

For Immediate Release

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LIXIL Corporation

LIXIL FYE2021 Profits Increase Driven by Accelerated Transformation Efforts

- *Core earnings, operating profit, and net profit increase year-on-year*
- *Gross margin improved by 0.9pp and core earnings margin increased by 0.7pp to 4.2% on productivity improvements and cost control efforts under COVID-19*
- *Equity ratio increased to 31.7%, up 7.7pp year-on-year*
- *Year-end dividend forecast revised up by 5 yen*

Tokyo – LIXIL Corporation (“LIXIL”, TSE Code: 5938), maker of pioneering water and housing products, today announced full-year results for the fiscal year ended March 31, 2021 (FYE 2021).

CEO Statement:

“We delivered solid full-year results in line with our forecast, demonstrating our strengthened resilience and agility. In response to the pandemic, we have accelerated our measures to transform LIXIL to become a more agile, entrepreneurial, and consumer-centric company. This has enabled us to increase our productivity and operational efficiency and to quickly adapt to changing consumer needs. As a result, we were able to increase our profitability, strengthen our balance sheet, and capture newly emerging consumer demand. We expect FYE2022 to be a stronger year as domestic and global economies continue to recover.

In line with our Medium Term Plan, we have made significant progress on optimizing our business portfolio and simplifying our organization as well as improving the profitability of our Japan business. We continue to focus on our core businesses and structural reform of our domestic business to achieve our core earnings ratio target of 7.5%. We are also investing in growing our global water business portfolio and developing innovative future businesses to achieve long-term sustainable growth. We continue to strive to deliver on our purpose to make better homes a reality for everyone, everywhere.”

- Kinya Seto, CEO, LIXIL

Full-Year Earnings Summary

Revenue

Consolidated revenue for the full year decreased 9% year-on-year to ¥ 1,378.3 billion. Revenue in the Japan market for the year fell by 11% to ¥1,013.4 billion. Sales declined in all segments as the pandemic slowed overall household spending, new housing starts, and anticipated demand related to the Tokyo 2020 Olympics. In addition, the absence of demand generated last fiscal year prior to a consumption tax increase contributed to weaker sales. However, the recovery trend from the third quarter continued into the fourth quarter in the Japan market. Renovation-related sales recovered to the previous year’s level

from the third quarter, pushed up by robust demand for LIXIL Water Technology's (LWT) touchless products in the new normal. Amid increasing demand for touchless products, sales for Navish touchless faucets grew 76% year-over-year while sales for washstand cabinet units with touchless faucets gained momentum in the second half of the year. Meanwhile, LIXIL Housing Technology (LHT) recorded strong sales for products related to the new normal such as smart delivery boxes with a 53% year-over-year increase, screen doors with a 61% year-over-year increase, and renovation-related shutters with a 55% year-over-year increase.

Revenue in international markets for the year decreased by 3% to ¥384.7 billion due to the impact of COVID-19. LWT's China market grew sales by 5% year-over-year on strong commercial project sales. In EMEA markets, retail and e-commerce channels drove sales up 3% year-over-year, with the Middle East performing strongly. Meanwhile, sales in the Americas region reached last year's level supported by strong demand in retail and e-commerce. Asia Pacific markets saw a 6% sales decrease year-over-year.

Core Earnings

Full-year core earnings jumped by 10% to ¥57.3 billion driven by core businesses. The increase also resulted from productivity improvements, as well as cost control efforts under COVID-19, lowering SG&A expenses, and improved gross margin with a 0.9pp increase from higher sales ratio of renovation-related products. In addition, LHT Japan's improved production efficiency achieved by its transformation efforts also contributed to higher core earnings and an improved core earnings ratio of 4.2%, up 0.7pp year-on-year. Full-year SG&A expenses fell by ¥38.4 billion from the previous year.

Net profit for the full year attributable to owners of the parent

Net profit climbed by ¥20.5 billion or 164% year-on-year to ¥33 billion on the back of continuing recovery from the third quarter and the progress of structural reforms.

Consolidated Financial Position

Equity ratio rose by 7.7pp to 31.7% while net debt to EBITDA ratio improved by 2.0 to 3.5x as the share transfer of LIXIL VIVA significantly reduced interest-bearing debt.

Year-End Dividend Forecast

LIXIL has raised its year-end dividend forecast by five yen to 40 yen. Annual dividend per share is now forecast to be 75 yen, a five yen increase from the previous year.

