



LIXIL Corporation

Online Earnings Briefing for the Q3 Fiscal Year Ending March 2026

January 30, 2026

Event Summary

[Company Name]	LIXIL Corporation	
[Company ID]	5938-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Online Earnings Briefing for the Q3 Fiscal Year Ending March 2026	
[Fiscal Period]	FY2026 Q3	
[Date]	January 30, 2026	
[Number of Pages]	25	
[Time]	14:45 – 15:47 (Total: 62 minutes, Presentation: 14 minutes, Q&A: 48 minutes)	
[Venue]	Webcast	
[Venue Size]		
[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]*	Daisuke Fukushima	Nomura Securities
	Masashi Miki	Citigroup Global Markets
	Sachiko Okada	Goldman Sachs
	Hiroki Kawashima	SMBC Nikko Securities
	Masahiro Mochizuki	CLSA Securities
	Ryo Yagi	Morgan Stanley MUFG Securities
	Sho Fukuhara	Jefferies

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptasia.com



*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.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com



Presentation

MC: Now that we are on time, we will begin the financial results briefing for LIXIL Corporation for Q3 of the fiscal year ending March 2026. This briefing is being conducted via live internet streaming. Please refer to the presentation materials posted on the Company's website and in the Investor Relations section of the Company's website.

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

Seto: Thank you for your time.

MC: Next, Ms. Mariko Fujita, Executive Vice President, CFO.

Fujita: Thank you very much.

MC: Next, Next, Ms. Aya Kawai, Senior Vice President, Leader, Investor Relations Office.

Kawai: Thank you.

MC: My name is Setoguchi, IR Office, and I will be chairing today's session. Thank you very much.

I will then explain today's proceedings. First, CFO Fujita will give an overview of the financial results. After that, CEO Seto will explain the revenue structure of LIXIL. There will be time for questions and answers afterwards. The event is scheduled to end at 3:45 PM.

Now CFO Fujita will give an overview of the financial results. Fujita-san, please go ahead.

Fujita: Hello everyone. I am Fujita. I will give an overview of the financial results.

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptasia.com



Summary of results for Q3 FYE2026

Core earnings: JPY36.5 billion and EBITDA: JPY98.4 billion

- Japan**

 - Both LWTJ and Living continue to see sluggish new housing demand, but renovation products remain strong. Both achieved YoY growth in revenue and core earnings
 - While demand for new housing remained soft, significant sales growth of subsidy-eligible products contributed to LHT's profit. LHT matched last year's levels for revenue and core earnings

- International**

 - For the LWT international business, core earnings substantially improved, despite a decrease in revenue YoY. Strong performance continued in Europe, the Middle East, and India. Housing markets remain sluggish in the Americas and China

- Others**

 - Financial costs increased YoY due to the recognition of losses on exchange differences
 - Similar to Q2, tax expense at consolidated subsidiary decreased YoY due to changes in the corporate tax rate in Germany

This will be a summary of Q3 of the fiscal year ending March 2026.

The core earnings is JPY36.5 billion, which means that EBITDA is JPY98.4 billion. In Japan, both LWTJ and Living achieved increases in both revenue and income. Although demand for new construction was sluggish, sales and profits increased due to strong sales of remodeling products. As for LHT, both sales and profits were on a par with the previous year. Sales of products covered by subsidies increased and contributed to the growth.

Overseas, Europe, the Middle East, and India performed well. In the US and China, the housing economy continues to be weak, but this has been offset.

As for other items, foreign exchange losses were recorded, resulting in a YoY increase in financial expenses. In addition, as in Q2, tax expenses decreased due to a change in German corporate income tax.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptasia.com

FYE2027 Outlook : Business Environment

 <p>Overall</p> <ul style="list-style-type: none"> •Commodity Prices: Rising/elevated aluminum and copper prices •FX: Continued JPY weakness negatively impacting Japan business •Impact of government policies on easing housing supply constraints <p>Strengthen the renovation business</p>	 <p>Japan</p> <ul style="list-style-type: none"> •New housing: Construction starts remain weak •Renovation: Growth driven by stricter energy efficiency standards and ongoing window subsidies <p>Strengthen the renovation business</p>	 <p>Americas</p> <ul style="list-style-type: none"> •Housing market recovery remains sluggish. Positive impact from policy (such as curbing home price increases) is anticipated •Closely monitoring impact of interest rates and inflation on the housing market <p>US business turnaround</p>
 <p>Europe</p> <ul style="list-style-type: none"> •Although formulated the roadmap assuming full market recovery from FYE2027, timing of market recovery remains uncertain •Policy implementation in various countries is a cause for concern <p>Growth of the GROHE brand</p>	 <p>IMEA</p> <ul style="list-style-type: none"> •Housing demand rising due to urban development and a growing middle class in India •Strong demand in the Middle East, as represented by Saudi Arabia <p>Growth of the GROHE brand</p>	<p>China and Asia Pacific</p> <ul style="list-style-type: none"> •Continued sluggish housing market and potential impact of export VAT policy change in China •APAC is recovering, led by Vietnam. Thailand competition may ease post-China VAT refund abolition <p>Expanding sales of differentiated products</p>

This is followed by the outlook for the fiscal year ending March 2027, the next fiscal year.

The business environment. Overall, commodity price increases, exchange rates, and policies have changed from our initial outlook. In particular, commodity prices have been growing significantly, with some parts of the market advancing rapidly in January. There is also a trend toward higher prices.

In Japan, new construction starts are expected to remain sluggish, but subsidies for window renovation and repair are set to continue.

Also, in Europe, when we formulated our medium-term roadmap, we believed that the housing market would begin to recover from FYE 2027. This appears to be lagging behind.

We expect IMEA to be in good shape and China to continue to be sluggish.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptasia.com

Revenue decreased while core earnings increased year-on-year

- **Revenue: JPY1,138.5 billion, down JPY2.0 billion year-on-year**
 - Q3 (3 months) YoY: 0% in Japan and +2% in international markets (-3% excluding foreign exchange impact)
 - Q3 (9 months) YoY: +1% in Japan and -2% in international markets (-3% excluding foreign exchange impact)
- **Core earnings: JPY36.5 billion, up JPY5.4 billion year-on-year**
 - Q3 (3 months) YoY: -JPY0.2 billion in LWT, +JPY0.1 billion in LHT, -JPY0.2 billion in Living, and -JPY0.7 billion for consolidation adjustment/other factors
 - Q3 (9 months) YoY: +JPY6.3 billion in LWT, +JPY0.1 billion in LHT, +JPY0.6 billion in Living, and -JPY1.5 billion for consolidation adjustment/other factors
- **EBITDA⁽¹⁾: JPY98.4 billion, up JPY4.7 billion year-on-year**
- **Profit⁽²⁾: JPY11.8 billion, up JPY7.5 billion year-on-year**
 - Q3 (3 months) YoY: Increased by JPY0.2 billion due to a decrease in income tax expenses, despite an increase in finance costs
 - Q3 (9 months) YoY: Increased by JPY7.5 billion due to an increase in core earnings and a decrease in income tax expenses, despite increase in other expenses and finance costs

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

Next, I would like to talk about the highlights of the financial results.

