The following is an English translation of the "Matters which are not described in the document to be delivered to shareholders who have requested delivery of paper-based documents among the electronic provision measures matters for the 82nd Annual Shareholders' Meeting of LIXIL Corporation (the "Company")". The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. If there is any discrepancy between the Japanese version and the English translation, the Japanese version shall prevail.

**Dear Shareholders,**

# Matters which are not described in the Documents to be delivered to Shareholders who have requested Delivery of Paper-based Documents among the Electronic Provision Measures Matters for the 82nd Annual Shareholders' Meeting

## 82nd Fiscal Year (from April 1, 2023 to March 31, 2024)

1. **Notes to the Consolidated Financial Statements**
2. **Notes to the Nonconsolidated Financial Statements**

# LIXIL Corporation

Description of the aforementioned matters in the documents to be delivered to shareholders who have requested delivery of paper-based documents is omitted pursuant to laws and regulations, and the Company's Articles of Incorporation.

# Notes to Consolidated Financial Statements

1. Basis for Preparation of Consolidated Financial Statements

(1) Standards of preparation of consolidated financial statements

The consolidated financial statements of LIXIL Corporation (the "Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to Article 120, Paragraph 1 of the Ordinance on Company Accounting.

Pursuant to the provisions of the second sentence of the paragraph, certain disclosures required under IFRS are omitted.

(2) Basis of consolidation

| | |
|---|---|
| Number of subsidiaries: | 137 |
| Major subsidiaries: | LIXIL Total Service Corporation |
| | LIXIL Total Hanbai Corporation |
| | LIXIL Europe S.à r.l. |
| | ASD Holding Corp. |
| | LIXIL Vietnam Corporation |
| | TOSTEM THAI Co., Ltd. |
| | LIXIL INTERNATIONAL Pte. Ltd. |
| | LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd. |
| | LIXIL Manufacturing (Dalian) Corporation |

Sonitech Corporation was excluded from the scope of consolidation as all of the shares of the company were disposed of. Details are described in "4. Notes to Consolidated Statement of Profit or Loss".

(3) Investments in associates accounted for using the equity method

Number of associates accounted for using the equity method: 40

Major associate accounted for using the equity method: Sanyo Homes Corporation

(4) Fiscal year of subsidiaries

In preparing the consolidated financial statements, subsidiaries with fiscal year ends other than the Company's March fiscal year end provisionally prepare financial information as of March 31, which are used for consolidation.

(5) Significant accounting policies

1) Inventories

The cost of inventories includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are stated at the lower of cost or net realizable value. Cost is determined mainly by using the weighted-average method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

The carrying amount of inventories recognized in the consolidated statement of financial position is reviewed regularly. When there is slow-moving inventory over a long period, or when the Company and its subsidiaries (the "Group") do not expect that all or a portion of the inventory will be recovered through sales, the carrying amount is written down to their estimated net realizable values.

2) Property, plant and equipment

The Group measures property, plant and equipment by using the cost model at cost less accumulated depreciation and accumulated impairment losses. The cost includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs, as well as borrowing costs eligible for capitalization.

Property, plant and equipment are depreciated mainly by using the straight-line method over their estimated useful lives, except for assets that are not subject to depreciation, such as land. The estimated useful lives of major property, plant and equipment are as follows:

- Buildings and structures: 8 to 50 years
- Machinery and vehicles: 7 to 12 years
- Tools, furniture and fixtures: 2 to 20 years

The depreciation method, estimated useful lives and residual values are reviewed at each fiscal year end. If there are any changes made to the depreciation method, estimated useful lives or residual values, such changes are accounted for as changes in accounting estimates and applied prospectively starting from the fiscal period of the change.

The carrying amount of property, plant and equipment shall be derecognized on disposal or when no future economic benefits are expected from its continued use. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the consideration for disposal, if any and the carrying amount of item and is recognized in profit or loss.

3) Goodwill

Goodwill arising from business combinations is stated at cost less accumulated impairment losses.

Goodwill is not amortized but allocated to cash-generating units ("CGU") (or groups of CGU) and tested for impairment at least once a year, or whenever there is any indication of impairment. Impairment losses on goodwill are recognized in profit or loss and no subsequent reversal is made. Goodwill is derecognized at the time of disposal of the associated CGU (or group of CGU) and included in the carrying amount of the disposed operation when profit or loss on disposal is recognized.

4) Other intangible assets

After recognition, intangible assets are measured by using the cost model. Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

A. Intangible assets acquired individually

Measured at cost on initial recognition

B. Intangible assets acquired through business combinations

Measured at fair value on the acquisition date

C. Internally generated intangible assets

Research and development costs arising internally within the Group are expensed when incurred, with the exception of expenditures for development activities that meet all of the following capitalization criteria:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The Group's intention to complete the intangible asset and use or sell it;
- The Group's ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The Group's ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets with finite useful lives are amortized by using the straight-line method over their estimated useful lives. The estimated useful lives of major intangible assets with finite useful lives are as follows:

- Software: 5 years
- Customer-related assets: 13 to 30 years
- Trademarks: 5 to 20 years
- Technological assets: 6 to 10 years

Trademarks with indefinite business periods are classified as intangible assets with an indefinite useful life when it is determined that there is no foreseeable limit to the period in which future economic benefits are expected, given that business periods continue, in principle, as long as the business continues.

Intangible assets with indefinite useful lives and intangible assets with finite useful lives that are not ready to use are not amortized, but they are tested for impairment at least once a year or whenever there is any indication of impairment.

Amortization methods, estimated useful lives and residual values are reviewed at each fiscal year end, and any changes are accounted for as changes in accounting estimates and applied prospectively starting from the fiscal period of the change.

5) Investment property

Investment property is property held to earn rentals or for capital appreciation, or both.

Investment property is measured by using the cost model, which is consistent with the accounting treatment for buildings under property, plant and equipment, and stated at cost less any accumulated depreciation and accumulated impairment losses.

Investment property is depreciated by using the straight-line method over the estimated useful life, which is consistent with the accounting treatment for buildings under property, plant and equipment.

Depreciation methods, estimated useful lives and residual values are reviewed at each fiscal year end, and any changes are accounted for as changes in accounting estimates and applied prospectively starting from the fiscal period of change.

6) Impairment of non-financial assets

Non-financial assets, such as property, plant and equipment, goodwill and other intangible assets, are assessed for any indications of impairment at the end of every fiscal year. Impairment tests are performed in cases where there is an indication of impairment. However, for goodwill and intangible assets with indefinite useful lives, impairment tests are performed at least once a year regardless of any indication of impairment. Additionally, the base date of the annual impairment tests for goodwill and intangible assets with indefinite useful lives is mainly January 1. Assets for which tests cannot be performed individually are merged into the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets (CGU), and impairment tests are performed for each CGU (or group of CGU). A CGU (or group of CGU) to which goodwill is allocated for the purpose of impairment tests represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment. Goodwill that forms part of the carrying amount of an investment in associates accounted for using the equity method is not separately recognized, and therefore, it is not tested for impairment separately. If there is any indication that investments in associates and joint ventures accounted for using the equity method may be impaired, the entire carrying amount of the investment is tested as a single asset.

The recoverable amount of an individual asset or a CGU is measured at the higher of its fair value less costs of disposal or its value in use. Where the carrying amount of the asset or CGU exceeds its recoverable amount, impairment losses are recognized and the asset is written down to its recoverable amount. In determining the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets other than goodwill, an assessment is made at the end of every fiscal year as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased, such as any changes in assumptions used for the determination of the recoverable amount. If any such indication exists, the Group estimates the asset's or CGU's recoverable amount. In cases where the recoverable amount exceeds the carrying amount of the asset or CGU, impairment losses are reversed up to the lower of the determined recoverable amount or the carrying amount that would have been determined, net of depreciation, had no impairment losses for the asset been recognized in prior years. Recognized impairment losses relating to goodwill cannot be reversed.

7) Financial instruments

A. Financial assets

(i) Initial recognition and measurement

The Group classifies financial assets, at initial recognition, into financial assets that are measured at amortized cost, financial assets measured at fair value through other comprehensive income or financial asset measured at fair value through profit or loss.

All financial assets are initially recognized on the transaction date and measured at fair value, however, the financial assets that are not recorded at fair value through profit or loss are initially recognized on the transaction date and measured at the sum of the fair value and transaction costs.

(ii) Subsequent measurement

(a) Financial assets that are measured at amortized cost

Financial assets are classified to financial assets that are measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, assets are measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value through other comprehensive income

Financial assets are classified to financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flow and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, assets are measured at fair value and subsequent changes in fair value are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss is reclassified to retained earnings.

(c) Equity instruments measured at fair value through other comprehensive income

Financial assets that have not been classified as either financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss. An entity is permitted, at initial recognition, to make an irrevocable election to present the changes in fair value of an investment in an equity instrument that is not held for trading in other comprehensive income. The Group makes this election on an instrument-by-instrument basis.

