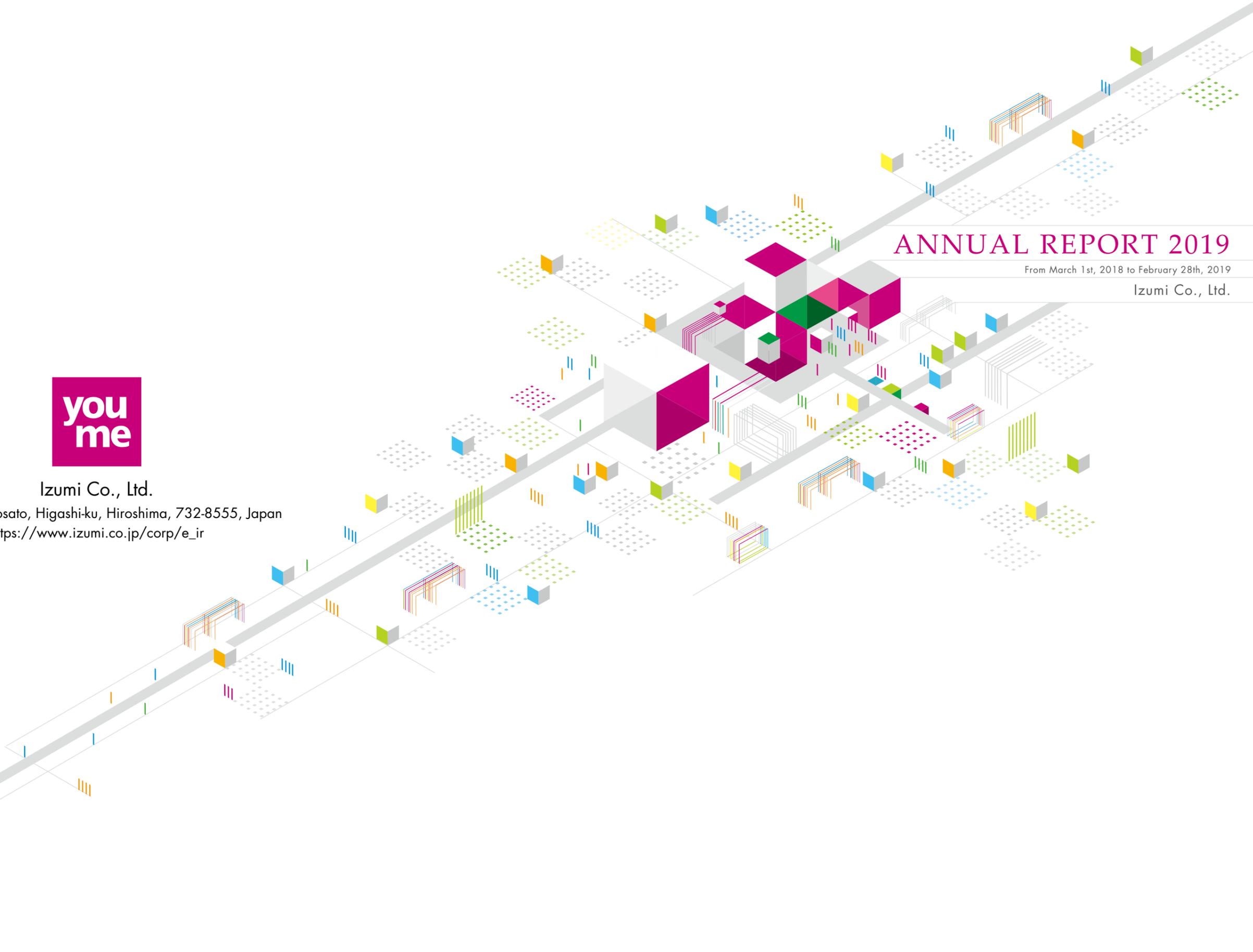




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ANNUAL REPORT 2019

From March 1st, 2018 to February 28th, 2019

Izumi Co., Ltd.



Strive for Japan's No.1 high quality regional GMS of Izumi and youme brands



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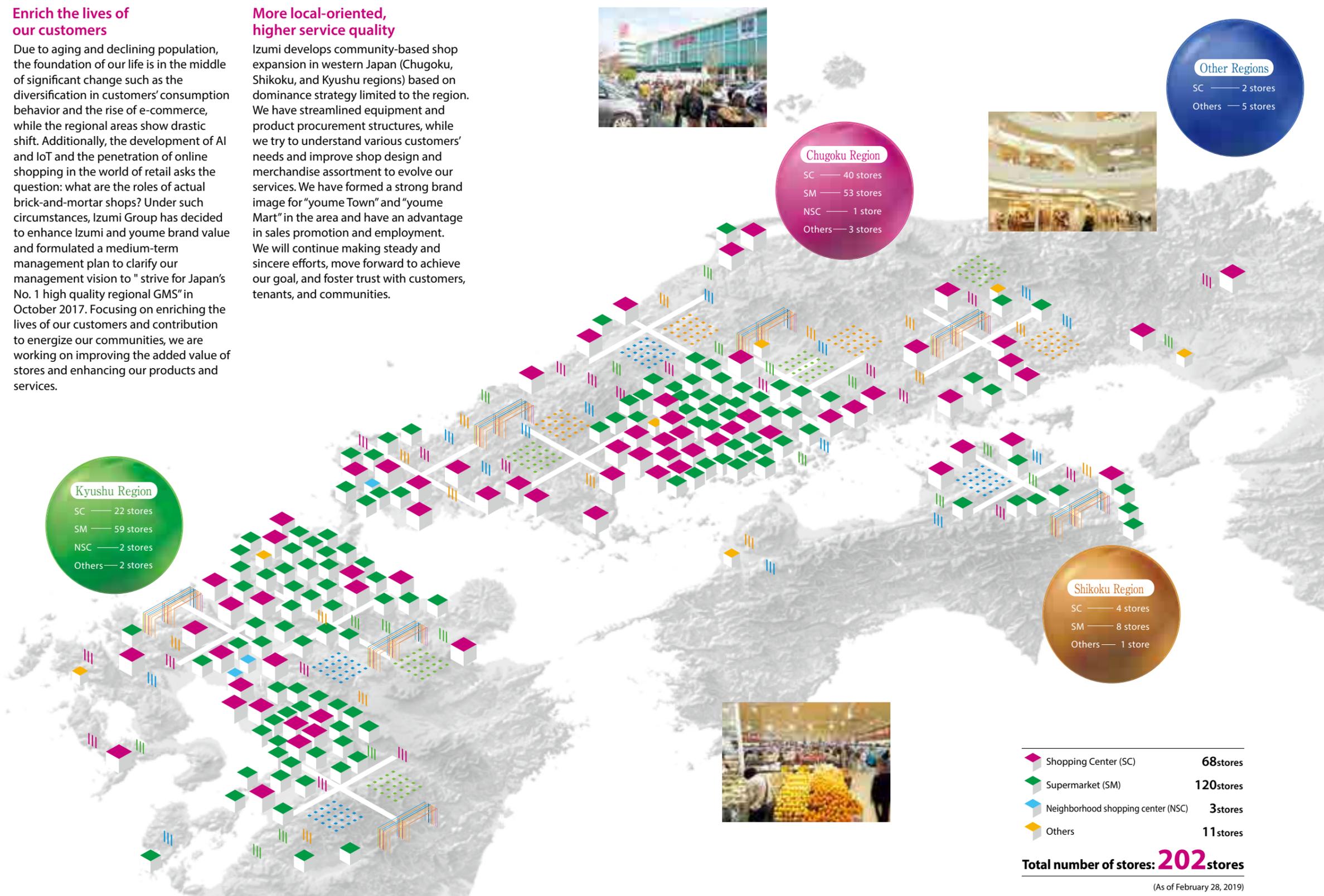
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Enrich the lives of our customers

Due to aging and declining population, the foundation of our life is in the middle of significant change such as the diversification in customers' consumption behavior and the rise of e-commerce, while the regional areas show drastic shift. Additionally, the development of AI and IoT and the penetration of online shopping in the world of retail asks the question: what are the roles of actual brick-and-mortar shops? Under such circumstances, Izumi Group has decided to enhance Izumi and youme brand value and formulated a medium-term management plan to clarify our management vision to "strive for Japan's No. 1 high quality regional GMS" in October 2017. Focusing on enriching the lives of our customers and contribution to energize our communities, we are working on improving the added value of stores and enhancing our products and services.

More local-oriented, higher service quality

Izumi develops community-based shop expansion in western Japan (Chugoku, Shikoku, and Kyushu regions) based on dominance strategy limited to the region. We have streamlined equipment and product procurement structures, while we try to understand various customers' needs and improve shop design and merchandise assortment to evolve our services. We have formed a strong brand image for "youme Town" and "youme Mart" in the area and have an advantage in sales promotion and employment. We will continue making steady and sincere efforts, move forward to achieve our goal, and foster trust with customers, tenants, and communities.



◆ Shopping Center (SC)	68 stores
◆ Supermarket (SM)	120 stores
◆ Neighborhood shopping center (NSC)	3 stores
◆ Others	11 stores

Total number of stores: 202 stores
(As of February 28, 2019)



Izumi's dreams, management philosophy, and code of conduct to achieve our management vision

In order to achieve our management vision of the medium-term management plan, namely "striving for Japan's No. 1 high quality regional GMS," the support and commitment of every employee in service of this goal is essential. To accomplish this, we endeavor to create a work environment where employees can perform to the peak of their abilities. At the Izumi Group, our four dreams, management philosophy, and our code of conduct clearly state our stance of a focus on customer satisfaction, and on developing together with the communities we operate in, alongside our tenants. By sharing those stances with our employees, we promote a corporate culture where each employee can perform their best in a work environment and feel true job satisfaction.

Izumi's four dreams

- Making customers' lives more comfortable
- Providing a positive economic impact on local communities and make them more lively
- Working together with tenants for further development
- Providing employees with a sense of worth that leads to their personal growth

Our dream is to support the dreams of customers, communities, tenants and employees, and deliver value to the stakeholders involved in the Izumi Group, which we believe creates value for society. Our goal through these activities is to create economic value and to increase corporate value.

"From goods consumption to experience consumption" Amidst this ever-changing world, we are pursuing our four dreams.

As well as catering to "goods consumption" for enjoyable shopping, we also emphasize "experience consumption" to add great value to the time spent within our stores. In recent years, we have held classes to increase interests, musical recitals, as well as educational activities conducted by volunteer organizations and governmental bodies. We have tenants demonstrate their capabilities, and even as the times continue to change, we are striving to meet the needs of customers and communities in keeping with "Izumi's four dreams."



Izumi's management philosophy

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

Since our foundation, basic policy at Izumi has been to perform our daily operations with the goal to "make our customers happy" at the forefront of our minds. We are constantly working to create an environment that allows us to improve so that our employees can share in our customers' joy and can work energetically.

Our greatest joy is the satisfaction of our customers

Advising customers' dinner menus, helping customers select gifts for their grandchildren, providing instructions on how to care for a futon... Ensuring full communication with customers, responding to their requests, and making them happy are our employees' source of energy. Our customers' appreciation drives our commitment to making stores better, enhancing a variety of products and improving our service.



Code of Conduct for Izumi Employees

- To be committed to customer service
- To create a company that is worth the challenge for all employees
- Always aim for better results and strive towards such goals

We have three items in our code of conduct, which is directly connected to employee growth. We value the efforts of employees highly who have worked hard with their colleagues to put a smile on the faces of our customers. We provide many rich opportunities for education, promoting the creation of a future-oriented workplace with ideas such as "prioritizing today more than yesterday" and "prioritizing tomorrow more than today."

Continue to respond to customer needs now and in the future

Escorting service was developed in order to offer customers with physical disabilities the opportunity to enjoy their shopping experience by making personnel available to accompany them while they shop. When customers ask whether or not Izumi offers their favorite local soy sauce or other product, we contact the manufactures and start trading with them. All of our employees are striving to build a close relationship with our customers so that we can fulfill as many of our customers' expectations as possible.



“Challenges of Izumi” that is based on the communities and have been supporting the development of them

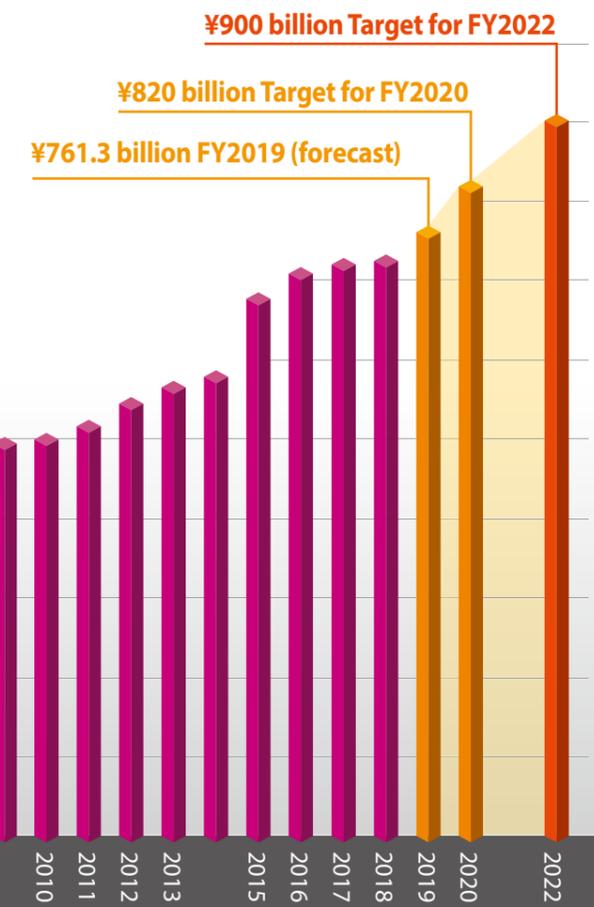
The roots of the Izumi group were a small stall with a wooden door across from Hiroshima Station that opened one year after the end of the Second World War. “Make our customers happy” and “Grow up with our community” are our motivations to continue operation, and in 1961, we opened our first full-fledged supermarket “Izumi” in Hiroshima. Through our “youme Town” concept of the new community building form, we have been committed to revitalizing the region for more than 50 years. We will continue to move forward closely in tune with the dreams of our stakeholders.



Izumi group trends in operating revenue and business goals

Since our foundation, Izumi’s operating revenue has been generally growing even though there have been some impacts from economic trends. We will shift the growth strategy from focusing expanding the number of newly opened stores to profitability. Our medium-term goal is to achieve 900 billion yen of operating revenue in FY2022 (February 2023). As an intermediary goal, we strive to reach 820 billion yen in FY2020 (February 2021), which is a milestone of our three year medium-term management plan and a target we pursue with great sincerity and dedication.

