

TSE Code: 5938

## › Q3 Results for the Fiscal Year Ending March 31, 2019 (IFRS)

(From April 1, 2018 to December 31, 2018)

### LIXIL Group Corporation

January 31, 2019



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## LIXIL GROUP HAS ADOPTED IFRS SINCE FYE2016

JGAAP	IFRS (LIXIL Group Financial Reporting)
	<b>Continuing Operations</b>
Net sales	<b>Revenue</b>
Cost of sales	Cost of sales
Gross profit	Gross Profit
SG&A	SG&A
<b>Operating profit</b>	<b>Core earnings (CE)</b>
Non-operating income/expenses	Other income/expenses
Ordinary income	Operating profit
Extraordinary income/losses	Finance income/costs
	Share of profit (loss) for using the equity method
Profit before income taxes	<b>Profit before tax</b>
	Net profit for Continuing Operations
	<b>Discontinued Operations</b>
	Net Profit for Discontinued Operations
Net profit attributable to	<b>Net profit attributable to</b>
Non-controlling interests	<b>Owners of the parent</b>
Owners of the parent	Non-controlling interests

**"Core earnings" in IFRS is equivalent to JGAAP's "Operating profit"**

As disclosed on "Progress Update on Transfer of Consolidated Subsidiary (Share Transfer)" on October 22, business operations of Permasteelisa S.p.A. and its subsidiaries are reclassified as "continuing operations" from "discontinued operations" from Q2 FYE2019. The same period of FYE2018 has also been restated for comparison.

## KEY HIGHLIGHTS: Q3, FISCAL YEAR ENDING MARCH 31, 2019

### Japan business improvements led to an increase in revenue and a return to positive net profit

- **Japan market stabilized from October. Solid start under the new management structure**
- **Revenue JPY 1,381.2 billion, increased 1% year-on-year**  
Increased for all Japan businesses, and remained at the same level as FYE2018 for overseas due to the continuing challenging business environment
- **Core earnings JPY 37.1 billion, decreased 46% year-on-year (16% year-on-year for the 3 months of Q3)**  
Japan: Housing business improvement from Q3 contributed to the slowing rate of year-on-year decline in core earnings, despite the impact from sharp decline in profit for the first half  
Overseas: Decreased due to inflation of labor and material costs
- **Net profit JPY 2.1 billion, recovered from loss in the first half**  
Turned to surplus due to the improvement in core earnings of Housing business in Q3 despite decrease in net profit due to decline in core earnings in H1 and increase in tax expenses from cancellation of deferred tax asset recognized in the previous fiscal year, which is related to the divestment of a subsidiary

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## Q3 CONSOLIDATED BUSINESS RESULTS

JPYbn	Q3 3 months FYE2019	YoY	Q3 9 months FYE2018	Q3 9 months FYE2019	YoY		Progress vs Revised Forecasts
	Reported	%	(A) After retroactive restatement	(B) Reported	(B)-(A) Amount	%	%
<b>Revenue</b>	<b>493.0</b>	2.7%	1,370.4	<b>1,381.2</b>	10.8	0.8%	74.9%
(Existing) Continuing operations	450.3	2.2%	1,250.5	1,260.9	10.4	0.8%	75.1%
Permasteelisa	42.6	8.2%	119.9	120.3	0.4	0.3%	72.6%
<b>Gross Profit</b>	<b>147.2</b>	-4.1%	436.7	<b>415.2</b>	-21.5	-4.9%	-
(%)	<b>29.8%</b>	-	31.9%	<b>30.1%</b>	-1.8pt	-	-
<b>Core Earnings <sup>(1)</sup></b>	<b>23.4</b>	-16.1%	68.6	<b>37.1</b>	-31.4	-45.8%	82.5%
(%)	<b>4.7%</b>	-	5.0%	<b>2.7%</b>	-2.3pt	-	-
(Existing) Continuing operations	28.1	0.5%	68.6	46.2	-22.4	-32.6%	86.4%
Permasteelisa	-4.8	-	-0.1	-9.1	-9.0	-	-
<b>Net Profit <sup>(2)</sup></b>	<b>10.8</b>	-58.3%	38.6	<b>2.1</b>	-36.5	-	142.3%

- Revenue increased, rate of decrease in core earnings declined, and net profit became positive for Q3 (3 month period) primarily due to contribution of the Housing business
- Progress of core earnings against revised full-year forecast is 82.5%. Aim for achievement of full-year forecasts with further cost reduction efforts

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(1) Equivalent to "Operating profit" of JGAAP  
(2) Profit for the quarter attributable to owners of the parent

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## Q3 (3 AND 9 MONTH PERIODS) BUSINESS RESULTS BY SEGMENT

➤ Revenue increased and rate of decrease in profit declined for Q3 (3 month period) primarily due to contribution of the Housing business

JPY billion		Q3 3 months			Q3 9 months		
		FYE2018 (A)	FYE2019 (B)	Amount (B)-(A)	FYE2018 (C)	FYE2019 (D)	Amount (D)-(C)
LWT <sup>(1)</sup>	Revenue	218.8	218.5	-0.3	615.1	620.5	5.3
	CE	24.3	20.6	-3.7	59.4	46.1	-13.3
LHT	Revenue	140.3	147.9	7.6	405.5	404.9	-0.6
	CE	8.9	11.4	2.5	25.9	16.0	-9.9
LBT	Revenue	67.1	72.1	5.1	198.9	202.4	3.5
	CE	0.1	-4.4	-4.5	2.2	-8.1	-10.3
D&R	Revenue	46.6	48.1	1.6	134.1	136.0	1.9
	CE	2.7	2.9	0.2	7.3	7.6	0.4
H&S	Revenue	15.6	14.8	-0.8	39.5	41.0	1.5
	CE	1.1	1.2	0.1	2.1	2.6	0.4
Consolidation, adj. & other	Revenue	-8.4	-8.4	-0.1	-22.7	-23.6	-0.8
	CE	-9.3	-8.4	0.9	-28.4	-27.1	1.3
LIXIL Group	Revenue	480.0	493.0	13.0	1,370.4	1,381.2	10.8
	CE	27.8	23.4	-4.5	68.6	37.1	-31.4

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(1) Kitchen technology business is included in the Water technology business due to change in reporting segment from Q1 FYE2019

(2) Impact from divestment and others for LWT in Q3 FYE2018 was Revenue -6.7bn & CE -0.2bn, and for LHT in Q3 FYE2019 was Revenue -3.5bn & CE -0.2bn

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## JAPAN TECHNOLOGY BUSINESS HIGHLIGHTS

JPY billion		Q3 3 months			Q3 9 months		
		FYE2018 (A)	FYE2019 (B)	Amount (B)-(A)	FYE2018 (A)	FYE2019 (B)	Amount (B)-(A)
LWT	Revenue	117.0	117.9	0.9	324.8	325.9	1.1
	CE	13.2	12.8	-0.4	30.1	23.1	-7.0
LHT	Revenue	136.5	145.4	8.9	394.5	396.9	2.4
	CE	9.3	11.1	1.8	26.0	16.2	-9.8
LBT	Revenue	27.5	29.5	2.0	78.8	82.1	3.3
	CE	0.6	0.4	-0.2	3.0	1.1	-1.9
Total	Revenue	281.1	292.8	11.7	798.1	804.9	6.8
	CE	23.1	24.2	1.1	59.1	40.5	-18.6