After initial recognition, assets are measured at fair value and subsequent changes in fair value are recognized in other comprehensive income. When the equity instrument is derecognized, the Group reclassifies the cumulative amount of other comprehensive income to retained earnings and not to profit or loss. Dividends are recognized in profit or loss.

(d) Financial assets measured at fair value through profit or loss

A financial asset other than those classified as (a), (b) and (c) above is classified as a financial asset measured at fair value through profit or loss.

The Group initially recognizes and measures a financial asset measured at fair value through profit or loss at its fair value and expenses the transaction costs that are directly attributable to the acquisition of the financial asset as incurred. The Group subsequently measures the asset at fair value and recognizes the subsequent changes in fair value in profit or loss.

(iii) Derecognition

The Group derecognizes financial assets when, and only when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards of ownership are transferred. In cases where the Group neither transfers nor retains substantially all the risks and rewards of ownership but continues to control the assets transferred, the Group recognizes the retained interest in assets and related liabilities that might be payable.

B. Impairment of financial assets

In the recognition of impairment losses for a financial asset or a group of financial assets that is measured at amortized cost at the end of every fiscal year, the Group assesses whether there have been significant increases in credit risk since the initial recognition. The Group determines whether there have been significant increases in credit risk by considering the change in the risk of default occurring since the initial recognition. The assessment of whether there is a change in the risk of default is made by considering the following:

- Significant change in the financial asset's external credit rating
- Downgrade of internal credit rating
- Deterioration of borrower's operating results
- Past due information

However, even when a late payment or request for a grace period occurs, the Group does not determine that there has been a significant increase in credit risk if it is determined that such late payment or request for grace period would be attributable to a temporary cash shortage, the risk of default is low and objective data such as external credit ratings reveal an ability to fulfill the obligation of contractual cash flows in the near future.

On the other hand, the Group determines that the credit of the financial assets is impaired when a late payment or request for a grace period does not arise from a temporary cash shortage and significant financial difficulty of the debtor is shown and the recoverability of the modified financial assets is significantly doubtful.

The Group considers financial assets, such as trade and other receivables, in default when all or parts of those financial assets are not collected or the collectability of those financial assets is determined to be extremely difficult.

Expected credit losses are the present value of the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive. When credit risk related to financial assets has increased significantly since the initial recognition, the Group measures the loss allowance for those financial assets at an amount equal to the lifetime expected credit losses. Conversely, when credit risk related to financial asset has not increased significantly since the initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to the 12-month expected credit losses.

Despite the above requirement, the Group always measures the loss allowance for trade and other receivables and contract assets that do not contain a significant financing component at an amount equal to the lifetime expected credit losses.

As trade and other receivables mainly comprise a number of customers, the Group measures expected credit losses by grouping those receivables and considering historical credit loss experience. When those receivables are affected by a material economic change, the provision rate calculated based upon the historical credit loss experience is adjusted to reflect current and future economic prospect.

The Group directly writes off the gross carrying amounts of the credit-impaired financial assets when all or part of the financial assets are evaluated as uncollectible and it is determined that it is appropriate to write them off as a result of credit check.

C. Financial liabilities

(i) Initial recognition and measurement

The Group classifies financial liabilities, at initial recognition, into financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost.

All financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortized cost are measured at fair value after deducting transaction costs that are directly attributable to the financial liabilities.

(ii) Subsequent measurement

After initial recognition, financial liabilities are measured based on the classification as follows:

(a) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as measured at fair value through profit or loss at initial recognition.

(b) Financial liabilities measured at amortized cost

After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization under the effective interest method and gains or losses on derecognition are recognized as profit or loss.

(iii) Derecognition

Financial liabilities are derecognized when they are extinguished, i.e., when the obligations specified in the contract are discharged, cancelled or expired.

D. Compound financial instruments

The liability component of a compound financial instrument is measured at initial recognition by the fair value of a similar liability without the equity conversion option. The equity component is measured at initial recognition by deducting the fair value of the liability component from the fair value of the entire financial instrument. Direct transaction costs are allocated in proportion to the initial carrying amount of the liability component and equity component.

After initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured after initial recognition.

Interest associated with the liability component is recognized in profit or loss as finance costs. When the equity conversion option is exercised, the liability component is transferred to equity and neither gains nor losses are recognized.

E. Derivatives (including hedge accounting)

The Group uses foreign exchange forward contracts, interest rate swaps, cross-currency interest rate swaps and commodity swaps to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. The use of derivative transactions is limited to risk hedging purposes and is not for speculation purposes. These derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives that qualify for hedge accounting are designated as hedging instruments in cash flow hedges. A cash flow hedge is a hedge against the exposure to variability in cash flows which is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction which could affect profit or loss.

At the inception of the hedge, the Group formally designates and documents the relationship between a hedging instrument and a hedged item and the risk management objective and strategy for undertaking various hedge transactions. The documentation includes identification of the hedging instruments, the hedged items, the nature of the risks being hedged and how the hedging relationship's effectiveness is assessed. These hedges are assessed on an ongoing basis to determine whether the hedging relationship is effective prospectively, even though it is expected that there is an economic relationship between the hedged item and the hedging instrument, that the effect of credit risk does not dominate the value changes that result from that economic relationship, and that the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio due to changes in an economic relationship between the hedged item and the hedging instrument but the risk management objective remains the same, the Group adjusts the hedge ratio so that it meets the qualifying criteria again. The Group discontinues hedge accounting for the portion that does not meet the requirement when the hedging relationship ceases to meet the qualifying criteria even after adjusting the hedge ratio.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized as other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is immediately recognized as profit or loss in the consolidated statement of profit or loss.

The amount of hedging instruments recognized in other comprehensive income is reclassified to profit or loss when the transactions related to hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized as other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.

If the hedged future cash flows are no longer expected to occur, any related cumulative gain or loss that has been recognized in equity as other comprehensive income is reclassified to profit or loss. If the hedged future cash flows are still expected to occur, amounts that have been recognized in other comprehensive income are continuously recognized in other comprehensive income until the future cash flows occur.

Derivatives which hedge accounting has not been applied are recognized at fair value and the changes in the fair value are recognized as a profit or loss in the consolidated statement of profit or loss.

F. Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

8) Leases (Lessee)
At the commencement date of a lease, the Group recognizes a right-of-use asset and a lease liability for a lease component except for a short-term lease, which has a lease term of 12 months or less, and a lease for which the underlying asset is of low value. As an initial measurement, the right-of-use asset is measured at cost and is comprised of the amount of the initial measurement of the lease liability and any lease payment and other, while the lease liability is measured at the present value of the lease payments that is not paid as of the commencement date.
Lease term is determined as the non-cancellable period of a lease, together with the periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date of a lease, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. The Group applies the depreciation requirements in IAS16 "Property, Plant and Equipment" in depreciating the right-of-use asset. Also, the Group applies IAS36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified. Right-of-use asset is depreciated from the commencement date until the end of the useful life of the underlying asset when the ownership of the underlying asset is transferred to the Group by the end of the lease term, or otherwise, depreciated from the commencement date until either the end of the useful life of the right-of-use asset or the end of the lease term, whichever is earlier.

After the commencement date of the contract, the lease liabilities are measured by:
• increasing the carrying amount to reflect interest on the lease liabilities
• reducing the carrying amount to reflect the lease payments made
• remeasuring the carrying amount to reflect the changes in lease payments or lease modifications, or to reflect revised in-substance fixed lease payments

The Group, as a lessee, recognizes the lease payments associated with short-term leases or leases for which the underlying asset is of low value as an expense on a straight-line basis.

9) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled and a reliable estimate can be made of the amount of the obligation.

Provisions are recognized based on the best estimates of necessary expenditures (future cash flows) in order to settle present obligations by taking into account risks and uncertainties associated with the obligation at the end of the fiscal year. Where the effect of the time value of money is material, provisions are measured using the estimated future cash flows, discounted using a pre-tax rate reflecting the time value of money and the risks specific to the liability.

For asset retirement obligations, provisions are recognized for restoration costs and expenditures incurred as a result of asset use, and the same amount is added to the asset's cost. Future estimated expenses and applied discount rates are reviewed every fiscal year. If revisions are deemed necessary, additions or deductions are made to the carrying amount of the relevant asset, and accounted for as changes in accounting estimates.

10) Employee benefits

A. Defined benefit pension plans

There are two types of defined benefit pension plans for employees of the Company and certain subsidiaries: cash-balance plan in which the amounts of benefit changes are based on the market yields on government bonds; and lump-sum payment retirement plan.

