The following is an English translation of the Items for Disclosure via the Internet upon Notice of Convocation of the 77th Annual General Meeting of Shareholders of LIXIL Group 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.

To Our Shareholders

Items for Disclosure via the Internet upon the Notice of Convocation of the 77th Annual General Meeting of Shareholders

1. **Notes to consolidated financial statements**
2. **Notes to nonconsolidated financial statements**

for the 77th fiscal year (from April 1, 2018 to March 31, 2019)

LIXIL Group Corporation

Pursuant to laws and regulations and the Company's Articles of Incorporation, the above items are information regarded to be provided to shareholders by placing on the Company's website (https://www.lixil.com/jp/) over the Internet.

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 Group 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: 200

Major subsidiaries: LIXIL Corporation
LIXIL VIVA CORPORATION
LIXIL Total Service Corporation
LIXIL Total Hanbai Corporation
Kawashima Selkon Textiles Co., Ltd.
LIXIL Group Finance Corporation
GROHE Group S.à r.l.
Permasteelisa S.p.A.
ASD Holding Corp.
A-S CHINA PLUMBING PRODUCTS Ltd.
TOSTEM THAI Co., Ltd.
LIXIL INTERNATIONAL Pte. Ltd.
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.
LIXIL Manufacturing (Dalian) Corporation

PT LIXIL TRADING INDONESIA and another company were newly established and included in the scope of consolidation in the year ended March 31, 2019.

LIXIL ENERGY CO., Ltd. was merged into LIXIL Corporation, the surviving company. In total, 18 companies were excluded from the scope of consolidation as they were liquidated as part of restructuring within the group.

The Company had decided to sell 100% of the shares of Permasteelisa S.p.A. ("Permasteelisa") and signed off on a share transfer agreement in the year ended March 31, 2018. However, the Company had terminated this share transfer agreement in the year ended March 31, 2019. Details are described in Note (2) "Termination of the Share Transfer Agreement of Permasteelisa S.p.A." of Note 9 "Notes Related to Subsidiaries".

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

Number of investments in associates accounted for using the equity method: 64

Major investments in associates accounted for using the equity method: Sanyo Homes Corporation
Ken Depot Corporation

The Company resolved at the Board of Directors Meeting held on April 23, 2019 to transfer all of the shares of Ken Depot Corporation held by LIXIL Corporation. Details are described in Note 10 "Significant Subsequent Events."

(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 statements as of March 31, which are used for consolidation.

(5) Significant accounting policies

1) Inventories

The historical 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 and net realizable value. Historical 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.

Carrying amounts of inventories recognized in the consolidated statement of financial position are reviewed regularly. When there is slow-moving inventory over a long period, or when the Company and its subsidiaries (the "Group") does not expect that all or a portion of the inventory will be recovered through sales, carrying amounts are 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 historical cost less accumulated depreciation and accumulated impairment losses. The historical 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 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 and the carrying amount, and is recognized in profit or loss.

3) Goodwill

Goodwill arising from business combinations is stated at historical 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 historical cost less any accumulated amortization and accumulated impairment losses.

A. Intangible assets acquired individually
Measured at historical 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 Company's intention to complete the intangible asset and use or sell it;
- The Company's ability to use or sell the intangible asset;
- How the 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 Company'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, useful lives and residual values of assets 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.

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 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.

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 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. 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 testing 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 accounted for under 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 as 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 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 loss 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, at initial recognition, financial assets as 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 asset is held within a business model whose objective is to hold 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 as other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss is reclassified to profit or loss.

(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 in other comprehensive income changes in fair value of an investment in an equity instrument that is not held for trading. 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 as 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 assess whether there have been significant increases in credit risk since 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 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 are 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 as in default when all or part of those financial assets are not recovered or the recoverability 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 that 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 receivables, 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 loss 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 cost 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 rate method. Amortization under the effective interest rate 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 rate 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 forward currency contracts, interest rate swaps, cross-currency 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 of 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 and 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 continued to be 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 profit or loss in the consolidated statement of income.

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

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

In finance lease transactions, leased assets and lease obligations are recognized in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. Total minimum lease payments are apportioned between the finance cost and the reduction of the lease obligations based on the effective interest method. Finance costs are recognized in the consolidated statement of profit or loss. Leased assets are depreciated by using the straight-line method over the shorter of their estimated useful lives or lease terms.

In operating lease transactions, lease payments are recognized as an expense by using the straight-line method over the lease terms in the consolidated statement of profit or loss.

