

Consolidated Financial Results for the First Half Ended September 30, 2020
(International Financial Reporting Standards)

Company Name:	LIXIL GROUP CORPORATION	Stock Listings:	Tokyo, Nagoya
Code Number:	5938	URL:	http://www.lixil.com/en/investor/
Representative:	Kinya Seto, President & CEO	Telephone:	+81-3-6706-7001
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Scheduled date of issue of quarterly financial report:	November 13, 2020		
Schedule date of payment of interim dividends:	November 27, 2020		
Preparation of supplementary materials for quarterly financial results:	Yes		
Information meeting for quarterly financial results to be held:	Yes (For investment analysts and institutional investors)		

(Amounts less than one million yen are rounded)

1. Consolidated Financial Results for the H1 of FY Ending March 2021 (April 1 through September 30, 2020)

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

(7) Consolidated Operating Results										
	From Continuing Operations									
	Revenue		Core earnings		Operating profit		Profit before tax		Profit for the quarter	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE 2021 H1	660,476	-13.0	15,371	-54.8	11,976	-64.3	10,678	-75.6	6,308	-79.1
FYE 2020 H1	759,487	—	34,017	—	33,565	—	43,678	—	30,166	—

	Including Discontinued Operations									
	Profit for the quarter		Profit for the quarter attributable to owners of the parent		Total comprehensive income for the quarter		Basic earnings per share	Diluted earnings per share		
	Million yen	%	Million yen	%	Million yen	%	Yen	Yen		
FYE 2021 H1	14,640	-41.9	10,869	-53.0	20,459	271.8	37.47	35.75		
FYE 2020 H1	25,189	—	23,135	—	5,503	—	79.75	72.31		

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

Note: The year-on-year rate of change in revenue, core earnings, operating profit, profit before tax, and profit for the quarter from continuing operations for FYE 2020 H1 have been omitted.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	Million yen	Million yen	Million yen	%
FYE 2021 H1	2,133,571	544,024	508,584	23.8
FYE 2020	2,091,529	535,137	502,165	24.0

2. Cash Dividends

	Dividends per share				
	End of Q1	End of Q2	End of Q3	End of period	For the year
	Yen	Yen	Yen	Yen	Yen
FYE 2020	—	35.00	—	35.00	70.00
FYE 2021	—	35.00	—	—	—
FYE 2021 (forecast)	—	—	—	35.00	70.00

Note: Revision of dividends forecast during this period: No

3. Consolidated Forecast for the FY Ending March, 2021 (April 1, 2020 through March 31, 2021)

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

	From Continuing Operations									
	Revenue		Core earnings		Operating profit		Profit before tax		Profit for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE 2021	1,350,000	-10.9	40,000	-23.5	7,000	-78.1	3,000	-92.7	2,000	-92.8

	Including Discontinued Operations				
	Profit for the year		Profit for the year attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Yen
FYE 2021	23,000	68.2	19,000	51.8	65.49

Note: Revision of consolidated operating performance forecast after the recent announcement: Yes

Note: The reason for the disclosure of the consolidated financial forecast is as stated in the "Announcement of Revision of Consolidated Financial Forecast for the Fiscal Year Ending March 2021" announced on October 30, 2020.

* Notes

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

Newly consolidated company: None

Excluded company: None

(2) Changes in accounting policies and accounting estimate

(i) Changes in accounting policies required by IFRS: None

(ii) Other changes: None

(iii) Changes in accounting estimate: None

(3) Outstanding stocks (Common stocks)

(i) Outstanding stocks including treasury stocks	(September 30, 2020)	313,319,159 shares	(FY ended March 31, 2020)	313,319,159 shares
(ii) Treasury stocks	(September 30, 2020)	23,218,386 shares	(FY ended March 31, 2020)	23,216,159 shares
(iii) Average stocks during the first half	(September 30, 2020)	290,102,188 shares	(September 30, 2019)	290,101,422 shares

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

*Appropriate use of business forecasts; other special items

(Cautionary statements with respect to forward-looking statements)

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

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

4. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Unit: millions of yen)

	As of March 31, 2020	End of H1(As of September 30, 2020)
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	Y 95,862	Y 149,957
Trade and other receivables	307,054	279,720
Inventories	227,606	182,560
Contract assets	20,280	18,618
Income tax receivables	1,740	5,023
Other financial assets	15,428	9,880
Other current assets	16,578	17,602
Subtotal	684,548	663,360
Assets held for sale	58,232	377,675
Total current assets	742,780	1,041,035
NON-CURRENT ASSETS:		
Property, plant and equipment	496,865	409,387
Right of use assets	215,020	64,343
Goodwill and other intangible assets	434,102	436,995
Investment property	7,779	4,573
Investments accounted for using the equity method	10,704	10,459
Other financial assets	90,047	76,787
Deferred tax assets	88,803	80,278
Other non-current assets	5,429	9,714
Total non-current assets	1,348,749	1,092,536
Total assets	Y 2,091,529	Y 2,133,571