The projected unit credit method is used to determine the present value of defined benefit obligations, related current service costs and past service costs for each pension plan. The discount period is determined based on the period ending at the expected date of benefit payment for each pension plan, and the discount rate is determined by reference to market yields at the end of the fiscal year on high-quality corporate bonds corresponding to the discount period. Net defined benefit liabilities (assets) are determined as the present value of defined benefit obligations less the fair value of plan assets (the effect of the asset ceiling is taken into account, if necessary).

Remeasurements of net defined benefit liabilities (assets) are recognized in other comprehensive income and transferred to retained earnings immediately in the fiscal year in which they occur. Remeasurements are composed of actuarial gains and losses, return on plan assets and any changes due to the effect of the asset ceiling, excluding amounts included in net interest costs. Service costs and net interest costs are recognized in profit or loss in the period in which they occur.

B. Defined contribution plans

The Company and certain subsidiaries have established defined contribution plans. Defined contribution plans are post-employment benefit plans under which an employer regularly pays fixed contributions into employees' individual accounts and will have no legal or constructive obligations to pay further contributions. As a result, contributions to defined contribution plans are expensed in the period in which an employee has rendered services.

C. Short-term employee benefits

Short-term employee benefits are not discounted, but expensed when related services are rendered.

For bonuses and paid absences, future benefit payments for each plan are accounted for as liabilities when the following are met:

- There is a present legal or constructive obligation to make payment as consideration for services rendered by employees in both prior years and the current year; and
- The payment amount can be estimated reliably.

D. Other long-term employee benefits

In relation to obligations for long-term employee benefits other than post-employment benefits, future benefit payments to be incurred as consideration for services rendered by employees in prior years and the current year are accounted for as liabilities.

E. Termination benefits

The Group provides termination benefits when the Group terminates an employee's employment before the normal retirement date or an employee voluntarily retires in exchange for the benefits. Termination benefits are expensed on the earlier date of when the Group can no longer withdraw the offer of the benefits, or when it recognizes costs related to restructuring, which involves payment of the termination benefits.

11) Revenue

Except for the interest and dividend revenue which are recognized based on IFRS 9 "Financial Instruments", the Group recognizes revenues based on the following five-step approach:

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligation in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligation in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

A. Sale of merchandise and finished goods

The Group sells its merchandise and finished goods 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's location. Therefore, revenue is recognized at the time of arrival. In addition, some merchandise and finished goods may require installation work at the time of sale. Regarding installation work, in principle, it is determined that the customer obtains control and the performance obligation is satisfied when the installation is completed. Therefore, revenue is recognized at the time of the completion of the installation. The installation work is treated as a separate performance obligation from the delivery of merchandise and finished goods, and the transaction price is allocated to each performance obligation based on the stand-alone selling prices which are mainly estimated based on the expected cost plus a margin approach. Payment for these performance obligations is received within a short period of time after the delivery of merchandise and finished goods or the completion of installation work, and such payments do not include significant financing components. When the Group receives advance payment from the customers, contract liability is recognized.

B. Construction contracts

The Group enters into long-term construction contracts, mainly for its Housing Technology business. With regard to construction contracts, cost of the product is deemed to be incurred at installation or when 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 recognized based on the percentage of completion as of the end of the fiscal year. The percentage of completion is determined as the ratio of construction contract costs incurred to date to the estimated total cost of the construction contract. On the other hand, when the outcome of the construction contract cannot be reliably estimated, the revenue is recognized only to the extent that 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 incurred are recognized as an expense immediately. Also, if the amount of the construction contract is not fixed in a timely manner, the contract amount is estimated as a variable consideration, which is the most likely amount based on the negotiation status with customers, until the contract amount is fixed, and revenue is recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. In general, the Group charges according to volume on a monthly basis and receives payments within a short period of time and such payments do not include significant financing components.

Either contract assets or contract liabilities are recorded according to the relationship between the amount of revenue recognized based on the percentage of completion and amount of payments from the customers. In the case of ongoing construction contracts as of the end of the fiscal year, when the customer pays or the Group recognizes revenue (after deducting the recognized losses) before the payment due date, contract assets are recorded at the amount of consideration right to be received excluding the amount of other receivables. On the other hand, contract liability is accounted for 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). The amounts of contract assets and contract liabilities are calculated for each contract.

C. Other

The Group provides various services such as development of homebuilding franchise chains and real estate trading associated with the housing solutions businesses and real estate businesses in the Housing Technology business. Regarding the development of homebuilding franchise chains, the Group has an obligation mainly to purchase housing materials in bulk and deliver them directly to franchised stores. When a franchisee inspects the material, they are considered to have acquired the control, and the performance obligation is satisfied. Therefore, revenue is recognized at the time of inspection. Payment concerning this performance obligation is received shortly after the franchisee inspects the materials. As for real estate transactions, the Group deems that the buyer acquires control and the performance obligation is satisfied when the property is delivered to the buyer, and the revenue is recognized at the time of property delivery. Payment for this performance obligation is received within a short period of time.

12) Income Taxes

Income tax expense represents the sum of current income taxes and deferred income taxes. Income taxes are recognized in profit or loss, except for taxes arising from items that are recognized in other comprehensive income or recognized directly in equity and taxes arising from business combinations.

Current income taxes are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the fiscal year. Deferred income taxes are measured based on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes at the fiscal year end.

Deferred tax assets are recognized for deductible temporary differences and tax loss carryforwards, to the extent that it is probable that future taxable profit will be available, against which they can be utilized. Deferred tax liabilities are recognized, in principle, for taxable temporary differences. Deferred tax assets and liabilities are recognized for all taxable temporary differences, except:

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- Deductible temporary differences arising from investments in subsidiaries and associates to the extent that it is probable that the temporary differences will not reverse in the foreseeable future, and it is not probable that future taxable profits will be available against which they can be utilized
- Taxable temporary differences associated with investments in subsidiaries and associates, when the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority on the

same taxable entity or if different taxable entities intend to settle current tax liabilities and assets on a net basis or are planning to realize the assets and settle the liabilities simultaneously.

The Group applies the exceptions to recognition and disclosure in the revisions of IAS 12 issued on May 23, 2023 in respect of deferred tax assets and liabilities for income taxes arising from tax laws enacted or substantially enacted to introduce the Pillar 2 Model Rules published by The Organisation for Economic Co-operation and Development (OECD).

13) Foreign currency translation

A. Translation of foreign currency transactions

Foreign currency transactions are translated into the respective functional currencies of the group companies using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate as of the fiscal year end. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange differences arising on translations and settlements are recognized in profit or loss. Exchange differences arising from financial assets measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

B. Translation of foreign operations

Assets and liabilities of foreign operations (including goodwill arising from acquisitions and the adjustments of fair value) are translated into Japanese yen using the exchange rate as of the fiscal year end. Revenue and expenses are translated into Japanese yen using the average exchange rate for the fiscal year, unless there is no significant fluctuation in the exchange rate. Translation differences are recognized in other comprehensive income. Upon the disposal of a foreign operation, involving a loss of control, the cumulative amount of foreign currency translation differences relating to the applicable foreign operation are transferred to profit or loss in the period of disposal.

C. Hyperinflation adjustment

The financial performance and financial position of foreign operation in hyperinflationary economies reflects effects of the inflation. Incomes and expenses are translated into Japanese yen at the exchange rate of the end of the fiscal year.

14) Assets held for sale

An asset or asset group that is expected to be recovered through a sale transaction rather than through continuing use is classified as an asset or disposal group held-for-sale if management commits to a plan to sell, it is highly probable that the asset or asset group will be sold within one year and the asset or asset group is available for immediate sale in its present condition. Assets classified as held for sale or included within a disposal group that is classified as held for sale are measured at the lower of their carrying amount or their fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale and property, plant and equipment and intangible assets included within a disposal group that is classified as held for sale are not depreciated or amortized.

15) Discontinued operations

The Group recognizes a discontinued operation over a component of the Group's business which has already been disposed of, or is classified as held for sale and which represents a separate major line of business or geographical area of operations and there is a plan to dispose of one of the businesses or geographical areas.

16) Group tax sharing system

The Company and its wholly owned subsidiaries in Japan apply the group tax sharing system.

2. Notes on Accounting Estimates

Items whose amounts were recognized in the consolidated financial statements for the fiscal year ended March 31, 2024 and that are based on accounting estimates that may have a material impact on the consolidated financial statements for the following fiscal year are as follows:

(1) Valuation of goodwill and intangible assets with indefinite useful lives for LIXIL Europe S.à r.l.

1) Amounts recognized in the consolidated statement of financial position as of March 31, 2024

| | |
|---|---|
| Goodwill | 195,012 million yen |
| Trademarks | 220,200 million yen |

2) Other information

Impairment tests are performed for goodwill and intangible assets with indefinite useful lives of LIXIL Europe S.à r.l. as follows.