= Izumi Group operating revenue *Revenues until FY1996 are non-consolidated



Prior to founding	Early times after founding	Growing years	Developing years	Innovative years		
<p>1946 Yoshimasa Yamanishi (the current honorary chairperson) opens a stall outside Hiroshima Station.</p> <p>1950 Apparel wholesaler Yamanishi K.K. is established.</p>	<p>1946 Constitution of Japan takes effect.</p> <p>1955 High economic growth starts.</p> <p>1956 Japan's U.N. membership is approved by the U.N. General Assembly.</p> <p>1958 Construction of the Tokyo Tower is completed.</p> <p>1960 Color TV broadcasting begins.</p> <p>1964 Tokyo Olympic Games are held.</p> <p>1966 New Three Sacred Treasures (washing machine, refrigerator, and black and white TV) become popular.</p> <p>1968 The first retort pouches of curry are available.</p> <p>1969 Apollo 11 lunar landing.</p> <p>1970 Osaka Expo is held.</p> <p>1971 Nixon shock.</p> <p>1972 Sapporo Olympic Games, Return of Okinawa to Japanese sovereignty.</p> <p>1973 Oil crisis.</p> <p>1974 Skyrocketing prices.</p>	<p>1975 The Izumi Association is established to deepen exchanges with business partners.</p> <p>1977 Izumi joins the Japan Chain Stores Association.</p> <p>1978 The Company's stock is listed on the Second Section of the Osaka Securities Exchange and on the Hiroshima Securities Exchange.</p> <p>1980 Izumi changes the Japanese spelling of its company name ("Izumi" changes from hiragana to katakana). It also creates its first corporate logo.</p> <p>1985 The point-of-sale (POS) systems are introduced.</p> <p>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.</p> <p>1987 The Company's stock is listed on the First Section of the Tokyo Stock Exchange.</p>	<p>1975 Hiroshima Toyo Carp wins their first league championship.</p> <p>1976 Hokaben lunch box shop opens.</p> <p>1978 New Tokyo International Airport opens.</p> <p>1979 The second oil crisis.</p> <p>1980 Iran - Iraq War breaks out.</p> <p>1982 CDs and prepaid calling cards are released.</p> <p>1983 Tokyo Disneyland opens.</p> <p>1985 Plaza Accord, the bubble economy.</p> <p>1987 Japan National Railways is split and privatized.</p> <p>1989 The Japanese calendar enters the Heisei era. A consumption tax is introduced.</p>	<p>1990 youme Town Takahashi and Higashihiroshima open. The youme Town format shop is established with the collaboration of local government and citizens as a shopping center energizing the community.</p> <p>1993 Yasuaki Yamanishi is appointed president and representative director. Yoshimasa Yamanishi is appointed chairperson and representative director.</p> <p>1995 youme Town Onga opens in Fukuoka Prefecture, making the first store opening in Kyushu.</p> <p>1997 The Izumi Museum of Art opens.</p> <p>1998 youme Town Takamatsu opens. It is our flag ship youme Town store and one of the largest retail facilities in western Japan.</p> <p>2000 Yumesaito (youme Town Yumesaito) and youme Town Hakata open. The start of Izumi's full-fledged expansion in Kyushu.</p> <p>2003 youme Town Kurume opens. A showcase for community building closely in tune with the local community.</p> <p>2006 youme Town Saga opens. Japan's first mall with a cross-mall format.</p>	<p>1990 East and West Germany unifies.</p> <p>1991 Bubble economy collapses, Heisei era recession.</p> <p>1993 Heisei Rice Riots.</p> <p>1995 Launch of Windows95. Cellular phones spread.</p> <p>1997 The consumption tax is raised to 5%.</p> <p>1998 Nagano Olympic Games are held. 1999 The Euro debuts.</p> <p>2000 BS digital broadcasting begins. 2001 September 11 attacks. 2002 FIFA World Cup Korea/Japan.</p> <p>2003 Korean culture boom. 2005 Aichi Expo is held.</p> <p>2006 The first WBC. 2007 Postal services are privatized.</p>	<p>2008 Izumi returns to its roots in Hiroshima to open youme Town Hiroshima.</p> <p>2011 The company's 50th anniversary. youme Town Tokushima opens. Izumi's first next generation store for the next 100 years.</p> <p>2012 youme Mart Kokura Higashi opens as the first youme Mart format.</p> <p>2013 Izumi's new head office building is completed. youme Mall Shimonoseki opens as the first youme Mall format.</p> <p>2015 youme Town Hatsukaichi opens. A shopping center that aims to blend the town, environment, and people together in harmony.</p> <p>2016 A large earthquake strikes Kumamoto and Izumi immediately provides assistance and helps with the reconstruction effort.</p> <p>2017 The new business platform LECT opens. A facility for spending time leisurely centered around the main themes of culture, food, and living. The medium-term management plan (FY2018-FY2020) is created.</p> <p>2018 Conclusion of business alliance with Seven & i Holdings Co., Ltd. Mutual use service between youmeka and nanaco commences.</p> <p>2008 iPhone is released in Japan. 2008 Lehman shock occurs. 2010 Asteroid probe Hayabusa returns.</p> <p>2011 Great East Japan Earthquake, television switches off fully to digital broadcasting.</p> <p>2012 Prime Minister Shinzo Abe and his second government promises Abenomics (economic policies).</p> <p>2013 Mt. Fuji is registered as a world heritage site.</p> <p>2016 Hiroshima Toyo Carp wins the Central League championship in 25 years.</p>

Our innovation is to enjoy prosperity with our customers and communities

The Izumi Group has been practicing flexible management through responding to community needs and social changes. While growing the company through a retail operations-focused strategy, we have established subsidiaries such as credit card operations, facilities management, restaurant operations, and ready-made meals manufacturing in order to further enhance youme Town and youme Mart. We strive to provide a rich lifestyle and create a vital community while demonstrating our comprehensive capabilities.

GROUP VISION
Strive for Japan's No. 1 high quality regional GMS.

BUSINESS MODEL
Izumi's business model
 A variety of store development

ADVANTAGE
Strengths of Izumi

- Establish dominance in Western Japan
- High level of store competitiveness
- Employee motivation

Input the strengths of Izumi

Retail operations

Retail-peripheral operations Other

- Shopping center "youme Town"
- Food supermarket "youme Mart"
- Neighborhood shopping center "youme Mall"

- Financial capital**
 - Creation of free cash flow
 - Sustainable and high-standard capital efficiency
 - Continuation and Improvement of strong financial foundation
- Manufactured capital**
 - Having the No. 1 store in the region under the dominant strategy, in which we open many stores in a limited area
 - Creation and curation of stores
 - Improving value of the existing stores
 - Members of our popular store purchase card that boasts a total of 7.7 million cards issued
- Intellectual capital**
 - Product line-up and product development deeply connected to the community
 - Mall layout knowledge and its management pertaining to mixing directly managed shops and tenants
- Human capital**
 - Matching the right people to the right positions
 - Autonomous store management through support systems from the head office and by delegating authority
 - Incentive system for highly-efficient employees
 - System to sustain and develop human resources
- Social and Relationship capital**
 - Opportunities to hear customer feedback
 - Regional revitalization efforts and disaster-response measures that liaise with the local government and community
 - Driving conversations with stakeholders to enhance relationships
- Natural capital**
 - Conserving energy
 - Effort to recycle food waste
 - Effort to reduce plastic bag and wrapping material usage

Customers

We make an effort to provide high quality products and diligent services, and commit to lead customers to more convenient and pleasant lifestyles.

Communities

We create a vibrant and thriving contribution to the local economy by creating employment and building retail spaces that allow customers to move around and conduct their shopping more easily. We co-exist with communities and produce beneficial economic effects.

Tenants

For the further development of tenant businesses, we provide a successful experience of store building in youme Town locations, fostering growth and leading by example.

Employees

We offer the pride and pleasure of contributing to communities and the worthwhile challenges that lead to personal growth.

Business Partners

We build a trusting relationship with each other while making an all-out effort for mutual improvement and joint growth.

Shareholders

Through the qualitative growth of financial capital brought by high growth and profitability, we improve corporate value and aim to maintain and improve capital efficiency.

REINVEST

REINVEST

Pursuing growth while focusing on profitability through utilizing Izumi's "strengths"

While purifying our wish of "making our customers happy" over Izumi's history of more than 50 years, we have identified three strengths specific to Izumi Group. The first strength is our "dominance limited to West Japan" which we have achieved primarily by concentrating our store openings in the Chugoku, Shikoku, and Kyushu regions, working closely with local communities. The second one is our competitive position, which we have cultivated through developing both large and small stores to meet the regional needs while renewing existing stores frequently in order to sustain modernity. The third one is our highly motivated employees who are passionate about their workplace. We emphasize matching the right people to the right positions and focus on creating a comfortable workplace. We will continue to place great importance on these three strengths as the "pillars of Izumi" so that our company can continue to be highly competitive.



Active store network expansion

- Step up opening of new SM/NSC stores
- Challenge the property development business

Increase share within area of dominance through M&A

- Win-win tie-ups with leading retailers
- Support and restructure businesses confronted with issues

GROWTH STRATEGY Establish dominance in West Japan

We have reviewed our past expansion strategy in terms of opening new stores, and transitioned toward a growth strategy focusing on profitability, further improving management efficiency. For new stores, our current goal is to open 15 stores in 3 years starting in FY2018. We will also carefully select the investment ratio while leveraging M&A, and make the most of our dominant position in West Japan.

Highly-efficient management

Aiming for No. 1 store in the region

COMPETITIVENESS High level of store competitiveness

"Offering products new to the region" and "offering the best products in the region" are our priorities every time we open a new store. In order to sensitively meet the needs of the region, we have transitioned from a headquarters-centralized management method to a more store-oriented approach which allows stores to implement a variety of original measures. Within the hearts of our employees is their determination to become the store most loved and trusted by local customers. Improving products assortment and services, we are aiming to become the "No. 1 store in the region."

Competitive store format

- Large-scale stores—responding to the needs of three generations
- Medium-scale stores—store development that responds to the changes in market areas
- Small-scale stores—building profitable SM models

Always vitalize existing stores

- Increase tenant value
- Expanding sales data by customer

Community-based and store-initiated responses to customer needs

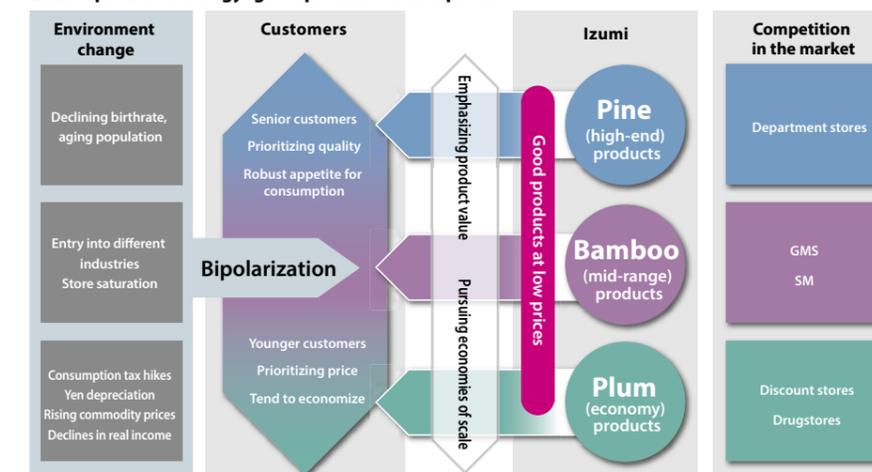
- Realize "good products at low prices"
- Information dissemination via social media

Net sales for existing stores year on year (%) From FY2009 onward

Fiscal year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Izumi (Non-consolidated)	95.3	100.1	101.2	100.1	102.7	101.8	101.4	101.5	99.2	99.4
Nationwide	95.8	98.1	99.1	97.2	100.2	99.1	101.3	98.8	99.6	99.2
Difference	-0.5	+2.0	+2.1	+2.9	+2.5	+2.7	+0.1	+2.7	-0.4	+0.2

Reference: Japan Chain Stores Association (full-year numbers have been calculated by Izumi)

Izumi's product strategy "good products at low prices"



HUMAN RESOURCE Employee motivation

Providing high efficiency and high wages, and assigning the right people to the right positions

- Reviewing the human resource development system in accordance with store networks
- Implementing a policy of equal pay for equal jobs

Work environment that is employee-friendly and where women can fully demonstrate their abilities

- Push forward with child rearing support
Certified as a "Child-Rearing Support Enterprise"

Incentive system according to the results

At Izumi, we organize a career plan and education system that emphasizes employee initiative as well as a results-based incentive system. According to each employee's goals and abilities, a career plan is developed and training courses suitable for progressing a given career plan are provided. Through education opportunities designed for specific goals such as training courses for female leaders and sessions for store managers, we also strive to nurture managers for the next generation. The Izumi Group has also set a goal of "raising the percentage of female managers to 20% or higher by 2020," by organizing a system where female employees can develop their careers while considering work-life balance.

We are setting course toward a growth strategy focused on profitability, as we “strive for Japan’s No.1 high quality regional GMS.”

Reflecting on Fiscal 2018

Reflecting on the external environment during fiscal 2018, while the Japanese economy maintained its moderate recovery, consumer confidence remained low due to such factors as a series of natural disasters and a decrease in disposable incomes due to rising prices. The Izumi Group was also affected by natural disasters as a total of three stores, one in Okayama Prefecture and two in Hiroshima Prefecture, were flooded during the torrential rain in July 2018. Of these, we decided to close youme Mart Yasuura (Kure City, Hiroshima Prefecture). Subsequently, whenever a natural disaster has occurred, such as the torrential rain in West Japan, the Group has made concerted efforts to support reconstruction efforts through relief activities in disaster-hit areas and the roll out of disaster relief fund-raising activities in our stores.



Conditions at youme Mart Yasuura on July 7th. Flooding was so severe that the flatbed for fresh produce was submerged.

Fiscal 2018 was also the first fiscal year of the three-year Medium-Term Management Plan, which we formulated in October 2017. We further strengthened the competitiveness of existing business and focused investment of management resources in growth sectors in accordance with the measures in the Medium-Term Management Plan, which has set a management vision to “strive for Japan’s No. 1 high quality regional GMS.”

In our mainstay retail operations, we pursued customer satisfaction by enhancing our added value proposal capabilities as a physical store. We expanded the territory of our competitive MD strategy which is “good products at low prices” and worked to strengthen our price strategy as a response to the deflationary mindset. In early spring, the situation remained sluggish continuously because products needed for those to start a new life as well as clothing and food were not sold well due to the impact of Moving Refugees (people prevented from moving to their new location at the desired time due to the lack of resource in moving agencies). However, the introduction of value-added food products such as “Kore Uma” and the launch of our “Support everyday life! Discount max. 340 items” campaign for commodities that consumers regularly buy paid off, and sales, primarily food, recovered from summer onwards, and demand for gifts, including summer gifts, also remained robust. Internally, we carried out organizational reform, and established the Future Creation Department to implement everything from sales promotions, customer service, and improvement of productivity in store operations through to digitization of information systems.

We promoted the acquisition of new card members of the “youmeika” store purchase card and credit cards. The total number

of “youmeika” cards issued increase from 6.84 million at the end of the previous fiscal year to 7.52 million. We will accelerate the transition from the mass marketing of the past to One to One marketing through such customer retention. If we increase the response in sales promotions, it will not only translate into cost reductions, but can also be expected to increase the accuracy of big data analysis by stimulating e-commerce.

Opening of two new large stores and revitalization of three large stores

In terms of store development, we renewed youme Town Tokushima (Itano County, Tokushima Prefecture) in April 2018, youme Town Yukahashi (Yukahashi City, Fukuoka Prefecture) in May, youme Town Tamba (Tamba City, Hyogo Prefecture) in October, all of which we had renovated, and the sales growth rate at all three stores increased. In August 2018, we took over management of two stores from the joint company Seiyu GK, which we opened as youme Town Kudamatsu (Kudamatsu City, Yamaguchi Prefecture) in October and youme Town Himeji (Himeji City, Hyogo Prefecture) in December, and sales remained robust.

