LIXIL GROUP CORPORATION

November 6, 2017

Consolidated Financial Results for the First Half Ended September 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

Stock Listings: Tokyo, Nagoya
URL: http://www.lixil.com/en/investor/
Telephone: +81-3-6268-8806
Date of scheduled payment of dividends: November 24,2017

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)

(Amounts less than one million yen are rounded)

1. Consolidated Financial Results for the H1 of FY Ending March 2018 (April 1 through September 30, 2017)

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

	From Continuing Operations									
	Revenue		Core earnings		Operating profit		Profit before tax		Profit for the quarter	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2018 H1	**809,912**	**1.7**	**40,657**	**-4.5**	**37,751**	**-8.4**	**36,564**	**-20.0**	**24,711**	**-13.2**
FY 2017 H1	796,293	—	42,591	—	41,203	—	45,688	—	28,466	—

	Including Discontinued Operations							
	Profit for the quarter		Profit for the quarter attributable to owners of the parent		Total comprehensive income for the quarter		Basic earnings per share	Diluted earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen	Yen
FY 2018 H1	**13,669**	**-43.0**	**12,843**	**-46.8**	**37,933**	**—**	**44.59**	**40.48**
FY 2017 H1	23,970	—	24,149	—	-20,202	—	84.15	76.21

(Note) Core earnings is the amount calculated by deducting cost of sales and selling, general and administrative expenses from the revenue
(Note) The rates of change for revenue, core earnings, operating profit, profit before tax, and profit for the quarter from continuing operations compared to the same reporting period of the previous financial year are omitted.

(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 H1	**2,103,747**	**627,006**	**588,171**	**28.0**
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		30.00			
FY 2018 (forecast)			—	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)

	From Continuing Operations									
	Revenue		Core earnings		Operating profit		Profit before tax		Profit for the quarter	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2018	1,680,000	2.9	93,000	3.6	85,000	22.7	80,000	13.5	59,000	23.0

	Including Discontinued Operations				
	Profit for the quarter		Profit for the quarter attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Yen
FY 2018	47,000	12.2	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	(September 30, 2017)	313,054,255	shares	(March 31, 2017)	313,054,255	shares
(ii) Treasury stocks	(September 30, 2017)	24,762,365	shares	(March 31, 2017)	25,361,045	shares
(iii) Average stocks during six months (Apr - Sep)	(September 30, 2017)	288,005,150	shares	(September 30, 2016)	286,989,133	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 H1 (As of September 30, 2017)
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	121,563	122,714
Trade and other receivables	391,256	334,738
Inventories	204,581	219,715
Construction contract assets	92,431	9,987
Income tax receivables	3,144	814
Other financial assets	12,217	10,976
Other current assets	23,718	14,564
Subtotal	848,910	713,508
Assets held for sale	873	198,361
Total current assets	**849,783**	**911,869**
NON-CURRENT ASSETS:		
Property, plant and equipment	538,137	528,752
Goodwill and other intangible assets	474,315	485,828
Investment property	7,143	6,781
Investments accounted for using the equity method	23,913	14,895
Other financial assets	95,277	97,559
Deferred tax assets	45,162	49,500
Other non-current assets	8,435	8,563
Total non-current assets	**1,192,382**	**1,191,878**
Total assets	**¥ 2,042,165**	**¥ 2,103,747**

(Unit: millions of yen)

	As of March 31, 2017	End of H1 (As of September 30, 2017)
LIABILITIES:		
CURRENT LIABILITIES		
Trade and other payables	350,477	315,866
Bonds and borrowings	251,326	251,825
Construction contract liabilities	33,288	1,207
Income tax payables	10,578	16,328
Other financial liabilities	7,291	591
Provisions	1,516	1,094
Other current liabilities	122,709	88,259
Subtotal	777,185	675,170
Liabilities directly associated with the assets held for sale	-	141,548
Total current liabilities	**777,185**	**816,718**
NON-CURRENT LIABILITIES		
Bonds and borrowings	508,582	465,903
Other financial liabilities	29,108	34,504
Net defined benefit liabilities	73,809	76,352
Provisions	6,909	6,971
Deferred tax liabilities	73,437	68,014
Other non-current liabilities	13,704	8,279
Total non-current liabilities	**705,549**	**660,023**
Total liabilities	**1,482,734**	**1,476,741**
EQUITY:		
Share capital	68,121	68,121
Capital reserves	260,901	272,611
Treasury shares	-53,362	-52,134
Other components of equity	14,860	38,551
Retained earnings	256,724	261,022
Equity attributable to owners of the parent	547,244	588,171
Non-controlling interests	12,187	38,835
Total equity	**559,431**	**627,006**
Total liabilities and equity	**¥ 2,042,165**	**¥ 2,103,747**