➤ Due to stabilization of the sales system in Japan, revenue and core earnings increased in Q3 (3 month period) for the three Japan technology business units overall

- **Water Technology:** Rate of decrease in core earnings improved as a result of cost reduction efforts and decline in sales expenses
- **Housing Technology:** Revenue increased due to recovery from lower demand and natural disasters in the first half. Core earnings increased due to increase in demand for products such as exteriors
- **Building Technology:** Revenue increased due to robust building demand. Core earnings decreased due to an increase in costs such as new product development and transportation

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## WATER TECHNOLOGY

➤ Revenue increased in all regions. Core earnings decreased due to factors such as increase in materials costs despite efforts to improve gross profit and cut SG&A

Apr-Dec In JPYbn		Q3 FYE2019	Like for like	FYE2019 (forecast)	
Revenues by Region <sup>(1)</sup>	Americas	107.0	+2%	+6%	
	EMEA	120.2	0%	+1%	
	Asia Pacific	82.7	+10%	+14%	
	Japan	325.9	+0%	-2%	
	Adjustments	-15.4			
	<b>Water Technology</b>	<b>620.5</b>	<b>+1%</b>	<b>849.0</b>	<b>+2%</b>
Core earnings by Region <sup>(1)</sup>	Americas	4.6	-33%	4%	-3%
	EMEA	15.3	-8%	13%	+1%
	Asia Pacific	7.1	-29%	9%	-4%
	Japan	23.1	-23%	7%	-29%
	Adjustments	-4.0			
	<b>Water Technology</b>	<b>46.1</b>	<b>-22%</b>	<b>63.5</b>	<b>-14%</b>
	Margin	7.4%	-2.2pp	7.5%	

### Americas

- ✓ Revenue increased from good performance of synergy products and focused business areas
- ✓ CE decreased due to increase in manufacturing costs despite efforts to cut SG&A

### EMEA

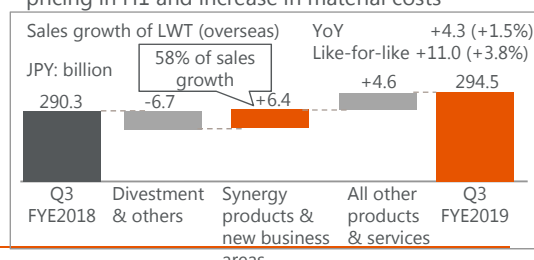
- ✓ Revenue for Europe increased 3%, driven by Eastern Europe despite softer market in Central Europe
- ✓ Year-on-year growth trend in the Middle East from Q3
- ✓ CE decreased from increase in material costs

### Asia Pacific

- ✓ Revenue increased due to the sales growth in China, supported by new marketing initiatives
- ✓ CE decreased following increase in SG&A from upfront investments such as opening of showrooms and R&D center

### Japan

- ✓ Revenues remained flat
- ✓ CE decreased due to deterioration of product mix & pricing in H1 and increase in material costs



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(1) Region: Management basis, LWT Total: Statutory basis  
Statutory basis currency: FYE2019 Results 1USD=110.82JPY, 1EUR=129.38JPY, FYE2019 Assumptions 1USD=115JPY, 1EUR=135JPY  
Management basis currency: Comparing by FYE2019 current & previous year 1USD=115JPY, 1EUR=135JPY

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## HOUSING TECHNOLOGY

➤ Revenue and core earnings decreased over the 9 month period. However, an increase in product demand such as exteriors led to significant improvements in Q3

Apr-Dec In JPYbn		Q3 FYE2019	YoY	FYE2019 (forecast)	
Revenues by Region	Japan	396.9	+1%	-3%	
	Overseas	8.0	-27%	-16%	
	<b>Housing Technology</b>	<b>404.9</b>	<b>-0%</b>	<b>517.5</b>	<b>-3%</b>
Core Earnings	<b>Housing Technology</b>	<b>16.0</b>	<b>-38%</b>	<b>13.0</b>	<b>-53%</b>
	Margin	4.0%	-2.4pp	2.5%	

### Japan

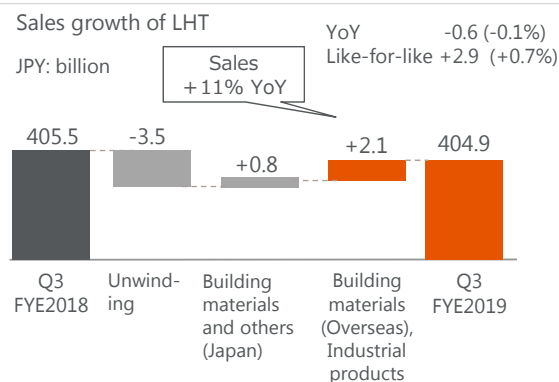
- ✓ Improvement in product mix and profitability from October due to favorable sales of exteriors and high-insulation products such as inner windows & entrance doors

<Year-on-year growth>

Exteriors Apr-Sep -4%, Oct-Dec +12%

Housing sashes (incl. inner windows & doors)

Apr-Sep -7%, Oct-Dec +0.5%



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## BUILDING TECHNOLOGY

- Revenue increased due to growth of Japan business. Core earnings decreased due to increase in construction costs in North America

Apr-Dec In JPYbn		Q3 FYE2019	YoY	FYE2019 (forecast)	
Revenues by Region	Japan	82.1	+4%		+2%
	Overseas	120.3	+0%		+1%
	<b>Building Technology</b>	<b>202.4</b>	<b>+2%</b>	<b>275.0</b>	<b>+1%</b>
Core Earnings	<b>Building Technology</b>	<b>-8.1</b>	<b>-10.3</b>	<b>-5.0</b>	<b>-</b>
	Margin	Red figure	-	Red figure	

### ■ Japan

- ✓ Revenue increased due to robust building demand
- ✓ CE decreased due to an increase in costs such as new product development and transportation

### ■ Overseas (Permasteelisa)

- ✓ Increase in revenue with steady progress of order intake
- ✓ However, CE declined due to substantial increase in construction costs resulting mainly from rise in labor costs in North America
- ✓ After reclassification to continuing operations in Q2, rigorous assessment is once again being made for all projects
- ✓ Permasteelisa continues to face a difficult situation. We expect to finalize turnaround plans and begin execution for profitability improvements from Q4

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## DISTRIBUTION & RETAIL AND HOUSING & SERVICES

- Revenue and core earnings increased, driven by renovation related product sales for existing stores

Apr-Dec In JPYbn		Q3 FYE2019	YoY	FYE2019 (forecast)	
D&R	Revenue <sup>(1)</sup>	136.0	+1.4%	176.5	+2%
	Core Earnings <sup>(1)</sup>	7.6	+5%	8.0	+16%
	Margin <sup>(1)</sup>	5.6%	+0.2pp	4.5%	

### ■ Opened five stores in Q3 FYE2019

- Composition of revenue recognized from sales of goods for renovation  
37.3% → 39.0% (YoY +1.7pp)  
Continue to aim for renovation goods revenue ratio of 50% (R-50)

- Revenue and core earnings increased, focusing on top priorities such as services for new business areas and markets other than for new houses

Apr-Dec In JPYbn		Q3 FYE2019	YoY	FYE2019 (forecast)	
H&S	Revenue	41.0	+4%	56.5	+8%
	Core Earnings	2.6	+20%	3.5	+38%
	Margin	6.3%	+0.9pp	6.2%	

