

For Immediate Release

November 7, 2016
LIXIL Group Corporation

LIXIL H1 Net Profit Rises to 24.1 Billion Yen

LIXIL continues drive to be a leaner, faster, simpler organization

Tokyo, Japan – LIXIL Group Corporation (“LIXIL Group”), a global leader in housing and building materials, products and services, today announced earnings¹ for the first half of the fiscal year ending March 31, 2017. Net sales declined 8% year-on-year on a consolidated basis to ¥870.4 billion, while net profit² was ahead of forecast at ¥24.1 billion and up on a year-on-year basis. As seen in the first quarter, the decline in revenue was mainly driven by business divestitures, changes in forex rates, as well as recent selective order intakes and delays for international projects at LIXIL Building Technology (LBT). On a like-for-like basis, excluding the impact of divestitures and forex, LIXIL Water Technology (LWT), LIXIL Kitchen Technology (LKT), Distribution & Retail Businesses (D&R), and Housing Service Businesses (H&S) all recorded sales growth during the period.

Core earnings totaled ¥39.8 billion, ¥9.3 billion above the initial forecast announced in May 2016 and almost flat on a year-on-year basis (down 0.7% YoY). LWT overseas businesses reported 48% core earnings growth but this was offset by a decrease in revenues at LBT overseas and increased SG&A due to investment in domestic marketing.

Operating profit increased by 17.2% year-on-year to ¥38.3 billion due to the absence of one-off expenses that were posted in the previous year. Net profit for the first half improved significantly to ¥24.1 billion, an increase of ¥42.5 billion over the previous year due to the absence of one-off losses and the impact of forex movements.

On October 19, 2016, LIXIL Group announced a significant upward revision of net profit for the full year to ¥38.0 billion due to the higher-than-projected profit for the first half, for the reasons outlined above. The upward profit revision was despite a downward revision of revenue to ¥1.78 trillion, due to revised domestic demand for new housing and renovations as well as downward revision of LBT overseas projects. Core earnings were upwardly revised to ¥80 billion.

LIXIL Group President & CEO, Kinya Seto, commented, “As we continue our drive to create a leaner, faster, simpler LIXIL, we are pleased to see some of the changes that have been initiated earlier in the year begin to have an effect on core earnings and profitability. We expect to see further progress as we continue to implement important organizational changes to drive integration and synergies between related businesses and product lines, such as the recent transfer of the tile business to LWT, greater alignment between LKT and LWT, and integration of LHT International Business Division with LWT Asia. We will continue to strengthen integration to improve efficiency and support customer and consumer needs.”

¹ All IFRS based

² Profit for the quarter attributable to owners of the parent

Summary of Business Performance:

LIXIL Water Technology (LWT), which consists of leading global brands, LIXIL, INAX, GROHE, and American Standard recorded sales of ¥318.3 billion, down 4% on a consolidated basis but up 3% like-for-like. Core earnings rose by 17% to ¥30.2 billion, representing a CE margin of 10%. The margin was positively impacted by a change in product mix, increased transfer of Japanese technology overseas, and increased production efficiencies at factories overseas. All regions showed growth, with 5% in the Americas, a 5% increase in EMEA, and growth in Japan despite the delay in new product launches for some tankless toilet models. GROHE Group S.a.r.l. and its affiliates became wholly-owned subsidiaries from September 30, 2016, which will mean lower finance costs going forward and accelerated synergy creation.

LIXIL Housing Technology (LHT) recorded sales of ¥270 billion, down 3%, while core earnings declined by 8% to ¥19.6 billion due to the end of the domestic government-sponsored eco-points system in October 2015 and increased marketing costs related to the renovation business in Japan. LHT recorded a CE margin of 7%.

LIXIL Building Technology (LBT), which includes the Permasteelisa Group, saw sales of ¥126.4 billion, down by 25%, and a core earnings loss of ¥815 million. The results were impacted by recent selective order intakes and unexpected project delays at Permasteelisa Group, forex changes, which negatively affected the sales by 9%, the divestiture of Shanghai Meite, which also negatively impacted sales by 9%, and a decrease in revenues in Japan due to the status of ongoing projects.

LIXIL Kitchen Technology (LKT) recorded sales of ¥54.7 billion, up by 2%, and core earnings of ¥800 million, up 66%. The results were driven by a repositioning to the luxury segment in Japan, and 18% year-on-year revenue growth in China on a like-for-like basis due to revitalized collaboration with partners. This resulted in CE increases in both Japan and overseas, and an overall CE margin of 2%.

Distribution & Retail Businesses (D&R) and Housing Service Businesses (H&S): D&R recorded a 12% decline in sales to ¥87.2 billion year-on-year following the carve-out of Ken Depot business in the previous year. Core earnings at D&R increased 2% to ¥4.9 billion despite increased costs for the opening new stores, resulting in a CE margin at D&R of 6%. H&S recorded sales of ¥32.3 billion, up 11%, due to steady revenue performance and the sale of real estate. Core earnings decreased 1% to ¥2.3 billion due to an increase in SG&A costs such as advertising expenses, with a CE margin of 7%.

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About LIXIL

LIXIL Corporation is a global leader in housing and building materials products and services. The foundation of LIXIL's success is our constant investment in technological innovation to improve the way we live. Delivering core strengths in water, housing, building and kitchen technologies, our brand portfolio businesses LIXIL, GROHE, American Standard Brands and Permasteelisa are leaders in the industries and regions in which they operate. LIXIL produces some of the world's most fundamental and innovative products and services, and our solutions are an integral part of some of the world's most iconic and cutting-edge living and working spaces. Operating in more than 150 countries, and employing more than 80,000 people, we bring together function, quality and design to make people's lives better, and more delightful – wherever they are.

About LIXIL Group

LIXIL Group Corporation (TSE Code: 5938) is the listed holding company containing LIXIL Corporation, LIXIL VIVA CORPORATION and LIXIL Housing Research Institute, Ltd.. The Group, which is led by President and CEO Kinya Seto, is involved in a broad spectrum of housing-related businesses, ranging from the manufacture and sales of building materials and housing equipment to the operation of home centers and a network of homebuilding franchises, and comprehensive real estate service. LIXIL Group Corporation posted ¥1.89 trillion in consolidated sales in FYE March 2016.