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

Consolidated Statement of Profit or Loss

(Unit: millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Continuing operations		
Revenue	Y 796,293	Y 809,912
Cost of sales	-527,651	-533,099
GROSS PROFIT	268,642	276,813
Selling, general and administrative expenses	-226,051	-236,156
Other income	6,563	5,868
Other expenses	-7,951	-8,774
OPERATING PROFIT	41,203	37,751
Finance income	15,443	14,925
Finance costs	-10,837	-15,970
Share of profit (loss) of associates and joint ventures accounted for using the equity method	-121	-142
PROFIT BEFORE TAX	45,688	36,564
Income tax expenses	-17,222	-11,853
PROFIT FOR THE QUARTER FROM CONTINUING OPERATIONS	28,466	24,711
Discontinued operations		
LOSS FOR THE QUARTER FROM DISCONTINUIED OPERATIONS	-4,496	-11,042
PROFIT FOR THE QUARTER	23,970	13,669
Profit (loss) for the quarter attributable to:		
Owners of the parent	24,149	12,843
Non-controlling interests	-179	826
PROFIT FOR THE QUARTER	23,970	13,669
Earnings per share		
Basic (yen per share)		
Continuing operations	99.76	82.89
Discontinued operations	-15.61	-38.30
Total	84.15	44.59
Diluted (yen per share)		
Continuing operations	90.28	74.92
Discontinued operations	-14.07	-34.44
Total	76.21	40.48

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
PROFIT FOR THE QUARTER	**Y 23,970**	**Y 13,669**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit pension plans	-3,539	-
Total items that will not be reclassified subsequently to profit or loss	-3,539	-
Items that may be reclassified subsequently to profit or loss		
Net fair value gain (loss) on available-for-sale financial assets	-2,035	4,770
Net fair value gain on hedging instruments entered into for cash flow hedges	205	3,207
Exchange differences on translation of foreign operations	-36,814	14,351
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-1,989	1,936
Total items that may be reclassified subsequently to profit or loss	-40,633	24,264
Other comprehensive income, net of tax	-44,172	24,264
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE QUARTER	-20,202	37,933
Total comprehensive (loss) income for the quarter attributable to:		
Owners of the parent	-18,919	36,840
Non-controlling interests	-1,283	1,093
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE QUARTER	**Y -20,202**	**Y 37,933**

(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 (loss)	-	-	-	-35,711	-3,539	-2,035	206
Total comprehensive income (loss) for the quarter	-	-	-	-35,711	-3,539	-2,035	206
Purchase of treasury shares	-	-	-7	-	-	-	-
Disposal of treasury shares	-	-0	0	-	-	-	-
Share-based payment transactions	-	-0	89	-	-	-	-
Dividends	-	-	-	-	-	-	-
Cumulative income or expense recognised in other comprehensive income relating to disposal group classified as held for sale	-	-	-	-	-	-	-
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	-	-	-	-	3,539	-	-
Total transactions with owners	-	-0	82	-	3,539	-	-
BALANCE AS OF SEPTEMBER 30, 2016	**68,121**	**261,024**	**-54,816**	**-32,241**	**-**	**12,745**	**-1,725**
BALANCE AS OF APRIL 1, 2017	**68,121**	**260,901**	**-53,362**	**-5,143**	**-**	**16,608**	**-917**
Profit for the quarter	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	13,768	-	4,770	2,923
Total comprehensive income for the quarter	-	-	-	13,768	-	4,770	2,923
Purchase of treasury shares	-	-	-15	-	-	-	-
Disposal of treasury shares	-	0	66	-	-	-	-
Share-based payment transactions	-	207	1,177	-	-	-	-
Dividends	-	-	-	-	-	-	-
Cumulative income or expense recognised in other comprehensive income relating to disposal group classified as held for sale	-	-	-	-5,704	-	-	-215
Changes in parent's ownership interests in subsidiaries without loss of control	-	11,503	-	-	-	-	-17
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	-
Changes associated with loss of control of subsidiaries	-	-	-	-	-	-	-
Transfers from other components of equity to retained earnings	-	-	-	-	-	-	-
Total transactions with owners	-	11,710	1,228	-5,704	-	-	-232
BALANCE AS OF SEPTEMBER 30, 2017	**68,121**	**272,611**	**-52,134**	**2,921**	**-**	**21,378**	**1,774**