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease, in accordance with IFRIC 4, Determining Whether an Arrangement Contains a Lease, even if the arrangement does not take the legal form of a lease.

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 historical 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 are accounted for as changes in accounting estimates.

Loss that will probably be incurred from construction project is recognized as an expense immediately and recognize provisions for construction losses.

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 is 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 highquality 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

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.

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 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's location. Therefore, revenue is recognized 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 separate performance obligation from the sale of goods and products, and the transaction price is allocated based on the independent selling price. Payment for 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 recognized.

In addition, the Group sells commodities such as daily necessities and DIY materials to general customers, and wood, tools, building materials and others, to professional craft workers at home centers in the Distribution and Retail business. With respect to such sales transactions, revenue is recognized 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. Payments for performance obligation are received over a short period of time in accordance with the payment method the customer selected.

B. Construction contracts

The Group enters into long-term construction contracts, mainly for its Building 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 revenue related to the construction contract is recognized based on degree of progress 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, 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 is 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 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 contract amount is determined. Regarding construction revenue, in general, we charge according to volume on a monthly basis and we receive it within a short period of time.

Either contract assets or contract liabilities are recorded according to the relationship between amounts of revenue recognized and amounts of payment from the customer. 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). 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, ground inspections and real estate trading in the Housing and Services businesses, which consists of the housing solutions businesses and real estate related businesses, etc. 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 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 ground inspections, the Group is obliged to investigate and inspect 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 recognized at the time of analysis completion. Payment concerning this performance obligation is received shortly after the analysis is completed. Furthermore, regarding real estate transactions, we deem that the buyer acquires control and satisfies the performance obligation when the property delivered to the buyer, and revenue is recognized at the time of property delivery. Payment for this performance obligation is immediately received.

12) 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. On 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.

13) Assets held for sale

An asset or asset group which 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 the management commit 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 its carrying amount or its fair value less costs of 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.

An asset or asset group for which the determination has changed from sales to continuing use ceases to be classified as held for sale or included within a disposal group. An asset or asset group which has ceased to be classified as held for sale or included within a disposal group is measured at the lower of their carrying amount, adjusted for any depreciation or amortization that would have been recognized if the asset or asset group were not classified as held for sale or included within a disposal group, or the recoverable amount at the date that the asset or asset group is determined not to be classified as held for sale or included within a disposal group.

Assets and liabilities related to the Company's subsidiary, Permasteelisa and its subsidiaries, were classified as "Assets held for sale and liabilities directly associated with assets held for sale," and profit and loss from related businesses were presented as "Profit and loss from discontinued operations" on the consolidated financial statements for the year ended March 31, 2018. However, the Company ceased to classify them as such from the year ended March 31, 2019, and profit and loss of Permasteelisa and its subsidiaries are presented as profit and loss from continuing operations. 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 described in Note (2) "Termination of the Share Transfer Agreement of Permasteelisa S.p.A." of Note 9 "Notes Related to Subsidiaries."

14) Accounting for consumption tax

Transactions subject to consumption tax are recorded at amounts excluding consumption tax.

15) Consolidated taxation system

The Group applies the consolidated taxation system.

2. Notes on Changes in Accounting Policies

The Group has adopted the following standards from the beginning of the year ended March 31, 2019.

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

(1) IFRS 9 (Financial Instruments)

Due to the mandatory adoption of IFRS 9, "Financial Instruments" (revised in July 2014), 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.

The main changes in accounting policies are as follows. The accounting policies after the changes are described in Note (5) "Significant accounting policies 7) Financial instruments" of Note 1 "Basis for Preparation of Consolidated Financial Statements".

By applying IFRS 9, "Loans and receivables" and "Held-to-maturity investments", which were included in "Other financial assets" in the consolidated statement of financial position for the year ended March 31, 2018, is now classified to "Financial assets measured at amortized cost" from the year ended March 31, 2019. Also, "Available-for-sale financial assets," which were included in "Other financial assets, non-current," are now classified in "Financial assets measured at fair value through other comprehensive income."

Gain or loss on sale and impairment losses of equity instruments were recognized in profit or loss in the year ended March 31, 2018 but are now recognized in other comprehensive income from the year ended March 31, 2019.

The Group applies an impairment model based on expected credit losses for valuation of financial assets from the year ended March 31, 2019.

The Group changed its accounting policy related to hedge accounting from the year ended March 31, 2019.

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

Compared to the previously applied accounting standards, loss before tax decreased by 374 million yen, loss for the year decreased by 325 million yen and basic loss per share decreased by 1.12 yen in the consolidated statement of profit or loss for the year ended March 31, 2019.

