as bathtubs and ceramics, was also a major factor in changing the high sales of low-margin products. Of course, it was not enough to do that alone, but the whole business had to be differentiated, and one of the pillars was to innovate important innovations to differentiate the business, differentiate the business plan, and then not only the business model, but also the service, the most important product.

As for the past three years, we have not been able to achieve that result. Of course, it was partly our own fault, but one important environmental factor was the fact that interest rates rose after inflation in Europe

and the US, which we relied on the most, and resulted in a housing recession. I believe that this is largely due to the fact that we have become very adversarial with respect to housing facilities.

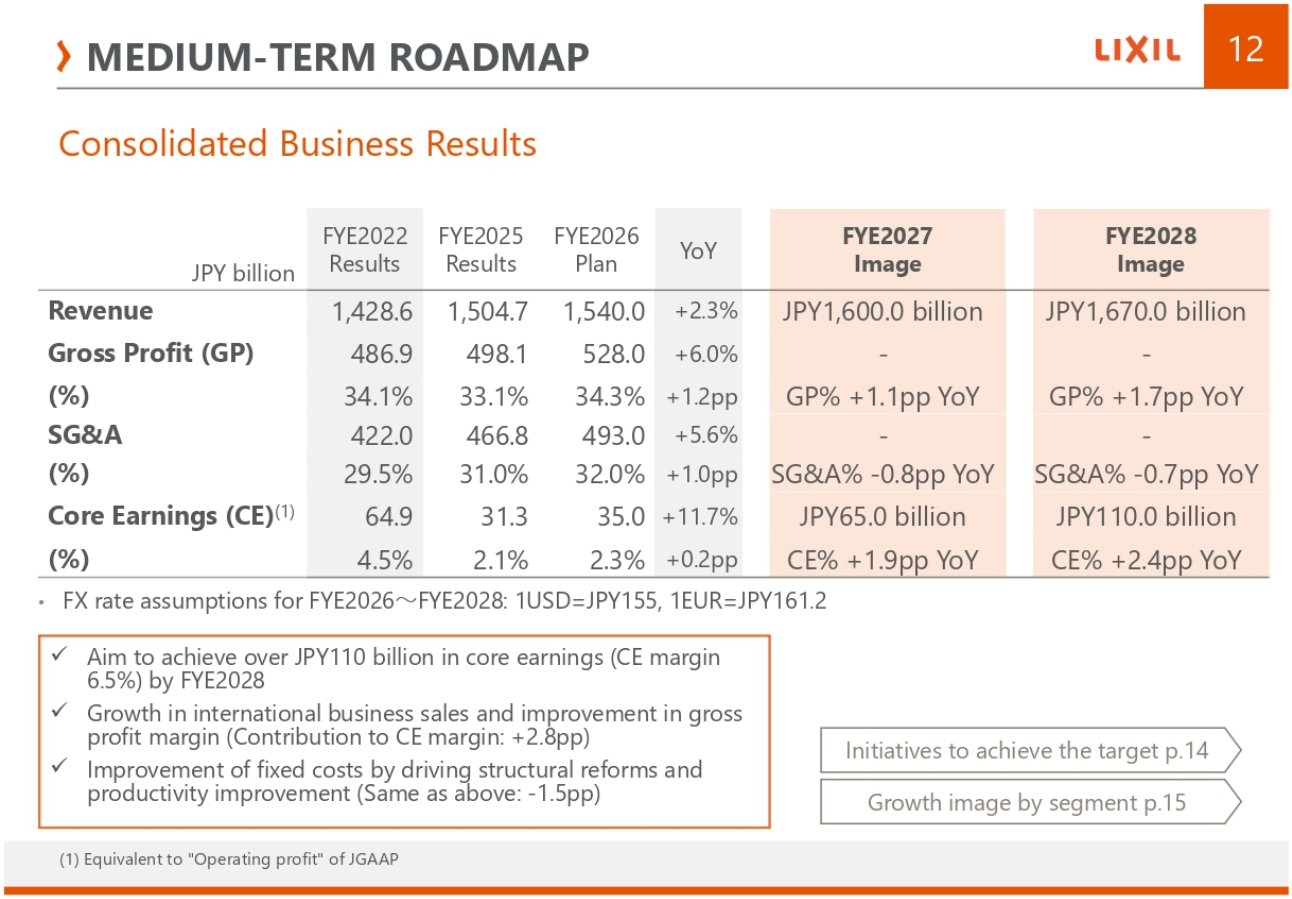
Among them, especially with regard to the US, we ourselves were originally a company with a lot of equipment and very heavy assets, so our breakeven point was at a very high point, and if the volume decreased, we would be impacted directly, which resulted in a loss in our US business.

As for Japan, of course we knew that the number of new housing starts would fall, and we had to change to renovations, but on the other hand, as a result of inflation, the number of new housing starts in Japan is basically dependent on young people who are the primary buyers. The fact that these people can no longer easily afford to buy new housing as a result of inflation means that the number of new housing starts has dropped more sharply than expected.

Lastly, we have a global supply chain as a premise of our business, and we have a very global supply chain compared to other companies, but this has put us at a disadvantage in the political conflict. For example, the Russian invasion of Ukraine caused the disruption of our Eastern European distribution, and I think that has some impact.

What we have learned from those changes in the situation is that, when LIXIL was formed, we bought too many different companies and our assets grew too large. What's more, there were many businesses that were not in balance and were not generating the right amount of revenue for their assets. Initially, we were focusing on reducing and selling off non-core businesses, but what we have learned over the past three bad years is that there are quite a few core businesses that we have that are not asset efficient, and I think it has become necessary to reorganize them.

Another thing is that in terms of innovation, I feel that we have been able to differentiate ourselves quite well by focusing on environmental and social compatibility. We have made structural reforms to slim down during the difficult period, and we believe we have been able to improve productivity by increasingly including AI, BI, and other digital technologies.