At youme Town Kudamatsu, we worked on store design to satisfy three generations of customers while incorporating Kudamatsu’s regional characteristic of having a high birth rate even on the national level and as the only town in the prefecture with a rising population. In particular, the food court “Setokaze Food Terrace,” long-awaited in the area and established in February 2019, is the biggest in eastern Yamaguchi Prefecture with 500 seats and has won a reputation as a comfortable space for experiencing the nature of Setouchi with the themes of “liveliness,” “comfort,” and “warmth.” At youme Town Himeji, opened as the second youme Town in Hyogo Prefecture, we have dramatically increased the appeal of the “youme Town business model” through such means as introducing an array of popular specialty stores and a food court dedicated to taste and comfort with around 400 seats as well as a rest area where customers can relax. youme Town Himeji has got off to a very positive start being ranked in 5th place in *Diamond Chain Store’s STORE OF THE YEAR 2019* (Commercial Complex Category).



youme Town Kudamatsu

Conclusion of business alliance with Seven & i Holdings Co., Ltd.

During fiscal 2018, the conclusion of a business alliance with Seven & i Holdings Co., Ltd. was a major development on the alliance front. With a focus on more than 60,000 convenience stores that it operates in Japan and overseas, Seven & i Holdings offers diverse businesses that meet all kinds of customer needs, including GMSs, department stores, food supermarkets, and specialty stores in addition to financial and IT services. Through the business alliance with Seven and i Holdings, we expect that effective utilization of the management resources and know-how of both our companies will lead to improved operational efficiency and further expansion in earnings. Although Ito-Yokado Co., Ltd., one of the core companies in the Seven & i Group has the same business model as the Izumi Group, there is a geographically complementary relationship, and we expect we will be able to take many effective initiatives as we gain the advantages of scale and extend our dominance strategy. Through this business alliance, from October 2018, we already commenced the full-scale interchangeable use of the Izumi Group’s “youmeika” store purchase card and the Seven & i Group’s “nanaco” store purchase card in western Japan. We have taken over the operation of an Ito-Yokado shopping center in Fukuyama City, Hiroshima Prefecture and allowed a grand opening on June 29th, 2019 as youme Town Fukuyama. Moreover, we plan to begin handling “Seven Premium,” the private brand of the Seven & i Group starting from March 2020. From the customer’s perspective, it is confusing that there are many brands mixed up on the sales floor. We will use the business alliance as an opportunity to review our brand structure and will look into switching from “Kurashi More,” our current private brand, in the future. We will take advantage of the alliance to generate a variety of tangible and intangible results through wide-ranging initiatives to further enhance customer satisfaction.



Performance in fiscal 2018 achieved profit forecast but also reaffirmed challenges

Issues

- 1 Securing workers and emergence of skill shortages
- 2 Recovery of sales in retail operations
- 3 Further promotion of alliances

As a result of these efforts, operating revenue in fiscal 2018 was ¥7,321,000 million, up 0.3% year on year. While sales at existing stores were flat, sales increased due to the operation of stores that were newly established in fiscal 2017 and fiscal 2018. Operating profit declined 8.3% year on year to ¥35,200 million mainly due to an increase in personnel expenses and new store establishment costs, although efforts were made to control costs. The operating profit margin was down 0.4 percentage points year on year to 5.1%. Profit attributable to owners of parent also fell 12.8% year on year to ¥23,400 million due to the recording of extraordinary



First ANTIQUE (bakery/cafe) in Shikoku to open in youme Town Tokushima

losses, which included loss on valuation of investments in capital and loss on disaster and contribution to relief arising from the torrential rain in July 2018.

I feel that overall it has been a year when we struggled to respond to changes in the business environment although I am confident about the strengthening of our competitiveness as a result of implementing a variety of measures for the initial fiscal year of our Medium-Term Management Plan.

In terms of our business performance, we improved the gross profit ratio through cost reductions and efforts to control losses, and we achieved the forecast for operating profit. However, in our core retail operations, we missed our sales forecast due to sluggish sales, which is undesirable from the perspective of sustainability as a retail business with the impact spreading to retail-peripheral operations.

There are three major issues outstanding from fiscal 2018. One issue is securing workers and the skills shortages that have become apparent. Securing and developing human resources is a pressing management issue, due in part to the impact from the suspension of recruitment in the past. The second issue is the recovery of sales in our retail operations. In this area, we recognize that slowing sales in the apparel division are a problem at both directly-managed stores and specialty apparel stores. We must also strengthen our ability to respond to intensifying price competition. The third issue is promoting further alliances. In western Japan where the market area is large while the population is declining and aging, we expect to see many management integrations and capital and business alliances in the retail industry in the future. In promoting our dominant strategy, M&As offer a high return on investment, and it will be necessary to identify opportunities for opening stores while considering what is required of commercial facilities in each region.

Reviewing the Medium-Term Management Plan toward a growth strategy focused on profitability

Medium-Term Management Plan
(from fiscal year ending February 2018 to fiscal year ending February 2020)

Numerical targets
Operating revenue — ¥820,000 million
Operating profit margin — 5.4%
(Sales ratio)

Given our business performance in fiscal 2018, a decline in traction has become apparent, which also includes a slowdown in the growth rate at large stores in addition to sluggish sales at existing stores and lower year-on-year customer numbers. We also have a constant shortage of human resources due to personnel shortages and soaring personnel expenses, and we face issues such as rising construction costs when we open new stores, due in part to the hike in construction material prices. In order to respond to these accelerating changes in the business environment and achieve sustainable growth, we have revised our Medium-Term Management Plan with the aim of attaining our management vision, which is “strive for Japan’s No. 1 high quality

regional GMS.” We have decided on a major change in direction from our previous expansion strategy focused on store openings to a growth strategy focused on profitability.

We will reduce our store opening plan, which will drive our growth, from 40 stores to 15 stores in the three years from fiscal 2018. We will also lower the weight of new store openings in the investment ratio, and utilize M&As while actively opening GMS properties with high earning capability and carefully selecting SM properties that can increase customer satisfaction as the No.1 store in a region. We also revise the numerical targets for fiscal 2020, the final year of the Medium-Term Management Plan from ¥900,000 million in the initial plan to ¥820,000 million for operating revenue and from 6.0% to 5.4% for the operating profit margin. We have changed the initial numerical targets of ¥900,000 million for operating revenue and 6.0% for the operating profit margin into the targets to be achieved in fiscal 2022.

Outlook for Fiscal 2019

FY2019 Forecasts

Operating revenue	—	¥761,300 million	+4.0%
Operating profit	—	¥37,400 million	+6.0%
Ordinary profit	—	¥37,000 million	+5.4%
Profit*	—	¥22,700 million	(3.4%)

*Consolidated profit is profit attributable to owners of parent.

Looking ahead to fiscal 2019, in terms of the external environment, there are concerns that economic growth will increasingly stagnate with slowing growth in corporate earnings, which has underpinned it so far, due to a decline in exports against the background of slowdown in overseas economies. Also, an increase in the rate of the consumption tax to 10% is planned from October 1. Although it is thought that the impact of the increase in the rate of the consumption tax on households will be less than the increases in fiscal 1997 and fiscal 2014 because a package of measures will be taken by the government, the tough conditions in the household sector will be unchanged, and we expect personal consumption to remain weak. In addition, recruitment difficulties due to worker shortages and the decline in the profitability outlook for new store openings associated with



GMS stores (plan image)

soaring construction costs will continue to be major issues for the Izumi Group.

In terms of store expansion for fiscal 2019, we opened the whole of the previously mentioned youme Town Fukuyama in June 2019. Additionally, we opened new stores for our food supermarket business model, which are youme Mart Hita (Hita City, Oita Prefecture) and youme Mart Mitajiri (Hofu City, Yamaguchi Prefecture) in April, youme Mart Minami Onoda (Sanyo-Onoda City, Yamaguchi Prefecture) in May, and youme Mart Aoyama (Kitakyushu City, Fukuoka Prefecture) in July.

In fiscal 2019 we will make our best efforts for the success of the five new stores planned while working to the three issues outstanding from fiscal 2018.

With the unusual ten-day holiday accompanying the accession of the new emperor to the throne, the mood of celebration for the new era boosted consumption, and the events we held in each store were also successful. We will promote our response to changes in the environment, including adaptation to the consumption tax increase in the fall and preparation for an intensification in price competition.

We forecast that sales at existing stores in fiscal 2019 will be up 1.0% year on year. Our full-year business performance forecasts are ¥761,300 million, up 4.0% year on year, for operating revenue, ¥37,400 million, up 6.0% year on year, for operating profit, and ¥22,700 million, down 3.4% year on year, for profit attributable to owners of parent.



youme Mart Mitajiri



youme Mart Aoyama



youme Town Fukuyama

To Shareholders and Investors

In terms of dividends to shareholders this fiscal year, the interim and year-end dividend were both ¥40 per share, representing an increase of ¥5 in the annual dividend to ¥80, reflecting the strong business performance. Over the medium term, we aim to increase the consolidated dividend payout ratio from the current 24.4% to 30%, through an active dividend policy that is in line with profit growth.

Faced with an environment that includes a mature market and stiffening competition, we will work to steadily increase corporate value while creating unique added value. We will also continue contributing to the economy, employment, the environment, and culture as a community-based company. Thank you for your ongoing support.

山西泰明

Yasuaki Yamanishi

President and Representative Director
Izumi Co., Ltd.

Reviewing our medium-term management plan

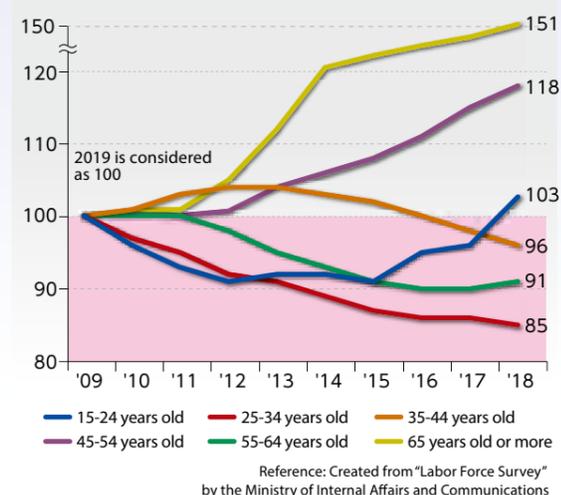
The Izumi Group started our medium-term management plan in February 2019 to aim for operating revenue of 900 billion yen in FY2020 and 1 trillion yen in FY2022. However, changes in consumer behavior, labor shortages, and a rise in construction costs have made it clear that profitability prospects for the opening of new stores will be low. In the midst of unexpected changes to our business environment, we decided to revise our medium-term management plan and our numerical targets so that they will conform to reality. Under the management vision of "striving for Japan's No. 1 high quality regional GMS" upheld in the medium-term management plan, we will all work together to promote our growth strategy focusing on profitability and aim to further improve the "youme" brand value.

Changes surrounding retail business (external factors)

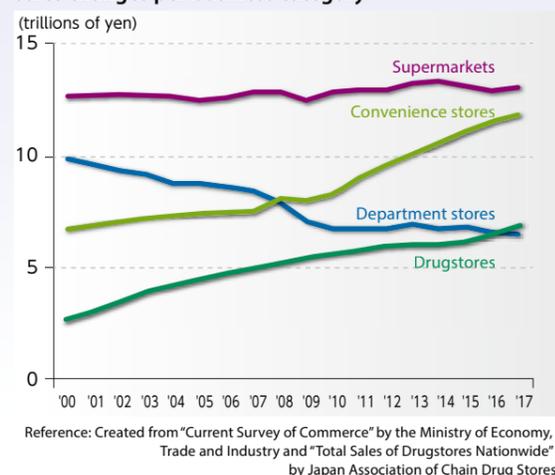
With the decline of birthrates accelerating and a growing population of elderly people, decrease in scale of the market due to declines in the population, decrease of labor population, increase in single-person households and working women, and concentration of population into large cities, the environment surrounding the business is changing with an unprecedented speed. Furthermore, with digitalization in the entire world, consumer behavior is drastically changing due to the changes in distribution channels such as E-commerce. Construction cost that affects our opening of new stores and reopening of remodeled stores is increasing due to the sharp rise in the cost of building materials and rising wages due to reduced workforce numbers; the market environment surrounding the Izumi Group is becoming more challenging than ever.

- Changes in consumer behavior**
Versatility in consumer expenditure/changes in distribution channels
Double income households/single-person households/
declining birthrate combined with growing population of elderly people/population concentration to big cities
- Decrease in domestic population**
Shrinking market size
Acceleration of aging of the populace
- Decrease in workforce**
Decrease of labor population due to aging society

Changes in workforce



Sales changes per business category



Situation of Izumi affected by the external environment (internal factors)

The Izumi Group has been promoting an expansion strategy with its core being opening new stores, such as planning to open 40 new stores in three years until FY2020. This is due to our projections that proactive and continuous opening of new stores (primarily supermarkets) would drive growth. However, the sales and traffic to the existing stores declined compared to the previous year, and concerns were raised about the sales and momentum of the large-scale stores. Furthermore, due to persistent labor shortages from a simple lack of labor population and rising wages, as well as increased construction costs, profitability prospect for new stores have decreased, forcing us to review our plan so that we can tackle these challenges. As a result, we have revised our expansion strategy from its core of opening new stores to a growth

strategy focusing on profitability to achieve our management vision of "striving for Japan's No. 1 high quality regional GMS."

- Stagnation of sales of existing stores**
Lower traffic than the previous year
Stagnation of sales in large-scale stores and slowing momentum was brought up as a concern
- Constant lack of workforce**
Simple lack of labor population and rise of wage
- Rise in construction cost**
Due to a rise in construction costs resulting from increased building materials costs as well as rising wages, profitability prospects for new stores will be expected to worsen

Summary of review of our medium-term management plan

At the beginning, key measures of our medium-term management plan were growth strategy, enhancement of competitive power, and development of human resources as pillars of Izumi. However, as we reviewed our plan, we decided to promote **1. growth strategy, 2. revitalization of existing stores, 3. enhancement of competitive power, 4. enhancement of human resources development, 5. expansion of digital investment** as key measures.

As for opening new stores that support our growth strategy, our current goal has been modified to the opening of 15 new stores in 3 years starting in FY2018. We will also carefully select the investment ratio while leveraging M&A.

As for the numerical target for the last fiscal year, 2020, we have lowered it from 900 billion yen to 820 billion yen. As such, operating profit margin has been revised from 6.0% to 5.4%. The original targets of 900 billion yen of operating revenue and 6.0% of operating profit margin have been set for FY2022 targets.

Transition from an expansion strategy to a growth strategy focusing on profitability

5 key measures

Please see the next page.

1 Growth strategy

2 Revitalization of existing stores

3 Enhancement of competitive power

4 Enhancement of human resources development

5 Expansion of digital investment



5 key measures

In the post-review medium-term management plan, we will promote 1. growth strategy, 2. revitalization of existing stores, 3. enhancement of competitive power, 4. enhancement of human resources development, 5. expansion of digital investment as key measures.

1 Growth strategy

The goal for new stores opened shall be 15 in three years by FY2020, and the target of our investment plan is an average of 20 billion yen per year including revitalization and M&A. As for new stores, while we plan to proactively open GMS that will improve profitability going forward, we will carefully select locations to open supermarkets, focusing on those that will be able to contribute to customer satisfaction and help achieve the goal of being the No. 1 store in the region. Concurrently, we will reorganize unprofitable stores.

As for transferred and succeeded stores, based on the premise of building a mutually beneficial relationship, we will promote partnership with leading companies in the area to revitalize these locations.



youme Town Himeji



youme Mart Minami-Onoda



GMS stores (plan image)



GMS interior (plan image)

2 Revitalization of existing stores

Existing large-scale stores have regularly been revitalized in order to improve their value; based on the uniquely successful cases of youme Town Saga, youme Town Hikari no Mori, youme Town Takamatsu, and others, we will begin increasing store space in 5 stores per year as part of a large-scale revitalization plan. Regarding medium-scale stores, we will promote revitalization that fits the needs of the community, and for the small-scale stores, we plan to establish a supermarket format that is deeply connected to the local community and efficient at the same time. With both medium-scale and small-scale stores, we plan to revitalize about 30 stores per year. We will continue to monitor customer feedback, which is essential to revitalization, and use this information to create stores with competitive power.



