***Flash Report***

**LIXIL GROUP CORPORATION**

**August 4, 2014**

# Consolidated Financial Results for the First Quarter ended June 30, 2014 (Japanese Accounting Standard)

Company Name: LIXIL GROUP CORPORATION
Stock Listings: Tokyo, Nagoya
Code Number: 5938
URL: http://www.lixil-group.co.jp/e/ir/default.htm
Representative: Yoshiaki Fujimori, President & CEO
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Contact: Takashi Tsutsui, Executive Officer & Executive Vice President, Investor Relations
Scheduled date of issue of quarterly financial report: August 8, 2014
Date of scheduled payment of dividends: -
Preparation of supplementary materials for quarterly financial results: Yes
Information meeting for quarterly financial results to be held: Yes (For investment analysts and institutional investors)

(Amounts less than one million yen are omitted.)

## 1. Consolidated Financial Results for the Q1 of FY Ending March 2015 (April 1 through June 30, 2014)

(1) Consolidated Operating Results (% indicate changes from the figures of corresponding period of the previous fiscal year)

| | Net sales | | Recurring profit | | Ordinary income | |
|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % |
| **FY 2015 Q1** | **381,484** | **9.5** | **4,823** | **-47.5** | **4,577** | **-66.4** |
| FY 2014 Q1 | 348,419 | 6.8 | 9,195 | 180.3 | 13,614 | 269.1 |

(Reference) Comprehensive income
FY 2015 Q1 -2,739 million yen (-%) FY 2014 Q1 21,347 million yen (267.9%)

| | Net income | | Net income per share | |
|---|---|---|---|---|
| | Million yen | % | -basic | -diluted |
| | | | yen | yen |
| **FY 2015 Q1** | **109** | **-98.8** | **0.38** | **0.37** |
| FY 2014 Q1 | 8,936 | 733.3 | 30.73 | 30.64 |

(Reference) Net income excluding amortization of goodwill
FY 2015 Q1 3,400 million yen (-66.9%) FY 2014 Q1 10,288 million yen (352.1%)
(Reference) Net income per share excluding amortization of goodwill
FY 2015 Q1 11.65 yen (-67.1%) FY 2014 Q1 35.38 yen (352.1%)

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| **FY 2015 Q1** | **1,773,717** | **616,336** | **34.3** | **2,078.11** |
| FY2014 | 1,810,097 | 625,599 | 34.1 | 2,123.22 |

(Reference) Equity capital at end of period
FY 2015 Q1 608,538 million yen FY 2014 617,290 million yen

## 2. Cash Dividends

| | Dividends per share | | | | |
|---|---|---|---|---|---|
| | End of Q1 | End of Q2 | End of Q3 | End of Q4 | For the year |
| | Yen | Yen | Yen | Yen | Yen |
| FY 2014 | - | 25.00 | - | 30.00 | 55.00 |
| FY 2015 | - | | | | |
| FY 2015 (forecast) | | 30.00 | - | 30.00 | 60.00 |

(Note) Revision of cash dividend forecast during this period: None

## 3. Consolidated Forecast for the Fiscal Year Ending March 2015 (April 1, 2014 through March 31, 2015)

(% indicate changes from the figures of corresponding period of the previous fiscal year)

| | Net sales | | Operating income | | Recurring profit | | Net income | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Q2 (6 months) | 835,000 | 12.6 | 31,000 | 19.4 | 31,500 | 8.8 | 19,000 | 6.9 | 65.02 |
| FY 2015 | 1,760,000 | 8.1 | 80,000 | 15.8 | 81,500 | 8.8 | 49,000 | 9.5 | 167.52 |

(Note) Revision of consolidated operating performance forecast during this period: None
There was disposal of treasury stock due to exercise of stock option in FY 2015 Q1. As for the net income per share of the consolidated forecast, such disposal of treasury stock is put into consideration for the number of shares excluding treasury stocks used in the calculation.

