LIXIL
Link to Good Living

Medium-Term Business Plan
LIXIL G-16
(April 2014 - March 2017)

May 7, 2014
LIXIL Group Corporation

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.

Copyright © LIXIL Group Corporation, All rights reserved.

Contents

1. Management Vision, LIXIL G-15 Plan, and LIXIL G-16 Plan
2. Regional Business Plans
3. Operational Excellence
4. Shareholder Return & IFRS
5. Appendix

The target numbers of LIXIL G-16 are based on the assumption that GROHE becomes a consolidated subsidiary during the fiscal year ending March 2017 and that impact of amortization of goodwill is excluded.

Copyright © LIXIL Group Corporation, All rights reserved.

1. Management Vision, LIXIL G-15 Plan, and LIXIL G-16 Plan

Copyright © LIXIL Group Corporation, All rights reserved.

Management Vision

Commitment to our vision… continues

Management Vision

We will become the leading global company in the industry of housing and living environment

- **Revenue: Y3 trillion** (Y2 trillion domestic, Y1 trillion overseas)
- **OP Margin: 8%** (10% for the domestic existing businesses)

Delivered by "One LIXIL" Global Team

Copyright © LIXIL Group Corporation, All rights reserved.

LIXIL G-15 Plan (*Announced in May 2013)

Stage 1	Stage 2	Stage 3
Create "One LIXIL" (5 Company Integration)	Enable Growth	Global Excellence
March 2012 & 2013	March 2014 & 2015	March 2016 & Beyond

LIXIL G-15 Targets

Y bn	Mar-13	Mar-14	Mar-16
Revenue	1,436	1,570	1,750
OP	50	70	140
OPM (%)	3.5%	4.5%	8%
EBITDA*1	101	120	200
Net income	21	39	81
ROE (%)	3.9%	7%	over 10%
EPS (Yen)	73	134	270

*1. EBITDA = OP + Depreciation + Goodwill Amortization

Executing Our Game Plan

Copyright © LIXIL Group Corporation, All rights reserved.

2013 Accomplishments

1. Japan

- Added resources including approximately 200 employees to renovation business.
- Renovation sales grew by 14%, more than expected.
- Positive price/mix first time in this decade.
- Drove reform business to over 40% of total Home Center sales.
- Ken Depot sales grew by 35%.
- Added to financial service business.
  - –"*Flat 35*" and "*Zero Reform Loan*"
- Snow damage caused manufacturing disruption for kitchens, doors, and exteriors.

2. Global

- Determined voluntary adoption of IFRS.
- Acquired ASB and GROHE.
- Permasteelisa in Asia lacked predictability; leadership upgrades, new process.

3. Operational Efficiency

- Accomplished C-30 project as planned.
- Efforts continue with BT-16 Business Transformation projects identified.
- Started to improve efficiency of working capital by CCC (Cash Conversion Cycle) project.
- Reorganized the management to GMC*.

*Global Management Committee

G-15 Strategic Imperatives on Track
Some Environmental Changes

Copyright © LIXIL Group Corporation, All rights reserved.

Dynamics Going Forward / G-16

Environmental Changes Becoming More Challenging

- More than expected 2013 new housing starts may result in lower starts from 2014 to 2016. Japan sales volume assumption revised to downwards vs. flat <<G-15>>
- Renovation market remains robust <<no change from G-15>>
- FX rate assumption at Y105 vs. Y95 <<G-15>>
- Inflation of materials and labor

Countering with Company Initiatives

- Decision to adopt IFRS → Goodwill added back to EPS
- Acquisition of ASB and GROHE → Contribution to EPS driven by globalization
- Defined BT-16 and CCC → Drive Japan profitability and cash flow while a few headwinds added

Remain Committed to G-15 Strategic Imperatives and EPS 270 Yen for March 2016

Copyright © LIXIL Group Corporation, All rights reserved.

LIXIL G-16 Target toward March 2017

Y bn	Mar-14 (results)	Mar-15	Mar-16	Mar-17	Mar-17 vs. Mar-13
Sales	1,628.7	1,760	1,770	2,110	**1.5x**
OP	69.1	80	100	170	**3.4x**
OPM (%)	4.2%	5%	6%	8%	**+5%**
EBITDA *1	123.6	145	162	235	**2.3x**
EBITDA(%)	7.6%	8%	9%	11%	**+4%**
CCC *2 (Days)	88.5	75	61	55	**-**
ROA (%)	2.7%	3%	4%	5%	**+4%**
ROE (%)	7.6%	8%	10%	13%	**+9%**
EPS *3 (Yen)	172	200	270	344	**3.8x**

*1. EBITDA = OP + Depreciation + Goodwill Amortization
*2. Annual basis
*3. EPS is calculated using the average number of outstanding shares during the fiscal year ended March 2014. It is before amortization of goodwill. Goodwill amortization is Y9bn as provisional figure after Mar-15.

Driving toward Complete Transformation!