(Unit: millions of yen)

	As of March 31, 2020	End of H1(As of September 30, 2020)
LIABILITIES AND EQUITY		
LIABILITIES		
CURRENT LIABILITIES:		
Trade and other payables	336,492	258,309
Bonds and borrowings	232,711	278,080
Lease liabilities	34,666	18,484
Contract liabilities	10,158	10,175
Income taxes payable	6,159	2,606
Other financial liabilities	7,646	6,851
Provisions	1,731	979
Other current liabilities	85,670	78,068
Subtotal	715,233	653,552
Liabilities directly associated with the assets held for sale	91,907	305,944
Total current liabilities	807,140	959,496
NON-CURRENT LIABILITIES:		
Bonds and borrowings	363,379	395,153
Lease liabilities	201,795	47,558
Other financial liabilities	31,926	30,265
Net defined benefit liabilities	76,907	85,967
Provisions	12,335	6,554
Deferred tax liabilities	55,200	54,067
Other non-current liabilities	7,710	10,487
Total non-current liabilities	749,252	630,051
Total liabilities	1,556,392	1,589,547
EQUITY		
Share capital	68,418	68,418
Capital reserves	278,120	278,153
Treasury shares	-48,870	-48,873
Other components of equity	-12,709	-7,427
Retained earnings	217,206	218,313
Equity attributable to owners of the parent	502,165	508,584
Non-controlling interests	32,972	35,440
Total equity	535,137	544,024
Total liabilities and equity	Y 2,091,529	Y 2,133,571

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

(Unit: millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Continuing operations		
Revenue	Y 759,487	Y 660,476
Cost of sales	-504,562	-442,805
GROSS PROFIT	254,925	217,671
Selling, general and administrative expenses	-220,908	-202,300
Other income	4,240	2,495
Other expenses	-4,692	-5,890
OPERATING PROFIT	33,565	11,976
Finance income	4,448	6,574
Finance costs	-5,281	-7,771
Share of loss of associates and joint ventures accounted for using the equity method	-31	-101
Profit from disposal of share of associates	10,977	—
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	43,678	10,678
Income tax expenses	-13,512	-4,370
PROFIT FOR THE QUARTER FROM CONTINUING OPERATIONS	30,166	6,308
Discontinued operations		
PROFIT (LOSS) FOR THE QUARTER FROM DISCONTINUED OPERATIONS	-4,977	8,332
PROFIT FOR THE QUARTER	25,189	14,640
Profit (loss) for the quarter attributable to:		
Owners of the parent		
Continuing operations	30,100	6,283
Discontinued operations	-6,965	4,586
Total	23,135	10,869
Non-controlling interests		
Continuing operations	66	25
Discontinued operations	1,988	3,746
Total	2,054	3,771
PROFIT FOR THE QUARTER	25,189	14,640

(Unit: millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Earnings (loss) per share		
Basic (yen per share)		
Continuing operations	103.76	21.66
Discontinued operations	-24.01	15.81
Total	79.75	37.47
Diluted (yen per share)		
Continuing operations	93.97	20.77
Discontinued operations	-21.66	14.98
Total	72.31	35.75

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
PROFIT FOR THE QUARTER	Y 25,189	Y 14,640
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified subsequently to profit or loss		
Net gain on revaluation of financial assets measured through other comprehensive income	728	3,844
Remeasurements of defined benefit pension plans	-5,349	-608
Total items that will not be reclassified subsequently to profit or loss	-4,621	3,236
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	-13,794	64
Net fair value gain (loss) on hedging instruments entered into for cash flow hedges	-1,265	2,520
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-6	-1
Total items that may be reclassified subsequently to profit or loss	-15,065	2,583
Other comprehensive income, net of tax	-19,686	5,819
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	5,503	20,459
Total comprehensive income for the quarter attributable to:		
Owners of the parent	3,711	16,670
Non-controlling interests	1,792	3,789
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	Y 5,503	Y 20,459

(3) Consolidated Statement of Changes in Equity

(Unit: millions of yen)

