



## Annual Report 2016



**you  
me**

Izumi Co., Ltd.



## Committed to Realizing Even Bigger Dreams

*Store building and community filled with the dreams of you and me*

The Izumi Group logo “youme” embodies our commitment to the above statement. Our goal is to grow together with all of our stakeholders, from the customers and communities that frequent our youme Town and youme Mart locations to our shareholders, business partners and employees.

The Izumi Group is working to realize even bigger dreams because we are never satisfied with the status quo and always striving to improve.

### | Corporate philosophy |

- Be **No.1** in customer satisfaction
- Be a company with an **exciting future**
- Be a company worth **working for**

Total revenue

**¥668.7 billion**

Six consecutive years of record-breaking revenue

Number of “youmeka” electronic money cards issued

**5.51 million**

Increase of 760 thousand year on year (as of February 29, 2016)

Operating income

**¥31.9 billion**

Four consecutive years of record-breaking operating income

Number of stores

**217**

Increase of 61 stores year on year (as of February 29, 2016)

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# Fulfilling dreams by evolving into the number one regional store

## Trade Area

Over 200 new store openings concentrated in western Japan

The Izumi Group has limited new store openings to the Chugoku, Shikoku and Kyushu areas of Japan and now operates a network of more than 200 stores with close ties to each individual community. Our food sales floors respond to the needs of local food cultures by carrying a host of local products, making them very popular among shoppers. We have also signed comprehensive partnerships in each community in order to build a collaborative system with local governments while also contributing to community revitalization and improved civic services. At the same time, we are building other collaborative systems, concluding supply agreements with each community to supply goods in case of an earthquake or other disaster. Our large-format shopping centers called youme Town serve as a self-contained town and gathering place complete with cultural, community, amusement, and gourmet attractions as well as disaster risk reduction functions.



youme Town Tokushima (Tokushima City)



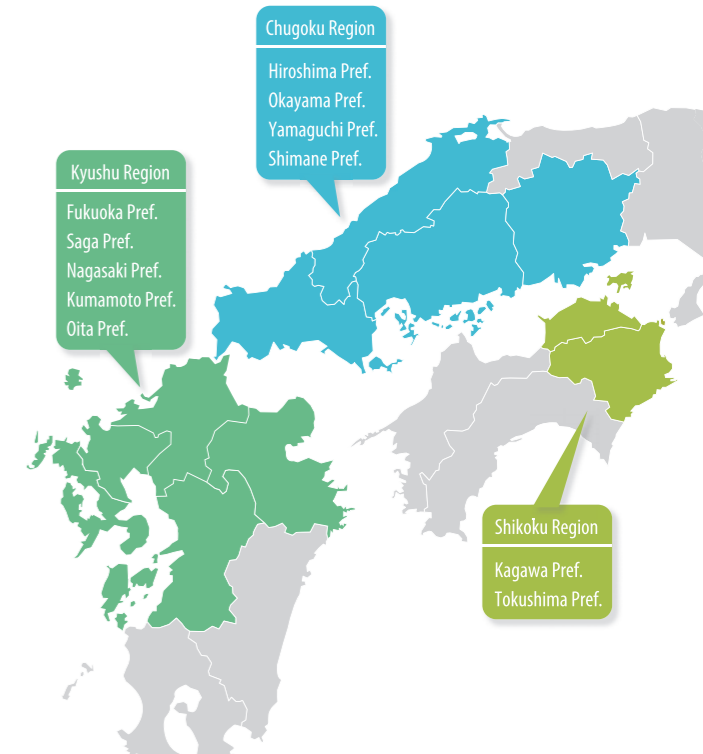
youme Mart Saga (Saga City) carries a huge selection of fresh foods and daily essentials useful to everyone's daily lives.

## Group store network

(as of February 29, 2016)

	Kyushu Region	Chugoku Region	Shikoku Region	Others	Total
youme Town	21	36	4	1	62
youme Mall	2	1	—	—	3
youme Mart	31	20	—	—	51
Yours	12	46	—	—	58
Super Daiei	24	1	—	—	25
Dailymart	—	—	7	—	7
Others (stand-alone & SELL stores, etc.)	2	4	—	5	11
<b>Total</b>	<b>92</b>	<b>108</b>	<b>11</b>	<b>6</b>	<b>217</b>

Note: The above figures include stores of Izumi Co., Ltd., Youme Mart Co., Ltd., Yours Co., Ltd., Super Daiei Corporation, and Dailymart Co., Ltd.



## Strategy

Unique strategies addressing environmental changes

The Izumi Group is addressing issues such as Japan's aging population and declining birthrate, too many retail stores in one trading area, and the polarization of consumption using six unique strategies. Through these strategies, we are working to enhance corporate value.

### 1 Dominant strategy

We concentrate new store openings in the Chugoku, Shikoku and Kyushu areas of Japan, and we are now looking to expand market share mainly in the focus areas of Hiroshima, Fukuoka and Kumamoto using M&A and other means.

### 2 No. 1 regional store

As the number one regional store with dominant scale and quality, many of our stores have earned a strong reputation among customers. In particular, our large-format shopping centers called youme Town have a powerful ability to attract customers and generate revenue.

### 3 Store-led management

We pursue store-led management where individual stores take the lead in store building that closely meets the needs of each community. The head office provides support and proposals for improving business, with this coordinated effort producing excellent results.



youme Town Kurume (Tokushima City)

### 4 Existing-store competitiveness

After the global financial crisis (2008), we initiated reforms swiftly and achieved a more complete recovery than the industry norm. We continue to revitalize existing stores and raise our level of competitiveness in the community in order to respond to changes in the business environment and provide fresh retail solutions to customers.

#### youme Town Kurume (Fukuoka Prefecture)

This large-format shopping center attracts large numbers of customers from outside the prefecture as well. A continued expansion and evolution since it first opened in 2003 has resulted in 10,000 m<sup>2</sup> of additional floor space in 2015. The food court, which is popular with families, has been expanded by 1.6 times the size so that it now can accommodate 880 people.



youme Town Saga

### 5 Good quality, inexpensively

Izumi's stores play a partial role as department store, which are often difficult to operate in regional areas of Japan, given the changes of consumer polarization and intense competition. We set ourselves apart from competitors by delivering not just inexpensive goods, but those that are good quality.

### 6 "youme" brand

We have established the "youme" brand as our store brand for delivering safe, secure, and high quality products, as well as comfortable spaces.

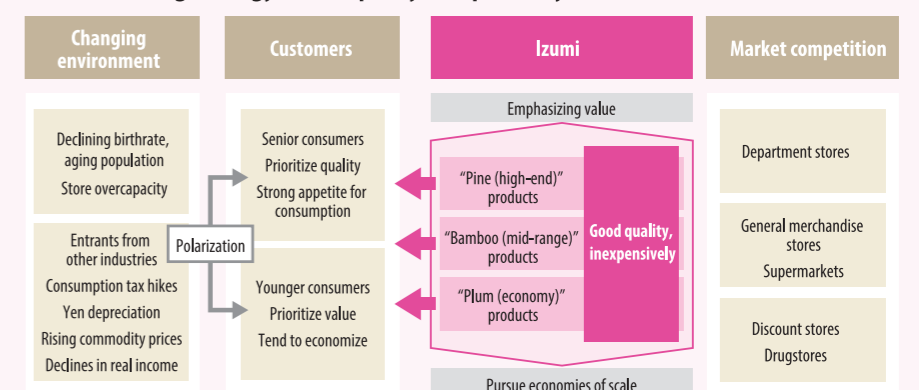
## Year-on-year change in same-store sales Fiscal year ended February 2008 onward (%)

	FY2/2008	FY2/2009	FY2/2010	FY2/2011	FY2/2012	FY2/2013	FY2/2014	FY2/2015
Izumi	98.5	95.3	100.1	101.2	100.1	102.7	101.8	101.4
Nationwide	98.7	95.8	98.1	99.1	97.2	100.2	99.1	101.3
Difference	-0.2	-0.5	+2.0	+2.1	+2.9	+2.5	+2.7	+0.1

	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Total
Izumi	92.9	110.3	105.9	99.2	100.9	101.1	103.9	103.7	98.5	99.5	102.9	102.3	101.4
Nationwide	91.4	106.4	105.7	100.3	101.9	102.0	102.9	102.8	99.0	100.0	102.3	103.4	101.3
Difference	+1.5	+3.9	+0.2	-1.1	-1.0	-0.9	+1.0	+0.9	-0.5	-0.5	+0.6	-1.1	+0.1

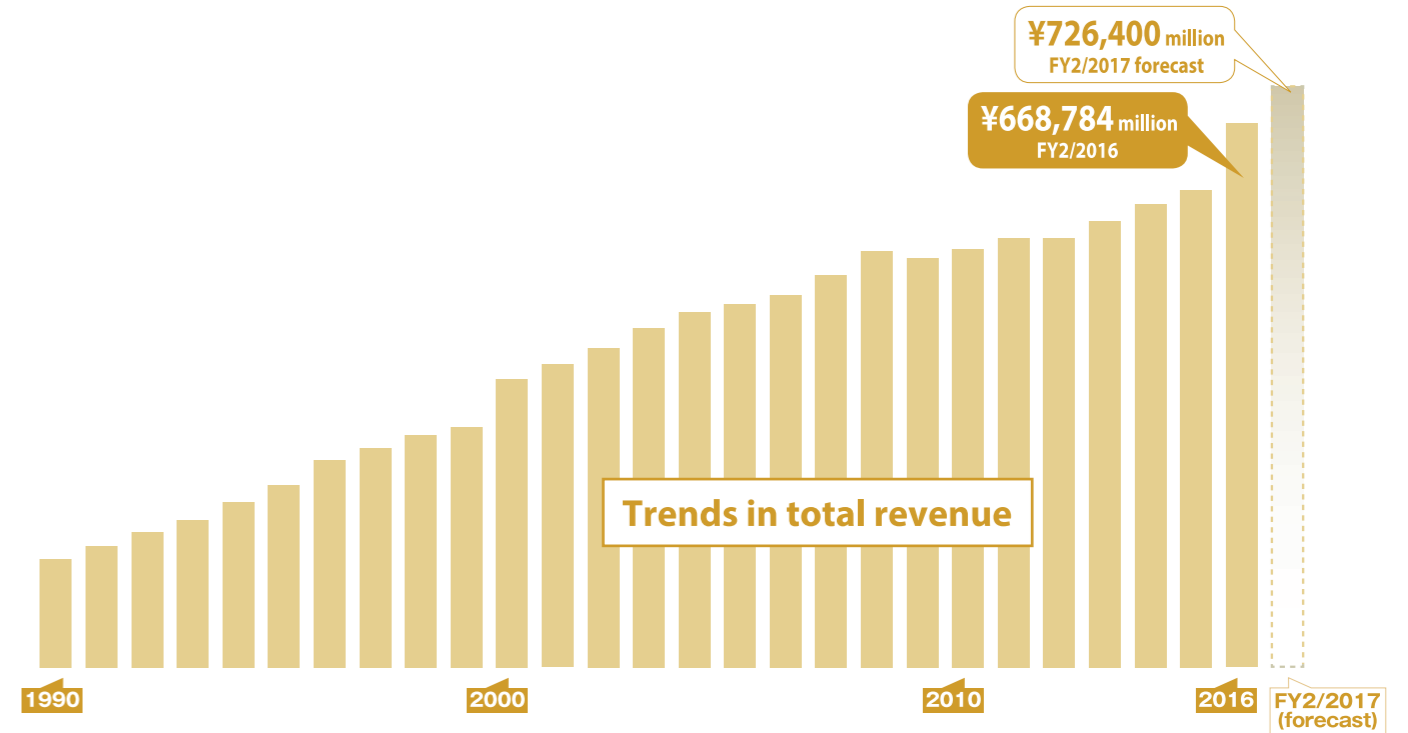
Source: Japan Chain Store Association for nationwide figures.

## Izumi's Pricing Strategy "Good quality, inexpensively"



# A history of working hand in hand with customers to achieve our dreams

Since opening our first full-fledged supermarket in Hiroshima back in 1961, we at Izumi have pursued store building that makes our customers happy and ensures we grow together with the community. We have also tackled new forms of community building through our youme Town concept. We will continue to move forward closely in tune with the dreams of our stakeholders.



