

**For Immediate Release**

**July 31, 2019**  
**LIXIL Group Corporation**

## **LIXIL Group Delivers Strong First Quarter in FYE 2020**

- *All businesses record higher earnings and revenue except Building Technology*
- *Revenue increases 2.1% after capturing high demand for water and housing products in Japan*
- *Core earnings up 151.5% due to sales growth in Japan and global SG&A cost improvements*
- *Net profit increases by ¥9.8 billion due to core earnings increase and sale of affiliated company's shares*

**Tokyo** – LIXIL Group Corporation (“LIXIL Group”, TSE Code: 5938), maker of pioneering water and housing products, today announced first quarter results for the fiscal year ending March 31, 2020 (FYE 2020).

### **CEO Comment:**

“I am pleased to report that LIXIL Group had a solid first quarter, delivering higher revenue, core earnings, and net profit.

Our Japan operations contributed largely to this growth, benefitting from demand generated by a surge in new housing starts between January and March. In addition, the sale of shares of an affiliated company in Japan boosted net profit. However, sales in key overseas markets such as the US and Asia dipped due to changing market conditions which affected the water business. Although the impact this had on earnings was offset by global SG&A cost improvements and the recovery of our Japan business, these are among structural issues that we must address, especially as demand for new housing in Japan declines again from the second quarter.

Since assuming leadership a little over a month ago, the Board of Directors and I have already identified strategic priorities to structurally strengthen the business and are implementing them. One of our immediate priorities is to accelerate initiatives to improve the cost structure and productivity of our Japan business. We are also reinforcing our overseas businesses by establishing a virtual organization called LIXIL International, which aims to enhance cross-regional collaboration and promote utilization of Group-wide assets in order to maximize synergies.

I look forward to sharing more updates as we further strengthen our capabilities and business structures to make LIXIL Group a truly differentiated, financially resilient, and sustainable company.”

- Kinya Seto, CEO, LIXIL Group

## Q1 Earnings Summary

### Consolidated Results

(JPY Billions)

		Q1 FYE 2019	Q1 FYE 2020	YoY Difference	
<b>LIXIL Group</b>	Revenue	436.0	445.3	9.3	2.1%
	Core Earnings <sup>1</sup>	4.6	11.6	7.0	151.5%
	Net Profit <sup>2</sup>	3.1	12.9	9.8	320.5%

### Business Results by Segment

(JPY Billions)

		Q1 FYE 2019	Q1 FYE 2020	YoY Difference	
<b>LIXIL Water Technology (LWT)</b>	Revenue	198.0	199.8	1.7	0.9%
	Core Earnings	12.0	13.4	1.4	12.1%
	CE Margin	6.0%	6.7%	+0.7pt	
<b>LIXIL Housing Technology (LHT)</b>	Revenue	127.5	135.8	8.3	6.5%
	Core Earnings	2.6	7.5	4.9	191.7%
	CE Margin	2.0%	5.5%	+3.5pt	
<b>LIXIL Building Technology (LBT)</b>	Revenue	62.1	61.1	-1.0	-1.6%
	Core Earnings	-3.1	-2.9	0.2	-
	CE Margin	-	-	-	
<b>Distribution &amp; Retail (D&amp;R)</b>	Revenue	43.5	45.6	2.1	4.9%
	Core Earnings	2.3	2.6	0.2	9.9%
	CE Margin	5.4%	5.6%	+0.3pt	
<b>Housing &amp; Services (H&amp;S)</b>	Revenue	12.3	13.1	0.7	6.0%
	Core Earnings	0.5	0.9	0.4	88.3%
	CE Margin	4.0%	7.0%	+3.1pt	
<b>(Consolidation, Adjustments, &amp; Others)</b>	Revenue	-7.5	-10.1	-2.6	-
	Core Earnings	-9.6	-9.8	-0.2	-
<b>LIXIL Group</b>	Revenue	436.0	445.3	9.3	2.1%
	Core Earnings	4.6	11.6	7.0	151.5%
	CE Margin	1.1%	2.6%	+1.5pt	

<sup>1</sup> Core earnings in IFRS is equivalent to operating profit in JGAAP

<sup>2</sup> Profit for the quarter attributable to owners of the parent

## Revenue

LIXIL Group recorded consolidated revenue of ¥445.3 billion in the first quarter, up 2.1% year on year. Overall, all business segments in Japan recorded revenue growth.

