Flash Report

LIXIL GROUP CORPORATION **May 13, 2019**

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019
(International Financial Reporting Standards)

Company Name: LIXIL GROUP CORPORATION
Code Number: 5938
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Schedule date of payment of dividends: June 26, 2019
Scheduled date of ordinary general meeting of shareholders: June 25, 2019
Scheduled date of issue of Security report: June 24, 2019
Preparation of supplementary materials of the financial results for FY 2019:Yes
Information meeting for financial results for FY 2019 to be held: Yes (For investment analysts and institutional investors)

(Amounts less than one million yen are rounded)

1. Consolidated Financial Results for the FY Ended March 2019 (April 1, 2018 through March 31, 2019)

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

	Revenue		Core earnings		Operating profit		Profit before tax		Profit for the year		Profit for the year attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE 2019	**1,832,608**	**0.2**	**12,798**	**-83.2**	**-15,029**	**-**	**-17,990**	**-**	**-49,288**	**-**	**-52,193**	**-**
FYE 2018	1,829,344	2.4	76,046	-13.9	59,107	-12.5	65,100	-1.4	56,662	35.2	54,581	28.4

	Total comprehensive income for the year		Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners	Ratio of profit before tax to total assets	Ratio of core earnings to revenue	Ratio of operating profit to revenue
	Million yen	%	Yen	Yen	%	%	%	%
FYE 2019	**-61,188**	**-**	**-179.98**	**-179.98**	**-9.1**	**-0.9**	**0.7**	**-0.8**
FYE 2018	69,273	82.9	189.13	170.90	9.4	3.1	4.2	3.2

Reference: Share of profit of associates and joint ventures accounted for using the equity method
FYE 2019 258 million yen FYE 2018 699 million yen

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

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share
	Million yen	Million yen	Million yen	%	Yen
FYE 2019	**2,059,544**	**567,167**	**533,656**	**25.9**	**1,839.59**
FYE 2018	2,107,131	649,573	616,897	29.3	2,128.77

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FYE 2019	**69,351**	**-72,328**	**1,579**	**141,421**
FYE 2018	116,362	-52,606	-43,843	138,751

2. Cash Dividends

	Dividends per share					Total amount of cash dividends (annual)	Dividend payout ratio (consolidated)	Ratio of total dividends to net assets (consolidated)
	End of Q1	End of Q2	End of Q3	End of period	For the year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FYE 2018	－	30.00	－	35.00	65.00	18,791	34.4	3.2
FYE 2019	－	35.00	－	35.00	70.00	20,307	-	3.5
FYE 2020 (forecast)	－	35.00	－	35.00	70.00		135.4	

3. Consolidated Forecast for the FY Ending March 2020 (April 1, 2019 through March 31, 2020)

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

	Revenue		Core earnings		Operating profit		Profit before tax		Profit for the year		Profit for the year attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FYE 2020	1,850,000	0.9	47,000	267.2	38,000	-	44,000	-	17,600	-	15,000	-	51.71

Since it is necessary to determine the progress of the revitalization plan for Permasteelisa S.p.A's recovery of profitability within the current fiscal year, only the full-year forecast for FYE2020 is disclosed.

*** Notes**

(1) Changes in significant subsidiaries, which affected the scope of consolidation during this period: None
Newly consolidated company: None

Excluded company: None

(2) Changes in accounting policies and accounting estimate
(i) Changes in accounting policies required by IFRS: Yes
(ii) Other changes: None
(iii) Changes in accounting estimate: None

(3) Outstanding stocks (Common stocks)

(i) Outstanding stocks including treasury stocks	(FY ended March 31, 2019)	313,319,159	shares	(FY ended March 31, 2018)	313,054,255	shares
(ii) Treasury stocks	(FY ended March 31, 2019)	23,224,165	shares	(FY ended March 31, 2018)	23,264,114	shares
(iii) Average stocks during the fiscal year	(FY ended March 31, 2019)	290,001,389	shares	(FY ended March 31, 2018)	288,593,477	shares

* This financial results report is exempt from review procedures under Japan's Financial Instruments and Exchange Law.

*Appropriate use of business forecasts; other special items
(Cautionary statements with respect to forward-looking statements)
Performance forecast and other forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational at the time of this report's release. Due to various circumstances, however, actual results may differ significantly from such statements.

Note: Regarding presentation material to supplement the financial results announcement has been posted on TDnet and the Company's website.

4. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Unit: millions of yen)

	As of March 31, 2018	End of this year (As of March 31, 2019)
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	138,751	141,421
Trade and other receivables	343,289	401,651
Inventories	217,904	234,646
Construction contract assets	10,880	—
Contract assets	—	59,019
Income tax receivables	906	4,824
Other financial assets	5,577	12,612
Other current assets	15,261	26,216
Subtotal	732,568	880,389
Assets held for sale	180,208	11,391
Total current assets	**912,776**	**891,780**
NON-CURRENT ASSETS:		
Property, plant and equipment	542,330	552,759
Goodwill and other intangible assets	476,639	457,082
Investment property	7,787	6,750
Investments accounted for using the equity method	12,086	12,204
Other financial assets	102,566	90,233
Deferred tax assets	44,852	38,374
Other non-current assets	8,095	10,362
Total non-current assets	**1,194,355**	**1,167,764**
Total assets	**Y 2,107,131**	**Y 2,059,544**

(Unit: millions of yen)

