

[This is an English translation of the original text written in Japanese]



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**Announcement on Recording a Loss for the Quarter from Discontinued Operations
(Consolidated) and Extraordinary Loss (Stand-alone), and the Consolidated Financial Forecast
for the Third Quarter of the Fiscal Year Ending March 2024**

LIXIL Corporation (hereinafter "LIXIL") hereby announces that, on January 19, 2024 (10:30pm JST), it received the results of an evaluation from an accounting firm agreed by LIXIL and the buyer (hereafter "Independent Accountant") in accordance with the share transfer agreement for the sale of Permasteelisa S.p.A (hereafter "Permasteelisa"), regarding the amount to be refunded to LIXIL, out of the capital contribution at the time of sale. Upon receiving the results of the evaluation, LIXIL decided, at the Board of Directors meeting held today, to re-evaluate the fair value of accounts receivable and record a loss, based on currently available information and projections, as well as possible future actions.

Details are as follow:

1. Background and overview of loss to be recorded and impact on consolidated financial performance

As stated in the announcement, "(Status update) Notice of Transfer of Consolidated Subsidiary (Share Transfer)", LIXIL completed the transfer of the shares of Permasteelisa on September 30, 2020. As disclosed in the Consolidated Financial Statements for the Year Ended March 31, 2023, LIXIL agreed on the contribution of a certain amount of capital, of which up to EUR100 million (JPY14,572 million as of March 31, 2023) will be refunded to LIXIL in the event that the cashflow of Permasteelisa meets certain conditions and in accordance with the procedure set forth in the share transfer agreement (hereafter "Deferred Consideration"). The cash flow of Permasteelisa, which is to be used to determine the Deferred Consideration, is adjusted for certain items in the share transfer agreement.

LIXIL considered it highly probable that the conditions of the Deferred Consideration would be met, and therefore agreed to these conditions with the buyer in the share transfer agreement. LIXIL has been recording

the fair value of the accounts receivable assessed by independent valuation experts in its consolidated financial statements, based on ongoing information obtained from the buyer, including the cash flow information of Permasteelisa, to evaluate the Deferred Consideration. However, due to the slowdown of projects caused by the COVID-19 pandemic and subsequent economic disruptions, the buyer notified LIXIL that Permasteelisa's cash flow was unable to meet certain conditions stipulated in the share transfer agreement.

Therefore, with respect to such Deferred Consideration, LIXIL and the buyer had requested the Independent Accountant, appointed pursuant to the agreement between the seller and the buyer, to evaluate the terms of the Deferred Consideration including the adjustment of Permasteelisa's cash flows. Based on the results of the Independent Accountant's evaluation, for the three months ended December 31, 2023, LIXIL decided to record a loss for the quarter from discontinued operations (after tax) of JPY4.827 billion in the consolidated financial statements based on the re-evaluation of the fair value of accounts receivable.

In LIXIL's stand-alone financial reporting, in accordance with Japanese Generally Accepted Accounting Standard (JGAAP), JPY6.938 billion is recorded as an extraordinary loss (before tax).

The fair value revaluation was completed upon receipt of the valuation results and no additional payment (cash outflow) will be made as a result of this revaluation.

2. Consolidated financial forecast for the third quarter of the fiscal year ending March 2024

	From Continuing Operations					Including Discontinued Operations		
	Revenue	Core earnings	Operating profit	Profit before income taxes	Profit for the quarter	Profit for the quarter	Profit for the quarter attributable to owners of the parent	Basic earnings per share
First-half results for FYE2024	Million JPY 732,249	Million JPY 8,839	Million JPY 6,631	Million JPY 2,645	Million JPY 276	Million JPY 179	Million JPY 489	JPY 1.70
Forecast for three months ended Dec 31, 2023 (estimate)	390,751	18,161	19,269	16,955	11,424	6,721	6,711	23.37
Forecast for nine months ended Dec 31, 2023 (estimate)	1,123,000	27,000	25,900	19,600	11,700	6,900	7,200	25.08
cf. Nine months ended Dec 31, 2022 results	1,123,817	20,997	24,240	21,422	12,097	11,261	11,019	38.24

Core earnings are calculated by deducting the cost of sales and Selling, General and Administrative (SG&A) expenses from revenue.

3. Reasons for announcement of the consolidated financial forecast for the third quarter of the fiscal year ending March 2024

Currently, LIXIL is conducting its fiscal closing procedures for the third quarter of the fiscal year ending March 2024 (covering the period from April 1, 2023, to December 31, 2023), and plans to announce consolidated financial results on January 31, 2024. However, due to the impact that recording the aforementioned loss will have on its performance, LIXIL is disclosing the consolidated financial forecast as described above for the cumulative third quarter (nine months), based on the performance of the first-half (actual results) as well as the estimated figures for the third quarter (three months), including the amount of the loss recorded. The impact on the consolidated financial results for the full year, including other factors, is currently under review. If a revision is deemed necessary, LIXIL will promptly announce it.

Explanation for adequate utilization of the forecast and other special matters

The forecasts and forward-looking statements above are prepared based on information currently available and therefore involve potential risks and uncertainties. Please note that actual results may differ from forecasted figures due to various unknown factors. LIXIL will promptly announce any necessary revisions to the forecasted figures.

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