

For Immediate Release**January 31, 2020**
LIXIL Group Corporation

LIXIL Revenue and Profit Grow Over Three Quarters

*-Revenue up 1.1%, core earnings up 39.3%, and net profit up by ¥28.6 billion over nine-month period
- Q3 results impacted by consumption tax hike*

Tokyo – LIXIL Group Corporation (“LIXIL Group”, TSE Code: 5938), maker of pioneering water and housing products, today announced third quarter results for the fiscal year ending March 31, 2020 (FYE 2020), reporting positive revenue and profit in the first nine months of the fiscal year led by Japan businesses.

CEO Comment:

“While our core water and housing businesses have delivered revenue growth over the nine-month period, we faced a challenging third quarter due to the impact of the consumption tax hike in Japan and the Euro-to-Yen exchange rate. Core earnings improved over the nine months as a result of positive changes in sales mix and ongoing operational initiatives.

In line with the priorities we set out after the AGM last year, we also accelerated initiatives to turn LIXIL Group into a more entrepreneurial company that can achieve sustainable growth. We still have a long way to go, but from revitalizing our Japan business through workforce transformation programs such as our “*Kawaranaito* LIXIL” initiative, to the Board of Directors’ decision to consider dissolving our two-tier holding company structure, we are transforming LIXIL Group. In the coming months, we will continue to implement steps that enable us to focus on our core businesses, improve our organization, and prioritize investment in high growth and profitable areas of the business.”

- Kinya Seto, CEO, LIXIL Group

Q3 Earnings Summary

Revenue

Revenue increased to ¥1,396.5 billion over the nine-month period, up 1.1% year on year.

In Japan, revenue for the nine-month period increased to ¥1,009.4 billion, up by 2.8% year on year. This increase was driven by strong demand in the first half of the fiscal year, led by LIXIL Water Technology (LWT), LIXIL Housing Technology (LHT) and Distribution & Retail (D&R). In line with expectations, however, year-on-year revenue decreased during the third quarter period due to the hike in Japan’s consumption tax rate in October 2019 and the absence of demand generated by natural disasters in the previous fiscal year.

In overseas markets, revenue for the nine-month period decreased by 3.5% year on year, impacted by changing market conditions in the US market, a slowdown in South East Asian markets, and the Euro-to-Yen exchange rate. However, on a local currency basis, revenue in overseas markets increased by 1%,

reflecting growth of LWT's synergy-related products and new focus areas in particular. The majority of revenue growth occurred in Europe, the Middle East, and China.

Core Earnings

Core earnings increased to ¥51.7 billion over the nine-month period, up 39.3% year on year.

In Japan, all business units except D&R contributed to increased core earnings. This was primarily due to favorable sales leading up to the increase in Japan's consumption tax rate, revision of product prices, and continued cost improvement initiatives, including LHT's ongoing platform strategy to improve the efficiency of its factories.

In overseas markets, despite the decrease in sales, core earnings increased primarily due to changes in the sales mix and ongoing Sales, General & Administrative (SGA) cost reduction initiatives worldwide.

Net Profit

LIXIL Group recorded net profit of ¥30.7 billion, an increase of ¥28.6 billion year on year. The increase reflects the improvement to core earnings, and the gain on sales of subsidiaries and interest in a former affiliated company.

FYE 2020 Full-Year Forecast

LIXIL Group's full-year forecast remains unchanged while it continues to assess the impact of the consumption tax hike in Japan and the effect of introducing initiatives to achieve the medium-term strategy.

Recent Business Highlights

LIXIL Group aims to contribute to society by making better homes a reality for everyone, everywhere. To achieve this, it is transforming itself to become an entrepreneurial company that can achieve sustainable competitiveness and growth. In line with the direction management has set out, it has taken new steps to:

- **(Create A More Efficient and Agile Company)** LIXIL Group's Board of Directors has resolved to consider a merger between LIXIL Group, the holding company, and LIXIL Corporation, a 100% subsidiary. As LIXIL Group's strategy has evolved since it first introduced its holding company structure in 2001, it must now place greater focus on actively managing its core businesses and driving synergies across these business areas to accelerate growth, in line with the [future direction](#) set out by management on July 22, 2019. Dissolving the current two-tier structure would improve efficiency by eliminating duplication of management, operating costs and human resources, and enable faster decision-making. It would also improve corporate governance by simplifying the group management system and increasing transparency of management.
- **(Revitalize Japan Operations)** LIXIL Group [launched a comprehensive series of workforce programs](#) to transform its Japan operations, which comprise approximately 70% of consolidated revenue and play a critical role in enabling synergies with its overseas businesses. These initiatives aim to achieve three objectives: creating a more consumer-centric organization, accelerating and enhancing

multigenerational career planning and development, and boosting employee morale and engagement. Its initiatives include the new “Career Option Program”, a solution that benefits employees in order to address the aging management structure facing many larger Japanese corporations today.

- **(Expand Social Commitment)** Aligned with the United Nation’s Sustainable Development Goals (SDGs), LIXIL Group [announced a new set of Corporate Responsibility \(CR\) targets](#) that will enable it to contribute more to society. From improving sanitation worldwide to addressing climate change and making products to support one and all, LIXIL Group’s Corporate Responsibility strategy focuses on three key strategic pillars that are intrinsic to its business areas and where it can make the biggest difference for stakeholders and the company alike. Since first implementing its Corporate Responsibility strategy in 2016, LIXIL Group is today included in reputable indices such as the Dow Jones Sustainability World and Asia Pacific Indices, FTSE4Good, FTSE Blossom Japan, and MSCI Japan Empowering Women Index (WIN).

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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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