	As of March 31, 2018	End of this year (As of March 31, 2019)
LIABILITIES:		
CURRENT LIABILITIES		
Trade and other payables	338,964	392,357
Bonds and borrowings	242,990	367,974
Construction contract liabilities	1,107	—
Contract liabilities	—	60,761
Income tax payables	12,819	8,609
Other financial liabilities	1,568	7,247
Provisions	367	7,966
Other current liabilities	98,875	88,700
Subtotal	696,690	933,614
Liabilities directly associated with the assets held for sale	127,457	5,038
Total current liabilities	**824,147**	**938,652**
NON-CURRENT LIABILITIES		
Bonds and borrowings	444,920	357,984
Other financial liabilities	32,444	29,323
Net defined benefit liabilities	78,269	85,853
Provisions	7,179	11,638
Deferred tax liabilities	62,698	60,572
Other non-current liabilities	7,901	8,355
Total non-current liabilities	**633,411**	**553,725**
Total liabilities	**1,457,558**	**1,492,377**
EQUITY：		
Share capital	68,121	68,418
Capital reserves	277,753	277,584
Treasury shares	-48,984	-48,899
Other components of equity	27,210	14,458
Retained earnings	292,797	222,095
Equity attributable to owners of the parent	616,897	533,656
Non-controlling interests	32,676	33,511
Total equity	**649,573**	**567,167**
Total liabilities and equity	**Y 2,107,131**	**Y 2,059,544**

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

Consolidated Statement of Profit or Loss

(Unit: millions of yen)

	FY ended March 31, 2018	FY ended March 31, 2019
Revenue	Y 1,829,344	Y 1,832,608
Cost of sales	-1,252,422	-1,300,007
GROSS PROFIT	576,922	532,601
Selling, general and administrative expenses	-500,876	-519,803
Other income	26,568	15,408
Other expenses	-43,507	-43,235
OPERATING PROFIT	59,107	-15,029
Finance income	12,787	6,850
Finance costs	-19,111	-10,069
Share of profit (loss) of associates and joint ventures accounted for using the equity method	699	258
Profit from disposal of share of associates	11,618	—
PROFIT (LOSS) BEFORE TAX	65,100	-17,990
Income tax expenses	-8,438	-31,298
PROFIT (LOSS) FOR THE YEAR	56,662	-49,288
Profit (loss) for the year attributable to:		
Owners of the parent	54,581	-52,193
Non-controlling interests	2,081	2,905
PROFIT FOR THE YEAR	56,662	-49,288
Earnings per share		
Basic (yen per share)	189.13	-179.98
Diluted (yen per share)	170.90	-179.98

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	FY ended March 31, 2018		FY ended March 31, 2019	
PROFIT FOR THE YEAR	**Y**	**56,662**	**Y**	**-49,288**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Net fair value gain (loss) on financial assets measured through other comprehensive income		—		-6,249
Remeasurements of defined benefit pension plans		-1,331		-3,564
Total items that will not be reclassified subsequently to profit or loss		-1,331		-9,813
Items that may be reclassified subsequently to profit or loss				
Net fair value gain on available-for-sale financial assets		5,913		—
Net fair value gain (loss) on hedging instruments entered into for cash flow hedges		2,549		-1,416
Exchange differences on translation of foreign operations		3,748		-619
Share of other comprehensive income of associates and joint ventures accounted for using the equity method		1,732		-52
Total items that may be reclassified subsequently to profit or loss		13,942		-2,087
Other comprehensive income, net of tax		12,611		-11,900
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		69,273		-61,188
Total comprehensive income for the year attributable to:				
Owners of the parent		66,594		-64,122
Non-controlling interests		2,679		2,934
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**Y**	**69,273**	**Y**	**-61,188**

(3) Consolidated Statement of Changes in Equity

(Unit: millions of yen)

	Equity attributable to owners of the parent							
				Other components of equity				
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Remeasurements of defined benefit pension plans	Net fair value gain on available-for-sale financial assets	Net fair value gain (loss) on financial assets measured through other comprehensive income	Net fair value gain (loss) on hedging instruments entered into for cash flow hedges
BALANCE AS OF APRIL 1, 2017	**68,121**	**260,901**	**-53,362**	**-5,143**	**-**	**16,608**	**-**	**-917**
Profit (loss) for the year	-	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	3,664	-1,331	5,913	-	1,494
Total comprehensive income (loss) for the year	-	-	-	3,664	-1,331	5,913	-	1,494
Purchase of treasury shares	-	-	-31	-	-	-	-	-
Disposal of treasury shares	-	0	66	-	-	-	-	-
Share-based payment transactions	-	1,119	4,343	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Reclassification to disposal group classified as held for sale	-	-	-	-5,704	-	-	-	-215
Reclassification from disposal group classified as held for sale	-	-	-	-	-	-	-	-
Changes in parent's ownership interests in subsidiaries without loss of control	-	15,733	-	-	-	-	-	-17
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	-	-
Changes associated with loss of control of subsidiaries	-	-	-	-	-	-	-	-
Transfers from other components of equity to retained earnings	-	-	-	-	1,331	-	-	-
Total transactions with owners	-	16,852	4,378	-5,704	1,331	-	-	-232
BALANCE AS OF MARCH 31, 2018	**68,121**	**277,753**	**-48,984**	**-7,183**	**-**	**22,521**	**-**	**345**
Cumulative effects of changes in accounting policies	**-**	**-**	**-**	**-**	**-**	**-22,521**	**17,891**	**-**
RESTATED BALANCE AS OF APRIL 1, 2018	**68,121**	**277,753**	**-48,984**	**-7,183**	**-**	**-**	**17,891**	**345**
Profit for the year	-	-	-	-	-	-	-	-
Other comprehensive income (loss)	-	-	-	-745	-3,564	-	-6,208	-83
Total comprehensive income for the year	-	-	-	-745	-3,564	-	-6,208	-83
Purchase of treasury shares	-	-	-14	-	-	-	-	-
Disposal of treasury shares	-	-0	1	-	-	-	-	-
Share-based payment transactions	297	12	98	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Reclassification to disposal group classified as held for sale	-	-	-	-0	-	-	-80	-
Reclassification from disposal group classified as held for sale	-	-	-	5,269	-	-	-	-28
Changes in parent's ownership interests in subsidiaries without loss of control	-	-181	-	-	-	-	-	-
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	-	-
Changes associated with loss of control of subsidiaries	-	-	-	-	-	-	-	-
Transfers from other components of equity to retained earnings	-	-	-	-	3,564	-	509	-
Total transactions with owners	297	-169	85	5,269	3,564	-	429	-28
BALANCE AS OF MARCH 31, 2019	**68,418**	**277,584**	**-48,899**	**-2,659**	-	-	**12,112**	**234**