## Prehistory prior to establishment

- 1946** Yoshimasa Yamanishi (the current chairperson) opens a stall outside Hiroshima Station.
- 1950** Apparel wholesaler Yamanishi K.K. is established.


## 1960s

- 1961** Izumi Co., Ltd., is established, and the first Izumi supermarket is opened in Hatchobori.
- 1967** Izumi opens another supermarket across from Hiroshima Station.

## 1970s

- 1973** The Izumi Gion store opens as the first suburban store with a large parking lot prior to Japan's motorization.
- 1974** Nihon Ryutsu Sangyo Co., Ltd. (Nichiryu), a cooperative purchasing organization, is established by Izumi and seven other companies.
- 1975** The Izumi Association is established to deepen exchanges with business partners.
- 1977** Izumi joins the Japan Chain Stores Association.
- 1978** The Company's stock is listed on the Second Section of the Osaka Securities Exchange, and on the Hiroshima Securities Exchange.


## 1980s

- 1980** Izumi changes the Japanese spelling of its company name ("Izumi" changes from hiragana to katakana). It also creates its first corporate logo.
- 
- New company name and logo
- 1985** The point-of-sale (POS) system is introduced.
  - 1986** The Company's stock is listed on the First Section of the Osaka Securities Exchange and on the Second Section of the Tokyo Stock Exchange.
  - 1987** The Company's stock is listed on the First Section of the Tokyo Stock Exchange.

## 1990s

- 1990** youme Town Takahashi and Higashihiroshima open, marking the birth of a youme Town type shopping center that revitalizes the local community through collaborative relationships with local government and people.
- 1993** Yasuaki Yamanishi is appointed president and representative director. Yoshimasa Yamanishi is appointed chairperson and representative director.
- 1995** youme Town Onga opens in Fukuoka Prefecture, marking the first store opening in Kyushu.
- 1997** The Izumi Museum of Art opens.
- 1998** youme Town Takamatsu opens as our flagship youme Town store and one of the largest retail facilities in western Japan.

## 2000s

- 2000** youme Town Yumesaito and youme Town Hakata open, marking Izumi's full-fledged expansion in Kyushu.
- 
- youme Town Hakata
- 2003** youme Town Kurume opens as a showcase for community building closely in tune with the local community.
  - 2006** youme Town Saga opens as Japan's first mall with a cross-mall format.
  - 2008** Izumi returns to its roots in Hiroshima to open youme Town Hiroshima.

## 2010s

- 2011** The Company's 50th anniversary. youme Town Tokushima opens as Izumi's first next generation store for the next 100 years.
- 2012** youme Mart Kokura Higashi opens as the first youme Mart format.
- 2013** Izumi's new head office building is completed. youme Mall Shimonoseki opens as the first youme Mall format.
- 2015** youme Town Hatsukaichi opens as a shopping center that aims to blend the town, environment and people together in harmony.
- 2016** A large earthquake strikes Kumamoto and Izumi immediately thereafter provides assistance and helps with the reconstruction effort.



Hatchobori store



Izumi Ekimae store



Izumi Gion store



The Company's stock is listed on the First Section of the Tokyo Stock Exchange.



youme Town Higashihiroshima



youme Town Hiroshima



Izumi head office building



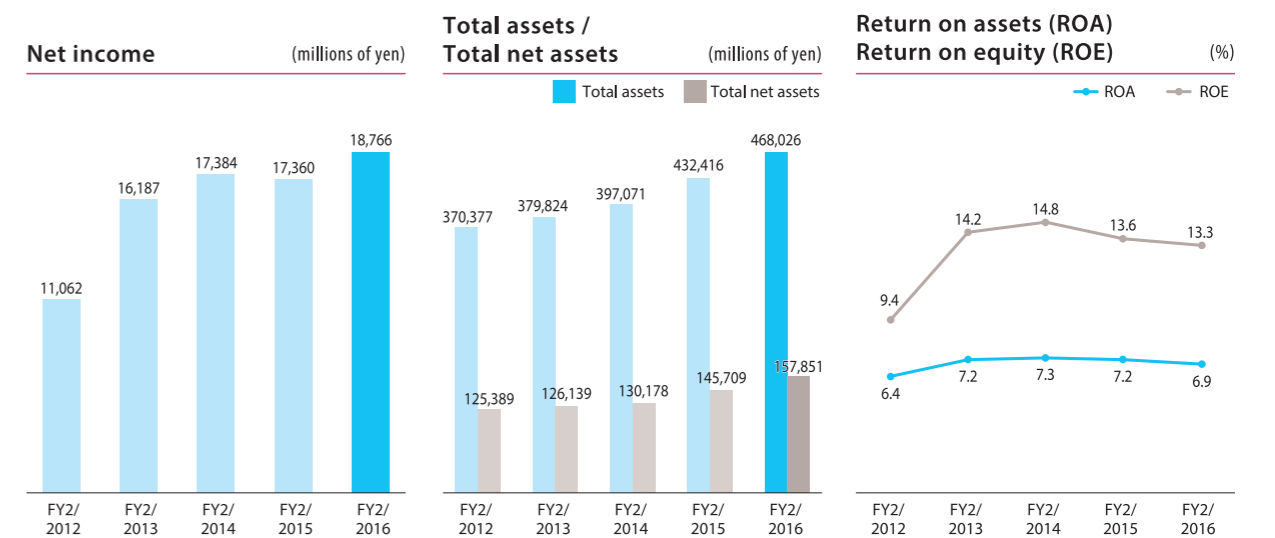
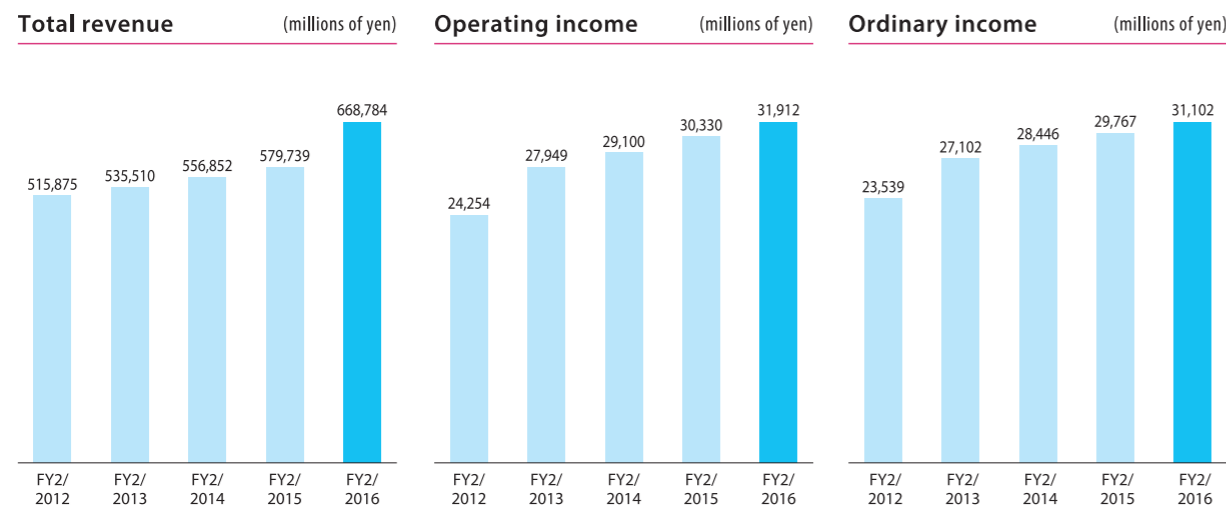
youme Town Hatsukaichi

## Eleven-Year Summary: Main consolidated financial indicators

Thousands of U.S. dollars

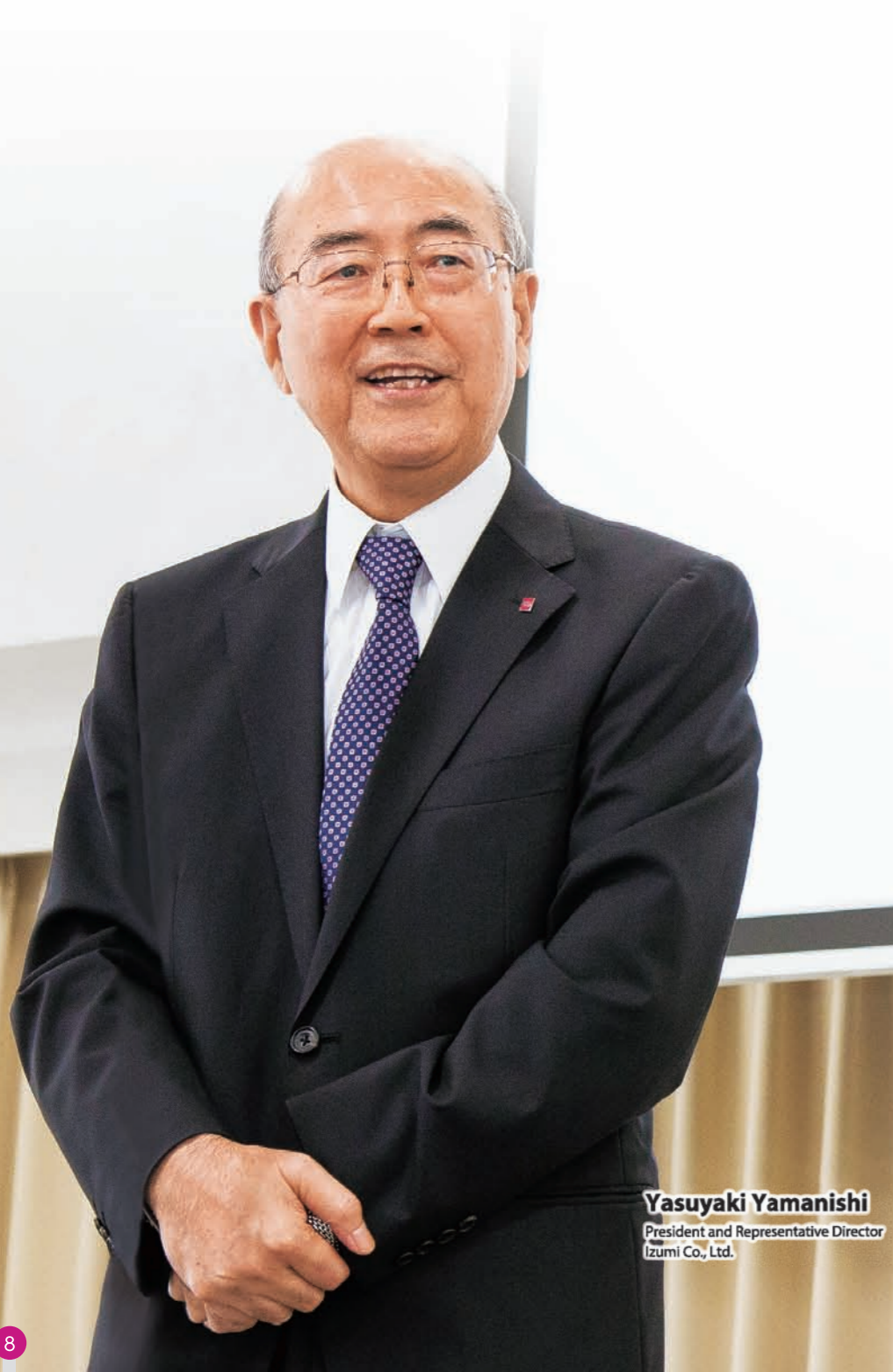
	FY2/2006	FY2/2007	FY2/2008	FY2/2009	FY2/2010	FY2/2011	FY2/2012	FY2/2013	FY2/2014	FY2/2015	FY2/2016	FY2/2016
<b>Operating results</b> (millions of yen)												
Total revenue	¥ 436,825	¥ 446,820	¥ 470,698	¥ 500,293	¥ 492,140	¥ 502,379	¥ 515,875	¥ 535,510	¥ 556,852	¥ 579,739	¥ 668,784	\$ 5,936,304
Operating income	22,706	24,143	24,798	20,412	20,410	21,783	24,254	27,949	29,100	30,330	31,912	283,259
Ordinary income	22,675	24,134	24,763	19,638	19,730	20,949	23,539	27,102	28,446	29,767	31,102	276,070
Net income	11,583	13,157	13,664	12,734	8,752	9,941	11,062	16,187	17,384	17,360	18,766	166,572
<b>Financial condition</b> (millions of yen)												
Total assets	313,086	335,545	355,588	385,159	388,277	368,584	370,377	379,824	397,071	432,416	468,026	4,154,323
Total net assets	88,542	105,005	105,646	116,667	123,745	132,513	125,389	126,139	130,178	145,709	157,851	1,401,127
Total liabilities	219,071	230,539	249,941	268,491	264,531	236,071	244,987	253,684	266,892	286,706	310,175	2,753,195
<b>Cash flows</b> (millions of yen)												
Net cash provided by operating activities	26,970	20,695	25,247	36,100	34,427	12,181	25,561	27,196	25,683	52,246	13,553	120,300
Net cash used in investing activities	(11,338)	(15,211)	(27,416)	(39,451)	(20,253)	(8,230)	(9,682)	(20,356)	(19,948)	(20,897)	(26,071)	(231,413)
Net cash provided by (used in) financing activities	(15,980)	(7,260)	42	3,683	(8,393)	(7,117)	(21,934)	(6,272)	(5,501)	(25,159)	12,956	115,001
Cash and cash equivalents at end of period	12,250	11,614	9,429	9,751	15,490	12,316	6,260	6,862	6,800	12,990	13,429	119,199
<b>Per-share indicators</b> (yen and U.S.\$)												
Book value per share (BPS)	1,691.52	1,918.99	1,037.63	1,154.70	1,228.70	1,286.20	1,388.45	1,541.32	1,672.92	1,876.22	2,060.44	18.29
Earnings per share (EPS)	216.60	251.80	135.10	134.09	91.86	104.35	123.74	207.01	236.55	241.6	261.96	2.33
Dividends per share	26.00	32.00	16.00	16.00	16.00	16.00	20.00	38.00	43.00	51.00	64.00	0.57
<b>Financial indicators</b>												
Equity ratio	28.3%	29.7%	27.6%	28.6%	30.1%	33.2%	30.3%	30.4%	30.3%	31.2%	31.5%	—
Return on assets (ROA)	7.2%	7.4%	7.2%	5.3%	5.1%	5.5%	6.4%	7.2%	7.3%	7.2%	6.9%	—
Return on equity (ROE)	13.3%	14.0%	13.8%	12.2%	7.7%	8.3%	9.4%	14.2%	14.8%	13.6%	13.3%	—