Applying IFRS 9 has had no significant impact on the consolidated statement of financial position for the 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 IFRS15" (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 provisions.

By applying IFRS 15, except for the interest and dividend revenues, which are recognized based on IFRS 9, the Group recognizes revenues based on the following five-step approach. The accounting policies after the changes are described in Note (5) "Significant accounting policies 11) Revenue" of Note 1 "Basis for

Preparation of Consolidated Financial Statements".
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

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

As a result, at the beginning of the year ended March 31, 2019, "Retained earnings" increased by 950 million yen, total assets increased by 439 million yen, and total liabilities decreased by 511 million yen. The main components of the increase in total assets include the decrease in "Inventories" of 6,368 million yen, the decrease in "Construction contract assets" of 10,880 million yen, and the increase in "Contract assets" of 18,657 million yen. The main components of the decrease in total liabilities include the decrease in "Other current liabilities (Advances received)" of 4,680 million yen, the decrease in "Construction contract liabilities" of 1,107 million yen, and the increase in "Contract liabilities" of 5,673 million yen.

Compared to the previously applied accounting standards, revenue increased by 1,936 million yen, operating loss, loss before tax and loss for the year decreased by 1,032 million yen and basic loss per share decreased by 2.89 yen in the consolidated statement of profit or loss for the year ended March 31, 2019.

Compared to the previously applied accounting standards, "Inventories" decreased by 7,227 million yen, "Construction contract assets" decreased by 49,671 million yen, and "Contracts assets" increased by 59,019 million yen, "Other current liabilities (Advances received)" decreased by 5,355 million yen as well, and "Construction contract liabilities" decreased by 55,865 million yen and "Contract liabilities" increased by 60,761 million yen in the consolidated statement of financial position for the year ended March 31, 2019.

3. Notes to Consolidated Statement of Financial Position

(1) Pledged assets

Land	147 million yen

The above assets are pledged as collateral for long-term borrowings to be repaid within one year in the amount of 23 million yen and long-term borrowings in the amount of 186 million yen.

(2) Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	10,974 million yen
Other financial assets (Current assets)	3 million yen
Other financial assets (Non-current assets)	3,826 million yen
Total	14,803 million yen

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

750,416 million yen

(4) Contingent liabilities

The Group guarantees liabilities to certain banks in the amount of 142,120 million yen for Permasteelisa S.p.A. ("Permasteelisa") and its subsidiaries' performance bonds under construction contracts and others.

With regards to construction projects, Permasteelisa and its subsidiaries received various litigations and claims before resulting in litigations. The maximum amount of the litigations and claims which Permasteelisa received from the counterparties is 19,145 million yen in total. Since Permasteelisa will defend themselves or explain their positions against these litigations and claims, it is unable to estimate the adverse effect at 31 March, 2019. Although, appropriate provision has been recorded for the estimated loss on claims and legal actions, and the amount of provision is not included in the aforementioned contingent liabilities.

The Group also provides business-related guarantees and other guarantees to counterparties in the amount of 2,752 million yen.

(5) Assets held for sale and liabilities directly associated with assets held for sale

The components of assets held for sale and liabilities directly associated with assets held for sale are as follows:

	Millions of yen
Assets held for sale	
Cash and cash equivalents	1,659
Trade and other receivables	4,050
Inventories	1,068
Contract assets	973
Property, plant and equipment	3,037
Other	604
Total	11,391
Liabilities directly associated with the assets held for sale	
Trade and other payables	2,012
Other current liabilities	895
Net defined benefit liabilities	943
Other	1,188
Total	5,038

Note: Assets which are classified as assets held for sale and liabilities directly associated with assets held for sale for the year ended March 31, 2019 are associated mainly with LIXIL Suzuki Shutter Corporation and its subsidiaries. This classification is a result of the Group's decision to dispose of these assets and liabilities. Details are described in Note (1) "Share transfer of LIXIL Suzuki Shutter Corporation" of Note 9 "Notes Related to Subsidiaries".