(Unit: millions of yen)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Other components of equity				Retained earnings (losses)	Total		
	Share of other comprehensive income of associates and joint ventures accounted for using the equity method	Accumulated other comprehensive income relating to disposal group classified as held for sale	Other	Total				
BALANCE AS OF APRIL 1, 2017	**-1,660**	**-**	**5,972**	**14,860**	**256,724**	**547,244**	**12,187**	**559,431**
Profit (loss) for the year	-	-	-	-	54,581	54,581	2,081	56,662
Other comprehensive income (loss)	1,732	541	-	12,013	-	12,013	598	12,611
Total comprehensive income (loss) for the year	1,732	541	-	12,013	54,581	66,594	2,679	69,273
Purchase of treasury shares	-	-	-	-	-	-31	-	-31
Disposal of treasury shares	-	-	-	-	-	66	-	66
Share-based payment transactions	-	-	-977	-977	104	4,589	-	4,589
Dividends	-	-	-	-	-17,281	-17,281	-78	-17,359
Reclassification to disposal group classified as held for sale	-	5,919	-	-	-	-	-	-
Reclassification from disposal group classified as held for sale	-	-	-	-	-	-	-	-
Changes in parent's ownership interests in subsidiaries without loss of control	-	-	-	-17	-	15,716	20,962	36,678
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	384	384
Changes associated with loss of control of subsidiaries	-	-	-	-	-	-	-3,458	-3,458
Transfers from other components of equity to retained earnings	-	-	-	1,331	-1,331	-	-	-
Total transactions with owners	-	5,919	-977	337	-18,508	3,059	17,810	20,869
BALANCE AS OF MARCH 31, 2018	**72**	**6,460**	**4,995**	**27,210**	**292,797**	**616,897**	**32,676**	**649,573**
Cumulative effects of changes in accounting policies	**-**	**-**	**-**	**-4,630**	**5,580**	**950**	**-118**	**832**
RESTATED BALANCE AS OF APRIL 1, 2018	**72**	**6,460**	**4,995**	**22,580**	**298,377**	**617,847**	**32,558**	**650,405**
Profit for the year	-	-	-	-	-52,193	-52,193	2,905	-49,288
Other comprehensive income (loss)	-52	-1,277	-	-11,929	-	-11,929	29	-11,900
Total comprehensive income for the year	-52	-1,277	-	-11,929	-52,193	-64,122	2,934	-61,188
Purchase of treasury shares	-	-	-	-	-	-14	-	-14
Disposal of treasury shares	-	-	-	-	-	1	-	1
Share-based payment transactions	-	-	-266	-266	280	421	-	421
Dividends	-	-	-	-	-20,296	-20,296	-955	-21,251
Reclassification to disposal group classified as held for sale	-	80	-	-	-	-	-	-
Reclassification from disposal group classified as held for sale	-	-5,241	-	-	-	-	-	-
Changes in parent's ownership interests in subsidiaries without loss of control	-	-	-	-	-	-181	-1,244	-1,425
Changes associated with obtaining control of subsidiaries	-	-	-	-	-	-	218	218
Changes associated with loss of control of subsidiaries	-	-	-	-	-	-	-	-
Transfers from other components of equity to retained earnings	-	-	-	4,073	-4,073	-	-	-
Total transactions with owners	-	-5,161	-266	3,807	-24,089	-20,069	-1,981	-22,050
BALANCE AS OF MARCH 31, 2019	**20**	**22**	**4,729**	**14,458**	**222,095**	**533,656**	**33,511**	**567,167**

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

	FY ended March 31, 2018		FY ended March 31, 2019	
OPERATING ACTIVITIES:				
Profit before tax	**Y**	65,100	**Y**	-17,990
Depreciation and amortization		64,661		68,502
Impairment losses		6,261		30,187
Loss recognized on the measurement to fair value, less costs to sell the disposal group held for sale		21,867		―
Profit recognized on the remeasurement of the disposal group held for sale		―		-2,040
Interest and dividend income		-3,249		-2,723
Interest expense		5,425		5,252
Share of loss (profit) of associates and joint ventures accounted for using the equity method		-699		-258
Profit from disposal of share of associates		-11,618		―
Loss (profit) on sale and disposal of property, plant and equipment		1,959		2,437
Decrease (increase) in trade and other receivables		-5,222		-9,441
Decrease (increase) in inventories		-15,526		-16,304
Increase (decrease) in trade and other payables		20,157		19,611
Increase (decrease) in net defined benefit liabilities		2,214		7,493
Other		1,353		15,894
Subtotal		152,683		100,620
Interest received		1,467		1,134
Dividends received		1,607		1,576
Interest paid		-7,530		-4,642
Income taxes paid		-31,865		-29,337
Net cash flows from operating activities	**Y**	**116,362**	**Y**	**69,351**

