

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2018 (Based on Japanese GAAP)

October 9, 2018

Company name: IZUMI CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 8273 URL <https://www.izumi.co.jp/>
 Representative: President Yasuaki Yamanishi
 Senior Managing Director and Administration Division Manager
 Inquiries: Tatsuya Mikamoto TEL +81-82-264-3211
 Scheduled date to file Quarterly Securities Report: October 12, 2018
 Scheduled date to commence dividend payments: November 12, 2018
 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, 2018 (from March 1, 2018 to August 31, 2018)

(1) Consolidated financial results (cumulative)

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	%
Six months ended August 31, 2018	358,626	(0.3)	16,788	(1.8)	16,833	(0.9)	10,786	(5.1)
Six months ended August 31, 2017	359,859	4.5	17,102	(0.9)	16,991	(1.6)	11,360	271.0

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2018	150.52	–
Six months ended August 31, 2017	158.53	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2018	487,162	202,793	39.2
As of February 28, 2018	479,867	194,851	38.1

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 28, 2018	–	35.00	–	40.00	75.00
Year ending February 28, 2019	–	40.00	–	–	–
Year ending February 28, 2019 (Forecast)	–	–	–	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
Full year	743,600	1.9	35,200	(8.5)	35,000	(8.4)	22,400	(16.8)	312.59

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2018
(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: No
- 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, 2018	71,665,200 shares	As of February 28, 2018	71,665,200 shares
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Number of treasury shares at the end of the period

As of August 31, 2018	6,451 shares	As of February 28, 2018	5,676 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, 2018	71,659,234 shares	Six months ended August 31, 2017	71,660,460 shares
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Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Millions of yen)

	As of February 28, 2018	As of August 31, 2018
Assets		
Current assets		
Cash and deposits	8,410	8,338
Notes and accounts receivable - trade	37,245	39,577
Merchandise and finished goods	28,047	27,789
Work in process	81	31
Raw materials and supplies	452	449
Other	17,651	17,776
Allowance for doubtful accounts	(827)	(567)
Total current assets	91,062	93,395
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	163,290	163,805
Land	159,178	162,775
Other, net	11,079	12,044
Total property, plant and equipment	333,548	338,625
Intangible assets		
Goodwill	5,263	4,820
Other	8,281	8,349
Total intangible assets	13,545	13,169
Investments and other assets		
Other	42,254	42,551
Allowance for doubtful accounts	(543)	(579)
Total investments and other assets	41,711	41,971
Total non-current assets	388,805	393,767
Total assets	479,867	487,162
Liabilities		
Current liabilities		
Notes and accounts payable - trade	34,649	37,511
Short-term loans payable	24,670	30,060
Current portion of long-term loans payable	28,616	28,798
Income taxes payable	8,577	5,808
Provision for bonuses	2,028	2,640
Provision for directors' bonuses	16	17
Provision for point card certificates	2,436	2,672
Provision for loss on recollection of gift certificates	145	145
Other	21,080	23,895
Total current liabilities	122,220	131,550
Non-current liabilities		
Long-term loans payable	118,581	107,384
Provision for directors' retirement benefits	1,719	2,172
Provision for loss on interest repayment	85	45
Net defined benefit liability	7,777	8,013
Asset retirement obligations	7,784	7,889
Other	26,845	27,312
Total non-current liabilities	162,794	152,819
Total liabilities	285,015	284,369

(Millions of yen)

As of February 28, 2018

As of August 31, 2018

	As of February 28, 2018	As of August 31, 2018
Net assets		
Shareholders' equity		
Capital stock	19,613	19,613
Capital surplus	22,247	22,247
Retained earnings	139,951	147,871
Treasury shares	(18)	(23)
Total shareholders' equity	181,795	189,709
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,580	1,377
Remeasurements of defined benefit plans	(418)	(347)
Total accumulated other comprehensive income	1,161	1,030
Non-controlling interests	11,894	12,052
Total net assets	194,851	202,793
Total liabilities and net assets	479,867	487,162