(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	Cumulative income or expense recognised in other comprehensive income relating to disposal group classified as held for sale	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	-	-	-	-	24,149	24,149	-179	23,970
Other comprehensive income (loss)	-1,989	-	-	-43,068	-	-43,068	-1,104	-44,172
Total comprehensive income (loss) for the quarter	-1,989	-	-	-43,068	24,149	-18,919	-1,283	-20,202
Purchase of treasury shares	-	-	-	-	-	-7	-	-7
Disposal of treasury shares	-	-	-	-	-	0	-	0
Share-based payment transactions	-	-	-30	-30	105	164	-	164
Dividends	-	-	-	-	-8,609	-8,609	-57	-8,666
Cumulative income or expense recognised in other comprehensive income relating to disposal group classified as held for sale	-	-	-	-	-	-	-	-
Changes in parent's ownership interests in subsidiaries without loss of control	-	-	-	-	-	-	140	140
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	3	3
Changes associated with loss of control of subsidiaries	-	-	-	-	14	14	-	14
Transfers from other components of equity to retained earnings	-	-	-	3,539	-3,539	-	-	-
Total transactions with owners	-	-	-30	3,509	-12,029	-8,438	86	-8,352
BALANCE AS OF SEPTEMBER 30, 2016	-1,734	**-**	**6,187**	**-16,768**	**239,888**	**497,449**	**11,305**	**508,754**
BALANCE AS OF APRIL 1, 2017	**-1,660**	**-**	**5,972**	**14,860**	**256,724**	**547,244**	**12,187**	**559,431**
Profit for the quarter	-	-	-	-	12,843	12,843	826	13,669
Other comprehensive income (loss)	1,936	600	-	23,997	-	23,997	267	24,264
Total comprehensive income for the quarter	1,936	600	-	23,997	12,843	36,840	1,093	37,933
Purchase of treasury shares	-	-	-	-	-	-15	-	-15
Disposal of treasury shares	-	-	-	-	-	66	-	66
Share-based payment transactions	-	-	-289	-289	86	1,181	-	1,181
Dividends	-	-	-	-	-8,631	-8,631	-78	-8,709
Cumulative income or expense recognised in other comprehensive income relating to disposal group classified as held for sale	-	5,919	-	-	-	-	-	-
Changes in parent's ownership interests in subsidiaries without loss of control	-	-	-	-17	-	11,486	25,255	36,741
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	384	384
Changes associated with loss of control of subsidiaries	-	-	-	-	-	-	-6	-6
Transfers from other components of equity to retained earnings	-	-	-	-	-	-	-	-
Total transactions with owners	-	5,919	-289	-306	-8,545	4,087	25,555	29,642
BALANCE AS OF SEPTEMBER 30, 2017	**276**	**6,519**	**5,683**	**38,551**	**261,022**	**588,171**	**38,835**	**627,006**

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
OPERATING ACTIVITIES:		
Profit before tax from Continued operations	**Y** 45,688	**Y** 36,564
Loss before tax from Discontinued operations	-4,051	-24,201
Profit before tax	41,637	12,363
Depreciation and amortization	29,842	32,290
Impairment losses	1,590	3,331
Loss recognised on the measurement to fair value less costs to sell of the disposal group constituting the discontinued operation	-	22,656
Interest and dividend income	-1,710	-1,701
Interest expense	5,740	2,489
Share of loss (profit) of associates and joint ventures accounted for using the equity method	121	142
Loss (profit) on sale and disposal of property, plant and equipment	629	674
Decrease in trade and other receivables	6,196	10,158
Decrease (increase) in inventories	258	-14,754
Increase (decrease) in trade and other payables	-3,258	-7,244
Increase (decrease) in net defined benefit liabilities	2,685	693
Other	-7,704	-2,906
Subtotal	76,026	58,191
Interest received	1,065	840
Dividends received	1,467	959
Interest paid	-15,223	-4,839
Income taxes paid	-13,475	-14,616
Payments for investigation expense	-5	-
Net cash flows from operating activities	**Y 49,855**	**Y 40,535**

