Flash Report

LIXIL GROUP CORPORATION

August 7, 2017

Consolidated Financial Results for the First Quarter Ended June 30, 2017 (International Financial Reporting Standards)

Company Name: LIXIL GROUP CORPORATION
Code Number: 5938
Representative: Kinya Seto, President & CEO
Contact: Kayo Hirano, Senior Manager of Investor Relations Office
Scheduled date of issue of quarterly financial report: August 10, 2017
Preparation of supplementary materials for quarterly financial results: Yes
Information meeting for quarterly financial results to be held: Yes (For investment analysts and institutional investors)

Stock Listings: Tokyo, Nagoya
URL: http://www.lixil.com/en/investor/
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Date of scheduled payment of dividends: -

(Amounts less than one million yen are rounded)

1. Consolidated Financial Results for the Q1 of FY Ending March 2018 (April 1 through June 30, 2017)

(1) Consolidated Operating Results

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

	Revenue		Core earnings		Operating profit		Profit before tax		Profit for the quarter		Profit for the quarter attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2018 Q1	**431,878**	**1.2**	**18,706**	**27.1**	**18,602**	**28.4**	**17,183**	**-15.1**	**11,070**	**-2.7**	**10,234**	**-12.1**
FY 2017 Q1	426,632	-7.2	14,722	-2.8	14,493	38.7	20,237	-	11,381	-	11,642	-

	Total comprehensive income for the quarter		Basic earnings per share	Diluted earnings per share
	Million yen	%	Yen	Yen
FY 2018 Q1	**28,178**	**-**	**35.55**	**32.17**
FY 2017 Q1	-31,665	-	40.57	39.67

(Note) 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 2018 Q1	**2,060,201**	**616,474**	**577,968**	**28.1**
FY 2017	2,042,165	559,431	547,244	26.8

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 2017	-	30.00	-	30.00	60.00
FY 2018	-				
FY 2018 (forecast)		30.00	-	30.00	60.00

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

3. Consolidated Forecast for the FY Ending March 2018 (April 1, 2017 through March 31, 2018)

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

	Revenue		Core earnings		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	%	Million yen	%	Yen
FY 2018 1H	890,000	2.2	40,000	0.4	37,000	-3.4	34,500	-17.1	24,900	3.9	23,000	-4.8	79.95
FY 2018	1,850,000	3.6	95,000	7.6	75,000	11.1	70,000	6.0	46,800	11.7	43,000	1.2	149.46

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

*** Notes**

(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 stocks	(June 30, 2017) 313,054,255 shares	(March 31, 2017) 313,054,255 shares
(ii) Treasury stocks	(June 30, 2017) 25,009,309 shares	(March 31, 2017) 25,361,045 shares
(iii) Average stocks during three months (Apr - Jun)	(June 30, 2017) 287,871,354 shares	(June 30, 2016) 286,979,970 shares

* This quarterly financial results report is exempt from quarterly review procedures under Japan's Financial Instruments and Exchange Law.

*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.

4. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Unit: millions of yen)

	As of March 31, 2017	End of Q1 (As of June 30, 2017)
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	121,563	120,379
Trade and other receivables	391,256	363,558
Inventories	204,581	219,032
Construction contract assets	92,431	87,093
Income tax receivables	3,144	5,051
Other financial assets	12,217	13,768
Other current assets	23,718	26,569
Subtotal	848,910	835,450
Assets held for sale	873	882
Total current assets	**849,783**	**836,332**
NON-CURRENT ASSETS:		
Property, plant and equipment	538,137	538,211
Goodwill and other intangible assets	474,315	516,275
Investment property	7,143	7,098
Investments accounted for using the equity method	23,913	14,801
Other financial assets	95,277	94,644
Deferred tax assets	45,162	44,348
Other non-current assets	8,435	8,492
Total non-current assets	**1,192,382**	**1,223,869**
Total assets	**Y 2,042,165**	**Y 2,060,201**

