



May 7, 2015

LIXIL Group Corporation
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Representative Executive Officer and President
(First section of TSE/NSE, code 5938)

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**Announcement of Business Outline
for Fiscal Year Ended March 31, 2015**

LIXIL Group Corporation (“LIXIL”) today announces its business outline for the fiscal year ended March 31, 2015. Although previously announced on May 1, 2015 LIXIL will postpone the announcement of its financial results for this fiscal year, due to the special audit being conducted into LIXIL’s consolidated subsidiary, Joyou AG (headquarters: Germany; listed on the Frankfurt Stock Exchange; hereinafter “JOYOU”), LIXIL has decided to provide its shareholders, investors and other stakeholders with currently available financial information.

About JOYOU

In addition, LIXIL also announces that JOYOU published a notice in Germany on May 3, 2015 (German time) as follows:

“The current audit at subsidiaries of Joyou AG (the “Company”) showed as an interim result that substantial deviations from revenue figures, the amount of indebtedness and the amount of available cash compared to the relevant amounts reported by the Company in its financial reports 2014 must be assumed. Such deviations may possibly lead to the net assets, financial and profit situation of the Company having been presented too positively in the financial reports 2014 of the Company. The extent of the deviations is currently being investigated as part of the special audit conducted by

auditors and legal counsel.”

JOYOU is listed on the Frankfurt Stock Exchange, and as such, is required to make certain disclosures, including the status of the special audit. LIXIL, in the interests of transparency will also give notice of these disclosures. While LIXIL is conducting its own investigation into JOYOU, LIXIL has not completed yet its verification of the special audit at JOYOU. As JOYOU is an independently-listed company, LIXIL does not make, at this moment, its own announcement, independently from JOYOU, as to the status of the special audit at JOYOU.

Yoshiaki Fujimori, President and CEO of LIXIL Group commented, “LIXIL strives to be a world class corporate citizen. We only discovered the irregularities at JOYOU recently and immediately sent a team of experts to Xiamen to investigate. While this investigation is ongoing we felt it was in the best interests of good corporate citizenship to immediately inform the market and take action to delay our full results announcement until we have more detailed information for shareholders and investors.”

Financial Impact

LIXIL is still examining the financial impact on its financial results for the fiscal year ended March 31, 2015. Through the acquisition of GROHE Group S.à r.l. (“GROHE”), JOYOU had been an equity method affiliate of LIXIL from January 21, 2014 to March 31, 2015 (and fully consolidated since April 1, 2015) and LIXIL holds its interest in JOYOU indirectly through GROHE, which had also been an equity method affiliate of LIXIL for the same period. Thus, LIXIL had a 31.62% (72.28% [GROHE’s interest in JOYOU] ×43.75% [LIXIL’s interest in GROHE]) interest in JOYOU, and therefore has the proportional share of the net income or loss of JOYOU, which is reported as share of profit or loss of entities accounted for using the equity method in non-operating income in LIXIL’s consolidated profit and loss statement under JGAAP.

The share of profit of entities accounted for using the equity method for JOYOU which was reported as the operating income in LIXIL’s Q3 results (from April to December 2014) for the fiscal year ended March 31, 2015 (corresponding to the profit of JOYOU from January to September 2014) was about 900 million yen and was estimated to be 1.2 billion yen for the full fiscal year ended March 31, 2015 (corresponding to the profit of JOYOU from January to December 2014). If the financial results of JOYOU are restated as a result of the special audit, LIXIL’s financial results may be impacted by the restatement of the share of profit or loss of entities accounted for using the equity

method described above. If JOYOU's balance sheet at the time LIXIL acquired GROHE shares is restated, LIXIL's consolidated financial statements for the fiscal year ended March 31, 2014 may be adjusted. Please note that LIXIL's share of the goodwill, etc. for JOYOU was 10 billion yen (corresponding to 31.62% of the total amount of the goodwill, etc. at the time of acquisition, 31.5 billion yen, consisting of goodwill of 1.7 billion yen, intangible assets of 27 billion yen, and other tangible assets and inventory of 2.8 billion yen). However, depending on the results of the special audit, the financial impact on LIXIL's consolidated financial statements may not be limited to the LIXIL's share of the goodwill, etc. described above.

As to the financial results for the fiscal year ended March 31, 2015, the investigation and audit of JOYOU are currently in progress in cooperation with auditors of the group companies in order to hold the LIXIL's Annual General Meeting of shareholders in June, as originally scheduled.

Please note that the business outline for the fiscal year ended March 31, 2015 referred to in this announcement was prepared based on the information currently available and does not include information related to JOYOU. Please refer to the announcement of the financial results for the fiscal year ended March 31, 2015 for more information on the financial results for that fiscal year and outlook for the fiscal year ended March 31, 2016. A new schedule for the announcement of the financial results for the fiscal year ended March 31, 2015 will be announced as soon as it is determined.

LIXIL takes its responsibility to compliance, integrity, and transparency very seriously. It offers its deepest apologies to shareholders, investors, and other relevant parties for any inconvenience or concerns this issue may have caused.

TSE Code: 5938



Business Outline for the Fiscal Year Ended March 31, 2015 (Forecast) (From April 1, 2014 to March 31, 2015)

May 7, 2015
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.

