



Consolidated Financial Results for the First Quarter Ended June 30, 2019 (International Financial Reporting Standards)

Company Name: LIXIL GROUP CORPORATION
 Code Number: 5938
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 Scheduled date of issue of quarterly financial report: August 9, 2019
 Preparation of supplementary materials for quarterly financial results: Yes
 Information meeting for quarterly financial results to be held: Yes (For investment analysts and institutional investors)

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(Amounts less than one million yen are rounded)

1. Consolidated Financial Results for the Q1 of FY Ending March 2020 (April 1 through June 30, 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 quarter | | Profit for the quarter attributable to owners of the parent | |
|--------------------|----------------|------------|---------------|--------------|------------------|-------------|-------------------|--------------|------------------------|--------------|---|--------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FYE 2020 Q1 | 445,301 | 2.1 | 11,606 | 151.5 | 11,245 | 79.9 | 20,872 | 269.6 | 13,991 | 248.4 | 12,888 | 320.5 |
| FYE 2019 Q1 | 435,964 | 0.9 | 4,615 | -75.3 | 6,249 | -66.4 | 5,647 | -67.1 | 4,016 | -63.7 | 3,065 | -70.1 |

| | Total comprehensive income for the quarter | | Basic earnings per share | | Diluted earnings per share | |
|--------------------|--|---|--------------------------|--------------|----------------------------|-----|
| | Million yen | % | Yen | Yen | Yen | Yen |
| FYE 2020 Q1 | 1,845 | - | 44.42 | 40.26 | | |
| FYE 2019 Q1 | -2,397 | - | 10.58 | 9.73 | | |

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

(2) Consolidated Financial Position

| | Total assets | | Total equity | | Equity attributable to owners of the parent | | Ratio of equity attributable to owners of the parent to total assets | |
|--------------------|------------------|----------------|----------------|----------------|---|-------------|--|---|
| | Million yen | Million yen | Million yen | Million yen | Million yen | Million yen | % | % |
| FYE 2020 Q1 | 2,174,729 | 558,220 | 558,220 | 524,668 | 524,668 | 24.1 | | |
| FYE 2019 | 2,059,544 | 567,167 | 567,167 | 533,656 | 533,656 | 25.9 | | |

2. Cash Dividends

| | Dividends per share | | | | |
|---------------------|---------------------|-----------|-----------|---------------|--------------|
| | End of Q1 | End of Q2 | End of Q3 | End of period | For the year |
| FYE 2019 | — | 35.00 | — | 35.00 | 70.00 |
| FYE 2020 | — | | | | |
| FYE 2020 (forecast) | | 35.00 | — | 35.00 | 70.00 |

Note: Revision of dividends forecast during this period: No

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 | |
|----------|-------------|-----|---------------|-------|------------------|---|-------------------|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FYE 2020 | 1,850,000 | 0.9 | 47,000 | 267.2 | 38,000 | - | 44,000 | - |

| | Profit for the year | | Profit for the year attributable to owners of the parent | | Basic earnings per share | |
|----------|---------------------|---|--|---|--------------------------|-----|
| | Million yen | % | Million yen | % | Yen | Yen |
| FYE 2020 | 17,600 | - | 15,000 | - | 51.71 | |

Note: Revision of consolidated operating performance forecast after the recent announcement: No

*** Notes**

(1) Changes in significant subsidiaries, which affected the scope of consolidation during this period: No
Newly consolidated company: None
Excluded company: None

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

(3) Outstanding stocks (Common stocks)

| | | | | |
|--|-----------------|--------------------|---------------------------|--------------------|
| (i) Outstanding stocks including treasury stocks | (June 30, 2019) | 313,319,159 shares | (FY ended March 31, 2019) | 313,319,159 shares |
| (ii) Treasury stocks | (June 30, 2019) | 23,214,886 shares | (FY ended March 31, 2019) | 23,224,165 shares |
| (iii) Average stocks during three months (Apr - Jun) | (June 30, 2019) | 290,102,189 shares | (June 30, 2018) | 289,800,401 shares |

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

*Appropriate use of business forecasts; other special items

(Cautionary statements with respect to forward-looking statements)

Performance forecast and other forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational at the time of this report's release. Due to various circumstances, however, actual results may differ significantly from such statements.

