LIXIL GROUP CORPORATION

July 31, 2018

Consolidated Financial Results for the First Quarter Ended June 30, 2018 (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, 2018
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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Schedule date of payment of dividends: -

(Amounts less than one million yen are rounded)

1. Consolidated Financial Results for the Q1 of FY Ending March 2019 (April 1 through June 30, 2018)

(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	%
FYE 2019 Q1	**397,135**	**1.1**	**6,560**	**-65.1**	**6,555**	**-64.9**	**6,555**	**-63.5**	**4,306**	**-64.0**
FYE 2018 Q1	392,878	—	18,784	—	18,689	—	17,957	—	11,968	—

	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
FYE 2019 Q1	**4,016**	**-63.7**	**3,065**	**-70.1**	**-2,397**	**—**	**10.58**	**9.73**
FYE 2018 Q1	11,070	-2.7	10,234	-12.1	28,178	—	35.55	32.17

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	%
FYE 2019 Q1	**2,063,282**	**637,027**	**604,439**	**29.3**
FYE 2018	2,107,131	649,573	616,897	29.3

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
FYE 2018	—	30.00	—	35.00	65.00
FYE 2019					
FYE 2019 (forecast)		35.00	—	35.00	70.00

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

3. Consolidated Forecast for the FY Ending March 2019 (April 1, 2018 through March 31, 2019)

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

	Revenue		Core earnings		Operating profit		Profit before tax	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE 2019 H1	837,000	3.3	45,000	10.7	43,000	13.9	42,000	14.9
FYE 2019	1,710,000	2.7	85,000	12.9	78,000	-3.6	75,000	-16.7

	Profit for the quarter		Profit for the quarter attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Yen
FYE 2019 H1	29,000	112.2	28,000	118.0	96.62
FYE 2019	52,000	-8.2	50,000	-8.4	172.54

(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: Yes
(ii) Other changes: None
(iii) Changes in accounting estimate: None

(3) Outstanding stocks (Common stocks)

(i) Outstanding stocks including treasury stocks	(June 30, 2018)	313,054,255	shares	(FY ended March 31, 2018)	313,054,255	shares
(ii) Treasury stocks	(June 30, 2018)	23,236,033	shares	(FY ended March 31, 2018)	23,264,114	shares
(iii) Average stocks during three months (Apr - Jun)	(June 30, 2018)	289,800,401	shares	(June 30, 2017)	287,871,354	shares

* This financial results report is exempt from 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, 2018	End of Q1 (As of June 30, 2018)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	138,751	100,722
Trade and other receivables	343,289	323,113
Inventories	217,904	229,665
Construction contract assets	10,880	-
Contract assets	-	20,328
Income taxes receivable	906	1,617
Other financial assets	5,577	5,157
Other current assets	15,261	15,987
Subtotal	732,568	696,589
Assets held for sale	180,208	184,145
Total current assets	**912,776**	**880,734**
NON-CURRENT ASSETS:		
Property, plant and equipment	542,330	541,040
Goodwill and other intangible assets	476,639	470,472
Investment property	7,787	7,725
Investments accounted for using the equity method	12,086	11,770
Other financial assets	102,566	97,662
Deferred tax assets	44,852	45,751
Other non-current assets	8,095	8,128
Total non-current assets	**1,194,355**	**1,182,548**
Total assets	**Y 2,107,131**	**Y 2,063,282**

(Unit: millions of yen)

	As of March 31, 2018	End of Q1 (As of June 30, 2018)
LIABILITIES AND EQUITY		
LIABILITIES:		
CURRENT LIABILITIES		
Trade and other payables	338,964	325,729
Bonds and borrowings	242,990	259,169
Construction contract liabilities	1,107	-
Contract liabilities	-	6,793
Income taxes payable	12,819	4,090
Other financial liabilities	1,568	5,804
Provisions	367	305
Other current liabilities	98,875	98,494
Subtotal	696,690	700,384
Liabilities directly associated with the assets held for sale	127,457	133,177
Total current liabilities	**824,147**	**833,561**
NON-CURRENT LIABILITIES		
Bonds and borrowings	444,920	409,253
Other financial liabilities	32,444	30,252
Net defined benefit liabilities	78,269	77,504
Provisions	7,179	7,191
Deferred tax liabilities	62,698	60,627
Other non-current liabilities	7,901	7,867
Total non-current liabilities	**633,411**	**592,694**
Total liabilities	**1,457,558**	**1,426,255**
EQUITY:		
Share capital	68,121	68,121
Capital surplus	277,753	277,737
Treasury shares	-48,984	-48,925
Other components of equity	27,210	16,083
Retained earnings	292,797	291,423
Equity attributable to owners of the parent	616,897	604,439
Non-controlling interests	32,676	32,588
Total equity	**649,573**	**637,027**
Total liabilities and equity	**Y 2,107,131**	**Y 2,063,282**