In this sense, I have written the medium-term roadmap this time.

As for the fiscal year ending March 31, 2026, we do not expect much growth because the objective environment is not so different from last year and there are still some difficult issues to be resolved.

However, we expect that in the next fiscal year, we will apparently be able to return to the situation in the fiscal year ended March 31, 2022. If we continue as is, we believe that we can add about 4.3% to the current 2.3% to bring the core earnings margin to about 6.6% by the fiscal year ending March 31, 2028. This is the part I mentioned earlier about changing the portfolio, which I will explain later.

On the other hand, another important part, will be on the next page.

Another problem we are aware of when looking at the overall business is that our cash flow is quite high, almost number one in the industry, and EBITDA is at a high level, but the actual core earnings of about JPY35 billion is not a very satisfactory figure at all. Furthermore, if the net profit is even lower, this difference is one of the reasons for the inefficiency of the assets that I mentioned earlier.

The point is core earnings and that although the Company is generating cash, there is a lot of depreciation, and amortization, not only of facilities, but also of intellectual assets, which adds up to JPY35 billion. The next point is that there is no tax benefit for international businesses that are not doing well, such as the US business and the Thailand business, although the loss will be eliminated by selling the plant this time. After all, if there is a deficit, the tax burden will be very high as it is.

Of course, cash is not decreasing as a practical matter, but core earnings and net profit are also important, so in order to improve them, we need to give full consideration to assets. When changing the portfolio, the first two priority items are the international businesses.

The first is the US business, which has been losing money, which is causing the tax-effect problem I mentioned earlier, so we want to turnaround the US business because the tax burden is getting too high. The US business is as important and large as the European business, and I believe it will grow, but unlike the European business, there are many products that are not profitable.

Bathtubs in particular are the least profitable, and while it is very difficult to differentiate bathtubs, logistics costs are very high, with one near Cleveland (Ohio) and another in Mexico. It is difficult to compete with ABG and KOHLER, which have many plants. We were always struggling, but we were able to talk to ABG about this

business, and we were able to transfer the business to ABG, and ABG agreed in a partnership with us, as Ms. Fujita mentioned earlier.

In other words, ABG and LIXIL decided to sell the American Standard brand together, and when ABG sold American Standard brand bathtubs, we would also sell our American Standard brand faucets and toilets, and when we sold faucets and toilets, we would sell their American Standard brand bathtubs. It was good that the sale was completed in an ideal manner.

However, as Ms. Fujita mentioned earlier, this is a transition period of one year, so during the one-year period at the maximum, they will hold the assets but we will run the business, and this structural reforms effects will take place inFYE2027.

Secondly, the second most unprofitable business is the ceramics business. We have been talking for some time about how to improve our ceramics business.

One problem in the ceramics business is that we do the business all the way from the upper class to the masses, but below the masses is the opening price point, and the masses and the opening price point are the largest markets. In that market, our suppliers of so-called “private brands” from China and other Asian countries, rather than our main competitors such as KOHLER and TOTO, had been dragging down prices, making it difficult for us to make a profit.

However, this time, Trump’s policy seems to be making it harder for goods from China to enter the market, and it will also be harder for goods from Asia to enter the market, especially China. As for private brands in China, it will be very difficult to bring them to the US, which creates an opportunity for profitability to improve here. After all, with the cheapest ones dragging us down, the upper masses or premium classes will also drop in price. If the market as a whole improves there, we would like to make good use of the situation, which may be that the business is turning into a profitable one even with ceramics to some extent, as in the case of faucets in Europe.

We would like to use the partnership with ABG, and of course we will do business that focuses on trades that move into the upper class as we have done in the past, but the US business happens to have a turnaround opportunity right now.

The second is Europe, where the GROHE brand will grow successfully. As for the GROHE brand, the European market is still not recovering at all in Europe. The impact of the interest rate drop this year will probably come next year, and the impact of the legalization of Germany’s fiscal expansion will be felt next year. The market has grown quite a bit last year despite not expanding the market, and it looks good so far this year as well, so I think the increase in market share is significant. I believe this is the continuation of new products through innovation that I mentioned earlier.

Then, on the other hand, what about Japan? Of course, the number of new housing starts will continue to decline, so we still need to grow the renovation business. However, as I have mentioned several times before, the profit margin on individual products in the renovation business is high, but the related SG&A expenses are high, so profitability is not necessarily good as a result. We must improve this situation.