- Revenue composition for business other than for new houses<sup>(2)</sup>  
35% → 36% (YoY +1.3pp)

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(1) Distribution & Retail disclosed as of IFRS basis; Reference: Japanese accounting standards are applied for disclosure of LIXIL VIVA Corporation (Securities Code 3564)  
(2) Existing business – business other than for new houses and new areas of services and markets

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## CONSOLIDATED FINANCIAL POSITION

	[A]	[B]	[B]-[A]			
JPY: billion			Increase/ decrease			
	Mar-2018	Dec-2018	<Breakdown> Assets for sale and liabilities directly associated with the assets held for sale		Others	Total of the increase / decrease
			Discontinued operations	Others		
Cash and cash equivalents	138.8	130.6	5.1	-1.4	-11.8	-8.1
Trade and other receivables	343.3	404.1	59.2	-3.1	4.7	60.8
Inventories	217.9	239.8	5.0	-1.3	18.1	21.8
Assets held for sale	180.2	12.4	-181.0	12.4	0.8	-167.8
Others	1,227.0	1,301.8	111.7	-6.6	-30.3	74.9
<b>Total Assets</b>	<b>2,107.1</b>	<b>2,088.7</b>	-	-	<b>-18.4</b>	<b>-18.4</b>
Trade and other payables	339.0	369.5	38.3	-2.0	-5.7	30.6
Interest-bearing debt	687.9	739.8	23.3	0.0	28.6	51.9
Liabilities directly associated with the assets held for sale	127.5	5.7	-137.8	5.7	10.3	-121.7
Others	303.2	352.6	76.2	-3.7	-23.1	49.4
<b>Total Liabilities</b>	<b>1,457.6</b>	<b>1,467.7</b>	-	-	<b>10.1</b>	<b>10.1</b>
Treasury shares	-49.0	-48.9	-	-	0.1	0.1
Others	698.6	670.0	-	-	-28.6	-28.6
<b>Total Equity</b>	<b>649.6</b>	<b>621.0</b>	-	-	<b>-28.5</b>	<b>-28.5</b>
(1) Equity Ratio (%)	29.3%	28.1%				-1.2pp
(2) Net Assets per Share (Yen)	2,128.77	2,024.90				-103.87
Number of Shares (in thousands)	289,790	290,089				299
Net interest-bearing debt	549.2	609.2				60.0

- ① Increased due to seasonal factors ② Decreased due to evaluation of investment securities (Evaluation losses are directly included in comprehensive income (BS)) and other ③ Increased due to seasonal factors such as payment for bonuses and tax ④ Decreased due to seasonal factors such as changes in the level of accruals for bonuses and taxes

LIXIL (1) Ratio of equity attributable to owners of the parent  
(2) Equity per share attributable to owners of the parent

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## CASH FLOW STATUS

JPY: billion	FYE2018 Q3	FYE2019 Q3	Increase/ decrease
Profit before tax from continuing operations	68.2	36.2	② -32.0
Loss before tax from discontinued operations	-24.5	-	24.5 (Note)
Profit before tax	43.7	36.2	-7.5
Depreciation and amortization	48.3	51.0	2.7
Income taxes paid	-23.2	-26.1	-2.9
Working capital	-8.6	-29.7	② -21.1
Loss recognized on the measurement of the disposal group held for sale to fair value / Profit recognized on the remeasurement	22.1	-2.0	-24.1 (Note)
Others	-10.5	-3.4	7.2
<b>Net cash flows from operating activities</b>	<b>71.8</b>	<b>26.0</b>	<b>-45.9</b>
<b>Net cash flows from investing activities</b>	<b>-47.9</b>	<b>-52.3</b>	<b>-4.4</b>
(of which purchase of property, plant and equipment and intangible assets)	-44.5	-48.3	-3.8
<b>Free cash flows</b>	<b>24.0</b>	<b>-26.3</b>	<b>① -50.3</b>
<b>Net cash flows from financing activities</b>	<b>-13.8</b>	<b>15.1</b>	<b>28.9</b>
	·	·	·
<b>Cash and cash equivalents (Balance at the fiscal year end)</b>	<b>126.1</b>	<b>130.6</b>	<b>4.6</b>

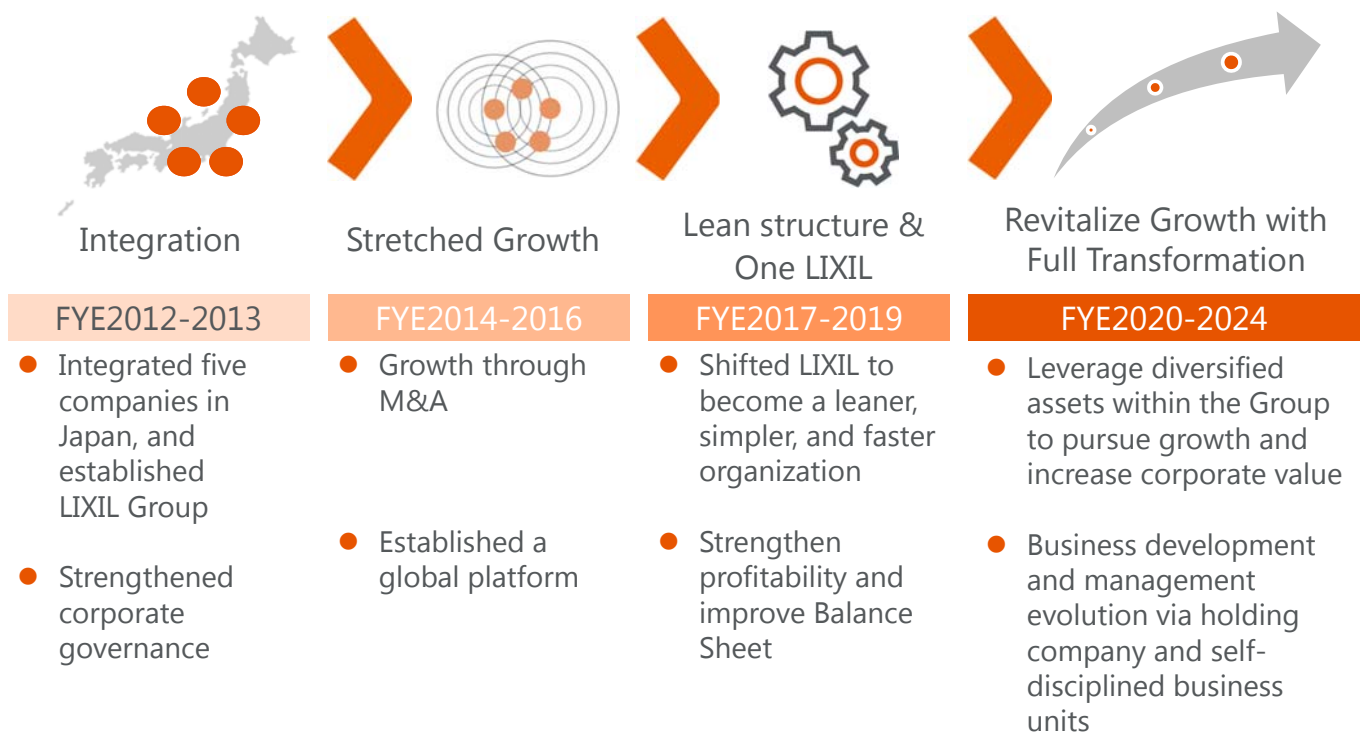
- ① Free cash flows decreased year-on-year by JPY 50.3 billion  
② Net cash flows from operating activities decreased by JPY 45.9 billion from decrease in profit before tax and deterioration in working capital

