Consolidated Financial Results for the Third Quarter Ended December 31, 2017 (International Financial Reporting Standards)

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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 Q3 of FY Ending March 2018 (April 1 through December 31, 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 Q3	**1,250,485**	**2.4**	**68,638**	**-10.5**	**69,570**	**-3.9**	**68,216**	**-13.3**	**51,666**	**-0.6**
FY 2017 Q3	1,220,870	—	76,665	—	72,417	—	78,712	—	51,989	—

	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 Q3	**40,370**	**-11.5**	**38,637**	**-15.5**	**74,641**	**63.6**	**134.02**	**121.07**
FY 2017 Q3	45,623	—	45,749	—	45,632	416.0	159.38	144.16

(Note) Core earnings is calculated by deducting the cost of sales and selling, general and administrative (SGA) expenses from 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 Q3	**2,136,849**	**651,534**	**619,015**	**29.0**
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 year	
	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 year		Profit for the year 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	(December 31, 2017)	313,054,255	shares	(March 31, 2017)	313,054,255	shares
(ii) Treasury stocks	(December 31, 2017)	23,809,746	shares	(March 31, 2017)	25,361,045	shares
(iii) Average stocks during nine months (Apr - Dec)	(December 31, 2017)	288,283,685	shares	(December 31, 2016)	287,040,724	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 Q3 (As of December 31, 2017)
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	121,563	126,076
Trade and other receivables	391,256	342,297
Inventories	204,581	226,181
Construction contract assets	92,431	11,393
Income tax receivables	3,144	2,302
Other financial assets	12,217	10,201
Other current assets	23,718	15,000
Subtotal	848,910	733,450
Assets held for sale	873	194,309
Total current assets	**849,783**	**927,759**
NON-CURRENT ASSETS:		
Property, plant and equipment	538,137	534,031
Goodwill and other intangible assets	474,315	492,437
Investment property	7,143	6,817
Investments accounted for using the equity method	23,913	14,998
Other financial assets	95,277	104,246
Deferred tax assets	45,162	46,059
Other non-current assets	8,435	10,502
Total non-current assets	**1,192,382**	**1,209,090**
Total assets	**¥ 2,042,165**	**¥ 2,136,849**

(Unit: millions of yen)

	As of March 31, 2017	End of Q3 (As of December 31, 2017)
LIABILITIES:		
CURRENT LIABILITIES		
Trade and other payables	350,477	335,950
Bonds and borrowings	251,326	267,264
Construction contract liabilities	33,288	1,594
Income tax payables	10,578	17,813
Other financial liabilities	7,291	929
Provisions	1,516	945
Other current liabilities	122,709	85,362
Subtotal	777,185	709,857
Liabilities directly associated with the assets held for sale	-	136,947
Total current liabilities	**777,185**	**846,804**
NON-CURRENT LIABILITIES		
Bonds and borrowings	508,582	445,148
Other financial liabilities	29,108	35,432
Net defined benefit liabilities	73,809	76,534
Provisions	6,909	6,987
Deferred tax liabilities	73,437	65,781
Other non-current liabilities	13,704	8,629
Total non-current liabilities	**705,549**	**638,511**
Total liabilities	**1,482,734**	**1,485,315**
EQUITY:		
Share capital	68,121	68,121
Capital reserves	260,901	275,225
Treasury shares	-53,362	-50,131
Other components of equity	14,860	45,366
Retained earnings	256,724	280,434
Equity attributable to owners of the parent	547,244	619,015
Non-controlling interests	12,187	32,519
Total equity	**559,431**	**651,534**
Total liabilities and equity	**Y 2,042,165**	**Y 2,136,849**

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

Consolidated Statement of Profit or Loss

(Unit: millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Continuing operations		
Revenue	Y 1,220,870	Y 1,250,485
Cost of sales	-806,078	-822,984
GROSS PROFIT	414,792	427,501
Selling, general and administrative expenses	-338,127	-358,863
Other income	9,678	13,579
Other expenses	-13,926	-12,647
OPERATING PROFIT	72,417	69,570
Finance income	13,520	16,839
Finance costs	-7,110	-18,156
Share of profit (loss) of associates and joint ventures accounted for using the equity method	-115	-37
PROFIT BEFORE TAX	78,712	68,216
Income tax expenses	-26,723	-16,550
PROFIT FOR THE QUARTER FROM CONTINUING OPERATIONS	51,989	51,666
Discontinued operations		
LOSS FOR THE QUARTER FROM DISCONTINUIED OPERATIONS	-6,366	-11,296
PROFIT FOR THE QUARTER	45,623	40,370
Profit (loss) for the quarter attributable to:		
Owners of the parent	45,749	38,637
Non-controlling interests	-126	1,733
PROFIT FOR THE QUARTER	45,623	40,370
Earnings per share		
Basic (yen per share)		
Continuing operations	181.29	173.03
Discontinued operations	-21.91	-39.01
Total	159.38	134.02
Diluted (yen per share)		
Continuing operations	163.90	156.14
Discontinued operations	-19.74	-35.07
Total	144.16	121.07