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

4. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Unit: millions of yen)

| | As of March 31, 2019 | End of Q1 (As of June 30, 2019) |
|---|----------------------|------------------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | Y 141,421 | Y 117,840 |
| Trade and other receivables | 401,651 | 366,173 |
| Inventories | 234,646 | 245,051 |
| Contract assets | 59,019 | 65,028 |
| Income taxes receivable | 4,824 | 2,577 |
| Other financial assets | 12,612 | 15,230 |
| Other current assets | 26,216 | 24,969 |
| Subtotal | 880,389 | 836,868 |
| Assets held for sale | 11,391 | 10,786 |
| Total current assets | 891,780 | 847,654 |
| NON-CURRENT ASSETS: | | |
| Property, plant and equipment | 552,759 | 518,711 |
| Right of use assets | - | 199,465 |
| Goodwill and other intangible assets | 457,082 | 448,783 |
| Investment property | 6,750 | 7,545 |
| Investments accounted for using the equity method | 12,204 | 9,969 |
| Other financial assets | 90,233 | 97,953 |
| Deferred tax assets | 38,374 | 37,343 |
| Other non-current assets | 10,362 | 7,306 |
| Total non-current assets | 1,167,764 | 1,327,075 |
| Total assets | Y 2,059,544 | Y 2,174,729 |

(Unit: millions of yen)

| | As of March 31, 2019 | End of Q1 (As of June 30, 2019) |
|---|----------------------|------------------------------------|
| LIABILITIES AND EQUITY | | |
| LIABILITIES: | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | Y 392,357 | Y 371,794 |
| Bonds and borrowings | 367,974 | 365,810 |
| Lease liabilities | - | 35,335 |
| Contract liabilities | 60,761 | 60,380 |
| Income taxes payable | 8,609 | 5,483 |
| Other financial liabilities | 7,247 | 5,958 |
| Provisions | 7,966 | 6,832 |
| Other current liabilities | 88,700 | 92,504 |
| Subtotal | 933,614 | 944,096 |
| Liabilities directly associated with the assets held for sale | 5,038 | 4,857 |
| Total current liabilities | 938,652 | 948,953 |
| NON-CURRENT LIABILITIES | | |
| Bonds and borrowings | 357,984 | 290,124 |
| Lease liabilities | - | 180,516 |
| Other financial liabilities | 29,323 | 30,283 |
| Net defined benefit liabilities | 85,853 | 89,864 |
| Provisions | 11,638 | 11,068 |
| Deferred tax liabilities | 60,572 | 57,210 |
| Other non-current liabilities | 8,355 | 8,491 |
| Total non-current liabilities | 553,725 | 667,556 |
| Total liabilities | 1,492,377 | 1,616,509 |
| EQUITY: | | |
| Share capital | 68,418 | 68,418 |
| Capital surplus | 277,584 | 277,792 |
| Treasury shares | -48,899 | -48,878 |
| Other components of equity | 14,458 | 5,294 |
| Retained earnings | 222,095 | 222,042 |
| Equity attributable to owners of the parent | 533,656 | 524,668 |
| Non-controlling interests | 33,511 | 33,552 |
| Total equity | 567,167 | 558,220 |
| Total liabilities and equity | Y 2,059,544 | Y 2,174,729 |

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

Consolidated Statement of Profit or Loss

(Unit: millions of yen)