LIXIL (Note) "Loss before tax from discontinued operations" is matched with "Loss recognized on the measurement of the disposal group held for sale to fair value / Profit recognized on the remeasurement"

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## › DIRECTION OF NEW MANAGEMENT STRATEGIES

### STAGES OF LIXIL GROUP EVOLUTION



## MULTI-FACETED AND MULTI-LAYERED APPROACH TO GRASPING THE TRUE REALITY AT LIXIL



### ■ Frontline visits

- ✓ Plants in and outside Japan, R&D facilities, sales branches
- ✓ Hearings to gather frontline proposals, questions and requests

### ■ Multi channel communication

- ✓ Roundtable discussions
- ✓ Weekly "Frontline findings" messages to all employees

### ■ Revitalization of domestic frontline sales

- ✓ Market share regain kick-off
- ✓ Weekly meetings to quickly capture market situation, competition, performance and react

### ■ Obtaining views from outside

- ✓ Major customers hearing
- ✓ Discussions with various potential collaboration partners



Understanding frontline reality, challenges and opportunities as the basis for the new management plan (NMP)

## TEAM APPROACH WITH IDEAS AND LEADERSHIP FROM MULTIPLE, DIVERSE LEADERS



### ■ Intensive NMP discussions among global top management members

- ✓ Identified new growth and value creation opportunities through intensive discussions in Dusseldorf and Tokyo
- ✓ Selected strategic initiatives assigned to different leaders

### ■ Team efforts to tackle key issues for Japan business growth

- ✓ Wider actions to fully capture demand to be created by government programs in 2019-2020
- ✓ Updated strategy for renovation market



### ■ Leadership discussions on root issues for organization development

- ✓ Talent management evolution
- ✓ Technology and engineering enhancement



Management to fully leverage diversified assets already established within LIXIL Group



## CHALLENGES AND OPPORTUNITIES AS THE BUSINESS ENVIRONMENT EVOLVES

	External environment	Internal environment
Challenges	<ul style="list-style-type: none"> <li>✓ High price of raw materials, energy inflation, and logistics cost hike</li> <li>✓ Slowdown of new housing starts in Japan</li> <li>✓ More drastic and quicker changes in the US channel situation than expected</li> </ul>	<ul style="list-style-type: none"> <li>✓ Need to regain lost market share</li> <li>✓ Technological advancements and working style changes; need to adapt approach to best utilizing talents</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>✓ Demand creation measures by the Japanese government in 2019-2020</li> <li>✓ Increasing demand on water safety and quality</li> <li>✓ Demand for new business model to solve capacity and capability issues in instillation operations</li> </ul>	<ul style="list-style-type: none"> <li>✓ Revitalized domestic sales frontline and early wins in regaining share</li> <li>✓ Increasing drive to transform business models by leveraging new technologies and best practices in LIXIL Group</li> <li>✓ Increasing number of technology innovations emerging in different parts of the Group</li> </ul>

## BASIC STRATEGIC DIRECTION

### Objective

Maximizing corporate value through revitalizing growth and transforming business models

### Major strategy to achieve the objective

#### ■ Fully leverage the diversified assets in the group to drive growth and profitability

Stretching mindset and ideas, mutually leverage across BUs/regions, complementary MA&As (M&A and Alliance) based on the Group's own assets and strengths(core technology, channels, digital, etc.)

#### ■ Creation of new growth engines

Roll out of competitive business models to other regions, new businesses leveraging core technologies in existing businesses, creation of additional revenue streams

#### ■ End-to-end business model transformation for lean and fit

Continuation of simplification initiatives, digitalization, end user focus

#### ■ Smart and dynamic resource allocation/shift

Elimination of duplication, focused resource input, leveraging external parties and partnering

#### ■ Recreation of frontline-centric culture and organization

Focus on core functions of the business, rebalancing direct and indirect work / headcount / cost; transformation of "what" and "how" we work

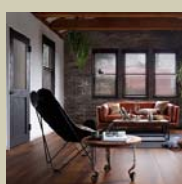
#### ■ Separation of holding company and businesses

Long term strategy with business portfolio management and strict control vs self-disciplined businesses