(Reference) Net income excluding amortization of goodwill (forecast)
FY 2015 1H 23,500 million yen (14.4%) FY 2015 58,000 million yen (15.8%)
(Reference) Net income per share excluding amortization of goodwill (forecast)
FY 2015 1H 80.42 yen (13.8%) FY 2015 198.29 yen (15.1%)

**4. Others**

(1) Changes in significant subsidiaries, which affected the scope of consolidation during this period: Non

(2) Application of simplified financial accounting methods and special accounting methods for presenting quarterly consolidate financial statements: None

(3) Changes in accounting principle, procedure and disclosure regarding quarterly consolidated financial statements applie
1. Changes due to revisions in accounting standards: Non
2. Changes due to revisions in accounting standards other than the above: Non
3. Changes to accounting estimates: None
4. Restatement of accounts: None

(4) Outstanding shares (common shares)
i) Number of shares outstanding at end of period (including treasury stocks
Three months ended June 30, 2014 313,054,255 shares FY ended March 31, 2014 313,054,255 shares
ii) Number of treasury stock at end of period
Three months ended June 30, 2014 20,221,419 shares FY ended March 31, 2014 22,321,128 shares
iii) Weighted-average number of shares outstanding over period
Three months ended June 30, 2014 291,774,045 shares
Three months ended June 30, 2013 290,752,095 shares

Note: Indication of quarterly review procedures implementation status
This quarterly financial results report is exempt from quarterly review procedures under Japan's Financial Instruments and Exchange Law.
The review procedure is not completed at the time of disclosure of this report.

Note: Appropriate use of business forecasts; other special items
(Cautionary statements with respect to forward-looking statements)
Performance forecast and other forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational at the time of this report's release. Due to various circumstances, however, actual results may differ significantly from such statements.

Note: Regarding presentation material to supplement the financial results' announcement has been posted on TDnet and the Company's website.

## 2. Consolidated Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Unit: million yen)

| | As of March 31, 2014 | End of Q1 (As of June 30, 2014) |
|---|---|---|
| **Assets:** | | |
| **Current assets** | **Y 942,532** | **Y 914,594** |
| Cash & deposits | 162,996 | 145,546 |
| Notes and accounts receivable-trade | 487,211 | 444,251 |
| Securities | 1,999 | 1,999 |
| Merchandise and finished goods | 129,369 | 152,412 |
| Work in process | 16,984 | 18,171 |
| Raw materials and supplies | 45,453 | 43,945 |
| Other inventories | 19,048 | 18,879 |
| Short-term loans receivable | 6,228 | 5,829 |
| Deferred tax assets | 25,539 | 29,963 |
| Other | 53,177 | 58,166 |
| Allowance for doubtful accounts | -5,476 | -4,571 |
| **Noncurrent assets** | **867,565** | **859,122** |
| **Property, plant and equipment** | **489,535** | **492,982** |
| Buildings & structures | 491,721 | 498,210 |
| Accumulated depreciation | -311,649 | -314,075 |
| Buildings and structures, net | 180,072 | 184,135 |
| Machinery, equipment and vehicles | 324,308 | 330,777 |
| Accumulated depreciation | -246,780 | -248,589 |
| Machinery & equipment and vehicles, net | 77,527 | 82,187 |
| Land | 188,662 | 189,375 |
| Leased assets | 15,138 | 15,440 |
| Accumulated depreciation | -6,966 | -8,558 |
| Leased assets, net | 8,171 | 6,882 |
| Construction in progress | 19,982 | 13,431 |
| Other | 95,789 | 98,224 |
| Accumulated depreciation | -80,670 | -81,252 |
| Other, net | 15,118 | 16,971 |
| **Intangible assets** | **140,086** | **132,380** |
| Goodwill | 79,971 | 50,185 |
| Other | 60,115 | 82,194 |
| **Investments and other assets** | **237,943** | **233,759** |
| Investment securities | 169,520 | 171,473 |
| Long-term loans receivable | 2,896 | 2,895 |
| Net defined benefit asset | 1,863 | 2,740 |
| Deferred tax assets | 22,351 | 16,211 |
| Other | 57,250 | 56,098 |
| Allowance for doubtful accounts | -15,938 | -15,659 |
| **Total assets** | **Y 1,810,097** | **Y 1,773,717** |

(Unit: million yen)

