

For Immediate Release

May 7, 2018
LIXIL Group Corporation

FYE 2018 Results: LIXIL Positioned to Start New Medium-Term Plan

- **Positive progress against strategy; LWT driving growth through product differentiation, synergies, and new businesses**
- **Progress not reflected in core earnings, which was down after delayed response to rising material prices and slowdown in Japan housing starts; countermeasures being implemented at LHT**
- **Record net profit reflects leaner and more manageable company ready for MTP**

Tokyo – LIXIL Group Corporation (“LIXIL Group”, TSE Code: 5938), maker of pioneering water and housing products, today announced results for the fiscal year ended March 31, 2018 (FYE 2018).

CEO Comment:

“In FYE2018, LIXIL Group implemented company-wide changes, which I believe position us for the successful implementation of our new Medium-Term Strategy. We are confident in the direction and the progress we are making, although this was not reflected in our full-year core earnings performance, which was impacted by factors such as high raw material costs and a slowdown in housing starts in Japan. We must be able to respond more effectively to such headwinds, and are putting in place both short-term measures and a long-term roadmap to turn around our housing technology business.”

“Our water technology business is now on a strong footing for success with design, technology, quality, and brand the key drivers of differentiation, and technology transfer from Japan supporting growth overseas. We also took steps this year to further streamline our overall organization, reduce HQ costs, optimize our business portfolio, and strengthen our balance sheet. We have now achieved two years of consecutive record net profit¹, reflecting a leaner and more manageable company ready for the Medium Term Plan.”

- Kinya Seto, President & CEO, LIXIL Group

Financial Summary:

LIXIL Group		(JPY Billions)				
	Revenue		Core Earnings		Net Profit	
Full Year	1,664.8	(+1.9%)	75.3	(-16.1%)	54.6	(+28.4%)
Q4	414.3	(+0.5%)	6.7	(-49.1%)	15.9	-(%)

In FYE 2018, LIXIL Group recorded full-year revenue of ¥1.66 trillion, up 1.9% year on year on a continuing operations basis². The increase in revenue was driven by new product launches and product synergies at

¹ Retroactive restatement in accordance with IFRS 5 due to decision-making on the share transfer of Permasteelisa S.p.A on August 21, 2017

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

LIXIL Water Technology (LWT) in overseas markets, while LWT and LIXIL Kitchen Technology's (LKT) differentiated products supported faster-than-market growth in all product categories in Japan.

Core earnings³ from continuing operations were down 16.1% year on year, at ¥75.3 billion for the full-year period. The decrease was due to LIXIL Housing Technology (LHT) being slow to take strategic actions in response to the nature of the business, which is susceptible to fluctuations in raw material costs and housing starts, while macroeconomic conditions in the Middle East and South Africa also impacted LWT's performance. Countermeasures to turn around the housing business, described in the Business Highlights section (below), are now being implemented.

Net profit⁴, including discontinued operations, increased by 28.4% year on year to ¥54.6 billion on a full-year basis, resulting from streamlining and simplifying the business portfolio, selling off unused assets, organization changes to simplify the business structure, and the adoption of a consolidated tax filing system in Japan. LIXIL has now achieved two consecutive years of record net profit.

Reflecting its business performance, LIXIL Group revised up its annual dividend forecast from ¥60 to ¥65 per share.

For the fiscal year ending March 31, 2019 (FYE 2019), LIXIL Group projects full-year revenue of ¥1.71 trillion, a 3% increase year on year, and core earnings of ¥85 billion, a 13% increase year on year.

Business Highlights:

- Further simplified and delayed organization structure, accelerating decision-making and enhancing efficiency.
- Further optimized business portfolio through acquisitions and divestures to enhance control, governance and focus.
- Strengthened balance sheet by reducing interest-bearing debt through improvement of cash flows, withdrawing from unprofitable businesses, and disposing of idle assets. Net Debt/EBITDA improved from 4.3x to 4.0x year on year.
- LWT secured faster-than-market growth across all product categories in Japan, driven by differentiated products, while product synergies and new businesses accounted for 34% of sales growth overseas. LWT's strategic fundamentals are on track, with core technologies primarily from Japan demonstrating success. The business will continue to harness synergies and new business opportunities to expand ceramic and other bathroom

Business Segment Full Year Results:

(JPY Billions)

Revenue	CE	CE Margin
LIXIL Water Technology (LWT)		
715.9 (+8%)	67.7 (+4%)	9.5% (-0.4pt)
LIXIL Housing Technology (LHT)		
535.2 (-2%)	27.5 (-30%)	5.1% (-2.1pt)
LIXIL Building Technology (LBT)		
107 (-3%)	3.4 (-37%)	3.2% (-1.7pt)
LIXIL Kitchen Technology (LKT)		
120 (+5%)	6.2 (+43%)	5.1% (+1.4pt)
Distribution & Retail (D&R)		
173.5 (+1%)	6.9 (-5%)	4.0% (-0.2pt)
Housing & Services (H&S)		
52.3 (-19%)	2.5 (-43%)	4.8% (-2.0pt)

³ Core earnings in IFRS is equivalent to operating profit in JGAAP

⁴ Profit for the quarter attributable to owners of the parent

product categories, becoming a full bathroom solution provider in the American, European, and Asian markets.

- To create an organization more resistant to external challenges, LHT implemented countermeasures for FYE 2019 and established a roadmap to turn around the business in the long term. The strategy focuses on accelerating the development and launch cycle of differentiated products, improving production efficiency through a platform approach and standardization of parts, streamlining production processes, and enabling overseas expansion.
- Japan marketing activities over the year pushed brand recognition above 80%, and the company anticipates a decrease in marketing expenses from FYE2019 as it transitions from mass marketing to more data-driven and targeted end-user marketing.
- Costs for IT systems in Japan decreasing on a core basis. Despite an increase in depreciation due to full-scale operation of IT systems in Japan from FYE 2019, overall IT costs are anticipated to decrease after peaking in FYE2021.

Find out more about LIXIL's business performance and MTP here:

[> FYE 2018 Earnings Materials](#)



[> FYE 2018 Flash Report](#)



[> Medium Term Plan](#)



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About LIXIL

LIXIL 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. Over 70,000 colleagues operating in more than 150 countries are proud to make products that touch the lives of more than a billion people every day.

LIXIL Group Corporation (TSE Code: 5938) is the listed holding company for LIXIL's portfolio of businesses.

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