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥112.66=U.S. \$1 as of February 29, 2016.



# Continuing to grow together with communities with a strong dedication to becoming a trillion-yen company with dreams

I would like to extend my appreciation to the support received from our stakeholders. Thanks to this support, we achieved a sixth consecutive year of record-breaking operating income and set a new record for profitability during the fiscal year ended February 2016. Looking forward, we stand committed to not only making our store operations more efficient, but also fulfilling our mission as a company with close ties to the local community by working in good faith on activities that give back to the communities where we operate.



**Yasuyuki Yamanishi**  
President and Representative Director  
Izumi Co., Ltd.

## Fiscal year ended February 2016 Steady results in new store openings and existing store revitalizations

During the fiscal year ended February 2016, Japan's economy continued a steady recovery, but challenging conditions persisted given the ongoing weak undertones of consumer sentiment coupled with the affects of a record-breaking warm winter. In response, we strived to provide a competitive selection of products in terms of both quality and price and also worked hard to establish ourselves as the number one regional store by further raising the value-added nature of our sales floors. In terms of new store openings, we opened large-format shopping center youme Town

Hatsukaichi (Hiroshima Prefecture) with estimated annual customer traffic to be ten million, but the results have actually exceeded this plan. Furthermore, the four other smaller stores we opened have generated strong sales thus far. Large-scale additions and remodeling projects for three stores, including youme Town Hikari no Mori (Kumamoto Prefecture), have boosted revenue by 20 to 30%. On the product side, we improved upon our strategy of "good quality, inexpensively" to address the trend of consumer polarization.

We welcomed two new consolidated subsidiaries to the Izumi Group acquired through M&A. First, we received a third-party allotment of shares from Yours Co., Ltd. (Yours), a supermarket with a stronghold in Hiroshima Prefecture, and acquired Dailymart Co., Ltd., a company with a stronghold in Tokushima

Prefecture. In addition, we worked with Super Daiei Corporation and KOEI Co., Ltd., both acquired and made into consolidated subsidiaries last year, to revitalize existing stores. We also deepened our partnerships by sharing a credit card strategy, expanding joint purchasing, reinforcing cost price negotiating

power, and integrating logistics and systems, all in an effort to lower costs. As a result, we achieved a sixth consecutive year of record-breaking operating income and set a new record for profitability during the fiscal year ended February 2016.

### Financial results for the fiscal year ended February 2016 (Millions of yen)

	Fiscal year ended February 2016	Year on year	Fiscal year ended February 2015
Operating revenue	668,784	115.4%	579,739
Operating income	31,912	105.2%	30,330
Net income	18,766	108.1%	17,360

### youme Town Hatsukaichi

## Winner of Store of the Year 2016 in the Commercial Category

*Diamond Chain Stores*, a specialized retail industry journal, selected youme Town Hatsukaichi as winner of the Store of the Year 2016 in the Commercial Category for its sales



Diamond Retail Media Co., Ltd.  
April 1, 2016 edition of *Diamond Chain Stores*

floor design considerate of three generations of shoppers, easy to navigate circuit-style walkways, and thoughtful placement of sofas and chairs throughout the inside of the facility.



Circuit-style walkway at youme Town Hatsukaichi

### 2016 Kumamoto Earthquake

## The retail industry underpins social infrastructure, making it important to assist disaster-affected areas wholeheartedly

The large earthquake that struck Kumamoto Prefecture in April 2016 caused unprecedented damage. We operate 33 stores in Kumamoto Prefecture that are used daily by the local community. Emergencies require prompt action. For this reason, we responded to requests from local governments with which we have an agreement to supply emergency provisions, supplying these provisions from the day after the earthquake.

Fortunately, none of our employees was injured in the earthquake, but some of our stores did suffer damage. We quickly reopened stores after making sure they were structurally safe and began supplying water, food and daily essentials. Seeing the relief on the faces of our customers made me once again keenly aware of the mission of the retail industry as an important part of social infrastructure. We set up donation boxes at all of our stores and donated these funds



Continuing to provide assistance in Kumamoto at our stores

together with monetary aid provided by Izumi Co., Ltd. to Kumamoto Prefecture. Our most badly damaged location, youme Town Hamasen Sunpian (Kumamoto Prefecture) managed to partially reopen in September 2016, which meant we were able to bask in the progress of reconstruction efforts together with our customers. Going forward, we will continue to dedicate as much effort as possible to supporting those areas affected by this disaster.

## Message from the President

### Four Dreams

1. Make customer's lives more convenient and comfortable
2. Provide a positive economic impact on local communities and make them more lively
3. Help tenants to grow further
4. Provide employees with a sense of worth that leads to their personal growth



Revitalization completed at youme Town Chikushino



Adding value by improving freshness



Press conference for LECT's groundbreaking

### The commitment in our corporate philosophy to support everyone's dreams

Our corporate philosophy begins with "Be number one in customer satisfaction." This is followed by "Be a company with an exciting future" and "Be a company worth working for," which embody our commitment to provide employees with workplaces where they can thrive professionally.

At Izumi, we also have the creed called the "Four Dreams." These dreams include "1. Make customer's lives more convenient and comfortable;" "2. Provide a positive economic impact on local communities and make them more lively;" "3. Help tenants to grow further;" and "4. Provide employees with a sense of worth that leads to their personal growth." No matter how the environment may change, the

Izumi Group's corporate philosophy remains our unwavering commitment to support everyone's dreams.

### Increasing earnings through customer appreciation events planned for our 55th anniversary in the fiscal year ending February 2017

On November 3, 2016, Izumi Co., Ltd. marked its 55th anniversary. We have been holding events across the entire Izumi Group from March to the end of December 2016 commemorating this anniversary and our appreciation to the customers in each community who made this possible. We have also actively rolled out special products commemorating our 55th anniversary, which have helped to boost customer traffic.

As part of our strategy of "good quality, inexpensively," we are reinforcing our ability to propose value-added solutions and lowering the prices of everyday products to effectively address the situation of consumer polarization. We are also focusing efforts on lowering cost price, cutting loss, and holding sales promotion events. In the fiscal year under review, we newly opened youme Town Tokuyama (Yamaguchi Prefecture) as well as completed a large-scale revitalization of youme Town Chikushino (Fukuoka Prefecture) and expansion of youme Town Saga (Saga Prefecture). Having harnessed our accumulated expertise, these new facilities have received rave reviews as shopping centers tailored to the life needs of three generations thanks to their food offerings, kids' zones, and comfortable spaces.

We are now making progress with improving earnings through a reform program initiated at

Super Daiei and Yours, both new consolidated subsidiaries acquired through M&A. We are also building on synergies by centralizing purchasing, logistics, sales promotions, and credit card strategy within the Group, including Izumi's Food Division and youme Mart Co., Ltd. (Kumamoto Prefecture).

These efforts are expected to help increase consolidated operating revenue 8.6% year on year to 726,400 million yen and operating income 8.7% year on year to 34,700 million yen during the fiscal year ending February 2017.

### Anticipating further growth together with ventures in new business platforms and brands

We will continue to open large-format shopping centers and smaller retail stores next fiscal year and beyond. In spring 2017, we will

open a new business platform and brand called LECT in Nishi Ward, Hiroshima City. With the concepts of culture, food, and living, the goal is to make this facility accessible and easy to move around for all shoppers, with the three key tenants of Izumi (food), Cainz (living), and Culture Convenience Club (culture). We will continually expand and revitalize the facility so that it constantly evolves as the number one regional store. We will also pursue M&A to forge partnerships with companies looking to co-exist and co-prosper with communities together with the Izumi Group.

### Aiming to become a trillion-yen company worth trusting

Our goal at the Izumi Group is to "Be a trillion-yen company with dreams," but we are also working hard to foster a strong level of

trust appropriate to a trillion-yen company. Our hope is to grow together with stakeholders, including creating and maintaining employment, energizing local communities, growing together with business partners, returning profits to shareholders, and protecting our bountiful environment. Compliance and management transparency are also important missions for the Izumi Group.

The Izumi Group will continue to tackle challenges as it meets and exceeds the expectations of its stakeholders. I ask for your continuing support and patronage moving forward.

### youme Town Tokuyama

### Opened in September 2016 and responding to the needs of three generations

Youme Town Tokuyama is a shopping center that meets the needs of three generations by providing the best products from the community, products that cannot be purchased locally and a sense of comfort and relaxation all at one location.



Located in the heart of downtown Shunan City



The goal is for the food sales floor to be the largest and offer the freshest products in the community



Expansive food court that can accommodate up to 370 seats

### LECT

### Work underway with grand opening slated for spring 2017

The goal is to create an easily walkable commercial space seamlessly connecting Izumi's food zone and Cainz's living zone with Culture Convenience Club's culture zone.



Site area of approximately 54,800 m<sup>2</sup> \*Conceptual image



Glass-enclosed open space



Valuing our partnership with Cainz and Culture Convenience Club

## Corporate Governance

### Pursuing appropriate and sound management under an effective corporate governance system

#### Basic approach

By achieving customer satisfaction, we aim to maximize corporate value and meet the expectations of shareholders, suppliers, employees and other stakeholders. At the same time, we will hold ourselves to high moral standards as we fulfill our social responsibilities and contribute to local communities.

Based on this philosophy, we view the improvement of our management structure and other systems to raise their transparency and fairness as a priority issue. We are working on initiatives to strengthen the supervisory function of the Board of Directors, ensure the reliability of our finances and improve the effectiveness and efficiency of our operations.

#### Matters related to performance of duties, audit and supervision, nomination and determination of remuneration

The Company has eight directors, of whom two are outside directors. To maintain management responsibility and transparency in the performance of their duties, the term of directors is limited to two years. As a rule, the Board of Directors meeting is held once a month to supervise and conduct a full

discussion of the performance of duties by directors. From the eight directors, one president and representative director is chosen and seven executive officers are elected to perform a range of duties. Each week, the directors and executive officers hold a management meeting to report progress on management policies and exchange opinions. The business conditions of the Group companies are considered at the once-monthly Consolidated Evaluation Committee and Results Review Meeting to which the presidents of each Group company are summoned, forming a system to check the management of each company.