(Unit: millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
INVESTING ACTIVITIES:		
(Increase) decrease in time deposits	1,295	-3,147
Purchase of property, plant and equipment	-24,063	-25,806
Proceeds from sale of property, plant and equipment	1,630	375
Purchase of intangible assets	-7,887	-3,668
Proceeds from sale of investment property	354	115
Payments for acquisition of subsidiaries	-	-9,625
Proceeds from sale of subsidiaries	7,212	148
Decrease in short-term loans receivable	366	853
Payments for long-term loans receivable	-45	-112
Proceeds from collection of long-term loans receivable	1,086	124
Payments for acquisition of other investments	-145,078	-148,167
Proceeds from sale and redemption of investments	145,534	148,461
Other	-384	2,336
Net cash flows from investing activities	**¥ -19,980**	**¥ -38,113**
FINANCING ACTIVITIES:		
Dividends paid	-8,610	-8,632
Dividends paid to non-controlling interests	-57	-78
Increase in short-term borrowings and commercial paper	1,353	26,470
Repayment of short-term borrowings	-43,950	-
Proceeds from long-term borrowings	41,058	1,046
Repayment of long-term borrowings	-29,151	-58,751
Proceeds from issuance of bonds	34,850	-
Proceeds from non-controlling interests for additional shares	140	9,496
Proceeds from sale of interests in a subsidiary to non-controlling interests	-	32,392
Other	-57	-594
Net cash flows from financing activities	**¥ -4,424**	**¥ 1,349**
INCREASE IN CASH AND CASH EQUIVALENTS	25,451	3,771
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	-6,557	2,740
CASH AND CASH EQUIVALENTS INCLUDED IN ASSETS HELD FOR SALE	-	-5,360
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**¥ 148,540**	**¥ 122,714**

(5) Notes related to Going Concern Assumptions

Not applicable.

(6) Notes on Changes in Presentation

Income (loss) from discontinued operations, net of tax, is presented below net income for continuing operations in the Consolidated Statements of Profit or Loss and Comprehensive Income. Revenue, income (loss), and other items for discontinued operations have been reclassified to loss for the quarter from discontinued operations in the Consolidated Statement of Profit or Loss and Comprehensive Income for the six months reporting period ended September 30, 2016 and September 30, 2017. Cash flows from operating activities, investing activities, and financial activities are presented in the total amount of continuing operations and discontinued operations cash flows in the Consolidated Statement of Cash Flows.

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

For the six months ended September 30, 2016 (April 1 through September 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 309,435	Y 266,944	Y 52,208	Y 48,885	Y 87,215	Y 31,606
Intersegment revenue or transfers	8,865	3,028	30	5,780	1	667
Total	318,300	269,972	52,238	54,665	87,216	32,273
Segment profit (Note 1)	30,247	19,636	1,928	801	4,855	2,310
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 from continuing operations						

(Unit: millions of yen)

	Total	Reconciliations (Note 2)	Consolidated
Revenue			
Revenue from external customers	Y 796,293	—	Y 796,293
Intersegment revenue or transfers	18,371	-18,371	—
Total	814,664	-18,371	796,293
Segment profit (Note 1)	59,777	-17,186	42,591
Other income			6,563
Other expenses			-7,951
Operating profit			41,203
Finance income			15,443
Finance costs			-10,837
Share of loss of associates and joint ventures accounted for using the equity method			-121
Profit before tax from continuing operations			45,688

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.

3. Revenue, Income (Loss), Other items from Discontinued Operations are not presented in the reporting above.

For the six months ended September 30, 2017 (April 1 through September 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 334,902	Y 261,229	Y 51,277	Y 52,151	Y 87,521	Y 22,832
Intersegment revenue or transfers	6,932	3,966	75	6,071	3	1,068
Total	341,834	265,195	51,352	58,222	87,524	23,900
Segment profit (Note 1)	32,499	17,004	1,907	2,618	4,595	1,052
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 from continuing operations						

(Unit: millions of yen)

	Total	Reconciliations (Note 2)	Consolidated
Revenue			
Revenue from external customers	Y 809,912	—	Y 809,912
Intersegment revenue or transfers	18,115	-18,115	—
Total	828,027	-18,115	809,912
Segment profit (Note 1)	59,675	-19,018	40,657
Other income			5,868
Other expenses			-8,774
Operating profit			37,751
Finance income			14,925
Finance costs			-15,970
Share of loss of associates and joint ventures accounted for using the equity method			-142
Profit before tax from continuing operations			36,564

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.