	Equity attributable to owners of the parent						
	Share capital	Capital reserves	Treasury shares	Other components of equity			
				Net fair value gain (loss) on 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, 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	—	—	—	754	-5,349	-13,562	-1,252
Total comprehensive income for the quarter	—	—	—	754	-5,349	-13,562	-1,252
Purchase of treasury shares	—	—	-5	—	—	—	—
Disposal of treasury shares	—	-0	0	—	—	—	—
Share-based payment transactions	—	205	33	—	—	—	—
Dividends	—	—	—	—	—	—	—
Reclassification to disposal group classified as held for sale	—	—	—	273	—	—	—
Changes in parent's ownership interests in subsidiaries without loss of control	—	11	—	—	—	—	—
Changes associated with loss of control of subsidiaries	—	—	—	—	—	—	—
Transfers from other components of equity to retained earnings	—	—	—	296	5,349	—	—
Total transactions with owners	—	216	28	569	5,349	—	—
BALANCE AS OF SEPTEMBER 30, 2019	68,418	277,800	-48,871	13,435	—	-16,221	-1,018
BALANCE AS OF APRIL 1, 2020	68,418	278,120	-48,870	6,256	—	-23,757	-2,686
Profit for the quarter	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	3,844	-608	4,041	2,428
Total comprehensive income for the quarter	—	—	—	3,844	-608	4,041	2,428
Purchase of treasury shares	—	—	-3	—	—	—	—
Disposal of treasury shares	—	-0	0	—	—	—	—
Share-based payment transactions	—	32	—	—	—	—	—
Dividends	—	—	—	—	—	—	—
Reclassification to disposal group classified as held for sale	—	—	—	—	—	—	-10
Changes in parent's ownership interests in subsidiaries without loss of control	—	1	—	—	—	—	—
Changes associated with loss of control of subsidiaries	—	—	—	—	—	—	—
Transfers from other components of equity to retained earnings	—	—	—	—	608	—	—
Total transactions with owners	—	33	-3	—	608	—	-10
BALANCE AS OF SEPTEMBER 30, 2020	68,418	278,153	-48,873	10,100	—	-19,716	-268

(Unit: millions of yen)

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings (losses)	Total		
	Accumulated other comprehensive income relating to non-current assets or disposal group classified as held for sale	Other	Total				
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	—	—	—	23,135	23,135	2,054	25,189
Other comprehensive income	-9	-6	-19,424	—	-19,424	-262	-19,686
Total comprehensive income for the quarter	-9	-6	-19,424	23,135	3,711	1,792	5,503
Purchase of treasury shares	—	—	—	—	-5	—	-5
Disposal of treasury shares	—	—	—	—	0	—	0
Share-based payment transactions	—	-386	-386	378	230	—	230
Dividends	—	—	—	-10,153	-10,153	-1,025	-11,178
Reclassification to disposal group classified as held for sale	-273	—	—	—	—	—	—
Changes in parent's ownership interests in subsidiaries without loss of control	—	—	—	—	11	69	80
Changes associated with loss of control of subsidiaries	—	—	—	—	—	—	—
Transfers from other components of equity to retained earnings	260	—	5,905	-5,905	—	—	—
Total transactions with owners	-13	-386	5,519	-15,680	-9,917	-956	-10,873
BALANCE AS OF SEPTEMBER 30, 2019	—	4,357	553	229,608	527,508	34,450	561,958
BALANCE AS OF APRIL 1, 2020	3,879	3,599	-12,709	217,206	502,165	32,972	535,137
Profit for the quarter	—	—	—	10,869	10,869	3,771	14,640
Other comprehensive income	-3,903	-1	5,801	—	5,801	18	5,819
Total comprehensive income for the quarter	-3,903	-1	5,801	10,869	16,670	3,789	20,459
Purchase of treasury shares	—	—	—	—	-3	—	-3
Disposal of treasury shares	—	—	—	—	0	—	0
Share-based payment transactions	—	-1,127	-1,127	1,000	-95	—	-95
Dividends	—	—	—	-10,154	-10,154	-518	-10,672
Reclassification to disposal group classified as held for sale	10	—	—	—	—	—	—
Changes in parent's ownership interests in subsidiaries without loss of control	—	—	—	—	1	-7	-6
Changes associated with loss of control of subsidiaries	—	—	—	—	—	-796	-796
Transfers from other components of equity to retained earnings	—	—	608	-608	—	—	—
Total transactions with owners	10	-1,127	-519	-9,762	-10,251	-1,321	-11,572
BALANCE AS OF SEPTEMBER 30, 2020	-14	2,471	-7,427	218,313	508,584	35,440	544,024

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
OPERATING ACTIVITIES:		
Profit before tax from Continuing operations	Y 43,678	Y 10,678
Profit (loss) before tax from Discontinued operations	-2,857	14,688
Profit before tax	40,821	25,366
Depreciation and amortization	52,794	44,746
Impairment losses	2,609	2,809
Interest and dividend income	-1,549	-1,575
Interest expense	3,246	3,196
Share of loss (profit) of associates and joint ventures accounted for using the equity method	31	101
Profit from disposal of share of associates	-10,977	—
Loss (profit) on sale and disposal of property, plant and equipment	469	600
Decrease (increase) in trade and other receivables	30,640	29,270
Decrease (increase) in inventories	-12,394	2,812
Increase (decrease) in trade and other payables	-24,596	-32,567
Increase (decrease) in net defined benefit liabilities	8,914	7,083
Other	-20,871	-5,690
Subtotal	69,137	76,151
Interest received	527	645
Dividends received	1,016	965
Interest paid	-2,761	-2,872
Income taxes paid	-7,622	-10,469
Net cash flows from operating activities	Y 60,297	Y 64,420