The Company has adopted an Audit & Supervisory Board system, with three members (of whom two are outside members). The members supervise the decisions of the Board of Directors and the performance of duties, while the directors seek members' objective opinions on proposals at the Board of Directors meeting.

In addition, four legal advisors offer advice and guidance to provide an appropriate and efficient oversight function.

The Company's internal audit function is bolstered by an Internal Audit Section, which is staffed by nine people and operates from within the Corporate Administration Division, which is independent of other divisions. Based on the yearly audit plan, the Internal Audit Section monitors whether business is being conducted appropriately and effectively, offers advice and guidance to departments within the Company, the store network and Group companies, and reports the results of its activities to the president and representative director and the

Audit & Supervisory Board members.

The Audit & Supervisory Board consists of one full-time member and two outside members, for a total of three members. As a rule, the Audit & Supervisory Board meeting is held once a month. The full-time member is a tax accountant with extensive knowledge and experience as a specialist in tax and accounting matters, while the two outside members are a certified public accountant and a tax accountant, respectively. Each member receives reports from the Internal Audit Section and shares internal audit information. The Audit & Supervisory Board members, the independent auditor and the Internal Audit Section work together to share information gathered from regular on-site audits of stores. In this way, the internal controls and the state of accounting audits can be tracked and the report of the independent auditor on the results of the audit of the accounts is submitted at the Audit & Supervisory Board meeting. To fully support the audit operations of the Audit & Supervisory Board members, two members of staff are appointed (in non-exclusive capacities) to assist the members, further strengthening the audit function.

■ The Compliance and Risk Management Committee is administered by the Corporate Administration Division, which is independent from other divisions, and it meets once a month. The Compliance and Risk Management Committee members are elected from each division of the Company and each of the companies of the Group attend these meetings to report on and discuss the Group's overall compliance education and risk monitoring activities. The results of these discussions are reported to the directors and the Audit & Supervisory Board members.

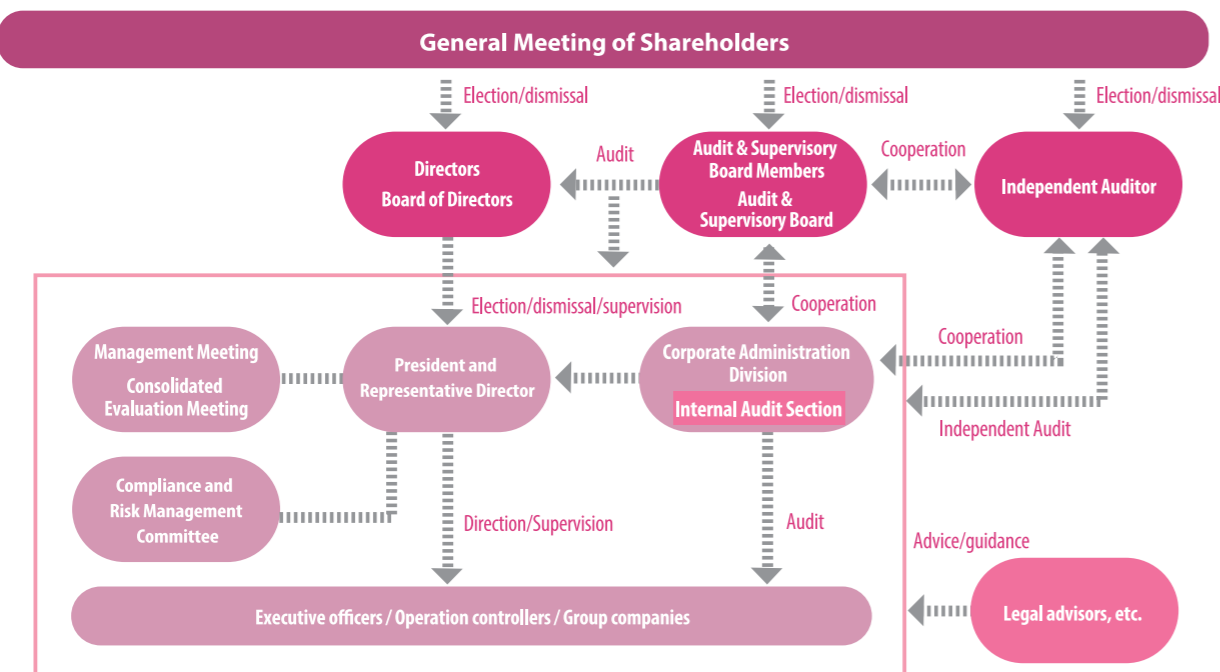
■ The Izumi Group has set out a Charter of Conduct, which it uses as a code of conduct to ensure compliance with laws and regulations in its business activities by the directors and employees of the Company and of Group companies. To improve compliance with the law and raise awareness, the Company has set up the "Izumi Hotline" internal reporting system. It also takes preventative measures against the risks arising in the Company and in Group companies.

■ With the primary aim of dealing with the risks that arise from business activities, securing the safety of customers and minimizing damages and other losses, the Company has set up a company-wide communication structure. In this way, in times of emergency such as an earthquake, the Emergency Response Headquarters, headed by the President and Representative Director, can be established immediately.

#### Status of internal control/ risk management systems

The status of internal control/risk management systems is as follows:

Organizational chart of performance of duties, audit and internal control



## Compliance

### Providing learning opportunities to further raise compliance awareness across all Group companies

Izumi has been promoting internal control initiatives for a long time. Keeping in mind the goal announced in 2011 of "Be a trillion-yen company with dreams" and the need to obtain the level of trust appropriate to a trillion-yen company, we will continue our push to strengthen internal controls. Specifically, the following initiatives are under way.

■ First, the potential risks that could arise within the Company are carefully isolated by the responsible departments, and countermeasures are considered and then implemented at the site of the risk. Furthermore, at the Compliance and Risk Management Committee meetings held for the entire company once a month, information is shared on compliance education and information and a range of risk countermeasures are considered and discussed by attendees from each department.

In addition, a similar Izumi Group Compliance and Risk Management Committee has been set up to strengthen the

internal controls of the Group as a whole.

■ Second, to establish a firm base for compliance, which is the central pillar of internal control, managers have repeatedly emphasized its importance at company-wide meetings. Compliance education for employees is included in the important internal training curriculum.

Furthermore, with the aim of raising the compliance awareness of all employees, each month the departments responsible for compliance education choose a timely theme and dispatch materials to stores and each department within the Company, explaining the legal issues required for business using easy-to-understand explanations.

In order for Izumi to continue to be a company that is trusted by customers and communities, we will continue to involve all our employees and to promote compliance management.



## Directors and Audit & Supervisory Board Members (As of May 26, 2016)

### Directors

Chairperson and Director

#### Yoshimasa Yamanishi

- March 1946 Finds wholesaler of secondary textile products
- June 1950 Finds Yamanishi K.K. (currently Izumi Real Estate K.K.)  
Becomes Representative Director
- October 1961 Finds the Company  
Becomes President and Representative Director
- March 1993 Becomes Chairperson and Representative Director of the Company
- April 2002 Becomes Chairperson and Director of the Company (current position)

Senior Managing Director

#### Yuichiro Kajihara

- March 1987 Joins the Company
- September 1998 Becomes Store Manager of the Company's Hikoshima store
- July 2002 Becomes Manager of the Company's Takamatsu store
- April 2003 Becomes Manager of the Company's Kurume store
- February 2006 Becomes Executive Officer and Sales Department Manager of the Company's Kyushu zone
- May 2007 Becomes Director and Sales Department Manager of the Company's Kyushu zone
- March 2010 Becomes Managing Director and Sales Department Manager of the Company's Kyushu zone
- October 2010 Becomes Managing Director and Sales Division Deputy Manager/Sales Department Manager of the Company's Kyushu zone
- May 2013 Becomes Senior Managing Director and Marketing Division Manager of the Company
- March 2016 Becomes Senior Managing Director and Sales Division Manager of the Company (current position)

Director

#### Toyomi Nakamura

- March 1972 Joins the Company
- March 1988 Becomes Section Chief of the Fruit and Vegetable Section of the Food Department of the Company
- February 1996 Becomes Manager of the Food No. 1 Department
- May 2002 Becomes Executive Officer and Sales Department Manager of the Company's Western zone
- November 2002 Becomes Executive Officer and Sales Department Manager of the Company's Kyushu zone
- May 2011 Becomes Executive Officer and Sales Planning Department Manager of the Company
- May 2013 Becomes Director and Sales Planning Department Manager of the Company
- February 2014 Becomes Director and Marketing Department Manager of the Company's Kyushu zone
- March 2015 Becomes Director and Marketing Department Manager of the Company's Kyushu South zone
- March 2016 Becomes Director and Operations Department Manager of the Company's Kyushu South zone (current position)

President and Representative Director

#### Yasuaki Yamanishi

- December 1977 Joins the Company
- May 1981 Becomes Director of the Company
- May 1982 Becomes Managing Director of the Company
- November 1982 Becomes Sales Division Manager
- April 1984 Becomes Senior Managing Director of the Company
- May 1988 Becomes Representative Senior Managing Director of the Company
- May 1991 Becomes Deputy President and Representative Director of the Company
- March 1993 Becomes President and Representative Director of the Company (current position)

Senior Managing Director

#### Tatsuya Mikamoto

- April 1981 Joins The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
- April 2001 Head of Corporate Finance Department at the bank's Mizonokuchi Ekimae branch
- June 2003 Head of Corporate Finance Department at the bank's Hamamatsucho branch
- November 2005 Head of Corporate Finance Department at the bank's Shinbashi branch
- April 2008 Head of the No. 1 Corporate Finance Department at the bank's Shinjuku branch
- April 2010 Director and head of the Fukuoka Corporate Finance Department at the bank
- April 2012 Director and head of the Kyushu Corporate Finance Department at the bank
- May 2013 Becomes Senior Managing Director and Administration Division Manager of the Company
- July 2014 Becomes Senior Managing Director and Administration Division Manager of the Company/Group Administrative Controller (current position)

Director

#### Masahiko Honda

- April 1986 Joins the Company
- July 1997 Becomes Section Chief of the Contoller Section of the Sales Department of the Company
- September 2003 Becomes Section Chief of the Kaizen Section of the Personnel and General Affairs Department of the Company
- February 2006 Becomes Store Manager of the Company's Shinmachi store
- March 2007 Becomes Section Chief of the Corporate Planning Department of the Company
- September 2008 Becomes Corporate Planning Department Manager of the company
- September 2011 Becomes Executive Officer and Corporate Planning Department Manager of the Company
- May 2016 Becomes Director and Corporate Planning Department Manager of the Company (current position)

### Outside Director

#### Misako Aida

- October 1998 Professor, Faculty of Science, Hiroshima University
- April 2000 Professor, Graduate School of Science, Hiroshima University (current position)
- December 2011 Office Director, University Management Planning Office, Hiroshima University
- April 2013 Vice President responsible for University Planning, Hiroshima University
- May 2015 Becomes Director of the Company (current position)
- April 2016 Becomes Executive Vice President for University Reform, Hiroshima University (current position)

#### Kunihiko Yoneda

- April 1989 Associate Professor, Faculty of Commercial Sciences, Hiroshima Shudo University
- April 2008 Professor, Faculty of Commercial Sciences, Hiroshima Shudo University (current position)
- April 2010 Dean, Faculty of Commercial Sciences, Hiroshima Shudo University
- May 2015 Becomes Director of the Company (current position)

### Audit & Supervisory Board Members

Full-time member

#### Kuniaki Kawamoto

- May 1970 Joins the Hiroshima Higashi Tax Office
- March 2005 Retires as Chief National Tax Inspector of the Fukuyama Tax Office
- April 2005 Becomes Advisor to the Company
- May 2005 Appointed full-time Audit & Supervisory Board member of the Company (current position)

Outside member

#### Jiro Matsubara

- April 1982 Joins Kawasaki Heavy Industries, Ltd.
- April 1984 Is recruited by the Kagawa Prefectural Office
- October 1998 Opens the Matsubara Certified Public Accountant Office (current position)
- May 1999 Becomes Audit & Supervisory Board member of the Company (current position)

Outside member

#### Yasuyuki Tsudo

- July 2002 Resigns from the Hiroshima Higashi Tax Office
- August 2002 Opens the Tax Accountant Office (current position)
- July 2004 Becomes Audit & Supervisory Board member of the Company (current position)

# Aiming to be an overwhelming “number one in customer satisfaction”

As a medium- to long-term management strategy, we are working to further broaden our efforts to become number one in customer satisfaction, a proposition that we have continued to pursue since the founding of Izumi. We will approach this strategy proactively from the three directions of stores, products and our people.

