LIXIL GROUP CORPORATION

October 31, 2018

Consolidated Financial Results for the First Half Ended September 30, 2018 (International Financial Reporting Standards)

Company Name: LIXIL GROUP CORPORATION
Code Number: 5938
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Scheduled date of issue of quarterly financial report: November 9, 2018
Schedule date of payment of dividends: November 30, 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)

(Amounts less than one million yen are rounded)

1. Consolidated Financial Results for the H1 of FY Ending March 2019 (April 1 through September 30, 2018)

(1) Consolidated Operating Results

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

	Revenue		Core earnings		Operating profit		Profit before tax		Profit for the quarter		Profit for the quarter attributabele to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE 2019 H1	**888,196**	**-0.2**	**13,790**	**-66.1**	**14,708**	**-2.5**	**13,910**	**12.5**	**-6,780**	**-**	**-8,629**	**-**
FYE 2018 H1	890,406	2.3	40,736	2.2	15,086	-60.6	12,363	-70.3	13,669	-43.0	12,843	-46.8

	Total comprehensive income for the quarter		Basic earnings per share	Diluted earnings per share
	Million yen	%	Yen	Yen
FYE 2019 H1	**-887**	**-**	**-29.76**	**-29.76**
FYE 2018 H1	37,933	-	44.59	40.48

Note: Core earnings is calculated by deducting the cost of sales and selling, general and administrative expenses from revenue

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	Million yen	Million yen	Million yen	%
FYE 2019 H1	**2,094,673**	**638,813**	**605,115**	**28.9**
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	—	35.00			
FYE 2019 (forecast)			—	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	1,845,000	0.9	45,000	-40.8	40,000	-32.3	34,000	-47.8

	Profit for the year		Profit for the year attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Yen
FYE 2019	4,500	-92.1	1,500	-97.3	5.17

Note: Revision of consolidated operating performance forecast after the recent announcement: 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	(September 30, 2018)	313,319,159	shares	(FY ended March 31, 2018)	313,054,255	shares
(ii) Treasury stocks	(September 30, 2018)	23,228,216	shares	(FY ended March 31, 2018)	23,264,114	shares
(iii) Average stocks during six months (Apr - Sep)	(September 30, 2018)	289,925,227	shares	(September 30, 2017)	288,005,150	shares

* This quarterly 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 H1 (As of September 30, 2018)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	138,751	123,455
Trade and other receivables	343,289	385,547
Inventories	217,904	244,352
Construction contract assets	10,880	-
Contract assets	-	68,516
Income taxes receivable	906	1,432
Other financial assets	5,577	9,004
Other current assets	15,261	26,532
Subtotal	732,568	858,838
Assets held for sale	180,208	10,448
Total current assets	**912,776**	**869,286**
NON-CURRENT ASSETS:		
Property, plant and equipment	542,330	549,350
Goodwill and other intangible assets	476,639	509,015
Investment property	7,787	7,269
Investments accounted for using the equity method	12,086	11,703
Other financial assets	102,566	96,609
Deferred tax assets	44,852	41,952
Other non-current assets	8,095	9,489
Total non-current assets	**1,194,355**	**1,225,387**
Total assets	**Y 2,107,131**	**Y 2,094,673**

(Unit: millions of yen)

	As of March 31, 2018	End of H1 (As of September 30, 2018)
LIABILITIES AND EQUITY		
LIABILITIES:		
CURRENT LIABILITIES		
Trade and other payables	338,964	364,972
Bonds and borrowings	242,990	309,840
Construction contract liabilities	1,107	-
Contract liabilities	-	58,684
Income taxes payable	12,819	7,604
Other financial liabilities	1,568	7,509
Provisions	367	278
Other current liabilities	98,875	87,034
Subtotal	696,690	835,921
Liabilities directly associated with the assets held for sale	127,457	3,779
Total current liabilities	**824,147**	**839,700**
NON-CURRENT LIABILITIES		
Bonds and borrowings	444,920	410,712
Other financial liabilities	32,444	31,972
Net defined benefit liabilities	78,269	83,093
Provisions	7,179	7,664
Deferred tax liabilities	62,698	71,066
Other non-current liabilities	7,901	11,653
Total non-current liabilities	**633,411**	**616,160**
Total liabilities	**1,457,558**	**1,455,860**
EQUITY:		
Share capital	68,121	68,418
Capital surplus	277,753	277,550
Treasury shares	-48,984	-48,909
Other components of equity	27,210	28,692
Retained earnings	292,797	279,364
Equity attributable to owners of the parent	616,897	605,115
Non-controlling interests	32,676	33,698
Total equity	**649,573**	**638,813**
Total liabilities and equity	**¥ 2,107,131**	**¥ 2,094,673**