Copyright © LIXIL Group Corporation, All rights reserved.

Key Management Focus

1. Japan

<Core Business>

- Launch new products; close key gaps. (e.g. non-residential).

<Home Center / Ken Depot Business>

- Strengthen reform business.

<Service Business>

- Grow profitably in financial service business.

<Overall>

- Drive renovation market.
- Clean up low margin & non-core business.
- Improve SCM capability.

2. Global

- Focus on synergy creation.
- Expand into emerging markets.
- Clean up non-profitable businesses.

3. Operational Efficiency

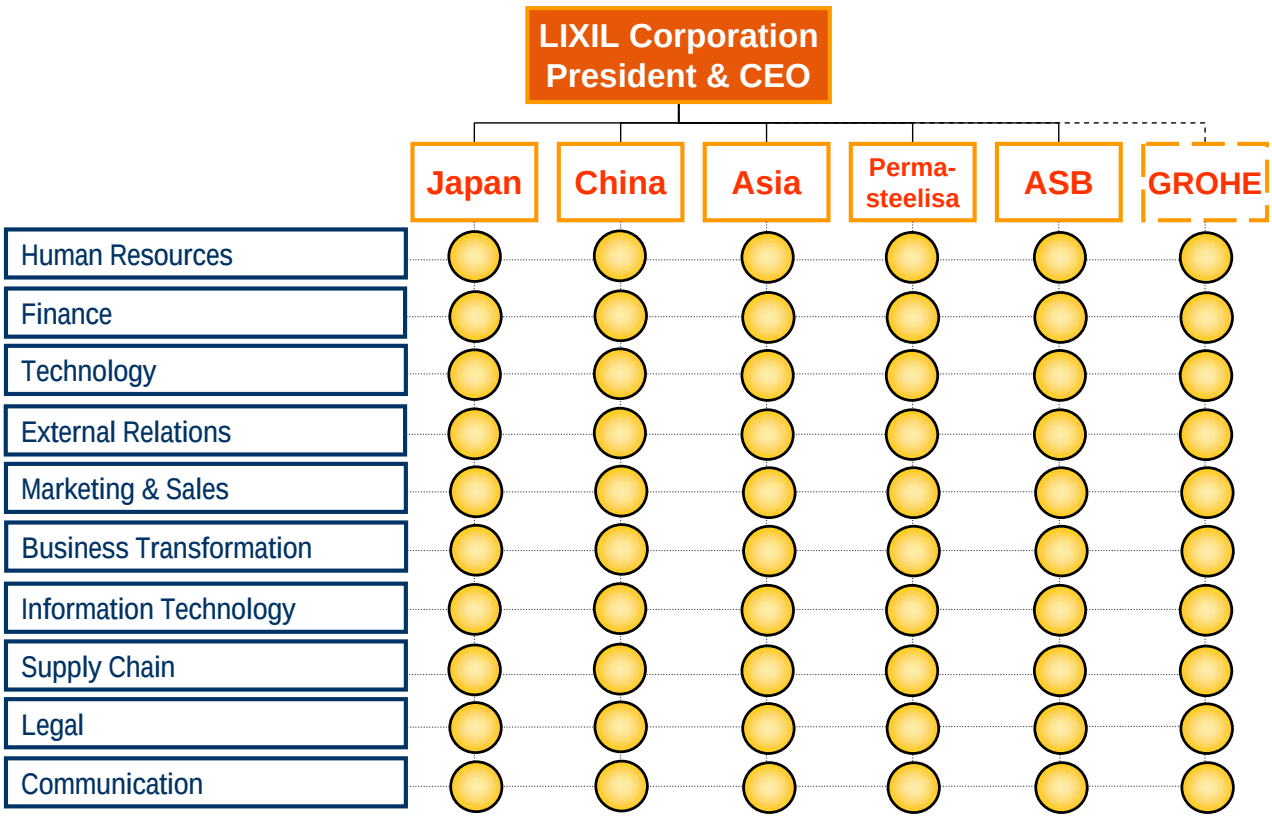
- Make GMC work - ”One LIXIL” globally.
- Functional excellence across the globe to enhance governance.
- Recruit, develop and retain global talents.
- Drive BT-16.
- Achieve CCC target.

➢ **Further Solidify Global No.1 Position in Plumbing Fixtures**

➢ **Become a Truly Global Company**

Copyright © LIXIL Group Corporation, All rights reserved.

Global Management Committee (GMC)



Asia includes Korea and India

Copyright © LIXIL Group Corporation, All rights reserved.

