The following is an English translation of the Items for Disclosure via the Internet upon Notice of Convocation of the 75th Annual General Meeting of Shareholders of LIXIL Group Corporation (the "Company") to be held on June 22, 2017. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. If there is any discrepancy between the Japanese version and the English translation, the Japanese version shall prevail.

To Our Shareholders

Items for Disclosure via the Internet upon Notice of Convocation of the 75th Annual General Meeting of Shareholders

1. **Notes to consolidated financial statements**
2. **Notes to nonconsolidated financial statements**

for the 75th fiscal year (from April 1, 2016 to March 31, 2017)

LIXIL Group Corporation

Pursuant to laws and regulations and the Company's Articles of Incorporation, the above items are information regarded to be provided to shareholders by placing on the Company's website (http://www.lixil.com/jp/) over the Internet.

Notes to Consolidated Financial Statements

1. Basis for Preparation of Consolidated Financial Statements

(1) Standards of preparation of consolidated financial statements

The consolidated financial statements of LIXIL Group Corporation (the "Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to Article 120, Paragraph 1 of the Ordinance on Company Accounting. Pursuant to the provisions of the second sentence of the paragraph, certain disclosures required under IFRS are omitted.

The date of transition to IFRS was April 1, 2013. The consolidated financial statements for the current year ended March 31, 2017 are the first consolidated financial statements prepared in accordance with IFRS under the Companies Act of Japan.

(2) Basis of consolidation

Number of subsidiaries: 215

Major subsidiaries:
LIXIL Corporation
LIXIL VIVA CORPORATION
LIXIL Total Hanbai Corporation
LIXIL Total Service Corporation
Kawashima Selkon Textiles Co., Ltd.
LIXIL Group Finance Corporation
GraceA Corporation
GROHE Group S.à r.l.
Permasteelisa S.p.A.
ASD Holding Corp.
A-S CHINA PLUMBING PRODUCTS Ltd.
TOSTEM THAI Co., Ltd.
LIXIL INTERNATIONAL Pte. Ltd.
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.
LIXIL Manufacturing (Dalian) Corporation

First Inspection Service Inc. and five other companies were newly established and included in the scope of consolidation in the current year.

HIVIC Co., Ltd. and another company were excluded from the scope of consolidation as the Company disposed of its entire shares of these companies. TRS Corporation and three other companies were excluded from the scope of consolidation as they were liquidated. JIO Corporation and its subsidiary were excluded from the scope of consolidation as the Company partly disposed of the shares of JIO Corporation. LIXIL Vietnam Corporation merged by absorption with AMERICAN STANDARD VIETNAM Co., Ltd.. GROHE Group S.à r.l. merged by absorption with GraceB S.à r.l..

(3) Application of the equity method

Number of associates accounted for using the equity method: 70

Major associates accounted for using the equity method:
Sanyo Homes Corporation
Fukui Computer Holdings, Inc.
Ken Depot Corporation

From the current year, JIO Corporation was excluded from the scope of consolidation and accounted for using the equity method as part of JIO Corporation’s shares were disposed of.

(4) Fiscal year of subsidiaries

In preparing the consolidated financial statements, subsidiaries with fiscal year ends other than the Company's March fiscal year end provisionally prepare financial statements as of March 31, which are used for consolidation.

(5) Significant accounting policies

1) Inventories

The historical cost of inventories includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are stated at the lower of cost and net realizable value. Historical cost is determined mainly by using the weighted-average method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Carrying amounts of inventories recognized in the consolidated statement of financial position are reviewed regularly. When there is slow-moving inventory over a long period, or when the Company and its subsidiaries (the "Group") expects that all or a portion of the inventory will not be recovered through sales, carrying amounts are written down to their estimated net realizable values.

2) Property, plant and equipment

The Group measures property, plant and equipment by using the cost model at historical cost less accumulated depreciation and accumulated impairment losses. The historical cost includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs, as well as borrowing costs eligible for capitalization.

Property, plant and equipment are depreciated mainly by using the straight-line method over their estimated useful lives, except for assets that are not subject to depreciation, such as land. The estimated useful lives of major property, plant and equipment items are as follows:

•Buildings and structures: 8 to 50 years
•Machinery and vehicles: 7 to 12 years
•Tools, furniture and fixtures: 2 to 20 years

The depreciation method, estimated useful lives and residual values are reviewed at each fiscal year end. If there are any changes made to the depreciation method, estimated useful lives or residual values, such changes are accounted for as changes in accounting estimates and applied prospectively starting from the fiscal period of change.

The carrying amount of an item of property, plant and equipment shall be derecognized on disposal or when no future economic benefits are expected from its continued use. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the consideration for disposal and the carrying amount, and is recognized in profit or loss.

3) Goodwill

Goodwill arising from business combinations is stated at historical cost less accumulated impairment losses.

Goodwill is not amortized but allocated to cash-generating units ("CGU") (or groups of CGU) and tested for impairment at least once a year, or whenever there is any indication of impairment. Impairment losses on goodwill are recognized in profit or loss and no subsequent reversal is made.

Goodwill is derecognized at the time of disposal of the associated CGU (or group of CGU) and included in the carrying amount of the disposed operation when profit or loss on disposal is recognized.

4) Other intangible assets

After initial recognition, intangible assets are measured by using the cost model. Intangible assets are carried at historical cost less any accumulated amortization and accumulated impairment losses.

(i) Intangible assets acquired individually
Measured at historical cost on initial recognition

(ii) Intangible assets acquired through business combinations
Measured at fair value on the acquisition date

(iii) Internally generated intangible assets

Research and development costs arising internally within the Group are expensed when incurred, with the exception of expenditures for development activities that meet all of the following capitalization criteria:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The Company's intention to complete the intangible asset and use or sell it;
- The Company's ability to use or sell the intangible asset;
- How the asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets with finite useful lives are amortized by using the straight-line method over their estimated useful lives. The estimated useful lives of major intangible assets with finite useful lives are as follows:

- Software: 5 years
- Customer-related assets: 13 to 30 years
- Trademarks: 5 to 20 years
- Technological assets: 6 to 10 years

Trademarks with indefinite business periods are classified as intangible assets with an indefinite useful life when it is determined that there is no foreseeable limit to the period in which future economic benefits are expected, given that business periods continue, in principle, as long as the business continues.