(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, 2017	Six months ended September 30, 2018
Revenue	Y 890,406	Y 888,196
Cost of sales	-607,218	-620,234
GROSS PROFIT	283,188	267,962
Selling, general and administrative expenses	-242,452	-254,172
Other income	5,956	8,175
Other expenses	-31,606	-7,257
OPERATING PROFIT	15,086	14,708
Finance income	14,414	3,734
Finance costs	-16,995	-4,255
Share of profit (loss) of associates and joint ventures accounted for using the equity method	-142	-277
PROFIT BEFORE TAX	12,363	13,910
Income tax expenses	1,306	-20,690
PROFIT FOR THE QUARTER	13,669	-6,780
Profit (loss) for the quarter attributable to:		
Owners of the parent	12,843	-8,629
Non-controlling interests	826	1,849
PROFIT FOR THE QUARTER	13,669	-6,780
Earnings per share		
Basic (yen per share)	44.59	-29.76
Diluted (yen per share)	40.48	-29.76

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
PROFIT (LOSS) FOR THE QUARTER	**Y 13,669**	**Y -6,780**
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	-	-3,136
Total items that will not be reclassified subsequently to profit or loss	-	-3,136
Items that may be reclassified subsequently to profit or loss		
Net fair value gain (loss) on available-for-sale financial assets	4,770	-
Net fair value gain (loss) on hedging instruments entered into for cash flow hedges	3,207	-795
Exchange differences on translation of foreign operations	14,351	9,850
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,936	-26
Total items that may be reclassified subsequently to profit or loss	24,264	9,029
Other comprehensive income, net of tax	24,264	5,893
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	37,933	-887
Total comprehensive income for the quarter attributable to:		
Owners of the parent	36,840	-2,773
Non-controlling interests	1,093	1,886
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	**Y 37,933**	**Y -887**

(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 (loss) for the quarter	-	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	13,768	-	4,770	-	2,923
Total comprehensive income (loss) 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	-	-	-	-	-	-	-	-
Reclassification to disposal group classified as held for sale	-	-	-	-5,704	-	-	-	-215
Reclassification from disposal group classified as held for sale	-	-	-	-	-	-	-	-
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**
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 (loss) for the quarter	-	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	9,695	-	-	-3,136	542
Total comprehensive income for the quarter	-	-	-	9,695	-	-	-3,136	542
Purchase of treasury shares	-	-	-9	-	-	-	-	-
Disposal of treasury shares	-	0	0	-	-	-	-	-
Share-based payment transactions	297	-178	84	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Reclassification to disposal group classified as held for sale	-	-	-	-0	-	-	-80	-
Reclassification from disposal group classified as held for sale	-	-	-	5,269	-	-	-	-28
Changes in parent's ownership interests in subsidiaries without loss of control	-	-25	-	-	-	-	-	-
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	-	-
Changes associated with loss of control of subsidiaries	-	-	-	-	-	-	-	-
Transfers from other components of equity to retained earnings	-	-	-	-	-	-	380	-
Total transactions with owners	297	-203	75	5,269	-	-	300	-28
BALANCE AS OF SEPTEMBER 30, 2018	**68,418**	**277,550**	**-48,909**	**7,781**	**-**	**-**	**15,055**	**859**