(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, 2017	Three months ended June 30, 2018
Continuing operations		
Revenue	Y 392,878	Y 397,135
Cost of sales	-257,524	-266,024
GROSS PROFIT	135,354	131,111
Selling, general and administrative expenses	-116,570	-124,551
Other income	2,892	2,367
Other expenses	-2,987	-2,372
OPERATING PROFIT	18,689	6,555
Finance income	8,719	3,184
Finance costs	-9,297	-2,960
Share of profit (loss) of associates and joint ventures accounted for using the equity method	-154	-224
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	17,957	6,555
Income tax expenses	-5,989	-2,249
PROFIT FOR THE QUARTER FROM CONTINUING OPERATIONS	11,968	4,306
Discontinued operations		
LOSS FOR THE QUARTER FROM DISCONTINUED OPERATIONS	-898	-290
PROFIT FOR THE QUARTER	11,070	4,016
Profit (loss) for the quarter attributable to:		
Owners of the parent	10,234	3,065
Non-controlling interests	836	951
PROFIT FOR THE QUARTER	11,070	4,016
Earnings per share		
Basic (yen per share)		
Continuing operations	38.40	11.71
Discontinued operations	-2.85	-1.13
Total	35.55	10.58
Diluted (yen per share)		
Continuing operations	34.73	10.75
Discontinued operations	-2.56	-1.02
Total	32.17	9.73

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
PROFIT FOR THE QUARTER	**Y 11,070**	**Y 4,016**
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Net gain (loss) on revaluation of financial assets measured through other comprehensive income	-	-2,804
Total items that will not be reclassified subsequently to profit or loss	-	-2,804
Items that may be reclassified subsequently to profit or loss		
Net fair value gain (loss) on available-for-sale financial assets	3,074	-
Net fair value gain (loss) on hedging instruments entered into for cash flow hedges	2,167	-1,520
Exchange differences on translation of foreign operations	9,943	-2,076
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,924	-13
Total items that may be reclassified subsequently to profit or loss	17,108	-3,609
Other comprehensive income, net of tax	17,108	-6,413
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	28,178	-2,397
Total comprehensive income for the quarter attributable to:		
Owners of the parent	27,135	-3,313
Non-controlling interests	1,043	916
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	**Y 28,178**	**Y -2,397**

(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 surplus	Treasury shares	Exchange differences on translation of foreign operations	Remeasure-ments of defined benefit pension plans	Net fair value gain (loss) on available-for-sale financial assets	Net gain (loss) on revaluation of financial assets measured through other comprehen-sive income	Net fair value gain (loss) on hedging instruments entered into for cash flow hedges
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)	-	-	-	9,725	-	3,074	-	2,178
Total comprehensive income (loss) 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**
BALANCE AS OF APRIL 1, 2018	**68,121**	**277,753**	**-48,984**	**-7,183**	**-**	**22,521**	**-**	**345**
Cumulative effects of changes in accounting policies	**-**	**-**	**-**	**-**	**-**	**-22,521**	**17,891**	**-**
RESTATED BALANCE AS OF APRIL 1, 2018	**68,121**	**277,753**	**-48,984**	**-7,183**	**-**	**-**	**17,891**	**345**
Profit for the quarter	-	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-1,990	-	-	-2,804	-386
Total comprehensive income for the quarter	-	-	-	-1,990	-	-	-2,804	-386
Purchase of treasury shares	-	-	-4	-	-	-	-	-
Disposal of treasury shares	-	0	0	-	-	-	-	-
Share-based compensation transactions	-	8	63	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Changes in parent's ownership interests in subsidiaries without loss of control	-	-24	-	-	-	-	-	-
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	-	-
Transfers from other components of equity to retained earnings	-	-	-	-	-	-	-5	-
Total transactions with owners	-	-16	59	-	-	-	-5	-
BALANCE AS OF JUNE 30, 2018	**68,121**	**277,737**	**-48,925**	**-9,173**	**-**	**-**	**15,082**	**-41**