Akachan Honpo, popular among families with small children, to open in youme Town Saga



A dining area has been newly established in youme Town Tokushima

3 Enhancement of competitive power

We will continue to offer "good products at low prices." Through further quality improvement of fresh products and prepared food, we will offer products that differentiate us from our competitors, and enhance and expand deployment of high-quality products. Through store-oriented management, we will also enhance our selection of products that are deeply connected to local communities and respond quickly to local needs. We will also study the best features and practices of other companies and promote merchandising innovation in medium-scale/small-scale stores by working to implement these into our business model.



Pre-cut fruit for parties was sold during the year-end and new year; the product was well received



An array of super fresh fish coming straight from the market

4 Enhancement of human resources development

In order to provide our employees with chances to acquire various viewpoints and practical methods, we promote domestic and international workshops run by NITORI Co., Ltd. and training programs to go to advanced supermarket companies. In order to enhance the abilities of frontline personnel such as senior staff and part-time workers who handle operations in stores, we select a number of employees from each hierarchy to provide the opportunities to learn chain store theory. We will also keep developing training programs such as visitation tours to domestic companies for eligible employees.

As for human resources development for full-time employees, we plan to provide more opportunities for growth as well as to enhance OJT. Through implementation of "Permanent Home Area" full-time positions, we will provide a better work environment and greater job satisfaction.



Personnel who participated in the company-wide fresh product merchandising skills contest in the four divisions of meat packing, fresh fish, fresh produce, and prepared food



Workshop in the US where opinions data was gathered

5 Expansion of digital investment

We will transit from mass marketing as a driver of sales to targeted promotions by utilizing personalized purchasing information (big data). We will also add additional features to the "youme Town smartphone app," implement and expand our tablet-equipped intelligent carts "youme Pi!" and remodel our E-commerce websites to enhance digital marketing. Even within the company, we will promote digitalization that contributes to productivity such as workforce improvement activity systems and development of predictive supply ordering systems.



A "youme Pi" tablet-equipped intelligent cart powered by "Shopimo"



Review of operating results by segment

Maximize customer satisfaction by enhancing the ability to propose added value

Yuichiro Kajihara

Senior Managing Director,
Sales Division Manager



Retail operations

We have been pursuing customer satisfaction by enhancing the ability to propose added value as physical shops based on our code of conduct: "To be committed to customer service" in our core retail operations.

"July 2018 Heavy Rainfall" damaged some stores of our group in the affected area. Three stores (two in Hiroshima Prefecture, one in Okayama Prefecture) suffered from flooding. Two stores reopened in a short period, while one store closed. We provided support activities to assist the disaster area and rolled out fund-raising activities for disaster relief in 199 group stores except those affected three stores to carry out initiatives toward reconstruction.

In terms of products, we expanded the territory of MD strategy "good products at low price" by pursuing competitive product lines in both quality and price aspects, while promoting the creation of customer value through exploring the existing territory. In addition to delving into high quality as well as high value added product categories, price control was enhanced in order to wipe away the anxiety of consumers against the life in which deflation mindset has not been dispelled.

With regards to the stores, we acquired management rights of two stores from the joint company Seiyu and opened youme Town Kudamatsu (Kudamatsu City, Yamaguchi Prefecture) in October and youme Town Himeji (Himeji City, Hyogo Prefecture) in December. In addition, we newly opened three supermarkets, youme Mart Jono (Kokuraminami Ward, Kitakyushu City) in September, youme Mart Kume (Kita Ward, Okayama City), and youme Mart Kita (Takamatsu City, Kagawa Prefecture) as planned in November. We actively invested in existing stores and renewed youme Town Tokushima (Aizumi Town, Itano County, Tokushima Prefecture) in April and youme Town Yukuhashi (Yukuhashi City, Fukuoka Prefecture), and each store shows strong sales performance. In youme Town Tokushima, over 60% of fixed rent areas were renovated for the latest popular shops opened in Tokushima/Shikoku for the first time. We also enhanced food courts, restaurants, and coffee shops not only to improve the "food" function commonly demanded by three generations of family members but also to create comfortable spaces.

In addition, we concluded a business alliance with Seven & i Holdings Co., Ltd. as of April 5th 2018. Considering many

effective initiatives to obtain the advantage of scale economies and enhance regional dominance, discussions started to realize various effects in tangible and intangible forms.

Although such effort has been made, sales trends shifted weakly due to the main factors including persistent consumer reluctance from a deflationary sentiment and slow business because of bad weather. In early spring, the situation remained sluggish continuously because products needed for those to start a new life were not sold well due to the impact of Moving Refugees (people prevented from moving to their new location at the desired time due to the lack of resource in moving agencies). Meanwhile, we tried to develop value-added products in the food field such as "Kore Uma" to differentiate from competitors, and started "Support everyday life! Discount max. 340 items" campaign to discount mainly commodities that consumers regularly buy, starting in May. After summer, gift business including summer gift showed good sales performance, while the difficult situation continued due to the tendency to refrain non-essential consumption increasing after disasters and repeated typhoon attacks. Such circumstances persisted after the fall came. Although the temperature of the same period in the previous year dropped down, the climate of this year was mild, and the sales of seasonal products such as clothing showed under performance. During winter season, daily food products and plans for celebration including winter gifts of current popular specialties showed solid sales; on the other hand, bad fruit and vegetables market conditions resulted in the lower sales price. As a result, our sales of existing stores in this fiscal year went down 0.6% from the same term last year.

On the subject of costs, we have continuously aspired to reduce costs and control losses in the purchasing of merchandise to improve the gross profit rate. With regard to selling as well as general and administrative expenses (SG&A), although efforts were made to control costs, expenses increased due to the increase of new store establishment costs and human resources costs during this fiscal year.

As a result, operating revenue of this segment rose to ¥712,410 million (up 0.3% year on year), while operating profit dropped to ¥30,224 million (down 9.5% year on year).

Retail-peripheral operations

In our retail-peripheral operation, we promoted the greater use of "youmeika" store purchase card and the use of credit cards for shopping. We acquired new card members and expanded handling at external affiliated stores including tenants at youme Town, our main retail business stores. As a result, the cumulative number of "youmeika" issued rose from 6.84 million at the end of previous year to 7.52 million at the end of this fiscal year, which further advanced the Group's card strategy. In October, mutual use service between youmeika and nanaco commenced at our 193 Group stores (as of the end of September 2018) and 4,087 Seven-Eleven stores (as of the end of September 2018) in West Japan area (12 prefectures) where the Group rolls out business operation. We improved the frequency of use by enhancing customers' convenience, collected and mutually sent customers, and improved the productivity at check-out operations.

As a result, operating revenue of the segment was ¥96,924 million (down 1.9% year on year), and operating profit came in at ¥4,183 million (down 4.2% year on year).

Other

In our wholesale operations, profits improved as the sales performance was solid and we continued to reduce the merchandise purchase price. In our real estate operations, we generated stable rental income.

As a result, operating revenue for the segment was ¥5,332 million (up 1.1% year on year), while operating income came in at ¥1,086 million (down 3.3% year on year).

	Operating revenue			Operating profit		
	February 2019			February 2019		
	Result	Breakdown	YoY	Result	Breakdown	YoY
	(millions of yen)			(millions of yen)		
Retail operations	712,410	97.3%	100.3%	30,224	85.7%	90.5%
Retail-peripheral operations	96,924	13.2%	98.1%	4,183	11.9%	95.8%
Others/Adjustment	(77,197)	(10.5%)	—	866	2.5%	—
Consolidated total	732,136	100.0%	100.3%	35,273	100.0%	91.7%
Retail operations (Condition of main companies)*1						
IZUMI CO., LTD.	686,991	93.8%	100.5%	29,141	82.6%	91.0%
Yume Mart Co., Ltd.*2	27,674	3.8%	98.9%	763	2.2%	77.5%
Super Daiei Co., Ltd.*2	15,912	2.2%	93.9%	328	0.9%	58.9%
YOURS Co., Ltd.	39,486	5.4%	96.1%	649	1.8%	98.7%
Retail-peripheral operations (Condition of main companies)*1						
YOU-ME CARD.CO., LTD.	9,132	1.2%	105.2%	1,790	5.1%	94.1%
IZUMI TECHNO CO., LTD.	13,180	1.8%	100.6%	1,488	4.2%	104.1%
IZUMI FOOD SERVICE CO., LTD.	5,779	0.8%	100.3%	286	0.8%	86.2%

*1 The operating profit of each company includes depreciation of goodwill.

*2 As of March 1st 2019, Yume Mart Co., Ltd. and Super Daiei Co., Ltd. changed the trade name to youme Mart Kumamoto Co., Ltd. and youme Mart Kitakyushu Co., Ltd., respectively.

Operating results by segment

Three main business platforms driving the growth of the retail operations

Shopping Centers (SC) **youme Town**

youme Town are large-format shopping centers that target customers across a wide suburban area, aiming to create a space where three generations of family members will visit and enjoy their day. It consists of stores directly owned and operated by Izumi with the latest popular tenants that support the fashion needs, providing a variety of products, services, and times. Furthermore, we also create stores so that each individual store meets the needs and characteristics of the area.



youme Town Himeji (Himeji City, Hyogo Prefecture) food court



youme Town Tokushima (Aizumi Town, Tokushima Prefecture) renewed in April 2018

Creating new experiences through the business platform of a new kind of shopping center, LECT



LECT (Nishi ward, Hiroshima City) opened in April 2017



A variety of event including story time is held.

A new business platform LECT proposes "time" to enjoy food and culture in addition to shopping. The facility holds more than 2,000 events in one year to provide the "opportunities of encounter" to broaden people's interest.

Food supermarkets (SM) **youme Mart**

Our youme Mart brand of supermarkets aims to create a familiar and convenient shopping experience for those living near the store. We carry everyday essentials including clothing and general goods, with a focus on foods. The product lineup of these stores is closely in tune with regional tastes. As Japan is facing an aging population, this retail brand emphasizes "close connections with people's daily lives."



youme Mart Kita (Takamatsu City, Kagawa Prefecture) fresh produce section

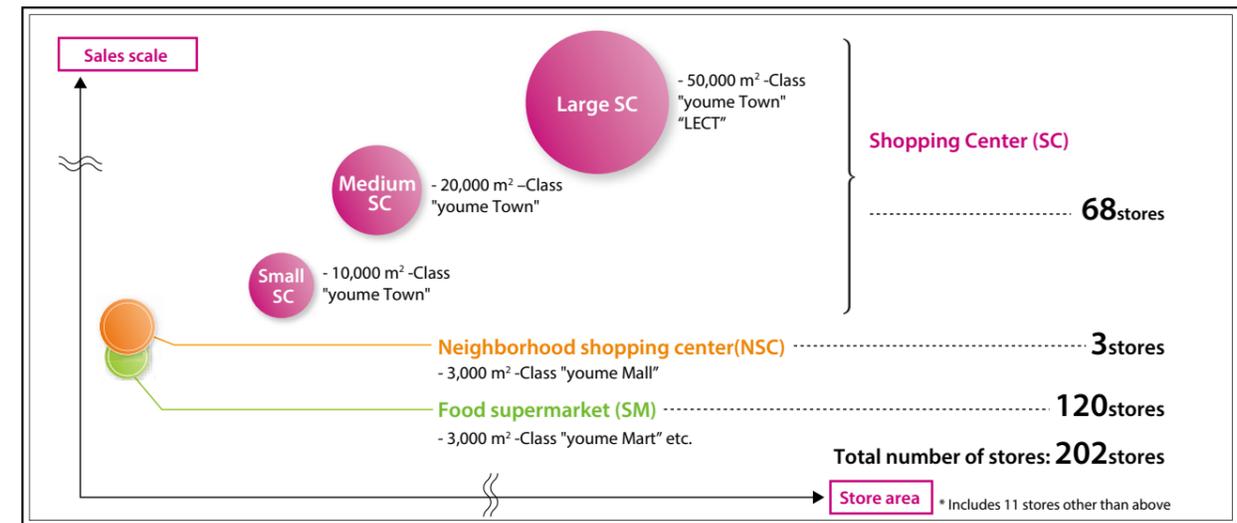
Neighborhood shopping center (NSC) **youme Mall**

Our youme Mall brand of shopping malls are located on large sites with parking lots and 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 like "they can get anything" on their shopping list.



youme Mall Shimonoseki (Shimonoseki City, Yamaguchi Prefecture)

Izumi Group's various shop formats



(As of February 28, 2019)

Improved earnings from subsidiaries contributing to the Group's growth

Retail operations

Food supermarkets (SM) **youme Mart Kumamoto Co., Ltd.** Former name: Yume Mart Co., Ltd.

youme Mart Kumamoto Co., Ltd. has opened and been managing 24 "youme Mart" supermarkets with close ties to the local community in Kumamoto Prefecture. These shops specially promote local specialties.

Food supermarkets (SM) **youme Mart Kitakyushu Co., Ltd.** Former name: Super Daiei Co., Ltd.

Merging stores transferred from YOURS Co., Ltd., youme Mart Kitakyushu Co., Ltd. has been managing 33 "youme Mart" supermarkets in Fukuoka, Oita, and Yamaguchi Prefecture.

Food supermarkets (SM) **YOURS Co., Ltd.**

YOURS Co., Ltd. transferred stores in Fukuoka and Yamaguchi Prefectures, and has been operating 26 stores in Hiroshima and Okayama Prefectures. We concentrate the operation area to improve efficiency.

Retail-peripheral operations

Credit card operations **YOU-ME CARD.CO., LTD.**

In addition to credit card and e-money operations, YOU-ME CARD.CO., LTD. also has travel agent and life insurance agent operations, working to provide rich lifestyle.

Facility management, construction, designated management operation **IZUMI TECHNO CO., LTD.**

IZUMI TECHNO CO., LTD. is responsible for facility management and construction focusing on Izumi Group stores. We also handle designated management operations and provide full support for management of a variety of facilities.

Restaurant operations **IZUMI FOOD SERVICE CO., LTD.**

IZUMI FOOD SERVICE CO., LTD. has been developing a range of restaurant operations, including Okonomiyaki pancakes, ice cream, and Chinese food. We are creating new value propositions in food.

* As of March 1st 2019, Yume Mart Co., Ltd. and Super Daiei Co., Ltd. changed the trade name to youme Mart Kumamoto Co., Ltd. and youme Mart Kitakyushu Co., Ltd., respectively.

* As of March 1st 2019, the number of stores after transferred from YOURS Co., Ltd. to youme Mart Kitakyushu Co., Ltd. is described.

Current term's topics

Conclusion of business alliance with Seven & i Holdings Co., Ltd.

Succession of Ito Yokado Fukuyama completed and interoperability of store purchase cards achieved

In April 2018, we signed a business collaboration agreement with Seven & i Holdings Co., Ltd. and succeeded the operation of their Ito Yokado Fukuyama. We are also considering integration of purchasing, joint procurement of import goods, local goods, etc., and joint establishment and operation of stores in West Japan. In October 2018, we began accepting Seven-Eleven's store purchase card "nanaco" in youme Town and youme Mart, and our store purchase card "youmeika" became accepted in Seven-Eleven stores. In March 2020, we plan to carry their "Seven Premium" private label goods in our stores, combining our strengths to increase both of our corporate values.



youme Town

youme Town Kudamatsu

Popular store loved for 25 years has been reborn and refreshed!