Building Functional Excellence… Key Focus

Human Resources	➢ Establish a truly global LIXIL with winning culture based on diversity, equal opportunity and meritocracy for all. Create "One LIXIL" culture with a set of LIXIL common values.
Finance	➢ Create a world class finance team and drive setting and achieving financial goals. Improve CCC and implement IFRS.
Technology	➢ Transform technology and product development from Japan centric to globally focused. Maximize efficiency and competitiveness.
External Relations	➢ Strengthen relationships with investors, governments and others to enhance business performance and to improve corporate values.
Marketing & Sales	➢ Create value through marketing & sales strategies in key markets across segments. Raise brand equity, create synergy and seek BD/alliance opportunities.
Business Transformation	➢ Drive initiatives to maximize efficiency and achieve cost reductions. Expand focus from Japan to Global. Assess and improve business portfolio.
Information Technology	➢Re-engineer QTR (quotation to remittance system) globally to drastically improve operational efficiency and sales performance.
Supply Chain	➢ Achieve truly globalized supply chain management to maximize efficiency and generate significant profit growth.
Legal	➢ Create a first class global legal team. Strengthen legal function capabilities including IP, M&A, risk, compliance, EHS, regulatory and government affairs.
Communication	➢ Enhance public recognition and reputation. Enhance internal communication to promote One LIXIL. CSR – Improve sanitation worldwide.

New Operating Model… GMC Launched



The venue for the first GMC meeting
GROHE Headquarters, Dusseldorf, Germany



One of 10 Functional Meetings

GMC Meeting with Business & Functional Leaders





Town Hall Meeting
at GROHE factory

Creating "One LIXIL"

Copyright © LIXIL Group Corporation, All rights reserved.

2. Regional Business Plans

Copyright © LIXIL Group Corporation, All rights reserved.

Regional Businesses

1 **Japan**

2 **Asia**

3 **Permasteelisa**

4 **ASB**

5 **GROHE**

Copyright © LIXIL Group Corporation, All rights reserved.

Japan

Results and Targets

(Unit: Ybn, %)			Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
Core Business	Sales	New homes	761.2	803.5	775	710	710
		Renovation	247.9	282.6	305	345	370
		Total	1,009.1	1,086.1	1,080	1,055	1,080
	OP		48.9	63.6	64	74	82
	OPM		4.8%	5.9%	6%	7%	8%
Retail & Distribution Business	Sales		175.4	195.1	203	215	240
	OP		2.3	5.3	8	11	14
	OPM		1.3%	2.7%	4%	5%	6%
Service Business	Sales		59.3	64.2	63	71	79
	OP		4.9	5.7	5	6	7
	OPM		8.3%	8.9%	8%	8%	9%
Total	**Sales**		**1,243.8**	**1,345.4**	**1,346**	**1,341**	**1,399**
	OP		**56.2**	**74.6**	**77**	**91**	**103**
	OPM		**4.5%**	**5.5%**	**6%**	**7%**	**7%**

■Core Business

New homes adjusted downward, reform kept robust growth

■Retail & Distribution Business

Pushed Ken Depot target

1 year out

■Service Business

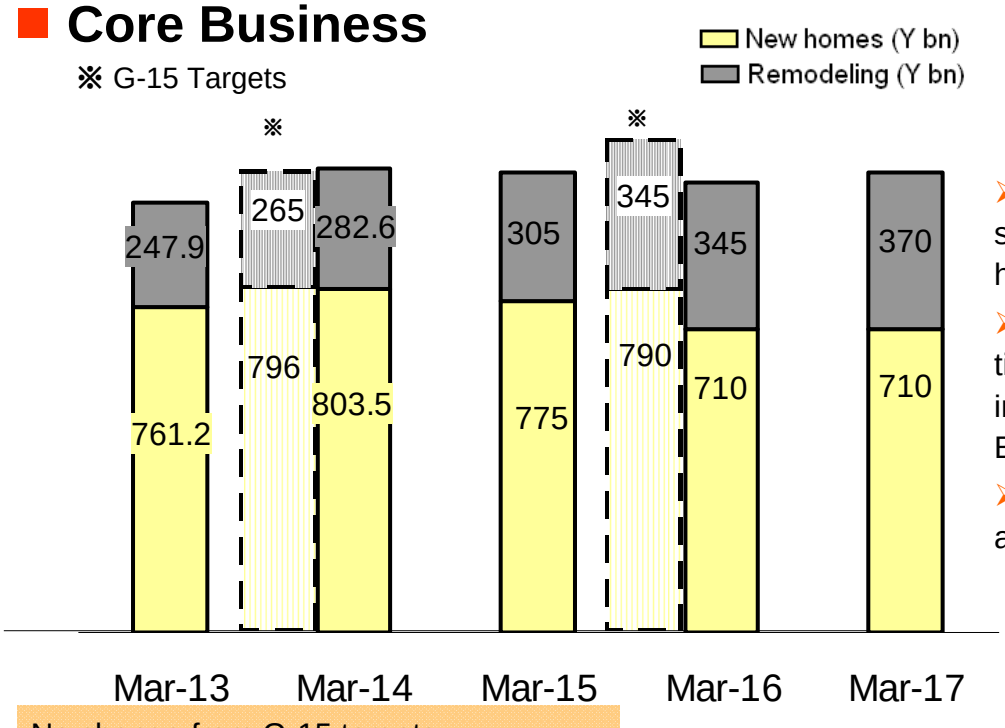
Intensify financial services

Copyright © LIXIL Group Corporation, All rights reserved.