| | As of March 31, 2014 | End of Q1 (As of June 30, 2014) |
|---|---|---|
| **Liabilities:** | | |
| **Current liabilities** | **Y 719,248** | **Y 642,388** |
| Notes and accounts payable - trade | 235,799 | 213,786 |
| Short-term loans payable | 207,198 | 144,438 |
| Current portion of bonds | 15,000 | 15,000 |
| Lease obligations | 3,030 | 2,985 |
| Accrued expenses | 82,243 | 76,052 |
| Income taxes payable | 11,082 | 5,049 |
| Provision for bonuses | 21,173 | 31,944 |
| Asset retirement obligations | 281 | 398 |
| Other | 143,439 | 152,732 |
| **Non-current liabilities** | **465,250** | **514,993** |
| Bonds payable | 70,000 | 70,000 |
| Long-term loans payable | 289,026 | 336,896 |
| Lease obligations | 6,256 | 5,857 |
| Provision for directors' retirement benefits | 79 | 82 |
| Net defined benefit liability | 25,016 | 23,063 |
| Deferred tax liabilities | 22,914 | 28,634 |
| Negative goodwill | 61 | 30 |
| Asset retirement obligations | 6,615 | 6,785 |
| Other | 45,278 | 43,642 |
| **Total liabilities** | **1,184,498** | **1,157,381** |
| **Net assets:** | | |
| **Shareholders' equity** | | |
| Capital stock | 68,121 | 68,121 |
| Capital surplus | 261,366 | 261,614 |
| Retained earnings | 286,384 | 276,080 |
| Treasury shares | -41,806 | -37,875 |
| Total shareholders' equity | 574,065 | 567,941 |
| **Accumulated other comprehensive income** | | |
| Valuation difference on available-for-sale securities | 13,184 | 16,693 |
| Deferred gains or losses on hedges | 1,756 | 1,092 |
| Foreign currency translation adjustment | 28,283 | 22,811 |
| Total accumulated other comprehensive income | 43,224 | 40,597 |
| **Subscription rights to shares** | **2,534** | **2,343** |
| **Minority interests** | **5,774** | **5,453** |
| **Total net assets** | **625,599** | **616,336** |
| **Total liabilities and net assets** | **Y 1,810,097** | **Y 1,773,717** |

(2) Consolidated Quarterly Statements of Income (Unit: million yen)

| | Three months ended June 30, 2013 | Three months ended June 30, 2014 |
|---|---|---|
| **Net sales** | **Y 348,419** | **Y 381,484** |
| **Cost of sales** | 250,453 | 276,759 |
| Gross profit | 97,966 | 104,724 |
| **Selling, general & administrative expenses** | **88,771** | **99,901** |
| Operating income | 9,195 | 4,823 |
| **Non-operating income** | **7,684** | **5,697** |
| Interest income | 480 | 530 |
| Dividend income | 774 | 1,028 |
| Rent income | 1,640 | 1,745 |
| Amortization of negative goodwill | 30 | 30 |
| Share of profit of entities accounted for using equity method | 55 | - |
| Foreign exchange gains | 2,962 | 748 |
| Other | 1,740 | 1,613 |
| **Non-operating expenses** | **3,264** | **5,943** |
| Interest expenses | 1,029 | 1,437 |
| Share of loss of entities accounted for using equity method | - | 2,632 |
| Cost of lease revenue | 1,131 | 1,107 |
| Loss on valuation of derivatives | 120 | 29 |
| Other | 982 | 736 |
| Ordinary income | 13,614 | 4,577 |
| **Extraordinary income** | **20** | **18** |
| Gain on sales of non-current assets | 20 | 18 |
| Gain on sales of shares of subsidiaries and associates | 0 | - |
| **Extraordinary loss** | **741** | **1,003** |
| Loss on sales and retirement of non-current assets | 318 | 238 |
| Loss on sales of shares of subsidiaries and associates | - | 186 |
| Loss on factory restructurings | 423 | - |
| Adjustment of goodwill amortization and other | - | 505 |
| Loss on transition to a defined contribution pension plan | - | 72 |
| **Income before income taxes and minority interests** | **12,893** | **3,592** |
| **Income taxes - current** | **3,727** | **3,625** |
| **Income taxes - deferred** | **504** | **-82** |
| **Total income taxes** | **4,232** | **3,542** |
| **Income before minority interests** | **8,661** | **50** |
| **Minority interests in loss** | **-274** | **-58** |
| **Net income** | **Y 8,936** | **Y 109** |

(3) Consolidated Quarterly Statements of Comprehensive Income

(Unit: million yen)

| | Three months ended June 30, 2013 | Three months ended June 30, 2014 |
|---|---|---|
| **Income before minority interests** | **Y 8,661** | **Y 50** |
| **Other comprehensive income** | 12,685 | -2,790 |
| Valuation difference on available-for-sale securities | 2,440 | 3,500 |
| Deferred gains or losses on hedges | 155 | -685 |
| Foreign currency translation adjustment | 10,100 | -5,178 |
| Share of other comprehensive income of entities accounted for using equity method | -11 | -427 |
| **Comprehensive income** | 21,347 | -2,739 |
| Comprehensive income attributable to owners of parent | 21,381 | -2,517 |
| Comprehensive income attributable to minority interests | **Y -34** | **Y -221** |

