Q3 Results for the Fiscal Year Ending March 31, 2018 (IFRS)

(From April 1, 2017 to December 31, 2017)

TSE Code: 5938

LIXIL Group Corporation

February 5, 2018

LIXIL Link to Good Living

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LIXIL Group has adopted IFRS since FYE2016

JGAAP	IFRS (LIXIL Group Financial Reporting)
	Continuing Operations
Net sales	Revenue
Cost of sales	Cost of sales
Gross profit	Gross Profit
SG&A	SG&A
Operating profit	**Core earnings (CE)**
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	Profit before tax
	Net profit for Continuing Operations
	Discontinued Operations
	Net Profit for Discontinued Operations
Net profit attributable to	Net profit attributable to
Non-controlling interests	Owners of the parent
Owners of the parent	Non-controlling interests

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

Revenues and profits/ losses from Permasteelisa S.p.A and its subsidiaries are presented under discontinued operations based on the share-transfer agreement in Q2 FYE2018. For comparison purposes, previously issued consolidated financial statements were also retroactively restated.

Q3 (3 month period) Key Performance Highlights

Profit for the quarter attributable to owners of the parent including discontinued operations up 19% YoY

Revenue up 3.8% YoY to JPY440.6bn(1)

- Driven by LWT Japan and Overseas (+8.5% YoY) and LKT Japan (+8.2% YoY)

Core earnings decreased 17.9% YoY to JPY28.0bn(1)

- Due to increase in strategic marketing investments, distribution costs from strong sales and price increases, and IT-related costs in Japan

Profit for the quarter attributable to owners of the parent increased by JPY4.2bn to JPY25.8bn

- One-off positive impact from this quarter (+JPY6.8bn)(2): gain on subsidiary share transfer, adoption of consolidated tax filing system in Japan (gain), the U.S. corporate tax reform (gain) and others
- Impact of LIXIL VIVA IPO in April 2017 leading to decrease of attributable profits (-JPY1.0bn)

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(1) Continuing operations basis
(2) For the one-off profit/loss items before tax, the approximate effect on profit for the quarter after tax is stated when the effective tax rate is set to 30%

Q3 (3 month period) Consolidated Business Results

Bottom line up 19% YoY despite core earnings decreasing 18% YoY due to positive impact from one-off transactions

		(A)	(B)-(A)	(B)	(C)	(C)-(B)		
	JPYbn	Q3 (3 months) FYE2017	Discontinued Operations	Q3 (3 months) FYE2017	Q3 (3 months) FYE2018	YoY		
		Reported	Difference(4)	After retroactive restatement	**Results**	Amount		%
						Forex	(C)-(B)	
Continuing Operations	**Revenue**	463.2	-38.7	424.6	**440.6**	6.5	16.0	*3.8%*
	Gross Profit	149.2	-3.1	146.2	**150.7**	2.3	4.5	*3.1%*
	(%)	*32.2%*	-	*34.4%*	***34.2%***	-	-0.2pp	-
	SG&A	-115.3	3.2	-112.1	**-122.7**	-1.8	-10.6	*9.5%*
	Core Earnings (1)	34.0	0.1	34.1	**28.0**	0.5	-6.1	*-17.9%*
	(%)	*7.3%*	-	*8.0%*	***6.4%***	-	-1.7pp	-
Incl. Discon'ed Ops	**Net Profit including Discontinued Operations(2)**	21.6	0.0	21.6	**25.8**	-	4.2	*19.4%*
Cont. Ops	**EBITDA(3)**	49.2	-0.9	48.3	**43.5**	-	-4.8	*-9.9%*
	(%)	*10.6%*	-	*11.4%*	***9.9%***	-	-1.5pp	-

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(1) Equivalent to "Operating profit" of JGAAP
(2) Profit for the quarter attributable to owners of the parent
(3) EBITDA: Core earnings+Depreciation (Excluding discontinued operations)
(4) Transferred to profit/loss for the quarter from discontinued operations (due to the decision of share-transfer of Permasteelisa S.p.A.)

Q3 (9 month period) Key Performance Highlights

Revenue and net profit are on track in Q3 despite lower profitability

Revenue up 2.4% YoY to JPY1,250.5bn(1)

- Driven by LWT, LKT and D&R despite impact from divestment and deconsolidation
- Japan business: new housing +2.9% YoY and renovation +1.6% YoY

Core earnings decreased 10.5% YoY to JPY68.6bn(1)

- Due to increase in strategic marketing investments, distribution costs from strong sales and price increases, and IT-related costs in Japan

Profit for the quarter attributable to owners of the parent was JPY 38.6bn, already reaching 90% of the full-year forecast

- Absence of one-off impact from previous year (-JPY5.3bn)(2): decrease in interest expense due to repayment of debt, positive impact from foreign-currency dominated debt conversion and others
- One-off positive impact from this year (+JPY6.8bn)(2): gain on subsidiary share transfer, adoption of consolidated tax filing system in Japan (gain), the U.S. corporate tax reform (gain) and others
- Impact of IPO of LIXIL VIVA IPO in April 2017 leading to decrease of attributable profits (-JPY2.7bn)
- Loss for the quarter from discontinued operations (-JPY11.3bn) (3) based on the decision of share-transfer of Permasteelisa S.p.A

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(1) Continuing operations basis
(2) For the one-off profit/loss items before tax, the approximate effect on profit for the quarter after tax is stated when the effective tax rate is set to 30%
(3) Amount of loss after tax recognized by measurement of the assets and liabilities of Permasteelisa S.p.A. and its subsidiaries at fair value and profit/loss from operations after tax

Q3 (9 month period) Consolidated Business Results

Results in line with full-year forecasts

Gross profit increased 3.1% YoY (improved 0.2pp), Core earnings decreased 10.5% and EBITDA decreased 3.5%

		(A)	(B)-(A)	(B)	(C)	(C)-(B)			(D)	(C)/(D)
	JPYbn	Q3 FYE2017	Discontinued Operations	Q3 FYE2017	Q3 FYE2018	YoY			FYE2018 Forecasts	Progress vs Plan
		Reported	Difference(4)	After retroactive restatement	**Results**	Amount Forex	Amount (C)-(B)	%	Full year forecasts	%
Continuing Operations	**Revenue**	1,333.7	-112.8	1,220.9	**1,250.5**	16.1	29.6	*2.4%*	1,680.0	*74%*
	Gross Profit	421.7	-6.9	414.8	**427.5**	5.6	12.7	*3.1%*	-	-
	(%)	*31.6%*	-	*34.0%*	***34.2%***	-	+0.2pp	-	-	-
	Core Earnings (1)	73.8	2.9	76.7	**68.6**	1.2	-8.0	*-10.5%*	93.0	*74%*
	(%)	*5.5%*	-	*6.3%*	***5.5%***	-	-0.8pp	-	*6%*	-
Including Discontinued Operations	**Net Profit including Discontinued Operations(2)**	45.7	0.0	45.7	**38.6**	-	-7.1	*-15.5%*	43.0	*90%*
	EPS (Yen)	159	0	159	**134**	-	-25	*-15.9%*	149	*90%*
Continuing Operations	**EBITDA(3)**	118.8	-0.2	118.7	**114.5**	-	-4.2	*-3.5%*	-	-
	(%)	*8.9%*	-	*9.7%*	***9.2%***	-	-0.6pp	-	-	-

