Flash Report

LIXIL GROUP CORPORATION

February 6, 2017

Consolidated Financial Results for the Third Quarter Ended December 31, 2016 (International Financial Reporting Standards)

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(Amounts less than one million yen are rounded)

1. Consolidated Financial Results for the Q3 of FY Ending March 2017 (April 1 through December 31, 2016)

(1) Consolidated Operating Results

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

	Revenue		Operating profit		Profit before tax		Profit for the quarter		Profit for the quarter attributable to owners of the parent		Total comprehensive income for the quarter	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2017 Q3	**1,333,672**	**-7.4**	**69,302**	**14.1**	**73,340**	**352.5**	**45,623**	**-**	**45,749**	**-**	**45,632**	**416.0**
FY 2016 Q3	1,439,530	-	60,726	-	16,206	-	1,354	-	1,575	-	8,843	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY 2017 Q3	**159.38**	**144.16**
FY 2016 Q3	5.49	5.42

(Reference) Core earnings

FY 2017 Q3 73,809 million yen (9.3%) FY 2016 Q3 67,545 million yen (-%)

Core earnings is the amount calculated by deducting cost of sales and selling, general and administrative expenses from the revenue

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	Million yen	Million yen	Million yen	%
FY 2017 Q3	**2,157,662**	**566,375**	**553,479**	**25.7**
FY 2016	2,130,120	537,308	524,806	24.6

2. Cash Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	End of period	For the year
	Yen	Yen	Yen	Yen	Yen
FY 2016	-	30.00	-	30.00	60.00
FY 2017	-	30.00	-		
FY 2017 (forecast)				30.00	60.00

(Note) Revision of dividends forecast during this period: No

3. Consolidated Forecast for the FY Ending March 2017 (April 1, 2016 through March 31, 2017)

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

	Revenue		Operating profit		Profit before tax		Profit for the year		Profit for the year attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY 2017	1,780,000	-5.8	65,000	66.6	67,000	-	38,000	-	38,000	-	132.41

(Note) Revision of consolidated operating performance forecast during this period: No

(Reference) Core earnings

FY 2017 80,000 million yen (14.2%)

4. Others

(1) Changes in significant subsidiaries, which affected the scope of consolidation during this period: No
Newly consolidated company: None
Excluded company: None

(2) Changes in accounting policies and accounting estimate
(i) Changes in accounting policies required by IFRS: None
(ii) Other changes: None
(iii) Changes in accounting estimate: None

(3) Outstanding stocks (Common stocks)

(i) Outstanding stocks including treasury stock	(December 31, 2016) 313,054,255 shares	(March 31, 2016) 313,054,255 shares
(ii) Treasury stocks	(December 31, 2016) 25,851,087 shares	(March 31, 2016) 26,092,118 shares
(iii) Average stocks during nine months (Apr.-Dec.)	(December 31, 2016) 287,040,724 shares	(December 31, 2015) 286,549,224 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.

5. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Unit: millions of yen)

	As of March 31, 2016	End of Q3 (As of December 31, 2016)
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	129,646	150,591
Trade and other receivables	386,281	414,587
Inventories	211,855	210,695
Construction contract assets	92,920	97,794
Income tax receivables	4,008	3,708
Other financial assets	30,004	36,196
Other current assets	21,607	21,070
Subtotal	876,321	934,641
Assets held for sale	8,897	330
Total current assets	**885,218**	**934,971**
NON-CURRENT ASSETS:		
Property, plant and equipment	546,575	533,431
Goodwill and other intangible assets	501,325	493,086
Investment property	7,922	7,947
Investments accounted for using the equity method	25,606	23,675
Other financial assets	90,048	96,182
Deferred tax assets	51,125	46,172
Other non-current assets	22,301	22,198
Total non-current assets	**1,244,902**	**1,222,691**
Total assets	**Y 2,130,120**	**Y 2,157,662**

(Unit: millions of yen)