(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**	**12,817**	**559,431**
Profit (loss) 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 (loss) 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
Reclassification to disposal group classified as held for sale	-	5,919	-	-	-	-	-	-
Reclassification from disposal group classified as held for sale	-	-	-	-	-	-	-	-
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**
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 (loss) for the quarter	-	-	-	-	-8,629	-8,629	1,849	-6,780
Other comprehensive income (loss)	-26	-1,219	-	5,856	-	5,856	37	5,893
Total comprehensive income for the quarter	-26	-1,219	-	5,856	-8,629	-2,773	1,886	-887
Purchase of treasury shares	-	-	-	-	-	-9	-	-9
Disposal of treasury shares	-	-	-	-	-	0	-	0
Share-based payment transactions	-	-	-124	-124	139	218	-	218
Dividends	-	-	-	-	-10,143	-10,143	-955	-11,098
Reclassification to disposal group classified as held for sale	-	80	-	-	-	-	-	-
Reclassification from disposal group classified as held for sale	-	-5,241	-	-	-	-	-	-
Changes in parent's ownership interests in subsidiaries without loss of control	-	-	-	-	-	-25	-9	-34
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	218	218
Changes associated with loss of control of subsidiaries	-	-	-	-	-	-	-	-
Transfers from other components of equity to retained earnings	-	-	-	380	-380	-	-	-
Total transactions with owners	-	-5,161	-124	256	-10,384	-9,959	-746	-10,705
BALANCE AS OF SEPTEMBER 30, 2018	**46**	**80**	**4,871**	**28,692**	**279,364**	**605,115**	**33,698**	**638,813**

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
OPERATING ACTIVITIES:		
Profit before tax	**Y** 12,363	**Y** 13,910
Depreciation and amortization	32,290	34,483
Impairment losses	3,331	1,297
Loss recognized on the measurement to fair value, less costs to sell the disposal group held for sale	22,656	-
Profit recognized on the remeasurement of the disposal group held for sale	-	-2,040
Interest and dividend income	-1,701	-1,569
Interest expense	2,489	2,621
Share of loss (profit) of associates and joint ventures accounted for using the equity method	142	277
Loss (gain) on disposal of property, plant and equipment	674	887
Decrease (increase) in trade and other receivables	10,158	12,629
Decrease (increase) in inventories	-14,754	-23,224
Increase (decrease) in trade and other payables	-7,244	-8,395
Increase (decrease) in net defined benefit liabilities	693	1,047
Other	-2,906	-3,253
Subtotal	58,191	28,670
Interest received	840	588
Dividends received	959	951
Interest paid	-4,839	-2,349
Income taxes paid	-14,616	-16,430
Net cash generated by operating activities	**Y 40,535**	**Y 11,430**

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
INVESTING ACTIVITIES:		
(Increase) decrease in time deposits	-3,147	-893
Purchase of property, plant and equipment	-25,806	-26,998
Proceeds from disposal of property, plant and equipment	375	320
Purchase of intangible assets	-3,668	-3,855
Proceeds from disposal of investment property	115	301
Payments for acquisition of subsidiaries	-9,625	-
Proceeds from sale of subsidiaries	148	-
Decrease (increase) in short-term loans receivable	853	-325
Payments for long-term loans receivable	-112	-51
Proceeds from collection of long-term loans receivable	124	63
Payments for acquisition of other investments	-148,167	-125,354
Proceeds from sale and redemption of investments	148,461	125,595
Other	2,336	-1,146
Net cash used in investing activities	**Y -38,113**	**Y -32,343**
FINANCING ACTIVITIES:		
Dividends paid	-8,632	-10,143
Dividends paid to non-controlling interests	-78	-955
Increase (decrease) in short-term borrowings and commercial paper	26,470	40,587
Proceeds from long-term borrowings	1,046	22,800
Repayment of long-term borrowings	-58,751	-49,160
Proceeds from stock issuance to non-controlling interests	9,496	218
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	-594	-1,718
Net cash generated by financing activities	**Y 1,349**	**Y 1,595**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,771	-19,318
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	2,740	302
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS INCLUDED IN ASSETS CLASSIFIED HELD FOR SALE	-5,360	3,720
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**Y 122,714**	**Y 123,455**

(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 six months reporting period ended September 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 six months reporting period ended September 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 six months reporting period ended September 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.

Compared to the previously applied accounting standards, Profit before tax increased by ￥300 million yen and Quarterly net loss decreased by ￥294 million yen in the quarterly consolidated income statement for the six months reporting period ended September 30, 2018.

Applying IFRS 9 has had no significant impact on the consolidated statement of financial position for the six months reporting period ended September 30, 2018.