(Unit: millions of yen)

	FY ended March 31, 2018	FY ended March 31, 2019
INVESTING ACTIVITIES:		
(Increase) decrease in time deposits	1,471	-1,170
Purchase of property, plant and equipment	-60,768	-57,447
Proceeds from disposal of property, plant and equipment	2,041	1,127
Purchase of intangible assets	-9,185	-10,192
Proceeds from disposal of investment property	8,025	1,660
Payments for acquisition of subsidiaries	-12,211	—
Proceeds from sale of subsidiaries	7,611	—
Decrease (increase) in short-term loans receivable	-1,581	-1,370
Payments for long-term loans receivable	-161	-115
Proceeds from collection of long-term loans receivable	156	219
Payments for acquisition of other investments	-260,012	-203,446
Proceeds from sale and redemption of investments	269,970	203,622
Other	2,038	-5,216
Net cash used in investing activities	**Y -52,606**	**Y -72,328**
FINANCING ACTIVITIES:		
Dividends paid	-17,281	-20,296
Dividends paid to non-controlling interests	-78	-955
Increase (decrease) in short-term borrowings and commercial paper	-2,000	42,998
Proceeds from long-term borrowings	23,947	78,787
Repayment of long-term borrowings	-79,702	-64,254
Redemption of bonds	-10,000	-30,000
Proceeds from stock issuance to non-controlling interests	9,609	327
Proceeds from sale of interests in a subsidiary to non-controlling interests	32,392	—
Payments for acquisition of interests in subsidiaries from non-controlling interests	-2,859	-1,534
Other	2,129	-3,494
Net cash generated by financing activities	**Y -43,843**	**Y 1,579**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,913	-1,398
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	121,563	138,751
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	2,487	515
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS INCLUDED IN ASSETS CLASSIFIED HELD FOR SALE	-5,212	3,553
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**Y 138,751**	**Y 141,421**

(5) Notes related to Financial Statements

（Notes related to Going Concern Assumptions）

Not applicable.

(Notes on Changes in Accounting Policies）

The significant accounting policies adopted for the consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2018, with the exception of the items described below.
LIXIL Group Corporation (the "Company") and its subsidiaries (the "Group") have adopted following the new accounting standards from the fiscal year ended March 31, 2019.

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

(1) IFRS 9 "Financial Instruments"

Due to the mandatory adoption of IFRS 9 "Financial Instruments" (revised in July 2014) from the beginning of the consolidated fiscal year beginning on or after April 1, 2018, the Group has retrospectively applied the standard in accordance with transitional measures.
By applying IFRS 9, "Available-for-sale financial assets", which was previously included in "Other financial assets, non-current", is now in "Other financial assets, non-current", which is included in "Financial assets measured at fair value through other comprehensive income" since the fiscal year ended March 31, 2019.
"Gains on sale of equity instruments", "Losses on sale of equity instruments", and "Impairment losses on equity instruments" were recognized in the consolidated statement of profit or loss until the fiscal year ended March 31, 2018. However, they have been recognized in the consolidated statement of comprehensive income since the fiscal year ended March 31, 2019.
The changes in the fair value of financial instruments classified in "Financial assets measured at fair value through other comprehensive income" was presented in "Items that may be reclassified subsequently to profit or loss" in the consolidated statement of comprehensive income until the fiscal year ended March 31, 2018. However, from the fiscal year ended March 31, 2019, it has not been reclassified subsequently and has been presented in "Items that will not be reclassified subsequently to profit or loss" in consolidated statement of comprehensive income.
The Group has applied an impairment model based on expected credit losses for valuation of financial assets since the fiscal year ended March 31, 2019.
The Group has also changed its accounting policy related to hedge accounting since the fiscal year ended March 31, 2019.
As a result, "Other components of equity" decreased by ￥4,630 million and "Retained earnings" increased by ￥4,630 million in consolidated statement of changes in equity as of adoption date of IFRS 9 with transitional measures.
Compared to the previously applied accounting standards, Profit before tax increased by ￥374 million and Net Profit increased by ￥325 million, and Basic earnings per share and Diluted earnings per share increased by ￥1.12 and respectively in the consolidated income statement for the fiscal year ended March 31, 2019.
Applying IFRS 9 has had no significant impact on the consolidated statement of financial position for the fiscal year ended March 31, 2019.

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

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

By applying IFRS 15, except for the interests and dividend revenues based on IFRS 9 "Financial Instruments," the Group recognizes revenues based on the following five-step approach:
Step 1: Identify the contract with the customers.
Step 2: Identify the performance obligation in the contracts.
Step 3: Calculate the transaction prices.
Step 4: Allocate the transaction price to a separate performance obligation in the contract.
Step 5: Recognize revenue as the entity fulfills (or satisfies) the performance obligation.

① Sales of Goods and Products

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

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

② Construction Contracts

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

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

③ Others

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

In addition, by applying IFRS 15, assets presented as "Construction contract assets" in the consolidated statement of financial position for the fiscal year ended March 31, 2018 are presented as "Contract assets" and liabilities presented in "Construction contract liabilities" and "Advance received" included in "Other current liabilities" are presented as "Contract liabilities" from the fiscal year ended March 31, 2019.