Recoverable amounts are determined using value in use. The value in use reflects past experiences and external sources of information and is calculated at the discounted present value of estimated future cash flows based on the five-year business plans approved by management. In addition, for the period following the five-year business plans, growth rates for estimated future cash flows are estimated to diminish to a terminal growth rate in five years, which refers to the inflation rate by referencing expected long-term growth rates in plumbing fixtures markets to which the CGUs belong. The discount rate is determined based on the weighted-average cost of capital before tax.

The growth rate, which is used for impairment test, is 2.1% and the discount rate is 9.5% for the year ended March 31, 2024.

Estimates of future cash flows, growth rates and discount rates may be affected by changes in uncertain future economic conditions, and if the actual amounts and actual rates differ from the estimates, it may cause a material impact on the amounts of goodwill and trademarks recognized in the consolidated financial statements for the following fiscal year.

(2) Valuation of goodwill and intangible assets with indefinite useful lives for ASD Holding Corp.

1) Amounts recognized in the consolidated statement of financial position as of March 31, 2024

| | |
|---|---|
| Goodwill | 37,625 million yen |
| Trademarks | 21,031 million yen |

2) Other information

Impairment tests are performed for goodwill and intangible assets with indefinite useful lives of ASD Holding Corp. as follows.

Recoverable amounts are determined using value in use. The value in use reflects past experiences and external sources of information and is calculated at the discounted present value of estimated future cash flows based on the five-year business plans approved by management. In addition, for the period following the five-year business plans, growth rates for estimated future cash flows are estimated to be the terminal growth rate, which refers to the inflation rate by referencing expected long-term growth rates in plumbing fixtures markets to which the CGUs belong. The discount rate is determined based on the weighted-average cost of capital before tax and reflected risks specific to ASD Holding Corp. based on the evaluation of the uncertainty in future cash flows.

The growth rate, which is used for impairment test, is 2.5% and the discount rate is 10.7% for the year ended March 31, 2024.

Estimates of future cash flows, growth rates and discount rates may be affected by changes in uncertain future economic conditions, and if the actual amounts and actual rates differ from the estimates, it may cause a material impact on the amounts of goodwill and trademarks recognized in the consolidated financial statements for the following fiscal year.

(3) Recoverability of deferred tax assets

1) Amount recognized in the consolidated statement of financial position as of March 31, 2024

Deferred tax assets 83,284 million yen

(Deferred tax assets recognized for tax loss carryforwards are 50,473 million yen)

2) Other information

Deferred tax assets are recognized for deductible temporary differences and tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which they can be utilized. The estimated taxable income is based on a business plan approved by management.

Most of the deferred tax assets are recognized by the Company. The recoverability of deferred tax assets is determined based on projections including estimates of future taxable income based on the five-year business plans.

Estimates of taxable income may be affected by changes in uncertain future economic conditions, and if the actual timing and amount of taxable income differ from the estimates, it may cause a material impact on the amount of deferred tax assets recognized in the consolidated financial statements for the following fiscal year.

3. Notes to Consolidated Statement of Financial Position

(1) Pledged assets

| | | |
|---|---|---|
| Equity instruments | 55 | million yen |

The above assets are pledged as collateral for liabilities as follows:

| | | |
|---|---|---|
| Accounts payable – trade | 502 | million yen |

(2) Allowance for doubtful accounts directly deducted from assets

| | | |
|---|---|---|
| Trade and other receivables | 3,481 | million yen |
| Other financial assets (Current assets) | 44 | million yen |
| Other financial assets (Non-current assets) | 1,797 | million yen |
| Total | 5,322 | million yen |

(3) Accumulated depreciation and impairment losses on property, plant and equipment

776,148 million yen

(4) Other liabilities

The components of other current liabilities of 92,102 million yen and other non-current liabilities of 10,662 million yen totaling 102,764 million yen are as follows:

| | | |
|---|---|---|
| Accrued bonuses | 23,600 | million yen |
| Consumption taxes payables | 8,592 | million yen |
| Unused paid absences | 14,834 | million yen |
| Cash-settled share-based payment expense | 1,681 | million yen |
| Other | 54,057 | million yen |
| Total | 102,764 | million yen |

(5) Contingent liabilities

| | | | |
|---|---|---|---|
| Indemnity based on the share transfer agreement (disputes) | 4,807 | million yen | (Note) |

Note: On September 30, 2020, 100% of the shares of Permasteelisa S.p.A ("Permasteelisa"), which was a subsidiary of the Company, was sold. For certain disputes involving Permasteelisa occurring prior to the date of the share transfer, the Company is obligated to indemnify the transferee from losses incurred by Permasteelisa on or after the date of the share transfer. For the amount expected to be fulfilled, liabilities have been recorded in the consolidated statement of financial position and are not included in the above amount.

4. Notes to Consolidated Statement of Profit or Loss

(1) Revenue

1) The relation between disaggregated revenue and segment revenue is as follows:

(Millions of yen)

| | Segment | | Consolidated |
|---|---|---|---|
| | Water Technology business | Housing Technology business | |
| Japan | 411,754 | 563,473 | 975,227 |
| Asia | 138,065 | 26,699 | 164,764 |
| Europe | 145,982 | 96 | 146,078 |
| North America | 184,964 | 311 | 185,275 |
| Other | 11,792 | 88 | 11,880 |
| Total | 892,557 | 590,667 | 1,483,224 |

Notes: 1. Amounts after deduction of internal transactions between group companies are presented.

2. Revenue is classified by country or region based on the location of customers.

3. Major countries or regions that belong to categories of Asia, Europe and North America are as follows:

- Asia: China, Thailand, Vietnam and India
- Europe: Germany, France and Netherlands
- North America: USA, Canada and Mexico

4. For an overseas subsidiary that has been formerly classified as "Housing Technology business", due to a change in the subsidiary's distribution, the Group reviewed the management system for this subsidiary. As a result, the subsidiary has separated the reporting segments into "Water Technology business" and "Housing Technology business" from the fiscal year ended March 31, 2024. Compared to when aggregating the revenue by the conventional method, revenue of the "Water Technology business" for the fiscal year ended March 31, 2024 increased by 5,145 million yen in "Asia" and 605 million yen in "Other", and revenue of "Housing Technology business" decreased by the same amount, respectively.

2) Contract balance

(Millions of yen)

| | Balance at the beginning of the current fiscal year (As of April 1, 2023) | Balance at the end of the current fiscal year (As of March 31, 2024) |
|---|---|---|
| Contract assets | 19,218 | 16,816 |
| Contract liabilities | 8,962 | 8,982 |

There was no material change in the balance of contract assets for the fiscal year ended March 31, 2024.

There was no material change in the balance of contract liabilities for the fiscal year ended March 31, 2024. The amount included in the balance of contract liabilities as of April 1, 2023 and recognized as revenue for the year ended March 31, 2024 was 7,451 million yen. The amount of revenue recognized for the fiscal year ended March 31, 2024 from performance obligations that were satisfied (or partially satisfied) in prior period is not significant.

3) Transaction price allocated to remaining performance obligations

Total amount of transaction price allocated to remaining performance obligations at the end of the current fiscal year is 91,198 million yen, and the revenue related to the construction contract is recognized based on the percentage of completion of the construction work. It is expected to be recognized over one to 72 months from the end of the fiscal year ended March 31, 2024. However, the amount of transactions with the original expected duration of one year or less is not included in the above amount, since the Group has adopted the practical expedient. There is no significant amount in consideration received from customers which is not included in the transaction price.

(2) Costs related to "Career Option Program"

The Group is working to enhance their personnel systems to support multigenerational career planning and development. As part of this initiative, the Group implements "Career Option Program" which permanent employees working at object of companies of the Group in Japan who have reached a certain age with certain duration of service will be able to select the option of pursuing opportunities outside the company before the usual statutory retirement age.

Costs for premium retirement allowance and outplacement services related to "Career Option Program" were recorded under cost of sales and selling, general and administrative expenses for the year ended March 31, 2024 as follows:

| | | |
|---|---|---|
| Cost of sales | 667 | million yen |
| Selling, general and administrative expenses | 1,728 | million yen |
| Total | 2,395 | million yen |

(3) Gain on sale of a disposal group held-for-sale

The Group recognized gain on sale of a disposal group held for sale amounting to 2,248 million yen as other income. This gain was recorded due to the transfer of all the shares of Sonitech Corporation ("Sonitech"), which was a consolidated subsidiary in the Housing Technology business segment, to a special purpose company wholly owned by a fund to which Nippon Mirai Capital Co., Ltd. ("Nippon Mirai Capital") provides investment-related support services. This transfer was implemented on December 1, 2023.

The Company has striven to optimize its business portfolio by streamlining its operations, strengthening its financial position, and advancing its focus on core businesses. The above decision is part of efforts that the Company has pursued to date.

Sonitech, which is to be transferred, provides services by estimating a wide variety of building subsidiary materials from a drawing in accordance with requests, and by building a business/logistics system to be supplied for each construction process. Through these operations, the said company contributes to the improvement of customers' productivity by offering one-stop services that suit the individual circumstances of customers ranging from large ones such as major builders and house makers to small ones like independent builder's offices.