Intangible assets with indefinite useful lives and intangible assets that are not ready to use are not amortized, but they are tested for impairment at least once a year or whenever there is any indication of impairment.

Amortization methods, useful lives and residual values of assets are reviewed at each fiscal year end and any changes are accounted for as changes in accounting estimates and applied prospectively starting from the fiscal period of change.

5) Investment property

Investment property is property held to earn rentals or for capital appreciation or both.

Investment property is measured by using the cost model, which is consistent with the accounting treatment for buildings under property, plant and equipment, and stated at cost less accumulated depreciation and accumulated impairment losses.

Investment property is depreciated by using the straight-line method over the estimated useful life, which is consistent with the accounting treatment for buildings under property, plant and equipment.

The depreciation method, estimated useful lives and residual values are reviewed at each fiscal year end. If there are any changes made to the depreciation method, estimated useful lives or residual values, such changes are accounted for as changes in accounting estimates and applied prospectively starting from the fiscal period of change.

6) Impairment of non-financial assets

Non-financial assets, such as property, plant and equipment, goodwill and other intangible assets, are assessed for any indications of impairment at the end of every fiscal year. Impairment tests are performed in cases where there is an indication of impairment. However, for goodwill and intangible assets with indefinite useful lives, impairment tests are performed at least once a year regardless of any indication of impairment. Assets for which tests cannot be performed individually are merged into the smallest group of

assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets (CGU), and impairment tests are performed for each CGU (or group of CGU). A CGU (or group of CGU) to which goodwill is allocated for the purpose of impairment testing represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment. Goodwill that forms part of the carrying amount of an investment accounted for under the equity method is not separately recognized, and therefore, it is not tested for impairment separately. If there is any indication that investments in associates and joint ventures accounted for using the equity method may be impaired, the entire carrying amount of the investment is tested as a single asset.

The recoverable amount of an individual asset or a CGU is measured as the higher of its fair value less costs of disposal or its value in use. Where the carrying amount of the asset or CGU exceeds its recoverable amount, impairment losses are recognized and the asset is written down to its recoverable amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets other than goodwill, an assessment is made at the end of every fiscal year as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased, such as any changes in assumptions used for the determination of the recoverable amount. If any such indication exists, the Group estimates the asset's or CGU's recoverable amount. In cases where the recoverable amount exceeds the carrying amount of the asset or CGU, impairment losses are reversed up to the lower of the determined recoverable amount or the carrying amount that would have been determined, net of depreciation, had no impairment loss for the asset been recognized in prior years. Recognized impairment losses relating to goodwill cannot be reversed.

7) Financial instruments

The Group classifies non-derivative financial assets as loans and receivables, held-to-maturity investments and available-for-sale financial assets. Non-derivative financial liabilities are classified as other financial liabilities.

(i) Non-derivative financial assets

Non-derivative financial assets are initially recognized on the transaction date and measured at the sum of the fair value and transaction costs.

Financial assets are derecognized only when the contractual rights to receive cash flows from them have expired, or the Group transfers the asset and substantially all of the risks and rewards of ownership are transferred. When the Group has continuing control of a transferred financial asset, but when substantially all of the risks and rewards of ownership are not transferred nor retained, the Group recognizes retained interests in the asset as well as related liabilities for potential payments.

(a) Loans and receivables

Non-derivative financial assets that are loans or trade and other receivables with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost determined by using the effective interest method based on estimated future cash receivables over the expected life (in certain cases, shorter periods are used) of the asset, less impairment losses. In principle, interest income is recognized by using the effective interest method.

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity investments when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment losses. In principle, interest income is recognized using the effective interest method.

(c) Available-for-sale financial assets

Non-derivative financial assets are classified as available-for-sale financial assets if they are designated as available-for-sale financial assets or they are not classified as held-to-maturity investments or loans and receivables.

Available-for-sale equity shares traded in the market are measured at quoted prices. Unquoted equity shares are measured at fair values determined using valuation techniques. Fair values are determined using the methods presented in Note 5 "Financial Instruments." Gains or losses arising from changes in fair value are recognized in other comprehensive income. However, impairment losses are recognized in profit or loss in the fiscal year in which they occur.

Cumulative gains or losses recognized as other comprehensive income up to the derecognition of available-for-sale financial assets or recognition of impairment losses are reclassified to profit or loss for that period.

Dividends associated with available-for-sale financial assets are recognized in profit or loss when the shareholder's right to receive the payment is established.

(d) Impairment of non-derivative financial assets

Non-derivative financial assets are assessed for any objective evidence of impairment for each fiscal year. For quoted and unquoted equity shares classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. Objective evidence of impairment of redeemable securities and all other financial assets classified as available-for-sale financial assets includes the following:

- Significant financial difficulty of the issuer or borrower
- Default or delinquency in interest or principal payments
- High possibilities of issuers' bankruptcy or entering financial reorganization

(Financial assets measured at amortized cost)

For financial assets measured at amortized cost, impairment losses are recognized if there is objective evidence that the financial asset's estimated future cash flows will be affected as a result of at least one event occurring after initial recognition.

The amount of impairment losses is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. Impairment losses are recognized by directly reducing the financial asset's carrying amount, with the exception of cases in which the loss indirectly reduces the asset's carrying amount through allowance for doubtful accounts. Allowance for doubtful accounts is set up when trade receivables, including those with changed terms, are considered uncollectible. The allowance is reduced when receivables are subsequently waived or collected. Changes in allowance for doubtful accounts are recognized as profit or loss, except for reduction due to use for write off.

If, in a subsequent period, the amount of the impairment losses decreases and the decrease can be related objectively to an event occurring after the recognition of impairment, the previously recognized impairment losses are reversed through profit or loss to the extent that the carrying amount of the receivables after the reversal of impairment losses does not exceed the amortized cost had the impairment not been recognized.

(Available-for-sale financial assets)

For available-for-sale financial assets, cumulative losses recognized as valuation difference in available-for-sale financial assets in other components of equity are reclassified to profit or loss and recognized as impairment losses. Cumulative losses reclassified from other comprehensive income to profit or loss are the difference between the historical cost and current fair value, less impairment losses previously recognized as profit or loss. In addition, impairment losses for available-for-sale

equity financial assets previously recognized in profit or loss cannot be reversed. Changes in fair value after impairment are recognized through other comprehensive income.