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- Through the acquisition of GROHE Group S.a.r.l. (“GROHE”) , Joyou AG (“JOYOU”) had been an equity method affiliate of LIXIL from January 21, 2014 to March 31, 2015. LIXIL Group Corporation (“LIXIL”) holds its interest in JOYOU indirectly through GROHE, which had also been an equity method affiliate of LIXIL Group for the same period. As previously announced on April 27, 2015, special audit is being conducted into JOYOU’s net asset, financial and profit situation. LIXIL had a 31.62% (72.28%[GROHE’s interest in JOYOU] ×43.75%[LIXIL’s interest in GROHE]) interest in JOYOU, and therefore has the proportional share of the net income or loss of JOYOU, which is reported as share of profit or loss of entities accounted for using the equity method in non-operating income in LIXIL Group’s consolidated profit and loss statement under the JGAAP.
- While LIXIL is conducting its own investigation into JOYOU, LIXIL has not completed yet its verification of the special audit at JOYOU. As JOYOU is an independently-listed company on the Frankfurt Stock Exchange and 27.72% of minority shareholders exist, LIXIL does not make its own announcement regarding the results of the investigation or the impact which may provoke insider trading.
- The investigation and audit of JOYOU are currently in progress in cooperation with auditors of the group companies in order to hold the LIXIL’s Annual General Meeting of shareholders in June, as originally scheduled.

- The share of profit of entities accounted for using the equity method for JOYOU, which was reported as the operating income in LIXIL’s Q3 results (from April to December 2014) for the fiscal year ended March 31, 2015 (corresponding to the profit of JOYOU from January to September 2014), was about 900 million yen and was estimated to be 1.2 billion yen for the full fiscal year ended March 31, 2015 (corresponding to the profit of JOYOU from January to December 2014).
- If the financial results of JOYOU are restated as a result of the special audit, LIXIL’s financial results may be impacted by the restatement of the share of profit or loss of entities accounted for using the equity method described above. If JOYOU’s balance sheet at the time when we acquired GROHE shares is restated, LIXIL’s consolidated financial statements for the fiscal year ended March 31, 2014 may be adjusted.
- Please note that LIXIL’s share of the goodwill, etc. for JOYOU was 10 billion yen (corresponding to 31.62% of the total amount of the goodwill, etc., 31.5 billion yen, consisting of goodwill of 1.7 billion yen, intangible assets of 27 billion yen, and other tangible assets and inventory of 2.8 billion yen).
- However, depending on the results of the special audit, the financial impact on LIXIL’s consolidated financial statements may not be limited to the LIXIL’s share of the goodwill, etc. described above.

- **Business Results for the Fiscal Year Ended March 31, 2015 (Forecast)**
- **Outlook for the Fiscal Year Ending March 31, 2016 Within the New LIXIL Group Structure (Excluding Joyou AG)**
- **Progress of Key Strategies**
- **Highlights**
- **Appendix**



Business Results for the Fiscal Year Ended March 31, 2015 (Forecast)

All information related to Joyou AG is excluded from this material

*IFRS based results for fiscal year ended March 31, 2015 are provisional figures which are subject to change

Units: Y bn, %

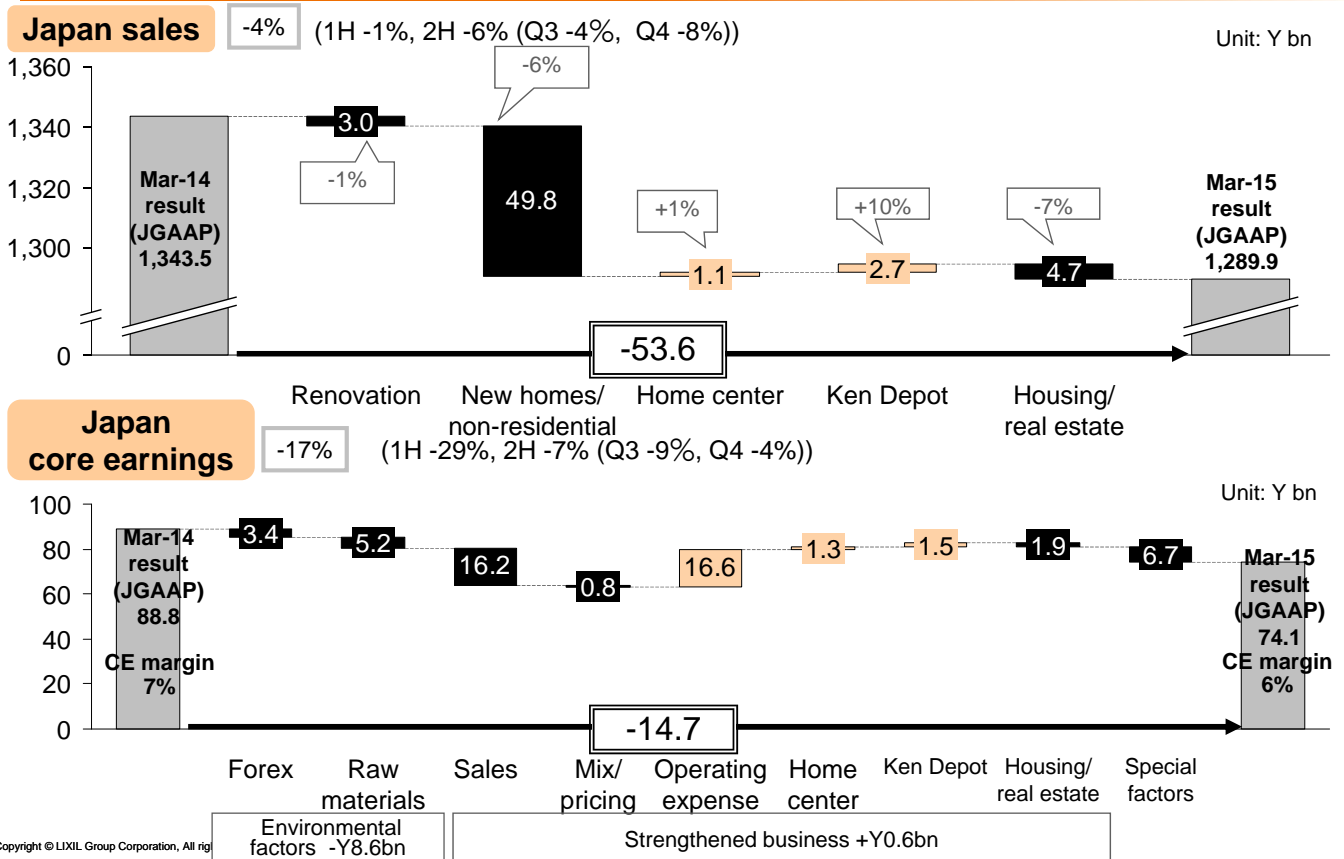
	Mar-14 results (JGAAP)	Mar-15 results (JGAAP)	Y/Y		Mar-15 results (IFRS)	JGAAP vs. IFRS Increase/decrease
			Increase/decrease	%		
Net sales	1,628.7	1,673.4	44.7	2.7%	1,710.1	36.7
Core earnings *1	69.1	51.7	-17.4	-25.2%	53.4	1.7
Core earnings margin (%)	4.2%	3.1%	-	-1.2	3.1%	-