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, 2017	Six months ended August 31, 2018
Net sales	343,228	341,652
Cost of sales	267,495	266,191
Gross profit	75,733	75,461
Operating revenue	16,630	16,973
Operating gross profit	92,363	92,434
Selling, general and administrative expenses	75,260	75,646
Operating profit	17,102	16,788
Non-operating income		
Interest income	74	74
Purchase discounts	154	140
Share of profit of entities accounted for using equity method	37	28
Other	675	571
Total non-operating income	942	815
Non-operating expenses		
Interest expenses	576	474
Other	476	297
Total non-operating expenses	1,052	771
Ordinary profit	16,991	16,833
Extraordinary income		
Gain on sales of non-current assets	1	55
Gain on sales of investment securities	43	–
Subsidy income	137	112
Other	20	6
Total extraordinary income	203	174
Extraordinary losses		
Loss on sales of non-current assets	31	–
Loss on retirement of non-current assets	110	136
Impairment loss	–	42
Loss on disaster	115	293
Contribution to relief	–	450
Other	65	0
Total extraordinary losses	322	922
Profit before income taxes	16,872	16,085
Income taxes - current	5,415	5,342
Income taxes - deferred	(41)	(226)
Total income taxes	5,373	5,115
Profit	11,498	10,969
Profit attributable to non-controlling interests	138	183
Profit attributable to owners of parent	11,360	10,786

Quarterly consolidated statements of comprehensive income

	(Millions of yen)	
	Six months ended August 31, 2017	Six months ended August 31, 2018
Profit	11,498	10,969
Other comprehensive income		
Valuation difference on available-for-sale securities	484	(193)
Remeasurements of defined benefit plans, net of tax	64	71
Total other comprehensive income	549	(122)
Comprehensive income	12,047	10,847
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,498	10,655
Comprehensive income attributable to non-controlling interests	549	192

Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2017	Six months ended August 31, 2018
Cash flows from operating activities		
Profit before income taxes	16,872	16,085
Depreciation	7,938	7,661
Impairment loss	–	42
Loss on disaster	115	293
Amortization of goodwill	525	443
Increase (decrease) in allowance for doubtful accounts	(70)	105
Interest and dividend income	(128)	(140)
Interest expenses	576	474
Share of (profit) loss of entities accounted for using equity method	(37)	(28)
Subsidy income	(137)	(112)
Loss (gain) on sales of investment securities	(17)	–
Loss (gain) on sales of non-current assets	29	(55)
Loss on retirement of non-current assets	110	136
Decrease (increase) in notes and accounts receivable - trade	(2,998)	(2,332)
Decrease (increase) in inventories	412	146
Increase (decrease) in notes and accounts payable - trade	5,638	2,862
Other, net	(272)	4,087
Subtotal	28,557	29,669
Interest and dividend income received	103	117
Interest expenses paid	(593)	(491)
Proceeds from subsidy income	4	112
Payments for loss on disaster	(1,992)	(121)
Income taxes (paid) refund	(7,109)	(7,834)
Net cash provided by (used in) operating activities	18,969	21,452
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,367)	(11,598)
Proceeds from sales of property, plant and equipment	266	317
Purchase of intangible assets	(504)	(946)
Purchase of investment securities	(3,248)	(719)
Proceeds from sales of investment securities	502	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	26	–
Decrease (increase) in short-term loans receivable	(157)	(181)
Other, net	442	195
Net cash provided by (used in) investing activities	(19,041)	(12,932)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	11,660	5,390
Proceeds from long-term loans payable	2,000	–
Repayments of long-term loans payable	(12,579)	(11,014)
Purchase of treasury shares	(1)	(5)
Cash dividends paid	(2,364)	(2,866)
Dividends paid to non-controlling interests	(28)	(34)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(95)	–
Other, net	(55)	(41)
Net cash provided by (used in) financing activities	(1,466)	(8,571)
Net increase (decrease) in cash and cash equivalents	(1,537)	(51)
Cash and cash equivalents at beginning of period	10,342	8,389
Cash and cash equivalents at end of period	8,804	8,338