

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2016 (Based on Japanese GAAP)

October 11, 2016

Company name: IZUMI CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 8273 URL <http://www.izumi.co.jp/>
 Representative: President Yasuaki Yamanishi
 Senior Managing Director and Administration Division Manager Tatsuya Mikamoto TEL +81-82-264-3211
 Inquiries: Administration Division Manager
 Scheduled date to file Quarterly Securities Report: October 14, 2016
 Scheduled date to commence dividend payments: November 14, 2016
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (For institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for six months ended August 31, 2016 (from March 1, 2016 to August 31, 2016)

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2016	344,332	10.9	17,256	16.9	17,266	19.7	3,062	(66.9)
Six months ended August 31, 2015	310,579	9.6	14,761	7.2	14,421	5.3	9,258	8.7

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2016	42.74	–
Six months ended August 31, 2015	129.04	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2016	470,004	158,964	31.6
As of February 29, 2016	468,026	157,851	31.5

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 29, 2016	–	31.00	–	33.00	64.00
Year ending February 28, 2017	–	33.00			
Year ending February 28, 2017 (Forecast)			–	33.00	66.00

3. Forecast of consolidated financial results for the fiscal year ending February 28, 2017 (from March 1, 2016 to February 28, 2017)

Percentages indicate year-on-year changes

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	710,800	6.3	34,700	8.7	33,800	8.7	13,500	(28.1)	188.39

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2016
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2016	78,861,920 shares	As of February 29, 2016	78,861,920 shares
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Number of treasury shares at the end of the period

As of August 31, 2016	7,203,726 shares	As of February 29, 2016	7,203,273 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2016	71,658,434 shares	Six months ended August 31, 2015	71,749,758 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Millions of yen)

	As of February 29, 2016	As of August 31, 2016
Assets		
Current assets		
Cash and deposits	13,844	12,259
Notes and accounts receivable - trade	31,387	32,733
Merchandise and finished goods	26,597	26,005
Work in process	114	123
Raw materials and supplies	437	408
Other	16,917	15,547
Allowance for doubtful accounts	(590)	(583)
Total current assets	88,708	86,493
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	155,544	152,866
Land	156,890	157,507
Other, net	12,873	20,051
Total property, plant and equipment	325,308	330,426
Intangible assets		
Goodwill	7,236	6,736
Other	8,839	8,739
Total intangible assets	16,075	15,475
Investments and other assets		
Other	38,346	38,013
Allowance for doubtful accounts	(411)	(404)
Total investments and other assets	37,934	37,609
Total non-current assets	379,318	383,510
Total assets	468,026	470,004

(Millions of yen)

As of February 29, 2016

As of August 31, 2016

	As of February 29, 2016	As of August 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	33,479	34,177
Short-term loans payable	50,704	37,241
Current portion of long-term loans payable	23,320	25,940
Income taxes payable	7,144	2,013
Provision for bonuses	1,753	2,320
Provision for directors' bonuses	38	32
Provision for point card certificates	2,302	2,493
Provision for loss on recollection of gift certificates	111	111
Provision for loss on disaster	–	9,507
Provision for loss on business liquidation	433	105
Other	28,675	31,533
Total current liabilities	147,963	145,476
Non-current liabilities		
Long-term loans payable	118,616	122,293
Provision for directors' retirement benefits	1,435	1,406
Provision for loss on interest repayment	230	178
Net defined benefit liability	7,308	7,288
Asset retirement obligations	7,445	7,504
Other	27,175	26,892
Total non-current liabilities	162,211	165,563
Total liabilities	310,175	311,039
Net assets		
Shareholders' equity		
Capital stock	19,613	19,613
Capital surplus	22,577	22,588
Retained earnings	123,785	124,482
Treasury shares	(18,483)	(18,484)
Total shareholders' equity	147,493	148,200
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	793	926
Remeasurements of defined benefit plans	(638)	(589)
Total accumulated other comprehensive income	155	336
Non-controlling interests	10,203	10,427
Total net assets	157,851	158,964
Total liabilities and net assets	468,026	470,004

Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
Quarterly consolidated statements of income

