

Translation

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**Summary of Consolidated Financial Results
for the Year Ended February 28, 2018
(Based on Japanese GAAP)**

April 11, 2018

Company name: IZUMI CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 8273 URL <http://www.izumi.co.jp/>
 Representative: President Yasuaki Yamanishi
 Inquiries: Senior Managing Director and Administration Division Manager Tatsuya Mikamoto TEL +81-82-264-3211
 Scheduled date of ordinary general meeting of shareholders: May 25, 2018
 Scheduled date to file Securities Report: May 28, 2018
 Scheduled date to commence dividend payments: May 28, 2018
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (For institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended February 28, 2018 (from March 1, 2017 to February 28, 2018)

(1) Consolidated financial results

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended February 28, 2018	729,857	4.0	38,487	7.9	38,208	7.1	26,932	58.3
Year ended February 28, 2017	702,121	5.0	35,670	11.8	35,688	14.7	17,015	(9.3)

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended February 28, 2018	375.83	–	15.7	8.0	5.5
Year ended February 28, 2017	237.45	–	11.0	7.6	5.3

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2018	479,867	194,851	38.1	2,553.14
As of February 28, 2017	476,885	171,963	33.7	2,240.66

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended February 28, 2018	42,592	(29,067)	(15,477)	8,389
Year ended February 28, 2017	33,104	(19,938)	(16,252)	10,342

2. Cash dividends

	Annual dividends per share					Total cash dividends (Full year)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended February 28, 2017	–	33.00	–	33.00	66.00	4,729	27.8	3.1
Year ended February 28, 2018	–	35.00	–	40.00	75.00	5,374	20.0	3.1
Year ending February 28, 2019 (Forecast)	–	40.00	–	40.00	80.00		–	

3. Forecast of consolidated financial results for the fiscal year ending February 28, 2019 (from March 1, 2018 to February 28, 2019)

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 31, 2018	365,300	1.5	18,600	8.8	18,300	7.7	12,200	7.4	170.25
Full year	749,400	2.7	37,100	(3.6)	36,700	(3.9)	24,300	(9.8)	339.10

4. Notes

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) 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:

No

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

(3) Number of issued shares (common shares)

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

As of February 28, 2018	71,665,200 shares	As of February 28, 2017	78,861,920 shares
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Number of treasury shares at the end of the period

As of February 28, 2018	5,676 shares	As of February 28, 2017	7,201,306 shares
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Average number of shares during the period

Year ended February 28, 2018	71,660,157 shares	Year ended February 28, 2017	71,657,885 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2017	As of February 28, 2018
Assets		
Current assets		
Cash and deposits	10,738	8,410
Notes and accounts receivable - trade	33,645	37,245
Merchandise and finished goods	27,658	28,047
Work in process	40	81
Raw materials and supplies	480	452
Deferred tax assets	2,505	2,569
Other	14,010	15,081
Allowance for doubtful accounts	(1,016)	(827)
Total current assets	88,064	91,062
Non-current assets		
Property, plant and equipment		
Buildings and structures	371,618	383,874
Accumulated depreciation	(214,684)	(220,584)
Buildings and structures, net	156,934	163,290
Machinery, equipment and vehicles	8,008	8,681
Accumulated depreciation	(5,419)	(5,878)
Machinery, equipment and vehicles, net	2,589	2,803
Land	157,628	159,178
Leased assets	548	445
Accumulated depreciation	(351)	(333)
Leased assets, net	197	111
Construction in progress	9,730	439
Other	41,991	42,160
Accumulated depreciation	(33,796)	(34,434)
Other, net	8,194	7,725
Total property, plant and equipment	335,274	333,548
Intangible assets		
Goodwill	6,235	5,263
Other	8,474	8,281
Total intangible assets	14,709	13,545
Investments and other assets		
Investment securities	7,924	11,390
Long-term loans receivable	1,651	1,625
Deferred tax assets	5,269	5,414
Lease and guarantee deposits	18,572	18,024
Other	5,992	5,799
Allowance for doubtful accounts	(573)	(543)
Total investments and other assets	38,836	41,711
Total non-current assets	388,821	388,805
Total assets	476,885	479,867

(Millions of yen)