| | Three months ended June 30, 2018 | Three months ended June 30, 2019 |
|--|-------------------------------------|-------------------------------------|
| Revenue | Y 435,964 | Y 445,301 |
| Cost of sales | -303,546 | -308,893 |
| GROSS PROFIT | 132,418 | 136,408 |
| Selling, general and administrative expenses | -127,803 | -124,802 |
| Other income | 5,471 | 2,478 |
| Other expenses | -3,837 | -2,839 |
| OPERATING PROFIT | 6,249 | 11,245 |
| Finance income | 2,770 | 1,805 |
| Finance costs | -3,148 | -3,024 |
| Share of profit (loss) of associates and joint ventures accounted for using the equity method | -224 | -131 |
| Profit from disposal of share of associates | - | 10,977 |
| PROFIT BEFORE TAX | 5,647 | 20,872 |
| Income tax expenses | -1,631 | -6,881 |
| PROFIT FOR THE QUARTER | 4,016 | 13,991 |
| Profit for the quarter attributable to: | | |
| Owners of the parent | 3,065 | 12,888 |
| Non-controlling interests | 951 | 1,103 |
| PROFIT FOR THE QUARTER | 4,016 | 13,991 |
| Earnings per share | | |
| Basic (yen per share) | 10.58 | 44.42 |
| Diluted (yen per share) | 9.73 | 40.26 |

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

| | Three months ended June 30, 2018 | Three months ended June 30, 2019 |
|--|-------------------------------------|-------------------------------------|
| PROFIT FOR THE QUARTER | Y 4,016 | Y 13,991 |
| OTHER COMPREHENSIVE INCOME | | |
| Items that will not be reclassified subsequently to profit or loss | | |
| Net gain (loss) on revaluation of financial assets measured through other comprehensive income | -2,804 | -896 |
| Remeasurements of defined benefit pension plans | - | -3,198 |
| Total items that will not be reclassified subsequently to profit or loss | -2,804 | -4,094 |
| Items that may be reclassified subsequently to profit or loss | | |
| Exchange differences on translation of foreign operations | -2,076 | -7,448 |
| Net fair value gain (loss) on hedging instruments entered into for cash flow hedges | -1,520 | -601 |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | -13 | -3 |
| Total items that may be reclassified subsequently to profit or loss | -3,609 | -8,052 |
| Other comprehensive income, net of tax | -6,413 | -12,146 |
| TOTAL COMPREHENSIVE INCOME FOR THE QUARTER | -2,397 | 1,845 |
| Total comprehensive income for the quarter attributable to: | | |
| Owners of the parent | -3,313 | 882 |
| Non-controlling interests | 916 | 963 |
| TOTAL COMPREHENSIVE INCOME FOR THE QUARTER | Y -2,397 | Y 1,845 |

(3) Consolidated Statement of Changes in Equity

(Unit: millions of yen)

| | Equity attributable to owners of the parent | | | | | | | |
|---|---|-----------------|-----------------|---|--|---|---|---|
| | Share capital | Capital surplus | Treasury shares | Other components of equity | | | | |
| | | | | Net fair value gain (loss) on available-for-sale financial assets | Net gain (loss) on revaluation of financial assets measured through other comprehensive income | Remeasurements of defined benefit pension plans | Exchange differences on translation of foreign operations | Net fair value gain (loss) on hedging instruments entered into for cash flow hedges |
| BALANCE AS OF APRIL 1, 2018 | 68,121 | 277,753 | -48,984 | 22,521 | - | - | -7,183 | 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 | - | 17,891 | - | -7,183 | 345 |
| Profit for the quarter | - | - | - | - | - | - | - | - |
| Other comprehensive income (loss) | - | - | - | - | -2,804 | - | -1,990 | -386 |
| Total comprehensive income (loss) for the quarter | - | - | - | - | -2,804 | - | -1,990 | -386 |
| Purchase of treasury shares | - | - | -4 | - | - | - | - | - |
| Disposal of treasury shares | - | 0 | 0 | - | - | - | - | - |
| Share-based payment transactions | - | 8 | 63 | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | - | - |
| Changes in parent's ownership interests in subsidiaries without loss of control | - | -24 | - | - | - | - | - | - |
| Transfers from other components of equity to retained earnings | - | - | - | - | -5 | - | - | - |
| Total transactions with owners | - | -16 | 59 | - | -5 | - | - | - |
| BALANCE AS OF JUNE 30, 2018 | 68,121 | 277,737 | -48,925 | - | 15,082 | - | -9,173 | -41 |
| BALANCE AS OF APRIL 1, 2019 | 68,418 | 277,584 | -48,899 | - | 12,112 | - | -2,659 | 234 |
| Cumulative effects of changes in accounting policies | - | - | - | - | - | - | - | - |
| RESTATED BALANCE AS OF APRIL 1, 2019 | 68,418 | 277,584 | -48,899 | - | 12,112 | - | -2,659 | 234 |
| Profit for the quarter | - | - | - | - | - | - | - | - |
| Other comprehensive income (loss) | - | - | - | - | -847 | -3,198 | -7,322 | -575 |
| Total comprehensive income for the quarter | - | - | - | - | -847 | -3,198 | -7,322 | -575 |
| Purchase of treasury shares | - | - | -2 | - | - | - | - | - |
| Disposal of treasury shares | - | - | - | - | - | - | - | - |
| Share-based payment transactions | - | 208 | 23 | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | - | - |
| Reclassification to a non-current asset or disposal group classified as held for sale | - | - | - | - | -96 | - | - | - |
| Transfers from other components of equity to retained earnings | - | - | - | - | - | 3,198 | - | - |
| Total transactions with owners | - | 208 | 21 | - | -96 | 3,198 | - | - |
| BALANCE AS OF JUNE 30, 2019 | 68,418 | 277,792 | -48,878 | - | 11,169 | - | -9,981 | -341 |