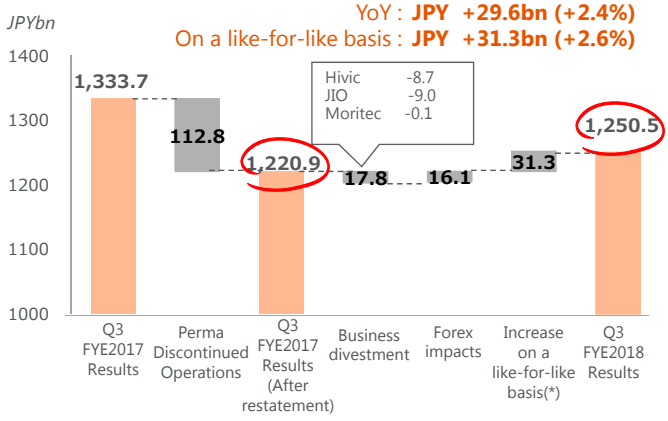
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(1) Equivalent to "Operating profit" of JGAAP
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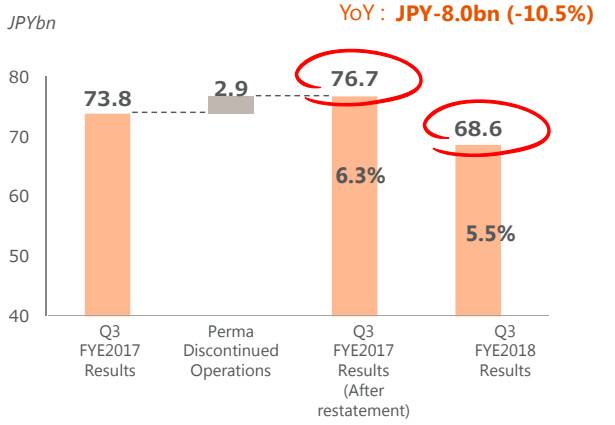
LIXIL Group Q3 (9 months) Highlights

Revenue increased by 2.6% YoY on a like-for-like basis(1), while core earnings decreased due to increase in IT-related costs, marketing investments aimed for future growth, and materials and distribution costs

Revenue



Core Earnings (CE)



Breakdown(2) of revenue increase on a like-for-like basis(*) :

- Japan JPY+20.9bn, Overseas JPY+11.7bn

- Japan JPY-3.8bn, Overseas JPY-3.2bn(2)

(1) Excluding divestment and forex impact
(2) The difference between the 'Increase on a like-for-like basis' and the 'Breakdown' in Revenue as well as the YoY difference and the breakdown between Japan and Overseas in Core Earnings (CE) are the amount of 'consolidation, adj. & others'

Net Debt Position

Continued focus on debt repayment and capital management priorities

JPYbn	(A) Mar-2017	(B) Dec-2017(2)	(B)-(A)	%
Cash and Equivalents	121.6	**126.1**	4.5	3.7%
Interest-bearing Debt	759.9	**712.4**	-47.5	-6.3%
Net Interest-bearing Debt	638.3	**586.3**	-52.0	-8.1%
Total Assets	2,042.2	**2,136.8**	94.7	4.6%
Equity Ratio (%)(1)	26.8	**29.0**	+2.2pp	-
Net Debt/Equity Ratio (%)	117	**95**	-22pp	-

Net interest-bearing debt decreased by JPY52.0bn

- Mainly due to repayment of JPY49.1bn debt in April 2017 and reclassification of assets to 'held for sale'

Total assets increased by JPY94.7bn

- Mainly due to increase in goodwill (new consolidation and forex impact) and increase in inventory

Equity ratio increased by 2.2pp

Net Debt/Equity ratio improved by 22pp (117% → 95%)

(1) Ratio of equity attributable to owners of the parent
(2) After reclassification of Permasteelisa S.p.A. and its subsidiaries to discontinued operations

Working Capital & Capex

Decrease in free cash flows mainly due to decrease in profit before tax and additional acquisition of shares in now fully owned subsidiaries in the Middle East as well as investments to increase ceramic production capacity for future growth

JPYbn	Q3 FYE2017	Q3 FYE2018	Increase/decrease
Profit before tax (2)	73.3	**43.7**	-29.6
Depreciation and amortization	45.0	**48.3**	3.3
Income taxes paid	-24.0	**-23.2**	0.8
Working capital	-12.7	**-8.6**	4.2
Others	0.5	**11.5**	11.0
Net cash flows from operating activities	82.2	**71.8**	-10.3
Net cash flows from investing activities	-37.6	**-47.9**	-10.3
(of which purchase of property, plant and equipment and intangible assets)	-45.2	**-44.5**	0.7
Free cash flows	44.6	**24.0**	-20.6
Net cash flows from financing activities	-22.2	**-13.8**	8.4
⋮	⋮	⋮	⋮
Cash and cash equivalents (Balance at the quarter end)	150.6	**126.1**(1)	-24.5

(1) After reclassification of Permasteelisa S.p.A. and its subsidiaries to discontinued operations
(2) Profit for the quarter before tax from continuing operations + profit for the quarter before tax from discontinued operations (9 months)

Ongoing Review of Business Portfolio and Simplification of Organizational Structure to Support Long-Term Growth

Transactions and decisions made in Q3 FYE2018

Company/ transaction	Segment	Timing of implementation	Reasons for the sale/ acquisition
LIXIL–Haier Housing Products 100% share transfer	LKT overseas	Dec 2017	To enhance operational efficiency and create group synergies
GraceA Absorption type merger	LWT Japan	Mar 2018 plan	To accelerate the speed of decision-making

We continue efforts to simplify and improve the balance sheet to build the foundation for growth

*Status of share transfer of Permasteelisa S.p.A is reported in LBT section of "Q3 FYE2018 Business Update" slide 17