(ii) Non-derivative financial liabilities

Bonds and borrowings and other financial liabilities are measured at fair value less transaction costs at initial recognition. After initial recognition, financial liabilities are measured at amortized cost using the effective interest method based on estimated future cash payment over the expected life (in certain cases, shorter periods are used). Interest expense is recognized using the effective interest method. A financial liability is derecognized at the time the obligation specified in the contract ceases (i.e., the obligation is discharged, canceled or expired).

(iii) Compound financial instruments

The liability component of a compound financial instrument is measured at initial recognition using the fair value of a similar liability without the equity conversion option. The equity component is measured at initial recognition by deducting the fair value of the liability component from the fair value of the entire financial instrument. Direct transaction costs are allocated in proportion to the initial carrying amount of the liability component and equity component.

After initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured after initial recognition.

Interests associated with the liability component are recognized in profit or loss as finance costs. When the equity conversion option is exercised, the liability component is transferred to equity and neither gains nor losses are recognized.

(iv) Derivatives (including hedge accounting)

The Group uses forward currency contracts, interest rate swaps, cross-currency swaps and commodity swaps to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. The use of derivative transactions is limited to risk hedging purposes and is not for speculation purposes. These derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Hedge effectiveness of hedging instruments and hedged items is assessed based on the evaluation of receivables and/or payables balances, hedge transaction terms and other elements as required.

Derivatives that qualify for hedge accounting are designated as hedging instruments in cash flow hedges. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.

At the inception of the hedge, the Group formally designates and documents the relationship between a hedging instrument and a hedged item and the risk management objective and strategy for undertaking various hedge transactions. The documentation includes identification of hedging instruments, hedged items or transactions, the nature of the risks being hedged and how the hedging instrument's effectiveness is assessed in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risks. Such hedges are expected to be highly effective in offsetting changes in cash flows and are assessed on an ongoing basis to determine that they have actually been effective throughout the fiscal reporting periods for which they were designated as hedges.

Hedge accounting is discontinued when a designated hedge is revoked, the hedging instrument expires, or is sold, terminated or exercised, or the hedge no longer qualifies for hedge accounting.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized as other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is immediately recognized as profit or loss in the consolidated statement of profit or loss.

The amount of hedging instruments recognized in other comprehensive income is reclassified to profit or loss when the transactions related to hedged items affect profit or loss.

Derivatives in which hedge accounting is not applied are recognized at fair value with changes in the fair values recognized as profit or loss in the consolidated statement of profit or loss.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

8) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

In finance lease transactions, leased assets and lease obligations are recognized in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. Total minimum lease payments are apportioned between the finance cost and the reduction of the lease obligations based on the effective interest method. Finance costs are recognized in the consolidated statement of profit or loss. Leased assets are depreciated by using the straight-line method over the shorter of their estimated useful lives or lease terms.

In operating lease transactions, lease payments are recognized as an expense by using the straight-line method over the lease terms in the consolidated statement of profit or loss.

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease, in accordance with IFRIC 4, Determining Whether an Arrangement Contains a Lease, even if the arrangement does not take the legal form of a lease.

9) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled and a reliable estimate can be made of the amount of the obligation.

Provisions are recognized based on best estimates of necessary expenditures (future cash flows) in order to settle present obligations by taking into account risks and uncertainties associated with the obligation at the end of the fiscal year. Where the effect of the time value of money is material, provisions are measured using the estimated future cash flows, discounted using a pre-tax rate reflecting the time value of money and the risks specific to the liability.

For asset retirement obligations, provisions are recognized for restoration costs and expenditures incurred as a result of asset use, and the same amount is added to the asset's historical cost. Future estimated expenses and applied discount rates are reviewed every fiscal year. If revisions are deemed necessary, additions or deductions are made to the carrying amount of the relevant asset, and are accounted for as changes in accounting estimates.

10) Employee benefits

(i) Defined benefit pension plans

There are two types of defined benefit pension plans for employees of the Company and certain subsidiaries: cash-balance plan in which the amounts of benefit changes is based on the market yields on government bonds; and lump-sum payment retirement plan.

The projected unit credit method is used to determine the present value of defined benefit obligations, related current service costs and past service costs for each pension plan. The discount period is

determined based on the period ending at the expected date of benefit payment for each pension plan, and the discount rate is determined by reference to market yields at the end of the fiscal year on high-quality corporate bonds corresponding to the discount period. Net defined benefit liabilities (assets) are determined as the present value of defined benefit obligations less the fair value of plan assets (the effect of the asset ceiling is taken into account, if necessary).

Remeasurements of net defined benefit liabilities (assets) are recognized in other comprehensive income and transferred to retained earnings immediately in the fiscal year in which they occur. Remeasurements are composed of actuarial gains and losses, return on plan assets and any changes due to the effect of the asset ceiling, excluding amounts included in net interest costs. Service costs and net interest costs are recognized in profit or loss in the period in which they occur.

(ii) Defined contribution plans

Certain subsidiaries have established defined contribution plans. Defined contribution plans are post-employment benefit plans under which an employer regularly pays fixed contributions into employees' individual accounts and will have no legal or constructive obligations to pay further contributions. As a result, contributions to defined contribution plans are expensed in the period in which an employee has rendered services.

(iii) Short-term employee benefits

Short-term employee benefits are not discounted, but expensed when related services are rendered.

For bonuses and paid absences, future benefit payments for each plan are accounted for as liabilities when the following are met:

- There is a present legal or constructive obligation to make payment as consideration for services rendered by employees in both prior years and the current year; and
- The payment amount can be estimated reliably.

(iv) Other long-term employee benefits

In relation to obligations for long-term employee benefits other than post-employment benefits, future benefit payments to be incurred as consideration for services rendered by employees in prior years and the current year are accounted for as liabilities.

11) Revenue

The Group recognizes revenue on a transaction by transaction basis, which is generally based on contracts. When there are multiple-element arrangements in a single contract, revenue is accounted for based on identifiable individual transaction components. If multiple contracts are closely related to each other and comprise one transaction component as a whole, the multiple contracts are accounted for as a single transaction.

