

**For Immediate Release****February 5, 2018**  
**LIXIL Group Corporation**

## **LIXIL Reports Revenue and Profit on Track in Q3**

*Continued optimization of the business portfolio and a strengthened balance sheet prepare LIXIL for the first year of its new Medium-Term Strategic Plan*

**Tokyo, Japan** – LIXIL Group Corporation (“LIXIL Group”, TSE Code: 5938), a global leader in the housing and building industry, today announced earnings<sup>1</sup> for the third quarter of the fiscal year ending March 31, 2018. Results are in line with forecasts.

Over the nine-month period, LIXIL Group recorded revenue on a continuing operations basis<sup>2</sup> of ¥1.25 trillion, up 2.4% year on year. This increase was driven by sales growth in the LIXIL Water Technology (LWT) and LIXIL Kitchen Technology (LKT) businesses in Japan, which benefited from expanded marketing activities. Revenue was further boosted by improved performance in the Distribution & Retail (D&R) business.

Core earnings<sup>3</sup> from continuing operations for the nine month period decreased 10.5% year on year to ¥68.6 billion, following the investment in marketing in Japan, higher distribution costs associated with strong sales, and higher IT-related expenses.

Net profit<sup>4</sup>, including discontinued operations, increased ¥4.2 billion year on year to ¥25.8 billion in the three month third quarter period. On the nine month basis, net profit decreased by ¥7.1 billion year on year to ¥38.6 billion, but has now reached 90% of the company’s annual target. Net profit was impacted by the absence of one-off profits from foreign-currency denominated debt conversion in the previous year, and a one-off loss from the strategic decision to divest Permasteelisa S.p.A. However, a decrease in interest expenses relating to debt repayments, the adoption of a consolidated tax payment system in Japan, and the impact of tax reform in the U.S. all positively contributed.

LIXIL Group President and CEO, Kinya Seto, said, “We are continuing to optimize our business portfolio with actions such as the sale of our stake in the LIXIL-Haier JV. We also further strengthened our water business with our recent investment in India, which will not only support growth in domestic demand but also play a key role in the global supply chain for ceramics. We are on track to achieve our full-year forecast, and will continue to focus on improving our operational efficiency and strengthening our balance sheet as we prepare to start the first year of our new Medium-Term Plan.”

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<sup>1</sup> All IFRS based

<sup>2</sup> 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

<sup>3</sup> Core earnings in IFRS is equivalent to operating profit in JGAAP

<sup>4</sup> Profit for the quarter attributable to owners of the parent

As an important driver of the Medium Term Plan, LIXIL Group announced details of changes to its businesses structure. LIXIL Japan Company (LJC) will be reorganized to shift to a business structure where development, production, and sales functions are integrated under each technology business unit. This will include development, production and sales functions being integrated under LIXIL Building Technology Japan (LBT-J) to ensure a comprehensive approach to the non-residential market as well as apartment buildings.

LIXIL Group further announced the creation of a new Synergy Creation Office (SCO) within LWT. Yang Chin Chen, formerly president of U.S. businesses at W.W. Grainger now Chief Integration Officer for LIXIL Corporation, will lead the SCO. The office will build on the work of previous cross-regional taskforces in manufacturing and supply chain by creating a more permanent structure that will broaden the focus to include synergies in functional areas such as HR, IT, accounting, IP, and brand management.

Both the Japan business organizational changes and the new LWT Synergy Creation Office will be effective April 1, 2018.

### **Summary of Business Performance**

**LIXIL Water Technology (LWT)**, which manages a product brand portfolio that includes LIXIL, INAX, GROHE, and American Standard, reported revenue of ¥529.4 billion, up 8% year on year. Core earnings increased to ¥53.9 billion, up 1% year on year, representing a core earnings margin of 10%. Revenue growth was supported by higher sales in Japan following the enhanced marketing focus, on-track sales in the EMEA and Asia Pacific regions, as well as improvements to production and supply capacity in the Americas region. Core earnings increased primarily due to the continuing shift to more profitable mid- to high-end and value-added products as well as the realization of synergies, despite the impact of increased marketing investment and higher distribution costs from strong sales.

**LIXIL Housing Technology (LHT)**, which provides products and services for the new housing and renovation market primarily in Japan, recorded revenue of ¥405.5 billion, down 1% year on year. Core earnings decreased 22% year on year to ¥25.9 billion, representing a core earnings margin of 6%. Revenue increased on a like-for-like basis compared to the previous year due to improved sales in new housing. Core earnings were impacted by the increased cost of aluminum, increased SGA expenses, and changes to LHT's product mix.

**LIXIL Building Technology (LBT)**, which works on major architectural projects, reported revenue of ¥79 billion, down 3% year on year. Core earnings decreased 22% year on year to ¥2 billion, representing a core earnings margin of 3%. The business unit maintained its focus on selective order intakes to improve core earnings.

**LIXIL Kitchen Technology (LKT)**, which develops kitchen systems and related products, achieved revenue of ¥91.3 billion, up 7% year on year. Core earnings increased 57% year on year to ¥5.6 billion, representing a core earnings margin of 6%. Increased marketing in Japan and the introduction of new products positively impacted sales of the mid- to high-end product series, including Richelle and

Alesta kitchen systems. Growth in sales of small modular kitchens also continued. Core earnings improved as a result of higher sales and improved production utilization ratio.

**Distribution & Retail (D&R)**, which supports product sales in Japan through home centers, reported revenue of ¥134.1 billion, up 1% year on year. Core earnings decreased 3% year on year to ¥7.3 billion, representing a core earnings margin of 5%.

**Housing & Services (H&R)**, which provides housing solutions and services, reported revenue of ¥39.5 billion, down 19% year on year. Core earnings decreased 39% year on year to ¥2.1 billion, representing a core earnings margin of 5%. Decreased revenue and core earnings reflect the deconsolidation of JIO Corporation 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.

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### **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.