	As of March 31, 2016	End of Q3 (As of December 31, 2016)
LIABILITIES:		
CURRENT LIABILITIES		
Trade and other payables	342,832	355,070
Bonds and borrowings	325,660	277,396
Construction contract liabilities	28,014	37,149
Income tax payables	18,045	17,123
Other financial liabilities	17,569	7,982
Provisions	2,236	1,902
Other current liabilities	117,550	120,537
Subtotal	851,906	817,159
Liabilities directly associated with the assets held for sale	10,572	—
Total current liabilities	**862,478**	**817,159**
NON-CURRENT LIABILITIES		
Bonds and borrowings	501,399	546,255
Other financial liabilities	30,790	31,483
Net defined benefit liabilities	81,098	80,333
Provisions	7,144	6,846
Deferred tax liabilities	81,045	78,797
Other non-current liabilities	28,858	30,414
Total non-current liabilities	**730,334**	**774,128**
Total liabilities	**1,592,812**	**1,591,287**
EQUITY:		
Share capital	68,121	68,121
Capital reserves	261,024	261,016
Treasury shares	-54,898	-54,391
Other components of equity	22,791	22,549
Retained earnings	227,768	256,184
Equity attributable to owners of the parent	524,806	553,479
Non-controlling interests	12,502	12,896
Total equity	**537,308**	**566,375**
Total liabilities and equity	**Y 2,130,120**	**Y 2,157,662**

(2) Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated Statement of Profit or Loss

(Unit: millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Revenue	Y 1,439,530	Y 1,333,672
Cost of sales	-1,022,959	-912,021
GROSS PROFIT	416,571	421,651
Selling, general and administrative expenses	-349,026	-347,842
Other income	12,996	9,745
Other expenses	-19,815	-14,252
OPERATING PROFIT	60,726	69,302
Finance income	10,620	11,492
Finance costs	-19,823	-7,339
Share of profit (loss) of associates and joint ventures accounted for using the equity method	490	-115
Impairment loss on investment in associates	-7,869	-
Loss related to guarantee obligations	-27,938	-
PROFIT BEFORE TAX	16,206	73,340
Income tax expenses	-14,852	-27,717
PROFIT FOR THE QUARTER	1,354	45,623
Profit for the quarter attributable to:		
Owners of the parent	1,575	45,749
Non-controlling interests	-221	-126
PROFIT FOR THE QUARTER	1,354	45,623
Earnings per share		
Basic (yen per share)	5.49	159.38
Diluted (yen per share)	5.42	144.16

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
PROFIT FOR THE QUARTER	**Y 1,354**	**Y 45,623**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit pension plans	7,400	-242
Total items that will not be reclassified subsequently to profit or loss	7,400	-242
Items that may be reclassified subsequently to profit or loss		
Net fair value gain on available-for-sale financial assets	3,548	3,020
Net fair value loss on hedging instruments entered into for cash flow hedges	-1,255	-48
Exchange differences on translation of foreign operations	-9,894	-985
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	7,690	-1,736
Total items that may be reclassified subsequently to profit or loss	89	251
Other comprehensive income, net of tax	7,489	9
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	8,843	45,632
Total comprehensive income for the quarter attributable to:		
Owners of the parent	11,291	45,324
Non-controlling interests	-2,448	308
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	**Y 8,843**	**Y 45,632**

(3) Consolidated Statement of Changes in Equity

(Unit: millions of yen)