(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	Accumulated other comprehensive income relating to disposal group classified as held for sale	Other	Total				
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 (loss)	1,924	-	-	16,901	-	16,901	207	17,108
Total comprehensive income (loss) 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 obtaining 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**
BALANCE AS OF APRIL 1, 2018	**72**	**6,460**	**4,995**	**27,210**	**292,797**	**616,897**	**32,676**	**649,573**
Cumulative effects of changes in accounting policies	**-**	**-**	**-**	**-4,630**	**5,580**	**950**	**-118**	**832**
RESTATED BALANCE AS OF APRIL 1, 2018	**72**	**6,460**	**4,995**	**22,580**	**298,377**	**617,847**	**32,558**	**650,405**
Profit for the quarter	-	-	-	-	3,065	3,065	951	4,016
Other comprehensive income (loss)	-13	-1,185	-	-6,378	-	-6,378	-35	-6,413
Total comprehensive income for the quarter	-13	-1,185	-	-6,378	3,065	-3,313	916	-2,397
Purchase of treasury shares	-	-	-	-	-	-4	-	-4
Disposal of treasury shares	-	-	-	-	-	0	-	0
Share-based compensation transactions	-	-	-114	-114	119	76	-	76
Dividends	-	-	-	-	-10,143	-10,143	-875	-11,018
Changes in parent's ownership interests in subsidiaries without loss of control	-	-	-	-	-	-24	-11	-35
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	-	-
Transfers from other components of equity to retained earnings	-	-	-	-5	5	-	-	-
Total transactions with owners	-	-	-114	-119	-10,019	-10,095	-886	-10,981
BALANCE AS OF JUNE 30, 2018	**59**	**5,275**	**4,881**	**16,083**	**291,423**	**604,439**	**32,588**	**637,027**

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
OPERATING ACTIVITIES:		
Profit before tax from continuing operations	**Y** 17,957	**Y** 6,555
Loss before tax from discontinued operations	-774	-908
Profit before tax	17,183	5,647
Depreciation and amortization	16,540	16,447
Loss recognized on the measurement to fair value, less costs to sell the disposal group constituting the discontinued operations	-	644
Interest and dividend income	-1,295	-1,191
Interest expense	1,215	1,256
Share of loss (profit) of associates and joint ventures accounted for using the equity method	154	224
Loss (gain) on disposal of property, plant and equipment	373	356
Decrease (increase) in trade and other receivables	35,222	16,029
Decrease (increase) in inventories	-11,341	-14,310
Increase (decrease) in trade and other payables	-21,370	-8,869
Increase (decrease) in net defined benefit liabilities	409	280
Other	3,034	1,593
Subtotal	40,124	18,106
Interest received	544	266
Dividends received	924	904
Interest paid	-3,789	-1,252
Income taxes paid	-11,363	-11,587
Net cash generated by operating activities	**Y 26,440**	**Y 6,437**

(Unit: millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
INVESTING ACTIVITIES:		
(Increase) decrease in time deposits	-694	-668
Purchase of property, plant and equipment	-12,198	-15,044
Proceeds from disposal of property, plant and equipment	289	96
Purchase of intangible assets	-1,756	-1,937
Proceeds from disposal of investment property	21	68
Payments for acquisition of subsidiaries	-9,625	-
Proceeds from sale of subsidiaries	148	-
Decrease (increase) in short-term loans receivable	1,190	93
Payments for long-term loans receivable	-57	-30
Proceeds from collection of long-term loans receivable	63	24
Payments for acquisition of other investments	-73,087	-79,348
Proceeds from sale and redemption of investments	73,102	79,051
Other	-210	-362
Net cash used in investing activities	**Y -22,814**	**Y -18,057**
FINANCING ACTIVITIES:		
Dividends paid	-8,632	-10,143
Dividends paid to non-controlling interests	-	-875
Increase in short-term borrowings and commercial paper	18,464	12,092
Proceeds from long-term borrowings	497	-
Repayment of long-term borrowings	-58,129	-24,583
Proceeds from stock issuance to non-controlling interests	9,136	-
Proceeds from sale of interests in a subsidiary to non-controlling interests	32,392	-
Payments for acquisition of interests in subsidiaries from non-controlling interests	-	-34
Other	-127	-851
Net cash used in financing activities	**Y -6,399**	**Y -24,394**
NET DECREASE IN CASH AND CASH EQUIVALENTS	-2,773	-36,014
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	121,563	138,751
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	1,589	-464
NET DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM TRANSFER TO ASSETS CLASSIFIED HELD FOR SALE	-	-1,551
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**Y 120,379**	**Y 100,722**

(5) Notes related to Quarterly Financial Statements

（Notes related to Going Concern Assumptions）

Not applicable.