## APPENDIX



Water Technology



Housing Technology



Building Technology



Distribution and Retail

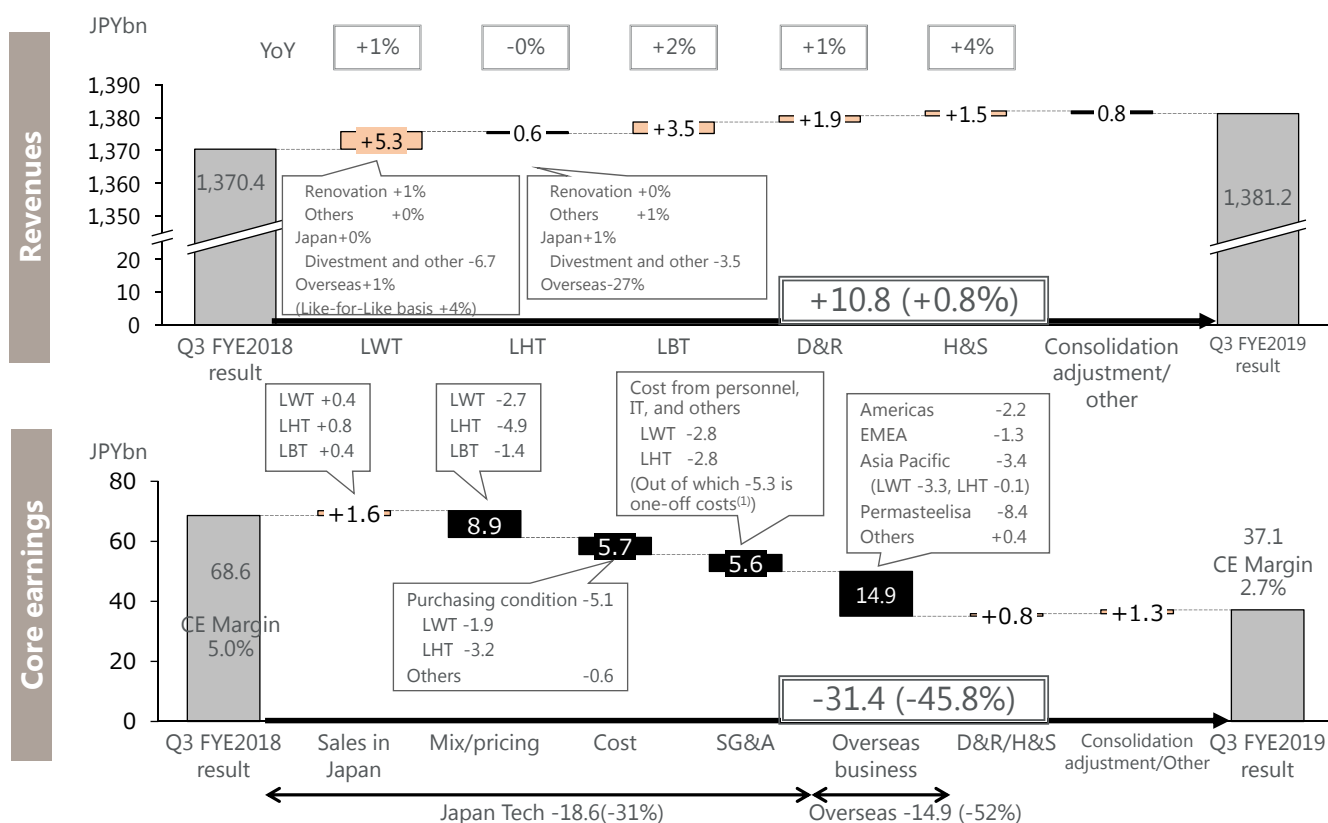


Housing and Services

## Q3 CONSOLIDATED BUSINESS RESULTS (DETAIL)

	[A]	[B]-[A]	[B]	[C]	[C]-[B]			[D]	[C]/[D]
JPYbn	Q3 FYE2018	Discontinued Operations	Q3 FYE2018	Q3 FYE2019	YoY			FYE2019	Progress vs Forecasts
	Reported	Difference	After retroactive restatement	Results	Amount		%	Full year Forecasts (announced on Oct 22)	%
					Forex	[C]-[B]			
<b>Revenue</b>	1,250.5	119.9	1,370.4	<b>1,381.2</b>	0.2	10.8	0.8%	1,845.0	74.9%
(Existing) Continuing operations	1,250.5	-	1,250.5	1,260.9	-0.6	10.4	0.8%	1,679.3	75.1%
Permasteelisa	-	119.9	119.9	120.3	0.7	0.4	0.3%	165.7	72.6%
<b>Gross Profit</b>	427.5	9.2	436.7	<b>415.2</b>	-0.1	-21.5	-4.9%	-	-
(%)	34.2%	-	31.9%	<b>30.1%</b>	-	-1.8pp	-	-	-
<b>Core Earnings <sup>(1)</sup></b>	68.6	-0.1	68.6	<b>37.1</b>	0.0	-31.4	-45.8%	45.0	82.5%
(%)	5.0%	-	5.0%	<b>2.7%</b>	-	-2.3pp	-	2.4%	-
(Existing) Continuing operations	68.6	-	68.6	46.2	0.0	-22.4	-32.6%	53.5	86.4%
Permasteelisa	-	-0.1	-0.1	-9.1	0.0	-9.0	-	-8.5	-
<b>Net Profit <sup>(2)</sup></b>	38.6	-	38.6	<b>2.1</b>	-	-36.5	-	1.5	142.3%
<b>EPS (yen)</b>	134	-	134	<b>7</b>	-	-127	-	5	147.2%
<b>EBITDA <sup>(3)</sup></b>	114.5	2.4	116.9	<b>88.1</b>	-	-28.8	-24.6%	-	-
(%)	9.2%	-	8.5%	<b>6.4%</b>	-	-2.2pp	-	-	-

## Q3 (9 MONTHS) INCREASE / DECREASE OF SALES AND CORE EARNINGS



**LIXIL** (1) Out of which trading framework related costs are 2.6 billion (Q1: 2.1 billion, Q2: 0.5 billion) and Others are 2.7 billion

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## Q3 OTHER INCOME AND OTHER EXPENSES, FINANCE INCOME AND FINANCE COSTS

JPYbn	Q3 FYE2018	Difference <sup>(1)</sup>	Q3 FYE2018 After retroactive restatement	Q3 FYE2019	Increase/decrease
Rental income	4.8	0.1	4.9	5.0	0.1
Gains on sale of property, plant and equipment	0.2	0.3	0.5	0.2	-0.3
Gains on sales of subsidiaries	5.2	-	5.2	-	-5.2
Profit recognized on the remeasurement of the disposal group held for sale	-	-	-	2.0	2.0
Other	3.5	-	3.5	4.3	0.8
<b>Other Income</b>	<b>13.6</b>	<b>0.5</b>	<b>14.0</b>	<b>11.6</b>	<b>-2.5</b>
Costs of rent	3.3	-	3.3	3.2	-0.1
Losses on sale or disposal of property, plant and equipment	1.3	0.0	1.3	1.8	0.4
Impairment losses	3.6	-	3.6	1.5	-2.1
Loss recognized on the remeasurement of the disposal group held for sale	-	22.1	22.1	-	-22.1
Other	4.5	0.7	5.2	4.0	-1.1
<b>Other Expenses</b>	<b>12.6</b>	<b>22.7</b>	<b>35.4</b>	<b>10.4</b>	<b>-25.0</b>
Interest income	1.2	0.0	1.3	1.0	-0.2
Dividend income	1.2	0.1	1.3	1.5	0.2
Exchange difference gains	-	-	-	1.4	1.4 (1)
Gains on valuation of derivatives	14.4	-0.6	13.8	-	-13.8 (2)
Other	0.1	-0.0	0.1	1.3	1.3
<b>Finance Income</b>	<b>16.8</b>	<b>-0.4</b>	<b>16.4</b>	<b>5.1</b>	<b>-11.3</b>
Interest expense	3.5	0.3	3.9	4.0	0.1
Losses on valuation of derivatives	13.2	1.3	14.5	-	-14.5 (2)
Other	-	-	-	3.0	3.0 (1)
Exchange difference losses	1.5	-0.0	1.5	0.1	-1.4
<b>Finance Costs</b>	<b>18.2</b>	<b>1.7</b>	<b>19.8</b>	<b>7.1</b>	<b>-12.8</b>

(1) Gains on valuation of derivatives is matched with foreign exchange difference losses

<b>FYE2019 Q3</b>	
Gains on valuation of derivatives	1.4
Exchange difference losses	-3.0
Net	-1.7 Loss

(2) Foreign exchange difference gains is matched with losses on valuation of derivatives

<b>FYE2018 Q3</b>	
Exchange difference gains	13.8
Losses on valuation of derivatives	-14.5
Net	-0.7 Loss