A new key tenant, "youme Town Kudamatsu," opened for business in October 2018 in Kudamatsu City, Yamaguchi Prefecture. This location is a remodeled store of "The Mall Shunan" by Seiyu, which had been loved by the local community for 25 years. The store has been renovated to a "circuit-type" mall so that customers may visit directly managed shops and regular shops without hassle. Furthermore, a long-awaited food court "Setokaze Food Terrace" opened in February 2019; "youme Town Kudamatsu" has expanded its appeal and rebooted.



youme Town Himeji

The all-new and reborn "youme Town Himeji"!

In December 2018, "youme Town Himeji" opened in an excellent location slightly off of Route 2, approximately 3km northwest from JR Himeji Station. This store used to be "The Mall Himeji" by Seiyu, renewed by Izumi with a concept intended to create a "cozy and comfortable" shopping experience. It was highly acclaimed in a specialty magazine of the distribution industry, providing new value to the local community.



youme Mart

youme Mart Kume

In November 2018, "youme Mart Kume" opened in an excellent location along the main road that connects the center of Okayama City and Kurashiki City. All convenient features of everyday life are consolidated in this compact store, providing one-stop shopping.



youme Mart Kita

In November 2018, "youme Mart Kita" opened in a convenient location along Route 11, an arterial road of Shikoku. As the first youme Mart store in Shikoku area, it will lead the way in our dominant strategy in Shikoku.

youme Mart Jono

In September 2018, "youme Mart Jono" opened across the plaza from the South Exit of JR Jono Station in Fukuoka Prefecture. Since then, it has served as a convenient one-stop supermarket which offers various goods and services such as groceries, medications, daily necessities, and even a dining area.

Next term

Growth strategy Opening a store in transferred property

youme Town Fukuyama

In June 2019, Popular store loved for 20 years has passed the baton to us for a reboot!



Revitalization of existing stores Measures in our medium-term management plan

youme Town Hikari no Mori

Remodeled and reopened little by little since March 2019. Aiming for greater appeal and value so that your shopping will be enjoyable and rewarding!



youme Town Takamatsu

Remodeled and reopened in November 2019. Aiming for a store reboot that will make shopping the most joyful experience for our customers in all of Shikoku!



Growth strategy New stores strategy

youme Mart Hita

Opened in April 2019. The first youme Mart to open in Oita Prefecture!



youme Mart Mitajiri

Opened in April 2019. Opened in an area in Hofu City with the best access to transportation!



youme Mart Minami-Onoda

Opened in May 2019. 14th store in Yamaguchi Prefecture and driving our dominant strategy!



youme Mart Aoyama

Opened in July 2019. Opened in a quiet residential area in Kitakyushu City with convenient traffic access!



Izumi's CSR Management

In order to fulfill our social responsibility as a corporation, we adhere to the CSR guidelines and raise awareness in our employees. The Izumi Group set "The Izumi Group Charter of Conduct" so that our employees perform their daily tasks while adhering to applicable laws and regulations, and we all learn the Charter with the Compliance and Risk Management Committee leading the way. We also set the "Izumi Privacy Policy" in order to protect our customers' valuable personal information gained through our operations, and both our employees and partner companies strive to adhere to this common policy. In order to share our environmental effort among our employees in the Group, we have established an "Environmental Philosophy" and "Environmental Policy" to learn and act upon them in our daily operation. We only disclose non-financial information when appropriate and in a responsible manner with ESG (environmental, social, and corporate governance) as a core principle.



Basic policy for fulfilling social Responsibility

- 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 No.1 regional store.
- 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.
- 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 our 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.

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.

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.



A seminar on compliance is being held

CSR Activities



Renovating equipment to conserve energy



youme Town Hatsukaichi is the first store in the company to implement rooftop solar power generation. We have installed panels that can generate electricity sufficient to support one small-sized supermarket. We also take numerous measures to conserve energy such as using eco-friendly inverter systems for refrigerated and frozen show cases and LED lights for in-store lighting.

youme Town Hatsukaichi
Solar panel placement area

Approximately 2,900m²



Solar panels have been placed on a section of the rooftop parking lot at youme Town Hatsukaichi

Turning food waste into fertilizer and fuel



In the food division of each store, we separate and manage food waste such as fish waste, waste oil, vegetable waste, etc., and succeeded in recycling 44.2% (3,445t) of this waste in FY2018. Food waste from our stores are sent to specialized companies and turned into fertilizer, etc. Part of the waste oil is processed into biodiesel at FUCHIGAMI Co., Ltd. in Fukuoka Prefecture.

Food waste regenerated as a resource

3,445t



FUCHIGAMI Co., Ltd. contracted for recycling waste oil

Saving natural resources through recycling



We place recycling receptacles for milk cartons, plastic trays for food, plastic bottles, aluminum cans, etc. in our stores all over Japan. We have also introduced used paper collection stations called "Ecoste" in 70 stores (as of May 2019). Depending on the weight of newspaper and magazines returned, points that can be used for shopping are awarded.

Store with an "Ecoste" used paper collection station

70 stores



"Ecoste" that accepts used paper on demand

Newly established full-time employment program that promises no relocation

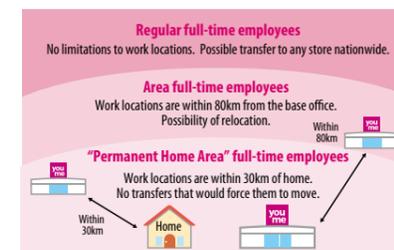


We have introduced "Permanent Home Area" full-time employment so that our employees can choose how to work depending on their lifestyle. This is a full-time employment system with no transfers that might force an employee to move. The welcoming ceremony was held on October 16th, 2018 at Izumi's head office, with 33 new recruits and 27 employees transitioning from part-time status in attendance. Appointment letters have been issued to these eager new full-time employees.

The first group of full-time employees in the "Permanent Home Area" program

60 people

Three classifications for full-time employees

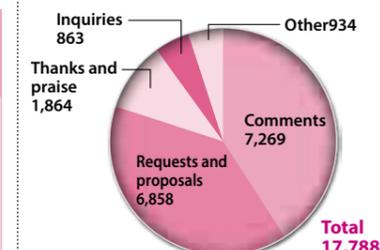


Utilizing customer feedback



We seriously take comments we receive from "customer feedback" forms and calls to the "Customer Service Division" at our head office, utilizing them to improve our operations and services. The members of "Customer Feedback Project" at our head office aggregate customers' comments and opinions. We swiftly respond to their inquiries as well. In the back room of each store, customer feedback is posted. Customer requests are shared by our employees, and we search for the best response together to make our stores even better.

Annual customer feedback results for stores for FY2018



Preventing illness with collecting health points



On March 15th, 2019, in multiple youme Town stores and LECT in Hiroshima City and Hatsukaichi City, we started "Wellness Points," a point system focused on health. This is a system created by MITSUI & CO., LTD. and IBM Japan, Ltd., in which you are given points when purchasing eligible health-conscious items. We aim to promote choices of healthy products when purchasing items as well as allowing the use of points to help pay for pharmacy purchases and gym costs, with the goal of helping to prevent lifestyle diseases.



Points are given when purchasing health-conscious items

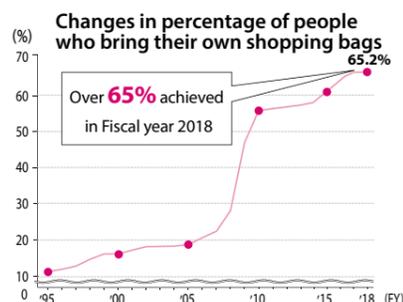
Steadily reducing the use of plastic bags and wrapping paper



Izumi has been cooperating with local governments and civil service groups to work toward the reduction of plastic bag usage for over 20 years. The ratio of customers bringing their own shopping bags has now reached over 60%. At the gift counters, we ask for customers' cooperation on eco-friendly wrapping that reduces the use of gift wrapping paper, and we have the cooperation of over 70% of customers.

Eco wrapping of gifts

74.6% in summer, 76.1% in winter



Efforts to support restoration after heavy rain disaster



10 stores have been flooded and inoperable from the heavy rains in July 2018, but in order to serve the needs of their communities, 7 stores resumed operation on the afternoon of the same day. In addition to support activities such as in-store fundraising and restoration funds donations from the founding families of Izumi and Izumi, we have been engaging in disaster-prevention measures such as amending our business continuity plan (BCP).

Total funds raised from customers, Izumi, and founding families

¥915,234,918



youme Town Hirajima after flooding of its premises

Contributing to revitalization by cooperating with the local government



At Izumi, where our store management is deeply connected to our local communities, we put great importance on cooperation with local governments. We have developed comprehensive regional revitalization cooperative arrangements with the purpose of industrial development and disaster-response measures. On the occasion of an earthquake in Kumamoto in 2016, the arrangements we established with Kumamoto Prefecture and Kumamoto City functioned well, resulting in our ability to promptly provide water and food.

Arrangements for regional revitalization and disaster-response established

51



Governor Tsugumasa Muraoka of Yamaguchi Prefecture (right) and Izumi's President, Yamanishi

Promoting success of female employees

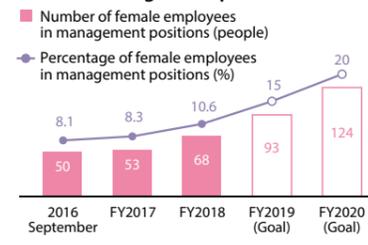


Izumi launched the "youme Can Project" (Female Leader Development Project) in 2014 in order to increase the proportion of female in management positions to over 20% by 2020. We have expanded childcare leave, shorter work hours for employees with children, nursing care leave, etc. depending on employee needs. Izumi has established a system where female employees can safely come back to work after childcare leave.

Target female managers rate at Izumi by 2020

Over 20%

Increase in female employees holding management positions



Promoting food safety within the organization



In order to ensure the safety and security of food, it is absolutely crucial to display accurate area of origin and expiration date information. At Izumi, food quality checkers educated by an external quasi-official organization (Japan Food Inspection Corporation) are deployed to all stores and check for quality, freshness, and area of origin information at 11a.m. and 3p.m. every day. We also regularly hold product display training sessions for those in management positions. We take steps to ensure that all employees are aware of proper food safety procedures and are prepared for the responsibility of maintaining food safety across the entire organization.



Food quality checker performing inspection

Creating equitable relationships through seminars



Izumi places great importance on having equitable relationships with partner companies. We hold a "Fair-trade Seminar" twice a year for management personnel. At these seminars, comprehensive lectures on applicable laws and regulations such as the Anti-Monopoly Act and Subcontract Act are given. Each attendee takes the subject matter seriously and makes a concerted effort to adhere to the laws and regulations. We have also placed a feedback submission box at our head office so that our partner companies can give us their honest opinions and comments on anything from feedback regarding business conversations, negotiations, to the etiquette of our employees.



We learn the Anti-Monopoly Act, Subcontract Act, etc.

Corporate Governance

Basic approach

By maximizing corporate value through achieving customer satisfaction, we meet the expectations of shareholders, suppliers, employees and other stakeholders. At the same time, we will fulfill our social responsibility as we hold ourselves to high moral standards and contribute to local community. Based on this philosophy, we view the improvement of our management structure and other systems and the enhancement of management transparency and fairness as one of the priority issues. 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 the functions such as the execution of business, audit and supervision, nomination and decision of remuneration

▶ Corporate Governance System

The Company has seven directors (two of whom are outside directors) with the term limits of two years in order to maintain business execution transparency and to clarify where management responsibilities lie. As a rule, the Board of Directors meeting is held once a month to have a full discussion and to supervise the performance of duties by the director. From the seven directors, one President and Representative Director is selected and six executive officers are elected for the execution of business. Each week, the directors and executive officers hold a management meeting to report and exchange opinions on the measures for the management policies. The Presidents of the Group companies are summoned for the monthly Review Meeting for Consolidated Subsidiaries and Results Brainstorming Meeting for the review of their business conditions.

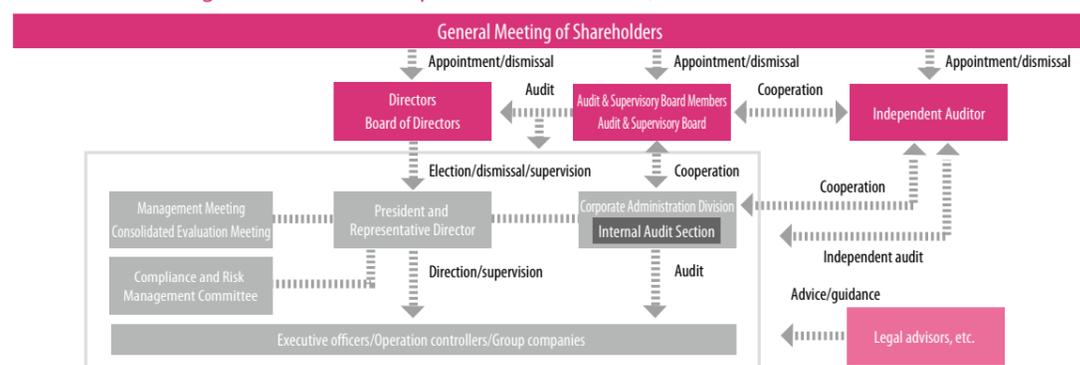
The Company has adopted an Audit & Supervisory Board system, with three members (two of whom are outside members). The members supervise the decisions of the Board of Directors and the execution of business, while the directors seek members' objective opinions on proposals made at the meeting of the Board of Directors. In addition, five legal advisors offer advice and guidance to provide an appropriate and efficient oversight function. The Company believes the above corporate governance is functioning effectively, and that both an efficient business execution and an effective management oversight function are in place along with the internal control system and compliance risk management system described below. In addition, we appoint human resources with abundant experience and a wide range of knowledge as outside directors to improve the management objectiveness and transparency from an independent viewpoint.

▶ Internal Audit and Audit by Audit & Supervisory Board

The Company's internal audit function is bolstered by an Internal Audit Section, which is staffed by eight people and operates from within the Corporate Administration Division, independent of other divisions. Based on the yearly audit plan, the Internal Audit Section monitors whether or not business is being conducted appropriately and effectively, offers advice and guidance to the departments within the Head Office, the store network and the Group companies, and reports the results of these 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, 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 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, and the Audit & Supervisory Board members, the independent auditor and the Internal Audit Section work together to regularly visit the stores for (on-site) audits to share information. In this way, the situation of the internal controls and of accounting audits can be tracked and the reports of the independent auditor on the results of accounting audits are submitted at the meetings of Audit & Supervisory Board. In addition, two people are appointed to support the Audit & Supervisory Board members, in order to further strengthen the audit function (the supporting members hold another positions as well).

Organizational chart of performance of duties, audit and internal control



Our Response to the Corporate Governance Code

▶ Reasons for not complying each of the principles of the Corporate Governance Code

Supplementary Principle 1.2.4 Digital exercise of voting rights and English translation of the convocation notices for General Meeting of Shareholders

Although the Company does not currently offer digital exercise of voting rights and English translations of the notices of General Meeting of Shareholders, we will consider introduction.

Supplementary Principle 4.2.1 Setting appropriate percentages of performance-based remuneration and share-based remuneration

Executive remuneration basically consists of fixed remuneration that takes into consideration the degree of contribution to the business execution and the Company made by that person and single-year performance-based remuneration within the limit resolved by the General Meeting of Shareholders, and there is not any share-based remuneration. Executive remuneration based on evaluation is under consideration. According to a draft, an optional appointment/remuneration committee (being established by the first half year of 2019) will discuss setting evaluation criteria. Medium to long-term performance-based remuneration has not been adopted, which will be discussed in the optional appointment/remuneration committee being established as well.