## Large-format Store Strategy

### Improving upon “comfortable spaces” for three generations of customers

#### Large-format shopping centers

#### youme Town

These large-format shopping centers target customers across a wide suburban area and consist of stores directly owned and operated by Izumi as well as leased space for various tenants, resulting in a selection of products, services and time. Our youme Town locations provide an entire day’s worth of fun for three generations.

youme Town Hatsukaichi



The Izumi Group is perhaps best known for its large-format shopping centers called youme Town, which have established a strong customer base in the Chugoku, Shikoku and Kyushu regions of Japan for delivering products, services and time for three generations. Our diverse retail operations include youme Mart, youme Mall and LECT, which contribute to community building tailored perfectly to each individual community.



Huge selection of popular specialty stores

## Retail Store and New Business Strategy

### Brand lineup addressing changing times

#### Supermarkets covering a small trade area

#### youme Mart

Our youme Mart brand of supermarkets carry everyday essentials, with a focus on foods. The product lineup of these stores is closely in tune with regional tastes, with the goal of creating a familiar and convenient shopping experience for those living around the store. With Japan facing an aging population, this retail brand emphasizes close connections with people’s daily lives.



youme Mart Suwano’s produce sales floor (Kurume City, Fukuoka Prefecture)

#### Shopping malls

#### youme Mall

Our youme Mall brand of shopping malls located on a large site with parking lot contain a large collection of specialty stores, including home improvement stores, electronics retailers, drug stores and restaurants, with a youme Mart as the anchor store. Our goal is to create a retail facility where customers feel they can get anything on their shopping list.



youme Mall Chikugo (Chikugo City, Fukuoka Prefecture) houses a collection of 21 specialty stores

#### New business platform and brand set to open in spring 2017

#### LECT LECT

This new business platform and brand aims to be a third place where people spend their time, outside of their home and workplace or school. The word LECT is an acronym for living, eating, culture and town/time, and also emphasizes the concept of providing carefully selected, high quality products.



LECT (Nishi Ward, Hiroshima City) offers ample parking in a flat lot

## Pricing Strategy

### Realizing our strategy of “good quality, inexpensively” across all segments

We use the phrase “good quality, inexpensively” to describe our strategy to provide safe and secure high quality and fresh products at a low price. We are striving to develop products and lower cost price across all segments so that we can provide high quality items at affordable prices, such as A5 rank Japanese beef and department store-class apparel made in Japan.



Premium products such as A5 rank Japanese beef have received rave reviews from customers



Women’s apparel made in Japan provides added peace of mind

## Human Resources Strategy

### Workplaces where employees find their work meaningful

One unique aspect of Izumi’s personnel system is that each employee has the ability to create their very own career plan based on their individual goals. There are many opportunities for training and case study presentations, and employees are evaluated for taking action independently and achieving results in the face of clear goals. We make it a point to provide workplaces with an open culture and store-led management where employees find their work to be meaningful.



Case study presentation by partner employees’ youme delight stories



New employee training where employees gain the basic skills needed to succeed

# Realizing proactive, sustainable growth

The Izumi Group has built a strong organization that can withstand any business environment in order to continue steady growth even during these times of dramatic change. Looking forward, management will maintain its aggressiveness in growing the Izumi Group in a sustainable manner.

## New Store Opening and Store Revitalization Strategy

### Continuing to invest in the revitalization of existing stores

In addition to our regional shopping centers called youme Town, we are also aggressively opening new stores under our youme Mall and youme Mart brand of supermarkets covering a small trade area. At the same time, we are focused on investing in the ongoing revitalization of our existing stores. We will now work to grow the Company and increase our market share in regions through our fresh new approaches to store building that draw in even more customers from the local communities.



Akachan Honpo (children's store) popular with families



The first Kyushu store of Pablo, a specialty tart bakery

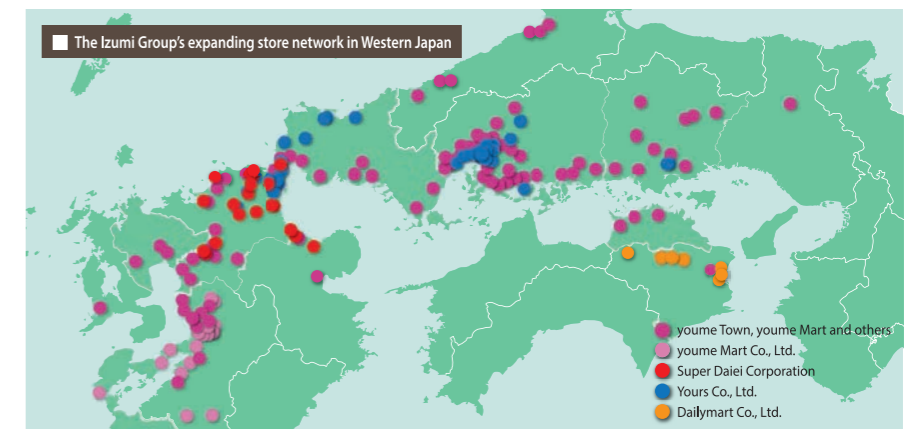


The newly expanded and revitalized youme Town Saga

## M&A Strategy

### Solidifying a dominant regional foundation

We will continue to solidify a dominant regional foundation through the proactive deployment of our M&A strategy. We will pursue store building closely tied to the local community by realizing competitive advantages in merchandise procurement and sharing knowledge mutually within the Izumi Group. One of our most important missions is to also contribute to the development of local economies and increase employment.



Super Daiei



Yours



Dailymart

## Productivity Improvement Strategy

### Further improving operating efficiencies at all stores

We are working on fundamental improvements to the productivity of our people by increasing the operating efficiencies of our stores, such as in-store kitchens and displays, and by increasing the number of multi-skilled workers who can handle multiple tasks, such as cash register duties and merchandise ordering. In addition, we have rolled out the results of kaizen (improvement) activities across our entire store network, further evolving approaches and efforts.

Promoting kaizen (improvement) through our company newsletter



Making all duties more efficient, including product displays



## Investor Relations Strategy

### Promoting communication

We have a dedicated department for investor relations activities and engage investors regularly through presentations of our management strategy and earnings results. We also hold briefings for analysts and institutional investors twice a year after our full-year and interim financial results presentations. In addition, we organize company briefings for individual investors and participate in seminars for individual investors hosted by securities companies. We take part in conferences organized by securities companies for

overseas investors and actively disclose information in English.

**Link to investor relations information**  
<http://www.izumi.co.jp/>

#### Available data:

Monthly sales, financial results presentations, earnings, stock information, general meeting of shareholders, investor relations calendar, public notices of financial results, investor relations information in English, press releases, and stock price information

## Capital efficiency strategy

### Working to increase shareholder value

Our medium- to long-term management strategy focused on our stores, our people and M&A will help us to generate cash flow while also effectively investing in growth and returning profits to shareholders. We will continue working to maintain and further improve our high level capital efficiency and strive to increase shareholder value.

# Practicing compliance-oriented Management under our CSR promotion guidelines

Sharing the fundamentals of honest daily business throughout the entire Izumi Group

## Basic policy for fulfilling social responsibility

(1) Striving continually to grow and move ahead, we will promote management notable for the speed with which it handles the challenges of change. To achieve this, we will base corporate activities around the life and culture of the community under the themes of "building dreams" and "building communities." We take our mission to be the fulfillment of our social responsibility through the development of stores. Fostering the

finest qualities of local communities, we aim to be the number one regional store.

- (2) With regard to corporate activities, based on a solid foundation of compliance management, we will work to build deeper relationships of trust with customers, local communities, shareholders and business partners.
- (3) The purpose of our directors and employees is to take pride in our contributions to the community, create something worthwhile that opens the way to personal growth, please our customers, and make our stores reflect their desires.

## 1 Business activities compliant with laws and regulations

The Izumi Group has enacted a Charter of Conduct to ensure that daily business is carried out strictly in accordance with laws and regulations. Based on the work of the Compliance and Risk Management Committee, we will promote the education of all our employees.

### The Izumi Group Charter of Conduct

- 1 We shall offer services and products that are safe and beneficial to society, thus securing the trust and satisfaction of customers.
- 2 We shall strive for fair transactions, based on the principle of free competition.
- 3 We shall create structures to manage customer data and internal data in an appropriate manner.
- 4 We shall disclose corporate information actively and fairly to both shareholders and society.
- 5 We shall behave in ways that take into account the natural and global environment.
- 6 We shall resolutely confront anti-social forces and organizations that threaten the social order and the safety of citizens.
- 7 We shall contribute to the development of other regions in our international business activities, while respecting international rules and local laws, culture and customs.
- 8 We shall follow the founding spirit of the Company, respecting each other and behaving with humility.
- 9 We shall aim to be conscientious corporate citizens, obeying laws both in Japan and overseas as well as meeting internal standards and corporate ethics, and who are able to judge which actions should and should not be taken.
- 10 To fulfill the spirit of this charter, the Company's top management shall listen to opinions both inside and outside the Company and set up internal structures to further promote a law-abiding culture.

## 2 Carefully protecting personal information

To protect important personal information entrusted to us by customers at stores and other locations, the employees of the Izumi Group and its suppliers work according to common guidelines.

### Izumi Privacy Policy

- 1 The personal information received from our customers shall be used to send marketing materials such as direct mail, product and special event announcements, and after-sales service.
- 2 When handling personal information, the Company shall make every effort to implement secure management to prevent leaks.
- 3 The Company shall obtain the agreement of customers before providing personal information to third parties. However, this excludes cases where there is a justifiable reason, such as when required by laws and regulations.
- 4 In cases where the Company outsources operations related to the handling of personal information, the Company shall work to supervise the outsourcing recipient so that personal information is protected and managed safely.
- 5 The Company may as necessary and at any time improve or change the handling of personal information.
- 6 When requested to disclose or amend personal information by customers, the Company shall respond promptly to deal with such requests, within reasonable bounds.

## 3 Guidelines for ecologically friendly practices

To share ownership of environmental initiatives among all the Group's employees, Izumi is formulating an environmental philosophy and environmental policy, and employees will study it and move toward implementing it together.

### Environmental Philosophy

Izumi believes that its initiatives aimed at environmental issues constitute the most fundamental activities for fulfilling its social responsibility. The Company encourages each employee to practice environmental conservation activities on his or her own initiative, based on an awareness as global citizens. Moreover, working together with local residents, the Company aims to build a recycling-oriented society and reduce the burden on the environment.

### Environmental Policy

Based on its corporate philosophy that calls for being "number one in customer satisfaction," Izumi works to conserve the environment through its products, services and store building activities and to harmonize with the natural environment of local communities. In addition, through its environmental conservation activities Izumi aims to become a company that is ever more trusted by its customers.

- 1 We shall work to offer safe products and services that take the environment into account.
- 2 We shall work to consider the needs of the environment when building stores by reducing resources and energy usage, controlling waste products and promoting recycling activities.
- 3 We shall work to promote the use of recycled materials, buy and use products with a smaller environmental footprint and use resources effectively.
- 4 We shall work to contribute to society by cooperating with local residents and local authorities to promote environmental conservation activities.
- 5 We shall work to help individual employees promote and improve environmentally friendly practices on an ongoing basis, and comply with environmental regulations.

## Supporting communities

### Making communities happier and more affluent

Izumi engages not only in retail business, but also works to revitalize local economies and build communities as well as increase convenience and make life more enjoyable for all through its youme Town shopping center development.