	Equity attributable to owners of the parent						
				Other components of equity			
	Share capital	Capital reserves	Treasury shares	Exchange differences on translation of foreign operations	Remeasurements of defined benefit pension plans	Net fair value gain on available-for-sale financial assets	Net fair value gain (loss) on hedging instruments entered into for cash flow hedges
BALANCE AS OF APRIL 1, 2015	**68,121**	**261,166**	**-56,205**	**30,246**	**-**	**14,378**	**-3,920**
Profit (loss) for the quarter	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-7,752	7,400	3,548	-1,170
Total comprehensive income for the quarter	-	-	-	-7,752	7,400	3,548	-1,170
Purchase of treasury shares	-	-	-27	-	-	-	-
Disposal of treasury shares	-	0	1	-	-	-	-
Share-based payment transactions	-	72	1,109	-	-	-	-
Dividends	-	-	-	-	-	-	-
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	-
Transfers from other components of equity to retained earnings	-	-	-	-	-7,400	-	-
Total transactions with owners	-	72	1,083	-	-7,400	-	-
BALANCE AS OF DECEMBER 31, 2015	**68,121**	**261,238**	**-55,122**	**22,494**	**-**	**17,926**	**-5,090**
BALANCE AS OF APRIL 1, 2016	**68,121**	**261,024**	**-54,898**	**3,470**	**-**	**14,780**	**-1,931**
Profit (loss) for the quarter	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-1,418	-242	3,020	-49
Total comprehensive income for the quarter	-	-	-	-1,418	-242	3,020	-49
Purchase of treasury shares	-	-	-16	-	-	-	-
Disposal of treasury shares	-	-8	201	-	-	-	-
Share-based payment transactions	-	0	322	-	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in parent's ownership interests in subsidiaries without loss of control	-	-	-	-	-	-	-
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	-
Changes associated with loss of control of subsidiaries	-	-	-	-	-	-	-
Transfers from other components of equity to retained earnings	-	-	-	-	242	-	-
Total transactions with owners	-	-8	507	-	242	-	-
BALANCE AS OF DECEMBER 31, 2016	**68,121**	**261,016**	**-54,391**	**2,052**	**-**	**17,800**	**-1,980**

(Unit: millions of yen)

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings (losses)	Total		
	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	Other	Total				
BALANCE AS OF APRIL 1, 2015	**-7,342**	**5,660**	**39,022**	**271,643**	**583,747**	**7,108**	**590,855**
Profit (loss) for the quarter	-	-	-	1,575	1,575	-221	1,354
Other comprehensive income	7,690	-	9,716	-	9,716	-2,227	7,489
Total comprehensive income for the quarter	7,690	-	9,716	1,575	11,291	-2,448	8,843
Purchase of treasury shares	-	-	-	-	-27	-	-27
Disposal of treasury shares	-	-	-	-	1	-	1
Share-based payment transactions	-	439	439	21	1,641	-	1,641
Dividends	-	-	-	-17,190	-17,190	-137	-17,327
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	7,877	7,877
Transfers from other components of equity to retained earnings	-	-	-7,400	7,400	-	-	-
Total transactions with owners	-	439	-6,961	-9,769	-15,575	7,740	-7,835
BALANCE AS OF DECEMBER 31, 2015	**348**	**6,099**	**41,777**	**263,449**	**579,463**	**12,400**	**591,863**
BALANCE AS OF APRIL 1, 2016	**255**	**6,217**	**22,791**	**227,768**	**524,806**	**12,502**	**537,308**
Profit (loss) for the quarter	-	-	-	45,749	45,749	-126	45,623
Other comprehensive income	-1,736	-	-425	-	-425	434	9
Total comprehensive income for the quarter	-1,736	-	-425	45,749	45,324	308	45,632
Purchase of treasury shares	-	-	-	-	-16	-	-16
Disposal of treasury shares	-	-	-	-	193	-	193
Share-based payment transactions	-	-59	-59	114	377	-	377
Dividends	-	-	-	-17,219	-17,219	-57	-17,276
Changes in parent's ownership interests in subsidiaries without loss of control	-	-	-	-	-	140	140
Changes associated with obtainment of control of subsidiaries	-	-	-	-	-	3	3
Changes associated with the loss of control of subsidiaries	-	-	-	14	14	-	14
Transfers from other components of equity to retained earnings	-	-	242	-242	-	-	-
Total transactions with owners	-	-59	183	-17,333	-16,651	86	-16,565
BALANCE AS OF DECEMBER 31, 2016	**-1,481**	**6,158**	**22,549**	**256,184**	**553,479**	**12,896**	**566,375**

