

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2018 (Based on Japanese GAAP)

January 8, 2019

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: January 11, 2019
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for nine months ended November 30, 2018 (from March 1, 2018 to November 30, 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 | % |
| Nine months ended November 30, 2018 | 536,341 | (0.1) | 23,611 | (8.1) | 23,553 | (7.8) | 15,316 | (11.7) |
| Nine months ended November 30, 2017 | 536,768 | 4.6 | 25,689 | 7.3 | 25,549 | 6.1 | 17,347 | 137.7 |

| | Earnings per share | Diluted earnings per share |
|--|--------------------|----------------------------|
| | Yen | Yen |
| Nine months ended November 30, 2018 | 213.74 | – |
| Nine months ended November 30, 2017 | 242.08 | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of November 30, 2018 | 497,432 | 204,005 | 38.6 |
| 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 nine months ended November 30, 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 November 30, 2018 | 71,665,200 shares | As of February 28, 2018 | 71,665,200 shares |
|-------------------------|-------------------|-------------------------|-------------------|

Number of treasury shares at the end of the period

| | | | |
|-------------------------|--------------|-------------------------|--------------|
| As of November 30, 2018 | 6,542 shares | As of February 28, 2018 | 5,676 shares |
|-------------------------|--------------|-------------------------|--------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | | | |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| Nine months ended November 30, 2018 | 71,659,067 shares | Nine months ended November 30, 2017 | 71,660,331 shares |
|-------------------------------------|-------------------|-------------------------------------|-------------------|

Quarterly consolidated financial statements
Quarterly consolidated balance sheets

(Millions of yen)

| | As of February 28, 2018 | As of November 30, 2018 |
|---|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 8,410 | 8,474 |
| Notes and accounts receivable - trade | 37,245 | 44,212 |
| Merchandise and finished goods | 28,047 | 31,291 |
| Work in process | 81 | 165 |
| Raw materials and supplies | 452 | 476 |
| Other | 17,651 | 17,965 |
| Allowance for doubtful accounts | (827) | (579) |
| Total current assets | 91,062 | 102,005 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 163,290 | 165,554 |
| Land | 159,178 | 162,975 |
| Other, net | 11,079 | 12,565 |
| Total property, plant and equipment | 333,548 | 341,095 |
| Intangible assets | | |
| Goodwill | 5,263 | 4,598 |
| Other | 8,281 | 8,336 |
| Total intangible assets | 13,545 | 12,935 |
| Investments and other assets | | |
| Other | 42,254 | 41,975 |
| Allowance for doubtful accounts | (543) | (578) |
| Total investments and other assets | 41,711 | 41,396 |
| Total non-current assets | 388,805 | 395,427 |
| Total assets | 479,867 | 497,432 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 34,649 | 40,208 |
| Short-term loans payable | 24,670 | 29,423 |
| Current portion of long-term loans payable | 28,616 | 24,428 |
| Income taxes payable | 8,577 | 2,008 |
| Provision for bonuses | 2,028 | 4,065 |
| Provision for directors' bonuses | 16 | 36 |
| Provision for point card certificates | 2,436 | 2,963 |
| Provision for loss on recollection of gift certificates | 145 | 145 |
| Other | 21,080 | 29,616 |
| Total current liabilities | 122,220 | 132,896 |
| Non-current liabilities | | |
| Long-term loans payable | 118,581 | 115,224 |
| Provision for directors' retirement benefits | 1,719 | 2,163 |
| Provision for loss on interest repayment | 85 | 36 |
| Net defined benefit liability | 7,777 | 8,085 |
| Asset retirement obligations | 7,784 | 8,013 |
| Other | 26,845 | 27,005 |
| Total non-current liabilities | 162,794 | 160,530 |
| Total liabilities | 285,015 | 293,426 |

(Millions of yen)

As of February 28, 2018

As of November 30, 2018

| | As of February 28, 2018 | As of November 30, 2018 |
|---|-------------------------|-------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 19,613 | 19,613 |
| Capital surplus | 22,247 | 22,247 |
| Retained earnings | 139,951 | 149,357 |
| Treasury shares | (18) | (24) |
| Total shareholders' equity | 181,795 | 191,195 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,580 | 1,091 |
| Remeasurements of defined benefit plans | (418) | (311) |
| Total accumulated other comprehensive income | 1,161 | 779 |
| Non-controlling interests | 11,894 | 12,031 |
| Total net assets | 194,851 | 204,005 |
| Total liabilities and net assets | 479,867 | 497,432 |