4. Notes to Consolidated Statement of Profit or Loss

Impairment losses

The Company recognized impairment losses amounting to 30,187 million yen as other expenses in the consolidated statement of profit or loss for the year ended March 31, 2019. The main impaired assets are as follows:

(Millions of yen)

Category	Segment	Component and amount	
Manufacturing and sales of curtain wall	Building Technology business	Goodwill	9,650
		Customer-related assets	12,035
		Technology-based 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 assets related to the manufacturing and sale of curtain walls owned by 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 the profitability declined significantly due to continuous low performance and as such, business strategy was reviewed. An asset's recoverable amount is measured at the asset's value in use, determined by discounting future cash flows at a discount rate of 11.8%. For Permasteelisa's goodwill, customer-related assets and technology-based assets, the Company recognized impairment losses at the entire amount of the total carrying book value.

The assets relates to manufacturing facilities for faucets, etc., for which impairment losses were recognized, are owned by LIXIL Africa Holding (Pty) Ltd. 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 profitability declined significantly due to continuous low performance and as such, business strategy was reviewed. An asset's recoverable amount is measured at fair value less cost of disposal, determined by discounting future cash flows at a discount rate of 14.3%.

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 beginning of the fiscal year (thousand)	Increase during the fiscal year (thousand)	Decrease during the fiscal year (thousand)	Number of shares at the end of the fiscal year (thousand)
Shares outstanding	Ordinary shares	313,054	265	―	313,319
Treasury shares	Ordinary shares	23,264	7	47	23,224

Notes: 1. The increase of shares outstanding is due to issuing the shares with restriction.
2. Number of treasury shares is the total of treasury shares owned by the Company and those owned by associates accounted for using the equity method, which are determined in proportion to the Company's interest in the associates.
3. The increase of treasury shares is mainly due to the purchase of stocks of less than one unit of 7 thousand shares.
4. The decrease of treasury shares is mainly due to an exercise of stock options of 47 thousand shares.

(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 21, 2018	Ordinary shares	10,143	35	March 31, 2018	June 6, 2018
Board of Directors Meeting held on October 31, 2018	Ordinary shares	10,153	35	September 30, 2018	November 30, 2018
Total	—	20,296	—	—	—

Note: Total dividends are the resolution amount of dividends less dividends attributed to the Company's shares owned by associates accounted for using the equity method.

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

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends resource	Dividends per share (Yen)	Record date	Effective date
Board of Directors Meeting held on May 28, 2019	Ordinary shares	10,153	Retained earnings	35	March 31, 2019	June 26, 2019

Note: Total dividends are the resolution amount of dividends less dividends attributed to the Company's shares owned by associates accounted for using the equity method.

(3) The number of shares subject to the exercises of stock options whose exercise period has already arrived as of March 31, 2019

4th stock options	323,300 shares
5th stock options	2,374,900 shares
7th stock options	2,795,500 shares
8th stock options	40,500 shares
9th stock options	300,000 shares
Yen-based Convertible bond-type Euro bonds with subscription rights to shares due 2020	15,492,266 shares
Yen-based Convertible bond-type Euro bonds with subscription rights to shares due 2022	15,818,613 shares
Total	37,145,079 shares

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 to risks of changing economic and financial market environments. Risks of changing financial market environments include A. currency risk, B. interest rate risk, C. price risk of equity instruments and D. price risk of merchandise.

A. Currency risk

Currency risk arises from transactions undertaken by the Group companies in currencies other than the functional currency. It may affect 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 Group companies 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 of guarantee obligations disclosed in Note (4)"Contingent liabilities" of Note 3 "Notes to Consolidated Statement of Financial Position" 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

Carrying amount and fair value of financial instruments as well as their differences as of March 31, 2019 are as follows:

(Millions of yen)

	Carrying amount	Fair value	Difference
Assets			
Financial assets measured at amortized cost			
Other financial assets	45,040	46,807	1,767
Liabilities			
Financial liabilities measured at amortized cost			
Bonds and borrowings	725,958	728,603	2,645
Other financial liabilities	33,016	33,346	330

Notes: 1. Assets and liabilities with carrying amounts which approximate fair value or those measured at fair value on a recurring basis are not included in the table.

2. The fair value measurement approach is as follows:

Loans and receivables, bonds and borrowings, and other financial liabilities measured at amortized cost	Measured at present value using a discount rate, adjusted for credit risks of the Group or its counterparties.

7. Investment Property

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, 2019 are as follows:

(Millions of yen)

Carrying amount	6,750
Fair value	6,945

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

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

8. Per Share Information

(1) Equity attributable to owners of the parent per share 1,839.59 yen

(2) Basic loss per share 179.98 yen

9. Notes Related to Subsidiaries

(1) Share transfer of LIXIL Suzuki Shutter Corporation

1) Main reason for the transfer

The Company resolved at the Board of Directors Meeting held on July 31, 2018 to sell 100% of the shares of LIXIL Suzuki Shutter Corporation, a wholly-owned subsidiary of the Company, to Sanwa Holdings Corporation, and signed off on a share transfer agreement on the same date.