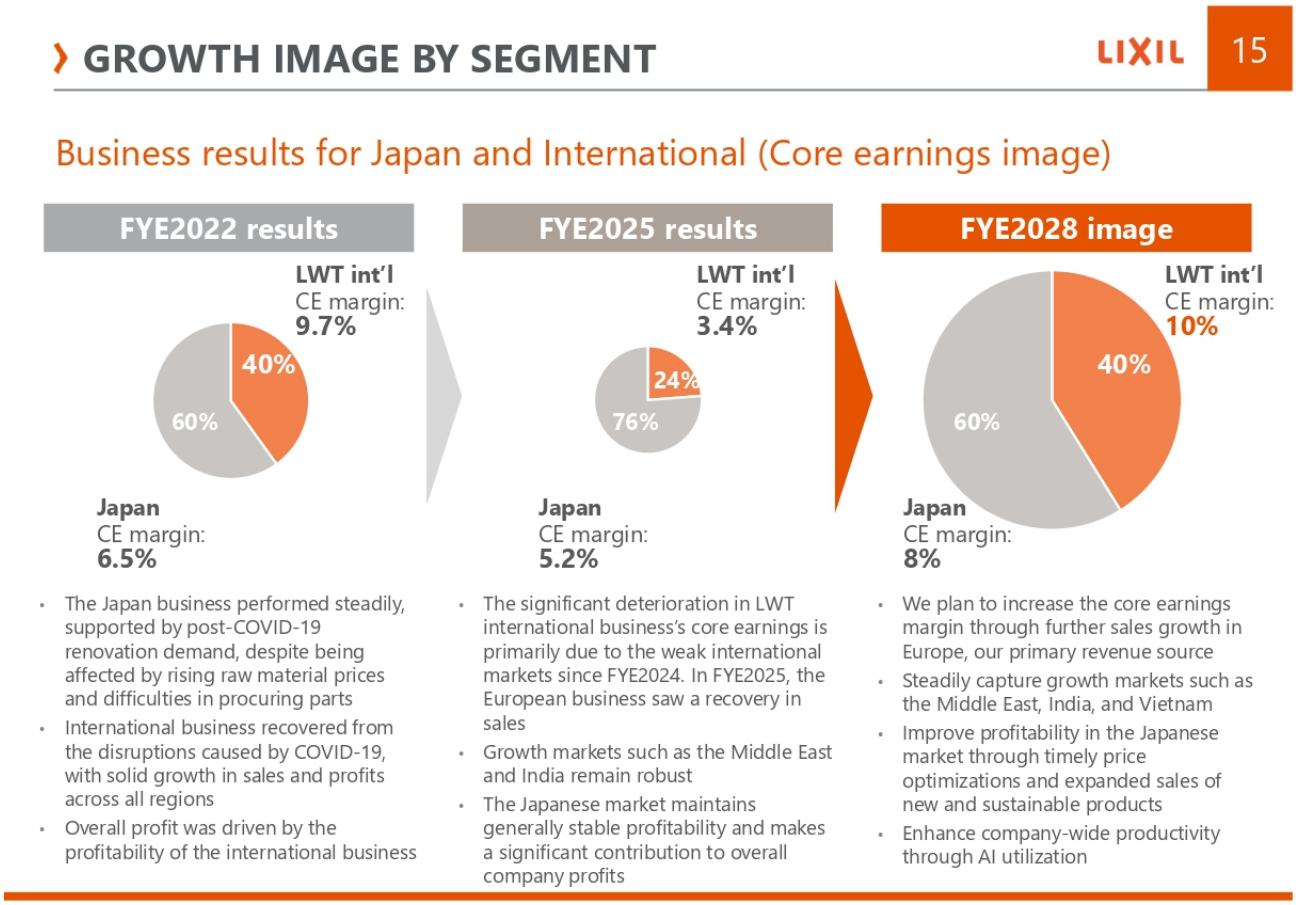
The main pillar of how we are going to improve this productivity is to use digital technology as I mentioned earlier. I think we can get this digital solution by the end of this year, so I think we can get the results next year.

Of course, one of the reasons why water-related business was so good this quarter was that we were able to launch many new products. We need to continue to do this as well, and there are also opportunities for LHT's products, which are heat insulation and security products. Another thing that only we can do is the Living

business, in which we can offer comprehensive spatial solutions for objects in a single space, such as a living room or dining room.

Finally, in terms of differentiation in a sustainable sense, we will accelerate the development of differentiated products for global markets. I think this will be very important here. This may sound like I am talking only about LWT, but LHT is gradually growing in Asia, especially in India, and I believe that there are great opportunities there as well.

What we will do in this regard, which I will be repeating what I have just said, but in terms of gross profit margin in particular, we will basically increase Europe within our portfolio, raise the profit margin in the US, increase high value-added products, which is expected to have large impact. Regarding cost reduction, I think that the structural reforms of the past will be more meaningful here.



To connect to what I said earlier, as of the fiscal year ended March 31, 2022, we were planning to increase the ratio of the LWT international business as a business from this point on, and to increase the core earnings portion of the business more and more. This circle is an image of the amount of core earnings, not revenue, and we thought that if we increased this amount, the profit margin would naturally increase, but in reality, the recession hit Europe and the US first, and the results for the current FYE2025 show that they have not contributed much.

The core earnings margin has dropped significantly in the international businesses because, as I mentioned earlier, in our case, we have many facilities that we own, while other companies have more OEMs. As a result, there have been some problems with profit margins dropping all at once when equipment utilization rates drop.

In the Japan market, as to whether we have sufficiently added to inflation, we have raised prices on raw materials and components, but we have not raised prices enough to cover the portion of equipment operating rates that have decreased in volume, which is something we regret as a company.

As for how to change that for the fiscal year ending March 31, 2028, if we first increase the ratio to that of the fiscal year ended March 31, 2022, Europe will improve, and if we still increase the number of Middle East and India, more than this will come naturally. I believe that the trend will be more like what we had in mind for 2022, rather a wider range of core earnings centered in international business.

That plus the reason that I believe that the core earnings margin will be better than before is that in addition to the already strong cost structure now in place, we will be able to produce good products. In addition, as the facility utilization rate naturally rises, I think that we have been making a balanced arrangement of our facilities this term so that we will not be troubled when another recession hits if the facility utilization rate rises as well.

Lastly, in terms of the Japan market, we are assuming that we will be able to finish the reorganization of our inefficient assets by this year.

There are, of course, many variables.

Especially with Mr. Trump's appearance and all the things happening, I actually think we should do something like a medium-term management plan after Trump's policies have run their course and we see what happens in the world.

I'm planning to review it next year, but what I'm wondering what will change in it is, first of all, the policy by the US administration. Actually, Ms. Fujita said earlier that we would look at it as neutral because there are both positives and negatives, but looking at it just now, it is not a bad situation.

As for sanitaryware, which has the largest revenue in the US, 90% is produced in Mexico and can be brought from Mexico tax-free under the USMCA. I think it would be a plus to have an advantage over the cheap Chinese and Asian products I mentioned earlier. But of course, when the US really does all the tariff policies, inflation could occur, and in that case, interest rates could rise, so housing demand could fall, and the economy could suffer.

As for the European economy, we see it as a good trend so far. It's not just Germany, but everyone is turning to an expansionary fiscal policy, and interest rates in the European region are coming down, which will have an impact next year. I think we can expect a big pent-up demand for those that have not been built or maintained during the past several years.