* JGAAP: Conventional operating profit, IFRS: Core earnings = Revenues - Cost of Sales - SG&A

(Note) Foreign exchange gains (Non-operating profit)
 FY Mar-14 Y4.8bn, FY Mar-15 Y11.2bn (+Y6.4bn Y/Y)
 Extraordinary income/loss
 FY Mar-14 -Y2bn, FY Mar-15 Y4.2bn (+Y6.2bn Y/Y)

For the fiscal year ended March 31, 2015, Joyou AG had been an equity method affiliate of LIXIL Group. Therefore, net profit of Joyou AG for the fiscal year 2014 has an impact on LIXIL Group's share of profit/loss of entities accounted for using equity method (Non-operating income/expense).

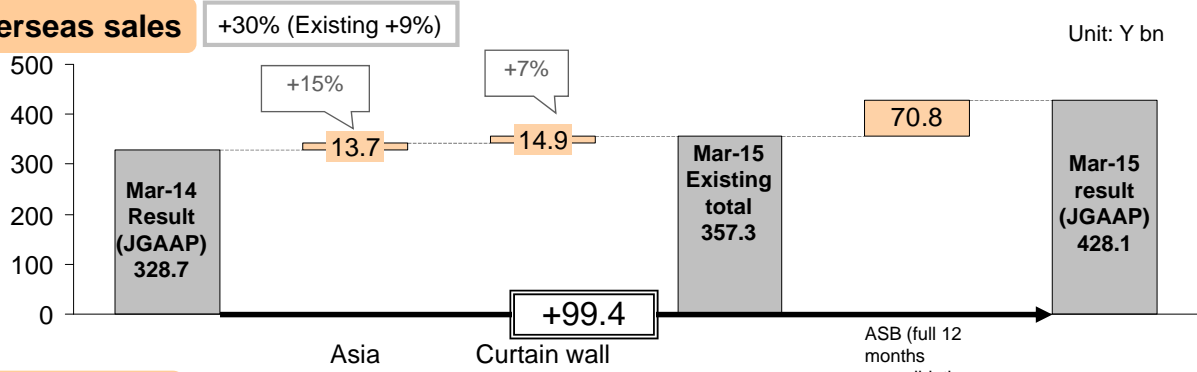
Large Impact of Consumption Tax Hike and Inflation



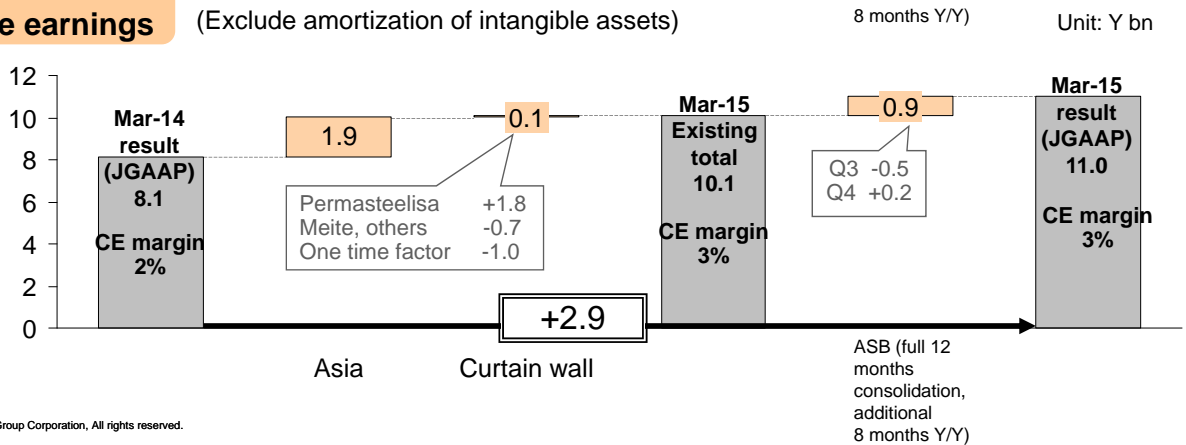
Led by Asia, Permasteelisa and ASB to Recovery



Overseas sales



Overseas core earnings



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8

Free Cash Flow Increased by Y145bn Y/Y



B/S Optimization

FY Mar-15 Achievement: Y99bn

- Securitization of receivables Y78bn
- Sale/securitization of assets Y6bn
- Sale of securities Y15bn

➔ B/S optimization to continue in FY Mar-16

CCC (Operational efficiency)