(Notes on Changes in Accounting Policies）

The significant accounting policies adopted for the quarterly consolidated financial statements are the same as those for the consolidated financial statements for the year ended March 31, 2018, with the exception of the items described below.

LIXIL Group Corporation (the "Company") and its subsidiaries (the "Group") have adopted following the new accounting standards from the three months reporting period ended June 30, 2018.

IFRS Standard	Name of standard	Description of new standards and amendments
IFRS 9	Financial Instruments	Revisions to classification, measurement and recognition of financial instruments, revisions to hedge accounting
IFRS 15	Revenue from Contracts with Customers	New requirements in accounting for revenue

(1) IFRS 9 "Financial Instruments"

Due to the mandatory adoption of IFRS 9 "Financial Instruments" (revised in July 2014) from the beginning of the consolidated fiscal year beginning on or after April 1, 2018, the Group has retrospectively applied the standard in accordance with transitional measures.

By applying IFRS 9, "Available-for-sale financial assets", which was previously included in "Other financial assets, non-current", is now in "Other financial assets, non-current", which is included in "Financial assets measured at fair value through other comprehensive income" since the three months reporting period ended June 30, 2018.

"Gains on sale of equity instruments", "Losses on sale of equity instruments", and "Impairment losses on equity instruments" were recognized in the consolidated statement of profit or loss until the year ended March 31, 2018. However, they have been recognized in the quarterly consolidated statement of comprehensive income since the three months reporting period ended June 30, 2018.

The changes in the fair value of financial instruments classified in "Financial assets measured at fair value through other comprehensive income" was presented in "Items that may be reclassified subsequently to profit or loss" in the consolidated statement of comprehensive income until the year ended March 31, 2018. However, from the three months reporting period ended June 30, 2018, it has not been reclassified subsequently and has been presented in "Items that will not be reclassified subsequently to profit or loss" in quarterly consolidated statement of comprehensive income.

The Group has applied an impairment model based on expected credit losses for valuation of financial assets since the three months reporting period ended June 30, 2018.

The Group has also changed its accounting policy related to hedge accounting since the three months reporting period ended June 30, 2018.

As a result, "Other components of equity" decreased by ¥4,630 million and "Retained earnings" increased by ¥4,630 million in consolidated statement of changes in equity as of adoption date of IFRS 9 with transitional measures.

There is no significant impact to the financial statements for the three months reporting period ended June 30, 2018 from applying IFRS 9.

(2) IFRS 15 "Revenue from Contracts with Customers"

Due to the mandatory adoption of IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarification to IFRS 15" (issued in April 2016) (together, hereinafter "IFRS 15") from the beginning of consolidated fiscal year beginning on or after April 1, 2018, the Group has retrospectively applied the standard in accordance with transitional measures.

By applying IFRS 15, except for the interests and dividend revenues based on IFRS 9 "Financial Instruments," the Group recognizes revenues based on the following five-step approach:

Step 1: Identify the contract with the customers.

Step 2: Identify the performance obligation in the contracts.

Step 3: Calculate the transaction prices.

Step 4: Allocate the transaction price to a separate performance obligation in the contract.

Step 5: Recognize revenue as the entity fulfills (or satisfies) the performance obligation.

① Sales of Goods and Products

The Group sells its goods and products mainly to agents and dealers who are direct customers of the Water Technology business and the Housing Technology business. Regarding such sales transactions, in principle, it is determined that the customer acquires control and the performance obligation is satisfied when the products arrive at the customer. Therefore, revenue is posted at the time of arrival. In addition, some products may require installation work at the time of sale. The installation work is handled as a performance obligation separate from the sale of goods and products, and the transaction price is allocated based on the independent selling price. The payment relating to these performance obligations is received within a short period of time after the delivery of goods and products or the completion of installation work. When the Group receives advance payment from the customers, contract liability is posted.