There are some things we don't know about interest rates, but basically they are going down. I believe there is a strong tendency for the world as a whole to go down. Europe in particular will go down another notch, it's been down 0.25% each for a while now, but it's going down. I really can't read the situation with the US, but I think it may be difficult to make a decision to raise it, and given the economy, I think it may happen. In Japan, on the other hand, we believe that the max rate hike will be around 0.5%, but we do not expect it to have a drastic impact on demand.

Meanwhile, this is the third year for subsidies for insulation renovation. However, when considering the overall picture, the theme of a low-carbon society remains unchanged, and given the government's intention to reduce CO_2 emissions to 46% or 50% by 2050, the building sector accounts for 37% of the total CO2 emissions, of which more than 50%, usually 55%, is attributable to energy emitted from doors and windows. We expect that subsidies for insulation products will continue in the medium to long term in one form or another. However, I believe that this could naturally have a significant impact on our business in the future.

We are trying to become a good user of AI, and now we're doing a lot of things with it. I don't want to go into too many details, but I believe that we can probably have a situation this year where all salespeople are proficient in AI.

Finally, the most important thing for us is to create products that have a good impact on society and the environment, so that both we and our customers can recognize that our success is good for the world as a whole.

RISKS AND OPPORTUNITIES

LWT International business

Categories	Risks	Opportunities
Sales growth	Further slowdown in US housing demand	Accelerated expansion of European and IMEA (India and Middle East) markets
US government policies	Prolonged reciprocal tariff measures	Activation of housing-related measures (subsidies and others)
Geopolitical factors	High costs due to prolonged conflicts	Lower energy costs due to the resolution of the conflict

Japan business (LHT/LWT/Living)

Categories	Risks	Opportunities
Sales growth	Further decline in the new housing market due to rising interest rates	Further expansion of the renovation market
Cost increase	Decreased profitability due to a weak JPY and rising raw material costs	Appreciation of the JPY due to a narrowing interest rate gap between Japan and the US
Government policies	Discontinuation or significant changes to government subsidies	Continuation of subsidies and expansion of eligible products

As for the possible risks and opportunities, I will answer your questions when you ask them.

EXPAND SALES OF NEW PRODUCTS WITH SOCIAL AND ENVIRONMENTAL IMPACT

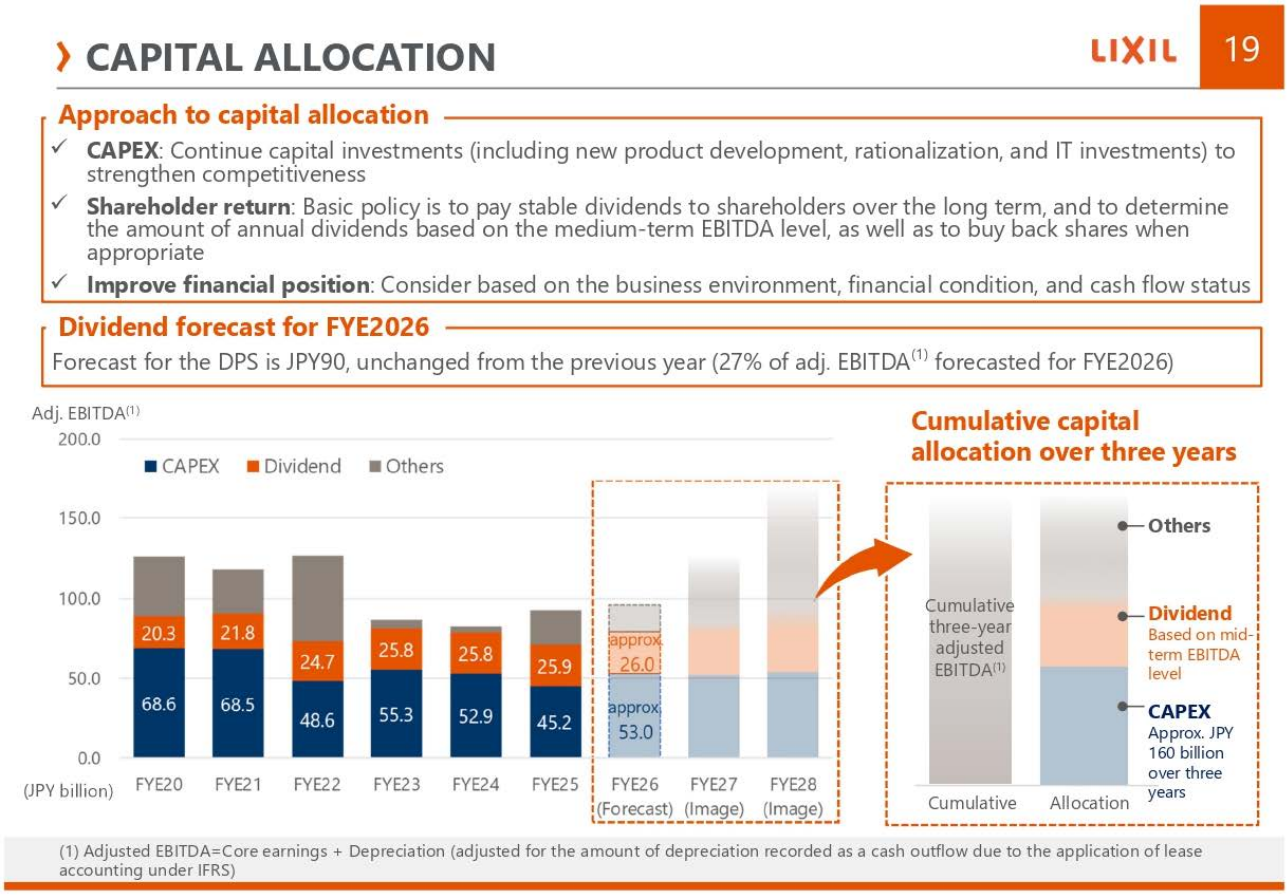
LIXIL 18

- Aiming to achieve sustainable growth through the expansion of differentiated products and to create an impact on society at the same time
- The development of the following products has already been completed. The key is how far we can penetrate the market with differentiated prices

