

For Immediate Release**November 6, 2017
LIXIL Group Corporation**

LIXIL Announces New Medium-Term Strategic Plan: Toward Sustainable Growth

*Strategy to Enhance Competitiveness and Strengthen Profitability
by FYE2021*

Tokyo, Japan - LIXIL Group Corporation (LIXIL Group; TSE code: 5938), a global leader in the housing and building industry, today announced its new Medium-Term Strategic Plan: "Toward Sustainable Growth." The new MTP outlines the actions LIXIL Group will take across its global organization to enhance competitiveness and profitability over the three-year period through FYE2021, setting the company on track to achieve long-term sustainable growth.



"LIXIL Group's core philosophy has always been about innovating superior products and services to improve how people live around the world, and this will not change. Rather, we will make this a truer statement than it has ever been before," said Kinuya Seto, President and CEO of LIXIL Group.

"Building on our core philosophy, our new medium-term plan will reshape LIXIL Group, turning us into a more agile, innovation-focused, and entrepreneurial-minded manufacturer. In a mature market, innovation and the ability to deliver attractive and differentiated products is critical to securing competitive advantage. We have successfully steered the organization in this direction over the past two years, reviewing our business portfolio, simplifying our organizational structure, and strengthening our balance sheet to create a leaner and more operationally efficient company. We are now positioned to advance to the next stage, in which we will become a truly unique company providing differentiated products that can achieve sustainable competitiveness and deliver long-term value for our employees and shareholders," said Seto.

Key Financial Targets

LIXIL Group has outlined financial targets that reflect the establishment of a more profitable, financially robust organization over the MTP period, in line with the goal to enhance profitability. By FYE2021, LIXIL Group aims to:

- Increase core earnings ratio to 7.5%
- Increase return on equity to at least 10%
- Reduce net debt/EBITDA to <2.5x
- Increase ratio of equity attributable to owners of the parent¹ to 35%

Strategic Initiatives

As LIXIL Group grows in Japan and overseas through its key regional operations in EMENA, Americas, Asia Pacific, and Sub-Saharan Africa, the company will focus on four strategic organization-wide initiatives to achieve its medium-term goals and targets:

- **Establish a purpose-driven, entrepreneurial company:** LIXIL Group will continue to transform its organizational culture to create a more agile work environment that enables greater and faster exchange of ideas, a more experimental approach, and become a workplace in which entrepreneurialism is a universal value among all employees globally.

LIXIL Group also aims to be a company that evokes respect and passion, and that inspires and binds all of its employees through goals that go beyond everyday life. LIXIL Group will continue to invest in its business-focused strategy to improve sanitation for 100 million people by 2020, as well as furthering its commitments to promote water conservation and environmental sustainability, and diversity and inclusion.

- **Develop attractive and differentiated products:** In the increasingly commoditized lifestyle products industry, LIXIL Group will drive profitable growth by refocusing investment in and strengthening the distinctive DNA of its power brands, which will be clearly segmented to appeal to a wide selection of lifestyles, needs, and preferences.

The company will place greater emphasis on innovation, design, and quality to meet changing consumer needs and tastes. To support this, LIXIL Group will transition to a more asset-light business model with strong intellectual property for product development, enabling it to introduce differentiated products to market in shorter cycles. LIXIL Group will also reform its organizational structure in Japan by integrating

¹ Equivalent to equity ratio in JGAAP

development, production, and sales functions in order to further accelerate product development cycles.

- **Achieve competitive costing:** To further strengthen its balance sheet and improve profits, the company will continue its development of an efficient and flexible supply chain management structure, combined with new technologies and infrastructure development to improve cost control. This includes initiatives such as the “HQ-FIT Program,” which will improve the productivity and efficiency of corporate functions and redeploy personnel to departments with resource need, further contributing to cost efficiencies.
- **Strategic marketing to drive growth:** LIXIL Group will increase its direct engagement with end-users and influencers. For example, this includes using digital technology such as its K-engine platform, a unique digital database that is capable of providing a cost and quantity survey for a house in five minutes, and innovative business models such as the LIXIL PATTO Reform Service, which is stimulating new demand for home renovation in Japan by eliminating common concerns for first-time renovation consumers.

Growth in the Future

As the world’s population and the middle-income segment grows, the demand for housing and water technology products and services will continue to expand. The MTP will reshape LIXIL Group, enabling it to become a truly differentiated and unique housing and water technology company with the world’s most respected and powerful brands. LIXIL Group will become an organization that can adapt and innovate faster, providing differentiated products and services that will enable it to capture revenue growth in the future.

For details about the new Medium-Term Strategic Plan, please visit: www.lixil.com

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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 housing 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.