

For Immediate Release

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LIXIL Group Corporation

LIXIL Reports Results in Line with H1 Forecasts

Tokyo, Japan – LIXIL Group Corporation (“LIXIL Group”, TSE Code: 5938), a global leader in the housing and building industry, today announced earnings¹ for the first half of the fiscal year ending March 31, 2018.

In line with the company’s forecasts issued on August 21, 2017, revenue from continuing operations² increased 1.7% year on year to ¥809.9 billion. This increase was driven by the stable growth of LIXIL Water Technology in Japan and overseas, and LIXIL Kitchen Technology in Japan.

Core earnings³ from continuing operations decreased 4.5% year on year to ¥40.7 billion, above first half guidance of ¥40 billion. Water and Kitchen Technology businesses in Japan contributed positively to core earnings through improved gross operating margins. Core earnings decreased overall, however, due to investments in marketing activities in Japan, which have positively impacted revenue growth, as well as increased IT-related expenses. The core earnings margin consequently decreased from 5.3% to 5.0% year on year.

Net Profit, including discontinued operations, decreased by ¥11.3 billion year on year to ¥12.8 billion, reflecting the absence of the positive impact from foreign-currency denominated debt conversion recognized in the previous year, and a one-off loss from the strategic decision to divest Permasteelisa S.p.A.

LIXIL Group President and CEO, Kinya Seto, said, “During the second quarter, we continued to optimize our business portfolio, and also invested in growth in Japan and overseas. Today’s results are in line with our projection, and we remain on track to achieve our full-year forecast. More importantly, we are now well positioned to implement our new Medium-Term Strategic Plan ‘Toward Sustainable Growth,’ which we will kick-start from FYE 2019. During this period, we will leverage and further enhance LIXIL’s unique competitive advantages, including developing differentiated products and services, to strengthen profitability and set the company on track to achieve long-term sustainable growth.”

Summary of Business Performance

LIXIL Water Technology (LWT), which manages the product brand portfolio that includes LIXIL, INAX, GROHE, and American Standard, reported revenue of ¥341.8 billion, up 7% year on year, and core earnings of ¥32.5 billion, also up 7% year on year and representing a core earnings margin of

¹ All IFRS based

² Revenue and core earnings for Permasteelisa S.p.A and its subsidiaries have been reclassified under discontinued operations following agreement to sell its shares in August, 2017

³ Core earnings in IFRS is equivalent to Operating Profit in JGAAP

10%. Revenue growth was driven by continued success in Japan and global markets, in particular Europe and China, while core earnings improved due to higher sales of mid- to high-end products and the ongoing realization of synergies across the business. This includes the success of GROHE Sensia Arena, a shower toilet using INAX technology and designed by GROHE, which achieved 20% market share for shower toilets in Germany as of the end of the September.

LIXIL Housing Technology (LHT), which provides products and services for the new housing and renovation market primarily in Japan, reported revenue of ¥265.2 billion, down 2% year on year, and core earnings of ¥17 billion, down 13% year on year and representing a core earnings margin of 6%. While revenue increased on a like-for-like basis compared to the previous year, the decrease in year-on-year revenue reflects the divestment of HIVIC in the previous year. Core earnings were also impacted by the divestment of HIVIC, in addition to an increase in SG&A from IT-related and marketing expenses. LIXIL Corporation continued to invest in innovative new product areas during the second quarter with the establishment of a joint venture company with TEPCO Energy Partner to promote the building of net zero energy houses (ZEH) in Japan.

LIXIL Building Technology (LBT), which develops architectural projects, reported revenue of ¥51.4 billion, down 2% year on year, and core earnings of ¥1.9 billion, down 1% year on year and representing a core earnings margin of 4%. While revenue and core earnings remain generally flat, LIXIL Building Technology continues to implement selective order intakes to improve core earnings.

LIXIL Kitchen Technology (LKT), which develops system kitchens and related products, reported revenue of ¥58.2 billion, up 7% year on year, and core earnings of ¥2.6 billion, up 227% year on year, representing a core earnings margin of 5%. Increased sales of Alesta and Richelle system kitchens, which are key product series in the mid- to high-end price range, in addition to growth in sales of small modular kitchens and the impact of increased marketing in Japan contributed to improved revenue. The improvement in sales and higher production utilization ratio positively impacted core earnings.

Distribution & Retail (D&R), which supports product sales in Japan through home centers, reported revenue ¥87.5 billion, flat year on year, and core earnings of ¥4.6 billion, down 5% and representing a core earnings margin of 5%. Core earnings were impacted by a one-off expense.

Housing & Services (H&R), which provides housing solutions and services, reported revenue of ¥23.9 billion, down 26% year on year, and core earnings of ¥1.1 billion, down 55% year on year and representing a core earnings margin of 4%. Revenue and core earnings in the first half were impacted by the deconsolidation of JIO Corporation and the absence of housing sales reported in the previous year.

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About LIXIL Corporation

LIXIL is a global leader in the housing and building industry. Our unique portfolio spans everything from technologies that revolutionize how we interact with water in our daily lives, to a full lineup of products and services for houses and major architectural projects. Delivering core strengths in water, kitchen, housing, and building technologies, our brands including LIXIL, INAX, GROHE, American Standard, and Permasteelisa are leaders in the industries and regions in which they operate. LIXIL operates in more than 150 countries and employs more than 70,000 people, bringing together function, quality, and design to make people's lives better, and more delightful – wherever they are.

Learn more at www.lixil.com, facebook.com/lixilgroup and www.linkedin.com/company/lixil-group.

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 ¥1.79 trillion in consolidated sales in FYE March 2017.