

For Immediate Release**August 6, 2020**
LIXIL Group Corporation

LIXIL Revenue and Profits Impacted by COVID-19 in Q1; Transformation Initiatives Accelerated

- *Revenue decreases 15% and core earnings down ¥13.1 billion in Q1 but profitability recovered from June*
- *LIXIL Group continuing focus on objectives outlined in medium-term strategy to emerge as a more agile and resilient company*
- *For full year FYE 2021, LIXIL Group forecasts revenue of ¥1,350 billion, decreasing 11% year on year, and core earnings of ¥25 billion, a decrease of 52%*

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 ended March 31, 2021 (FYE 2021)¹.

CEO Statement:

“COVID-19 continues to affect us in profound ways. In the immediate term, sales and profits in the first quarter were down, impacted by the global economic decline and the lockdown period. We are now starting to see positive indicators of demand returning, especially in key developed markets such as the US and Europe, as well as demand emerging in new areas due to changing lifestyles and buying habits. The pandemic remains unpredictable, however, so while we are accelerating the transformation of our business and adapting to the new normal, we remain prudent in our outlook.

Despite COVID-19, LIXIL continues to emerge stronger strategically and operationally. Our financial position is more robust, and with the announced sales of Permasteelisa and LIXIL VIVA on the horizon, our balance sheet is set to significantly improve. Our supply chain has proven it can adapt quickly and flexibly, while working from home has enabled our teams to work more productively and engage with stakeholders in new ways.

As we navigate the new normal, we will continue to focus on capturing new growth opportunities through our differentiated product and service portfolio, including advancing our hybrid digital and physical showrooms. In addition, we are continuing to implement long-term transformational initiatives, many of which are close to completion and which will bring us closer to sustainable growth.”

- Kinya Seto, CEO, LIXIL Group

¹ As disclosed in the “Notice of Transfer of Consolidated Subsidiary (Share Transfer)” on May 1 and June 9, 2020, business operations of Permasteelisa S.p.A. and its subsidiaries, and LIXIL VIVA are classified as “discontinued operations” from Q4 FYE2020 and Q1 FYE2021 respectively. The same period in the previous fiscal year has been adjusted for comparison purposes.

Full-Year Earnings Summary

Revenue

Revenue decreased 15% year-on-year to ¥310.5 billion. In Japan, revenue decreased by 12% to ¥239.6 billion. Sales decreased in all business segments, affected primarily by the impact of COVID-19 on household spending and construction-related activities, in addition to the absence of demand generated prior to the consumption tax hike last fiscal year and decreased new housing starts during the period of January to March. However, LIXIL Group is responding to market changes to capture new growth opportunities, with LIXIL Water Technology (LWT) products such as touchless faucets seeing growth of 43%, while LIXIL Housing Technology (LHT) products such as screen doors increased by 80%, postal delivery boxes by 70%, and renovation-related shutters by 40%.

In international markets covered by LIXIL International, revenue decreased by 22% year on year to ¥75.7 billion, but only by 18% on a local currency basis. Revenue decreased across all regions during the lockdown period but registered a strong recovery in the Americas and Europe in June. After lockdown measures were lifted, both regions registered year-on-year growth led by retail and e-commerce channels, which LIXIL Group has been strengthening.

Core Earnings

Core earnings decreased by ¥13.1 billion to -¥2.6 billion during the first quarter.

Reflecting the decline in revenue, LIXIL Group's gross margin deteriorated by 1.5 pp, primarily affected by the decline in high-margin product sales in international markets and a decline in factory utilization rates. LIXIL Group's SG&A ratio subsequently also increased by 2.2 pp as a result of lower revenue, although SG&A expenses improved by ¥9.1 billion over the three-month period. Combined with ongoing initiatives to improve production efficiency at LHT, these factors contributed significantly to alleviating the impact of decreased sales and demonstrate continued operational improvements.

Net profit for the quarter attributable to owners of the parent

LIXIL Group recorded net loss of ¥3.7 billion, down by ¥16.6 billion year-on-year due to decreased core earnings and the absence of gain on interest in a former associate company recorded in the previous fiscal year.

FYE 2021 Full-Year Forecast

LIXIL Group is guiding revenue of ¥1,350 billion, a decrease of 11% year on year, and core earnings of ¥25 billion, a decrease of 52% year on year. LIXIL Group plans to disclose its full-year net profit forecast during its first-half financial results announcement after integrating costs related to certain business transformation initiatives, which are now in the final stage of development.

FYE 2021 Dividend Forecast

LIXIL Group plans to maintain its full-year dividend of ¥70 per share.

Notable Business Highlights in Q1 FYE 2021

LIXIL Group's Medium Term Plan is focused on strengthening profitability and making the business more resilient to enable it to achieve sustainable growth. In the first quarter, LIXIL Group took steps to:

- **Realign Business Portfolio:** To simplify its business structure, focus on its core water and housing businesses, and strengthen its balance sheet, LIXIL Group announced the [transfer of shares of Permasteelisa](#). LIXIL Group has now received regulatory approval in three of four required markets prior to concluding the share transfer.

LIXIL Group also announced the [transfer of shares in LIXIL VIVA](#), which will further simplify operations and strengthen its financial position, as well as enable it to capture new product sales opportunities by working with a wider range of home renovation centers in Japan. On [July 22](#), LIXIL Group announced the cash tender offer as part of a series of transactions for LIXIL VIVA has been completed.

- **Develop Differentiated Products and Services:** To drive growth, LIXIL Group continues to invest in brand, design, technology and quality. LHT announced new products such as [DOAC*](#), an electric door opening system for the home in Japan. DOAC, the first product from the LHT Business Incubation Center, is touchless and makes it possible to easily open and close doors for anyone, including wheelchair users and people carrying luggage.

LIXIL Group also continues to differentiate its brands through design thinking. Exemplified by the Red Dot Design Awards, following GROHE's award for "brand of the year" in 2019, INAX has collected three wins in brand-related categories, gaining global recognition for the brand prior to its expansion to new markets.

LIXIL Group is now also advancing its hybrid digital and physical showrooms, allowing it to continue promotion of products during the COVID-19 pandemic. Digital capabilities enable consumers to experience and commit to purchases online, while physical showrooms are leveraged for consumers who prefer to coordinate products such as kitchens and bathrooms in person. This combination provides a unique approach to getting closer to consumers, catering to different needs while continually improving LIXIL Group's offerings.

- **Reaffirm Focus on Being a Purpose-Led Organization:** Studies reinforce the fact that washing your hands thoroughly with soap reduces the spread of disease and can help prevent COVID-19 infection. But approximately 3 billion people around the world lack access to basic handwashing facilities at home. LIXIL Group's SATO social enterprise developed the [SATO Tap](#), which will enable it to rapidly respond to populations in need of improved hygiene while supporting longer-term solutions for handwashing behavior change. LIXIL Group's existing partnership with UNICEF will also expand activities in handwashing and sanitation in response to COVID-19.

At a point in time where society is forced to face difficult truths on issues of diversity, equality and inclusion, LIXIL Group has committed to a [series of actions](#) to drive change internally and with those that we do business. In line with these commitments, LIXIL Group has established a new D&I committee, with senior business level representation and chaired by the CEO, to set strategy and initiatives.

In recognition of its ongoing ESG initiatives, LIXIL Group was [recognized](#) in the FTSE4Good Index Series and MSCI Japan Empowering Women Index.

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**Press release only available in Japanese*

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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. Approximately 75,000 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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