Although there was a slight decrease in revenue, there was an increase in income. Revenue was JPY1,138.5 billion. The situation is such that both core earnings, EBITDA, and profit are improving.

Support

Japan 050.5212.7790
 Tollfree 0120.966.744

Email Support support@scriptasia.com

JPY billion	Q3 (9 months)				Q3 (3 months)		
	FYE2025	FYE2026	Increase/ decrease (YoY)	%	FYE2026	Increase/ decrease (YoY)	%
Revenue	1,140.5	1,138.5	-2.0	-0.2%	402.6	+1.9	+0.5%
Gross Profit	377.0	391.2	+14.1	+3.8%	139.3	+3.4	+2.5%
(%)	33.1%	34.4%	+1.3pp	-	34.6%	+0.7pp	-
SG&A	346.0	354.7	+8.7	+2.5%	119.6	+4.3	+3.8%
Core Earnings (CE) ⁽¹⁾	31.1	36.5	+5.4	+17.5%	19.6	-0.9	-4.5%
(%)	2.7%	3.2%	+0.5pp	-	4.9%	-0.3pp	-
Profit for the quarter including Discontinued Operations ⁽²⁾	4.3	11.8	+7.5	+175.7%	8.5	+0.2	+2.9%
EPS (JPY)	14.91	41.08	+26.17	+175.5%	29.40	+0.81	+2.8%
EBITDA ⁽³⁾	93.7	98.4	+4.7	+5.0%	40.6	-0.8	-1.9%
(%)	8.2%	8.6%	+0.4pp	-	10.1%	-0.2pp	-

- **Gross profit margin:** Increased by 1.3pp YoY
- **SG&A expenses:** Increased by JPY8.7 billion YoY (Japan JPY6.7 billion increase, International JPY0.8 billion increase, forex effect JPY1.4 billion decrease) mainly due to higher personnel costs in Japan. SG&A ratio increased by 0.8pp
- **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

The next section details the consolidated financial results.

I would like to explain that the gross profit margin improved by 1.3 percentage points from the previous year, and as a result, the core earnings margin improved by 0.5% as well.

Support

Japan 050.5212.7790
 Tollfree 0120.966.744

Email Support support@scriptasia.com



› Q3 FYE2026 BUSINESS RESULTS BY SEGMENT

LIXIL

5

Core earnings increased for both LWT Japan and International, driven by strong profitability in Europe and the Middle East. LHT achieved flat sales and core earnings due to price optimization and renovation sales. Living achieved both revenue and core earnings increases, supported by strong renovation sales

		Q3 (9 months)			Q3 (3 months)	
		FYE2025	FYE2026	Increase /decrease (YoY)	FYE2026	Increase /decrease (YoY)
JPY billion						
LWT	Revenue	606.6	604.0	-2.7	211.1	+1.3
	CE	28.0	34.3	+6.3	13.7	-0.2
LHT	Revenue	404.7	404.4	-0.2	145.3	+1.9
	CE	24.4	24.5	+0.1	12.3	+0.1
Living	Revenue	154.3	155.8	+1.6	55.5	-1.0
	CE	6.7	7.3	+0.6	3.9	-0.2
Consolidation, Adj. & Other	Revenue	-25.1	-25.7	-0.6	-9.3	-0.3
	CE	-28.1	-29.6	-1.5	-10.2	-0.7
LIXIL	Revenue	1,140.5	1,138.5	-2.0	402.6	+1.9
	CE	31.1	36.5	+5.4	19.6	-0.9

Forex impact⁽¹⁾

Q3 3months: Revenue +JPY6.8 billion, CE +JPY0.5 billion **Q3 9months:** Revenue +JPY3.8 billion, CE +JPY0.6 billion

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

(2) The segment breakdown has been changed from FYE2026. Please refer to the next page for the results under the former reporting segments

This is a summary of business results by segment.

LWT is performing well, with particularly strong contributions from improved sales in the highly profitable markets of Europe and the Middle East. LHT improved and was able to maintain the previous year's level thanks to price revisions and remodeling sales. Sales of Living for remodeling have remained strong.

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptasia.com



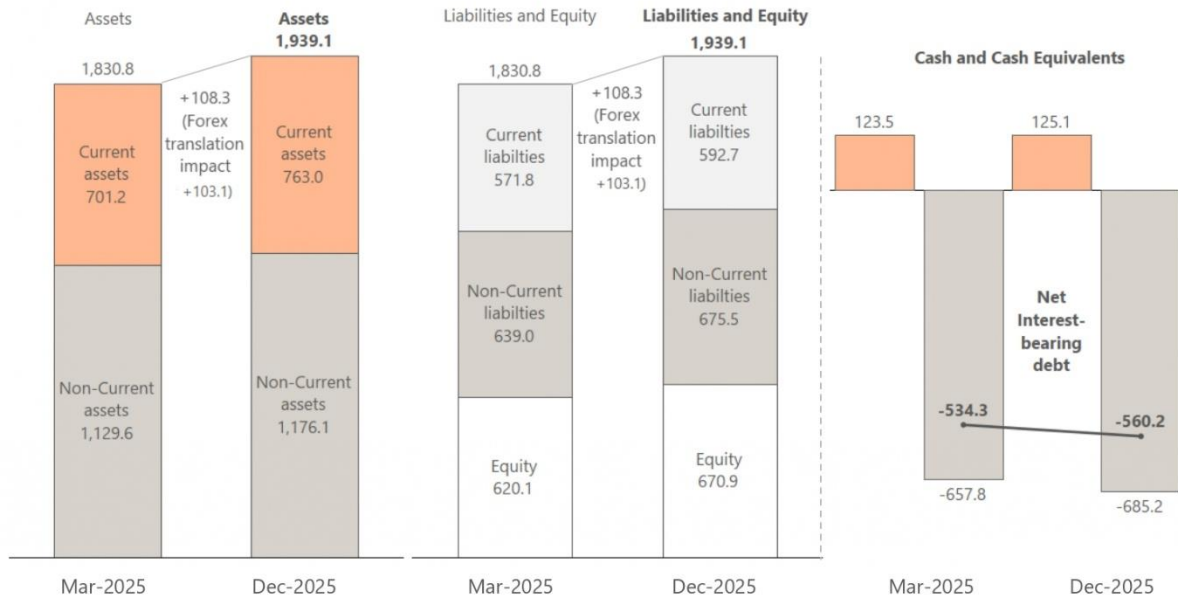
› CONSOLIDATED FINANCIAL POSITION

LIXIL

7

Total assets increased, driven by foreign exchange impacts on assets held in Europe. The equity ratio is 34.4%

JPY billion



Next is the consolidated financial position.

