

For Immediate Release

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LIXIL Corporation

## LIXIL Revenue and Profit Rise Amid Tough Operating Environment

- *Revenue rises on continued strong sales in the Americas, Europe and economic recovery in APAC despite Japan business partially impacted by procurement difficulties and logistics disruption*
- *Gross profit margin and core earnings margin improved for nine months, supported by increased operational agility, continued structural reforms and SG&A discipline despite year-over-year decline in the third quarter due to increased raw material prices and other costs*

**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, 2022.

### CEO Statement:

“This has been another challenging quarter, but we are pleased to deliver year-over-year revenue growth and profitability improvement for the last nine months on the back of strong sales growth in the Americas and Europe and economic recovery in Asia-Pacific. This was despite procurement difficulties and logistical disruptions impacting parts of the Japan business. Core earnings decreased this quarter from the previous year due to increased raw material prices and costs to deal with supply problems of various parts especially in Japan, but agile countermeasures such as ongoing efforts to enhance supply chain redundancy, digitalization, and structural reforms enabled us to address these challenges. We expect the tough operating environment to persist, but LIXIL’s fundamentals have never been more solid: our management direction and capabilities are firmly in place as we continue to navigate these challenges successfully.

To achieve sustainable growth in this environment, we are pursuing initiatives that strengthen our profitability, supply chain, agility, and resilience. At the same time, we see significant opportunities to make greater contributions on climate change mitigation through our business operation and products and services. Especially in Japan, where approximately 90 percent of homes do not meet energy efficiency standards, we see an important opportunity to improve insulation and energy efficiency of homes by providing high-performance windows and other solutions. We are pursuing this in a sustainable manner by promoting circular use of resources including the use of recycled materials in aluminum and resin sashes and developing products made of recycled materials. I’m confident we will achieve sustainable growth and provide long-term value for our stakeholders by offering differentiated products and services that make better homes a reality for everyone, everywhere.”

Kinya Seto, CEO, LIXIL

### Financial Highlights for the First Nine Months

#### Revenue

Despite a slowdown in the third quarter due to procurement difficulties and supply shortages that affected parts of the Japan business, consolidated revenue for the nine months increased 4% year over year to ¥1,074.4 billion, supported by the stable delivery of high-demand products and the continued strong performance of LIXIL Water Technology’s (LWT) international business. Revenue from the Japan

business decreased 2% year over year to ¥752.4 billion due to the impact of divestments in the previous fiscal year. Excluding the impact of the divestments, revenue rose 1% driven by continued robust demand for touchless products and products that enhance comfort amid growing interest in hygiene and renovation demand. Revenue from international operations increased 20% year over year to ¥337.7 billion, supported by continued strong demand in Europe and the Americas and economic recovery in the Asia Pacific region.

#### Core Earnings

Core Earnings decreased in the three-month Q3 period due to rising raw material prices exceeding the price increase at the start of the fiscal year and increased costs to deliver products without interruption, but measures to reduce SG&A expenses such as promotion of digitalization limited the impact. Core earnings for the nine months increased by ¥16.5 billion year over year to ¥61.8 billion due to sales growth in the Americas and Europe, the progress of structural reforms in Japan, and measures to reduce SG&A expenses since the beginning of the fiscal year. Gross profit margin improved by 1.0pp to 34.8%, and core earnings margin increased by 1.4pp to 5.7%. SG&A expenses rose by ¥6.9 billion year over year in the nine months due to sales growth, but the SG&A ratio improved by 0.4pp.

#### Net profit attributable to owners of the parent including discontinued operations

Net profit increased by ¥2.8 billion to ¥41.5 billion as a result of reduced volatility in business performance due to focus on core businesses.

Progress against the full-year guidance is 77% for core earnings and 88% for net profit.

#### Performance by Business Segment and Region

In LWT's Japan business, sales increased 4% year over year, supported by solid mid- to high-end price range products and renovation demand. Sales of touchless faucets and kitchens and vanities with touchless faucets continued to perform strongly due to increased interest in hygiene. The businesses' core earnings margin improved by 1.3pp to 8.6% due to a higher ratio of renovation-related sales and sales of products in the mid- to-high-end price range, and price optimization against continued surging raw material prices, as well as reduction in SG&A expenses. The ratio of renovation-related sales increased by 2.5pp to 47%.

Excluding the impact of divestments in the previous year, sales of LIXIL Housing Technology's (LHT) Japan business increased 2% due to higher renovation demand driven by the new lifestyle in the pandemic and increased time spent at home. TOSTEM brand's products for renovation performed strongly with sales of Rechent doors, Inplus windows, and IoT-enabled Smart Delivery Boxes rising 16%, 22% and 52%, respectively. The core earnings margin of the business improved by 1.1pp to 8.2% due to continued structural reforms and reduction in SG&A expenses. The ratio of renovation-related sales increased by 1.7pp to 35%.