(Unit: millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
INVESTING ACTIVITIES:		
(Increase) decrease in time deposits	Y 716	Y -1,953
Purchase of property, plant and equipment	-27,250	-30,581
Proceeds from disposal of property, plant and equipment	375	69
Purchase of intangible assets	-4,855	-5,755
Proceeds from disposal of investment property	796	49
Payments for sale of subsidiaries	—	-49,252
Proceeds from sale of subsidiaries	12,811	1,830
Decrease (increase) in short-term loans receivable	-910	1,085
Payments for long-term loans receivable	-294	-7
Proceeds from collection of long-term loans receivable	315	52
Payments for acquisition of other investments	-120,027	-70,014
Proceeds from sale and redemption of investments	133,408	70,010
Other	-2,546	-1,562
Net cash flows from investing activities	Y -7,461	Y -86,029
FINANCING ACTIVITIES:		
Dividends paid	Y -10,153	Y -10,154
Dividends paid to non-controlling interests	-1,025	-518
Increase (decrease) in short-term borrowings and commercial	2,251	43,482
Proceeds from long-term borrowings	6,000	40,028
Repayment of long-term borrowings	-50,974	-24,343
Proceeds from issuance of bonds	—	49,775
Payments for redemption of bonds	-20,000	—
Lease liabilities paid	-18,761	-20,590
Payments for acquisition of interests in subsidiaries from non-controlling interests	—	-6
Other	-1,345	66
Net cash flows from financing activities	Y -94,007	Y 77,740
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-41,171	56,131
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	141,421	95,862
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	-1,513	483
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS INCLUDED IN ASSETS CLASSIFIED HELD FOR SALE	1,659	-2,519
CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER	Y 100,396	Y 149,957

(5) Notes related to Financial Statements

(Notes related to Going Concern Assumptions)

Not applicable.

(Notes on Changes in Accounting Policies)

Since the fourth quarter of the fiscal year ended March 31, 2020, the business of Permasteelisa S.p.A. and its subsidiaries has been classified as discontinued operations. In addition, since the three month period ended June 30, 2020 for the fiscal year ending March 31, 2021, the business of LIXIL VIVA has been classified as discontinued operations.

Income (loss) from discontinued operations, net of tax, is presented below net income for continuing operations in the consolidated statements of profit or loss and comprehensive income. Revenue, income (loss), and other items for discontinued operations have been reclassified to loss for the quarter from discontinued operations in the consolidated statement of profit or loss and comprehensive income for the six month reporting period ended September 30, 2019. Cash flows from operating activities, investing activities, and financial activities are presented in the total amount of continuing operations and discontinued operations cash flows in the consolidated statement of cash flows.

(Additional Information)

Regarding accounting estimates considering the expansion of the COVID-19 pandemic

Following the first-quarter reporting period ended June 30, 2020, the COVID-19 global pandemic' stagnating effect on global economic activity continued to affect the Group's business performance in the second-quarter reporting period ended September 30, 2020. However, the degree of impact varied by region.

In the domestic business, supply chain activities, including production, distribution, and procurement, continue to operate as usual. However, due to the strong demand prior to the consumption tax hike during the same period of the previous fiscal year, revenues in Japan decreased 16% year-on-year for the period from July to September 2020 (while decreasing 12% year-on-year from April to June 2020). This was despite the positive impact of introducing new measures such as nighttime online services for consumers who cannot visit showrooms and the gradual recovery of orders for home renovation products. Although it is still difficult to predict the future business environment under the current circumstances, considering the latest upward trend in shipments, we expect that demand will gradually recover in the second half of the fiscal year.

In the international business, although the situation remains unpredictable, especially as COVID-19 cases in some parts of Europe continue to spread and cities remain in lockdown due to a possible second wave, economic activity in each region is gradually resuming. Within this environment, revenues across LIXIL International increased by 2% year-on-year from July to September 2020 (while decreasing 22% year-on-year from April to June 2020). Especially in North America and EMEA, demand for products catering to the changing needs of consumers in the new normal, such as shower toilets and touchless faucets, is increasing mainly in retail and e-commerce sales channels, resulting in category growth compared to the same period of the previous year. China and Asia Pacific are also on a recovery trend. The recovery of international business in total is ahead of the domestic business, and we expect that this trend will continue in the second half of the year.

Based on the above situation, we will continue to carefully monitor the social and economic impact of COVID-19 in Japan and international markets, and how this will affect the Group's business performance.

Due to the unprecedented nature of the COVID-19 pandemic, there are currently no widely accepted views on how it will continue to develop in the future, or references regarding accounting estimates related this situation. Therefore, it is difficult to predict the impact it will have on the Group's business performance at this time. However, based on certain assumptions, we have developed estimates such as for the recoverability of deferred tax assets or goodwill and fixed asset impairment tests, and reflected these into our accounting same as the fiscal year ended March 31, 2020.

