

The logo for LIXIL, featuring the word "LIXIL" in a bold, orange, sans-serif font. The letters are closely spaced, and the 'X' is particularly prominent.

Link to Good Living

LIXIL Group Corporation

Regarding Briefing on Announcements on May 1

May 1, 2020

Event Summary

[Company Name]	LIXIL Group Corporation		
[Event Type]	Investor Conference		
[Event Name]	Regarding Briefing on Announcements on May 1		
[Fiscal Period]	FY2020		
[Date]	May 1, 2020		
[Number of Pages]	10		
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[Venue]	Webcast		
[Venue Size]			
[Participants]			
[Number of Speakers]	2		
	Kinya Seto	Director, Representative Executive Officer, President and CEO	
	Sachio Matsumoto	Representative Executive Officer, Executive Vice President and CFO	

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Presentation

MC: We would now like to start the briefing for the LIXIL Group's today's announcements. Thank you very much for those of you who are joining us. Regarding today's briefing, we hold it as a joint event for both media and investors.

In addition, we hold the briefing session via the audit web streaming service for our prevention measures of the spread of COVID-19.

First, I would like to introduce today's speakers. Facing the stage from right, Kinya Seto, Director, Representative Executive Officer, President, and CEO and Sachio Matsumoto, Representative Executive Officer, Executive Vice President and CFO.

Matsumoto: Thank you for joining today.

And I am Kayo Hirano of the IR office, and I will facilitate this briefing.

Regarding the materials for today's briefing, those of you via Zoom, please refer to the screen. Those of you participating via the audit conference service, please refer to the briefing materials available on our website under "Investor Relations" and "News".

Subsequently, I would like to explain today's session flows.

First, our CEO, Mr. Seto, will explain today's announcements. Then, we will be taking questions. We will be taking the questions from the participant via Zoom first, then would like to be taking the questions from the participants via the audit conference system. We will conclude at 7:00 PM JST today.

Now President Seto, Please.

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TODAY'S ANNOUNCEMENT

Time Disclosure (https://www.lixil.com/en/investor/ir_news/)

- Notice of Transfer of Consolidated Subsidiary (Share Transfer)
- Announcement Regarding Revision of the Forecast of Business Performance For the Fiscal Year Ended March 2020 (Consolidation) and Recording of Extraordinary Loss from a Subsidiary in Japan
- Notification Regarding the Schedule for Announcement of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020, and LIXIL Group's Response to the Spread of COVID-19

News Release (<https://www.lixil.com/jp/news/>)

- LIXIL Announces Agreement to Sell Permasteelisa to Atlas Holdings
- Update on LIXIL's Response to COVID-19

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Seto: Good evening. I am sorry for our announcement at a late time. Today, we released three announcements.

The first is the “notice of transfer of consolidated subsidiary (share transfer)”. This is about the divestment of Permasteelisa S.p.A.

The second is the “announcement regarding the revision of the forecast of business performance and recording of extraordinary loss from a subsidiary in Japan”.

And, the third is the “notification regarding the schedule for announcement of consolidated financial results and LIXL Group's response to the spread of COVID-19”.

Firstly, I would like to explain the revision of the forecast.

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REVISION OF FORECAST

1. Revision of the consolidated forecast for the full year for the fiscal year ended March 31, 2020 (April 1, 2019 through March 31, 2020)

	From Continuing Operation					Including Discontinued Operation		
	Revenue	Core earnings	Operating profit	Profit before tax	Profit for the year	Profit for the year	Profit for the year attributable to owners of the parent	Basic earnings per share
Previous FYE2020 full-year forecast (A)	Million yen 1,850,000	Million yen 47,000	Million yen 38,000	Million yen 44,000	Million yen 17,600	Million yen 17,600	Million yen 15,000	Yen 51.71
Revised FYE 2020 full-year forecast (B)	1,695,000	58,500	39,500	47,000	32,000	16,000	15,000	51.71
Change (B-A)	-155,000	11,500	1,500	3,000	14,400	-1,600	-	
Change (%)	-8.4	24.5	3.9	6.8	81.8	-9.1	-	

(Note) Core earnings are calculated by deducting cost of sales and selling, general and administrative expenses from the revenue.