Supplementary Principle 4.10.1 Utilizing optional mechanism

Important items such as the appointment of upper management/directors and remuneration of them are decided by the Board of Directors after an advance review by a committee that includes independent outside directors. The optional appointment/remuneration committee which is developed from the current meeting will be established by the first half year of 2019 in order to enhance the independence and objectiveness of the Board of Director function. Currently how to operate the committee for its establishment is under review.

▶ Disclosures based on the principles of the Corporate Governance Code

Principle 1.4 Cross-Shareholdings

The Company may hold cross-shareholdings in some cases to facilitate its business activities and to strengthen trading relationships. However, as the basic rule, the Company's policy is not to hold cross-shareholdings and the shares currently held will be reduced gradually. The shares held, if any, will be reviewed as necessary while taking into consideration the impact on the Company's corporate value from the perspective of medium to long-term plan by the Board of Director and the result of review will be disclosed. The voting rights for shares held are exercised based on a comprehensive judgment on whether the proposal will contribute to that company's sustainable growth or medium to long-term improvements in corporate value and whether the proposal could damage shareholder value.

Principle 1.7 Related party transaction

When related party transactions are conducted, the Board of Directors conducts a close inspection of the details of the transaction based on the Board of Directors Regulations. Buying or selling of the Company's shares, buying, selling or leasing of the Company's real estate and loan guarantees for bank loans, etc. between the Company and directors require approval from

the Board of Directors. In addition, resolutions are made on such proposals after exclusion of executives involved in such transactions from the quorum. These transactions are disclosed in accordance with regulations such as the Companies Act and accounting standards regarding disclosures of related parties.

Principle 2.6 Fulfilling the function as the asset owner of corporate pension

The Company has neither an employees' pension fund nor a Defined-Benefit Corporate Pension Plan scheme. The Company adopt a corporate-type Defined Contribution Pension Plan scheme to build retirement fund. In order to build asset for employees stably, the Company provides employee education regarding asset management of Defined-Benefit Corporate Pension.

Principle 3.1 Full Disclosure

(i) The aims (management philosophy, etc.), management strategies, and management plans of the company

The Company aims to "create new communities that offer excitement and inspiration" together with stakeholders based on the corporate philosophy of being No. 1 in customer satisfaction, being a company with an exciting future, and being a company worth working for. Our strategy is to actively open new community-focused stores and work in harmony with local companies in the West Japan area. Through these measures, we aim to establish a regional dominance, contribute to the revitalization and economic development of regions, and grow and evolve together with local communities.

In addition, a medium-term management plan ending in FY2020 was formulated in October 2017. However, we determined that the worsening situation of the initial fiscal year would persist, and so we announced the review of our medium-term management plan in April 2019. For more details, please refer to the medium-term management plan (April 9th, 2019) on our website.

■ Medium-Term Management Plan

<https://www.izumi.co.jp/corp/ir/pdf/2019/chuki.pdf>

(ii) Basic stance and basic policy towards corporate governance

By maximizing corporate value and achieving customer satisfaction, we will meet the expectations of stakeholders. At the same time, we will fulfill our social responsibility as we hold ourselves to high moral standards and contribute to local community. Based on this philosophy, we view the improvement of our management structure and other systems and the enhancement of management transparency and fairness one of the priority issues. 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.

(iii) Policy and procedure for the Board of Directors to refer to decide on remuneration for upper management and directors

The limit for executive remuneration is set at 500 million yen by a resolution made at the General Meeting of Shareholders. The specific remuneration amount for individual executives consists of fixed remuneration that takes into consideration the degree of contribution to business performance and the Company made by that executive and performance-based remuneration that reflects single-year performance that is decided on by the Board of Directors after an advance review by a committee that includes independent outside directors, within the limit resolved by the General Meeting of Shareholders.

Corporate Governance

(iv) Policy and procedure for electing/dismissing senior management and designating candidates for directors and the Audit & Supervisory Board members by the Board of Directors

For senior management (including CEO) and candidates for internal directors, people who have abundant work experience and knowledge and excellent leadership, and are capable of performing their duties in order to maximize the Company's corporate value with high levels of ethical standards and awareness of compliance are appointed or nominated based on the keywords of innovation, challenge and speed, subject to decisions after sufficient consideration by the Board of Directors after an advance review by a committee that includes independent outside directors. In addition, for CEO, we make effort to develop successors with the diversity of perspectives and special knowledge in order to appoint a person who has the proper quality as our leader.

For candidates for outside directors, people with a high level of knowledge and abundant experience in different areas of expertise who are capable of actively making proposals and participating in free and open discussions from a neutral and objective perspective, including comments on risks related to new store investments that are essential for the Company's growth strategy are nominated, subject to decisions after sufficient consideration by the Board of Directors after an advance review by a committee that includes independent outside directors. For candidates for Audit & Supervisory Board members, people with specialized experience and knowledge who are capable of fair audits from a neutral and objective perspective are nominated, subject to a final decision by the Board of Directors after an advance review by a committee that includes independent outside directors and approval from the Audit & Supervisory Board. Note that the nomination of candidates for independent outside directors and independent outside Audit & Supervisory Board members is decided on in consideration of judgment criteria prescribed by the Tokyo Stock Exchange that ensure the independent executives.

For dismissal of senior management (including CEO), an individual is no longer able to fulfill the above-mentioned essential conditions for senior management, or is objectively judged that the one significantly deteriorated Izumi's corporate value by failing to comply with regulation or the like, subject to decisions after sufficient consideration by the Board of Directors after an advance review by a committee that includes independent outside directors. The optional assignment/remuneration committee which is an developed form of the current meeting will be established by the first half year of 2019, in which this subject will be discussed.

(v) Explanations of individual election and dismissal when the Board of Directors appoints upper management and designates candidates for directors and Audit & Supervisory Board members

The reason for appointing senior management (including CEO) and designating candidates for directors and the Audit & Supervisory Board members is disclosed in the convocation notice for the General Meeting of Shareholders. The dismissal of senior management (including CEO) has not occurred, so there is no disclosure.

Supplemental Principle 4.1.1 Clarification of the scope of delegation to management

The Board of Directors makes decisions on important matters related to corporate operations, including matters prescribed in laws and regulations and the articles of incorporation, as well as personnel, structural reform, systems related to labor management, fixed assets, shares, long-term financing, investing, shareholders' equity, and affiliates based on the Board of Directors Regulations. The scope of delegation to management by the Board of Directors is the performance of business besides matters that are at the sole

discretion of the Board of Directors, and the details are prescribed in the Job Authority Regulations and Regulations on the Exercise of Duties.

Principle 4.8 Effective utilization of independent outside Directors
Two independent outside directors have been appointed in order to ensure the transparency of management and strengthen the oversight function. Although currently the ratio of independent outside directors to directors overall is less than one-thirds, we believe that independent outside directors are functioning sufficiently. We will consider increasing the number of outside directors in the future for further enhancement of this function.

Principle 4.9 Independence judgment standards for independent outside directors and the qualities of independent outside directors

In consideration of the independence standards prescribed by the independent outside directors, because it has been confirmed that these parties are not major business partners or business-executing employees of such a major business partner of the Company or its subsidiaries, they have an objective positions independent from the management team, and there are no risks of conflicts of interest with general shareholders, they are judged to be independent.

Supplementary Principle 4.11.1 Stance towards the overall balance, diversity, and scale of the Board of Directors

The Company's Board of Directors is composed of seven directors, including two independent outside directors. For the appointment of internal directors, people with a high sense of ethics and awareness of compliance who are capable of performing their duties in order to maximize the Company's corporate value are appointed based on the keywords of innovation, taking on challenges, and speed and the standards of abundant work experience and knowledge and excellent leadership, subject to decisions after sufficient consideration by the Board of Directors. In addition, for the appointment of outside directors, people with a high level of knowledge and abundant experience in differing areas of expertise who are capable of actively making proposals and participating in free and open discussions from a neutral and objective perspective, including comments on risks related to new store investments that are essential for the Company's growth strategy are appointed, subject to decisions after sufficient consideration by the Board of Directors. We believe that this enables the Board of Directors to conducting prompt and appropriate decision-making and equips it with a supervisory and advisory function over business execution from an independent viewpoint and a structure in which knowledge, experience, capabilities, etc. based on a variety of backgrounds can be used in management.

Supplementary Principle 4.11.2 Concurrent positions by directors and Audit & Supervisory Board members

The status of significant concurrent positions by directors and Audit & Supervisory Board members is disclosed in the business report and the convocation notice for the General Meeting of Shareholders. When electing candidates for directors and Audit & Supervisory Board members, consideration is given to whether the candidate has concurrent positions as an executive at no more than three companies other than the Company.

Supplementary Principle 4.11.3 Analysis and evaluation of effectiveness of the Board of Directors

A questionnaire on all directors and Audit & Supervisory Board members is conducted by the Board of Directors to conduct an analysis and evaluation of the overall effectiveness of the Board of Directors, and discussions are held at the Board of Directors on the evaluation of effectiveness as follows based on the results concerning matters such as the structure of the Board of Directors, matters

for discussion by the Board of Directors, the management of the Board of Directors, and the support status for the issues found from the survey conducted in the previous year.

(1) Implementation timing of the evaluation of effectiveness of the Board of Directors

July 2018: Implementation of a questionnaire to evaluate the effectiveness of the board of directors

August 2018: Report on the results of the questionnaire and sharing of issues with the Board of Directors

September and October 2018: Discussions on issues at the Board of Directors

(2) Overview of the results of analysis and assessment

It was confirmed that the Company's Board of Directors engages in lively debate on important matters and the effectiveness has been appropriately secured for the decision-making process overall. On the other hands, there were also points that should be recognized as important issues that should be discussed in the future, particularly increasing the number of outside directors, promotion of female directors, reviewing the duties of executive directors, the development plan for successors, establishment of appointment and remuneration committee and the progress review of our medium-term management plan.

(3) Future issues and response to these issues

We will work to improve the issues related to the effectiveness of the Board of Directors through further discussions.

Supplementary Principle 4.14.2 Training policy for directors and Audit & Supervisory Board members

Training with experts concerning legal affairs, etc. training with external instructors concerning leadership and management strategy, etc., and study sessions, etc. concerning growth strategy are regularly held for directors. In addition, internal directors work to improve themselves day to day through exchanges with industry organization such as the Japan Chain Stores Association and the Japan Supermarkets Association, discussions with external manag-

ers, and participation in seminars including chain stores management theory.

For outside directors, we provide explanations on the Group's businesses and issues, and offer opportunities for training by external institutions on the roles and responsibilities generally required in society for external directors. Furthermore, outside directors work to grasp the latest industry trend through attending the national convention of Japan Council of Shopping Centers and various seminars, while they seek to deepen understanding of the actual management status and to enrich the insight through visiting our shops and exchanging opinions with shop managers.

The full-time Audit & Supervisory Board members attend trainings held by Auditor Association and external accounting audits and share the information they gained with other members.

Principle 5.1 Policy on constructive engagement with shareholders

The Company aims for sustainable growth and medium to long-term improvements in corporate value through constructive engagement with shareholders. Engagement is supervised by the President and Representative Directors and actual meetings are basically handled by upper management within a reasonable scope in consideration of the desires of shareholders and the main points of interests in the talks.

[Policy on encouraging constructive engagement with shareholders]

- The Senior Managing Director serves as the executive responsible for IR who responds to IR while working closely together with the related departments.
- An IR representative has been assigned to the Finance Department who works together with the General Affairs Department and other related departments to respond to individual shareholders and institutional investors, etc.
- Feedback is provided to the upper management as appropriate through reports at the management meeting, etc. on the opinions and concerns of shareholders discovered through engagement.
- Laws and regulations and related rules, etc. are complied with and insider information is appropriately managed during engagement with shareholders.
- The Company works to get an understanding of the composition of shareholders as necessary.

Status of internal controls, and compliance and risk management systems

The status of internal control and risk management systems is as follows: 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 the 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 the 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.

Compliance

Ensuring corporate governance with compliance education and risk management

Izumi has been promoting internal control initiatives for a long time. The Medium-Term Management Plan was started in March 2018, setting a target of aiming to strive for Japan's No. 1 high quality regional GMS. We will work to implement internal controls through the following measures in order to improve our corporate value and gain trust.

■ 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 have 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 (As of May 29, 2019)

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)

Reasons for Appointment as a Director

Yasuaki Yamanishi has been conducted important operation and decision makings on management as president and representative director of Izumi. The board also judged that he has extensive experience, proven results and wide-ranging insight and would be able to contribute for our sustainable growth and the improvement of corporate value in medium-long term, and therefore appointed him as president.

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 Shimbashi 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
January 2019	Becomes Senior Managing Director and Administration Division/ Group Management Division Manager of the Company (current position)

Reasons for Appointment as a Director

Tatsuya Mikamoto has been conducted important operation and decision makings on management as administration division manager and group management division manager. The board also judged that he has extensive experience, proven results and wide-ranging insight in administration division and would be able to contribute for our sustainable growth and the improvement of corporate value in medium-long term, and therefore appointed him as director.

Director Masahiko Honda

April 1986	Joins the Company
July 1997	Becomes Section Chief of the Controller 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)

Reasons for Appointment as a Director

Masahiko Honda has been conducted important operation and decision makings as corporate planning department manager. The board also judged that he has extensive experience, proven results and wide-ranging insight in corporate planning department and would be able to contribute for our sustainable growth and the improvement of corporate value in medium-long term, and therefore appointed him as director.

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)

Reasons for Appointment as a Director

Yuichiro Kajihara has been conducted important operation and decision makings on management as sales division manager. The board also judged that he has extensive experience, proven results and wide-ranging insight in sales division and would be able to contribute for our sustainable growth and the improvement of corporate value in medium-long term, and therefore appointed him as director.

Managing Director of the Company Toyomi Nakamura

March 1972	Joins the Company
March 1988	Becomes Section Chief of the Fresh Produce Section of the Food Department of the Company
February 1996	Becomes Manager of the Food Department I
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
March 2019	Becomes Managing Director and Sales Department Manager of the Company's Kyushu South zone (current position)

Reasons for Appointment as a Director

Toyomi Nakamura has been conducted important operation and decision makings on management as director and operations department manager of the company's Kyushu South zone. The board also judged that he has extensive experience, proven results and wide-ranging insight in sales division and would be able to contribute for our sustainable growth and the improvement of corporate value in medium-long term, and therefore appointed him as director.

Director

Akio Nitōri Outside Director Independent

March 1972	Founds NITORI Furniture Wholesale Center Co., Ltd. (currently NITORI Holdings Co., Ltd.), becomes Senior Managing Director
May 1978	Becomes President and Representative Director of NITORI Holdings Co., Ltd.
May 2014	Becomes Chairperson and Representative Director of NITORI Co., Ltd. (current position)
May 2015	Becomes Director and Supreme Advisor of Home Logistics Co., Ltd.
February 2016	Becomes Chairperson and Representative Director of NITORI Holdings Co., Ltd. (current position)
May 2016	Becomes Outside Director of KOHNAN SHOJI CO., LTD. (current position)
May 2017	Becomes Director and Founder of Home Logistics Co., Ltd. (current position)
	Becomes Outside Director of the Company (current position)

Reasons for Appointment as an Outside Director

As president and chairman of Nitōri Group's Nitōri Holdings Inc., Japan's top manufacturer, distribution and retailer of furniture and interior goods, Akio Nitōri brings extensive experience, proven results and wide-ranging insight on corporate management. The board also judged that he would be able to bring an objective viewpoint independent of the management team and make a large contribution to the running of Izumi, and therefore appointed him as an outside director. Mr. Nitōri was appointed as an independent officer as it was determined that there would be no conflict of interest with general shareholders in carrying out his duties as an outside director.

