

**For Immediate Release****February 5, 2021  
LIXIL Corporation**

## **LIXIL Recovery Continues in Q3 Driven by Transformation Initiatives; Full Year Forecast Revised Upwards**

*Recovery trend seen across all business segments in Q3. Year-on-year increase in profits projected*

**Tokyo** – LIXIL Corporation (“LIXIL”, TSE Code: 5938), maker of pioneering water and housing products, today announced results for the third quarter and first nine months of the fiscal year ending March 31, 2021 (FYE 2021).

### **CEO Statement:**

“We delivered strong third-quarter results, responding quickly to changing consumer behavior and demand patterns as COVID-19 continues to affect our lives, business operations and markets around the world. Despite lower revenue amid the current economic climate, we recorded strong profits, reflecting the newfound level of agility, productivity and resilience being uncovered by our transformation efforts. As a result, we are revising up our full-year profit guidance.

We have also continued to strengthen our long-term financial position as we continue to optimize our business portfolio to focus on our core water and housing businesses, keeping us firmly on the path to achieve higher profitability in the long term.

Our priority remains to transform our business to become a more agile and entrepreneurial company that can realize sustainable growth and deliver on our purpose to make better homes a reality for everyone, everywhere.”

- Kinya Seto, CEO, LIXIL

### **Financial Earnings Summary**

#### Revenue

Consolidated revenue for the nine months declined 10% year-on-year to ¥1,035.5 billion.

Revenue in the Japan market for the same period decreased by 11% to ¥770.7 billion. Sales declined in all segments for the period as the pandemic slowed overall household spending and new housing starts. In addition, the absence of demand generated last fiscal year prior to a consumption tax increase contributed to lower revenue. However, the recovery trend from the second quarter continued into the third quarter in the Japan market. LIXIL Housing Technology (LHT) and LIXIL Water Technology (LWT) continued to capture changing consumer demand related to the new normal. Although overall

renovation-related sales declined in the first nine months due to restrictions on showroom visits in the first quarter, the ratio of sales of renovation-related products has recovered to last year's level at 37%. For example, sales of LHT's renovation-related shutters rose by 72% year-on-year while screen doors climbed by 63%. Similarly, sales of LWT's Navish touchless faucets increased by 64% year-on-year.

Revenue in international markets for the first nine months decreased by 6% to ¥280.5 billion and by 4% on a local currency basis as COVID-19 weighed down demand. However, the recovery trend started in the second quarter continued into the third quarter led by LWT's Americas and EMEA markets. While revenue for the Americas for the nine-month period reached the previous year's level, EMEA grew by 3%, driven by strong retail and e-commerce sales. Robust commercial project sales also helped LWT's China market recover to a 1% year-on-year decline. Meanwhile, the Asia Pacific markets saw a more gradual recovery due to the impact of lockdowns and the economic slowdown with a 13% year-on-year decrease in revenue for the nine-month period.

### Core Earnings

In the Q3 three-month period, consolidated core earnings increased quarter-on-quarter due to reduced SG&A expenses from productivity improvements and higher gross margin from higher sales ratio of renovation-related products. Gross profit margin for the period improved by 2pp to 35.3% reflecting pricing improvements and increase in sales ratio of renovation-related products.

During the nine-month period, core earnings fell by ¥7.2 billion year-on-year to ¥45.2 billion due to weaker demand. However, SG&A expenses decreased by ¥27.5 billion from the prior year due to improved productivity and higher operational efficiency. As a result, core earnings ratio for the period recovered to 4.4%, a 0.2pp year-on-year decrease.

### Net Profit for the First Nine Months Attributable to Owners of the Parent

Net profit climbed by ¥8 billion or 26.1% year-on-year to ¥38.7 billion helped by the better-than-expected recovery in the third quarter.

### FYE 2021 Full-Year Forecast

LIXIL is revising up its revenue forecast to ¥1,380 billion, a decrease of 8.9% year-on-year, while raising its core earnings guidance to ¥57.5 billion, an increase of 10%, and net profit to ¥33 billion, a 163.6% increase. While COVID-19 continues to impact LIXIL's business, LIXIL is raising its profit guidance due to the significant reduction in SG&A expenses, impacted by organizational and workstyle transformation measures and the increased use of digital tools in sales and marketing activities, and improved gross profit margin, resulting from a higher sales ratio of mid-and high-end products.

