

July 26, 2011

Haier Group and LIXIL agree to establish a joint-venture manufacturing company in China

On July 26, 2011, JS Group Corporation's subsidiary LIXIL Corporation and the Haier Group officially agreed to establish a joint-venture manufacturing company in Qingdao, China. Since September 2010, the two companies had been holding discussions to promote a joint venture with an edge in the market, with the aim of enhancing the production and sales of building materials and housing equipment in the Chinese market, where further growth is expected in the future. Preparations to establish the company will commence in the coming weeks. In addition to existing plants, a new plant is scheduled to be launched next summer.

The Haier Group is engaged in the development, manufacturing and sales of home appliances as the world's leading white goods brand. The Haier Group is also actively engaged in the construction of houses, as exemplified by its participation in the establishment of a national standard for kitchen systems in China.

The plan for the joint-venture company whose establishment has just been agreed upon between the two companies is to start with the production of kitchen systems by taking advantage of the production technologies and merchandise development capabilities gained by LIXIL in Japan, and in the future, expand its range of manufacturing items into entrance doors, interior doors, sashes, etc. The merchandise produced by the joint-venture company will be sold throughout China via LIXIL's sales network, in addition to utilizing Haier Group's logistics and sales networks.

On June 2, 2011, the two companies established Haier-Lixil architectural & interior design (Shanghai) Co., Ltd., a joint-venture design firm for making interior design proposals. In China, where sales of "skeleton" houses and condominiums without interior finishing ("infill") had been predominant, it was common for residents to do the infill work after purchasing a home. In recent years, however, sales of infill-completed homes have been on the increase.

Haier-Lixil architectural & interior design (Shanghai) Co., Ltd. will build up design expertise and interior standardization demand by proposing interior designs targeted at developers across China. The demand built up in this field will be leveraged to assist the joint-venture manufacturing company in planning and producing housing equipment for China.

The Haier Group and LIXIL will release high-quality merchandise in the Chinese market and help popularize residential environments that are both people- and eco-friendly based on their advanced designing capabilities, as well as their ability to propose housing products. The Haier Group and LIXIL also intend to promote the standardization and industrialization of housing construction in China by proposing designing and construction methods for progressive and efficient residential environments.

■ Profile of joint-venture manufacturing company

Company name: To be determined
Representative: To be determined
Address of head office: Haier Industrial Park, Qingdao Economic & Technological Development Zone, Shandong China
Capital: Approx. JPY 2,542 million (1 CNY = 13.1 JPY)
Controlling share: LIXIL Corporation: 51%
Qingdao Haier Kitchen Facilities Co., Ltd.: 49%
Business activities: Manufacturing of building materials and housing equipment
Number of employees: Approx. 500 employees at time of launch (plan)

■ Profile of joint-venture design firm

Company name: Haier-Lixil architectural & interior design (Shanghai) Co., Ltd.
Representatives: Chairman: Zhou Yunjie, President: Koji Nomura
Address of head office: C4-2F, Tower 2, 774 Changde St., Jingan Dist, Shanghai City China
Established: June 2, 2011 (date on which business license was granted)
Capital: Approx. US\$4.5 million
Controlling share: Qingdao Haier Home Integration Co., Ltd: 70%
LIXIL Corporation: 30%
Business activities: Architectural design, decoration design, development design, equipment design and operations incidental thereto
Number of employees: 36 employees