

[This is an English translation of the original text written in Japanese]



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LIXIL Group Corporation

Kinya Seto

Representative Executive Officer and President (First Section of TSE/NSE, code 5938)

(Contact):

Kayo Hirano

Senior manager, Investor Relations Office

(+81-3-6268-8806)

Notice of Transfer of Consolidated Subsidiary (Share Transfer)

LIXIL Group Corporation (hereinafter “LIXIL Group”) hereby announces that it has decided to transfer 100% of shares of Permasteelisa S.p.A. (hereinafter “Permasteelisa”) held by its subsidiary, LIXIL Corporation (hereinafter “LIXIL”) to Grandland Holdings Group Limited (hereinafter “Grandland”).

1. Reason for Change

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

Permasteelisa is a world leader in the engineering, project management, manufacturing and installation of curtain walls and interior systems, and has positioned high-end curtain walls at the core of its business. Permasteelisa has established a solid position in markets around the world including Europe, Asia and North America.

However, there are many differences between Permasteelisa and LIXIL’s businesses in terms of management, especially in its cycle of businesses and the types and range of risks. For this reason, we concluded a contract for the share transfer of Permasteelisa to Grandland, which is a leading high-quality and service oriented architectural decoration enterprise in China.

2. Overview of Subsidiary to be Sold (Permasteelisa)

(1) Name of Company	Permasteelisa S.p.A.			
(2) Headquarters	Viale E.Mattei 21/23, 31029 Vittorio Veneto, Treviso, Italy			
(3) Representative	Chief Executive Officer , Riccardo Mollo			
(4) Major Business	Design & Build architectural envelopes interiors and complex forms			
(5) Capital	6.9 million euros			
(6) Year of Foundation	1973			
(7) Shareholding	100% of shares held by LIXIL			
(8) Relation between the Listed Company and Permasteelisa	Capital	Consolidated subsidiary of LIXIL Group		
	Personnel	A total of 1 board member is dispatched to the concerned company from LIXIL		
	Trade	LIXIL Group provides guarantees for performance under contracts and loans for working capital. LIXIL Group will continue a part of those loans (80 million euros) after the share transfer date.		
(9)	Operating Results and Financial Conditions of Permasteelisa for the past 3 years (in millions of euro unless stated otherwise)			
Years ended in	December 2014	December 2015	March 2016	March 2017
Consolidated net assets	264	235	191	142
Consolidate total assets	1,563	1,623	1,586	1,610
Net asset per share (Euro)	10.30	9.16	7.45	5.56
Consolidated sales revenue	1,333	1,528	306	1,286
Consolidated operating profit	46	31	Δ40	Δ3
Profit (loss) for the year attributable to owners of the parent	7	Δ36	Δ54	Δ45
Earnings per share (Euro)	0.29	Δ1.41	Δ2.09	Δ1.77

Note: Because of the change of the financial reporting period, 3 months operating results and financial position for the 3 month from January to March 2016 are presented under the financial results as the fiscal year ended March 2016.

3. Overview of Grandland Holdings Group Limited

Name	Grandland Holdings Group Limited
Headquarters	No.2098, Shennan East Road, Luohu District, Shenzhen City, Guangdong Province, People's Republic of China
Representative	Zhang Yi, President
Description	Design and construction of architectural decoration, real estate development, finance and investments.
Paid-in Capital	CNY 2,625 million
Date of Establishment	1993/1/9
Net Asset	CNY 12,061 million
Total Asset	CNY 29,876 million
Major Shareholder	Shenzhen Hunter Industrial Co., Ltd. (96.19%)

There are no capital, personnel, and trade relationships between LIXIL Group and Grandland Holdings Group Limited.

4. Number of shares transferred, and status of holdings before and after the transfer

(1) Number of Shares Held before the Transfer	25,613,544 shares (Voting right ratio: 100.0%)
(2) Number of Shares to Be Transferred	25,613,544 shares
(3) Base Sales Price	467 million euros (Note) (59,776 million yen)
(4) Share Transfer Price (Estimate)	174 million euros (Note) (22,272 million yen)
(5) Number of Shares Held after the Transfer	0 shares (Voting right ratio: 0.0%)

The amount is converted at 1 Euro = 128 Yen.

(Note) The differential between Base Sales Price and Share Transfer Price is intercompany loans from a LIXIL Group's subsidiary to Permasteelisa.

5. Schedule

(1) Board resolution date	August 21, 2017
(2) Conclusion date of agreement	August 21, 2017
(3) Date of transfer of shares	Not determined yet

(Note) The transaction is subject to customary closing conditions and regulatory approvals including in China, the United States and Russia.

6. Future Outlook

LIXIL Group adopted International Financial Reporting Standards (“IFRS”) starting from the fiscal year ended March 2016. Related to the conclusion of this share transfer agreement contract, based on IFRS No. 5 (“Non-Current Assets Held for Sale and Discontinued Operations”), assets and liabilities held by Permasteelisa will be classified as assets and liabilities held for sale, which in addition to profit and loss after tax resulting from Permasteelisa’s operations and profits and losses from the share transfer, will be listed separately as profit and loss for discontinued operations.

Regarding the impact of this share transfer agreement, the Timely Disclosure announced separately today (“Announcement Regarding Revision of the Forecast on Business Performance for the Fiscal Year Ending March 2018 due to the 100% share transfer of Permasteelisa S.p.A.”) provides details of the classification of continuing and discontinued businesses in the First Half of Consolidated Earnings For the Year Ending March 2018 and Full Year Consolidated Forecast For the Year Ending March 2018. The revision to the business forecast, mainly concerning the decrease in revenue due to the reclassification to discontinued operations, will not have a major impact on full year earnings. However, due to projection difficulties in conditions of the contract which was agreed and at the time the contract was concluded, the impact of this share transfer agreement in the first half of the fiscal year of consolidated earnings forecast has not been incorporated.

Furthermore, based on this share transfer agreement, in addition to repayment of external interest-bearing debt held by Permasteelisa, and recuperation of inter-company loan by LIXIL Group, net interest-bearing debt is expected to decrease by 47.0 billion yen. In addition, contingent liability is expected to decrease by approximately 130.0 billion yen, which is expected to have a positive impact on fund raising costs, etc.

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