In particular, assets in Europe have been affected by foreign currency translation, resulting in an increase in total assets. The equity ratio was 34.4%.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptasia.com

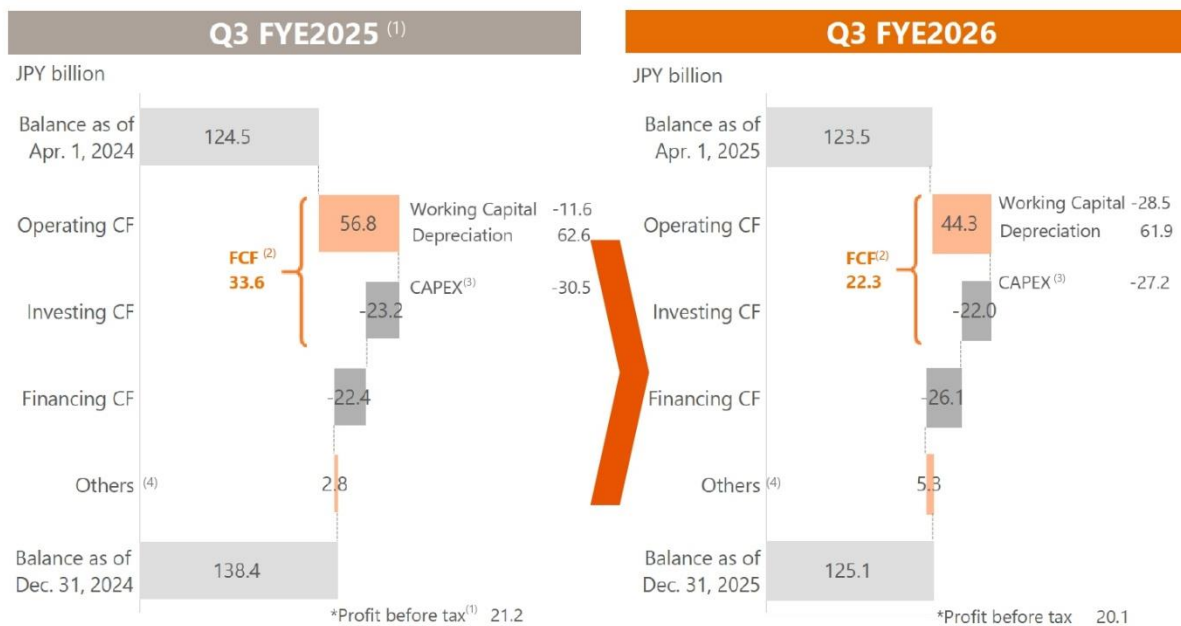
SCRIPTS
Asia's Meetings, Globally

› CASH FLOW STATUS AND CASH BALANCE

LIXIL

8

Operating cash flow declined due to an increase in accounts receivable and inventories. Free Cash Flow (FCF) remained positive



Finally, the cash flow situation and cash balances.

Sales bonds and inventories have increased. As a result, operating cash flow decreased from the previous year. However, we have been able to maintain positive free cash flow.

This concludes my report to you. Thank you very much.

MC: Fujita san, thank you. Now, CEO Seto will explain the earnings structure of LIXIL. Seto san, please proceed.

Seto: Yes. I have always talked about this topic a little bit with investors and institutional investors, so I have taken this opportunity to summarize it for you this time.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

- 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

To be more specific, then, please turn to page one.

Compared to EBITDA, core earnings and final profit are low. In practice, however, this is a very large depreciation. In other words, the amortization of investments that have already been made and cash used in the past is a large part of the business, resulting in very small core earnings but large cash flow.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

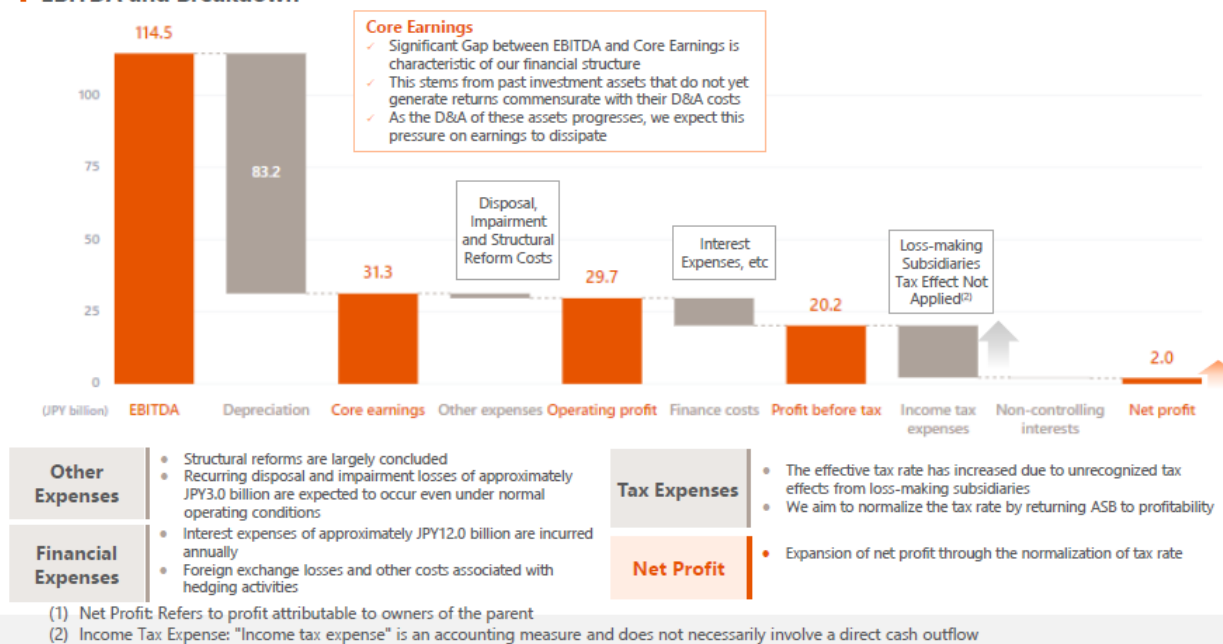
› Analysis of Profit by Level (Based on FYE2025 Results)

LIXIL

2

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



Also, profit before tax and income tax expenses have come very close to each other, which is partly due to tax management issues, but also because there is plenty of cash left over when you actually look at that as the portion that is being paid. We believe that this very low net profit does not necessarily reflect what it should be.