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This is about the revision forecast, as I had already explained. We decided to sell our subsidiary Permasteelisa, which appears on our P&L as some impacts. Our sales will decline, of course. The impact is about JPY155 billion, so our revised sales will be JPY1.695 trillion.

Let me move on to the change of core earnings. The original forecast was JPY47 billion, which will be revised to JPY58 billion. Core Earnings from continuing operations, excluding the business results from Permasteelisa, will be the same level as the originally announced forecast regardless of the increased cost of JPY5.5 billion from the implementation of a career option program (an early retirement program).

Including discontinued operation, the original forecast for the profit of the year was JPY17.6 billion, but it will be revised to JPY16 billion. Because of COVID-19, there were some extra costs we have to cover, including some one-time compensation for our employees.

Please move on to the next slide.

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OUR GOAL



➤ **LIXIL** aims to become an entrepreneurial company that can achieve sustainable growth in order to contribute to society and make better homes a reality for everyone, everywhere

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Let me move onto a very important topic of today, which is the share transfer of Permasteelisa to Atlas Holdings. Since I became CEO of this Company, so many things happened regarding this Permasteelisa. Let me explain the background. First, I'd like to restate who we are. Our core business is housing and water technologies, and our aim is to achieve sustainable growth with competitiveness.

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PERMASTEELISA: PART OF LIXIL SINCE 2011

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› Maker of pioneering water and housing products

LIXIL Water Technology



LIXIL Housing Technology



LIXIL Building Technology



Distribution & Retail



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PERMASTEELISA GROUP

A leading global contractor in curtain walls

- Joined LIXIL Group in 2011 to strengthen LIXIL's building business through synergies and global footprint
- Present through 40 group companies in 30 countries with 10 production plants and 5700 employees

PERMASTEELISA



GARTNER

SCHELDEBOUW



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Water technology and Housing technology are two core businesses in our Company. We are aiming to be a company maintaining a sustainable competitiveness and growth. With this goal, I do believe Water technology and Housing Technology are big cores for our businesses.

On the other hand, Building Technology owns PermaSteelisa Company. It's a great company, and it's a leading contractor in current world business, operating in 30 countries.

Please move onto the next page.

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TRANSACTION OVERVIEW

- › LIXIL Group Corporation has decided to transfer 100% of shares of Permasteelisa S.p.A., held by its subsidiary LIXIL Corporation, to Atlas Holdings LLC

About Transaction

- › LIXIL Group to focus on strengthening its core water and housing product businesses, and reduce its risk exposure in non-core areas of operation
- › Permasteelisa to benefit from an ideal owner committed to continue turnaround of company into a profitable, growing and standalone business
- › Terms of transaction not disclosed
- › Subject to customary closing conditions and regulatory approvals

About Atlas Holdings

- Atlas and its affiliates own and operate a diversified group of global manufacturing, distribution and construction businesses with a unique emphasis on safety and operational improvement
- 20 platform companies which employ approximately 20,000 associates at more than 150 facilities worldwide.
- Companies together generate more than \$5 billion dollars in revenues annually
- Founded in 2002 and headquartered in Greenwich, Connecticut, USA

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However, at LIXIL, as I have explained, our core business is still water business and housing business. Other business areas, meaning core businesses are not necessarily extremely important for us, so we want to mitigate the risk in other businesses than core businesses. To LIXIL, we can't regard Permasteelisa as our core business, and it's not quite easy for us to keep continuing to invest in Permasteelisa. That's why we were trying to find somebody who can buy Permasteelisa.

We won't disclose the details regarding this transaction, due to the strong intention of the other party and we agreed with Atlas Holdings that we won't disclose details of the deal. We already aligned on the basic terms of the sale but, of course, we are still waiting for approval from regulatory authorities for anti-trust and other relevant regulations. However, Atlas Holdings is an American company, so we won't receive any special permission from CFIUS (The Committee on Foreign Investment in the United States), unlike our last deal we discussed. Atlas Holdings is based in the U.S. and invests in various businesses and operates many different companies such as construction, manufacturing, distribution, and so on, owning over 20 companies and operating in over 150 locations in the world, with 20,000 employees. It was founded in 2002, and based in Greenwich, Connecticut, the U.S.. Its revenue is over USD5 billion a year.