It is assumed that both Japan and international business performance will recover to levels prior to the COVID-19 pandemic during the second half of the fiscal year ending March 2021, although the situation varies by region for international markets, and it could take one to three years for some regions to recover. Since there hasn't been any incident exceeding the range of our assumptions during the six-month reporting period ended September 30, 2020, there are no significant changes to these assumptions from the contents disclosed as "Additional information" in the securities report for the fiscal year ended March 31, 2020.

There are many uncertainties regarding the impact of COVID-19 on economic activities. If the above assumptions should change, the financial condition and operating results of the Group may be affected.

(Segment Information)

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

For the six months ended September 30, 2019 (April 1 through September 30, 2019)

(Unit: millions of yen)

	Reportable Segments			
	Water Technology Business	Housing Technology Business	Building Technology Business	Housing & Services Business
Revenue				
Revenue from external customers (Note 3)	Y 403,560	Y 276,017	Y 54,360	Y 25,550
Intersegment revenue or transfers	7,264	3,071	54	1,237
Total	410,824	279,088	54,414	26,787
Segment profit (Note 1)	33,326	18,211	742	1,773
Other income				
Other expenses				
Operating profit				
Finance income				
Finance costs				
Share of loss of associates and joint ventures accounted for using the equity method				
Profit from disposal of share of associates				
Profit before tax from continuing operations				

(Unit: millions of yen)

	Total	Reconciliations (Note 2)	Consolidated
Revenue			
Revenue from external customers (Note 3)	Y 759,487	—	Y 759,487
Intersegment revenue or transfers	11,626	-11,626	—
Total	771,113	-11,626	759,487
Segment profit (Note 1)	54,052	-20,035	34,017
Other income			4,240
Other expenses			-4,692
Operating profit			33,565
Finance income			4,448
Finance costs			-5,281
Share of loss of associates and joint ventures accounted for using the equity method			-31
Profit from disposal of share of associates			10,977
Profit before tax from continuing operations			43,678

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.

3. Regarding revenue from group companies to LIXIL VIVA, which was previously included in "Intersegment revenue or transfers", they have been included in "Revenue from external customers" and have been eliminated from profit or loss from discontinued operations to reflect the impact on continuing operations in the future". Accordingly, revenue from group companies to LIXIL VIVA included in "Revenue from external customers" is JPY 1,019 million for the Water Technology Business and JPY 1,351 million for the Housing Technology Business.

4. Business operations classified as discontinued operations are not included.

Information about Revenue, Income (Loss) and Other Items by Business Segment
For the six months ended September 30, 2020 (April 1 through September 30, 2020)

(Unit: millions of yen)

	Reportable Segments			
	Water Technology Business	Housing Technology Business	Building Technology Business	Housing & Services Business
Revenue				
Revenue from external customers (Note 3)	Y 358,973	Y 233,234	Y 46,255	Y 22,014
Intersegment revenue or transfers	6,664	2,330	28	891
Total	365,637	235,564	46,283	22,905
Segment profit (Note 1)	19,868	13,593	429	985
Other income				
Other expenses				
Operating profit				
Finance income				
Finance costs				
Share of loss of associates and joint ventures accounted for using the equity method				
Profit from disposal of share of associates				
Profit before tax from continuing operations				

(Unit: millions of yen)

	Total	Reconciliations (Note 2)	Consolidated
Revenue			
Revenue from external customers (Note 3)	Y 660,476	—	Y 660,476
Intersegment revenue or transfers	9,913	-9,913	—
Total	670,389	-9,913	660,476
Segment profit (Note 1)	34,875	-19,504	15,371
Other income			2,495
Other expenses			-5,890
Operating profit			11,976
Finance income			6,574
Finance costs			-7,771
Share of loss of associates and joint ventures accounted for using the equity method			-101
Profit from disposal of share of associates			—
Profit before tax from continuing operations			10,678

- 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.
3. Regarding revenue from group companies to LIXIL VIVA, which was previously included in "Intersegment revenue or transfers", they have been included in "Revenue from external customers" and have been eliminated from profit or loss from discontinued operations to reflect the impact on continuing operations in the future". Accordingly, revenue from group companies to LIXIL VIVA included in "Revenue from external customers" is JPY 846 million for the Water Technology Business and JPY 1,075 million for the Housing Technology Business.
4. Business operations classified as discontinued operations are not included.

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

(Unit: millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets held for sale		
Cash and cash equivalents	1,301	—
Trade and other receivables	2,108	—
Inventories	611	—
Property, plant and equipment	310	334
Assets related to discontinued operations	53,473	377,317
Other assets	429	24
Total	Y 58,232	Y 377,675
Liabilities directly associated with assets held for sale		
Trade and other payables	878	—
Other current liabilities	41	—
Net defined benefit liabilities	359	—
Liabilities related to discontinued operations	89,876	305,944
Other liabilities	753	—
Total	Y 91,907	Y 305,944

Note: In the fiscal year ended March 31, 2020, major items classified to assets held for sale and liabilities directly associated with assets held for sale consist of Permasteelisa S.p.A and its subsidiaries which are classified in discontinued operations.