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
PROFIT FOR THE QUARTER	**Y 45,623**	**Y 40,370**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit pension plans	-242	2,263
Total items that will not be reclassified subsequently to profit or loss	-242	2,263
Items that may be reclassified subsequently to profit or loss		
Net fair value gain on available-for-sale financial assets	3,020	9,046
Net fair value gain (loss) on hedging instruments entered into for cash flow hedges	-48	2,715
Exchange differences on translation of foreign operations	-985	18,306
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-1,736	1,941
Total items that may be reclassified subsequently to profit or loss	251	32,008
Other comprehensive income, net of tax	9	34,271
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	45,632	74,641
Total comprehensive income for the quarter attributable to:		
Owners of the parent	45,324	72,153
Non-controlling interests	308	2,488
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	**Y 45,632**	**Y 74,641**

(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)	-	-	-	-1,418	-242	3,020	-49
Total comprehensive income (loss) for the quarter	-	-	-	-1,418	-242	3,020	-49
Purchase of treasury shares	-	-	-16	-	-	-	-
Disposal of treasury shares	-	-8	201	-	-	-	-
Share-based payment transactions	-	0	322	-	-	-	-
Dividends	-	-	-	-	-	-	-
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	-	-	-	-	242	-	-
Total transactions with owners	-	-8	507	-	242	-	-
BALANCE AS OF DECEMBER 31, 2016	**68,121**	**261,016**	**-54,391**	**2,052**	**-**	**17,800**	**-1,980**
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)	-	-	-	17,187	2,263	9,046	2,113
Total comprehensive income for the quarter	-	-	-	17,187	2,263	9,046	2,113
Purchase of treasury shares	-	-	-26	-	-	-	-
Disposal of treasury shares	-	0	66	-	-	-	-
Share-based payment transactions	-	795	3,191	-	-	-	-
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	-	13,529	-	-	-	-	-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	-	-	-	-	-2,263	-	-
Total transactions with owners	-	14,324	3,231	-5,704	-2,263	-	-232
BALANCE AS OF DECEMBER 31, 2017	**68,121**	**275,225**	**-50,131**	**6,340**	**-**	**25,654**	**964**

(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	-	-	-	-	45,749	45,749	-126	45,623
Other comprehensive income (loss)	-1,736	-	-	-425	-	-425	434	9
Total comprehensive income (loss) for the quarter	-1,736	-	-	-425	45,749	45,324	308	45,632
Purchase of treasury shares	-	-	-	-	-	-16	-	-16
Disposal of treasury shares	-	-	-	-	-	193	-	193
Share-based payment transactions	-	-	-59	-59	114	377	-	377
Dividends	-	-	-	-	-17,219	-17,219	-57	-17,276
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	-	-	-	242	-242	-	-	-
Total transactions with owners	-	-	-59	183	-17,333	-16,651	86	-16,565
BALANCE AS OF DECEMBER 31, 2016	-1,481	**-**	**6,158**	**22,549**	**256,184**	**553,479**	**12,896**	**566,375**
BALANCE AS OF APRIL 1, 2017	**-1,660**	**-**	**5,972**	**14,860**	**256,724**	**547,244**	**12,187**	**559,431**
Profit for the quarter	-	-	-	-	38,637	38,637	1,733	40,370
Other comprehensive income (loss)	1,941	966	-	33,516	-	33,516	755	34,271
Total comprehensive income for the quarter	1,941	966	-	33,516	38,637	72,153	2,488	74,641
Purchase of treasury shares	-	-	-	-	-	-26	-	-26
Disposal of treasury shares	-	-	-	-	-	66	-	66
Share-based payment transactions	-	-	-730	-730	91	3,347	-	3,347
Dividends	-	-	-	-	-17,281	-17,281	-78	-17,359
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	-	13,512	20,996	34,508
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	384	384
Changes associated with loss of control of subsidiaries	-	-	-	-	-	-	-3,458	-3,458
Transfers from other components of equity to retained earnings	-	-	-	-2,263	2,263	-	-	-
Total transactions with owners	-	5,919	-730	-3,010	-14,927	-382	17,844	17,462
BALANCE AS OF DECEMBER 31, 2017	**281**	**6,885**	**5,242**	**45,366**	**280,434**	**619,015**	**32,519**	**651,534**

