

For Immediate Release

July 31, 2018
LIXIL Group Corporation

LIXIL Reports Results for First Quarter FYE 2019

- **Revenue growth driven by LWT, in particular from strategic marketing investments overseas**
- **Core earnings declined significantly, but two-thirds of decline was anticipated; implementing transformation measures to drive profitability improvements**

Tokyo – LIXIL Group Corporation (“LIXIL Group”, TSE Code: 5938), maker of pioneering water and housing products, today announced results for the first quarter of the fiscal year ending March 31, 2019 (FYE 2019).

CEO Comment:

“During Q1 we continued to make progress against our strategy, as demonstrated by revenue growth driven by marketing investments overseas, but the significant decline in core earnings shows the considerable challenges we still face. Approximately two thirds of the impact on core earnings can be considered in line with plans, consisting of costs associated with the introduction of a new trading system and organization structure in Japan, and marketing investments overseas. These measures, while impacting us in the short term, are critical to LIXIL’s long-term resilience as they bring accelerated decision-making, enhanced operational efficiency, and, through initiatives such as the new trading system, will help prevent further decline in profitability. That said, the remaining one third of the decline in core earnings was beyond our expectations, resulting from issues such as increased labor costs while introducing the new trading system, and changes to the product mix. To address these issues, we will accelerate internal reform efforts, prioritizing productivity improvements and cost reductions to improve profitability.”

- Kinya Seto, President & CEO, LIXIL Group

Financial Summary:

During the first quarter of FYE 2019, LIXIL Group recorded revenue of ¥397.1 billion, up 1.1% year on year on a continuing operations basis¹. Sales in Japan were at a level consistent with the previous year despite the decline in housing starts during the January-March period, while sales of bathroom and kitchen products continued to perform well. Sales grew overseas during the quarter, in line with plans, driven by strategic marketing investments and expansion of new businesses.

Core earnings² from continuing operations for the quarter were down 65.1% year on year, at ¥6.6 billion, primarily due to the impact of a new trading system that was implemented in Japan from April 2018, affecting both LIXIL Housing Technology (LHT) and LIXIL Water Technology (LWT). Despite efforts to

¹ 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

² Core earnings in IFRS is equivalent to operating profit in JGAAP

improve cost controls, LHT was impacted by the continued decline in new housing starts in Japan between January and March, while LWT Japan saw core earnings decrease due to the deterioration of its product sales mix and organization changes. Overseas, the decline in core earnings was in line with plans following strategic marketing investments for future growth.

Net profit³, including discontinued operations, declined to ¥3.1 billion for the quarter, reflecting the change to core earnings.

Business Highlights:

- Introduced a new trading system in Japan from April 2018 to fundamentally tackle deterioration of profitability.
- To improve core earnings by ¥27.3 billion by FYE 2021, kicking off major productivity transformation initiative in Japan, covering organization, production, and products and services.
- Investments were made in key markets in Asia Pacific to further differentiate product and service offerings overseas, such as new showrooms launched in Changzhou and Shanghai in China, and Hanoi in Vietnam.
- Steps to optimize the business portfolio and simplify operating structure continued, with the decision to proceed with the 100% share transfer of LIXIL Suzuki Shutter to Sanwa Holdings Corporation.
- Continued the implementation of strategic initiatives at LHT, including the launch of the LW window, a new differentiated product under the TOSTEM brand, as well as the strengthening LIXIL’s position in the Indian window market.
- Launched new global strategic shared value partnership with UNICEF, expanding LIXIL’s purpose agenda, to bring improved sanitation to children around the world.

Business Segment Q1 Results:

JPY Billions		
(Q on Q)		
Revenue	CE	CE Margin
LIXIL Water Technology (LWT)		
198.0	12.0	6.0%
(+2.7%)	(-27.1%)	(-2.5pp)
LIXIL Housing Technology (LHT)		
127.5	2.6	2.0%
(-1.7%)	(-63.1%)	(-3.3pp)
LIXIL Building Technology (LBT)		
23.3	-1.2	(-)%
(+6.3%)	(-)	(-)
Distribution & Retail (D&R)		
43.5	2.3	5.4%
(-1.0%)	(-8.3%)	(-0.4pp)
Housing & Services (H&S)		
12.3	0.5	4.0%
(+7.6%)	(+11.0%)	(+0.2pp)

-Ends-

³ Profit for the quarter attributable to owners of the parent

Find out more about LIXIL's business performance here:

> Q1 FYE 2019 Earnings Materials



> Q1 FYE 2019 Flash Report



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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