Creating new value through core technologies			Reducing CO_2 emissions / Promote circular economy		
KINUAMI	**Shower toilet with the feminine front-nozzle**	***GROHE Blue Greentap***	***PremiAL***	***revia***	**Renovation products for better heat-insulation**
					
FYE2025 progress					
Redesigned and branded as ***GROHE Purefoam***[1] for international markets	**Achieved JPY50 billion in sales** (FYE2025) "SILVER award" at "**Femtech Japan Award 2024**" (two years in a row) [2]	***Greentap*** exhibited at EXPO 2025, OSAKA, KANSAI, JAPAN[3]	**Quotation amount approx. JPY 30 billion** as of October 2024 Numerous implementation examples both in Japan and internationally	**Commenced mass production** from December 2024[4] **Signed a partnership and began collaboration with Tsu City, Mie Prefecture**[5]	**Top in applications** for advanced window renovation project subsidies **for second straight year**; ***In-plus*** product line expanded[6]
Medium-to long-term sales target[7]					
JPY tens of billions	**Projected 5% annual growth**	**JPY tens of billions**	**JPY300 billion**	**JPY100 billion**	**JPY80 billion**

(1) News release https://newsroom.lixil.com/20250318_ish
(2) News release https://newsroom.lixil.com/ja/2024121201 (Japanese only)
(3) News release https://newsroom.lixil.com/ja/2025040301 (Japanese only)
(4) News release https://newsroom.lixil.com/ja/2024121901 (Japanese only)
(5) News release https://newsroom.lixil.com/ja/2025032803 (Japanese only)
(6) News release https://newsroom.lixil.com/ja/2025030301-0 (Japanese only)
(7) Presentation material for the Fiscal Year Ended March 31, 2024, p.8 https://ssl4.eir-parts.net/doc/5938/tdnet/2427536/00.pdf#page=5

In terms of expanding sales of new products, we believe that we are making good progress.



As for capital allocation, we believe that we need to create a situation where surplus funds will be created, which will gradually improve in the future. However, as I mentioned earlier, we have reached a level of EBITDA that is not embarrassing in the industry, and we would like to make the best use of this EBITDA in our core earnings and net profit.

I apologize for my rushing through the above. I would like to answer your questions.

MC: Thank you very much.

Question & Answer

MC [M]: Okay, now it is time for the question-and-answer session. In order to answer questions from as many people as possible, we will limit the number of questions to two at a time where we will answer one question at a time.

Now, let us begin the question-and-answer session. First of all, from Jefferies, Mr. Fukuhara, please ask your questions.

Fukuhara [Q]: I have two questions, the first is about the short term and the second is about the long term.

The first question is, I was looking at the contents of slide four, which shows the factors for the increase or decrease in this year's earnings, and the impact of raw materials in the Japan business, and the note at the bottom shows the impact of foreign exchange. Regarding this, you are using an exchange rate assumption of JPY155 this year, but the current exchange rate is JPY140 or so. What is likely to be the effect of the change in earnings if the exchange rate changes?

In addition, on the right side, international sales are estimated to increase by JPY20 billion this year, while the increase in profit is JPY3.7 billion. Can you also explain the effects of structural reforms and how the JPY3.7 billion profit increase is created?

Seto [A]: I would like to start by explaining the impact of the exchange rate. As you say, regarding the impact of foreign exchange, the part of the exchange rate concerning buying raw materials, etc., directly affects the cost of doing business, which we consider to be the impact of the transaction. Then there is another thing that resonates with international revenue, which I have been able to organize in the form of translations.

As for transactions, as you mentioned, basically, the stronger the yen becomes, the lower the import price becomes, which is advantageous for us, and we are currently buying most of our products in US dollars. The four major currencies that we use to buy, not just US dollars, are Chinese yuan, Thai baht, Vietnamese dong, and US dollars. There are some where we use euros, but these four mainly represent the currencies we use. All of these are basically moving in a weakening direction at the moment and against a stronger yen, so we believe that we are in a better situation than we currently assume with respect to the value of the transaction.

As it happens, the aluminum and copper prices also depend on the US tariffs, which are likely to weaken in the future. However, considering the US tariffs, we believe that there could be a positive impact on transactions, including both commodity prices and exchange rates, if aluminum and copper weaken. However, we have not yet been able to calculate how much because there are four different exchange rates.

On the other hand, in terms of translations, translations basically only make sense where there is a profit, so in that sense, the euro and Europe are the biggest factors. As for the euro in Europe, it is not linked to the US dollar this time, so the euro is moving closer to JPY160 level. I think the current situation is that we are moving almost exactly where we expect to be.

On the other hand, in terms of currencies other than the euro, there is of course the US dollar and Chinese yuan, but as for the US dollar, we are currently in the red with respect to the US, so we do not expect to make much in the way of foreign exchange rather than profit contribution.

Kawai [A]: Regarding the latter part of your question, I understood that you were asking about the contents of the increase in international revenue, while core earnings increased by about JPY3.4 billion. On page three, we have organized the structural reforms. The effect this year is approximately JPY1 billion, which is not as

large as last year's effect, so while this JPY1 billion is included, the remainder should basically be considered as an increase in earnings related to increased revenue.

Fukuhara [Q]: Just to confirm, is there any sensitivity to the exchange rate looking only at the US dollar?

Kawai [A]: Yes, we are hedging, so the sensitivity may vary slightly depending on the hedging situation, but as of today, an appreciation of JPY1 has a sensitivity of about JPY100 million or less.

Fukuhara [Q]: My second question is about the contents of slide 15. In particular, the international core earnings margin is currently 3%, and is expected to reach 10% in FYE2028. Although it is a rough calculation, it is estimated that you need to increase earnings by several tens of billions of yen over the next three years. There is a sentence at the bottom of the page, but could you please explain specifically how you are going to increase the core earnings margin by three times?