The transferee Nippon Mirai Capital has a high level of know-how in resolution of managerial issues, as well as development of growth strategies of investees and initiatives to support their implementation. Thinking that Nippon Mirai Capital becoming a new shareholder of Sonitech will enable the support of Sonitech's future business growth and expansion and the development of higher-value added services to customers, the Group has considered Nippon Mirai Capital as a perfect partner who contributes to the enhancement of the corporate value of Sonitech, and made this decision.

(4) Loss recognized on the measurement to fair value less costs to sell the disposal group held for sale

The Group recognized loss recognized on the measurement to fair value less costs to sell the disposal group held for sale, which amounted to 1,097 million yen as other expenses. This loss was recorded due to the decision made to transfer the asset securitization business (real estate purchase and resale business) of LIXIL REALTY Corporation ("LIXIL REALTY"), a consolidated subsidiary in the Housing Technology business segment, through an absorption-type company split with TOSEI-R, Inc. which is a subsidiary of Tosei Corporation ("Tosei") as the successor company. This transfer was implemented on September 1, 2023.

The Company has striven to optimize its business portfolio by streamlining its operations, strengthening its financial position, and advancing its focus on core businesses. The above decision is part of efforts that the Company has pursued to date. The Company made the decision to execute the transfer of LIXIL REALTY's asset securitization business because it includes many real estate assets as a result of its selling/purchasing operations and management of income property and, combined with the consideration that Tosei's business has a wealth of experience and know-how in the said field, will lead to further growth of this business.

(5) Dissolution and occurrence of loss of consolidated subsidiary (Decorative Panels International, Inc.)

The Company has decided to dissolve Decorative Panels International, Inc. ("DPI") owned by ASD Holding Corp. ("ASD"), which is a consolidated subsidiary of the Company.

The Group aims to be an entrepreneurial company that can achieve sustainable competitiveness and growth in order to fulfill its corporate purpose to contribute to society by making better homes a reality for everyone, everywhere. To achieve this aim, the Group is taking a number of steps to transform its operations. These include, strengthening governance, focusing on actively managing the core businesses to enhance productivity and efficiency, driving synergies across business areas, and optimizing the business portfolio to accelerate growth and strengthen financial conditions.

As a manufacturer and distributor of wall panels, DPI became a group company under the ASD umbrella when the Company acquired the shares of ASD in 2013. Since then, DPI has been seeking synergies with the Company's US operations. However, challenging economic and market conditions have undermined efforts to revitalize the business. Therefore after evaluating all available options, the Company has decided to dissolve DPI in order to advance the simplification of our business and the unification of our organizational structure, and also further improve productivity and efficiency.

As a result of this decision, the Group recorded inventory write-downs of 583 million yen in cost of sales and impairment losses and others of 3,692 million yen in other expenses.
See "(6) Impairment losses" below for an overview of the impairment losses.

(6) Impairment losses

Impairment losses of 4,575 million yen were recorded as other expenses. The main assets for which impairment losses were recorded are stated below.

(Millions of yen)

| Category | Segment | Component and amount | |
|---|---|---|---|
| Manufacturing facilities for wall panels | Water Technology business | Buildings and structures | 345 |
| | | Machinery and vehicles | 792 |
| | | Construction in progress | 276 |
| | | Other | 147 |
| | | Total | 1,560 |
| Manufacturing facilities for sanitary wares | Water Technology business | Buildings and structures | 437 |
| | | Machinery and vehicles | 713 |
| | | Other | 58 |
| | | Total | 1,208 |

The manufacturing facilities for wall panels are assets belonging to DPI. As DPI's financial results were showing a significant decline in profitability, a decision was made to dissolve the company and the carrying amount of those assets have been reduced to their recoverable amounts. The recoverable amounts are measured using the fair value less costs of disposal.
The manufacturing facilities for sanitary wares are assets located inside China. Due to the suspension of operations at some of the manufacturing facilities as a result of the financial results showing a significant decline in profitability, the carrying amounts of those assets have been reduced to the recoverable amounts. The recoverable amounts are measured using the fair value less costs of disposal.

(7) Recording a loss for the year discontinued operations

(Loss recognized on the measurement to fair value, accounts receivable)

The Company completed the transfer of the shares of Permasteelisa on September 30, 2020. Permasteelisa was the Company's former consolidated subsidiary. The Group agreed on the contribution of a certain amount of capital, of which up to 100 million euros ("Deferred Consideration") would be refunded to the Company in the event that the cash flow of Permasteelisa from the date of the share transfer to March 31, 2022 meets certain conditions and in accordance with the procedure set forth in the share transfer agreement.

The cash flow of Permasteelisa, which is to be used to determine the Deferred Consideration, is adjusted for certain items in the share transfer agreement.

From the date of the share transfer, the Company has been recording the fair value of the accounts receivable assessed by independent valuation experts in its consolidated financial statements, based on ongoing information obtained from the buyer, including the cash flow information of Permasteelisa, to evaluate the Deferred Consideration. With respect to such Deferred Consideration, the Company and the buyer had requested the accounting firm ("Independent Accountant"), appointed pursuant to the agreement between the seller and the buyer, to evaluate the terms of the Deferred Consideration including the adjustment of Permasteelisa's cash flows. Based on the results of the Independent Accountant's evaluation, the Company recorded a loss recognized on the measurement to fair value, accounts receivable of 6,939 million yen (before tax) based on the re-evaluation of the fair value of accounts receivable.

5. Consolidated Statement of Changes in Equity

(1) Class and total number of shares outstanding and class and number of treasury shares

| | Class of shares | Number of shares at the beginning of the current fiscal year (shares) | Increase during the current fiscal year (shares) | Decrease during the current fiscal year (shares) | Number of shares at the end of the current fiscal year (shares) |
|---|---|---|---|---|---|
| Shares outstanding | Ordinary shares | 287,109,659 | 102,131 | – | 287,211,790 |
| Treasury shares | Ordinary shares | 51,992 | 8,156 | 825 | 59,323 |

Notes: The increase in shares outstanding is due to the issuance of new shares as restricted stock linked compensation.

(2) Dividends

1) Dividends paid

| Resolution | Class of shares | Total dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Board of Directors Meeting held on May 22, 2023 | Ordinary shares | 12,918 | 45 | March 31, 2023 | June 6, 2023 |
| Board of Directors Meeting held on October 31, 2023 | Ordinary shares | 12,922 | 45 | September 30, 2023 | November 30, 2023 |
| Total | – | 25,840 | – | – | – |

2) Dividends with a record date in the current fiscal year but an effective date subsequent to the current fiscal year

| Resolution | Class of shares | Total dividends (Millions of yen) | Source of Dividends | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Board of Directors Meeting held on May 20, 2024 | Ordinary shares | 12,922 | Retained earnings | 45 | March 31, 2024 | June 4, 2024 |

6. Financial Instruments

(1) Financial instruments

Risks of financial instruments and risk management system for the risks are as follows:

1) Market risk management

The Group's businesses are exposed mainly the fluctuation risks arising from the economic and financial market environments. These include A. currency risk, B. interest rate risk, C. price risk of equity instruments and D. commodity price risk.

A. Currency risk

Currency risk arises from transactions undertaken by the Group companies in currencies other than the functional currency. It may affect the selling prices and revenue of finished goods denominated in foreign currencies.

The Group manages such currency risk arising from foreign currency transactions by utilizing foreign exchange forward contracts and cross-currency interest rate swaps.

B. Interest rate risk

Since the Company and certain subsidiaries borrow funds at both fixed and floating interest rates, those at floating interest rates are exposed to interest rate risk. To mitigate this risk, the Group maintains an appropriate mix of fixed and floating interest rate borrowings, and also utilizes interest rate swaps and cross-currency interest rate swaps.

C. Price risk of equity instruments

Price risk of equity instruments arises from equity instruments (shares) that the Group holds mostly to strengthen relationships with counterparties.

To manage the price risk, the Group regularly analyzes market values and financial conditions of issuers and reconsiders its portfolio if necessary.

D. Commodity price risk

The Group enters into commodity swap contracts to manage and mitigate risks arising from price changes of raw materials (mainly aluminum ingots and copper).

2) Credit risk management

Trade and other receivables arising from the Group's business transactions are exposed to credit risk of its counterparties.

To manage credit risk, the Group sets credit limits and regularly monitors credit status and operations of its counterparties. As it is necessary to minimize potential risks, such as concentrations of credit risk and the counterparty's failure to make payments, the Group adjusts credit limits based on the results of such monitoring. The Group also takes security measures, such as collateral and guarantees depending on the credit status of the counterparties. Since the Group's customer base is broad and not interrelated, the Group is not exposed to excessive risk of customer concentrations.