In Japan, LIXIL Group recorded ¥321.2 billion revenue, a 5.1% increase compared to the same period last year. LHT and LWT led the increase in revenue, achieving 7% and 4% higher revenue, respectively. Both product-based business segments successfully captured demand generated by a surge in new housing starts between January and March, while also benefitting from the effect of introducing new products to the market and the stabilization of the trading framework introduced one year ago.

Overseas, revenue decreased by 2.6% year on year to ¥134.2 billion. While revenue for LWT in the EMEA region increased on a local currency basis, it was comparable to last year due to the impact of the weakening euro against the Japanese yen. Additionally, sales also dropped in highly competitive key markets such as the US and Asia.

## Core earnings

LIXIL Group recorded core earnings of ¥11.6 billion in the first quarter, up 151.5% year on year.

Core earnings in Japan increased 73.6% to ¥16.5 billion, boosted by strong sales in the domestic market. Core earnings at LHT in particular improved to ¥7.5 billion, up ¥4.9 billion year on year. In addition to benefitting from higher sales, an improved product mix contributed to LHT's higher core earnings.

Core earnings overseas remained flat overall. The impact of decreased sales in the Asia Pacific and Americas regions were offset by successful cost improvements in the Americas region and improvements to SG&A costs in the Asia Pacific region.

## Net Profit

LIXIL Group recorded net profit of ¥12.9 billion in the first quarter, up ¥9.8 billion year on year. In addition to improved core earnings, net profit was boosted by ¥11.0 billion from the sale of an equity-method affiliate, which increased earnings before tax by ¥15.2 billion.

## **Recent Business Highlights**

- At the 77<sup>th</sup> Annual General Shareholders Meeting, nine outside and five inside directors were elected, establishing a [new Board of Directors](#) with heightened supervisory function and strategic continuity to create corporate value in the long term. A [new Board of Directors Office](#) function has been established to facilitate operations and enhance the execution of corporate governance responsibilities of the larger Board of Directors.
- The [new Board of Executive Officers](#) for the first time includes representatives of the domestic and international commercial business, ensuring faster, more effective, and more strategically aligned decision-making.

- [LIXIL International](#), a virtual organization overseeing all LWT and LHT operations outside of Japan, has been established to focus operations and enhance collaboration and synergy across all business regions. While LIXIL Group will continue to manage its business by region in order to serve the needs of individual markets, all regional CEOs will report to LIXIL International to deliver a more focused global approach. Key appointments have also been made, including a CFO to enhance organizational efficiency, and two COOs to lead a unified technology and manufacturing organization across all regions, empowering all regions with access to technologies, products, and assets within LIXIL Group.
- LIXIL Group transferred its shares of an equity-method affiliate, boosting its profit before tax.
- In Japan, LIXIL Group continued to drive growth in the home renovation market. Compared to the same period last year, sales of renovation-related products increased by 4.8%. Renovation-related product sales currently account for 37% of LWT, LHT, and LBT product sales in Japan.
- LIXIL Group has been included in the [FTSE4Good Index Series](#) and MSCI Japan Empowering Women Index for the third year running. These indices are designed for socially conscious investors who look at environmental, social, and governance (ESG) factors when assessing risk and making investment decisions.
- The SATO social business, a business unit embodying social purpose at LIXIL Group, turned [profitable in Bangladesh](#), demonstrating that it can make a positive social impact while sustaining itself financially. SATO products are now present in over 25 countries, an increase of 10 countries in less than one year.

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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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