LIXIL Suzuki Shutter Corporation has a superior technology and capabilities in the field of selling, construction and maintenance of the housing materials including shutters. Being part of Sanwa Holdings Corporation, which leads the market with a strong business platform, will allow LIXIL Suzuki Shutter Corporation to achieve the further growth. For this reason, the Company concluded a contract for the share transfer of LIXIL Suzuki Shutter Corporation to Sanwa Holdings Corporation.

The Group has focused on optimizing its business portfolio in line with broader steps to enhance operational efficiencies and strengthen financial conditions. The transaction is also in line with the Company's ongoing efforts to simplify the business structure, enabling further synergies and efficiencies through enhanced integration

2) Name of transferee company and date of share transfer

Name of the transferee company	Sanwa Holdings Corporation
Date of share transfer	Share will be transferred as soon as the various administrative procedures for the share transfer are completed.

3) Name of transferred company and major business

Name	LIXIL Suzuki Shutter Corporation
Major business	Manufacturing, selling and construction various types of shutters and steal doors, etc., and maintenance thereof

4) Overview of transfer

Numbers of shares held before the transfer	9,204,597 shares (Voting right ratio: 100%)
Number of shares transferred	9,204,597 shares
Number of shares held after the transfer	-share (Voting right ratio: - %)
Consideration received	Undecided
Gain on share transfer	Undecided

(2) Termination of the Share Transfer Agreement of Permasteelisa S.p.A

1) Background of termination of the share transfer agreement

The Company resolved at the Board of Directors Meeting held on August 21, 2017 to sell 100% of the shares of Permasteelisa S.p.A ("Permasteelisa"), a wholly-owned subsidiary of 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 to the share transfer, the Company and Grandland had been making every effort to proceed with various measures to close the transaction as soon 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 specifies that securing the necessary approval from regulatory authorities is required in order to close the deal. Therefore, after receipt of the notification from CFIUS, the Company considered further options. As a result, however, 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 meeting on November 27, 2018, and subsequently terminated the share transfer agreement on the same date.

2) Impact on the consolidated financial statements

This share transfer is subject to regulatory approval and because the Company considered there to be a high probability of receiving the required approval, assets and liabilities related to Permasteelisa and its subsidiaries were classified as "assets held for sale and liabilities directly associated with assets held for sale." Furthermore, profit and loss from Permasteelisa and its subsidiaries were presented as "profit and loss from discontinued operations" for the year ended March 31, 2018.

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 assets held for sale" during the year ended March 31, 2019, and "profit and loss from business of Permasteelisa and its subsidiaries" are presented as "profit and loss from continuing operations" on the consolidated statement of profit and loss for the year ended March 31, 2019.

The Company received 25 million euros (3,224 million yen) as a part of the sale price of shares pertaining to this stock transfer during the year ended March 31, 2018. However, the Company refunded the above amount of 25 million euros (3,218 million yen) during the year ended March 31, 2019.

Since ceasing to classify Permasteelisa in "Disposal group held for sale," profit and loss from the business of Permasteelisa and its subsidiaries has been restated as "Profit and loss from continuing operations". The impacts of profit or loss from the business of Permasteelisa and its subsidiaries in the consolidated statement of profit or loss for the year ended March 31, 2019 are as follows.

	Millions of yen
Revenue	143,210
Cost of sales	(163,798)
Gross profit	(20,588)
Selling, general and administrative expenses	(20,958)
Other income and loss (Note 1)	(22,353)
Operating loss	(63,899)
Finance income and costs	(1,548)
Loss before tax	(65,447)
Income tax expenses (Note 2)	(12,281)
Loss for the year	(77,728)

Note: 1. Other income includes 2,040 million yen recognized on the remeasurement of a disposal group classified as held for sale. Other expenses include 24,820 million yen of impairment loss related to Permasteelisa's business described in Note 4 "Notes to Consolidated Statement of Profit or Loss."

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

10. Significant Subsequent Events

Transfer of shares of Ken Depot Corporation

(1) Reason for the transfer of shares

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 carved out from LIXIL Corporation ("LIXIL") in 2015 to establish Ken Depot Corporation. With capital participation of the fund in which Unison Capital Inc. ("Unison Capital"), 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, Ken Depot Corporation became an associate accounted for using the equity method of the Company.