(Unit: millions of yen)

| | Equity attributable to owners of the parent | | | | | | Non-controlling interests | Total equity |
|---|--|--------------|---------------|----------------------------|----------------|---------------|---------------------------|--------------|
| | Other components of equity | | | Retained earnings (losses) | Total | Total | | |
| | Accumulated other comprehensive income relating to a non-current asset or disposal group classified as held for sale | Other | Total | | | | | |
| BALANCE AS OF APRIL 1, 2018 | 6,460 | 5,067 | 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 | 6,460 | 5,067 | 22,580 | 298,377 | 617,847 | 32,558 | 650,405 | |
| Profit for the quarter | - | - | - | 3,065 | 3,065 | 951 | 4,016 | |
| Other comprehensive income (loss) | -1,185 | -13 | -6,378 | - | -6,378 | -35 | -6,413 | |
| Total comprehensive income (loss) for the quarter | -1,185 | -13 | -6,378 | 3,065 | -3,313 | 916 | -2,397 | |
| Purchase of treasury shares | - | - | - | - | -4 | - | -4 | |
| Disposal of treasury shares | - | - | - | - | 0 | - | 0 | |
| Share-based payment transactions | - | -114 | -114 | 119 | 76 | - | 76 | |
| Dividends | - | - | - | -10,143 | -10,143 | -875 | -11,018 | |
| Changes in parent's ownership interests in subsidiaries without loss of control | - | - | - | - | -24 | -11 | -35 | |
| Transfers from other components of equity to retained earnings | - | - | -5 | 5 | - | - | - | |
| Total transactions with owners | - | -114 | -119 | -10,019 | -10,095 | -886 | -10,981 | |
| BALANCE AS OF JUNE 30, 2018 | 5,275 | 4,940 | 16,083 | 291,423 | 604,439 | 32,588 | 637,027 | |
| BALANCE AS OF APRIL 1, 2019 | 22 | 4,749 | 14,458 | 222,095 | 533,656 | 33,511 | 567,167 | |
| Cumulative effects of changes in accounting policies | - | - | - | 58 | 58 | 103 | 161 | |
| RESTATED BALANCE AS OF APRIL 1, 2019 | 22 | 4,749 | 14,458 | 222,153 | 533,714 | 33,614 | 567,328 | |
| Profit for the quarter | - | - | - | 12,888 | 12,888 | 1,103 | 13,991 | |
| Other comprehensive income (loss) | -61 | -3 | -12,006 | - | -12,006 | -140 | -12,146 | |
| Total comprehensive income for the quarter | -61 | -3 | -12,006 | 12,888 | 882 | 963 | 1,845 | |
| Purchase of treasury shares | - | - | - | - | -2 | - | -2 | |
| Disposal of treasury shares | - | - | - | - | - | - | - | |
| Share-based payment transactions | - | -356 | -356 | 352 | 227 | - | 227 | |
| Dividends | - | - | - | -10,153 | -10,153 | -1,025 | -11,178 | |
| Reclassification to a non-current asset or disposal group classified as held for sale | 96 | - | - | - | - | - | - | |
| Transfers from other components of equity to retained earnings | - | - | 3,198 | -3,198 | - | - | - | |
| Total transactions with owners | 96 | -356 | 2,842 | -12,999 | -9,928 | -1,025 | -10,953 | |
| BALANCE AS OF JUNE 30, 2019 | 57 | 4,390 | 5,294 | 222,042 | 524,668 | 33,552 | 558,220 | |