In addition, the Group sells commodities such as everyday items and shop office supplies to general customers, and wood, tools, building materials, etc., to professional craft workers at home centers in the Distribution and Retail business. With respect to such sales transactions, revenue is posted at the time of delivery because the customers acquire control and the performance obligation is satisfied at the time the products are handed over to the customers. The payments concerning the performance obligation are received shortly in accordance with the payments method the customers selected.

② Construction Contracts

The Group concludes long-term construction contracts mainly in the Building Technology business. With regard to construction contracts, it is judged that the occurrence of the cost of the product to be installed or the labor cost pertaining to the work is proportional to the appreciation of the assets controlled by the customer, and the revenue related to the construction contract is reported according to degree of progress as of the end of the consolidated fiscal year. The degree of progress is calculated based on the percentage of the cost of construction contracts that took place up to that time for the work carried out to the estimated total cost of construction contract. On the other hand, when the outcome of the construction contract can not be reliably estimated, revenue is recognized only within the range where the probability of collection is high among the costs of construction contracts that have occurred, and the costs are booked in the period during which the construction contract costs are generated. Losses expected to be highly likely to occur are immediately treated as expenses. Also, if the construction contract amount is not fixed in a timely manner, the contract amount is estimated as a variable consideration until the contract amount is fixed, and revenue is recognized only in the very high possibility that there are no serious reversal of the cumulative amount of revenue which are recognized when the contract amount is determined. Regarding construction revenue, in general, we charge according to the volume on a monthly basis and we receive it within a short period of time.

Contract assets or contract liabilities are recorded according to the relationship between the revenue recognized according to the degree of progress and payment by the customer. In the case of ongoing construction contracts as of the end of the consolidated fiscal year, when the customer pays or customer recognises revenue (after deducting the recognised losses) before payment due date arrives, contract assets are recorded at the amount which right of consideration to be recieived excluding the amount to be recorded as other receivables. On the other hand, contract liability is accounted at the excess amount if the amount received from the customer before the performance obligation is satisfied or the amount as of due date exceeds the amount of recognized revenue (after deducting the recognized losses). Amounts of contract assets and contract liabilities are calculated for each contract.

③ Others

The Group provides various services such as development of homebuilding franchise chains, ground inspections, and real estate trading in the Housing and Services businesses, consists of housing solutions businesses and real estate related businesses, etc. Regarding the development of homebuilding franchise chains, the Group has an obligation to franchised stores to purchase and sell mainly housing materials in bulk directly. When a franchisee inspects the material, it is judged that the franchisee acquires control and the performance obligation is satisfied, therefore revenue is posted at the time of inspection. Payment concerning the performance obligation is received shortly after the franchisee checks the materials. As for ground inspections, the Group is obliged to investigate and analyze ground for customers such as house makers. As the performance obligation is satisfied when the analysis is completed and reported to the customer, revenue is posted at the time of analysis completion. Payment concerning the performance obligation is received shortly after the analysis is completed. Furthermore, regarding real estate transactions, we judge that the buyer acquires control and satisfies the performance obligation when delivering the property to the buyer, and revenue is posted at the time of property delivery. Payment for the performance obligation is

In addition, by applying IFRS 15, assets presented as "Construction contract assets" in the consolidated statement of financial position for the year ended March 31, 2018 are presented as "Contract assets" and liabilities presented in "Construction contract liabilities" and "Advance received" included in "Other current liabilities" are presented as "Contract liabilities" from the three months reporting period ended June 30, 2018.

As a result, at the beginning of three months reporting period ended June 30, 2018, "Retained earnings" increased by ￥950 million, total assets increased by ￥439 million, and total liabilities decreased by ￥511 million. The main components of the increase in total assets include the decrease in "Inventories" by ￥6,368 million, the decrease in "Construction contract assets" by ￥10,880 million, and the increase in "Contract assets" ￥18,657 million. The main components of the decrease in total liabilities include the decrease in "Other current liabilities (Advances received)" by ￥4,680 million, the decrease in "Construction contract liabilities" by ￥1,107 million, and the increase in "Contract liabilities" by ￥5,673 million.
As compared with the application of the previous accounting standards, Revenue increased by ￥1,683 million, Operating profit and Profit before tax increased by ¥ 384 million, Quarterly net profit increased by ¥299 million from continuing operations in the quarterly consolidated income statement.