FYE2022 Full-Year Forecast

LIXIL expects to generate ¥1,440 billion in revenue and ¥80 billion in core earnings with a core earnings ratio of 5.6%. The company intends to further increase the annual dividend by five yen to 80 yen per share.

Notable Business Highlights

LIXIL continues to execute initiatives under its Medium Term Plan. To improve profitability, strengthen the balance sheet, and become a more agile and entrepreneurial company has taken the following steps:

-Transform Japan Business:

LIXIL has implemented comprehensive initiatives to raise the profitability of its Japan business, ranging from improving production efficiency and sales mix to organizational and workstyle reforms. In line with this strategy, LHT Japan launched in April NODEA, a high-end luxury brand that targets Japan's highly affluent consumer segment, the second largest of its kind in the world. Using an asset-light model and based on the concepts of openness, space and encounters, NODEA provides the domestic niche market with large-scale windows that connect indoor and outdoor spaces with an innovative sensibility, as well as interior and exterior products. LHT Japan co-developed NODEA's super large panoramic windows with Switzerland-based Sky-Frame and will continue to collaborate with domestic and international companies with leading-edge technologies.

-Develop Innovative Future Businesses:

To achieve sustainable growth, LIXIL is investing in strengthening its future businesses. LIXIL is also transforming the way it innovates new technologies and products to respond to consumers' needs more quickly and develop products based on their needs. One such example is using the Makuake crowdfunding platform for product development. The digital platform enables LIXIL to gain critical consumer insights and form direct relationships with consumers. Following a successful debut of the Nyanpeki wall steps for cats on Makuake, LHT's Japan Business Incubation Center launched in February ATMO, a delivery box that can be easily attached to entrance doors. ATMO has already raised over ¥9.7 million exceeding its target of raising one million yen by May 15. LWT Japan also launched KINUAMI U, a mist shower, in March on Makuake. The KINUAMI U project set to close on June 27 sold out on April 28 and exceeded its one million yen target, raising over ¥16 million.

Digitalization is one of the keys to LIXIL's future growth. Its GROHE brand launched in March [GROHE X](#), a digital content hub to provide an innovative brand experience online to its business partners and consumers. The platform offers informative and inspirational content, as well as support from brand experts, and allows visitors to engage with the brand. This includes a vast selection of how-to videos, background articles and 360° rooms that allow visitors to immerse themselves in the new product highlights. GROHE X also opens up new ways of interaction: business partners can use the platform to schedule and run appointments with their sales contact and thus exchange information directly about brand-new innovations. In its initial launch week, GROHE X attracted 68,000 hub visits from 140 countries, in addition to 4,000 customer meetings.

-Reduce Our Environmental Footprint:

Under its [Environmental Vision for 2050](#), LIXIL aims to achieve net-zero carbon emissions through its business processes, products, and services by 2050. Since 2016, the company has reduced its carbon

footprint by 6.3% globally and is working to achieve a 30% decrease by 2030. To this end, LIXIL's eight fittings plants outside of Japan became carbon neutral in October 2020. In addition, LHT Japan aims to replace its entire window product portfolio with energy-efficient, high-performance windows by FYE2026, launching a series of new products this year such as SAMOS A, an aluminum window, and resin and hybrid windows. In the area of circular economy, LIXIL's GROHE brand launched its first [Cradle to Cradle \(C2C\) Certified® Gold faucets and shower rail set](#) in March. C2C products take into consideration the use of resources throughout the life cycle of products and services, enabling to drastically reduce the use of new resources.

-Promote Diversity and Inclusion

For LIXIL to achieve sustainable growth and deliver on its corporate purpose, the company needs to become a truly consumer-centric organization. Diversity and inclusion (D&I) is fundamental for such transformation as LIXIL serves a consumer base as diverse as society itself and needs to better reflect the dynamic world the company supports. To this end, LIXIL announced earlier this month its [D&I targets](#) to be achieved by 2030. Inclusion is LIXIL's goal and as an enterprise-wide target, it has chosen to focus on gender equity. This includes having women in 30% of leadership roles by 2030 across the company and achieving 50:50 gender ratio for Board of Director and Executive Officer roles. In addition, the company has set region-specific targets, such as maintaining gender parity for its new graduate hiring in Japan, which was achieved for the first time this year.

Notes to editors: The Flash Report for the FYE2021 Q4 results is available on our [IR News Site](#).

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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 60,000 colleagues operating in more than 150 countries are proud to make products that touch the lives of more than a billion people every day.