As a result of the discussion with Unison Capital, LIXIL decided to transfer all of the shares of Ken Depot Corporation held by LIXIL. The Group has focused on optimizing its business portfolio in line with broader steps to enhance operational efficiencies and strengthen financial conditions. The transaction is also in line with the Company's ongoing efforts to simplify the business structure, enabling further synergies and efficiencies through enhanced integration.

(2) Name of 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: It may change, as necessary, after the completion of the procedures set forth in Antitrust Law.

(3) Name of transferred company and major business

Name	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 transfer

Numbers of shares held before the transfer	Common stock: 21,698,181 shares (Voting right ratio: 34%) A Classified Stock: 36,001,819 shares
Number of shares transferred	Common stock: 21,698,181 shares (Voting right ratio: 34%) A Classified Stock: 36,001,819 shares
Voting right ratio after the transfer	-%
Consideration received	12,700 million yen (Note)
Gain on share transfer	The Group will recognize 10,800 million yen in gain on disposal of interest in former associate in the consolidated statement of profit or loss for the fiscal year ending March 31, 2020. (Note)

Note: Since the sales amount will be fixed based on all of the conditions as of the date of transfer of shares, the amount of gains or losses of sales may change.

11. Other Notes

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

Notes to Nonconsolidated Financial Statements

1. Significant Accounting Policies
   (1) Valuation standards and methods for securities
      1) Investments in subsidiaries and associates
         Stated at cost determined by the moving-average method.
      2) Available-for-sale securities
         Marketable securities
         Stated at fair value at the end of the fiscal year. Unrealized gains or losses, net of applicable income taxes, are directly included in net assets. Costs of securities sold are determined by the moving-average method.
         Non-marketable securities
         Stated at cost determined by the moving-average method.
   (2) Depreciation method of non-current assets
      1) Property, plant and equipment other than leased assets
         Depreciated under the declining-balance method.
         Buildings acquired on or after April 1,2016, are depreciated using the straight-line method.
      2) Intangible assets
         Depreciated under the straight-line method.
      3) Leased assets
         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) Provision for bonuses
         An accrual is provided for the payment of employees' bonuses based on the expected amount to be paid.
      2) 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) Accounting for convertible bonds with subscription rights to shares
      Proceeds from the issuance of convertible bonds with subscription rights to shares are not allocated between the bond portion and the subscription right portion, but are accounted for as straight bonds.
   (5) Accounting for consumption tax
      Transactions subject to consumption tax are recorded at amounts excluding of consumption tax.
   (6) Consolidated taxation system
      LIXIL Group Corporation (the "Company") applies the consolidated taxation system.

2. Changes in Presentations

   As described in Note 3 "Additional Information," royalty income is newly recorded in "Royalty income," as the Company has begun claiming payment of royalties for the “LIXIL” trademark owned by the Company. As a result, the Company recorded expenses related to ownership, development, and maintenance of trademarks as expenses corresponding to operating revenues. As such the Company has changed the presentation from “General and administrative expenses” to “OPERATING EXPENSES.”

3. Additional Information

The Company received shares of overseas subsidiaries from LIXIL Corporation as dividends in kind in March 2018 in order to strengthen governance and improve management efficiency. In response to this, the Company reviewed its function as a pure holding company, and took over management functions, including overseas subsidiary management and functions related to holding, development and maintenance of "LIXIL" trademarks owned by the Company, for which LIXIL Corporation was previously responsible. The Company has also signed a business consignment agreement with LIXIL Corporation and consigned those functions to LIXIL Corporation.

With regard to its business management function, the Company has changed the calculation method of income from the management contribution system and now allocates related costs based on the percentage of contribution to each subsidiary. Because of this change, the Company has altered the business contribution income, which was previously recorded as a deductible item for general and administrative expenses, to be deducted from the business consignment fee to LIXIL Corporation. In addition, the Company has begun receiving royalty income from its subsidiaries in relation to the functions such as ownership, development and maintenance of the “LIXIL” trademark.

In line with this, income from the management contribution system, which is a deductible item in general and administrative expenses decreased by 3,049 million yen from the previous fiscal year, and business consignment fees to LIXIL Corporation increased to 5,421 million yen after deducting income from the management contribution system charged to subsidiaries. In addition, royalty income increased to 5,172 million yen.