Seto [A]: I would like you to also look at the FYE2022 figure, which was 9.7% is now 3.4% and will return to 10%. The first major reason for the drop from 9.7% to 3.4% is that European business has become smaller due to the extreme recession, resulting in lower facility utilization rates and higher plant costs.

In our case, as I mentioned earlier, the OEM rate for faucets is low, so a decrease in volume will basically increase the cost of operating facilities. Second, as of the fiscal year ended March 31, 2022, the US was profitable. This is more severe. The operating rate of the ceramics, or sanitaryware plant has a very direct impact on the business, and because the core earnings margin is low, we were in the black for the fiscal year ended March 31, 2022, but was in the red for the fiscal year ended March 31, 2025. There is one area where those two have dragged us down.

Conversely, if we go with this situation now, we believe we can take a very bullish view on Europe. We were able to increase our share and increase our volume last year even in the current situation, but as for 2027 and beyond, we believe that there will be another pent-up demand that will come back as a result of much lower interest rates.

Also, with regard to the US, we have sold the bathing business, the most unprofitable business, so in that sense, the US business will improve because we have been making structural reforms with regard to the US business, and this will have an impact.

One is that there will be an impact on volume, and we think that the market will come back to a situation where the market is already close to the volume it was in the FYE2022 period, and it will come back to that in the FYE2028 period as well. During this period, we have made structural reforms and have been able to launch new products, and I believe that our core earnings margin there has also increased. We believe that the core earnings margin can be increased much more. When LWT's core earnings margin is high, I think it will improve with a larger percentage of Europe, the Middle East, and India.

China was originally very profitable as well, but since the volume has been adversely affected by China, we do not expect China and Asia to improve significantly over the next two to three years.

MC [M]: Due to the large number of questions we have received from many of you, we will accept only one question from each of you after this time. We will be happy to answer any additional questions you may have if we have more time.

Continuing on to the next question. SMBC Nikko Securities, Mr. Kawashima, please ask your question.

Kawashima [Q]: What are your thoughts on the future restructuring of the industry in Japan, or the way it should be, and how do you see it in the medium-term picture? I think you are making progress in organizing

your own plants, but there are still quite a few players, especially in bath and kitchen, and although Noritsu has pulled out, etc., there has not been much of a decrease.

Many people want to do the sales because the water-related area is the gateway to renovations, but if the manufacturer side alone could be consolidated a little more in the form of OEM, etc., as your company is doing this time in the US, is there anything you can tell us about how you could consolidate the manufacturing side alone as an industry leader or not?

Seto [A]: Yes, there have been some talks in the past, and I think there are companies that we can still buy if we wanted to, but one reason is that we do not want to buy. On the other hand, as you just mentioned, it is not impossible that in the future, for example, we will take care of this part of the production and you will take care of this part. However, from our point of view, we should first do what we can do ourselves.

One of these was the creation of this Living division. The Living division consists of kitchens, washstand cabinet units, and wooden interior materials. Of course there is value in providing one space as a business, but on the other hand, if you eliminate the stove in the kitchen, it becomes a washbasin, and if you eliminate the bowl of the washbasin, it becomes a building material. In that sense, just by unifying the plants within ourselves, and making the specifications for all of them the same for each, we can see the effect of plant integration.

Conversely, if we were to buy some other kitchen manufacturer, we would have to match all the specifications. In that sense, I think it would be difficult to have such a discussion unless some company is prepared to go fabless on its own if it decides to do so. In that sense, our priority is to do what we can do first. Of course, we would consider such opportunities if they existed, but at this point, we do not see that happening.

Kawashima [Q]: If so, would it be a picture that the survivor's advantage would come out at the end of the trial of strength?

Seto [A]:

We are not just competing on physical strength, but on product excellence and cost, and clearly the current kitchens and baths in Japan are not the ultimate. We have products like *bathtope* this time, for example, and I think that we should also include such things as creating products with recycling in mind and other strengths.

MC [M]: Now for the next question. Morgan Stanley MUFG Securities, Mr. Yagi, please ask your question.

Yagi [Q]: I would appreciate it if you could reiterate the concept of international core earnings. As for American Standard this fiscal year, do you expect it to be profitable this fiscal year, or is there still a risk of deficit because your company is still responsible for the production of the bathtubs, and there is still a cost increase impact in that area?

Also, in the earnings forecast for FYE2027, I believe that the US will also see a large recovery, as you have shown us a picture of a large increase in core earnings, perhaps JPY30 billion for international. I would appreciate it if you could organize your sense of earnings levels with respect to the concept of FYE2026 and the jump up to FYE2027 regarding American Standard. Thank you.

Seto [A]: Although a considerable part of the cost will be affected by Mr. Trump's policies, as you say, even if we streamline or sell the bathing business, the cost will not go down significantly unless we can successfully restructure the facility to cover the cost related to the bathing business. In that sense, as for the fiscal year ending March 2026, we will do a lot of things we can do, and even considering the Trump administration I mentioned earlier, we will take a policy of changing the price of ceramics and moving more and more into trade, and selling high-end products to trade, but the risk of a deficit has not been completely eliminated. I think the risk is possible.

However, we are going to move toward eliminating the deficit in the fiscal year ending March 31, 2026, which is pretty much our top priority for this fiscal year. Bathing was the most unprofitable business, so this is still the part where there were a lot of assets including distribution centers, and then there was a lot of inventory, so I think the business will be much better off if this part is eliminated.

But again, there are many moving factors regarding the US. For example, as I mentioned earlier, there is a possibility that the market price itself will rise due to Mr. Trump's policies, and since many of the existing players are buying from China and other Asian countries, it is quite possible. I think this is a major factor.