Q3 FYE2018 Business Update



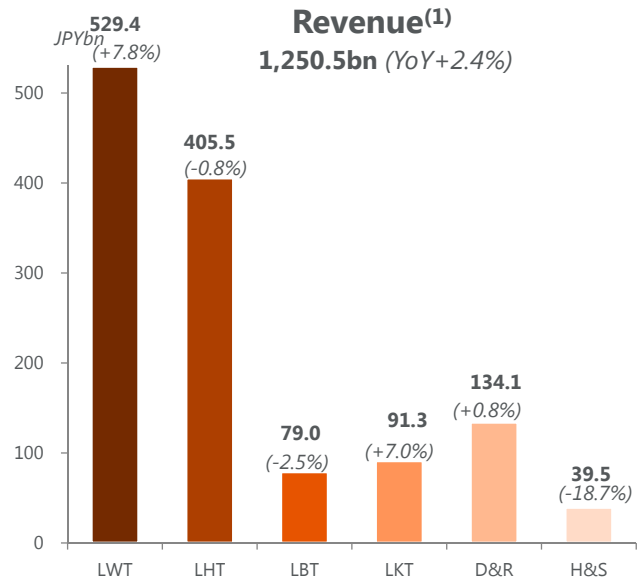


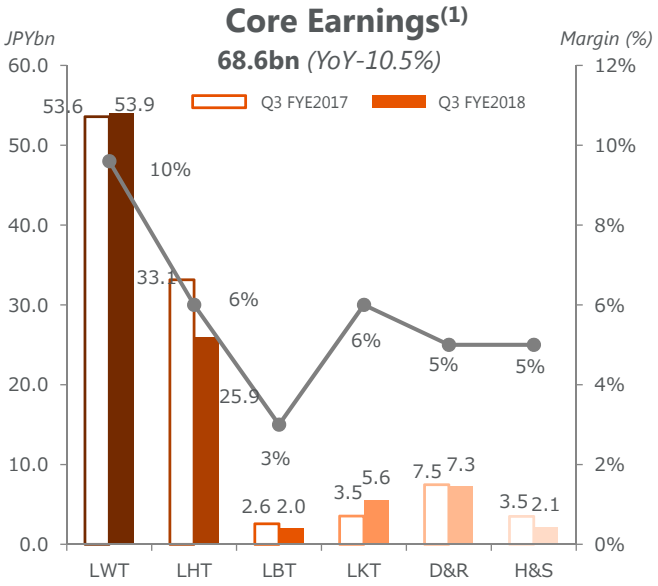




LIXIL Group Earnings by Business

Revenue increased by 2.4% YoY and core earnings decreased by JPY 8.0bn, -10.5% YoY





*Line graph shows core earnings margin for Q3 FYE 2018

(1) Revenue and core earnings from Permasteelisa S.p.A and its subsidiaries are not included because these are classified to discontinued operations based on the share-transfer agreement from Q2 FYE2018

Business Environment Update

Momentum in key regions supported by housing market conditions

Japan

- Q3 new housing starts decreased by 1.3% YoY
- MLIT promoting DIY property renovations
- Stimulation of renovation sector is expected within the broader housing market with the start of the "Reliable R" housing system
- Shortage of installation workers
- Declining population and aging society

Asia Pacific

- Increasing brand recognition amongst China's consumers for LWT product lines with rising middle class a key catalyst for future demand
- Ongoing weak demand in Thailand given political landscape
- Slower than expected recovery in India due to currency reform and impact of GST transition, but recovery is expected

Europe

- Investment in new building and renovation driven by low interest rate environment
- Increasing demand for eco-friendly and water-saving technologies driving LWT revenues in Europe and globally
- Shortage of installation workers and products is bottleneck for sales expansion in Germany

Americas

- Favorable construction market conditions continuing to drive construction, supporting water technology sales
- Increasing demand for ceramics
- Inflationary headwinds to continue
- Robust market supports growing momentum for renovation

- Increase in raw materials prices

LIXIL Water Technology

Revenue and core earnings increased, which was driven by Japan, Europe and China

Apr-Dec In JPYbn		Q3 FYE2018	YoY	*Like for like*	FYE2018 (forecast)	
Revenues by Region(1)	Americas	103.7		*+2%*	*+6%*	
	EMEA	108.5		*+5%*	*+5%*	
	Asia Pacific	70.8		*+5%*	*+15%*	
	Japan	246.0		*+6%*	*+0%*	
	Adjustments	0.4				
	LIXIL Water Technology	**529.4**	+8%	*+8%*	**703.0**	+6%
Core Earnings(1)	**LIXIL Water Technology**	**53.9**	+1%		**67.0**	+3%
	Margin	*10%*	-0.7pp		*10%*	

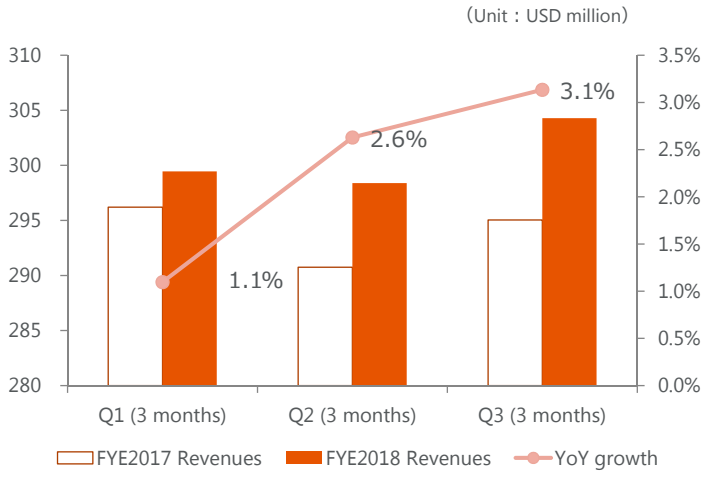
- Q3 revenue increased by JPY38.2bn or 8% YoY
- Americas: Capacity shortage steadily being addressed
- EMEA: On track to achieve its full-year forecasts, which is driven by Europe (+10% YoY)
- Asia Pacific: Sales growth continues to exceed 10% YoY in China
- Japan: Sales growth continues exceeding its full-year forecasts
- Increase of core earnings is slow due to increase in strategic marketing investment and distribution costs from strong sales and price increases in Japan and overseas

(1) Region: Management basis, Total: Statutory basis
Currency : Q3 FYE2018 1USD=111.82JPY, 1EUR=128.59JPY, FYE2018 (Region) 1USD=115JPY, 1EUR=120JPY

Business Update - LWT-Americas

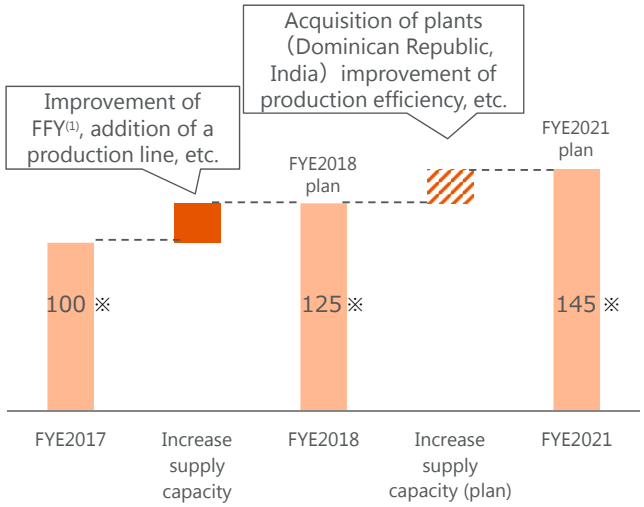
Steady progress in preparing for implementation of the Medium-term Strategic Plan starting from FYE2019

Quarterly trends in revenues



* Left axis: Quarterly revenues in local currency
Right axis: YoY quarterly growth for revenues against the same quarter a year ago

Progress in response to shortage of ceramics supply capacity



※ Values are presented, given the product supply capacity for our North America region at Mar 2017 is 100

(1) FFY = First Fire Yield
(2) Future plans for increasing supply capacity is continually reviewed, aimed at achieving the optimum level of investment for future demands expected by considering market demands and other circumstances. Therefore, the plan is subject to change over time.