Derivative transactions are restricted to high credit rating financial institutions to minimize credit risk.

The carrying amount of financial instruments exposed to credit risk and the amount disclosed in "3. Notes to Consolidated Statement of Financial Position (5) Contingent liabilities" represent the maximum exposure to credit risk at the fiscal year end without considering the value of collateral held by the Group.

3) Liquidity risk management

The Group raises funds by issuing bonds, borrowings and other means. These liabilities are exposed to liquidity risk, such as failure to repay by the due date because of deteriorating funding environments. To mitigate this risk, the Group develops and revises funding plans on a timely basis, and maintains ample cash balances and credit lines from financial institutions.

(2) Fair value of financial instruments

1) Method of fair value measurement

| | |
|---|---|
| Equity instruments | Fair value of marketable shares is measured at a market price of identical assets in an active market and such shares are classified as Level 1 because it is observable. Fair value of unquoted equity shares is measured using valuation techniques such as comparison of similar publicly held companies or the discounted cash flow method. If all significant inputs used in the measurement such as quoted prices and discount rate are observable, instruments are classified as Level 2. If significant unobservable inputs are included then the instruments are classified as Level 3. |
| Other financial assets, and bonds and borrowings | Fair values of other financial assets as well as bonds and borrowings are measured at present value using a discount rate adjusted for credit risks of the Group or its counterparties. Since the fair value is measured using observable market data then the instruments are classified as Level 2. If significant unobservable inputs are included then the instruments are classified as Level 3. |
| Derivatives | Fair values of derivatives are determined using valuation techniques such as the discounted cash flow method presented by the Group's financial institutions and rating agencies, etc. If all significant inputs used in the measurement such as foreign exchange rates and discount rate are observable, instruments are classified as Level 2. If significant unobservable inputs are included, instruments are classified as Level 3. |

2) Fair value hierarchy

The fair value hierarchy is divided as follows. Transfers between the levels are recognized as if the transfers occurred at the end of the fiscal year.

| | |
|---|---|
| Level 1 | Fair value measured at (unadjusted) quoted prices in active markets for identical assets or liabilities that the entity can access as at the measurement date |
| Level 2 | Fair value calculated using inputs other than quoted prices included in Level 1, which are directly or indirectly observable for the asset or liability |
| Level 3 | Fair value calculated using unobservable inputs for the asset or liability |

(3) Carrying amount and fair value of financial instruments

In the consolidated statement of financial position, the carrying amount and fair value of financial instruments that are not measured at fair value on a recurring basis but whose fair value is required to be disclosed, and difference between them are as follows:

(Millions of yen)

| | Carrying amount | Fair value | Difference |
|---|---|---|---|
| Assets | | | |
| Financial assets measured at amortized cost | | | |
| Other financial assets | 30,204 | 30,219 | 15 |
| Liabilities | | | |
| Financial liabilities measured at amortized cost | | | |
| Bonds and borrowings | 615,416 | 613,759 | (1,657) |

Notes: 1 Assets and liabilities with carrying amounts which approximate fair value are not included in the above table.

2 Fair values by levels within the fair value hierarchy as of March 31, 2024 are as follows:

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Financial assets measured at amortized cost | | | | |
| Other financial assets | – | 25,177 | 5,042 | 30,219 |
| Liabilities | | | | |
| Financial liabilities measured at amortized cost | | | | |
| Bonds and borrowings | – | 613,759 | – | 613,759 |

(4) Measurement of fair value recognized in the consolidated statement of financial position

In the consolidated statement of financial position, components of assets and liabilities that are measured at fair value on a recurring basis are as follows:

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Equity instruments | 35,798 | – | 4,954 | 40,752 |
| Derivative assets | – | 1,551 | – | 1,551 |
| Financial assets measured at fair value through profit or loss | | | | |
| Derivative assets | – | 217 | – | 217 |
| Liabilities | | | | |
| Financial liabilities measured at fair value through other comprehensive income | | | | |
| Derivative liabilities | – | 386 | – | 386 |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivative liabilities | – | 559 | – | 559 |

Notes: 1 Equity instruments and derivative assets are recorded as other financial assets in the consolidated statement of financial position.

2 Derivative liabilities are recorded as other financial liabilities in the consolidated statement of financial position.

3 Reconciliation of financial instruments categorized as Level 3 is as follows:
The fair value of unquoted equity shares categorized as Level 3, included in equity instruments, is measured in accordance with valuation techniques including the comparable company analysis method, discounted cash flow method and others. Profit or loss are recorded in "Profit or loss for the year from discontinued operations" in the consolidated statement of profit or loss. Gains and losses included in other comprehensive income are recorded in "Net fair value gain (loss) on equity instruments measured through other comprehensive income" in the consolidated statement of changes in equity.

(Millions of yen)

| | |
|---|---|
| Balance as of April 1, 2023 | 12,682 |
| Gains and losses | |
| Profit or loss | (6,435) |
| Other comprehensive income | (1,254) |
| Sale | (39) |
| Balance as of March 31, 2024 | 4,954 |

7. Investment Property

The Company and certain subsidiaries own investment property in Tokyo and other areas in Japan. The carrying amount and fair value of the investment property as of March 31, 2024 are as follows:

(Millions of yen)

| | |
|---|---|
| Carrying amount | 2,084 |
| Fair value | 4,851 |

Notes: 1 Carrying amount of investment property represents cost less accumulated depreciation and impairment losses.

2 Fair value of investment property is mainly determined by external real estate appraisers using the income approach or referring to market prices of similar assets.

8. Per Share Information

(1) Equity attributable to owners of the parent per share 2,237.53 yen

(2) Basic earnings per share

| | |
|---|---|
| Continuing Operations | (30.46) yen |
| Discontinued Operations | (17.97) yen |
| Total | (48.43) yen |

9. Other Notes

Figures less than one million yen are rounded off.

# Notes to Nonconsolidated Financial Statements

1. Significant Accounting Policies

(1) Standards and methods for valuation of assets

1) Valuation standards and methods for securities

A. Investments in subsidiaries and associates

Stated at cost determined by the moving-average method. Shares that do not have market prices are written down when the substantial values have declined as a result of deterioration of the issuing company's financial position.

B. Available-for-sale securities

(i) Securities other than shares that do not have market prices, etc.

Stated at fair value at the end of the fiscal year. Unrealized gains or losses, net of applicable income taxes, are directly included in equity. Costs of securities sold are determined by the moving-average method. The valuation differences are recognized as losses when the market values declined and are not expected to recover.

(ii) Shares that do not have market prices, etc.

Stated at cost determined by the moving-average method. Shares are written down when the substantial values have declined as a result of deterioration of the issuing company's financial position.

2) Valuation standards for derivative

Stated at fair value.

3) Standards and methods for valuation of inventories

Stated at cost determined by the weighted-average method. The figures shown in the balance sheet have been calculated in accordance with the write-down approach based on decline in profitability.

(2) Depreciation method of non-current assets

1) Property, plant and equipment other than leased assets

Depreciated under the declining-balance method. Certain buildings and structures are depreciated using the straight-line method.

2) Intangible assets other than leased assets

Depreciated under the straight-line method.

3) Leased assets

A. Leased assets regarding finance leases which transfer ownership

Calculated by the same depreciation method as applied to the self-owned non-current assets.

B. Leased assets regarding finance leases which do not transfer ownership

Depreciated over the lease term using the straight-line method with no residual value.

(3) Provisions

1) Allowance for doubtful accounts

An allowance is provided for an estimated uncollectible amount based on the actual historical percentage of bad debts in the case of general receivables and based on case-by-case examination of collectability in the case of specific receivables including doubtful receivables.

2) Provision for bonuses

An accrual is provided for the payment of employees' bonuses based on the expected amount to be paid.

3) Provision for bonuses for directors (and other officers)

An accrual for the current fiscal year is included in the estimated payment amount based on the stock price-linked compensation.

4) Provision for loss on factory restructuring

An accrual is provided for an estimated amount of probable losses in connection with factories restructuring.

5) Provision for retirement benefits

An accrual is provided for an employees' pension and retirement benefits at the balance sheet date based on the estimated amount of projected retirement benefit obligations and plan assets at the end of the fiscal year.

In calculating retirement benefit obligation, the benefit formula basis is used for attributing expected retirement benefits for the period up to the end of the current fiscal year.

Actuarial gains and losses and past service liabilities are included in profit or loss when they occur.

6) Provision for loss on businesses of subsidiaries and associates

An accrual is provided for an estimated amount of probable losses based on consideration of the financial conditions of the subsidiaries and associates.