Japan

■ Core Business

※ G-15 Targets



- Revised down the sales forecasts for new housing starts drastically
- Reconsidered the timing of profitability improvement after setting BT-16 project.
- Changed FX rate assumption.

No change from G-15 targets

Achieve Growth on OP Level by Shifting Sales Mix to Remodeling

Copyright © LIXIL Group Corporation, All rights reserved.

Overseas

Results and Targets

(Unit: Ybn, %)		Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
Asia *2	Sales	67.7	87.9	95	107	118
	OP *1	1.6	3.4	4.5	7	8
	OPM	2.4%	3.9%	5%	7%	7%
Permasteelisa	Sales	137.4	176.9	228	225	240
	OP *1	7.0	4.1	8.5	10	12
	OPM	5.1%	2.3%	4%	4%	5%
ASB	Sales	-	29.1	107	112	118
	OP *1	-	1.5	6	7	8
	OPM	-	5.2%	6%	6%	7%
GROHE	Sales	-	-	-	-	265
	OP *1	-	-	-	-	48
	OPM	-	-	-	-	18%
Total	**Sales**	**205.1**	**293.9**	**430**	**444**	**741**
	OP *1	**8.6**	**9.0**	**19**	**24**	**76**
	OPM	**4.2%**	**3.1%**	**4%**	**5%**	**10%**

*1 OP is before goodwill amortization
*2 Asia includes China, Southeast Asia, Korea and India

Copyright © LIXIL Group Corporation, All rights reserved.

Overseas

Asia

- China restructuring plan ongoing for higher profitability
- Driving synergies with Joyou and GROHE
- Margin improvement from supply chain efficiency across Asia
- China growth with focus on the largest property developers for Sanitary-ware and leverage the Haier retail network for Kitchens
- Capacity building of sanitary-ware and window production in Indonesia, Thailand and Vietnam to service high growth markets in Southeast Asia
- Increased growth opportunities in South Asia

Permasteelisa

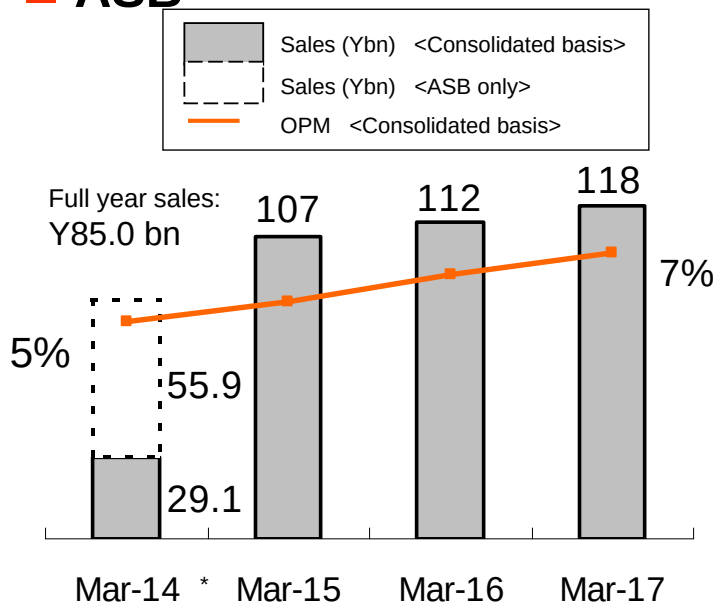
- Asia management and process issues fixed
- Seeking for better gross margin businesses
- Improved the regional mix to high margin market - North America
- Implement a Permasteelisa common platform for curtain wall project execution

Tracking to G-15 Target

Copyright © LIXIL Group Corporation, All rights reserved.

Overseas

ASB



*Consolidated only 4 months

- ✓ Acquired in August 2013
- ✓ Synergies split between ASB and LIXIL China
- ✓ Running about one year ahead of acquisition commitments

<Progress Update>

- ➢ DXV luxury brand extension rolling out to 450+ showrooms, excellent initial response from designers
- ➢ Ferguson partnership on track with introduction to 1,000 plumbing branches and 300 showrooms
- ➢ Aggressive new product plans with over $70 million in FY, including DXV spa-toilets*
- ➢ Synergy project on track for target US$30 million opportunity