LIXIL Housing Technology

Revenue on a like-for-like basis increased while core earnings decreased due to upfront investment for future growth

Apr-Dec In JPYbn		Q3 FYE2018	YoY	FYE2018 (forecast)	
Revenues by Region	Japan	394.5	-2% *like-for-like: +1%(1)*		0%
	Overseas	11.0	-		-
	LIXIL Housing Technology	**405.5**	-1% *like-for-like: +1%(1)*	**537.0**	-1%
Core Earnings	**LIXIL Housing Technology**	**25.9**	-22% *like-for-like: -21%(1)*	**41.5**	+6%
	Margin	*6%*	-1.7pp	*8%*	

- Decrease in revenue by JPY3.2bn or 0.8% YoY, impacted by divestment of HIVIC (-JPY8.7bn) in previous year, but increase in revenue on a like-for-like basis
- Decrease in core earnings by JPY7.2bn YoY due to advance introduction of SG&A expenses (increase in IT-related costs, focus on marketing and others) and impact of price increase for raw materials (aluminum ingot and petrochemical product) and distribution costs

(1) Excluding impact of divestment

LIXIL Building Technology

Revenue and core earnings are on track. Proceedings for share transfer of Permasteelisa is also steadily moving forward

Apr-Dec In JPYbn		Q3 FYE2018	YoY	FYE2018 (forecast)	
Revenues by Region	Japan	78.8	-2%		-1%
	Overseas	0.2	-58%		-95%
	LIXIL Building Technology	**79.0**	-3%	**109.0**	-1%
Core Earnings	**LIXIL Building Technology**	**2.0**	-22%	**4.0**	-26%
	Margin	*3%*	-0.6pp	*4%*	

- Continuous efforts for selective order intakes
- Revenue and core earnings for Permasteelisa S.p.A and its subsidiaries are classified to <Discontinued Operations> from Q2 FYE2018 based on the share-transfer agreement (August 2017)
- Progress of procedures for share-transfer of Permasteelisa S.p.A
  - ✓ Clearance for competition law was given by authorities of all three countries: US, China, and Russia
  - ✓ Review by the Committee on Foreign Investment in the United States(CFIUS) is on-going

We will continue to aim for closing in FYE2018, and proceed with various procedures

LIXIL Kitchen Technology

Strong performance in Japan continues driving margin improvement. Core earnings achieved its full-year forecast in Q3

Apr-Dec In JPYbn		Q3 FYE2018	YoY	FYE2018 (forecast)	
Revenues by Region	Japan	84.4	+7%		0%
	Overseas	6.9	+2%		+9%
	LIXIL Kitchen Technology	**91.3**	+7%	**115.0**	+0%
Core Earnings	**LIXIL Kitchen Technology**	**5.6**	+57%	**5.0**	+16%
	Margin	*6%*	+1.9pp	*4%*	

- Strong sales of key product series for mid to high-end price range (*Richelle* and *Alesta*) supported by successful TV campaigns in Japan and new product launches
- Growth in sales for small modular kitchens is supported by continued increase in demand for rental apartments
- Announced 100% share transfer of LIXIL–Haier Housing Products (Dec 2017)(1) LKT business in China will be continued under LIXIL brands
- Core earnings increased due to strong growth in sales and high utilization ratio in production facility

(1) News release announced on Dec 21 http://www.lixil.com/en/news/pdf/171221%20LIXIL%20Press%20Release_E.pdf

Distribution & Retail and Housing & Services

Revenue increased, core earnings were down due to one-off expense

Apr-Dec In JPYbn		Q3 FYE2018	YoY	FYE2018 (forecast)	
D&R	Revenue[1]	134.1	+1%	183.0	+6%
	Core Earnings[1]	7.3	-3%	9.0	+23%
	Margin	5%	-0.2pp	5%	

- Q3 D&R revenue flat YoY
- Core earnings decreased due to one-off expense despite increase of profits from renovation related products and cost reduction effort at existing stores

Steady performance of existing businesses despite deconsolidation of subsidiaries

Apr-Dec In JPYbn		Q3 FYE2018	YoY	FYE2018 (forecast)	
H&S	Revenue	39.5	-19% *like-for-like: -0.2%[2]*	57.0	-11% *like-for-like: +9%[2]*
	Core Earnings	2.1	-39%	3.5	-21%
	Margin	5%	-1.8pp	6%	

- Q3 revenue and core earnings impacted by deconsolidation of JIO Corporation

(1) Disclosed as of IFRS basis
(2) Excluding impact of deconsolidation of subsidiaries