(4) Recognition of significant revenue and cost

Details of major performance obligations in the major businesses of LIXIL Corporation (the "Company") in relation to revenue from contracts with customers and normal timing of satisfying these performance obligations (normal timing of recognizing revenue) are as follows:

1) Sale of merchandise and finished goods

The Company sells its merchandise and finished goods to dealers and agents 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 merchandise and finished goods arrive at the customer's location. Therefore, revenue is recognized at the time of arrival. In addition, some merchandise and finished goods may require installation work at the time of sale. Regarding installation work, in principle, it is determined that the customer obtains control and the performance obligation is satisfied when the installation is completed. Therefore, revenue is recognized at the time of the completion of the installation. The installation work is treated as a separate performance obligation from the delivery of merchandise and finished goods, and the transaction price is allocated to each performance obligation based on stand-alone selling prices which are mainly estimated based on the expected cost plus margin approach. Payment for these performance obligations is received within a short period of time after the delivery of merchandise and finished goods or the completion of installation work and such payments do not include significant financing components. When the Company receives advance payment from the customers, contract liability is recognized.

2) Construction contracts

The Company enters into long-term construction contracts, mainly for its Housing Technology business. With regard to construction contracts, cost of the product is deemed to be incurred at installation or when 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 recognized based on the percentage of completion as of the end of the fiscal year. The percentage of completion is determined as the ratio of construction contract costs incurred to date to the estimated total cost of the construction contract.

On the other hand, when the outcome of the construction contract cannot be reliably estimated, the revenue is recognized only to the extent that 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 incurred are recognized as an expense immediately. Also, if the amount of the construction contract is not fixed in a timely manner, the contract amount is estimated as a variable consideration, which is the most likely amount based on the negotiation status with customers, until the contract amount is fixed, and revenue is recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. In general, the Company charges according to volume on a monthly basis and the Company receives payments within a short period of time, and such payments do not include significant financing components.

Either contract assets or contract liabilities are recorded according to the relationship between the amount of revenue recognized based on the percentage of completion and amount of payments from the customers. In the case of ongoing construction contracts as of the end of the fiscal year, when the customer pays or the Company recognizes revenue (after deducting the recognized losses) before the payment due date, contract assets are recorded at the amount of consideration right to be received excluding the amount of other receivables. On the other hand, contract liability is accounted for 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). The amounts of contract assets and contract liabilities are calculated for each contract.

(5) Other significant matters serving as the basis for the preparation of financial statements

Hedge accounting

A. Method of hedge accounting

Deferred hedging is applied. Foreign currencies are translated at the contracted rates if the forward currency contracts qualify for hedge accounting. The interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. Integrated accounting is applied to cross-currency interest rate swaps that meet the requirements for hedge accounting.

B. Hedging instruments and Hedged items

(i) Hedging instruments

Derivative transactions (Foreign exchange forward contracts, commodity swaps, interest rate swaps and cross-currency interest rate swaps)

(ii) Hedged item

Foreign currency transactions, raw material procurement transactions, receivables and payables dominated in foreign currencies to fund procurement

C. Hedging policy

To manage risk arising from currency exchange, price changes of raw materials and interest rate.

D. Method of assessing effectiveness of hedging

The effectiveness of hedging is evaluated by assessing the amount of receivables or payables related to hedged items, the hedge transaction conditions related to each derivative transaction and other factors on an individual basis.

2. Changes in Presentation Methods

Nonconsolidated Statement of Income

Although foreign exchange losses (382 million yen recorded in the fiscal year ended March 31, 2023) was previously included in "Other non-operating expenses," it has been presented as "Foreign exchange losses" from the fiscal year ended March 31, 2024 due to its increased materiality.

3. Notes on Accounting Estimates

Items, which are accounted for based on accounting estimates, and are recognized in the financial statements for the fiscal year ended March 31, 2024 that may have a material impact on the financial statements for the following fiscal year are as follows:

(1) Valuation of investments in subsidiaries and associates

1) Amount recognized in the balance sheet as of March 31, 2024

Out of 357,011 million yen of investments in subsidiaries and associates:

| | |
|---|---|
| related to LIXIL Europe S.à r.l. | 158,994 million yen |
| related to ASD Holding Corp. | 54,688 million yen |

2) Other information

Among the shares of subsidiaries and associates, the Company compared the carrying amounts and the substantial values reflecting the excess earning power for the valuation of investments in LIXIL Europe S.à r.l. and ASD Holding Corp.

The substantial values reflecting the excess earning power are described in Note 2. "Notes on Accounting Estimates" in Notes to Consolidated Financial Statements.

The substantial values reflecting the excess earning power may be affected by changes in uncertain future economic conditions, and if the substantial values decline it may cause a material impact on the valuation of investments in subsidiaries and associates recognized in the financial statements for the following fiscal year.

(2) Recoverability of deferred tax assets

1) Amount recognized in the balance sheet as of March 31, 2024

| | |
|---|---|
| Deferred tax assets | 64,437 million yen |

(Deferred tax assets recognized for tax loss carryforwards are 49,897 million yen)

2) Other information

Deferred tax assets are recognized for deductible temporary differences and tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which they can be utilized. The estimated taxable income is based on a business plan approved by management.

The recoverability of deferred tax assets is determined by profitability based on the five-year business plans and the taxable income before adjusting temporary difference based on the tax planning.

Estimates of taxable income may be affected by changes in uncertain future economic conditions, and if the actual timing and amount of taxable income differ from the estimates, it may cause a material impact on the amount of deferred tax assets recognized in the financial statements for the following fiscal year.

4. Notes to the Nonconsolidated Balance Sheet

(1) Accumulated depreciation on property, plant and equipment 539,388 million yen

(2) Contingent liabilities

1) The guarantee obligations are as follows:

The Company guarantees loans due to financial institutes of the following subsidiaries or associates:

| | | |
|---|---|---|
| Grohe Holding GmbH | 74,274 | million yen |
| LIXIL Philippines Inc. | 529 | million yen |
| LIXIL WINDOW SYSTEMS PRIVATE LIMITED | 192 | million yen |
| LIXIL India Sanitaryware Private Limited | 179 | million yen |

The Company guarantees loans due to the finance subsidiaries of the following subsidiaries or associates:

| | | |
|---|---|---|
| AS America, Inc. | 50,136 | million yen |
| LIXIL AFRICA HOLDINGS (Pty) Ltd. | 6,277 | million yen |
| LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd. | 5,139 | million yen |
| Other | 20,619 | million yen |

The Company provides guarantees to financial institutes for the factoring liabilities of the following subsidiaries or associates:

| | | |
|---|---|---|
| LIXIL Logistics Corporation | 851 | million yen |
| G TERIOR Corporation | 735 | million yen |
| Other | 1,170 | million yen |

The Company guarantees lease liabilities of the following subsidiaries or associates:

| | | |
|---|---|---|
| Hisai LIXIL Factory Corporation and other 35 companies | 1,413 | million yen |
| Other | 291 | million yen |

2) Indemnities based on the share transfer agreement are as follows:

| | | | |
|---|---|---|---|
| Indemnity based on the share transfer agreement (disputes) | 4,807 | million yen | (Note) |

Note On September 30, 2020, 100% of the shares of Permasteelisa S.p.A ("Permasteelisa") which was a subsidiary of the Company, was sold. For certain disputes involving Permasteelisa occurring prior to the date of the share transfer, the Company is obligated to indemnify the transferee from losses incurred by Permasteelisa on or after the date of the share transfer. For the amount expected to be fulfilled, liabilities have been recorded in the balance sheet and are not included in the above amount.

3) Repurchase obligation associated with liquidation of receivables is as follows:

| | | |
|---|---|---|
| Repurchase obligation associated with liquidation of receivables | 9,138 | million yen |

(3) Receivables from and payables to subsidiaries and associates

| | | |
|---|---|---|
| Short-term receivables | 49,925 | million yen |
| Short-term payables | 76,010 | million yen |
| Long-term receivables | 14,577 | million yen |
| Long-term payables | 768 | million yen |

5. Notes to the Nonconsolidated Statement of Income

(1) Transactions with subsidiaries and associates

| | | |
|---|---|---|
| Operating transactions | | |
| Net sales | 118,764 | million yen |
| Purchases | 91,644 | million yen |
| Other operating transactions | 152,366 | million yen |
| Non-operating transactions | 12,216 | million yen |

(2) Gain on sale of shares of subsidiaries and associates

The Company recorded gain on sale of shares of subsidiaries and associates of 2,505 million yen, due to the transfer of all the shares of Sonitech Corporation ("Sonitech"), which was a consolidated subsidiary, to a special purpose company wholly owned by a fund to which Nippon Mirai Capital Co., Ltd. ("Nippon Mirai Capital") provides investment-related support services. This transfer was implemented on December 1, 2023.

The Company has striven to optimize its business portfolio by streamlining its operations, strengthening its financial position, and advancing its focus on core businesses. The above decision is part of efforts that the Company has pursued to date.

Sonitech, which is to be transferred, provides services by estimating a wide variety of building subsidiary materials from a drawing in accordance with requests, and by building a business/logistics system to be supplied for each construction process. Through these operations, the said company contributes to the improvement of customers' productivity by offering one-stop services that suit the individual circumstances of customers ranging from large ones such as major builders and house makers to small ones like independent builder's offices.