### **Notable Business Highlights**

LIXIL continues to implement initiatives under its Medium Term Plan to improve profitability and become a more agile and entrepreneurial company that can achieve sustainable growth and raise its corporate value. Since first-half earnings were announced in October 2020, LIXIL has taken the following steps:

- **Simplifying Organization and Focusing on Core:**

LIXIL completed the divestment of [LIXIL VIVA](#) and announced its transfer of shares in [Kawashima Selkon Textiles](#) and [Japan Home Shield](#). These transactions are in line with LIXIL's efforts to focus on its core businesses and simplify its business structure, enabling further synergies and efficiencies through enhanced integration.

LIXIL also completed the [merger](#) of LIXIL Group Corporation and LIXIL Corporation. The transition from a traditional holding company structure to an operating company structure enables faster decision-making and more efficient business operations. Eliminating the two-tiered structure will also simplify its management structure, increase the transparency of decision-making, and strengthen governance.

- **Transforming Japan Business:**

LIXIL is transforming its organization and culture in Japan to overcome the shrinking domestic market for new homes and improve competitiveness. Under its comprehensive strategy, [Kawaranaito LIXIL](#), LIXIL aims to establish a meritocratic and agile culture that supports innovation and entrepreneurship. Among its initiatives, LIXIL implemented the [New Life](#) voluntary retirement program, which is designed to provide strong support to employees seeking new opportunities, while also accelerating the speed of LIXIL's transformation. A total of [965 employees](#) have decided to participate in New Life and retire from the company. The outcome represents a strong response to the New Life program and enables LIXIL to accelerate its business transformation trajectory.

- **Expanding Differentiated Products and Services:**

LIXIL has appointed [Paul Flowers](#), Leader, LIXIL Global Design, as Executive Vice President to strategically elevate and represent design at the highest level of management. Flowers will also expand his responsibilities to concurrently lead a separate Brand Identity team. The move will enable LIXIL to fully unlock the potential of its global brand portfolio and strengthen brand governance to offer a consistent brand experience worldwide.

LIXIL continues to expand its differentiated products and services that contribute to societal issues. LIXIL TEPCO Smart Partners, a LIXIL subsidiary, will launch a new service named "Tatetokudenchi" to further promote the construction of Net Zero Energy Houses (ZEH) and to meet changing consumer needs in the new normal, helping them to live more comfortably and sustainably. The service, available to consumers who build homes that meet ZEH specifications using designated LIXIL products, offers a rooftop solar power and energy storage system at lower initial cost. In exchange for the reduced cost, LIXIL TEPCO Smart Partners will receive the proceeds from the sale of excess energy from homeowners.

- **Promoting Diversity and Inclusion**

Diversity and inclusion is critical to LIXIL's transformation and business strategy, including building a more diverse and inclusive workplace as a well as promoting diversity and inclusion through products and services. In the third quarter, LIXIL jointly developed a barrier-free mobile toilet on wheels with Toyota Motor Corporation. The multifunctional toilet equipped with a ramp is accessible for those on a wheelchair. The new toilet contributes to building a more inclusive society for all.

For its continuing efforts on diversity and inclusion, as well as in other social, economic, and environmental areas, LIXIL has received external recognition including a “Gold” rating in PRIDE INDEX 2020 for four consecutive years as an inclusive workplace for LGBTQ employees. LIXIL was also selected to be part of the Dow Jones Sustainability World Index (DJSI World) for two consecutive years and the DJSI Asia Pacific Index for four straight years, achieving a higher overall score than previous years.

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**About LIXIL**

LIXIL (TSE Code 5938) makes pioneering water and housing products that solve everyday, real-life challenges, making better homes a reality for everyone, everywhere. Drawing on our Japanese heritage, we create world-leading technology and innovate to make high quality products that transform homes. But the LIXIL difference is how we do this; through meaningful design, an entrepreneurial spirit, a dedication to improving accessibility for all, and responsible business growth. Our approach comes to life through industry leading brands, including INAX, GROHE, American Standard, and TOSTEM. Approximately 60,000 colleagues operating in more than 150 countries are proud to make products that touch the lives of more than a billion people every day.

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