**LIXIL** (1) Reclassification from discontinued operations to continuing operations

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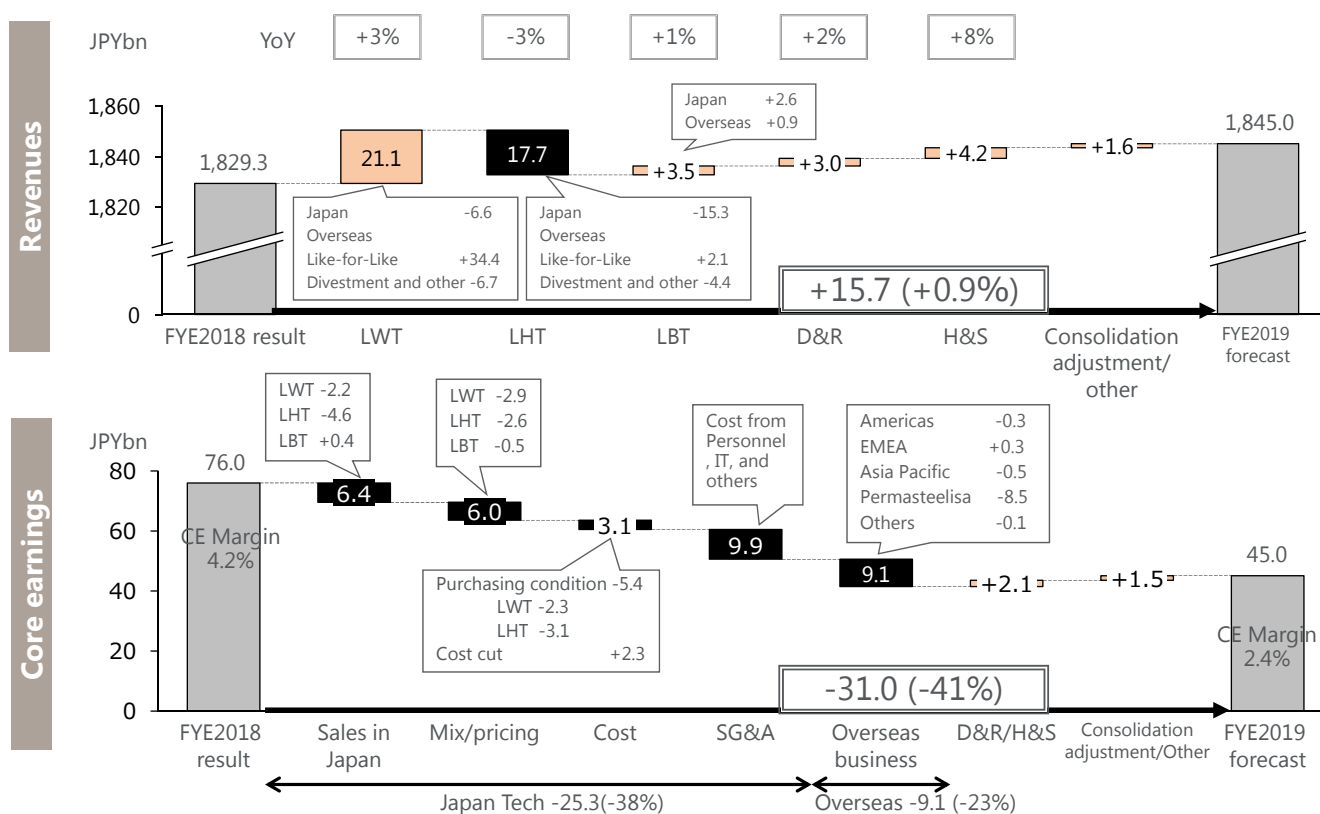
## Q3 RESULTS AND FYE2019 FORECASTS BY SEGMENT

Unit: JPYbn		Q3 FYE2018 Results			Q3 FYE2019 Results				FYE2019 Forecasts			
		Japan	Overseas	Total	Japan	Overseas	Total	Total YoY%	Japan	Overseas	Total	Total YoY%
LWT	Revenue	324.8	290.3	615.1	325.9	294.5	620.5	0.9%	429.0	420.0	849.0	2.5%
	Core earnings	30.1	29.4	59.4	23.1	23.0	46.1	-22.4%	23.8	39.7	63.5	-14.0%
	CE margin	9.3%	10.1%	9.7%	7.1%	7.8%	7.4%	-2.2pp	5.5%	9.5%	7.5%	-1.4pp
LHT	Revenue	394.5	11.0	405.5	396.9	8.0	404.9	-0.1%	505.5	12.1	517.5	-3.3%
	Core earnings	26.0	-0.1	25.9	16.2	-0.2	16.0	-38.1%	13.8	-0.8	13.0	-52.7%
	CE margin	6.6%	-	6.4%	4.1%	-	4.0%	-2.4pp	2.7%	-	2.5%	-2.6pp
LBT	Revenue	78.8	120.1	198.9	82.1	120.3	202.4	1.8%	109.3	165.7	275.0	1.3%
	Core earnings	3.0	-0.8	2.2	1.1	-9.3	-8.1	-	3.5	-8.5	-5.0	-
	CE margin	3.9%	-	1.1%	1.4%	-	-	-	3.2%	-	-	-
D&R	Revenue	134.1	-	134.1	136.0	-	136.0	1.4%	176.5	-	176.5	1.7%
	Core earnings	7.3	-	7.3	7.6	-	7.6	5.2%	8.0	-	8.0	15.9%
	CE margin	5.4%	-	5.4%	5.6%	-	5.6%	+0.2pp	4.5%	-	4.5%	+0.5pp
H&S	Revenue	39.5	-	39.5	41.0	-	41.0	3.7%	56.5	-	56.5	8.0%
	Core earnings	2.1	-	2.1	2.6	-	2.6	20.3%	3.5	-	3.5	38.1%
	CE margin	5.4%	-	5.4%	6.3%	-	6.3%	+0.9pp	6.2%	-	6.2%	+1.4pp
Consolidation, adj. & other	Revenue	-	-	-22.7	-	-	-23.6	-	-	-	-29.5	-
	Core earnings	-	-	-28.4	-	-	-27.1	-	-	-	-37.9	-
LIXIL Group	Revenue	971.7	421.4	1,370.4	981.9	422.8	1,381.2	0.8%	1,276.8	597.7	1,845.0	0.9%
	Core earnings	68.5	28.5	68.6	50.7	13.6	37.1	-45.8%	52.5	30.4	45.0	-40.8%
	CE margin	7.1%	6.8%	5.0%	5.2%	3.2%	2.7%	-2.3pp	4.1%	5.1%	2.4%	-1.7pp

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(1) Q3 FYE2018 results were restated from integration of LWT and LKT in Q1 FYE2019. Impact from reclassifying Permasteelisa to continued operations from discontinued operations in Q2 FYE2019 is incorporated in the restated presentation. Difference between sum total of Japan and Overseas in Revenue and Core earnings and "Total" is the amount of consolidation, adj. & other

## FYE2019 FORECAST INCREASE / DECREASE OF SALES AND CORE EARNINGS



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## RENOVATION STRATEGY IN JAPAN

➤ Shortage of workers due to natural disasters until Q2 now resolved and demand increased in Q3

### Sales of Renovation Products

JPY: bn	Q3 FYE2018 Results <sup>(1)</sup>	Q3 FYE2019 Results	YoY
Sales of renovation products*	233.0	<b>234.5</b>	0.7%
Renovation sales ratio	36%	<b>36%</b>	0.0pp

\*Total sales of LIXIL Japan Company and a building renovation subsidiary (after inter-segment transactions)

Renovation sales for exteriors and sashes increased in Q3 (3 month period)

### Number of Member Homebuilders

Stores	Mar -17	Mar -18	Dec -18
LIXIL Reform Shop (FC)	519	546	<b>559</b>
LIXIL Reform Shop (Voluntary)	13,227	12,602	<b>11,817</b>
LIXIL PATTO Reform Service Shop	3,365	3,705	<b>3,770</b>

### Renovation products sales ratio by business segment (YoY)

Business segment	Q3 FYE2018	Q3 FYE2019	Difference
LWT	44%	44%	+0.1pp
LHT	32%	32%	+0.2pp
LBT	23%	23%	-0.8pp
Japan total	<b>36%</b>	<b>36%</b>	<b>0.0pp</b>

### Promoting housing business related renovation products

Renovation product sales increased with contribution from the PATTO Reform demo car, promoting renovation related products at sales frontline



PATTO Reform demo car

**LIXIL** (1) Sales of renovation product was restated for comparison on the same basis

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## REVENUE BY PRODUCTS AND SERVICES