As a result, at the beginning of the fiscal year ended March 31, 2019, "Retained earnings" increased by ￥950 million, total assets increased by ￥439 million, and total liabilities decreased by ￥511 million. The main components of the increase in total assets include the decrease in "Inventories" by ￥6,368 million, the decrease in "Construction contract assets" by ￥10,880 million, and the increase in "Contract assets" ￥18,657 million. The main components of the decrease in total liabilities include the decrease in "Other current liabilities (Advances received)" by ￥4,680 million, the decrease in "Construction contract liabilities" by ￥1,107 million, and the increase in "Contract liabilities" by ￥5,673 million.
As compared with the application of the previous accounting standards, Sales revenue increased by ￥1,936 million, Operating profit, Profit before tax and Net profit decreased by ￥1,032 million, and Basic earnings per share and Diluted earnings per share decreased by ￥2.89 respectively in the consolidated income statement.
As compared with the application of the previous accounting standards, "Inventories" decreased by ￥7,227 million, "Construction contract assets" decreased by ￥49,671 million, and "Contracts assets" increased by ￥59,019 million, as well as "Other current liabilities (Advances received)" decreased by ￥5,355 million, "Construction contract liabilities" decreased by ￥55,865 million and "Contract liabilities" increased by ￥60,761 million in the consolidated statement of financial position.

（Changes in Presentation)

Assets and liabilities related to the Company’s consolidated subsidiary, Permasteelisa S.p.A (“Permasteelisa”), and its subsidiaries were classified as “Assets held for sale and Liabilities directly associated with the assets held for sale”, and profit and loss from related businesses were presented as “Profit and loss from discontinued operations” on the consolidated financial statements for the fiscal year ended March 31, 2018. However, the Company has ceased to do so since the fiscal year ended March 31, 2019. Due to the above mentioned, profit and loss of Permasteelisa and its subsidiaries, which were presented as discontinued operations on the consolidated statement of profit and loss for the fiscal year ended March 31, 2018, are restated and presented as profit and loss from continuing operations. In addition, parts of the consolidated statement of cash flows for the fiscal year ended March 31, 2018, have also been restated. Furthermore, revenue and income (loss) from business related to Permasteelisa and its subsidiaries are included in the Building Technology business.
A summary on ceasing to classify the assets and liabilities related to Permasteelisa and its subsidiaries as “Assets held for sale and Liabilities directly associated with assets held for sale” is located in the (Notes on Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale).

(Segment Information)

① Description of Reportable Segments

The Company's reportable segments are those for which discrete financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how resources are allocated and performance is assessed.
Previously, the Group managed six reportable segments consisting of the Water Technology business, the Housing Technology business, the Building Technology business, the Kitchen Technology business, the Distribution and Retail business, and the Housing and Services business. However, from the fiscal year ended March 31, 2019, the Group has changed its reportable segments to five segments consisting of the Water Technology business, the Housing Technology business, the Building Technology business, the Distribution and Retail business, and the Housing and Services business. The Group-manages these reportable segments and reports the performance of the respective business units to the Board of Executive Officers or Directors.
The Company announced its Medium-Term Strategic Plan in November 2017. The reportable segments have been changed due to a review of the business management system along with the organizational changes in the domestic business domain, which were executed in order to accelerate sustainable growth and profitability improvement.

The Water Technology business includes manufacturing and sales of sanitary earthenware, faucets, bathroom fixtures, system kitchen units and others. The Housing Technology business includes manufacturing and sales of window sashes, doors, shutters, interior building materials and others. The Building Technology business includes manufacturing and sales of curtain walls and others. The Distribution and Retail business includes sales of daily necessities, DIY materials, building materials and others. The Housing and Services business includes proposals for housing solutions, sales and management of real estate, management of assisted living condominiums, and others.
Segment Information for the fiscal year ended March 31, 2018, is disclosed based on the change to reportable segments.

② Methods of Measurement for the Amounts of Revenue, Profit (Loss) and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those for the preparation of consolidated financial statements. Profit or loss for reportable segments is presented on the basis of core earnings. Intersegment revenue or transfers are based on market prices and others.

(Application for IFRS 15 "Revenue from Contracts with Customers" and "Clarification to IFRS15"

As described in "Notes on Changes in Accounting Policies", the Group has applied IFRS 15 from the beginning of the fiscal year ended March 31, 2019. In addition, as the cumulative effect of the adoption is recognized as an adjustment to the opening balance of retained earnings in the current consolidated fiscal year according to transitional measures, information on sales revenue, income or loss for each reportable segment in the previous consolidated fiscal year has not revised.

③ Information about Revenue, Income (Loss) and Other Items by Business Segment

For the FY ended March 31, 2018 (April 1, 2017 through March 31, 2018) (Unit: millions of yen)

	Reportable Segments				
	Water Technology Business	Housing Technology Business	Building Technology Business	Distribution & Retail Business	Housing & Services Business
Revenue					
Revenue from external customers	Y 808,639	Y 525,965	Y 271,353	Y 173,506	Y 49,881
Intersegment revenue or transfers	19,237	9,239	145	14	2,417
Total	827,876	535,204	271,498	173,520	52,298
Segment profit (Note 1)	73,814	27,525	4,553	6,938	2,535
Other income					
Other expenses					
Operating profit					
Finance income					
Finance costs					
Share of profit (loss) of associates and joint ventures accounted for using the equity method					
Profit from disposal of share of associates					
Profit before tax from continuing operations					
Other items					
Depreciation and amortization	30,114	24,473	3,809	5,588	674
Impairment losses	4,753	1,024	155	262	67
Loss recognized on the measurement to fair value, less costs to sell the disposal group held for sale	-	-	21,867	-	-
Share of profit (loss) of associates and joint ventures	-13	169	-	-606	1,149
Investments accounted for using the equity method	452	4,077	-	2,149	5,408
Capital expenditures	39,075	24,038	4,071	7,306	945

(Unit: millions of yen)