(i) Sale of merchandise and finished goods

The Group is engaged in the sale of merchandise and finished goods in the Water Technology business, Housing Technology business and Kitchen Technology business through distributors and housing manufacturers. Installation services are provided for certain merchandise and finished goods at the time of sale. In addition, home building materials and other merchandise are directly sold to end users at home centers.

Revenue is recognized for the sale of merchandise and finished goods when the following are met:

- The Group transfers to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement nor effective control over the goods;
- It is probable that future economic benefits associated with the transaction will flow to the Group; and
- Revenue and costs in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received (or receivable), less trade discounts, volume rebates and taxes, including consumption tax.

(ii) Construction contracts

The Group enters into long-term construction contracts, mainly for its Building Technology business. In relation to revenue arising from these construction contracts, when the outcome of construction contracts can be estimated reliably, revenue is recognized based on the percentage of completion as of the end of the fiscal year. The percentage of completion is determined as the ratio of construction contract costs incurred to date to the estimated total costs under the construction contract. When the outcome of construction contracts cannot be estimated reliably, revenue is recognized only to the extent of construction contract costs incurred that it is probable will be recoverable. Loss that will probably be incurred is recognized as an expense immediately.

Construction contract assets represent the total costs incurred plus recognized profits (less recognized losses) that exceed the billing amount for all construction contracts in progress at the end of the fiscal year. Construction contract liabilities represent the total costs incurred plus recognized profits (less recognized losses) that are less than the billing amount. The amount of construction contract assets and liabilities is determined for each contract.

(iii) Other

The Group renders a variety of other services in its housing solutions and real estate-related businesses. Revenue associated with these services is recognized at the time services are rendered in accordance with service contracts.

12) Foreign currency translation

(i) Translation of foreign currency transactions

Foreign currency transactions are translated into the respective functional currencies of the group companies using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate as of the fiscal year end. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on translations and settlements are recognized in profit or loss. Exchange differences arising from financial assets measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

(ii) Translation of foreign operations

Assets and liabilities of foreign operations (including goodwill arising from acquisitions and the adjustments of fair value) are translated into Japanese yen using the exchange rate as of the fiscal year end. Revenue and expenses are translated into Japanese yen using the average exchange rate for the fiscal year, unless there is no significant fluctuation in the exchange rate. Translation differences are recognized in other comprehensive income. On the disposal of a foreign operation, involving a loss of control, the cumulative amount of foreign currency translation differences relating to the applicable foreign operation are transferred to profit or loss in the period of disposal.

13) Accounting for consumption tax

Transactions subject to consumption tax are recorded at amounts exclusive of consumption tax.

2. Notes to Consolidated Statement of Financial Position

(1) Pledged assets

Buildings and structures	57 million yen
Land	147 million yen
Total	204 million yen

The above assets are pledged as collateral for long-term loans payable in the amount of 242 million yen.

(2) Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	5,013 million yen
Other financial assets (Current assets)	17 million yen
Other financial assets (Non-current assets)	39,290 million yen
Total	44,320 million yen

(3) Accumulated depreciation and impairment loss on property, plant and equipment

697,686 million yen

(4) Contingent liabilities

The Group guarantees liabilities in the amount of 150,777 million yen to certain banks of Permasteelisa S.p.A. and its subsidiaries for performance bonds under contracts and others. The Group also provides business-related guarantees and other guarantees to counterparties of the consolidated companies in the amount of 4,148 million yen.

3. Notes to Consolidated Statement of Profit or Loss

Impairment losses

The Company recognized impairment losses as other expenses in the consolidated statement of profit or loss for the year ended March 31, 2017 for the following assets:

(Millions of yen)

Category	Segment	Component and amount	
Upgrading core IT systems	—	Software in progress	9,172
Aluminum construction materials manufacturing facilities	Housing Technology business	Machinery and vehicles	1,646
		Other	142
		Total	1,788
Retail stores	Distribution and Retail business	Buildings and structures	199
		Tools, furniture and fixtures	61
		Investment property	86
		Other	14
		Total	360
Assets for all group companies and others	Housing Technology business and others	Buildings and structures	1,401
		Machinery and vehicles	857
		Land	2,790
		Software	618
		Other	293
		Total	5,959
Total			17,279

The Group recognized impairment losses for the following: upgrading of the core IT system, whose implementation scope was modified by LIXIL Corporation, the subsidiary of the Company that is currently developing the system; aluminum construction materials manufacturing facilities that became idle assets instead of business assets; retail stores with significant decline in profitability due to continuous low performance; and assets for all group companies and others mainly due to the change of use from corporate assets to idle assets. The carrying amounts of relevant assets were written down to their recoverable amounts, and related impairment losses were recorded as other expenses in the consolidated statement of profit or loss.

An asset's recoverable amount is the higher of its fair value less costs of disposal and the asset's value in use. A part of the core IT system accounted for as software in progress, which will not be used for business purposes in the future, has been written down to zero. Aluminum construction materials manufacturing facilities are measured at value in use and written down to zero upon impairment. Retail stores are mainly measured at value in use, determined by discounting future cash flows at a discount rate of 6.8%. Assets for all group companies and others are mainly measured at fair value less costs of disposal, determined by external real estate appraisers using the discounted cash flow method or referring to market prices of similar assets.

4. Consolidated Statement of Changes in Equity

(1) Class and total number of shares outstanding and class and number of treasury shares

	Class of shares	Number of shares at beginning of the fiscal year (thousand)	Increase during the fiscal year (thousand)	Decrease during the fiscal year (thousand)	Number of shares at the end of the fiscal year (thousand)
Shares outstanding	Ordinary shares	313,054	—	—	313,054
Treasury shares	Ordinary shares	26,092	10	741	25,361

Notes: 1. Number of treasury shares is the total of treasury shares owned by the Company and those owned by associates accounted for using the equity method, which are determined in proportion to the Company's interest in the associates.

2. The increase in the number of treasury shares by 10 thousand shares is due to the purchase of stocks of less than one unit of 10 thousand shares and interests in the Company's shares acquired by associates of 0 thousand shares.

3. The decrease in the number of treasury shares by 741 thousand shares is due to an exercise of stock options of 646 thousand shares, third-party allocation of 95 thousand shares and transfer of stocks of less than one unit in response to purchase requests by 0 thousand shares.