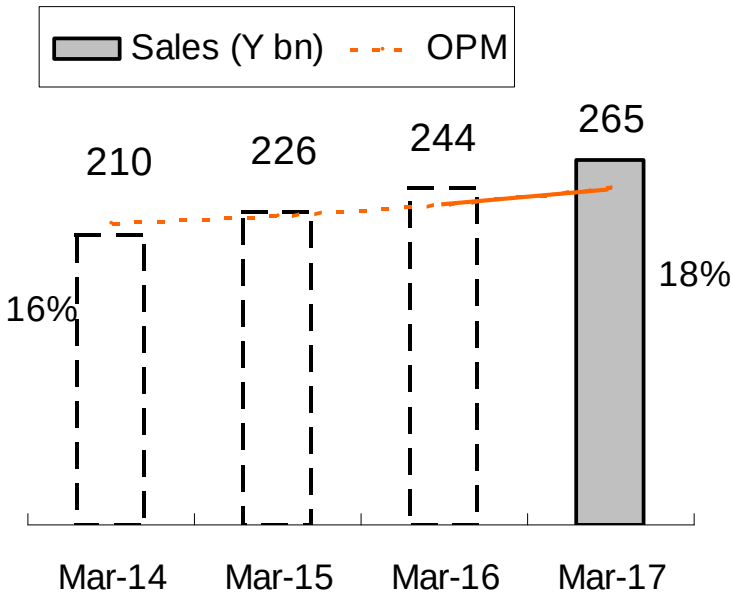
* spa-toilets = shower-toilets

Brand Expansion into Luxury Market
Product Innovation Leveraging Global IP
Superior Supply Chain

Copyright © LIXIL Group Corporation, All rights reserved.

Overseas

GROHE



- ✓ Invested in January 2014
- ✓ Not including synergies
- ✓ Equity Method (from April 2014)
- ✓ Assumed to consolidate (during the fiscal year ending March 2017)

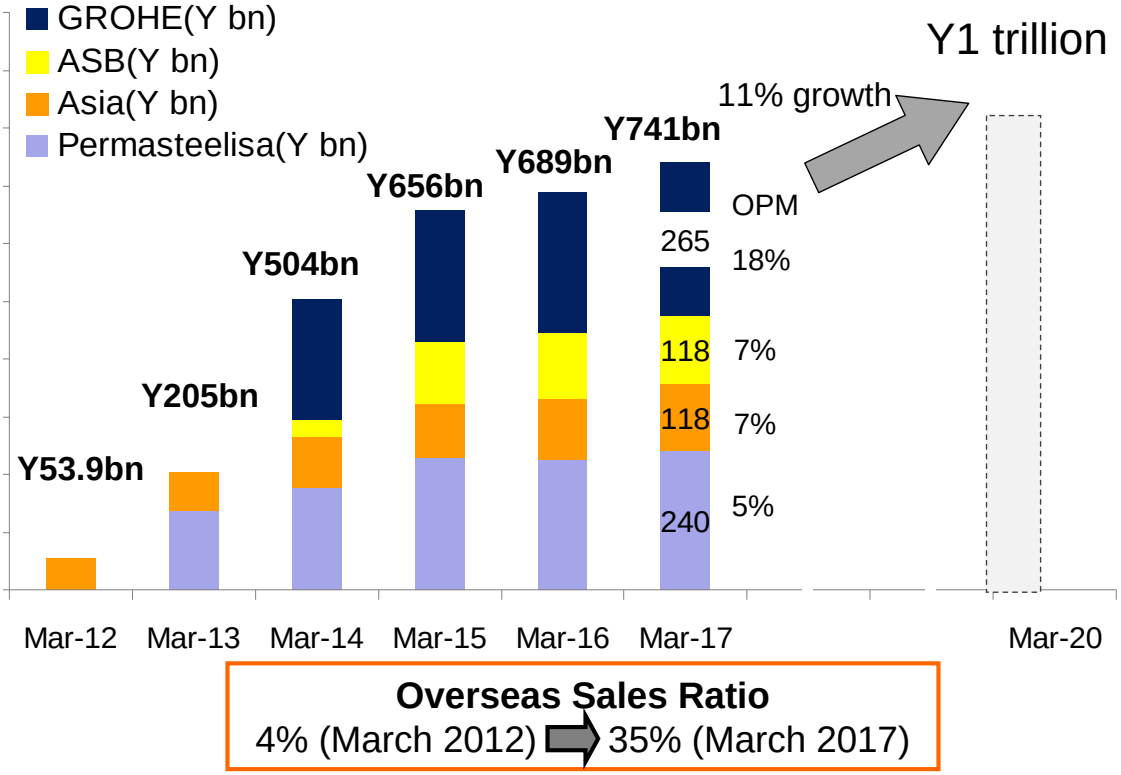
- ➢ Strong January to March results
- ➢ First GMC in Dusseldorf, shared best practices
- ➢ Significant synergy plays (GROHE SPA and GROHE Ceramics)
- ➢ GROHE excited to be part of LIXIL and about future growth
- ➢ GROHE strong management and metrics discipline
- ➢ GROHE proven to possess world class marketing and design capability

Continue to build GROHE as sustainable Global Market Leader
Exploit innovative technologies & design in multi - markets

Copyright © LIXIL Group Corporation, All rights reserved.