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
OPERATING ACTIVITIES:		
Profit before tax	**Y 16,206**	**Y 73,340**
Depreciation and amortization	47,184	45,031
Impairment losses on fixed assets	2,291	3,949
Interest and dividend income	-2,388	-2,551
Interest expense	10,242	7,274
Share of (profit) loss of associates and joint ventures accounted for using the equity method	-490	115
Impairment loss on investments in associates	7,869	-
Loss related to guarantee obligations	27,938	-
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property	278	926
Investigation expense	5,660	-
Increase in trade and other receivables	-17,762	-30,180
(Increase) decrease in inventories	7,027	-124
Increase in trade and other payables	9,727	17,593
(Decrease) increase in net defined benefit liabilities	-6,465	1,224
Other	21,159	2,378
Subtotal	128,476	118,975
Interest received	1,609	1,231
Dividends received	1,631	2,216
Interest paid	-5,837	-16,213
Income taxes paid	-18,923	-24,046
Guarantee obligations paid	-33,018	-
Claim for indemnities received	5,080	-
Payments for investigation expense	-5,339	-5
Net cash flows from operating activities	**Y 73,679**	**Y 82,158**
INVESTING ACTIVITIES:		
Decrease (Increase) in time deposits	82,521	-5,265
Purchase of property, plant and equipment	-31,320	-33,702
Proceeds from sale of property, plant and equipment	4,107	2,152
Purchase of intangible assets	-15,115	-11,530
Proceeds from sale of investment property	191	521
Payments for acquisition of subsidiaries	-12,534	-
Proceeds from sale of subsidiaries	-	7,212
(Increase) decrease in short-term loans receivable	-307	710
Payments for long-term loans receivable	-103	-99
Proceeds from collection of long-term loans receivable	162	1,153
Payments for acquisition of other investments	-200,673	-217,593
Proceeds from sale and redemption of investments	200,949	219,461
Other	-3,068	-608
Net cash flows from investing activities	**Y 24,810**	**Y -37,588**
FINANCING ACTIVITIES:		
Dividends paid	-17,190	-17,222
Dividends paid to non-controlling interests	-137	-57
(Decrease) Increase in short-term borrowings and commercial paper	50,383	-17,294
Proceeds from long-term borrowings	57,399	41,058
Repayment of long-term borrowings	-177,117	-63,159
Proceeds from issuance of bonds	-	34,850
Proceeds from stock issuance to non-controlling interests	-	140
Other	-547	-528
Net cash flows from financing activities	**Y -87,209**	**Y -22,212**
INCREASE IN CASH AND CASH EQUIVALENTS	11,280	22,358
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	147,708	129,646
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	-1,708	-1,413
CASH AND CASH EQUIVALENTS INCLUDED IN ASSETS HELD FOR SALE	-63	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**Y 157,217**	**Y 150,591**

(5) Notes on Premise of Going Concern

Not applicable.

(6) (i) Information about Revenue, Income(Loss) and Other Items by Business Segment

For the nine months ended December 31, 2015 (April 1 through December 31, 2015)

(Unit: millions of yen)

	Reportable Segments					
	Water Technology Business	Housing Technology Business	Building Technology Business	Kitchen Technology Business	Distribution & Retail Business	Housing & Services Business
Revenue						
Revenue from external customers	Y 494,834	Y 420,815	Y 261,752	Y 74,940	Y 144,354	Y 42,835
Intersegment revenue or transfers	12,365	5,566	27	8,398	0	1,088
Total	507,199	426,381	261,779	83,338	144,354	43,923
Segment profit (loss) (Note1)	46,938	33,491	-2,083	1,977	8,138	2,793
Other income						
Other expenses						
Operating profit						
Finance income						
Finance costs						
Share of profit (loss) of associates and joint ventures accounted for using the equity method						
Impairment loss on investment in associates						
Loss related to guarantee obligations						
Profit (loss) before tax						

(Unit: millions of yen)

	Total	Reconciliations (Note 2)	Consolidated
Revenue			
Revenue from external customers	Y 1,439,530	-	Y 1,439,530
Intersegment revenue or transfers	27,444	-27,444	-
Total	1,466,974	-27,444	1,439,530
Segment profit (loss) (Note1)	91,254	-23,709	67,545
Other income			12,996
Other expenses			-19,815
Operating profit			60,726
Finance income			10,620
Finance costs			-19,823
Share of profit (loss) of associates and joint ventures accounted for using the equity method			490
Impairment loss on investment in associates			-7,869
Loss related to guarantee obligations			-27,938
Profit (loss) before tax			16,206

Notes: 1. Segment profit (loss) is core earnings which are carried at revenue less cost of sales and selling, general and administrative expenses.