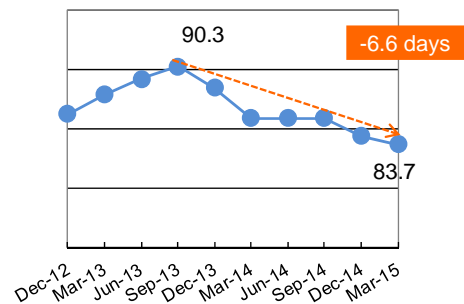
Target

Y100bn

By end of March 2016

CCC Progress and Target

Unit: days



FY Mar-17 Target: 55 days

*Activity basis, calculated in JGAAP

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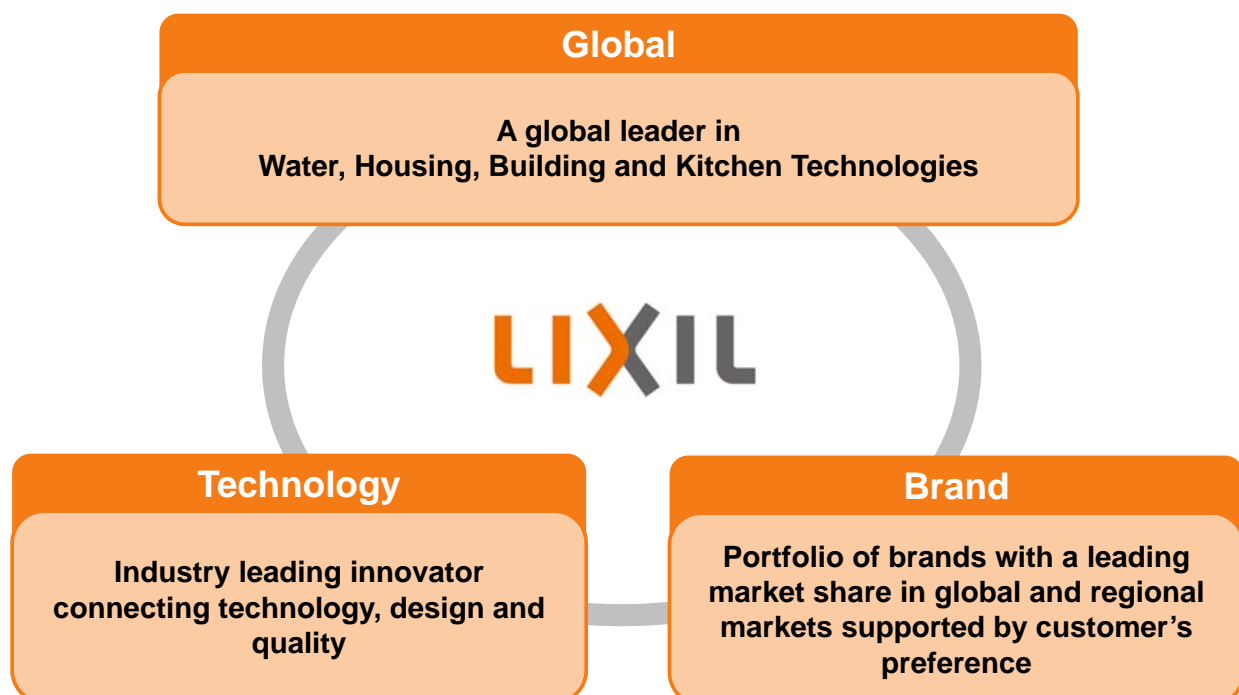
9

Outlook for the Fiscal Year Ending March 31, 2016 within the New LIXIL Group Structure (Excluding Joyou AG)

LIXIL Emerges as a Truly Global Company

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Three Ingredients of Success