In the six-month reporting period ended September 30, 2020, major items classified to assets held for sale and liabilities directly associated with assets held for sale consist of LIXIL VIVA Corporation which are classified in discontinued operations.

Details of the assets and liabilities related to discontinued operations are as described in "Discontinued Operations" section of the notes.

(Note on Discontinued Operations)

For the six months ended September 30, 2020 (April 1, 2020 through September 30, 2020)

(1) Transfer of Shares of Permasteelisa S.p.A.

The Company resolved at the Board of Directors Meeting held on May 1, 2020 that it has decided to sell 100% of the shares of Permasteelisa S.p.A ("Permasteelisa") held by its subsidiary LIXIL Corporation ("LIXIL") to Atlas Holdings LLC ("Atlas"), and signed off on the share transfer agreement on the same date. The share transfer was executed on September 30, 2020.

① Main reason for the transfer

The Group's aim is to be an entrepreneurial company that can achieve sustainable competitiveness and growth in order to fulfill its corporate purpose to contribute to society by making better homes a reality for everyone, everywhere. To achieve this aim, the company is taking steps to transform its operations, including strengthening governance, focusing on actively managing its core businesses to enhance productivity and efficiency, driving synergies across its core business areas, as well as optimizing its business portfolio to accelerate growth and strengthen financial conditions. The transaction is in line with the Group's efforts to focus on its core businesses and simplify its business structure, enabling further synergies and efficiencies through enhanced integration.

Permasteelisa is a global leader in the engineering, project management, manufacturing and installation of curtain walls and interior systems, with high-end curtain walls positioned at the core of its business. Over its history, the company has established a solid position in markets around the world, including Europe, Asia and North America. However, despite being a world-class brand,

Permasteelisa has encountered significant operational and financial challenges in recent years, requiring the Group and Permasteelisa to implement a comprehensive plan to revitalize the business and return it to growth and stability.

Permasteelisa's operations are also significantly different to those of the Group's core business operations in terms of business cycles and other factors. Therefore, the sale of Permasteelisa will allow the Group to further concentrate investing resources in driving synergies across its core businesses, consider investments in new and profitable growth areas to further enhance our core operations, as well as simplify and eliminate its ongoing exposure to different types of risks.

For these reasons, the Group has concluded the contract to transfer 100% of its shares of Permasteelisa to Atlas, an industrial holding company based in the U.S., which together with its affiliates operates a diversified group of manufacturing, distribution and construction businesses.

② Name of the transferee company and date of share transfer

Name of the transferee company	Atlas Holdings LLC
Date of share transfer	September 30, 2020

③ Name of the transferred company, major business and segment

Name	Permasteelisa S.p.A
Major Business	Designing, production and installation for curtain walls and interiors
Segment	Building Technology Business

④ Overview of the transfer

Number of shares held before the transfer	25,613,544 shares (Shareholding ratio: 100%)
Number of shares transferred	25,613,544 shares
Number of shares held after the transfer	No share (- %)
Consideration received	This will not be disclosed due to the strong intention of the other party, but the share transfer price was determined through negotiations with the other party after a fair process.
Relationship with the LIXIL Group after the share transfer	<p>-For certain disputes involving Permasteelisa occurring prior to the date of the share transfer, the Group is obligated to indemnify the loss incurred by Permasteelisa on or after the date of the share transfer. The maximum amount of such compensation is approximately 33 million euros (approx. JPY 4.1 billion).</p> <p>-If the revitalization plan is executed by Permasteelisa after the date of the share transfer, the Group is liable to compensate the costs incurred in implementing the revitalization plan that the Group considers necessary for the implementation of the plan. The maximum amount of such compensation is approximately 64 million euros (Approx. JPY 8.0 billion).</p> <p>-Before the share transfer date, the Group will contribute a fixed amount of capital, of which up to 100 million euros (Approx. JPY 12.4 billion) will be recovered depending on the cash flow status of Permasteelisa between the date of the share transfer and the end of the following fiscal year.</p>

⑤ Assets and Liabilities related to discontinued operations

The breakdown of assets and liabilities related to discontinued operations for the fiscal year ended March 31, 2020 are as follows. Since the share transfer was completed on September 30, 2020, there are no assets and liabilities related to discontinued operations applicable for three months consolidated accounting period ended September 30, 2020.