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
OPERATING ACTIVITIES:		
Profit before tax from Continued operations	**Y** 78,712	**Y** 68,216
Loss before tax from Discontinued operations	-5,372	-24,484
Profit before tax	73,340	43,732
Depreciation and amortization	45,031	48,331
Impairment losses	3,949	3,563
Loss recognised on the measurement to fair value less costs to sell of the disposal group constituting the discontinued operation	-	22,073
Interest and dividend income	-2,551	-2,553
Interest expense	7,274	3,870
Share of loss (profit) of associates and joint ventures accounted for using the equity method	115	37
Loss (profit) on sale and disposal of property, plant and equipment	823	810
Decrease (increase) in trade and other receivables	-30,180	1,564
Decrease (increase) in inventories	-124	-20,762
Increase (decrease) in trade and other payables	17,593	10,641
Increase (decrease) in net defined benefit liabilities	1,224	2,093
Other	2,481	-14,710
Subtotal	118,975	98,689
Interest received	1,231	1,038
Dividends received	2,216	1,575
Interest paid	-16,213	-6,256
Income taxes paid	-24,046	-23,206
Payments for investigation expense	-5	-
Net cash flows from operating activities	**Y 82,158**	**Y 71,840**

(Unit: millions of yen)

	Nine months ended December 31, 2016		Nine months ended December 31, 2017	
INVESTING ACTIVITIES:				
(Increase) decrease in time deposits		-5,265		-2,865
Purchase of property, plant and equipment		-33,702		-38,469
Proceeds from sale of property, plant and equipment		2,152		1,681
Purchase of intangible assets		-11,530		-6,067
Proceeds from sale of investment property		521		174
Payments for acquisition of subsidiaries		-		-10,486
Proceeds from sale of subsidiaries		7,212		7,611
Decrease (increase) in short-term loans receivable		710		-1,611
Payments for long-term loans receivable		-99		-115
Proceeds from collection of long-term loans receivable		1,153		130
Payments for acquisition of other investments		-217,593		-213,260
Proceeds from sale and redemption of investments		219,461		213,489
Other		-608		1,923
Net cash flows from investing activities	**Y**	**-37,588**	**Y**	**-47,865**
FINANCING ACTIVITIES:				
Dividends paid		-17,222		-17,281
Dividends paid to non-controlling interests		-57		-78
Increase in short-term borrowings and commercial paper		26,656		22,919
Repayment of short-term borrowings		-43,950		-
Proceeds from long-term borrowings		41,058		23,329
Repayment of long-term borrowings		-63,159		-73,028
Proceeds from issuance of bonds		34,850		-
Redemption of bonds		-		-10,000
Proceeds from non-controlling interests for additional shares		140		9,609
Proceeds from sale of interests in a subsidiary to non-controlling interests		-		32,392
Payments for acquisition of interests in a subsidiary from non-controlling interests		-		-2,753
Other		-528		1,079
Net cash flows from financing activities	**Y**	**-22,212**	**Y**	**-13,812**
INCREASE IN CASH AND CASH EQUIVALENTS		22,358		10,163
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		-1,413		4,612
CASH AND CASH EQUIVALENTS INCLUDED IN ASSETS HELD FOR SALE		-		-10,262
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**Y**	**150,591**	**Y**	**126,076**

(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 and the Consolidated Statement of Cash Flows for the nine months reporting period ended December 31, 2016 and December 31, 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 nine months ended December 31, 2016 (April 1 through December 31, 2016)

(Unit: millions of yen)

	Reportable Segments					
	Water Technology Business	Housing Technology Business	Building Technology Business	Kitchen Technology Business	Distribution & Retail Business	Housing & Services Business
Revenue						
Revenue from external customers	Y 480,198	Y 403,559	Y 80,931	Y 76,344	Y 132,982	Y 46,856
Intersegment revenue or transfers	11,007	5,087	58	8,952	9	1,797
Total	491,205	408,646	80,989	85,296	132,991	48,653
Segment profit (Note 1)	53,577	33,140	2,575	3,546	7,474	3,496
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 1,220,870	—	Y 1,220,870
Intersegment revenue or transfers	26,910	-26,910	—
Total	1,247,780	-26,910	1,220,870
Segment profit (Note 1)	103,808	-27,143	76,665
Other income			9,678
Other expenses			-13,926
Operating profit			72,417
Finance income			13,520
Finance costs			-7,110
Share of loss of associates and joint ventures accounted for using the equity method			-115
Profit before tax from continuing operations			78,712