Director

Kunihiko Yoneda Outside Director Independent

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 Outside Director of the Company (current position)

Reasons for Appointment as an Outside Director

A university professor specializing in business administration with extensive knowledge of and high-level insights in corporate management, Professor Yoneda was appointed as an outside director because the board judged that he would be able to bring an objective viewpoint independent of the management team and make a large contribution to the running of Izumi. Professor Yoneda has never been involved in the corporate management except becoming our outside director, however, from the above reason, the board judged that he would execute his duty appropriately and therefore appointed him as outside director. Professor Yoneda was appointed as an independent officer as it was determined that there is no personal, capital, or business relationship with Izumi, or other conflicts of interest, nor conflict of interest with general shareholders in carrying out his duties as an outside director.

Audit & Supervisory Board Members (As of May 29, 2019)

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)

Reasons for Appointment as Audit & Supervisory Board member

Kuniaki Kawamoto was appointed as an Audit & Supervisory Board member for impartial audits for his knowledge and experience from a neutral and objective position as a licensed tax accountant and full-time corporate auditor, and we have judged that he would execute his duties appropriately.

Audit & Supervisory Board Member

Yasuyuki Tsudo Outside Audit

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)

Reason for Appointment as an Outside Corporate Auditor

Yasuyuki Tsudo was appointed as an outside corporate auditor for impartial audits for his knowledge and experience as a licensed tax accountant and accounting expert. We appointed him because we have judged that there is no personal, capital, or business relationship with Izumi, or other conflicts of interest.

Audit & Supervisory Board Member

Jiro Matsubara Outside Audit Independent

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)

Reasons for Appointment as Outside Audit

Jiro Matsubara was appointed as an outside corporate auditor for impartial audits for his knowledge and experience as a certified public accountant and tax and accounting expert. We have judged that there is no personal, capital, or business relationship with Izumi, or other conflicts of interest. The Tokyo Stock Exchange has been notified of his position as an independent officer, as we have judged that there is no possibility of conflict of interest with general shareholders.

Eleven-Year Summary: Main Consolidated Financial Information and Non-Financial Information

	FY2/2009	FY2/2010	FY2/2011	FY2/2012	FY2/2013	FY2/2014	FY2/2015	FY2/2016	FY2/2017	FY2/2018	FY2/2019
Operating results (millions of yen)											
Operating revenue	500,293	492,140	502,379	515,875	535,510	556,852	579,739	668,784	702,121	729,857	732,136
Net sales	477,159	468,742	478,988	491,955	510,438	530,871	552,746	638,754	670,253	696,266	697,679
Operating profit	20,412	20,410	21,783	24,254	27,949	29,100	30,330	31,912	35,670	38,487	35,273
Ordinary profit	19,638	19,730	20,949	23,539	27,102	28,446	29,767	31,102	35,688	38,208	35,099
Profit attributable to owners of the parent	12,734	8,752	9,941	11,062	16,187	17,384	17,360	18,766	17,015	26,932	23,488
Cash flows from operating activities	36,100	34,427	12,181	25,561	27,196	25,683	52,246	13,553	33,104	42,592	33,642
Cash flows from investing activities	(39,451)	(20,253)	(8,230)	(9,682)	(20,356)	(19,948)	(20,897)	(26,071)	(19,938)	(29,067)	(19,101)
Cash flows from financing activities	3,683	(8,393)	(7,117)	(21,934)	(6,272)	(5,501)	(25,159)	12,956	(16,252)	(15,477)	(14,793)
Cash and cash equivalents at the end of period	9,751	15,490	12,316	6,260	6,862	6,800	12,990	13,429	10,342	8,389	8,136
Depreciation	14,094	15,115	14,551	13,854	13,464	12,827	12,902	15,044	15,691	16,171	15,862
Amortization of goodwill	169	—	—	—	28	114	151	454	1,078	997	822
Capital investment	45,501	16,169	5,478	15,139	18,705	30,813	24,451	21,435	27,727	15,869	21,507
Financial condition (millions of yen)											
Total assets	385,159	388,277	368,584	370,377	379,824	397,071	432,416	468,026	476,885	479,867	485,173
Net assets	116,667	123,745	132,513	125,389	126,139	130,178	145,709	157,851	171,963	194,851	211,546
Shareholders' equity	110,008	117,059	122,537	112,302	115,380	120,211	134,818	147,648	160,566	182,956	199,897
Interest-bearing liabilities	172,655	166,058	160,743	158,106	167,471	173,999	157,922	193,018	182,146	171,995	162,974
Financial indicators											
Operating profit ratio on sales	4.3%	4.4%	4.5%	4.9%	5.5%	5.5%	5.5%	5.0%	5.3%	5.5%	5.1%
Return on equity (ROE)	12.2%	7.7%	8.3%	9.4%	14.2%	14.8%	13.6%	13.3%	11.0%	15.7%	12.3%
Return on assets (ROA)	5.3%	5.1%	5.5%	6.4%	7.2%	7.3%	7.2%	6.9%	7.6%	8.0%	7.3%
Equity ratio	28.6%	30.1%	33.2%	30.3%	30.4%	30.3%	31.2%	31.5%	33.7%	38.1%	41.2%
Dividend payout ratio	11.9%	17.4%	15.3%	16.2%	18.4%	18.2%	21.1%	24.4%	27.8%	20.0%	24.4%
Per-share indicators (yen)											
Book value per share (BPS)	1,154.70	1,228.70	1,286.20	1,388.45	1,541.32	1,672.92	1,876.22	2,060.44	2,240.66	2,553.14	2,789.58
Earnings per share (EPS)	134.09	91.86	104.35	123.74	207.01	236.55	241.6	261.96	237.45	375.83	327.79
Dividends per share (DPS)	16.00	16.00	16.00	20.00	38.00	43.00	51.00	64.00	66.00	75.00	80.00
Non-Financial Information											
Total number of issued shares at the end of period (unit: shares)	123,117,420	123,117,420	109,117,420	95,273,420	78,861,920	78,861,920	78,861,920	78,861,920	78,861,920	71,665,200	71,665,200
Number of treasury shares at the end of the period (unit: shares)	27,847,341	27,845,657	13,846,891	14,390,035	4,003,716	7,004,785	7,005,563	7,203,273	7,201,306	5,676	6,700
Number of stores at the end of period (Group) (unit: stores) *1	98	99	100	102	111	121	156	217	198	200	202
Number of stores at the end of period (Non-consolidated) (unit: stores)	83	85	87	88	92	102	103	103	105	110	112
Net sales for existing stores year-on-year (Non-consolidated)	98.5%	95.3%	100.1%	101.2%	100.1%	102.7%	101.8%	101.4%	101.5%	99.2%	99.4%
Cumulative number of "youmeka" issued (unit: 10,000 cards)	—	—	1	43	116	350	475	551	617	684	752
Number of employees (unit: people)	3,548	3,542	3,500	3,334	3,344	3,151	3,467	4,164	4,072	4,189	4,358
Part-time employees (unit: people) *2	6,999	7,165	7,009	6,950	7,088	7,297	8,503	10,225	10,761	11,263	11,234

*1. Total number of stores for Izumi Co., Ltd. and four food supermarket subsidiaries.

*2. Part-time employees are annual average number of employees based on 8-hour equivalent.

Management analysis of the fiscal year under review

Pursuing growth with the enhancement of competitiveness, resource development, and streamlining the business

Tatsuya Mikamoto

Senior Management Director,
Administrator Division Manager



Results of operations

During the fiscal year under review, there was continued growth in the Japanese economy led by the corporate sector; however, a succession of natural disasters affected the domestic economy and the global economy faced an uncertain outlook, with factors such as trade matters between the United States and China. As far as the economic growth deceleration of domestic companies was concerned, consumption continued to be restrained by a decline in purchasing power in the household sector accompanying price increases against a backdrop of low growth in wages.

“July 2018 Heavy Rainfall” damaged some stores of our group in the affected area. Three stores (two in Hiroshima, one in Okayama) suffered from flooding. Two stores reopened in a short period, while one store closed. We provided support activities to assist the disaster area and rolled out fund-raising activities for disaster relief in 199 group stores except those affected three stores to carry out initiatives toward reconstruction.

Under such circumstances, the Group released its Medium-Term Management Plan (from fiscal year ending February 2019 to fiscal year ending February 2021) guided by the management vision of aspiring to “strive for Japan’s No. 1 high quality regional GMS.” As we further strengthened competitiveness of our existing operations, we pushed forward and focused injection of our management resources into the growing fields. As this term is the first year of the management plan, we have formulated a more aggressive growth strategy, the enhancement of competitiveness, and resource development measurements, and established “Future Creation Department” as a part of reorganization. We have started initiatives to redefine the ideal retail business in the future through sales promotion, improvement of customer service and store operation productivity, and promoting full digitization of information systems.

As a result, sales revenues increased, but profits decreased, recording high levels for the operating revenue for the fiscal year under review.

Results summary

In total revenue, net sales rose by ¥1,412 million (up 0.2% year on year) to ¥697,679 million. Operating revenue increased by ¥865 million (up 2.6%) to reach ¥34,457 million. This was attributed mainly to an increase in sales from the full-year operation of stores newly established or expanded during the previous fiscal year, the current fiscal year, while existing stores struggled to increase sales.

Gross profit came in at ¥153,571 million, an increase of ¥512 million compared to the previous year. The gross profit margin was 22.0% which is same rate as the one of FY2018.

With regard to selling, general and administrative expenses (SG&A), although efforts were made to control costs, expenses increased due to the increase of labor cost and new store establishment costs during this fiscal year, resulting in ¥152,754 million, an increase of ¥4,591 million (up 3.1%) compared to the previous year. The SG&A margin was 21.9%, which is 0.6 percentage points higher than the previous fiscal year. Accordingly, operating profit decreased by ¥3,213 million (down 8.3%) to ¥35,273 million, for an operating margin of 5.1%, which was 0.4 percentage points lower than the previous fiscal year.

Non-operating income decreased by ¥44 million (down 2.8%) to ¥1,518 million. Non-operating expenses decreased by ¥148 million (down 8.1%) to ¥1,692 million including the factor that interest expenses decreased. As a result, ordinary profit decreased by ¥3,108 million (down 8.1%) to ¥35,099 million. An ordinary profit margin was 5.0%, which was down 0.5 percentage points from the previous fiscal year.

Extraordinary income came to ¥1,480 million, down ¥963 million from the previous fiscal year. This was mainly attributable to revenue from subsidy income of ¥1,112 million and a gain on insurance of ¥309 million. Meanwhile, extraordinary losses mainly consisted of ¥1,029 million as loss on valuation of investments in capital, disaster-related costs of ¥360 million due to the “July 2018 Heavy Rainfall” event and a ¥450 million reconstruction donation, and an impairment loss of ¥654 million, which totaled ¥3,085 million,, an increase of ¥1,636 million compared to the previous fiscal year.

Total income taxes were ¥9,894 million, down ¥2,007 million year on year. Profit attributable to non-controlling interests was ¥111 million (down ¥258 million compared to the previous fiscal year).

As a result of the above, profit attributable to owners of parent decreased ¥3,443 million (down 12.8%) to ¥23,488 million for a net profit margin of 3.4%, which was down 0.5 percentage points from the previous fiscal year.

Analysis of financial position

With regard to total assets, due mainly to the construction of new stores during the fiscal year came to ¥21,507 million. As a result, property, plant and equipment, after accounting for depreciation, increased by ¥4,572 million. Notes and accounts receivable-trade rose by ¥2,539 million due to an increase in credit transactions.

With regard to liabilities, notes and accounts payable-trade decreased by ¥3,373 million due to factors including clearing the due balance from previous year in this fiscal year which was not invoiced due to a system failure of the credit company. Income taxes payable decreased by ¥3,800 million due to factors including the decrease of taxable income. Short-term loans payable and long-term loans payable fell by a combined ¥8,945 million.

In net assets, earned surplus rose by ¥17,579 million due to factors which include an increase in internal reserves. As a result of the above factors, the equity ratio was 41.2%, 3.1 percentage points higher than the 38.1% recorded at the end of the previous fiscal year.

Statement of cash flows

The main items in cash inflows from operating activities were profit before income taxes of ¥33,495 million and depreciation of ¥15,862 million. The main cash outflows were income taxes paid of ¥13,887 million, a decrease in notes and accounts payable-trade of ¥3,373 million and an increase in notes and accounts receivable-trade of ¥2,539 million.

The main item in cash outflows from investing activities was the purchase of property, plant and equipment which came to ¥17,378 million. This was related primarily to the construction of new stores.

The main item in cash inflows from financing activities was proceeds from long-term loans payable of ¥19,500 million. The main outflows were repayments of long-term loans payable of ¥29,521 million, and cash dividends paid of ¥5,732 million.

In consequence, cash and cash equivalents at the end of the period fell by ¥252 million over the end of the previous fiscal year to ¥8,136 million.

Dividend policy

In terms of dividends paid from surplus this fiscal year, the

interim dividend was increased to ¥40 per share (compared to ¥35 per share in the previous fiscal year), reflecting the strong business performance.

The year-end dividend has been kept to ¥40 per share. As a result, the annual dividend comes to ¥80 per share (compared to ¥75 per share in the previous fiscal year).

Outlook for the fiscal year ending February 28, 2020

The Group released its Medium-Term Management Plan (from fiscal year ending February 2019 to fiscal year ending February 2021) in October 2017. Under the management vision of aiming to “strive for Japan’s No.1 high quality regional GMS,” we have set forth measures for growth strategy, strengthening competitiveness, and human resource development that are even more aggressive than those up until now to use the difficult management environment in the retail industry as an opportunity to further improve growth and corporate value in response to changes in the external environment.

For future outlook, there is concern that economic growth will be weakened because a slump in exports due to the slowing down overseas economic growth and deteriorating profitable growth which supported economic growth. The impact of raising the consumption tax rate to the household sector is considered to be less than the condition in FY1997 and FY2014, since huge measures will be taken by the government. However, it is expected that the household sector will still remain difficult and personal consumption will remain sluggish continuously. In addition, securing personnel will still be a serious problem due to difficulties in hiring as a result of a lack of human resources. Furthermore, profitability forecast for the newly open stores is getting lower due to the rise of construction costs.

Under such circumstances, the Group judged that the deterioration of business environment in the first year of the Medium-Term Management Plan would continue for a while, and therefore we revised the plan announced on October 10, 2017. For details, please refer to “Revision of the Medium-Term Management Plan” released on April 9, 2019.

As for store expansion, we transferred one shopping center from Ito-Yokado Co., Ltd. and reopened it as youme Town Fukuyama (Fukuyama City, Hiroshima Prefecture). The facility was renovated after the transfer in March 2019 and fully opened in June 2019. We also newly opened three supermarkets, youme Mart Hita (Hita City, Oita Prefecture), youme Mart Mitajiri (Hofu City, Yamaguchi Prefecture), and youme Mart Minami-Onoda (Sanyo-Onoda City, Yamaguchi Prefecture). youme Mart Aoyama (Yahatanishi Ward, Kitakyushu City, Fukuoka Prefecture) was opened in July 2019.

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 existing stores sales to grow by 101.0% year on year.