(Unit: millions of yen)

	As of March 31, 2020		As of March 31, 2020
Assets related to discontinued operations		Liabilities related to discontinued	
Cash and cash equivalents	6,990	Trade and other payables	30,776
Trade and other receivables	19,865	Lease liabilities (current)	1,694
Inventories	2,170	Contract liabilities	37,715
Contract assets	13,726	Other financial liabilities (current)	1,601
Other financial assets (current)	3,007	Provisions (current)	5,435
Other current assets	4,825	Other current liabilities	1,783
Deferred tax assets	2,864	Lease liabilities (non-current)	2,972
Other assets	26	Net defined benefit liabilities	3,633
		Provisions (non-current)	1,929
		Deferred tax liabilities	1,670
		Other liabilities	668
Total	53,473	Total	89,876

⑥ Profit or loss from discontinued operations

(Unit: millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Revenue	73,182	49,674
Other profit and loss	-82,004	-47,000
Profit (loss) before tax from discontinued operations	-8,822	2,674
Income tax expenses	-267	-1,764
Profit (loss) for the quarter from discontinued operations	-9,089	910

⑦ Cash flows from discontinued operations

(Unit: millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
OPERATING ACTIVITIES	-9,191	-1,857
INVESTING ACTIVITIES	49	-51,086
FINANCING ACTIVITIES	-482	-1,192
Total	-9,624	-54,135

(2) Transfer of Shares of LIXIL VIVA Corporation

Based on the resolution at the Board of Directors Meeting held on June 9, 2020, the Company signed a memorandum ("Memorandum") with Arcland Sakamoto Co., Ltd. ("Arcland Sakamoto") and LIXIL VIVA Corporation ("LIXIL VIVA"), a subsidiary of the Company, as well as an agreement ("Agreement") with Arcland Sakamoto regarding a series of transactions including: a cash tender offer scheduled to be conducted by Arcland Sakamoto for the ordinary shares of LIXIL VIVA ("Tender Offer"); a reverse share split of the ordinary shares of LIXIL VIVA; a transfer of the shares held by the Company via buy-back by LIXIL VIVA ("Share Transfer"), through which LIXIL VIVA becomes a wholly owned subsidiary of Arcland Sakamoto; and other transactions incidental or related to those transactions (collectively, "Transaction").

① Main reason for the transfer

The Group's aim is to be an entrepreneurial company that can achieve sustainable competitiveness and growth in order to fulfill its corporate purpose to contribute to society by making better homes a reality for everyone, everywhere. To achieve this aim, the Group is taking steps to transform its operations, including strengthening governance, focusing on actively managing its core businesses areas, enabling further synergies, as well as optimizing its business portfolio to accelerate growth and strengthen financial conditions.

The transaction is in line with the Group's efforts to focus on its core businesses and simplify its business structure, enabling further synergies and efficiencies through enhanced integration.

LIXIL VIVA operates home improvement centers that provide a wide range of housing related merchandise, materials and renovation services. LIXIL VIVA has established a solid position in the industry thanks to its strengths, particularly its offering of a wide variety of merchandise necessary for renovations via its vast store space, which can provide business customers with one-stop service. LIXIL VIVA, however, has been facing a challenging business environment with intensifying competition in the retail home improvement center industry caused by a decrease in the number of customers due to population decline in Japan, changes in consumer behavior, and shifts in the channel landscape with the expansion of drugstores, e-commerce, and so forth.

The business of LIXIL VIVA is distribution and retail business which differs from the Company's core business. Therefore, the Share Transfer will enable the Company to invest its resources not only in its core businesses to drive synergies across those businesses, but also in new and profitable growth businesses, which will lead to further business efficiency. In addition, although LIXIL VIVA has been operationally independent from the Company, its independence in terms of the capital ties following the Share Transfer will support the Company in strengthening business relations with other home improvement center operators, which are important customers to the Company, as a more independent supplier.

② Description of the tender offer and methods of share transfer

The Company conducted an auction process in which the Company invited a wide range of potential candidates to acquire the ordinary shares of LIXIL VIVA, in order to select the most appropriate candidate for the Company, LIXIL VIVA and the minority shareholders of LIXIL VIVA. After thorough consideration, Arcland Sakamoto was selected as the transferee based on its superiority in terms of maximizing economic value for the Company and the certainty of completing the sale, including finance ability among others. LIXIL VIVA also concluded that the proposal received from Arcland Sakamoto was superior for LIXIL VIVA and its shareholders after examining comprehensively and carefully the evaluated equity value, the direction of the business strategy after the Transaction, and other factors in the proposal. Subsequently, Arcland Sakamoto, LIXIL VIVA and the Company began negotiations, and on June 9, 2020, the Board of Director's Meeting resolved to transfer all ordinary shares of LIXIL VIVA held by the Company to LIXIL VIVA through the Share Transfer and signed off on the Memorandum and the Agreement on the same date.

