

For Immediate Release

April 18, 2019
LIXIL Group Corporation

LIXIL Group Revises Guidance for FYE 2019

- LIXIL Group continuing operations, except Permasteelisa, on track to achieve targets for FYE 2019
- Compared to previous earnings guidance, expect to recognize further net loss of ¥54.5 billion due to Permasteelisa
- LIXIL Group and Permasteelisa working together on plan to return Permasteelisa to profitability

Tokyo, Japan – LIXIL Group Corporation (“LIXIL Group”, TSE Code: 5938) announced today it has revised its guidance for the fiscal year ending March 31, 2019. Excluding Permasteelisa S.p.A (“Permasteelisa”), held by LIXIL Group subsidiary LIXIL Corporation, continuing operations across LIXIL Group are on track to achieve full-year revised targets announced on October 22, 2018. While core earnings¹ for overseas businesses are expected to be lower than forecast, core earnings for businesses in Japan are expected to exceed the forecasted amount. However, in addition to the previous earnings guidance, LIXIL Group expects to book a further net loss of ¥54.5 billion due to Permasteelisa, revising down its guidance.

Summary of Revision of consolidated forecast for the full year of the fiscal year ending March 31, 2019

(JPY millions)

	Revenue	Core Earnings	Net Profit Attributable to the Owners of the Company
Previous FYE2019 Forecast (Oct. 22, 2018)	1,845,000	45,000	1,500
Revised FYE2019 Forecast (Mar. 18, 2019)	1,832,000	13,000	(53,000)

Reasons for revision and plan to return Permasteelisa to profitability

LIXIL Group decided to terminate the share transfer agreement of Permasteelisa to Grandland Holdings Group Limited in November 2018. Since then, LIXIL Group has been working through all options to ensure that a robust plan is put in place that will strengthen Permasteelisa as well as LIXIL Group. As part of this, LIXIL Group has been conducting a comprehensive and detailed examination of all aspects of on-going projects, as well as working to develop a revitalization plan in order to recover the profitability of Permasteelisa.

¹ Core earnings in IFRS is equivalent to operating profit in JGAAP

Based on the result of the examination, LIXIL Group has increased accrual for expected future losses on construction projects because estimated construction costs are expected to increase significantly in the future, primarily in North America. This is mainly due to the increase in raw material prices, expected large increases in labor costs caused by the shortage of on-site workers and technicians, as well as the decline in project management ability caused by the resignation of skilled project managers for multiple projects.

In addition, project owners of certain projects have changed because of their respective deteriorating business performance caused by global economic challenges. This has also resulted in requiring LIXIL Group to accrue allowances for doubtful accounts for receivables that it does not expect to be able to collect in the future.

Due to this situation, LIXIL is developing a business plan with Permasteelisa to revitalize and to recover its profitability. The plan includes scaling down operations, including selective order taking within its capacity to execute construction projects, and decreasing fixed costs by optimizing SG&A, and enhancing measures to drive more reliable cash flow management.

As a result, LIXIL Group is also required to recognize impairment losses on intangible assets including goodwill due to the changes in the business environment, such as the scaling down of the operations, as a result of the impairment test under International Accounting Reporting Standard (IFRS).

Furthermore, Permasteelisa CEO Riccardo Mollo, who has led the company since 2016, has decided to pursue opportunities outside of the company. Klaus Lothar, who is Permasteelisa's Europe CEO, will assume the role of CEO and begin working closely with LIXIL management to deliver on this plan by setting forth clearly a new direction for the company.

Hirokazu Yamanashi, Chief Operating Officer of LIXIL Group, commented, "From Water to Housing Technology, LIXIL Group's continuing operations are on track to achieve its targets. Japan is doing especially well, where a strong recovery in demand is driving earnings growth. However, we expect to book a further net loss of ¥54.5 billion related to Permasteelisa compared to our previous earnings revision. We have been conducting an extensive review of Permasteelisa's operations to identify the root causes and are now working on a plan with Permasteelisa to return it to profitability."

Continuing his comments on the Permasteelisa plan, Yamanashi said, "Riccardo Mollo, who has been leading this business since 2016, has decided to pursue other opportunities. I want to sincerely thank Riccardo for his contributions and leadership over the past three years. He inherited a challenging business but his steadfast dedication to Permasteelisa is self-evident, and he has operated with strong leadership, open and transparent communication, and high ethical standards. I would also like to welcome Klaus Lothar, who will take on the role of reshaping Permasteelisa for the future. We have a lot of work to do but we are confident that this plan will improve the financial viability of this company, a company the world's architects still rely on to develop some of the most prominent buildings around the world today."

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About LIXIL

LIXIL makes pioneering water and housing products that are designed to 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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