Unit: Ybn						Unit: %							
Segment	Major products	FYE2018 results	Q3 FYE2018	Q3 FYE2019	YoY	Quarterly YoY							
						FYE2018				FYE2019			
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	
LWT	Sanitary ware	106.6	79.7	<b>77.4</b>	-2.8%	11.4	6.4	3.3	-2.7	-2.8	-5.0	<b>-0.6</b>	
	Bathroom units	102.2	77.1	<b>75.5</b>	-2.1%	11.4	7.7	9.3	9.1	2.8	-3.2	<b>-5.3</b>	
	Washstand cabinet units	36.9	27.2	<b>27.2</b>	-0.2%	8.9	2.6	5.9	0.3	2.0	-1.9	<b>-0.5</b>	
	Kitchens	113.4	84.6	<b>83.5</b>	-1.3%	8.0	6.1	8.2	2.6	1.6	-3.2	<b>-1.9</b>	
	Tiles	29.6	21.7	<b>21.6</b>	-0.2%	1.1	3.3	-0.1	2.7	2.8	-4.0	<b>0.7</b>	
LHT <sup>(1)</sup>	Housing sashes and related products	191.5	147.7	<b>140.8</b>	-4.7%	-0.3	-4.1	-3.1	-8.0	-7.4	-7.3	<b>0.5</b>	
	Exterior	106.7	81.8	<b>83.1</b>	1.7%	-0.5	-1.1	-0.4	-5.5	-3.9	-3.8	<b>12.1</b>	
	Wooden interior furnishing materials	60.4	45.6	<b>47.4</b>	3.9%	-1.3	1.0	2.8	-2.7	0.2	0.9	<b>10.0</b>	
	LHT Other	91.9	67.2	<b>70.9</b>	5.4%	-18.5	-16.0	6.8	1.1	3.9	4.0	<b>8.0</b>	
LBT	Building sashes	106.7	78.8	<b>82.1</b>	4.2%	9.1	-7.4	-3.8	-4.4	6.5	-0.2	<b>7.1</b>	
D&R	Home center revenue	173.5	134.1	<b>136.0</b>	1.4%	-0.2	0.9	1.7	1.1	-1.0	1.7	<b>3.4</b>	
H&S <sup>(2)</sup>	Housing and Services business	52.3	39.5	<b>41.0</b>	3.7%	-23.6	-28.0	-4.5	-18.9	7.6	11.3	<b>-5.1</b>	
	Overseas *	414.5	419.3	<b>427.0</b>	1.8%	5.0	15.2	8.3	11.8	1.7	-0.8	<b>4.5</b>	
	Others/ consolidation & adj. *	78.6	66.1	<b>67.7</b>	2.3%	-	-	-	-	-	-	<b>-</b>	
	Total *	1,664.8	1,370.4	<b>1,381.2</b>	0.8%	1.3	2.1	3.8	0.5	0.9	-1.4	<b>2.7</b>	

\* Operating results of Permasteelisa has been presented as results from continuing operations since Q2 FYE2019. Therefore, year-on-year figures for Q3 FYE2018 have been retroactively restated. However, year-on-year figures for FYE2018 full-year and each quarter has not been revised.

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(1) LHT Other: Quarterly YoY decrease in Q1 & Q2 FYE2018 was due to sale of shares of Hivic in August 2016

(2) Decrease in Q1 - Q4 FYE2018 was due to deconsolidation of JIO (became an equity method affiliate)

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## PERFORMANCE OF MAJOR OVERSEAS SUBSIDIARIES

Company	ASB (ASD Holdings)			
Unit	Unit: USD million			
Accounting period	FYE2018 Q3 Results	FYE2019 Q3 Results	YoY	YoY Excluding GROHE Americas impact <sup>(1)</sup>
Exchange rate (Average Rate)	111.82	110.82	-	-
Revenue	851	929	9%	2%
Core earnings	53	39	-27%	-28%
	%	6%	4%	-2.0%

Accounting period	FYE2018 Balance	Q3 FYE2018 (9 months)		
		Amortization	Others <sup>(2)</sup>	Balance
Exchange rate (Current Rate for balance, Average Rate for amortization)	106.24	110.82	-	111.00
Goodwill	230	-	0	230
Intangible assets	243	-6	0	237
Revaluation of fixed assets, inventories and other	-	-	-	-

Company	Grohe Group (GROHE) <sup>(3)</sup>			
Unit	Unit: EUR million			
Accounting period	FYE2018 Q3 Results	FYE2019 Q3 Results	YoY	YoY Excluding GROHE Americas impact <sup>(1)</sup>
Exchange rate (Average Rate)	128.59	129.38	-	-
Revenue	1,121	1,094	-2%	3%
Core earnings	126	111	-12%	-11%
	%	11%	10%	-1.1%

Accounting period	FYE2018 Balance	Q3 FYE2018 (9 months)		
		Amortization	Others <sup>(2)</sup>	Balance
Exchange rate (Current Rate for balance, Average Rate for amortization)	130.52	129.38	-	127.00
Goodwill	1,194	-	8	1,203
Intangible assets	1,497	-17	0	1,480
Revaluation of fixed assets, inventories and other	-	-	-	-



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(1) GROHE Americas was integrated into ASD Holdings in October, 2017. LWT regional breakdown shown on page 7

(2) Forex translation differences, and other

(3) Includes LIXIL Africa (Formerly called as GDWT)

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## PERFORMANCE OF MAJOR OVERSEAS SUBSIDIARIES

Company	Permasteelisa		
Unit	Unit: EUR million		
Accounting period	FYE2018 Q3 Results	FYE2019 Q3 Results	YoY
Exchange rate (Average Rate)	128.59	129.38	-
Revenue	938	931	-1%
Core earnings	5	-72	-
	%	0%	-

Accounting period	FYE2018 Balance	Q3 FYE2018 (9 months)		
		Amortization	Others <sup>(2)</sup>	Balance
Exchange rate (Current Rate for balance, Average Rate for amortization)	130.52	129.38	-	127.00
Goodwill	-	-	75	75
Intangible assets	-	-4	126	122
Revaluation of fixed assets, inventories and other	-	-	-	-

Note: From Q2 FYE2019, Permasteelisa business is restated as <Continuing operations> from <Discontinued operations>

### ■ Orders received

Unit	Unit: EUR million	
Accounting Period	FYE2018 Q3 (9 months) Results	FYE2019 Q3 (9 months) Results
Order intake	763	954
Order backlog	2,070	1,969



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(2) Forex translation differences, and other

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## LIXIL GROUP'S BOARD (AS OF JANUARY, 2019)

➤ **Directors** (◎ indicates new candidate from November, 2018, ☆ indicates new Chairman of the Board from December, □ are independent directors, \_\_\_\_ are female directors)

		Name	Concurrently serving with executive officer	Nomination committee	Audit committee	Compensation committee
Director		Yoichiro Ushioda	○			
	◎	Hirokazu Yamanashi	○			
		Kinya Seto	○			
	☆	Yoshizumi Kanamori				
		Yoshinobu Kikuchi		○		○
		Keiichiro Ina				
		Haruo Shirai			○	
		Ryuichi Kawamoto				
Outside Director	□	Tsutomu Kawaguchi		○	Chair	
	□	Main Kohda		○		Chair
	□	Barbara Judge		Chair		○
	□	Hiroto Yoshimura		○	○	
Total		12	3	5	3	3

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## ESG RELATED TOPICS

### LIXIL Receives Deputy-Chief's Award (from the Minister of Foreign Affairs) at the Second Japan SDGs Awards※

LIXIL has been conducting activities aimed at resolving the social and sanitation issues brought by a lack of toilet facilities through public-private partnerships and other initiatives to provide sanitary toilets to people around the world.