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 nine months ended December 31, 2017 (April 1 through December 31, 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 518,578	Y 398,986	Y 78,907	Y 82,108	Y 134,072	Y 37,834
Intersegment revenue or transfers	10,790	6,502	93	9,153	8	1,703
Total	529,368	405,488	79,000	91,261	134,080	39,537
Segment profit (Note 1)	53,890	25,945	2,015	5,564	7,257	2,147
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 1,250,485	—	Y 1,250,485
Intersegment revenue or transfers	28,249	-28,249	—
Total	1,278,734	-28,249	1,250,485
Segment profit (Note 1)	96,818	-28,180	68,638
Other income			13,579
Other expenses			-12,647
Operating profit			69,570
Finance income			16,839
Finance costs			-18,156
Share of loss of associates and joint ventures accounted for using the equity method			-37
Profit before tax from continuing operations			68,216

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 Q3 (As of December 31, 2017)
Assets held for sale		
Property, plant and equipment	873	-
Investment property	-	449
Assets related to discontinued operations (Note)	-	193,860
Total	**¥ 873**	**¥ 194,309**
Liabilities directly associated with assets held for sale		
Liabilities related to discontinued operations (Note)	-	136,947
Total	**¥ -**	**¥ 136,947**

（Note）

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 during the second financial quarter. The sale of shares is expected to be completed within one year from September 30, 2017.

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 nine months ended December 31, 2017 (April 1 through December 31, 2017)

About impairment losses

Impairment loss of 3,563 million yen is reported under Other Expenses in the Consolidated Statement of Profit or Loss and Comprehensive Income for the nine months ended December 31, 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 fair value less cost of disposal, resulting in the recognition of 2,246 million yen of impairment loss (out of which 1,173 million yen of loss was recognized on Goodwill). This is because initially anticipated earnings are no longer expected. The loss is presented under Other Expenses.

(10) Discontinued Operations

For the nine months ended December 31, 2017 (April 1 through December 31, 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 nine months period ended December 31, 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 and 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 (22,616 million yen , The amount is converted at 1 Euro ＝ 134.94 Yen.)
Relationship with the LIXIL Group after the share transfer (Note) 3	80 million euros will be loaned 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 million 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 nine months reporting period ended December 31, 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 31 billion yen) as of the end of nine months reporting period ended December 31, 2017.

⑤ Assets and Liabilities related to discontinued operations

(Unit: millions of yen)

	End of Q3 (As of December 31, 2017)
Assets related to discontinued operations	
Cash and cash equivalents	10,262
Trade and other receivables	55,955
Inventories	4,648
Construction contract assets	68,172
Property, plant and equipment	12,185
Goodwill and other intangible assets (Note)	19,730
Deferred tax assets	5,687
Other financial assets (current)	4,241
Other current assets	11,947
Other assets	1,033
Total	**Y 193,860**
Liabilities related to discontinued operations	
Trade and other payables	35,765
Bonds and borrowings (current)	24,507
Construction contract liabilities	26,450
Income tax payables	2,075
Net defined benefit liabilities	3,868
Deferred tax liabilities	10,181
Other financial liabilities (current)	1,168
Other current liabilities	30,403
Other liabilities	2,530
Total	**Y 136,947**

（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 million 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)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Revenue	Y 112,802	Y 119,896
Loss recognized on the measurement to fair value less costs to sell of the disposal group constituting discontinued operations (Note)	-	-22,073
Other profit and loss	-118,174	-122,307
Profit before tax from Discontinued operations	-5,372	-24,484
Income tax expenses		
Income tax expenses from operations	-994	-777
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)	-	13,965
Total of Income tax expenses	-994	13,188
Loss for the quarter from discontinued operations	-6,366	-11,296

(Note) The 8,103 million yen loss (net of tax) recognized for the nine months reporting period ended December 31, 2017, is the measured fair value less the cost to sell or the cost on the disposal of entities constituting discontinued operations.

⑦ Cash flows from discontinued operations

(Unit: millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
OPERATING ACTIVITIES	**Y** -3,368	**Y** 5,393
INVESTING ACTIVITIES (Note)	-841	1,469
FINANCING ACTIVITIES	5,429	1,464
Total	**Y 1,220**	**Y 8,326**

(Note) 25 million euros (3,224 million yen) which was received as a part of the sales price, is included in Investing Activities for the nine months reporting period.