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

| | Three months ended June 30, 2018 | Three months ended June 30, 2019 |
|---|-------------------------------------|-------------------------------------|
| OPERATING ACTIVITIES: | | |
| Profit before tax | Y 5,647 | Y 20,872 |
| Depreciation and amortization | 16,447 | 24,419 |
| Interest and dividend income | -1,191 | -1,203 |
| Interest expense | 1,256 | 1,772 |
| Share of loss (profit) of associates and joint ventures accounted for using the equity method | 224 | 131 |
| Profit from disposal of share of associates | - | -10,977 |
| Loss (gain) on disposal of property, plant and equipment | 356 | 172 |
| Decrease (increase) in trade and other receivables | 16,029 | 34,023 |
| Decrease (increase) in inventories | -14,310 | -12,294 |
| Increase (decrease) in trade and other payables | -8,869 | -13,959 |
| Increase (decrease) in net defined benefit liabilities | 280 | 5,173 |
| Other | 2,237 | -6,397 |
| Subtotal | 18,106 | 41,732 |
| Interest received | 266 | 375 |
| Dividends received | 904 | 976 |
| Interest paid | -1,252 | -1,198 |
| Income taxes paid | -11,587 | -7,312 |
| Net cash generated by operating activities | Y 6,437 | Y 34,573 |

(Unit: millions of yen)

| | Three months ended June 30, 2018 | Three months ended June 30, 2019 |
|--|-------------------------------------|-------------------------------------|
| INVESTING ACTIVITIES: | | |
| Decrease (increase) in time deposits | Y -668 | Y 347 |
| Purchase of property, plant and equipment | -15,044 | -15,323 |
| Proceeds from disposal of property, plant and equipment | 96 | 258 |
| Purchase of intangible assets | -1,937 | -2,243 |
| Proceeds from disposal of investment property | 68 | 59 |
| Decrease (increase) in short-term loans receivable | 93 | -528 |
| Payments for long-term loans receivable | -30 | -285 |
| Proceeds from collection of long-term loans receivable | 24 | 280 |
| Payments for acquisition of other investments | -79,348 | -27,009 |
| Proceeds from sale and redemption of investments | 79,051 | 39,962 |
| Other | -362 | -1,368 |
| Net cash used in investing activities | Y -18,057 | Y -5,850 |
| FINANCING ACTIVITIES: | | |
| Dividends paid | -10,143 | -10,153 |
| Dividends paid to non-controlling interests | -875 | -1,025 |
| Increase (decrease) in short-term borrowings and commercial paper | 12,092 | 16,247 |
| Repayment of long-term borrowings | -24,583 | -47,696 |
| Lease liabilities paid | - | -8,697 |
| Payments for acquisition of interests in subsidiaries from non-controlling interests | -34 | - |
| Other | -851 | -2 |
| Net cash generated by financing activities | Y -24,394 | Y -51,326 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | -36,014 | -22,603 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 138,751 | 141,421 |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | -464 | -998 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS INCLUDED IN ASSETS CLASSIFIED HELD FOR SALE | -1,551 | 20 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | Y 100,722 | Y 117,840 |

(5) Notes related to Quarterly Financial Statements

(Notes related to Going Concern Assumptions)

Not applicable.

(Notes on Changes in Accounting Policies)

The significant accounting policies adopted for the quarterly consolidated financial statements are the same as those for the consolidated financial statements for the year ended March 31, 2019, 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 beginning of the consolidated fiscal year beginning on April 1, 2019.

| IFRS Standard | Name of standard | Description of new standards and amendments |
|---------------|------------------|--|
| IFRS 16 | Leases | New requirements in accounting for lease contracts |

Due to the mandatory adoption of International Financial Reporting Standard 16 "Leases" (issued in January 2016) ("IFRS 16") from the fiscal year beginning on April 1, 2019, the Group has retrospectively applied the standard in accordance with transitional measures. The Group has applied this Standard to its leases retrospectively with the cumulative effect of initially applying this Standard at the date of initial application.