Hiroshima Toyo Carp baseball game sponsored by Izumi



Izumi is now a uniform sponsor of Sanfrece Hiroshima



Athletes that work for the Izumi Group showing off their skills

### Supporting local sports such as baseball, soccer and handball

Izumi supports local sports teams with the goal of energizing local economies. We are an official sponsor of the Hiroshima Toyo Carp professional baseball team and also sponsor games of the Fukuoka SoftBank Hawks. We also support the Sanfrece Hiroshima professional soccer team as a uniform sponsor. We are the main sponsor of the Hiroshima Maple Reds women's handball team. Many of these athletes also work for the Izumi Group.

### Cooperating with local governments

We have established cooperative systems with local governments in each area in order to manage our stores in a way that is closely tied to the local community. Most recently, we concluded a comprehensive collaboration agreement with the City of Hatsukaichi on June 6, 2015. We have also concluded agreements for disaster response with approximately 40 local governments in Japan.



Mayor Mano of Hatsukaichi City (left) and President Yamanishi of Izumi

### Preventing bank transfer fraud

On July 17, 2015, Yumika Takemoto of youme Mart Matsuhashi helped stop a bank transfer scam and was commended by the Uki Police Department. Considerate customer service actions at youme Mart Kurose and youme Mart Hamada helped stop tax refund fraud.



Yumika Takemoto (left) being presented with the commendation

### Escorting assistants

Each store has escorting assistants to assist the shopping of customers with disabilities. Escorting assistants guide customers from the parking lot to the store as well as walk with them on the sales floor to help with product choice.



Helping a customer with product choice

## Giving back to society

### Motivating employees and growing together

Employees of the Izumi Group work alongside our partners to energize youme Town and youme Mart locations and take part in various initiatives to grow together.

## Protecting the environment

### Raising environmental awareness and striving to be more environmentally friendly

Izumi makes changes to tangible and intangible parts of its stores and carries our environmental preservation activities together with customers and people in the community with the goal of balancing the enjoyment of shopping with environmental stewardship.



The exciting event includes a talk show

### Hosting charity events for the visually impaired people

Every year we organize a Charity Musicthon in support for the visually impaired at our youme Town locations in Hiroshima, Fukuoka and Kagawa prefectures. Izumi together with its tenants jointly collect donations through tie-ups with Kyushu Asahi Broadcasting (KBC), RCC Broadcasting (RCC), and Nishinippon Broadcasting (RNC). Donations collected from customers are then used to help fund the installation of audible traffic lights and other apparatuses that benefit the visually impaired people.



PV panel installed on the rooftop

### Energy conservation

The first photovoltaic panel installed at a youme Town location

Youme Town Hatsukaichi is a Zero Energy Building (ZEB) endorsing store working to reduce its annual energy usage to as close to zero as possible. As the first of its kind at a youme Town location, a photovoltaic (PV) panel has been installed on the rooftop of youme Town Hatsukaichi. This system is capable of generating enough electricity to power a small supermarket. A Building Energy Management System (BEMS) has also been installed to monitor energy usage and ensure energy is consumed and reduced more efficiently. These technologies mean that youme Town Hatsukaichi uses about 56.5% less electricity than similar Izumi stores.

### Strengthening bonds through the Izumi Association

Established in 1975, the Izumi Association works to deepen the bonds between Izumi and its business partners with the goal of mutual prosperity through mutual efforts. The annual meeting of the Izumi Association held in May seeks to verify improvements in customer satisfaction. As of May 2015, 309 companies are registered members of the association.



Annual meeting of the Izumi Association

### Commended for empowering part-time workers

On January 20, 2016, we were recognized by the Ministry of Health, Labour and Welfare with an excellence award as a company that empowers its part-time workers. This award recognizes our evaluation system reflected in hourly pay as well as training and career development programs.



General Manager Hirohiko Takeda of the Personnel Department attending the awards ceremony (far left at top)

### Launch of partnership with Chugoku Electric Power Company

On December 24, 2015, Izumi and Chugoku Electric Power Company concluded a tie-up for the introduction of new services following the full deregulation of electric power retailing. Starting in April 2016, points collected from the use of electric power can be exchanged for Izumi gift certificates and other items.



Press conference

### Collection boxes at all stores

Collection boxes for milk packaging, raw food trays, PET bottles and aluminum cans have been set up at all youme Town and youme Mart locations. Customers are able to use these boxes as a convenient recycle station for the local community.



Collection box at youme Town Hatsukaichi

### Gift wrapping using eco-friendly practices

Izumi is working to simplify gift wrapping in order to conserve resources and preserve the environment. We have received the understanding of many customers who use this service for presents for Mother's Day and Father's Day as well as the traditional Japanese gift-giving times in July and December.



Information about eco-friendly wrapping paper at a gift counter

### Cooperating with environmental festivals

On October 4, 2015, Yumesakura Park next to youme Town Hatsukaichi played host to Hatsukaichi Environmental Festa 2015. Many event goers also dropped by the Hatsukaichi Civic Hall at youme Town Hatsukaichi which had displays of environmental posters and slogans.



The event was well attended under sunny skies

## Operating Results by Segment

### Retail operations

In our retail operations, we newly opened youme Town Hatsukaichi (Hatsukaichi City, Hiroshima Prefecture) in June 2016, which marked our first new large-format shopping center in four years. This location is intended to be a forward-thinking shopping center that meets the life needs of three generations in order to play a role as compact city as part of the local government's efforts to address the aging population and declining birthrate. Since immediately after its grand opening, youme Town Hatsukaichi has drawn large customer traffic and gotten off to a very positive start. As for our smaller retail locations, we newly opened youme Mart Shingai (Higashi Ward, Kumamoto City) in June, youme Mart Saga (Saga City, Saga Prefecture) in August, as well as youme Mart Suwano (Kurume City, Fukuoka Prefecture) and youme Mall Chikugo (Chikugo City, Fukuoka Prefecture) in November 2016. This expansion has enabled us to make even greater progress with our strategy to dominate the market.

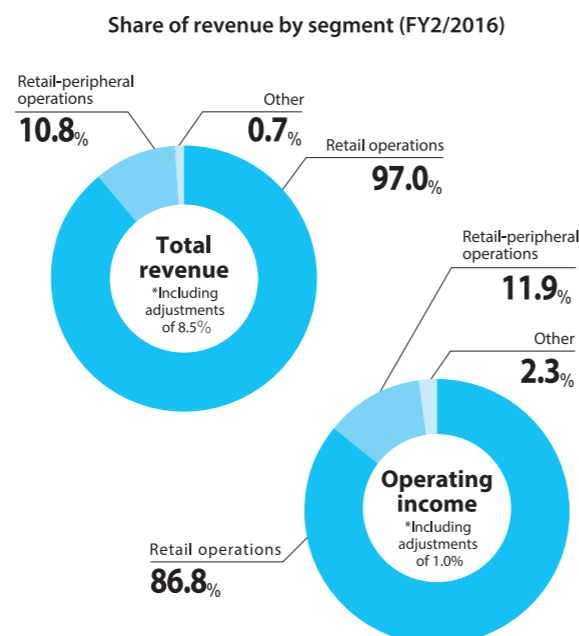
In terms of the revitalization of existing stores, we completed large-scale additions and remodeling projects on youme Town Hikarinomori (Kikuyo Town, Kikuchi District, Kumamoto Prefecture) in April, youme Town Yamaguchi (Yamaguchi City, Yamaguchi Prefecture) in September, and youme Town Kurume (Kurume City, Fukuoka Prefecture) in November 2016.

Additionally, we acquired the shares of Yours Co., Ltd. (Kaita Town, Aki District, Hiroshima Prefecture), a supermarket with a strong foothold in Hiroshima Prefecture, in October through a capital increase by third-party allotment, and the shares of Dailymart Co., Ltd. (Mima City, Tokushima Prefecture), which has a strong foothold in Tokushima Prefecture, in November 2016, with both companies becoming consolidated subsidiaries of the Izumi Group. Also, KOEI Co., Ltd. was acquired by consolidated subsidiary youme Mart Co., Ltd. on September 1, 2015 and Super Daiei Corporation became a wholly-owned subsidiary of Izumi Co., Ltd. through a simplified share exchange that took place on February 18, 2016.

With regard to sales trends, in the first of half of the fiscal year ended February 29, 2016 we saw increased sales of apparel and other seasonal items thanks to good weather at the beginning of spring, while our special events, including the Hokuriku Fair and Hokkaido Fair, performed well and strong sales were recorded for Golden Week items and gifts for Mother's Day. In the second half of the fiscal year, we held a number of unique events to coincide with Silver Week, which included five consecutive holidays, and also energized the festivities through tie-ups with local television channels. As a result, same-store sales for the fiscal year ended February 29, 2016 increased 1.4% year on year.

On the subject of costs, there was a rise in costs associated with the increase in consolidated subsidiaries, such as Super Daiei Corporation, and the increase in personnel expenses and new store establishment costs incurred by Izumi Co., Ltd, but we strived to control costs in a steady fashion by working to reduce the cost of goods purchased.

As a result, total revenue for the segment was ¥648,575 million (up 16.2% year on year) while operating income came in at ¥27,686 million (up 5.7%).



### Retail-peripheral operations

In our retail-peripheral operations, we continued to promote the use of credit cards for shopping and the greater use of "youmeka" electronic money. Also, we worked to gain more new members at newly opened stores and began introducing our card system at new consolidated subsidiaries Yours and Dailymart. (The cumulative number of "youmeka" cards issued rose to 5.51 million, up from 4.75 million at the end of the previous fiscal year.) We continued to establish "youmeka" cards as a community currency and convert the program from quantity to quality by increasing the frequency of usage. We also strived to improve productivity at the register and improve customer convenience. Through these efforts, we saw an increase in commission income from external affiliated stores, which boosted our ability to attract customers to our retail operations.

As a result, total revenue for the segment was ¥72,205 million (up 47.4% year on year) while operating income came in at ¥3,796 million (up 6.0%).

### Other

In our wholesale operations, profit levels declined due to increases in purchase prices and a worsening in the consumption environment, despite an end to the weakening of the yen. In our real estate operations, we continued to generate stable income and worked to reduce various expenses.

Consequently, total revenue for the segment was ¥4,887 million (up 0.5% year on year) and operating income came in at ¥739 million (down 2.4%).

## Management Analysis of the Fiscal Year under Review

Total revenue, operating income and ordinary income all reached record-high levels

youme Hatsukaichi opened as our first new large-format shopping center in four years

youme Mart Shingai and other new locations were opened, helping to further drive our dominance in the market

Large-scale addition and remodeling projects were completed at youme Town Hikarinomori, youme Town Yamaguchi and youme Town Kurume

Yours Co., Ltd. and Dailymart Co., Ltd. became consolidated subsidiaries of the Izumi Group

### Results summary

In total revenue, net sales rose by ¥86,008 million (up 15.6% year on year) to ¥638,754 million. Operating revenue increased by ¥3,037 million (up 11.3%) to reach ¥30,029 million. This was attributed mainly to the Company robustly increasing sales at existing stores and new stores as well as the addition of Super Daiei Corporation and Yours Co., Ltd. as new consolidated subsidiaries.

Gross profit came in at ¥137,408 million, an increase of ¥20,477 million compared to the previous year. The gross profit margin was 21.5%, up 0.3 percentage points over the previous fiscal year.

With regard to selling, general and administrative (SG&A) expenses, there was a rise in costs associated with the increase in consolidated subsidiaries and the increase in personnel costs and new store establishment costs incurred by Izumi Co., Ltd, but we strived to control costs in a steady fashion. As a result, SG&A expenses increased ¥21,932 million (up 19.3%) for a total of ¥135,525 million. The SG&A ratio was 21.2%, a rise of 0.6 percentage points over the previous fiscal year. Accordingly, operating income increased by ¥1,582 million (up 5.2%) to ¥31,912 million, for an operating margin of 5.0%, which was 0.5 percentage points lower than the previous fiscal year.

Due to the change in Super Daiei Corporation from an equity-method affiliate to a consolidated subsidiary, there was a decrease in equity in earnings at associated company which caused non-operating income to decline by ¥41 million to ¥1,431 million. In contrast, non-operating expenses increased by

¥205 million to ¥2,242 million. As a result, ordinary income rose by ¥1,335 million (up 4.5%) to ¥31,102 million, for an ordinary margin of 4.9%, which was off 0.5 percentage points from the previous fiscal year.