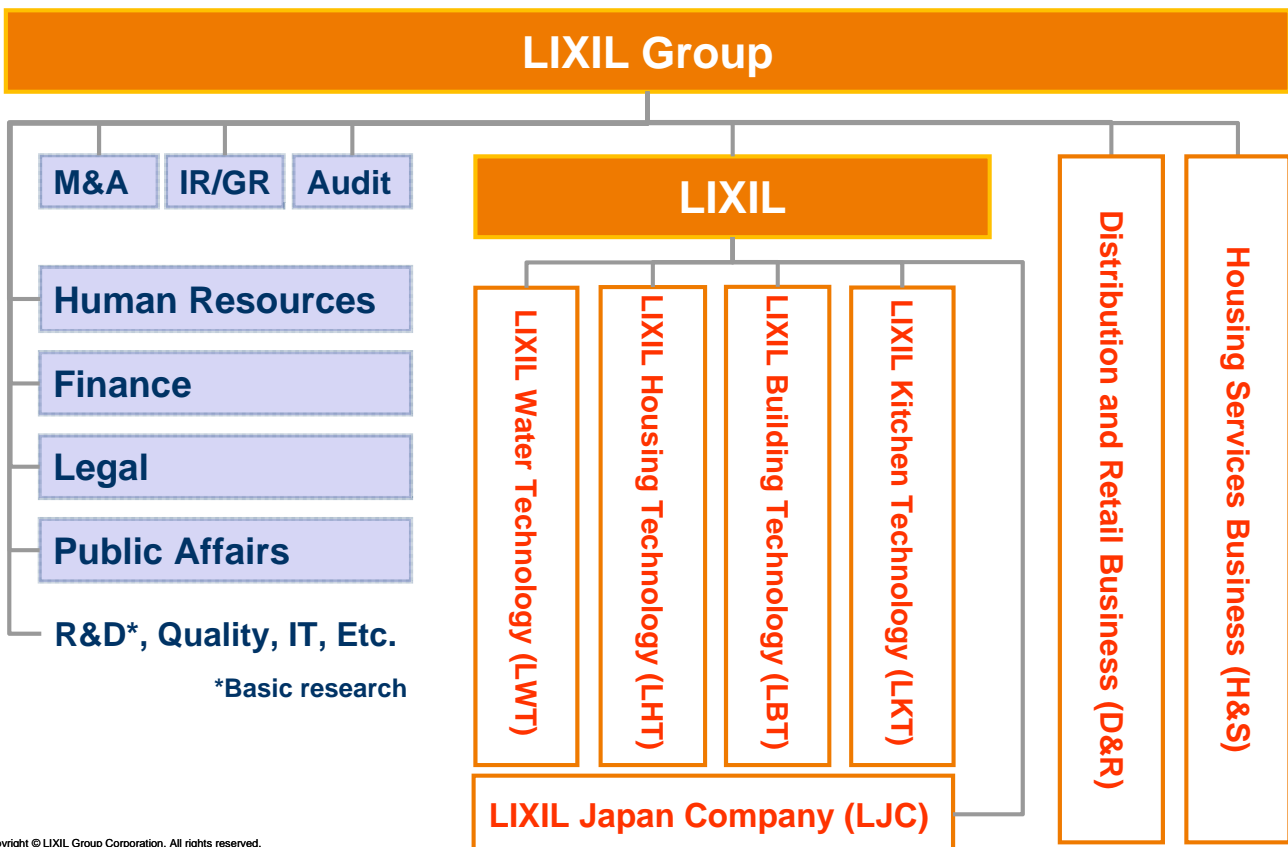


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LIXIL Water Technology		LIXIL Housing Technology	
<p>#2 Japan Sanitary Ware #1 Japan Unit Bathroom</p>		<p>#1 Japan Window Sashes #1 Japan Exteriors #1 Japan Entrance Doors</p>	
<p>#1 Global Water Faucets</p>			
<p>#1 North America Sanitary Ware</p>			
LIXIL Building Technology		LIXIL Kitchen Technology	
<p>#1 Global Curtain Wall</p>	<p><small>Ph: Courtesy of SOCAR</small></p>	<p>#1 Japan Kitchen</p>	

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New LIXIL Group Structure from April 1, 2015

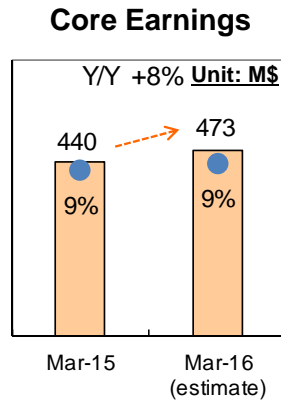
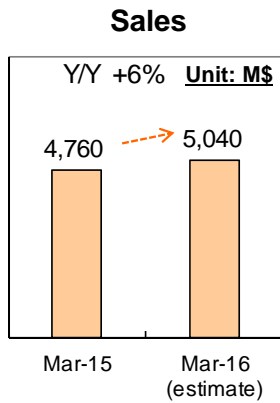


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The New Global Leader in Water Technology



- ✓ Large & growing market
- ✓ Global market leader
- ✓ Leading positions across key regions
- ✓ Multi global brands
- ✓ Innovation leader
- ✓ Platform strategies to drive cost synergies



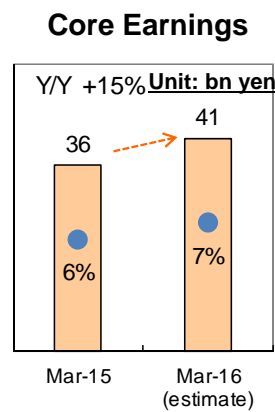
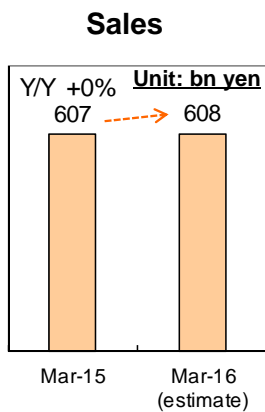
*Management normalized basis

● : Margin

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A Long-Time Leader in Japan with Cumulated Brand/Technology



*Management normalized basis

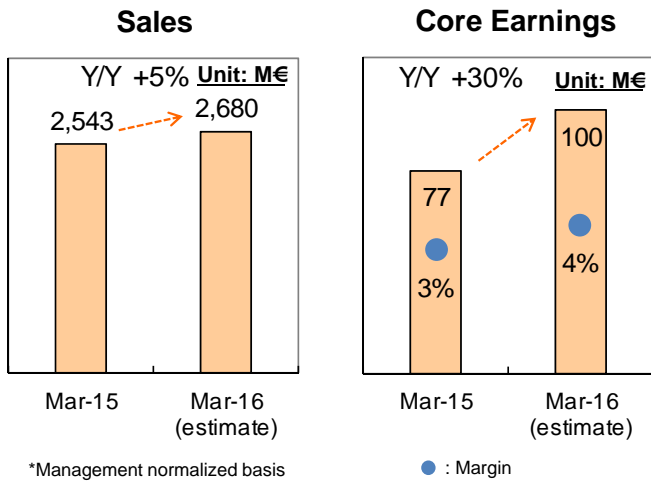
● : Margin

- ✓ Structural reform to improve Japan profit structure by SCM optimization and installation of latest factory automation system
- ✓ Continue to introduce innovative top runner products that meet the market's needs
- ✓ Reduce dependence on domestic new homes market by taking in the domestic renovation demand and accelerating international expansion



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15 Years of Global Leadership in Shaping the Skylines of Top Cities