As a result, please return to the first page. In our case, I think there are areas where things like PER/PBR/ROA and EBITDA multiples are not well coordinated and explained. The PER is very high, such as 65 times, as a result of the fact that the net profit still looks very low. The PBR is 0.8x, but in reality, the PBR is low as a result of the fact that many of these properties have poor utilization rates but are generating cash. In terms of ROA/ROE, as I mentioned earlier, a major problem is that after-tax profits are extremely undervalued compared to cash.

As a result of this, when we try to improve these figures, we will simply improve our business, which will be reflected in further growth of EBITDA.

On the other hand, we are now working to improve asset efficiency and narrow the gap between EBITDA and core earnings by optimizing and reorganizing assets that are inefficient but do not generate much cash. Then, with regard to the tax burden ratio, we will also appropriate it by strengthening tax management. We still hope to clean up this area over the next year or two so that we can make reforms that will not simply improve EBITDA, but also improve core earnings and net profit.

In fact, I think we can be quite confident in our EBITDA as our earning power.

Our organic numbers are not at a bad level. In order to make the earning power of our core business more visible to everyone, we would like to equalize our core earnings and after-tax profit, as I mentioned earlier.

Support

Japan 050.5212.7790
 Tollfree 0120.966.744

Email Support support@scriptasia.com

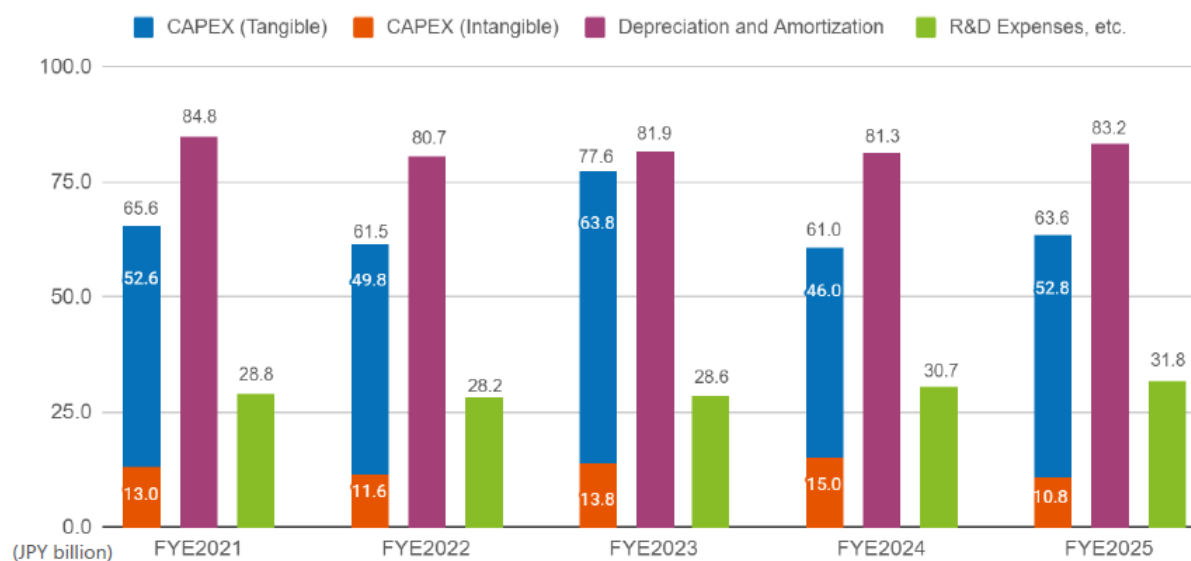
SCRIPTS
 Asia's Meetings, Globally

› Trends in CAPEX and Intangible Asset Investments (Expensed)

LIXIL

3

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.



Last but not least, as far as the EBITDA is concerned, as we always say, we already have too many assets, so capital expenditures can be kept low. On the other hand, investments in soft goods, such as branding, intellectual property, and R&D, are basically an expense. In that sense, we understand that although it directly pushes down the profit margin, ultimately we are not investing in the hard stuff, but in the soft stuff, which results in a large cash generation in the end.

For those of you who are familiar with the above, it may be obvious, but just to be sure, I would like to explain again.

Support

Japan 050.5212.7790
Tollfree 0120.966.744

Email Support support@scriptsasia.com

SCRIPTS
Asia's Meetings, Globally

Question & Answer

MC [M]: This will now be the time for questions and answers. Now I would like to take questions from the participants. In order to encourage more people to ask questions, we regret to inform you that each question will be limited to two, one-question, one-answer format. If you have additional questions, please raise your hand again.

Now, Mr. Fukushima of Nomura Securities, please ask your question.

Fukushima [Q]: Thank you for your explanation today. I would like to ask two things.

One thing I would like to discuss is the future pricing strategy for Japan. As you mentioned at the beginning of this presentation, the prices of commodities have been rising. On the other hand, in terms of the competitive environment, with YKK acquiring a subsidiary of Panasonic, I wonder if you are in a situation where a large company will be formed to compete with your company again. In such a situation, how do you make the price and how do you make it profitable? This is my first question.

MARKET TRENDS

LIXIL

26

Trend of new housing starts in Japan

Annualized seasonally adjusted data



(Unit: thousand) JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC
Source : Statistics of new housing starts, Ministry of Land, Infrastructure, Transport and Tourism (Jan 2023-Nov 2025)

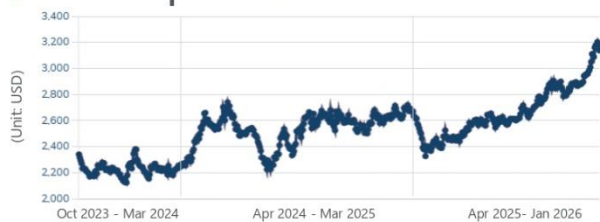
New housing construction trends in Japan

● Jan-Sep 2025: -8.0% ● Jan-Nov 2025: -7.0%

	Jan-Nov 2025 (11 months)		Apr-Nov 2025 (8 months)	
	Units	YoY	Units	YoY
Total new housing starts	678,549	-7.0%	472,030	-13.7%
Owner-occupied(1)	183,789	-8.3%	131,037	-14.1%
Rental homes	299,473	-5.1%	206,636	-13.1%
Condos for sale	82,153	-13.4%	53,873	-22.4%
Detached houses for sale(2)	105,297	-4.9%	74,381	-8.2%
Detached houses total (1)+(2)	289,086	-7.1%	205,418	-12.1%

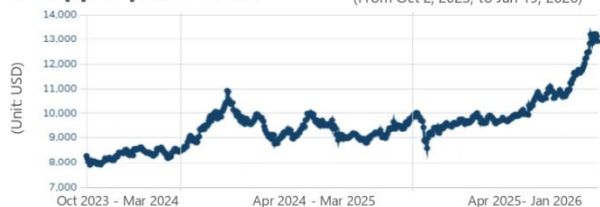
Aluminum price trend

Source : LME 3 months
(From Oct 2, 2023, to Jan 19, 2026)