(2) Dividends

1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors Meeting held on May 17, 2016	Ordinary shares	8,609	30	March 31, 2016	May 31, 2016
Board of Directors Meeting held on November 7, 2016	Ordinary shares	8,610	30	September 30, 2016	November 25, 2016
Total	—	17,219	—	—	—

Note: Total dividends is the resolution amount of dividends less dividends attributed to the Company's shares owned by associates accounted for using the equity method.

2) Dividends with a record date in the current year but an effective date subsequent to the current year

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends resource	Dividends per share (Yen)	Record date	Effective date
Board of Directors Meeting held on May 22, 2017	Ordinary shares	8,631	Retained earnings	30	March 31, 2017	June 7, 2017

Note: Total dividends is the resolution amount of dividends less dividends attributed to the Company's shares owned by associates accounted for using the equity method.

(3) The number of shares subject to the exercises of stock options whose exercise period has already arrived as of March 31, 2017

4th stock options	891,200 shares
5th stock options	4,149,500 shares
7th stock options	3,422,000 shares
8th stock options	42,000 shares
Yen-based Convertible bond-type Euro bonds with subscription rights to shares due 2020	15,463,917 shares
Yen-based Convertible bond-type Euro bonds with subscription rights to shares due 2022	15,789,473 shares
Total	39,758,090 shares

5. Financial Instruments

(1) Financial instruments

Risks of financial instruments and risk management system for the risks are as follows:

1) Market risk management

The Group's businesses are exposed mainly to risks of changing economic and financial market environments. Risks of changing financial market environments include (i) currency risk, (ii) interest rate risk, (iii) price risk of equity instruments and (iv) price risk of merchandise.

(i) Currency risk

Currency risk arises from transactions undertaken by the Group companies in currencies other than the functional currency. It may affect selling prices and revenue of finished goods denominated in foreign currencies.

The Group manages such currency risk arising from foreign currency transactions by utilizing foreign exchange forward contracts and cross-currency interest rate swaps.

(ii) Interest rate risk

Since the Group companies borrow funds at both fixed and floating interest rates, those at floating interest rates are exposed to interest rate risk. To mitigate this risk, the Group maintains an appropriate mix of fixed and floating interest rate borrowings, and also utilizes interest rate swaps and cross-currency interest rate swaps.

(iii) Price risk of equity instruments

Price risk of equity instruments arises from equity instruments (shares) that the Group holds mostly to strengthen relationships with counterparties.

To manage the price risk, the Group regularly analyzes market values and financial conditions of issuers and reconsiders its portfolio if necessary.

(iv) Commodity price risk

The Group enters into commodity swap contracts to manage and mitigate risks arising from price changes of raw materials (mainly aluminum ingots and copper).

2) Credit risk management

Trade and other receivables arising from the Group's business transactions are exposed to credit risk of its counterparties.

To manage credit risk, the Group sets credit limits and regularly monitors credit status and operations of its counterparties. As it is necessary to minimize potential risks, such as concentrations of credit risk and the counterparty's failure to make payments, the Group adjusts credit limits based on the results of such monitoring. The Group also takes security measures, such as collateral and guarantees depending on the credit status of the counterparties. Since the Group's customer base is broad and not interrelated, the Group is not exposed to excessive risk of customer concentrations.

Derivative transactions are restricted to high credit rating financial institutions to minimize credit risk.

The carrying amount of financial instruments exposed to credit risk and the amount of guarantee obligations disclosed in Note (4)"Contingent liabilities" of Note 2 "Notes to Consolidated Statement of Financial Position" represent the maximum exposure to credit risk at the fiscal year end without considering the value of collateral held by the Group.

3) Liquidity risk management

The Group raises funds by issuing bonds, borrowings and other means. These liabilities are exposed to liquidity risk, such as failure to repay by the due date because of deteriorating funding environments. To mitigate this risk, the Group develops and revises funding plans on a timely basis, and maintains ample cash balances and credit lines from financial institutions.

(2) Fair value of financial instruments

Carrying amount and fair value of financial instruments as well as their differences as of March 31, 2017 are as follows:

(Millions of yen)

	Carrying amount	Fair value	Difference
Assets			
Loans and receivables	43,996	44,058	62
Liabilities			
Financial liabilities measured at amortized cost			
Bonds and borrowings	759,908	766,034	6,126
Other financial liabilities	32,843	32,683	(160)

Notes: 1. Assets and liabilities with carrying amounts which approximate fair value or those measured at fair value on a recurring basis are not included in the table.

2. Loans and receivables are recognized in other financial assets in the consolidated statement of financial position.

3. The fair value measurement approach is as follows:

Loans and receivables, bonds and borrowings, and other financial liabilities measured at amortized cost	Measured at present value using a discount rate, adjusted for credit risks of the Group or its counterparties.

6. Investment Property

Certain subsidiaries own investment property in Tokyo and other areas in Japan. The carrying amount and fair value of the investment property as of March 31, 2017 are as follows:

(Millions of yen)

Carrying amount	7,143
Fair value	7,400

Notes: 1. Carrying amount of investment property represents historical cost less accumulated depreciation and impairment losses.

2. Fair value of investment property is mainly determined by external real estate appraisers using the discounted cash flow method or referring to market prices of similar assets.

7. Per Share Information

(1) Equity attributable to owners of the parent per share 1,902.18 yen

(2) Basic profit per share 148.01 yen

8. Additional Information

GraceA Corporation and GROHE Group S.à r.l. and its associates becoming wholly-owned subsidiaries

Based on the Share Transfer Agreement as of September 30, 2016 between LIXIL Corporation ("LIXIL"), a wholly-owned subsidiary of the Company holding 50% of voting shares in GraceA Corporation ("GraceA"), and the Development Bank of Japan Inc. ("DBJ") holding the remaining 50% of voting shares in GraceA, LIXIL acquired all voting shares held by DBJ, making GraceA a wholly-owned subsidiary of LIXIL. As a consequence, the following entities became wholly-owned subsidiaries of the Company as of the same date: GraceA; GraceB S.à r.l ("GraceB"), a wholly-owned subsidiary of GraceA; and GROHE Group S.à r.l. ("GROHE"), the wholly-owned subsidiary of GraceB.