Revenue of LWT's international business increased by 21%, driven by the strong performance of the Americas and Europe. Core earnings margin of the business rose by 2.4pp to 11.2% due to robust sales in the Americas and Europe, as well as price optimization and increased cost efficiency, including SG&A expenses. In the Americas, all sales channels were strong, with the wholesale channel particularly

performing well. Sales in the region grew 15%, exceeding the pre-COVID level and maintaining the momentum from the first half. Sales in EMEA markets were up 19%, supported by strong demand and the launch of GROHE QuickFix, a product portfolio tailored to DIY requirements, rising above the pre-COVID-19 level, with growth in all products and sales channels. Sales in China, where LIXIL continues to promote business structure reforms, rose 2% with GROHE products performing strongly in retail and e-commerce channels. In the Asia Pacific region, sales rose by 19% due to the recovery of economic activity, particularly in India and Indonesia, despite the impact of the spread of COVID-19 in some countries such as Vietnam and Thailand.

## **Business and ESG Highlights**

LIXIL is accelerating priority initiatives set out under its management direction and ESG initiatives to achieve sustainable growth over the long term. These efforts contribute to improving the company's profitability and financial position, as well as enhancing [the value it generates for stakeholders](#).

### **Improving Profitability of Japan Business by Expanding Differentiated Products:**

LHT is promoting the decarbonization of housing by improving the insulation of windows and doors of new and existing homes in Japan while offering differentiated products to achieve sustainable growth. In January, LIXIL announced the triple-glazed TW, a high-performance hybrid window, which will start selling in Japan in February. With about 60% of heat flowing out through windows and doors, triple-pane glass can reduce heat loss by about 80% compared to single-pane glass. Earlier this month, LHT also introduced new products for renovation in Japan: Replus high-insulation frame for all window types and an energy-efficient high-grade model for Rechent 3 entrance door. With the launch of TW, LHT has achieved its goal of launching high-performance windows for all its window series by the end of this fiscal year. LHT will continue to work to contribute to achieving carbon neutrality by 2050.

### **Accelerating Growth of International Water Technology Business:**

In EMENA, LIXIL is focused on driving growth by developing and delivering differentiated product and service propositions to each end-user segment. Responding to growing global do-it-yourself (DIY) demand, LIXIL's GROHE brand has launched the [GROHE QuickFix](#) series. Parallel to GROHE's offering for professional partners, GROHE QuickFix was created for consumers who conduct simple renovations and replacements themselves. With GROHE QuickFix, consumers get everything in one box—the product together with a tool for installation, an easy-to-understand installation manual with self-descriptive pictures, and a how-to video that can be retrieved via a QR code—allowing for easy installation and maintenance. Embodying GROHE's commitment to sustainability, QuickFix products deploy GROHE's proprietary water-saving technology that reduces the water flow by enriching the water with the air.

### **Improving Global Hygiene and Sanitation:**

LIXIL has [expanded the "Make a Splash!" partnership with UNICEF](#) to provide children and families in India, Indonesia, and Nigeria—three of the most populous countries—with access to safe, clean toilets and hygiene solutions. The partnership started in 2018 and has so far improved the sanitation and hygiene of 2.9 million people in communities in Ethiopia, Kenya and Tanzania. The "Make a Splash!" partnership aims to build viable sanitation and hygiene markets by expanding the availability, affordability and quality of goods and services. The partnership combines the two organizations' complementary strengths to support progress towards Sustainable Development Goal 6, achieving access to adequate and equitable

sanitation and hygiene for all and end open defecation by 2030.

**Driving Water Conservation and Climate Change Mitigation:**

To [achieve net-zero CO2 emissions](#) by 2050 and contribute to circular living, LIXIL is executing various initiatives across the company working with stakeholders. The company has been [selected for the Water Security A List 2021](#) published by CDP, a global non-profit organization that runs the world's leading environmental disclosure platform. This was in recognition of LIXIL's efforts to conserve water through its business activities, products and services, and to tackle global hygiene and sanitation issues. In addition, LIXIL's innovative business model that promotes renovation to improve energy efficiency of existing homes has won the Agency for Natural Resources and Energy Commissioner's Award at the 2021 Energy Conservation Grand Prize. The solution provides comprehensive support to local builders from demand generation to installation along with LIXIL's Super Wall construction method that enables insulation of an entire house. Further, TOSTEM Thai, which operates LHT's largest production site, was awarded the Level 5 certification for the Green Industry Project sponsored by the Ministry of Industry in Thailand. This program recognizes companies that have contributed to sustainable industrial development through continuous environmental initiatives within the organizations and their entire supply chains.

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\*Please see disclosures [here](#).

**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.