As a result of this adoption, the Group as a lessee does not classify its leases as either operating leases or finance leases. It also recognizes right-of-use assets representing the right to use an underlying asset over the lease term and lease liabilities representing payments for the right to use an underlying asset for the lease term for all leases in the consolidated statement of financial position for the three-month reporting period ended June 30, 2020. However, the Group does not apply the requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value.

By applying IFRS 16, the amount of "Lease assets" included in "Property, plant and equipment" of assets in the consolidated statement of financial position for the year ended March 31, 2019, has been presented as "Right-of-use assets", and the amount of "Lease obligations" included in "Bonds and borrowings" of liabilities in the consolidated statement of financial position for the year ended March 31, 2019, has been presented as "Lease liabilities" from the three-month reporting period ended June 30, 2019. These lease liabilities have been measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted-average of the lessee's incremental borrowing rate is 0.8%.

For the leases that the Group as a lessee previously classified as finance leases under IAS 17, the carrying amounts of "Lease assets" and "Lease obligations" based on IAS 17 before the date of the initial application of IFRS 16 (March 31, 2019) are the carrying amounts of "Right-of-use assets" and "Lease liabilities" at the date of the initial application of IFRS 16.

As a result, the impact at the beginning of the three-month reporting period ended June 30, 2019, comprises a decrease in "Property, plant and equipment", which was ¥ 30,381 million, an increase in "Right-of-use assets" and "Investment property", which were ¥ 195,037 million and ¥ 1,686 million respectively, a decrease in "Bonds and borrowings", which was ¥ 36,433 million, and an increase in "Lease liabilities", which was ¥ 202,775 million.

The following is a reconciliation of non-cancellable operating lease contracts applying IAS 17 as of March 31, 2019, and lease liabilities recognized in the condensed consolidated statement of financial position at the date of initial application.

(Unit: millions of yen)

| | | |
|---|---|---------|
| Non-cancellable operating lease contracts as of March 31, 2019 | ¥ | 115,629 |
| Cancellable operating lease contracts, etc as of March 31, 2019 | | 50,713 |
| Finance lease obligations (current liabilities) as of March 31, 2019 (note) | | 3,380 |
| Finance lease obligations (non-current liabilities) as of March 31, 2019 (note) | | 33,053 |
| Total (lease liabilities recognized on April 1, 2019) | ¥ | 202,775 |

(note) Finance lease obligations are included in "Bonds and borrowings" in Consolidated Statement of Financial Position for the year ended March 31, 2019.

The Group applies the following practical expedients made available under transitional measures for the adoption of IFRS 16.

- The Group does not reassess whether a contract is or contains a lease at the date of initial application of IFRS 16.
- A single discount rate is applied to portfolios of leases with reasonably similar characteristics.
- Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application.
- The Group used hindsight when calculating term of the lease which contains the options to extend or terminate.

(Changes in Presentation)

Assets and liabilities related to the Company's consolidated subsidiary, Permasteelisa S.p.A ("Permasteelisa"), and its subsidiaries were classified as "Assets held for sale and liabilities directly associated with assets held for sale", and profit and loss from related businesses were presented as "Profit and loss from discontinued operations" on the consolidated financial statements for the year ended March 31, 2018. However, the Company has ceased to do so since the six-month reporting period ended September 30, 2018.

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 three-month reporting period ended June 30, 2018, are restated and presented as profit and loss from continuing operations. In addition, parts of the consolidated statement of cash flows for the three-month reporting period ended June 30, 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 breakdown of the impact of restating the presentation of the consolidated statement of profit or loss due to the Company ceasing 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" is shown below.