As of February 28, 2017

As of February 28, 2018

Liabilities	As of February 28, 2017	As of February 28, 2018
Current liabilities		
Notes and accounts payable - trade	30,466	34,649
Short-term loans payable	27,291	24,670
Current portion of long-term loans payable	26,415	28,616
Accounts payable - other	20,206	7,801
Income taxes payable	7,115	8,577
Provision for bonuses	1,921	2,028
Provision for directors' bonuses	41	16
Provision for point card certificates	2,418	2,436
Provision for loss on recollection of gift certificates	113	145
Provision for loss on disaster	1,877	–
Asset retirement obligations	6	–
Other	15,014	13,278
Total current liabilities	132,889	122,220
Non-current liabilities		
Long-term loans payable	128,210	118,581
Lease obligations	128	52
Long-term lease and guarantee deposited	23,827	23,813
Provision for directors' retirement benefits	1,644	1,719
Provision for loss on interest repayment	168	85
Net defined benefit liability	7,429	7,777
Deferred tax liabilities	2,509	2,592
Asset retirement obligations	7,565	7,784
Other	549	386
Total non-current liabilities	172,032	162,794
Total liabilities	304,922	285,015
Net assets		
Shareholders' equity		
Capital stock	19,613	19,613
Capital surplus	22,493	22,247
Retained earnings	136,070	139,951
Treasury shares	(18,484)	(18)
Total shareholders' equity	159,693	181,795
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,415	1,580
Remeasurements of defined benefit plans	(541)	(418)
Total accumulated other comprehensive income	873	1,161
Non-controlling interests	11,396	11,894
Total net assets	171,963	194,851
Total liabilities and net assets	476,885	479,867

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

	(Millions of yen)	
	Year ended February 28, 2017	Year ended February 28, 2018
Net sales	670,253	696,266
Cost of sales	522,833	543,206
Gross profit	147,419	153,059
Operating revenue	31,867	33,591
Operating gross profit	179,287	186,651
Selling, general and administrative expenses		
Advertising and promotion expenses	12,641	14,494
Distribution expenses	7,387	7,494
Provision of allowance for doubtful accounts	154	142
Employees' salaries and bonuses	50,204	50,917
Provision for bonuses	1,596	1,728
Welfare expenses	8,998	9,141
Retirement benefit expenses	897	1,159
Rent expenses	11,562	11,585
Utilities expenses	7,262	8,072
Depreciation	15,206	15,693
Other	27,704	27,733
Total selling, general and administrative expenses	143,616	148,163
Operating profit	35,670	38,487
Non-operating income		
Interest income	148	149
Dividend income	77	92
Purchase discounts	329	299
Gain on adjustment of account payable	133	130
Share of profit of entities accounted for using equity method	12	48
Penalty income	141	163
Other	1,034	677
Total non-operating income	1,877	1,562
Non-operating expenses		
Interest expenses	1,316	1,094
Compensation expenses	240	159
Other	302	586
Total non-operating expenses	1,859	1,841
Ordinary profit	35,688	38,208

(Millions of yen)

	Year ended February 28, 2017	Year ended February 28, 2018
Extraordinary income		
Gain on sales of non-current assets	383	501
Gain on sales of investment securities	60	252
Gain on bargain purchase	279	–
Subsidy income	574	1,656
Other	77	32
Total extraordinary income	1,374	2,443
Extraordinary losses		
Loss on sales of non-current assets	72	49
Loss on retirement of non-current assets	482	464
Impairment loss	500	597
Loss on disaster	9,367	197
Loss on liquidation of business	62	–
Other	258	139
Total extraordinary losses	10,744	1,448
Profit before income taxes	26,319	39,204
Income taxes - current	9,059	12,248
Income taxes - deferred	(135)	(345)
Total income taxes	8,924	11,902
Profit	17,395	27,301
Profit attributable to non-controlling interests	380	369
Profit attributable to owners of parent	17,015	26,932

Consolidated statements of comprehensive income

	(Millions of yen)	
	Year ended February 28, 2017	Year ended February 28, 2018
Profit	17,395	27,301
Other comprehensive income		
Valuation difference on available-for-sale securities	940	376
Remeasurements of defined benefit plans, net of tax	96	123
Total other comprehensive income	1,036	499
Comprehensive income	18,431	27,801
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,733	27,220
Comprehensive income attributable to non-controlling interests	698	581