In addition, as of April 7, 2017, LIXIL acquired all non-voting shares of GraceA held by financial institutions and other investors, making LIXIL the owner of all of GraceA's shares, including voting and non-voting shares.

(1) Purpose of the transaction

With a vision to be the world's most valued, innovative and trusted living technology company, the Group is aggressively expanding its business overseas.

As part of this globalization strategy, the Group made Grace A, GraceB and GROHE subsidiaries of the Company in the fiscal year ended March 31, 2016. The group further believes that acquiring all voting/non-voting shares of GraceA through the above transactions will underpin the maximization of corporate value at a group level through stronger governance, faster decision-making, and earlier realization of synergy effects, and also will provide economic benefits to the Group by reducing finance costs.

(2) Additional acquisition of voting shares of GraceA

1) Name of the Seller

Development Bank of Japan Inc.

2) Date of acquisition

September 30, 2016

3) Number of shares acquired and resulting ownership

Number of shares owned by the Group before the transaction	3,850,000 shares (Voting interest: 50%) (Equity interest: 100%)
Number of additional shares acquired	3,850,000 shares
Number of shares owned by the Group after the transaction	7,700,000 shares (Voting interest: 100%) (Equity interest: 100%)

4) Summary of accounting treatments and effects on the consolidated financial statements

As a general rule under IFRS, financial instruments are recognized separately into financial liabilities and equity, depending on the nature of the instrument. Accordingly, all voting shares of GraceA held by DBJ were accounted for by the Group as debt instruments (short-term borrowings), instead of non-controlling interests, in its consolidated financial statements. Further, Grace A, GraceB and GROHE had been consolidated before this transaction as 100%-owned subsidiaries in the Group’s consolidated financial statements. As a result of the share acquisition from DBJ, the Group accounted for the acquisition as a repayment of short-term borrowings of 43,950 million yen (385 million euro) and a reduction of other financial liabilities (interest payables) in the consolidated statement of financial position as of March 31, 2017. The impact on the consolidated statement of profit or loss as well as the basic earnings per share for the fiscal year ended March 31, 2017 was immaterial.

(3) Acquisition of non-voting shares in the fiscal year ending March 31, 2018

As a general rule under IFRS, financial instruments are recognized separately into financial liabilities and equity, depending on the nature of the instrument. Accordingly, all non-voting shares of GraceA held by financial institutions were accounted for by the Group as debt instruments (long-term borrowings to be repaid within one year), instead of non-controlling interests, in its consolidated financial statements. As a result of the acquisition of non-voting shares from financial institutions, the Group will account for the

acquisition as a repayment of long-term borrowings to be repaid within one year of 49,100 million yen and a reduction of other financial liabilities (interest payables) in the consolidated statement of financial position as of March 31, 2018. The impact on the consolidated statement of profit or loss as well as the basic earnings per share for the fiscal year ending March 31, 2018 is expected to be immaterial. The repayment will be financed through the Group's own equity and borrowings.

9. Significant Subsequent Events

Listing, sale of shares of LIXIL VIVA, and its issuance of new shares

LIXIL VIVA CORPORATION ("LIXIL VIVA"), a wholly-owned subsidiary of the Company, was listed on the first section of the Tokyo Stock Exchange on April 12, 2017. Concurrently with the listing, the Company sold a portion of its LIXIL VIVA ordinary shares, and LIXIL VIVA raised funds through issuance of new shares through a public offering.

(1) Background and purpose of listing

At present, the home improvement market in Japan continues to be saturated at around 4 trillion yen partly due to severe competition with retailers in other businesses. On the other hand, LIXIL VIVA, with its strength in Business-to-Business transactions in building materials supply business (or business for professionals), provides a different style of stores, unique lineup of products and highly specialized services compared to other home improvement companies, and continues to grow both in sales and profit.

LIXIL VIVA's management proposed a plan to list its stock in orders to win further corporate credibility, establish secure governance system that allows for the flexible management decisions and various methods of fund procurement, promote flexible and active store development, and pursue further growth. After much deliberation, the Group decided to accept the listing plan, believing that it will enhance the corporate values of both LIXIL VIVA and the Group going forward.

The Group believes the listing will enable LIXIL VIVA to further expand its business opportunities and to contribute to the growth in the home renovation market in Japan. Furthermore, the Group expects that such growth will eventually lead to the development of the Group's business through sales of various renovation products.

The Group plans to strengthen its global expansion of the water business and bolster the group earnings by realizing synergy effects around major brands, including GROHE, American Standard, INAX and LIXIL. In Japan, the Group launched a new "LIXIL PATTO Reform campaign" in 2016, aiming to create new demand in Japan's home renovation market. The LIXIL PATTO Reform service will not only provide a stress-free and simplified home renovation process to end users, helping them improve their living spaces and lifestyles, but also allow the Group to prepare for the impending shortage of contractors in Japan. It is the Group's mission to address the needs of end users and to contribute to the expansion of the home renovation market. That being said, the Group will continue to have a good relationship with LIXIL VIVA, playing a significant role in exploring the home renovation market, through share ownership and business transactions.

(2) Sale of LIXIL VIVA ordinary shares held by the Group

Name of the company, nature of business and the summary of the offering are as follows:

1) Name of the company	LIXIL VIVA CORPORATION
2) Nature of business	Home improvement retail business, including sales of general home goods, interior products, and home building materials, as well as home renovation services
3) Class and number of shares offered	Offering through purchase and subscription by the underwriters Ordinary shares 14,903,800 shares Offering through over-allotment Ordinary shares 1,728,900 shares Total 16,632,700 shares
4) Offer price	32,392 million yen (1,947.50 yen per share)
5) Settlement date	Offering through purchase and subscription by the underwriters: April 12, 2017 Offering through over-allotment: May 2, 2017

(3) Newly issued shares through the offering

The summary of newly issued shares through the offering is as follows:

1) Type of offering	General offering (through book building process)
2) Class and number of shares issued	Ordinary shares 4,720,000 shares
3) Issue price	2,050.00 yen per share
4) Underwriting price	1,947.50 yen per share Underwriting price represents the amount paid by underwriters to LIXIL VIVA as the share price for new shares. The gross spread of difference between the underwriting price and the issue price offered to the investing public is the compensation for the underwriters.
5) Amount paid in	1,657.50 yen per share The price represents the amount paid in under the Companies Act of Japan and was determined by LIXIL VIVA at its Board of Directors' meeting held on March 27, 2017.
6) Capital incorporation	973.75 yen per share
7) Total underwriting price	9,192 million yen
8) Total issue price	7,823 million yen (The amount represents the total amount paid in under the Companies Act of Japan)
9) Total capital incorporation	4,596 million yen
10) Payment date	April 11, 2017
11) Use of proceeds	LIXIL VIVA plans to use the proceeds for its capital expenditures for the purpose of accelerating its growth strategy in the Home Center business and other businesses and also strengthening the market competitiveness of existing stores.