The transferee Nippon Mirai Capital has a high level of know-how in resolution of managerial issues, as well as development of growth strategies of investees and initiatives to support their implementation. Thinking that Nippon Mirai Capital becoming a new shareholder of Sonitech will enable the support of Sonitech's future business growth and expansion and the development of higher-value added services to customers, the Company has considered Nippon Mirai Capital as a perfect partner who contributes to the enhancement of the corporate value of Sonitech, and made this decision.

(3) Loss on investment of subsidiaries and associates

The Company completed the transfer of the shares of Permasteelisa on September 30, 2020. Permasteelisa was the Company's former consolidated subsidiary. The Group agreed on the contribution of a certain amount of capital, of which up to 100 million euros (the "Deferred Consideration") would be refunded to the Company in the event that the cash flow of Permasteelisa from the date of the share transfer to March 31, 2022 meets certain conditions and in accordance with the procedure set forth in the share transfer agreement. The cash flow of Permasteelisa, which is to be used to determine the Deferred Consideration, is adjusted for certain items in the share transfer agreement.

From the date of the share transfer, the Company continually obtained information, including the cash flow information of Permasteelisa, from the buyer. The Company evaluated the Deferred Consideration using an independent valuation expert to calculate the estimated collectable amount and recorded the result in its nonconsolidated financial statements. With respect to such Deferred Consideration, the Company and the buyer had requested the accounting firm ("Independent Accountant"), appointed pursuant to the agreement between the seller and the buyer, to evaluate the terms of the Deferred Consideration including the adjustment of Permasteelisa's cash flows. Based on the results of the Independent Accountant's evaluation, the Company recorded loss on investment of subsidiaries and associates amounting to 6,938 million yen in the fiscal year ended March 31, 2024 based on the re-evaluation of the estimated collectable amount.

6. Notes on Revenue Recognition

Notes related to basic information to understand revenue from contracts with customers were omitted as the same information has been described in "1. Notes regarding Significant Accounting Policies (4) Recognition of significant revenue and cost."

7. Notes to the Nonconsolidated Statement of Changes in Equity

Class and number of treasury shares as of March 31, 2024

| | |
|---|---|
| Ordinary shares | 59,323 shares |

8. Deferred Tax Assets and Deferred Tax Liabilities

(1) Major components of deferred tax assets and deferred tax liabilities

| | | |
|---|---|---|
| Deferred tax assets | | |
| Tax loss carryforwards | 53,929 | million yen |
| Allowance for doubtful accounts | 9,752 | million yen |
| Loss on valuation of investments in subsidiaries and associates | 7,394 | million yen |
| Software | 4,758 | million yen |
| Provision for bonuses | 4,732 | million yen |
| Valuation difference on property, plant and equipment | 4,591 | million yen |
| Impairment losses | 3,425 | million yen |
| Inventories | 3,165 | million yen |
| Asset retirement obligations | 1,866 | million yen |
| Provision for loss on business of subsidiaries and associates | 1,413 | million yen |
| Loss on investment of subsidiaries and associates | 1,302 | million yen |
| Software in progress | 1,264 | million yen |
| Retirement benefit trust assets | 1,184 | million yen |
| Provision for retirement benefits | 1,118 | million yen |
| Other | 8,034 | million yen |
| Subtotal | 107,935 | million yen |
| Less: Valuation allowance for tax loss carryforwards | (4,031) | million yen |
| Less: Valuation allowance for deductible temporary difference | (18,521) | million yen |
| Subtotal | (22,552) | million yen |
| Total | 85,382 | million yen |
| Deferred tax liabilities | | |
| Unrealized gain on available-for-sale securities | (7,397) | million yen |
| Prepaid pension costs | (6,442) | million yen |
| Valuation difference on property, plant and equipment | (5,329) | million yen |
| Other | (1,775) | million yen |
| Total | (20,945) | million yen |
| Net deferred tax assets | 64,437 | million yen |

(2) Accounting treatment for corporate tax and local tax or accounting treatment for deferred tax accounting related to these

The Company has adopted the group tax sharing system. Furthermore, the Company accounts for corporate tax and local tax or deferred tax accounting related to these as well as disclosures in accordance with Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021).

9. Related Party Transactions

(1) Subsidiaries and associates

(Millions of yen)

| Type | Name of company | Share of voting rights owned by the Company (owned by the related party) | Relationship with the related party | Transaction | Transaction Amount | Account | Balance as of March 31, 2024 |
|---|---|---|---|---|---|---|---|
| Subsidiary | LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd | Indirectly owned 100% | Contracting of logistics operations | Lending of funds s (Note 1) | 13,500 | Short-term loans receivable<br>Long-term loans receivable | 1,800<br>11,700 |
| Subsidiary | LIXIL Europe S.à r.l. | Directly owned 100% | Control and management by holding shares | Lending of funds (Note 1) | 12,732 | Short-term loans receivable | 12,732 |
| Subsidiary | Grohe Holding GmbH | Indirectly owned 100% | Control and management by holding shares | Guarantee obligations (Note 2) | 74,274 | – | – |
| Subsidiary | AS America, Inc. | Indirectly owned 100% | Control and management by holding shares | Guarantee of obligations of intercompany loans (Note 3) | 50,136 | – | – |

Terms and conditions of transactions and policies for determining the terms and conditions

Notes:

1. Terms and conditions for financial transactions are negotiated and determined after taking into consideration market conditions. Furthermore, the transaction amount for the lending of funds is the balance of loans receivable at the end of the current fiscal year.
2. Guarantee fee rates are determined reasonably based on the market rate and the degree of associated risks.
3. The Company does not receive any guarantee fees that take into consideration the degree of associated risks.

(2) Directors and major individual shareholders

(Millions of yen)

| Type | Name of company or individual | Shares of voting rights owned by the Company /(owned by the related party) | Relationship with the related party | Transaction | Transaction amount | Account | Balance as of March 31, 2024 |
|---|---|---|---|---|---|---|---|
| Director and close relative | Kinya Seto | (Directly owned 0.2%) | Director and Executive Officer of the Company | Allotment of shares with transfer restrictions (Note1) | 125 | – | – |
| Director and close relative | Sachio Matsumoto | (Directly owned 0.0%) | Director and Executive Officer of the Company | Allotment of shares with transfer restrictions (Note1) | 22 | – | – |
| Director and close relative | Hwa Jin Song Montesano | (Directly owned 0.0%) | Director and Executive Officer of the Company | Allotment of shares with transfer restrictions (Note1) | 39 | – | – |
| Director and close relative | Hiroyuki Oonishi | (Directly owned 0.0%) | Executive Officer of the Company | Allotment of shares with transfer restrictions (Note1) | 10 | – | – |
| Director and close relative | Yugo Kanazawa | (Directly owned 0.0%) | Executive Officer of the Company | Allotment of shares with transfer restrictions (Note1) | 13 | – | – |
| Director and close relative | Shoko Kimijima | (Directly owned 0.0%) | Executive Officer of the Company | Allotment of shares with transfer restrictions (Note1) | 4 | – | – |
| Director and close relative | Satoshi Yoshida | (Directly owned 0.0%) | Executive Officer of the Company | Allotment of shares with transfer restrictions (Note1) | 10 | – | – |
| Companies where Directors | Proton Investment, Inc. (Note2) | None | Sale of finished goods, etc. | Sale of finished goods, etc. | – | Contract | 10 (Note4) |

| Type | Name of company or individual | Shares of voting rights owned by the Company /(owned by the related party) | Relationship with the related party | Transaction | Transaction amount | Account | Balance as of March 31, 2024 |
|---|---|---|---|---|---|---|---|
| and their close relatives own the majority of the voting rights | | | | (Note3) | | liabilities | |

Terms and conditions of the transactions and policies for determining the terms and conditions

Notes: 1. This concerns the issuance of new shares conducted on May 16, 2023 pursuant to a decision made at the meeting of the Board of Directors on April 28, 2023. The transaction amount stated here is the amount obtained by multiplying the number of allotted shares by the simple average of the closing price of the Company's ordinary shares on the Tokyo Stock Exchange for each day, counting back 30 business days from the day before April 1, 2023, by 2,204 yen.

2. This is a company at which a close relative of Kinya Seto is representative director.
3. Terms and conditions are determined after taking into consideration market conditions.
4. This is an advance received from an order value of 62 million yen.

10. Per Share Information

| | |
|---|---|
| (1) Equity per share | 1,475.20 yen |
| (2) Earnings per share | 36.12 yen |

11. Consolidated Dividend Regulations

The Company is subject to consolidated dividend regulations, meaning that it calculates the distributable amount for dividends on a consolidated basis.

12. Other Notes

Figures less than one million yen are rounded down to the nearest million yen.