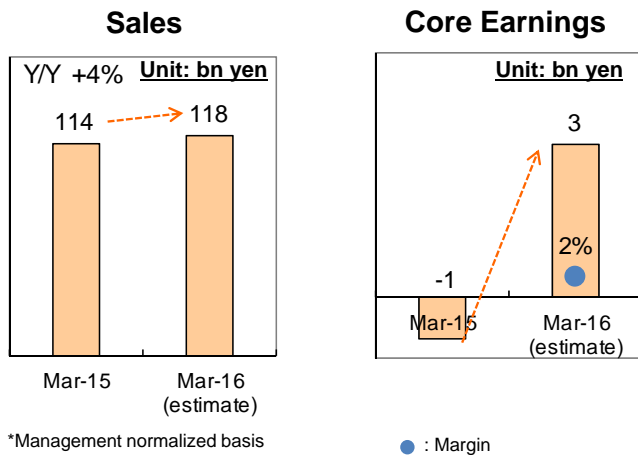


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- ✓ Integrate LBT's global operation centered on Permasteelisa to improve profitability
- ✓ Capture special demands related to the Tokyo Olympic Games
- ✓ Select top opportunities for new projects and markets
- ✓ Best execution of the current backlog, with high degree of profitability control



V-shaped Recovery in Share and Profitability



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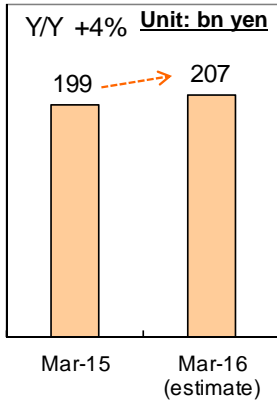
- ✓ Introduce new products with cultured marble, stainless steel, and ceramic panel. Reinforce mid to high class market
- ✓ Expand Chinese business with local partner Haier



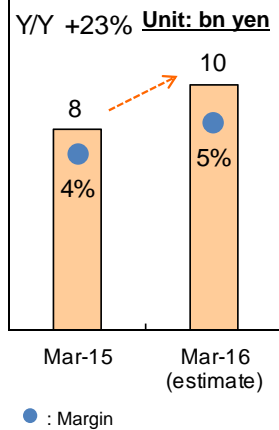
11 Consecutive Years (~ March 2016 forecast) of Revenue Increase and All Time Record Profit Outperforming Competitors



Sales



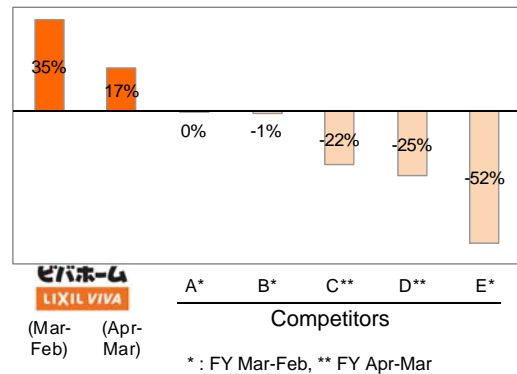
Core Earnings



- ✓ Establish more profitable structure. Implement growth strategy to drive sales and earnings increases. Optimize with structural reform



Home Center: FY Mar-15 core earnings Y/Y growth comparison with competitors

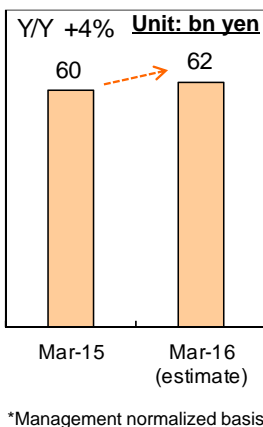


Housing Service Business - H&S

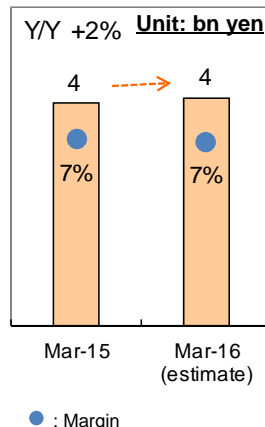
Provide Strongest Housing & Service Business Network in Japan



Sales









Core Earnings



- ✓ Strategically execute solution and service business with the group's collective capabilities and new services
- ✓ Provide platform function & financial service for each business
- ✓ Renovation business...house inspection/ evaluation/ maintenance, relocation service
- ✓ Living & life related service for aging society



	 LWT*1	 LHT	 LBT	 LKT	 D&R	 H&S	HQ & consolidation adjustment**2
Managed currency	M\$	Ybn	M€	Ybn	Ybn	Ybn	Ybn
Sales	5,040	608.0	2,680	118.0	207.0	62.0	-
Y/Y(%)	+6%	+0%	+5%	+4%	+4%	+4%	-
Normalized EBIT	473	40.8	100	2.5	10.3	4.3	-41.4
Y/Y(%)	+8%	+15%	+30%	-	+23%	+2%	-

*1 Provisional figures excluding Joyou AG

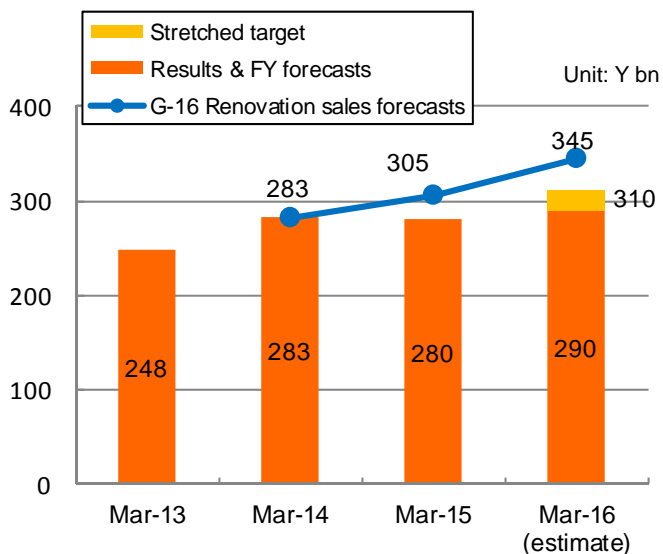
*2 In the March 2016 forecast to be announced, an approximately Y15bn impact due to PPA, FX, etc. is expected



