

For Immediate Release
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LIXIL Corporation

LIXIL Quarterly Profit Grows in Q3

- Revenue up year-on-year over nine-month period; profit down over nine-month period due to challenging macroeconomic conditions but shows upward trend from third quarter
- Profit growth expected to continue into fourth quarter due to strategic measures such as price optimization

Tokyo – LIXIL Corporation (“LIXIL”, TSE Code: 5938), maker of pioneering water and housing products, today announced its third quarter results for the fiscal year ending March 31, 2023.

CEO Statement:

We continue to face a challenging environment with the prolonged impact of the yen’s depreciation, high component prices, and supply chain challenges in Europe. However, while profits remain down year-on-year on a nine-month basis, we delivered improved profitability during the three-month third quarter period in line with our revised guidance. This reflects the impact of strategic measures we implemented earlier this year, in particular our price optimization measures in Japan. Looking ahead, demand in international markets could potentially weaken further, but we expect our price optimization measures to further positively impact profits in the fourth quarter.

Our focus now is on further shoring-up the resilience of our core businesses against macroeconomic trends, including by transitioning to more differentiated products, using new and differentiated materials in innovative ways, developing a more agile supply chain, and optimizing our business models, including in key international markets such as the US and China. These steps will help strengthen the foundation of our business, enabling us to capture sustainable growth in the future and deliver on our corporate purpose: making better homes a reality for everyone, everywhere.

- Kinya Seto, CEO, LIXIL

Q3 Summary

Revenue

Revenue for the nine-month period increased by 5% year-on-year to ¥1,123.8 billion. In Japan, revenue increased by 1% for both the three-month and nine-month periods. In international markets, revenue increased by 9% for the three-month period and 11% for the nine-month period, but decreased by 2.9% and 0.7% respectively after excluding the impact of foreign exchange.

Core Earnings

Core earnings for the nine-month period decreased by ¥40.8 billion year-on-year to ¥21.0 billion, reflecting the impact of ongoing challenging macroeconomic factors such as the depreciation of the yen and increased component costs. However, core earnings recovered on a quarterly basis due to the impact of strategic measures such as price optimization in Japan. Core earnings margin, therefore, declined by

3.9pp over the nine-month period but increased by 4.0pp from the second quarter.

Net Profit Attributable to Owners of the Parent

Profit for the quarter decreased by ¥30.5 billion year-on-year to ¥11.0 billion, reflecting the decrease in core earnings.

Performance by Business Segment and Region

Revenue from LIXIL Water Technology's (LWT) Japan business increased by 1.0% year-on-year for the nine-month period to ¥315.5 billion, reflecting the impact of price optimization measures and strong sales of renovation products. Demand for more efficient homes and improved lifestyles is driving renovation sales, which accounts for 49% of LWT's sales ratio in Japan, a 1.6pp increase year-on-year. Core earnings for the same period, however, declined by 16.9% year-on-year to ¥22.4 billion due to the impact of climbing cost of components.

Revenue from LWT's international business increased by 9.8% year-on-year for the nine-month period after factoring in the depreciation of the yen. Excluding the impact of currency exchange, revenue declined by 3%, reflecting lower demand in the Americas, China and parts of Europe. Core earnings for the same period decreased by 63.7% to ¥13.7 billion, impacted by lower sales and increased logistics and energy costs.

On a local currency basis over the nine-month period, revenue from the Americas declined by 7% due to lower demand in the housing market and customers adjusting their inventory levels to account for the slowdown. The region remains focused on increasing the ratio of renovation and direct-to-consumer sales to strengthen profitability. In EMEA, revenue growth remained flat as the Middle East experienced strong growth but parts of Europe experienced lower demand. The region continues to be impacted by supply chain issues but expects to phase these out by the end of the fiscal year. Revenue for China decreased by 16%, impacted by the effect of the market's zero-COVID policy on economic activity, while revenue in the Asia Pacific region increased by 17% as Vietnam, India and Thailand drive growth.

LIXIL Housing Technology's (LHT) revenue increased by 2.9% year-on-year for the nine-month period to ¥454.3 billion, driven by improved international operations and increased demand for renovation in Japan. Renovation sales currently account for 35% of LHT's sales ratio in Japan, a 1.1pp increase year-on-year. Core earnings for the same period declined by 49.3% year-on-year to ¥15.5 billion due to foreign exchange fluctuations and increased component prices. Core earnings improved significantly quarter-on-quarter, however, due to the impact of price optimization measures and strong sales of window sashes for renovation, increasing from ¥2.9 billion to ¥9.5 billion over the three-month period.

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