Overseas (Summary)

Projection for overseas sales of 1 trillion yen



Overseas Sales Ratio

4% (March 2012) ⇨ 35% (March 2017)

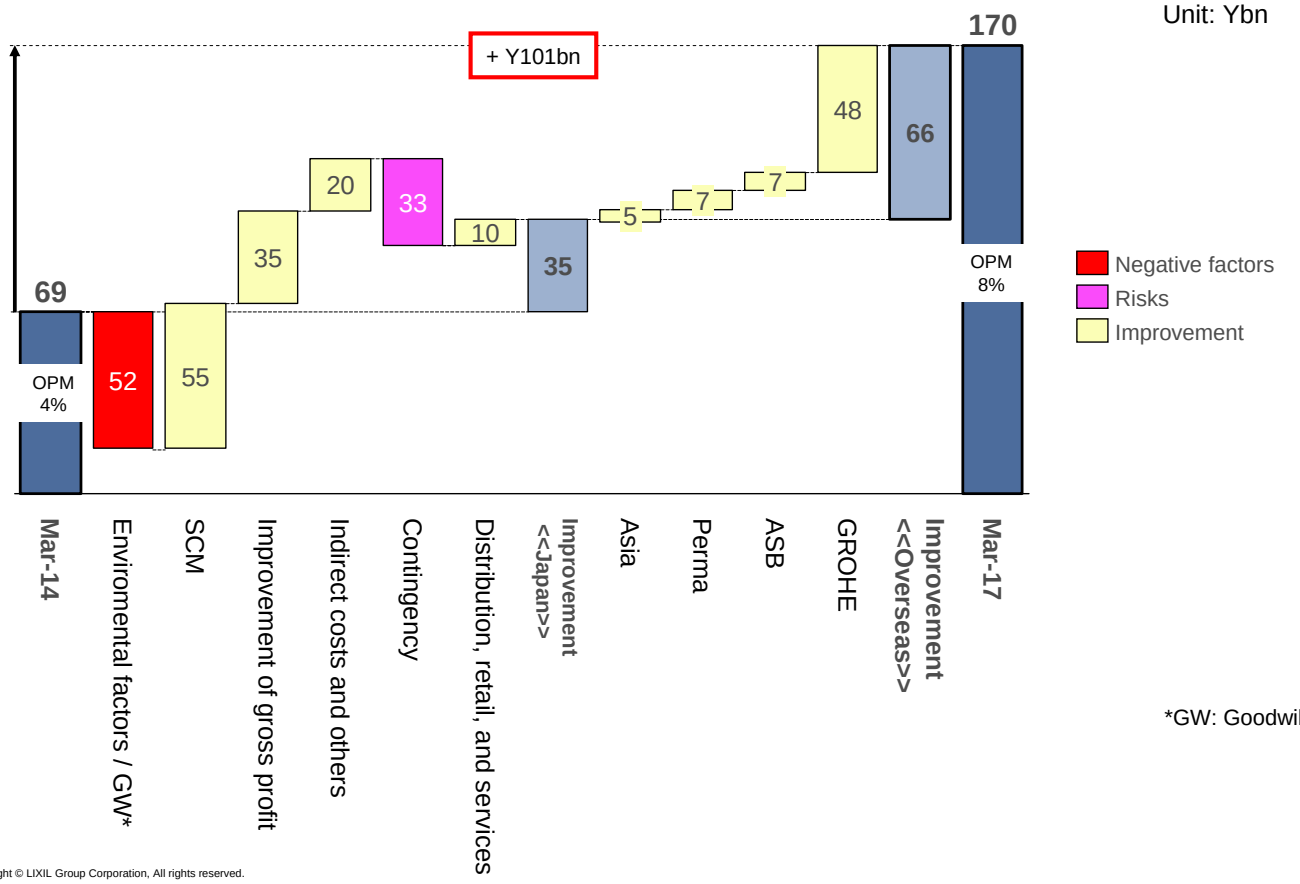
Copyright © LIXIL Group Corporation, All rights reserved.

3. Operational Excellence

Copyright © LIXIL Group Corporation, All rights reserved.

OP Improvement

Unit: Ybn



*GW: Goodwill

Copyright © LIXIL Group Corporation, All rights reserved.