2. Segment profit (loss) reconciliations are expenses for all group companies that are not allocated to reportable segments. Expenses for all group companies are those mainly associated with the Company's and its consolidated subsidiary LIXIL Corporation's administrative departments, including human resources, general affairs, accounting and others.

For the nine months ended December 31, 2016 (April 1 through December 31, 2016)

(Unit: millions of yen)

	Reportable Segments					
	Water Technology Business	Housing Technology Business	Building Technology Business	Kitchen Technology Business	Distribution & Retail Business	Housing & Services Business
Revenue						
Revenue from external customers	Y 480,198	Y 403,559	Y 193,733	Y 76,344	Y 132,982	Y 46,856
Intersegment revenue or transfers	11,007	5,087	58	8,952	9	1,797
Total	491,205	408,646	193,791	85,296	132,991	48,653
Segment profit (loss) (Note1)	53,577	33,140	-336	3,546	7,474	3,496
Other income						
Other expenses						
Operating profit						
Finance income						
Finance costs						
Share of profit (loss) of associates and joint ventures accounted for using the equity method						
Profit before tax						

(Unit: millions of yen)

	Total	Reconciliations (Note 2)	Consolidated
Revenue			
Revenue from external customers	Y 1,333,672	-	Y 1,333,672
Intersegment revenue or transfers	26,910	-26,910	-
Total	1,360,582	-26,910	1,333,672
Segment profit (loss) (Note1)	100,897	-27,088	73,809
Other income			9,745
Other expenses			-14,252
Operating profit			69,302
Finance income			11,492
Finance costs			-7,339
Share of profit (loss) of associates and joint ventures accounted for using the equity method			-115
Profit before tax			73,340

Notes: 1. Segment profit (loss) is core earnings which are carried at revenue less cost of sales and selling, general and administrative expenses.

2. Segment profit (loss) reconciliations are expenses for all group companies that are not allocated to reportable segments. Expenses for all group companies are those mainly associated with the Company's and its consolidated subsidiary LIXIL Corporation's administrative departments, including human resources, general affairs, accounting and others.

(ii) Information on Change in Reportable Segment

Organizational change was made on July 1, 2016 to improve operational efficiency by integrating the core information system, and to strengthen collaboration with the water related business and the tile business. Along with this change, reportable segment of the tile business, which was originally included in the Housing Technology Business, was transferred to Water Technology Business from the beginning of the nine months ended December 31, 2016. Due to this transfer, segment results for nine months ended December 31, 2016 and nine months ended December 31, 2015 have been changed.

LIXIL
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PRESS RELEASE

For Immediate Release

February 6, 2017
LIXIL Group Corporation

LIXIL Q3 Core Earnings Increases 9% to 73.8 Billion Yen

Water technology business reports solid growth in Japan and overseas

Tokyo, Japan – LIXIL Group Corporation ("LIXIL Group"), a global leader in housing and building materials, products and services, today announced earnings[1] for the third quarter of the fiscal year ending March 31, 2017. Revenue declined 7% year-on-year on a consolidated basis for the nine month period to ¥1.3 trillion. As seen in previous quarters, this was due to divestment of non-core businesses, foreign exchange impact and the result of selective order intakes for LIXIL Building Technology (LBT).

Core earnings increased by 9% year-on-year to ¥73.8 billion driven by the strong performance during the three-month Q3 period. LIXIL Water Technology (LWT), LIXIL Housing Technology (LHT), LIXIL Kitchen Technology (LKT) and Housing Service Businesses (H&S) all recorded more than double-digit core earnings growth during the Q3 (three month) period. LBT turned profitable in the third quarter, primarily due to the positive impact of business divestment and improved profitability of the Japan business.