(Unit: millions of yen)

| | For the three months ended June 30, 2018 (April 1 through June 30, 2018) |
|--|--|
| Continuing operations | |
| Revenue | Y 38,829 |
| Cost of sales | -37,522 |
| GROSS PROFIT | 1,307 |
| Selling, general and administrative expenses | -3,252 |
| Other income and Other expenses | 1,639 |
| OPERATING PROFIT | -306 |
| Finance income and Finance costs | -602 |
| PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | -908 |
| Income tax expenses | 618 |
| PROFIT FOR THE QUARTER FROM CONTINUING OPERATIONS | Y -290 |

(Segment Information)

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

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

(Unit: millions of yen)

| | Reportable Segments | | | | |
|--|---------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| | Water Technology business | Housing Technology business | Building Technology business | Distribution & Retail business | Housing & Services business |
| Revenue | | | | | |
| Revenue from external customers | Y 193,579 | Y 125,148 | Y 62,078 | Y 43,499 | Y 11,660 |
| Intersegment revenue or transfers | 4,445 | 2,370 | 16 | 1 | 670 |
| Total | 198,024 | 127,518 | 62,094 | 43,500 | 12,330 |
| Segment profit (Note 1) | 11,980 | 2,556 | -3,132 | 2,343 | 487 |
| Other income | | | | | |
| Other expenses | | | | | |
| Operating profit | | | | | |
| Finance income | | | | | |
| Finance costs | | | | | |
| Share of profit (loss) of associates and joint ventures accounted for using the equity method | | | | | |
| Profit before tax | | | | | |

(Unit: millions of yen)

| | Total | Reconciliations (Note 2) | Consolidated |
|--|-----------|-------------------------------|--------------|
| Revenue | | | |
| Revenue from external customers | Y 435,964 | - | Y 435,964 |
| Intersegment revenue or transfers | 7,502 | -7,502 | - |
| Total | 443,466 | -7,502 | 435,964 |
| Segment profit (Note 1) | 14,234 | -9,619 | 4,615 |
| Other income | | | 5,471 |
| Other expenses | | | -3,837 |
| Operating profit | | | 6,249 |
| Finance income | | | 2,770 |
| Finance costs | | | -3,148 |
| Share of profit (loss) of associates and joint ventures accounted for using the equity method | | | -224 |
| Profit from disposal of share of associates | | | - |
| Profit before tax | | | 5,647 |

Notes: 1. Segment profit is core earnings which are defined as revenue less cost of sales and selling, general and administrative expenses.

2. Segment profit reconciliations are expenses for all group companies that are not allocated to reportable segments. Expenses for all group companies are those mainly associated with the administrative departments, including human resources, general affairs, accounting and other departments of the Company and its consolidated subsidiary, LIXIL Corporation.

For the three months ended June 30, 2019 (April 1 through June 30, 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 192,430 | Y 133,638 | Y 61,113 | Y 45,635 | Y 12,485 |
| Intersegment revenue or transfers | 7,338 | 2,157 | 17 | 0 | 589 |
| Total | 199,768 | 135,795 | 61,130 | 45,635 | 13,074 |
| Segment profit (loss) (Note 1) | 13,426 | 7,456 | -2,927 | 2,576 | 917 |
| Other income | | | | | |
| Other expenses | | | | | |
| Operating profit | | | | | |
| Finance income | | | | | |
| Finance costs | | | | | |
| Share of profit (loss) of associates and joint ventures accounted for using the equity method | | | | | |
| Profit before tax | | | | | |

(Unit: millions of yen)

| | Total | Reconciliations (Note 2) | Consolidated |
|--|-----------|-------------------------------|--------------|
| Revenue | | | |
| Revenue from external customers | Y 445,301 | - | Y 445,301 |
| Intersegment revenue or transfers | 10,101 | -10,101 | - |
| Total | 455,402 | -10,101 | 445,301 |
| Segment profit (loss) (Note 1) | 21,448 | -9,842 | 11,606 |
| Other income | | | 2,478 |
| Other expenses | | | -2,839 |
| Operating profit | | | 11,245 |
| Finance income | | | 1,805 |
| Finance costs | | | -3,024 |
| Share of profit (loss) of associates and joint ventures accounted for using the equity method | | | -131 |
| Profit from disposal of share of associates | | | 10,977 |
| Profit before tax | | | 20,872 |

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