OP-Improvement Efforts (Through MI-16, BT-16, Synergies, etc.*1)

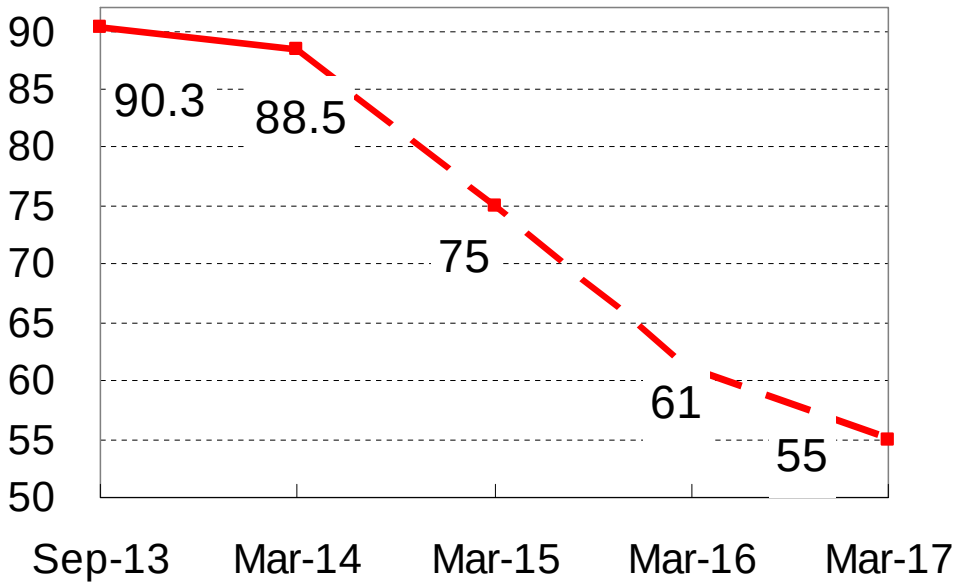
Categories	Major measures	Mar- 14 Target	Mar-16 Target *2
SCM	● Integrate sales and construction information ● Optimize production sites and logistic centers ● Improve logistics ● Strategic purchasing ● Effect of CCC improvement	Y3bn	Y55bn
Improvement of gross profit	● Reduce cost leakage with process visualization ● Optimize product portfolio	Y4bn	Y35bn
Indirect costs and other	● Improve process of sales support ● More efficient product development ● Cut SG&A	Y6bn	Y20bn
Internal target		-	+Y110bn
Contingency		-	-Y33bn
Core Business in Japan		Y13bn	Y77bn
Distribution, retail & services	●Growth driven by renovation and new services	Y2bn	Y10bn
Global	●Growth and synergy creation	Y10bn	Y66bn
Environment factors, HQ & Goodwill	●Effect of forex ●Raw materials ●Distribution, fuel ●Pricing ●Marketing cost ●Personnel expenses ●Decrease in new housing starts in Japan	-Y14bn	-Y52bn
Total		**Y11bn**	**Y101bn**

* 1 MI-16: Marketing & Innovation, BT-16: Business Transformation
* 2 Cumulative three year results

Copyright © LIXIL Group Corporation, All rights reserved.

Cash Conversion Cycle: Improve Efficiency

Unit: Days



- Moved on from initial planning to detailed planning and execution stage
- The target numbers are on annual basis
- 55 days will bring us closer to industry norm

March 2016 Target: Generate Y100bn FCF

Copyright © LIXIL Group Corporation, All rights reserved.

4. Shareholder Return & IFRS

Copyright © LIXIL Group Corporation, All rights reserved.

Impacts on EPS

Unit : Yen

	Mar-14	Mar-15	Mar-16	Mar-17
Asia	8	11	17	19
Permasteelisa	10	20	24	28
ASB	4	14	17	19
GROHE *1	-	18	26	75
Global Total	22	63	84	141
Japan & HQ/Elimination	150	137	186	203
TOTAL *2, *3, *4	172	200	270	344

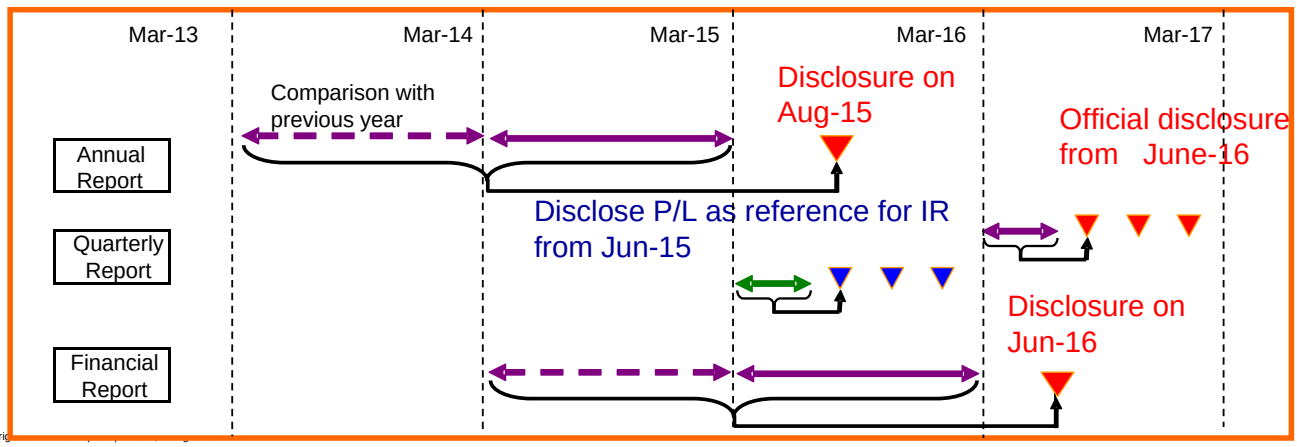
*1 Assumed to consolidate during the fiscal year ending March 2017, after adopting IFRS
*2 Amortization of goodwill is excluded
*3 Calculated using the average number of outstanding shares during the fiscal year ended March 2014.
*4 The distribution of goodwill and intangible assets is not confirmed. Amortization of goodwill in and after March 2015 is Y9 bn as provisional figure.

