

For Immediate Release

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LIXIL Corporation

LIXIL Net Profit Reaches Record High for First Half

- Revenue and profit rise on strong demand in Americas and Europe and progress of structural reform in Japan, despite production and shipping delays in September due to lockdowns and other factors
- Core earnings margin improves to 5.4% and gross profit margin increases by 2.1pp

Tokyo – LIXIL Corporation (“LIXIL”, TSE Code: 5938), maker of pioneering water and housing products, today announced its second quarter results for the fiscal year ending March 31, 2022.

CEO Statement:

“LIXIL delivered a record high net profit for the first half by capturing consumer demand for home improvements and reaping the benefits of structural reforms in Japan, despite the challenging business environment in the second quarter. This included the impact of lockdowns in APAC region, difficulties in procuring parts, increased costs due to a container shortage, and delays in production and shipments. We are steadily improving the profitability of our Japan business by expanding renovation-related sales and improving productivity. In addition, we are growing international sales by utilizing our global production system, filling the gaps in the brand portfolio of each region and leveraging cutting-edge technology developed in Japan. As a result, we are making steady progress toward achieving long-term sustainable growth. At the same time, by developing products such as high-performance home insulation and highly water-saving and energy-efficient shower heads, we strive to contribute to the Sustainable Development Goals (SDGs) and improved environmental outcomes.”

Kinya Seto, CEO, LIXIL

H1 Earnings Summary

Revenue

Consolidated revenue for the first half increased 5% year on year to ¥696.2 billion. Revenue in the Japan market for the period decreased 2% year on year to ¥483.3 billion due to the impact of divestments in FYE2021. Without the effect of divestments, Japan revenue rose 2% driven by robust renovation-related demand. The ratio of renovation-related sales grew 3.7pp to 40%. Despite delays in shipping sanitaryware in September due to the impact of lockdowns in APAC, revenue for LIXIL Water Technology’s (LWT) Japan business increased 5% on the back of strong sales for renovation and mid- and high-end products. In addition, touchless faucets and vanity units equipped with touchless faucets performed solidly amid increased demand for hygienic products. The core earnings margin for LWT’s Japan business improved 3.3pp to 7.4%.

Revenue for LIXIL Housing Technology’s (LHT) Japan business grew by 2% without the impact of a divestment in FYE2021, supported by the progress of structural reforms. Renovation-related products performed strongly; sales of Rechent doors and Inplus windows under the TOSTEM brand surged 27% and 31%, respectively. Sales of Smart Delivery Boxes jumped by 57%. The core earnings margin for LHT’s Japan business rose 1.8pp to 8%.

Revenue from international markets increased 25% year on year to ¥222.6 billion led by LWT's business in the Americas and Europe where sales surged above pre-COVID levels. The core earnings margin for the international business improved by 5.4pp to 11.7%. LWT's sales in the Americas region rose 20% driven by wholesale and retail channels, growing in all categories and channels. Sales in EMEA markets jumped 29% year on year, with all categories and channels performing well, while China revenue increased 1% supported by the sales growth of its retail channel and GROHE products. Sales in LWT's APAC market increased 19% as the region continued to gradually recover despite the impact of restrictions on economic activities in some countries due to the spread of COVID-19 cases.

Core Earnings

Core earnings in the first half grew by ¥21.9 billion year on year to ¥37.3 billion driven by robust sales for LWT's business in the Americas and Europe and the progress of structural reforms in Japan. Core earnings margin improved by 3.0pp to 5.4% and gross profit margin rose by 2.1pp to 35.1%. SG&A ratio improved by 0.9pp.

Net profit for the first half attributable to owners of the parent including discontinued operations

Net profit for the first half climbed by ¥14.8 billion to a record high of ¥25.7 billion for the period on the back of a recovery from pandemic-related restrictions on economic activities and the progress of structural reforms.

Business and ESG Highlights

LIXIL continues to focus on the strategic initiatives outlined in its management direction. The company is accelerating transformation to build a more agile, entrepreneurial organization and increase productivity, as well as strengthening its ESG initiatives. These efforts have led to improvements in profitability and the balance sheet, as well as increased [value for stakeholders](#).

Improving Profitability of Japan Business by Growing Renovation-Related Sales:

LHT Japan began sales in October of "Marugoto Dannetsu Reform (insulation for the entire home)," which offers high-performance home insulation to existing homes to raise energy-efficiency to the same level as new homes. The new solution enables a reasonable upgrade by maintaining structural components and replacing poor insulation materials. As ninety-percent of Japanese homes do not meet the current energy-saving standards, promoting improvements in energy-efficiency of existing homes contributes to achieving carbon neutrality. Meanwhile, in October, LWT Japan launched a renewed "RENOBIO V," a pre-fabricated bathroom system for apartments and condominiums. The renewal has elevated the product's design by incorporating renovation trends. The system is also equipped with "Eco Aqua Shower SPA" for the first time, which is a highly energy-efficient and water-saving multifunction shower head with three-spray settings, including a silk spray.

Mitigating and Adapting to Climate Change:

LIXIL strives to mitigate and respond to climate change through its business activities and products and services and aims to achieve net-zero CO₂ emissions by 2050. The company is running the "Madokara ECO Share Project" campaign until March 2022 in the Northern Kanto, Kanto and Kansai regions of Japan to protect children from indoor heat stroke while promoting adoption of environmentally friendly

products such as highly insulating windows. Since launching in 2019, the campaign has cut 1,943 tons of CO₂ emissions, which is equivalent to one-year worth of CO₂ emissions from 468 households. In addition, LIXIL has launched a pilot project to demonstrate the effectiveness of its “Life Assist 2” smart home system in preventing indoor heat stroke and managing indoor air quality at homes. The project underway in Nagasu (Kumamoto), where LIXIL’s Ariake factory is located, has been selected as a leading government-subsidized project for sustainable buildings by Japan’s Ministry of Land, Infrastructure, Transport and Tourism.

Accelerating Digital Transformation:

LIXIL is accelerating digitalization to transform its existing businesses, develop new businesses and improve productivity across all regions. It launched [GROHE X](#) in March in EMENA as a digital content hub for its GROHE brand and [won the Red Dot Award Brands & Communication Design 2021 in the new “Digital Solutions” category](#) in August. GROHE X offers content such as product presentations and tutorials, as well as opportunities to interact with GROHE’s brand experts and attend special events. Since the launch, the platform has attracted approximately 222,000 visitors and receives 2,500 visitors every day. In Japan, LIXIL plans to launch a similar B2B platform in the next fiscal year with the aim to extend to end-users in the future. Within LIXIL also, digital is further empowering employees and accelerating the company’s transformation. A digital contents factory has been established in Japan to enhance management and utilization of digital information and nurture digital talent. In addition, with the introduction of No-Code /Low-Code development platforms, which enables development of applications without programming knowledge, the company is democratizing development capabilities across the organization.

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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 55,000 colleagues operating in more than 150 countries are proud to make products that touch the lives of more than a billion people every day.