Appendix

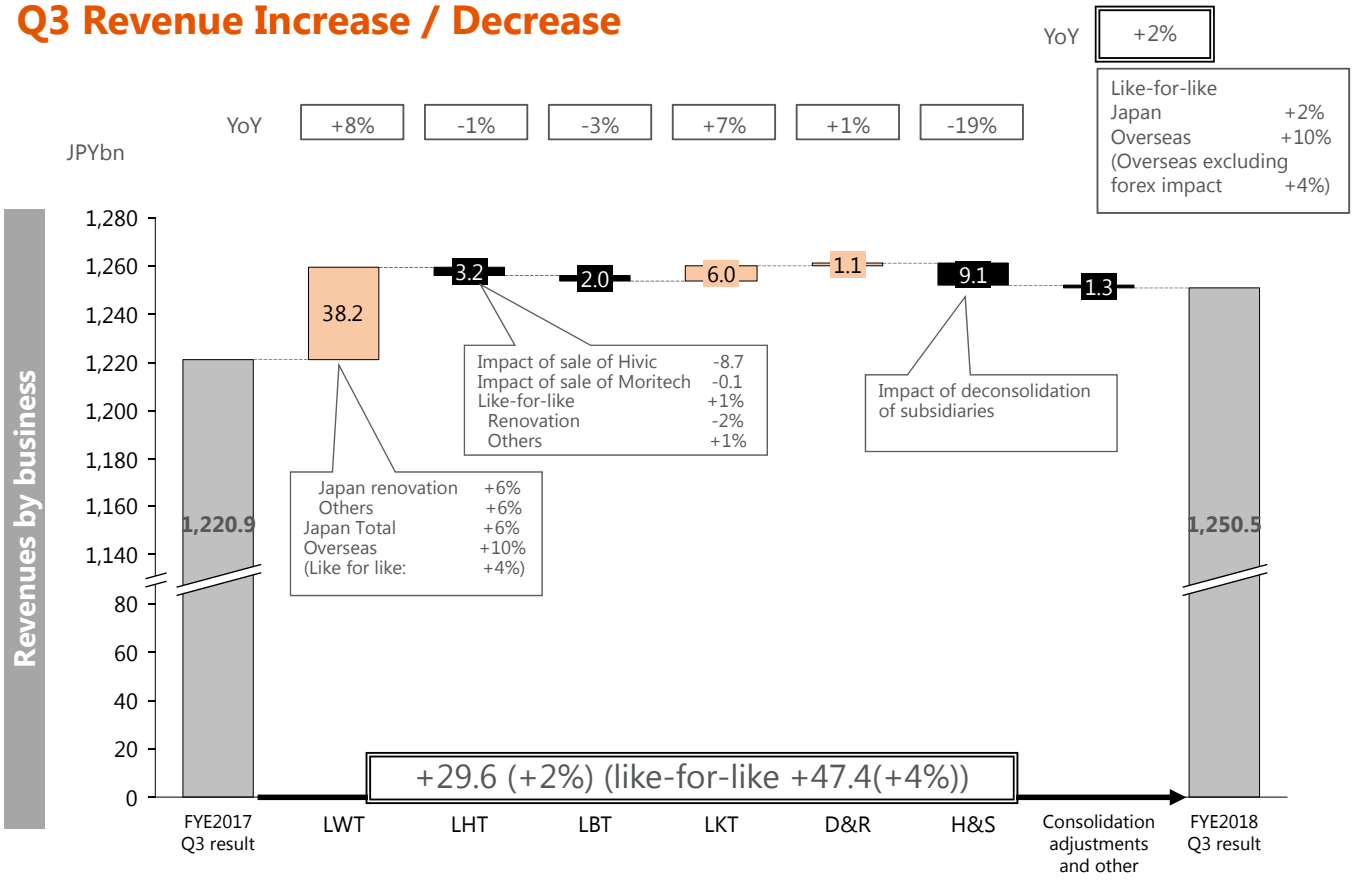




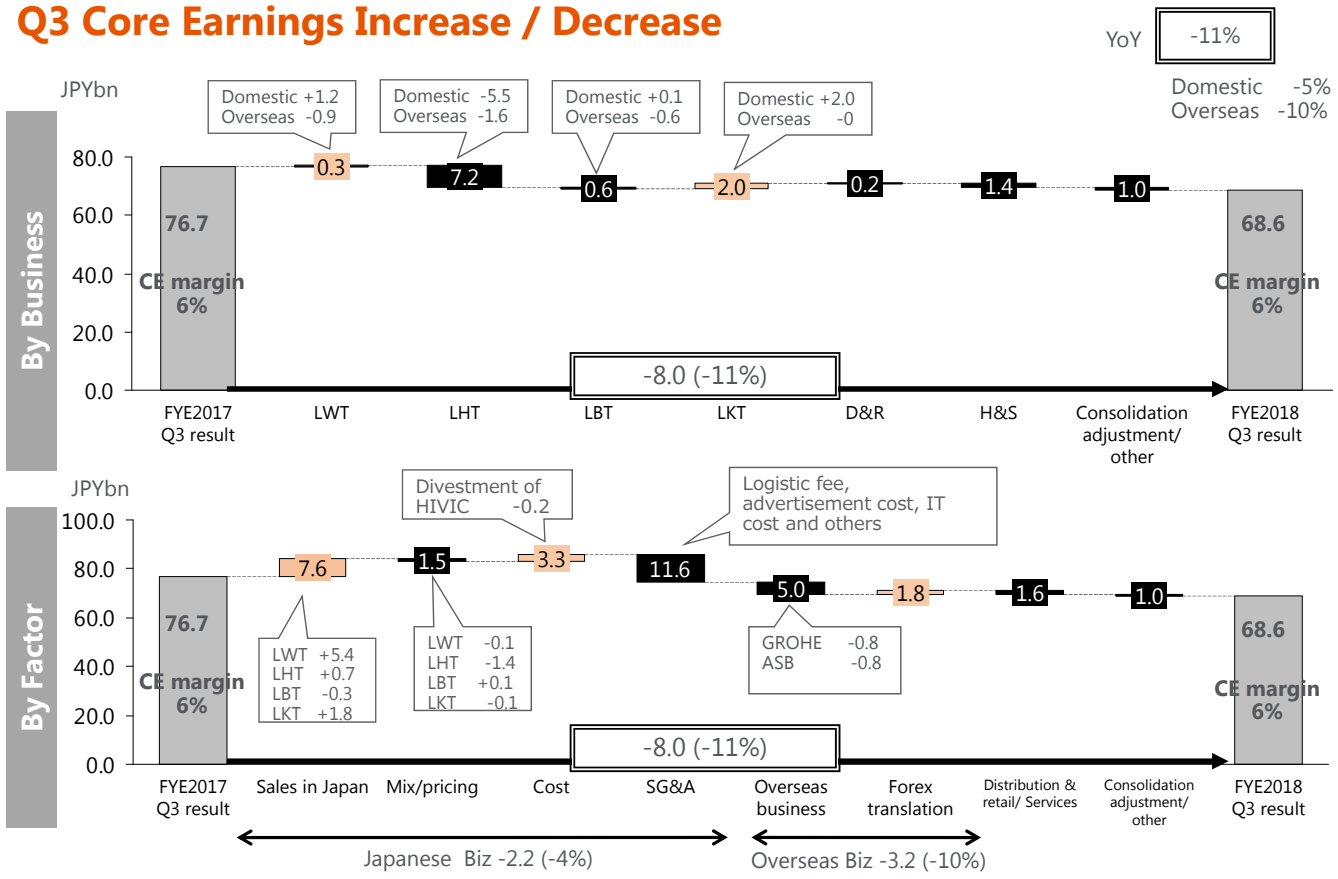




Q3 Revenue Increase / Decrease



Q3 Core Earnings Increase / Decrease



Results and Forecasts by Segment

Unit: JPYbn		Q3 FYE2017 Results[1]			Q3 FYE2018 Results[1]				FYE2017 Results[1]			FYE2018 Forecasts			
		Japan	Overseas	Total	Japan	Overseas	Total	Total YoY%	Japan	Overseas	Total	Japan	Overseas	Total	Total YoY%
LWT	Revenue	232.5	258.7	**491.2**	246.0	283.4	**529.4**	7.8%	313.1	349.3	**662.4**	312.0	391.0	**703.0**	6%
	Core earnings	23.4	30.1	**53.6**	24.6	29.3	**53.9**	0.6%	30.5	34.6	**65.1**	28.0	39.0	**67.0**	3%
	CE margin	*10.1%*	*11.6%*	***10.9%***	*10.0%*	*10.3%*	***10.2%***	-0.7	*9.7%*	*9.9%*	***9.8%***	*9%*	*10%*	***10%***	-0
LHT	Revenue	400.9	7.8	**408.6**	394.5	11.0	**405.5**	-0.8%	531.9	12.2	**544.1**	530.0	7.0	**537.0**	-1%
	Core earnings	31.6	1.6	**33.1**	26.0	-0.1	**25.9**	-21.7%	37.7	1.5	**39.2**	41.5	0.0	**41.5**	6%
	CE margin	*7.9%*	*20.4%*	***8.1%***	*6.6%*	-	***6.4%***	-1.7	*7.1%*	*12.0%*	***7.2%***	*8%*	-	***8%***	+1
LBT	Revenue	80.4	0.6	**81.0**	78.8	0.2	**79.0**	-2.5%	109.6	0.7	**110.4**	109.0	0.0	**109.0**	-1%
	Core earnings	2.9	-0.3	**2.6**	3.0	-0.9	**2.0**	-21.8%	5.6	-0.2	**5.4**	4.0	0.0	**4.0**	-26%
	CE margin	*3.6%*	-	***3.2%***	*3.8%*	-	***2.6%***	-0.6	*5.1%*	-	***4.9%***	*4%*	-	***4%***	-1
LKT	Revenue	78.6	6.7	**85.3**	84.4	6.9	**91.3**	7.0%	106.5	8.3	**114.7**	106.0	9.0	**115.0**	0%
	Core earnings	3.4	0.2	**3.5**	5.4	0.1	**5.6**	56.9%	4.2	0.1	**4.3**	5.0	0.0	**5.0**	16%
	CE margin	*4.3%*	*2.5%*	***4.2%***	*6.4%*	*2.0%*	***6.1%***	+1.9	*3.9%*	*1.5%*	***3.8%***	*5%*	-	***4%***	+1
D&R	Revenue	133.0		**133.0**	134.1		**134.1**	0.8%	172.0		**172.0**	183.0		**183.0**	6%
	Core earnings	7.5		**7.5**	7.3		**7.3**	-2.9%	7.3		**7.3**	9.0		**9.0**	23%
	CE margin	*5.6%*		***5.6%***	*5.4%*		***5.4%***	-0.2	*4.2%*		***4.2%***	*5%*		***5%***	+1
H&S	Revenue	48.7		**48.7**	39.5		**39.5**	-18.7%	64.4		**64.4**	57.0		**57.0**	-11%
	Core earnings	3.5		**3.5**	2.1		**2.1**	-38.6%	4.4		**4.4**	3.5		**3.5**	-21%
	CE margin	*7.2%*		***7.2%***	*5.4%*		***5.4%***	-1.8	*6.9%*		***6.9%***	*6%*		***6%***	-1
Consolidation, adj. & other	Revenue			**-26.9**			**-28.2**	-			**-34.8**			**-24.0**	-
	Core earnings			**-27.1**			**-28.2**	-			**-36.0**			**-37.0**	-
LIXIL Group	Revenue	974.0	273.8	**1,220.9**	977.2	301.5	**1,250.5**	2.4%	1,297.5	370.5	**1,633.2**	1,297.0	407.0	**1,680.0**	3%
	Core earnings	72.2	31.6	**76.7**	68.4	28.4	**68.6**	-10.5%	89.8	36.0	**89.8**	91.0	39.0	**93.0**	4%
	CE margin	*7.4%*	*11.5%*	***6.3%***	*7.0%*	*9.4%*	***5.5%***	-0.8	*6.9%*	*9.7%*	***5.5%***	*7%*	*10%*	***6%***	+0

(1) Restated Q3 FYE2017 results and full year FYE2017 results due to the reclassification of Permasteelisa and its subsidiaries to discontinued operations based on the share-transfer agreement. Figures for FYE2017 are preliminary

Q3 Other Income and Other Expenses, Finance Income and Finance Costs

