

For Immediate Release

January 31, 2019
LIXIL Group Corporation

LIXIL Reports Results for Third Quarter FYE 2019

- *Revenue increases and business returns to positive net profit, driven by Japanese business improvements*
- *New leadership leading process to re-prioritize and enhance medium-term strategic plan*

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

CEO Comment:

“In the first half of the fiscal year, we were impacted by the adverse effects of the sluggish implementation period of the new trading framework in Japan, economic stagnation caused by a series of natural disasters, inflation of certain material costs, and the inability to secure approval for the share transfer of Permasteelisa, and as a result performance was significantly lower than expected. Having established a new management structure during the third quarter, we have switched to a proactive stance to protect domestic sales. As a manufacturer, an increase in sales will lead to a reduction in the cost rate, increasing profits. In particular, sales improvement in the domestic aluminum building materials business resulted in increased revenue and improved profitability, contributing to increased revenue for LIXIL Group as a whole and a return to positive net profit. I am pleased to report this positive start under the new management structure.”

- Yoichiro Ushioda, Chairman & Chief Executive Officer, LIXIL Group

COO Comment:

“A key objective going forward is to fully leverage the diverse assets in the group to drive growth and profitability. On account of accelerated changes to our operating environment, some of which have occurred faster than anticipated, we have now started a review of our medium-term strategic plan. Working with leaders of our Japanese and global business units as a single team, we are determining which key initiatives should be continued, which will be re-prioritized, and where we should be going beyond our original plans to seize new growth opportunities. This will enable us to set the new path forward, and we look forward to sharing these plans.”

- Hirokazu Yamanashi, Chief Operating Officer, LIXIL Group

Financial Summary:

Revenue

LIXIL Group recorded revenue of ¥493 billion in the third quarter of FYE 2019, up 3% year on year, bringing its revenue for the nine-month period to ¥1,381.2 billion, up 1% year on year.

Driving the increase in revenue in the third quarter were LIXIL Group’s domestic businesses, which responded to an uptick in demand for housing products after natural disasters had significantly slowed

demand in the first half of the year. LIXIL Housing Technology (LHT), Distribution & Retail (D&R), and Housing & Services (H&S) led the growth in sales, spurred by the home renovation market, while revenue for LIXIL Water Technology (LWT) in Japan was generally flat.

Overseas, year-on-year revenue growth remained flat in the third quarter and slightly up over the nine-month period. At LWT's Asia-Pacific operations, revenue was up 10% year on year on a like-for-like basis over the three quarters, with growth particularly strong in the China market. Over the same period, revenue in the Americas region increased 2% and Europe increased 3% year on year on a like-for-like basis, while sales in the Middle East turned positive from the third quarter.

Core earnings¹

Over the nine month period, core earnings decreased year on year by ¥31.4 billion to ¥37.1 billion, while the decline during the three-month third quarter period was ¥4.5 billion year on year, down to ¥23.4 billion. Core earnings are now at 82.5% of the revised full year target, with further cost reduction efforts now planned to support achieving the target.

While core earnings margins improved in the third quarter compared to the first half of the fiscal year, particularly in LHT, D&R, and H&S, the increase of material costs and upfront investments overseas impacted LWT's core earnings, outpacing overall improvements to gross profit and efforts to reduce SG&A costs. In addition, core earnings also decreased due to an increase of constructions costs in LIXIL Building Technology's (LBT) operations in North America.

Net Profit²

LIXIL Group recorded net profit of ¥2.1 billion for the nine-month period, above its revised earnings forecast but down ¥36.5 billion year on year, reflecting lower core earnings and the change in the accounting treatment of Permasteelisa.

Q3 Business Highlights:

- In Japan, LHT experienced an uptick in business after responding to increased demand for home renovation following multiple natural disasters in Japan during the first half, while also benefiting from an improved sales mix of exterior products and products related to high thermal insulation (e.g., inner windows and entrance doors). LIXIL continues to strengthen its home renovation strategy, including its PATTO reform initiative.
- Opening its LIXIL Digital Studio Ginza in a premier shopping district of Tokyo, LIXIL is leveraging VR and AR technology to improve the customer experience.

3Q Business Segment Results (9 months)		
JPY Billions (Q on Q)		
Revenue	CE	CE Margin
LIXIL Water Technology (LWT)		
620.5	46.1	7.4%
(+1%)	(-22%)	(-2.2pp)
LIXIL Housing Technology (LHT)		
404.9	16.0	4.0%
(0%)	(-38%)	(-2.4pp)
LIXIL Building Technology (LBT)		
202.4	-8.1	-
(+2%)	(-)	(-)
Distribution & Retail (D&R)		
136.0	7.6	5.6%
(+1.4%)	(+5%)	(+0.2pp)
Housing & Services (H&S)		
41.0	2.6	6.3%
(+4%)	(+20%)	(+0.9pp)

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

² Profit for the quarter attributable to owners of the parent

- Overseas, LWT continues to benefit from synergy between its regions and brands and from new business areas, accounting for 58% of the business unit's increase in revenue for the nine month period.
- To strengthen consumer-centric products, LIXIL Group announced the opening of its new R&D hub in Shanghai. The new center will work on multiple product brands present in the Asia Pacific region, including INAX, GROHE, American Standard, and LIXIL.
- In line with LIXIL Group's commitment to corporate responsibility, the company received the Deputy-Chief's Award (from the Minister of Foreign Affairs) at the Second Japan SDGs Awards, sponsored by the SDGs Promotion Headquarters comprising all cabinet ministers of Japan. LIXIL also earned a place in the CDP's Water A List for its leadership in water stewardship.

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Find out more about LIXIL's business performance here:

[> 3Q FYE 2019 Earnings Materials](#)



[>3Q 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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