

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



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Notification Regarding Reorganization of the Production System at LIXIL Housing Technology

LIXIL Corporation (herein after "LIXIL") today announced that it has decided to cease material division activities at its Maebashi factory by the end of March 2023, and will transfer the processing division activities from this factory to three other factories within LIXIL: Kasukawa, Oyabe, and Shimotsuma. These measures will optimize the supply capacity of the aluminum materials division of LIXIL Housing Technology (herein after "LHT") in response to changing demand in Japan.

1. Background and Outline

Given the rapidly changing market environment, LIXIL is moving to become more consumer centric and an organization that can quickly transform and innovate. LHT has been promoting structural reforms from the fiscal year ended March 2018 to achieve a system that is resilient to external factors. LHT's focus has been on increasing core earnings through technology, design, and brands that differentiate LIXIL and support long-term sustainable growth.

Reorganization of the production system is a key step to accelerate transformation measures to achieve sustainable growth. With housing starts declining in Japan, a decrease in demand is expected. LIXIL will optimize supply capacity of the aluminum materials division, reduce costs by improving the utilization ratio, and further improve the technological capabilities. Along with these initiatives, LIXIL will proceed with consolidation of the processing division to Kasukawa factory (Maebashi City, Gunma Prefecture), Oyabe factory (Oyabe City, Toyama Prefecture), and Shimotsuma factory (Shimotsuma City, Ibaraki Prefecture), which will optimize supply chain, strengthen cooperation between technology, manufacturing, and sales divisions, and build a system that can bring more value-added products to the market.

2. Overview of the Maebashi factory

(1) Name	Maebashi factory
(2) Location	Maebashi City, Gunma Prefecture
(3) Year of completion	1965
(4) Description of equipment	Manufacturing and processing of aluminum building materials
(5) Site area	165,000m ²
(6) Number of employees (as of February 2021)	729 people (out of which permanent employee of 254 people)

3. Timing to cease activities of the material division

End of March 2023

4. Financial impact

LIXIL plans to record approximately JPY 1.5 billion yen for costs to be incurred in association with these measures under Other Expense in the fourth quarter of the fiscal year ending March 2021.

In addition, for fixed assets that will continue to be used until the factory ceases activities at the end of March 2023, we expect an increase in cost of sales due to an increase in depreciation costs from shortening the useful life of fixed assets (accelerated depreciation) in the fiscal year ending March 31, 2022 and March 31, 2023. However, we expect the financial impact of this transaction on LIXIL's consolidated financial performance to be minor.

LIXIL already factored the expected amount of other expenses to be recorded in the fiscal year ending March 2021 into the "Announcement of Upward Revision of Consolidated Financial Forecast for the Fiscal Year Ending March 2021" announced on February 5, 2021.

End