As compared with the application of the previous accounting standards, "Inventories" decreased by ￥8,083 million, "Constriction Contract assets" decreased by ¥10,989 million, and "Contracts assets" increased by ￥20,328 million yen, as well as "Other current liabilities (Advances received)" decreased by ¥5,331 million, "Construction contract liabilities" decreased by ￥1,720 million yen and "Contract liabilities" increased by ￥6,793 million yen in the quarterly consolidated statement of financial position.

The above effect does not include the impact on business classified as discontinued operations.

（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 three months reporting period ended June 30, 2017 and June 30, 2018. 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.

(Segment Information)

Change of Reportable Segments

In the fiscal year ended March 31, 2018, the Group was managed based on six reportable segments consisting of the Water Technology business, the Housing Technology business, the Building Technology business, the Kitchen Technology business, the Distribution and Retail business, and the Housing and Services business. However, from the three months reporting periods ended June 30, 2018, the Group has changed its reportable segments to five segments consisting of the Water Technology business, the Housing Technology business, the Building Technology business, the Distribution and Retail business, and the Housing and Services business.

The Company announced its Medium-Term Strategic Plan in November 2017. The reportable segments have been changed due to a review of the business management system along with the organizational changes in the domestic business domain, which were executed in order to accelerate sustainable growth and profitability improvement.

Segment Information for the three months reporting period ended June 30, 2017, is disclosed based on the change to reportable segments.

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

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	Distribution & Retail business	Housing & Services business
Revenue					
Revenue from external customers	Y 188,188	Y 127,968	Y 21,853	Y 43,922	Y 10,947
Intersegment revenue or transfers	4,548	1,791	36	2	514
Total	192,736	129,759	21,889	43,924	11,461
Segment profit (loss) (Note 1)	16,424	6,921	-434	2,555	439
Other income					
Other expenses					
Operating profit					
Finance income					
Finance costs					
Share of profit (loss) of associates and joint ventures accounted for using the equity method					
Profit before tax from continuing operations					

(Unit: millions of yen)

	Total	Reconciliations (Note 2)	Consolidated
Revenue			
Revenue from external customers	Y 392,878	-	Y 392,878
Intersegment revenue or transfers	6,891	-6,891	-
Total	399,769	-6,891	392,878
Segment profit (loss) (Note 1)	25,905	-7,121	18,784
Other income			2,892
Other expenses			-2,987
Operating profit			18,689
Finance income			8,719
Finance costs			-9,297
Share of profit (loss) of associates and joint ventures accounted for using the equity method			-154
Profit before tax from continuing operations			17,957

Notes: 1. Segment profit (loss) is core earnings which are defined as 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 administrative departments, including human resources, general affairs, accounting and other departments of the Company and its consolidated subsidiary, LIXIL Corporation.
3. Revenue, income (loss), and other items from discontinued operations are not presented in the reporting above.

For the three months ended June 30, 2018 (April 1 through June 30, 2018)

(Unit: millions of yen)

	Reportable Segments				
	Water Technology business	Housing Technology business	Building Technology business	Distribution & Retail business	Housing & Services business
Revenue					
Revenue from external customers	Y 193,579	Y 125,148	Y 23,249	Y 43,499	Y 11,660
Intersegment revenue or transfers	4,445	2,370	16	1	670
Total	198,024	127,518	23,265	43,500	12,330
Segment profit (loss) (Note 1)	11,980	2,556	-1,242	2,343	487
Other income					
Other expenses					
Operating profit					
Finance income					
Finance costs					
Share of profit (loss) of associates and joint ventures accounted for using the equity method					
Profit before tax from continuing operations					

(Unit: millions of yen)

	Total	Reconciliations (Note 2)	Consolidated
Revenue			
Revenue from external customers	Y 397,135	-	Y 397,135
Intersegment revenue or transfers	7,502	-7,502	-
Total	404,637	-7,502	397,135
Segment profit (loss) (Note 1)	16,124	-9,564	6,560
Other income			2,367
Other expenses			-2,372
Operating profit			6,555
Finance income			3,184
Finance costs			-2,960
Share of profit (loss) of associates and joint ventures accounted for using the equity method			-224
Profit before tax from continuing operations			6,555

Notes: 1. Segment profit (loss) is core earnings which are defined as 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 administrative departments, including human resources, general affairs, accounting and other departments of the Company and its consolidated subsidiary, LIXIL Corporation.
3. Revenue, income (loss), and other items from discontinued operations are not presented in the reporting above.