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LIXIL GROUP RATIONALE

› **In line with LIXIL Group's strategy to simplify its operations and focus on its core water and housing businesses**

- Enable further synergies and efficiencies through enhanced integration
- Continually refine its business portfolio to ensure the optimization of resources and deployment of capital for sustained growth

› **Enable LIXIL Group to simplify and eliminate ongoing exposure to different types of risks**

- Permasteelisa's operations are significantly different to those of LIXIL Group's core business operations in terms of business cycles and other factors

› **Strengthen LIXIL Group's balance sheet and financial strength**

- Generate cash, reduce debt, and improve working capital efficiency

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What is the rationale of this transaction for LIXIL? As I have explained, our priority is to focus on core business, and we need to create a flatter and simpler organization. Permasteelisa's business was not necessarily a core business, and our business management and their business cycle were quite different from other businesses. By releasing this business, we believe our business portfolio can be a lot simpler.

Not only that, there are some other reasons including the strengthening of balance sheet and, we believe, with this transaction, our balance sheet can be improved with better cash management. Permasteelisa is the kind of business which requires performance bonds, and it means it involves some deemed liability. The fact was a bottle neck for LIXIL's credit, but we will be relieved from it going forward.

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FINANCIAL IMPLICATIONS

› Improvement of Profitability

... Ref. Permasteelisa's business results for previous years

CE and NI for FYE2019 (actual): -45.0 Bn yen and -77.5 Bn yen

CE and NI for FYE2020 (estimate) : -10.0 Bn yen and -17.5 Bn yen

› Decrease in Volatility of Business Results

› Improvement of Cash-flows

... Ref. FYE2020: Total amount of cash injection was approximately 14.0 Bn yen

› Improvement of Equity Ratio

... Expected to be improved by approx. 1.0 pt

(Ref. FYE2019.3 Total Asset 2,059.5 Bn yen, Net Equity 567.2 Bn yen)

› Reduction of Contingent Liabilities

... Approximately 150.0 Bn yen (estimate)

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Next slide explains the expected positive impact of the deal on our financial performance. We expect improvement in various points.

Firstly, the improvement of profitability. Permasteelisa reported JPY45.0 billion negative profits under core earnings in FYE2019 and approximately JPY10.0 billion negative profits in FYE2020 and red figures in net income level. Of course, in the past, Permasteelisa reported profits sometimes. However, Permasteelisa has continued to report negative profits in recent years, in fact, which has negatively impacted in the LIXIL Group's financial results. In a sense that the LIXIL Group will be relieved from the negative impact, we expect the LIXIL Group's profitability will be improved.

Secondly, Permasteelisa's business has a trait that is affected by economic conditions, resulting that its operational results could volatile. However, with this transaction, the LIXIL Group financial results won't be affected by it going forward. In addition, Permasteelisa's needs for working capital has a different nature from the other businesses, which is longer than the others. The LIXIL Group will be relieved from it.

Cashflows are also expected to be improved. The improvement of the operating cashflows is obvious from the fact that the LIXIL Group won't be affected by the negative profit to be reported by Permasteelisa. On the top of that, the LIXIL Group won't be required to make cash injection for continuity of Permasteelisa's business, which results in the improvement of the LIXIL Group's cashflows, and it allows us to make necessary investment in core businesses.

With regard to the equity ratio indicating solvency and sustainability of a business, we expect the improvement by approximately 1 pp by deconsolidating Permasteelisa.

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Further, as have explained before, the largest improvement is the removal of the contingent liability of approximately JPY150.0 which is deemed as liability for the LIXIL Group's credit.

Thank you for listening. So roughly, I have given you an overview, and I would like to take your questions.

Q&A

[Due to a technical connection failure, this briefing session has ended unintentionally.]

[END]

Document Notes

1. *This document has been transcribed based on simultaneous interpretation provided by the Company.*

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