4. Notes to Nonconsolidated Balance Sheet

(1) Accumulated depreciation on property, plant and equipment 10 million yen

(2) Guaranteed obligations

The Company guarantees transfer receivables arising from factoring service and loans payable of the following subsidiary or associate:

LIXIL Group Finance Corporation	103,436 million yen

The Company guarantees deposits received by the following subsidiary or associate:

LIXIL Corporation	173 million yen

The Company guarantees performance obligations related to construction contracts of the following subsidiary or associate:

Josef Gartner GmbH	15,761 million yen

The Company guarantees loans payable of the following subsidiary or associate:

Grohe Holding GmbH	49,513 million yen
LIXIL India Sanitaryware Pvt.Ltd	622 million yen

The Company guarantees loans payable of the following subsidiaries or associates:

In addition, as a result of revising the internal rules on fund raising in April 2018, the Company has newly secured the loans payable from the financial subsidiaries of affiliated companies.

LIXIL Corporation	349,132 million yen
Grohe Holding GmbH	61,869 million yen
LIXIL GLOBAL MANUFACTURING VIETNAM Co., Ltd.	21,600 million yen
ASD Holding Corp.	14,428 million yen
Permasteelisa Gartner Middle East LLC	13,705 million yen
Permasteelisa Pacific Holdings Ltd.	10,091 million yen
LIXIL REALTY Corp.	9,548 million yen
Other	27,958 million yen

(3) Receivables from and payables to subsidiaries and associates

Short-term receivables	140,366 million yen
Short-term payables	3,725 million yen

5. Notes to Nonconsolidated Statement of Income

Transactions with subsidiaries and associates

Operating transactions

Royalty income	5,172 million yen
Dividend income	4,845 million yen
Other operating revenue	6,316 million yen
Non-operating transactions	5,122 million yen

6. Notes to Nonconsolidated Statement of Changes in Equity

Class and number of treasury shares as of March 31, 2019

Ordinary shares

23,223,744 shares

7. Deferred Tax Assets and Deferred Tax Liabilities

Major components of deferred tax assets and deferred tax liabilities

Deferred tax assets		
Loss on valuation of investments in subsidiaries and associates	2,869	million yen
Tax loss carryforwards	2,314	million yen
Loss on valuation of investment securities	682	million yen
Provision for loss on business of subsidiaries and associates	461	million yen
Loss on sale of investments in subsidiaries and associates	23	million yen
Other	499	million yen
Subtotal	6,852	million yen
Less: valuation allowance for tax loss carryforwards	(809)	million yen
Less: valuation allowance for deductible temporary difference	(4,419)	million yen
Subtotal	(5,228)	million yen
Total	1,623	million yen
Deferred tax liabilities		
Unrealized gain on available-for-sale securities	(1,189)	million yen
Gain on sale of investments in subsidiaries and associates	(939)	million yen
Other	(108)	million yen
Total	(2,237)	million yen
Net deferred tax liabilities	(613)	million yen

8. Related Party Transactions

(1) Subsidiaries and associates

(Million 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, 2019
Subsidiary	LIXIL Corporation	Directly owned 100%	Control and management by holding shares	Acceptance of seconded employees (Note 1)	450	Accrued expenses	35
			Concurrent post of directors	Payment of consignment fee (Note 2)	5,390	Other receivables	462

				Receipt of royalty (Note 3) Guarantee of obligations of intercompany loans (Note 4)	5,044 349,132	Other receivables —	445 —
Subsidiary	LIXIL Group Finance Corporation	Directly owned 100%	Control and management by holding shares Concurrent post of directors	Lending of funds (Note 5) Receipt of interest income (Note 5) Guarantee of obligations (Note 6) Receipt of guarantee fees (Note 6)	133,480 681 103,436 58	Short-term loans receivable Other receivables — Other receivables	133,480 42 — 4
Subsidiary	ASD Holdings Corp.	Directly owned 100%	Control and management by holding shares Concurrent post of directors	Guarantee of obligations of intercompany loans (Note 4)	14,428	—	—
Subsidiary	Grohe Holding GmbH	Indirectly owned 100%	Control and management by holding shares	Guarantee of obligations of intercompany loans (Note 4) Guarantee of obligations (Note 6) Receipt of guarantee fees (Note 6)	61,869 49,513 47	— — Other receivables	— — 2
Subsidiary	LIXIL GLOBAL MANUFACT URING VIETNAM	Indirectly owned 100%	Control and management by holding shares	Guarantee of obligations of intercompany loans (Note 4)	21,600	—	—

