

For Immediate Release

July 29, 2022
LIXIL Corporation

LIXIL Q1 Revenue Rises, Profits Decline but Showing Recovery

- *Revenue increases on the positive effect of exchange rates, strong renovation-related sales in Japan, and economic recovery in the Asia-Pacific region*
- *Profits decrease due to high material and logistics costs and the negative impact of forex, but countermeasures are gradually taking effect with core earnings margin on a recovery trend*

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

CEO Statement:

“Our revenue for the first quarter increased year-over-year, mainly on the positive effect of foreign exchange rates and the growth of renovation-related sales in Japan, despite the impact of supply chain disruptions and lockdowns in China. We have been taking steps to optimize pricing to reflect increased costs due to inflation and the weaker yen, although the impact on the first quarter was limited. Meanwhile, logistics challenges in the US and Europe affected product deliveries. These factors resulted in a year-over-year profit decline. We expect ongoing countermeasures such as price optimization, strengthening our supply chain, shifting our sales strategy, and reducing fixed costs, as well as the downward trending market price of major raw materials, to have a positive impact in the third quarter onward.

Amid a continued tough operating environment, we have focused on organizational and business reforms in line with the priority initiatives of the LIXIL Playbook, our management direction. As a result, LIXIL has become a more resilient and agile organization and our financial position has improved. While we have been steadily expanding renovation-related sales in Japan, we will step up efforts to promote renovation, helping to improve homes and further contribute to decarbonization. We are committed to achieving sustainable growth while also solving social and environmental issues through our business activities, products, and services, and accelerating initiatives to deliver on our corporate purpose of making better homes a reality for everyone, everywhere.

Kinya Seto, CEO, LIXIL

Highlights for the first quarter

Revenue

Revenue for the first quarter increased 4% year-over-year to ¥360.3 billion due to the effect of foreign exchange rates, renovation sales growth in Japan, and progress in the recovery of economic activities in the Asia-Pacific (APAC) region. Revenue in Japan was ¥235.5 billion, remaining at the same level from the same period of the prior year. Renovation related sales ratio increased 0.7pp year-over-year to 41%. International revenue increased 11% year-over-year to ¥128.4 billion, rising 1.4% excluding forex impact.

Core Earnings

Core earnings in the first quarter declined by ¥16.1 billion from the same period last year to ¥7 billion.

This was due to higher materials costs and logistics fees, as well as increased costs to respond to supply chain disruptions. Core earnings margin deteriorated 4.7pp to 1.9%. However, core earnings margin is gradually recovering from April onward due to the effect of various countermeasures.

Net profit for the first quarter attributable to owners of the parent

Net profit for the quarter decreased ¥11.1 billion to ¥5.7 billion year-over-year primarily due to a decrease in core earnings.

Performance by Business Segment and Region

LWT's Japan revenue was ¥99.2 billion, matching the results of the previous year due to the recovery in renovation sales, supported by easing procurement issues for some equipment in the second half of the previous fiscal year. Core earnings was ¥7.3 billion and core earnings margin was 7.4%, slightly declining from the previous year due to increased costs to enable uninterrupted product deliveries despite the positive effects of price optimization and a higher sales ratio of mid-to-high-end products.

LWT's international revenue was little changed from the previous year in local currency terms and increased 9.3% year-over-year on a yen basis to ¥121.8 billion. Increased revenue in APAC offset the impact of logistics challenges and lockdowns in China. However, core earnings margin decreased 63% to ¥5.9 billion due to the impact of increased costs among other factors. Core earnings margin also deteriorated by 9.4pp to 4.8% but has been recovering every month since April due to the start of price optimization reflecting cost increases. The full effect of price optimization measures will be felt starting October of this year. In addition, the positive impact of a recent declining trend in raw material and fuel costs will begin to take effect next year. However, signs of this are already showing in the form of improved profit margins.

Although orders are robust, the market as a whole has weakened due to uncertainties surrounding the housing recession in the U.S. and Russia's invasion of Ukraine among other factors. Both the Americas region and the EMEA region saw a 3% decline in sales on a local currency basis mainly due to logistics challenges impacting product deliveries. In China, revenue declined 11% in local currency due to COVID-19 lockdowns in April and May. In the APAC region, revenue increased 25% in local currency led by India, Vietnam, and Thailand.

LIXIL Housing Technology (LHT) has integrated the Housing Technology Business, the Building Technology Business (LBT), and the Housing & Services Business (H&S) to accelerate growth and profitability improvement as well as strengthen collaboration between these businesses. As a result, LHT's earnings figures include all three businesses. Under the new reporting segment, LHT's revenue increased 2.6% year-over-year to ¥143 billion due to high renovation demand to make homes more efficient and enhance people's lifestyle. Core earnings margin decreased 5.1pp to 2.2% due to the significant impact of the weaker yen, including the impact on importing parts and products from factories outside of Japan, as well as higher raw material prices. As price optimization started in June with the full-scale revisions set to begin in October, the effect of these measures was not fully realized in the first quarter. However, structural reform measures and price optimization resulted in an improvement in the core earnings margin from the previous quarter. As a result, excluding LBT's and H&S's earnings, LHT generated revenue of ¥116.7 billion, core earnings of ¥3.5 billion, and core earnings margin of 3%.

LIXIL today issued the following notice on its [investor relations news page](#)*.

- Notice Regarding Change in Reporting Segments

*https://www.lixil.com/en/investor/ir_news/

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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.