(Unit: millions of yen)

	As of March 31, 2017	End of Q1 (As of June 30, 2017)
LIABILITIES:		
CURRENT LIABILITIES		
Trade and other payables	350,477	333,978
Bonds and borrowings	251,326	240,180
Construction contract liabilities	33,288	32,796
Income tax payables	10,578	15,506
Other financial liabilities	7,291	934
Provisions	1,516	1,255
Other current liabilities	122,709	126,384
Total current liabilities	**777,185**	**751,033**
NON-CURRENT LIABILITIES		
Bonds and borrowings	508,582	488,060
Other financial liabilities	29,108	29,931
Net defined benefit liabilities	73,809	77,712
Provisions	6,909	6,898
Deferred tax liabilities	73,437	76,961
Other non-current liabilities	13,704	13,132
Total non-current liabilities	**705,549**	**692,694**
Total liabilities	**1,482,734**	**1,443,727**
EQUITY:		
Share capital	68,121	68,121
Capital reserves	260,901	272,530
Treasury shares	-53,362	-52,622
Other components of equity	14,860	31,534
Retained earnings	256,724	258,405
Equity attributable to owners of the parent	547,244	577,968
Non-controlling interests	12,187	38,506
Total equity	**559,431**	**616,474**
Total liabilities and equity	**Y 2,042,165**	**Y 2,060,201**

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

Consolidated Statement of Profit or Loss

(Unit: millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Revenue	Y 426,632	Y 431,878
Cost of sales	-294,426	-293,310
GROSS PROFIT	132,206	138,568
Selling, general and administrative expenses	-117,484	-119,862
Other income	3,205	2,937
Other expenses	-3,434	-3,041
OPERATING PROFIT	14,493	18,602
Finance income	12,991	8,529
Finance costs	-6,991	-9,794
Share of profit (loss) of associates and joint ventures accounted for using the equity method	-256	-154
PROFIT BEFORE TAX	20,237	17,183
Income tax expenses	-8,856	-6,113
PROFIT FOR THE QUARTER	11,381	11,070
Profit for the quarter attributable to:		
Owners of the parent	11,642	10,234
Non-controlling interests	-261	836
PROFIT FOR THE QUARTER	11,381	11,070
Earnings per share		
Basic (yen per share)	40.57	35.55
Diluted (yen per share)	39.67	32.17

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
PROFIT FOR THE QUARTER	**Y 11,381**	**Y 11,070**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit pension plans	-5,284	-
Total items that will not be reclassified subsequently to profit or loss	-5,284	-
Items that may be reclassified subsequently to profit or loss		
Net fair value gain (loss) on available-for-sale financial assets	-1,833	3,074
Net fair value gain (loss) on hedging instruments entered into for cash flow hedges	-532	2,167
Exchange differences on translation of foreign operations	-34,662	9,943
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-735	1,924
Total items that may be reclassified subsequently to profit or loss	-37,762	17,108
Other comprehensive income, net of tax	-43,046	17,108
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	-31,665	28,178
Total comprehensive income for the quarter attributable to:		
Owners of the parent	-30,139	27,135
Non-controlling interests	-1,526	1,043
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	**Y -31,665**	**Y 28,178**