(Millions of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
Net sales	296,543	328,569
Cost of sales	232,981	256,126
Gross profit	63,562	72,442
Operating revenue	14,035	15,763
Operating gross profit	77,598	88,206
Selling, general and administrative expenses	62,837	70,949
Operating income	14,761	17,256
Non-operating income		
Interest income	74	75
Purchase discounts	159	152
Share of profit of entities accounted for using equity method	24	22
Other	420	691
Total non-operating income	679	942
Non-operating expenses		
Interest expenses	765	728
Other	253	203
Total non-operating expenses	1,019	932
Ordinary income	14,421	17,266
Extraordinary income		
Gain on sales of non-current assets	2	346
Gain on sales of investment securities	930	56
Gain on bargain purchase	18	–
Subsidy income	359	–
Other	–	117
Total extraordinary income	1,311	520
Extraordinary losses		
Loss on sales of non-current assets	17	59
Loss on retirement of non-current assets	115	259
Impairment loss	83	122
Loss on disaster	–	11,364
Other	45	280
Total extraordinary losses	261	12,086
Profit before income taxes	15,470	5,700
Income taxes - current	5,707	1,840
Income taxes - deferred	580	600
Total income taxes	6,287	2,441
Profit	9,183	3,259
Profit (loss) attributable to non-controlling interests	(75)	197
Profit attributable to owners of parent	9,258	3,062

Quarterly consolidated statements of comprehensive income

	(Millions of yen)	
	Six months ended August 31, 2015	Six months ended August 31, 2016
Profit	9,183	3,259
Other comprehensive income		
Valuation difference on available-for-sale securities	(268)	246
Remeasurements of defined benefit plans, net of tax	35	48
Total other comprehensive income	(233)	294
Comprehensive income	8,949	3,554
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,049	3,244
Comprehensive income attributable to non-controlling interests	(99)	310

Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2015	Six months ended August 31, 2016
Cash flows from operating activities		
Profit before income taxes	15,470	5,700
Depreciation	6,871	7,523
Impairment loss	83	122
Amortization of goodwill	85	500
Gain on bargain purchase	(18)	–
Increase (decrease) in allowance for doubtful accounts	88	40
Increase (decrease) in provision for loss on disaster	–	9,507
Interest and dividend income	(126)	(124)
Interest expenses	765	728
Share of (profit) loss of entities accounted for using equity method	(24)	(22)
Subsidy income	(359)	–
Loss (gain) on sales of investment securities	(913)	(47)
Loss (gain) on sales of non-current assets	14	(286)
Loss on retirement of non-current assets	115	259
Decrease (increase) in notes and accounts receivable - trade	(2,044)	(1,345)
Decrease (increase) in inventories	623	611
Increase (decrease) in notes and accounts payable - trade	(8,885)	698
Other, net	(4,621)	2,163
Subtotal	7,124	26,030
Interest and dividend income received	131	128
Interest expenses paid	(807)	(745)
Proceeds from subsidy income	359	–
Income taxes (paid) refund	(6,845)	(7,063)
Net cash provided by (used in) operating activities	(36)	18,349
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,015)	(11,913)
Proceeds from sales of property, plant and equipment	134	1,563
Purchase of intangible assets	(752)	(479)
Purchase of investment securities	(907)	(291)
Proceeds from sales of investment securities	2,288	192
Decrease (increase) in short-term loans receivable	(142)	(27)
Other, net	60	741
Net cash provided by (used in) investing activities	(13,334)	(10,214)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,223	(13,463)
Proceeds from long-term loans payable	23,650	18,800
Repayments of long-term loans payable	(13,519)	(12,503)
Purchase of treasury shares	(2,168)	(1)
Cash dividends paid	(2,012)	(2,364)
Dividends paid to non-controlling interests	(28)	(28)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(46)
Other, net	(78)	(96)
Net cash provided by (used in) financing activities	10,067	(9,705)
Net increase (decrease) in cash and cash equivalents	(3,303)	(1,570)
Cash and cash equivalents at beginning of period	12,990	13,429
Cash and cash equivalents at end of period	9,686	11,859