	Co.,Ltd						
Subsidiary	Permasteelisa Gartner Middle East LLC	Indirectly owned 100%	Control and management by holding shares	Guarantee of obligations of intercompany loans (Note 4)	13,705	—	—
Subsidiary	Permasteelisa Pacific Holdings Ltd.	Indirectly owned 100%	Control and management by holding shares	Guarantee of obligations of intercompany loans (Note 4)	10,091	—	—
Subsidiary	LIXIL REALTY Corp.	Indirectly owned 100%	Control and management by holding shares	Guarantee of obligations of intercompany loans (Note 4)	9,548	—	—
Subsidiary	Josef Gartner GmbH	Indirectly owned 100%	Control and management by holding shares	Guarantee of obligations (Note 7)	15,761	—	—

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

Notes: 1. Amount reimbursed to LIXIL Corporation, which paid payroll costs for seconded employees on behalf of the Company.

2. The consignment fee is calculated based on the consignment agreement with LIXIL Corporation. In addition, the net amount after deducting the amount claimed management fee is stated.
3. Royalty are calculated based on the contractual rates determined in consultation with LIXIL Corporation.
4. As a result of revising the internal rules on fund raising in April 2018, the Company has newly secured the loans payable from the financial subsidiaries of affiliated companies.The Company does not receive any guarantee fees, taking into account the degree of associated risks.
5. Interest rates on loans are determined reasonably based on actual fund-raising rates. Transaction amount represents the balance of loans receivable as of March 31, 2019.
6. Guarantee fee rates are determined reasonably based on the market rate and the degree of associated risks.
7. Guarantee is for performance obligations related to construction contracts. The Company does not receive any guarantee fees, taking into account the degree of associated risks.

(2) Directors and major individual shareholders

(Million 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, 2019
Director and close relative	Yoichiro Ushioda	(Directly owned 3.2%)	Director and Executive Officer of the Company	Allotment of restricted stock (Note 1)	47	－	－
Director and close relative	Kinya Seto	(Directly owned 0.1%)	Director and Executive Officer of the Company	Allotment of restricted stock (Note 1)	299	－	－
Director and close relative	Yoshizumi Kanamori	(Directly owned 0.0%)	Director of the Company	Allotment of restricted stock (Note 1)	15	－	－
Director and close relative	Yoshinobu Kikuchi	(Directly owned 0.0%)	Director of the Company	Allotment of restricted stock (Note 1)	15	－	－
Director and close relative	Haruo Shirai	(Directly owned 0.0%)	Director of the Company	Allotment of restricted stock (Note 1)	15	－	－
Director and close relative	Ryuichi Kawamoto	(Directly owned 0.0%)	Director of the Company	Allotment of restricted stock (Note 1)	15	－	－
Director and close relative	Sachio Matsumoto	(Directly owned 0.0%)	Executive Officer of the Company	Allotment of restricted stock (Note 1) Exercise of subscription rights to shares (Note 2)	34 35	－ －	－ －
Director and close relative	Otsubo Kazuhiko	(Directly owned 0.0%)	Executive Officer of the Company	Allotment of restricted stock (Note 1)	29	－	－
Director and close relative	Hwa Jin Song Montesano	(Directly owned 0.0%)	Executive Officer of the Company	Allotment of restricted stock (Note 1)	13	－	－
Director and close relative	Harumi Matsumura	(Directly owned 0.0%)	Executive Officer of the Company	Allotment of restricted stock (Note 1) Exercise of subscription rights	12 23	－ －	－ －

				to shares (Note 2)			
Director and close relative	Ryo Nihei	(Directly owned 0.0%)	Executive Officer of the Company	Allotment of restricted stock (Note 1) Exercise of subscription rights to shares (Note 2)	12 11	– –	– –
Director and close relative	Yugo Kanazawa	(Directly owned 0.0%)	Executive Officer of the Company	Allotment of restricted stock (Note 1)	12	–	–

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

Notes: 1. Allotment of restricted stock are those allocated on July 17, 2018 under the restricted stock compensation system newly adopted by the resolution of Board of Directors on June 25, 2018.
The transaction amounts are calculated as number of allocated shares multiplied by share price 2,237 yen as per at June 22, 2018 which was a last business day before the date of the Board of Directors' meeting.

2. Exercised subscription rights to shares are those exercised in the current year based on the resolutions of Board of Directors on April 17, 2012 and April 15, 2013. Transaction amounts are calculated by multiplying the shares granted in exercising subscription rights by amounts paid.

8. Per Share Information

(1) Net assets per share 1,636.35 yen

(2) Earnings per share 3.02 yen

9. Consolidated Dividend Regulations

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

10. Other Notes

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