Copyright © LIXIL Group Corporation, All rights reserved.

Voluntary Adoption of IFRS

■Voluntary adoption of IFRS (International Financial Reporting Standards) is expected to start from the end of March 2016 (As announced on September 17, 2013)

Material	Disclosing info	Starting from	Disclosure
Annual Report	B/S P/L note	August 2015	March 15 (Also disclose Mar-14 for reference)
Quarterly Report	B/S P/L note	August 2016	June 2016
Financial Report	B/S P/L note	June 2016	March 2016



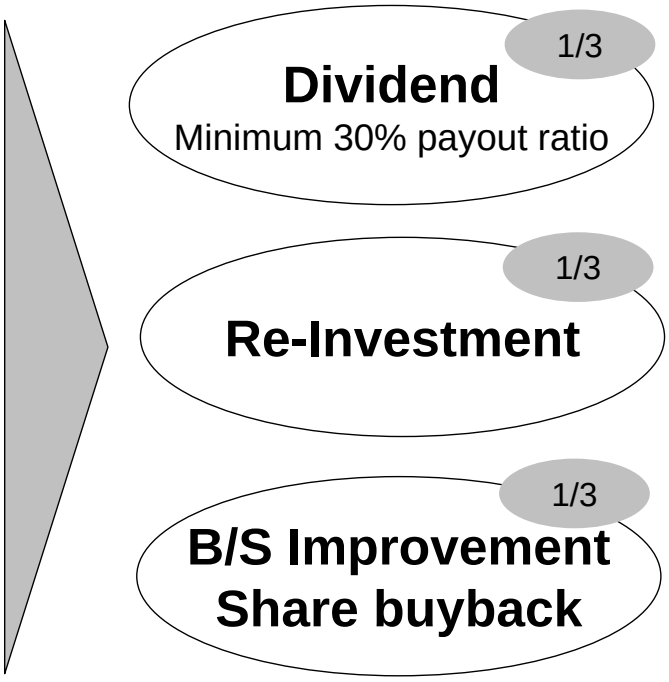
Driving Shareholder Return

Generating Cash…

- Achieve 8% OPM
- Achieve CCC target
- Portfolio management (Disposition/ Acquisition)

With…

- Clear strategic imperatives
- One team aligned to win
- Operational excellence
- Post merger integration



The basic policy is to enhance corporate value and to return to shareholders

Copyright © LIXIL Group Corporation, All rights reserved.

5. Appendix

Copyright © LIXIL Group Corporation, All rights reserved.

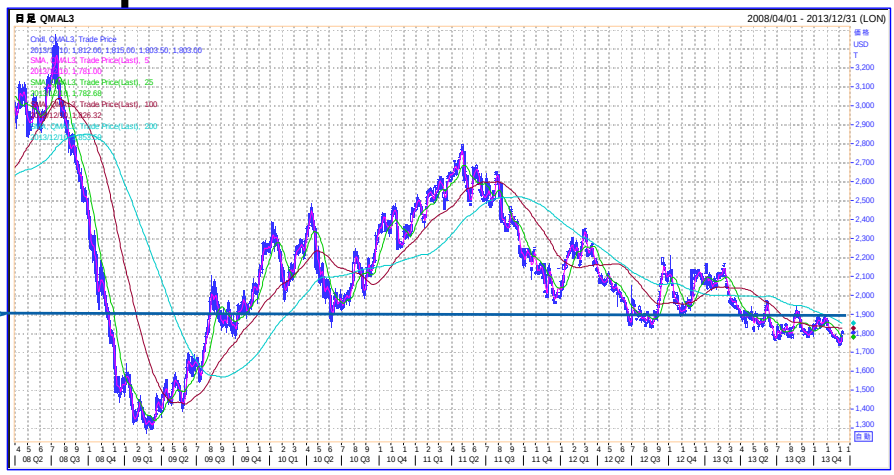
Environmental Factors: Key Assumptions

Foreign Exchange Rate Assumptions

Currency	Assumption
US Dollar	1(USD)=105(JPY)
Euro	1(EURO)=145(JPY)
Thai Baht	1(THB)=3.3(JPY)
Chinese Yuan	1(CHY)=17.5(JPY)

Aluminum Price Assumption

LME price assumption 1,900 USD/t



Copyright © LIXIL Group Corporation, All rights reserved.