(4) Consolidated Quarterly Statements of Cash Flows (Unit: million yen)

| | Three months ended June 30, 2013 | Three months ended June 30, 2014 |
|---|---|---|
| **Operating Activities:** | | |
| Income before income taxes and minority interests | **Y 12,893** | **Y 3,592** |
| Depreciation | 11,186 | 11,545 |
| Amortization of negative goodwill | -30 | -30 |
| Amortization of goodwill | 1,382 | 1,727 |
| Decrease in allowance for doubtful accounts | -330 | -1,047 |
| Increase in allowance for loss on factory restructuring | 367 | - |
| Increase (decrease) in debt for retirement benefits | -83 | 37 |
| Increase in asset for retirement benefits | -175 | -294 |
| Interest and dividend income | -1,254 | -1,559 |
| Interest expenses | 1,029 | 1,437 |
| Foreign exchange losses (gains) | 222 | -1,199 |
| Share of (profit) loss of entities accounted for using equity method | -55 | 2,632 |
| Loss (gain) on sales and valuation of investment securities | -0 | 186 |
| Loss on sales and retirement of non-current assets | 298 | 220 |
| Decrease in notes and accounts receivable - trade | 13,478 | 46,482 |
| Increase in inventories | -11,241 | -20,668 |
| Decrease in notes and accounts payable - trade | -5,836 | -21,015 |
| Other, net | -3,426 | 3,141 |
| Subtotal | 18,424 | 25,189 |
| Proceeds from insurance income | 2,490 | - |
| Interest and dividend income received | 1,278 | 1,665 |
| Interest expenses paid | -1,025 | -1,438 |
| Income taxes paid | -7,001 | -9,115 |
| **Net cash provided by operating activities** | **14,166** | **16,300** |
| **Investing Activities:** | | |
| Decrease in time deposits | 1,504 | 10,455 |
| Purchase of securities | -46,998 | -51,999 |
| Proceeds from sales and redemption of securities | 52,524 | 52,000 |
| Purchase of property, plant and equipment and intangible assets | -11,940 | -14,198 |
| Proceeds from sales of property, plant and equipment and intangible assets | 260 | 143 |
| Purchase of investment securities | -12 | -100 |
| Proceeds from sales and redemption of investment securities | 0 | - |
| Proceeds from sales of shares of subsidiaries | - | 24 |
| Decrease in short-term loans receivable | 661 | 433 |
| Payments of long-term loans receivable | -52 | -101 |
| Collection of long-term loans receivable | 102 | 47 |
| Other payments | -1,012 | -528 |
| Other proceeds | 64 | 41 |
| **Net cash used in investing activities** | **Y -4,899** | **Y -3,782** |

(Unit: million yen)

| | Three months ended June 30, 2013 | Three months ended June 30, 2014 |
|---|---|---|
| **Financing Activities:** | | |
| Increase (decrease) in short-term bank loans and commercial papers | **Y 2,217** | **Y - 43,404** |
| Increase (decrease) in liquidation of receivables of trade among the consolidated companies | -4,997 | 3,998 |
| Repayments of long-term loans payable | -5,669 | -24,959 |
| Proceeds from long-term loans payable | 20,000 | 54,519 |
| Repayments of lease obligations | -1,002 | -734 |
| Proceeds from disposal of treasury shares | 0 | 3,534 |
| Purchase of treasury shares | -9 | -4 |
| Cash dividends paid | -5,815 | -8,721 |
| Cash dividends paid to minority shareholders | -0 | -17 |
| **Net cash provided by (used in) financing activities** | **4,723** | **-15,789** |
| **Effect of exchange rate change on cash and cash equivalents** | **1,850** | **-715** |
| **Net increase (decrease) in cash and cash equivalents** | **15,841** | **-3,987** |
| **Cash and cash equivalents at beginning of period** | **114,661** | **139,038** |
| **Increase in cash and cash equivalents from newly consolidated subsidiary** | **6** | **-** |
| **Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries** | **371** | **67** |
| **Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation** | **-7** | |
| **Decrease in cash and cash equivalents due to change in fiscal period of consolidated subsidiaries** | | **-2,896** |
| **Cash and cash equivalents at end of period** | **Y 130,873** | **Y 132,223** |

(5) Notes on Premise of Going Concern

Not applicable.

(6) Notes to Significant Changes in Equity

Not applicable.