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

Assets which are classified as assets held for sale and liabilities directly associated with assets held for sale for the year ended March 31, 2018 are associated with Permasteelisa S.p.A and its subsidiaries which are classified as discontinued operations. Following the Group's decision to dispose of these assets and liabilities, the Group classified these assets as assets held for sale and recognized the liabilities directly associated with the disposal as of March 31, 2018. Details of the assets and liabilities related to discontinued operations are as described in Note “Discontinued Operations."

(Notes on Discontinued Operations)

For the three months ended June 30, 2018 (April 1 through June 30, 2018)

Transfer of Shares of Permasteelisa S.p.A.
The Company 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. This share transfer is subject to regulatory approvals. Because the Company is considering that there is a high probability in receiving the approval, all the revenue, income (loss), and other items of Permasteelisa and its subsidiaries are classified to the discontinued operations in the consolidated financial statements.

① Main reason for the transfer
The Company 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	Share will be transferred as soon as the regulatory approvals are received from related countries.

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 (Notes 1 and 2) (21,438 million yen, The amount is converted at 1 Euro ＝ 127.91 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.

Notes: 1. 25 million euros (3,224 million yen) was received as a part of the sales price in August 2017.
2. The ultimate sales price of the shares will be determined at the date of share transfer after the adjustments due to the changes of premise occurred by the date of share transfer. 81 million euros out of the sales amounts are recognized as accounts receivable-other at the date of the share transfer, and the amounts will be collected depending on Permasteelisa's progression of the collection of part of receivables for construction.
3. In addition to the loans from LIXIL to Grandland described above, there is a possibility that the Company may recognize a loss due to results of certain legal disputes and/or collectability of receivables for construction on certain construction projects (contingent liabilities). The maximum amount of the loss is estimated to be approximately 210 million euros (or approximately ¥27,000 million) as of June 30, 2018.

⑤ Assets and Liabilities related to discontinued operations

(Unit: millions of yen)

	As of March 31, 2018	End of Q1 (As of June 30, 2018)
Assets related to discontinued operations		
Cash and cash equivalents	5,212	6,763
Trade and other receivables	55,511	57,852
Inventories	4,167	4,135
Construction contract assets	61,200	-
Contract assets	-	52,451
Property, plant and equipment	12,135	11,856
Goodwill and other intangible assets (Note)	19,690	29,300
Deferred tax assets	6,715	8,217
Other financial assets (current)	3,265	2,752
Other current assets	11,326	9,877
Other assets	987	942
Total	**¥ 180,208**	**184,145**
Liabilities related to discontinued operations		
Trade and other payables	38,041	38,809
Bonds and borrowings (current)	16,110	21,003
Construction contract liabilities	25,416	-
Contract liabilities	-	48,524
Income tax payables	2,670	2,289
Net defined benefit liabilities	3,661	3,592
Deferred tax liabilities	9,848	9,254
Other financial liabilities (current)	1,054	2,842
Other current liabilities	27,953	4,247
Other liabilities	2,704	2,617
Total	**¥ 127,457**	**133,177**

⑥ Operating results from discontinued operations

(Unit: millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Revenue	Y 39,000	Y 38,829
Loss recognized on the measurement to fair value less costs to sell of the disposal group constituting discontinued operations (Note)	-	-644
Other profit and loss	-39,774	-39,093
Profit before tax from Discontinued operations	-774	-908
Income tax expenses		
Income tax expenses from operations	-124	376
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)	-	242
Total of Income tax expenses	-124	618
Loss for the period from discontinued operations	-898	-290

（Note) The quarterly loss after 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 for the three months reporting period ended June 30, 2018 is ￥402 million.

⑦ Cash flows from discontinued operations

(Unit: millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
OPERATING ACTIVITIES	**Y** 2,997	**Y** -3,422
INVESTING ACTIVITIES	-627	-837
FINANCING ACTIVITIES	-1,793	5,274
Total	**Y** 577	**Y** 1,015