JPYbn	Q3 FYE2017	Q3 FYE2018	Increase/ decrease	Note
Rental income	4.9	4.8	-0.1	
Gains on sale of property, plant and equipment	1.1	0.2	-0.9	
Gains on sales of subsidiaries	0.3	5.2	4.9	
Other	3.4	3.5	0.1	
Other Income	**9.7**	**13.6**	**3.9**	
Costs of rent	3.4	3.3	-0.1	
Losses on sale or disposal of property, plant and equipment	1.9	1.3	-0.6	
Impairment losses	3.9	3.6	-0.4	
Other	4.7	4.5	-0.2	
Other Expenses	**13.9**	**12.6**	**-1.3**	
Interest income	1.2	1.2	0.0	
Dividend income	1.3	1.2	-0.1	
Gains on valuation of derivatives	4.8	-	-4.8	
Exchange difference gains	5.7	14.4	8.7	*1
Other	0.6	0.1	-0.6	
Finance Income	**13.5**	**16.8**	**3.3**	
Interest expense	7.0	3.5	-3.5	
Losses on valuation of derivatives	-	13.2	13.2	*1
Other	0.1	1.5	1.4	
Finance Costs	**7.1**	**18.2**	**11.0**	

*1	Q3 FYE2018 result	
Exchange difference gains	14.4	
Losses on valuation of derivatives	13.2	
Net	1.2	Profit *2

Losses on valuation of derivatives is matched with Foreign exchange gains

*2 Gains on valuation of derivatives (JPY5.7bn) booked in Q3 FYE2017 include following items as one-time gains
one-off valuation gains of the following:
(1) Exchange difference gains (JPY4.3bn) recorded at the time of the translation of Euro-denominated borrowings to Japanese Yen
(2) Exchange difference gains (JPY6.5bn) recorded on foreign currency translation of Euro-denominated borrowings at the end of reporting period, which was repaid in Sep 2016

Total JPY10.8bn

Consolidated Financial Position

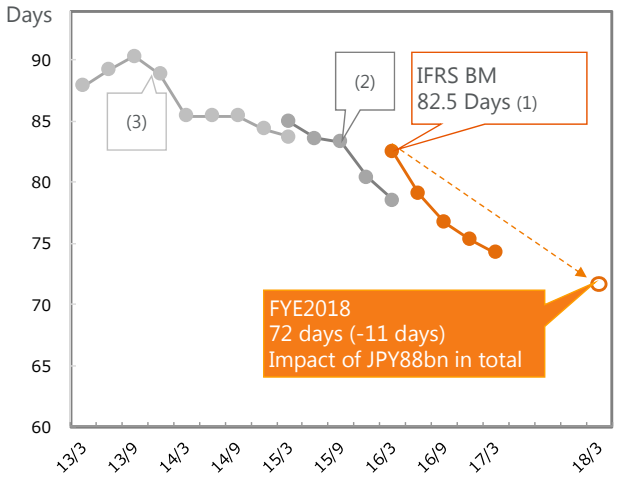
JPY: bn	[A] Mar-2017	[B] Dec-2017	[B]-[A] Increase/ decrease <Breakdown> Assets for sale and liabilities directly associated with the assets held for sale: Discontinued operations(3)	[B]-[A] Increase/ decrease <Breakdown> Assets for sale and liabilities directly associated with the assets held for sale: Others	[B]-[A] Increase/ decrease: Others	[B]-[A] Increase/ decrease: Total of the increase / decrease
Cash and cash equivalents	121.6	126.1	-10.3	0.0	14.8	4.5
Trade and other receivables	391.3	342.3	-56.0	0.0	7.0	-49.0
Inventories	204.6	226.2	-4.6	0.0	26.2	21.6
Assets held for sale	0.9	194.3	193.9	0.4	-0.9	193.4
Others	1,323.9	1,248.0	-123.0	-0.4	47.5	-75.9
Total Assets	**2,042.2**	**2,136.8**	**0.0**	**0.0**	**94.7**	**94.7**
Trade and other payables	350.5	336.0	-35.8	0.0	21.2	-14.5
Interest-bearing debt	759.9	712.4	-24.5	0.0	-23.0	-47.5
Liabilities directly associated with the assets held for sale	-	136.9	136.9	0.0	0.0	136.9
Others	372.3	300.0	-76.7	0.0	4.3	-72.3
Total Liabilities	**1,482.7**	**1,485.3**	**0.0**	**0.0**	**2.6**	**2.6**
Treasury shares	-53.4	-50.1	0.0	0.0	3.2	3.2
Others	612.8	701.7	0.0	0.0	88.9	88.9
Total Equity	**559.4**	**651.5**	**0.0**	**0.0**	**92.1**	**92.1**
(1) *Equity Ratio (%)*	26.8%	29.0%				2.2
(2) Net Assets per Share (Yen)	1,902.18	2,140.11				237.93
Number of Shares (in thousands)	287,693	289,245				1,551