(7) Segment Information

Business Segment Information

(Unit: million yen)

| | Three months ended June 30, 2013 (April 1 through June 30, 2013) | | | | |
|---|---|---|---|---|---|
| | Japan | | | | |
| | Metal building material business | Plumbing fixtures business | Other building materials and equipment business | Distribution and retail business | Housing and real estate business |
| Net sales | | | | | |
| (1) Net sales to outside customers | Y 108,736 | Y 80,055 | Y 44,854 | Y 48,121 | Y 14,749 |
| (2) Inter-segment sales of products | 1,133 | 925 | 402 | 62 | 235 |
| Total | 109,869 | 80,981 | 45,256 | 48,183 | 14,984 |
| Operating income | 7,091 | 4,413 | 1,055 | 1,244 | 1,328 |
| Other items | | | | | |
| (1) Share of profit of entities accounted for using equity method | - | - | - | - | 73 |
| (2) Investments to entities accounted for using equity method | - | - | - | - | 1,745 |
| (Reference) Operating income before amortization of goodwill and purchase price allocation | 7,164 | 4,413 | 1,269 | 1,244 | 1,328 |

(Unit: million yen)

| | Three months ended June 30, 2013 (April 1 through June 30, 2013) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Global | | | | | | |
| | Asia business | Curtain wall business | ASB business | Other business | Total | Adjustment amounts | Consolidation |
| Net sales | | | | | | | |
| (1) Net sales to outside customers | Y 10,986 | Y 40,916 | - | - | Y 348,419 | - | Y 348,419 |
| (2) Inter-segment sales of products | 6,728 | - | - | - | 9,486 | -9,486 | - |
| Total | 17,714 | 40,916 | - | - | 357,906 | -9,486 | 348,419 |
| Operating income (loss) | -1,168 | -650 | - | - | 13,314 | -4,119 | 9,195 |
| Other items | | | | | | | |
| (1) Share of profit (loss) of entities accounted for using equity method | - | -17 | - | - | 55 | - | 55 |
| (2) Investments to entities accounted for using equity method | - | - | - | - | 1,745 | - | 1,745 |
| (Reference) Operating income before amortization of goodwill and purchase price allocation | -819 | 725 | - | - | 15,325 | -6,130 | 9,195 |

Note: Operating income before amortization of goodwill and purchase price allocation is segment income (loss) excluding amortization of goodwill and intangible assets accrued from business combination.

(Unit: million yen)

| | Three months ended June 30, 2014 (April 1 through June 30, 2014) | | | | |
|---|---|---|---|---|---|
| | Japan | | | | |
| | Metal building material business | Plumbing fixtures business | Other building materials and equipment business | Distribution and retail business | Housing and real estate business |
| Net sales | | | | | |
| (1) Net sales to outside customers | Y 112,451 | Y 78,102 | Y 43,409 | Y 49,376 | Y 13,864 |
| (2) Inter-segment sales of products | 536 | 832 | 412 | 0 | 211 |
| Total | 112,988 | 78,935 | 43,822 | 49,376 | 14,075 |
| Operating income | 5,900 | 1,405 | 727 | 2,220 | 1,081 |
| Other items | | | | | |
| (1) Share of profit (loss) of entities accounted for using equity method | - | - | - | - | -0 |
| (2) Investments to entities accounted for using equity method | - | - | - | - | 5,630 |
| (Reference) Operating income before amortization of goodwill and purchase price allocation | 5,905 | 1,405 | 941 | 2,220 | 1,154 |

(Unit: million yen)

| | Three months ended June 30, 2014 (April 1 through June 30, 2014) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Global | | | | | | |
| | Asia business | Curtain wall business | ASB business | Other business | Total | Adjustment amounts | Consolidation |
| Net sales | | | | | | | |
| (1) Net sales to outside customers | Y 14,863 | Y45,921 | Y 23,494 | - | Y 381,484 | - | Y 381,484 |
| (2) Inter-segment sales of products | 8,589 | 124 | - | - | 10,708 | -10,708 | - |
| Total | 23,453 | 46,046 | 23,494 | - | 392,192 | -10,708 | 381,484 |
| Operating income (loss) | -41 | -1,375 | 704 | - | 10,621 | -5,798 | 4,823 |
| Other items | | | | | | | |
| (1) Share of profit (loss) of entities accounted for using equity method | - | 25 | - | -2,657 | -2,632 | - | -2,632 |
| (2) Investments to entities accounted for using equity method | - | 15 | - | 99,826 | 105,473 | - | 105,473 |
| (Reference) Operating income before amortization of goodwill and purchase price allocation | 351 | 59 | 1,044 | - | 13,082 | -8,258 | 4,823 |

Note: Operating income before amortization of goodwill and purchase price allocation is segment income (loss) excluding amortization of goodwill and intangible assets accrued from business combination.