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

(Millions of yen)

| | Nine months ended November 30, 2017 | Nine months ended November 30, 2018 |
|---|--|--|
| Net sales | 511,781 | 510,736 |
| Cost of sales | 399,645 | 398,620 |
| Gross profit | 112,136 | 112,116 |
| Operating revenue | 24,986 | 25,604 |
| Operating gross profit | 137,122 | 137,720 |
| Selling, general and administrative expenses | 111,433 | 114,109 |
| Operating profit | 25,689 | 23,611 |
| Non-operating income | | |
| Interest income | 112 | 111 |
| Purchase discounts | 229 | 221 |
| Share of profit of entities accounted for using equity method | 61 | 30 |
| Other | 837 | 759 |
| Total non-operating income | 1,240 | 1,122 |
| Non-operating expenses | | |
| Interest expenses | 841 | 695 |
| Other | 538 | 485 |
| Total non-operating expenses | 1,380 | 1,180 |
| Ordinary profit | 25,549 | 23,553 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 500 | 55 |
| Gain on sales of investment securities | 216 | 0 |
| Subsidy income | 156 | 112 |
| Income from insurance | – | 273 |
| Other | 29 | 3 |
| Total extraordinary income | 903 | 444 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 48 | – |
| Loss on retirement of non-current assets | 293 | 223 |
| Impairment loss | 8 | 77 |
| Loss on disaster | 116 | 324 |
| Contribution to relief | – | 450 |
| Other | 99 | 37 |
| Total extraordinary losses | 566 | 1,111 |
| Profit before income taxes | 25,885 | 22,886 |
| Income taxes - current | 8,688 | 7,845 |
| Income taxes - deferred | (443) | (540) |
| Total income taxes | 8,244 | 7,305 |
| Profit | 17,640 | 15,580 |
| Profit attributable to non-controlling interests | 293 | 264 |
| Profit attributable to owners of parent | 17,347 | 15,316 |

Quarterly consolidated statements of comprehensive income

| | (Millions of yen) | |
|--|--|--|
| | Nine months ended November 30, 2017 | Nine months ended November 30, 2018 |
| Profit | 17,640 | 15,580 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 798 | (583) |
| Remeasurements of defined benefit plans, net of tax | 96 | 107 |
| Total other comprehensive income | 894 | (476) |
| Comprehensive income | 18,535 | 15,104 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 17,773 | 14,934 |
| Comprehensive income attributable to non-controlling interests | 762 | 170 |

Quarterly consolidated statements of cash flows

(Millions of yen)

| | Nine months ended November 30, 2017 | Nine months ended November 30, 2018 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 25,885 | 22,886 |
| Depreciation | 12,032 | 11,742 |
| Impairment loss | 8 | 77 |
| Loss on disaster | 116 | 324 |
| Amortization of goodwill | 775 | 664 |
| Increase (decrease) in allowance for doubtful accounts | (46) | 139 |
| Interest and dividend income | (178) | (191) |
| Interest expenses | 841 | 695 |
| Share of (profit) loss of entities accounted for using equity method | (61) | (30) |
| Subsidy income | (156) | (112) |
| Income from insurance | - | (273) |
| Loss (gain) on sales of investment securities | (190) | 16 |
| Loss (gain) on sales of non-current assets | (451) | (55) |
| Loss on retirement of non-current assets | 293 | 223 |
| Decrease (increase) in notes and accounts receivable - trade | (6,490) | (6,966) |
| Decrease (increase) in inventories | (2,487) | (3,515) |
| Increase (decrease) in notes and accounts payable - trade | 8,019 | 5,559 |
| Other, net | 2,927 | 7,771 |
| Subtotal | 40,837 | 38,953 |
| Interest and dividend income received | 151 | 162 |
| Interest expenses paid | (875) | (738) |
| Proceeds from subsidy income | 156 | 112 |
| Proceeds from insurance income | - | 273 |
| Payments for loss on disaster | (1,993) | (150) |
| Income taxes (paid) refund | (11,511) | (13,867) |
| Net cash provided by (used in) operating activities | 26,766 | 24,745 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (21,912) | (14,239) |
| Proceeds from sales of property, plant and equipment | 1,406 | 322 |
| Purchase of intangible assets | (722) | (1,276) |
| Purchase of investment securities | (3,533) | (896) |
| Proceeds from sales of investment securities | 842 | 188 |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | 26 | - |
| Decrease (increase) in short-term loans receivable | (398) | (402) |
| Other, net | 412 | 266 |
| Net cash provided by (used in) investing activities | (23,879) | (16,037) |

(Millions of yen)

| | Nine months ended November 30, 2017 | Nine months ended November 30, 2018 |
|--|--|--|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 7,030 | 4,753 |
| Proceeds from long-term loans payable | 12,600 | 13,600 |
| Repayments of long-term loans payable | (18,980) | (21,144) |
| Purchase of treasury shares | (4) | (5) |
| Cash dividends paid | (4,872) | (5,732) |
| 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 | (97) | (58) |
| Net cash provided by (used in) financing activities | (4,448) | (8,622) |
| Net increase (decrease) in cash and cash equivalents | (1,561) | 84 |
| Cash and cash equivalents at beginning of period | 10,342 | 8,389 |
| Cash and cash equivalents at end of period | 8,780 | 8,474 |