(1) Ratio of equity attributable to owners of the parent
(2) Equity per share attributable to owners of the parent
(3) After devaluation of Permasteelisa S.p.A. and its subsidiaries

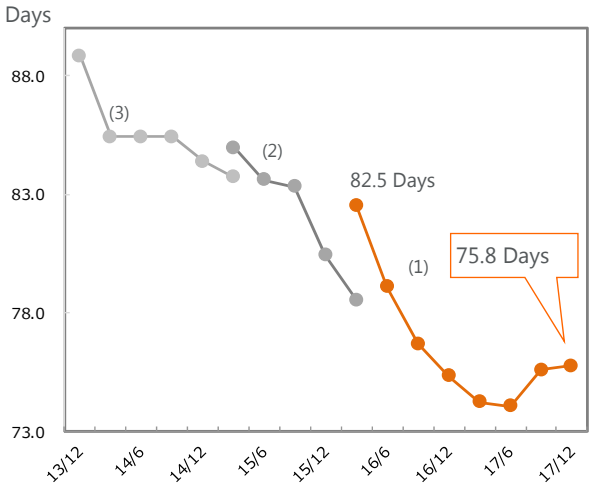
Status of CCC (Operational Efficiency) Improvement

- Status of CCC (Cash Conversion Cycle) as of Q3 FYE2018 follows

- New benchmark and outlook through FYE2018



- FYE2018 Q3 Result



Reasons for deterioration of CCC: deterioration of Days Inventory Outstanding (DIO) and increase in inventory (securing inventory for sales promotion)

(1) Monitored under IFRS from March 2016
(2) Announced on September 2015 Mid term plan "Redefine the Future" (Including global initiatives), project business excluded
(3) Result of improvement activities only in Japan

Investments made in FYE2018 by Q3 Announcement

Building an even more robust global manufacturing structure for growth

Details	Segment	Timing of investment	Reasons for investment
Acquisition of ceramic production lines Dominican Republic	LWT overseas	Nov 2017	Expansion of manufacturing capacity for the North American market
Introduction of zinc die casting plant Thailand	LWT overseas	Nov 2017	Introduce new manufacturing technology for zinc parts
Acquisition of ceramic production plant India	LWT overseas	Jan 2018	Secure supply base of ceramics for Indian and North American markets

Organization Structure in Japan from April 1st

To achieve the MTP target of sustainable growth by leveraging and further developing our unique, competitive advantages, we will reform the organization structure in Japan to build a structure which promptly responds to market needs

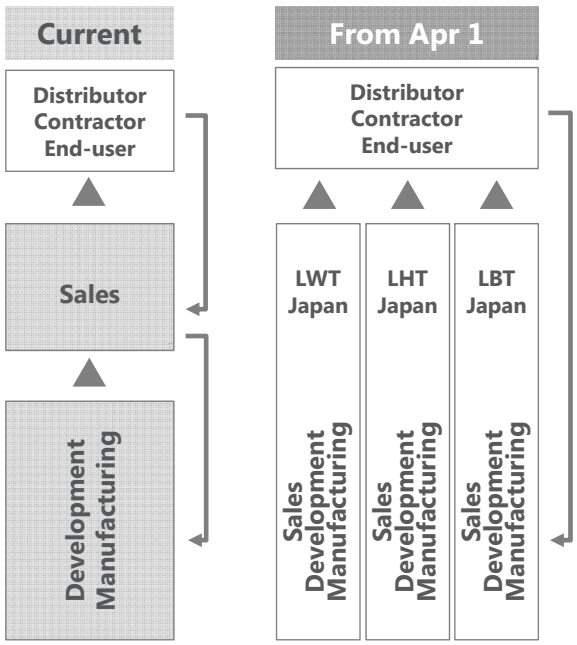
- Integrates and efficiently supervises development, manufacturing, and sales within each tech business
- Integrated development, production and sales functions at LBT Japan to conduct comprehensive approach to non-residential market (including multi-floor apartments)
- Supporting domestic sales across the technology businesses, LJC focus on new growth opportunities as well as proposals for total solutions and remodeling

LIXIL Water Technology Japan （LWT Japan）
CEO : Hiroyuki Oonishi

LIXIL Housing Technology Japan （LHT Japan）
CEO : Satoshi Yoshida

LIXIL Building Technology Japan（LBT Japan）
CEO : Tadashi Oikawa

LIXIL Japan Company（LJC）
CEO : Kazuhiko Ootsubo



Key Driver for Achieving Our MTP Goal – LWT

Synergy Creation Office (SCO) to be established as of April 1, 2018

Objectives

- Further drive cross-regional synergies and integration across LWT businesses
- Remove barriers, optimize resources, and streamline operations in *Monozukuri* and function(1) areas

April 2016	April 2017	April 2018
Project-based synergy creation activities *Monozukuri* focus	**Taskforces strengthen foundation for synergies** *Monozukuri* focus	**SCO: Deepen and broaden the scope of synergies** *Monozukuri* and corporate focus
	■ Focus on 4 areas: cross-selling, ceramics manufacturing, supply chain, and procurement	■ Over 20 focus areas ■ More permanent structure ■ Led by YC Chen, Chief Integration Officer

Further drive synergies and integration

(1) HR, IT, accounting, IP, brand, etc.