This award recognizes LIXIL's contributions to addressing issues through its business activities, such as development of innovative and affordable SATO toilet products for developing countries.



Japan SDGs Award ceremony held at the Prime Minister's Official Residence

※ Sponsored by the SDGs Promotion Headquarters comprising all cabinet ministers. The Japan SDGs Awards recognize exceptional efforts by companies and other organizations toward achieving the Sustainable Development Goals (SDGs) established by the United Nations.

### LIXIL Earns Place in CDP's Water A List

LIXIL Group has been named in the CDP's prestigious Water A List, reflecting the company's leadership in water stewardship. The CDP scores companies A to D in key environmental impact sectors. Out of the 27 companies that have made this year's water security A List, eight companies were listed from Japan.



※ The CDP is a globally acknowledged non-profit organization that issues surveys on climate change, water conservation, and supply chain to companies. It discloses data to more than 800 institutional investors controlling assets worth US \$100 trillion.

Reference: <https://www.cdp.net/>

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News release:

[https://www.lixil.com/en/news/pdf/20181227\\_SDGsAwards\\_E.pdf](https://www.lixil.com/en/news/pdf/20181227_SDGsAwards_E.pdf)

[https://www.lixil.com/en/news/pdf/20190122\\_CDP\\_2018\\_Water\\_A\\_List\\_Final\\_Web.pdf](https://www.lixil.com/en/news/pdf/20190122_CDP_2018_Water_A_List_Final_Web.pdf)

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## BUSINESS RELATED TOPICS

### LIXIL opened its first digital facility “LIXIL Digital Studio GINZA” in Tokyo

LIXIL opened its first digital facility, “LIXIL Digital Studio GINZA” in Ginza, Tokyo on October 19, 2018. The Studio supports customers’ search for ideal housing using the latest digital technologies such as VR and AR.

Serving as an entry touchpoint, this new site allows visitors to experience and familiarize themselves with products after installation. It also helps create opportunities to present product offerings and benefits, and introduce renovation services for potential customers.



Website: [https://www.lixil.co.jp/lixil\\_digital\\_studio/](https://www.lixil.co.jp/lixil_digital_studio/)

### LIXIL Asia Pacific opens new R&D hub in Shanghai

LIXIL opened doors to its new R&D Hub facility in Shanghai in January. China has been at the very center for all R&D related work in Asia. LIXIL’s success in China can be attributed to its commitment to bring the latest products and cutting edge technology in water related products.

The R&D hub will showcase the latest technological innovations from LIXIL’s family of brands, including American Standard, DXV, INAX, GROHE, and LIXIL.



News release:

[https://newsrelease.lixil.co.jp/news/2018/090\\_showroom\\_1017\\_01.html](https://newsrelease.lixil.co.jp/news/2018/090_showroom_1017_01.html)  
[https://www.lixil.com/en/news/pdf/20190118\\_R&Dcenter\\_E.pdf](https://www.lixil.com/en/news/pdf/20190118_R&Dcenter_E.pdf)

(Japanese language only)

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## EXTERNAL RECOGNITION

### FTSE4Good Index Series

Became a constituent of the FTSE4Good Index Series and FTSE Blossom Japan Index (June 2018) for two consecutive years, created by FTSE Russell<sup>(1)</sup>



FTSE4Good



FTSE Blossom  
Japan

### MSCI Japan Empowering Women Index

Selected as a constituent of the MSCI Japan Empowering Women Index (WIN) for two consecutive years, created by MSCI Inc. (July 2018)



2018 Constituent  
MSCI Japan Empowering  
Women Index (WIN)

Disclaimer

THE INCLUSION OF LIXIL GROUP CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF LIXIL GROUP CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

### DJSI Asia Pacific Index

Selected as a component of the Dow Jones Sustainability Indices (DJSI Asia Pacific Index), created by S&P Dow Jones Indices and RobecoSAM for two consecutive years (September 2018)

MEMBER OF

**Dow Jones  
Sustainability Indices**

In Collaboration with RobecoSAM 

### S&P/JPX Carbon Efficient Index

Selected as a component of the S&P/JPX Carbon Efficient Index, created by S&P Dow Jones Indices. LIXIL is overweighed by 10% for carbon efficiency and open disclosure (September 2018)



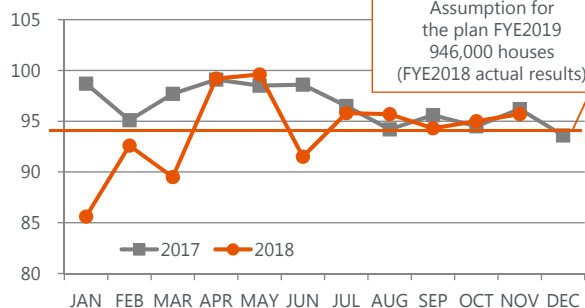
(1) It is a registered trademark of FTSE International Limited and Frank Russell Company.

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## MARKET TRENDS

### Trend of new housing starts in Japan

(10 thousand houses)



Source : Statics of new housing starts, Ministry of Land, Infrastructure, Transport and Tourism (2017/1-2019/1)

New housing construction level in Japan (year-on-year)

- Jul-Sep 2018 : -0.2%
- Jan-Sep 2018 : -3.3%

### Aluminum price trend



Assumption for the plan FYE2019  
JPY250,000/ton  
(approx. USD2,170/ton)

Source : Source: LME  
3 months (From January 1, 2017 to January 23, 2019)

### Copper price trend



Assumption for the plan FYE2019  
JPY733,000/ton  
(approx. USD6,300/ton)

Source : Source: LME  
3 months (From January 1, 2017 to January 23, 2019)

	Jan-Nov 2018 (11 months)		Apr-Nov 2018 (8 months)	
	Amount	YoY	Amount	YoY
<b>Total new housing starts</b>	<b>864,006</b>	-2.7%	<b>658,961</b>	-0.8%
Owner occupied(1)	258,820	-0.8%	197,974	0.0%
Rental homes	365,616	-5.3%	278,195	-3.9%
Condos for sale	100,964	-6.0%	78,307	0.1%
Detached houses for sale(2)	129,387	2.5%	97,127	3.8%
<b>Detached houses total(1)+(2)</b>	<b>388,207</b>	0.3%	<b>295,101</b>	1.2%

Foreign exchange rates	FYE2017 Results	FYE2018 Results	FYE2019 Forecast assumptions
US dollars	109.03 yen	110.81 yen	115 yen
Euros	119.37 yen	129.45 yen	135 yen

(yen per ton)

Results and assumptions	FYE2017 Results	FYE2018 Results	FYE2019 Forecast assumptions
Aluminum price (Purchasing price)	220,000	234,000	250,000
Copper price	510,000	639,000	733,000

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Link to Good Living

Cautionary Statements with Respect to Forward-Looking Statements  
Statements made in these materials with respect to plans, strategies and future performance that are not historical facts are forward-looking statements. LIXIL Group Corporation cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.