(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 six months reporting period ended September 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 ￥2,036 million, Operating profit and Profit before tax increased by ￥296 million, Quarterly net loss decreased by ￥199 million in the quarterly consolidated income statement.

As compared with the application of the previous accounting standards, "Inventories" decreased by ￥7,994 million, "Construction contract assets" decreased by ￥59,154 million, and "Contracts assets" increased by ￥68,516 million yen, as well as "Other current liabilities (Advances received)" decreased by ￥3,811 million, "Construction contract liabilities" decreased by ￥55,136 million yen and "Contract liabilities" increased by ￥58,684 million yen in the quarterly consolidated statement of financial position.

(Changes in Presentation)

Assets and liabilities related to the Company's consolidated subsidiary, Permasteelisa S.p.A ("Permasteelisa"), and its subsidiaries were classified as "Assets held for sale and liabilities directly associated with assets held for sale", and profit and loss from related businesses were presented as "Profit and loss from discontinued operations" on the consolidated financial statements for the year ended March 31, 2018. However, these will no longer be classified and presented as such.
Due to the above mentioned, profit and loss of Permasteelisa and its subsidiaries, which were presented as discontinued operations on the consolidated statement of profit and loss for the six months reporting period ended September 30, 2017, are restated and presented as profit and loss from continuing operations. In addition, parts of the consolidated statement of cash flows for the six months reporting period ended September 30, 2017, have also been restated. Furthermore, revenue and income (loss) from business related to Permasteelisa and its subsidiaries are included in the building technology business.
A summary on ceasing to classify the assets and liabilities related to Permasteelisa and its subsidiaries as "Assets held for sale and liabilities directly associated with assets held for sale" is located in the (Notes on Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale).

(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 six months reporting period ended September 30, 2017, is disclosed based on the change to reportable segments.

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

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	Distribution & Retail business	Housing & Services business
Revenue					
Revenue from external customers	Y 387,053	Y 261,229	Y 131,771	Y 87,521	Y 22,832
Intersegment revenue or transfers	9,255	3,966	75	3	1,068
Total	396,308	265,195	131,846	87,524	23,900
Segment profit (loss) (Note 1)	35,115	17,004	2,131	4,595	1,052
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					

(Unit: millions of yen)

	Total	Reconciliations (Note 2)	Consolidated
Revenue			
Revenue from external customers	Y 890,406	-	Y 890,406
Intersegment revenue or transfers	14,367	-14,367	-
Total	904,773	-14,367	890,406
Segment profit (loss) (Note 1)	59,897	-19,161	40,736
Other income			5,956
Other expenses			-31,606
Operating profit			15,086
Finance income			14,414
Finance costs			-16,995
Share of profit (loss) of associates and joint ventures accounted for using the equity method			-142
Profit before tax			12,363

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.

For the six months ended September 30, 2018 (April 1 through September 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 393,229	Y 252,124	Y 130,221	Y 87,842	Y 24,780
Intersegment revenue or transfers	8,769	4,889	71	4	1,400
Total	401,998	257,013	130,292	87,846	26,180
Segment profit (loss) (Note 1)	25,572	4,616	-3,723	4,737	1,363
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					

(Unit: millions of yen)

	Total	Reconciliations (Note 2)	Consolidated
Revenue			
Revenue from external customers	Y 888,196	-	Y 888,196
Intersegment revenue or transfers	15,133	-15,133	-
Total	903,329	-15,133	888,196
Segment profit (loss) (Note 1)	32,565	-18,775	13,790
Other income			8,175
Other expenses			-7,257
Operating profit			14,708
Finance income			3,734
Finance costs			-4,255
Share of profit (loss) of associates and joint ventures accounted for using the equity method			-277
Profit before tax			13,910

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.

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

Cease to classify Permasteelisa S.p.A as disposal group held for sale

(1) Background of Change in Classification

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 ("Permasteelisa") 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 considered that there is a high probability in receiving the approval, assets and liabilities related to Permasteelisa and its subsidiaries were classified as assets held for sale and liabilities directly associated with assets held for sale. Furthermore, profit and loss from business of Permasteelisa and its subsidiaries were presented as profit and loss from discontinued operations.