(4) Effect on profit and loss for the following fiscal year

As a consequence of the above transactions at (2) and (3) above, the Company continues to hold 52% of LIXIL VIVA's total number of shares issued. The transactions represent partial sales of a subsidiary's shares, which do not result in the Company losing control of the subsidiary. Thus, in the consolidated financial statements for the fiscal year ending March 31, 2018, gain on sales of shares of the subsidiary related to Transaction (2) as well as gain on change in equity ownership related to Transaction (3) will be accounted for as an increase in capital surplus in the consolidated statement of financial position, instead of an increase in profit in the consolidated statement of profit or loss. As a conclusion, the transactions will have minimum effect on the profit or loss on a consolidated basis for the fiscal year ending March 31, 2018.

10. Other Notes

Figures less than one million yen are rounded to the nearest million yen.

Notes to Nonconsolidated Financial Statements

1. Significant Accounting Policies

(1) Valuation standards and methods for securities

1) Investments in subsidiaries and associates

Stated at cost determined by the moving-average method.

2) Available-for-sale securities

Marketable securities

Stated at fair value at the end of the fiscal year. Unrealized gains or losses, net of applicable income taxes, are directly included in net assets. Costs of securities sold are determined by the moving-average method.

Non-marketable securities

Stated at cost determined by the moving-average method.

(2) Depreciation method of non-current assets

1) Property, plant and equipment other than leased assets

Depreciated under the declining-balance method.

2) Leased assets

Leased assets regarding finance leases which do not transfer ownership

Depreciated over the lease term using the straight-line method with no residual value.

(3) Provisions

1) Provision for bonuses

An accrual is provided for the payment of employees' bonuses based on the expected amount to be paid.

2) Provision for directors' bonuses

An accrual is provided for the payment of directors' bonuses based on the expected amount to be paid.

(4) Accounting for deferred assets

Bond issuance cost

Recognized as an expense when incurred.

(5) Accounting for convertible bonds with subscription rights to shares

Proceeds from the issuance of convertible bonds with subscription rights to shares are not allocated between the bond portion and the subscription right portion, but are accounted for as straight bonds.

(6) Accounting for consumption tax

Transactions subject to consumption tax are recorded at amounts exclusive of consumption tax.

2. Changes in Accounting Policies

Following revisions to the Corporate Tax Law, LIXIL Group Corporation (the "Company") has applied "Practical solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No. 32 issued on June 17, 2016) beginning from the current year. Accordingly, the Company has changed its depreciation method for facilities attached to buildings and structures purchased on or after April 1, 2016 from the declining-balance method to the straight-line method.

The impact on the nonconsolidated financial statements for the fiscal year was immaterial.

3. Notes to Nonconsolidated Balance Sheet

(1) Accumulated depreciation on property, plant and equipment 17 million yen

(2) Guaranteed obligations

The Company guarantees transfer receivables arising from factoring service and loans payable of the following subsidiary or associate:

LIXIL Group Finance Corporation	90,954 million yen

The Company guarantees deposits received by the following subsidiary or associate:

LIXIL Corporation	369 million yen

The Company guarantees performance obligations related to construction contracts of the following subsidiary or associate:

Josef Gartner GmbH	14,342 million yen

The Company guarantees accounts payable of the following subsidiary or associate:

GROHE AG	545 million yen

(3) Receivables from and payables to subsidiaries and associates

Short-term receivables	178,869 million yen
Short-term payables	323 million yen

4. Notes to Nonconsolidated Statement of Income

Transactions with subsidiaries and associates

Operating transactions	
Dividend income	5,816 million yen
Management fee income	3,552 million yen
Other operating revenue	1,214 million yen
Non-operating transactions	879 million yen

5. Notes to Nonconsolidated Statement of Changes in Equity

Class and number of treasury shares as of March 31, 2017

Ordinary shares	25,315,762 shares

6. Deferred Tax Assets and Deferred Tax Liabilities

Major components of deferred tax assets and deferred tax liabilities

Deferred tax assets	
Loss on valuation of investments in subsidiaries and associates	2,869 million yen
Tax loss carryforwards	848 million yen
Loss on valuation of investment securities	660 million yen
Loss on sale of investments in subsidiaries and associates	109 million yen
Other	508 million yen
Subtotal	4,997 million yen
Less: Valuation allowance	(4,117) million yen
Total	879 million yen
Deferred tax liabilities	
Unrealized gain on available-for-sale securities	(1,337) million yen
Gain on sale of investments in subsidiaries and associates	(961) million yen
Other	(0) million yen
Total	(2,298) million yen
Net deferred tax liabilities	(1,419) million yen

(Additional Information)

Implementation Guidance on Recoverability of Deferred Tax Assets

The Company has applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued March 28, 2016), effective April 1, 2016.

7. Related Party Transactions

(1) Subsidiaries and associates

(Millions of yen)

Type	Name of company	Share of voting rights owned by the Company /(owned by the related party)	Relationship with the related party	Transaction	Transaction amount	Account	Balance as of March 31, 2017
Subsidiary	LIXIL Corporation	Directly owned 100%	Control and management by holding shares Concurrent post of directors	Acceptance of seconded employees (Note 1)	519	Accrued expenses	107
				Receipt of management fees (Note 2)	3,088	Other receivables	376
Subsidiary	LIXIL Group Finance Corporation	Directly owned 100%	Control and management by holding shares Concurrent post of directors	Lending of funds (Note 3)	178,342	Short-term loans receivable	178,342
				Receipt of interest income (Note 3)	705	Other receivables	62
				Guarantee of obligations (Note 4)	90,954	－	－
				Receipt of guarantee fees (Note 4)	112	Other receivables	7
Subsidiary	Josef Gartner GmbH	Indirectly owned 100%	Control and management by holding shares	Guarantee of obligations (Note 5)	14,342	－	－

Terms and conditions of transactions and policies for determining the terms and conditions

Notes: 1. Amount reimbursed to LIXIL Corporation, which paid payroll costs for seconded employees on behalf of the Company.