(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, 2016	**68,121**	**261,024**	**-54,898**	**3,470**	**-**	**14,780**	**-1,931**
Profit for the quarter	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-33,397	-5,284	-1,833	-532
Total comprehensive income for thequarter	-	-	-	-33,397	-5,284	-1,833	-532
Purchase of treasury shares	-	-	-3	-	-	-	-
Disposal of treasury shares	-	-0	0	-	-	-	-
Share-based payment transactions	-	-4	78	-	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in parent's ownership interests in subsidiaries without loss of control	-	-	-	-	-	-	-
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	-
Transfers from other components of equity to retained earnings	-	-	-	-	5,284	-	-
Total transactions with owners	-	-4	75	-	5,284	-	-
BALANCE AS OF JUNE 30, 2016	**68,121**	**261,020**	**-54,823**	**-29,927**	**-**	**12,947**	**-2,463**
BALANCE AS OF APRIL 1, 2017	**68,121**	**260,901**	**-53,362**	**-5,143**	**-**	**16,608**	**-917**
Profit for the quarter	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	9,725	-	3,074	2,178
Total comprehensive income for the quarter	-	-	-	9,725	-	3,074	2,178
Purchase of treasury shares	-	-	-5	-	-	-	-
Disposal of treasury shares	-	0	0	-	-	-	-
Share-based payment transactions	-	126	745	-	-	-	-
Dividends	-	-	-	-	-	-	-
Changes in parent's ownership interests in subsidiaries without loss of control	-	11,503	-	-	-	-	-17
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	-
Transfers from other components of equity to retained earnings	-	-	-	-	-	-	-
Total transactions with owners	-	11,629	740	-	-	-	-17
BALANCE AS OF JUNE 30, 2017	**68,121**	**272,530**	**-52,622**	**4,582**	**-**	**19,682**	**1,244**

(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, 2016	**255**	**6,217**	**22,791**	**227,768**	**524,806**	**12,502**	**537,308**
Profit for the quarter	-	-	-	11,642	11,642	-261	11,381
Other comprehensive income	-735	-	-41,781	-	-41,781	-1,265	-43,046
Total comprehensive income for the quarter	-735	-	-41,781	11,642	-30,139	-1,526	-31,665
Purchase of treasury shares	-	-	-	-	-3	-	-3
Disposal of treasury shares	-	-	-	-	0	-	0
Share-based payment transactions	-	6	6	68	148	-	148
Dividends	-	-	-	-8,609	-8,609	-	-8,609
Changes in parent's ownership interests in subsidiaries without loss of control	-	-	-	-	-	-	-
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	-
Transfers from other components of equity to retained earnings	-	-	5,284	-5,284	-	-	-
Total transactions with owners	-	6	5,290	-13,825	-8,464	-	-8,464
BALANCE AS OF JUNE 30, 2016	**-480**	**6,223**	**-13,700**	**225,585**	**486,203**	**10,976**	**497,179**
BALANCE AS OF APRIL 1, 2017	**-1,660**	**5,972**	**14,860**	**256,724**	**547,244**	**12,187**	**559,431**
Profit for the quarter	-	-	-	10,234	10,234	836	11,070
Other comprehensive income	1,924	-	16,901	-	16,901	207	17,108
Total comprehensive income for the quarter	1,924	-	16,901	10,234	27,135	1,043	28,178
Purchase of treasury shares	-	-	-	-	-5	-	-5
Disposal of treasury shares	-	-	-	-	0	-	0
Share-based payment transactions	-	-210	-210	78	739	-	739
Dividends	-	-	-	-8,631	-8,631	-	-8,631
Changes in parent's ownership interests in subsidiaries without loss of control	-	-	-17	-	11,486	25,255	36,741
Changes associated with obtainment of control of subsidiaries	-	-	-	-	-	21	21
Transfers from other components of equity to retained earnings	-	-	-	-	-	-	-
Total transactions with owners	-	-210	-227	-8,553	3,589	25,276	28,865
BALANCE AS OF JUNE 30, 2017	**264**	**5,762**	**31,534**	**258,405**	**577,968**	**38,506**	**616,474**