Enhancement of Financial Governance

Financial Shared Service Center(FSSC) began handling accounting operations for 10 subsidiaries in China from December 2017

Objective

- Enhance governance by transparency of financial accounting operations in subsidiaries
- Enable finance team to provide advanced professional services and strengthen the function to support the business
- Achieve scale merit by consolidation by centering its operations from multiple locations to one location

Accounting function

China	Asia Pacific (excl. Japan and China)	Americas	EMEA (Europe, Middle East, Africa)
Dalian	TBD	TBD	TBD
Implemented in Dec 2017 For 10 Subs	Plan	Plan	Plan

Efforts to Provide Comprehensive Living Solutions that Enhance Our Everyday Lives

"Reframe Replus" was awarded the "Minister of the Environment Award" at the "COOL CHOICE LEADERS AWARD"

- "Reframe Replus" , windows for replacement, was awarded the "Minister of the Environment Award" at the "COOL CHOICE LEADERS AWARD" Sponsored by the Ministry of the Environment
- The product was evaluated as having a great possibility to contribute to both end-users and professional-users, due to the ability to replace with insulated windows in 60 minutes as well as the scope for window renovation expansions in the future



Construction example

The first IoT system in Japan linking home fixtures and AI speakers(1)

- In order to realize more convenient and safe "future homes", LIXIL developed an IoT technology system for homes, not only linking home appliances and digital equipment but also building materials such as entrance doors and window shutters
- Expected to launch in April, 2018

LIXIL IoT system for homes

【Image at the time of release】



(1) According to LIXIL Group research

Renovation Strategy in Japan

Sales of Renovation Products

JPYbn	Q3 FYE2017 Result	**Q3 FYE2018 Result**	YoY
Sales of Renovation Products	235.7	**239.5**	2%
Renovation Ratio	37%	**37%**	+0pp

Number of Member Homebuilders

Stores	Mar -16	Dec -16	Mar -17	Dec -17
LIXIL Reform Shop (FC)	480	503	519	**539**
LIXIL Reform Shop (Voluntary)	12,492	13,164	13,227	**13,047**
LIXIL PATTO Reform	-	3,044 (1)	3,365	**3,664**

Period extended until February for "All LIXIL Zero Interest-Rate Reform Loan Campaign"

- LIXIL takes over all the interest fees from house owners
- Financing: Minimum of JPY200 thousand, maximum of JPY10 million or less
- Maximum installments: 60 times (5 years)
- This campaign applies to constructions by contractors, such as LIXIL PATTO reform service shop or FC/ VC franchise stores, approved from Cedyna, a loan company

- Unit price for construction increased: average price for construction was approx. JPY2 million, which is more than double the average price for construction paid for by cash
- Contract conclusion rate increased
- Number of loan applications from Jun to Dec 2017: 1.2 times YoY
- Increase in LIXIL product adoption amount

(1) LIXIL PATTO Reform started the service on October, 2016

(Reference) Revenue by Products and Services

Unit: Ybn

Segment	Major products	FYE2017 results[3]	Q3(9 months) FYE2017 results[3]	Q3(9 months) FYE2018 results	YoY
LWT	Sanitary ware	102.3	74.6	**79.7**	6.7%
	Bathroom units	93.4	70.4	**77.1**	9.4%
	Washstand cabinet units	35.5	25.8	**27.2**	5.7%
	Tiles	29.1	21.4	**21.7**	1.4%
LHT	Housing sashes and related products	199.1	151.6	**147.7**	-2.5%
	Exterior	108.7	82.3	**81.8**	-0.6%
	Wooden interior furnishing materials	60.4	45.2	**45.6**	0.9%
	LHT Other	99.1	74.7	**67.2**	-10.0%
LBT	Building sashes [1]	109.6	80.4	**78.8**	-2.0%
LKT	Kitchens	106.8	78.8	**84.6**	7.4%
D&R	Home center revenue[2]	172.0	133.0	**134.1**	0.8%
H&S	Housing and Services business	64.4	48.7	**39.5**	-18.7%
	Overseas	376.9	281.1	**307.4**	9.3%
	Others/ consolidation & adj. [1]	75.9	53.0	**58.1**	9.7%
	Total	1,633.2	1,220.9	**1,250.5**	2.4%

Unit: %

Quarterly YoY							
FYE2017[3]				FYE2018		
Q1	Q2	Q3	Q4	Q1	Q2	Q3
-2.1	3.3	7.2	8.5	11.4	6.4	**3.3**
-1.2	1.3	2.1	3.0	11.4	7.7	**9.3**
0.3	5.1	5.0	7.4	8.9	2.6	**5.9**
-1.4	-1.0	0.0	-1.1	1.1	3.3	**-0.1**
-3.9	-1.0	-4.1	-0.6	-0.3	-4.1	**-3.1**
0.6	-2.8	-4.9	-0.8	-0.5	-1.1	**-0.4**
8.7	2.9	0.7	3.4	-1.3	1.0	**2.8**
-5.3	-7.3	-23.2	-20.3	-18.5	-16.0	**6.8**
-17.0	-3.8	-7.6	5.8	9.1	-7.4	**-3.8**
2.6	2.1	2.4	3.1	8.0	6.1	**8.2**
-12.9	-10.3	0.3	-2.7	-0.2	0.9	**1.7**
5.0	17.3	9.9	1.0	-23.6	-28.0	**-4.5**
-15.0	-18.7	-12.8	-14.4	5.0	15.2	**8.3**
-	-	-	-	-	-	**-**
-7.2	-8.0	-6.7	-7.3	1.3	2.1	**3.8**

(1) In Q2 FYE2018, Building sashes were revised to IFRS figures including LIXIL's subsidiary retrospectively and Others/ consolidation & adj, were restated concurrently.
(2) Home center revenue of D&R excluding impact of Ken Depot carve out in Sep 2015 (YoY): FYE2017 Q1: 3.0%, Q2: 7.8%
(3) In Q2 FYE2018, results for FYE2017 and Q1 FYE2018 were restated due to reclassification to discontinued operations although no change was made to quarterly YoY for FYE2017. Figures for FYE2017 are preliminary.

Performance of Major Overseas Subsidiaries

Company	ASB (ASD Holdings)					
Unit	Unit: USD million					
Accounting period	Q3 FYE2017 Results	**Q3 FYE2018 Results**	YoY	FYE2017 Results	FYE2018 Forecasts	YoY
Exchange rate (Average Rate)	107.88	111.82	-	109.03	115	-
Revenue	811	**851**	5%	1,090	1,149	5%
Core earnings	62	**53**	-14%	76	89	18%
%	8%	**6%**	-1.4	7%	8%	+0.8

Accounting period	FYE2017 Balance	Q3 FYE2018 (9 months)		
		Amortization	Others[2]	**Balance**
Exchange rate (Current Rate for balance, Average Rate for amortization)	112.19	111.82	111.82	**113.00**
Goodwill	138	-	92	**230**
Intangible assets	235	-5	14	**245**
Revaluation of fixed assets, inventories and other	-	-	-	-

Company	Grohe Group (GROHE)					
Unit	Unit: EUR million					
Accounting period	Q3 FYE2017 Results[1]	**Q3 FYE2018 Results[1]**	YoY	FYE2017 Results	FYE2018 Forecasts	YoY
Exchange rate (Average Rate)	119.13	128.59	-	119.37	120	-
Revenue	1,089	**1,121**	3%	1,391	1,506	8%
Core earnings	132	**126**	-4%	191	218	14%
%	12%	**11%**	-0.9	14%	14%	+0.7

Accounting period	FYE2017 Balance	Q3 FYE2018 (9 months)		
		Amortization	Others[2]	**Balance**
Exchange rate (Current Rate for balance, Average Rate for amortization)	119.79	128.59	128.59	**134.94**
Goodwill	1,215	-	-17	**1,199**
Intangible assets	1,532	-18	-12	**1,503**
Revaluation of fixed assets, inventories and other	73	-	-	-

(1) Includes GDWT
(2) Includes the amount reclassified from GROHE to ASB due to integration of their operation in North America in Oct 2017



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.