2. Claims made for management fees based on the subsidiary's amount of revenue and number of employees.

3. Interest rates on loans are determined reasonably based on actual fund-raising rates. Transaction amount represents the balance of loans receivable as of March 31, 2017.

4. Guarantee fee rates are determined reasonably based on the market rate and the degree of associated risks.

5. Guarantee is for performance obligations related to construction contracts. The Company does not receive any guarantee fees, taking into account the degree of associated risks.

(2) Directors and major individual shareholders

(Millions of yen)

Type	Name of company or individual	Shares of voting rights owned by the Company /(owned by the related party)	Relationship with the related party	Transaction	Transaction amount	Account	Balance as of March 31, 2017
Director and close relative	Kinya Seto	(Directly owned 0.0%)	Director and Executive Officer of the Company	Acquisition of treasury shares through third-party allotment (Note 1)	199	—	—
Director and close relative	Sachio Matsumoto	(Directly owned 0.0%)	Executive Officer of the Company	Exercise of subscription rights to shares (Note 2)	23	—	—
Director and close relative	Harumi Matsumura	(Directly owned 0.0%)	Executive Officer of the Company	Exercise of subscription rights to shares (Note 2)	11	—	—

Terms and conditions of the transactions and policies for determining the terms and conditions

Notes: 1. Acquisition of treasury shares through third-party allotment represents the acquisition of treasury shares allotted under the resolution at the Board Meeting held on September 20, 2016. A transaction amount is the amount to be paid multiplied by the number of offered shares. The amount to be paid is the closing price for ordinary shares of the Company on the Tokyo Stock Exchange on the trading day immediately before the date of the Board of Directors resolution, as of September 16, 2016, relating to the treasury share disposition by third-party allocation. The number of offered shares is the number calculated by dividing the amount equivalent to the basic remuneration of Kinya Seto as a Director and as Representative Executive Officer and President by the amount to be paid (shares less than one unit are rounded down).

2. Exercised subscription rights to shares are those exercised in the current year based on the resolutions of Board of Directors on April 17, 2012 and April 15, 2013. Transaction amounts are calculated by multiplying the shares granted in exercising subscription rights by amounts paid.

8. Per Share Information

(1) Net assets per share 1,677.01 yen

(2) Earnings per share 25.33 yen

9. Significant Subsequent Events

Listing and sale of shares of LIXIL VIVA on the Tokyo Stock Exchange

LIXIL VIVA CORPORATION ("LIXIL VIVA"), a wholly-owned subsidiary of the Company, was listed on the first section of the Tokyo Stock Exchange on April 12, 2017.
Concurrently with the listing, the Company sold a portion of its LIXIL VIVA ordinary shares and LIXIL VIVA raised funds through issuance of new shares, which resulted in the Company holding 52% of the total number of LIXIL VIVA's outstanding shares.

(1) Background and purpose of listing

At present, the home improvement market in Japan continues to be saturated at around 4 trillion yen partly due to severe competition with retailers in other businesses. On the other hand, LIXIL VIVA, with its strength in Business-to-Business transactions in building materials supply business (or business for professionals), provides a different style of stores, unique lineup of products and highly specialized services compared to other home improvement companies, and continues to grow both in sales and profit.

LIXIL VIVA's management proposed a plan to list its stock in order to win further corporate credibility, establish a secure governance system that allows for the flexible management decisions and various methods of fund procurement, promote flexible and active store development, and pursue further growth. After much deliberation, the Company decided to accept the listing plan, believing that it will enhance the corporate values of both LIXIL VIVA and the Company going forward.

The Company believes the listing will enable LIXIL VIVA to further expand its business opportunities and to contribute to the growth in the home renovation market in Japan. Furthermore, the Company expects that such growth will eventually lead to the development of the Company’s business through sales of various renovation products.

The Company plans to bolster the group earnings by realizing synergy effects around major brands, including GROHE, American Standard, INAX and LIXIL, in order to expand the water business overseas. In Japan, the Company launched a new “LIXIL PATTO Reform campaign” in 2016, aiming to create new demand in Japan’s home renovation market. The LIXIL PATTO Reform service will not only provide a stress-free and simplified home renovation process to end users, helping them improve their living spaces and lifestyles, but also allow the Company to prepare for the impending shortage of contractors in Japan. It is the Company’s mission to address the needs of end users and to contribute to the expansion of the home renovation market. That being said, the Company will continue to have a good relationship with LIXIL VIVA, playing a significant role in exploring the home renovation market, through share ownership and business transactions.

(2) Sale of LIXIL VIVA ordinary shares held by the Company

Name of the company, nature of business and the summary of the offering are as follows:

1) Name of the company	LIXIL VIVA CORPORATION		
2) Nature of business	Home improvement retail business, including sales of general home goods, interior products, and home building materials, as well as home renovation services		
3) Class and number of shares offered	Offering through purchase and subscription by the underwriters	Ordinary shares	14,903,800 shares
	Offering through over-allotment	Ordinary shares	1,728,900 shares
	Total		16,632,700 shares
4) Offer price	32,392 million yen (1,947.50 yen per share)		
5) Settlement date	Offering through purchase and subscription by the underwriters		April 12, 2017
	Offering through over-allotment		May 2, 2017

(3) Effect on profit or loss for the following fiscal year

The Company expects to recognize "Gain on sale of investments in subsidiaries and associates" amounting to 24,075 million yen in the Nonconsolidated Statement of Income for the fiscal year ending March 31, 2018 as a result of this transaction.

10. Consolidated Dividend Regulations

The Company is subject to consolidated dividend regulations, meaning that it calculates the distributable amount for dividends on a consolidated basis.

11. Other Notes

Figures less than one million yen are rounded down to the nearest million yen.