Extraordinary income came to ¥1,446 million, up ¥1,409 million from the previous fiscal year. This was mainly attributable to gain on sales of investment securities of ¥1,009 million and subsidiary income of ¥369 million. Meanwhile, extraordinary losses included an impairment loss of ¥865 million, a loss on retirement of non-current assets of ¥336 million, and a provision for loss on business liquidation of ¥433 million for a total of ¥2,164 million, an increase of ¥871 million compared to the previous fiscal year. Total income taxes were ¥12,004 million, up ¥1,061 million year on year, while minority interests in income were negative ¥386 million, compared to ¥207 million in the previous fiscal year. As a result of the above, net income increased by ¥1,405 million (8.1%) to ¥18,766 million for a net profit margin of 2.9%, 0.2 percentage points below the previous fiscal year's level.

We bought back 373,000 shares of treasury shares (including share purchase demands) during the fiscal year under review. Due partially to this, earnings per share for the fiscal year under review were ¥261.96 (an increase of ¥20.36 year on year), while net assets per share at year-end were ¥2,060.44, an increase of ¥184.22 over the end of the previous fiscal year.

## Management Analysis of the Fiscal Year under Review

### Analysis of financial position

With regard to total assets, capital investment in property, plant and equipment and intangible assets during the fiscal year under review came to ¥21,435 million. Property, plant and equipment, after accounting for depreciation, rose by ¥21,146 million due to an increase in the number of new consolidated subsidiaries and other factors. Intangible fixed assets increased by ¥8,090 million owing to the booking of goodwill from the consolidation of new subsidiaries. Trade notes and accounts receivable rose by ¥2,847 million due to an increase in credit transactions. Because the settlement date for trade notes and accounts payable fell on a bank holiday, settlement was carried over to the start of the following month, leading to a decline in liabilities of ¥7,085 million. Short-term loans payable and long-term loans payable rose by a combined ¥35,489 million.

Retained earnings were reduced by dividend payments but, due to an increase in internal reserves, net assets rose by ¥15,501 million. The Company acquired 373,000 shares of treasury share during the fiscal year under review (including share purchase demands). Consequently, the balance of treasury shares increased by ¥1,720 million compared to the previous fiscal year end. As a result of the above factors, the equity ratio was 31.5%, 0.3 percentage point higher than the 31.2% recorded at the end of the previous fiscal year.

### Statement of cash flows

The main items in cash inflows from operating activities were income before income taxes and minority interests of ¥30,384 million and depreciation of ¥15,044 million. The main cash outflows were income taxes paid of ¥11,741 million, a decline in notes and accounts payable - trade of ¥12,955 million, and an increase in accounts receivable of ¥2,663 million. This resulted in a decline of ¥38,692 million compared to the previous fiscal year, but this was mostly due to the settlement date falling on a bank holiday, causing payments of trade payables to be carried over to the beginning of the following month.

The main item in cash outflows from investing activities was the purchase of property, plant and equipment, which came to ¥25,914 million. This was related primarily to the construction of new stores. Also, as for main income items, there was ¥2,427 million in income from the sales of investment securities.

The main item in cash inflows from financing activities was proceeds from long-term loans payable of ¥31,252 million and a net increase in short-term loans payable of ¥28,236 million. The main outflows were repayments of long-term loans payable of ¥39,797 million, expenditures of ¥2,169 million for the purchase of treasury shares, and payments of dividends of ¥4,228 million.

In consequence, cash and cash equivalents at the end of the period rose by ¥439 million over the end of the previous fiscal year to ¥13,429 million.

### Dividend policy

Dividends paid from surplus this fiscal year were set at ¥33 per share. Including the interim dividend, the annual dividend came to ¥64 per share, an increase of ¥13 over the previous fiscal year.

### Outlook for the fiscal year ending February 29, 2017

In the fiscal year ending February 2017, the effects of the weak consumption since the consumption tax hike in April 2014 persist and the consumption environment is expected to remain sluggish. On the other hand, there are positive factors at play, too, including expectations of an increase in real income driven by wage increases and falling energy prices.

The Izumi Group will accurately read changing customer needs caused by fluctuations in the wider environment and deliver careful, detailed responses. At the same time, we will take our strategy of "good quality, inexpensively" a step further by offering high-quality, fresh, safe and reassuring products at affordable prices. Next fiscal year coincides with our 55th anniversary. To mark this occasion, we will be holding events across the entire Izumi Group to convey our appreciation to the customers in each community who made this possible.

As for store expansion, in autumn 2016 we opened a new regional shopping center called youme Town Tokuyama (Shunan City, Yamaguchi Prefecture) that meets the life needs of three generations. We will also continue remodeling, expanding, and improving our existing stores in terms of store infrastructure and our services to further increase the convenience as the number one regional store. Also, we will focus on improving operations at our new consolidated subsidiaries and ensuring that they contribute to the overall earnings of the Izumi Group.

These efforts will help us to realize customer satisfaction and to expand and deepen our regional dominance even further, which in turn will boost management efficiency and enable the company to grow even more. For the coming fiscal year, the Company expects same-store sales to grow by 101.9% year on year.

Finally, we will repair and reopen stores still closed in the wake of the major earthquake in Kumamoto as quickly as possible and work toward increasing profits more than ever before.

## Risks to the Business

Risks that could have a material impact on the Group's business results or financial standing include the following. Moreover, forward-looking statements in the text reflect the judgment of the Group's management as of the end of the fiscal year under review.

### Risk of market fluctuations

1

The core of the Group's business is the sale of goods and services to general consumers, and as such it is materially affected by the weather, the economic climate, trends in personal consumption and competition with other companies in the retail industry. Fluctuations in these factors could lead to lower profitability at existing stores or at stores opened in the future, or could lead to losses posted as a result of stores being closed, causing changes in the Group's business results and in its financial condition.

2

The Group funds its capital investment through interest-bearing debt and also handles products that have been imported from overseas, in addition to which it holds marketable securities of firms outside the Group. Accordingly, the Group's business results and financial position are materially affected by interest rates, foreign exchange rates and share prices. The Group's business results and financial condition could be materially affected by fluctuations in retail prices as well as the procurement cost of products and materials, or by real estate rental rates, labor costs, miscellaneous expenses and real estate prices.

3

In the event of natural disasters, accidents, crime or computer system problems occurring at our retail stores, headquarters, distribution facilities or at the main facilities of our suppliers, the continued operation of the Group's stores and the sourcing of products could be materially affected. In addition, disorder in the secondary market, such as that caused by consumers halting purchases after the occurrence of bovine spongiform encephalopathy (BSE) and avian flu, could result in material changes in the Group's financial results and financial position.

### Regulatory/systemic risk

1

The Group takes every possible measure to ensure the safety of the products and services it offers, but should faulty goods or food poisoning occur for some unexpected reason, the Group could be subject to regulation by authorities, post losses related to liability for damages, or lose the trust of consumers.

2

The Group strives to comply with statutory regulations, such as those related to antitrust matters, consumer protection, the environment and recycling and the protection of personal information. However, if due to unexpected changes and unforeseen reasons the Group were to infringe such laws, the Group's activities could suffer from regulation, increased expenses and loss of consumer trust.

3

Construction of new large-scale commercial facilities is regulated by the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment, the City Planning Act and the Building Standards Act, among others. If the construction of new stores or the renovation of existing stores were to become difficult due to the amendment of these laws or changes in the regulations applied by local authorities and municipalities, or if there were a decline in candidate locations for new stores in the future, the Group's financial results, financial position and business strategy could be materially affected.

## Consolidated Balance Sheets

Izumi Co., Ltd. and its Consolidated Subsidiaries  
As of Feb. 28, 2015 and Feb. 29, 2016

	Millions of yen	Thousands of U.S. dollars
	2015	2016
<b>(Assets)</b>		
Current assets:		
Cash and deposits	¥ 13,380	¥ 13,844
Notes and accounts receivable—trade	28,540	31,387
Merchandise and finished goods	24,517	26,597
Work in process	85	114
Raw materials and supplies	383	437
Deferred tax assets	2,687	2,561
Other	13,726	14,356
Allowance for doubtful accounts	(627)	(590)
Total current assets	82,692	88,708
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	315,239	358,775
Accumulated depreciation	(178,561)	(203,231)
Buildings and structures, net	136,677	155,544
Machinery, equipment and vehicles	6,623	7,332
Accumulated depreciation	(4,867)	(5,228)
Machinery, equipment and vehicles, net	1,755	2,104
Land	147,469	156,890
Leased assets	1,331	902
Accumulated depreciation	(638)	(636)
Leased assets, net	693	265
Construction in progress	10,617	2,256
Other	34,835	41,188
Accumulated depreciation	(27,886)	(32,940)
Other, net	6,949	8,247
Total property, plant and equipment	304,162	325,308
Intangible assets:		
Goodwill	554	7,236
Other	7,430	8,839
Total intangible assets	7,985	16,075
Investments and other assets:		
Investment securities	8,563	6,800
Long-term loans receivable	1,480	1,483
Deferred tax assets	5,285	5,444
Lease and guarantee deposits	17,477	19,672
Other	5,165	4,944
Allowance for doubtful accounts	(395)	(411)
Total investments and other assets	37,575	37,934
Total non-current assets	349,723	379,318
Total assets	¥ 432,416	¥ 468,026

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥112.66=U.S. \$1 as of February 29, 2016.

	Millions of yen	Thousands of U.S. dollars
	2015	2016
<b>(Liabilities)</b>		
Current liabilities:		
Notes and accounts payable—trade	¥ 40,564	¥ 33,479
Short-term loans payable	20,387	50,704
Current portion of long-term loans payable	25,888	23,320
Accounts payable—other	22,080	15,789
Income taxes payable	6,987	7,144
Provision for bonuses	1,491	1,753
Provision for directors' bonuses	37	38
Provision for point card certificates	2,017	2,302
Provision for loss on recollection of gift certificates	81	111
Provision for loss on business liquidation	—	433
Asset retirement obligations	—	21
Other	14,560	12,863
Total current liabilities	134,096	147,963
Non-current liabilities:		
Long-term loans payable	110,876	118,616
Lease obligations	615	255
Long-term lease and guarantee deposited	23,119	24,044
Provision for directors' retirement benefits	1,405	1,435
Provision for loss on interest repayment	273	230
Liability for retirement benefits	8,193	7,308
Deferred tax liabilities	1,082	2,272
Asset retirement obligations	6,723	7,445
Other	321	603
Total non-current liabilities	152,610	162,211
Total liabilities	286,706	310,175
<b>(Net assets)</b>		
Shareholders' equity:		
Capital stock	19,613	19,613
Capital surplus	22,282	22,577
Retained earnings	108,283	123,785
Treasury shares	(16,763)	(18,483)
Total shareholders' equity	133,416	147,493
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,785	793
Defined retirement benefit plans	(383)	(638)
Total accumulated other comprehensive income	1,402	155
Minority interests	10,890	10,203
Total net assets	145,709	157,851
Total liabilities and net assets	¥ 432,416	¥ 468,026

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥112.66=U.S. \$1 as of February 29, 2016.