Progress of Key Strategies

- Japan Renovation Growth
- Operational Efficiency

Still a Growth Potential in Japan Renovation Market



Major Mega Trend Drivers

- Aging population
- Energy saving
- Anti-seismic proofing

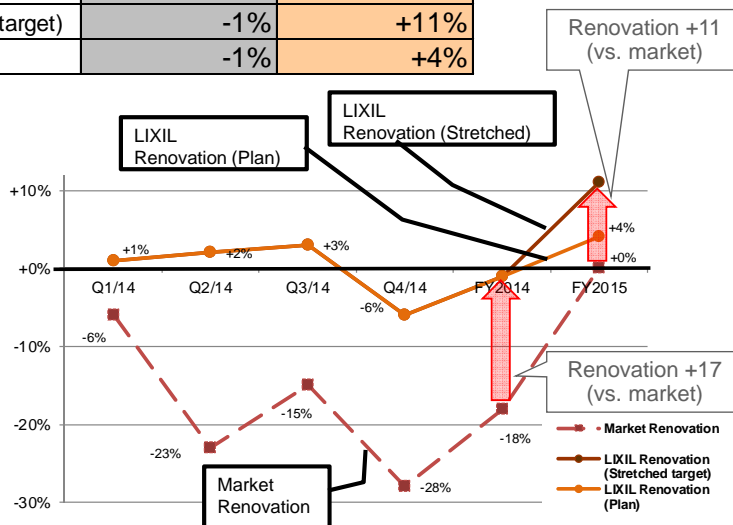
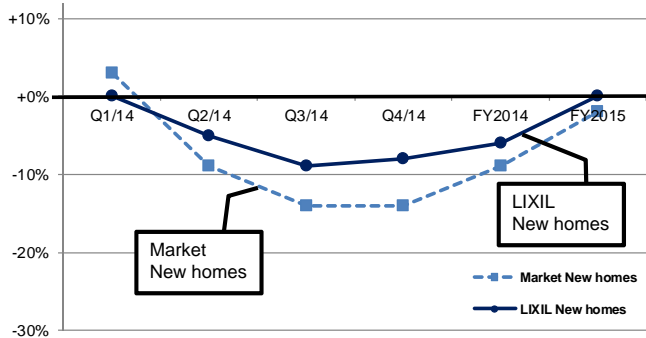
G-16: Medium-Term Business Plan announced in May 2014

Improve Profitability Based on Conservative Sales Forecast



Growth rate (Y/Y)

		FY2014 result	FY2015 forecast
Market	New homes	-9%	-2%
	Renovation	-18%	0%
LIXIL	New homes	-6%	0%
	Renovation (Stretched target)	-1%	+11%
	Renovation (Plan)	-1%	+4%



Attained first year forecast of Y13bn

Categories	Major measures	Mar-17 Target *2	Mar-15 PL base (results)
SCM	<ul style="list-style-type: none"> Integrate sales and construction information Optimize production sites and logistic centers Improve logistics Strategic purchasing Effect of CCC improvement 	Y55bn	Y11.6bn
Improvement of gross profit	<ul style="list-style-type: none"> Reduce cost leakage with process visualization Optimize product portfolio 	Y35bn	Y8.5bn
Indirect costs and other	<ul style="list-style-type: none"> Improve process of sales support More efficient product development Cut SG&A 	Y20bn	Y2.2bn
Internal target		Y110bn	Y22.3bn
Contingency		-Y33bn	-Y5.0bn
Core Business in Japan		Y77bn	Y17.3bn

* 1 BT-16: Business Transformation

* 2 Cumulative three year results

...Operational Efficiency in Action

Generating Annual Cost Savings of Y2.3bn

	Terms of Implementation	Implementation	Purpose	Division
Implemented	April 2014	Sales of SUN WAVE KITCHEN TECHNO CORPORATION	Select and concentrate businesses	LWT
	August 2014	Closure of production line for ceramics at LIXIL BUILDING MATERIALS MANUFACTURING (SUZHOU) CORPORATION in China	Shift production to ASAP* factory and Vietnam factory	LWT
	December 2014	Shutdown of GROHE factory in Canada	Shift production to ASB factory in Mexico	LWT
	April 2015	Merger of LIXIL Corporation with SUN WAVE CORPORATION, and 2 others	Slim the structure of the group companies	Corporate
Plan	June 2015	Shutdown of Nevada factory of ASB	Shift production to ASB factory in Mexico	LWT
	December 2015	Halt production at Tateno factory (metal building materials) in Toyama prefecture	Shift production to Oyabe factory in Toyama prefecture	LHT
	March 2016	Halt production at Aoyama factory (electronic component) in Mie prefecture	Shift production to Chita factory in Aichi prefecture	LWT

*American Standard Asia Pacific

Highlights

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Power of LIXIL Group on Display at ISH



As the world's leading provider of sanitary fittings, GROHE was present at ISH



- March 10th – 14th 2015 in Frankfurt, Germany
- ISH: World's leading trade fair for the Bathroom Experience, Building, Energy, Air Conditioning Technology and Renewable Energies
- GROHE booth filling a complete hall with an area of 2,300 m² and showing all novelties as well as the complete product range plus services for bath, kitchen, spa and professional
- First time Group presence with LIXIL and GROHE
- Launch of complete bathroom solutions
- International press conference held by David J. Haines and Michael Rauterkus with more than 60 international journalists attending



Selected for “The Diversity Management Selection 100”
and “The Nadeshiko Brand”



LIXIL Group has been selected as "The Diversity Management Selection 100" and "Nadeshiko Brand" companies



The Ministry of Economy, Trade and Industry (METI) selected enterprises in “The Diversity Management Selection 100” that have improved corporate value through diversity management.