Since the date of our agreement on the share transfer, the Company and Grandland have made every effort to proceed with various measures to close the transaction as early as possible. However, the Company announced that it has received official notification from the Committee on Foreign Investment in the United States ("CFIUS") that makes it clear that it has been unable to secure approval for the originally planned transfer of shares of Permasteelisa to Grandland.

Since it became clear that the necessary approval has not been secured, assets and liabilities of Permasteelisa and its subsidiaries are no longer regarded as "Assets and liabilities held for immediate sale". Therefore, the Company has ceased to classify assets and liabilities related to Permasteelisa and its subsidiaries as "Assets held for sale and liabilities directly associated with assets held for sale" during the three months reporting period ended September 30, 2018. Due to this change, "Profit and loss from business of Permasteelisa and its subsidiaries" are presented as "Profit and loss from continuing operations". In addition, profit and loss from business of Permasteelisa and its subsidiaries are restated as "Profit and loss from continuing operations" on the consolidated statement of profit and loss for the six months reporting period ended September 30, 2017.

(2) Impact on Consolidated Statement of Profit and Loss

① Impact on the Company's Business Performance for the Six Months Reporting Period Ended September 30, 2017

Since ceasing to classify Permasteelisa in "Disposal group held for sale", profit and loss from the business of Permasteelisa and its subsidiaries, which was presented as a loss from discontinued operations of ￥11,042 million, has been restated as "Profit and loss from continuing operations". A breakdown of the increase and decrease from restating the presentation on the consolidated statement of profit or loss is as shown below.

(Unit: millions of yen)

	Six months ended September 30, 2017
Continuing operations	
Revenue	Y 80,494
Cost of sales	-74,119
GROSS PROFIT	6,375
Selling, general and administrative expenses	-6,296
Other income and Other expenses (Note 1)	-22,744
OPERATING PROFIT	-22,665
Finance income and Finance costs	-1,536
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	-24,201
Income tax expenses (Note 2)	13,159
PROFIT FOR THE QUARTER FROM CONTINUING OPERATIONS	-11,042

Notes: 1. Other expenses includes ￥22,656 million of loss recognized on the measurement to fair value, less costs to sell the disposal group held for sale.

2. Income tax expenses includes ￥13,793 million impacts from increase of deferred tax assets, which was reported based on the assumption that the share transfer would be made.

②Impact on the Company's Business Performance for the Six Months Reporting Period Ended September 30, 2018

Profit and loss from business of Permasteelisa are presented as "Profit and loss from continuing operations" since ceasing to classify Permasteelisa under disposal group held for sale. Impact from profit and loss from the business of Permasteelisa on the consolidated statement of profit or loss for the six months reporting period ended September 30, 2018, is as shown

(Unit: millions of yen)

	Six months ended September 30, 2018
Revenue	¥ 77,668
Cost of sales	-75,921
GROSS PROFIT	1,747
Selling, general and administrative expenses	-6,091
Other income and Other expenses	2,642
OPERATING PROFIT	-1,702
Finance income and Finance costs	19
PROFIT BEFORE TAX	-1,683
Income tax expenses (Note)	-14,693
LOSS FOR THE QUARTER	-16,376

Note: Income tax expenses includes ¥13,547 million resulting from the reversal of deferred tax assets, which was reported for the year ended March 31, 2018based on the assumption that the share transfer would be made.

(3) Breakdown of Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale

Breakdown of assets and liabilities related to Permasteelisa and its subsidiaries, which was classified as "Assets held for sale and liabilities directly associated with assets held for sale" for the year ended March 31, 2018, is as shown below.

(Unit: millions of yen)

	As of March 31, 2018
Assets held for sale	
Cash and cash equivalents	5,212
Trade and other receivables	55,511
Inventories	4,167
Construction contract assets	61,200
Property, plant and equipment	12,135
Goodwill and other intangible assets	19,690
Deferred tax assets	6,715
Other financial assets (current)	3,265
Other current assets	11,326
Other assets	987
Total	**¥ 180,208**
Liabilities directly related to assets held for sale	
Trade and other payables	38,041
Bonds and borrowings (current)	16,110
Construction contract liabilities	25,416
Income taxes payables	2,670
Net defined benefit liabilities	3,661
Deferred tax liabilities	9,848
Other financial liabilities (current)	1,054
Other current liabilities	27,953
Other liabilities	2,704
Total	**¥ 127,457**