	Total	Reconciliations (Note 2)	Consolidated
Revenue			
Revenue from external customers	Y 1,829,344	-	Y 1,829,344
Intersegment revenue or transfers	31,052	-31,052	-
Total	1,860,396	-31,052	1,829,344
Segment profit (Note 1)	115,365	-39,319	76,046
Other income			26,568
Other expenses			-43,507
Operating profit			59,107
Finance income			12,787
Finance costs			-19,111
Share of profit (loss) of associates and joint ventures accounted for using the equity method			699
Profit from disposal of share of associates			11,618
Profit before tax from continuing operations			65,100
Other items			
Depreciation and amortization	64,658	3	64,661
Impairment losses	6,261	-	6,261
Loss recognized on the measurement to fair value, less costs to sell the disposal group held for sale	21,867	-	21,867
Share of profit (loss) of associates and joint ventures	699	-	699
Investments accounted for using the equity method	12,086	-	12,086
Capital expenditures	75,435	11	75,446

Notes: 1. Segment profit (loss) is core earnings which is revenue less cost of sales and selling, general and administrative expenses.
2. Segment profit (loss) reconciliations are expenses for all group companies that are not allocated to reportable segments. Expenses for all group companies are those mainly associated with the Company's and its consolidated subsidiary LIXIL Corporation's administrative departments, including human resources, general affairs, accounting and others.

For the FY ended March 31, 2019 (April 1, 2018 through March 31, 2019) (Unit: millions of yen)

	Reportable Segments				
	Water Technology Business	Housing Technology Business	Building Technology Business	Distribution & Retail Business	Housing & Services Business
Revenue					
Revenue from external customers	Y 812,698	Y 532,421	Y 255,935	Y 176,376	Y 55,178
Intersegment revenue or transfers	20,430	8,390	115	5	2,674
Total	833,128	540,811	256,050	176,381	57,852
Segment profit (Note 1)	60,233	20,719	-38,119	7,752	3,451
Other income					
Other expenses					
Operating profit					
Finance income					
Finance costs					
Share of profit (loss) of associates and joint ventures accounted for using the equity method					
Profit from disposal of share of associates					
Profit before tax from continuing operations					
Other items					
Depreciation and amortization	32,064	27,027	2,875	5,693	837
Impairment losses	4,832	302	24,820	208	25
Loss recognized on the measurement to fair value, less costs to sell the disposal group held for sale	-	-	2,040	-	-
Share of profit (loss) of associates and joint ventures	-104	65	-	-188	485
Investments accounted for using the equity method	343	4,082	-	1,961	5,818
Capital expenditures	36,858	19,984	3,710	11,217	1,127

(Unit: millions of yen)

	Total	Reconciliations (Note 2)	Consolidated
Revenue			
Revenue from external customers	Y 1,832,608	-	Y 1,832,608
Intersegment revenue or transfers	31,614	-31,614	-
Total	1,864,222	-31,614	1,832,608
Segment profit (Note 1)	54,036	-41,238	12,798
Other income			15,408
Other expenses			-43,235
Operating profit			-15,029
Finance income			6,850
Finance costs			-10,069
Share of profit (loss) of associates and joint ventures accounted for using the equity method			258
Profit from disposal of share of associates			-
Profit before tax from continuing operations			-17,990
Other items			
Depreciation and amortization	68,496	6	68,502
Impairment losses	30,187	-	30,187
Loss recognized on the measurement to fair value, less costs to sell the disposal group held for sale	2,040	-	2,040
Share of profit (loss) of associates and joint ventures	258	-	258
Investments accounted for using the equity method	12,204	-	12,204
Capital expenditures	72,896	16	72,912

Notes: 1. Segment profit (loss) is core earnings which are carried at revenue less cost of sales and selling, general and administrative expenses.
2. Segment profit (loss) reconciliations are expenses for all group companies that are not allocated to reportable segments. Expenses for all group companies are those mainly associated with the Company's and its consolidated subsidiary LIXIL Corporation's administrative departments, including human resources, general affairs, accounting and others.

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

Termination of the Share Transfer Agreement of Permasteelisa S.p.A

(1) Background of the Termination of the Share Transfer Agreement

The Company resolved at the Board of Directors Meeting held on August 21, 2017 that it has decided to sell 100% of the shares of Permasteelisa S.p.A (“Permasteelisa”) held by its 100% subsidiary LIXIL Corporation ("LIXIL") to Grandland Holdings Group Limited ("Grandland"), and signed off on a share transfer agreement on the same date.

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

The share transfer agreement specified that securing necessary approvals from regulatory authorities was required in order to close the deal. As such, based on receipt of the notification from CFIUS, the Company reviewed its options. As a result, the Company concluded that it was reasonable to terminate the share transfer agreement and, based on a mutual agreement of the seller and the buyer, the Company decided to terminate the share transfer agreement at the Board of Directors on November 27, 2018, and subsequently terminated the share transfer agreement on the same date.

(2) Impact on Consolidated Statement of Profit and Loss

This share transfer was subject to regulatory approvals. Because the Company considered that there was a high probability of receiving the required approvals, assets and liabilities related to Permasteelisa and its subsidiaries were classified as "assets held for sale and liabilities directly associated with the assets held for sale." Furthermore, profit and loss from business of Permasteelisa and its subsidiaries were presented as "profit and loss from discontinued operations."