3. Revenue, Income (Loss), Other items from Discontinued Operations are not presented in the reporting above.

(8) Notes on Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale

(Unit: millions of yen)

	As of March 31, 2017	End of H1 (As of September 30, 2017)
Assets held for sale		
Property, plant and equipment	873	73
Investment property	-	188
Assets related to discontinued operations (Note)	-	198,100
Total	**¥ 873**	**¥ 198,361**
Liabilities directly associated with assets held for sale		
Liabilities related to discontinued operations (Note)	-	141,548
Total	**¥ -**	**¥ 141,548**

（Note）

For the six months reporting period ended September 30, 2017, major items classified to Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale consist of Permasteelisa S.p.A and its subsidiaries. The reclassification of assets and liabilities to Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale was based on the decision to sell the shares of these subsidiaries. The sale of shares is expected to be completed within one year of this reporting period.

Details of the assets and liabilities related to discontinued operations are as described in "(10) Discontinued Operations" section of the notes.

(9) Notes on Consolidated Statement of Profit or Loss

For the six months ended September 30, 2017 (April 1 through September 30, 2017)

About impairment losses

Impairment loss of 3.331 billion yen is reported under Other Expenses in the Consolidated Statement of Profit or Loss and Comprehensive Income for the six months ended September 30, 2017. Details of impaired assets are as follows:

Goodwill and other assets recognized on the consolidation date of Grohe Dawn Watertech Holdings Propriety Limited, operating in LIXIL Water Technology as a consolidated subsidiary since April 2015, were written down to the recoverable amount measured at a fair value less cost of disposal, resulting in the recognition of 2.212 billion yen of impairment loss (out of which 1.155 billion yen of loss was recognized on Goodwill). This is because initially anticipated earnings have not been expected. The loss is presented under Other Expenses.

(10) Discontinued Operations

For the six months ended September 30, 2017 (April 1 through September 30, 2017)

Transfer of Shares of Permasteelisa S.p.A.

LIXIL Group resolved at the Board of Directors Meeting held on August 21, 2017 that it has decided to sell 100% of the shares of Permasteelisa S.p.A held by its 100% subsidiary LIXIL Corporation ("LIXIL") to Grandland Holdings Group Limited ("Grandland"), and signed off on a share transfer agreement on the same date. Because of the decision, all the Revenue, Income (Loss), and other items of Permasteelisa S.p.A and its subsidiaries are classified to the Discontinued Operations in the Consolidated Financial Statements for the six months period ended September 30, 2017.

① Main reason for the transfer

LIXIL Group is focused on optimizing its business portfolio in line with broader steps to enhance operational efficiency and strengthen financial conditions. The transaction is also in line with LIXIL's ongoing efforts to simplify the business structure, enabling further synergies and efficiencies through enhanced integration.

Permasteelisa is a world leader in the engineering, project management, manufacturing and installation of curtain walls and interior systems, and has positioned high-end curtain walls at the core of its business. Permasteelisa has established a solid position in markets around the world including Europe, Asia and North America.

However, there are many differences between Permasteelisa and LIXIL's businesses in terms of management, especially in its cycle of businesses and the types and range of risks. For this reason, we concluded a contract for the share transfer of Permasteelisa to Grandland, which is a leading high-quality and service oriented architectural decoration enterprise in China.

② Name of the transferee company and Date of share transfer

Name of the transferee company	Grandland Holdings Group Limited
Date of share transfer	Not determined yet (Note)

(Note) The transaction is subject to customary closing conditions and regulatory approvals including in China, the United States and Russia.

③ Name of the transferred company , major business and segment

Name	Permasteelisa S.p.A.
Major Business	Design & Build architectural envelopes, interiors and complex forms
Segment	Building Technology Business

④ Overview of the transfer

Number of shares held before the transfer	25,613,544 shares (Voting right ratio: 100%)
Number of shares transferred	25,613,544 shares
Number of shares held after the transfer	0 share (0%)
Consideration received	168 million euros (Note) 1,2 (22,266 million yen , The amount is converted at 1 Euro ＝ 132.85 Yen.)
Relationship with the LIXIL Group after the share transfer (Note) 3	80 million euros will be lend by LIXIL to Grandland on the date of share transfer. The final maturity date is 5 years from the date of the share transfer.

(Note 1) 25 million euros (3.224 billion yen) was received as a part of the sales price in August 2017. The amount is reported under "Other" of Cashflows from Investing Activities in Consolidated Statement of Cash Flows for the six months reporting period ended September 30, 2017.