If the US were to change to a very protectionist policy, there is a possibility that in some cases, it could turn into a highly profitable market like Europe. In terms of how much we will be able to increase our trade business, there is a great deal of uncertainty, including how much we will be able to focus on global products.

However, given the current situation, we are quite optimistic about FYE2027. As for FYE2026, our goal is to prevent a deficit by taking appropriate measures while watching Mr. Trump's policies.

Yagi [Q]: Just to confirm, if there were no costs in the bathing business, is it expected to be profitable if the current business environment does not change? Or, even if the cost burden of the bathing business is eliminated, do you see a surplus by incorporating some measures? May I ask you to add about this part?

Seto [A]: The cost of the structure is not easy to calculate, since there are personnel of both parties, or even the equipment since there are other products. Basically, if we can sell the bathing business and divide that cleanly, I believe we will be profitable on that basis alone.

MC [M]: Now for the next question. Mizuho Securities, Mr. Nakagawa, please ask your question.

Nakagawa [Q]: Regarding the US business, how do you plan to develop the GROHE brand in the US business, which I think is related to key focus areas one and two on page 13 of the materials? I remember that in the past, there was talk of aiming to expand sales of GROHE brand faucets. In your response to Mr. Yagi's question earlier, there was a reference to expanding the GROHE brand. What are your thoughts on the expansion of the GROHE brand in the US in this area?

Seto [A]: Among the products sold in the US, I still think that GROHE products are the ones that are clearly highly differentiated and have the potential to have high product profits over the long term. However, if we consider just the next year or two, we believe that how we sell ceramics will have a greater impact on our overall profit and loss. More specifically, I believe that the policies of Mr. Trump over the next few months will have a considerable impact on our profits and losses, and that we will need to consider some of his policies as well.

As for GROHE's faucets, the story is basically that they are brought from Europe, and as for American Standard's faucets, the story is basically that they are made in a plant in Mexico. Some of the items brought from Asia are also for faucets, but in that way, the balance between American Standard's contribution and GROHE's contribution could change, depending on Mr. Trump's policies.

MC [M]: Now for the next question. Daiwa Securities, Mr. Teraoka, please.

Teraoka [Q]: Once again, I would like to organize about the US. About American Standard, if we go to page 39, it is in the red of USD44 million. If converted to Japanese yen, I think the deficit was roughly JPY6.6 billion. If this is to become profitable in the current fiscal year, I think it would be a considerable improvement in earnings. Even if this area is factored in, the core earnings of JPY35 billion is the same as the planned figure for the previous year, so it seems a bit sad. How is this area factored in?

I think it is expected that the effects of the bathing business will be fully realized in the next fiscal year, but it would be helpful if you could also tell us how much you expect the effects of structural reform to be in the next fiscal year, which is JPY1 billion in the current fiscal year.

Seto [A]: To be honest, we had a very hard time making this forecast. In the end, as I mentioned earlier, Mr. Trump's policies could possibly be very positive for our US business in the short term, but overall, they could call for a recession in the world around us. We were worried about what would happen, and the current result is a tally of the numbers we can produce as a site. It is difficult for us to comment on whether this is good or bad, and we honestly wanted to rework the budget when things had settled down a bit more.

In this context, regarding the Q4 of the US business, we have lost about USD40 million in revenue due to an unauthorized security access by a third-party, which affected us from last December to about February, and we have lost more money than we expected.

Looking at the situation as a whole, of course we spent a considerable amount of effort trying to sell the bathing business, so in many ways, the situation has been cleaned up, and I think we are now in a situation where it is easier for us to go on the offensive in the US. We have struggled in the past, and I mentioned the bright side, especially with regard to US ceramics, but if we were to say that all of our products would be tariff-free, I can see that we would be in a difficult situation again, so I am taking a very neutral view of the situation.

In that sense, I am very sorry that I have not been able to answer many of your questions, but we believe that it depends on the future situation, including whether these figures are conservative or ambitious.

The other is structural reform, and I believe that structural reform itself may be affected to a large extent by Mr. Trump's case. We have to be specific and consider what we will do with the assets we have, so that assumption is difficult to make. However, as I mentioned briefly earlier, there are still one or two things in Japan that we think we need to reform structurally within ourselves. Overall, we are thinking that we can make it through this year, unless Mr. Trump changes so much that we end up with a great big recession.

MC [M]: Now for the next question. Goldman Sachs, Ms. Okada, please ask your question.

Okada [Q]: On page 14, you mentioned that you are aiming for a 6.5% core earnings margin in the fiscal year ending March 31, 2028. Of these four initiatives, I would like to know how you view them, dividing them into initiatives that have a high probability of being addressed by your company and those that are somewhat dependent on the market environment.

Seto [A]: I think it depends quite a bit on the market environment. If we go by top-line recovery and gross profit, I think the recovery in Europe will be a major factor. Conversely, there is a significant degree of visibility that Europe will improve to some degree as it improves.

On the other hand, as to whether it is possible to continue, and to further expand, there will be areas such as high value-added products, as described here.

A significant portion of the top line and gross profit is from the objective environment, the recovery in Europe and the turnaround in the US business. American business turnarounds are both. There is an objective environment, and there is also the effect of what we are doing as a company. However, when it comes to the top line and gross profit above, basically in the short term, that is, until 2028, we are quite influenced by the situation, and in the long term, it is our own effort, while SG&A and headquarter costs are now purely our own effort, I think.

With regard to the areas where the top line and gross profit have been bad for the past three years, there are areas where Europe and the US have been quite bad, and I think there are areas where they will come back.

MC [M]: The closing time has now come, but we are still receiving questions, so we would like to answer the questions we have now. Next question. CLSA Securities, Mr. Mochizuki, please ask your question.

Mochizuki [Q]: I would like to ask you about net profit. The guidance for this fiscal year is JPY8 billion, and after all, I think the net profit for the period that ended was also revised downward because it could not be reached. I believe that core earnings will increase in the next fiscal year and beyond, but will net profit also increase steadily?