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
OPERATING ACTIVITIES:		
Profit before tax	**Y 20,237**	**Y 17,183**
Depreciation and amortization	15,008	16,540
Interest and dividend income	-1,162	-1,295
Interest expense	2,803	1,215
Share of (profit) loss of associates and joint ventures accounted for using the equity method	256	154
Losses on sale and disposal of property, plant and equipment	307	373
Increase in trade and other receivables	11,646	35,222
Increase in inventories	-2,254	-11,341
Decrease in trade and other payables	-9,086	-21,370
(Decrease) increase in net defined benefit liabilities	3,115	409
Other	-1,882	3,034
Subtotal	38,988	40,124
Interest received	593	544
Dividends received	1,447	924
Interest paid	-1,597	-3,789
Income taxes paid	-11,242	-11,363
Payments for investigation expense	-5	-
Net cash flows from operating activities	**Y 28,184**	**Y 26,440**
INVESTING ACTIVITIES:		
(Increase) decrease in time deposits	-465	-694
Purchase of property, plant and equipment	-11,933	-12,198
Proceeds from sale of property, plant and equipment	646	289
Purchase of intangible assets	-4,068	-1,756
Proceeds from sale of investment property	354	21
Payments for acquisition of subsidiaries	-	-9,625
Proceeds from sale of subsidiaries	-	148
Decrease in short-term loans receivable	505	1,190
Payments for long-term loans receivable	-16	-57
Proceeds from collection of long-term loans receivable	47	63
Payments for acquisition of other investments	-65,069	-73,087
Proceeds from sale and redemption of investments	65,040	73,102
Other	-333	-210
Net cash flows from investing activities	**Y -15,292**	**Y -22,814**
FINANCING ACTIVITIES:		
Dividends paid	-8,610	-8,632
(Decrease) Increase in short-term borrowings and commercial paper	16,320	18,464
Proceeds from long-term borrowings	23,050	497
Repayment of long-term borrowings	-25,137	-58,129
Proceeds from non-controlling interests for additional shares	-	9,136
Proceeds from sale of interests in a subsidiary to non-controlling interests	-	32,392
Other	867	-127
Net cash flows from financing activities	**Y 6,490**	**Y -6,399**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,382	-2,773
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	129,646	121,563
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	-5,441	1,589
CASH AND CASH EQUIVALENTS INCLUDED IN ASSETS HELD FOR SALE	405	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**Y 143,992**	**Y 120,379**

(5) Notes on Premise of Going Concern

Not applicable.

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

For the three months ended June 30, 2016 (April 1through June 30, 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 154,818	Y 131,061	Y 58,870	Y 23,299	Y 44,016	Y 14,568
Intersegment revenue or transfers	4,376	1,462	6	2,743	1	424
Total	159,194	132,523	58,876	26,042	44,017	14,992
Segment profit (loss) (Note 1)	13,922	8,911	-3,265	-175	2,429	1,010
Other income						
Other expenses						
Operating profit						
Finance income						
Finance costs						
Share of 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 426,632	-	Y 426,632
Intersegment revenue or transfers	9,012	-9,012	-
Total	435,644	-9,012	426,632
Segment profit (loss) (Note 1)	22,832	-8,110	14,722
Other income			3,205
Other expenses			-3,434
Operating profit			14,493
Finance income			12,991
Finance costs			-6,991
Share of profit (loss) of associates and joint ventures accounted for using the equity method			-256
Profit before tax			20,237

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 three months ended June 30, 2017 (April 1 through June 30, 2017)

(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 162,974	Y 127,968	Y 60,853	Y 25,214	Y 43,922	Y 10,947
Intersegment revenue or transfers	3,440	1,791	36	2,887	2	514
Total	166,414	129,759	60,889	28,101	43,924	11,461
Segment profit (loss) (Note 1)	15,907	6,921	-443	524	2,555	439
Other income						
Other expenses						
Operating profit						
Finance income						
Finance costs						
Share of profit 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 431,878	-	Y 431,878
Intersegment revenue or transfers	8,670	-8,670	-
Total	440,548	-8,670	431,878
Segment profit (loss) (Note 1)	25,903	-7,197	18,706
Other income			2,937
Other expenses			-3,041
Operating profit			18,602
Finance income			8,529
Finance costs			-9,794
Share of profit (loss) of associates and joint ventures accounted for using the equity method			-154
Profit before tax			17,183

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

2. Segment profit 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. Impairment loss was due to investment in software in progress.