Since it became clear that the necessary approval could not be secured, assets and liabilities of Permasteelisa and its subsidiaries are no longer regarded as “assets and liabilities held for immediate sale”. Therefore, the Company has ceased to classify assets and liabilities related to Permasteelisa and its subsidiaries as "assets held for sale and liabilities directly associated with the assets held for sale" during the fiscal year ended March 31, 2019. Due to this change, profit and loss from business of Permasteelisa and its subsidiaries are presented as "profit and loss from continuing operations". In addition, profit and loss from business of Permasteelisa and its subsidiaries are restated as "profit and loss from continuing operations" on the consolidated statement of profit and loss for the fiscal year ended March 31, 2018.

The Company received € 25 million (¥3,224 million) as a part of the sale price of shares pertaining to this stock transfer during the fiscal year ended March 31, 2018. However, the Company refunded the above amount of € 25 million (¥ 3,218 million) during the fiscal year ended March 31, 2019. In the consolidated statements of cash flows for the fiscal year ended March 31, 2018, and ended on March 31, 2019, this amount is included in "Other" under categories of "Cash Flows from Investing Activities."

Impacts on Consolidated Statement of Profit and Loss are as follows;

① Impact on the Company’s Business Performance for the fiscal year ended March 31, 2018

Since ceasing to classify Permasteelisa in “Disposal group held for sale”, profit and loss from the business of Permasteelisa and its subsidiaries, which was presented as a loss from discontinued operations of ¥11,788 million, has been restated as “Profit and loss from continuing operations”. A breakdown of the increase and decrease from restating the presentation on the consolidated statement of profit or loss is as shown below.

(Unit: millions of yen)

	FY ended March 31, 2018
Continuing operations	
Revenue	Y 164,527
Cost of sales	-151,144
GROSS PROFIT (LOSS)	13,383
Selling, general and administrative expenses	-12,656
Other income and Other expenses (Note 1)	-22,569
OPERATING PROFIT (LOSS)	-21,842
Finance income and Finance costs	-3,055
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	-24,897
Income tax expenses (Note 2)	13,109
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	-11,788

Notes: 1. Other expenses includes ¥21,867 million of loss recognized on the measurement to fair value, less costs to sell the disposal group held for sale.

2. Income tax expenses includes ¥13,836 million impacts from increase of deferred tax assets, which was reported based on the assumption that the share transfer would be made.

② Impact on the Company's Business Performance for the Fiscal Year Ended March 31, 2019

Profit and loss from business of Permasteelisa and its subsidiaries are presented as "Profit and loss from continuing operations" since ceasing to classify Permasteelisa under disposal group held for sale. Impact from profit and loss from the business of Permasteelisa and its subsidiaries on the consolidated statement of profit or loss for the Fiscal Year Ended March

(Unit: millions of yen)

		FY ended March 31, 2019
Revenue	Y	143,210
Cost of sales		-163,798
GROSS PROFIT (LOSS)		-20,588
Selling, general and administrative expenses		-20,958
Other income and Other expenses		-22,353
OPERATING PROFIT (LOSS)		-63,899
Finance income and Finance costs		-1,548
PROFIT (LOSS) BEFORE TAX		-65,447
Income tax expenses (Note)		-12,281
PROFIT (LOSS) FOR THE YEAR		-77,728

Note: 1. Other income includes ￥2,040 million of profit recognized on the remeasurement of the disposal group held for sale.
Other expenses includes ￥24,820 million of impairment losses regarding Permasteelisa, which is described in (Notes on Consolidated Statement of Profit or Loss).
2. Income tax expenses includes ￥13,547 million resulting from the reversal of deferred tax assets, which was reported for the fiscal year ended March 31, 2018, based on the assumption that the share transfer would be made.

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

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

(Unit: millions of yen)

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

(Notes on Consolidated Statement of Profit or Loss)

For the FY ended March 31, 2018 (April 1, 2017 through March 31, 2018)

(1) Impairment losses

Impairment loss of ￥6,261 million is reported under Other expenses in the Consolidated Statement of Profit or Loss and Comprehensive Income for the fiscal year ended March 31, 2018. Details of impaired assets are as follows:

Category	Segment	Component and Amount (Unit: millions of yen)	
Manufacturing facilities for faucets, etc.	Water Technology Business	Machinery and vehicles	985
		Goodwill	1,311
		Customer-related assets	272
		Trademarks	1,957
		Other	71
		Total	4,596

The Group recognized impairment losses for the assets of manufacturing facilities for faucets, etc., which were mainly recognized on the acquisition date of Grohe Dawn Watertech Holdings Propriety Limited (current LIXIL Africa Holding (Pty) Ltd., "LIXIL Africa") in April 2015. The carrying amounts of the relevant assets were written down to their recoverable amounts, and related impairment losses were recorded as other expenses in the consolidated statement of profit or loss since the initially anticipated earnings are no longer expected.
An asset's recoverable amount is measured at its fair value less costs of disposal, determined by discounting future cash flows at a discount rate of 13.8%. For goodwill, the Company recognized impairment losses of the entire amount of the total carrying value.

(2) Profit from disposal of share of associates

During the consolidated fiscal year ended March 31, 2018, LIXIL Corporation ("LIXIL"), a consolidated subsidiary of the Company, transferred part of the shares in Fukui Computer Holdings Inc.,("Fukui") and subsequently posted gains on share transfer. As of the end of the fiscal year ended March 31, 2018, LIXIL continued to hold shares representing 10% of the total number of issued and outstanding shares of Fukui. The stocks are evaluated at fair value and the difference from the book value of the equity method is recorded as gains on valuation. The gains on disposal of interest in affiliated companies amounting ￥11,618 million were recognized in the consolidated statement of profit or loss for the year ended March 31, 2018, which is the sum of gains on share transfer and the gains on valuation.