Copper price trend

Source : LME 3 months
(From Oct 2, 2023, to Jan 19, 2026)



Foreign exchange rates (Average rate)	FYE2024 Actuals	FYE2025 Actuals	FYE2026 Assumptions
US dollar	JPY144.40	JPY152.48	JPY155.0
Euro	JPY156.80	JPY163.62	JPY161.2

Results and assumptions (price)	FYE2024 Actuals	FYE2025 Actuals	FYE2026 Assumptions
Aluminum (Purchasing price)	335,000	398,000	448,000
Copper alloy	1,009,000	1,170,000	1,262,000

Seto [A]: As you say, my biggest concern right now is that the prices of aluminum and copper rose very suddenly in January. As you may know, the main reason for this is not that demand has increased, but that supply has become difficult. As for aluminum, Mozal, in particular, decided to go into maintenance for one year last year because the cost of electricity had gone up too much and it was no longer feasible. Then, Century was suspended due to operational problems, and they also took a break for a while because of the high cost

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

of electricity as well. That and the fact that Rio Tinto is also a bit hesitant there. The supply on the aluminum side for Europe has dropped very low, which has resulted in higher prices and premiums.

Actually, I think there is no doubt that Japanese demand itself is very resilient. In such a situation, when we have raised prices up to this point, can we immediately respond in April? In fact, the response in April is based on the assumption that prices were raised up to last year, probably including those of other companies, so I think the question is whether we can do it again from this point on.

As you say, we have to be strategic about this, taking into consideration the competition. One advantageous condition for us is that we have a certain degree of time lag in responding to sudden changes, since our scrap usage ratio has reached 80%.

Another thing is that YKK and Panasonic have gotten together, which means there is no increase in competitors. The number of competitors for each product is the same, so we do not expect any particular change there.

Lastly, I understand that when competing companies such as YKK and Sankyo Tateyama did not follow our recent price increases and increased their market share, they became less profitable, if not more profitable. In light of this, I think it is unlikely that they will adopt a strategy of lowering prices to capture market share, given the current business conditions of each company.

Fukushima [Q]: I understand that you may not be able to respond from April, but considering the ratio of your company's usage of scrap, it does not mean that profitability will deteriorate immediately, and you are willing to raise prices with a reasonable time frame.

Seto [A]: Yes. I think it will get worse. However, we believe that we can avoid some extremes and then have time to make another move.

Fukushima [Q]: I understand very well. Second, I would like to ask you to talk again about your business in the US.

The current financial results also show an operating loss in American Standard. As you have said in the past, the bathtub business will be sold, and the production outsourced will cease this fiscal year to improve the situation. In terms of sanitaryware, you mentioned last time that you would like to improve profitability by raising prices. What is the progress of this now, and what are the results that will lead to the next fiscal year? I would like to know if you could tell us what the situation is like for the US business, turning from the red to the black.

Seto [A]: As for the price increase itself, or rather the price increase, which includes changing to a better mix, it is being accepted by placing it on the main price range. Therefore, we believe that profitability will improve, but we are concerned that the environment is even worse than that.

In terms of environmental degradation, the distribution of used housing has decreased by about 30% compared to the past three years, not only in terms of ceramic affordability, which I have been talking about recently. The number of new construction starts is also at a point where it cannot increase due to affordability issues. There was talk that Mr. Trump would make a big announcement in January, but given that so far he has not been able to do much more than restrict major investors, I do not think that the demand situation in the US will improve easily unless some major measures are taken for the mid-term elections.

We are confident that we will be able to do well in the next fiscal year because we are taking additional measures to streamline our operations to the extent that the market environment is slower than we had

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptasia.com



anticipated. As you said, until the current fiscal year, we will undoubtedly continue to suffer from the deficit in the bathtub business, but I believe we will be able to improve on that from the next fiscal year onward.

Fukushima [Q]: In terms of your company's relationship with the Chinese and other Asian companies that you said are competing with you in sales in the US, if they are not selling in the US due to tariffs, does that mean your company's market share is now increasing?

Seto [A]: Yes, it has been up since November. Until about October, we had inventory of goods that had come in by March, in essence, inventory before the tariff increase, so it had not risen, but since November, our market share has risen. On the other hand, the market share is up but demand is down. If you are asking if we are selling a lot of products, it is not that situation.

MC [M]: Mr. Fukushima, thank you very much.

Now then, Mr. Miki from Citigroup Global Markets, please ask your question.

Miki [Q]: Two questions from me.

The first question is, you mentioned earlier about liquidating assets that are not generating cash. What kind of assets do you have in mind? For example, in terms of domestic structural reforms, I think you probably did a big one in 2019 or so, and then came to overseas, but during that time, the business environment has changed considerably due to inflation and rising interest rates. Is there a possibility of major domestic structural reforms over the next year or two?

Seto [A]: Now, if we go with the most recent announcement, we are going to stop the exterior business. We have announced that we will shut down our exterior business subsidiary and incorporate it into LIXIL in Japan. The answer to your question is a very sensitive one, and as a general rule, we are unable to discuss anything that we have not already published.

As I mentioned earlier, we are firmly committed to the direction of eliminating businesses with extremely low asset efficiency, both in Japan and overseas. On the other hand, even if the business is in the red in terms of core earnings, it has already been bought and cash payments have already been made, while cash distribution has already taken place, because as far as the business is concerned, it will not be sold unless a buyer appears. I would appreciate your understanding that it is difficult to answer further questions about this.

Miki [Q]: This is my second point. I would appreciate it if you could explain why you did not revise the earnings forecast this time.

Looking at the progress of core earnings and net profit, I think they are quite strong against the full-year plan, but what was the reason for not revising them? We would like to know the strength and weakness of each segment, and if there is any strength or weakness relative to the initial plan.

In particular, I think you are looking at a consolidated adjustment deficit of JPY45.5 billion for the full year, but the cumulative total for Q3 is JPY29.6 billion, so progress is slow. I would like to know if it is a buffer to some extent or if there will be a large expense in Q4.

Seto [A]: First of all, it is obvious that we cannot talk about what we have not announced. Basically, we believe that there is a considerable increase in uncertainty regarding the January-March period. One of our biggest concerns is that we need to determine whether the fact that commodity prices have risen so much in January will have any impact in the short term.

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptasia.com



Also, the Japanese subsidies will be released this time, but the details have not been announced yet. So, there is no activity yet regarding that.

Also, not only commodity prices, but also the demand for new construction in Europe and the US, where the world is currently in a state of flux, is like waiting for the next policy. To be honest, we are not so sure about the Q4 figures.