Key activities to streamline the business continued in Q3, including CEO Kinya Seto taking on direct management of LHT from November 2016, the subsequent creation of LHT Japan, and the establishment of a centralized marketing division.

Operating profit also rose by 14% year-on-year to ¥69.3 billion and Net profit[2] increased to ¥45.7 billion. The growth in profit can be attributed to the absence of one-off losses that were posted in the previous year, as well as the improvement in core earnings.

Forecasts for the fiscal year ending on March 31, 2017, remain unchanged due to potential costs in the fourth quarter resulting from ongoing reviews of inventories and assets such as facilities to strengthen future profitability.

LIXIL Group President & CEO, Kinya Seto, commented, "The steps we have been taking since the start of the fiscal year are continuing to bear fruit, and are a strong factor in our increased profitability. Moreover, we are making deliberate changes to ensure that we better understand, and can respond more quickly to, consumer needs. The creation of a centralized marketing division that is integrated with digital is one key example of this change. As we celebrate the 50th anniversary of a number of our key business categories this year, I am confident that our activities will be increasingly visible over the coming months."

[1] All IFRS based
[2] Profit for the quarter attributable to shareholders

Summary of Business Performance:

LIXIL Water Technology (LWT), which consists of leading global brands LIXIL, INAX, GROHE, and American Standard, recorded revenue of ¥491.2 billion, down 3% on a consolidated basis but up 4% on a like-for-like basis. Core earnings rose by 14% to ¥53.6 billion, representing a core earnings margin of 11%. For the nine-month period on a year-on-year and like for like basis, American Standard Brands (ASB) revenue increased by 9% in the Americas, GROHE increased by 7% in EMEA, while China, which counts for 40% of the Asia Pacific revenues, grew by 18%. For the three-month Q3 period, Japan revenue increased by 2%. For the nine-month period, core earnings improved on the back of profit growth in ASB, China and GROHE Europe of 60%, 50% and 25% respectively. Increased volume and product mix helped mitigate the foreign exchange headwind.

LIXIL Housing Technology (LHT) recorded revenue of ¥408.6 billion, down 4%, while core earnings slightly declined 1% to ¥33.1 billion. Revenue was impacted by the sale of the Hivic business in the first half of the year and foreign exchange fluctuations. Moreover, sales continued to reflect the impact of the cessation of the eco-point system in previous year in Japan. Despite the revenue decline, core earnings improved by 12% in the three month Q3 period due to lower costs. LHT recorded a core earnings margin of 8% for the nine-month period.

LIXIL Building Technology (LBT), which includes the Permasteelisa Group, saw revenue of ¥193.8 billion, down by 26%, and a core earnings loss of ¥300 million. The results were impacted by the sale of Shanghai Meite, sold in March 2016, foreign exchange and selective order intake, and timing of the completion of projects in Japan. However, core earnings turned positive in the three month Q3 period as a result of the positive impact of divestment and the improvement of profitability in Japan.

LIXIL Kitchen Technology (LKT) recorded revenue of ¥85.3 billion, up by 2%, and core earnings of ¥3.5 billion, up 79%. Luxury segments again led the growth through high demand for the luxury *Richelle* series in Japan. Continued collaboration with partners in China also contributed to sales increases in that market. This resulted in growth in core earnings due to increased volume and productivity improvements. LKT recorded a core earnings margin of 4%.

Distribution & Retail Businesses (D&R) and Housing Service Businesses (H&S): D&R recorded an 8% decline in revenue to ¥133 billion year-on-year following the carve-out of the Ken Depot business in the previous year. Core earnings at D&R fell 8% to ¥7.5 billion due to costs for new store openings, resulting in a core earnings margin of 6%. H&S recorded revenue of ¥48.7 billion, up 11%, due to an increase in housing starts. Core earnings grew 25% to ¥3.5 billion due to a reduction in SG&A costs, an increase in revenue, and absence of one-off costs posted in previous year. H&S recorded a core earnings margin of 7%.

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