For the FY ended March 31, 2019 (April 1, 2018 through March 31, 2019)

(1) Impairment losses

Impairment loss of ￥30,187 million is reported under Other expenses in the Consolidated Statement of Profit or Loss and Comprehensive Income for the fiscal year ended March 31, 2019. Details of impaired assets are as follows:

Category	Segment	Component and Amount (Unit: millions of yen)	
Manufacturing and selling of curtain walls	Building Technology Business	Goodwill	9,650
		Customer-related assets	12,035
		Technological assets	3,073
		Other	62
		Total	24,820
Manufacturing facilities for faucets, etc.	Water Technology Business	Machinery and vehicles	1,122
		Customer-related assets	573
		Trademarks	1,421
		Other	283
		Total	3,399

The Group recognized impairment losses for the assets for manufacturing and selling of curtain walls of Permasteelisa S.p.A. ("Permasteelisa"). The carrying amounts of the relevant assets were written down to their recoverable amounts, and related impairment losses were recorded as other expenses in the consolidated statement of profit or loss since profitability of Permasteelisa has dropped significantly and the Company has reviewed its business strategy . An asset's recoverable amount is measured at its value in use, determined by discounting future cash flows at a discount rate of 11.8%. For goodwill, customer-related assets and technological assets of Permasteelisa, the Company recognized impairment losses of the entire amount of the total carrying value.

The Group recognized impairment losses for the assets of manufacturing facilities for faucets, etc. of LIXIL Africa. The carrying amounts of the relevant assets were written down to their recoverable amounts, and related impairment losses were recorded as other expenses in the consolidated statement of profit or loss since profitability of LIXIL Africa has dropped significantly and the Company has reviewed its business strategy. An asset's recoverable amount is measured at its fair value less costs of disposal, determined by discounting future cash flows at a discount rate of 14.3%.

(Information per share)

	FY ended March 31, 2018	FY ended March 31, 2019
	Million yen	Million yen
Profit (loss) for the year attributable to owners of the parent	54,581	-52,193
Profit adjusted for the effect of dilution	241	-
Diluted profit (loss) for the year	54,822	-52,193
	Shares	Shares
Weighted-average number of ordinary shares outstanding	288,593,477	290,001,389
Increase in weighted-average number of ordinary shares due to dilution		
Increase from stock options	938,736	-
Increase of convertible bonds with stock acquisition rights	31,253,390	-
Diluted weighted-average number of ordinary shares	320,785,603	290,001,389
	Yen	Yen
Basic earnings (loss) per share	189.13	-179.98
Diluted earnings (loss) per share (Note)	170.90	-179.98
Diluted potential ordinary shares not included in the calculation of diluted earnings per share because their inclusion would have been anti-dilutive	-	4th stock options (ordinary shares: 323 thousand shares) 5th stock options (ordinary shares: 2,375 thousand shares) 7th stock options (ordinary shares: 2,796 thousand shares) 8th stock options (ordinary shares: 41 thousand shares) 9th stock options (ordinary shares: 300 thousand shares) Zero Coupon Convertible Bonds due 2020 (ordinary shares: 15,492 thousand shares) Zero Coupon Convertible Bonds due 2022 (ordinary shares: 15,819 thousand shares)

(Note) Regarding the Diluted loss per share for the fiscal year ended March 31, 2019, diluted potential ordinay shares do not have dilutive effects, as exercise of stock options and conversion of convertible bonds reduce net loss per share.

(Notes on Significant Subsequent Event)

Transfer of Shares of Ken Depot Corporation

(1) Main reason for the transfer

Ken Depot Corporation is expanding its membership-based wholesale building materials stores for professional users of housing-related materials, “Ken Depot”, around the Tokyo metropolitan area. The Group launched the Ken Depot business in 2009, and in 2015, carved out the Ken Depot business from LIXIL Corporation and established Ken Depot Corporation. With capital participation of the fund in which Unison Capital Inc., which has extensive experience in supporting the growth of companies and helping them become independent from large corporate groups, operates or acts as an advisor (hereinafter “Unison Capital”), Ken Depot became an equity-method affiliate of the Company.

At this time, as a result of the discussion between Unison Capital and LIXIL corporation, both companies decided to transfer all of the shares of Ken Depot Corporation held. The Company is focused on optimizing its business portfolio in line with broader steps to enhance operational efficiency and strengthen financial conditions. This share transfer is also in line with the Company's ongoing efforts to simplify the business structure and enabling further synergies and efficiencies.

(2) Name of the transferee company and date of share transfer

Name of the transferee company	KOHNAN SHOJI CO., LTD.
Date of share transfer	June, 2019 (expected) (Note)

(Note) The date of transfer of shares may change as it is necessary after the completion of the procedures set forth in the Act on the Prohibition of Private Monopoly and Securing Fair Trade (Antitrust Law).

(3) Name of the equity-method affiliate to be transferred, major business

Name of the equity-method affiliate	Ken Depot Corporation
Major Business	Management of membership-based wholesale building materials stores for professional users of housing-related materials, “Ken Depot”

(4) Overview of the transfer

Number of shares held before the transfer	Common shares: 21,698,181 shares (Shareholder voting rights: 34.00%) Type A shares: 36,001,819 shares
Number of shares transferred	Common shares: 21,698,181 shares Type A shares: 36,001,819 shares
Number of shares held after the transfer	- %
Share Transfer Price	¥12.7 billion (Note)
Share transfer profit	The Company plans to record ¥10.8 billion in gain on disposal of interests in an affiliated company in the consolidated statement of profit or loss for the fiscal year ending March 31, 2020. (Note)

(Note) The share transfer price will be determined based on the terms and conditions as of the share transfer date. Therefore, the amount of share transfer profit may change.