On the other hand, as related to what I mentioned earlier, we need to take various measures. In conclusion, you don't announce what you don't know. If the numbers are good as they are now, I think we have done better than we thought we would as well. We think that this Q4 may be the quarter that we really need to pay attention to.

I will repeat this again, but commodity prices, the global situation, and the number of new construction starts in Japan, which was expected to drop approximately 2% this year, has dropped 13.7% between April and November. I think this is the effect of Special provision for Category 4 buildings, but then, if there is a problem with the current delay in MLIT permits and approvals, for example, will there be a demand for pent-up demand or will it get worse from here? We have not fully grasped the situation.

And lastly, as you probably will hear from general contractors and others, projects are being delayed almost all over the world. In March, we heard from a Japanese general contractor that a project that we had thought would definitely be finished by March will be delayed until April or later.

The reasons for this are a shortage of craftsmen, and in Japan, the biggest reason is a lack of capacity among equipment manufacturers. This same problem is occurring in other countries in different forms. In the US, for example, there are delays due to the inability of migrant workers to complete projects because they cannot come to the workplace. Then, as for Europe, they cannot make decisions politically. In the situation in major countries where there have been many fine political parties and no strong majority party, there has been a delay because permissions have been difficult to obtain because policies cannot be decided.

Overall, the situation is also quite worrisome due to delays in the project itself, where demand itself is there but the project is delayed.

MC [M]: Mr. Miki, thank you.

Now, Ms. Okada from Goldman Sachs, please ask your question.

Okada [Q]: I have two questions.

The European market, as well as the Middle East market, did very well in the cumulative Q3. However, I have heard that the tone is generally weak in Germany and France, the so-called core European countries. Please tell us about the background behind Grohe's ability to maintain a positive sales growth rate and whether the current situation in France and Germany will have a negative impact on the company's performance in the future.

Seto [A]: Yes. We share your view on market conditions in Europe. The fact that Grohe is doing so well means that relatively high-end color products, such as those applied to G4 and G5 (our high-end products), are selling well. The fact that those products are replacing products that were previously only pure nickel chromium. Although the number of units sold has not changed much, sales and profits have increased due to higher unit prices, which is the main reason for our performance growth in Europe this year.

As to how you see the situation going forward, I think we are in a very mixed situation. In terms of our so-called project pipeline, it is as extensive as it has ever been. However, as influenced by your earlier question,

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptasia.com



there has been a delay in the approval of projects due to the lack of stability in the government in Europe. In general, we thought at this time last year that the economy would be strong by April 2026, but the policy measures that we had anticipated did not materialize, and we expect this recovery to begin in H2 or later.

Okada [Q]: Thank you very much. I think you mentioned earlier about the profit structure, and you talked about asset sales and other aspects of tax management, but I was wondering if there are other areas where we need to negotiate with, for example, tax authorities or accounting and auditing firms. Also, I think the reason this tax burden has become so heavy in the first place has to do with M&A, especially overseas, in the past. I would be interested to know about your views in this area.

Seto [A]: We are now just working towards optimization as we are. This is not about convincing the tax authorities or accounting auditors in any major way, but about correcting the negative effects of past purchases that were attached without much thought, or that were inherited from previous management formats. This is the process of putting things right. We have not heard from the tax authorities or accounting auditors that we are not allowed to do this work, so I think we can do it without hesitation.

Also, at that time, it was necessary to rectify the flow of materials and technology. Japan business has borne too much of the burden up to now, and I think it is necessary to properly rectify this situation.

From the point of view of your question, it is not so much a matter of making a major change in the form of the company, but rather, when we first bought the company, we did not attach the company in a way that properly reflected where the profits would be generated and where the technology would be brought to, so we need to review that. It can take a year or two for this, we are going to do it without hesitation.

Fujita [A]: I would like to add something. As Seto just mentioned, the location of IP at the time of acquisition, the flow of commercial distribution, and other such factors have not been well designed to optimize the corporate entity as a whole. We will of course consider optimizing this area at a level that is not a problem, or rather, optimizing it in a compliant manner.

MC [M]: Ms. Okada, thank you very much.

Now, Mr. Kawashima from SMBC Nikko Securities, please ask your question.

Kawashima [Q]: I would like to ask two questions.

One is the medium-term performance picture. You talked about the FYE 2027 and FYE 2028 picture last April, and compared to that time, as you mentioned at the beginning of this issue, I wonder if the external environment, such as commodities and market environment, is more difficult. If you have any other positive factors, especially internal factors, that are working well, could you please share them with us?

Seto [A] : First of all, if we go by the fact that things are not going well, or that the assumptions are already tougher than they were then, the delayed economic recovery in Europe is tougher than expected. On the other hand, the conversion to the remodeling business in Japan has been more successful than we had expected. As I mentioned earlier, the number of new construction starts in Japan dropped 13.7% in the eight months from April to November compared to last year, but sales in fact grew and profits expanded.

One of the reasons for this is that, as I always say, remodeling is highly profitable, but SG&A expenses are inevitably high, so profitability is difficult to achieve. However, by using AI and digital technology, we have been able to increase our profit margin by lowering the cost.

In terms of developing demand, we have been able to extend the subsidy this time, and we have learned how to make customers understand window remodeling. In a very unfavorable market environment, the fact that

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptasia.com



we were able to expand our Japanese business, the remodeling business, despite the headwind, is a positive factor for us.

Then, China has probably fared worse than you might think, but I think the positive factor is that the Middle East has improved more than enough to compensate for this.

Kawashima [Q]: One more point, I am sorry to talk about numbers, but as you mentioned in your discussion of the earnings structure, depreciation is currently greater than investment. As this balances out, I think that to some extent there should be an effect of increased income from reduced amortization, although amortization expenses have not been reduced due to the impact of exchange rate fluctuations, but they have not decreased much.

It may be difficult to say in a few words how long it will take to achieve a balance between depreciation and investment, but I would like to know how many billions of profits will be generated by the balance between depreciation and investment over what period of time. If you have any approximate figures, could you please share them with us? I'm thinking that if you go by the difference in depreciation and acquisition of property, plant and equipment in Annual Securities Report, it would still be about 6 billion or 7 billion lower. What would you say?

Seto [A]: There are various plans, so it is a little difficult to answer your question. In reality, if we look at our tangible fixed assets, the biggest factor that would cause the largest reduction would be the factory equipment. In this context, we cannot tell you what we have not announced, although it is related to the question I asked you earlier. In both Japan and overseas, if a company adopts a policy of making a profit with relatively small assets, it will naturally have the possibility to reorganize its facilities and factories.