Consolidated Balance Sheets
Izumi Co., Ltd. and Its Consolidated Subsidiaries

As of Feb. 28, 2018 and Feb. 28, 2019

	(Millions of yen)	(Thousands of U.S. dollars)
	As of Feb. 28, 2018	As of Feb. 28, 2019
(Assets)		
Current assets:		
Cash and deposits	8,410	8,136
Notes and accounts receivable—trade	37,245	39,784
Merchandise and finished goods	28,047	28,355
Work in process	81	22
Raw materials and supplies	452	558
Deferred tax assets	2,569	2,569
Other	15,081	15,890
Allowance for doubtful accounts	(827)	(584)
Total current assets	91,062	94,734
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	383,874	393,145
Accumulated depreciation	(220,584)	(230,168)
Buildings and structures, net	163,290	162,976
Machinery, equipment and vehicles	8,681	9,445
Accumulated depreciation	(5,878)	(6,304)
Machinery, equipment and vehicles, net	2,803	3,141
Land	159,178	162,745
Leased assets	445	382
Accumulated depreciation	(333)	(337)
Leased assets, net	111	45
Construction in progress	439	1,607
Other	42,160	42,161
Accumulated depreciation	(34,434)	(34,557)
Other, net	7,725	7,604
Total property, plant and equipment	333,548	338,121
Intangible assets:		
Goodwill	5,263	3,958
Other	8,281	8,219
Total intangible assets	13,545	12,177
Investments and other assets:		
Investment securities	11,390	10,396
Long-term loans receivable	1,625	1,584
Deferred tax assets	5,414	5,999
Lease and guarantee deposits	18,024	17,540
Other	5,799	5,180
Allowance for doubtful accounts	(543)	(559)
Total investments and other assets	41,711	40,140
Total non-current assets	388,805	390,439
Total assets	479,867	485,173

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥111.37=U.S. \$1 as of February 28, 2019.

	(Millions of yen)	(Thousands of U.S. dollars)
	As of Feb. 28, 2018	As of Feb. 28, 2019
(Liabilities)		
Current liabilities:		
Notes and accounts payable—trade	34,649	31,275
Short-term loans payable	24,670	25,746
Current portion of long-term loans payable	28,616	21,264
Accounts payable—other	7,801	10,415
Income taxes payable	8,577	4,777
Provision for bonuses	2,028	2,132
Provision for directors' bonuses	16	10
Provision for point card certificates	2,436	2,558
Provision for loss on recollection of gift certificates	145	166
Asset retirement obligations	—	130
Other	13,278	15,005
Total current liabilities	122,220	113,482
Non-current liabilities:		
Long-term loans payable	118,581	115,912
Lease obligations	52	11
Long-term lease and guarantee deposited	23,813	24,008
Provision for directors' retirement benefits	1,719	2,176
Provision for loss on interest repayment	85	102
Net defined benefit liability	7,777	8,050
Deferred tax liabilities	2,592	1,631
Asset retirement obligations	7,784	7,914
Other	386	336
Total non-current liabilities	162,794	160,144
Total liabilities	285,015	273,626
(Net assets)		
Shareholders' equity:		
Capital stock	19,613	19,613
Capital surplus	22,247	22,247
Retained earnings	139,951	157,530
Treasury shares	(18)	(25)
Total shareholders' equity	181,795	199,367
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	1,580	737
Remeasurements of defined benefit plans	(418)	(208)
Total accumulated other comprehensive income	1,161	529
Non-controlling interests	11,894	11,649
Total net assets	194,851	211,546
Total liabilities and net assets	479,867	485,173

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥111.37=U.S. \$1 as of February 28, 2019.

Consolidated Statements of Income Izumi Co., Ltd. and Its Consolidated Subsidiaries

For the fiscal years ended Feb. 28, 2018 and Feb. 28, 2019

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended Feb. 28, 2018	Year ended Feb. 28, 2019	Year ended Feb. 28, 2019
Net sales	696,266	697,679	6,264,515
Cost of sales	543,206	544,107	4,885,580
Gross profit	153,059	153,571	1,378,926
Operating revenue	33,591	34,457	309,392
Operating gross profit	186,651	188,028	1,688,318
Selling, general and administrative expenses:			
Advertising and promotion expenses	14,494	14,864	133,465
Distribution expenses	7,494	8,073	72,488
Provision of allowance for doubtful accounts	142	183	1,643
Employees' salaries and bonuses	50,917	52,302	469,624
Provision for bonuses	1,728	1,902	17,078
Welfare expenses	9,141	9,903	88,920
Retirement benefit expenses	1,159	1,202	10,793
Rent expenses	11,585	11,556	103,762
Utilities expenses	8,072	8,639	77,570
Depreciation	15,693	15,357	137,892
Provision for directors' retirement benefits	72	515	4,624
Other	27,660	28,253	253,686
Total selling, general and administrative expenses	148,163	152,754	1,371,590
Operating profit	38,487	35,273	316,719
Non-operating income:			
Interest and Dividend income	242	258	2,317
Purchase discounts	299	299	2,685
Gain on adjustment of account payable	130	108	970
Share of profit of entities accounted for using equity method	48	35	314
Penalty income	163	191	1,715
Other	677	626	5,621
Total non-operating income	1,562	1,518	13,630
Non-operating expenses:			
Interest expenses	1,094	919	8,252
Compensation expenses	159	160	1,437
Other	586	613	5,504
Total non-operating expenses	1,841	1,692	15,193
Ordinary profit	38,208	35,099	315,157
Extraordinary income:			
Gain on sales of non-current assets	501	55	494
Gain on sales of investment securities	252	0	0
Subsidy income	1,656	1,112	9,985
Income from insurance	5	309	2,775
Other	26	3	27
Total extraordinary income	2,443	1,480	13,289
Extraordinary losses:			
Loss on sales of non-current assets	49	27	242
Loss on retirement of non-current assets	464	313	2,810
Impairment loss	597	654	5,872
Loss on disaster	197	360	3,232
Contribution to relief	-	450	4,041
Loss on valuation of investments in capital	-	1,029	9,239
Other	139	248	2,227
Total extraordinary losses	1,448	3,085	27,700
Profit before income taxes:	39,204	33,495	300,754
Income taxes—current	12,248	10,418	93,544
Income taxes—deferred	(345)	(523)	(4,696)
Total income taxes:	11,902	9,894	88,839
Profit	27,301	23,600	211,906
Profit attributable to non-controlling interests	369	111	997
Profit attributable to owners of parent	26,932	23,488	210,901

Consolidated Statements of Comprehensive Income Izumi Co., Ltd. and Its Consolidated Subsidiaries

For the fiscal years ended Feb. 28, 2018 and Feb. 28, 2019

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended Feb. 28, 2018	Year ended Feb. 28, 2019	Year ended Feb. 28, 2019
Profit	27,301	23,600	211,906
Other comprehensive income:			
Valuation difference on available-for-sale securities	376	(1,165)	(10,461)
Remeasurements of defined benefit plans, net of tax	123	210	1,886
Total other comprehensive income	499	(954)	(8,566)
Comprehensive income	27,801	22,645	203,331
Comprehensive income attributable to:			
Comprehensive income attributable to owners of parent	27,220	22,856	205,226
Comprehensive income attributable to non-controlling interests	581	(210)	(1,886)

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥111.37=U.S. \$1 as of February 28, 2019.

Consolidated Statement of Changes in Net Assets Izumi Co., Ltd. and its subsidiaries

Fiscal year ended Feb. 28, 2018

	Shareholders' equity					Accumulated other comprehensive income			non-controlling interests	Total net assets
	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	22,493	136,070	(18,484)	159,693	1,415	(541)	873	11,396	171,963
Changes of items during period										
Dividends of surplus			(4,872)		(4,872)					(4,872)
Profit attributable to owners of parent			26,932		26,932					26,932
Purchase of treasury shares				(6)	(6)					(6)
Disposal of treasury shares		(295)	(18,178)	18,473	-					-
Purchase of shares of consolidated subsidiaries		49			49					49
Net changes of items other than shareholders' equity						165	123	288	498	786
Total changes of items during period	-	(245)	3,881	18,466	22,101	165	123	288	498	22,888
Balance at end of current period	19,613	22,247	139,951	(18)	181,795	1,580	(418)	1,161	11,894	194,851

Fiscal year ended Feb. 28, 2019

	Shareholders' equity					Accumulated other comprehensive income			non-controlling interests	Total net assets
	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	22,247	139,951	(18)	181,795	1,580	(418)	1,161	11,894	194,851
Changes of items during period										
Dividends of surplus			(5,732)		(5,732)					(5,732)
Profit attributable to owners of parent			23,488		23,488					23,488
Purchase of treasury shares				(6)	(6)					(6)
Change in scope of consolidation			0		0					0
Change of scope of equity method			(177)		(177)					(177)
Net changes of items other than shareholders' equity						(842)	210	(632)	(245)	(877)
Total changes of items during period	-	-	17,579	(6)	17,572	(842)	210	(632)	(245)	16,695
Balance at end of current period	19,613	22,247	157,530	(25)	199,367	737	(208)	529	11,649	211,546

Fiscal year ended Feb. 28, 2019

	Shareholders' equity					Accumulated other comprehensive income			non-controlling interests	Total net assets
	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	176,107	199,758	1,256,631	(162)	1,632,352	14,187	(3,753)	10,425	106,797	1,749,582
Changes of items during period										
Dividends of surplus			(51,468)		(51,468)					(51,468)
Profit attributable to owners of parent			210,901		210,901					210,901
Purchase of treasury shares				(54)	(54)					(54)
Change in scope of consolidation			0		0					0
Change of scope of equity method			(1,589)		(1,589)					(1,589)
Net changes of items other than shareholders' equity						(7,560)	1,886	(5,675)	(2,200)	(7,875)
Total changes of items during period	-	-	157,843	(54)	157,780	(7,560)	1,886	(5,675)	(2,200)	149,906
Balance at end of current period	176,107	199,758	1,414,474	(224)	1,790,132	6,618	(1,868)	4,750	104,597	1,899,488

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥111.37=U.S. \$1 as of February 28, 2019.

Consolidated Statements of Cash Flows Izumi Co., Ltd. and Its Consolidated Subsidiaries

For the fiscal years ended Feb. 28, 2018 and Feb. 28, 2019

	(Millions of yen)		(Thousands of U.S. dollars)
	Year ended Feb. 28, 2018	Year ended Feb. 28, 2019	Year ended Feb. 28, 2019
Cash flows from operating activities:			
Profit before income taxes	39,204	33,495	300,754
Depreciation	16,171	15,862	142,426
Impairment loss	597	654	5,872
Loss on disaster	197	360	3,232
Amortization of goodwill	997	822	7,381
Increase (decrease) in allowance for doubtful accounts	(50)	153	1,374
Interest and dividend income	(242)	(258)	(2,317)
Interest expenses	1,094	919	8,252
Share of (profit) loss of entities accounted for using equity method	(48)	(35)	(314)
Subsidy income	(1,656)	(1,112)	(9,985)
Insurance income	(5)	(309)	(2,775)
Loss on valuation of investments in capital	-	1,029	9,239
Loss (gain) on sales of investment securities	(226)	17	153
Loss (gain) on valuation of investment securities	-	47	422
Loss (gain) on sales of non-current assets	(452)	(28)	(251)
Loss on retirement of non-current assets	464	313	2,810
Decrease (increase) in notes and accounts receivable—trade	(3,598)	(2,539)	(22,798)
Decrease (increase) in inventories	(363)	(519)	(4,660)
Increase (decrease) in notes and accounts payable—trade	4,149	(3,373)	(30,286)
Increase (decrease) in net defined benefit liability	339	370	3,322
Other, net	(1,118)	2,125	19,081
Subtotal	55,453	47,995	430,951
Interest and dividend income received	220	235	2,110
Interest expenses paid	(1,121)	(935)	(8,395)
Proceeds from subsidy income	1,656	112	1,006
Proceeds from insurance income	5	309	2,775
Payments for loss on disaster	(2,074)	(186)	(1,670)
Income taxes (paid) refund	(11,547)	(13,887)	(124,692)
Net cash provided by (used in) operating activities	42,592	33,642	302,074
Cash flows from investing activities:			
Purchase of property, plant and equipment	(27,053)	(17,378)	(156,038)
Proceeds from sales of property, plant and equipment	1,412	323	2,900
Purchase of intangible assets	(950)	(1,498)	(13,451)
Purchase of investment securities	(3,618)	(918)	(8,243)
Proceeds from sales of investment securities	939	204	1,832
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	26	-	-
Decrease (increase) in short-term loans receivable	(260)	(189)	(1,697)
Other, net	437	354	3,179
Net cash provided by (used in) investing activities	(29,067)	(19,101)	(171,509)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(2,621)	1,076	9,661
Proceeds from long-term loans payable	19,050	19,500	175,092
Repayments of long-term loans payable	(26,782)	(29,521)	(265,071)
Purchase of treasury shares	(6)	(6)	(54)
Cash dividends paid	(4,872)	(5,732)	(51,468)
Dividends paid to non-controlling interests	(28)	(34)	(305)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(95)	-	-
Other, net	(120)	(74)	(664)
Net cash provided by (used in) financing activities	(15,477)	(14,793)	(132,828)
Net increase (decrease) in cash and cash equivalents	(1,952)	(252)	(2,263)
Cash and cash equivalents at beginning of period	10,342	8,389	75,325
Cash and cash equivalents at end of period	8,389	8,136	73,054

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate ¥111.37=U.S. \$1 as of February 28, 2019.

Company Summary (As of February 28, 2019)

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: 2,723
 Part-time: 6,147 (8-hour shift equivalent)
Number of malls and stores 112 (including 10 standalone X-SELL stores)

Chugoku Region: 64
 Hiroshima Pref.: 33; Okayama Pref.: 11;
 Yamaguchi Pref.: 13; Shimane Pref.: 7

Kyushu Region: 35
 Fukuoka Pref.: 19; Oita Pref.: 2;
 Kumamoto Pref.: 9; Saga Pref.: 3;
 Nagasaki Pref.: 2

Other Regions: 13
 Kagawa Pref.: 4; Tokushima Pref.: 1;
 Hyogo Pref.: 3; Other: 5

Major Shareholders (As of February 28, 2019)

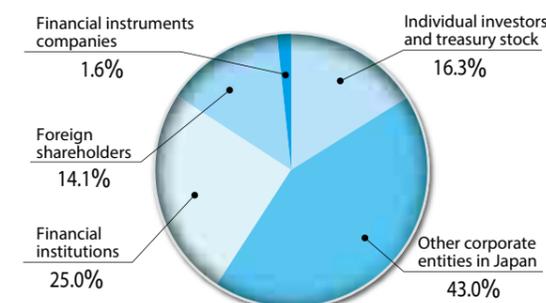
Shareholder name	Shares held (thousands)	Percentage of total shares
Yamanishi World, Ltd.	19,935	27.8%
DAIICHI FUDOUSAN CO., LTD.	4,208	5.9%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,951	4.1%
The Hiroshima Bank, Ltd.	2,362	3.3%
Nippon Life Insurance Co.	2,093	2.9%
Izumi Hiroshima Kyoeikai	2,060	2.9%
Yasuaki Yamanishi	2,036	2.8%
The Dai-ichi Life Insurance Co., Ltd.	2,030	2.8%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,522	2.1%
National Mutual Insurance Federation of Agricultural Cooperatives	1,335	1.9%

Note: The percentage of total shares is calculated after excluding treasury stock (6,700 shares).

Stock Information (As of February 28, 2019)

Total number of shares issued by the Company 195,243,000
Total number of outstanding shares 71,665,200
Number of shareholders 5,049

Distribution of Shares by Type of Shareholder (As of February 28, 2019)



Historical trend of stock price