(Note 2) The ultimate sales price of the shares will be determined at the date of share transfer after the adjustments on the changes occurred by the date of share transfer in the assumption of the items in the negotiation. 81 million euros out of the sales price are presented under "Accounts Receivables-other" at the date of the share transfer, and the amount will be collected depending on a progression of the collection of a part of construction costs.

(Note 3) In addition to the loans from LIXIL to Grandland described above, there is a possibility that the LIXIL Group may recognize a loss due to results of certain legal disputes and/or collectability of construction cost payments on certain construction projects (contingent liabilities). The maximum amount of the loss is estimated to be around 230 million euros (or around 30 billion yen) as of the end of six months reporting period ended September 30, 2017.

⑤ Assets and Liabilities related to discontinued operations

(Unit: millions of yen)

	End of H1 (As of September 30, 2017)
Assets related to discontinued operations	
Cash and cash equivalents	5,360
Trade and other receivables	58,380
Inventories	4,672
Construction contract assets	76,197
Property, plant and equipment	12,414
Goodwill and other intangible assets (Note)	18,996
Deferred tax assets	5,466
Other financial assets (current)	4,167
Other current assets	11,430
Other assets	1,018
Total	**Y 198,100**
Liabilities related to discontinued operations	
Trade and other payables	35,818
Bonds and borrowings (current)	22,282
Construction contract liabilities	33,065
Income tax payables	1,308
Net defined benefit liabilities	3,812
Deferred tax liabilities	10,409
Other financial liabilities (current)	1,337
Other current liabilities	31,135
Other liabilities	2,382
Total	**Y 141,548**

（Note）

1. "Goodwill and other intangible assets" and "other liabilities" include customer-related intangible assets and technology-based intangible assets, which were recognized through the purchase price allocation at the acquisition date. The book value of goodwill was 20,724 billion yen immediately before the reclassification of all the assets and liabilities of Permasteelisa S.p.A and its subsidiaries, which was reevaluated at the fair value after the deduction of selling costs. The recognized loss due to the reevaluation is presented under loss for the quarter from discontinued operations.

2. Details of the assets and liabilities of Permasteelisa S.p.A and its subsidiaries on the Consolidated Financial Statements for the fiscal year ended March 31, 2017 are as follows:

(Unit: millions of yen)

	As of March 31, 2017
Assets	
Cash and cash equivalents	4,694
Trade and other receivables	58,444
Inventories	4,445
Construction contract assets	83,384
Property, plant and equipment	11,808
Goodwill and other intangible assets (Note)	38,033
Deferred tax assets	5,510
Other financial assets (current)	2,331
Other current assets	10,836
Other assets	1,693
Total	**Y 221,178**
Liabilities	
Trade and other payables	36,259
Bonds and borrowings (current)	20,392
Construction contract liabilities	32,291
Income tax payables	1,087
Net defined benefit liabilities	3,407
Deferred tax liabilities	9,758
Other financial liabilities (current)	2,523
Other current liabilities	37,639
Other liabilities	4,908
Total	**Y 148,264**

⑥ Operating results from discontinued operations

(Unit: millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Revenue	Y 74,135	Y 80,494
Loss recognized on the measurement to fair value less costs to sell of the disposal group constituting discontinued operations (Note)	-	-22,656
Other profit and loss	-78,186	-82,039
Profit before tax from Discontinued operations	-4,051	-24,201
Income tax expenses		
Income tax expenses from operations	-445	-634
Income tax expenses from the loss recognized on the measurement to fair value less costs to sell or on the disposal of the disposal group constituting the discontinued operation (Note)	-	13,793
Total of Income tax expenses	-445	13,159
Loss for the quarter from discontinued operations	-4,496	-11,042

(Note) The amount of loss of 8,863 million yen (net of tax) recognized for the six months reporting period ended September 30, 2017 by the loss recognized on the measurement to fair value less costs to sell or on the disposal of the disposal group constituting the discontinued operation.

⑦ Cash flows from discontinued operations

(Unit: millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
OPERATING ACTIVITIES	**Y** -6,628	**Y** 3,143
INVESTING ACTIVITIES (Note)	-670	878
FINANCING ACTIVITIES	3,832	-317
Total	**Y -3,466**	**Y 3,704**

(Note) 25 million euros (3.224 billion yen) was received as a part of the sales price in August 2017. The amount is reported from Investing Activities.