

For Immediate Release

October 31, 2018
LIXIL Group Corporation

LIXIL Reports Results for First Half FYE 2019

- *Slight decrease in consolidated revenues due to weak demand in Japan*
- *Core earnings down significantly after difficult first quarter. Performance expected to normalize in H2*

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

CEO Comment:

“LIXIL endured a difficult first half, which is reflected in our financial results. This included a series of natural disasters in Japan, challenges with the implementation of a new trading framework, and the inability to secure U.S. approval for the share transfer of Permasteelisa. However, we are confident that the fundamentals of the business are strong. Conditions with the new trading framework stabilized in Q2, providing a strong platform for the second half onwards. We are also continuing cost reduction and SG&A control measures to compensate the unplanned decrease in profit in Q1.

Turning around our housing technology business continues to be a priority and, although we still face a difficult environment, we have seen some positive signs with the unveiling of new high-end, differentiated products in Japan and overseas. In water technology, we continue to see the fundamentals of our strategy take root, as we benefit from deep internal synergies and strive to become a full bathroom provider worldwide.

While we anticipate the business will rebound and normalize from Q3, we are committed to intensifying initiatives to improve our overall cost competitiveness and productivity.”

- Kinya Seto, President & CEO, LIXIL Group

Financial Summary:

In the first six months of FYE 2019, LIXIL Group recorded revenue of ¥888.2 billion, down 0.1% year on year on a like for like basis.

Revenue in Japan compared to the same period last fiscal year decreased by ¥2.3 billion to ¥626.1 billion, impacted mainly by lower demand for new housing starts and natural disasters, which slowed demand for house renovation. However, while the new housing market declined by 4.9% year on year from January to June, LIXIL Water Technology (LWT) Japan revenue grew 0.1% while LIXIL Housing Technology (LHT) recorded a drop of 2.5%, suggesting that the business performed better than the overall market in Japan.

Overseas, revenue grew by ¥0.9 billion to ¥277.2 billion, up 0.3% year on year. Sales in Europe grew by 3%, while the Middle East and South Africa faced challenges. Overseas investments have been driving new revenue growth in the Asia Pacific and Americas regions.

Core earnings decreased by ¥26.9 billion year on year to ¥13.8 billion. In Japan, core earnings were impacted during Q1 by unplanned one-off costs associated with the introduction of the new trading framework, although this stabilized in Q2. The core earnings margin improved in all segments except LHT from Q1 to Q2 through cost reduction and SG&A control efforts.

Overseas, profitability in Europe and Americas declined in H1 year on year due to inflation of costs. This deterioration of profitability is being addressed through measures to pass through prices, but these steps are still in the penetration process. Profit decreased in Asia Pacific following advanced investments for growth, such as showroom openings.

In addition, core earnings also decreased by ¥4.4 billion due the change in the accounting treatment of Permasteelisa S.p.A after LIXIL received notice from the Committee on Foreign Investment in the United States ("CFIUS") that made clear it would not approve the planned share transfer. Permasteelisa and its subsidiaries are now reclassified to continuing operations.

A net loss of ¥8.6 billion was reported, reflecting primarily the change to core earnings and the change in the accounting treatment of Permasteelisa noted above.

Reflecting its policy to grow long-term shareholders, LIXIL Group revised up its full-year dividend forecast from ¥65 to ¥70 per share.

1H Business Highlights:

- In line with the strategy to become a full bathroom provider in US, European, and Asian markets, LIXIL continued to roll out new products and services overseas through its unique global brand portfolio, from American Standard New AC1.0 & 2.0 SpaLet Seats for North America, to new GROHE ceramic products. In the first half of the year, synergy and new business accounted for 34% of LWT's overseas revenue growth year on year.
- In LHT, LIXIL continues to focus on expanding the building materials business in Asia, as well as the industrial products business, which makes use of our technology. For example, Q2 saw the rollout of the GRANTS window product, leveraging technologies to drive growth in Asian countries through design and innovation.
- LIXIL continues to realize its initiative in Japan to increase productivity through the organization. This includes

Business Segment 1H Results:

	JPY Billions (Q on Q)		
Revenue	CE	CE Margin	
LIXIL Water Technology (LWT)			
402.0	25.6	6.4%	
(+1.4%)	(-27.2%)	(-2.5pp)	
LIXIL Housing Technology (LHT)			
257.0	4.6	1.8%	
(-3.1%)	(-72.9%)	(-4.6pp)	
LIXIL Building Technology (LBT)			
130.3	-3.7	(-)%	
(-1.2%)	(-)	(-)	
Distribution & Retail (D&R)			
87.8	4.7	5.4%	
(+0.4%)	(+3.1%)	(+0.1pp)	
Housing & Services (H&S)			
26.2	1.4	5.2%	
(+9.5%)	(+29.6%)	(+0.8pp)	

fostering key project managers and in-house developers; to date, for example, 473 employees have now been trained in Robotic Process Automation (RPA) out of its annual target of 500. This will enable LIXIL to accelerate its development processes and effectiveness.

- LIXIL continues to integrate sustainability into its overall business strategy. Specifically, LIXIL was listed again this year in the FTSE4Good Index Series and FTSE Blossom Japan Index, MSCI Japan Empowering Women Index, DJSI Asia Pacific Index, and the S&P/JPX Carbon Efficient Index.

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Find out more about LIXIL's business performance here:

> 1H FYE 2019 Earnings Materials



>1H 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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