1,184,236

## Consolidated Statements of Income

Izumi Co., Ltd. and its Consolidated Subsidiaries  
For the years ended Feb. 28, 2015 and Feb. 29, 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Net sales	¥ 552,746	¥ 638,754	\$ 5,669,750
Cost of sales	435,815	501,346	4,450,080
Gross profit	116,930	137,408	1,219,670
Operating revenue	26,992	30,029	266,545
Operating gross profit	143,923	167,438	1,486,224
Selling, general and administrative expenses:			
Advertising and promotion expenses	9,919	12,207	108,353
Distribution expenses	6,550	6,995	62,089
Provision of allowance for doubtful accounts	161	106	941
Employees' salaries and bonuses	38,830	46,675	414,300
Provision for bonuses	1,451	1,509	13,394
Welfare expenses	6,740	7,877	69,918
Retirement benefit expenses	827	1,019	9,045
Rent expenses	9,337	10,980	97,461
Utilities expenses	6,720	7,560	67,105
Depreciation	12,474	14,631	129,869
Other	20,579	25,962	230,446
Total selling, general and administrative expenses	113,592	135,525	1,202,956
Operating income	30,330	31,912	283,259
Non-operating income:			
Interest income	147	157	1,394
Dividend income	102	78	692
Purchase discounts	307	325	2,885
Gain on adjustment of account payable	92	100	888
Equity in earnings of associated company	244	28	249
Penalty income	87	85	754
Other	491	656	5,823
Total non-operating income	1,473	1,431	12,702
Non-operating expenses:			
Interest expenses	1,614	1,587	14,087
Compensation expenses	113	365	3,240
Other	308	288	2,556
Total non-operating expenses	2,036	2,242	19,901
Ordinary income	29,767	31,102	276,070
Extraordinary income:			
Gain on sales of non-current assets	5	17	151
Gain on sales of investment securities	0	1,009	8,956
Gain on negative goodwill	31	18	160
Subsidy income	—	369	3,275
Other	—	31	275
Total extraordinary income	37	1,446	12,835
Extraordinary losses:			
Loss on sales of non-current assets	71	45	399
Loss on retirement of non-current assets	323	336	2,982
Impairment loss	464	865	7,678
Loss on sales of subsidiaries' stocks	315	—	—
Loss on step acquisitions	94	—	—
Provision for loss on business liquidation	—	433	3,843
Other	23	483	4,287
Total extraordinary losses	1,292	2,164	19,208
Income before income taxes and minority interests:	28,511	30,384	269,696
Income taxes—current	11,181	11,935	105,938
Income taxes—deferred	(238)	68	604
Total income taxes:	10,943	12,004	106,551
Income before minority interests	17,568	18,379	163,137
Minority interests in income (loss)	207	(386)	(3,426)
Net income	¥ 17,360	¥ 18,766	\$ 166,572

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥112.66=U.S. \$1 as of February 29, 2016.

## Consolidated Statements of Comprehensive Income

Izumi Co., Ltd. and its Consolidated Subsidiaries  
For the years ended Feb. 28, 2015 and Feb. 29, 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Income before minority interests	¥ 17,568	¥ 18,379	\$ 163,137
Other comprehensive income:			
Valuation difference on available-for-sale securities	1,164	(1,026)	(9,107)
Foreign currency translation adjustment	0	—	—
Remeasurements of defined benefit plans	—	(242)	(2,148)
Total other comprehensive income	1,165	(1,269)	(11,264)
Comprehensive income	18,733	17,110	151,873
Total comprehensive income attributable to:			
Owners of the parent	18,325	17,519	155,503
Minority interests	408	(409)	(3,630)

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥112.66=U.S. \$1 as of February 29, 2016.

## Consolidated Statement of Changes in Net Assets

Izumi Co., Ltd. and its Consolidated Subsidiaries

	2015 Fiscal year ended February 28, 2015									Millions of yen	
	Shareholders' equity					Accumulated other comprehensive income				Minority interests	Total net asset
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	¥ 19,613	¥ 22,282	¥ 94,517	¥ (16,760)	¥ 119,652	¥ 822	¥ (264)	—	¥ 558	¥ 9,966	¥ 130,178
Changes of items during period											
Dividends of surplus			(3,305)		(3,305)						(3,305)
Change of scope of consolidation			(289)		(289)						(289)
Net income			17,360		17,360						17,360
Purchase of treasury shares				(2)	(2)						(2)
Net changes of items other than shareholders' equity						963	264	(383)	843	923	1,767
Total changes of items during period	—	—	13,766	(2)	13,763	963	264	(383)	843	923	15,530
Balance at end of current period	¥ 19,613	¥ 22,282	¥ 108,283	¥ (16,763)	¥ 133,416	¥ 1,785	—	¥ (383)	¥ 1,402	¥ 10,890	¥ 145,709

	2016 Fiscal year ended February 29, 2016									Millions of yen	
	Shareholders' equity					Accumulated other comprehensive income				Minority interests	Total net asset
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	¥ 19,613	¥ 22,282	¥ 108,283	¥ (16,763)	¥ 133,416	¥ 1,785	¥ (383)	¥ 1,402	¥ 10,890	¥ 145,709	
Cumulative effects of changes in accounting policies			963		963					963	
Restated balance	19,613	22,282	109,246	(16,763)	134,379	1,785	(383)	1,402	10,890	146,672	
Changes of items during period											
Dividends of surplus			(4,228)		(4,228)					(4,228)	
Net income			18,766		18,766					18,766	
Purchase of treasury shares				(2,169)	(2,169)					(2,169)	
Disposition of treasury share		295		449	745					745	
Net changes of items other than shareholders' equity						(992)	(254)	(1,246)	(687)	(1,934)	
Total changes of items during period	—	295	14,538	(1,720)	13,113	(992)	(254)	(1,246)	(687)	11,179	
Balance at end of current period	¥ 19,613	¥ 22,577	¥ 123,785	¥ (18,483)	¥ 147,493	¥ 793	¥ (638)	¥ 155	10,203	¥ 157,851	

	2016 Fiscal year ended February 29, 2016									Thousands of U.S. dollars	
	Shareholders' equity					Accumulated other comprehensive income				Minority interests	Total net asset
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	\$ 174,090	\$ 197,781	\$ 961,149	\$ (148,793)	\$ 1,184,236	\$ 15,844	\$ (3,400)	\$ 12,445	\$ 96,663	\$ 1,293,352	
Cumulative effects of changes in accounting policies			8,548		8,548					8,548	
Restated balance	174,090	197,781	969,696	(148,793)	1,192,784	15,844	(3,400)	12,445	96,663	1,301,900	
Changes of items during period											
Dividends of surplus			(37,529)		(37,529)					(37,529)	
Net income			166,572		166,572					166,572	
Purchase of treasury shares				(19,253)	(19,253)					(19,253)	
Disposition of treasury share		2,618		3,985	6,613					6,613	
Net changes of items other than shareholders' equity						(8,805)	(2,255)	(11,060)	(6,098)	(17,167)	
Total changes of items during period	—	2,618	129,043	(15,267)	116,394	(8,805)	(2,255)	(11,060)	(6,098)	99,228	
Balance at end of current period	\$ 174,090	\$ 200,399	\$ 1,098,748	\$ (164,060)	\$ 1,309,187	\$ 7,039	\$ (5,663)	\$ 1,376	\$ 90,565	\$ 1,401,127	

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥112.66=U.S. \$1 as of February 29, 2016.

## Consolidated Statements of Cash Flows

Izumi Co., Ltd. and Its Consolidated Subsidiaries  
For the years ended Feb. 28, 2015 and Feb. 29, 2016

Millions of yen Thousands of U.S. dollars

	2015	2016	2016
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 28,511	¥ 30,384	\$ 269,696
Depreciation	12,902	15,044	133,535
Impairment loss	464	865	7,678
Goodwill amortization	151	454	4,030
Gain on bargain purchase	(31)	(18)	(160)
Increase (decrease) in allowance for doubtful accounts	(30)	0	0
Interest and dividend income	(249)	(235)	(2,086)
Interest expenses	1,614	1,587	14,087
Share of (profit) loss of entities accounted for using equity method	(244)	(28)	(249)
Subsidy income	—	(369)	(3,275)
Loss (gain) on sales of investment securities	11	(992)	(8,805)
Loss (gain) on sales of non-current assets	66	28	249
Loss on retirement of non-current assets	323	336	2,982
Decrease (increase) in notes and accounts receivable—trade	(3,024)	(2,663)	(23,637)
Decrease (increase) in inventories	503	(745)	(6,613)
Increase (decrease) in notes and accounts payable—trade	14,703	(12,995)	(115,347)
Increase (decrease) in provision for retirement benefits	(7,311)	—	—
Increase (decrease) in net defined benefit liability	7,599	147	1,305
Other	7,148	(4,296)	(38,132)
Subtotal	63,106	26,506	235,274
Interest and dividend income received	252	237	2,104
Interest expenses paid	(1,560)	(1,817)	(16,128)
Income taxes (paid) refund	(9,551)	(11,741)	(104,216)
Proceeds from subsidy income	—	369	3,275
Net cash provided by (used in) operating activities	52,246	13,553	120,300
Cash flows from investing activities:			
Purchase of property, plant and equipment	(18,699)	(25,914)	(230,020)
Proceeds from sales of property, plant and equipment	110	182	1,615
Purchase of intangible assets	(943)	(2,143)	(19,022)
Purchase of investment securities	(803)	(952)	(8,450)
Proceeds from sales of investment securities	59	2,427	21,543
Purchase of shares of subsidiaries	—	(27)	(240)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	1,173	10,412
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(246)	(1,103)	(9,791)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	(36)	—	—
Decrease (increase) in short-term loans receivable	(249)	(180)	(1,598)
Other	(89)	467	4,145
Net cash provided by (used in) investing activities	(20,897)	(26,071)	(231,413)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(29,438)	28,236	250,630
Proceeds from long-term loans payable	32,075	31,252	277,401
Repayments of long-term loans payable	(24,322)	(39,797)	(353,249)
Purchase of treasury shares	(2)	(2,169)	(19,253)
Cash dividends paid	(3,305)	(4,228)	(37,529)
Cash dividends paid to minority shareholders	(28)	(28)	(249)
Other	(137)	(307)	(2,725)
Net cash provided by (used in) financing activities	(25,159)	12,956	115,001
Effect of exchange rate change on cash and cash equivalents:	0	—	—
Net increase (decrease) in cash and cash equivalents	6,189	439	3,897
Cash and cash equivalents at beginning of period	6,800	12,990	115,303
Cash and cash equivalents at end of period	¥ 12,990	¥ 13,429	\$ 119,199

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥112.66=U.S. \$1 as of February 29, 2016.

## Company Overview

(As of February 29, 2016)

Date of establishment	October 27, 1961
Head office	3-3-1 Futabanosato, Higashi-ku, Hiroshima, Japan
Paid-in capital	¥19,613,856,196
Employees	Full-time: 2,339 Part-time: 5,031 (8-hour shift equivalent)
Number of malls/stores	103 (including 9 standalone X SELL stores)

### Chugoku Region: 61

Hiroshima Pref.: 34; Okayama Pref.: 10;  
Yamaguchi Pref.: 11; Shimane Pref.: 6

### Kyushu Region: 32

Fukuoka Pref.: 16; Oita Pref.: 2;  
Kumamoto Pref.: 9; Saga Pref.: 3;  
Nagasaki Pref.: 2

### Other Regions: 10

Kagawa Pref.: 3; Tokushima Pref.: 1;  
Hyogo Pref.: 2; Other: 4

## Major Shareholders

(As of February 29, 2016)

Shareholder name	Shares held (thousands)	Percentage of total shares
Yamanishi World, Ltd.	19,935	27.8%
DAIICHI FUDOUSAN CO., LTD.	4,208	5.9%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,688	3.8%
The Hiroshima Bank, Ltd.	2,362	3.3%
Izumi Hiroshima Kyoeikai	2,150	3.0%
Nippon Life Insurance Co.	2,093	2.9%
Yasuaki Yamanishi	2,035	2.8%
Daiichi Life Insurance Co.	2,030	2.8%
National Mutual Insurance Federation of Agricultural Cooperatives	1,475	2.1%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,350	1.9%

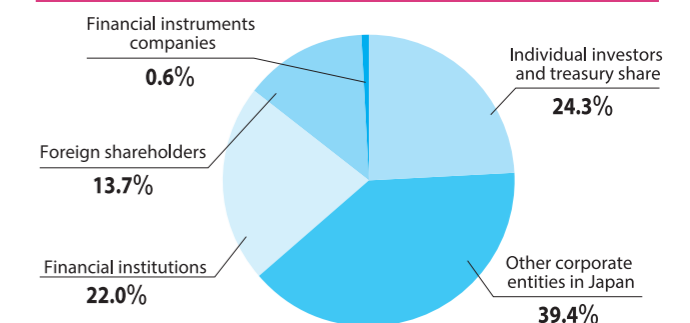
Note: The percentage of total shares is calculated after excluding treasury share (7,200,428 shares).

## Stock Information

(As of February 29, 2016)

Total number of shares issued by the Company	195,243,000
Total number of outstanding shares	78,861,920
Number of shareholders	4,734

## Distribution of Shares by Type of Shareholder





Izumi Co., Ltd.

3-3-1 Futabanosato, Higashi-ku, Hiroshima, 732-8555, Japan  
[http://www.izumi.co.jp/corp/e\\_ir/](http://www.izumi.co.jp/corp/e_ir/)