In short, I believe there is still much room for improvement, not simply in terms of the number of years, but also in terms of the concrete things we have done up to now. However, it is hard to say what the numbers are because it would end up being a bit of a specific plan. We expect a larger figure than the one you just mentioned, in terms of the reduction of depreciation.

Kawashima [Q]: So, rather than a gradual decrease in the cycle of investment and amortization, are you considering various aspects, including a bit more dynamic one?

Seto [A]: That said, we don't plan to make that many investments per se, and we don't have anything too big in mind when it comes to investments in tangible assets. So, to put it another way, once the assets are organized to some extent, the investment for maintenance is no longer necessary, and the amount of investment itself will decrease. In that sense, I think we have already created a structure that is able to generate cash easily, so there is a little more work to be done to actually make it visible in the form of accounting profits.

MC [M]: Thank you, Mr. Kawashima.

Now, Mr. Mochizuki of CLSA Securities, please go ahead.

Mochizuki [Q]: Thank you for your explanation today. There are two questions.

The first point, though, is the concept of performance for the coming year. I think you have given us quite a few hints today, but since the business environment is a bit too poor, am I correct in assuming that there is a possibility of a decrease in profit if we take only net profit in some cases?

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptasia.com



I don't know if the core earnings will be maintained or not, I don't know if it will increase, but if there is room for various structural reforms, etc., there will be some one-time costs, so I was wondering if we should not expect much net profit in the next year. Aside from the numbers, that is the kind of question I am asking.

Seto [A]: I am going to say that is not true. As a matter of fact, the way we have been organizing for the past two years, which has been quite loss-making, is because we did the deeply wounded ones first. And when it comes to what we're going to organize, we're left with something that is hardly a major blemish. In the process of liquidation, there is of course the possibility of profit. Given the current low level of net income, we believe that it should not be any lower. We do not expect net income to be that low there, and we believe that we will be able to increase core earnings.

But, of course, it is true that the difficult situation itself continues, but just so you understand, the situation this year was quite difficult, more difficult than last year, as it turns out. Nevertheless, given the fact that the company is performing better than last year, I do not necessarily see that as being the case if next year will be tougher than this year.

Only the prices of commodities have risen sharply, so I wonder to what extent this will have an impact. However, this is also something we have experienced in the past, so in that sense, I believe we will be able to produce solid results.

Kawai [A]: I would like to add some explanation. The JPY12 billion decrease in tax expenses due to the change in the tax rate this year is to be considered temporary and will be eliminated next year. In terms of the comparison here, I would like to reiterate that the difference will be JPY12 billion. That is all from me.

Mochizuki [Q]: JPY12 billion, which means less taxes this year.

Kawai [A]: That's how it works, so it's about the time that it's working on the net profit side. Next year, there will be no decrease in tax expense, so I would appreciate a comparison on a basis without that.

Seto [A]: So we will not lower it. I would like you to understand that we will not lower it.

Mochizuki [Q]: So the one-time tax expense burden will be eliminated, but you still want to make management efforts to increase net profit.

Seto [A]: Yes, we intend to do so.

Mochizuki [Q]: I see. My second point, about ROE. Mr. Seto told us to look at EBITDA, earning power. It is difficult to say, however, since costs below EBITDA vary depending on the region and the type of business. Nevertheless, I believe that many shareholders consider ROE to be quite important, and unfortunately it remains low. In that sense, though, I would think that if the current business environment continues, it may still be quite difficult to generate ROE that exceeds the cost of capital for several years. How about ROE, will it continue to improve in the future?

Seto [A]: I think improvements can be made, of course. For this reason, we have to take measures to reduce the percentage of amortization in the business, as I mentioned earlier, and also to improve tax management, which will improve ROE by improving the net profit. Then, of course, the denominator will also be less if we organize it in such a way. I think the ROE will improve.

However, when we talk about how it compares to the cost of capital, there are certainly some tough spots. But on the contrary, I think it is all about the idea of how to value something that has already been put out as cash. It sounds strange, but in the past, for example, you bought something worth JPY10 billion. So, even if there is a profit that is being generated, but the cash that is being generated is JPY20 million to JPY30 million,

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptasia.com



as a practical matter, is it better to dismiss that JPY10 billion asset when there is no buyer for something that has already been spent some money. Even if it is only generating JPY20 million to JPY30 million, that's basically a plus for the shareholders.

Then, for example, I'd better hurry up and sell this one, but I'm not going to do that. As long as you have something that is very inefficient but still generating cash and for which it is difficult to find a buyer, I think there is a possibility that the ROE will not improve remarkably. That is why I told you to look at EBITDA.

So, if I want to improve my own ROE performance, I need to stop such bad ones in one year if there are no buyers, and I should sell them even at a cheap price if there are buyers. In this way, ROE will surely improve. Perhaps that is not a positive thing for the shareholders, on the contrary.

In this sense, we would like to emphasize that while the cost of capital is of course important, it should not be viewed as a snapshot of the cost of capital, but rather as a sunk cost of what has already happened in the past. I wanted to make this point in today's discussion. With respect to sunk costs, it would still not be positive for the shareholders to spend more than it would cost to process.

MC [M]: Mr. Mochizuki, thank you. Now, Mr. Yagi from Morgan Stanley MUFG Securities, please ask your question.

Yagi [Q]: Thank you for your explanation. I have two questions.

The first question is, I would think that the deficit in American Standard, where only Q3 is cut out, would have worsened compared to the previous year. As for this point, we would like to know if it can be explained in terms of demand factors, or if there are any other influences that are having an impact.

The outlook for demand is still very bleak, but I think that you were looking at a return to profitability next fiscal year. With regard to this turnaround, if we go with the current demand forecast, is there a possibility that it will be further back than you had previously seen? I would like to know your thoughts on this point at American Standard.

Seto [A]: Yes. As for Q3, as you said, the demand was quite large. Another thing is that we ourselves had a new system installed in Q1 and the installation of that system did not go very well, so all the shipments to customers were delayed in Q2. There was a special factor that resulted in the cancellation of an order that had been promised for Q3.

However, we believe that the poor performance of Q3 in general was mainly due to demand factors. When it comes to Q3 and Q4, Home Depot, Rose, Ferguson, and others have changed their own projections to much lower than they originally did. In that sense, I am certain that demand will be tough.

If you ask whether the severity of that demand will affect the turnaround in the next fiscal year, I think it could. Therefore, we are now implementing additional measures to meet this weak demand. We are taking additional measures to reduce costs, so we do not think it is necessary to drop the banner that we will turnaround next year.

Yagi [Q]: If possible, please comment on the cost reduction measures, and if there is anything you can tell us about them.

Seto [A]: Sorry. I cannot say.