My intuition tells me that if profitability in the US improves, the tax rate will fall, but PBR is still quite low, and I think the reason behind this is naturally ROE. Although cash flow may be generated, I think PBR is an important indicator when considered as value for investors, so how should we think about this? Please tell us about the future trend of net profit.

Seto [A]: As you say, I believe that the top priority is to turn around the US to a surplus. We had a fairly large deficit in the fiscal year ended March 2025, so there is that. And there is actually another, smaller deficit in Asia. In terms of Asia, I believe that the economic situation will become more difficult from this fiscal year onward in relation to the US. In the US, the sale of the bathing business, and in Asia, the closure of the plant in Thailand had quite a large effect this time.

We have closed our factory in China last year, so at this stage I think we are okay, but there is of course a risk that things could go very badly in China or in the rest of Asia. Overall, the tax risks in Asia and the US have been largely reduced. I think at least FYE2027 will be clean, but FYE2026, as you asked earlier, is still subject to various objective factors as to whether the US will be able to fully turn a profit.

On the other hand, there are of course areas where Japan needs to grow steadily. The current evaluation is based on the plan we have, and we will be working on the plan to see if we can do it according to our plan. Our track record has not been good in the past, especially in the past three years, so I don't think there is anything more to add except to do the right thing in that regard.

Again, the difference between core earnings and EBITDA is depreciation and amortization expenses, but the difference between net profit and core earnings is the cost of restructuring, which is certainly decreasing as you can see.

Next to that is the cost of taxes, and the last one is financial costs. In the area of finance, we have basically been selling off companies, and I believe that the burden of financial costs itself has been decreasing. I think it is really as you pointed out that the current contents are not good contents, so I think we can make them better.

MC [M]: Next question. Sumitomo Mitsui Trust Asset Management, Mr. Takegawa, please ask your question.

Takegawa [Q]: First of all, I would like to express my gratitude for the disclosure of the outlook for the next fiscal year and beyond, which is in line with what we were told in the previous meeting with the outside directors that they would positively consider the matter. Thank you. Based on this premise, it will be one of the guidelines to see how the discrepancies will or will not appear this term, next term, and the term after that. From what I have been hearing now, I can tell you had a difficult time creating this.

I would appreciate it if you could explain to us how the sales are trending in-line with the plan, whether upward or downward, on a QoQ or semi-annual basis.

Since you have provided us with this, it is not named in the form of a medium-term plan, but I have an image of it that is basically similar to a medium-term plan. However, looking at page 12 of the materials, there is a section titled “FYE2027 Image” and “FYE2028 Image.” I think the fact that the word “image” is to be used

rather than “plan” is one of the most nuanced aspects of the explanation so far. What is the best way to look at this number, if it should not be positioned as a commitment, but should it be taken in the same way as a target?

If things go according to plan for the fiscal year ending March 31, 2027 and the fiscal year ending March 31, 2028, what should we be looking at in terms of returns? I know I’m talking about the future, but for example, in the period that ended, the dividend payout ratio was 1,291%, which is quite a large figure. And for the new fiscal year, there are some pretty impressive numbers, such as a 323% dividend payout ratio. I understand from past explanations that there is no problem in terms of cash flow.

This dividend of JPY90 is like this kind of plan. When this image is achieved, will it increase to JPY100 or JPY150? Or looking at this dividend payout ratio in the first place. Since you are still paying too much, is it okay to understand that this area will be considered again? I would like to know more about this, please.

Seto [A]: First of all, as you say, the reason I use the word “image” when referring to the direction I have created for this case is because I feel a sense of responsibility to publish it under the current very uncertain circumstances. One of the first things we want to determine is what Mr. Trump’s policies will be and how they will affect the world.

And secondly, as Ms. Okada of Goldman Sachs mentioned earlier, there are some aspects that are quite altruistic to the situation in Europe and the US, which will affect our performance in 2027 and 2028. I think we will know in the next six months or so how the interest rate policy will come out, especially with respect to the Trump administration measures, so I have the intention as a manager to make things a little more solid next year.

Of course, we need to discuss this with the Board of Directors, and also with the Executive Officers, but I would like to be able to put forth a medium-term management plan in words. Considering the preparation and the overall bottom-up process, it may take about six months to get a clear picture of the situation, but it will take one year to actually build up and create the plan. I hope to have a medium-term management plan that can be released next year.

The second point regarding dividends is, again, based on EBITDA, we have made decisions based on the assumption that we can pay dividends based on the cash we generate for our shareholders, after making necessary investments, paying expenses, paying interest, and paying taxes, and then taking care of the remaining portion of cash. Therefore, there is one first thing that we do not look at in terms of the dividend payout ratio.

However, as to the second point, whether we are going to keep increasing the ratio, perhaps it is not my decision in this area either, but that of the Board of Directors as a whole, so I cannot get ahead of myself in saying this, but I think it is not that kind of thing. I think the answer would be somewhere in the middle. If we have come to generate a lot of cash and we have no appropriate use for it, it is only natural that we should return it to shareholders, and if there is something we want to hold in preparation for uncertainty, it is also a rational management decision. We hope you understand that it is difficult to give an answer regarding something that has not happened yet.

Takegawa [Q]: Thank you very much. I would be happy to be updated each time. No one knows what will happen three years from now, and in a sense, I think we are in a situation where we don’t know what will happen this term either. If you change from your view at the beginning of the term, I would appreciate an explanation of what has changed and how you plan to improve it each time.

Seto [A]: Thank you. We will do our best to deal with the situation in good faith and answer any questions that we can.

MC [M]: We have answered all of your questions so far. This concludes the question-and-answer session.

This concludes the financial results briefing for LIXIL Corporation for the fiscal year ended March 31, 2025.

Thank you for your continued support of LIXIL Corporation. Thank you very much for your time today.

[END]

Document Notes

1. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
2. *This document has been translated by SCRIPTS Asia.*

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