The Transactions are comprised of three conditions;

- a) ensuring that the only shareholders of LIXIL VIVA are the Company and the tender offeror (Arland Sakamoto) via the Tender Offer, or through a stock consolidation conducted by LIXIL VIVA ("Stock Consolidation") in the event the tender offeror is unable to acquire all of the LIXIL VIVA shares (excluding, however, the LIXIL VIVA shares owned by the tender offeror, the untendered shares owned by the Company, as well as the treasury stock owned by LIXIL VIVA) via the Tender Offer;
- b) for the purpose of securing the funding and distributable amount needed for the acquisition of LIXIL VIVA treasury stock defined in c); (i) having the tender offeror provide LIXIL VIVA with funding that can be directed toward the consideration for the acquisition of LIXIL VIVA treasury stock; and (ii) conducting reductions in capital, capital reserves and profit reserves of LIXIL VIVA ((Note 1) "Reduction in Capital, etc.") in accordance with Paragraph 1 of Article 447 and Paragraph 1 of Article 448 of the Companies Act; and
- c) the acquisition of treasury stock among the untendered shares owned by the Company as implemented by LIXIL VIVA, conditioned on both the realization of the Tender Offer as well as the effect of the Stock Consolidation.

The ultimate purpose of the transactions is to make LIXIL VIVA the wholly-owned subsidiary of the tender offeror.

The tender offer was concluded on July 21, 2020.

Note: The amount of capital, capital reserves and profit reserves of LIXIL VIVA is reduced and transferred to other capital surplus or other profit surplus.

③ Name of the transferee company and date of share transfer

Name of the transferee company	LIXIL VIVA Corporation
Date of share transfer	The Tender Offer was concluded on July 21, 2020. The share transfer is scheduled in November 2020.

④ Name of the transferred company, major business and segment

Name	LIXIL VIVA Corporation
Major Business	Home Improvement Center Operation, Renovation, VCs , Real-Estate Development
Segment	Distribution and Retail business

⑤ Overview of the transfer

Number of shares held before the transfer	6 shares (Note)
Number of shares transferred	6 shares
Number of shares held after the transfer	No share (- %)
Consideration received	¥56,619 million (\$520,252 thousand)
Gain on share transfer	Gain on share transfer is estimated but the amount has not yet been fixed, since it will change depending on the total assets of LIXIL VIVA as of share transfer.

Note: LIXIL VIVA conducted a share consolidation, reducing 3,894,550 pre-consolidation shares to one post-consolidation share. effective October 22, 2020.

⑥ Assets and Liabilities related to discontinued operations

Balance of non-controlling interests related to LIXIL VIVA is JPY 32,905 million.

(Unit: millions of yen)

	End of H1 (As of September 30, 2020)		End of H1 (As of September 30, 2020)
Assets related to discontinued operations		Liabilities related to discontinued	
Cash and cash equivalents	10,810	Trade and other payables	43,805
Trade and other receivables	4,977	Bonds and borrowings(current)	9,000
Inventories	42,582	Lease liabilities (current)	17,099
Other financial assets (current)	1,449	Contract liabilities	1,622
Other current assets	338	Income tax payables	3,845
Property, plant and equipment	85,452	Other current liabilities	5,430
Right of use assets	191,507	Bonds and borrowings(non-current)	25,000
Goodwill and other intangible assets	2,742	Lease liabilities (non-current)	189,192
Investment property	3,100	Other financial liabilities (non-current)	7,315
Other financial assets (non-current)	29,293	Provisions (non-current)	2,336
Deferred tax assets	2,280	Other non-current liabilities	1,074
Other non-current assets	2,578	Other liabilities	226
Other assets	209		
Total	377,317	Total	305,944

Note : Details of the assets and liabilities of LIXIL VIVA Corporation on the consolidated financial statements for the year ended March 31, 2020 are as follows. Balance of non-controlling interests related to LIXIL VIVA is JPY 29,526 million.

(Unit: millions of yen)

	As of March 31, 2020		As of March 31, 2020
Assets		Liabilities	
Cash and cash equivalents	10,027	Trade and other payables	42,550
Trade and other receivables	4,470	Bonds and borrowings(current)	4,000
Inventories	42,760	Lease liabilities (current)	15,593
Other financial assets (current)	1,539	Contract liabilities	1,469
Other current assets	416	Income tax payables	1,455
Property, plant and equipment	80,426	Other current liabilities	4,599
Right of use assets	154,377	Bonds and borrowings(non-current)	30,000
Goodwill and other intangible assets	2,104	Lease liabilities (non-current)	158,580
Investment property	3,082	Other financial liabilities (non-current)	6,958
Other financial assets (non-current)	28,801	Provisions (non-current)	2,384
Deferred tax assets	2,241	Other non-current liabilities	1,081
Other non-current assets	2,539	Other liabilities	180
Other assets	169		
Total	332,951	Total	268,849

⑦ Profit or loss from discontinued operations

(Unit: millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Revenue	92,833	98,252
Other profit and loss	-86,868	-86,238
Profit before tax from discontinued operations	5,965	12,014
Income tax expenses	-1,853	-4,592
Profit for the quarter from discontinued operations	4,112	7,422

⑧ Cash flows from discontinued operations

(Unit: millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
OPERATING ACTIVITIES	13,896	18,412
INVESTING ACTIVITIES	-5,559	-8,204
FINANCING ACTIVITIES	-5,078	-8,935
Total	3,259	1,273