Yagi [Q]: Understood. Thank you. The second question is, I would like to know your thoughts on the domestic concept for the next fiscal year. As for domestic, I think the remodel is not bad while new construction is a bit

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptasia.com



strict. If we are not able to increase top-line revenues that strongly, and if we are not able to pass on the cost increase to the top line, as you explained at the beginning of this presentation, what kind of cost increase factors will we be able to offset in the next fiscal year to increase profits? I would like to know a little bit about this domestic factor for profit increase in the next fiscal year, and what you think about it.

Seto [A]: Yes. First of all, commodity prices, just to be clear, the largest commodity prices are aluminum and copper. Aluminum affects mainly domestic business, and copper affects mainly overseas business. As for overseas business, the G4 line, which is relatively high quality, and the G3 line, which is the upper-mass line below it, are the mainstays of our products, so it is easy to pass on prices. On the other hand, it is difficult to pass on the price of aluminum products in Japan. When our competitors didn't raise prices much in the past when they were in these situations, when they went for market share, they didn't do so well as a result. I guess they will respond accordingly next time, so I think price shifting will go forward. The only problem is that we have already prepared and implemented all the prices by about December of last year to pass on the prices in April. We see that we will have to implement some additional issues there.

In this context, for example, as far as what we can do, in terms of past successes, we were able to use our subsidies at a very high pace in H2 of last year alone, although we were almost unable to fully utilize them in the year before last. We now know how we can use the subsidies, and we believe that we will be able to make a strong start after April, when the system is launched again this year.

In addition, we believe that we have an advantage over our competitors in that we are able to make a profit even when we go out to capture very detailed business due to the advancement of digital and AI technology.

MC [M]: Thank you, Mr. Yagi.

Now, Mr. Fukuhara from Jefferies, please.

Fukuhara [Q]: I also have two questions. The first point is the price of raw materials, copper and aluminum. At the end of the slide, there is a chart of price changes, and the raw material price assumptions are also written below. If possible, could you give us some figures on the sensitivity of your company's profits to price fluctuations in the midst of the recent sharp rise in prices?

In addition, I would like to think that the recent sharp rise in prices will not basically affect our performance in Q4. Is my assumption correct? This is the first point.

Kawai [A]: This is Kawai from IR. As for sensitivity, sorry, we do not offer this as a disclosure. We are not disclosing the volume of purchases, etc., as it will be related to the amount of purchases for the next fiscal year and such, so I would be happy to discuss the overall situation with you in another interview.

Seto [A]: The impact on Q4, because the amount already raised in Q3 will have some impact on Q4. What goes up in Q4 does not come in Q4, it comes in Q1. However, if anything, if we look at this fiscal year, perhaps this year as a whole, sales will be affected by the delay in the project itself, then the price of the commodity will eventually have an impact.

We are now making various calculations as it just happened in this January, but what we think will be most effective is to increase the ratio of scrap. Compared to our competitors, we have a higher percentage of scrap usage and we are now at the point where we can use about 80% of our aluminum scrap. In the past, we have been trying to see if we can improve this part of the system a little more, and now we clearly know that we can improve it to more than 90%. By increasing the use of scrap by 10%, the increase in the price of scrap will naturally be delayed, so I think we are able to hedge our losses to some extent to a much greater extent than our competitors.

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptasia.com



On the other hand, we are not sure which direction they will take under these circumstances: whether they will order before the price increase, or whether the delay in the project will affect them. This is difficult to predict in terms of profitability. Since the price increase is quite rapid, we have not yet decided what to do next.

Fukuhara [Q]: I understand. Second question, since this is the time of year, I understand that there are various things you cannot say about Q4. The idea for the fiscal year ending March 2027, which was released at the end of April last year, showed a core earnings of JPY65 billion at that time. A lot has happened this year, though, and you haven't changed the numbers for the current fiscal year ending March 2026 for the entire year. If so, what about the figure of JPY65 billion for the next fiscal year? I still feel that from the outside it is a very high hurdle. How close can you get? Please answer.

Seto [A]: Yes. I think this is a question that is a bit difficult to answer at this stage. However, for us, various situations have clearly changed. The delay in the economic recovery in Europe was probably the most significant blow to our plans, and we certainly did not anticipate the short-term increase in commodity prices or the drop in the number of new construction starts this year.

On the other hand, as I mentioned earlier, we have learned how to use the subsidies to sell various products, and we have also learned how to secure profits by reducing costs in the renovation business to some extent.

Compared to other companies, we were able to stay one step ahead in the Middle East, and growth in the Middle East has been better than expected.

We would like to summarize this information and reflect it in the budget for the next meeting. I will refrain from giving the amount at this time, as it would probably be a bit misleading.

MC [M]: Thank you, Mr. Fukuhara.

We have answered all the questions we have received so far. Since that seems to be all the questions we have, we will now conclude the question-and-answer session.

This concludes the financial results briefing of LIXIL Corporation for Q3 of the fiscal year ending March 2026.

Thank you very much for your participation today.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *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.*
4. *This document has been translated by SCRIPTS Asia.*

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptasia.com



Disclaimer

SCRIPTS Asia reserves the right to edit or modify, at its sole discretion and at any time, the contents of this document and any related materials, and in such case SCRIPTS Asia shall have no obligation to provide notification of such edits or modifications to any party. This event transcript is based on sources SCRIPTS Asia believes to be reliable, but the accuracy of this transcript is not guaranteed by us and this transcript does not purport to be a complete or error-free statement or summary of the available data. Accordingly, SCRIPTS Asia does not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information contained in this event transcript. This event transcript is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

In the public meetings and conference calls upon which SCRIPTS Asia's event transcripts are based, companies may make projections or other forward-looking statements regarding a variety of matters. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the applicable company's most recent public securities filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are accurate and reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the anticipated outcome described in any forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE PUBLIC MEETING OR CONFERENCE CALL. ALTHOUGH SCRIPTS ASIA ENDEAVORS TO PROVIDE ACCURATE TRANSCRIPTIONS, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE TRANSCRIPTIONS. IN NO WAY DOES SCRIPTS ASIA OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BY ANY PARTY BASED UPON ANY EVENT TRANSCRIPT OR OTHER CONTENT PROVIDED BY SCRIPTS ASIA. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S PUBLIC SECURITIES FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS. THIS EVENT TRANSCRIPT IS PROVIDED ON AN "AS IS" BASIS. SCRIPTS ASIA DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, AND ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT.

None of SCRIPTS Asia's content (including event transcript content) or any part thereof may be modified, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of SCRIPTS Asia. SCRIPTS Asia's content may not be used for any unlawful or unauthorized purposes.

The content of this document may be edited or revised by SCRIPTS Asia at any time without notice.

Copyright © 2025 SCRIPTS Asia K.K. ("SCRIPTS Asia"), except where explicitly indicated otherwise. All rights reserved.

Support

Japan 050.5212.7790

Tollfree 0120.966.744

Email Support support@scriptsasia.com