Consolidated statements of changes in net assets

Fiscal year ended February 28, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	19,613	22,577	123,785	(18,483)	147,493
Changes of items during period					
Dividends of surplus			(4,729)		(4,729)
Change of scope of consolidation				(23)	(23)
Profit attributable to owners of parent			17,015		17,015
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		(1)		26	25
Purchase of shares of consolidated subsidiaries		(82)			(82)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(83)	12,285	(1)	12,200
Balance at end of current period	19,613	22,493	136,070	(18,484)	159,693

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	793	(638)	155	10,203	157,851
Changes of items during period					
Dividends of surplus					(4,729)
Change of scope of consolidation					(23)
Profit attributable to owners of parent					17,015
Purchase of treasury shares					(4)
Disposal of treasury shares					25
Purchase of shares of consolidated subsidiaries					(82)
Net changes of items other than shareholders' equity	621	96	718	1,193	1,911
Total changes of items during period	621	96	718	1,193	14,112
Balance at end of current period	1,415	(541)	873	11,396	171,963

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	19,613	22,493	136,070	(18,484)	159,693
Changes of items during period					
Dividends of surplus			(4,872)		(4,872)
Profit attributable to owners of parent			26,932		26,932
Purchase of treasury shares				(6)	(6)
Retirement of treasury shares		(295)	(18,178)	18,473	-
Purchase of shares of consolidated subsidiaries		49			49
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(245)	3,881	18,466	22,101
Balance at end of current period	19,613	22,247	139,951	(18)	181,795

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,415	(541)	873	11,396	171,963
Changes of items during period					
Dividends of surplus					(4,872)
Profit attributable to owners of parent					26,932
Purchase of treasury shares					(6)
Retirement of treasury shares					-
Purchase of shares of consolidated subsidiaries					49
Net changes of items other than shareholders' equity	165	123	288	498	786
Total changes of items during period	165	123	288	498	22,888
Balance at end of current period	1,580	(418)	1,161	11,894	194,851

Consolidated statements of cash flows

(Millions of yen)

	Year ended February 28, 2017	Year ended February 28, 2018
Cash flows from operating activities		
Profit before income taxes	26,319	39,204
Depreciation	15,691	16,171
Impairment loss	500	597
Loss on disaster	9,367	197
Amortization of goodwill	1,078	997
Gain on bargain purchase	(279)	-
Increase (decrease) in allowance for doubtful accounts	103	(50)
Interest and dividend income	(226)	(242)
Interest expenses	1,316	1,094
Share of (profit) loss of entities accounted for using equity method	(12)	(48)
Subsidy income	(574)	(1,656)
Loss (gain) on sales of investment securities	(37)	(226)
Loss (gain) on sales of non-current assets	(311)	(452)
Loss on retirement of non-current assets	482	464
Decrease (increase) in notes and accounts receivable - trade	(2,240)	(3,598)
Decrease (increase) in inventories	(1,322)	(363)
Increase (decrease) in notes and accounts payable - trade	(3,155)	4,149
Increase (decrease) in net defined benefit liability	95	339
Other, net	2,651	(1,118)
Subtotal	49,447	55,458
Interest and dividend income received	234	220
Interest expenses paid	(1,368)	(1,121)
Proceeds from subsidy income	574	1,656
Payments for loss on disaster	(6,810)	(2,074)
Income taxes (paid) refund	(8,972)	(11,547)
Net cash provided by (used in) operating activities	33,104	42,592
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,945)	(27,053)
Proceeds from sales of property, plant and equipment	1,734	1,412
Purchase of intangible assets	(954)	(950)
Purchase of investment securities	(551)	(3,618)
Proceeds from sales of investment securities	397	939
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	454	26
Decrease (increase) in short-term loans receivable	(85)	(260)
Other, net	1,012	437
Net cash provided by (used in) investing activities	(19,938)	(29,067)

(Millions of yen)

	Year ended February 28, 2017	Year ended February 28, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(23,413)	(2,621)
Proceeds from long-term loans payable	38,412	19,050
Repayments of long-term loans payable	(26,339)	(26,782)
Purchase of treasury shares	(4)	(6)
Proceeds from sales of shares of parent held by subsidiaries	45	-
Cash dividends paid	(4,729)	(4,872)
Dividends paid to non-controlling interests	(29)	(28)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(46)	(95)
Other, net	(147)	(120)
Net cash provided by (used in) financing activities	(16,252)	(15,477)
Net increase (decrease) in cash and cash equivalents	(3,086)	(1,952)
Cash and cash equivalents at beginning of period	13,429	10,342
Cash and cash equivalents at end of period	10,342	8,389