“The Nadeshiko Brand” designation is jointly selected and publicized by METI and the Tokyo Stock Exchange that are exceptional in encouraging women’s success in the workplace. LIXIL is a winner of the Award for the second consecutive year.

Global Launch and Roll Out of LIXIL Group’s Code of Conduct



Our Group Code applies to all employees, directors and officers. It was adopted on April 1st. We are working hard to disseminate it throughout our organization worldwide.



Appendix

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A-1. Free Cash Flow Increased by Y145bn Y/Y

Unit: Y bn

	Mar-14 results	Mar-15 results	Increase/ decrease
Cash flows from operating activities <i>(of which depreciation)</i>	83.5 49.2	139.2 50.7	55.6 1.6
Cash flows from investing activities <i>(of which purchase of property, plant and equipment and intangible assets)</i>	-218.3 -65.3	-129.2 -62.6	89.1 2.7
Free cash flows	-134.8	9.9	144.7
Cash flows from financing activities	153.1	10.0	-143.1

Of which improvement
in working capital
+94.6

A-2. Consolidated Financial Position (Note)

Unit: Y bn

	Mar-14	Mar-15	Increase/ decrease
Cash and deposits	163.0	257.3	94.3
Notes and accounts receivable	487.2	443.9	-43.4
Inventories	210.9	227.6	16.8
Tangible and intangible assets	629.6	649.5	19.9
Others			
Total assets			
Notes and accounts payable	235.8	233.0	-2.8
Interest-bearing debt	626.5	676.0	49.5
Others	322.2	343.5	21.3
Total liabilities	1,184.5	1,252.5	68.0
Treasury stocks	-41.8	-56.2	-14.4
Others			
Net assets			
Number of shares (in thousands)	290,733	286,352	-4,381

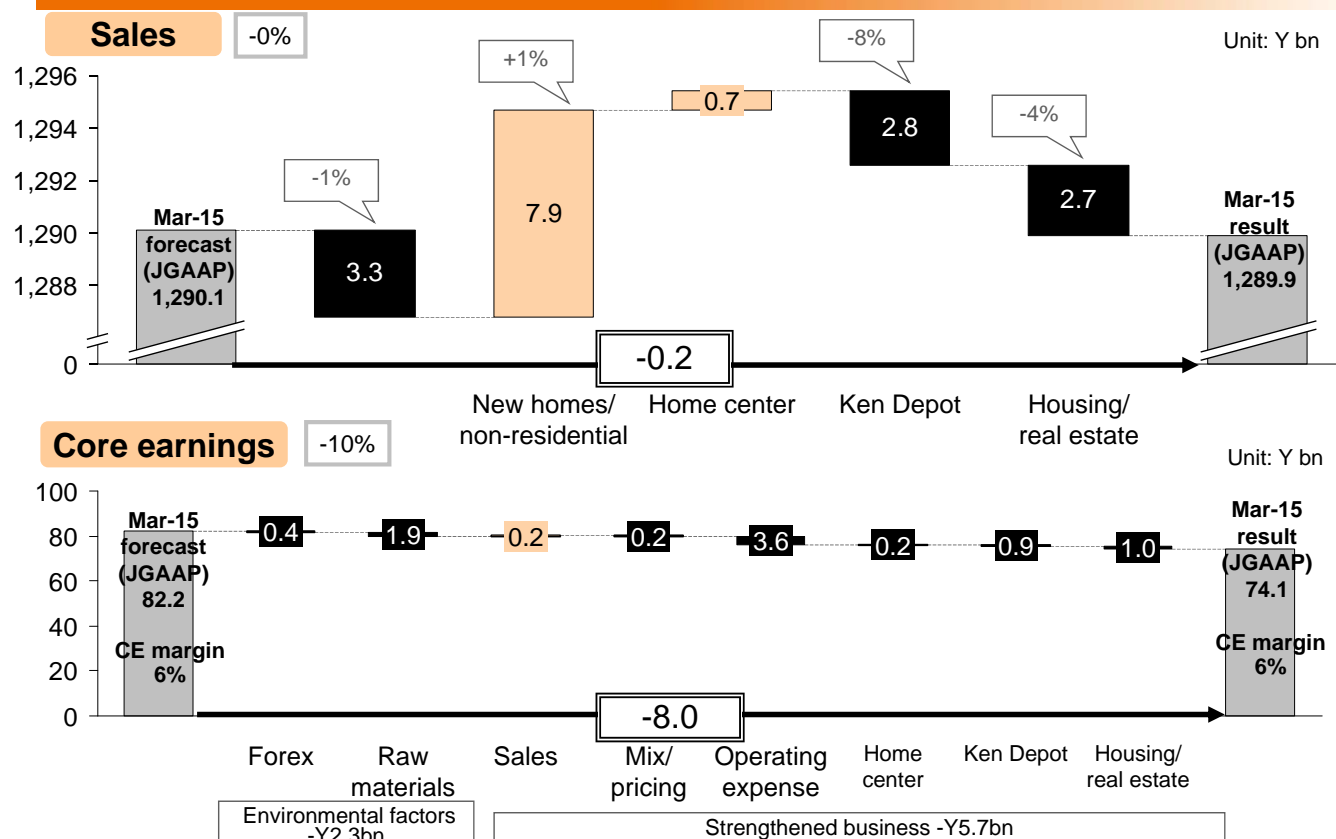
■ Increase in cash and deposits are for repayments of interest – bearing debt

■ Improvement in working capital progressing

■ Net interest-bearing debt is Y418.7bn (-Y44.8bn) including issuance of convertible bonds of Y120bn

■ Conducted buyback of shares of Y20bn

A-3. Increase/Decrease of Sales and CE in Japan for the Fiscal Year Ended March 2015 (Vs. Forecast)



A-4. Increase/Decrease of Sales and CE Overseas for the Fiscal Year Ended March 2015 (Vs. Forecast)

